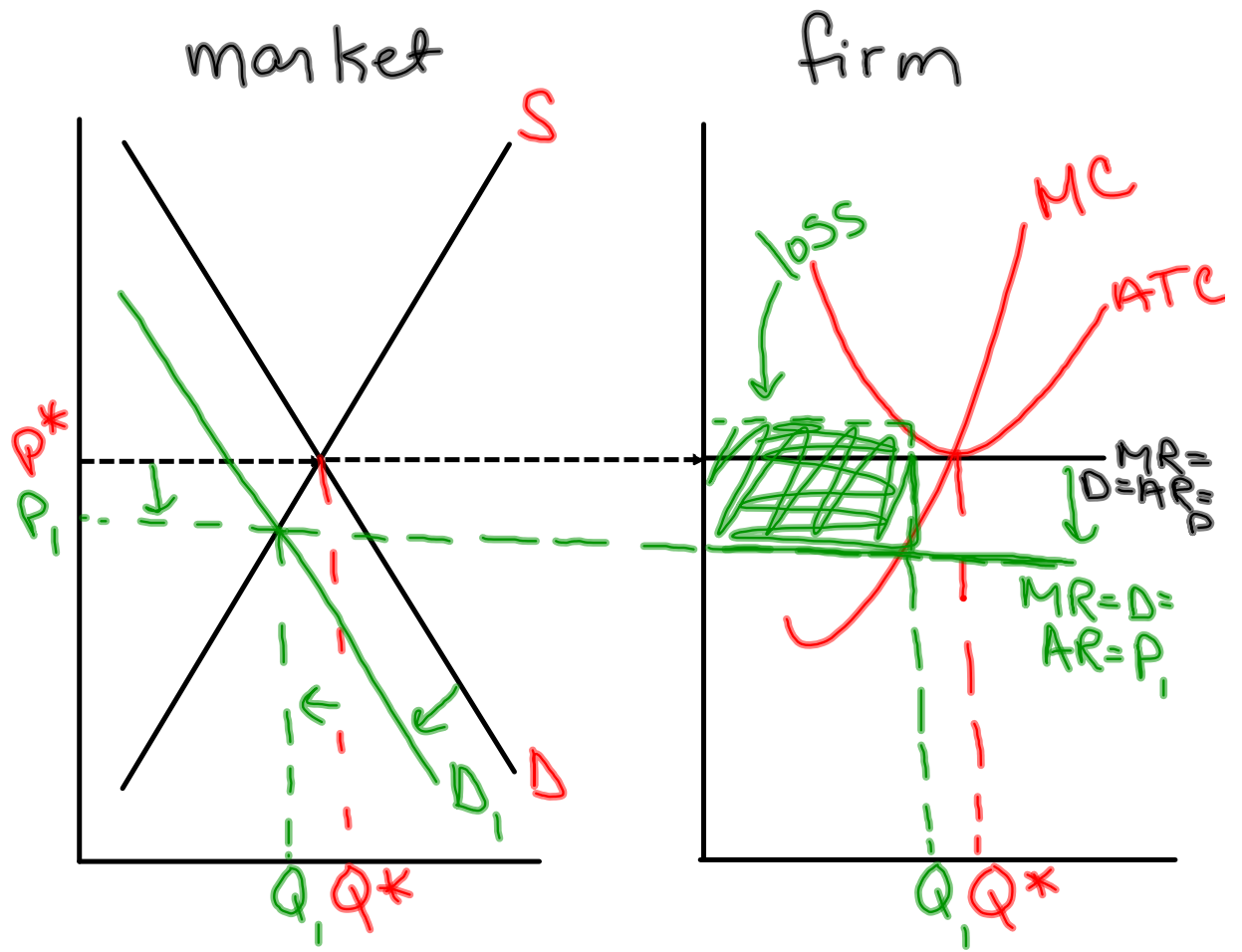
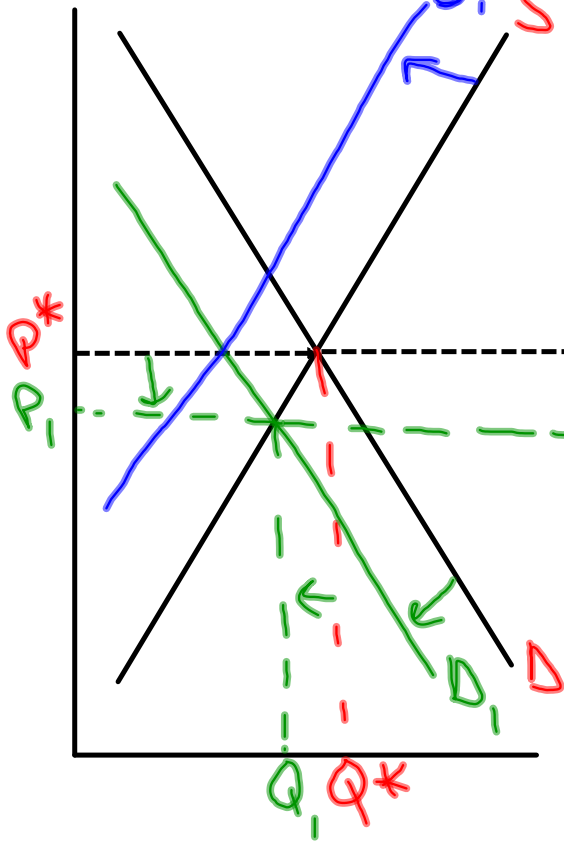


