**Ch. 7 Vocab**

1. **Laissez-faire**- philosophy that government should not interfere with business activity
2. **Perfect Competition-** a market structure characterized by a larger number of well-informed independent buyers and sellers who exchange identical products.
3. **Natural monopoly-** market structure in which average costs of production are lowest when all output is produced by a single firm
4. **Economies of scale**- increasingly efficient use of a personnel, plant, and equipment as a firm becomes larger
5. **Product differentiation-** real or imagined differences between competing products in the same industry
6. **Oligopoly-** market structure in which a few large sellers dominate and have the ability to affect prices in the industry
7. **Price-fixing-** agreement, usually illegal, by firms to change a uniform price for a product
8. **Externality-** economic side effect that affects an unintended third party
9. **Negative externality-** harmful side effect that affects an unintended third party
10. **Trust-** illegal combination of corporations or companies organized to hinder competition