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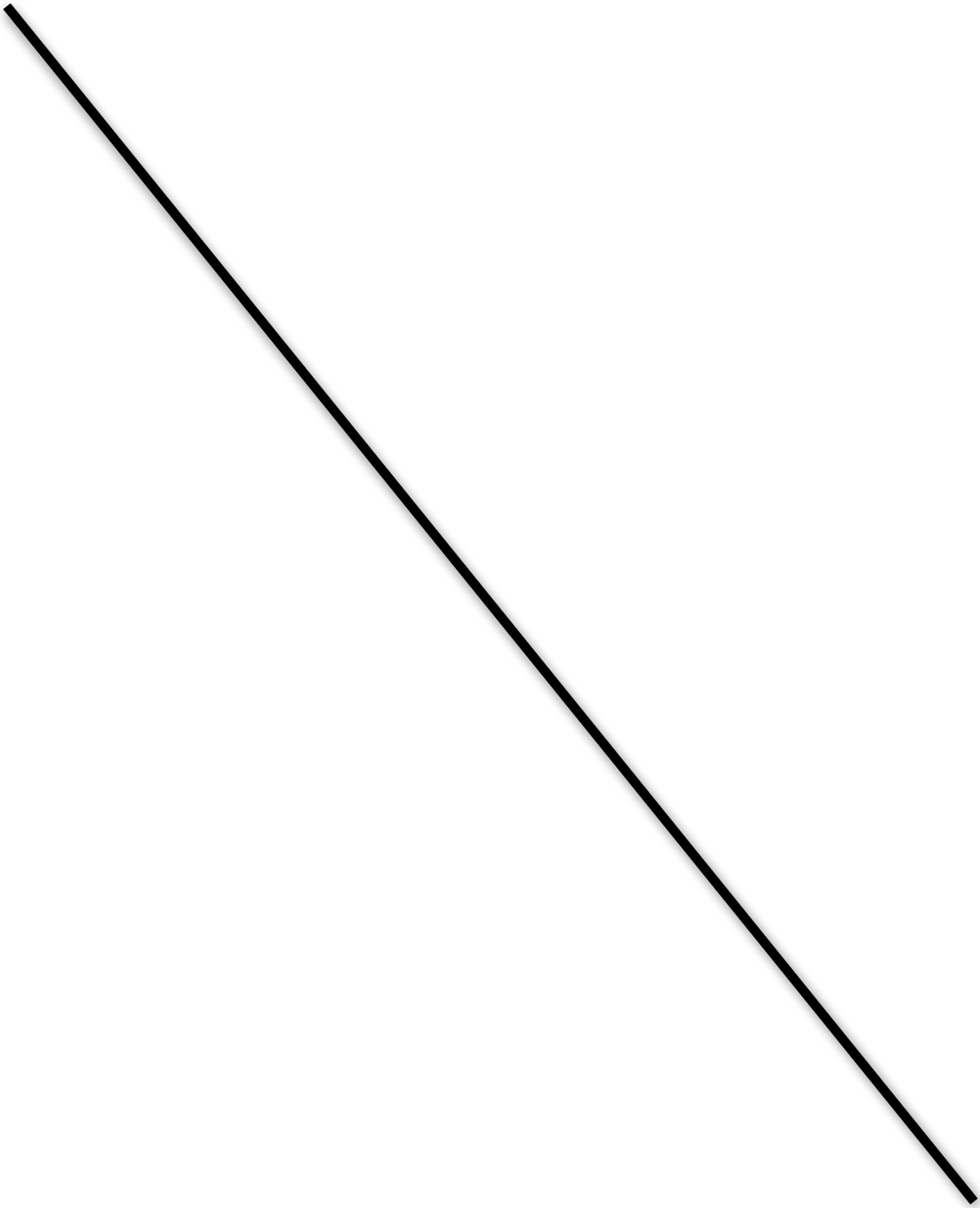

