

Subject	Year	Term
Economics (micro)	Year 13	Y13 Autumn 1 and Y13 Autumn 2
Topic		
4.1.5 Perfect competition, imperfectly competitive markets and monopoly		
Content (Intent)		
<p>Prior Learning</p> <ul style="list-style-type: none"> Sections 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.8 (parts 1 and 2) The following topics are particularly helpful: How markets function, the determinants of demand/supply, market failure, production possibility diagrams, costs, revenues, profits, efficiency 		
<p>This section of the syllabus is split into 11 topics (4.1.5.1. to 4.1.5.11.)</p>		
<p><u>Part 1 - Topics completed in Y13 Autumn term 1</u></p>		
<p>4.1.5.10. Market structure, static efficiency, dynamic efficiency and resource allocation</p>		
<ul style="list-style-type: none"> The difference between static efficiency and dynamic efficiency. The conditions required for productive efficiency (minimising average total costs) and allocative efficiency (price = marginal cost). Dynamic efficiency is influenced by, for example, research and development, investment in human and non-human capital and technological change. 		
<p>4.1.5.8. The dynamics of competition and competitive market processes</p>		
<ul style="list-style-type: none"> Both the short-run and long-run benefits which are likely to result from competition. That firms do not just compete on the basis of price but that competition will, for example, also lead firms to strive to improve products, reduce costs, improve the quality of the service provided. The process of creative destruction. 		
<p>4.1.5.1. Market structures</p>		
<ul style="list-style-type: none"> The spectrum of competition ranging from perfect competition at one end of the spectrum to pure monopoly at the other end of the spectrum. Factors such as the number of firms, the degree of product differentiation and ease of entry are used to distinguish between different market structures. 		
<p>4.1.5.2. The objectives of firms</p>		
<ul style="list-style-type: none"> The models that comprise the traditional theory of the firm are based upon the assumption that firms aim to maximise profits. The profit-maximising rule (MC=MR). The reasons for and the consequences of a divorce of ownership from control. Firms have a variety of other possible objectives. The satisficing principle. 		
<p><u>Part 2 - Topics completed in Y13 Autumn term 2</u></p>		
<p>4.1.5.3. Perfect competition</p>		
<ul style="list-style-type: none"> The formal diagrammatic analysis of the perfectly competitive model in the short and long run. The implications of the following for the behaviour of firms and the industry: large numbers of producers, identical products, freedom of entry and exit, and perfect knowledge. Firms operating in perfectly competitive markets are price takers. The proposition that, given certain assumptions, relating for example to a lack of externalities, perfect competition will result in an efficient allocation of resources. 		

4.1.5.4. Monopolistic competition

- The formal diagrammatic analysis of the monopolistically competitive model in the short and long run.
- The main characteristics of monopolistically competitive markets.
- Monopolistically competitive markets will be subject to nonprice competition.

4.1.5.5. Oligopoly

- The main characteristics of oligopolistic markets.
- Oligopolistic markets can be very different in relation to, for example, the number of firms, the degree of product differentiation and ease of entry.
- Oligopoly can be defined in terms of market structure or in terms of market conduct (behaviour).
- Concentration ratios and how to calculate a concentration ratio.
- The difference between collusive and non-collusive oligopoly.
- The difference between cooperation and collusion.
- The kinked demand curve model.
- The reasons for non-price competition, the operation of cartels, price leadership, price agreements, price wars and barriers to entry.
- The factors which influence prices, output, investment, expenditure on research and advertising in oligopolistic industries.
- The significance of interdependence and uncertainty in oligopoly.
- The advantages and disadvantages of oligopoly

4.1.5.6. Monopoly and monopoly power

- The formal diagrammatic analysis of the monopoly model.
- That monopoly power is influenced by factors such as barriers to entry, the number of competitors, advertising and the degree of product differentiation.
- The advantages and disadvantages of monopoly.

4.1.5.7. Price discrimination

- The conditions necessary for price discrimination.
- The advantages and disadvantages of price discrimination.

4.1.5.9. Contestable and non-contestable markets

- The significance of market contestability for the performance of an industry.
- Concepts such as sunk costs and hit-and-run competition.

4.1.5.11. Consumer and producer surplus

- Be able to apply these concepts when discussing economic efficiency and welfare issues, such as price discrimination and the dead-weight losses associated with monopoly

Future Learning:

This section of the syllabus gives depth to the causes of market failure. Market structures link closely to the need for competition policy (explored in section 4.1.8). The section provides insights that underpin policy recommendations relating to private/public ownership and regulation/deregulation. The principles of market structures relate to the structures of labour markets. Analysing the advantages and disadvantages of different markets gives depth and clarity to concepts such as economies of scale and efficiency.

How will knowledge and skills be taught? (Implementation)	How will your understanding be assessed & recorded (Impact)
This topic will involve, but not be limited to: <ul style="list-style-type: none">- Teacher led lesson content- Independent learning tasks- Group discussion/debates and questioning- Using economic terminology- Reference to economic examples throughout	<ul style="list-style-type: none">- Past Paper responses and essays. Marked and feedback given.- Verbal responses. Individual and class feedback given.

How can parents help at home?

- Discussing ideas and content at home & linking it to real world situations that they are aware of.
- Watch the news and/or read a good quality newspaper
- Watch any topical films or documentaries that link to economics e.g. Panorama, dispatches etc.
- Support us with our department's high expectations of spelling, grammar, punctuation, and minimum standards.

Helpful further reading/discussion

Reading

- Economics A level textbooks
- Tutor 2u website and YouTube channel
www.econplusdal.com
- <https://www.tutor2u.net>
- BBC website for current economics articles
- Exam board subject website
<https://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136>
- CIA website for international economic data
<https://www.cia.gov/the-world-factbook/>

Vocabulary Key Words

- The structure-conduct-performance model
- Monopoly power
- Product differentiation
- Barriers to entry
- The profit-maximising rule
- Divorce of ownership from control
- The satisficing principle
- Perfect competition
- Price taker
- Price maker
- Monopolistic market structure
- Oligopoly
- Oligopolistic markets structures
- Market concentration
- Concentration ratios
- Collusion
- Cartel
- Collusive oligopoly
- Non-collusive oligopoly
- Cooperation
- The kinked demand curve
- Non-price competition
- Price agreement
- Price war
- Interdependence
- Uncertainty
- Monopoly
- Pure monopoly
- Natural monopoly
- Price discrimination
- Competition
- Creative destruction
- Contestable markets
- Non-contestable markets
- Sunk costs
- Hit-and-run competition
- Static efficiency
- Dynamic efficiency
- Productive efficiency
- The conditions for allocative efficiency
- Research and development
- Investment in human capital
- Investment in non-human capital
- Technological change
- Consumer surplus
- Producer surplus
- Dead-weight loss

Careers Links

A level economics develops skills and knowledge that help in a wide range of careers. An understanding of how changes in economic variables impacts the economic environment that firms operate in is useful for careers in a wide range of industries. Data handling and interpretation skills, along with the ability to construct alternative arguments to a problem before drawing conclusions are valued in many careers.