

3.4.3 Monopolistic Competition

- Similar to perfect competition
- SNP in SR only
- Low barriers to entry/exit
- Profit maximisers
- Large number of small firms
- Some price setting ability
- Differentiated but similar goods - MAJOR DIFFERENCE
- Graph is the same as perfect competition but with separate downwards sloping AR and MR lines
- In LR, SNP competed away, price increases, AR moves upwards so only normal profit in LR
- Draw AR, MR and MC then determine where AC curve goes