4. Satisfying Managers (who run the firm) return just enough profit to shareholders (who own the firm) to keep them happy. **5. Corporate social responsibility** This is where a business includes public interest in their decision making.	
<u>Market Failure (HL)</u> 1. Asymmetric information (HL) 2. Abuse of monopoly power (HL)	**<u>4. Asymmetric Information</u>** For markets to work, there needs to be perfect and **symmetric** information i.e. consumers and producers have the same level of knowledge about a product's quality, range and price. In many cases, however, information may be **asymmetric** (producers/consumers have more information than the other). This leads to market failure.
5. <u>Abuse of monopoly power</u> Imperfect competition (lack of competition in a market) leads to reduced economic efficiency. Firms with some monopoly power can restrict output to maximise profits – market failure.	**Government solutions to abuse of monopoly power include:** 1. Legislation - Competition law. 2. Regulation - Regulatory bodies. **3.** Trade liberalisation
Perfect Competition 1. A very large number of small firms 2. Price Takers 3. Homogeneous products 4. No barriers to entry or exit of a perfectly competitive market 5. Perfect Knowledge	In the **short run** SNP can be made, however, due to no barriers to entry other firms will come into the market and compete away SNP in the **long run**. In the **short run** losses can be made, however, due to no barriers to exit firms will leave the market and market will return to normal profit in the **long run**.
There are two types of efficiency: 1. Productive efficiency Attained when a firm is producing at the bottom of its AC curve. 2. Allocative efficiency A market is allocatively efficient when it delivers the goods required by consumer in the correct amount (P = MC).	**Monopoly** 1. One firm 2. Unique product (or at least no close substitutes) 3. Price maker 4. Significant barriers to entry and exit 5. Abnormal profits possible in the long run
Barriers to entry Factors that make it difficult for a firm to enter a market. Include; economies of scale, high start up costs, branding and legal barriers.	**Types of barriers to entry** Economies of scale High start up costs Brand loyalty Legal barriers (Patents and licensing)
Due to high barriers to entry it is possible for monopolies to have SNP in the short and long run.	**Natural Monopoly** Occurs when one firm can supply an entire market at a lower cost/price than two or more smaller firms. Economies of scale are so great that the LRAC falls through the entire output range.