Your assignment for today was to graph a market and a firm in LR equilibrium. Then show a decrease in the demand for the product.

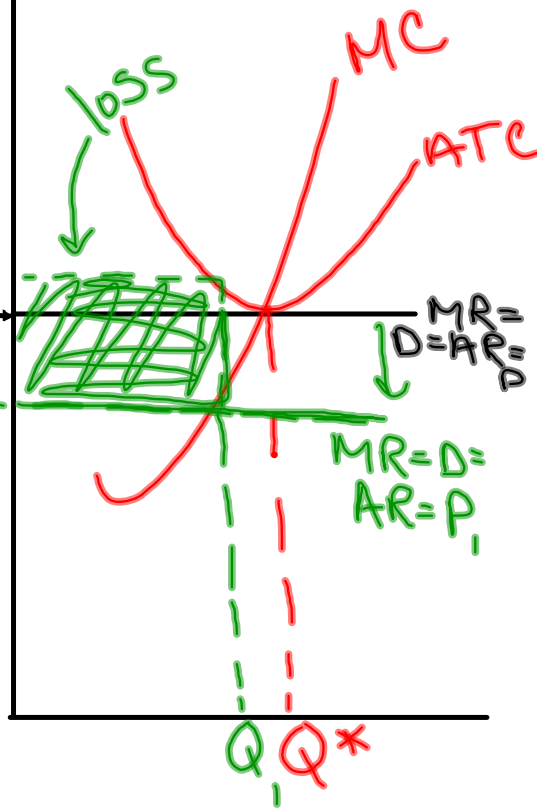


How will this market correct itself, and return to long-run equilibrium?

