

Glossary

Perfect competition

Total revenue (TR) الإيراد الكلي It equals price times quantity.

Marginal revenue (MR) الإيراد الحدي The change in TR for a one-unit change in the quantity sold.

Profit الربح The excess of P over AC and TR over TC.

Perfect competition المنافسة التامة The form of market organization in which (1) there are a great number of sellers and buyers of the commodity, so that the actions of an individual cannot affect the price of the commodity, (2) the products of all firms in the market are homogeneous, (3) there is perfect mobility of resources, and (4) consumers, resource owners, and firms in the market have perfect knowledge of present and future prices and costs.

Break-even point عتبة المردودية The output level at which the firm's TR equals its TC and the firm's total profits are zero.

Shut-down point عتبة الإغلاق The output level at which $P = AVC$ and losses equal TFC, whether the firm produces or not.

Long-run equilibrium of the perfectly competitive firm التوازن في المدى الطويل The output level at which MR or P equals LMC and LMC is rising (provided that $P \geq LAC$).

Short-run equilibrium of the perfectly competitive firm التوازن في المدى القصير The output level at which MR or P equals MC and MC is rising (provided that $P > AVC$).

Short-run supply curve The rising portion of the perfectly competitive firm's marginal cost (MC) curve, over and above its AVC curve or shut-down point.

Constant cost industry An industry whose long-run supply curve is horizontal (at the level of minimum LAC) because factor prices remain constant as industry output expands.

Decreasing cost industry An industry whose long-run supply curve is negatively sloped because factor prices fall as industry output expands.

Increasing cost Industry An industry whose long-run supply curve is positively sloped because factor prices rise as industry output expands.

Pure Monopoly

Pure monopoly الاحتكار المطلق The form of market organization in which there is a single firm selling a commodity for which there are no close substitutes.

Short-run equilibrium of the pure monopolist The output level at which $MR = SMC$ and the slope of the MR curve is smaller than the slope of the SMC curve (provided that at this output $P \geq AVC$).

Long-run equilibrium of the pure monopolist The output level at which the LMC curve intersects the MR curve from below (provided that $P \geq LAC$).

Third-degree price discrimination The practice of charging different prices in different markets in such a way that the last unit of the commodity sold in each market gives the same MR.

Lump-sum tax A tax, such as a profit tax or a license fee, which is imposed on a firm regardless of its level of output. **Per-unit tax** A tax on each unit produced.

Price control The setting of a maximum price on a commodity at or close to where the perfectly competitive industry would produce.

Monopolistic competition and Oligopoly

Monopolistic competition منافسة احتكارية The market organization in which there are many firms selling a differentiated product.

Oligopoly احتكار القلة The market organization in which there are few sellers of a homogeneous or a differentiated product.

Cournot model نموذج كورنو The premise of this model of oligopoly is that each oligopolistic firm, in attempting to maximize its total profits (or TR if $TC = 0$), assumes that the other firm holds its output constant.

Price leadership A form of tacit collusion in which oligopolists decide to set the same price as the leader of the industry.

Chamberlin model It is similar to the Cournot model except that the two oligopolists recognize their interdependence and maximize their joint profits.

Edgeworth model It is similar to the Bertrand model but results in continuous oscillations of the product price between the monopoly price and the maximum output price of each firm.

Sweezy model It attempts to explain price rigidity of oligopolistic market by postulating that oligopolists will match price decreases, but not price increases.

Market-sharing cartel A cartel in which all member firms agree on the share of the market each is to have.

Bertrand model The premise of this model of oligopoly is that each oligopolistic firm, in attempting to maximize its profits (or TR if $TC = 0$), assumes that the other firm holds its price constant.

Cartel A formal organization of producers within an oligopolistic industry that determines policies for all firms in the cartel, with a view to increasing total profits for the cartel.

Centralized cartel A cartel that makes all decisions for the member firms, leading to the monopoly solution.