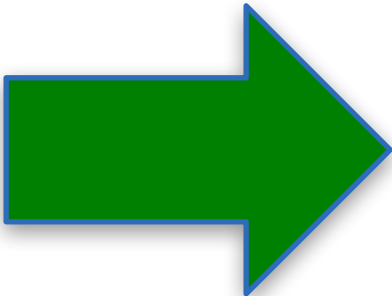




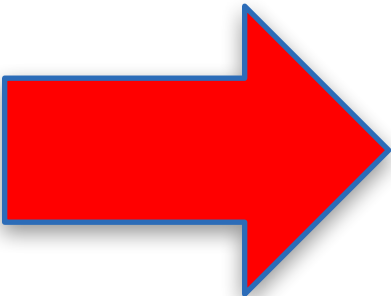
When firms break even

Number of firms do  
not change



Make a profit

Newfirms enter



Industry expands



# Incur a loss

Firms exit



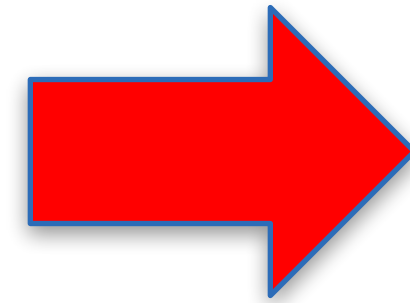
Industry contracts

If firms in the industry

Equilibrium

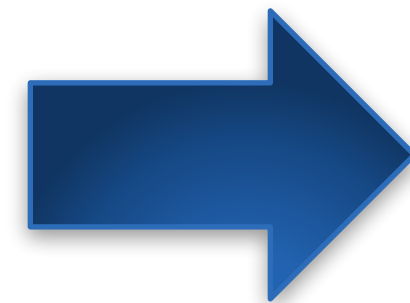
If firms in the industry

Make a profit



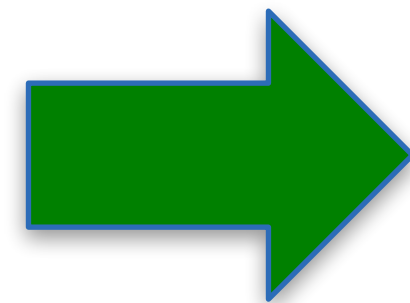
New firms enter  
Industry expands

Incur a loss



Firms exit  
Industry contracts

When firms break even



Number of firms do  
not change  
Equilibrium

Do firms in the industry  
make positive Profit?