## Key Terms

cartel

a group of firms that collude to produce the monopoly output and sell at the monopoly price

collusion

when firms act together to reduce output and keep prices high

differentiated product

a product that consumers perceive as distinctive in some way

duopoly

an oligopoly with only two firms

game theory

a branch of mathematics that economists use to analyze situations in which players must make decisions and then receive payoffs based on what decisions the other players make

imperfectly competitive

firms and organizations that fall between the extremes of monopoly and perfect competition

kinked demand curve

a perceived demand curve that arises when competing oligopoly firms commit to match price cuts, but not price increases

monopolistic competition

many firms competing to sell similar but differentiated products

oligopoly

when a few large firms have all or most of the sales in an industry

prisoner’s dilemma

a game in which the gains from cooperation are larger than the rewards from pursuing self-interest

product differentiation

any action that firms do to make consumers think their products are different from their competitors'