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OBJECTIVES of Firms

Microeconomics
[Firms & Decisions]

Profit-Maximising Objective

- To profit maximise is the most traditional objective of firms.

Profit = Total Revenue - Total Cost

Marginalist Principle

- Needs to fulfil the condition of **MR = MC [*Marginal Revenue = Marginal Cost*]**.
  - Marginal Revenue: Additional revenue gained from the sales of one more unit of the g/s.
  - Marginal Cost: Additional cost of producing one more unit of the g/s.

Profit-Maximising Objective

In the real world, a firm may **not** be able to profit-maximise due to several reasons:

1. **Lack of/Inaccurate information**
   - Firms may lack sufficient information to set prices, where MR may be difficult to compute given the difficulty in estimating Quantity demanded.
   - Pricing decisions are made based on firms' evaluation of **estimated** demand.

2. **Constraints**
   - There is a need for time to hire and train workers, attain new machinery → Even if there is a surge in demand (DD=MR) → Which means an increase in MR → MR will **exceed** MC (MR>MC) hence this is also not profit maximising.

Different Types of **MAXIMISING** Profits

MR = MC: Normal Profits

MR>MC: Supernormal Profits

MR<MC: Subnormal Profits

[*Covered in another video*]

Alternative objectives of firms

1. Entry Deterrence

- Firms in the real world may be aware of potential entrants.
- To avoid losing market share → The firm may focus on price and non-price decisions in deterring entry of new firms.
    - E.g. ***Apple***

2. Revenue Maximisation

- Firms may aim to maximise Total Revenue in the short-run.
- This can be achieved when MR=0 (no additional revenue hence MR cannot equals MC to maximise profits).
- Managerial salary is dependent on firms' sales revenue.

Alternative objectives of firms

3. Profit-Satisficing

- Firm may just be aiming for a **certain level** of profit rather than maximum profits.
- Common amongst sole enterprises.
    - ***E.g. Small fleece stores, hawker stores.***

4. Market share dominance

- Some firms aim to maximise growth by increasing their market share → Firms can capture a **larger market share** by selling a higher quantity in the market and later price it higher.

Exam Requirements

- Understand the most important way in which firms want to maximise profits. Profit is derived as Total Revenue - Total Cost.
- **MAXIMUM PROFIT** is defined as MR = MC.
- Explain and discuss the different objectives which different firms may take up instead (*some will be covered more in-depth in later videos*, e.g. oligopoly, monopoly).

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Costs and Revenue

Microeconomics
[Firms & Decisions]

Distinction between **SHORT-RUN** and **LONG-RUN**

Short Run: Time period with at least **ONE** fixed factor of production.

- Output can only be varied by changing the **quantity** of variable factors of production.

Long Run: Planning horizon in the production process where **ALL** factors of production **can be varied**.

The different types of **COSTS** in the **SHORT-RUN**

Total Fixed Costs (TFC): Do not vary with the level of output produced, occurs only in the short run.

Total Variable Costs: Varies with the level of output produced. Initially, there is increasing marginal returns, but when the law of diminishing marginal returns set it, costs will rise faster than an increase in output.

Average Fixed Costs (AFC): TFC/Qty

Average Variable Costs (AVC): TVC/Qty

Marginal Cost: Additional cost of producing one more unit of g/s.

Total Cost: Sum of TFC and TVC

The type of **COST** in the **LONG-RUN**

- **ALL** factors of production can be changed.
- **ALL** outputs in the long-run must be productive efficient.

Long Run Average Cost (LRAC)

- In the long run, there are **no** fixed factors of production. Hence, LRAC is the per unit cost of producing a good or service in the long run, where all factors of production are variable.
- By increasing scale of production → Fall in LRAC due to ability to reap economies of scale → Cost savings for the producer.

Internal **Economies of Scale** [EOS]

- Economies of Scale (EOS) are **cost savings** reaped by a company due to the ability to operate production on a large scale.

1. Technical EOS

- **Specialisation & Division of Labour** [As output increases → firms can afford to use specialised machines and with division of labour → Increase in efficiency which translates to ***greater productivity*** → **Lower** average cost.]
- **Indivisibilities** [Larger firm with higher output levels can make full use of machine capacity (no wastage) → Reduces average cost per unit]
- **Economies of increased dimension** [Costs do not rise proportionally with the size of equipment]

Internal **Economies of Scale** [EOS]

2. Marketing EOS

- **Bulk Buying** [Large firms that purchase raw materials in large quantities enjoy larger **discounts** and better services from the supplier]
- **Advertising** [Advertising cost per unit may be lower than that of smaller firms]

3. Financial EOS

- Large firms have easier access to borrowed funds and will be able to obtain funds at lower costs than smaller firms.
- **Credit Worthiness** [More established hence can borrow a larger amount of loan since they can provide more assets]
- **More means of raising funds** [Through issuing shares]

Internal **Economies of Scale** [EOS]

4. Managerial EOS

- Hiring of middle management staff to focus on day-to-day operations; hence, top management can focus on **long-term strategic planning** → Increase efficiency and strategies to **lower** average cost.

