

AQA Economics AS-level

Microeconomics

Topic 4 - Competitive and Concentrated Markets

Flashcards

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Artificial barrier to entry



Barriers to market entry that are
man-made, i.e., non-natural



Collusion



Illegal co-operation between multiple firms, forming a cartel.



Concentrated market



A market with very few (in its most extreme cases, 1) firms



Concentration ratio



The total market share of the leading firms in an industry; these firms' output as a percentage of total output



Entry barrier



Make it impossible/more difficult for firms to enter a market



Exit barrier



Make it impossible/more difficult for firms to exit a market



Imperfect competition



Any market structure between the extremes of perfect competition and a pure monopoly



Innovation



Improving upon an existing product or process



Invention



Creation of a new product or process



Limit pricing



Lowering the price of a good or service to around average cost, creating an artificial barrier to entry



Market share maximisation



When a firm maximises their percentage share of the market in which it sells its product



Market structure



The characteristics of a market



Monopoly power



The ability of a firm to be a price maker rather than a price taker; the ability to set prices



Natural barrier to entry



Barriers to market entry that are not man-made



Natural monopoly



When the ideal number of firms in an industry is 1



Oligopoly



Market dominated by a few firms



Patent



Government legislation protecting a firm's right to be the sole producer of a good



Predatory pricing



Temporarily lowering a good's price below average cost, creating an artificial barrier to entry



Price competition



Reducing the price of a product, thus stripping demand from competitors



Price maker



A firm with monopoly power; the ability to set prices



Price taker



A firm that passively accepts the market price, set by forces beyond the firm's control



Product differentiation



Differences between multiple similar goods and services



Profit maximisation



Occurs where the positive difference between total revenue and total costs is at its highest



Pure monopoly



Only one firm in a market



Sales maximisation



When sales revenue is at its highest

