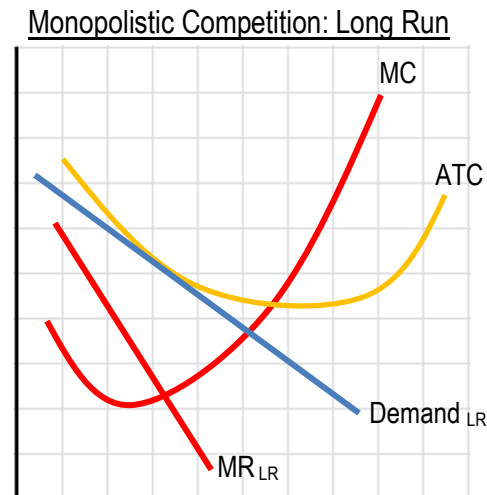
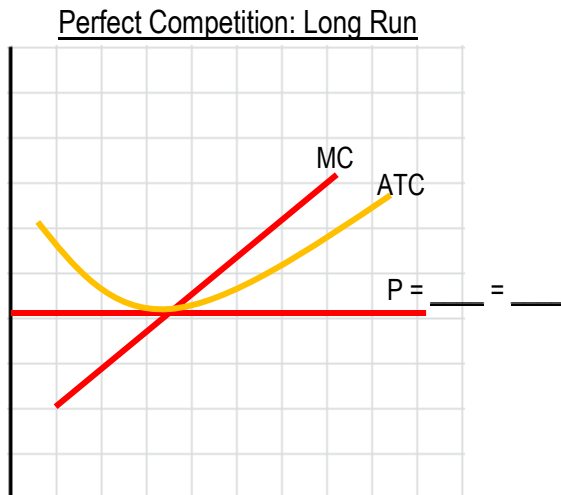


CONCEPT: EFFICIENCY IN MONOPOLISTIC COMPETITION

- Monopolistically competitive markets _____ achieve productive and allocative efficiency.

☐ **Productive Efficiency** – producing at the _____

- The lowest possible cost is _____



- In the long run, perfect competition forces firms to produce at _____

- In the long run, monopolistically competitive firms produce a quantity _____ the minimum-ATC

☐ **Allocative Efficiency** – production represents _____

- Producing up to the point that the _____ = _____



No Allocative Efficiency in Monopolistic Competition

1. The marginal benefit is represented by the _____
2. The marginal cost is represented by the _____
3. Firms produce where $MR=MC$, which is _____ where the MC and demand curve intersect.

PRACTICE: The loss of efficiency that occurs in monopolistic competition has to be weighed against the gain of

- a) An increase in employment
- b) Higher wages for employees
- c) Greater product variety
- d) Reduced environmental damage