3. Camden's Cakery is one of many dessert cafés serving a local community. Each café produces a slightly differentiated product, there are no barriers to entry or exit, and the firm is in long-run equilibrium.

   (b) On your graph in part (a), label the output at which total revenue is maximized Q_R.

   (c) Do firms in this market experience economies of scale, diseconomies of scale, or neither in long-run equilibrium? Explain.

STOP

END OF EXAM