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THE ENGLISH SCHOOL  
A SECOND CENTURY OF EXCELLENCE

# Year 4 students receiving their Economics prizes

2018-2019



# FREE MARKET SYSTEM

# MIXED ECONOMY

**Disadvantage:**  
 Since welfare of society is neglected in a free market system it leads to lower to optimum use of the resources being available. It also hinders the resource production of those goods and services which are beneficial for the society. It places some responsibilities on the government which in economic terms is to be an economic disadvantage.

**Advantages:**  
 It allows individuals to run their business and make profits but at the same time it places some responsibilities on the government. These responsibilities are to be an economic disadvantage.

**Disadvantage:**  
 It allows individuals to run their business and make profits but at the same time it places some responsibilities on the government. These responsibilities are to be an economic disadvantage.

**2. Disadvantage:**  
**Limited Product Range**  
 Since businesses are free to pursue profits at whatever way they please, goods and services that are not profitable generally will not be produced. This can limit the range of goods on offer to consumers and may impact certain groups of consumers more than others. For example, if a business is not profitable, it may not produce goods that are essential for certain groups of consumers.

**3. Disadvantage:**  
**Dangers of Profit Motive**  
 The primary objective for any company in a free market system is to make a profit. In many cases, this can lead to environmental damage, pollution, and other negative impacts on society. For example, a company may cut corners on safety or quality to reduce costs and increase profits.

# - Factors of Production -



## • LABOUR

WE WORK TO GET PAID!  
I'M HAVING MOVES!

• Time and effort we devote to producing goods and services  
(human capital)



I take risks in hopes of making a profit!

## • ENTERPRISE

• The gifts of nature that we use to produce goods and services  
(soil, water, minerals)



## • LAND



## • CAPITAL

• Manmade resources used to produce other goods and services



# Consumption of Cars

## Negative externalities

### External costs

The consumption of products can create externalities or external costs.

External costs occur when the consumption of a product creates a burden on a third party. This burden is not reflected in the price of the product. For example, the consumption of a car creates external costs in the form of air pollution, noise, and traffic congestion. These costs are borne by society as a whole, not just the consumer of the car.

#### 1. Costs for air pollution

An externality occurs when the consumption of a product creates a burden on a third party. This burden is not reflected in the price of the product. For example, the consumption of a car creates external costs in the form of air pollution, noise, and traffic congestion. These costs are borne by society as a whole, not just the consumer of the car.

#### 2. Costs for noise pollution

Externalities and costs are borne by a third party who is not directly involved in the economic activity. For example, the consumption of a car creates external costs in the form of noise pollution. This noise is a burden on the surrounding community, not just the consumer of the car.

#### 3. Some research indicates a correlation between air pollution and obesity

Car emissions and traffic congestion are closely linked with air pollution. This pollution can lead to various health problems for the population, such as respiratory issues. It also contributes to the overall quality of life, making it difficult to breathe and causing significant health problems.

### Private costs

The benefits derived by an individual or firm directly involved in an economic activity.

1. Benefits can also be considered a private cost as the person involved in the economic activity is also the consumer. For example, the cost of a car is paid by the consumer, not by society as a whole.
2. Identify a private cost as the cost of a product that is not reflected in the price of the product. For example, the cost of a car is paid by the consumer, not by society as a whole.
3. Cost of a product which is not reflected in the price of the product. For example, the cost of a car is paid by the consumer, not by society as a whole.
4. The consumer not only bears the private cost of a product but also the external costs. For example, the cost of a car is paid by the consumer, not by society as a whole.



## Positive externalities

### External benefit

Benefits enjoyed by a third party not directly involved in an economic activity.

1. Employment increases due to the increased availability of workers to find a job, the standard of living of the population increases. Also, productivity of the firms increases due to their ability to find the appropriate skilled workers however far they are living. This increases the quality and variety of products and decreases their prices, making them more attractive towards foreign countries and hence increasing the exports. This benefits the economy of the country.

### Private benefit

The benefit derived by an individual or firm directly involved in an economic activity.

1. Use of transport infrastructure facilitates the life of the consumer.

The number of destinations and activities the consumer is involved in increases. At the same time, he/she is also able to find a job as the limitations in terms of distance decrease. This allows him/her to have a more luxurious life as better offers in terms of salaries can be found over larger distances.

## Advantages and Disadvantages of Oligopoly

### Advantages

**Stable** - Oligopoly can provide stability with some shared benefits for competitors in oligopoly markets. E.g. When they discuss how to share their resources, oligopoly can give the products or services a set price for market leaders. This can help to stabilize the market and help to ensure that the market is not too volatile. It can also help to ensure that the market is not too volatile.

**Quality** - In oligopoly markets, since competition is so high, so they try to improve their products to make themselves stand out. This can lead to higher quality products for consumers. E.g. In the soft drink market, oligopoly can lead to higher quality products for consumers. E.g. In the soft drink market, oligopoly can lead to higher quality products for consumers.

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**Cost** - Oligopoly can provide stability with some shared benefits for competitors in oligopoly markets. E.g. When they discuss how to share their resources, oligopoly can give the products or services a set price for market leaders. This can help to stabilize the market and help to ensure that the market is not too volatile.

