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**From Traditional Markets to Red Markets: A Look at Markets Under Perfect Socially Friendly Market Competition**

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## **Abstract**

Perfect market competition is at the heart of traditional market thinking. So when perfect markets shift, our thinking should perfectly shift too in order to be able to operate in the new perfect market, this is true whether we shift towards a green market or a red market or a sustainability market. For example the 2012 Rio + 20 conference chose to correct the traditional market to account for the environmental cost of doing business only; and therefore they chose a shift from perfect traditional market thinking to perfect green market thinking. However, if they would have chosen instead to correct the traditional market to account for the social cost of doing business only to address the poverty issue, then they would have chosen a shift from perfect traditional market thinking to perfect red market or socially friendly market thinking. And this would have indicated the need to understand the expected behavior of markets under perfect red market or socially friendly market competition, a knowledge that as far as the author knows does not yet exist. The main goal of this paper is to point out how markets should be expected to work under perfect red market or socially friendly market competition.

## **Key concepts**

Traditional markets, red markets, socially friendly markets, perfect market competition, perfect red market competition, perfect socially friendly market competition, market shifts, sustainability markets, red producers, red consumers, short term costs, short term red market costs, long term costs, long term red market costs.

## **Introduction**

### **a) Core aspects of perfect market competition**

To be able to present the ideas in this paper you will find below a presentation in simple terms of relevant general aspects associated with perfect market thinking and competition such

as the nature of its assumptions, the structure of the model, the short term cost structure, and the long term cost structure of the perfect market.

***i) Some basic traditional perfect market assumptions***

Six of the basic assumptions of perfect market competition relate to the type of products, to the type of transaction costs, to the type of entry, to the type of information, to the type market power, and to the type of profit seeking behavior under which the perfect market operates. These assumptions are summarized in Figure 1 below:



Figure 1 Perfect traditional market assumptions

Figure 1 above shows the core assumptions under which perfect markets and perfect market competition operates, many producers under a perfect market setting, perfect substitutes, and perfectly elastic demand, none of them with production capable of affecting the market. Hence, this is the world of traditional producers and traditional consumers under free markets as no government intervention is needed, the world of the economic man.

***ii) The perfect traditional market structure***

It is known that the perfect traditional market(TM) is the one where the traditional supply((S) and the traditional demand(D) interact to determine the perfect market price(TMP = P) and the perfect market quantity(TMQ = Q) to be consumed and produced, which is indicated graphically below:

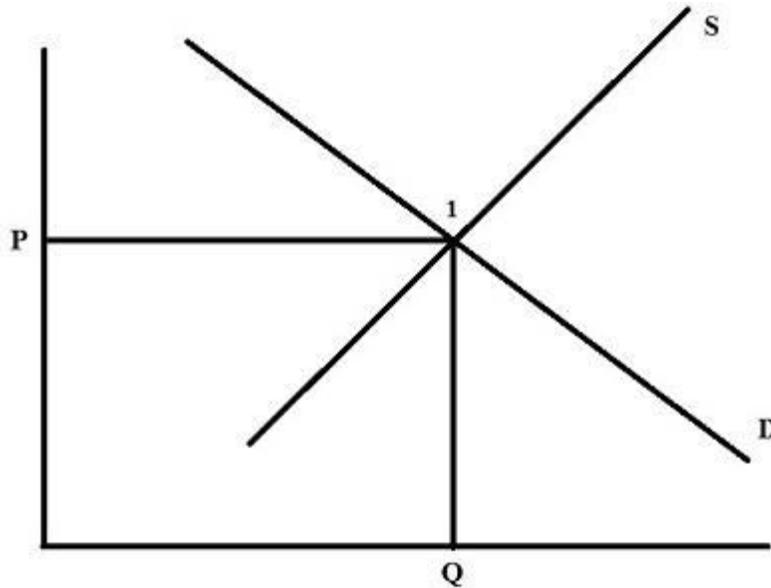


Figure 2 The structure of the perfect traditional market

We can see in Figure 2 above that at point 1 the traditional supply(S) and traditional demand(D) determine the traditional market price(TMP = P) and the traditional quantity(TMQ = Q). We can also see in Figure 2 above that the choice structure here relates to independent economic only choices, as only the economy matters. This is because the traditional market(TM) assumes social(a) and environmental(c) externality neutrality so its structure is  $TM = aBc$ . The environment issue(c) here is an exogenous issue and Pareto optimality holds as no one can be better off or worse off.

And therefore, the price structure of the perfect traditional market(TMP) at Q can be stated as follows:

### 1) $TMP = P$

#### *iii) The perfect market short term cost structure under perfect competition*

The following can be said about traditional perfect market competition in the short term:

a) production(Q) is kept at the point where the marginal revenue(MR) equals the marginal cost(MC),  $MR = MC$ ; b) where the traditional market price(TMP = P) equals the average revenue(AR),  $TMP = P = AR$ ; and c) depending on the price(P) position related to the average total cost(ATC), profit can be negative, positive or zero, a situation simplified graphically in Figure 3 below:

