**CHAPTER 8: Profit maximization and Competitive Supply**

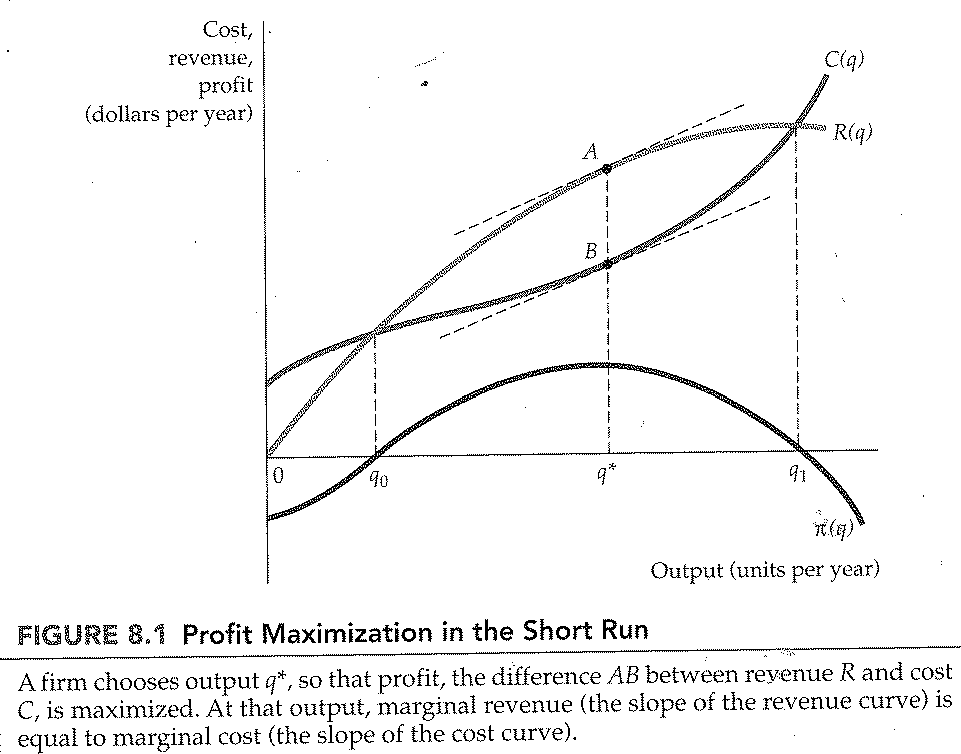
**Checklist**

Can you do the following regarding **profit and supply**?

* Compare the different markets
* Define perfect competition
* Explain the characteristics of perfect competition
* How does profit maximization differ between small and big firms?
* Equation for profit
* Equation for revenue
* Explain profit maximization where MC = MR
* Define supply
* Define supply curve
* Define price elasticity of market supply
* Define producer surplus
* Explain the difference between surplus and profit
* Explain LR competitive equilibrium
* Define economic rent
* Define constant cost industry
* Define increasing cost industry
* Define decreasing cost industry
* Explain what is the effects of tax on output

**CHAPTER 8: Profit maximization and Competitive Supply**

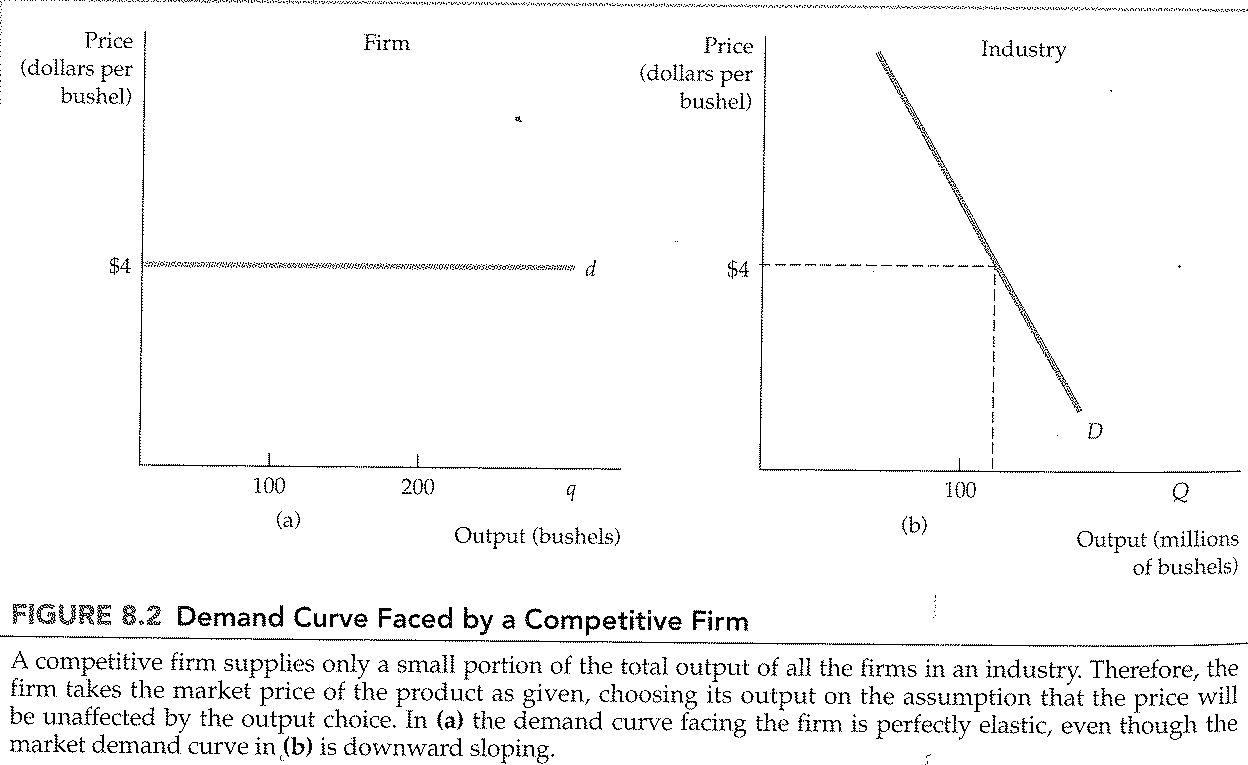
**MR, MC and profit maximization**



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**CHAPTER 8: Profit maximization and Competitive Supply**

