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Procedia Economics and Finance 5 (2013) 269 – 278

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

International Conference on Applied Economics (ICOAE) 2013

Oligopsony-Oligopoly
The perfect imperfect competition

Carlos Encinas Ferrer*

Abstract

Oligopoly and oligopsony have been studied extensively. However, the dual figure of the oligopsonistic-oligopolistic intermediary has not been. This dual personality has a double negative impact on the market, on the one hand reduces the demand to producers who face a competitive market, lowering prices as buyers, and on the other hand reducing its offer by raising the prices as sellers. In this way, their benefits are increased to buy cheap and sell expensive, affecting effective demand of the consumer and the effective supply of the initial producer.

Keywords: Oligopsony, oligopoly, imperfect competition.

The monopolists, by keeping the market constantly understocked by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate".

Adam Smith
The wealth of nations (1776)

The monopsonists, by keeping the market constantly overstocked by never fully demanding the effectual supply, buy the commodities much below the natural price, and reduce their expenses greatly below their natural rate.

Carlos Encinas Ferrer
Economic Theory (2003)

* Universidad DeLaSalle Bajio, Av. Universidad 602 León 37129, Mexico.
Tel.: +52-477-710-8500 ext. 622; fax: +52-477-718-5511. *E-mail address:cencinas*@delasalle.edu.mx.

doi:10.1016/S2212-5671(13)00033-6

Both the oligopoly and the oligopsony have been studied extensively, but more the first than the second. However, the dual figure of the oligopsonistic-oligopolistic intermediary, has not been. Large trading companies of transnational character, especially in the area of self-service markets, are now spread through out the world and its market power affects adversely both producers and consumers.The purpose of this paper is to show briefly some of the negative effects that this dualpersonality of buyer-seller presents.

The *imperfect competition* term was coined by the British economist Joan Robinson in 1933. In those years several authors devoted themselves to study the non-competitive markets, among them, along with Robinson, Edward Hastings Chamberlin and Piero Sraffa. Their contributions were instrumental to show the limitations of Say's Law and allowed Keynes to develop his General Theory.

In another direction, several authors questioned the neoclassical theory of pricing and profit maximization. Among them we should mention Hall and Hintch who in 1939 investigated whether employers actually drove their pricing and production policies in the way neoclassical theory says. They used the method of the interview to find out.The results were clearly negative. Almost all businessmen follow the rule they call "full cost pricing principle" to set prices, ie, take the unitary or average cost as a base and add a percentage as profit or benefit. Paul M.Sweezy also conducted studies in this regard and Labini Silos (1965) in his studies on the oligopoly was based on the results of their research and the experiences of those mentioned above. Meanwhile, Katalin Martinas (2002) has worked on this issue from the perspective of comparative analysis between microeconomics and thermo dynamics. My own experiences in the real world of business have shown me that no employer knows what marginal cost is, much less has determined its curve and therefore the results of Halland and Hintch mentioned before are confirmed in the sense that is in the average or unitary cost that their decisions are based. I will address, however, the subject of my paper using the graph instrumental of the dominant theory as it is the best known.

Perfect Competition

It is necessary, before continuing, point out the characteristics of both, the perfect and imperfect competition, and thus has a clearer understanding of the effects of the oligopsony-oligopoly duality -which I call the perfect imperfect competition- on the economy.

To define perfect competition we start from the following assumptions:

a. Lots of producers (supply).
b. Lots of consumers (demand).
c. None of the sellers bid a part of the supply so big that allow him to determine the price.
d. None of the consumers consumes a part of the demand so great that allow him to control the price.
e. Goods produced are identical.
f. Free entry and exit from the market.
g. Both producers and consumers have perfect information on prices and market conditions.

It follows that the price will be the social expression of the agreement of thousands of producers and consumers on equal terms. Both producers and consumers will be what we know in economics as price takers. Both supply and demand will have to accept a price socially determined. The price will be, therefore, enough for the producer to cover economic costs expended in the production factors (land, labor and capital) which involves both the explicit and implicit costs (opportunity costs). There won´t be,