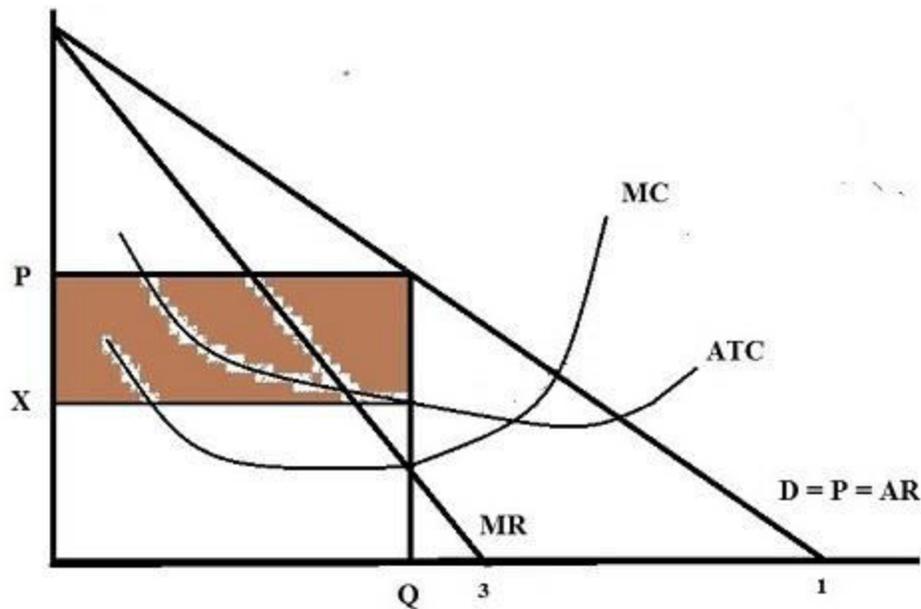


Figure 3 The short run traditional market cost structure under perfect market competition

Figure 3 above summarizes the short term cost environment under which perfect traditional market competition takes place.

And based on Figure 3 above we can express the short term price structure of the perfect market at Q as follows:

## 2) $TMP = P = AR$

Notice that in the short term under perfect market competition as reflected in Figure 3 above: a) firms can make positive profits if  $P > ATC$ , then new entries will keep coming in and bring the profit down towards zero; b) firms can make zero profit if  $P = X = ATC$  and as long as that is true they will remain in the market; and c) firms can make negative profits if  $P < ATC$ , then those firms will exit the market leading to an increase in P and then profit will rise until it becomes zero.

### *iv) The perfect market long term cost structure under perfect competition*

The following aspects can be highlighted about the traditional perfect market competition in the long term: a) production(Q) is kept at the point where the marginal revenue(MR) equals the marginal cost(MC) equals the average total cost(ATC),  $MR = MC = ATC$ ; b) where the traditional market price( $TMP = P$ ) equals the average revenue(AR) equals the marginal cost(MC),  $TMP = P = AR = MC$ ; and c) therefore, here profit is always zero since the traditional price( $TMP = P$ ) is equal to the average total cost(ATC),  $TMP = P = ATC$ , a situation highlighted graphically in Figure 4 below:

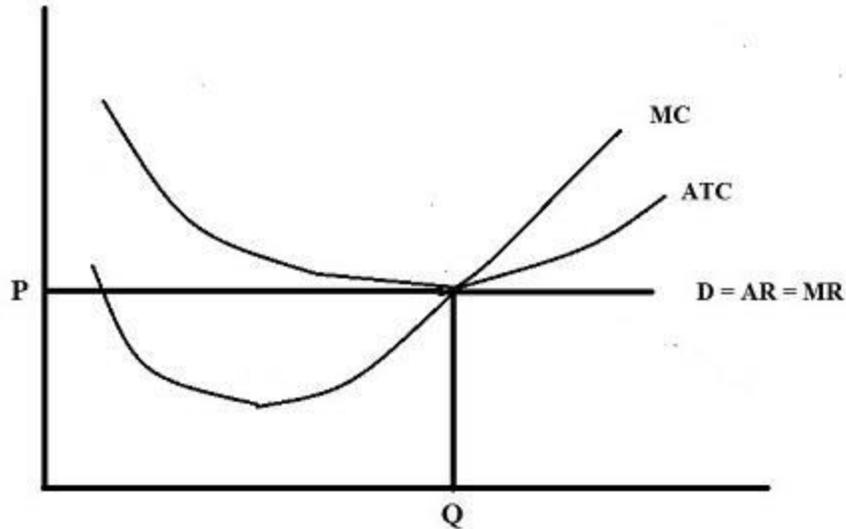


Figure 4 The perfect traditional market long run cost structure under perfect market competition

Figure 4 above highlights the long term cost environment under which perfect market competition operates, where the demand(D) touches the minimum point of the average total cost(ATC).

And based in Figure 4 above we can express the long term price structure of the perfect market at Q as follows:

### 3) $TMP = P = AR = ATC$

Notice in Figure 4 above that firms selling at P are operating at zero profits as  $P = ATC$ . And we expect that under perfect market competition all firms will operate at zero profits in the long term.

#### b) The core implications of paradigm shift

Perfect market competition is at the heart of traditional market thinking. So when perfect markets shift, our thinking should perfectly shift too in order to be able to operate in the new perfect market, this is true whether we shift towards a green market(Muñoz 2016a) or a red market(Muñoz 2016b) or a sustainability market(Muñoz 2016c). When there is a paradigm shift, the model structure, the choice structure, the nature of trickle downs, and the price structure shift at the same time, including its cost structure and revenue structure. This is because perfect paradigm shifts such as the shift from a perfect market to another perfect market maintain optimal higher level conditions and expectations as when the cost of being socially friendly is internalized in the pricing mechanism of the traditional market(Muñoz 2016d).

