

The Market Structure Simulation of Heterogenous Firms

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Abstract : Although the new trade theories, unlike the theories of an industrial organisation, see the structure of the market and competition between enterprises through their heterogeneity according to various parameters, they do not pay any particular attention to the analysis of the market structure and its development. In this article, although we relied mainly on models developed by the scholars of new trade theory, we proposed a different approach. In our simulation model, we model market demand according to normal distribution function, while on the supply side (as it is in the new trade theory models), productivity is modeled with the Pareto distribution function. The results of the simulation show that companies with higher productivity (lower marginal costs) do not pass on all the benefits of such economies to buyers. However, even with higher marginal costs, firms can choose to offer higher value-added goods to stay in the market. In general, the structure of the market is formed quickly enough and depends on the skills available to firms.

Keywords : market, structure, simulation, heterogenous firms

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