**Market Size, Market Structure and Prices**

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**Abstract**

The existence of price dispersion is one of the most well known principles of economic theory. Earlier studies concentrated on international purchasing power parity (PPP) deviations, and suggest that product heterogeneity, imperfect information, trade costs, markup differences and differences in taxes are important determinants of international price dispersion. In recent years several studies have examined price dispersion within a nation’s borders. Intranational price dispersion may arise because of differences in the sellers’ production cost, differences in consumer’s search cost, differences in the repetitiveness of purchases and consumer loyalty, and differences in buyers’ information about prices due to their random exposure to advertising (Lach, 2002).

In this article we analyze price dispersion among the districts of Istanbul by utilizing a data set containing microeconomic price levels from bazaars, convenience stores, and supermarkets. Results indicate that the prices of homogenous products vary less than the prices of differentiated goods as one might expect. However, fruits and vegetables are both homogenous goods with a relatively high price dispersion across the counties of Istanbul. Outcome of this work may provide a better understanding of existence, effects of demographic, economic and social factors on the characteristics and persistence of the price dispersion in Istanbul.

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