#### c) The 2012 shift to perfect green markets

In 1987 the Brundtland Commission called for correcting the traditional business model to account for both social and environmental concerns so we can go beyond traditional business practices(WCED 1987). This led to a sustainable development process that culminated in 2012 at the Rio +20 conference on sustainable development, where a green development path was

endorsed(UNCSD 2012a; 2012b) even though it was not the only option that existed(Muñoz 2016e). Hence, the 2012 Rio + 20 conference chose to correct the traditional market to account for the environmental cost of doing business only in order to go green; and therefore it chose a shift from perfect traditional market thinking to perfect green market thinking. Interest in green economic thinking to correct the traditional market model grew since then(WB 2012; UNDESA 2012; WB 2013; UNECA 2016), giving meaning to a view shared in 2012 that we indeed were approaching sustainability backwards in terms of economic thinking(Muñoz 2012) as Adam Smith left relevant externality costs out of the pricing mechanism of the traditional market (Muñoz 2015). And this indicated the need to understand the expected behavior of markets under perfect green market competition, a need that appears more pressing now that global plans are being considered in terms of implementing global green markets(WGEO 2018) and in terms of linking the global economy and climate change(GCEC 2018). How markets should be expected to work under perfect green market competition has now been pointed out in detail in order to help with the closing of the current green market paradigm shift knowledge gap(Muñoz 2019a).

However, just imagine if the 2012 the Rio + 20 conference on sustainable development would have chosen instead to correct the traditional market to account for both the social cost and the environmental cost of doing business at the same time, then they would have chosen a shift from perfect traditional market thinking to perfect sustainability market thinking. And this would have indicated the need to understand the expected behavior of markets under perfect sustainability market competition. How markets should be expected to operate under perfect sustainability market competition has now been highlighted with the goal of helping with the closing of the current sustainability market paradigm shift knowledge gap(Muñoz 2019b).

Now imagine if the 2012 the Rio + 20 conference on sustainable development would have chosen instead to correct the traditional market to account for only the social cost of doing business or the social cost of making markets socially friendly and meet partially the 1987 call of the Brundtland commission(WCED 1987) to make it socially friendly only, then they would have chosen a shift from perfect traditional market thinking to perfect red market or perfect socially friendly market thinking. And this would have brought the need to understand the expected behavior of markets under perfect red market or socially friendly market competition, a knowledge that as far as the author knows does not yet exists. The main goal of this paper is to point out how markets should be expected to work under perfect red market or socially friendly market competition.

## **Objectives**

a) To highlight the structure of the shift from traditional perfect markets to perfect red markets or socially friendly markets in terms of assumptions, general market structure, short term cost structure and long term cost structure; and b) to stress the implications of that shift in terms of perfect red market or socially friendly market competition.

## **Methodology**

First, the terminology used in this paper is shared. Second, the operational concepts are given. Third, the structure of the perfect shift from traditional market assumptions to the perfect red market or socially friendly market assumptions is stressed. Fourth, the basic assumptions of

the perfect red market or socially friendly market are highlighted. Fifth, the shift of the model structure from perfect traditional market to the perfect red market or socially friendly market is pointed out. Sixth, the structure of the perfect red market or socially friendly market is shown. Seventh, the shift from the perfect traditional market short term cost structure to the perfect red market or socially friendly market short term cost structure is indicated.

Eighth, the structure of the perfect red market or socially friendly market short term cost structure under perfect red market or socially friendly market competition is described. Ninth, the shift from the perfect traditional market long term cost structure to the perfect red market or socially friendly market long term cost structure is presented. Tenth, the structure of the perfect red market or socially friendly market long term cost structure under perfect red market or socially friendly market competition is discussed. Eleventh, a summary, implications and food for thoughts are listed. And finally, some specific and general conclusions are provided.

## Terminology

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A = Dominant/active society

a = Dominated/passive society

B = Dominant/active economy

b = Dominated/passive economy

C = Dominant/active environment

c = Dominated/passive environment

S = Traditional supply

D = Traditional demand

RS = Red market supply

RD = Red market demand

P = Traditional market price

RP = Sustainability price

Q = Traditional market quantity

RQ = Red market quantity

EM = Green margin

SM = Social margin

TMP = Traditional market price

RMP = Red market price

AR = Average revenue

RAR = Red market average revenue

ATC = Average total cost

RATC = Red market average total cost

MC = Marginal cost

RMC = Red market marginal cost

MR = Marginal revenue

RMR = Red market marginal revenue

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## **Operational concepts**

- i) Traditional market**, *the economy only market.*
- ii) Green market**, *the environmentally friendly market.*
- iii) Sustainability market**, *the socially and environmentally friendly market.*
- iv) Traditional market price**, *general market economic only price or the price that covers the cost of production.*
- v) Green market price**, *the price that reflects both the economic and the environmental cost of production or the price that covers the cost of environmentally friendly production.*
- vi) Sustainability market price**, *the price that reflects the economic, social, and the environmental cost of production or the price that covers the cost of socially and environmentally friendly production.*
- vii) Green market knowledge gap**, *the knowledge gap created by the paradigm shift from traditional markets to green markets.*
- viii) Green micro-economics**, *the theory of the environmentally responsible firm and consumer.*
- ix) Green macroeconomics**, *the theory of the environmentally responsible economy.*
- x) Trickle-down effect**, *the expectation that traditional markets and growth will sooner or later benefit the poor.*
- xi) Green trickle-down effect**, *the expectation that green markets and green growth will sooner or later benefit the poor.*
- xii) Deep paradigm**, *a fully exclusive model(e.g. the traditional market).*
- xiii) Partial partnership paradigm**, *a partially inclusive model(e.g. the green market).*
- xiv) Full partnership paradigms**, *a fully inclusive model(e.g. the sustainability market).*
- xv) Externalities**, *factors assumed exogenous to a model.*
- xvi) Full externality assumption**, *only one factor is the endogenous factor in the model, the others are exogenous factors.*
- xvii) Partial externality assumption**, *not all factors are endogenous factors at the same time in the model.*

