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Micro Economics Vocab

**Chapter 1(Limits Alternatives and Choices):**

* Economics: The social science concerned with how individuals, institutions and society make the best choices under the conditions of scarcity.
* Economic perspective: The view of economics in the context of scarcity of choice and purposeful behavior and Marginal analysis.
* Scarcity: The economic resources needed to make goods and services are in limited supply.
* Opportunity cost: The cost of forgoing alternative uses of goods and resources( to obtain something implies that the purchaser forgoes the next best thing)
* Utility: The pleasure, satisfaction or happiness derived from consuming a good or service.
* Marginal analysis: Comparisons of marginal benefits and marginal costs in order to make decisions.
* Scientific method: observing real world outcomes; based on observations formulating a hypothesis; Testing this hypothesis by comparing real world outcomes with predictions; Accept or reject/modify original hypothesis; retest.
* Economic principle: Statements about economic behavior that enables prediction of probable effects of certain actions.
* Other things equal assumption: The assumption that factors other than the ones being considered do not change.
* Microeconomics: part of economics concerned with the decisions of individuals, households, workers and business firms.
* Macroeconomics: Performance and behavior of the economy as a whole (ex. Economic growth, business cycle and interest rates)
* Aggregate: Collection of economic units treated as if they were one single unit.
* Positive economics: Focused on the facts, cause and effect relationships.
* Normative economics: Incorporates value judgments about what the economy should be like. Concerned with economic policy decisions.
* Economizing problem: The need to make choices because economic wants exceed economic means(resources).
* Budget line: A schedule that shows various combinations of 2 products consumers can purchase with a given income.
* Economic resources: All natural, human and manufactured resources that go into production of goods and services. (land, labor, capital ,entrepreneurship)
* Land: All natural resources used in the production process.
* Labor: The physical and mental activities that people contribute to production.
* Capital: Manufactured tools used in producing consumer goods and services.
* Entrepreneurial ability: The human ability and innovative to combine economic resources, make strategic business decisions, innovate and the willingness to bear economic risk.
* Entrepreneurs: A person who utilizes their entrepreneurial ability in a business venture.
* Investment: spending that pays for the production and accumulation of capital goods.
* Factors of production: Land, Labor, Capital and Entrepreneurial Ability.
* Consumer goods: Satisfy our wants directly.
* Capital goods: Make possible the more efficient production of consumer goods.
* Production possibilities Curve: Displays the different combinations of goods and services that society can produce in a fully employed economy.
* Law of increasing opportunity cost: As the production of a particular good increases the opportunity cost of producing an additional unit rises.
* Economic Growth: When the production possibilities curve shifts rightward, society is able to produce a greater total output of goods and services.

**Chapter 2(The Market System and Circular Flow):**

* Economic System: Institutional arrangements and coordination to address the economizing problem.
* Laissez-Fair capitalism: The government’s role is limited to protecting private property and enforcing legal contracts.
* Command system: Government owns most economic resources and economic decision making is addressed with a central government plan.
* Market system: Mixture of centralized government economic initiatives and decentralized actions taken by individuals and firms.
* Private property: the extensive private ownership of capital and the right to negotiate binding legal contracts to exchange capital.
* Freedom of enterprise: Ensures entrepreneurs are able to obtain and use economic resources.
* Freedom of choice: Enables owners of property to use or dispose of their property and money as they see fit.
* Self-interest: Motivating force of various economic entities as they express their free choice.
* Competition: Freedom of choice in monetary pursuit characterized by two or more buyers, and the freedom of sellers and buyers to enter or leave the market.
* Market: A mechanism that brings buyers and sellers of a good or service in contact.
* Specialization: Using the resources of an economic entity to produce few types of goods relatively efficiently when compared to that entity producing the broad range of goods and services it demands.
* Division of Labor: Human specialization.
* Medium of exchange: It makes trade easier by setting a standard unit of exchange.
* Barter: Swapping goods for goods rather than a medium of exchange.
* Money: A social invention to facilitate exchanges of goods and services.
* Consumer sovereignty: In the market Consumers are ultimately in charge of resource allocation.
* Dollar votes: Consumers spend their money on the goods they are most willing and able to buy signifying their wants to the market.
* Creative Destruction: New products and production methods destroys the market position of existing firms.
* Invisible Hand: A highly competitive market system will promote public and social interest.
* Circular Flow Diagram: Illustrates the flow of money, goods and capital in a simplified economy in which there is no government.
* House holds: One or more persons occupying a housing unit.
* Businesses: commercial establishments that attempt to earn profits.
* Sole proprietorship: A business owned and managed by a single person.
* Partnership: A business that is the natural expansion of a sole proprietorship.
* Corporation: An independent legal entity that can acquire, own, produce, borrow, lend, sue, and sell on it’s own behalf.
* Product market: Place where goods and services produced by businesses are bought and sold.
* Resource market: Households sell resources to businesses.

