Perfect Competition Online Lesson: accompanying worksheet

Perfect Competition

Note down the key characteristics / assumptions of perfect competition:
Given that perfect competition has quite unrealistic assumptions, why do we still study it?
Draw a market diagram and an individual firm diagram in the space below, showing perfect competition in the short run (assume that the firm is making supernormal profits in the short run):
Explain how this market will adjust to a long run equilibrium:



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Now, draw diagrams to represent the move from short run to long run in perfect competition:	
Explain what is meant by the "shut down price" (think about both the short run and the long run)	_
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Perfect Competition Online Lesson, accompanying worksheet				
Outline some of	the issues regarding the assumptions of perfe	ct competition:		
What is meant by	y each of the following types of efficiency?			
Productive				
Allocative				
Dynamic				
	o your perfect competition diagrams, state whoth the short run and the long run.	ether firms in perfect competition have each type		
	Short Run	Long Run		
Productive				
Allocative				
Dynamic				



Perfect Competition Unline Lesson: accompanying worksheet
Outline some of the benefits / advantages of competition:
Outline some of the reasons why markets, in reality, are usually imperfectly competitive:
Finally, have a go at this question:
Tim Harford writing in 2017 discusses the rise of the "Superstar Firm". Across industries in the US, markets are becoming more concentrated. In many ways this should be surprising. As economies grow, it is reasonable to expect that markets become more like perfect competition of the textbook. Deregulation and globalisation should allow more competition and make it harder for dominant firms to maintain their position. Why hasn't this happened? The simple answer is that large firms are very good at what they do, and competition is an opportunity not a threat.
https://www.ft.com/content/1ef8be8e-3bae-11e7-ac89-b01cc67cfeec
Has technological progress and other market changes meant that perfect competition has become a more, or less realistic assumption?

