

- What are the five conditions of perfect competition and how does it benefit society?

# What are market structures?

- A system in which markets (different types of business structure) operate.
- Market structure: the extent to which competition prevails in particular markets
- Competition
  - Rivalry among sellers trying to achieve such goals as increasing profits, market share, and sales volume.
  - The effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms

# Market structures and business structures

Market structures (perfect competitions, monopolistic competition, oligopoly, monopoly)

Business structures (Sole proprietorship, partnerships, corporations, franchises)

Businesses operate within market structures.

# Perfect competition

- market situation in which there are numerous buyers and sellers, and no single buyer or seller can affect price.

# Five conditions

- Large market- Numerous buyers and sellers must exist for the good or service
- Similar product- good or service being sold must be nearly identical
- Easy entry and exit- sellers already in the market cannot prevent competition
- Easily obtainable information- information about prices , quality, and sources of supply is easy for both buyers and sellers to obtain
- Independence- the possibility of buyers and sellers working together to control the price is almost nonexistent

# How does this benefit society

- Competition forces prices down to just cover the costs of production while still allowing for a small profit
- Economic efficiency- all factors of production are used in the most effective and advantageous way possible, society enjoys an efficient allocation of productive resources.

# Research

- Research and explain 2 different examples of perfect competition.
- Explain why this is the best form of market structure.