**Chapter 3 (Demand, Supply and Market Equilibrium):**

* Change in Demand: A change in one or more of the determinants of demand will shift the location of the entire demand curve.
* Change in quantity demanded: A shift in position on the existing demand curve.
* Demand schedule: A curve that shows various amounts of product consumers are willing and able to purchase at various prices.
* Supply schedule: A curve that shows various amounts of product suppliers are willing to produce at various prices.
* Law of supply: There is a direct relationship between price and quantity supplied.
* Law of Demand: There is an inverse relationship between price and quantity demanded.
* Determinants of supply: resource price, Technology, taxes, price of other goods, producer expectations, number of sellers.
* Determinants of Demand: Consumer taste, number of buyers, consumer income, the price of substitutes, consumer expectations (about future prices).
* Change in supply: Anything that affects costs(other than changes in output themselves) will shift the supply curve.
* Change in quantity supplied: A shift of the demand curve **changes price** and therefore shifts the location of equilibrium on the existing supply curve.
* Equilibrium price: The price where the intentions of buyers and sellers match (supply and demand curves intersect).
* Equilibrium quantity: The quantity produced at the equilibrium price.
* Surplus: Excess supply met with inadequate demand for said supply.
* Shortage: Greater demand than supply of a good or service.
* Productive efficiency: the production of a particular good in the least costly way.
* Allocative efficiency: Producing the right mix of goods and services that is most valued by society.
* Price ceiling: A legal maximum price a specific type of good or service can command (results in shortage)
* Price floor: A legal minimum price a type of good or service can command.
* Marginal Revenue: The increase in Total Revenue for the last unit of input spent.

**Chapter 4 (Market Failures: Public Goods and Externalities):**

* Market failures: When economically desired goods are either not produced at all, over produced, or under produced.
* Demand-side market failures: Arise because it is sometimes impossible to charge consumers what they are willing to pay for a product (ex fireworks).
* Supply-side market failures: Arise in situations where a firm does not pay the full cost of producing it’s output.
* Consumer surplus: The difference between the max price consumers are willing to pay and the equilibrium price.
* Producer surplus: The difference between the minimum price a producer will accept to produce and the equilibrium price.
* Efficiency loss(dead weight loss): reduction of combined consumer and producer surplus as a result of over or under production.
* Private goods: Goods offered for sale in stores and on the internet characterized by Rivalry and Excludability.
* Rivalry: When one person buys a product it is not still available for another person to buy and consume. (ex a specific apple cannot be bought and eaten by 2 people)
* Excludability: Sellers can keep people who did not pay for the product from obtaining it. (ex, people cannot use said apple just cause someone already bought it)
* Public goods: Opposite a public good, are characterized by nonrivalry and Nonexcludability.
* Nontrivially: One person’s consumption of a good does not preclude others from consuming that same good (ex software)
* Nonexcludability: No effective way of excluding individuals from the benefit of a good (ex fireworks).
* Free-rider program: Once a public good is produced people who did not pay for it still get to enjoy it.
* Cost-benefit analysis: Weighing costs with benefits received to decide weather or not to produce and if to produce, how much.
* Marginal-cost-marginal-benefit rule: Produces the optimal quantity of a public good.
* Quasi-public good: Goods that the government produces that could be excludable but are under produced because they result in positive externalities that private producers could not be compensated for (ex education).
* Externality: When the cost or benefit of a good is incurred on people who did not pay for it.
* Coase Theorem: Describes economic efficiency in the presence of externalities.
* Optimal reduction of an externality: Occurs when societies marginal cost and marginal benefit of reducing that externality are equal.

