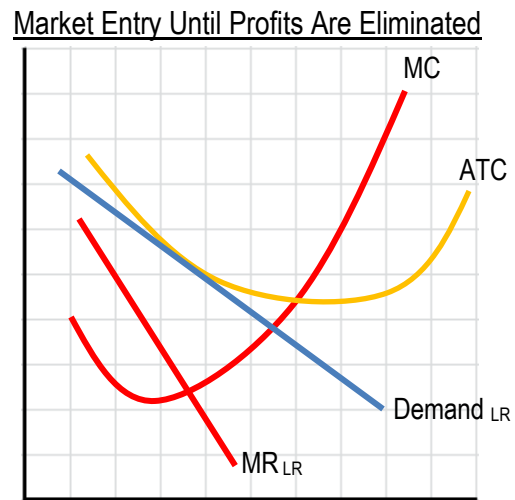
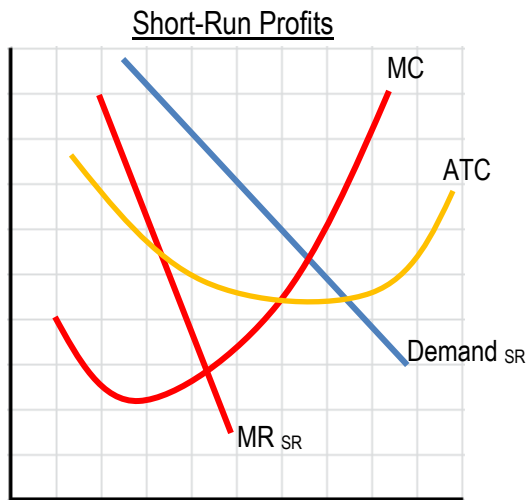


CONCEPT: MONOPOLISTIC COMPETITION IN THE LONG RUN

- As with perfect competition, the entry and exit of competitors leads to _____ economic profit in the long run.



- The entry of firms causes an increase in the availability of _____
 - ☐ Some of the firm's customers go to the new firm → Demand shifts _____
 - ☐ Customers become more sensitive to your price changes → Demand becomes _____ elastic
- In long-run equilibrium, the firm _____ produce at the minimum cost.
 - ☐ Only a firm facing a horizontal demand curve (i.e. _____) can achieve minimum-ATC in long-run
 - ☐ Excess capacity

PRACTICE: New firms will enter a monopolistically competitive market if

- a) Marginal revenue is greater than marginal cost
- b) Marginal revenue is greater than average total cost
- c) Price is greater than marginal cost
- d) Price is greater than average total cost

PRACTICE: What is true of a monopolistically competitive market in long-run equilibrium?

- a) Price is greater than marginal cost
- b) Price is equal to marginal revenue
- c) Firms make positive economic profits
- d) Firms produce at the minimum of average total cost