Correction! Market

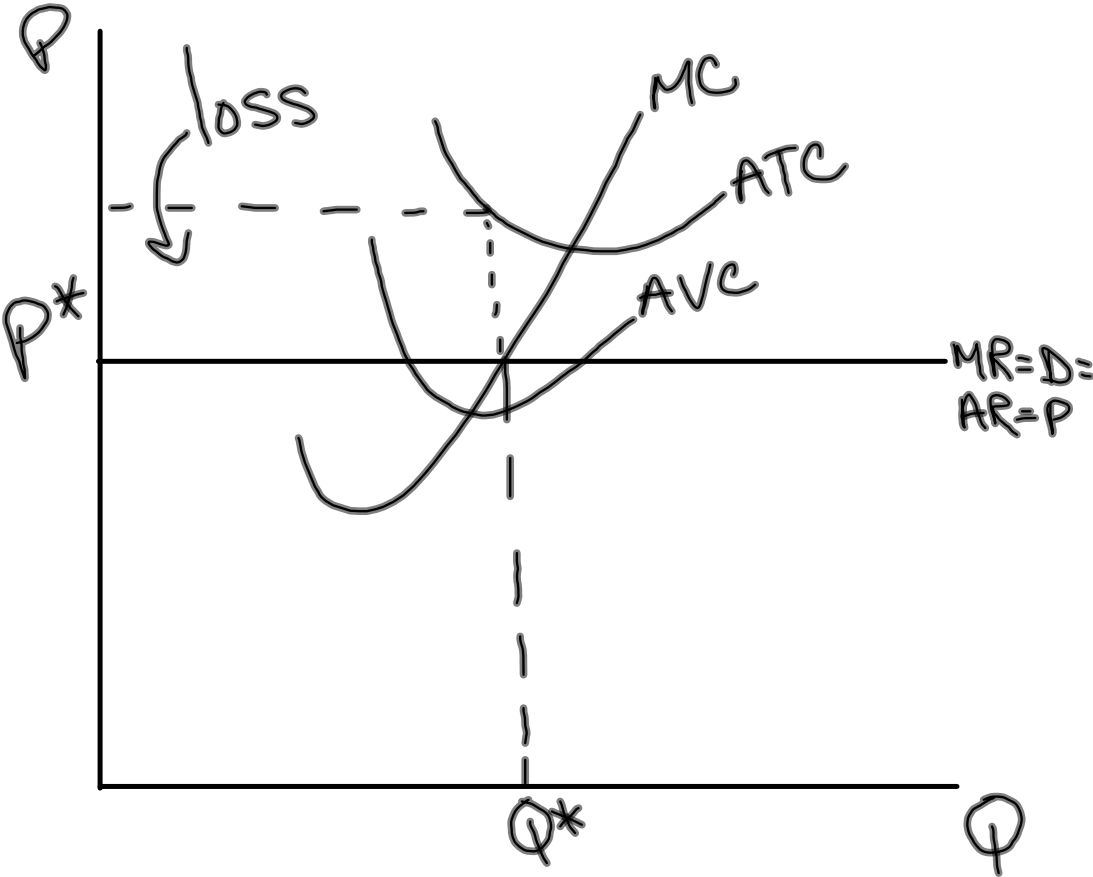


Firm



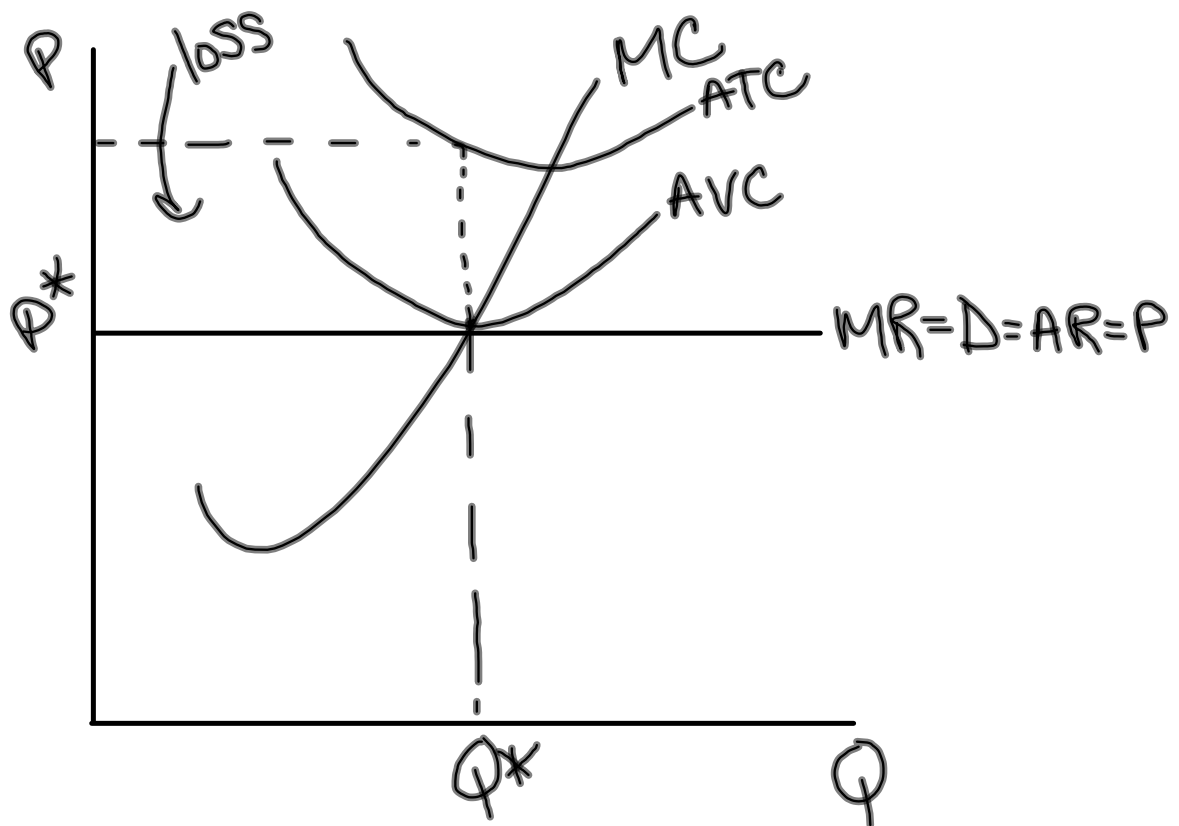
Graph a perfectly competitive firm earning a loss, but still covering some variable costs.

