**Selected Problems - Chapter 15**

**3.3** For a purely competitive firm, price is equal to marginal revenue because the firm can sell as much output as it chooses at the standardized market price. Because of this, total revenue will always increase by the amount of the price for each additional unit sold, so marginal revenue is equal to the price. For a monopolistically competitive firm to sell additional output, it must lower the price for each additional unit it wants to sell. Therefore, total revenue increases as more units are sold, but by less than the price since the decrease in price applies not only to the additional output but also to all previous output.

**4.1** (a) Disagree. There are no barriers to entry in monopolistic competition, and economic profits are eliminated in the long run.

(b) Disagree. Price does not equal marginal cost in the short or long run in monopolistically competitive industries.