Price Takers and Price Makers

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Date

In economics, price takers refer to market participants that are not in a position to control or dictate the market prices. Price takers accept the prevailing market prices since they have no power to influence the existing prices for the services or the goods. Price takers mostly emerge in perfectly competitive market due to the following reasons: identical products are sold by all companies, there is a large number of buyers as well as sellers. The buyers also access info on prices charged by other companies as well as their lack barriers to entry and exit. An example of a price taker is the agricultural market. On the other hand the price makers influence the market price since they enjoy the pricing power. Price makers are found in the imperfect competitive markets such as oligopoly and monopoly firms (Anufriev, & Kopányi, 2018). An example of a price maker is the Power and lighting companies.

 Price shifting and target costing also affects a market to either become a price taker or a price maker. Target pricing refers to determining the first price of a commodity which is based on market intelligence, the marketing strategy, competitive prices and the customers willing to pay the fixed selling price (Needleman,et al, 2016). On the other hand target costing refers to increased automation wit reduced labor cost. The health system owns some monopoly and thus it is the price giver in this situation. The heath care givers contribute in a great way in price shifting in their field of expertise. They determine the price at which they will offer medical services since the own there are many people who need their services and yet they are few in number. The medical practitioners are the ones who determine estimated cost of treatment, they are able to compare the estimate with the actual cost as well as determine the price for treatment of the patient. All these makes the health industry become a price giver

References

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