

Firm's demand



MR

$P_{mc}$  

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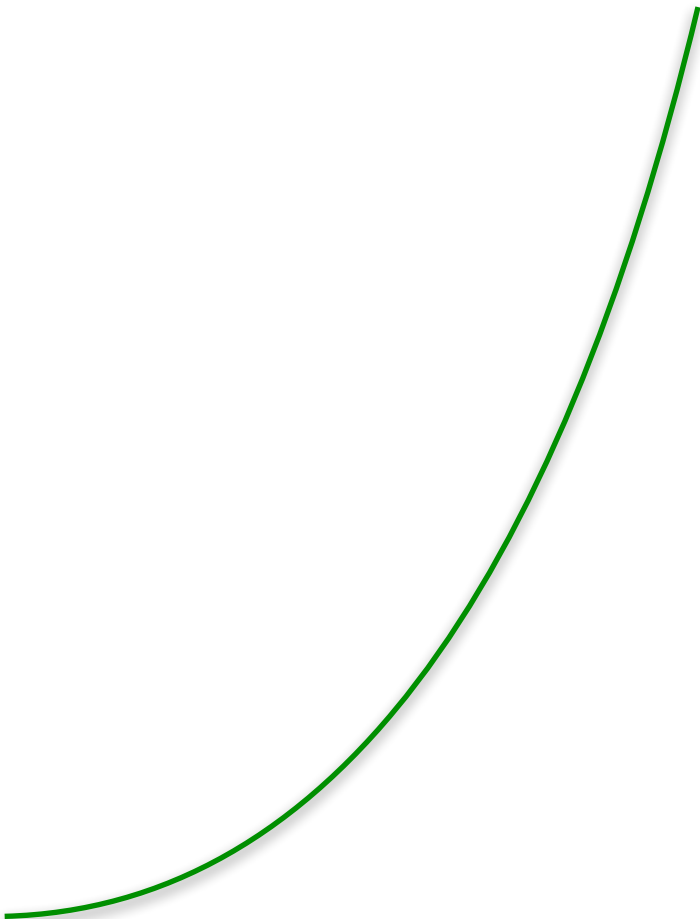
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MC



# MR

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# MC



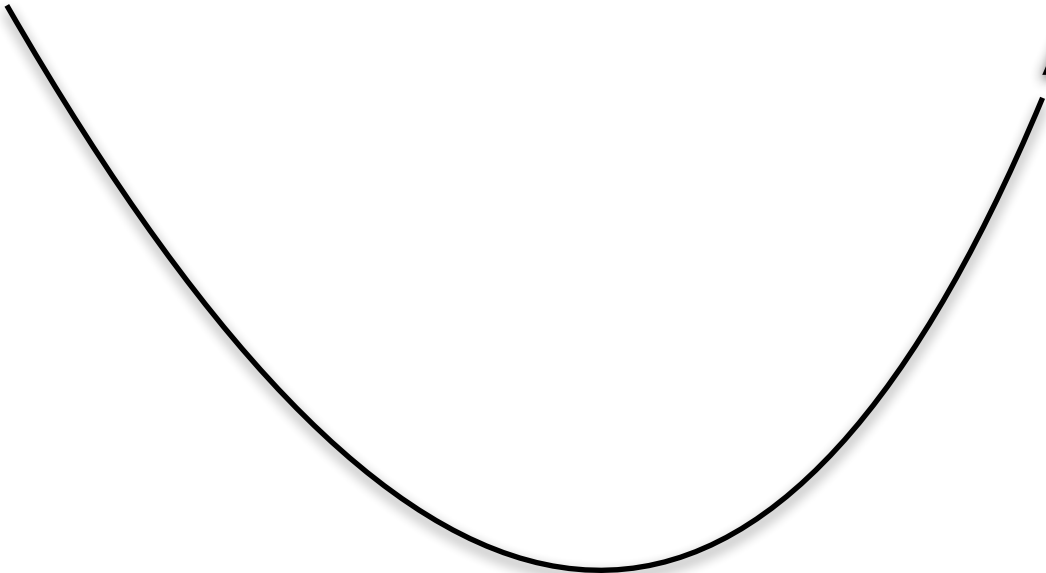
P







ATC







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$q_{mc}$



ATC



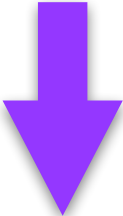
As long as there are  
losses, firms will exit and  
the firm's demand (share)  
will increase



Firms will **stop** exiting  
and the firm's demand  
(share) will **stop** shifting  
when losses are zero

Firms will **stop** exiting and the firm's demand (share) will **stop** shifting when **Price** = **New ATC**


Firms decrease advertising costs because they no longer need to defend market share



