

Explain why a firm in monopolistic competition will make normal profit in the long run (10m)

- Define monopolistic competition market structure
- Define normal profit
- Draw graph with SRAC, MC, MR, AR
- Shade the supernormal profit box
- Explain why monopolistic competition makes supernormal profits in the short run
- Draw graphs with LRAC, MC, MR, AR (making sure that AR is tangential to LRAC)
- Explain factors as to why monopolistic competition makes normal profit in the long run: no barriers to entry exist in a monopolistically competitive market; it is easy for new firms to enter the market in the long - run // demand for each individual firm will shift until it is tangential to the AC.

Evaluate the view that monopolistic competition is a more efficient market structure than monopoly (15m)

- Borrow the definition of monopolistic competition from the part above
- Define monopoly
- Define economic efficiency
- Draw Long run graphs for AC, MC, MR, AR for both monopolistic competition and monopoly
- Compare and evaluate which market structure is more efficient
- Conclude that monopolistic competition is more efficient because they are productively and allocatively more efficient due to the different market characteristics