## Economics

1. Economics
   1. Chapter 11
      1. Theory of Monopolistic Competition
         1. Three assumptions
            1. There are many buyers and sellers
            2. Each firm (in the industry) produces and sells a slightly differentiated product.
            3. Entry and exit are easy
      2. The elasticity of demand for its product is not as great as that of the perfectly competitive market. Slopes downward
      3. P>MR
      4. How is the monopolistic competitive firm the same as both perfectly competitive and monopoly firms?
         1. It produces the quantity of output at which MR = MC
         2. Thus P>MC
      5. Are there profits in the long run?
         1. Most likely they will not continue to earn profits. If there are profits new firms will enter the industry and reduce the demand that each firm faces thus the demand curve for each firm may shift to the left.
      6. Nonprice competition
         1. Differentiating your product from those of other sellers in ways other than price
      7. Excess capacity theorem
         1. A monopolistic competitor will produce an output smaller than the one that would minimize its unit costs of production