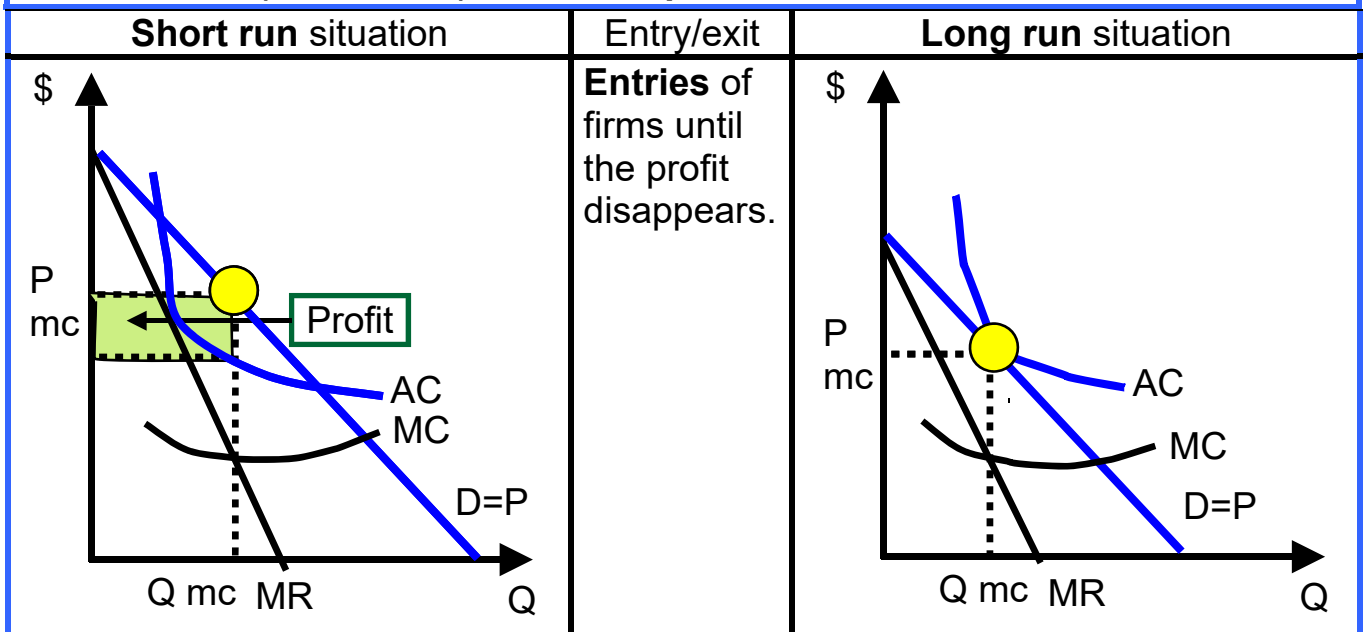


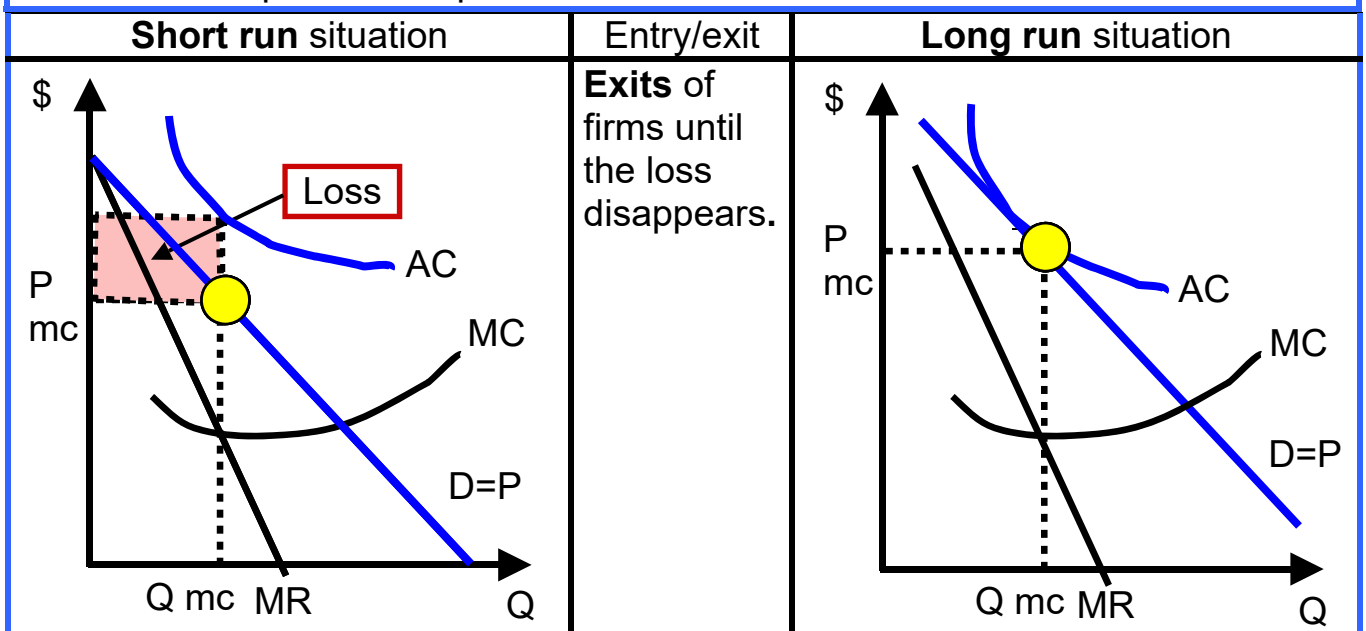
Monopolistic competition

Characteristics: As with monopoly, in monopolistic competition firms face a **negatively sloping demand curve**; in contrast, **entries and exits** are possible (example: consumer goods suppliers).

Case 1: Monopolistic competition with **profit** in the short run and **entries**.



Case 2: Monopolistic competition with **loss** in the short run and **exits**.



AC = Average cost

D = Demand

mc = monopolistically competitive

MC = Marginal cost

P = Price

MR = Marginal revenue

Q = Quantity