Internal **DIS-Economies of Scale** [EOS]

- Dis-EOS are negative to a company as it works against them, increasing average costs.

1. Managerial dis-EOS

- **Loss of direction and coordination** [**Time lags** in implementing decisions → Loss of productivity → Increase AC]
- **Poor communication** [Misinterpretation of information and inaccurate information passed down → Loss of productivity → Increase AC]
- **Low motivation and morale** [Workers lose sense of belonging and feel insignificant → results in higher absentee rates → Increases AC]

External **Economies of Scale** [EOS]

- Cost savings due to many firms carrying out similar activities located close together, on an **INDUSTRIAL** level.
- Benefits both small and large firms within the same industry.

1. Economies of concentration

- **Trained workforce** [Skilled labour is readily available at a cheaper cost]
- **Better infrastructure** [More and improved facilities in the area such as transport]
- **Ancillary firms** [Provides raw materials and maintenance services → reduces transport costs and assuming output remains the same → Fall in AC]

External **Economies of Scale** [EOS]

2. Economies of Information

- **Shared cost of research** [Common information services provided by central research centres].

3. Economies of disintegration

- When an industry is heavily localised → Firms split up production processes and specialise in a single process (diversification).

External **DIS-Economies of Scale** [EOS]

- Dis-EOS are negative to a company as it works against them, increasing average costs.

1. Competition

- For labour, factor inputs in the area.

2. Overcrowding

- Traffic Jams, increased human traffic.

3. Pollution

- May need to pay higher compensation in terms of medical, solutions to curb pollution.

Exam Requirements

- Be able to tell the **difference between short-run and long-run** and how they affect production and costs.
- Explain and Discuss the various types of economies of scale, their benefits and limitations to a firm or industry.
- Source for some examples to support EOS, e.g. Silicon Valley, Science Parks in Singapore, Apple, Nike, etc.

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Perfect Competition

Microeconomics
[Firms & Decisions]

Market Structures

Covered in terms of the following order:

Characteristics → Behaviour → Performance

Characteristics: No. of firm(s), size of firm(s), type of g/s, presence of barriers to entry, level of knowledge.

Behaviour: Objective to profit maximise or not, what type of profits, decisions and strategies to achieve objectives including cost and revenue, competitors' actions, business risks, uncertainty considerations.

Performance: Efficiency and equity

Characteristics of PC firms

- Freedom of **Barriers to Entry (BTE)**.

- **Large** number of buyers and sellers.

- **Free mobility** of factors of production

Characteristics of PC firms

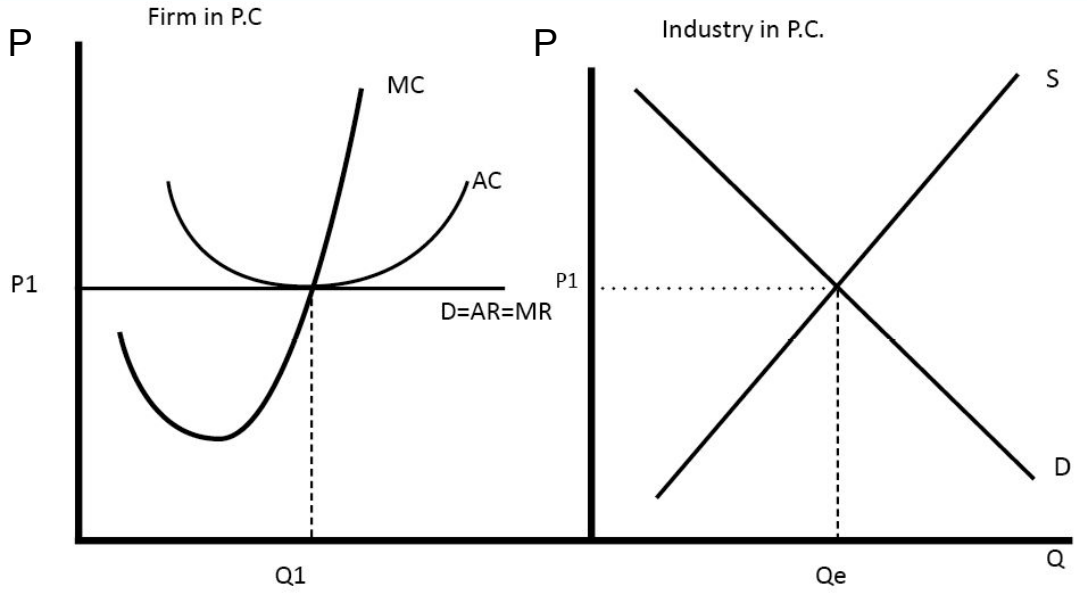
- Perfect knowledge of market by producers and consumers.