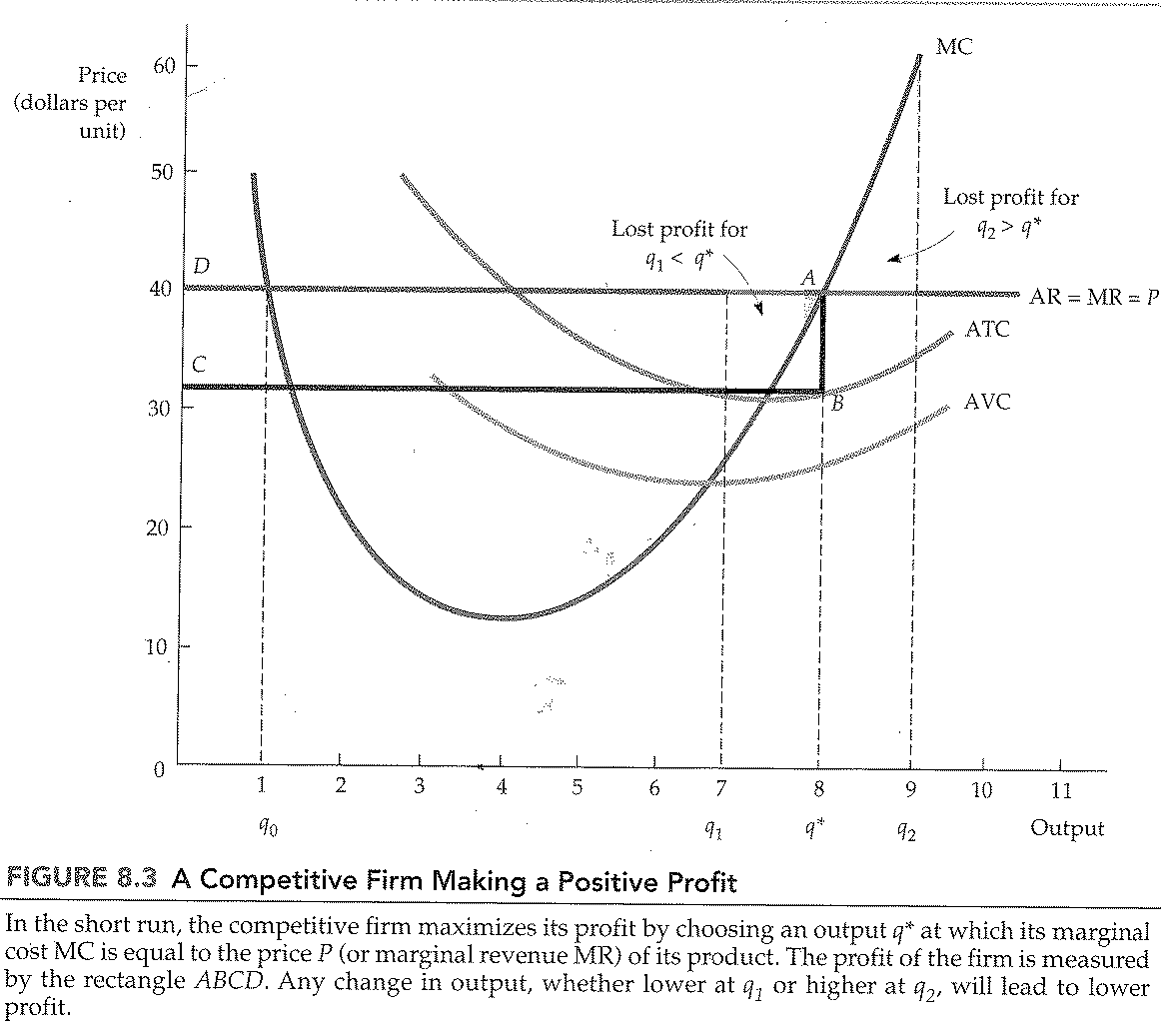
**Demand curved faced by a competitive firm**



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**CHAPTER 8: Profit maximization and Competitive Supply**

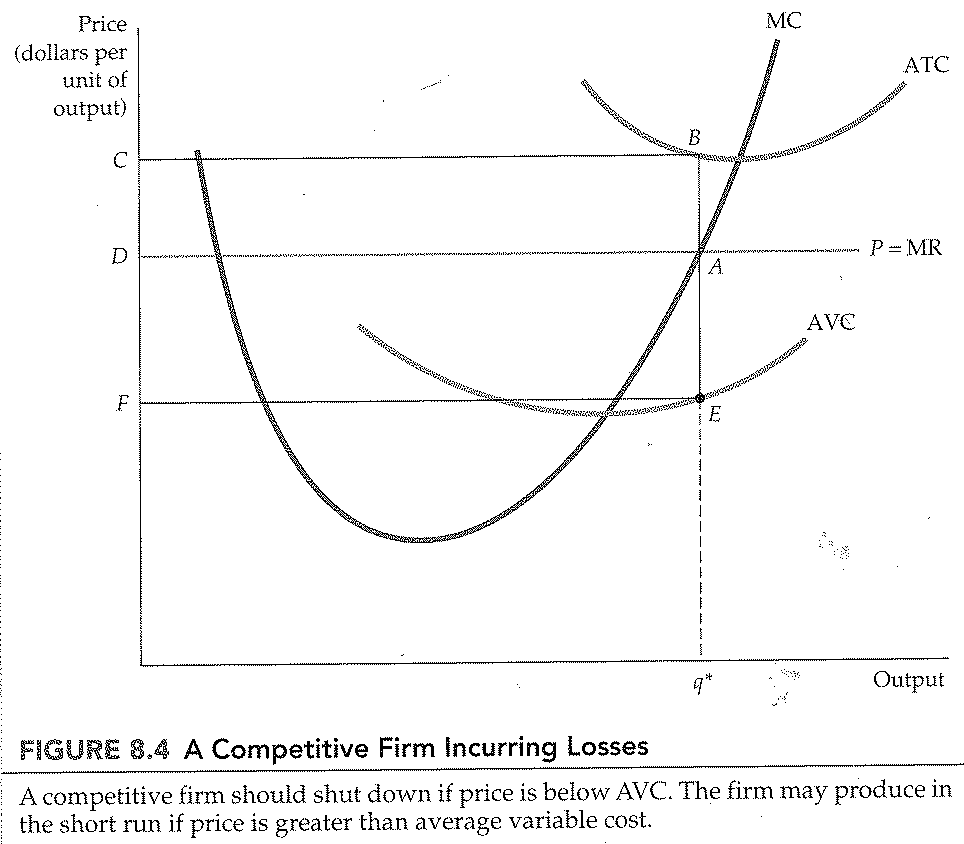
**A competitive firm making a positive profit**