**Chapter 5 ( Government’s Role and Government Failures):**

* Government failure: Economic efficiency as a result of shortcomings in the public sector.
* Principal–agent problems: Arise when tasks are delegated from one group of people to another where each group may not share the same interests.
* Collective action- problem: A situation where many would benefit from taking an action but no individual has the resources to undertake it alone.
* Special interest effect: Any political outcome where a small number of people obtain a government policy that allows them to profit at the expense of the majority.
* Earmarks: Specific provisions that authorize spending on local projects (that only benefit a small region) into comprehensive legislation.
* Rent seeking: To appeal to the government for special benefits at someone else’s expense (usually tax payers).
* Unfunded liability: Government commits to expenditures without committing to taxing or some other form of revenue generation to counter balance it.
* Budget deficit: When a governments spending is greater than it’s tax revenues.
* Debt crisis: When debt level accumulates to a level where investors doubt the governments ability to pay it back.
* Fiscal policy: Attempts to change tax rates and spending levels to offset the cyclical downturn in the business cycle.
* Monetary policy: Changing the interest rate (by altering the supply of money) to regulate the economy.
* Unintended consequences: Bureaucracy & inefficiency, Corruption, insufficient regulation and intervention, Debt crisis, destabilization.
* Regulatory capture: Regulation and enforcement is heavily influenced by the industry being regulated.
* Deregulation: To intentionally remove most of the regulations dictation certain industry.
* Loan guarantees: When the government subsidizes private sector investment such as to eliminate investors risk often resulting in the government incurring the loss associated with that risk.
* Political corruption: Unlawful misdirection of government resources or actions taken by politicians for personal gain.

**Chapter 6(Elasticity):**

* Price elasticity of demand: How responsive the demand schedule is to a change in price.
* Midpoint formula: Ed=(change in quantity/(sum of quantities/2))/(Change in price/(sum of prices/2))
* Elastic demand: Demand is very affected by a change in price (ex yatchs)
* Inelastic demand: Demand is relatively unaffected by a change in price (ex weed)
* Unit elasticity: A change in price will result in the opposite for demand with a change of equal magnitude.
* Perfectly inelastic demand: No matter what the price the same quantity will be demanded (ex insulin for diabetes)(vertical demand curve).
* Perfectly elastic demand: Extreme situation where a slight price decrease will cause consumers to go from demanding no quantity to all they can obtain. (horizontal demand curve) (ex any firm selling output in a purly competitive market)
* Total revenue(TR): TR=P\*Q
* Total-revenue test: If TR changes in the opposite direction of price demand is elastic if TR changes in the same direction as price demand is inelastic.
* Price elasticity of Supply: How responsive suppliers are to a change in price.
* Immediate market period: length of time where producers cannot adjust output in response to a change in price.
* Short run: Period of time to short to adjust plant capacity but long enough to adjust how intensively the plant produces.
* Long run: A period of time long enough for firms to adjust plant capacity in response to a change in price.
* Cross elasticity of demand: Measures how responsive consumer purchase of one product are to a change in price of another product. Exy=(%change Qx)/(%change Py)
* income elasticity of demand: How responsive demand is to a change in consumer income (ex demand for gum has a low income elasticity of demand because it’s price is very low in relation to income and a change in price is unlikely to alter demand for gum). Ei=(%change Q)/(%change in income).
* Substitute good: a good who’s demand will increase if the price of another substitute good rises.
* Inferior good: A good who’s demand decreases as consumer income increases(ex food stamps).
* Complementary good: A good that increases in demand if one of it’s complements increases in demand (ex marshmallows and gram crackers)

**Chapter 7(Utility Maximization):**

* Law of diminishing marginal utility: Added satisfaction as a consumer purchases additional units will eventually decline with each additional unit.
* Utility: Want satisfying power.
* Total utility: Utility derived from a certain quantity of product.
* Marginal utility: The tility derived from purchasing one more unit of product.
* Rational behavior: Consumers want the most satisfaction (utility) they can obtain with their money.
* Budget constraint: Any time a consumer has limited purchasing power.
* Utility-maximization rule: Customer should allocate their income so that the marginal utility of the last dollar spent on each product is the same.
* Consumer equilibrium: The result of applying the Utility Maximization rule.
* Income effect: The impact a change in product price has on consumer’s real income and consequently the quantity demanded for that good.
* Substitution effect: Impact change in product price has on relative expensiveness (compared with other goods) and consequently the quantity demanded of that good.