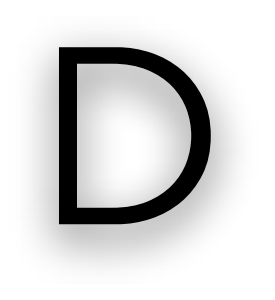

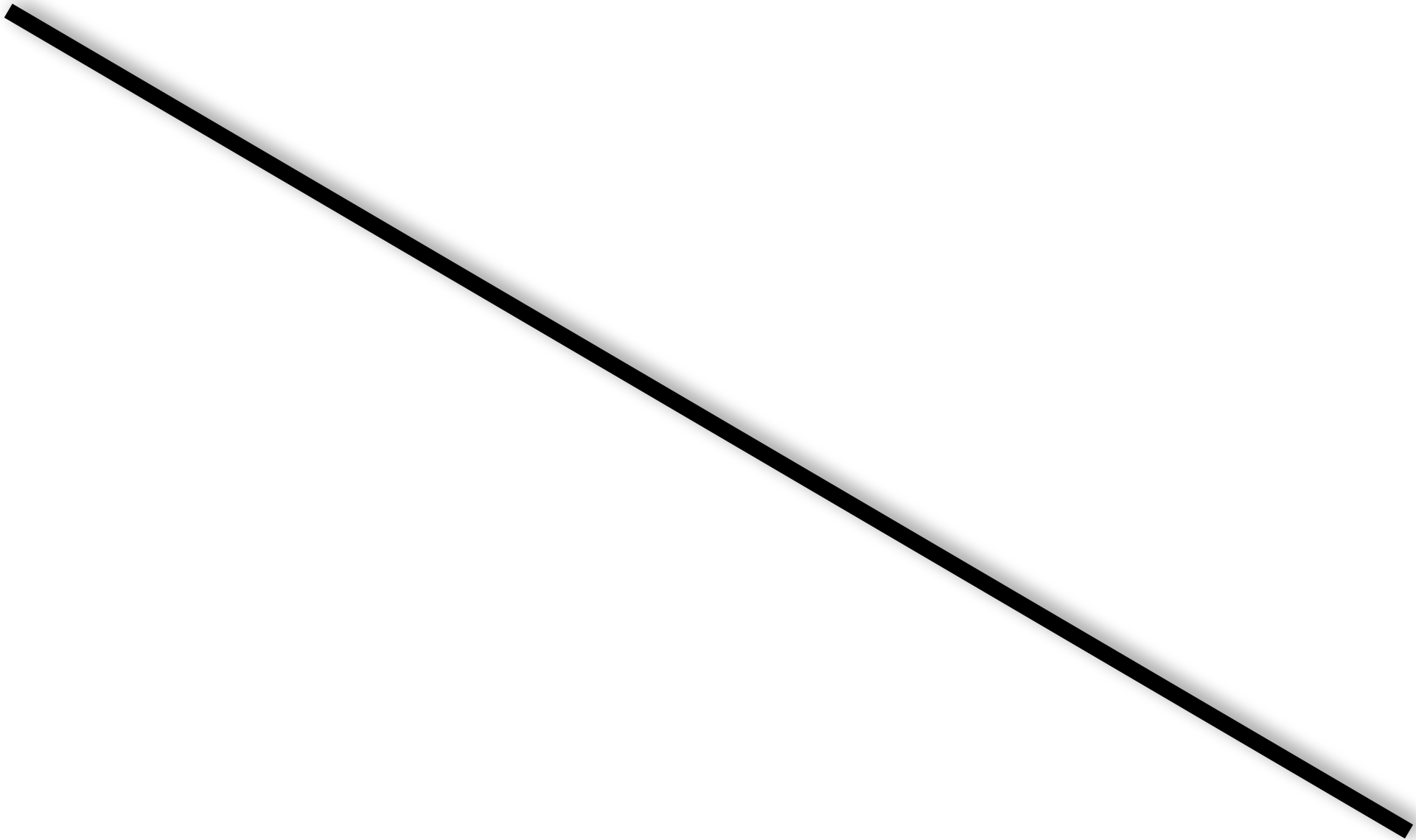

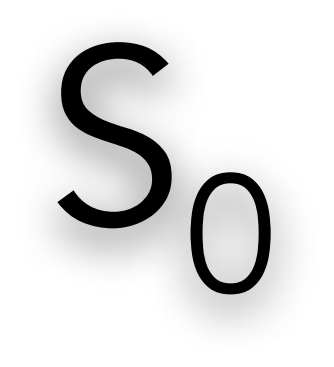
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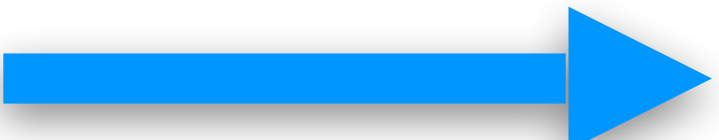


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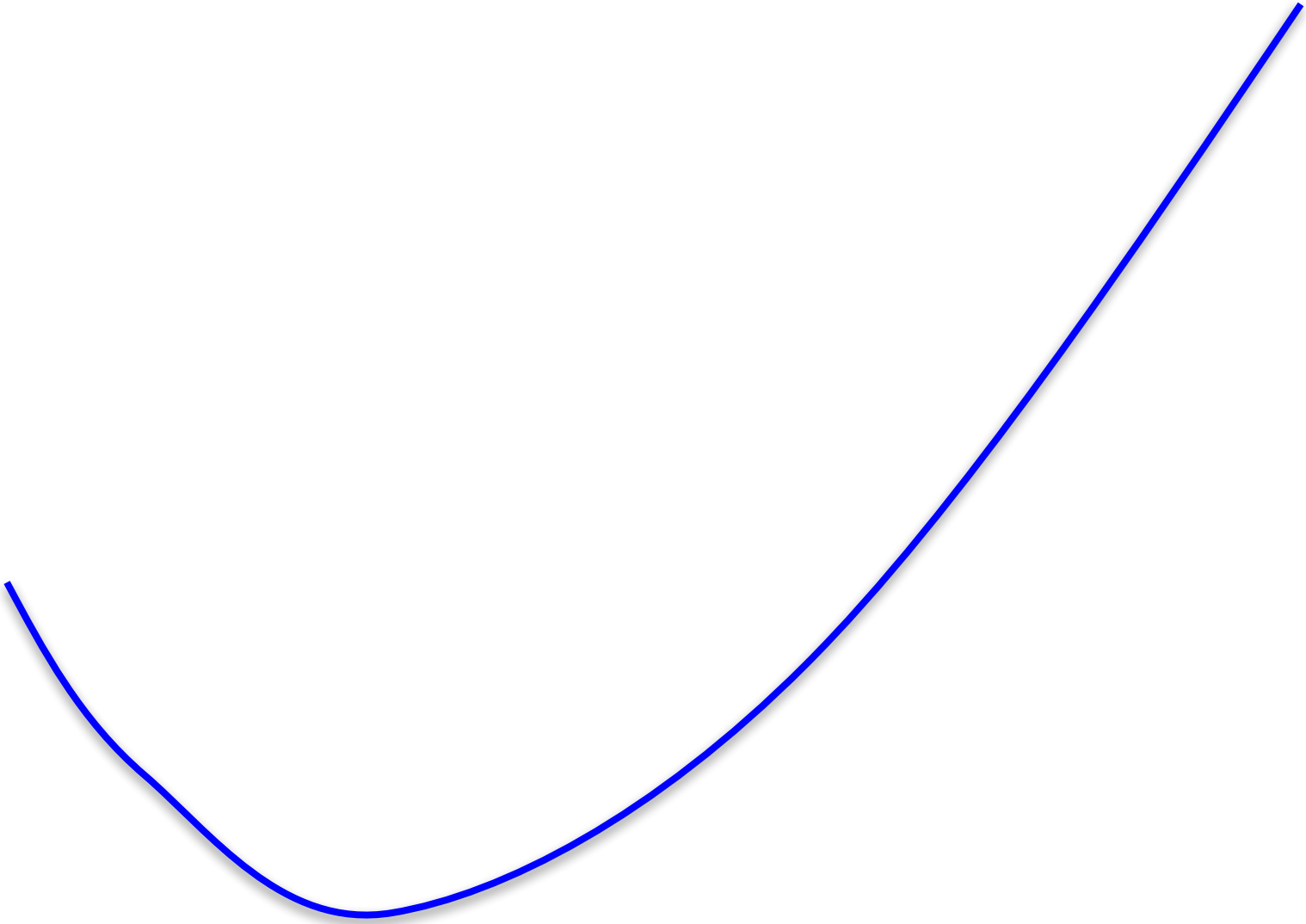