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**CHAPTER 8: Profit maximization and Competitive Supply**

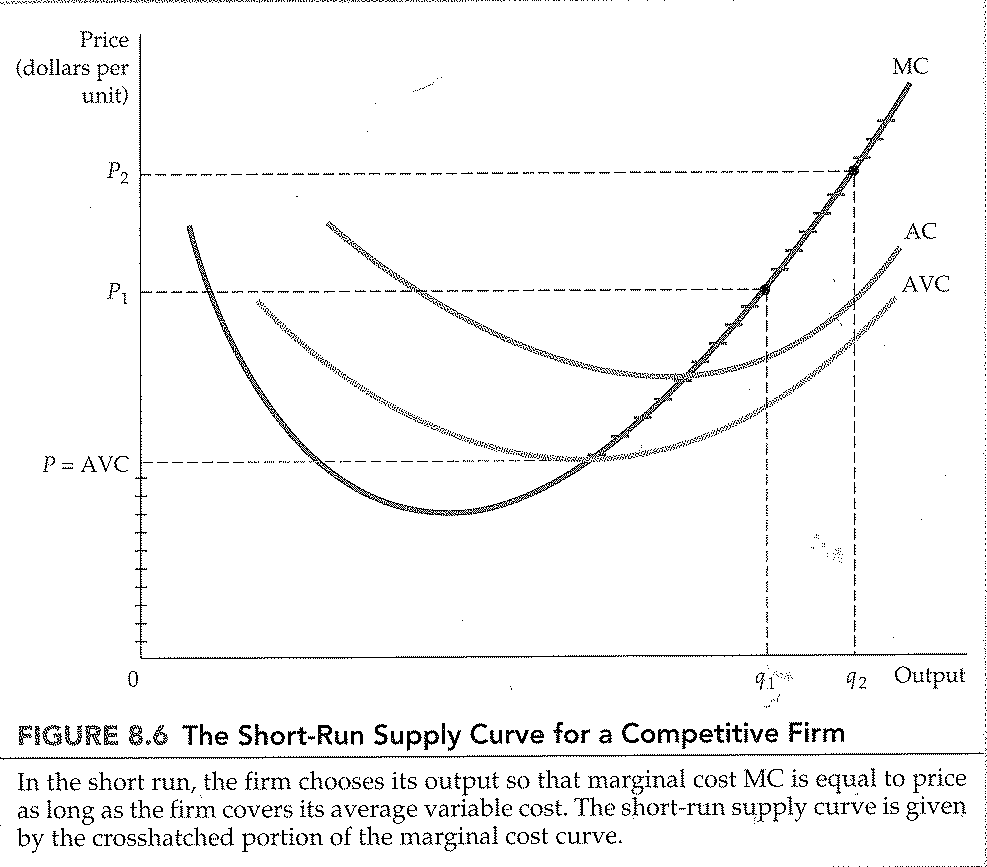
**A competitive firm incurring losses**



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**CHAPTER 8: Profit maximization and Competitive Supply**

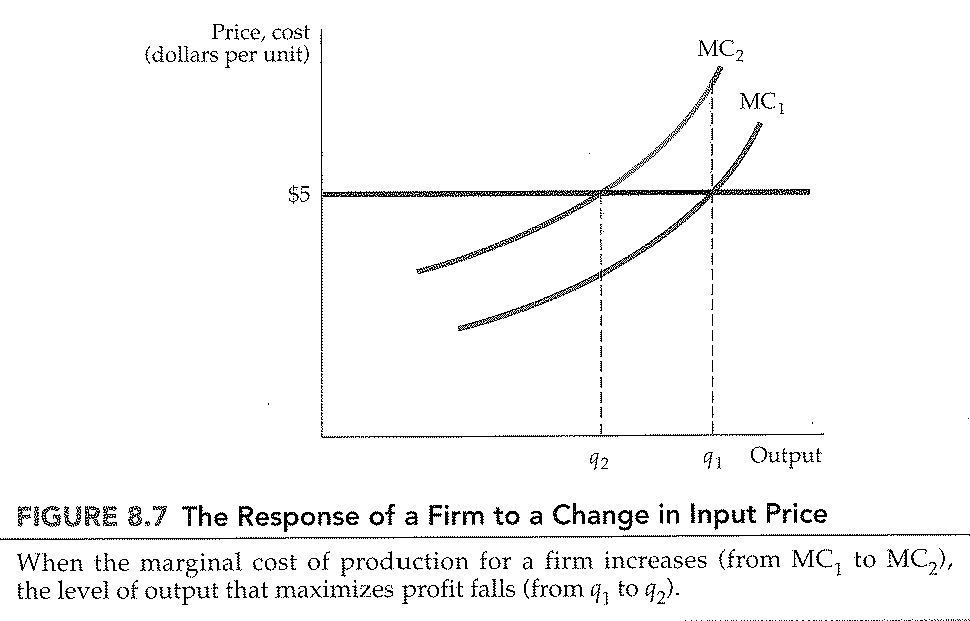
**The SR supply curve for a competitive firm**



