

market failure

where the market does not result in the efficient allocation of resources, such as the allocation of public goods

merit goods

goods that are not produced in sufficient quantity by the private sector because private individuals do not place sufficient value on those goods

monopolistic competition

a market structure where there are many sellers offering a differentiated product and few barriers to entry

monopoly

a market structure where there is only one producer

oligopoly

a market structure where there are few sellers of usually differentiated products and there are significant barriers to entry

perfectly elastic
supply

where producers are willing to supply an infinite quantity of a good or service at a particular price but nothing at all at a lower price

perfectly inelastic
demand

where consumers are willing to pay any price in order to obtain a given quantity of a good or service

perfectly inelastic
supply

where producers are willing to supply a given quantity of a good or service regardless of the price

price elasticity of
demand

a measure of the responsiveness of quantity demanded to a change in price

price elasticity of
supply

a measure of the responsiveness of quantity supply to a change in price

price mechanism

the process by which the forces of supply and demand interact to determine the market price at which goods and services are sold and the quantity produced

product differentiation

when firms try to make their goods and services look different from competitors to increase brand loyalty and give the firm some degree of price-setting power

product market

the interaction of demand for and supply of the outputs of production

public goods

goods that private firms are unwilling to supply as they are not able to restrict usage and benefits to those willing to pay for the good

pure competition

a market structure where there are many sellers of a homogenous product and there are no barriers to entry

total outlay method

a way of calculating the price elasticity of demand by looking at the effect of changes in price on the revenue earned by the producer
