OCR Economics A-Level

Microeconomics

Topic 4 - Market Structures

Flashcards

Perfect competition

Perfect competition

A market with many buyers and sellers selling homogenous goods with perfect information and freedom of entry and exit

Monopoly

Monopoly

A single seller in the market

Dynamic efficiency

Dynamic efficiency

Efficiency in the long run; concerned with new technology and increases in productivity which causes efficiency to increase over a period of time

X-inefficiency

X-inefficiency

When firms produce at a cost above the AC curve

Natural monopoly

Natural monopoly

Where economies of scale are so large that not even a single producer is able to fully exploit them; it is more efficient for there to be a monopoly than many sellers

Price discrimination

Price discrimination

When a monopolist charges different groups of consumers different prices for the same good or service

Monopolistic competition

Monopolistic competition

Where there are a large number of buyers and sellers who are relatively small and act independently, selling non-homogenous goods

Oligopoly

Oligopoly

Where a few firms dominate the market and have the majority of market share, they act interdependently

Non-price competition

Non-price competition

When firms compete on factors other than price, for example customer service or quality; they aim to increase the loyalty to the brand which makes demand more inelastic

Interdependent

Interdependent

The actions of one firm directly affects another firm

Collusion

Collusion

Occurs when firms agree to work together, for example by setting a price or fixing the quantity they produce

Overt collusion

Overt collusion

Collusion where firms come to a formal agreement, for example a cartel

Tacit collusion

Tacit collusion

Collusion where there is no formal agreement, such as price leadership

Non-collusive oligopoly

Non-collusive oligopoly

When firms in an oligopoly compete against each other, rather than making agreements to reduce competition

Concentration ratio

Concentration ratio

The combined market share of the few top firms in a market

Game theory

Game theory

Used to predict the outcome of a decision made by one firm, which is has incomplete information about the other firm

Contestable market

Contestable market

When there is the threat of new entrants into the market, forcing firms to be efficient

Perfectly contestable market

Perfectly contestable market

A market with no barriers to entry, where a new firm can easily enter and compete against incumbent firms completely equally