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Graph a perfectly competitive firm at the shutdown point.

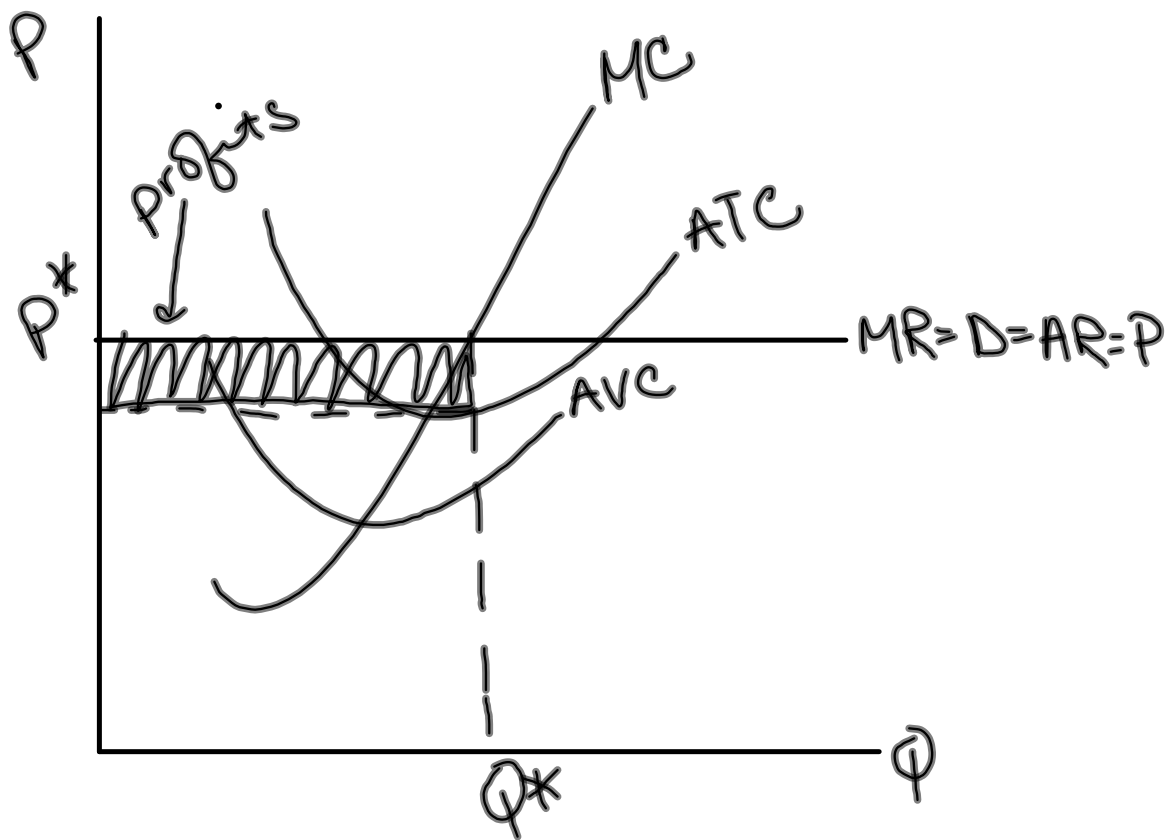
Graph a perfectly competitive firm at the shutdown point.





