Monopoly-competition

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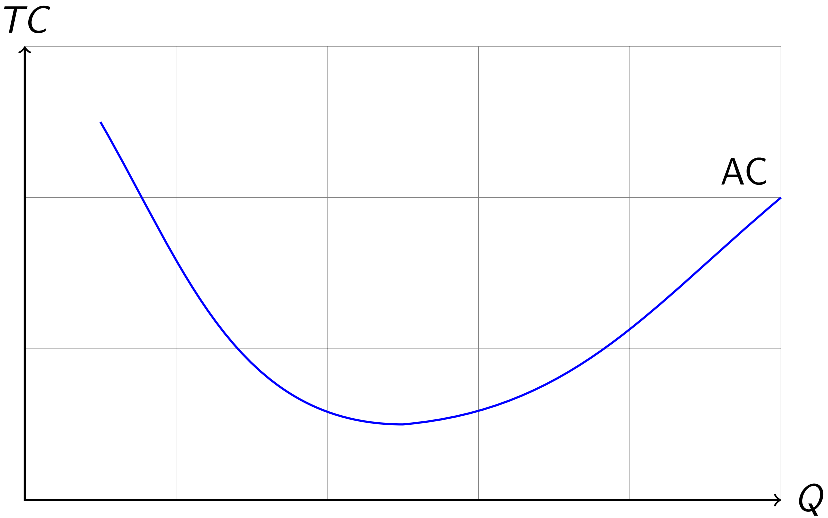
Average Costs



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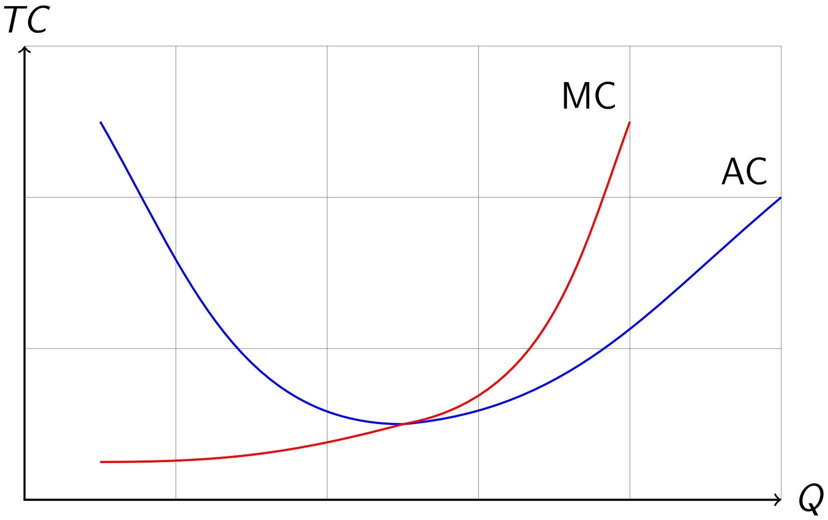
Marginal costs



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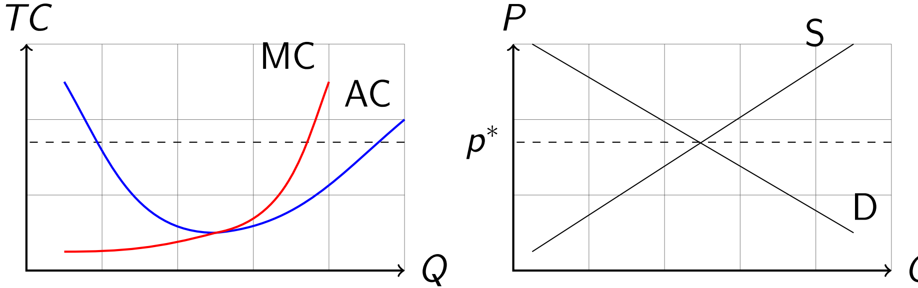
- The marginal cost cuts the average cost at the lowest point on the average cost

Perfect Competition

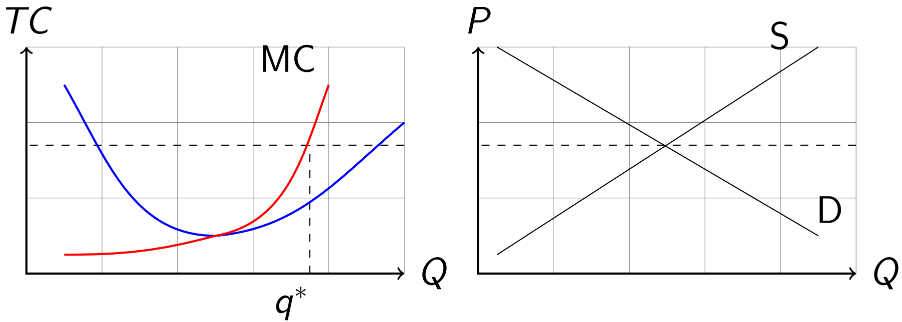
In a perflectly competitive market, the marginal cost curve is the firm supply curve



Equilibrium price $= P^* = AR = MR$

Profit maximisation

Prfit maximised at MR = MC



Profit-maximising output moves along the MC curve

Supply increase

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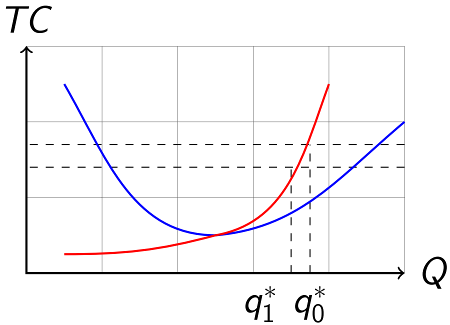

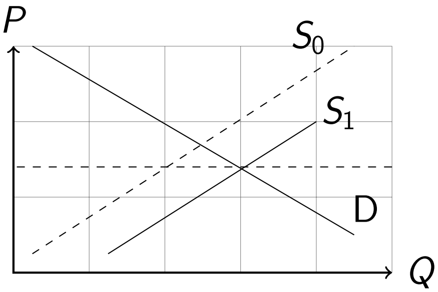

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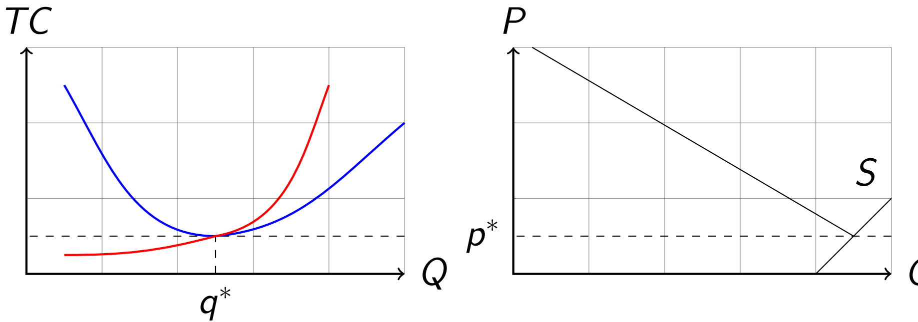
Long-run Equilibrium



Long-run equilibrium when price is equal to the minimum on the average cost curve.

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There are barriers to entry

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Price Discrimination