**Chapter 8 (Behavioral Economics):**

* Framing effects: when a change in context causes people to react differently to identical situations.(when you write the number 13 with very little space between the digits it looks like a backwards letter B even though the digits are unchanged).
* Status quo: the current situation (the way things are).
* Loss aversion: Losses are felt about 2.5 times more intensely than gains.
* Prospect theory: People judge losses and gains in relation to the status quo, people experience diminishing marginal utility for gains(each gain is less enjoyable then the preceding one), and diminishing marginal disutility for losses( each successive loss hurts a little less than the last). People experience loss aversion.
* Anchoring: People’s estimation is affected by unrelated but recently considered information.
* Mental accounting: isolating consumption options rather than considering them simultaneously.(ex buying over priced insurance on a TV because they view a potential loss if the TV breaks separate from the magnitude of their lifetime income, in the long run you would save more money replacing a few losses rather than buying expensive insurance on everything.)
* Endowment effect: Tendency for people to over inflate the value of things they currently own.
* Status quo bias: Tendency to prefer options presented as being the default.
* Myopia: Our brains inability to conceptualize the future.
* Time inconsistency: The tendency to misjudge in the present what you might want to do in the future.
* Self-control problems: Not sticking to convictions made in the past.
* Precommitments: Taking action in the present to prevent your future self from doing damage (ex setting many alarms so you have to get up in the morning to work out)
* Fairness: a person’s opinion on weather or not a price wage or allocation is morally or ethically acceptable.
* Dictator game: 2 player game where 1 player splits a sum of money between themselves and the other player at their discretion. Experimental evidence that people are only interested in what they could get for themselves .
* Ultimatum game: In situations where 2 players stand to gain only if both players agree to the split proposed the player tasked with dividing the money was shown to act fairly more often than not.

**Chapter 9 (Business and the cost of Production):**

* Economic cost: Payment maid to obtain and retain the use of a resource.
* Explicit costs: Monetary payments maid for resources.
* Implicit costs: Opportunity cost of diverting resources away from alternative uses.
* Accounting profit: TR-explicit costs
* Normal profit: Amount of accounting profit necessary to keep a resource from alternative uses.
* Economic profit: TR- (explicit+ implicit costs)
* Total product(TP): Total quantity or output of a good.
* Marginal product(MP): Extra output from an additional unit of variable resource.
* Average product (AP): Output per unit of labor input.
* Law of diminishing returns: When successive units of variable resource are added to fixed production capacity (fixed capital) at some point each additional unit will provide reduced marginal productivity.
* Fixed costs: Costs that are constant regardless of quantity output.
* Total cost: Fixed and variable costs combined.
* Variable cost: Cost that increase as output increases.
* Average fixed cost(AFC): Total Fixed Cost/quantity .
* Average variable cost(AVC):Total Variable Cost/quantity.
* Average total cost (ATC): (TFC+TVC)/Q.
* Marginal cost(MC): additional cost of producing one more unit of output.
* Economies of scale: More efficient production for a firm at higher quantities due to the efficient nature of mass-production capital goods.
* Diseconomies of scale: Inefficiencies that occur when a firm becomes so large that resources are wasted managing the firm that would.
* Constant returns to scale: A range of output quantities for which the long run average total cost does not change.
* Minimum efficient scale: The lowest level of output that a firm can minimize long run average costs at.
* Natural monopoly: A situation when average total cost in an industry is minimized if only 1 firm produces.

**Chapter 10 (Pure Competition in the Short Run):**

* Market structure: The characteristics of an industry and the firms that populate it.
* Pure competition: large number of firms producing a standard product. Easy entry and exit. Price taker.
* Pure monopoly: One firm is the sole seller of a product. Price Maker . Effective barriers to entry, natural or otherwise.
* Monopolistic competition: Large number of sellers producing differentiated products. Wide spread non-price competition takes the form of advertising. Easy entry and exit. Weak price maker( ability to dictate price depends on elasticity of demand for good being produced.)
* Oligopoly: Only a few sellers of standardized or differentiated product. Price maker if the firms in the industry engage in collusion.
* Imperfect competition: Any competition that is not pure competition.
* Price taker: A firm who can not affect market price by varying their quantity supplied.
* Average revenue: Identical to the demand schedule.
* Total revenue: Price\* Quantity
* Marginal revenue: The change in TR from selling one more unit output.
* Break-even point: Output at which a firm earns normal profit but not economic profit.
* MR=MC rule: Guide to profit maximization.
* Short-run supply curve: for a perfect competitor the SR-SC is the portion of the MC curve that lies above it’s AVC curve.

**Chapter 11 (Pure competition in the long run):**

* Long-run supply curve: because of entry and exit of firms the LR-SC is perfectly elastic.
* Constant-cost industry: Industry expansion or contraction does not affect the price of inputs.
* Increasing-cost industry: As output increases so does the cost of variable resources.
* Decreasing-cost industry: As output increases the cost of each input decreases.
* Productive efficiency: P=minATC. Requires that a good be produced in the least costly way.
* Allocative efficiency: P=MC. Societies resources are allocated to the combination of goods and resources people want the most.
* Consumer surplus: Max price consumers are willing to pay –Equilibrium price.
* Producer surplus: Equilibrium price- min price producers are willing to accept.
* Creative destruction: creation of new products and production techniques cause less competitive firms to leave the industry.

