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СУМСЬКИЙ ДЕРЖАВНИЙ УНІВЕРСИТЕТ
КАФЕДРА ІНОЗЕМНИХ МОВ
ЛІНГВІСТИЧНИЙ НАВЧАЛЬНО-МЕТОДИЧНИЙ ЦЕНТР

МАТЕРІАЛИ
Х ВСЕУКРАЇНСЬКОЇ НАУКОВО-ПРАКТИЧНОЇ КОНФЕРЕНЦІЇ СТУДЕНТІВ, АСПІРАНТІВ ТА ВИКЛАДАЧІВ ЛІНГВІСТИЧНОГО НАВЧАЛЬНО-МЕТОДИЧНОГО ЦЕНТРУ КАФЕДРИ ІНОЗЕМНИХ МОВ

"WITH FOREIGN LANGUAGES TO MUTUAL UNDERSTANDING, BETTER TECHNOLOGIES AND ECOLOGICALLY SAFER ENVIRONMENT"

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MONOPOLIES AND OLIGOPOLIES

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A monopoly exists when a specific person or enterprise is the only supplier of a particular commodity. Monopolies are thus characterized by a lack of economic competition to produce the good or service, a lack of viable substitute goods, and the possibility of a high monopoly price well above the firm's marginal cost that leads to a high monopoly profit. The verb “monopolise” or “monopolize” refers to the process by which a company gains the ability to raise prices or exclude competitors. In economics, a monopoly is a single seller. In law, a monopoly is a business entity that has significant market power, that is, the power to charge overly high prices. Although monopolies may be big businesses, size is not a characteristic of a monopoly. A small business may still have the power to raise prices in a small industry (or market).

A monopoly is distinguished from a monopsony, in which there is only one buyer of a product or service; a monopoly may also have monopsony control of a market sector. Likewise, a monopoly should be distinguished from a cartel (a form of oligopoly), in which several providers act together to coordinate services, prices or sale of goods. Monopolies, monopsonies and oligopolies are all situations such that one or a few of the entities have market power and therefore interact with their customers (monopoly), suppliers (monopsony) and the other companies (oligopoly) in ways that leave market interactions distorted.

Monopolies can be established by a government, form naturally, or form by integration.

In many jurisdictions, competition laws restrict monopolies. Holding a dominant position or a monopoly of a market is often not illegal in itself, however certain categories of behavior can be considered abusive and therefore incur legal sanctions when business is dominant. A government-granted monopoly or legal monopoly, by contrast, is sanctioned by the state, often to provide an incentive to invest in a risky venture or enrich a domestic interest group. Patents, copyrights, and trademarks are sometimes used as examples of government-granted monopolies. The government may also reserve the venture for itself, thus forming a government monopoly.

Oligopoly is a common market form where a number of firms are in competition. As a quantitative description of oligopoly, the four-firm concentration ratio is often utilized. This measure expresses the market share of the four largest firms in an industry as a percentage. For example, as of fourth quarter 2008, Verizon, AT&T, Sprint, and T-Mobile together control 97% of the US cellular phone market.

Oligopolistic competition can give rise to a wide range of different outcomes. In some situations, the firms may employ restrictive trade practices (collusion, market sharing etc.) to raise prices and restrict production in much the same way as a monopoly. Where there is a formal agreement for such collusion, this is known as a cartel. A primary example of such a cartel is OPEC which has a profound influence on the international price of oil.

Firms often collude in an attempt to stabilize unstable markets, so as to reduce the risks inherent in these markets for investment and product development. There are legal restrictions on such collusion in most countries. It does not have to be a formal agreement for collusion to take place (although for the act to be illegal there must be actual communication between companies) – for example, in some industries there may be an acknowledged market leader which informally sets prices to which other producers respond, known as price leadership.

In other situations, competition between sellers in an oligopoly can be fierce, with relatively low prices and high production. This could lead to an efficient outcome approaching perfect competition. The competition in an oligopoly can be greater when there are more firms in an industry than, for example, if the firms were only regionally based and did not compete directly with each other.