

11.59- PERFECT COMPETITION

GRAPHS

11.59- Demonstrate an ability to create and analyze graphs in perfectly competitive markets.

By: Carter Greene

KICKOFF:

- ❖ Go to Google Classroom and complete the assignment **“1/9– K0”**
 - Multiple choice review questions
 - Take 12 minutes, answer it as if it were a test
- ❖ **Roll Call:** Clemson or LSU
 - If you are correct you will get two extra points on your midterm



ANNOUNCEMENTS:

- ❖ Must come today after school to make up any formal assessments you are missing
- ❖ **1/10-** Drop dead date for all late work
 - Remember to fill out the late work sheet
- ❖ I won't be here Monday or Tuesday
 - Behave for the sub
 - Nuts and Bolts/Review
- ❖ **1/15-** LDOC

MIDTERM

- ❖ Multiple Choice and FRQ
- ❖ Similar to normal test, just a little longer
- ❖ FRQ will be from current unit
- ❖ Multiple Choice = 80%; FRQ = 20%



SIDE-BY-SIDE GRAPH DRAWINGS

- ❖ Put laptops away
- ❖ With your partner, first complete the side by side graph drawing worksheet
 - I have done the break-even graph for you, use it to help you with the other two
- ❖ Raise your hand so I can check it and I will give you and your partner the figure it out FRQ

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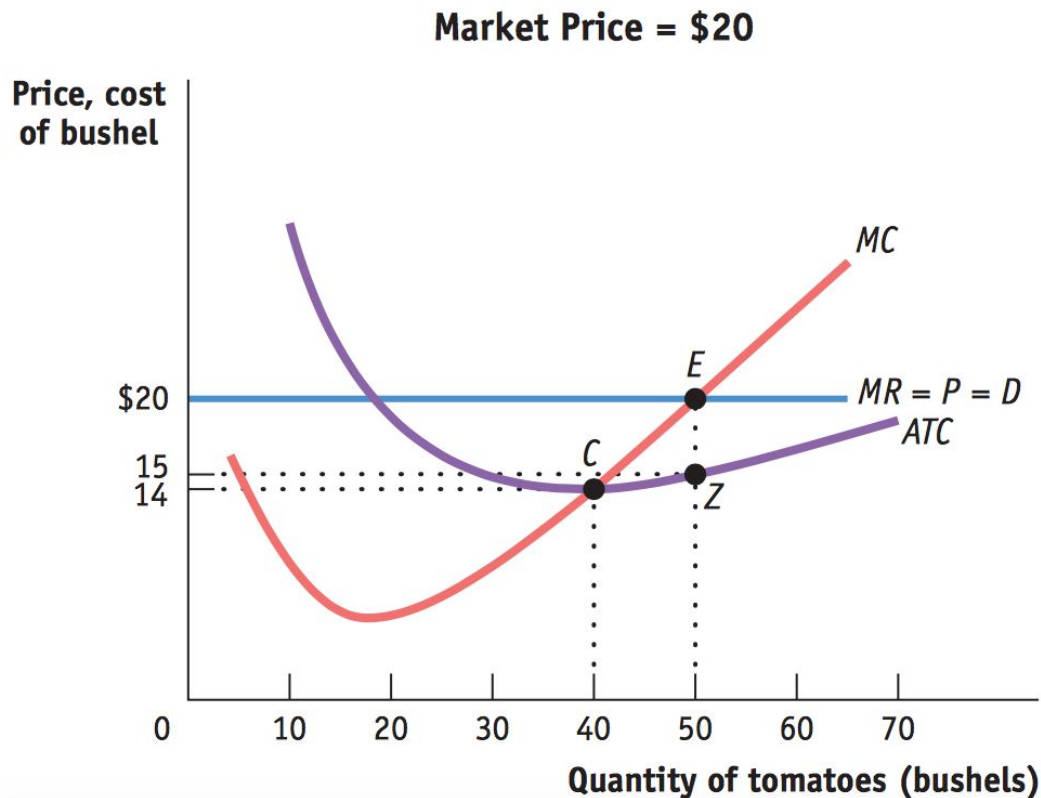
CALCULATING PROFIT:

❖ If $P > ATC$

➤ Economic Profits

❖ $Q (P - ATC)$

❖ On the graph to the right, what are profits if the firm is producing the optimal quantity?

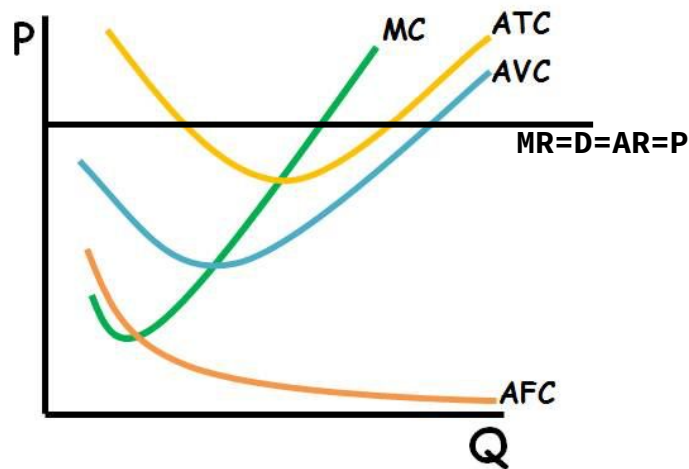


SHUT-DOWN RULE

- ❖ Firms may still produce even if experiencing economic losses
 - If firm is operating above AVC but below ATC, they are at least covering AVC and some of AFC
 - Firm at this point would lose more money by shutting down than staying open
- ❖ Firms will only shut down if $P < AVC$