**Chapter 12 (Pure Monopoly):**

* Pure monopoly: Single firm is the sole producer.
* Barriers to entry: Any obstacle that keeps firms from competing with existing firms. (ex a patent or established economies of scale)
* Simultaneous Consumption: Many customers can be satisfied by the same product at the same time (ex fireworks or a movie)
* Network effects: When the value of a product increases as the number of users increases (ex facebook)
* X-inefficiency: When a firm produces at a higher cost then necessary. (ex hiring more managers than is necessary.)
* Price discrimination: Selling a product to different customers at different prices not based on the costs of production.
* Socially optimal price: P=MC Achieves Allocative efficiency.
* Fair-return price: P=ATC . A price high enough for regulated monopolies to earn a normal profit.

**Chapter 13 (Monopolistic Competition and Oligopoly):**

* Product differentiation: Marketing products based on their physical attributes.
* Non-price competition: Competing using product differentiation rather than price competition.
* Four-firm concentration ratio: (output of 4 largest firms)/(output of all firms in the industry)
* Herfindahl index: the sum of the squared percentage market shares of each firm in the industry. Designed to convey the market power of larger firms because larger numbers squared are considerably larger than smaller numbers squared.
* Excess capacity: Output where marginal cost is less than average cost and therefore it is possible to decrease average costs by increasing output.
* Homogeneous oligopoly: industry populated by oligopolistic firms selling similar or identical products.
* Differentiated Oligopoly: Oligopolistic industry where producer produces different products (ex Yamaha produces boat motors, drum kits and motorcycles and is an oligopolistic firm in all of those industries.)
* Strategic behavior: Self interested behavior that takes into account the actions of others.
* Mutual interdependence: An industry where a firm’s profit depends on the decisions of other firms in it’s industry.
* Interindustry competition: Competition between two producers associated with different industries.
* Import competition: Competition from foreign firms.
* Game theory: A situation where the best strategy depends on the actions of others.
* Collusion: Setting the price with other oligopolistic firms so that all firms ear a greater profit.
* Kinked-demand curve: The result of the uncertainty caused by the actions of other firms in the industry.
* Price war: Systematically cutting prices in order to secure a larger market share than your competitors. (self perpetuating)
* Cartel: A formal written agreement of collusion.
* Price Leadership: When an oligopoly engage in collusion implicitly without any formal agreement.

**Chapter 14 (The demand for Resources):**

* Derived demand: demand for an input used to make a consumer good.
* Marginal product(MP): The change in output from adding one unit of input.
* Marginal revenue product(MRP): The additional revenue from 1 additional unit of input.
* Marginal resource cost(MRC): The total cost of employing an additional unit of input.
* MRP=MRC rule: Profit maximization.
* Substitution effect: As price rises consumers will substitute a product with it’s nearest substitutes.
* Output effect: A change in the quantity of inputs demanded due to a change in demand.
* Elasticity of resource demand: Change in resource demand relative to a change in price.
* Least-cost combination of resources: (MPlabour)/(cost Labor)=(MPcapital)/(cost Capital)
* Profit maximizing combination of resources:(MRP/cost Labour)=(MRP capital/cost Capital)=1
* Marginal productivity: extra output per 1 unit input.

**Chapter 15 (Wage Determination):**

* Wage rate: Price per unit of Labor services.
* Nominal wage: Amount of money received per unit time.
* Real wage: Purchasing power derived from nominal wage.
* Purely competitive labor market: Numerous firms compete to hire labor.
* Monopsony: market structure where there is a single buyer of labour.
* Exclusive unionism: Raises average occupational wage by restricting membership.
* Occupational licensing: A license to practice a certain profession.
* Inclusive unionism: Union that admits workers of any skill level.
* Bilateral monopoly: A monopsony is formed between a union and a monopolistic firm.
* Minimum wage: a price floor on wage rate.
* Wage differentials: different wages between workers of various skill in the same industry.
* Marginal revenue productivity: extra $ a firm gains from employing another unit of labour.
* Noncompeting groups: Laborers with different skills that do not compete for the same job due to the nature of their skills.
* Human capital: Personal stock of knowledge and skills.
* Compensation differences: The difference in wages in different industries to offset the undesirability of certain jobs.
* Incentive pay plan: Ties compensation to performance.

