Introduction to Perfect Competition

11.58- Demonstrate an understanding of perfect competition in the short-run.

Kickoff:

❖ Go to Google Classroom and complete the assignment **"1/7- KO"**
   ➢ What we should already know about perfect competition
❖ Pick up both handouts
❖ **Roll Call:** Rate Rise of Skywalker (1-10)

Announcements:

❖ Welcome back!
❖ Tests are graded and in gradebook
  ➢ Probably not anymore formal grades this semester
❖ Any late or absent work must be completed THIS WEEK
❖ Make sure you're getting recovery done for
❖ I will not be here next Monday and Tuesday
❖ Midterm information on next slide

Midterm:

❖ Cumulative from first 4 units plus modules 58 and 59 (perfect competition- short run)
  ➤

❖ Multiple Choice and one FRQ
  ➤ Entire class period to complete it
❖ Basically a cumulative test
❖ Study but don't stress

BINGO

- Perfect Competition
- Monopoly
- Normative Economics
- Monopolistic Competition
- Oligopolistic Competition
- Marginal Revenue
- Total Cost

- Average Total Cost
- Normal Profit
- Economic Profit
- Variable Cost
- Average Fixed Cost
- Sunk Cost
- Long-run
- Short-run
- Many
- Explicit Cost
- Implicit Cost
- Few

- One
- Accounting Profit
- Matt Rhule
- Elasticity
- Deadweight Loss
- Consumer Surplus
- Producer Surplus
- Positive Economics
- Utility
- MR = MC
- Joe Burrow

Test Analysis:

❖ I have picked 6 highly missed and essential questions from your test
❖ Go through each questions, write down your answer and your rationale for that answer
  ➢ INDIVIDUALLY
❖ Now, talk with your group about each question. Try and come to a consensus for each question, write your new answer, and your new rational/ draw your graphs.

Section 11
Overview Video

Introduction to Perfect Competition

10.58- Demonstrate an understanding of perfect competition in the short-run.

What do we already know about Perfect Competition?

❖ Product differentiation?
  ➢ None
❖ Number of firms?
  ➢ Many
❖ Control over price?
  ➢ Zero
❖ Barriers to entry?
  ➢ Zi (or very, very few)
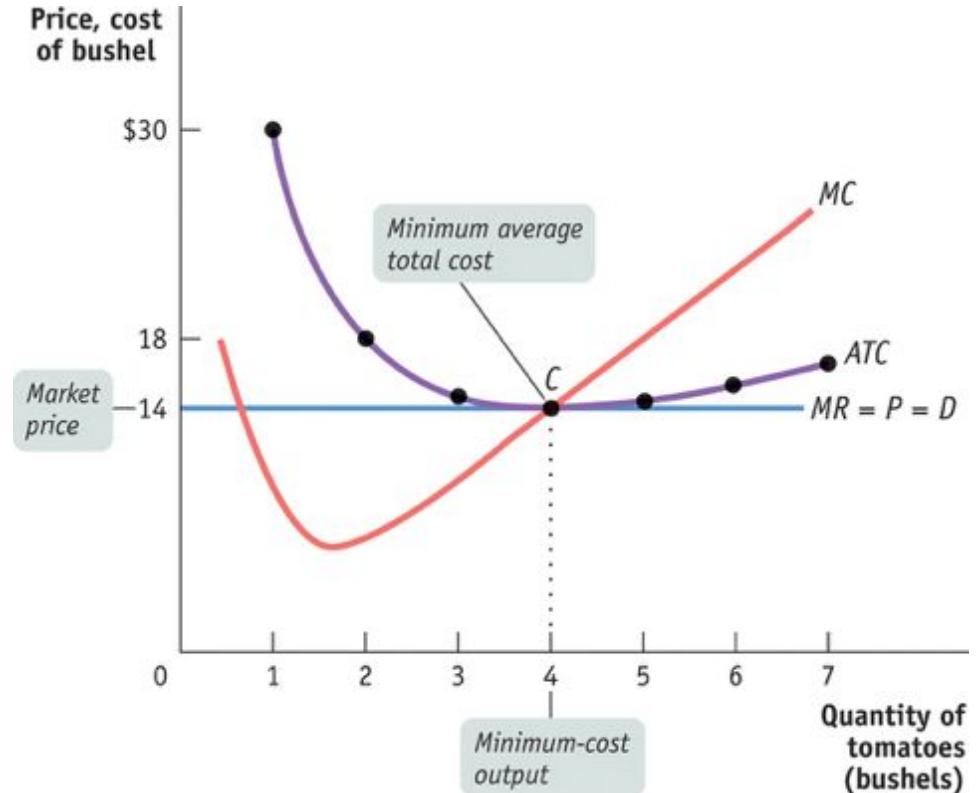❖ Examples: Banana, Cucumbers, etc.

Old Knowledge We Need to Remember to Remember:

