Competitive Firm

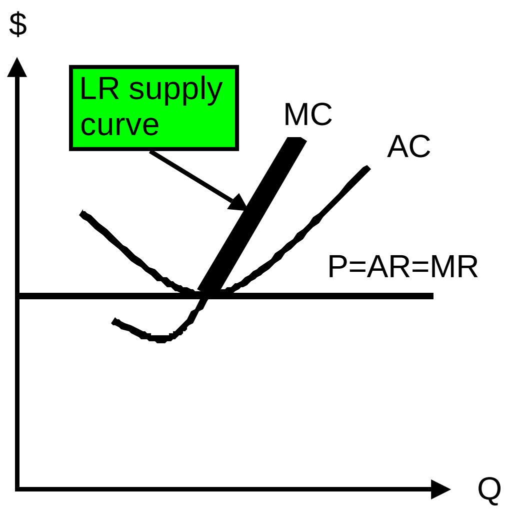
(Long-run and short-run supply)

1 Competitive Firm

A competitive firm is a **price-taker**, that is, the price is given. The supply of such a firm is so small in comparison to the market supply that it has no influence on the market price. The firm just chooses the quantity to **maximize profits** or minimize losses.

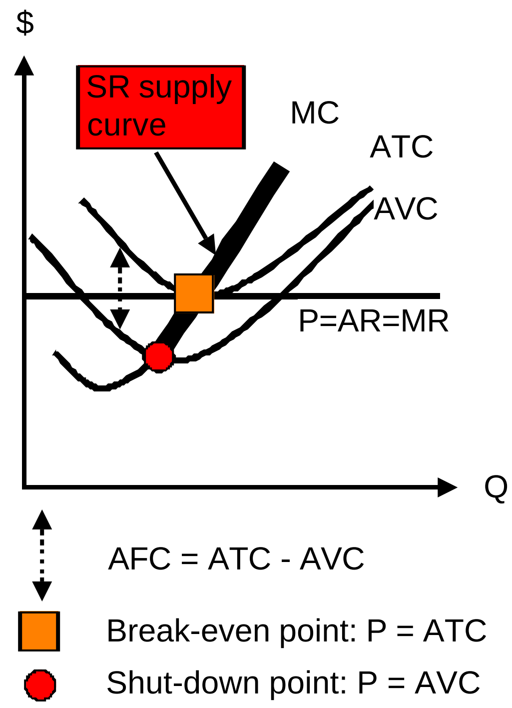
2 Long-run

All factors of production as well as all costs are variable.



3 Short-run

At least one factor of production is fixed. Therefore, fixed cost exists.



Abbreviations:

LR = Long-run
MC = Marginal cost
AC = Average cost
P = Price
AR = Average revenue
MR = Marginal revenue
Q = Quantity

SR = Short-run
ATC = Average total cost
AVC = Average variable cost
AFC = Average fixed cost