**Unit 5 Overview**

**Big Questions:**

What makes a market perfectly competitive?

What causes a market to be a monopoly?

How are monopolies inefficient?

What drives producers’ decision making about price and output?

**Essential Understanding and Terms:**

**Students should be able to describe the 5 characteristics of perfect competition and their effects on outcomes in the market in the short-run and long-run. They should also be able to calculate price and quantity for a perfectly competitive industry and firm and show profits and losses using graphs and/or data where appropriate.**

Mastery Includes: Define the 5 characteristics of perfect competition. Explain equilibrium using graphs in a PC market and how prices in PC markets lead to productively and allocatively efficient outcomes. Calculate profits and losses in PC markets. Explain how economic profits and losses cause firms to enter or exit markets. Explain the difference between constant cost, increasing cost, and decreasing cost industries.

All Formulas from Unit 4

Short Run VS Long Run

5 Characteristics of a Perfectly Comp Market

Profit Maximizing Quantity

Perfectly Comp Firm in LRE

Shutdown Rule

Shutdown VS Exit

Price Taker

Productive Efficiency

Allocative Efficiency

**Students should be able describe (using a graph where appropriate) the characteristics of a monopoly, be able to calculate price and quantity using data or a graph, and calculate economic profits and losses.**

Mastery Includes: Show and explain why price is above marginal cost and marginal revenue at equilibrium output. Explain how barriers to entry create monopolies. Calculate (using data from a graph or table) areas of consumer surplus, producer surplus, deadweight loss, and economic profits and losses. Explain why monopolies are productively and allocatively inefficient. Show on a graph and explain the possible outcomes of a natural monopoly. Show on a graph and explain the possible outcomes for a price discriminating monopoly.

Price Maker

Monopoly

Barriers to Entry

Patents and Copyrights

Deadweight Loss

Natural Monopoly

Socially Optimal Quantity

Fair Return Quantity

Economies of Scale

Monopoly’s D Curve VS Perfectly Comp Firm’s D Curve

Monopoly’s Econ Profit

DWL of a Monopoly

Price Discrimination