**xviii) No externality assumption**, *all factors are endogenous factors at the same time in the model.*

**xix) Green margin**, *to cover the extra cost of making the business environmentally friendly.*

**xx) Social margin**, *to cover the extra cost of making the green business socially friendly or of making the traditional market socially friendly.*

**xxi) Perfect market competition**, *the expected behavior of firms and consumers in the short and long term under perfect market thinking.*

**xxii) Perfect green market competition**, *the expected behavior of green firms and green consumers in the short and long term under perfect green market thinking.*

**xxiii) Market shift**, *a move from one market paradigm to another market paradigm.*

**xxiv) Perfect market shift**, *a move from one perfect market paradigm to another perfect market paradigm.*

**xxv) Red markets**, *the socially friendly markets*

**xxvi) Perfect red market competition**, *the expected behavior of socially friendly firms and consumers in the short and long term under perfect socially friendly market thinking.*

**xxvii) Red market price**, *the price that reflects both the economic and the social cost of production or the price that covers the cost of socially friendly production.*

**xxviii) Red market knowledge gap**, *the knowledge gap created by the paradigm shift from traditional markets to red markets.*

**xxix) Red micro-economics**, *the theory of the socially responsible firm and consumer.*

**xxx) Red macroeconomics**, *the theory of the socially responsible economy.*

**xxxi) Red trickledown effect**, *the expectation that red markets or socially friendly markets and red growth or socially friendly growth will sooner or later benefit the environment.*

### **The structure of the perfect shift from traditional market to the perfect red market or the socially friendly market assumptions**

We can think of a shift from a perfect market to another perfect market as bringing each assumption of the previous model to a higher responsibility level model, a move in this case from full exclusion to partial inclusion as environmental issues are now exogenous issues here as indicated in Figure 5 below:

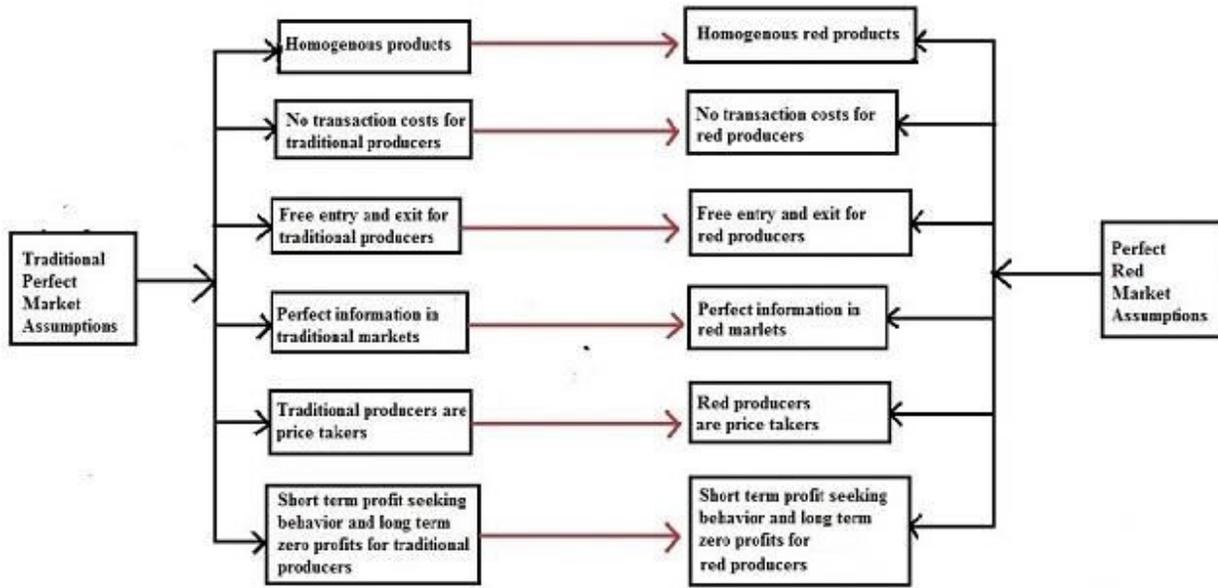


Figure 5 The perfect shift from traditional market assumptions to red or socially friendly market assumptions

The structure in Figure 5 above shows in detail the partial correction of traditional market to transform it into a red or socially friendly market, a move from only the economy matters to a world where two components now matter, the economy and society as environmental issues are here exogenous issues.

**The basic assumptions of the perfect red or socially friendly market**

Consistent with the shift structure in Figure 5 above we can stress the perfect red or socially friendly market assumptions as listed in Figure 6 below:



Figure 6 The perfect red or socially friendly market assumptions

The assumptions summarized in Figure 6 above provide the environment under which perfect red or socially friendly markets operate, many red or socially friendly producers under a perfect red market setting, perfect red substitutes, perfectly elastic red demand, none of them with red or socially friendly production capable of affecting the red market. Hence, this is the world of red producers and red consumers under free red markets as no government intervention is needed, the world of the red or socially friendly economic man.