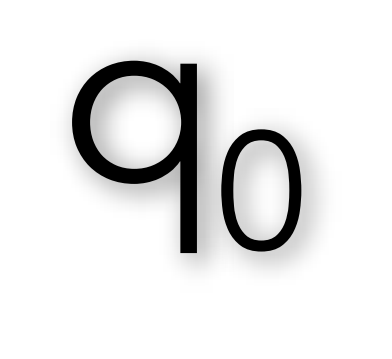
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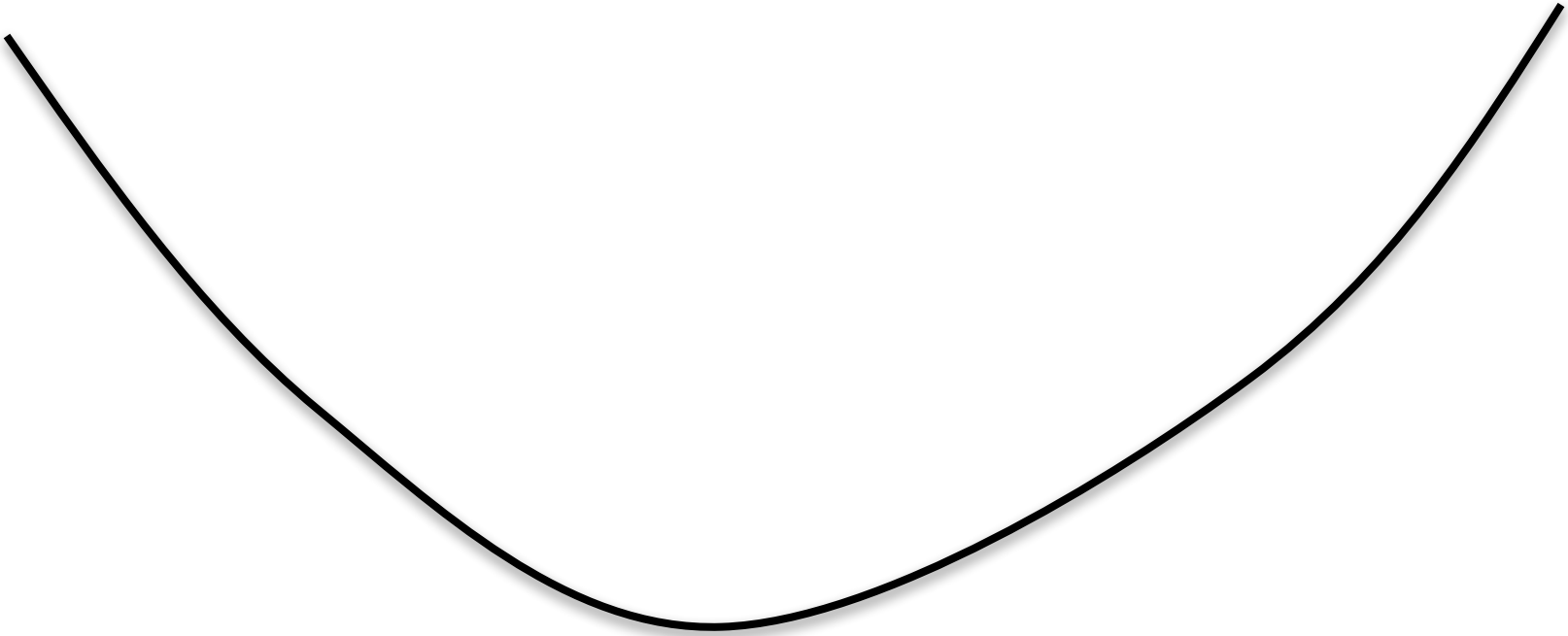