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**CHAPTER 8: Profit maximization and Competitive Supply**

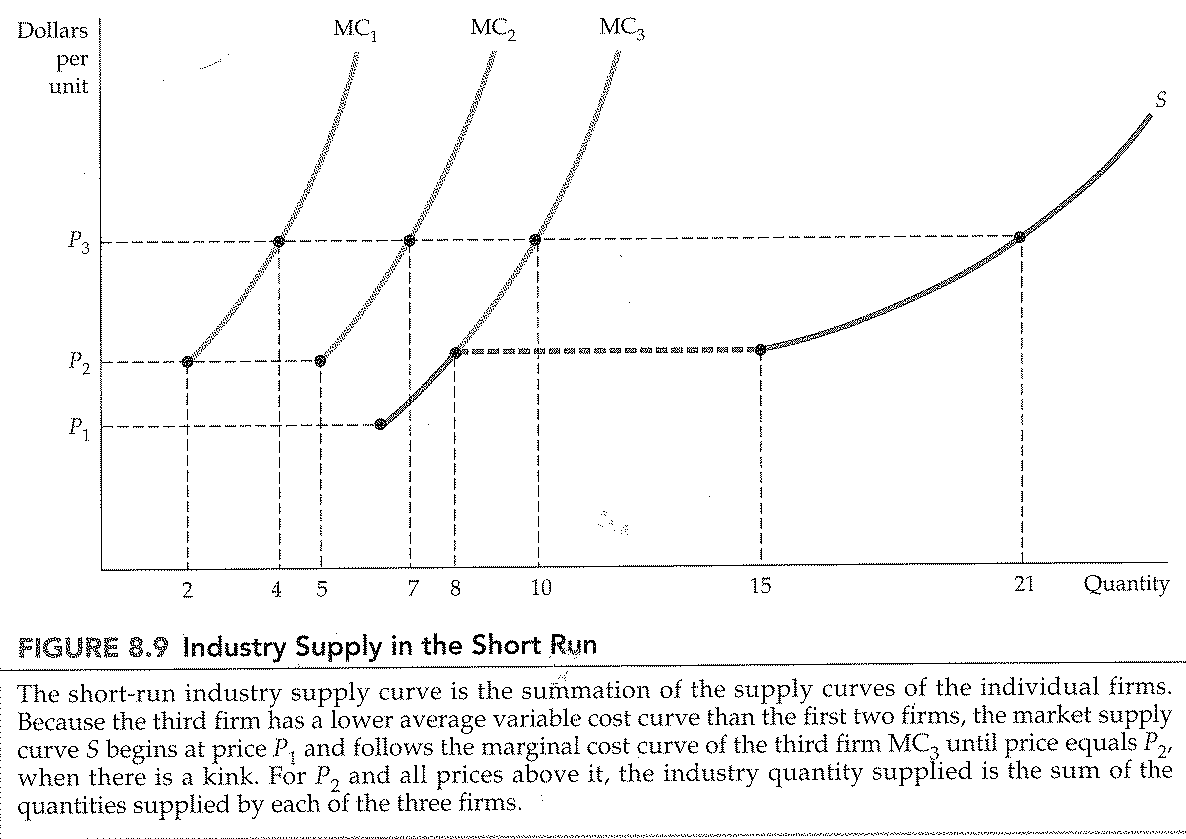
**The response of the firm to a change in input price**



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**CHAPTER 8: Profit maximization and Competitive Supply**

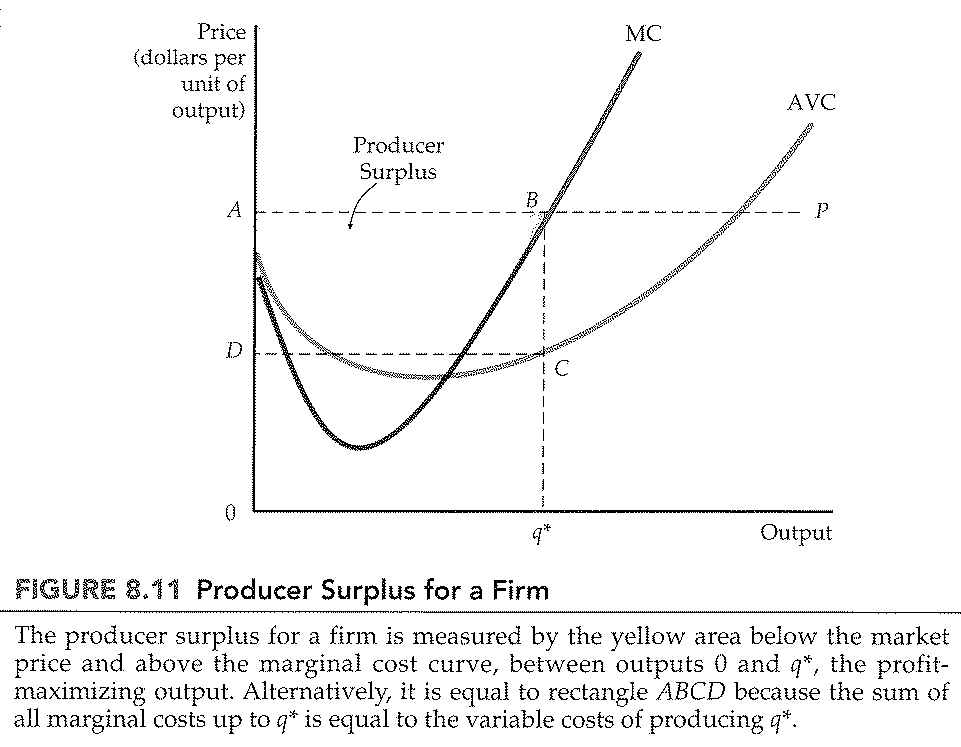
**SR industry supply curve**



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**CHAPTER 8: Profit maximization and Competitive Supply**