- **Homogeneous/identical** product → Perfectly price elastic DD curve.

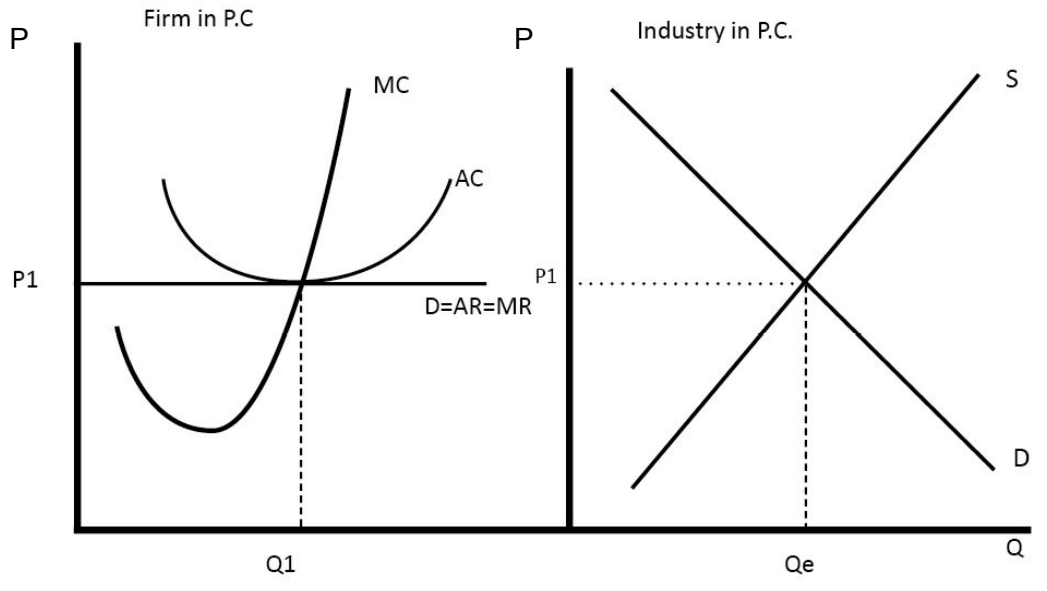
- All firms are **price-takers** → No firm, by changing output can affect the price of product sold.

Behaviour of PC firms

- Assuming that all firms aim to maximise profits, **MR=MC**.



Behaviour of PC firms



- From DD/SS graph, P1 and Qe are obtained.
- Since PC firms are **price-takers** → Firms take the price P1 (D) → Inability to set price results in D=MR.
  - *The only decision a PC firm can make is how much to produce (profit-max at MC=MR)*

TAKE NOTE

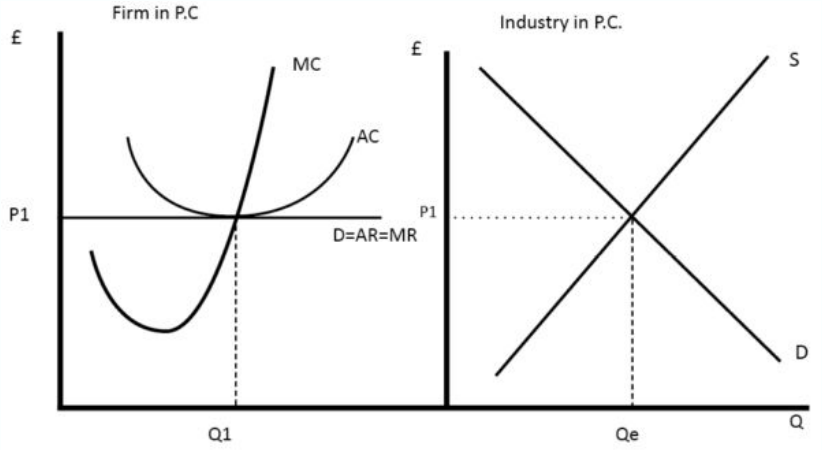
- AR (average revenue) is often called the **demand** curve due to its representation of the product's demand in the market.
- **Price** determines the demand for a product, hence **P=AR = DD**.

*Hence, in the case of PC firms, since MR = DD, DD = AR, **MR = DD = AR**.

