Research Paper #2

1. Market for Microsoft Stocks

a. The market for Microsoft software products is an oligopoly because there are few firms who really dominate the market for software. The main two are Microsoft and Apple and then a few other smaller firms. Thus

b. The market for Microsoft stocks is a monopoly because there is only one provider of Microsoft stocks that consumers can buy from.

c. The demand curve for Microsoft stocks will be a slight downward slope to the right because as the price goes up, the demand will go down by just a little. So if price changes from twenty-six dollars to twenty-seven dollars, the amount of people who would still buy the stock will only decrease by a tiny bit.

2. “When gas stations run out of gas”

a. Because there are so many retailers of gas, even the slightest change in price will affect the amount of sales by a lot. This causes the retailers of gas stations to be unable to increase the price of their gas. Since so many gas stations are nearby each other they must watch the prices of the retailers around them.

b. The survivorship principle in the long run predicts that the producers with ultimately end up just breaking even because of all of the competition.

c. The prices of gasoline in some local markets could start to increase due to many independent retailers taking a loss on their gas. This is due to the large amounts of producers that are charging slightly less then the others around them.