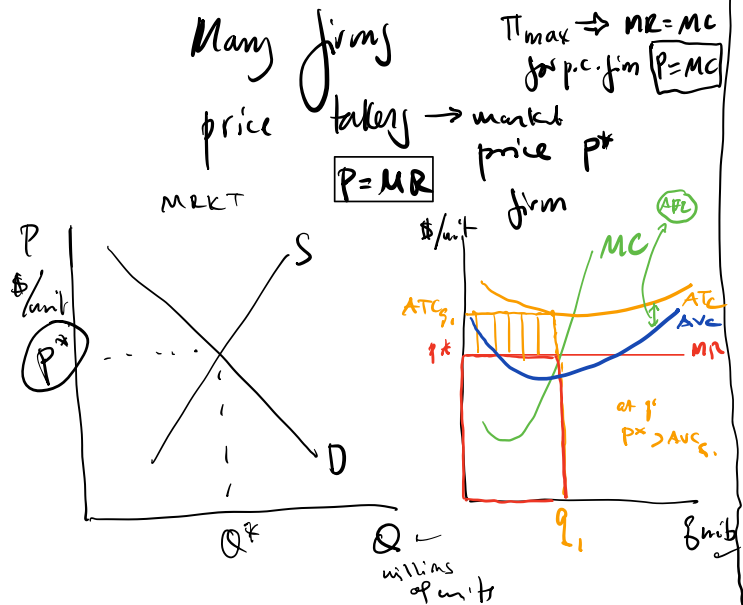


Perfect Competition



$$MC = \frac{\Delta TC}{\Delta Q} \Rightarrow \begin{cases} \text{production function} \\ \text{set input price} \end{cases}$$

Firm choose q^* such that $MR = MC$

If $P > \min ATC \Rightarrow$ firm making econ profits
AND there will be ENTRY!

\Rightarrow If $P < \min ATC \Rightarrow$ firms making econ losses and \Rightarrow firms w/ EXIT!

If there are fixed costs and

$P \geq \min ATC \Rightarrow$ then firms

PRODUCES IN THE SHORT-RUN } fixed costs
AND EXITS IN LONG-RUN

Monopoly

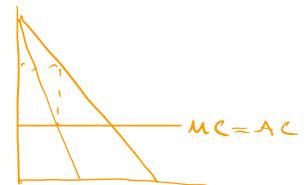
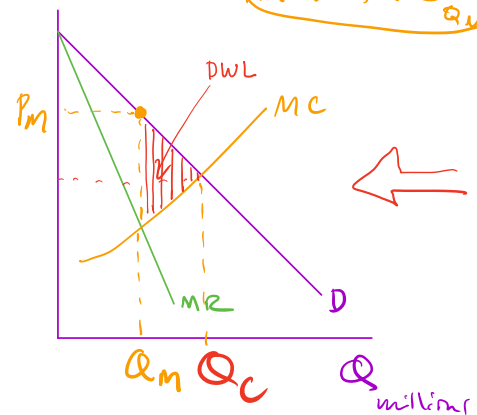
Single Firm - Faces entire market demand!

If the firm charges I price

$P \neq MC!!$
 $P > MR$

$$MR = MC$$

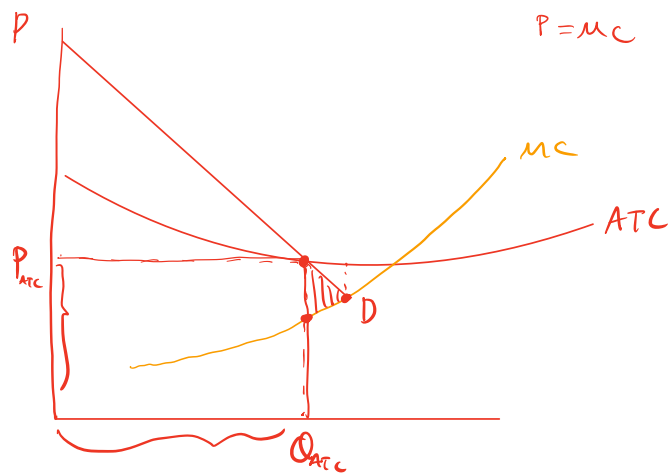
$$P_M > MC_{Q_M}$$



Very High Fixed
Costs

ATC is falling
② Demand

MC is Below ATC
on Demand



② $Q_{ATC} : P > MC$