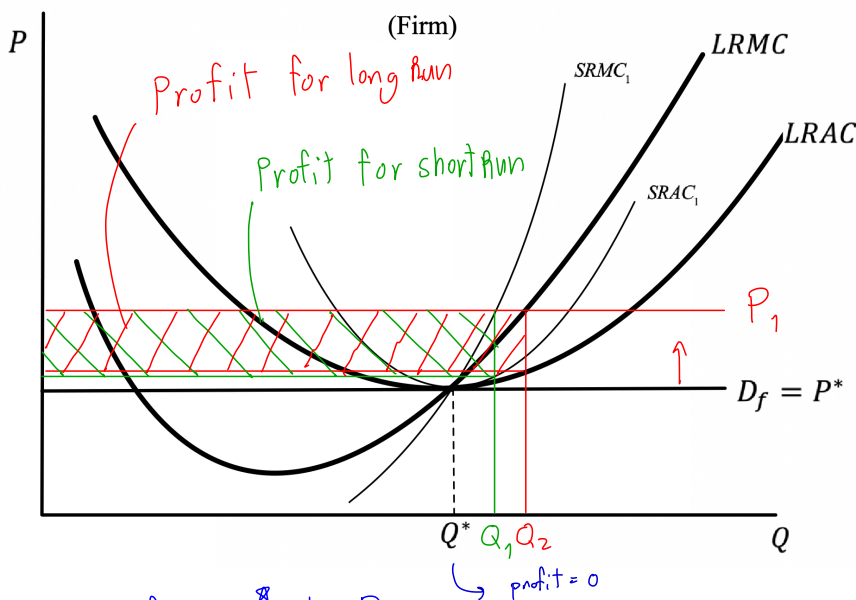


HW#13 Due May 13, 2021

Suppose that the market is in a Long-Run equilibrium where the price is at P^* and each firm produces Q^* . With the given $SRMC_1$ and $SRAC_1$ and $LRMC$ and $LRAC$, the market price increases from P^* to P_1 ,

- Show how the firm will change its output in Short Run and Long Run.
- Indicate the profit the firm receives in Short Run and Long Run.
- Explain why the profit in Long Run is bigger than profit in Short Run.



Price increase from P^* to P_1

- Outputs of both short run and long run are increasing.
 For short run, firm produce more from Q^* to Q_1
 For long run, firm produce more from Q^* to Q_2

- the profit in Long Run is bigger than profit in short run
 - output of long run is bigger than short run. and in long run,
 it doesn't have any fix cost like short run.