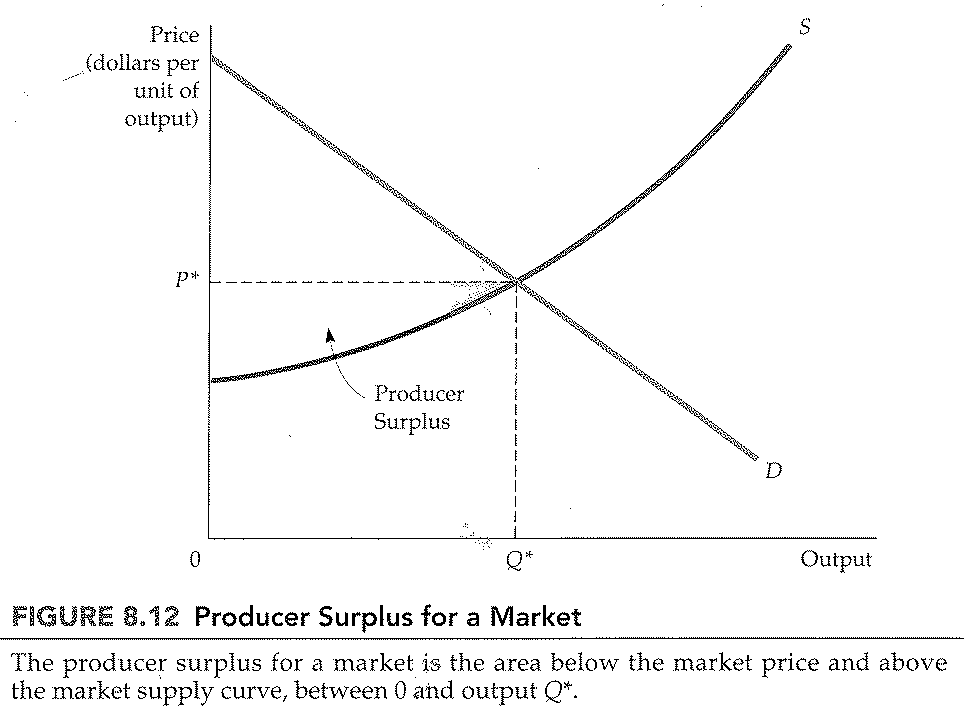
**Producer surplus for a firm**



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**CHAPTER 8: Profit maximization and Competitive Supply**

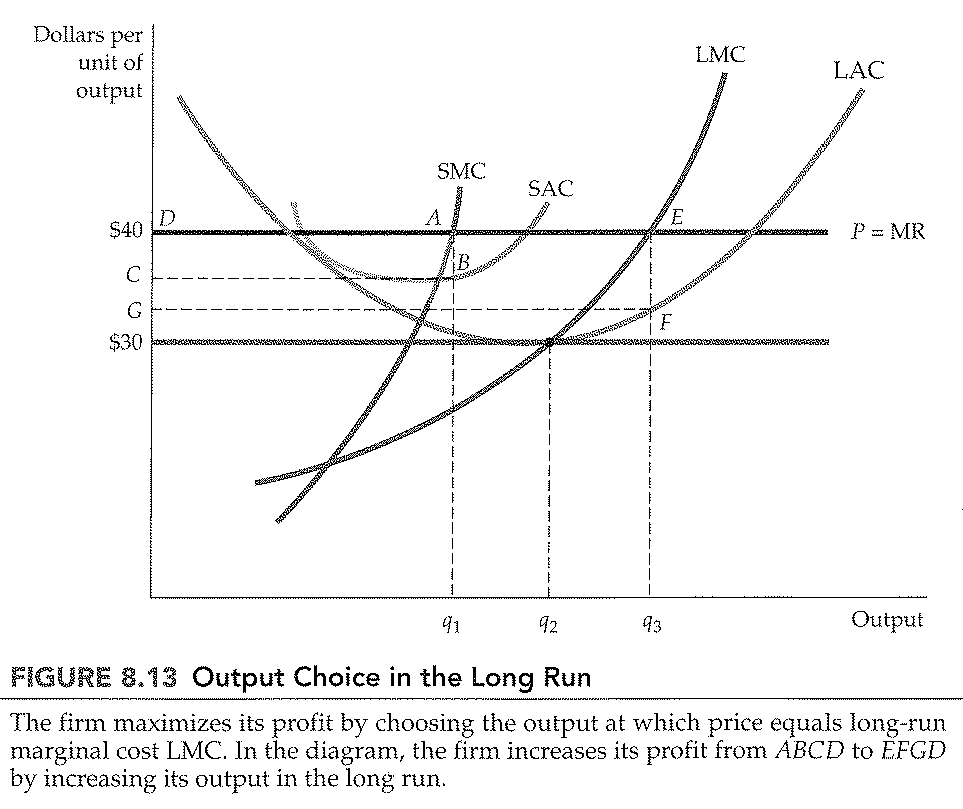
**Producer surplus for a market**



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**CHAPTER 8: Profit maximization and Competitive Supply**