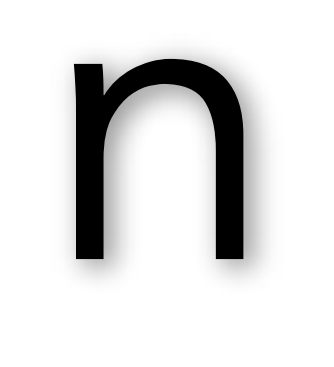
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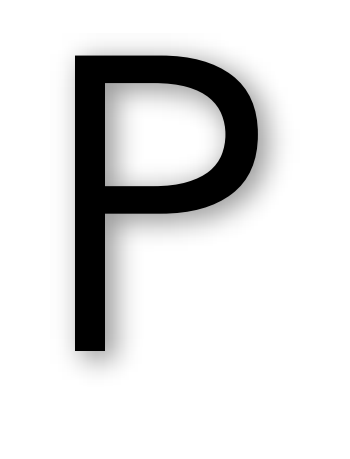
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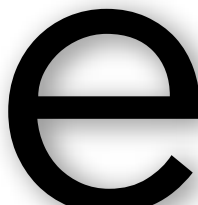

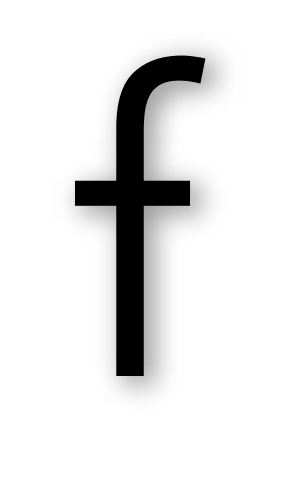

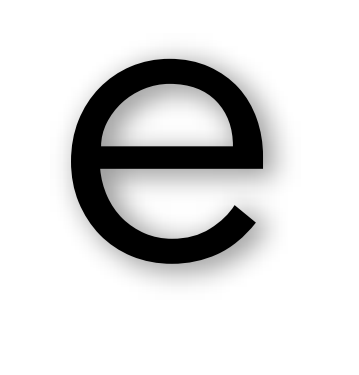

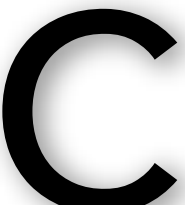

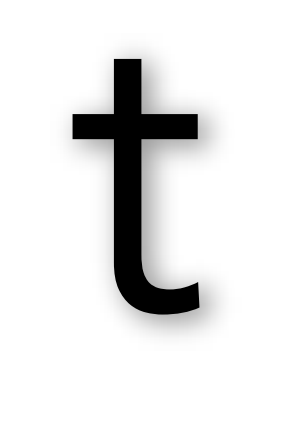

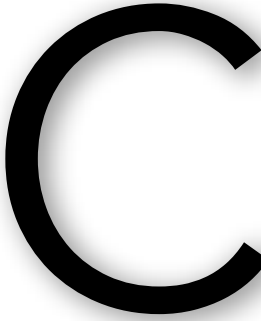

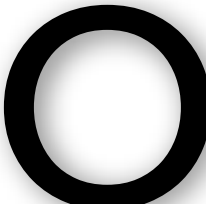

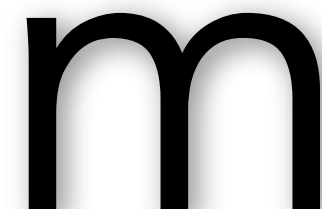

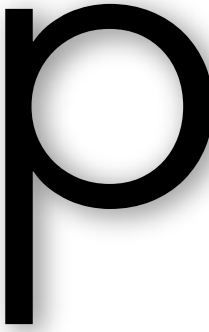

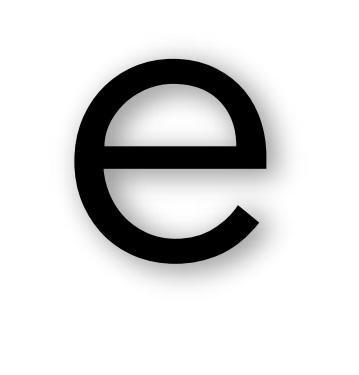

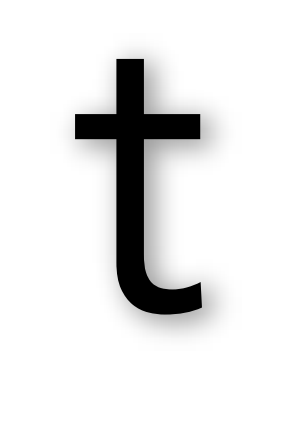

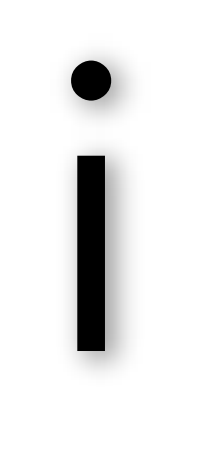

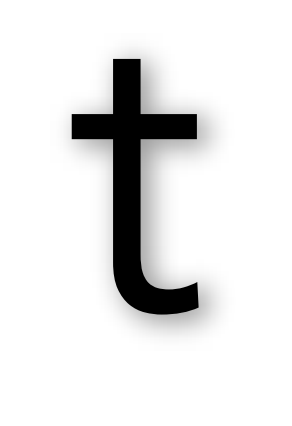

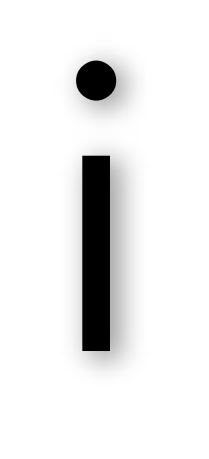

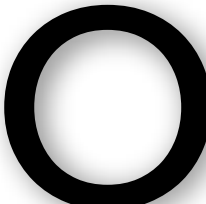

