In this case, the industry at large is neither experiencing external economies or diseconomies.

**Price**

**Quantity**

### Long Run Supply Curves for a Competitive Market

**Constant Cost Industry**

- If demand increases, then the price (and profits) will increase.
- More firms will then enter the industry, increasing the supply and decreasing the price back down to the original price.

**Q: How is this possible?**

**A:** Industry must be small part of relative input markets; ergo the industry will not affect the price of inputs.

### Supply Curves for a Competitive Market

**Increasing Cost Industry**

- If demand increases, then the price (and profits) will increase.
- More firms enter the industry, but the increased demand for input factors will force production costs higher.

**Q: Why does this happen?**

**A:** Industry represents a large part of relative input markets, thus it creates “congestion” in the input market and causes the price of inputs to increase.

### Supply Curves for a Competitive Market

**Decreasing Cost Industry**

- If demand increases, then the price (and profits) will increase.
- More firms enter the industry, but the increased demand for input factors will actually enable production costs to fall.

**Q: Why does this happen?**

**A:** This scenario occurs in budding industries where new technologies are expensive to develop, but then become cheaper as the industry evolves and grows. Just think of computers and electronics!