

Term	3 mark definitions
competitive market	a market with many buyers and sellers, good market information and ease of entry and exit
composite demand	where the product is required for more than one use; an increase in demand for one use will lead to a decrease in supply of the good for another
cross elasticity of demand	a measure of the percentage change in the quantity demanded of one good resulting from a percentage change in the price of another
demerit good	a good which generates negative externalities in consumption
derived demand	The demand for a factor of production used to produce another good.
economies of scale	falling average costs as the size of a firm increases.
equilibrium price	the price at which quantity demanded and quantity supplied are equal and there is no excess supply or demand
external costs	the harmful or negative side-effects of an economic activity
Externalities	effect on a third party as a result of an economic transaction
factor of production	an economic resource used to produce goods and services
government failure	when government intervention in a market leads to a less efficient allocation of resource
income inequality	When there is an uneven distribution of money coming into households
internal economies of scale	a fall in average cost due to growth of the firm
marginal private costs	the cost borne by the party involved in the transaction due to the consumption (or production) of an extra unit
market failure	occurs when the production and/or use of goods and services by the market is not efficient
market mechanism	means by which demand and supply determine the price and quantity of a good or service in a market
minimum price	A price floor set by the government
Monopoly	where one firm has at least a 25% share of the market.
positive cross elasticity of demand	CED measures the extent to which a change in the price of one product affects the demand for a different product. It is positive when the rise/fall in the price of the first product leads to a rise/fall in the quantity demanded of the other product.
positive externality	benefits received by a third party.