## Chapter 8

[1](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod01_sques01).

No, you would not raise the price. Your product is exactly the same as the product of the many other firms in the market. If your price is greater than that of your competitors, then your customers would switch to them and stop buying from you. You would lose all your sales.

[2](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod01_sques02).

Possibly. Independent truckers are by definition small and numerous. All that is required to get into the business is a truck (not an inexpensive asset, though) and a commercial driver’s license. To exit, one need only sell the truck. All trucks are essentially the same, providing transportation from point A to point B. (We’re assuming we not talking about specialized trucks.) Independent truckers must take the going rate for their service, so independent trucking does seem to have most of the characteristics of perfect competition.

[3](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod02_sques01).

Holding total cost constant, profits at every output level would increase.

[4](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod02_sques02).

When the market price increases, marginal revenue increases. The firm would then increase production up to the point where the new price equals marginal cost, at a quantity of 90.

[5](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod02_sques03).

If marginal costs exceeds marginal revenue, then the firm will reduce its profits for every additional unit of output it produces. Profit would be greatest if it reduces output to where MR = MC.

[6](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod02_sques04).

The firm will be willing to supply fewer units at every price level. In other words, the firm’s individual supply curve decreases and shifts to the left.

[7](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod03_sques01).

With a technological improvement that brings about a reduction in costs of production, an adjustment process will take place in the market. The technological improvement will result in an increase in supply curves, by individual firms and at the market level. The existing firms will experience higher profits for a while, which will attract other firms into the market. This entry process will stop whenever the market supply increases enough (both by existing and new firms) so profits are driven back to zero.

[8](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod03_sques02).

When wages increase, costs of production increase. Some firms would now be making economic losses and would shut down. The supply curve then starts shifting to the left, pushing the market price up. This process ends when all firms remaining in the market earn zero economic profits. The result is a contraction in the output produced in the market.

[9](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod04_sques01).

Perfect competition is considered to be “perfect” because both allocative and productive efficiency are met at the same time in a long-run equilibrium. If a market structure results in long-run equilibrium that does not minimize average total costs and/or does not charge a price equal to marginal cost, then either allocative or productive (or both) efficiencies are not met, and therefore the market cannot be labeled “perfect.”

[10](http://openstax.org/books/principles-microeconomics-3e/pages/8-self-check-questions#ch08mod04_sques02).

Think of the market price as representing the gain to society from a purchase, since it represents what someone is willing to pay. Think of the marginal cost as representing the cost to society from making the last unit of a good. If P > MC, then the benefits from producing more of a good exceed the costs, and society would gain from producing more of the good. If P < MC, then the social costs of producing the marginal good exceed the social benefits, and society should produce less of the good. Only if P = MC, the rule applied by a profit-maximizing perfectly competitive firm, will society’s costs and benefits be in balance. This choice will be the option that brings the greatest overall benefit to society.