

OLIGOPOLY

Chapter 26
SdP



By the end of this chapter you should be able to:

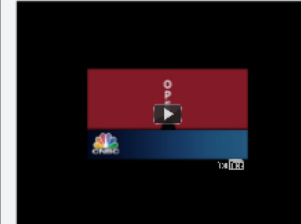


- To describe what is an oligopoly
- To weigh up the advantages and disadvantages of oligopoly

What is it?



Particular market controlled by a few large firms.
Usually has at least 3 firms.
Similar to a monopoly but has more firms.



OPEC

- 40% Market Share in Oil Industry
- Own 85% of World's oil reserves
- Generate 800-900 billion a year

Features of oligopoly



- Interdependence
- Barriers to entry
- Price rigidity
- Non-price competition
- Economies of scale
- Collusion

Advantages



Economies of scale

It is possible that some of the cost savings will be passed on to consumers in the form of lower prices.

Price stability

In some oligopolistic markets prices are fairly stable for quite long periods of time. Consumers might also benefit from a price war.

Advantages



Choice

Competition in oligopolistic markets ensures that consumers are provided with some choice.

Choice is also provided by the small producers that supply to niche markets.

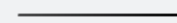
Disadvantages



Collusion

The main disadvantage of oligopoly is the temptation among firms to collude.

Firms can agree to restrict competition by price fixing and market sharing.



Disadvantages



Cartel

This is where a group of firms or countries formally join together and agree on pricing or output levels in the market. If successful they are able to act as a monopoly.



Collusion and Cartel are illegal

Any Questions



HOMEWORK:

Economics in practice
UK supermarket price war
Page 118, text book



Next step

REVISE FOR THE EXAM!!

Good luck!

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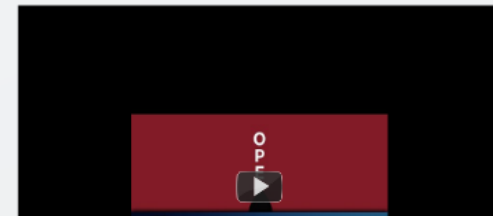
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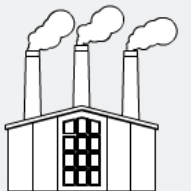


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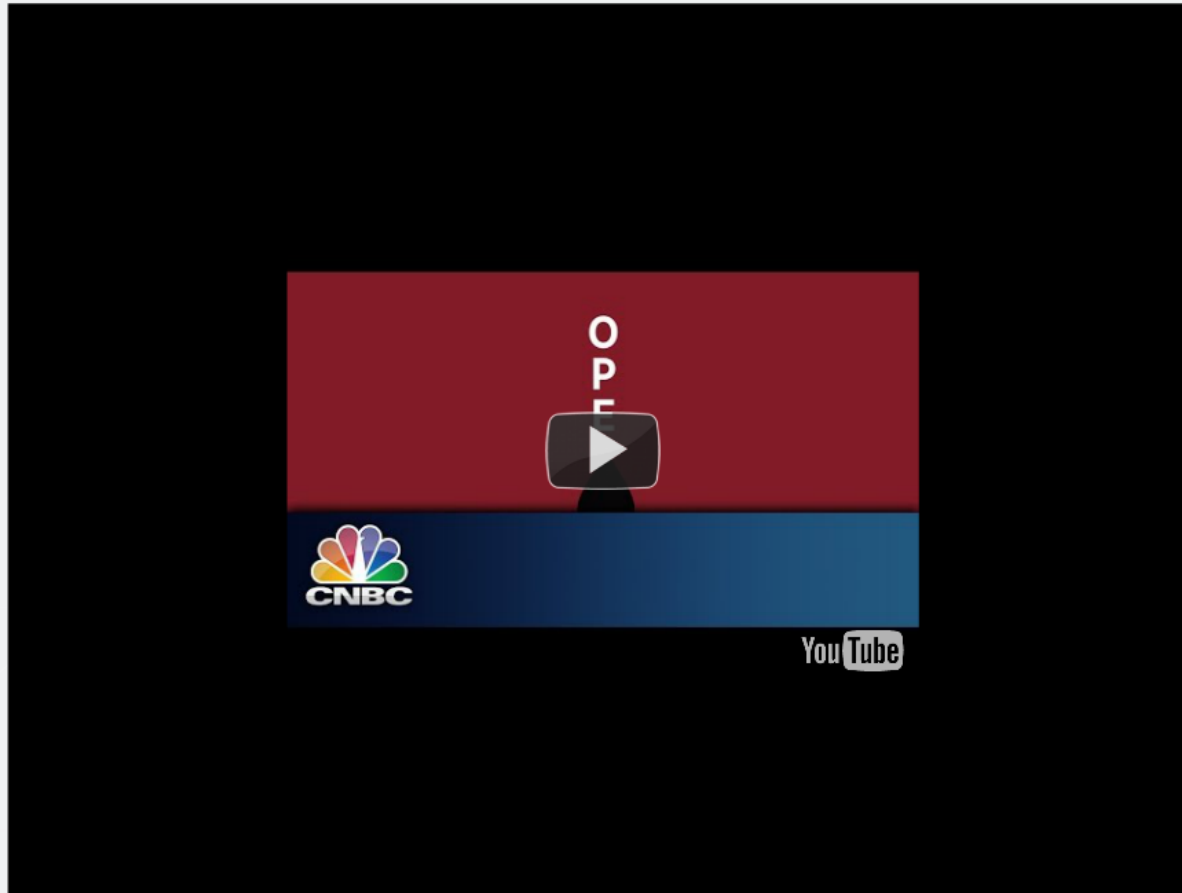
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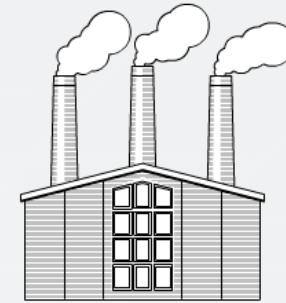


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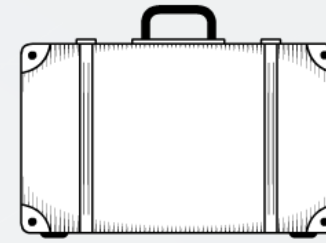
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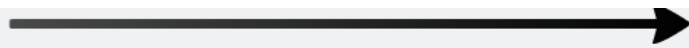
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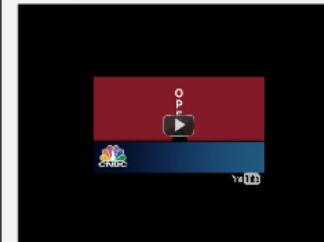
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