Behaviour - **PROFITS**

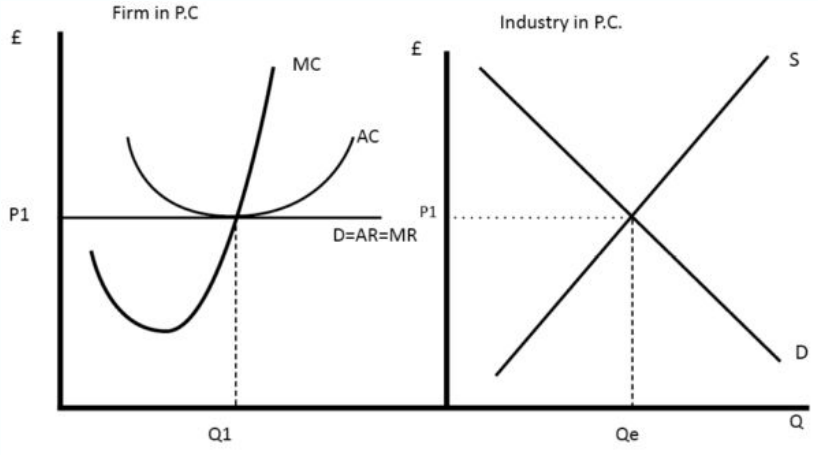
MC = MR: Determines profit-maximising price and output.

AC = AR: Determines the **TYPE** of profit [*Subnormal*, *Normal*, *Supernormal*].



Behaviour of PC firms - **PROFITS**

- A PC firm only makes **NORMAL PROFITS** in the long run → This is because any ***potential supernormal profits*** would be eroded by the entry of new firms and if firms were making ***subnormal profits*** in the SR they could easily leave (*made easy due to absence of BTE*).



Behaviour of PC firms - **SHUT-DOWN condition**

- A firm will continue to operate as long as it can cover its **average variable cost** [(P)rice>AVC]
- AFC is not factored in as it is still incurred whether a firm continues/shuts down.

When **P<AVC**,

- Firm will minimise losses by shutting down.
- This is because **P=AR**, hence **AR<AVC,** which means that it is making subnormal profits in the short run and hence would shut down.

Performance of PC firms

1. Productive Efficiency

- Requires firm to produce at lowest attainable cost at that particular output level.
- PC firms operate at the optimal capacity and there is no wastage of resources (*otherwise known as the Minimum Efficient Scale*).

2. Allocative Efficiency

- Occurs when P = MC output level → Cost matches the consumers' valuation of an additional unit of good.
- Leads to a more equitable distribution of income as competition drives prices down to the lowest average cost.

Exam Requirements

- Explain and discuss the **characteristics**, **behaviour** and **performance** of Perfectly Competitive firms.
- **Understand** the differences between PC firms and other types of market structures.

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Monopolistic Competition

Microeconomics

[Firms & Decisions]

Market Structures

Covered in terms of the following order:

Characteristics → Behaviour → Performance

Characteristics: No. of firm(s), size of firm(s), type of g/s, presence of barriers to entry, level of knowledge.

Behaviour: Objective to profit maximise or not, what type of profits, decisions and strategies to achieve objectives including cost and revenue, competitors' actions, business risks, uncertainty considerations.

Performance: Efficiency and equity

Characteristics of MC firm

- Relatively **low** barriers to entry.
- Large number of small firms.
- Products are close substitutes, yet differentiated enough to grant certain degree of market power to the firm → Firms are **price-setters**.
- Firm face a **downward sloping demand** curve, there is no market demand curve.
  - Highly elastic demand

Behaviour of MC firms

- Due to a large number of small firms → Every firm produces a small share of total market supply.
- Since there are no EXACT substitutes → Each firm is a **price-setter**.

Independent Pricing Policies

- If a firm lowers price, the loss in sales by rival firms will spread thinly such that the extent to which each rival firm suffers is negligible.
- Retaliation by rivals is less likely → Each firm is hence able to determine its price and output policies without considering the possible reactions of rival firms.

Behaviour of MC firms - how firms compete

Price Competition

- Independent pricing policies for each firm. In the real world, small firms located in the same area will lower prices to capture customers, but lower prices are kept minimal in order not to prevent a price way (erodes profits).

Non-Price Competition

- May engage in product differentiation strategies to increase demand and make it more price inelastic.
- Extent of non-price competition is not as high as oligopolies (*next video*) due to a lack of financial resources.

Behaviour of MC firms - **PROFITS**

REMEMBER!!!

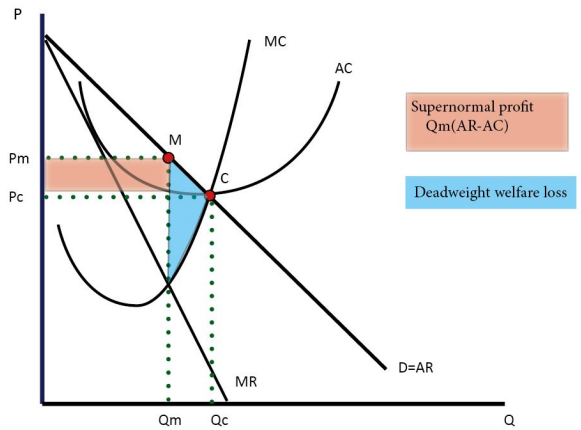
MC = MR: Determines profit-maximising price and output.

