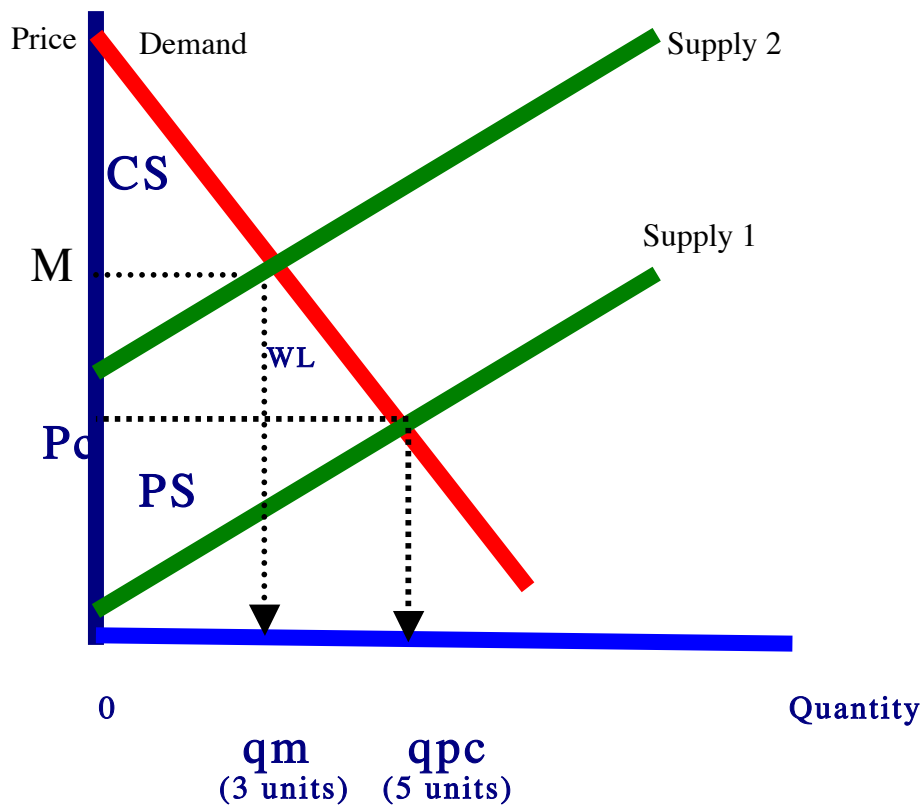


Note: useful for several sections of the course

- PS occurs where the firm receives revenue above expectations i.e. market price is above the price necessary
- CS occurs where consumers pay a less than expected Price



- SS (society surplus) occurs with the addition of CS and PS
- Monopoly often results in higher prices and lower output: consumer and society loses. This is known as welfare loss –see WL in diagram.
- PC (perfect competition) results in lower prices and higher output : consumer and society gains. Firm still makes a ‘normal profit’.

Diagram can be used to show the costs and benefits in terms of Price + Output of the different types of firm according to economic theory of the firm: Q? **Where would you place monopolistic and oligopoly on the diagram?**

- PC
- Monopolistic
- Oligopoly
- Monopoly

Note:

- Normal profit = that level of profit necessary to keep the firm in that industry
- Supernormal/abnormal/excess = a level of profit over and above normal profit.
- See also webnote 105