**Quiz #18, Perfect Competition, Short-run to Long-run**

**Essay and Problems, Show all of your work and identify all abbreviations! (5 points)**

1. A perfectly competitive industry is in long-run equilibrium (zero economic profits). Show graphically and explain in a couple of sentences how a decrease in the price of software will affect a) the Notebook computer industry (a complement) and b) the representative firm. Use side-by-side graphs of the business firm and the industry. (Hint: This is done best with two sets of graphs of two graphs on the page. The first set would show the short-run affect of the change in demand with a loss or profit, etc. and relevant shifts. The second set of graphs would show the long-run adjustments). Assume that this is an increasing cost industry. Make sure to explain how the increasing cost industry will affect the cost of raw materials in this type of industry as well as the price, quantity in the industry and for each firm. (10 points)