**Chapter 16 (Rent, Interest, and Profit):**

* Economic rent: price paid for the use of land and natural resources.
* Incentive function: High prices prompt people to make more resource available.
* Single tax movement: The notion that taxes should fall only on economic rent.
* Pure rate of interest: interest rate that would compensate lenders for their willingness to foregoes alternative investment.
* Loanable funds theory of interest: explains interest rate in terms of supply and demand for loanable funds.
* Time-value of money: A specific amount of money is more valuable the sooner it is obtained.
* Compound interest: Interest that accumulates over time on an initial sum of money.
* Future value: The final amount an initial sum of money will grow to as interest compounds over time.
* Present value: Today’s value of a specific amount of $.
* Nominal interest rate: Rate of interest in current dollar values.
* Real interest rate: Rate of interest expressed in purchasing power. (adjusted for inflation)
* Usury laws: Specify a maximum interest rate.
* Insurable risks: risks that can be predicted with accuracy.
* Uninsurable risks: Risks that must be assumed by the entrepreneur. (ex. The risk that consumer tastes shift away from their product).
* Normal profit: Economic profit=0

**Chapter 18 (Public Finance: Expenditures and Taxes):**

* Government purchases: Directly require the use of resources and are part of domestic output.
* Transfer payments: Do not directly absorb resources or change domestic output. (ex. Welfare)
* Personal income tax: Levied on taxable income of households/unincorporated firms.
* Marginal tax rate: Rate tax is paid on each additional unit of income.
* Average tax rate: total tax collected/sum$ being taxed.
* Payroll taxes: based on wage, to fund social security and Medicare.
* Corporate income tax: Levied on firms profit(TR-TC), for most firms it is 35%.
* Sales and excise tax: Flat % tax on a specific type of good.
* Property taxes: Taxes on land/buildings owned.
* Benefits received principle: Those who use the government program should fund it.
* Ability to pay principle: Those who make the most should be taxed the most.
* Progressive tax: A tax that increases as wage increases.
* Regressive tax: A tax that decreases as wage increases.
* Proportional tax: A tax who’s rate is the same regardless of income.
* Tax incidence: The distribution of the burden of a tax between the consumer and producer.
* Efficiency loss of a tax: The net loss of benefit to society as the result of a tax .(Appears as a triangle on the supply-demand schedule )(bottom half =producer, top=consumer.)

**Chapter 19 (Anti-Trust Policy and Regulation):**

* Anti trust policy: Legislation that makes market structures that hinder competition illegal.
* Industrial regulation: regulation of price or rate in natural monopolies.
* Social regulation: Regulations based on the conditions under which the good is produced (ex no child labor)
* Sherman act: Made any combination , trust or otherwise that restrains commerce as illegal & people who partake in monopolization of an industry guilty of a felony.
* Clayton act: Elaborated on Sherman act, Outlawed price discrimination when used to reduce competition. Prohibited tying contracts, outlawed acquisition of competing stock. Outlawed interlocking directorates.
* Wheeler-Lea act: Added the responsibility of preventing “deceptive acts” in commerce (ex. False advertising)
* Celler-Kefauver act: Amended clayton act such that a firm can not merge to reduce competition.
* Tying contracts: Contracts that require a consumer to buy a bundle of products in addition to the product they are trying to acquire.
* Interlocking directorates: Situation where director of 1 firm is a board member of a competing firm.
* Federal Trade commission: Created 5-member FTC commission, responsible for enforcing anti trust laws.
* Cease and desist order: Stops production of a firm.
* Standard oil Case: Broke up the firm for engaging in anti-competition activities.
* U.S. steel case: Not a violation of anti trust because it was a natural monop with “good “ behavior.
* Alcoa case: Even though the firm did not have any per-se violations having a 90% market share was found to be in violation of anti trust laws regardless.
* DuPont cellophane case: The firm was not found guilty of anti trust laws because even though it had a 90% share of the market, cellophane wrap is easily substitutable with aluminum and plastic wrap.
* Microsoft case: Behavioral remedy rather than structural. (rather than being broken into smaller firms they were told to change their practice).
* Horizontal merger: Merger between 2 competitors.
* Vertical merger: Merger between firms that produce at different stages of a final good.
* Conglomerate merger: Merger between two firms in different industries.
* Per-se violations: “ in and of themselves illegal” actions.