### **The model structure shift from perfect traditional market to the perfect red or socially friendly market**

When the perfect traditional market price(TMP) depicted in Figure 2 above is corrected to reflect the cost of being socially friendly the traditional market model structure(TM) shifts from an economy only model to an economy and society model or socio-economic model, a model now cleared by a red or socially friendly market price(RMP). In other words, the internalization of the social cost or social margin(SM) in the pricing mechanism of the traditional market(TMP) shifts the traditional price structure P towards the red market price structure RP as indicated analytically below:

**4)  $TMP + SM = RP = P + SM$ , and therefore,  $RP > P$**

And the price structure shift towards a higher price RP indicated above shifts the traditional supply S towards the red market supply RS as represented graphically in Figure 7 below:

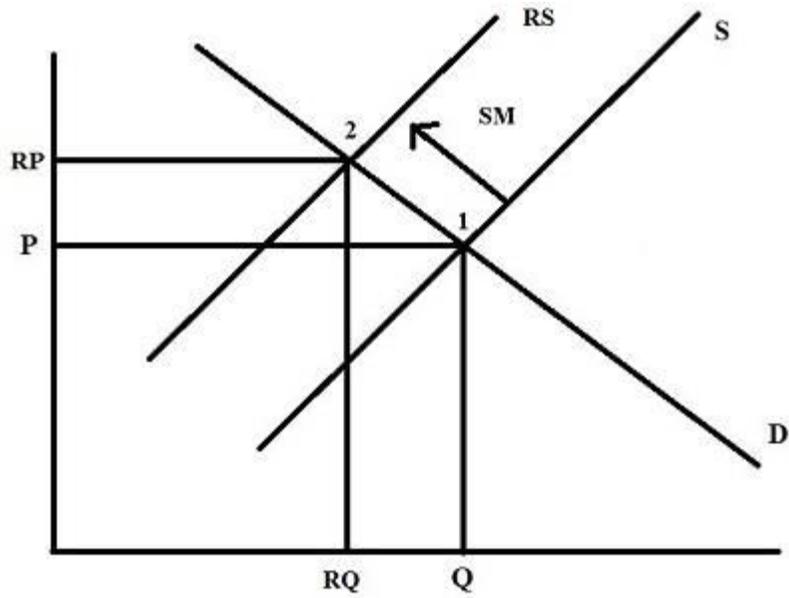


Figure 7 The structure of the perfect shift from traditional markets to red or socially friendly markets

Figure 7 above summarizes the structure of the shift from perfect traditional markets(TM) to perfect red or socially friendly markets(RM), where  $RP > P$ ,  $RQ < Q$  and where  $RP - P = SM$ .

### **The structure of the perfect red or socially friendly market**

As indicated at point 2 in Figure 7 above, the perfect red or socially friendly market(RM) is the one where the red market supply((RS) and the red market demand(RD) interact to determine the perfect red market price( $RMP = RP$ ) and the perfect red market quantity( $RMQ = RQ$ ) to be consumed and produced, a situation highlighted graphically below:

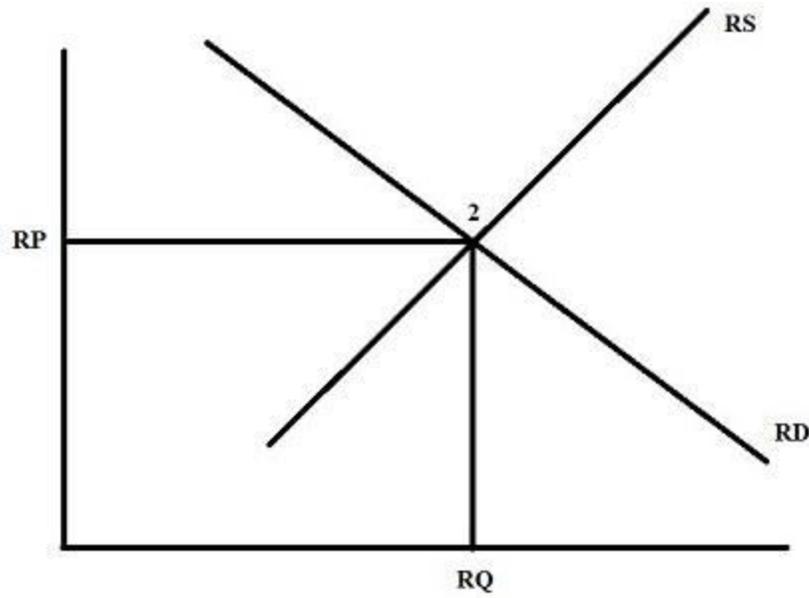


Figure 8 The structure of the perfect red or socially friendly market

We can see in Figure 8 above that at point 2 the red market supply(RS) and red market demand(RD) determine the red market price(RMP = RP) and the red quantity(RMQ = RQ). We can also see now in Figure 8 above that the choice structure has shifted from independent economy only choices shown in Figure 2 above to partial codependent economy and society or socio-economic choices, as now two components matter, the economy and society. This is because red markets(RM) assume environmental externality neutrality(c) so its structure is  $RM = ABc$ . The environment issue(c) here is an exogenous issue, society(A) and the economy(B) are endogenous issues; and therefore, socio-economic based Pareto optimality holds as no one can be better off or worse off.

And therefore, the price structure of the perfect red or socially friendly market at RQ can be stated as follows:

$$5) \quad RP = TMP + SM = P + SM$$

And the formula 5 above tells us that the price structure of the perfect traditional market(TMP) has shifted to the price structure of the perfect red market(RMP) shifting also in the process the short term and long term cost and revenue structures of the perfect traditional market as it is shown below in detail.

