**Chapter 5 – Learning Goal Outline (Perfect Competition)**

Under perfect competition, the business dodoes, dinosaurs, and giant ground sloths are in for a bad time – as they should be.

 R.H. Bork and W.S. Bowman

1. Identify the 4 Market Structures and the main differences between them.
2. Describe the profit maximizing output rule and explain how perfect competitors use it in the short run.
3. Identify how perfectly competitive markets adjust in the long run and the benefits they provide to consumers.

**5.1 - Market Structures**

Perfect Competition

Many buyers and sellers

Standard product

Easy entry and exit

Monopolistic Competition

Perceptible product differences

Easy entry and exit

Oligopoly

Entry and exit somewhat restricted

Monopoly

Single sellers

Entry Barriers

Increasing returns to scale (natural monopoly)

Market experience

Restricted resource ownership

Legal obstacles

Market abuses (predatory pricing)

Advertising

Market Power

**Practice Questions (Page 120, #1, #2)**

**5.2 – Perfect Competition in the Short Run**

Business’s demand curve

Revenue conditions

Average revenue

Marginal revenue

Relationship between revenue conditions and demand

Profit maximization (profit maximizing output), (breakeven point)

When should a business close?

Business’s Supply Curve

Market Supply Curve

**Practice Questions (Page 128, #1a,b. #2a,b,c. #3a,b,c,d)**

**5.3 – Perfect Competition in the Long Run**

**5.4 – Benefits of Perfect Competition**

Minimum Cost Pricing

Marginal Cost Pricing

**Practice Questions (Page 131, #1a,b,c)**

Joseph Schumpter and the Prospects for Capitalism

**Practice Questions (Page 141, #1, #2)**