Market Structures

8-1. Definition of market:

· A place where goods and services are offered by purchasers to sale from consumers.

Or…

· A market is a social arrangement that allows buyers and sellers to discoverinformationand carry out a voluntary exchange of goods or services.

8-2.The market structure (also known as market form) describes the state of a market with respect to competition.

The major market forms are:

- Perfect competition, in which the market consists of a very large number of firms producing a homogeneous product.
- Monopolistic competition, also called competitive market, where there are a large number of independent firms which have a very small proportion of the market share.
- Oligopoly, in which a market is dominated by a small number of firms which own more than 40% of the market share.
- Oligopsony, a market dominated by many sellers and a few buyers.
- Monopoly, where there is only one provider of a product or service.
- Monopsony, when there is only one buyer in a market.

Basic Market Structures				
Market Structure	Seller Entry blockades	Seller Number	Buyer Entry blockades	Buyer Number
Perfect Competition	No	Many	No	Many
Monopolistic competition	No	Many	No	Many
Oligopoly	Yes	Few	No	Many
Oligopsony	No	Many	Yes	Few
Monopoly	Yes	One	No	Many
Monopsony	No	Many	Yes	One

Questions:

1. Give the definition of the market?

2. List the major market forms?

3. Make table explaining the Basic Market Structures?

4. True or false and correct the false if necessary:

   a. Monopolistic competition means there are a large number of dependent firms which have a very small proportion of the market share.

   b. Oligopoly, in which a market is dominated by a small number of firms which own more than 60% of the market share.

   c. Monopoly, where there is only one provider of a product or service.

   d. Monopsony, when there is only one consumer in a market.

   e. Natural monopoly, a monopoly in which economies of scale cause efficiency to decrease continuously with the size of the firm.

5. Translate the following paragraph:-

Market structure

Market structure refers to the manner in which these markets must interact with each other when they are trading the same security.

To protect investors, every country that has a stock market (or markets) regulates the listing, selling, and buying of shares in publicly traded companies and monitors the trading practices of investors, brokers, dealers, and exchanges.

The regulatory and enforcement authority that supervises the stock markets in the United States is the Securities and Exchange Commission (SEC). The SEC is now bearing in mind changes in market structure to enhance and modernize the existing national market system (NMS) rules adopted under Section 11A of the Securities Exchange Act of 1934.

This primer provides background on the major issues addressed by the SEC's proposed Regulation NMS.