the firm is allocatively efficient as the price is equal to the lowest resource cost of supplying the product. Firms in perfect competition are likely to be statically efficient, that is, both allocatively and productively at a point in time.

The assumptions of perfect competition seem to imply that while a firm will not grow large enough to exploit the economies of scale its activities will result in an efficient allocation of resources. However, a firm in perfect competition may, in the search to reduce costs, dispose of its waste in ways that create negative externalities and will not therefore be allocatively efficient

Dynamic efficiency is efficiency over time and concerns the production of new products, new techniques and new processes, and for firms to undertake the investment in research and development they need to make supernormal profits. Firms in perfect competition are unlikely to embark on research and development as according to the assumptions all firms in the industry have perfect knowledge, and free entry means that supernormal profits are competed away.

The structural performance and conduct model. Economists can analyse how an industry is likely to operate using the structure, performance and conduct model. The industry structure (which is assumed to determine the conduct of the industry) includes such variables as the number and size of buyers and sellers, degree of product