AC = AR: Determines the **TYPE** of profit [*Subnormal*, *Normal*, *Supernormal*].

Behaviour of MC firms - **PROFITS**

Short-Run Profits

- Due to the large number of slightly differentiated products → There is no market demand → Hence no single industry price.
- In the short-run, each MC firm can make any profit levels (subnormal, normal or supernormal).

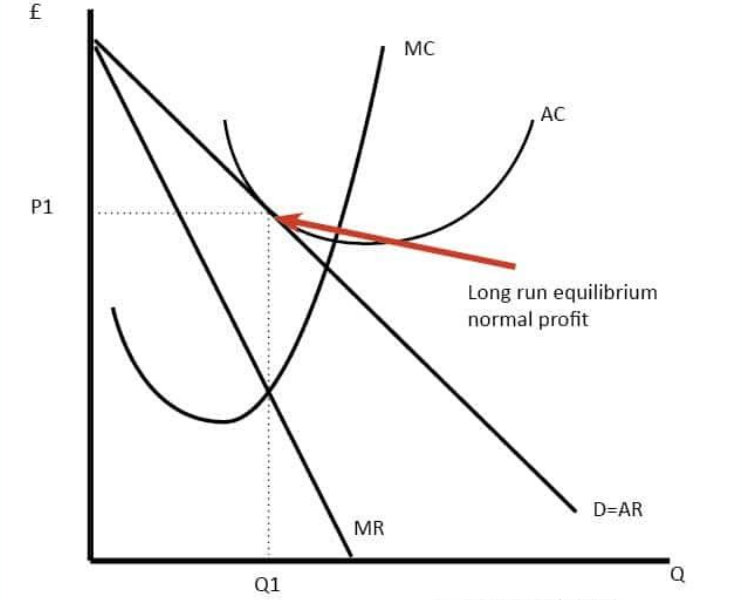


Behaviour of MC firms

Long-Run Profits

- MC firms **only** make **normal profits** in the long-run as any supernormal profits will be eroded by the entry of new firms due to low barriers to entry.
- On the other hand, the firms making subnormal profits will leave the industry since it costs little to exit.
- In the long-run, with more firms → there will be increased number of substitutes → Creates a more price elastic demand curve.

Behaviour of MC firms - Long Run Normal Profits



Performance of MC firms

1. Productive Efficiency

- In the long-run, MC firm is not at the firm's minimum efficient scale. At the LR equilibrium, when only normal profits are earned → MC firm does not produce at the output level where LRAC is minimum but at falling portion of LRAC.
- Wastage of resources and hence the firm is not productive efficient.

2. Allocative Efficiency

- Allocative Efficiency is **NOT** achieved.
- At the long-run equilibrium, MC firm maximise profits at an output level where P>MC
  - Due to the MC firm possessing some market power and is able to produce at a lower output and higher price of the good than allocative efficient output level.
  - Results in a deadweight loss to society and hence market failure.

Performance of MC firms

3. Product Variety

- Due to the large number of MC firms with slightly differentiated products → There is a wide product variety in terms of style, quality, service and design to suit differing taste and preferences → Increase in consumer welfare.

4. Argument for advertising

- MC firms may advertise its product → Provides better consumer information about prices, availability of new products, quality → makes knowledge less imperfect → helps consumers make better choices.
- Consumers are also more aware of alternative products → Makes market more competitive.

Exam Requirements

- Explain and discuss the **characteristics**, **behaviour** and **performance** of Monopolistic Competitive firms.
- **Understand** the differences between MC firms and other types of market structures.

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OLIGOPOLY

Microeconomics
[Firms & Decisions]

Market Structures

Covered in terms of the following order:

Characteristics → Behaviour → Performance

Characteristics: No. of firm(s), size of firm(s), type of g/s, presence of barriers to entry, level of knowledge.

Behaviour: Objective to profit maximise or not, what type of profits, decisions and strategies to achieve objectives including cost and revenue, competitors' actions, business risks, uncertainty considerations.

Performance: Efficiency and equity

Characteristics of Oligopoly firms

- Small number of dominant firms → Results in inter-dependent behaviour
  - 4-firm concentration ratio (sum of 4 largest firms make up majority of market share)
- Homogenous products but somewhat differentiated (by labels, quality, branding)
- Substantial **Barriers to Entry**
  - EOS as natural barriers → Technical EOS → Low average cost for oligopoly firms → Hard for new firms to harness EOS early on.
  - Artificial barriers → Non-price competition, collusion/mergers
- Imperfect Knowledge
  - Sellers and buyers have incomplete information regarding production methods and prices.

