Perfect Competition – This is the simplest market structure. Perfect competition is one where a large number of firms all producing essentially the same product. Assumes that the market is in equilibrium and that all firms sell the same product for the same price. Each firm produces so little compared to the total produced, that no single firm can hope to influence prices. Decision they make is how much to produce, given their production costs and the market price.

Commodity – A product that is considered the same regardless of who makes or sells it. Examples: low-grade gasoline, notebook paper, and milk. Identical products are key to perfect competition for one reason: the buyer will not pay extra for one particular company's goods. The buyer will always choose the supplier with the lowest price.

Barriers to entry: Barriers to entry can lead to imperfect competition. Common barriers to entry include start-up costs and technology

Start-up costs - The expenses that a new business must pay before the first product reaches the customer. When start-up costs are high, entrepreneurs are less likely to enter that market. Markets that involve high start-up costs are less likely to be perfectly competitive markets.

Monopoly – A monopoly forms when barriers prevent firms from entering a market that has a single supplier. Monopoly markets have only one seller, but any number of buyers. Barriers to entry are the principal condition that allows monopolies to exist. A strict set of requirements are used to define a monopoly. They can take advantage of their market power and charge high prices. Given the law of demand, this means that the quantity of goods sold is lower than in a market with more than one seller. The U.S. has outlawed some monopolistic practices. All monopolies have a single seller in a market.

Economies of scale are characteristics that cause a producer's average cost to drop as production rises.

Natural monopoly – a market that runs most efficiently when one large firm provides all of the output. If a second firm enters the market, competition will drive down the market price charged to customers and decrease the quantity each firm can sell. Public water provides a good example of a natural monopoly. A firm with a natural monopoly agrees to let government control the prices it can charge and what services it must provide.

Government Monopolies – A monopoly created by the government. In the case of a natural monopoly, the government allows the monopoly to form and then regulates it. In other cases, however, government actions themselves can create barriers to entry in markets and thereby create monopolies.

Patent – Gives a company exclusive rights to sell a new good or service for a specific period of times.

Franchise – a contract issued by a local authority that gives a single firm the right to sell its goods within an exclusive market. For example, the National Park Service picks a single firm to sell food and other goods at national parks. The franchise may include a condition that no other soft drinks will be sold in the building. Government, parks, and schools use franchises to keep small markets under control.

License – granting firms the right to operate a business. Radio and television broadcast frequencies and land. The Federal Communications Commission issues licenses for individual radio and television stations. Some cities select a single firm to own and manage all of their public parking lots.

Price discrimination - based on the idea that each customer has his or her own maximum price he or she will pay for a good. If a monopolist sets the good's price at the highest maximum price of all the buyers in the market, the monopolist will only sell to the one customer willing to pay that much. If the monopolist sets a low price, the monopolist will lose the profits it could have made from the customers who bought at the low price but were willing to pay more.

Market power – The ability to control prices and total market output. Many companies have some market power without having a true monopoly. Market power and price discrimination may be found in any market structure except for perfect competition.

Monopolistic Competition – Many companies compete in an open market to sell products that are similar but not identical. Each firm holds a monopoly over its own particular product. You can think of monopolistic competition as a modified version of perfect competition with minor differences in products. The differences between perfect competition and monopolistic competition arise because monopolistically competition firms sell goods that are similar enough to be substituted for one another but are not identical. Monopolistic competition does not involve identical commodities. Example – the market for jeans. All jeans can be described as denim pants, but in the shops, buyers can choose from s variety of colors, brand names, styles, and sizes.

Cartel – A formal organization of producers that agree to coordinate prices and production.

Collusion – An agreement among firms to divide the market, set prices, or limit production.

Price Fixing – An agreement among firms to charge one price for the same good.

Differentiation – Differentiation enables a monopolistically competitive seller to profit from the differences between his or her products and competitors' products – Firms have some control over their selling price because they can differentiate, or distinguish their goods from the other products in the market.