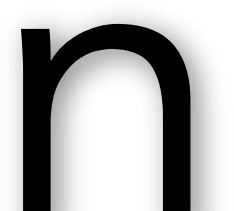

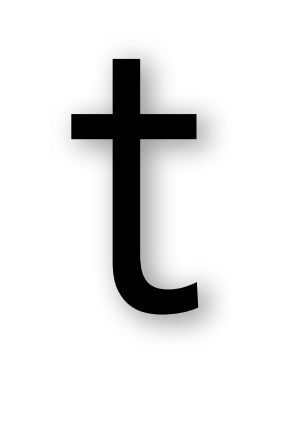

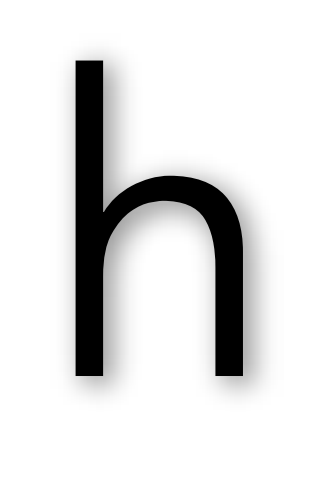

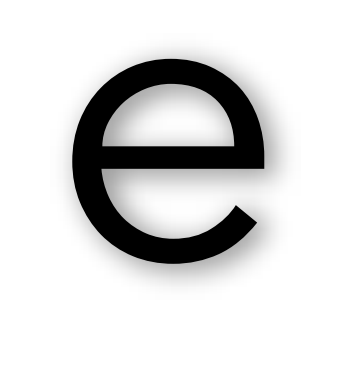

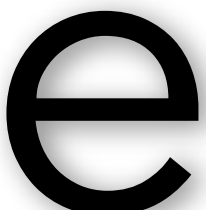

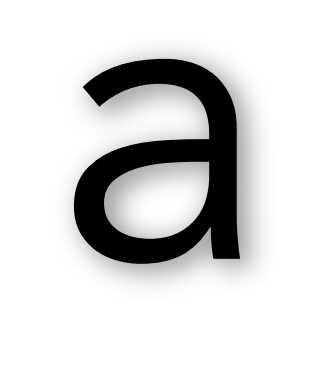
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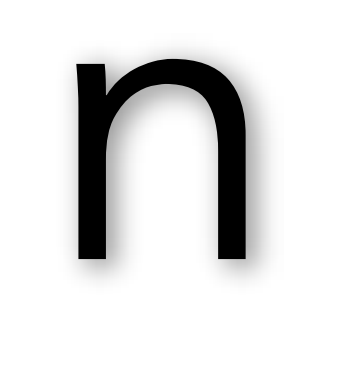
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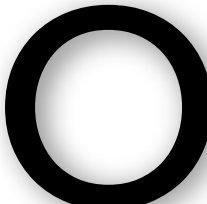

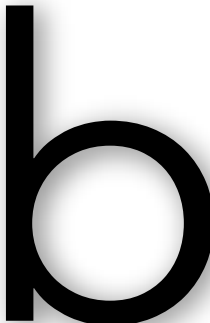

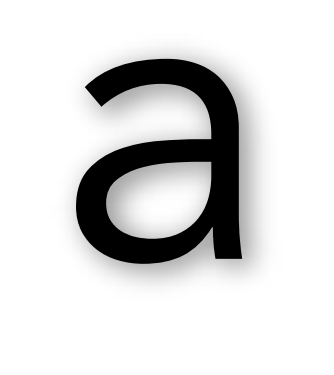
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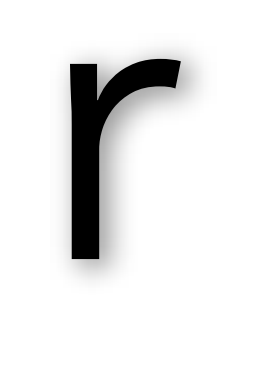
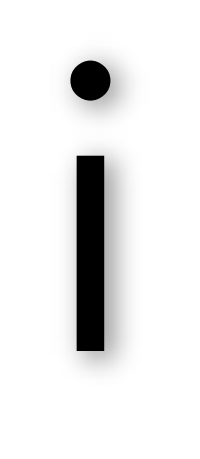
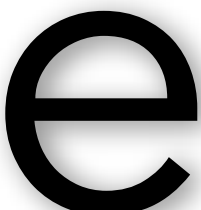
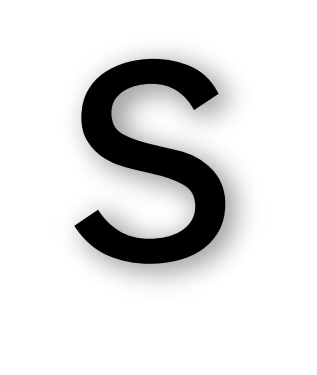
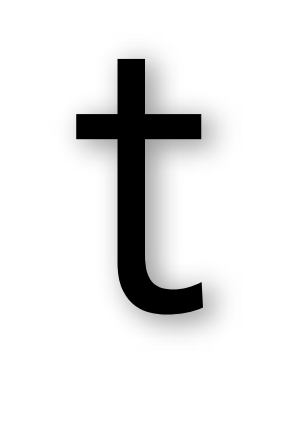
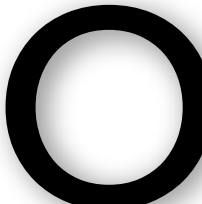