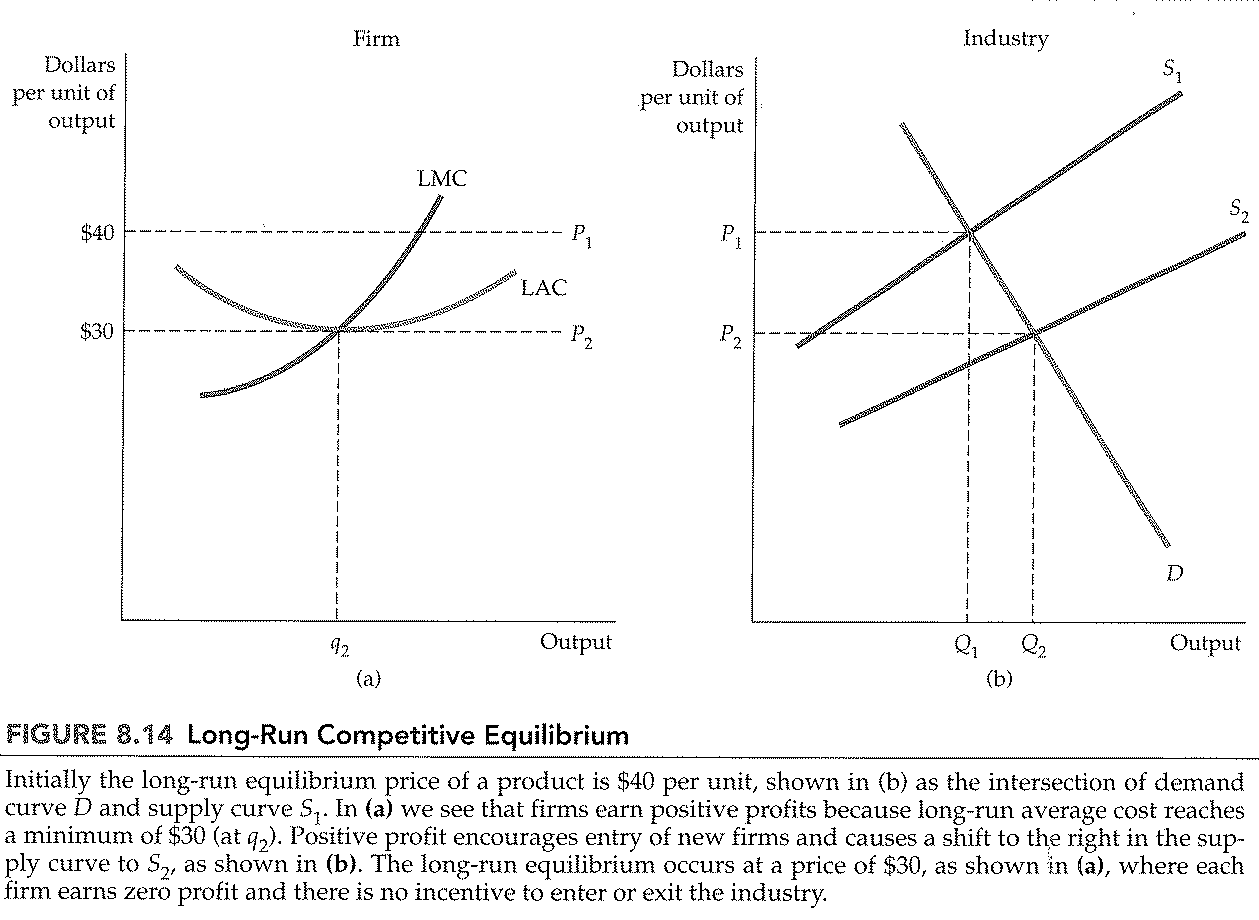
**Output choice in the long run**



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**CHAPTER 8: Profit maximization and Competitive Supply**

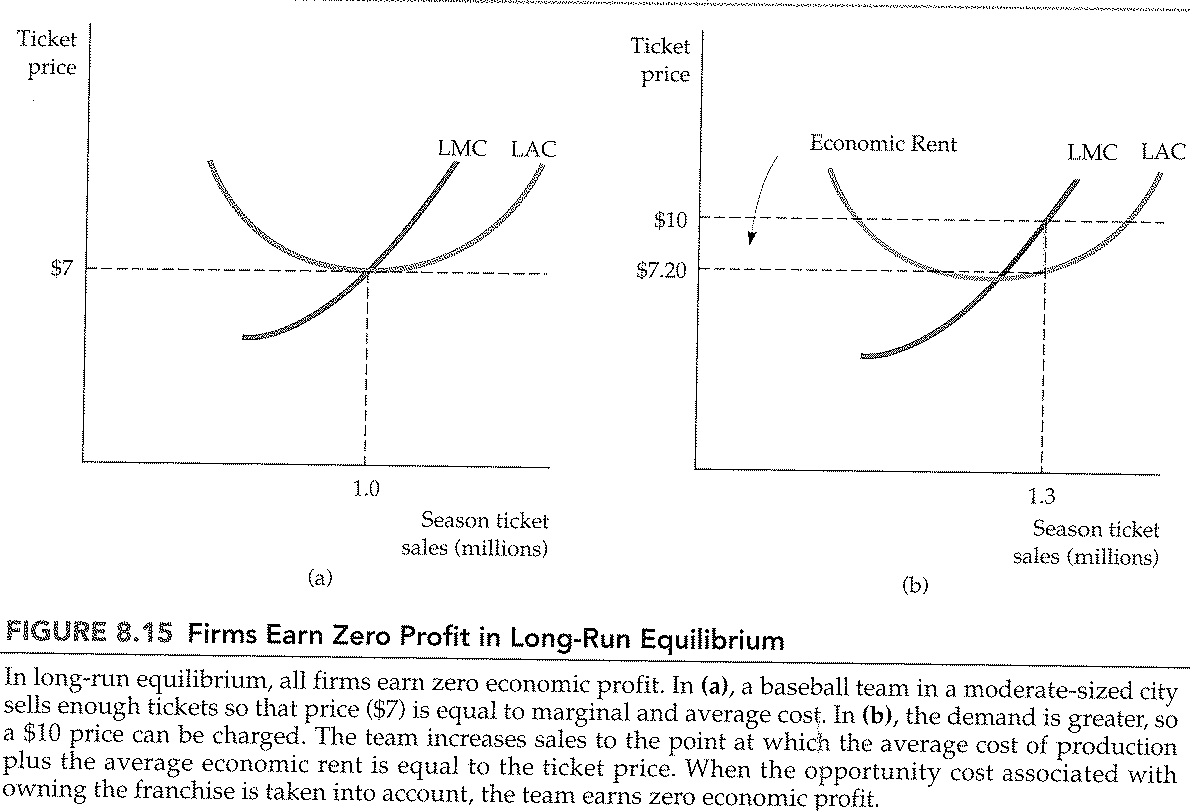
**Long run competitive equilibrium**



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**CHAPTER 8: Profit maximization and Competitive Supply**

