P.C Graphs

- perfectly elastic D curve ⟹ identical products
- can experience π/losses in the SR.
- will break even in the LR ⟹ no significant Barriers

SR

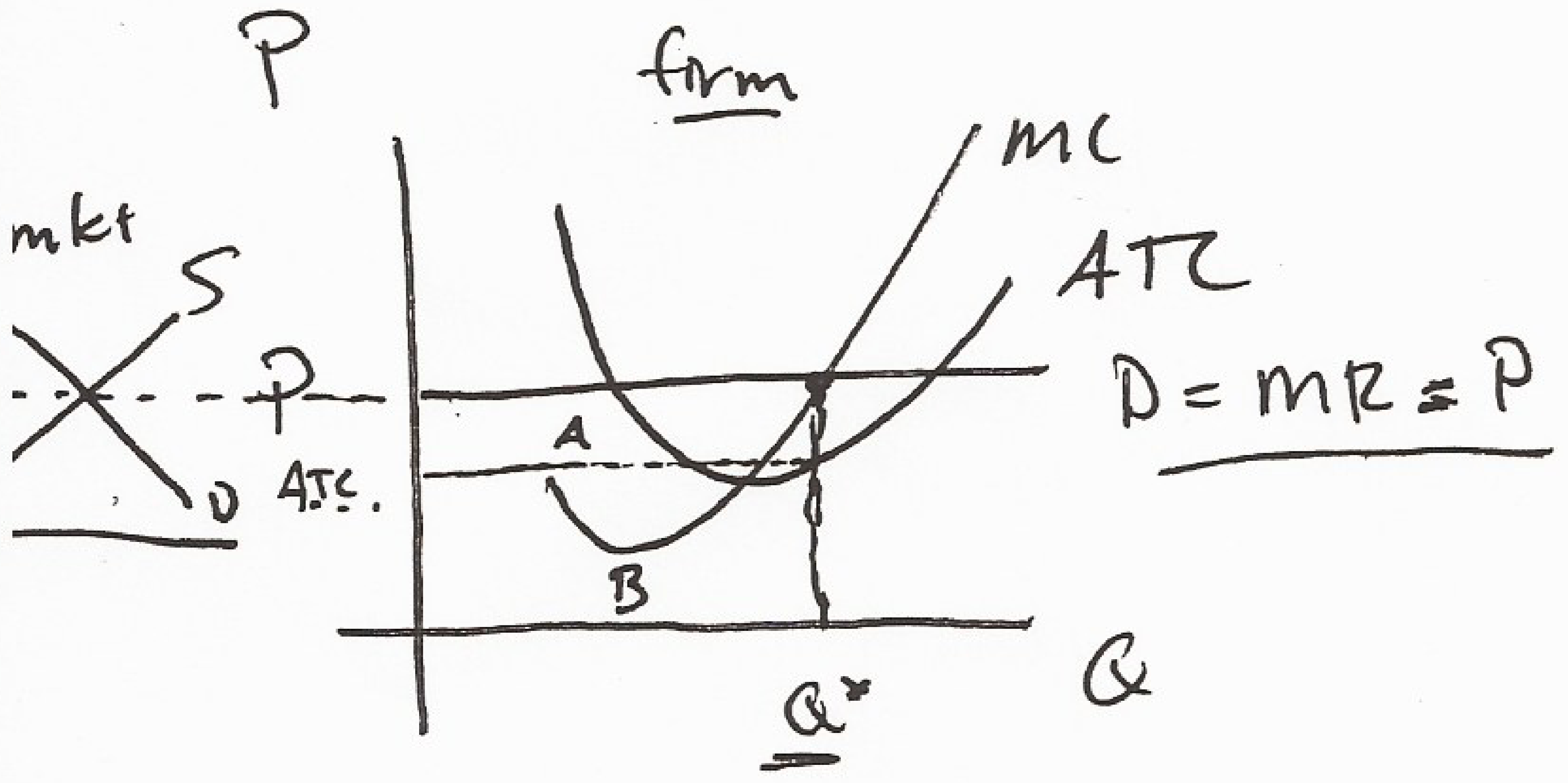
π

P > ATC @ Q where MR = MC

TR > TC

↗ are allocatively efficient (P = MC)

