

Graphing Perfect Competition

The following firms or industries are all operating in a perfectly competitive market.

- (A) Illustrate each situation on the graph provided.
- (B) Label all curves in your answers.
- (C) Explain the reasoning for your graphs in each situation.

1. A firm experiencing economic profit in the short run.

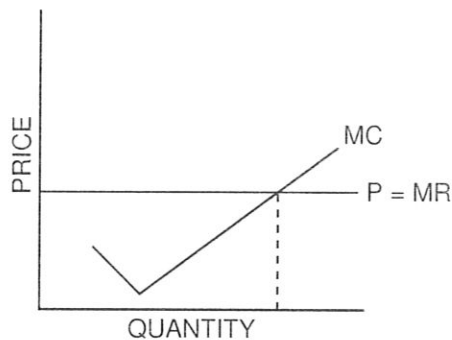


Figure 31.1
Short-Run Economic Profit

Industry



Firm



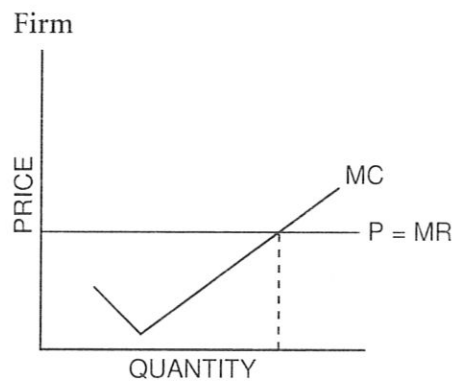
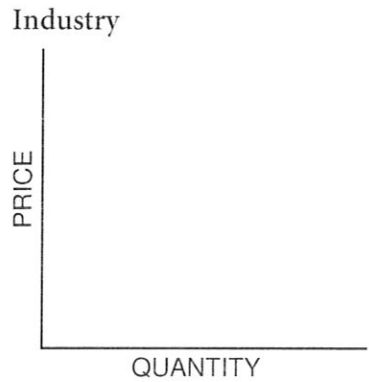
Explanation:

Activity written by Joanne Beaver, Cumberland Valley High School, Mechanicsburg, Pa.; Janice H. Dukes, Opelika High School, Opelika, Ala.; Gloria Washington, Dillard High School, Ft. Lauderdale, Fla.; and Mary Kohelis, Brooke High School, Wellsburg, W. Va.

2. A firm operating with an economic loss in the short run.



Figure 31.2
Short-Run Economic Loss

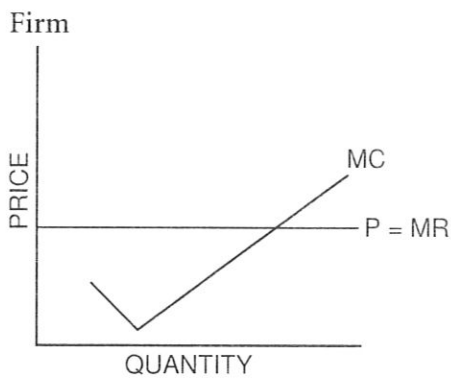
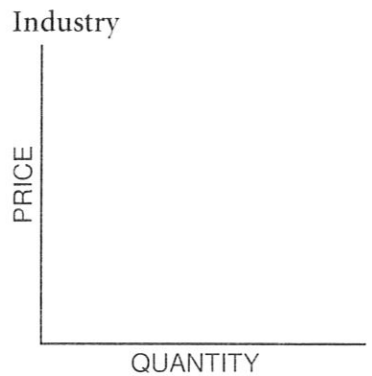


Explanation:

3. A firm in a classic shutdown position in the short run.



Figure 31.3
Classic Shutdown Position

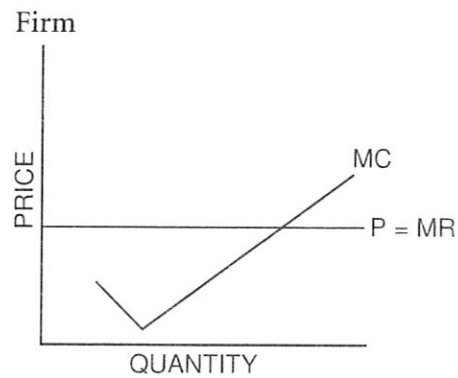
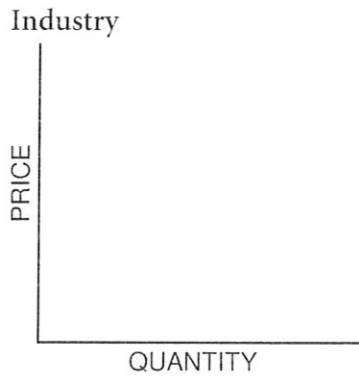


Explanation:

4. Long-run equilibrium for a firm and industry



Figure 31.4
Long-Run Equilibrium

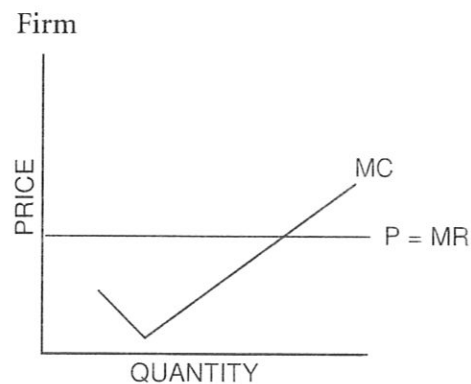
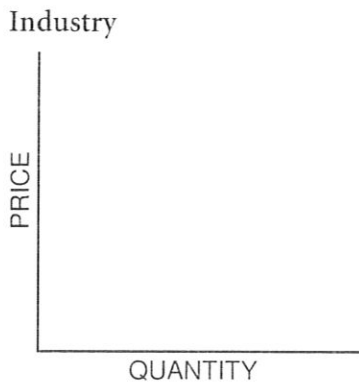


Explanation:

5. Illustrate how economic profits will disappear in the long run.



Figure 31.5
From Short-Run Profit to Long-Run Equilibrium



Explanation:

6. Illustrate how economic losses will disappear in the long run.



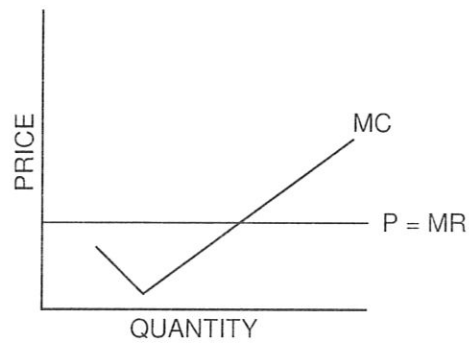
Figure 31.6

From Short-Run Losses to Long-Run Equilibrium

Industry



Firm



Explanation: