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MES = 150,000

500,000

150,000

MES = 10,000

The **smaller** the size of the MES, the **larger** the number of firms in the industry

= 6 firms

= 20 firms



= 300 firms

10,000

If the MES is a **large** plant which reaches min cost at a **large** output level such as $Q=500,000$ units

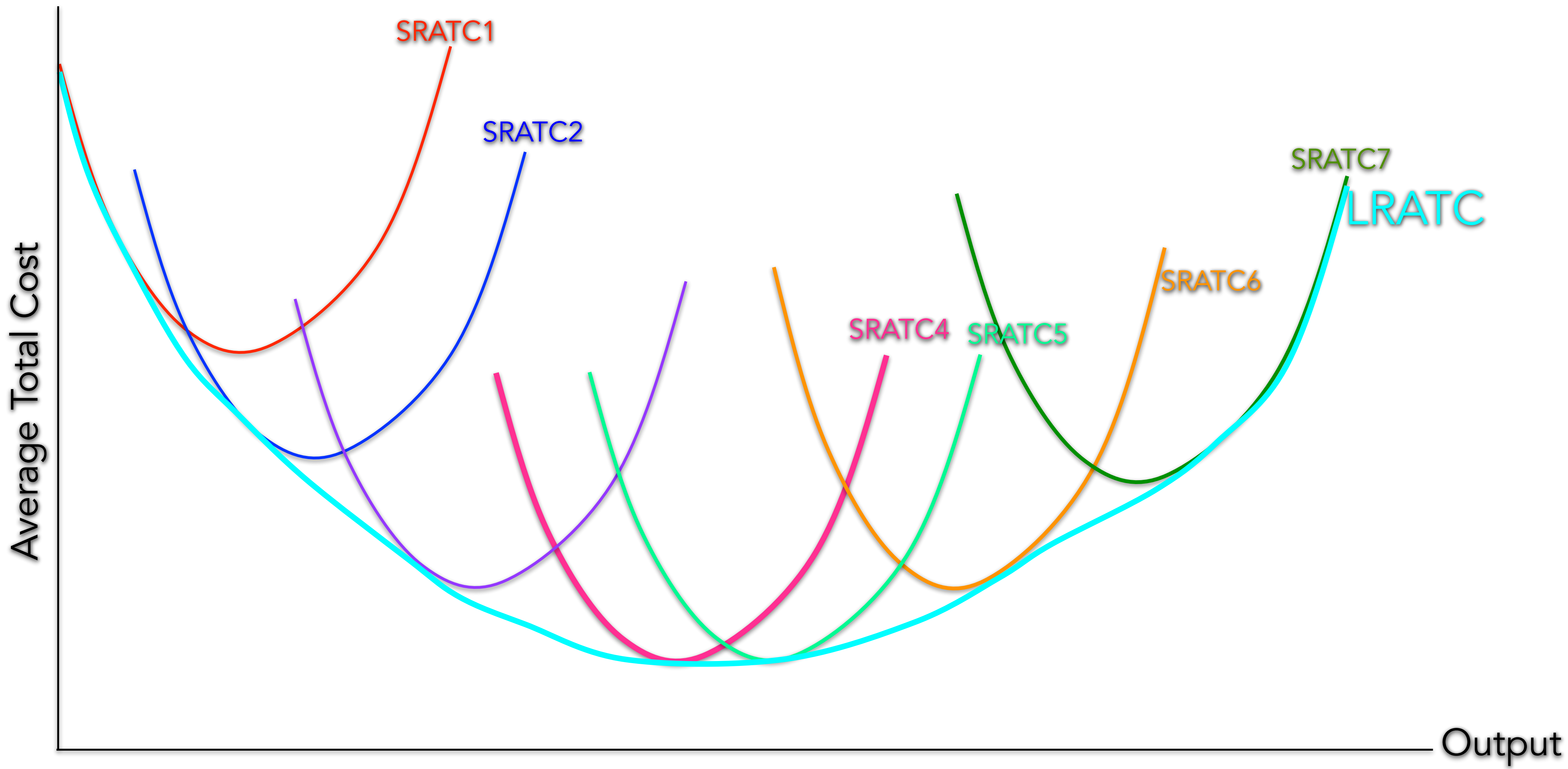
Total Demand = 3,000,000

If the MES is smaller: a plant that reaches min cost at $Q=150,000$

If the MES is a small plant that reaches min cost at $Q=10,000$

The smaller the size of the
MES, the more competitive
