**Ch. 7 Vocab**

**Laissez-faire**- philosophy that government should not interfere with business activity

**Natural monopoly-** market structure in which average costs of production are lowest when all output is produced by a single firm

**Economies of scale**- increasingly efficient use of a personnel, plant, and equipment as a firm becomes larger

**Product differentiation-** real or imagined differences between competing products in the same industry

**Oligopoly-** market structure in which a few large sellers dominate and have the ability to affect prices in the industry

**Price-fixing-** agreement, usually illegal, by firms to change a uniform price for a product

**Externality-** economic side effect that affects an unintended third pary

**Negative externality-** harmful side effect that affects an unintended third party

**Trust-** illegal combination of corporations or companies organized to hinder competition