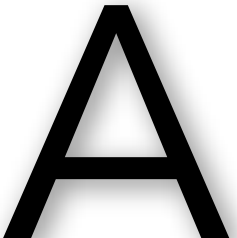

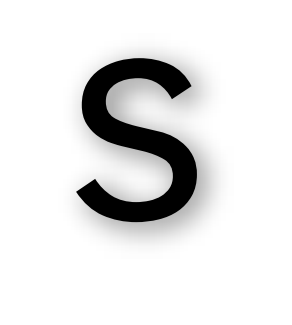

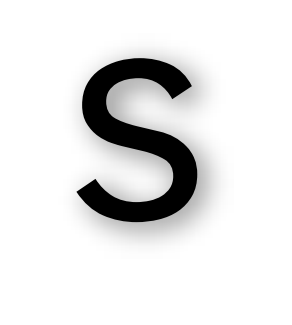

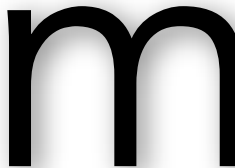

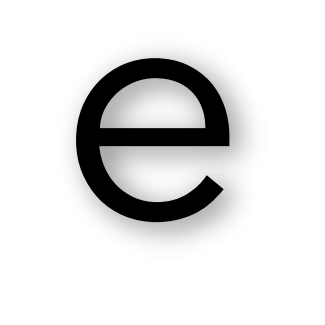

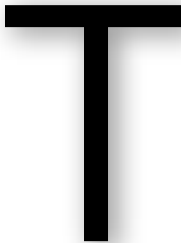

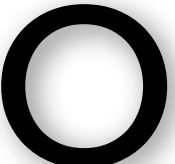

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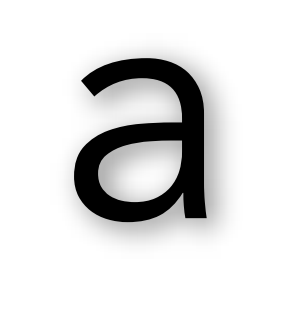
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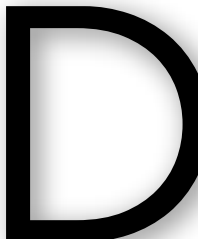

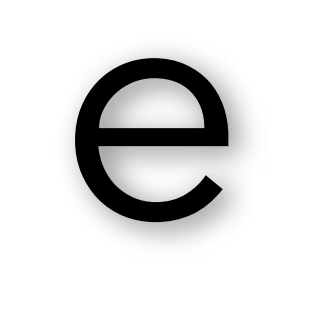
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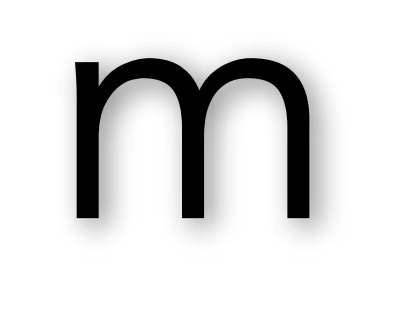

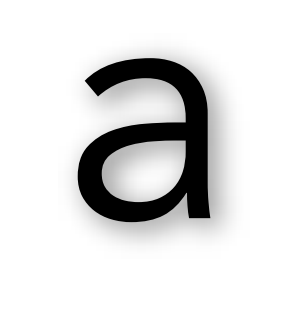
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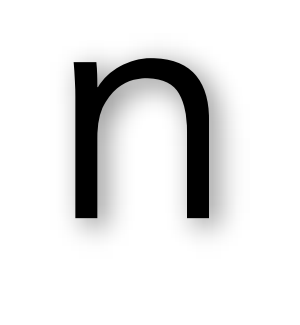
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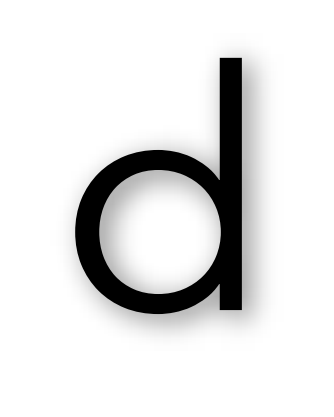