### **The shift from the perfect traditional market short term cost structure to the perfect red or socially friendly market short term cost structure**

When the traditional market price(TMP) is corrected to internalize the social margin(SM) to make it socially friendly the traditional short term cost structured depicted in Figure 3 above shifts towards that of the red or socially friendly market short term cost structure as indicated in Figure 9 below:

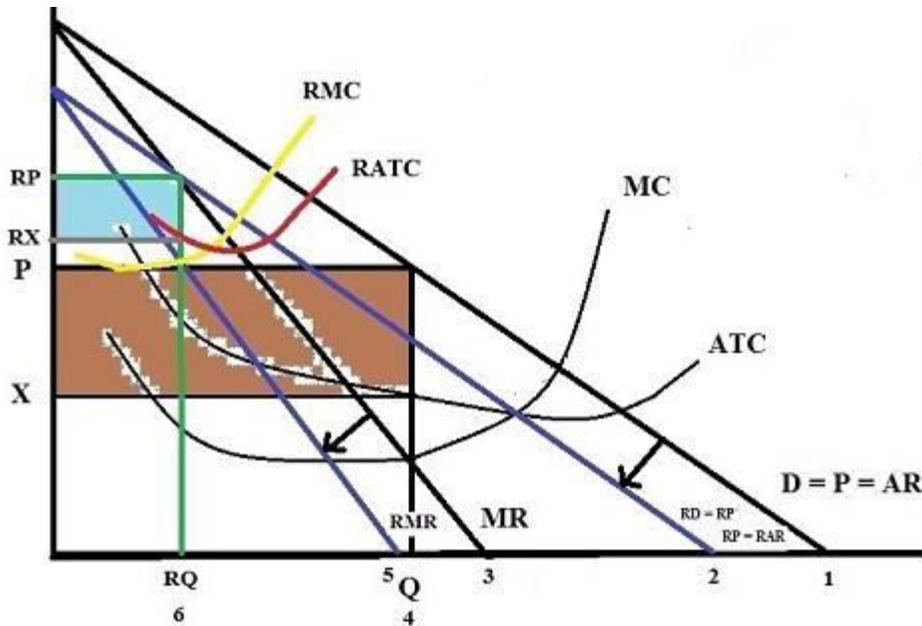


Figure 9 The perfect shift from traditional market short term cost structure to that of the perfect red or socially friendly market

Figure 9 above tells us the following when we shift from the traditional market short term cost structure to the red market short term cost structure: a) The demand shifts down as less is demanded at a higher price  $RP$  from point 1 where the traditional market demand ( $D$ ) is to point 2 where the red demand ( $RD$ ) is; b) The marginal revenue shifts down from point 3 where the traditional marginal revenue ( $MR$ ) is to point 5 where the red marginal revenue ( $RMR$ ) is; and c) the contraction of traditional demand ( $D$ ) and traditional marginal revenue ( $MR$ ) shifts the traditional short term cost structure up to the left from traditional marginal cost ( $MC$ ) to red marginal cost ( $RMC$ ) and from traditional average total cost ( $ATC$ ) to reds average total cost ( $RATC$ ).

Figure 9 above also shows that profit seeking exist in both in traditional markets and in red or socially friendly markets as indicated by the colored rectangles associated with each perfect market at point 4 and at point 5 respectively.

### The structure of the perfect red or socially friendly market short term cost under perfect socially friendly market competition

Based on the shift structure in Figure 9 above the following can be said about perfect red or socially friendly market competition in the short term: a) red or socially friendly production ( $RQ$ ) is kept at the point where the red marginal revenue ( $RMR$ ) equals the red marginal cost ( $RMC$ ),  $RMR = RMC$ ; b) where the red market price ( $RMP = RP$ ) equals the red average revenue ( $RAR$ ),  $RMP = RP = RAR$ ; and c) depending on the red price ( $RP$ ) position related to the red average total cost ( $RATC$ ), red or socially friendly profit can be negative, positive or zero, a situation simplified graphically in Figure 10 below:

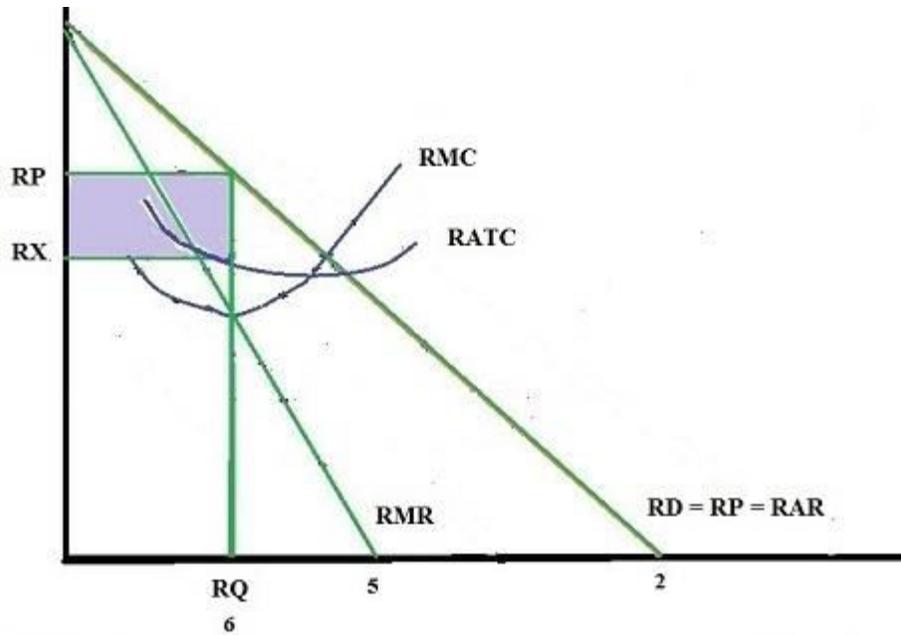


Figure 10 The red or socially friendly market short term cost structure under perfect red or socially friendly market competition

Figure 10 above summarizes the short term cost environment under which perfect red or socially friendly market competition takes place.

