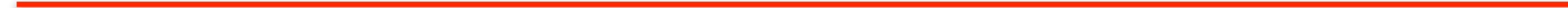
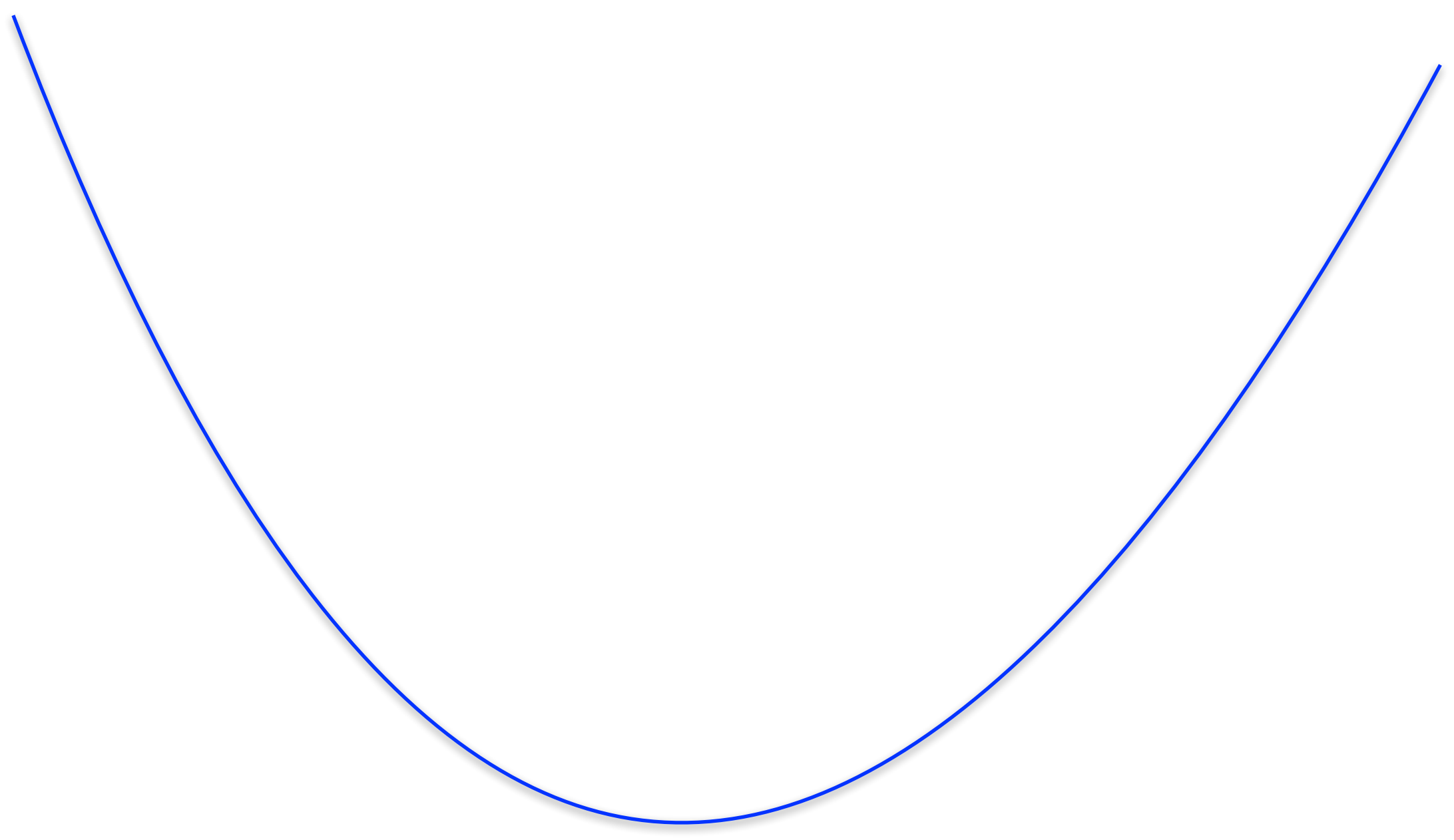


MR

MC

Pe

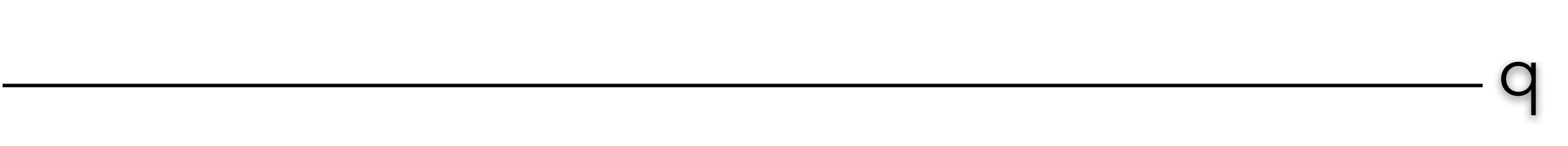




MC



,P



Total Profit is
maximum

when

$$MC = MR(=Price)$$



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Total Loss is
maximum

when

$$MC = MR(=Price)$$



q_0

Careful!! There are two
output levels where $MC = MR$
The smaller q maximizes loss
the larger q maximizes profit