Characteristics of Oligopoly firms

Mutual Interdependence

- Changes in price and output by one firm will affect the sales of rivals (vice versa).

- Each firm will shape its pricing and output policies in response to the policies and actions of competing firms (*hence oligopoly firms may end up cooperating or competing*).

- Demand curve of oligopoly firms are uncertain and indertimate.
  - *Look at kinked-demand curve under behaviour of oligopoly firms*

Behaviour of Oligopoly firms

- Oligopoly firms can compete via **price** and **non-price** competition.
- Some oligopolies adopt behavioural models.

4 Behavioural Models:

- Competitive Model
- Cooperative Model (Collusive oligopoly)
- Formal collusion model: Cartels
- Informal collusion model: Price Leadership

Behaviour of Oligopoly firms - Price competition

- Price competitions may break out at times → Known as price wars/predatory pricing.
  - A oligopoly firm may set prices deliberately low → Undercut prices of other rival firms so as to aim to drive competitors out and gain larger market share → Though firm may suffer losses in the short-run → Due to mutual interdependence → Other rival firms will also drop prices to retain customers → Price war breaks out → Erodes any supernormal/normal profits made.

Behaviour of Oligopoly firms - Non-Price competition

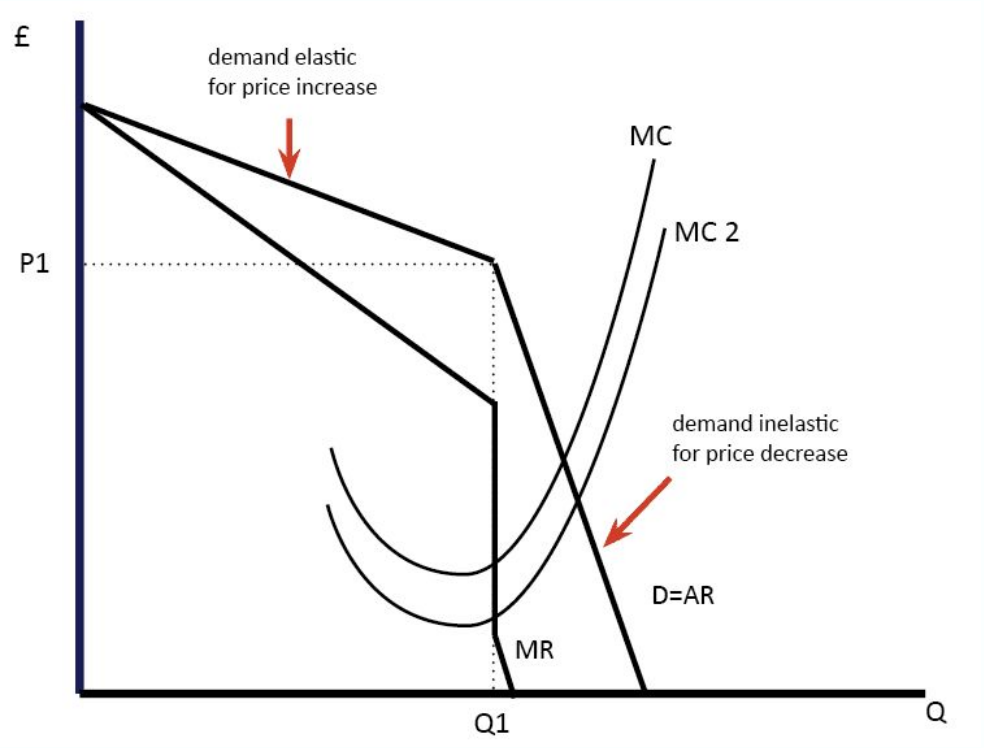
- With large amounts of profits to be gained and the ability to create barriers to entry → Oligopoly firms may engage in non-price competition to retain market share (adoption of R&D or advertising).
- Oligopolies may also resort to creating barriers to entry:
  - Cost reductions from EOS → Since oligopoly firms can reap EOS → They will reduce prices of products readily to ward off potential entrants.
  - Gaining control over supplies of inputs, outlets or through patents/copyrights → Oligopoly firm may engage in advertisements, patents, or extensive research and development to develop new, more inelastic products.

Behaviour of Oligopoly firms - 4 Models [Competitive Model]

1. Competitive Model

- The competitive model explains rigid pricing (where firms may drop prices to match rival firms but not increase prices).
  - When firm A increases price → Rivals will not follow since consumer will readily switch from firm A to its rivals → Qdd falls more than proportionately for firm A.
  - However, if firm A lowers price, rivals will do the same → Qdd for A will fall less than proportionately (can lead to price wars which erodes profits).
  - Hence, oligopoly firms seldom vary prices unless costs change significantly.
- Kinked-Demand curve can be used to illustrate rigid pricing.