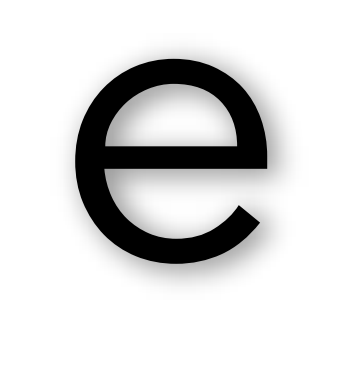


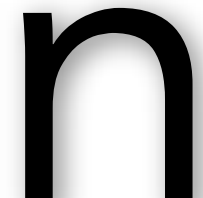


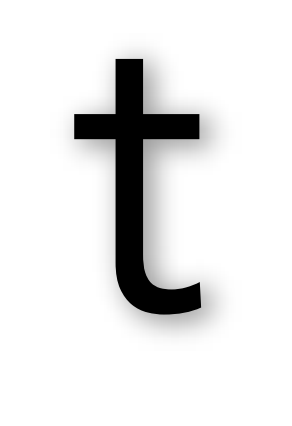


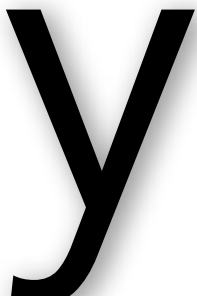


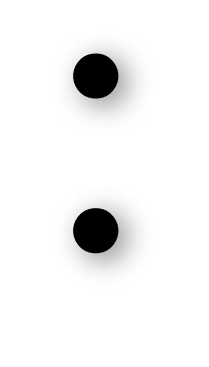


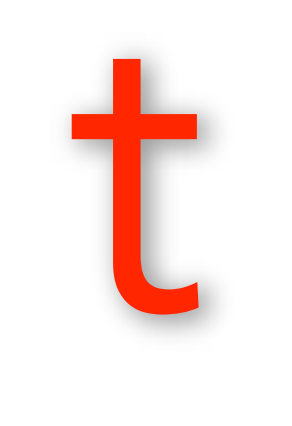


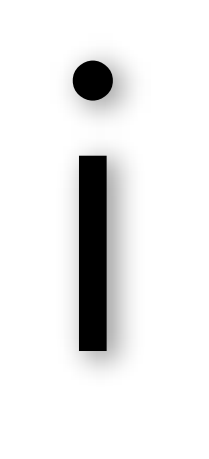


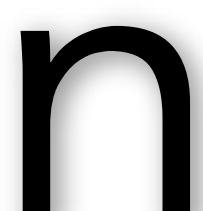


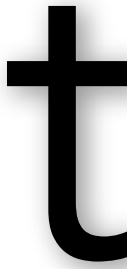


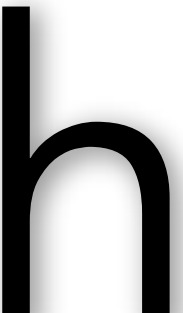


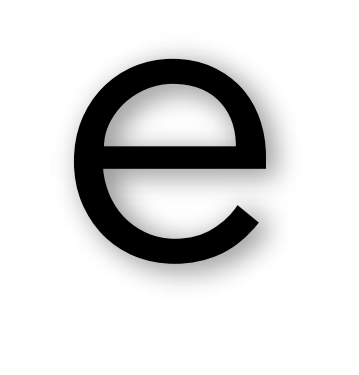


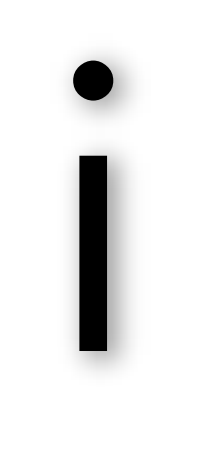


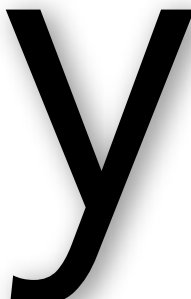


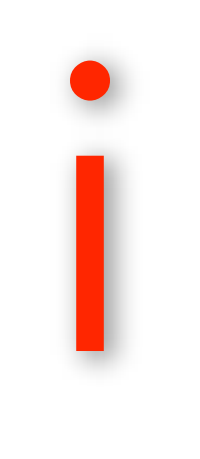




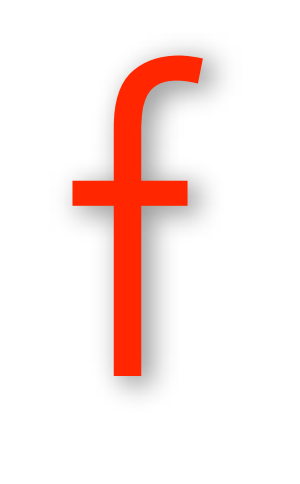









S



P_0
MR_0

Once the price = ATC, profits are zero

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

New firms enter the industry attracted by profits: Supply shifts right

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