90

To Maximize
Profit, the firm
must produce

$$q_0$$

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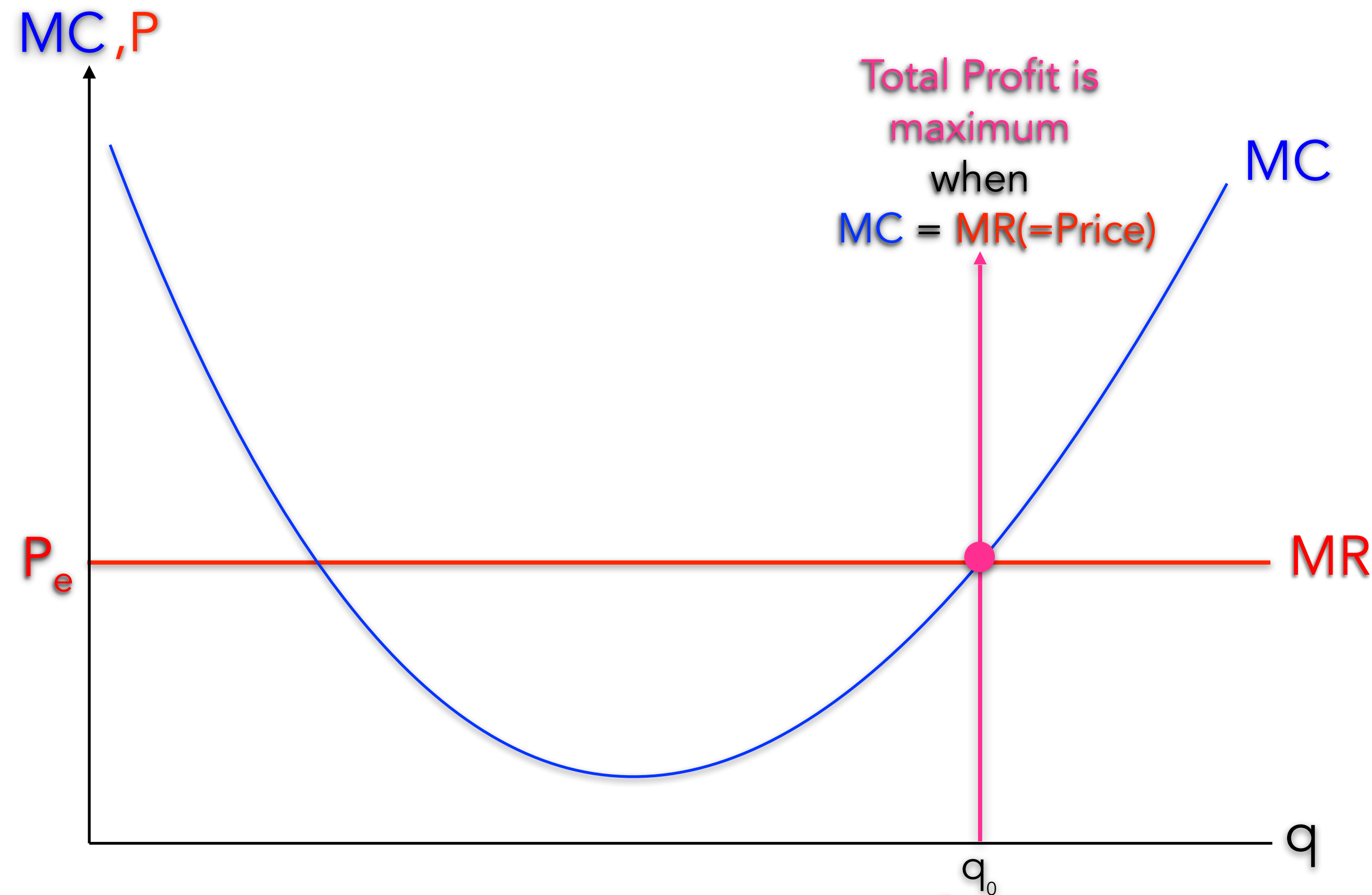


e

Perfectly Competitive Firms Choose Output to Maximize Profit

Rule: To choose the profit maximizing output level the firm chooses q where $MC = MR$

Perfectly Competitive Firms Choose Output to Maximize Profit



Rule: To choose the profit maximizing output level the firm chooses q where $MC = MR$

And you must remember that for Perfect Competition, $MR = Price$

To Maximize Profit, the firm must produce q_0

Calculating Total Profit

