

Mkt outcome	Perfect competition	Monopolistic competition	Oligopoly	Monopoly
Char	large no. of small firms homogeneous product no barrier to entry perfect knowledge	large no. of small firms slightly differentiated product low barrier to entry imperfect knowledge	few dominant firms differentiated / homogeneous product high barrier to entry imperfect knowledge	single firm unique product complete barrier to entry imperfect knowledge
	E.g. primary product market (agriculture)	E.g. F&B	E.g. oil, telecommunication	E.g. utility (electricity, water)
LR profit	Normal profit Firms enter or leave industry such that marginal firm only makes normal profit (no BTE) → only normal profit in LR	Normal profit Firms enter or leave industry such that marginal firm only makes normal profit (weak BTE) → only normal profit in LR	Supernormal profit Supernormal profits not eroded as competition kept out (strong BTE) → retain supernormal profit in LR	Supernormal profit Supernormal profits not eroded as competition kept out (complete BTE) → retain supernormal profit in LR
AE	✓ No mark-up of P over MC	X Smaller mark-up of P over MC	X Larger mark-up of P over MC	X Larger mark-up of P over MC
PE (soc)				
PE (firm)	✓ Weak BTE, firms face intense competition Earn only normal profits in LR, any increase in cost will yield subnormal profits - forced to shut down and leave industry → maximise profits by minimising cost	✓ Weak BTE, firms face intense competition Earn only normal profits in LR, any increase in cost will yield subnormal profits - forced to shut down and leave industry → maximise profits by minimising cost	X Strong BTE, firms face less intense competition Firm can charge price high enough to cover high production cost while still earning supernormal profit (can afford to be X-inefficient)	X Strong BTE, firms face less intense competition Firm can charge price high enough to cover high production cost while still earning supernormal profit (can afford to be X-inefficient)
DE (w)	X Assumed homogeneous products - R&D is irrelevant	X Weak BTE: Supernormal profits in SR eroded due to entry of new firms → do not enjoy benefit of R&D (unable to retain profits)	Tension Strong BTE: able to retain supernormal profit from R&D Strong BTE: already enjoy supernormal profit even without costly and risky R&D	Tension Strong BTE: able to retain supernormal profit from R&D Strong BTE: already enjoy supernormal profit even without costly and risky R&D
DE (a)	X LR normal profit: no financial means to engage in costly R&D	X LR normal profit: no financial means to engage in costly R&D	✓ LR supernormal profits: have financial means to engage in costly R&D	✓ LR supernormal profits: have financial means to engage in costly R&D
Equity	✓ Normal profit: revenue earned is just sufficient to compensate business owner for the opportunity cost in the use of resources No sustained redistribution of income from households to firms → equitable	✓ Normal profit: revenue earned is just sufficient to compensate business owner for the opportunity cost in the use of resources No sustained redistribution of income from households to firms → equitable	X Supernormal profit: revenue earned is in excess of what is needed to compensate business owner for the opportunity cost in the use of resources Sustained redistribution of income from households to firms → inequitable	X Supernormal profit: revenue earned is in excess of what is needed to compensate business owner for the opportunity cost in the use of resources Sustained redistribution of income from households to firms → inequitable
Csr choice	X Homogenous products	✓ Product differentiation → greater variety of products to choose from	✓ Product differentiation → greater variety of products to choose from	X No close substitutes