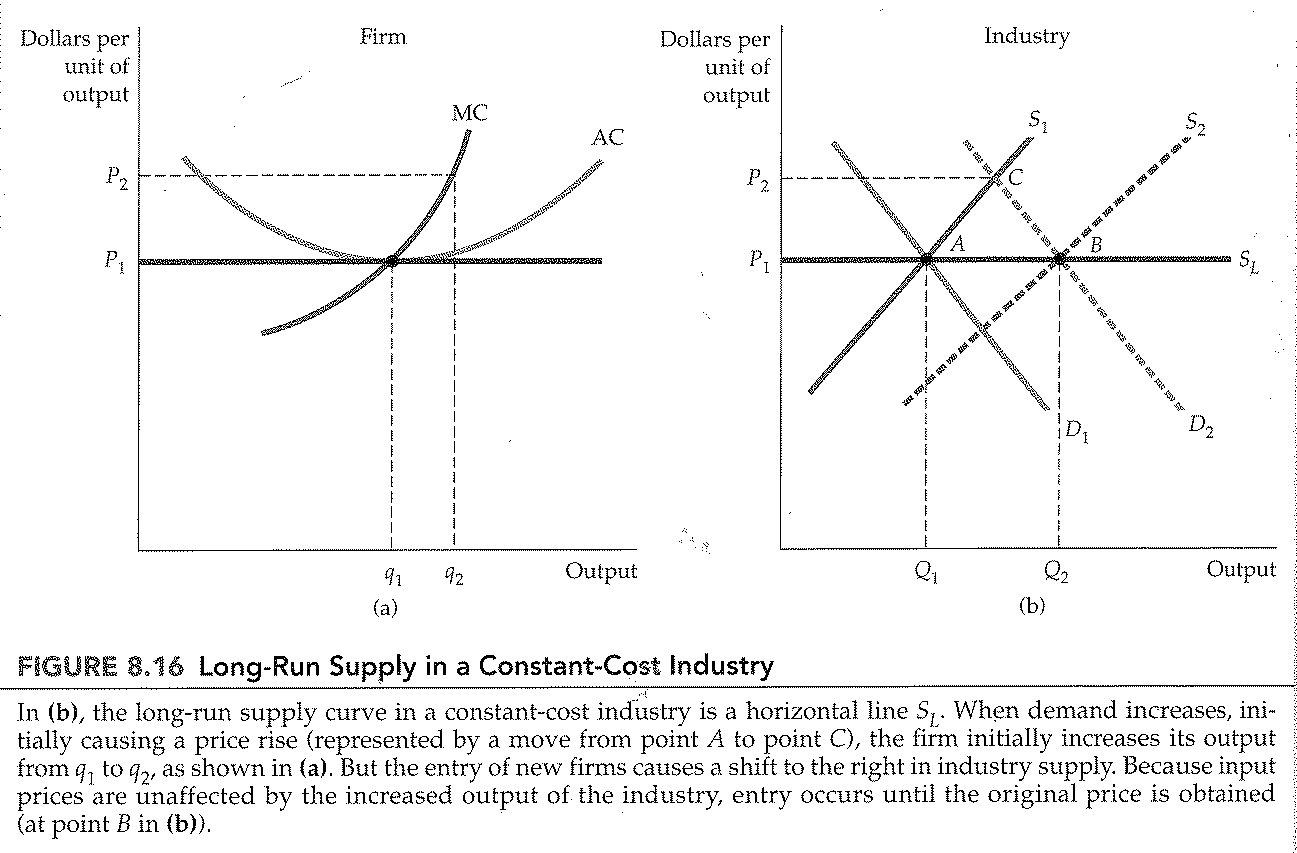
**Firms earn zero profit in long run equilibrium**



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**CHAPTER 8: Profit maximization and Competitive Supply**