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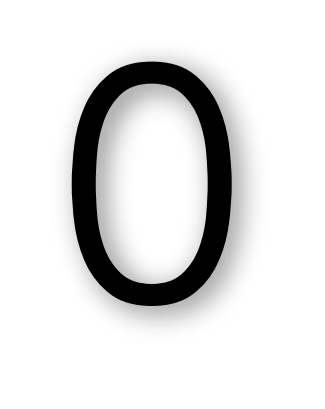

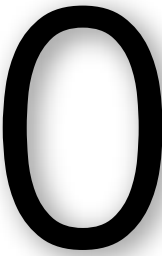

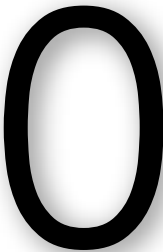

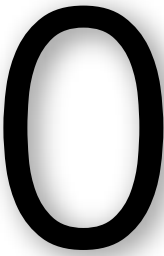

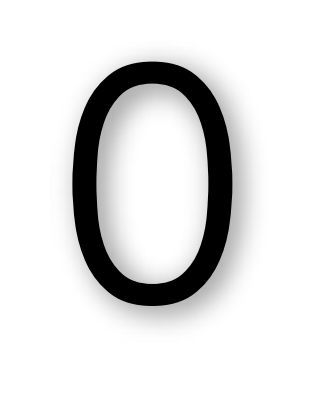
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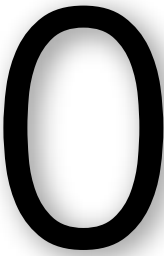

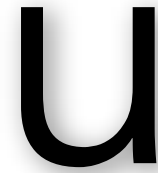

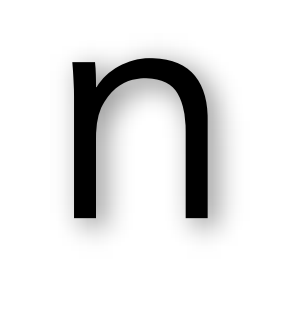
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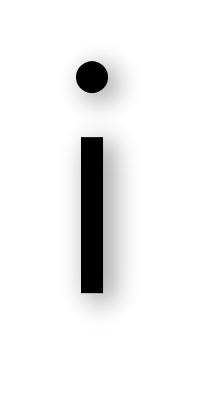

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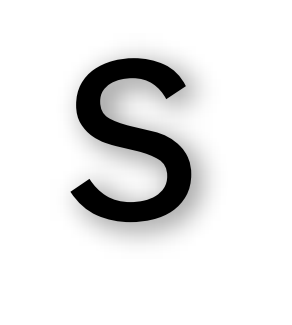

