Market Structures

Factors that lead to perfect competition

- **1. ____**
- **There are many participants on both the buying and selling sides.**
- **2. _______________________________________**
- **There are no differences between the products sold by different suppliers.**
- **3. _______________________________________**
- **The market provides the buyer with full information about the product and its price.**
- **4. ____**
- **Firms can enter the market when they can make money and leave it when they can't.**

Factors that make it difficult for new firms to enter a market are called ______________________________________.

_____________________________: **The expenses that a new business must pay before the first product reaches the customer are called start-up costs.**

______________________________: **Some markets require a high degree of technological know-how. As a result, new entrepreneurs cannot easily enter these markets.**

Comparison of Market Structures

Number of firms				
Variety of goods				
Control over prices				
Barriers to entry and exit				
Examples				

Defining a Monopoly

- A monopoly is a market dominated by a_______________ seller.
- Monopolies form when________________ prevent firms from entering a market that has a single supplier.

Monopolies can take advantage of their monopoly power and charge_____________ prices.

TYPES OF MONOPOLIES

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- The government grants patents, licenses that give the inventor of a new product the exclusive right to sell it for a certain period of time.

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- A franchise is a contract that gives a single firm the right to sell its goods within an exclusive market. A license is a government-issued right to operate a business.

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- In rare cases, such as sports leagues, the government allows companies in an industry to restrict the number of firms in the market.

Oligopolies

- A market dominated by a few large firms. Normally, _______________ firms control 70% or more of the market.

Government and Competition

Government policies keep firms from controlling the prices and supply of important goods. ___________________________are laws that encourage competition in the marketplace.

1. ______________________________

The government has the power to regulate business practices if these practices give too much power to a company that already has few competitors.

2. ______________________________

The government has used anti-trust legislation to break up existing monopolies, such as the Standard Oil Trust and AT&T.

3. ______________________________

A merger is a combination of two or more companies into a single firm. The government can block mergers that would decrease competition.

4. _______________________________

In 1997, new guidelines were introduced for proposed mergers, giving companies an opportunity to show that their merging benefits consumers.

- ___________________________ means that the government no longer decides what role each company can play in a market and how much it can charge its customers
- __________________________: selling a product below cost in order to drive competitors out of the market

	Perfect competition	Monopoly	Oligopoly
Number of firms	Many	one	Few (3 or 4)
Price controls	None (market)	Yes, complete	Some but limited
Entry into the market	easy	almost impossible	difficult
Types of products	Very similar	Unique (no subs)	Similar, slight differences