

Perfect competition	A market structure in which a large number of firms all produce the same product
Commodity	A product that is the same no matter who produces it such as milk or petroleum
Barrier to entry	Any factor that makes it difficult for a new firm to enter a market
Start-up costs	The expenses a firm must pay before it can begin to produce and sell goods
Monopoly	A market dominated by a single seller
Economies of scale	Factors that cause a producer's average cost per unit to fall as output rises
Patent	A license that gives an inventor of a new product the exclusive right to sell it for a certain period of time
Franchise	The right to sell a good or service within an exclusive market
License	A government issued right to operate a business
Price discrimination	Division of customers into groups based in how much they will pay for a good

Market power	The ability of a company to change prices and output like monopolist
Differentiation	Marketing a product different from other similar products
Oligopoly	A market structure in which a few large firms dominate a market
Price war	A series of competitive price cuts that lowers the market price below the cost of production
Price fixing	An agreement among firms to charge one price for the same good
Cartel	A formal organization of producers that agree to coordinate prices and production
Trust	Like a cartel an illegal grouping of companies that discourages competition
Merger	Combination of two or more companies into a single firm
Deregulation	The removal of some government controls over a market
Antitrust laws	Laws that encourage competition in the marketplace

How does a perfect market influence output?

- a. Each firm makes its output as large as possible even though some goods are not sold.
- b. Different firms make different amounts of goods, but some make a profit and others do not.
- c. Each firm adjusts its output so that it just covers all of its costs.
- d. Different firms each strive to make more goods to capture more of the market.

A monopoly is

- a. a market dominated by a single seller.
- b. an industry that runs best when one firm produces all the output.
- c. a license that gives the inventor of a new product the exclusive right to sell it for a certain amount of time.
- d. an industry where the government provides all the output.

An oligopoly is

- a. an agreement among firms to charge one price for the same good.
- b. a market structure in which a few large firms dominate a market.
- c. a formal organization of producers that agree to coordinate price and output.
- d. a way to attract customers without lowering price.

The purpose of both deregulation and antitrust laws is to

- a. promote competition
- b. promote inefficient commerce
- c. promote government control
- d. prevent monopolies

c. Each firm adjusts its output so that it just covers all of its costs.

a. a market dominated by a single seller.

b. a market structure in which a few large firms dominate a market.

a. promote competition.