P_0

MR_0

ATC

MC

Profit

D

S_0

S_1

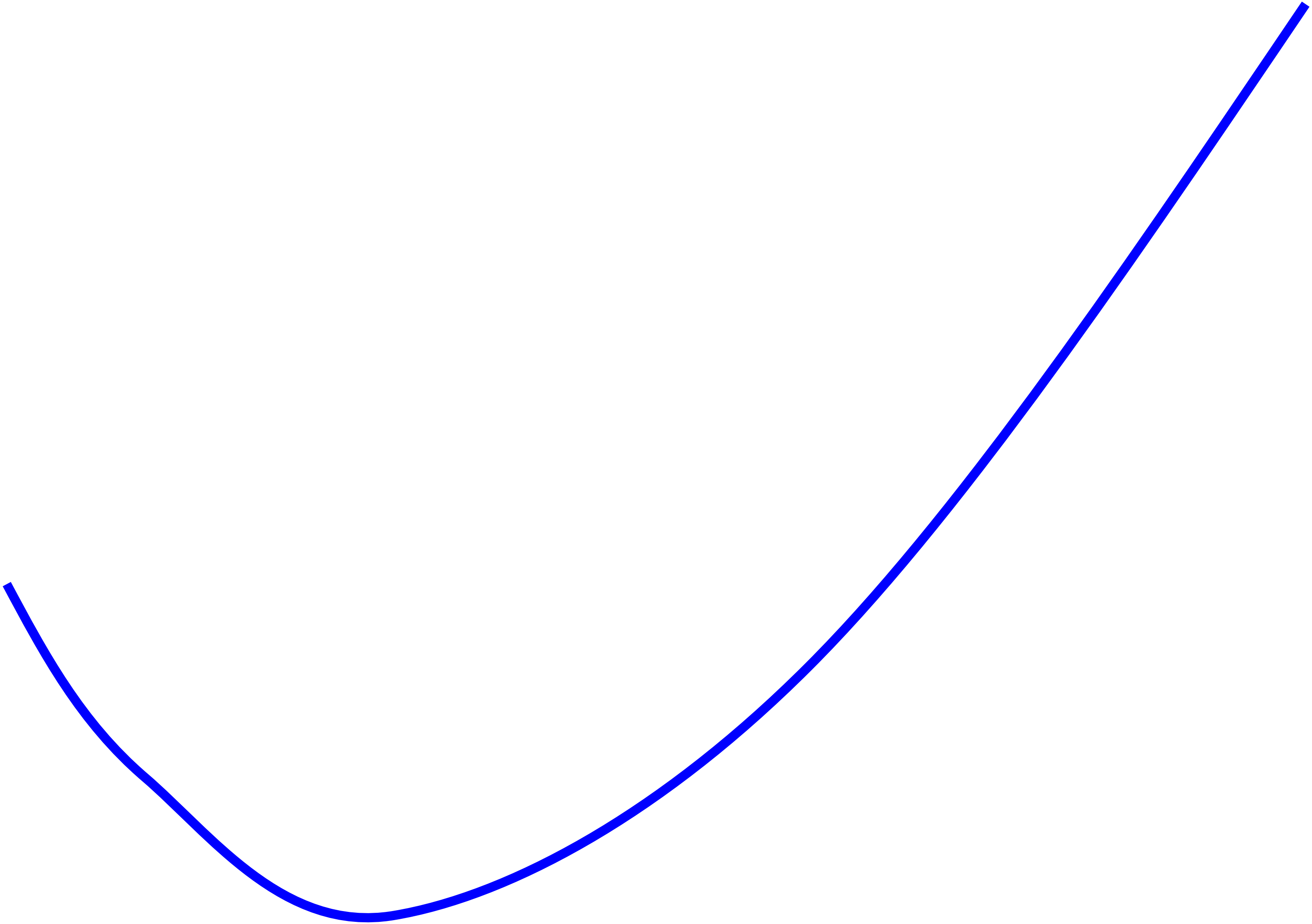
P 1

MR_1

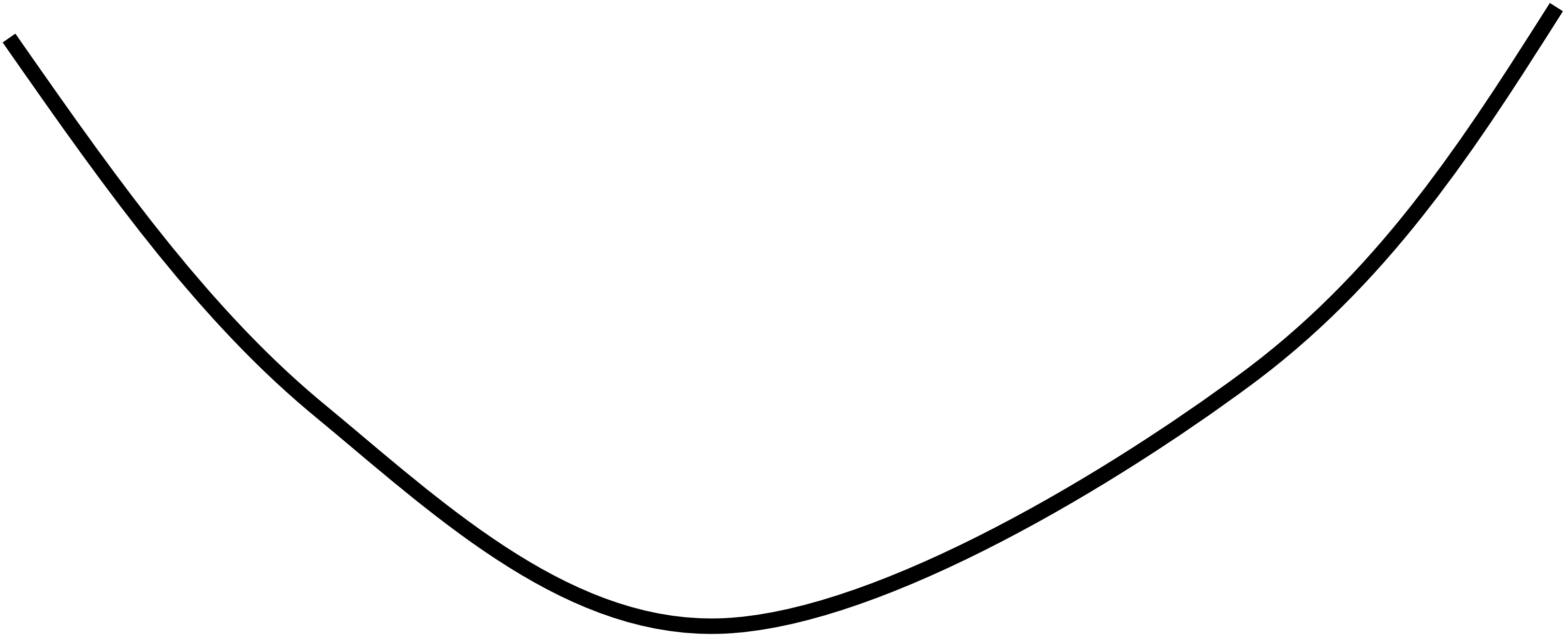
q_1

Zero Economic Profit

