**J1 End of Year Revision – Essays**

**Question 1**

**Explain how firms will compete in markets with high degree of competition and in markets with low degree of competition. (15)**

**Introduction**

***In the imperfect market condition, firms will compete differently based on the different types of market structure and this will be affected by the pricing condition and how the firms behave in these types of market.***

***Main body***

1. **Explain the main differences of the different types of market structure based on the features of the firms in the MC, oligopoly and monopoly**

* imperfect market condition on price and cost of production, immobility of resources
* differs in terms of no of firms, nature of product, degree of barriers to entry
* the slope of MR and AR, the capacity lower cost (EOS)

1. **Link the market with low degree of competition to the firms in monopolistic and oligopolistic market and explain how they will compete**

For monopoly – prevent the market become contestable – barriers to entry

for oligopoly – collusive – reduce market unpredictability – increase market power – raise price – increase profit – how they collude

For non-collusive – price rigidity – no advantage to increase or decrease price – will not resort to price competition – adopt non-price competition (product differentiation / product recognition)

* may adopt mergers and acquisition – why?
* increase market share – reduce market competition – cut down cost in advertising as they can reduce the need to compete
* increase output to reap more EOS – lower AC – enable to increase profit or lower price to further raise competitiveness
* reduce risk and extend market diversification

1. **Link the market with low degree of competition in monopolistic competitive market and explain how they will compete**

price competition in the SR – why? capture new market demand / no knowledge of competitors / product recognition and customer loyalty

non-price competition in the LR – why? promote customer base – product differentiation, promotion – create their small degree of market power – raise price

1. **Analysis – key determinant in determining the nature of competition**

**no of firms which determine the degree of competition – this will shape how the firms will compete as they determine the way the firms have to react with competition and market share**

**Conclusion**

**Question 2 (DHS – Promo)**

**The major airlines in the United States (U.S.) appear to have an agreement not to undercut each other on pricing along certain routes, however on other routes, the same airlines may lower prices to force competition. The U.S. airline industry has seen sustained profitability since 2010. To succeed, and even gain a competitive edge, carriers should strive to be more customer-centric so that passengers receive more tailored service before, during and after each flight.**

(a) Explain why prices may be relatively stable, yet competitive, in markets such as one in which big airlines operates. (10)

(b) Discuss whether product development in the form of a customer-centric experience is the best strategy for airlines seeking to increase their profits. (15)

**Question 3**

**Singapore’s telecommunications (telco) market is dominated by four firms – SingTel (32%), Starhub (25%), M1(22) and new entrants MyRepublics (15%). Commentators argue that Singapore’s telco market might be considered to be an oligopoly.**

a) Explain why Singapore’s telco market might be considered to be an oligopoly and how economic theory suggests this market structure would affect the firm’s pricing and output’s decision. (10)

b) Discuss how government intervention in Singapore’s telco market could protect consumers and consider the extent to which such intervention will be successful. (15)

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**Part a) Structure of Discussion**

**Introduction**

The price and output is determined in the airline industry is determined based on profit maximization rule in an oligopoly. It can be observed that the price can be stable in this competitive market despite the lack of competition.

Main Body

1. Explain how the nature of competition will be in this industry which can be competitive

2. Explain how price and output is set based on profit maximization

3. Explain why the price is stable

3.1 Price rigidity

3.2 Price collusion

3.3 prie discrimination

4. Analysis – depending factor that determines the stability of price

Conclusion

(b) Discuss whether product development in the form of a customer-centric experience is the best strategy for airlines seeking to increase their profits. (15)

**Part b) Structure of Discussion**

**Introduction**

**State how profit is determined and how it is derived based on the price and output decision to derive the profit.**

**Explain the meaning of product development in the form of a customer-centric and it an leads to higher profit**

**Main body**

**1. Explain how the product development works to increase their profit**

**2. why it is the best strategy**

**3. set the limitations of the product development**

**4. explain why other strategies work better**

**4.1 why price strategy is better**

**4.2 why mergers are better strategy**

**5. Analysis – what is the key factor that determines which strategy is the best.**

**Conclsuion**

**Question 3**

**Singapore’s telecommunications (telco) market is dominated by four firms – SingTel (32%), Starhub (25%), M1(22) and new entrants MyRepublics (15%). Commentators argue that Singapore’s telco market might be considered to be an oligopoly.**

a) Explain why Singapore’s telco market might be considered to be an oligopoly and how economic theory suggests this market structure would affect the firm’s pricing and output’s decision. (10)

b) Discuss how government intervention in Singapore’s telco market could protect consumers and consider the extent to which such intervention will be successful. (15)

**Part A) Structure of Discussion**

**Introduction**

State that telco industry in Singapore is considered as an oligopoly as the nature of the industry suit the features of the oligopolistic market structure and these characteristics explains how the price and output decision is determined based on profit maximization rule.

**Main Body**

**1. Explain the features of the oligopolistic market structure**

**2. Explain why the telco industry is an oligopolistic market structure**

**3. explain how price and output is determined**

**4. Explain how this price output is shaped by the features of oligopolistic market structure**

**4.1 Explain how the features of high degree of mutual interdependency influence the price and output decision based on profit maximization**

**4.2 Explain how the condition of price collusion determines price nd output condition based on profit maximization**

**5. Analysis – why the nature of the oligopolistic market structure is a strong influence on how price and output is set**

**Conclusion**

**b) Discuss how government intervention in Singapore’s telco market could protect consumers and consider the extent to which such intervention will be successful. (15)**

**Structure of Discussion**

**Introduction**

The nature of oligopoly as in the telco industry can be beneficial to the society but it can be adverse too. Thus, there is a need for the government to intervene to protect the consumer but it may be not effective.

**Main Body**

**1. Explain why the government needs to intervene to protect the consumers.  
2. Explain how the government can intervene to correct the adverse impact.**

**3. Explain why these forms of government intervention is effective**

**4. Explain why these forms of government intervention may not be successful**

**5. Analysis – list the main determinant why the government intervention can be successful.**

**Conclusion**