the industry

The **larger** the size of the
MES, the **more**
concentrated the industry



MES = 500,000



There is room
for only 6 firms
to supply the
entire industry



There is room
for 20 firms to
supply the
entire industry

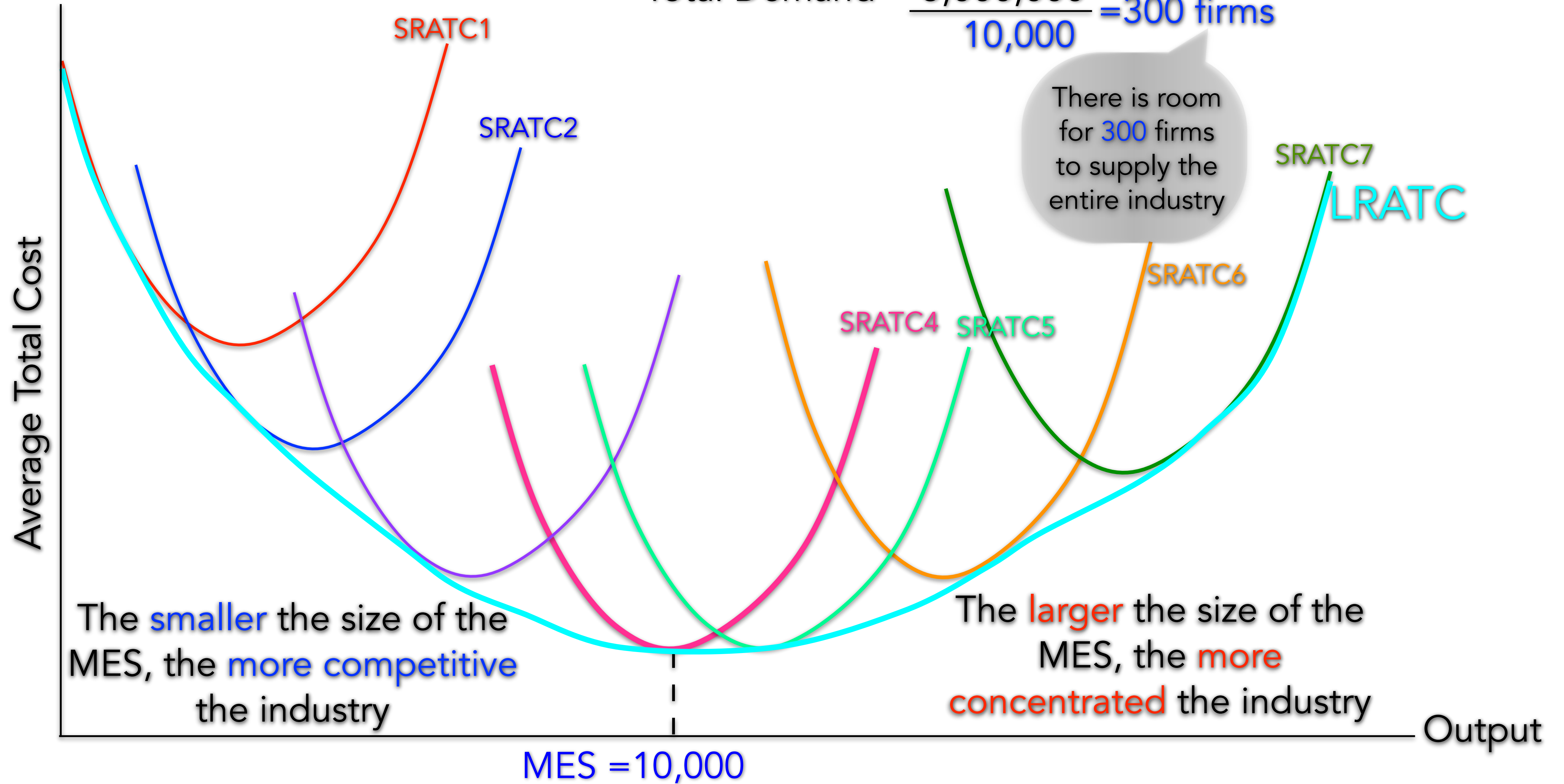


There is room
for 300 firms
to supply the
entire industry

Assume Total Demand = 3,000,000 units

Assume Total Demand = 3,000,000 units

$$\text{Total Demand} = \frac{3,000,000}{10,000} = 300 \text{ firms}$$



The **smaller** the size of the MES, the **larger** the number of firms in the industry

Perfectly Competitive Markets

