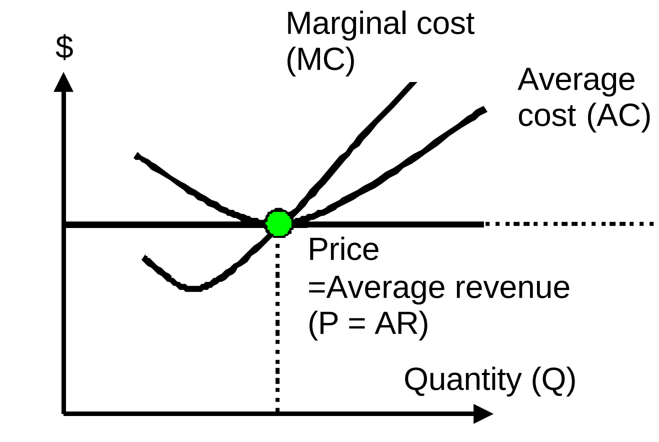
Competitive Firm and Market

1 Competitive Firm

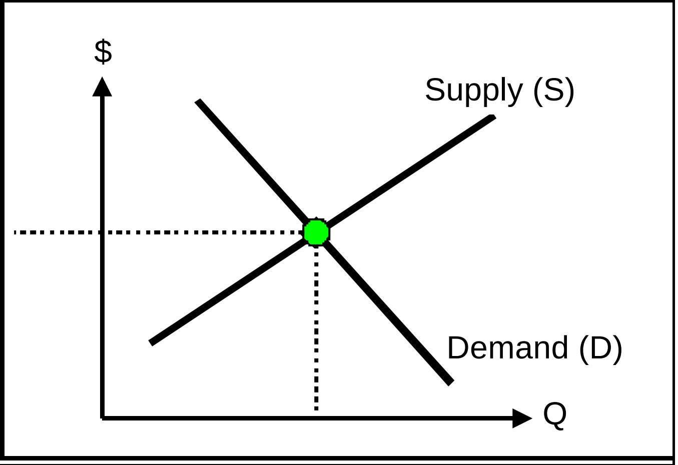
A competitive firm is a price-taker, that is, the price is given. The supply of such a firm is so small in comparison to the market supply that it has no influence on the market price. The firm just chooses the quantity to maximize profits or minimize losses.

2 Equilibrium in the long-run (only normal profits)

21 The typical firm

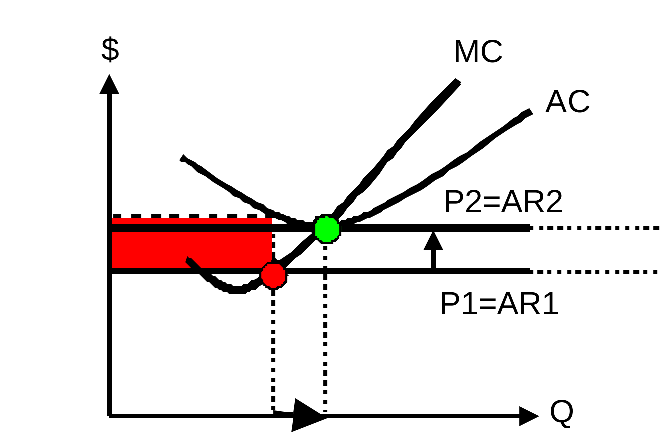


22 The market

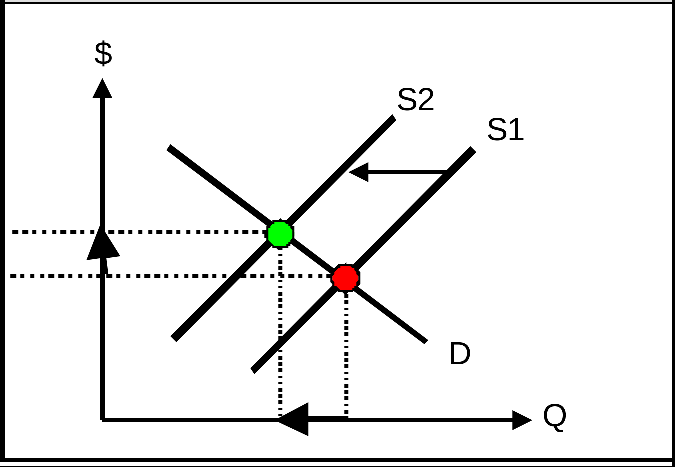


3 The typical firm with losses. Firms exit the market.

31 The typical firm

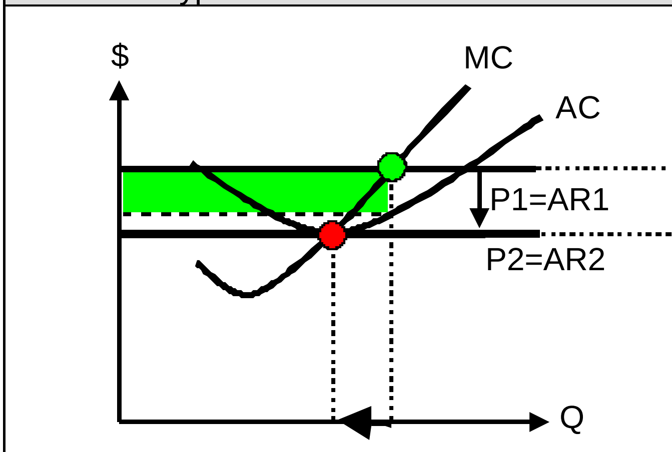


32 The market



4 The typical firm with supernormal profits. Firms enter the market.

41 The typical firm



42 The market