

36. the characteristics of an imperfectly competitive market

37. the concept and causes of market power

38. how market power can influence market efficiency, i.e. a deadweight loss

39. policy options to influence market power, including regulation/deregulation and legislation

The first type of Market Failure is **Market Power** (use the textbook for these dotpoints) Pages 92-98

1. What is Market Power?

Market Power exists when a company has significant advantage over consumers due to the lack of competition. This is called an imperfect market. Characteristics of an imperfect market include:

- Relatively small amount of firm in the industry (1 to 10)
 - Firms have a large share of the market
 - Firms use product differentiation
 - Barriers to entry are used to restrict competition
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- What is “barriers to entry”
 - List 6 examples of barrier to entry
 - Define Monopoly
 - Australian Monopoly examples
 - Define Oligopoly
 - Australian Oligopoly examples
 - Define Product Differentiation and why it exists in Oligopolies

2. Draw the diagram on page 95 (see below) to show why oligopolies and monopolies are inefficient markets. Remember to fully explain the diagram

In short oligopolies and monopolies restrict quantity and increase prices. This creates more producer surplus, less consumer surplus and a DWL.

3. 6 Business practices that reduce competition. See Blue Table.

4. How does the government try and reduce market power?

- Who are the ACCC?
- What is their main function?
- 6 practices that are against the law in Australia (can use the same ones you used above)
- Examples of fines imposed by the ACCC