And based on Figure 10 above we can express the short term red price structure of the perfect red market at RQ as follows:

#### 6) $RMP = RP = RAR$

Notice that in the short term under perfect red or socially friendly market competition as reflected in Figure 10 above: a) red or socially friendly firms can make positive red profits if  $RP > RATC$ , then new entries will keep coming in and bring the red profit down towards zero; b) red or socially friendly firms can make zero red profit if  $RP = RX = RATC$  and as long as that is true they will remain in the red market; and c) red or socially friendly firms can make negative red profits if  $RP < RATC$ , then those red or socially friendly firms will exit the red market leading to an increase in RP and then red profit will rise until it becomes zero.

#### The shift from the perfect traditional market long term cost structure to the perfect red or socially friendly market long term cost structure

When the traditional market price(TMP) is corrected to internalize the social margin(SM) to make it socially friendly the traditional long term cost structured depicted in Figure 4 above shifts to that of the long term cost structure of perfect red or socially friendly markets as indicated in Figure 11 below:

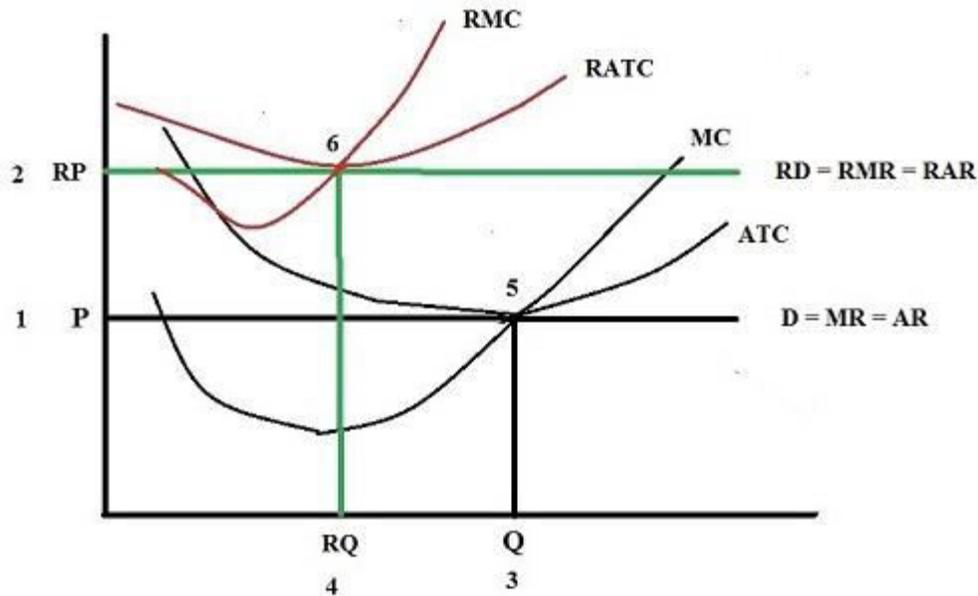


Figure 11 The perfect shift from the traditional market long term cost structure to that of the perfect red or socially friendly market

Figure 11 above tells us the following when we shift from the traditional market long term cost structure to the red or socially friendly market long term cost structure: a) the price structure shifts up from  $P$  to  $RP$  as  $RP > P$ ; b) the quantity consumed falls from  $Q$  at point 3 to  $RQ$  at point 4 due to the higher  $RP$ ; c) The traditional demand ( $D$ ) at point 1 shifts up to the red demand ( $RD$ ) at point 2; and d) The traditional market (TM) long term cost structure at point 5 shifts up to the left to point 6 where the red or socially friendly market (RM) long term cost structure is.

Figure 11 above also shows that in both perfect markets zero profit prevails in the long term as it can be seen at point 5 ( $P = ATC$ ) and at point 6 ( $RP = RATC$ ).

### **The structure of the perfect red or socially friendly market long term cost structure under perfect socially friendly market competition**

Consistent with Figure 11 above, the following aspects can be highlighted about the perfect red or socially friendly market competition in the long term: a) Red or socially friendly production ( $RQ$ ) is kept at the point where the red marginal revenue ( $RMR$ ) equals the red marginal cost ( $RMC$ ) equals the red average total cost ( $RATC$ ),  $RMR = RMC = RATC$ ; b) where the red or socially friendly market price ( $RMP = RP$ ) equals the red average revenue ( $RAR$ ) equals the red marginal cost ( $RMC$ ),  $RMP = RP = RAR = RMC$ ; and c) therefore, here red or socially friendly profit is always zero since the red market price ( $RMP = RP$ ) is equal to the red average total cost ( $RATC$ ),  $RMP = RP = RATC$ , a situation highlighted graphically in Figure 12 below:

