







Po

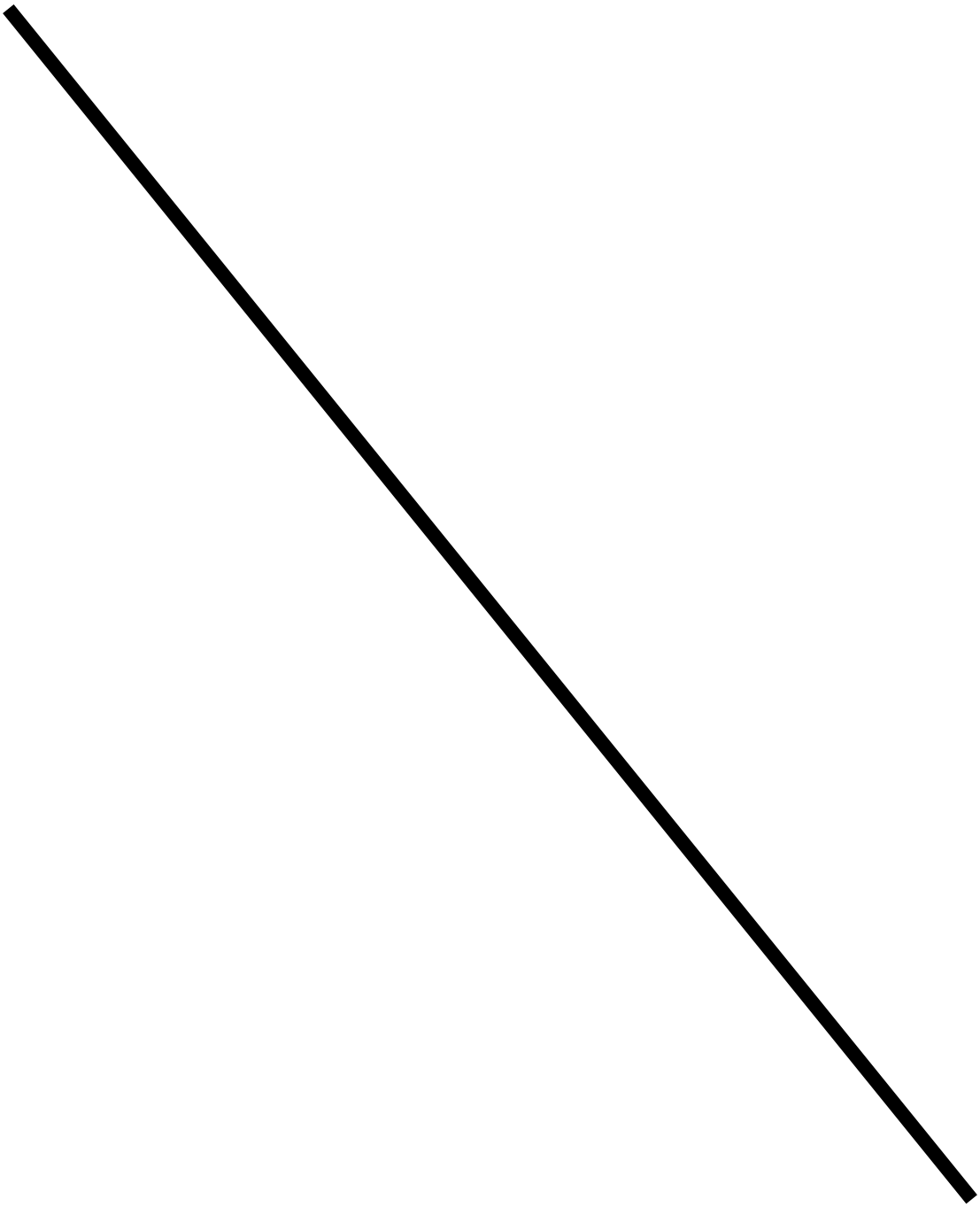
MR₀

ATC

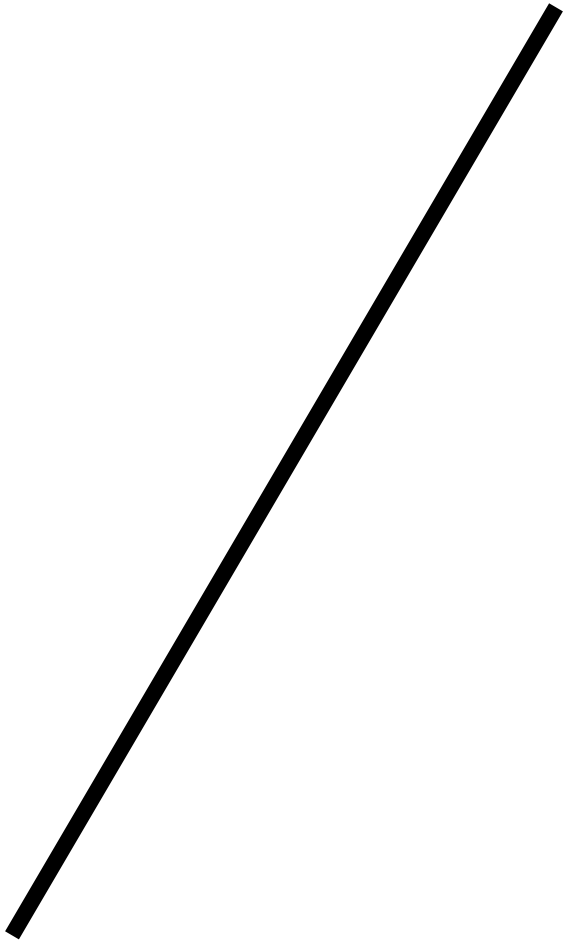
MC



Profit



