[Glossary]

Price Leadership, Quantity Leadership and Collusive Cartels

Subject:	Business Economics
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Unit No. & Title:	Unit – 1 Market with Imperfect Competition (Oligopoly)
Lecture No. & Title:	Lecture – 3(Two) Price Leadership, Quantity Leadership and Collusive Cartels

Glossary

Competition

The process of consumers bidding prices upwards or producers cutting prices in order to achieve maximum gains in a market trade

Marginal Cost

The cost of producing one more unit of a good in the short run

Marginal Revenue

Revenue earned by the seller by selling one more unit of a good or service.

Market Equilibrium

A relationship between market price and quantities of goods and services purchased and sold in a given period of time.

Monopoly

A market structure where only one firm exists in a given industry this firm has a high degree of market power such that it is able to act as a price-maker with respect to market prices.

Perfect Competition

A market structure where many firms exist and each firm has a small percentage of market share in the market of a homogeneous product. These firms are all price-takers with no influence on market price.

Producer

An economic agent that converts inputs (factors of production) into output (goods and services) with the goal of maximizing profits from production and sale of those goods and services.

Quantity leader

A method used by a group of firms in the same market (typically oligopoly firms) in which one firm takes the lead in setting the market supply, with other firms then following behind.

Reaction curve

The curve that represents decisions of one firm to change price or quantity in response to the decisions of the other firm

Strategy

In a theoretic game the choice or action of one player that is independent of the choices made by other players in the game.