Long Run Equilibrium Example
(Do this one first)

Look at Fig. 14-6 to see how to get the initial (short run) equilibrium. Then look at Fig. 14-8 to see how the industry will adjust to the situation.

Using the accompanying diagrams, show the short run equilibrium price, industry output, and firm output when there are 1000 firms. Explain what would happen in the long run and sketch a plausible long run equilibrium. (Be sure to show the long run equilibrium price, industry output and firm output.) For this question, assume the industry is a constant cost industry.

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Corrected: 11-12-02