Show that the industry represented below is in long run equilibrium with 1000 firms. Label the prevailing price $P_0$.

Now show the short run and long run effects on price, total quantity, and quantity per firm resulting from an unexpected increase in demand.

For this question, assume the industry is a constant cost industry. Use your analysis to locate and label two points on the industry's long run supply curve.

**Answer these questions about the changes you described:**

What is the effect of the change in demand on the price of output in the short run?
What is the effect on profit in the short run?
Is there entry or exit of firms in the long run? Circle one: entry/exit.
What happens to the prices of inputs in the long run? Why?
What happens to the level of the cost curves in the long run? Why?
What does the (entry/exit) do to the price of output?
What brings the (entry/exit) to an end?

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