

Business competition, the labour market and government intervention

Edexcel IGCSE Economics 4EC1 sections 1.2.4-1.2.6 full package

1. Topic 5 at a glance

Topic 5 at a glance

4EC1 topic 5: spec sections 1.2.4 to 1.2.6 - business competition (competition, monopoly, oligopoly; ten rows), the labour market (six rows) and government intervention (four rows).

Must-know: competition brings efficiency, choice, quality, innovation, lower prices; monopoly output 40 at price 50 with profit 800; oligopoly = few large firms with collusion and price wars; labour equilibrium (200, 8); minimum wage 9 creates 75 unemployed; the five intervention policies.

2. Competition

Competition

Competition: efficiency, choice, quality, innovation, lower prices - but duplicated capacity and corner-cutting. Large firms exploit scale, branding and finance; small firms stay flexible and personal. Growth follows regulation, finance, scale, risk-spreading and takeovers; staying small follows market size, niche, finance and the owner's aims.

Monopoly: one dominant firm, unique product, price-maker, barriers (legal, patents, marketing, technology, start-up costs). Model: $MR = MC$ at $Q\ 40$, price 50, profit 800 - higher price and lower output than the competitive (60, 40). Oligopoly: few large firms, differentiated products, barriers, collusion and cartels, price and non-price competition, price wars.

3. The labour market

The labour market

Labour demand is DERIVED from the product's demand; it follows substitutes (machines) and productivity. Supply follows population, migration, ages, retirement and school-leaving ages, female participation, skills, mobility. Education and training raise human capital and labour quality.

The diagram: supply $W = 4 + 0.02L$ meets demand $W = 16 - 0.04L$ at (200, 8). Demand shifts move both wage and employment up; supply shifts trade them off. Trade unions push wages above equilibrium - the mechanism the minimum wage makes visible.

4. Government intervention

Government intervention

Externality policies: taxation, subsidies, fines, regulation, pollution permits - each targeted but hard to set exactly, with enforcement costs and regressive risks.

Competition regulation: promote competition, limit monopoly power, protect consumers, control mergers. The minimum wage: at 9 the model gives L_d 175 against L_s 250 - 75 unemployed; higher pay for the employed trades against unemployment and business costs.

Check yourself

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Competition's advantages; large vs small; growth factors; staying small.

Monopoly's features, barriers, model and evaluation; oligopoly's features with collusion and price wars.

Labour demand and supply factors; human capital; the (200, 8) diagram with shifts; trade unions.

The five externality policies with pros and cons; the four competition-regulation aims; the minimum wage arithmetic.