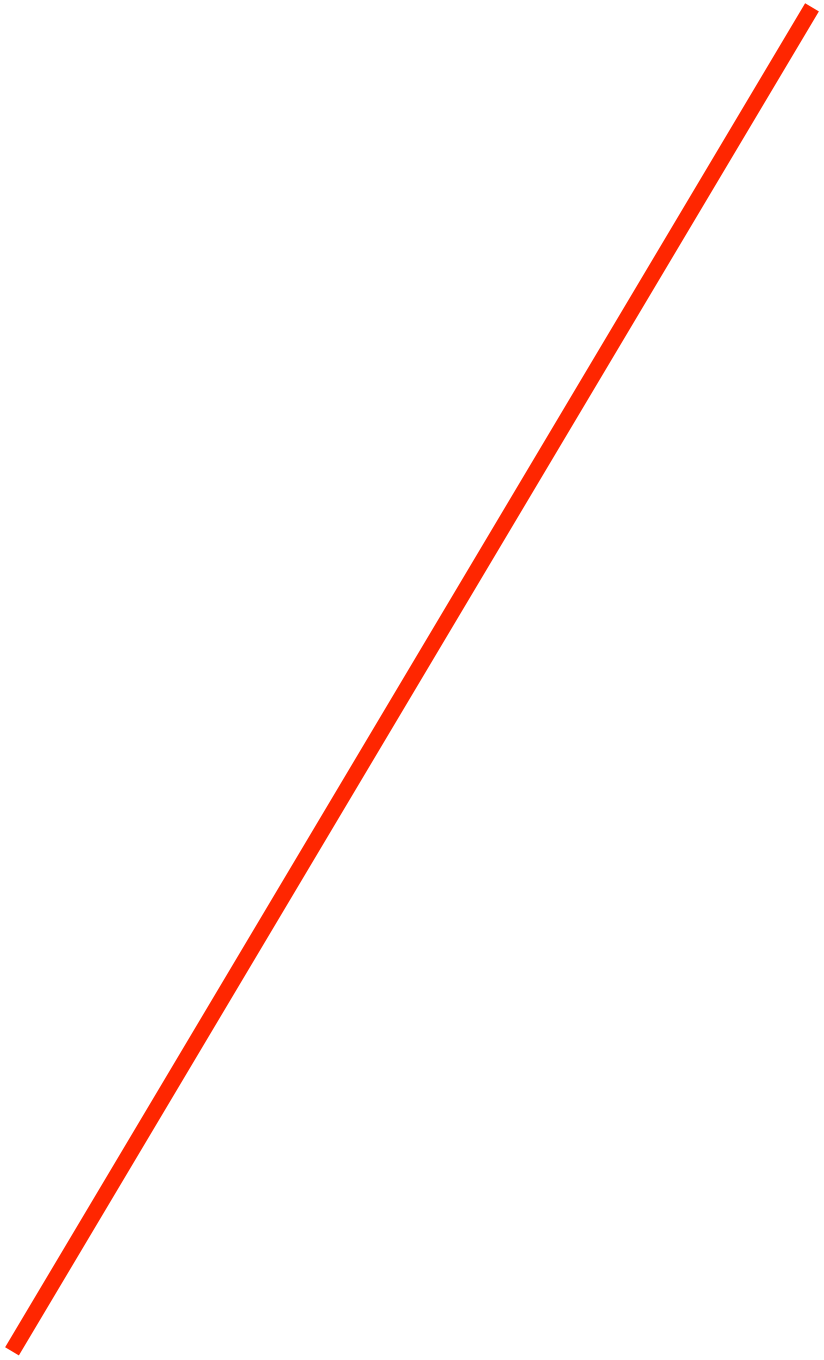




So







S₁

P₁

MR₁



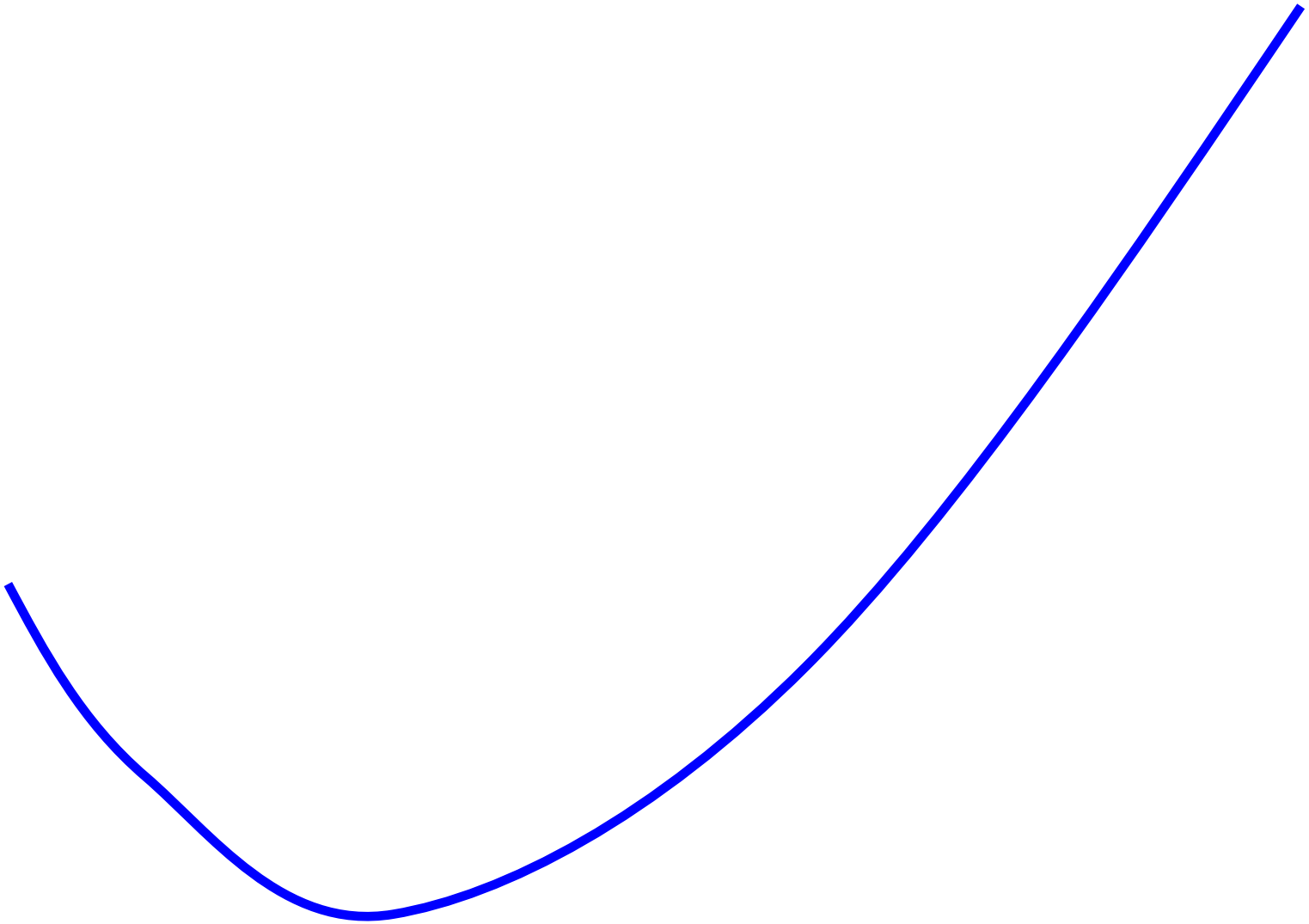
Q

1

Zero Economic
