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MONOPOLY MARKET

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ABSTRACT

In this study, game-theoretic models of entry are used to create new empirical models of market concentration. To explore the consequences of entry in isolated monopolistic markets for new cars, we build our models from inequality conditions that explain entrants' equilibrium tactics in simultaneous-move and sequential-move games. We conclude that monopolistic dealers do not prevent the establishment of a second dealer based on estimations of the market size required to support one or two dealers. Additionally, we discover that entrance does not significantly reduce price-cost margins. In this study, game-theoretic models of entry are used to create new empirical models of market concentration. To explore the consequences of entry in isolated monopolistic markets for new cars, we build our models from inequality conditions that explain entrants' equilibrium tactics in simultaneous-move and sequential-move games. We conclude that monopolistic dealers do not prevent the establishment of a second dealer based on estimations of the market size required to support one or two dealers. Additionally, we discover that entrance does not significantly reduce price-cost margins.

KEYWORDS (*monopoly, market, profit, economic, macro, micro)*

INTRODUCTION

Economists who study industrial organizations have long argued over whether businesses in highly concentrated marketplaces can consistently impose anti-competitive prices. Early empirical research on entry conducted by Bain and colleagues in 1956 raised the possibility that firms in consolidated markets could establish entry barriers and develop market power. Stigler (1968), Demsetz (1974), and other authors afterward provided an alternative entrance theory as well as an alternative reading of the data. Both sides of this theoretical dispute have received support from recent game-theoretic models of entry.

We now have well-posed theoretical models where monopoly rent-earning incumbent businesses can block entry, as well as other theories that suggest potential entry disciplines incumbent conduct. Even though studies have attempted to assess the ramifications of these various theoretical ideas, their examinations are indirect**.**

The study of seed markets in developing nations has been an afterthought in the body of work on agricultural development. Finding the cause is not difficult. Farmers can conserve, reproduce, trade, and sell novel crop kinds once they have them. But in recent years, the private sector has emerged as a significant source of agricultural varietal technology. Although the tendency is most pronounced in rich nations, the public sector's withdrawal from seed production and distribution is also discernible in emerging nations (Morris, 2002). The emergence of the private seed industry is linked to the creation of hybrid varieties. Due to the growth of the private sector, the seed market structure now determines how much farmers will benefit from new seeds. Would monopolization in the sector cause small farmers to be priced out of the market? Such apprehensions have expressed by academics and civil society organizations. For instance, a very common statement is that "With the introduction of transgenic crops, the Indian seed business is swiftly evolving into a period of 'corporate control over seeds'" (Shiva, Emani and 1999) In this essay, we investigate the development of the market structure for cotton seeds in India as well as the underlying variables. The Indian cotton seed market is one of the largest cotton seed markets in the world, with sales of more than Rs. 1000 crores. The globe. Although public-sector breeding products have historically dominated this market, private seed companies currently account for the majority of their value. A fundamental shift in the business environment during the past 15 years parallels these processes. The economic reforms of 1991 removed obstacles to both large Indian companies and international companies investing. The Plant Variety Protection Act's introduction of plant breeders' rights and the commercialization of plant biotechnology. There is a dearth of research on the organization of the seed market in emerging nations. Brand loyalty is not an entry barrier to this market, according to Tripp and Pal's (2000) research, which indicated that brand memory was low among Rajasthani pearl millet farmers. Pray, invoke Rama, and In the early 1990s, when private seed companies rapidly increased

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their R&D expenditures, Kelley (2001) demonstrated that the market structure became more competitive (as indicated by concentration ratios). According to Shiva and Crompton's (1998) analysis of the Indian seed market, the opposite is true. They predicted that "a few huge businesses with foreign interests will likely merge under the control of the seed sector." They contend that hybrid seed has replaced open-pollinated types.

MEANING OF MONOPOLY MARKET

Definition: A market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitutes.

In a monopoly market, factors like government license, ownership of resources, copyright and patent, and high starting costs make an entity a single seller of goods. All these factors restrict the entry of other sellers into the market. Monopolies also possess some information that is not known sellers.

Characteristics associated with a monopoly market make the single seller the market controller as well as the price maker. He enjoys the power of setting the price for his goods.

A monopoly market is a form of market where the whole supply of a product is controlled by a single seller. There are three essential conditions to be met to categorize a market as a monopoly market.

1. **There is a Single Producer -** The product must have a single producer or seller. That seller could be either an individual, a joint-stock company, or a firm of partners. This condition has to be met to eliminate any competition.
2. **There are No Close Substitutes -** There will be competition if other firms are selling similar kinds of products. Hence in a monopoly market, there must be no close substitute for the product.
3. **Restrictions on the Entry of any New Firm -** There needs to be a strict barrier for new firms to enter the market or produce similar products.

FEATURES OF A MONOPOLY MARKET

Some characteristics of a monopoly market are as follows.

- The product has only one seller in the market.
- Monopolies possess information that is unknown to others in the market.
- There are profit maximization and price discrimination associated with monopolistic markets. Monopolists are guided by the need to maximize profit either by expanding sales production or by raising the price.
- It has high barriers to entry for any new firm that produces the same product.
- The monopolist is the price maker, i.e., it decides the price, which maximizes its profit. The price is determined by evaluating the demand for the product.
- The monopolist does not discriminate among customers and charges them all alike for the same product.

Some of the monopoly market examples are your local gas company, railways, Facebook, Google, Patents, etc.

WHAT ARE THE SOURCES OF MONOPOLY POWER?

The individual control of the market in a monopoly market structure is due to the following sources of power.

- Legal barriers
- Economies of sale
- Technological superiority
- Control of natural resources
- Network externalities
- Deliberate actions
- Capital requirements
- No suitable substitute

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