S

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

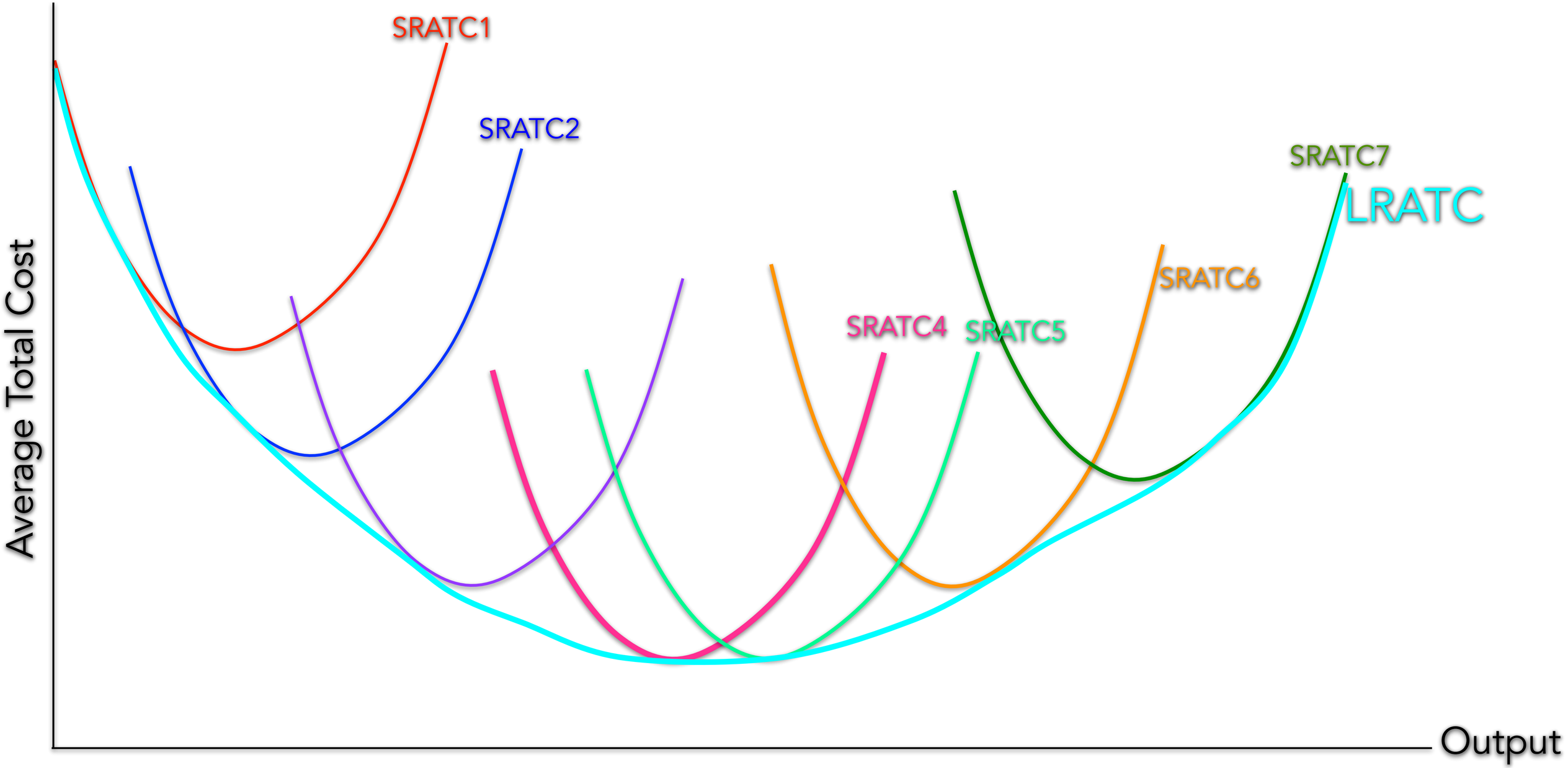
Total Demand = 3,000,000

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


SRATC1
SRATC2
SRATC7
LRATC
SRATC6
SRATC4
SRATC5
Average Total Cost
Output

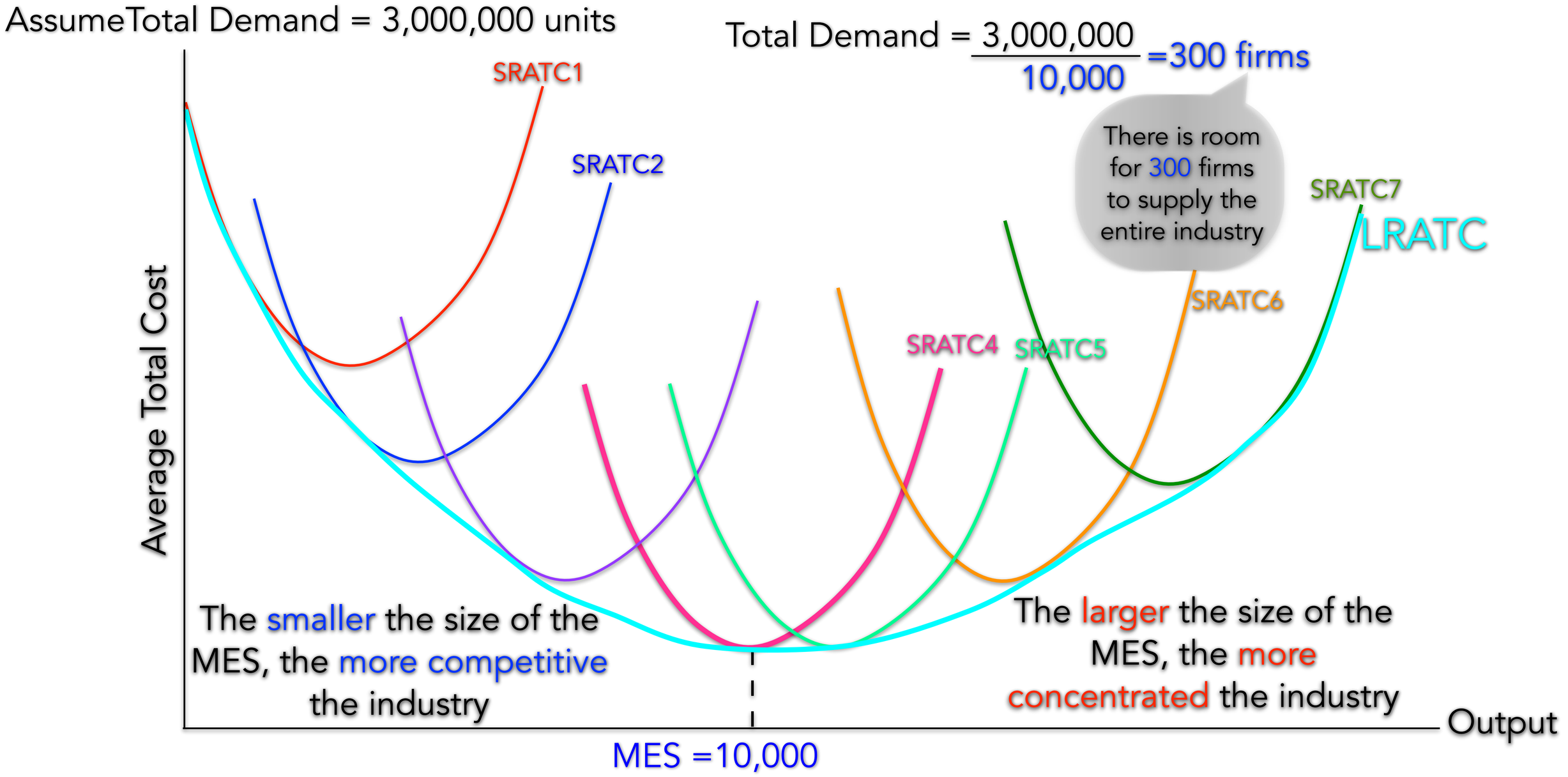
MES = 500,000

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

AssumeTotal Demand = 3,000,000 units


AssumeTotal Demand = 3,000,000 units
Total Demand = 3,000,000 / 10,000 =300 firms
There is room for 300 firms to supply the entire industry
SRATC1
SRATC2
SRATC4
SRATC5
SRATC6
SRATC7
LRATC
Average Total Cost
The smaller the size of the MES, the more competitive the industry
The larger the size of the MES, the more concentrated the industry
Output
MES =10,000
The smaller the size of the MES, the larger the number of firms in the industry