COMPETITION AND MARKET CONDITIONS

**Competition is the economic rivalry that occurs among businesses when producers in a given industry attempt to gain a larger share of the market. Economists use the term 'market structure' to describe how competitive specific industries are. Also there are given differences of pure monopoly and perfect competition.**

**COMPETITION AND MARKET CONDITIONS**

**Words and Expressions**

access n - доступ;

easy access - свободный, открытый до­ступ

apply for a patent - подавать заявку на патент

beneficial adj - выгодный, полезный, прибыльный

compete v - соперничать, конкурировать

competition п - конкуренция

competitive market — конкурентный рынок (рынок конку­рирующих продавцов и покупателей)

competitor rt - конкурент

control prices - регулировать цены

copyright п - авторское право

earn a profit = make a profit - получать прибыль

enhance v - увеличивать, усиливать, улучшать (особ, каче­ство, значимость, ценность, важность, привлекатель­ность чего-л.)

exclusive right - эксклюзивное, исключительное право

general welfare - всеобщее благосостояние

geographic monopoly - географическая монополия

government monopoly - государственная монополия

grant v - дарить, предоставлять

invention п - изобретение

mail delivery - доставка писем

natural monopoly — естественная монополия

patent laws патентное законодательство

perfect competition - свободная (немонополистическая) конкуренция

public utilities - п редприятия общественного пользования (средства связи, городской транспорт и т. п.)

pure monopoly - чистая монополия

share of the market — доля рынка

supplier rt - поставщик

technological monopoly - монополия на технологию

total production - общий объем произведенной продукции, совокупный продукт

water and sewer services - служба водоснабжения и кана­лизации

# Тема 6

**COMPETITION AND MARKET CONDITIONS**

Competition is the economic rivalry that occurs among businesses when producers in a given industry attempt to gain a larger share of the market. Economists use the term 'market structure' to describe how competitive specific industries are. Perfect competition and pure monopoly are the opposite extremes of the market structure continuum. Perfect competition has many sellers of the same product, while pure monopoly has only one. Perfect competition exists when there are many buyers and sellers, none of whom control prices. In contrast, pure monopoly exists when a sin­gle firm controls the total production or sale of a good or service.

The most competitive type of industry is that with perfect competition. Four conditions must be present in the market structure for perfect competition to exist.

First: a particular good or service must have many sellers and buyers available. In addition, each seller must account for just a small share of the overall sales in the market. The goal of these sellers is to attract enough buyers to their busi­nesses to earn a profit.

Second: the good or service being offered by one compet­ing firm must be similar or identical to those offered by other firms. In such a situation, buyers may choose freely from the selection.

Third: buyers must have easy access to information on the products and prices available. This information allows buyers to make intelligent choices about which goods to purchase based on price and quality.

Fourth: entrance to and exit from the industry must be relatively easy and inexpensive. In a purely competitive mar­ket structure, firms can easily enter a profitable industry or leave an unprofitable one. Low start-up costs, the need for lit­tle technical know-how and the lack of control the existing companies have in the industry determine the ease a new firm has in gaining entry.

The conditions necessary for the existence of pure monop­oly are very different from those necessary for the existence of perfect competition. In general, pure monopolies exist when three specific conditions are present.

First: one firm is the sole producer or seller of a good or service. Even though monopolies do not have to compete with other firms for a share of the market, monopolies often advertise their product or service to promote the company's image.

Second: no close substitute goods are available. Electric power companies are examples of monopolies because each company is the exclusive supplier of electricity in a specific geographic area. While consumers may choose to substitute kerosene lamps and wood stoves for electricity, these substi­tutes are not close substitutes.

Third: prohibitive barriers to entry in the industry must exist. Most often high investment costs and the need for tech­nological expertise prevent firms from trying to enter monopolistic markets. In addition, a number of legal restric­tions make entry into government supported monopolies nearly impossible.