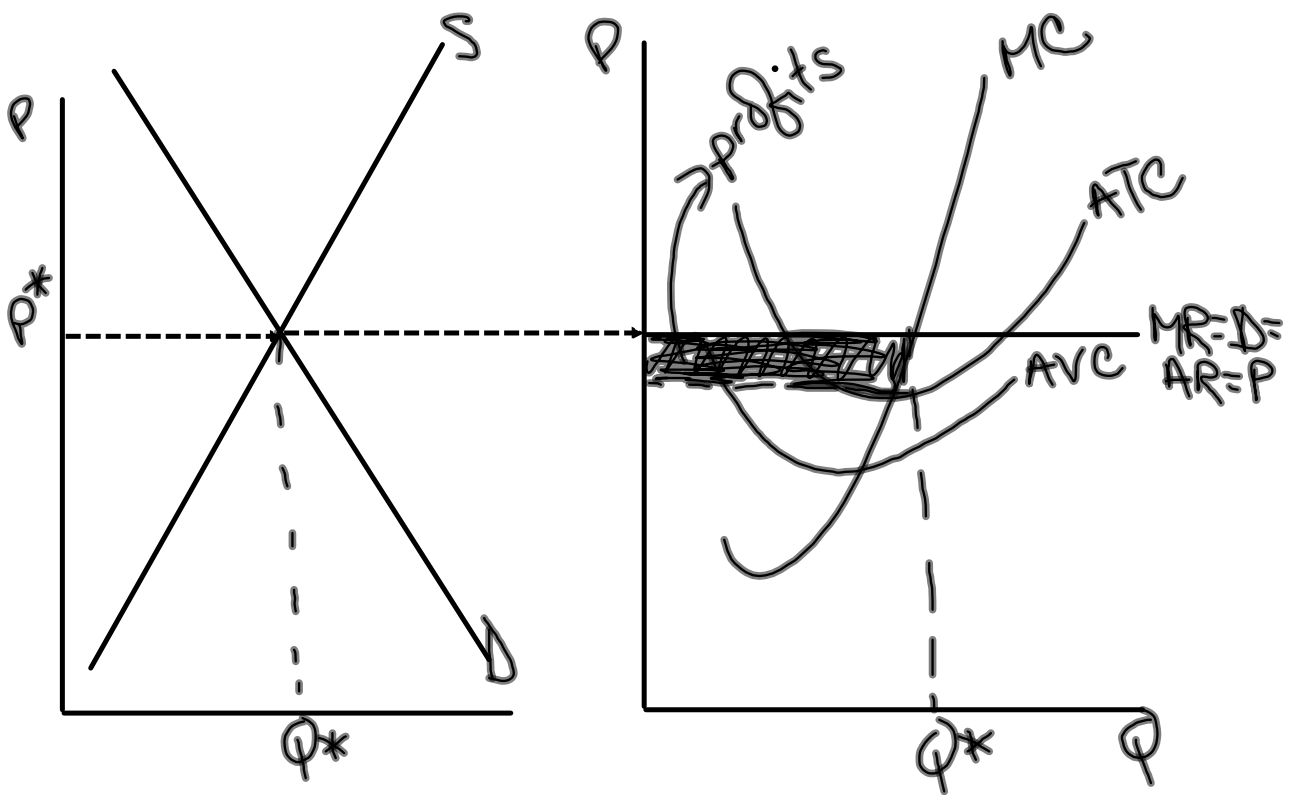
Graph a perfectly competitive firm. The firm is earning positive economic profits.