Behaviour of Oligopoly firms - 4 Models [Competitive Model]



Behaviour of Oligopoly firms - 4 Models [Cooperative Model]

2. Cooperative Model (collusive oligopoly)

- Collusion is a formal/informal agreement among oligopolists on what prices to charge and divide market.
  - This reduces unpredictability of rivals' reactions to a change in price.
  - Can also help to increase profits of the group as a whole.
- Hence, firms can cooperate and fix prices, or implement output quotas to ensure a fair playing ground.

Behaviour of Oligopoly firms - 4 Models [Formal Collusion Model]

3. Formal Collusion Model: Cartels

- Cartels are formed when oligopoly firms collude to act like a monopoly to maximise profits.
  - Having agreed on the cartel price, members compete against each other using non-price strategies to gain as big a market share.
  - Cartel members may agree to divide the market between them according to current market share.
- An oligopolist has a strong incentive to cooperate with rivals so that joint profits can be maximised. They may also have an incentive to cheat secretly on any collusive agreement in order to increase its profits about its share of the joint profit.

*In many countries, cartels are **illegal**.

Behaviour of Oligopoly firms - 4 Models [Informal Collusion Model]

4. Informal Collusion Model: Price Leadership

- Firms may tacitly (implied without being stated/unwritten) agree not to indulge in aggressive price competition so as to gain extra profits/market share at the expense of each other.

Price Leadership: Occurs when price set by one producer is accepted as the market price.

- Price leader will hence select price and output combination to maximise their profits.

a. ***Dominant Price Leader Model***: Followers choose same price set by dominant firm.
b. ***Barometric Leader***: Price leader is the firm that is most aware of the change in demand or cost conditions.

Behaviour of Oligopoly firms - **PROFITS**

- Oligopolies stand to make supernormal profits in both the short-run and long-run due to the larger market share and ability to differentiate products (giving them their own inelastic demand curve).
- Additionally, with the ability to create and high barriers to entry, new entrants cannot easily join to erode profits in the long-run.
- That said, if oligopoly firms engage in a price war, supernormal profits in the long-run will be eroded.

Performance of Oligopoly firms

1. Productive Efficiency

- In the long-run, oligopoly firm is not at the firm's minimum efficient scale, and this is due to the absence of pure competition hence oligopolies are not productive efficient.
- There could be waste of resources due to non-price competition (advertising, R&D) hence making them productive inefficient.

2. Allocative Efficiency

- Allocative Efficiency is **NOT** achieved (P>MC).
- Predatory pricing → Established oligopolists have the ability to keep prices below MC=MR to discourage new firms from entering. New firms have higher costs than existing firms therefore lower price may not be high enough to cover costs.
- Oligopolies can also avoid competition → Restrict output to maximize profits, producing only until MC=MR (P>MC).

Performance of Oligopoly firms

3. Dynamic Efficiency

- Ability and incentive for innovation.
- Due to supernormal profits and strong BTE → Oligopolies have greater incentive to carry out R&D → Develop new products → Dynamic efficient.

4. Consumer Surplus/Welfare

- Occasional price wars allows consumers to enjoy lower prices
- There is also a wider choice of products for consumers due to product differentiation and development.

Exam Requirements

- Explain and discuss the **characteristics**, **behaviour** and **performance** of Oligopoly firms.
- Explain what rigid pricing and mutual-interdependence of an oligopoly firm is.
- **Understand** the differences between Oligopoly firms and other types of market structures and relate to real world examples.

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MONOPOLY

Microeconomics
[Firms & Decisions]

Market Structures

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Behaviour: Objective to profit maximise or not, what type of profits, decisions and strategies to achieve objectives including cost and revenue, competitors' actions, business risks, uncertainty considerations.

Performance: Efficiency and equity

Characteristics of a Monopoly

- Single Supplier
- Unique good, no close substitutes
- High Barriers to Entry (BTE)
    - Natural and Artificial Barriers
- Price-setter
    - Faces falling AR(DD) and MR curves.

Barriers to Entry for a Monopoly firm

- BTE restricts new firms from entering the market.

1. **Natural barriers**
   - **Economies of Scale** [Monopoly needs to be large scale to enjoy EOS → Reduces AC → Low average cost of production deters potential firms from entering.
   - **Control over an important resource** [BTE exists if firm has control over an important input]
2. **Artificial barriers**
   - **Patents** [Exclusive right to produce or sell an innovative product which prevents entry of new firms for a stipulated period of time]
   - **Licenses** [For particular industries, restricts number of firms in the industry]
   - **Copyright** [Legal protection to give creator exclusive rights]
   - **Transport costs or tariffs/quotas** [High taxes, limits on goods that can be imported into a country may reduce competition for monopoly]

Behavior of a Monopoly firm

- Aims to maximise profits by producing at MC = MR level.
- Market power of monopoly allows it to restrict output below optimal level and charge a higher price so as to increase profits (creates an artificial output)
- Lower output than PC firms, higher price than PC firms.
- Results in a fall in consumer surplus and rise in producer surplus.