In many countries, airlines are monopolies. For example, only Aviaco, an airline owned by the Spanish government, provides service between Spanish cities. In theory, Aviaco has the freedom to charge any price for airline tickets. In reality, however, Aviaco must consider the law of demand when setting fares. If the price is too high travellers will use alternate forms of transportation, such as automobiles, trains, or buses. In addition, the Spanish government sets limits on what fares Aviaco charges.

The United States government has determined that four types of monopolies are beneficial to the entire economy and are thus legal enterprises. These monopolies include natural monopolies, technological monopolies, government monopo­lies, and geographic monopolies.

Natural monopolies. Public utilities are the leading examples of natural monopolies. The government gives utili­ty companies the exclusive right to provide service in a spe­cific geographic region. In return, the government closely regulates the natural monopoly to ensure that it provides quality service at reasonable prices. In the communications industry, the American Telephone & Telegraph Company (AT&T) is an example of natural monopoly on telephone serv­ice.

Technological monopoly occurs when a firm develops new technology that changes the way goods are produced or creates an entirely new product. General Dynamics, for example, is the only defence contractor in the United States with the technology to build Trident submarines.

Firms and individuals apply for patents to protect their technological discoveries. A patent grants a firm or individ­ual the exclusive right to produce, use or dispose of an inven­tion or discovery. Patent laws encourage firms to invest in the research and development of new products and produc­tion techniques. The new and protected technology helps firms to gain an advantage over competitors.

Written works and works of art are protected in the same way as scientific works. By granting a copyright, the United States Copyright Office gives authors, composers, and artists exclusive rights to publish, duplicate, perform, display, or sell their creative works. The huge income from the works of recording artists, for example, makes protection of the works extremely important to those artists.

Government monopolies is the third type of legal monop­oly. Towns and cities own and operate water and sewer serv­ices as government monopolies. The states control the build­ing and maintenance of roads, bridges, and canals as govern­ment monopolies. The federal government dominates mail delivery through the Postal Service. The Tennessee Valley Authority (TVA), the major producer of electricity in the southeastern United States, is also a federal government monopoly. Most government monopolies tend to provide goods or services that enhance the general welfare rather than seek profits.

Geographic monopoly is the fourth type of legal monop­oly. A geographic monopoly occurs when a firm is the only producer or seller of a good or service in a specific location. Geographic monopolies form when business or the potential for profit is insufficient to attract a competitor to the area.

# СРС # 6

**1. Answer the questions of the lecture 6**.

1. Under what conditions does competition occur?

2. What is the difference between perfect competition and pure monopoly?

3. What is the goal of a company in purely competitive market structure?

4. What types of pure monopoly are considered beneficial for the state?

5. Why does the government give the utility companies exclusive rights?

**2. Say if the statements are true or false. Prove your point.**

l. Both perfect competition and pure monopoly have many sellers of the same product.

2- Most government monopolies tend to provide goods or services that enhance the general welfare.

3. Perfect competition exists when a single firm controls the total production or sale of a good or service.

4. Pure monopoly exists when there are many buyers and sellers, none of whom control prices.

5. The goal of any seller is to attract enough buyers to his product in order to earn a profit.

6. In a purely competitive market structure one firm is the sole producer or seller of a good or service.

7. Tublic utilities are the leading examples of geographic monopolies.

8. Firms and individuals apply for patents to protect their technological discoveries.

**3. Complete the following sentences by choosing the one correct variant (a, b or c) that best completes the sentence.**

1. The most competitive type of industry is that with \_\_\_\_\_\_\_\_\_\_\_.

a. pure monopoly

b. perfect competition.

c. total production

2. Buyers must have \_\_\_\_\_\_\_\_\_\_\_ to information on the products and prices available.

a. easy access

b. demand

c. supply

3. Monopolies often advertise their product or service to \_\_\_\_\_\_\_\_.

a. make a profit

b. control prices

c. promote the company's image.

4. The government gives utility companies the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to provide service in a specific geographic region.

a. copyright

b. exclusive right

c. huge income

5 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ encourage firms to invest in the research and development of new products and production techniques. .

a. patent laws

b. buyers and sellers

c. consumers