Your notes

GCSE Economics: revision notes

Competitive and concentrated markets

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Competitive markets

- A **competitive market** has many firms selling similar products, so no single firm controls the price.
- Benefits for consumers: lower prices, more choice, better quality and innovation. Firms must be efficient to survive.

Concentrated markets

- A **monopoly** is a market with a single seller. In UK law, a firm with 25% or more of a market can be treated as having **monopoly** power.
- An **oligopoly** is a market dominated by a few large firms, such as supermarkets or mobile networks.
- Monopolies can charge higher prices, offer less choice and have little incentive to improve. But they may have economies of scale and profits to invest in research.
- **Barriers to entry**, such as high set-up costs, patents and brand loyalty, stop new firms entering.

Regulation

- The **Competition and Markets Authority** (CMA) investigates mergers and anti-competitive behaviour, such as firms agreeing prices (**collusion**), which is illegal.
- Natural monopolies, such as water supply, are often regulated to protect consumers.

Key terms

Competitive market	A market with many firms and no single firm controlling the price.

Monopoly	A market with one seller, or a firm with a dominant share.
Oligopoly	A market dominated by a few large firms.
Barriers to entry	Obstacles that stop new firms entering a market.
Collusion	Firms secretly agreeing prices or output.
Competition and Markets Authority	The UK body that promotes competition.

Your notes

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is a monopoly?
2. What is an oligopoly?
3. What market share can give monopoly power under UK law?
4. What is a benefit of competition for consumers?
5. What is a barrier to entry?
6. What is collusion?
7. Which body investigates anti-competitive behaviour in the UK?
8. What is a possible benefit of a monopoly?

Answers

1. A market with a single seller
2. A market dominated by a few large firms
3. 25% or more
4. Lower prices and more choice
5. An obstacle that stops new firms entering a market
6. Firms secretly agreeing prices or output
7. The Competition and Markets Authority
8. Economies of scale and profits for research

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

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