❖ Profit maximization rule?
   ➢ MR = MC
❖ How do we find profit?
   ➢ Total Revenue - Total Cost = Profit
❖ Total Cost?
   ➢ Average Cost X Quantity
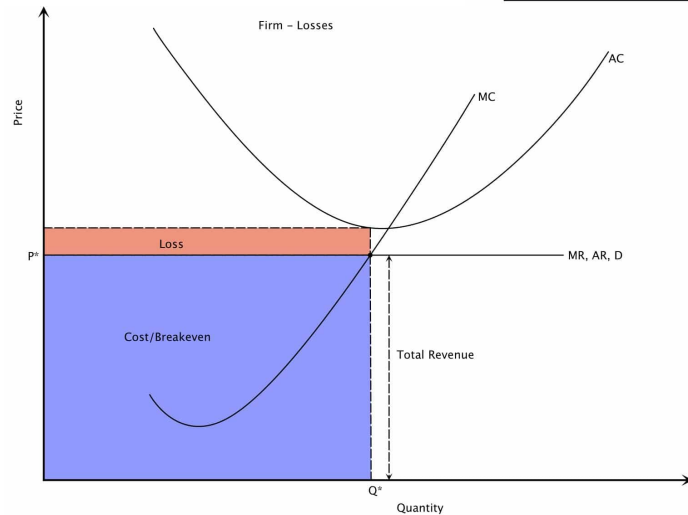❖ Total Revenue?
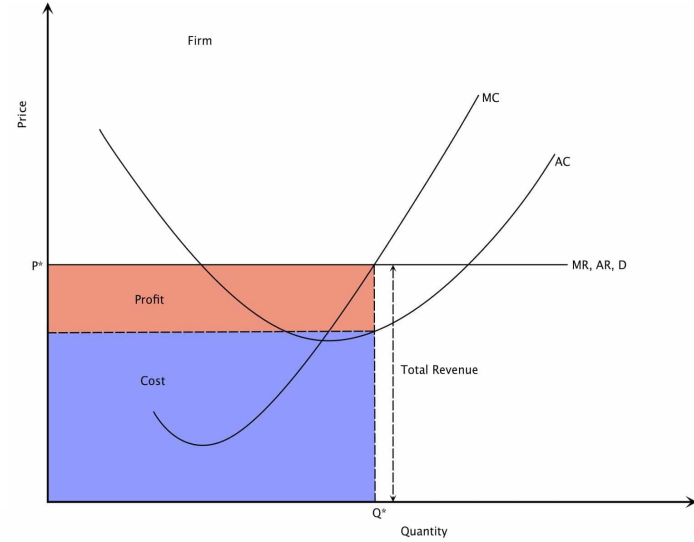   ➢ Average Revenue X Quantity

Perfect Competition: Graph

- ❖ Price- takers
  - ➢ Firms have no influence on price
- ❖ The demand curve for a perfectly competitive firm is a horizontal line
- ❖ MR = D = AR = P

Price, cost of bushel

$30

Minimum average total cost

18

Market price   —14

0   1   2   3   4   5   6   7

MC

C

ATC

MR = P = D

Minimum-cost output

Quantity of tomatoes (bushels)

Perfect Competition (Profit or Loss):

❖ Profit = Q(P-ATC)

❖ P > ATC

➢ Economic profits

❖ P < ATC

➢ Experiencing Losses

❖ P = ATC

➢ Break-even

Firm

Price

MC

AC

P*

Profit

MR, AR, D

Cost

Total Revenue

Q*

Quantity

Firm – Losses

Price

AC

MC

P*

Loss

MR, AR, D

Cost/Breakeven

Total Revenue

Q*

Quantity

Perfect COmpetition in the Short-Run Worksheet

Perfect Competition in the Short-Run
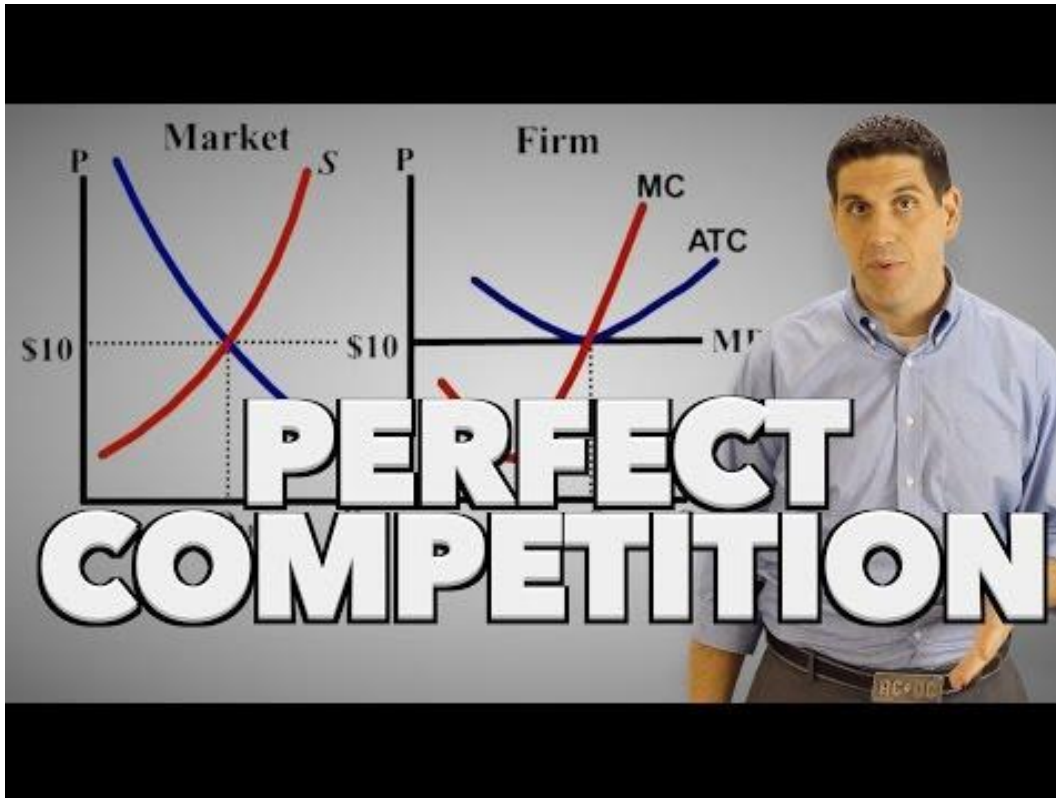
Closure:

❖ Go to Google Classroom and complete the assignment **"1/7- Closure"**