## Key Terms

acquisition

when one firm purchases another

antitrust laws

laws that give government the power to block certain mergers, and even in some cases to break up large firms into smaller ones

bundling

a situation in which multiple products are sold as one

concentration ratio

an early tool to measure the degree of monopoly power in an industry; measures what share of the total sales in the industry are accounted for by the largest firms, typically the top four to eight firms

cost-plus regulation

when regulators permit a regulated firm to cover its costs and to make a normal level of profit

exclusive dealing

an agreement that a dealer will sell only products from one manufacturer

four-firm concentration ratio

the percentage of the total sales in the industry that are accounted for by the largest four firms

Herfindahl-Hirschman Index (HHI)

approach to measuring market concentration by adding the square of the market share of each firm in the industry

market share

the percentage of total sales in the market

merger

when two formerly separate firms combine to become a single firm

minimum resale price maintenance agreement

an agreement that requires a dealer who buys from a manufacturer to sell for at least a certain minimum price

price cap regulation

when the regulator sets a price that a firm cannot exceed over the next few years

regulatory capture

when the supposedly regulated firms end up playing a large role in setting the regulations that they will follow and as a result, they “capture” the people usually through the promise of a job in that “regulated” industry once their term in government has ended

restrictive practices

practices that reduce competition but that do not involve outright agreements between firms to raise prices or to reduce the quantity produced

tying sales

a situation where a customer is allowed to buy one product only if the customer also buys another product