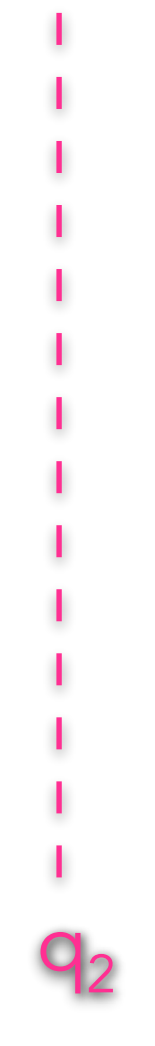

Price
drops

Profit

Profit

More firms enter the industry attracted by profits: Supply shifts right again

P_2
MR_2

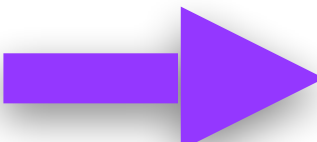

q_2


S_2


Price
drops

Profit

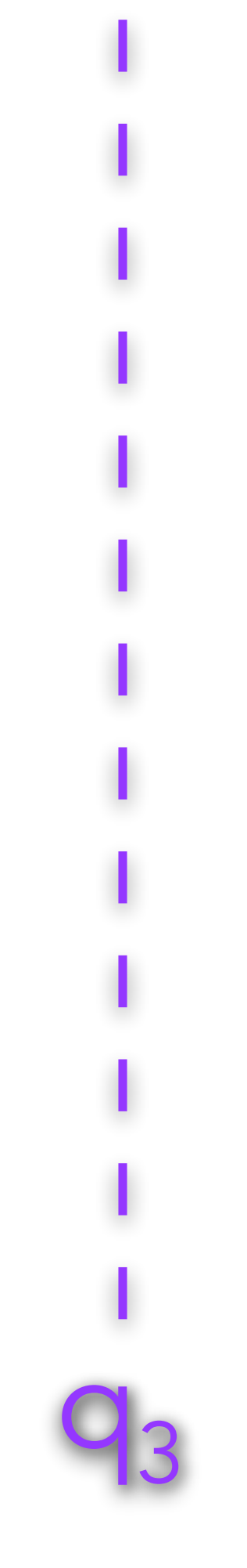
More firms enter the industry attracted by profits: Supply shifts right again




S_2


P_3
MR_2


Price
drops

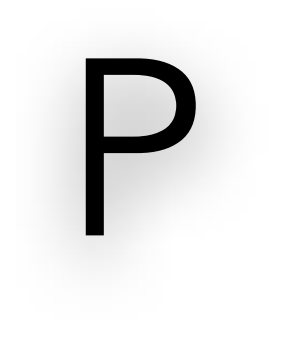

q3

Each firm in the industry produces q_0 the profit maximizing output

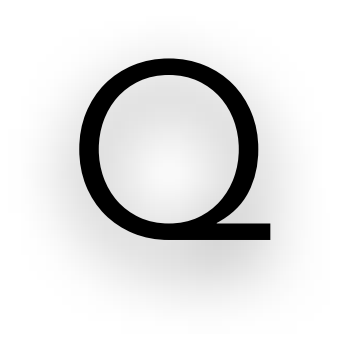
Market View

A Typical Firm's View

Once profits are zero no more firms enter the industry and Supply no longer shifts



MC, ATC



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

In Perfect Competition there are no barriers to entry: entry into the industry is free

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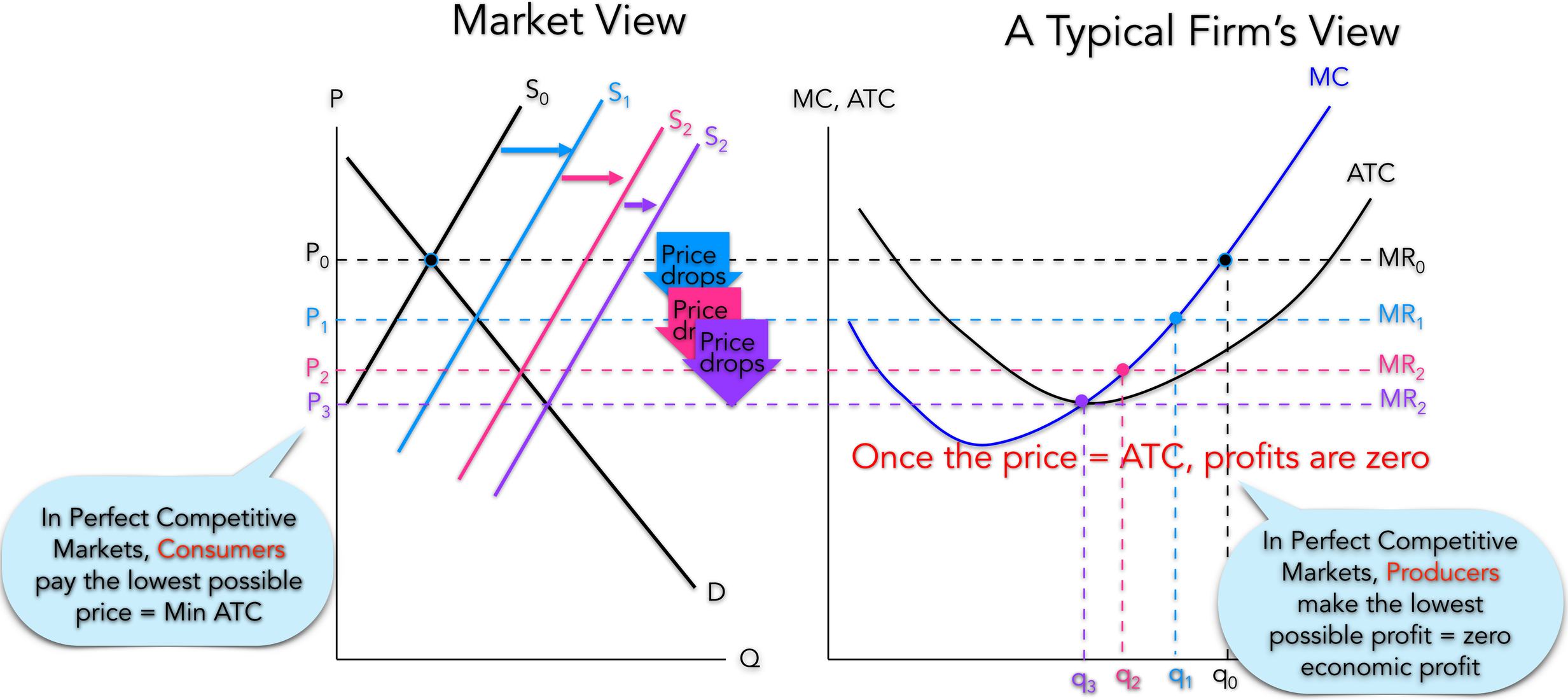