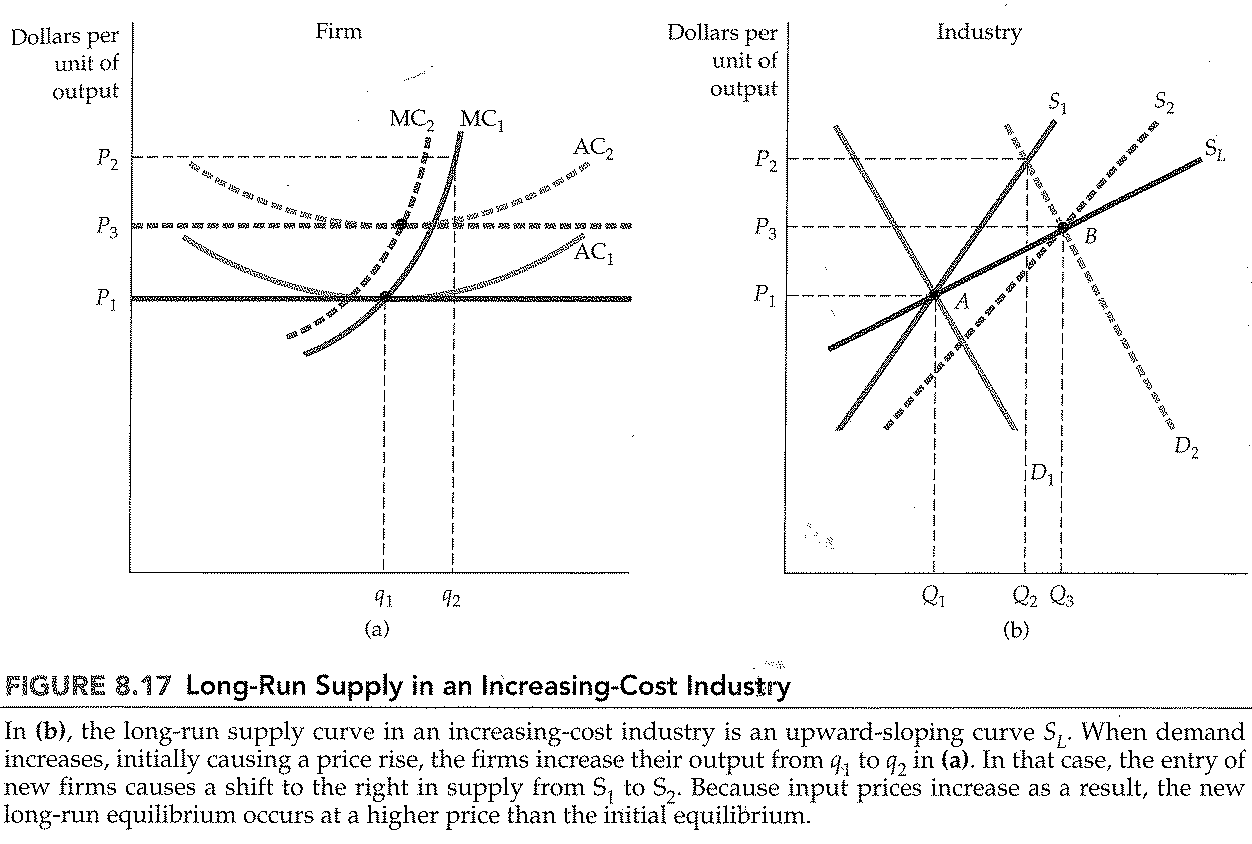
**LR supply in constant cost industry**



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**CHAPTER 8: Profit maximization and Competitive Supply**

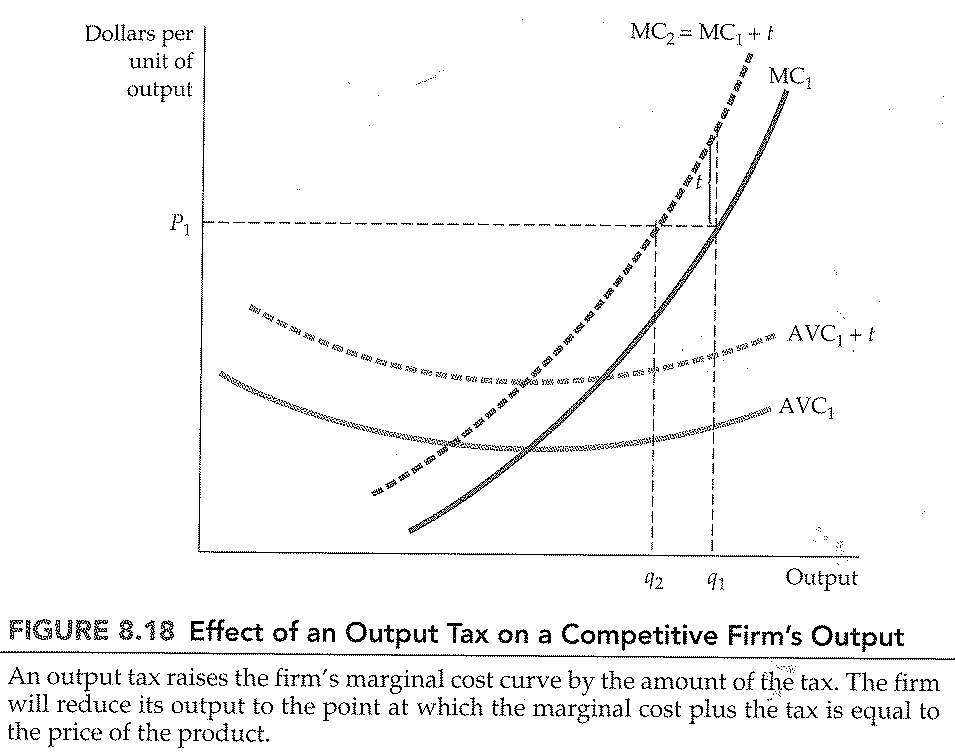
**LR supply in an increasing cost industry**



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**CHAPTER 8: Profit maximization and Competitive Supply**

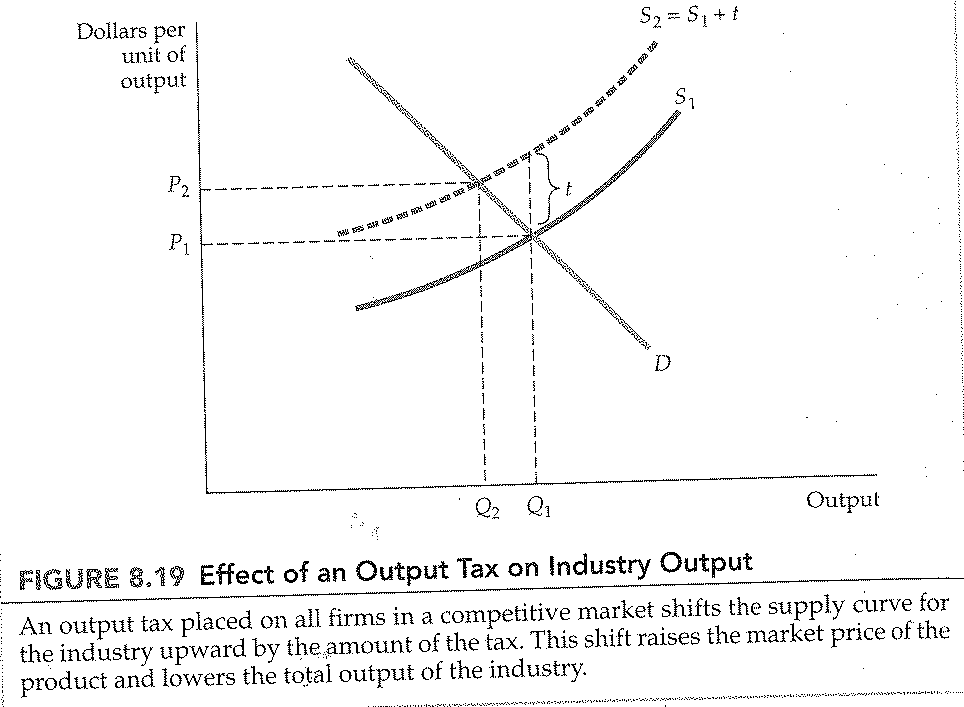
**Effects of an output tax on a competitive firm’s output**

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**CHAPTER 8: Profit maximization and Competitive Supply**

**Effect of an output tax on industry output**



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