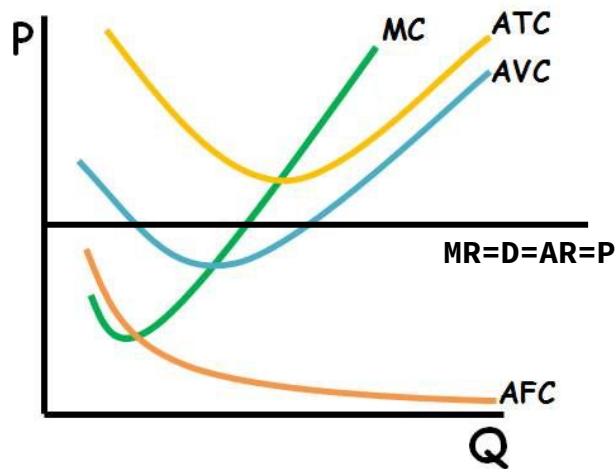
SHUT-DOWN V. ECONOMIC LOSSES V. ECONOMIC PROFITS

A



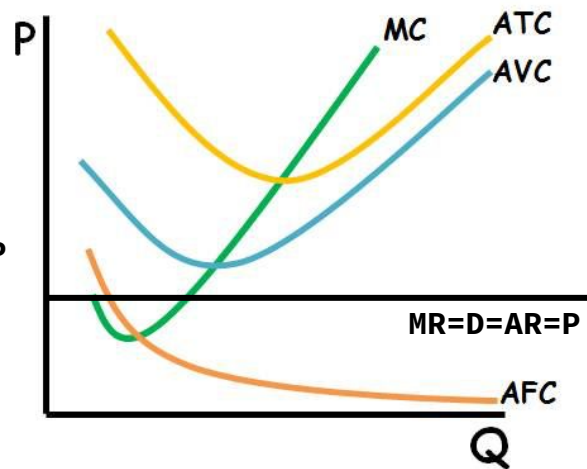
Profits

B



Losses (but should
keep producing)

C



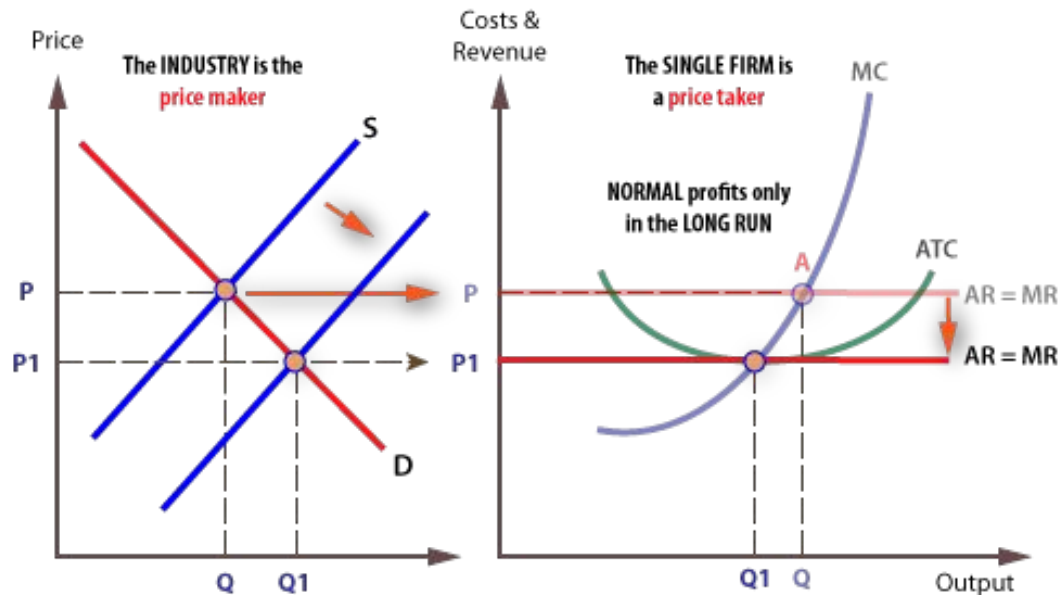
Shutdown (in
short-run)

LONG-RUN

- ❖ Also can be looked at as an adjustment period
- ❖ What will happen in the market if the market price rises?
 - Firms will enter; low barriers to entry; profit motive
- ❖ What will happen to the market supply curve?
 - Shift right
- ❖ What does that do to market price?
 - Brings it back down
- ❖ Perfectly competitive firms earn normal profit in the long run
 - If price is too high, firms will enter, driving price down
 - IF price is too low, firms will leave, driving prices up

LONG-RUN EFFICIENCY

- ❖ In the long-run perfectly competitive firms allocatively and productively efficient
- ❖ Allocative $\rightarrow P = MC$
- ❖ Productive $\rightarrow P =$ minimum ATC



PERFECT
COMPETITION GRAPH
ANALYZATION
PRACTICE

CLOSURE- GOOGLE CLASSROOM