Graph a perfectly competitive firm. The firm is earning positive economic profits. Can this firm sustain these profits in the LR? NO

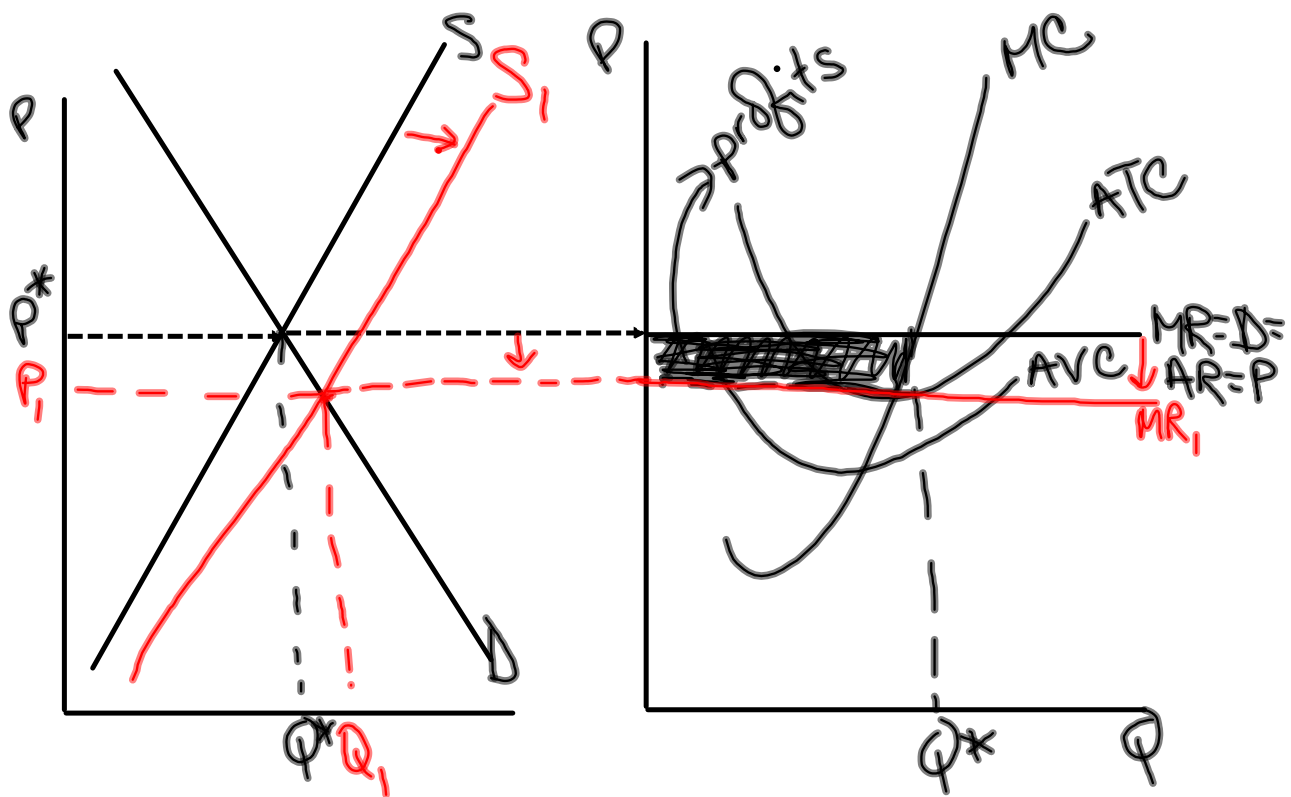


Graph a perfectly competitive market and firm, in which the firm is earning SR economic profits. Now show the correction that will occur in the LR to restore equilibrium.

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Show a perfectly competitive firm in LR equilibrium. Suppose the firm experiences an increase in fixed costs. Show this change in your graph.

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