**Theme 4 – Making Markets Work**

**Key Terms List**

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| 4.1 Competition and market power | |
| Monopoly |  |
| Pure monopoly |  |
| Supernormal profits |  |
| Barriers to entry |  |
| Barriers to exit |  |
| Price maker |  |
| Price discrimination |  |
| Economies of scale |  |
| Limit pricing |  |
| Sunk costs |  |
| Brand loyalty |  |
| Set-up costs |  |
| Differentiation |  |
| Oligopoly |  |
| High concentration ratio |  |
| Interdependence of firms |  |
| Tacit agreement |  |
| Price discrimination |  |
| Intellectual property rights |  |
| Productive efficiency |  |
| Allocative efficiency |  |
| Human capital |  |
| Imperfect competition |  |
| Short run profit maximise |  |
| Homogenous product |  |
| Non-homogenous product |  |
| Non-price competition |  |
| Perfect competition |  |
| Market orientation |  |
| 4.2 Market power and market failure | |
| Market failure |  |
| Cartel |  |
| Collusion |  |
| Consumer inertia |  |
| Monopsony power |  |
| Price leadership |  |
| Price war |  |
| Trade union power |  |
| Anti-competitive practice |  |
| Occupational immobility |  |
| Geographical immobility |  |
| Imperfect and asymmetric information |  |
| Privatisation |  |
| Competition and Markets Authority (CMA) |  |
| 4.3 Market failure across the economy | |
| Positive externalities |  |
| Negative externalities |  |
| Merit good |  |
| De-merit good |  |
| Value judgement |  |
| Marginal Private Cost |  |
| Marginal social cost |  |
| Marginal private benefit |  |
| Marginal social benefit |  |
| External costs of production |  |
| Indirect tax |  |
| Ad valorem tax |  |
| Specific tax |  |
| Internalising externalities |  |
| Subsidy |  |
| Tradable pollution permit |  |
| State provision of public goods |  |
| Information failure |  |
| Regulation |  |
| 4.4 Macroeconomic policies and impact on firms and individuals | |
| Aggregate demand |  |
| Consumer spending |  |
| Disposable income |  |
| Consumer confidence |  |
| Capital investment |  |
| Fiscal policy |  |
| Expansionary fiscal policy |  |
| Contractionary fiscal policy |  |
| Monetary policy |  |
| Aggregate supply |  |
| Multiplier effect |  |
| Cost push inflation |  |
| Demand pull inflation |  |
| Quantitative easing |  |
| Supply-side policy |  |
| Competition policy |  |
| Interventionist policy |  |
|  |  |
| 4.5 Risk and the financial sector | |
| Risk |  |
| Uncertainty |  |
| Shocks |  |
| Forward market |  |
| Savings deposits |  |
| Working capital |  |
| Monetary Policy Committee |  |
| Base rate |  |
| Consumer spending |  |
| Under-utilised capacity |  |
| The Financial Policy Committee |  |
| Central bank |  |
| Housing bubble |  |
| “Light touch” regulation |  |
| Asymmetric information |  |