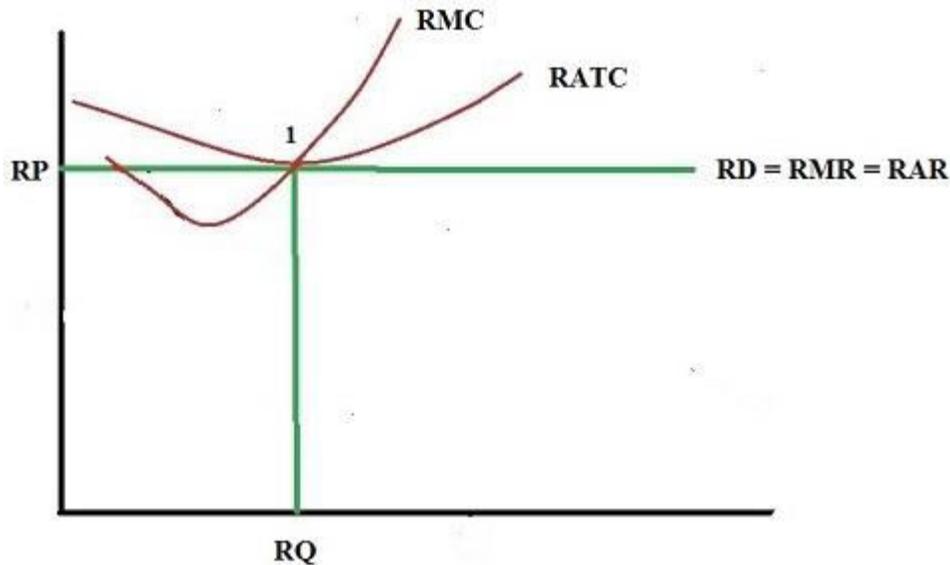


Figure 12 The red or socially friendly market long term cost structure under perfect red or socially friendly market competition

Figure 12 above highlights the long term cost environment under which perfect red or socially friendly market competition operates, where the red demand(RD) touches the minimum point of the red average total cost(RATC).

And based on Figure 12 above we can express the long term red or socially friendly price structure of the perfect red market at RQ as follows:

**7)  $RP = RAR = RATC$**

Notice in Figure 12 above that red or socially friendly firms selling at RP are operating at zero red or socially friendly profits as  $RP = RATC$ . And we expect that under perfect red or socially friendly market competition all red or socially friendly firms will operate at zero red profits in the long term.

**Summary:**

The shift from one perfect market to another can be seen as a systematic evolution in assumptions, model structure, and cost and revenue structures as shown above. Correcting the traditional market’s pricing mechanism to reflect the cost of being socially friendly leads to a shift to the red or socially friendly world, where markets are cleared by the red market price; and where red or socially friendly producers and red or socially friendly consumers respond to red market price signals guiding the working of perfect red or socially friendly market competition.

**Implications:**

The expected behavior of socially friendly or red consumers and of socially friendly or red producers is different than the expected behavior of traditional consumers and traditional producers as they would not be interested in consuming and producing goods and services that

are not socially friendly. By correcting traditional market assumptions, model, and cost structures to reflect social concerns we create the conditions needed for red or socially friendly producers and consumers to work under perfect red or socially friendly market competition, a world that falls under red or socially friendly micro-economic and red or socially friendly macro-economic thinking.

**Note:**

- 1) Had Adam Smith not assumed social externality neutrality in 1776, the price structure of his market would have been similar to the price structure of the red or socially friendly market discussed above as the price of his market would have reflected social responsibility.
- 2) It is difficult right now to see markets going socially friendly both in old capitalist countries like the USA and in new capitalist countries like China. Old capitalist countries seem still allergic to social friendliness and new capitalist countries traded in 1991 their social friendliness for economic friendliness when the Soviet Bloc fell..
- 3) Perhaps poverty and environmental degradation still would have taken place, but they would be minimal as this pricing would have discouraged extreme social exploitation creating socio- economic space and room for the red trickledown effect to work to be less environmentally unfriendly since the time of Adam Smith.

**Food for thoughts**

1) Does perfect traditional market competition thinking holds under perfect red or socially friendly markets?. I think no, what do you think?; 2) Can global warming be addressed properly inside perfect red or socially friendly market thinking?. I think no, what do you think?; and 3) would a red or socially friendly market fix be politically feasible in the future in capitalist countries, old and/or new?. I think yes, what do you think?

**Specific conclusions**

First, it was stressed that when we recognize that society matter and decide to correct the traditional market to reflect that, then the assumptions of perfect market competition shift towards the assumptions of perfect red or socially friendly market competition. Second, it was indicated that when we internalize the social cost of doing business, the price structure and the choice structure of the perfect market shifts towards that of the red or socially friendly market. Third, it was pointed out that a shift in the price structure to red or socially friendly markets means also a shift of the cost and revenue structures, short and long term too to those of red markets. Fourth, the red or socially friendly market assumptions, the red or socially friendly market model structure, the red or socially friendly market short term cost structure and the red or socially friendly market short term cost structure, all were linked to point out how markets should be expected to work under perfect red or socially friendly market competition.

**General conclusions**

To properly deal with traditional economic issues, we need the microeconomic and macroeconomic thinking behind the expected working of perfect market competition and perfect market thought. To properly deal with or socially friendly market issues, we need red or socially friendly micro-economic and red or socially friendly macroeconomic thinking behind the expected working of perfect red or socially friendly market competition and red market thought. As the latter type of thinking does not currently exist, it was shown in this paper how traditional perfect market thinking can be transformed into red or socially friendly market thinking in terms of assumptions, model structure, and short and long term cost structures. In other words, it was described in detailed how to transform perfect market competition thinking into perfect red or socially friendly market competition thinking to be able to highlight how markets should be expected to work under perfect red or socially friendly market competition.

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