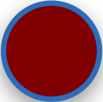

Price
drops

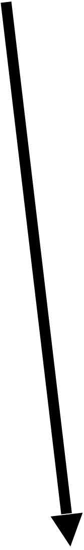


q_0



In Perfect Competition: Entry is Free





Profits are zero when price = ATC

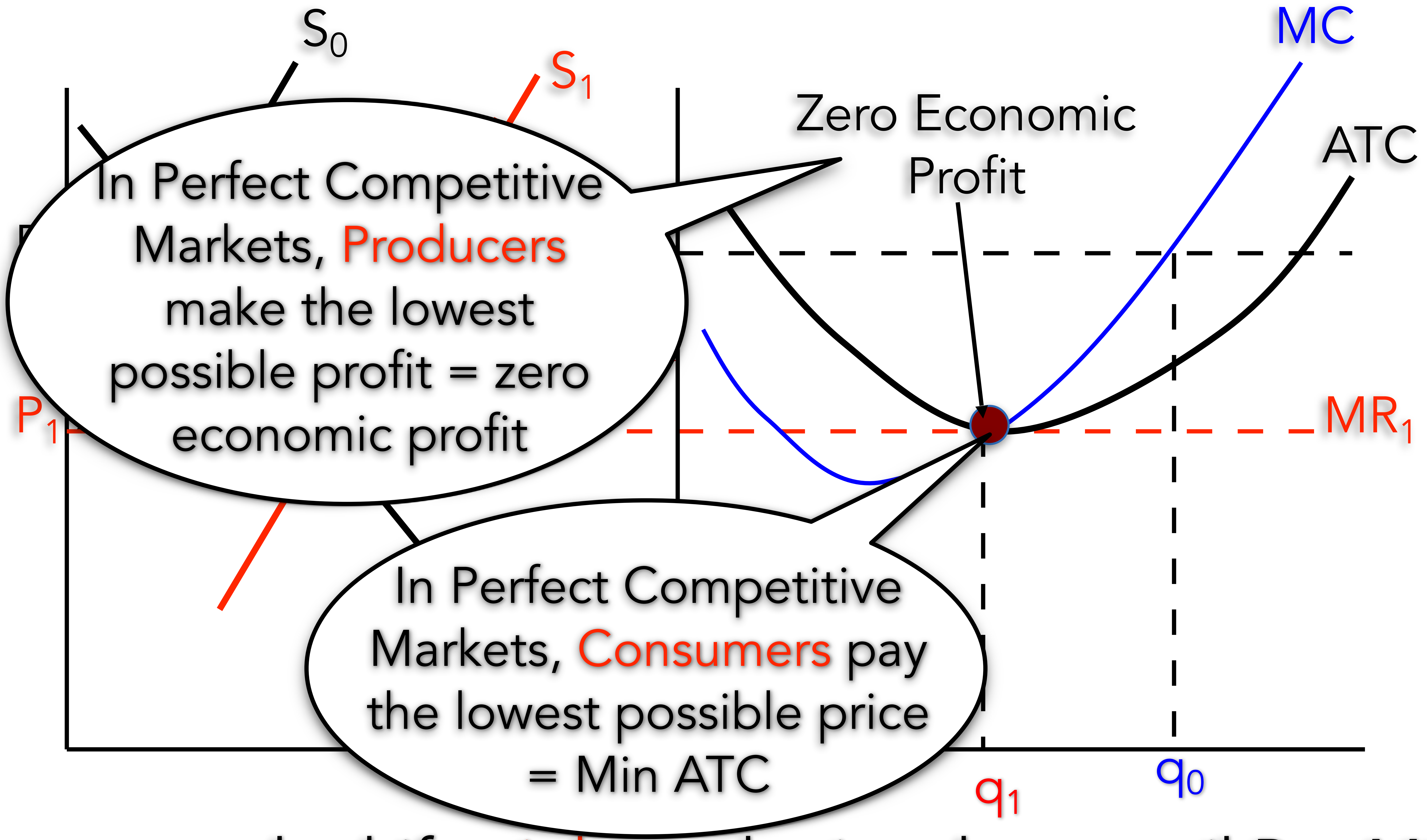
Firms enter, supply shifts right and price drops until P = Min ATC