Price Discrimination

- The practice of charging different prices for the same product or service that is NOT due to cost differences.

3 conditions for Price Discrimination:

1. Control of market supply [Firm must be able to control market supply, so that when it charges a higher price, there will not be any competitors who can undersell the good at a lower price]
2. Markets must be separated [Markets for the good must be separated so that those paying lower prices cannot resell to those paying higher prices]
3. Different price elasticity of demand in separate markets [So that the total profits can be increased by charging different prices in the different markets]

Price Discrimination

Different forms of Price Discrimination:

1. First degree PD

- Monopolist sells each and every unit of good at the maximum price that consumers are willing to pay, resulting in zero consumer surplus.

2. Second degree PD

- Monopolist sets a uniform price per unit for an initial specific quantity, followed by a different price for every subsequent, additional quantity.

Price Discrimination

3. Third degree PD

- Most common form of PD.
- Occurs when monopolist charges different prices for the same g/s in different markets due to differences in PED.

Performance of a Monopoly firm - Effects of PD

Price Discrimination

Merits of PD:

- PD based on differences in income level can be desirable as it allows the lower-income consumers to buy a product that they would be unable to afford if it were sold at a single price.
- Allows cross-subsidisation (where the profitable market can subsidise the unprofitable market) → Enables goods to be produced even in less profitable markets.
- For 1st degree PD → Firm charges maximum price → Hence, AR(P) = MR → At eqm where MR=MC → Allocative Efficiency is achieved.
    - Since AR(P) = MR, P = MC.

Performance of a Monopoly firm - Effects of PD

Demerits of PD:

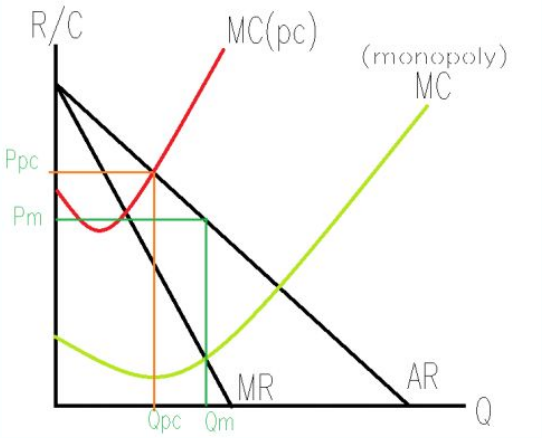
- Zero consumer surplus for 1st degree PD.
- Higher monopoly profits for producer → Fall in consumer surplus → Worsens income distribution.

Performance of a Monopoly firm - Merits

Merits of a Monopoly

EOS:

- Since they are the only supplier → Can produce on a larger scale and reap benefits of EOS → Helps to lower cost of production → Fall in price and increase in output.



Performance of a Monopoly firm - Merits

Greater Innovation:

- Supernormal profits earned in SR and LR → Major incentive for firm to risk money to finance in R&D → Develop new products and processes → Achieves **dynamic efficiency** (better quality and variety of products for consumers and reduces average cost of production in the long run).

Performance of a Monopoly firm - Demerits

Demerits of a Monopoly

Allocative Inefficiency:

- Due to artificial scarcity created → P > MC → Fall in consumer surplus → Greater deadweight loss to society generated → Market Failure

Inequitable Distribution of Income:

- Monopolist can earn supernormal profits in the long-run due to high barriers to entry → Income is being redistributed from consumers to monopolist.

Performance of a Monopoly firm - Demerits

X-Inefficiency:

- Lack of competition faced by monopolist may lead to complacency.
- Little incentive for monopolist to monitor its costs and cater to the needs of the consumer → Increases AC.

Concept of a **CONTESTABLE MARKET**

- Arises when there is no or low cost to entry and exit for firms into an industry.
- There are costs which may be irrecoverable when a firm ceases production and exits an industry → Known as *sunk costs*
- Monopoly will be kept at a competitive level due to the threat of **potential competitors**.
- There is a need for continual competition (a contestable market) to ensure that the monopoly operates at the lowest costs.
    - May require government intervention.

Exam Requirements

- Explain and discuss the characteristics, behaviour, and performance of a Monopoly.
- Compare the various market structures and acknowledge their differences and how they function differently in markets.
- Tends to be tested in higher-marked essays.

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