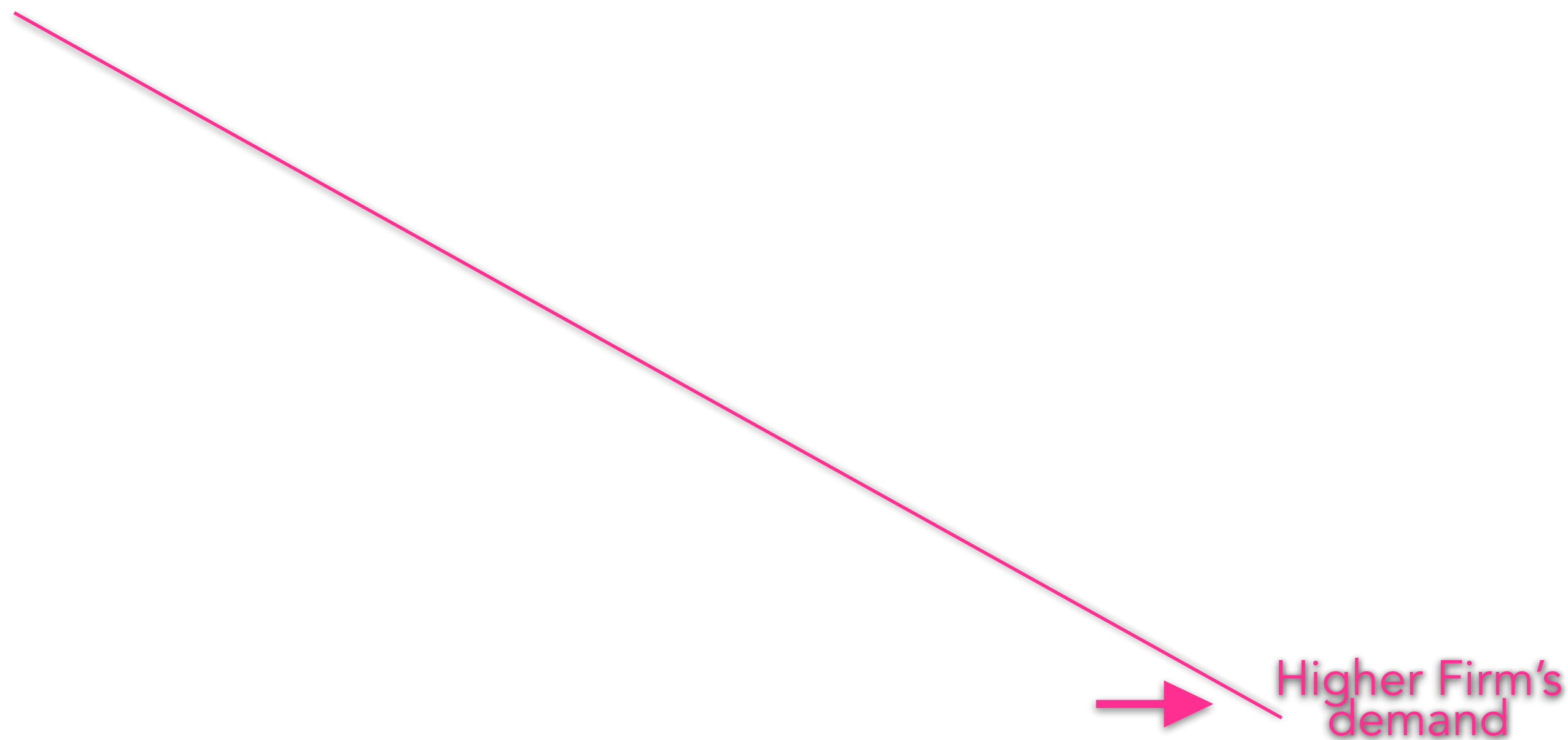
The ATC/MC decrease  
(shifts down)