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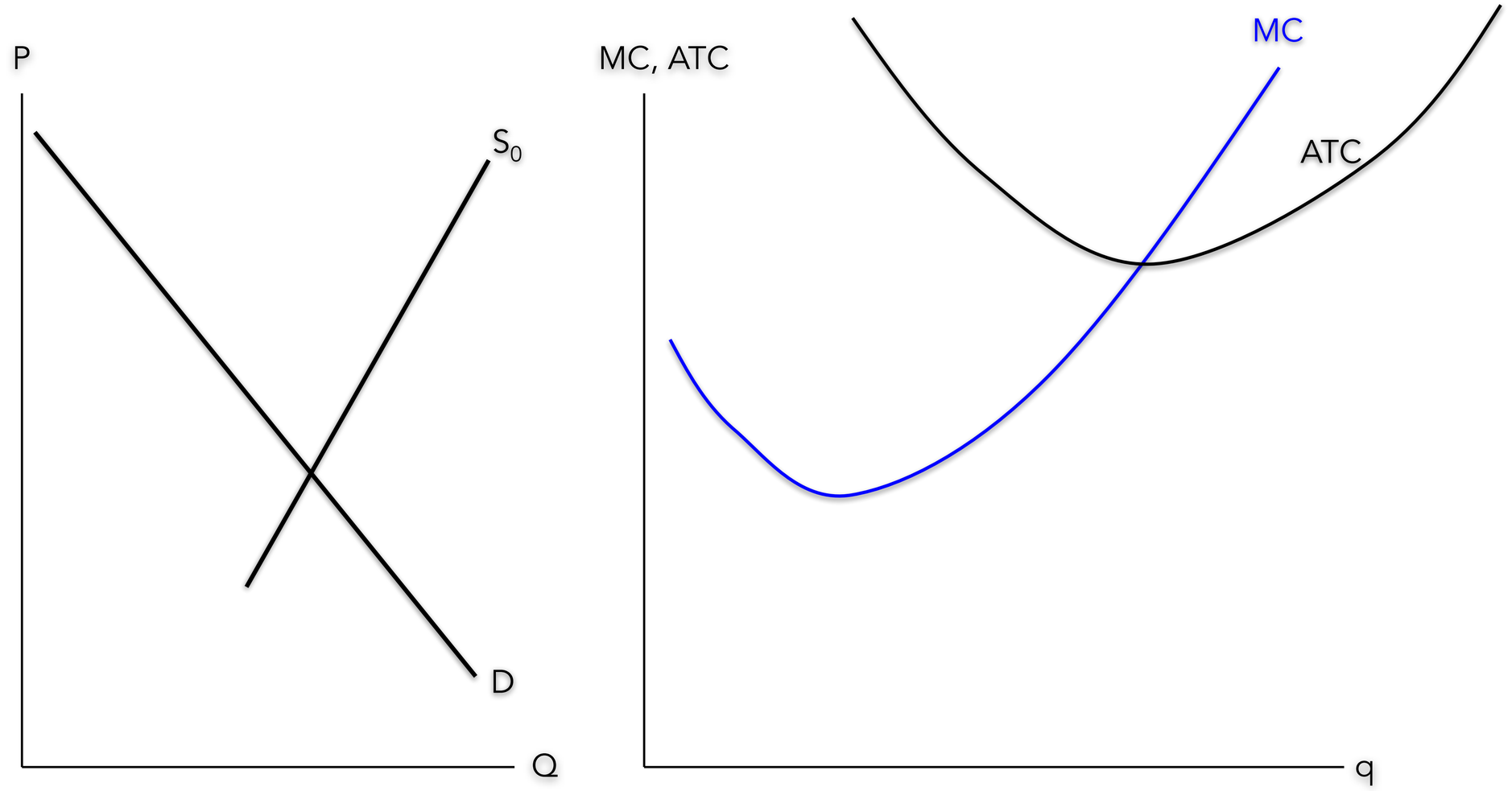
Firms enter, supply shifts right and price drops until P = Min ATC


P
S_0
D
Q
MC, ATC
MC
ATC
q