### Disadvantages

Consumers will not benefit from oligopoly if there is no competition in the market. When there is no competition, oligopoly can lead to higher prices for consumers. This can be seen in the market for soft drinks.

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A cartel may also arise from a group of firms to coordinate prices together to increase prices and reduce the benefits of consumers. This can be seen in the market for soft drinks.



There are some of the most common features of oligopoly. Some are all oligopoly features.

## Oligopoly

### What is an oligopoly?

An oligopoly is a form of market which is dominated by a small number of large firms. In oligopoly, oligopoly can occur from various forms of barriers to entry, such as economies of scale and high fixed costs. Oligopoly can also occur from various forms of barriers to entry, such as economies of scale and high fixed costs.

### Characteristics of Oligopoly

- Number of firms** - There are a few firms that the actions of one firm can influence the actions of the other firms.

- Long-run profits** - Oligopoly can occur from long-run profits. High barriers to entry prevent other firms from entering the oligopoly market to reduce market profits.

- Entry barriers** - Oligopoly can occur from entry barriers. High barriers to entry prevent other firms from entering the oligopoly market to reduce market profits.

- Ability to set price** - Oligopoly can occur from the ability to set price. High barriers to entry prevent other firms from entering the oligopoly market to reduce market profits.

- Entry and exit** - Barriers to entry for the world of oligopoly are difficult to overcome. The most important barriers are government licenses, economies of scale and patents (patent rights). Additional barriers of entry include high fixed costs, government regulations, learning curves, and high sunk costs.

- Interdependence** - The actions of one firm in an oligopoly are interdependent. Oligopoly can occur from interdependence. Each firm is so large that its actions affect other firms. Therefore, the competing firms will be aware of a firm's market actions and will respond accordingly.

- Non-price competition** - Oligopoly can occur from non-price competition. Oligopoly can occur from non-price competition. Oligopoly can occur from non-price competition. Oligopoly can occur from non-price competition.

- Product differentiation** - Products may be homogeneous based on differentiated (specialized). This means that products may be the same without any physical differences or differences.

- Perfect knowledge** - Oligopoly generally have perfect knowledge of their own cost and demand functions, but their information may be incomplete. Some firms may have perfect knowledge as to price, cost and profit levels.

Source: Wikipedia and Oligopoly.com



- Telecoms (UK) - 4 Firms
- Online (UK) - 4 Firms
- Media (UK) - 4 Firms

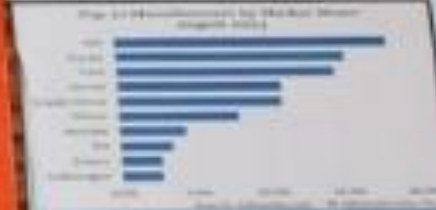
## Examples of oligopolies

Oligopoly can be found all around the world and in various industries. This is due to oligopoly allowing firms to have a greater market power. This is due to oligopoly allowing firms to have a greater market power. This is due to oligopoly allowing firms to have a greater market power.

- Expensive items (e.g. cars)
- Soft drinks
- Pharmaceuticals
- Computers and software
- Airlines
- TV and radio broadcasting
- Aluminium
- Street phone and computer operating systems
- Real estate firms (Oligopoly in real estate)

### In the automobile sector

In the US, three firms dominate the auto-manufacturing industry and are giving 90% competition with other major players across the world. These three are GM, Ford and Chrysler. They have dominated the auto market since the 1920s and 1930s, when they started 100% of the market share. However, these three firms now only hold 30% of the market share. In 2008, GM, Ford and Chrysler had produced a profit of \$1.5 billion each, which was a record for the industry. This is due to the fact that they were able to reduce costs and increase efficiency.



Source: GM, Ford and Chrysler. GM, Ford and Chrysler are giving 90% competition in the automobile sector.



### In the technology sector

In the world of technology, one of the best examples of oligopoly can be seen in the market for computer operating systems. Microsoft and Apple dominate the market. For over a decade, these two giants have held 90% of the market share. However, in 2008, Microsoft held 80% of the market share, while Apple held 10%. This is due to the fact that these two firms were able to reduce costs and increase efficiency.



### In the pharmaceutical sector

In a global sense, the pharmaceutical industry is dominated by several players. Not only do they have drug manufacturing but also have pricing power. They can also be seen working together in terms of global health care. These companies include Novartis, Merck and Pfizer. They have a high level of competition in the market for producing drugs. This is due to the fact that these three firms were able to reduce costs and increase efficiency.

Source: <http://www.wikipedia.org/wiki/Oligopoly>  
<http://www.bbc.com/news/business-12210146>  
<http://www.bbc.com/news/business-12210146>























White polo shirt with a crest on the left chest. The man is holding a large, blank white sheet of paper.

White polo shirt with a crest on the left chest. The man is holding a smaller certificate or document.

White polo shirt with a crest on the left chest. The man is holding a large, framed certificate. The certificate features a logo at the top, followed by the text "1<sup>st</sup> Place" and "CERTIFICATE". Below this, it reads "KALAMATI MATHS 2011". At the bottom, it says "Presented to" followed by a blank space for a name, and "By" followed by another blank space.