Profit

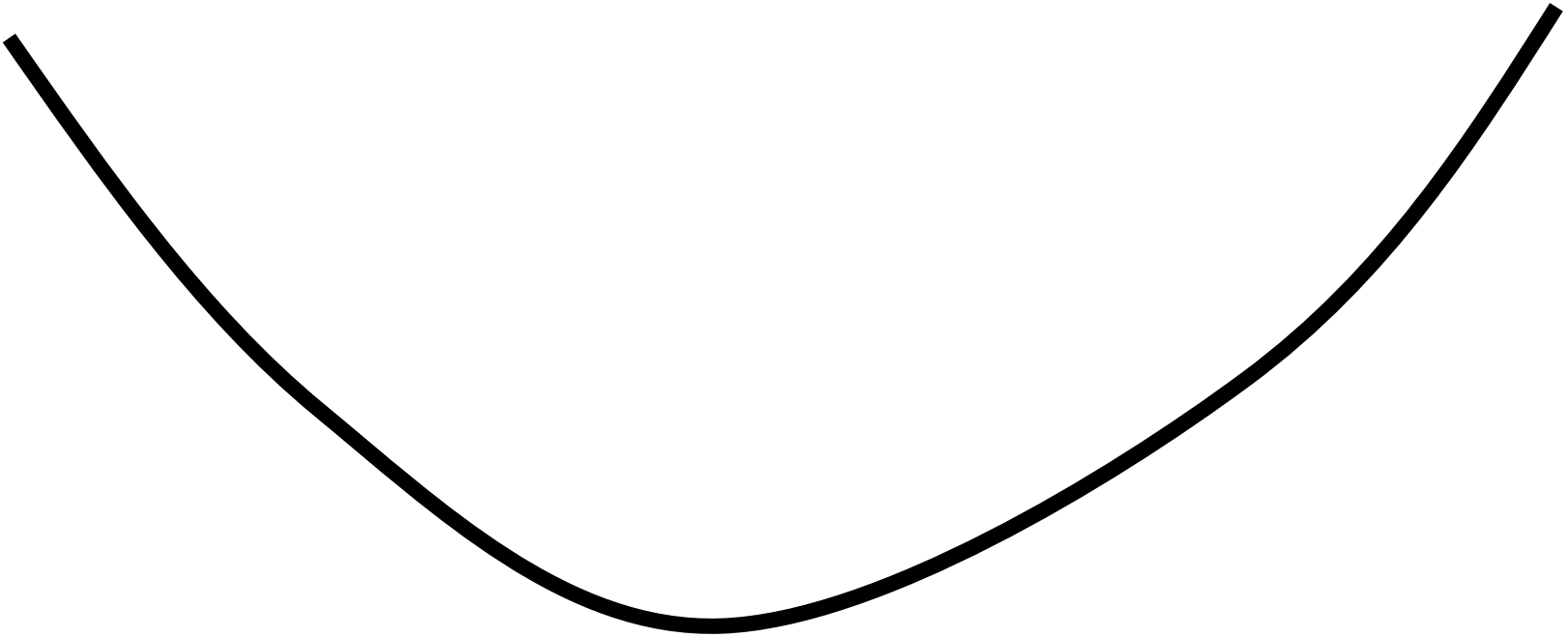
A large, solid red arrow pointing downwards. The arrow is centered on a white background. Inside the arrow, the words "Price" and "drops" are written in a white, sans-serif font, stacked vertically.