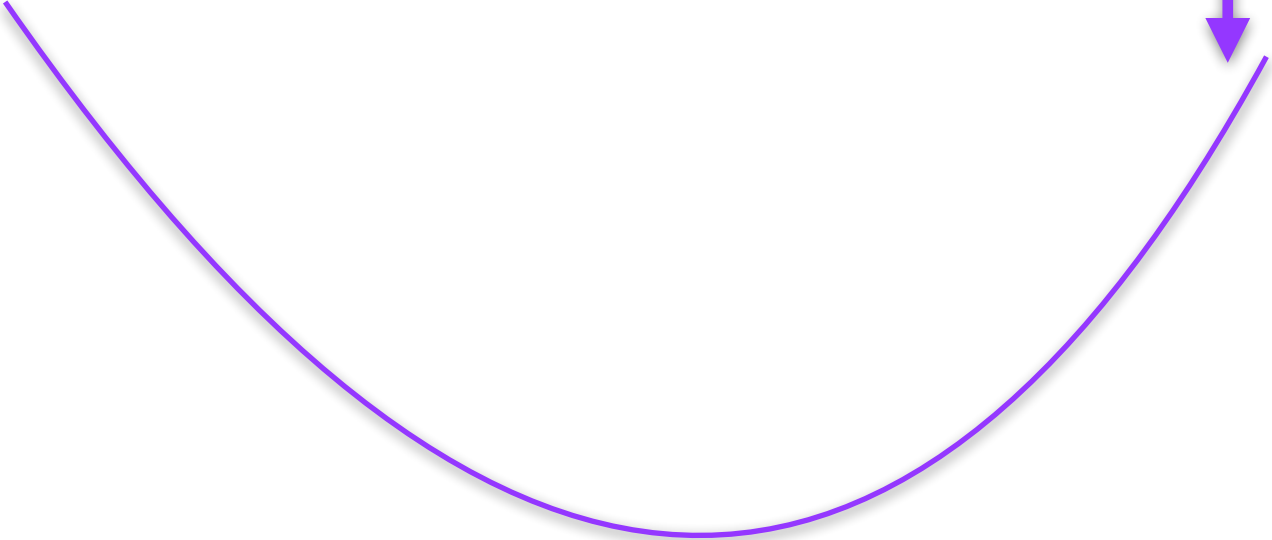


A pink speech bubble with a tail pointing towards the bottom-left corner, containing text.

As firms exit, the  
remaining firms'  
share of the market  
**increase**



↓ ATC



$$P_{mc} = ATC \leftarrow \text{-----}$$

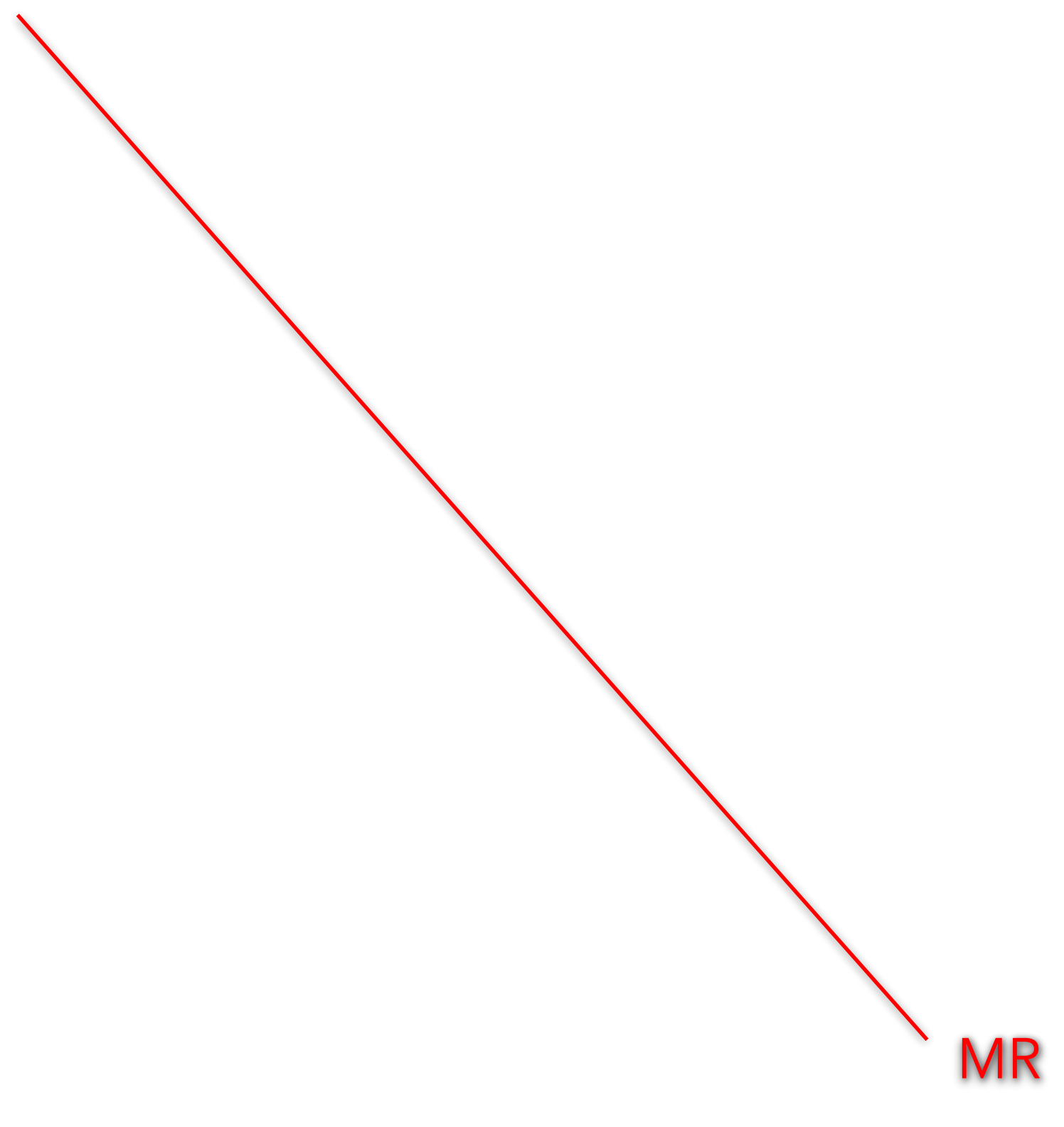


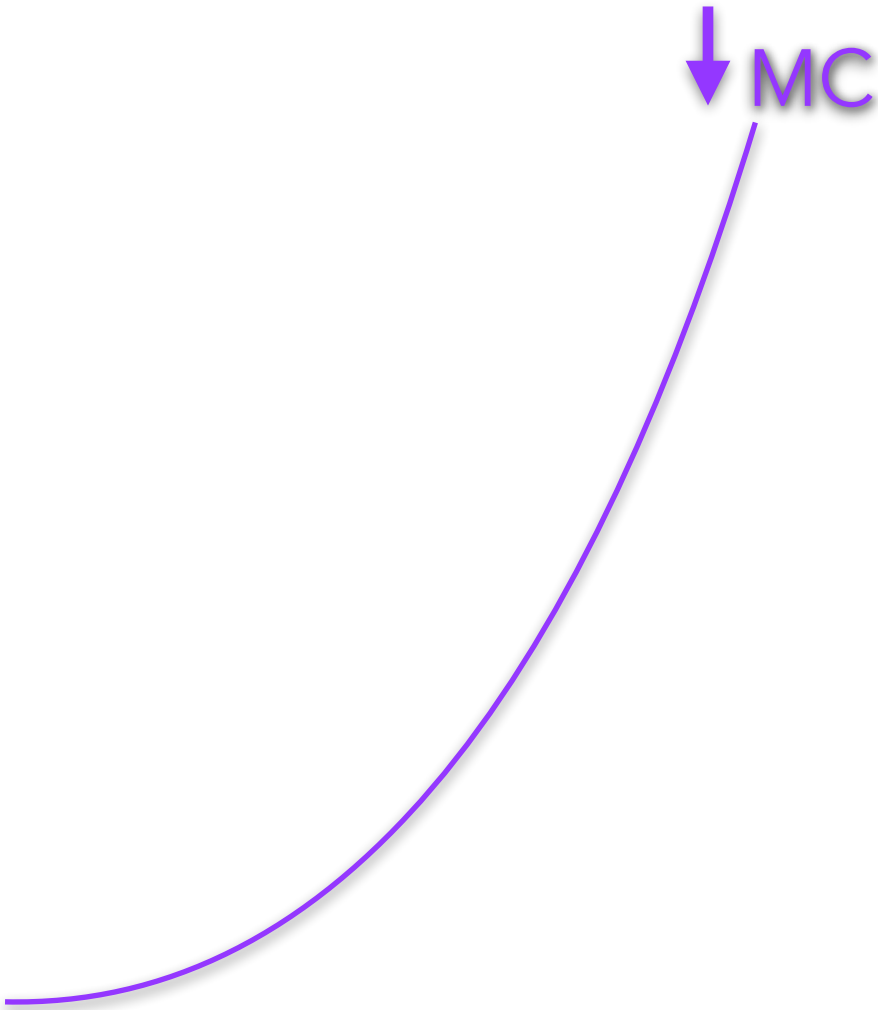
$q_{mc}$











MR

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MC



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Loss

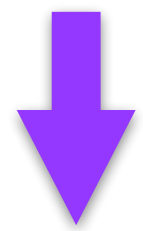


In the long run,  
Monopolistically  
Competitive firms  
make zero loss due  
to exit

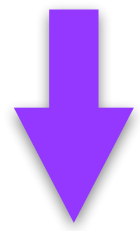
Like in Perfect Competition and Monopoly, if there are losses, firms exit

Like in Perfect Competition and Monopoly, if there are losses, firms exit

As long as there are losses, firms will exit and the firm's demand (share) will increase



Firms decrease advertising costs because they no longer need to defend market share



The ATC/MC decrease (shifts down)



Firms will stop exiting and the firm's demand (share) will stop shifting when losses are zero



Firms will stop exiting and the firm's demand (share) will stop shifting when Price = New ATC