Firms enter attracted by profits

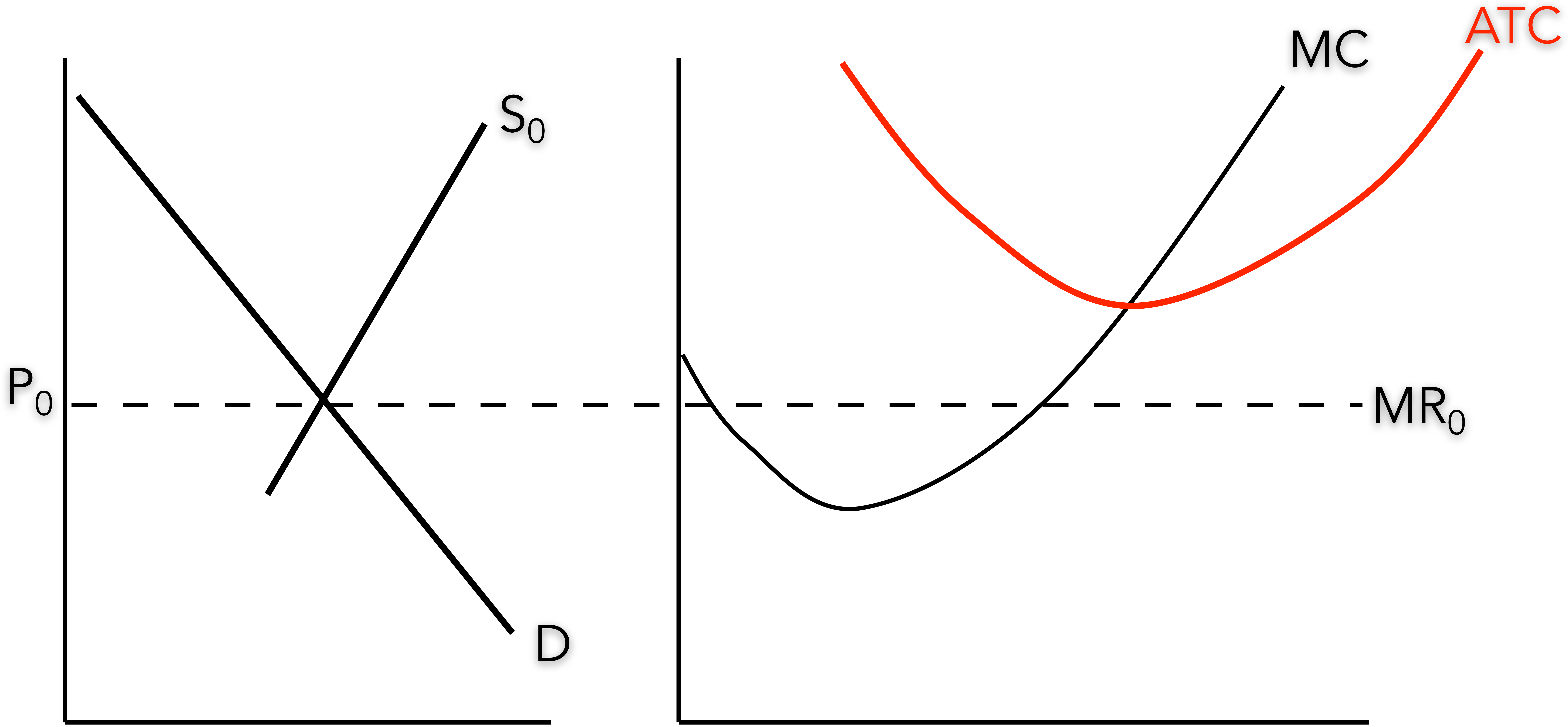
In Perfect Competitive Markets, Consumers pay the lowest possible price = Min ATC

In Perfect Competitive Markets, Producers make the lowest possible profit = zero economic profit

Firms enter attracted by profits



Firms enter, supply shifts right and price drops until P = Min ATC



S_0
D
P_0
MC
ATC
MR_0