⟹ not productively efficient



$A = \pi = (P - ATC)\,Q$

$B = TC = ATC \cdot Q$

$A + B = TR = P \cdot Q$

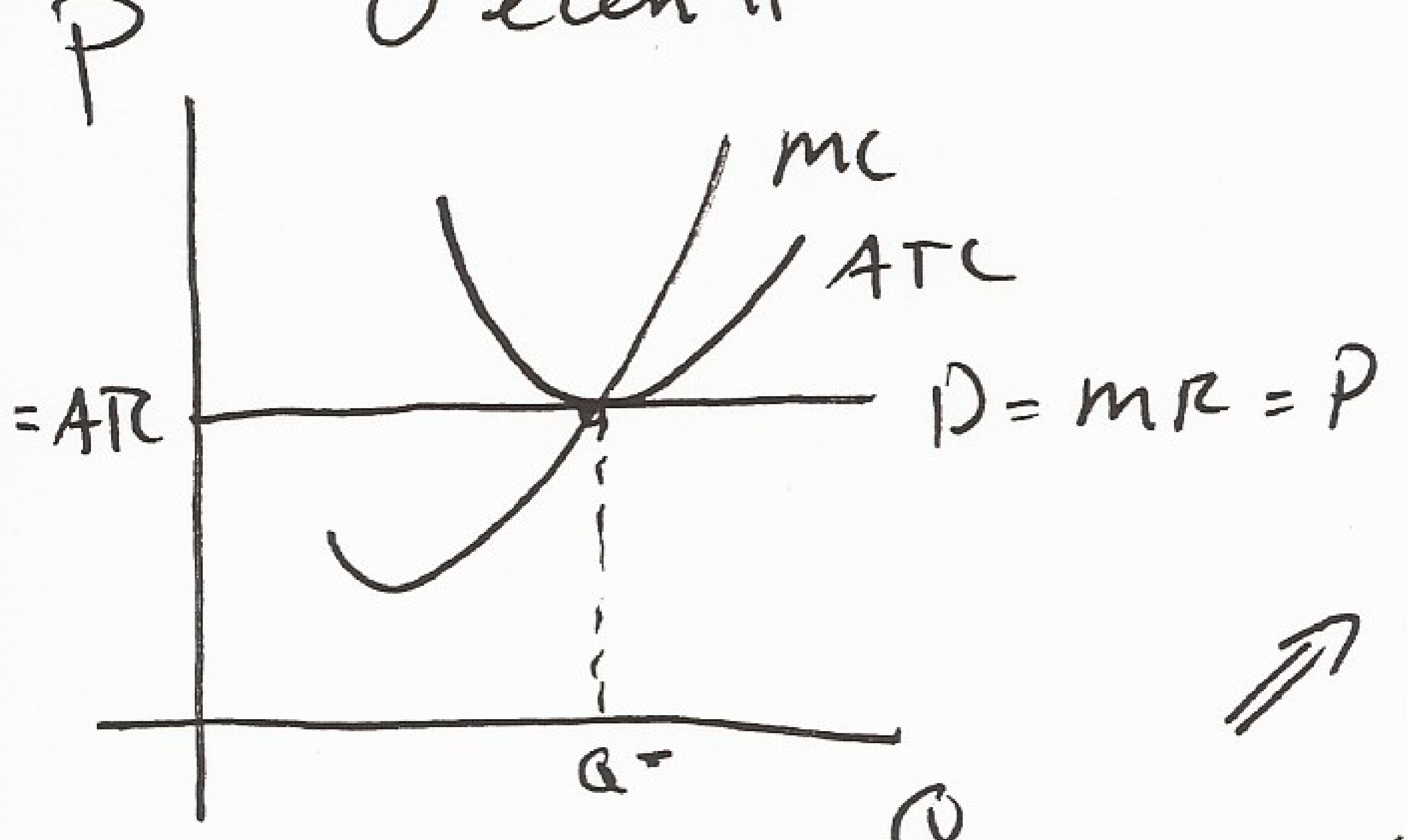
+ econ π ⟹ above normal π

⟹ value represents how much more \$ earning than next best.

⟹ cause firms to enter, they can due to no barriers, and will compete away econ π of incumbents

LR EQ

0 econ π



↗ No excess capacity

↳ in LR, are productively/Allocatively eff