Harmon/Econ: Unit 2 Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Period:\_\_\_\_\_

**Chapter 7 Notes/Study Guide**

**Market Structures:**

* This is an economic model that helps \_\_\_\_\_\_\_\_\_\_\_\_\_\_examine the nature and degree of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ among business in the same industry.
* Why does it matter?
  + The level of competition impacts the \_\_\_\_\_\_\_\_\_\_\_\_of products.
  + The more \_\_\_\_\_\_\_\_\_\_\_\_\_compete for your dollars, the more competitive the price will be.

1. Perfect Competition:
   * \_\_\_\_\_\_\_\_\_\_number of firms producing the same products.
   * Price is set by the \_\_\_\_\_\_\_\_\_\_\_\_
   * Each firm’s production level does not influence the price
   * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to entry

* Examples:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Monopolistic Competition:
   * \_\_\_\_\_\_\_\_\_ number of firms
   * \_\_\_\_\_\_\_\_\_\_ but differentiated products
   * Slight control over \_\_\_\_\_\_\_\_
   * Few barriers to \_\_\_\_\_\_\_\_\_

* Examples:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Oligopoly

* Market dominated by a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ profitable firms (3-4 control 70-80% market share)
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ true price competition
* Firms are interdependent
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ barriers to entry (startup costs are high)
* Examples:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Illegal Practices:
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_: An agreement among firms (\_\_\_\_\_\_\_\_\_\_\_\_) to set prices
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Selling a product below cost to drive competitors out of the market

1. Monopoly
   * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ dominates the market
   * Controls \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_because there are no close substitutes.
   * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ barriers to entry
   * In most countries monopolies are \_\_\_\_\_\_\_\_\_\_\_\_\_\_

* Examples: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Market Structures:**

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| --- | --- | --- | --- | --- |
| Market Structure | # of Firms | Control Over Price | Types of Goods | Barriers to Entry |
| Perfect Competition |  |  |  |  |
| Monopolistic Competition |  |  |  |  |
| Oligopoly |  |  |  |  |
| Monopoly |  |  |  |  |

**Vocabulary**

Barrier to entry:

Start-up Costs:

Economies of scale:

Natural Monopoly:

Government Monopoly:

Patent:

Price Discrimination:

Differentiation:

Nonprice competition:

Price War:

Collusion:

Cartel:

Predatory pricing:

Antitrust laws:

Trust:

Merger:

Deregulation: