

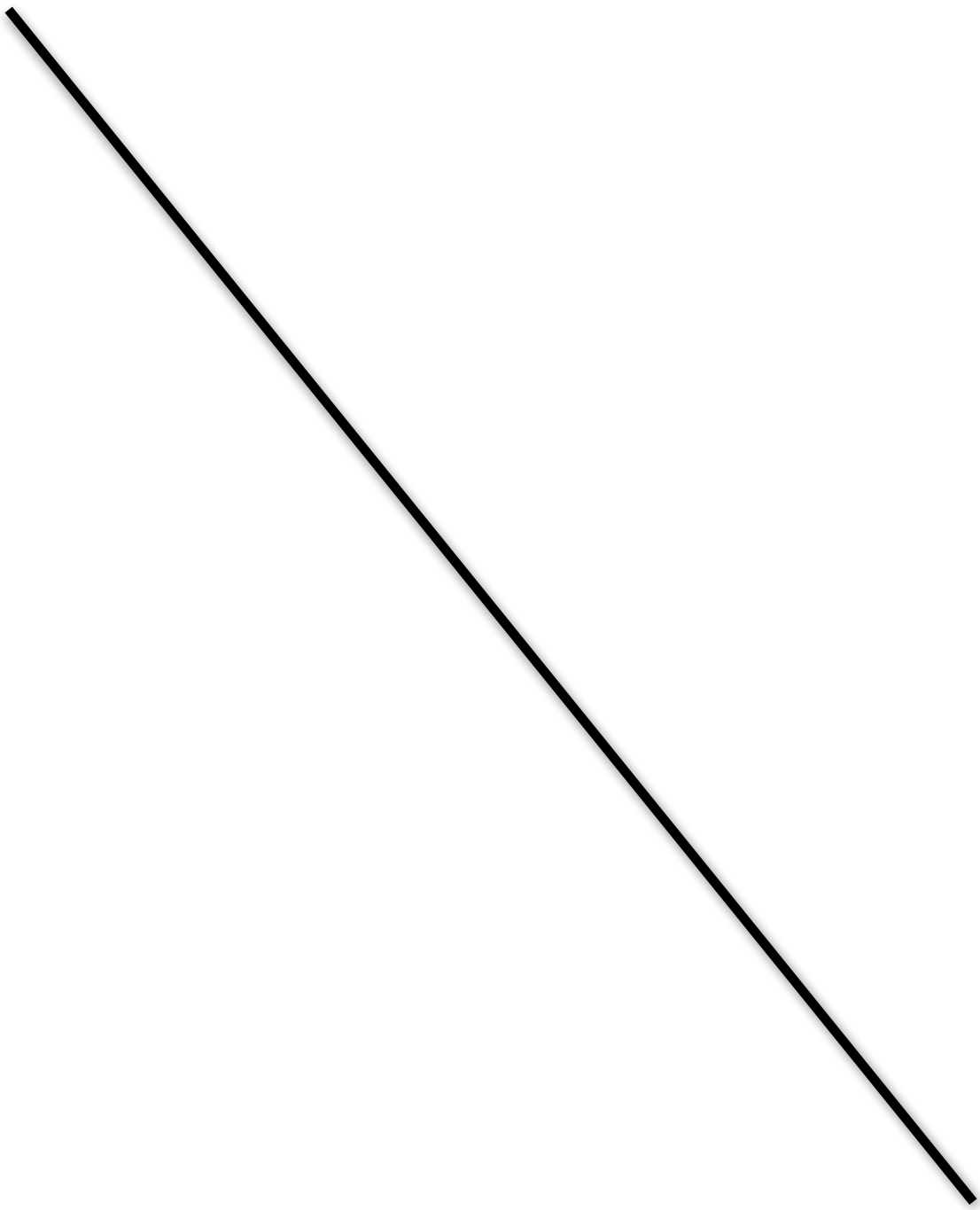




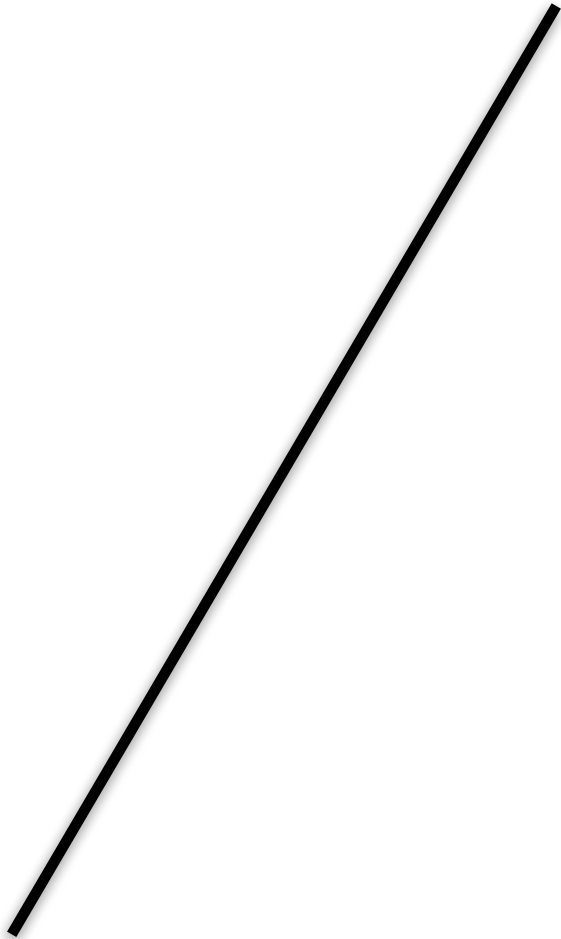


ATC

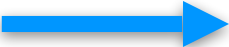
MC







So



S_1



P_1 ----- MR_1

91

1

2

3

4

5

6

7

8

9

10

11

12

13

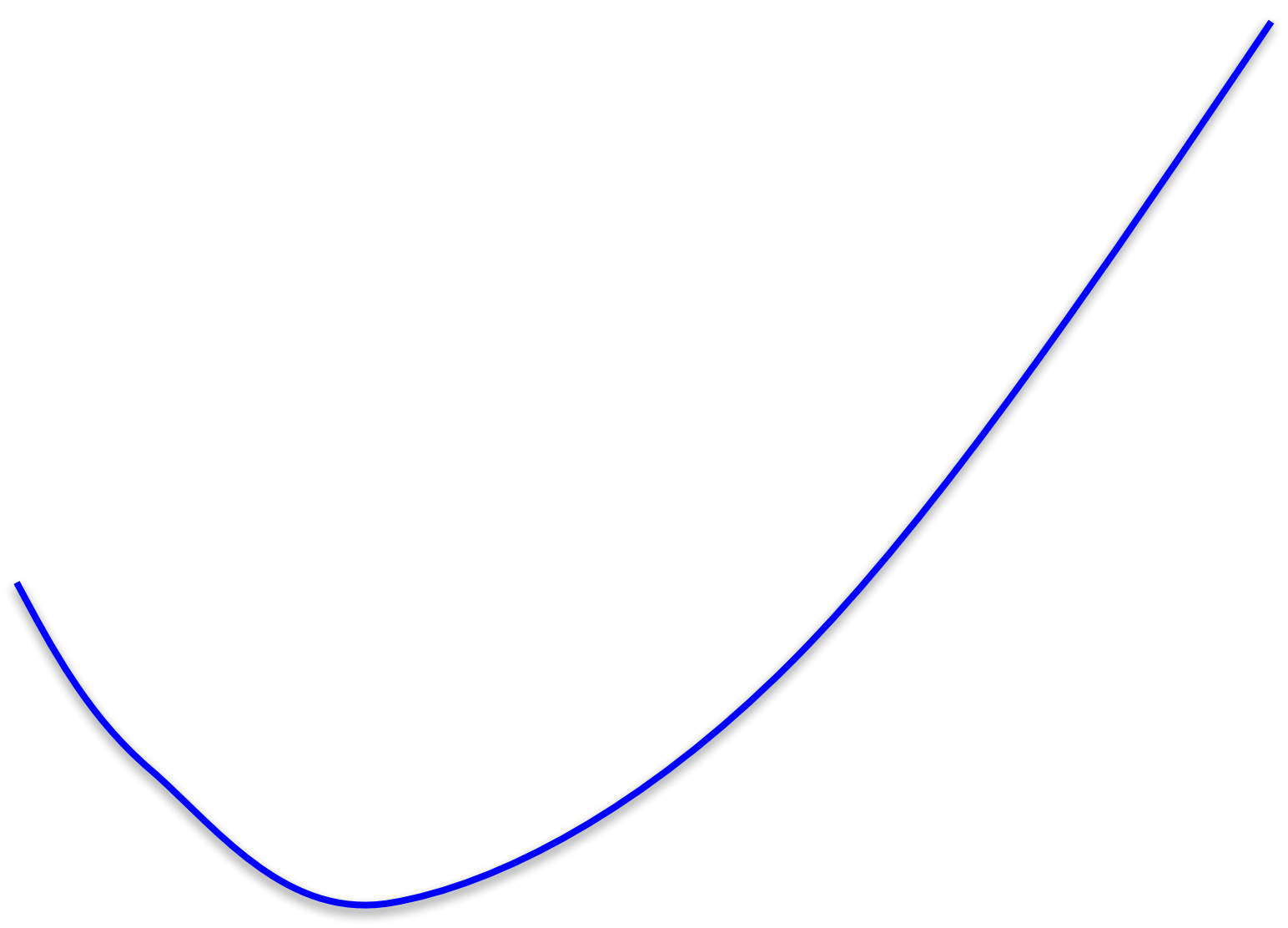
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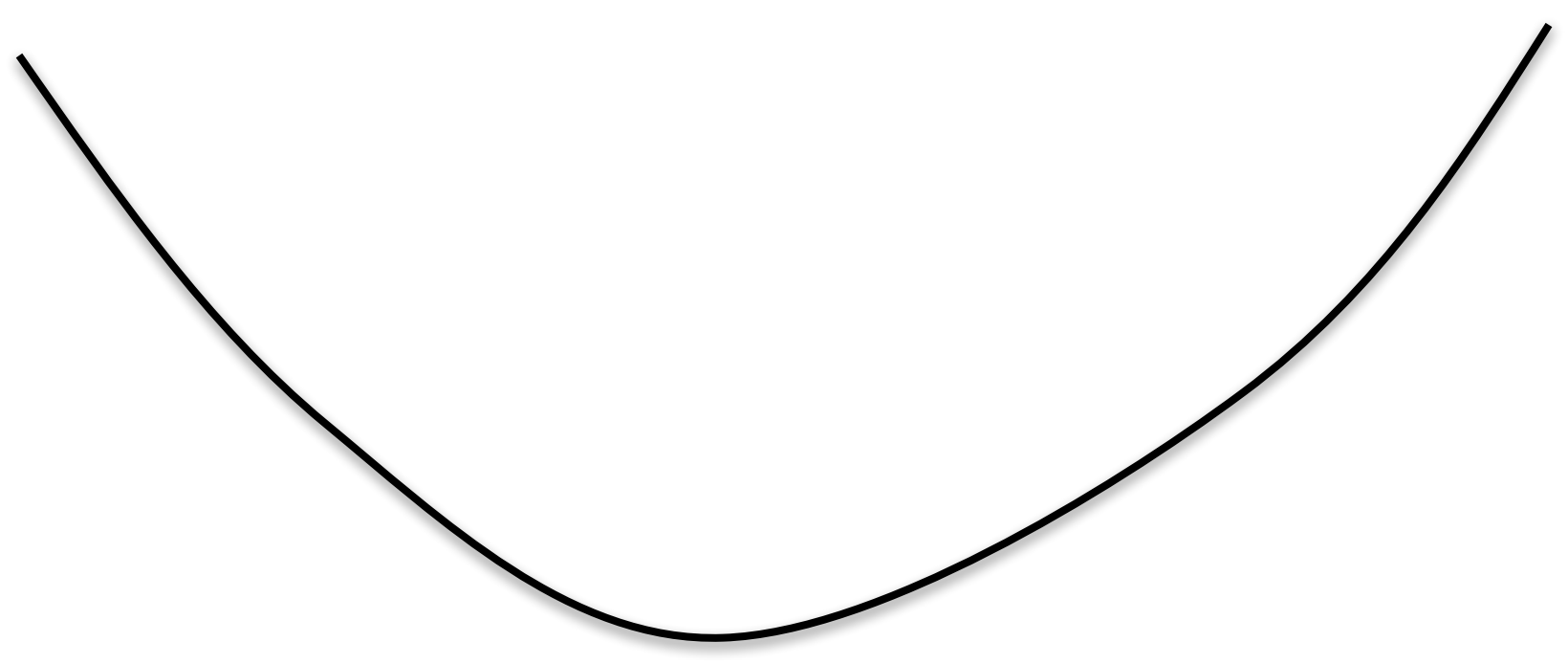
17

18





90





n

P

e















m

p













n



h







a



n



b

a









S







n





Y





n





Y



n



h





o

u

S





Y



S










P_0 ----- MR_0



Once the price = ATC, profits are zero

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



Because entry is free
firms **enter**, supply
shifts **right** and price
drops until Profits
are **zero**



Price
drops

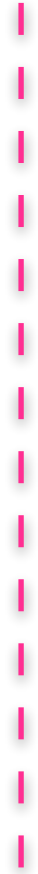
Profit

Profit

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

P_2 ----- MR_2







S_2





Price
drops

Profit

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



S_2









Price
drops

93

1

1

1

1

1

1

1

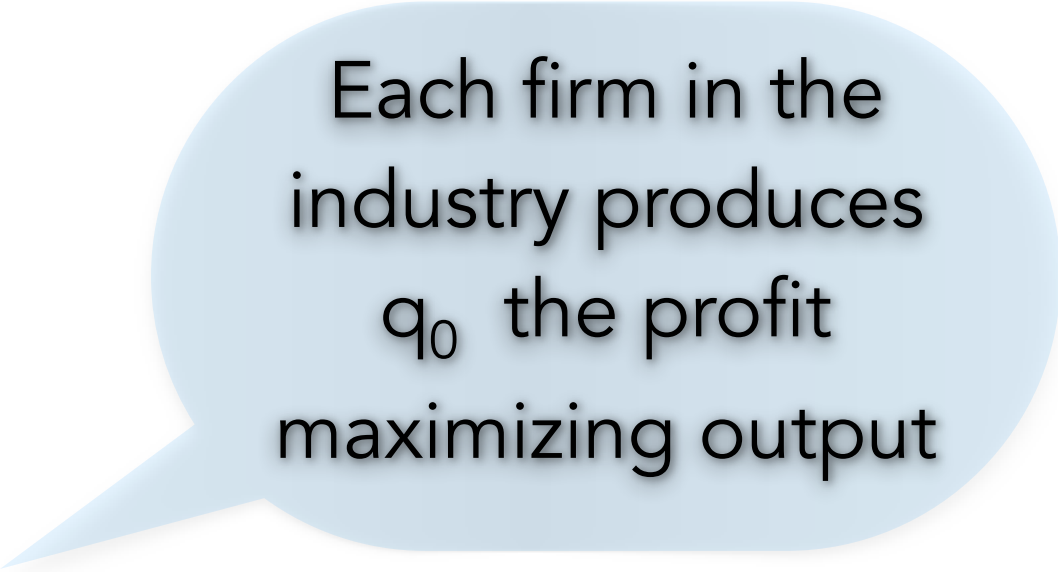
1

1

1

1

1



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



P

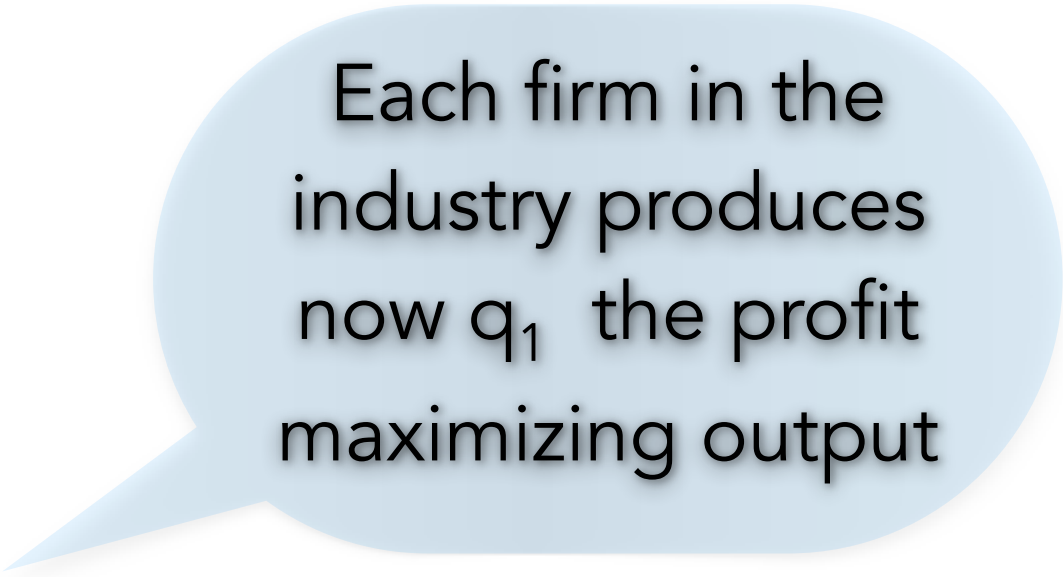
MC, ATC



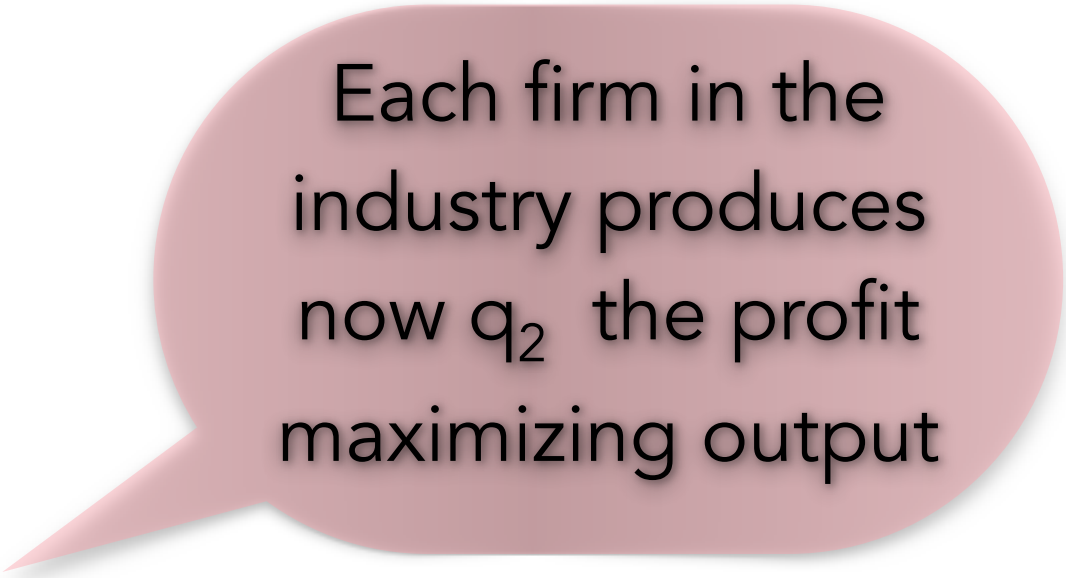




Perfectly Competitive
Firms, can make profits
in the short run but **not**
in the long run



Each firm in the
industry produces
now q_1 the profit
maximizing output

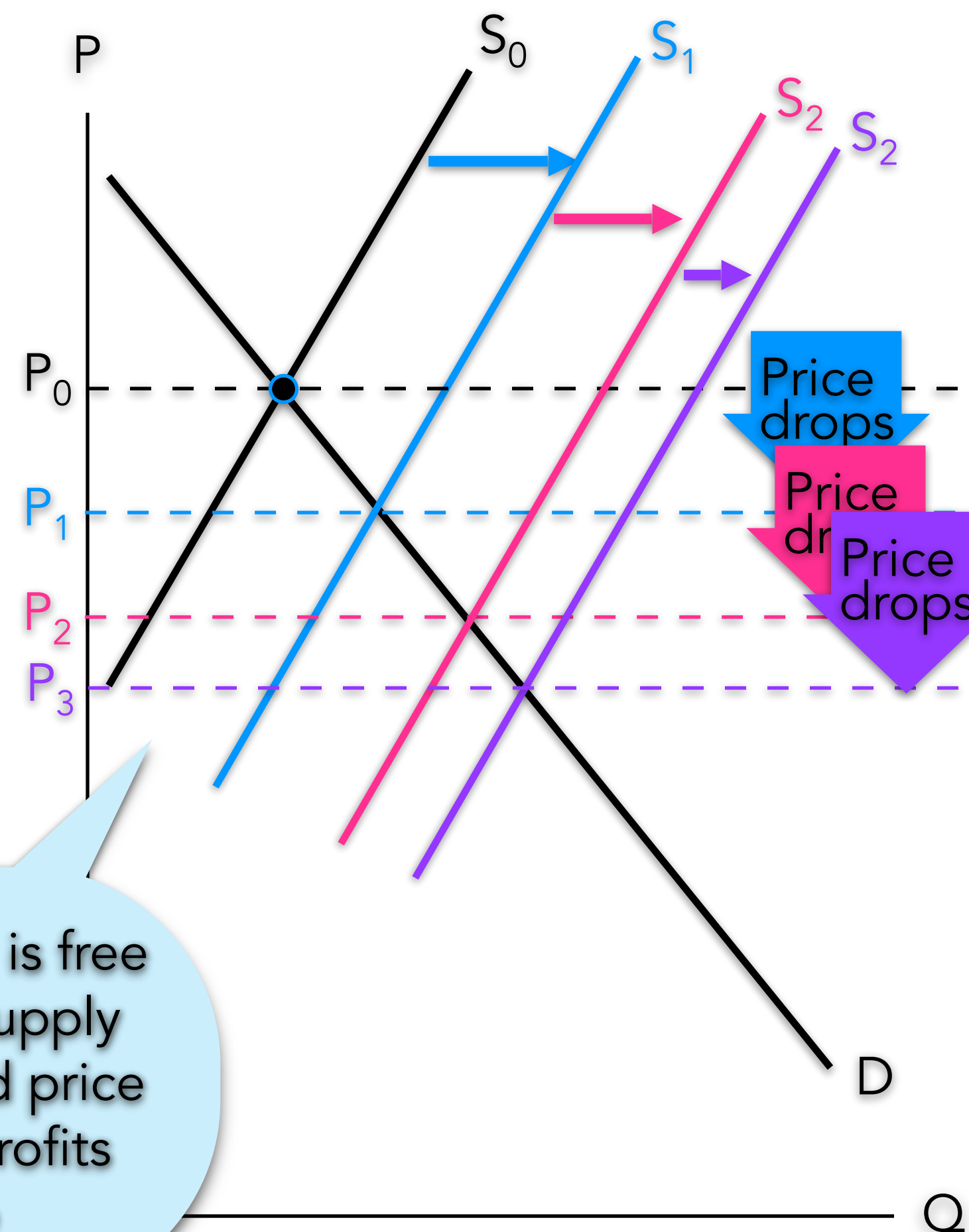


Each firm in the
industry produces
now q_2 the profit
maximizing output

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

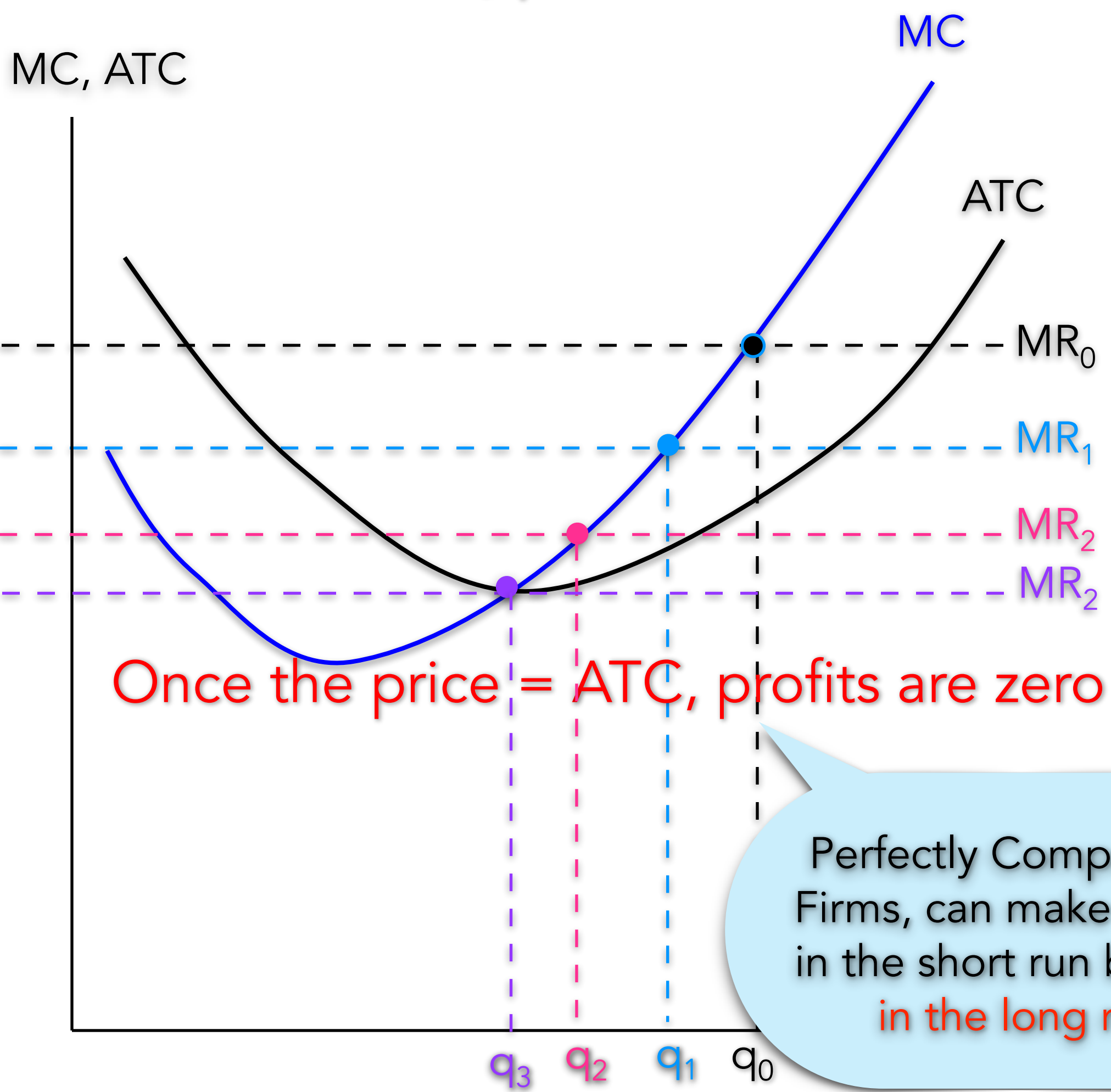
In Perfect Competition there are no barriers to entry: entry into the industry is free

Market View



Because entry is free firms enter, supply shifts right and price drops until Profits are zero

A Typical Firm's View



Perfectly Competitive Firms, can make profits in the short run but not in the long run

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