Price
drops



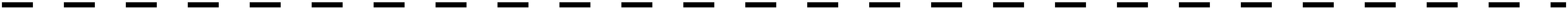


90



In Perfect Competition: Entry is Free










Profits are zero when $\text{price} = \text{ATC}$

Firms **enter**, supply shifts **right** and price drops until $P = \text{Min ATC}$

Firms enter attracted by profits

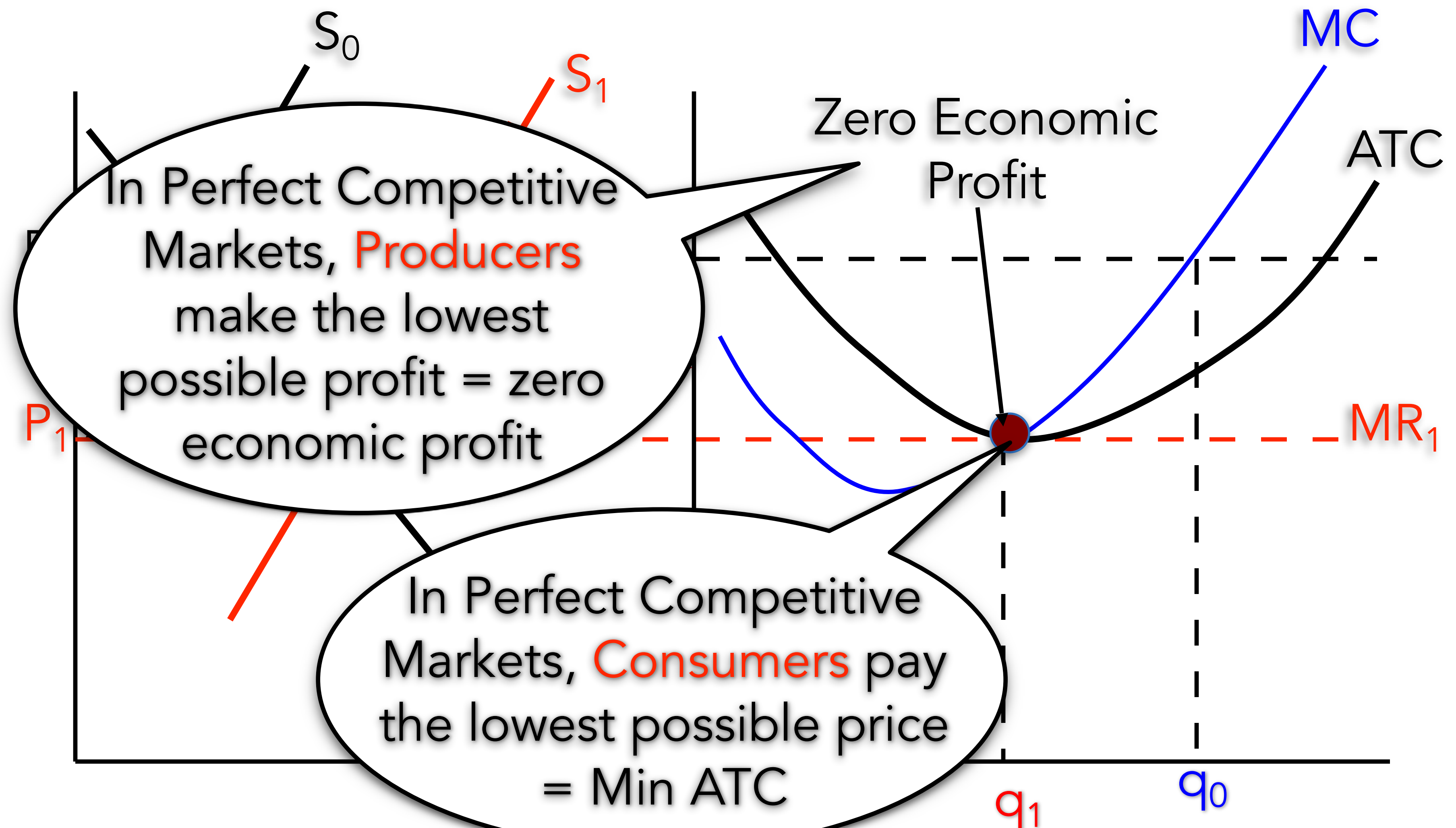


In Perfect Competitive
Markets, **Consumers** pay
the lowest possible price
= Min ATC



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 $P = \text{Min ATC}$

