





AVC

ATC

MC

Long Run Equilibrium Condition

# Loss











m

S













S

u

р

p



Y



S











e







a





р



C

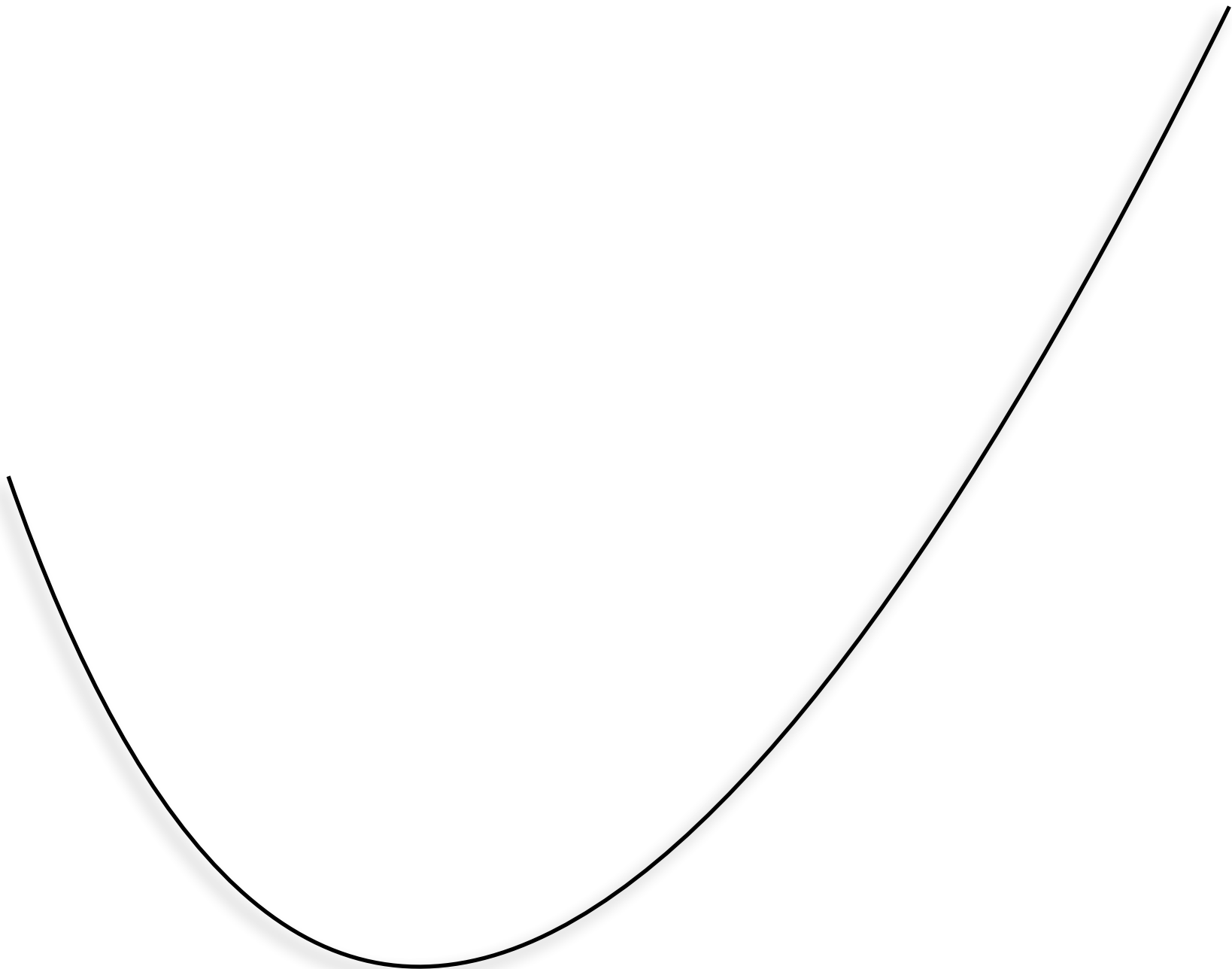
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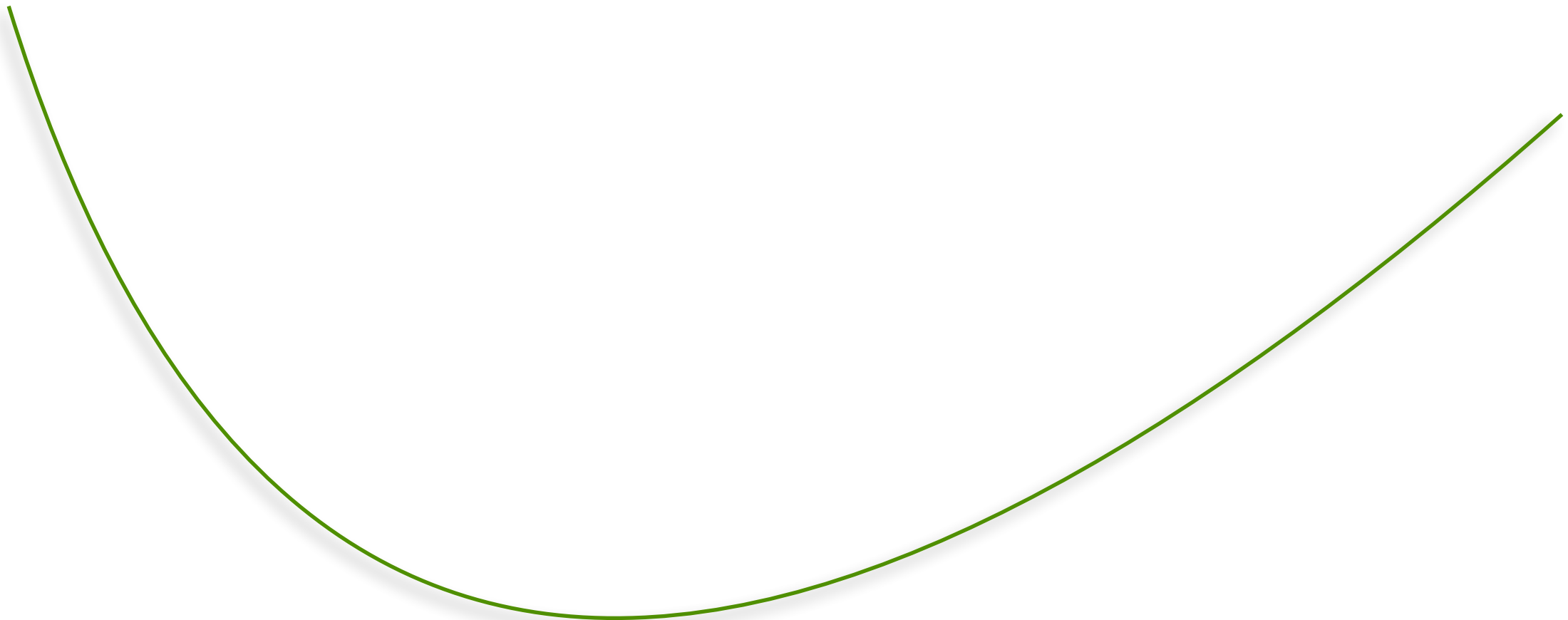


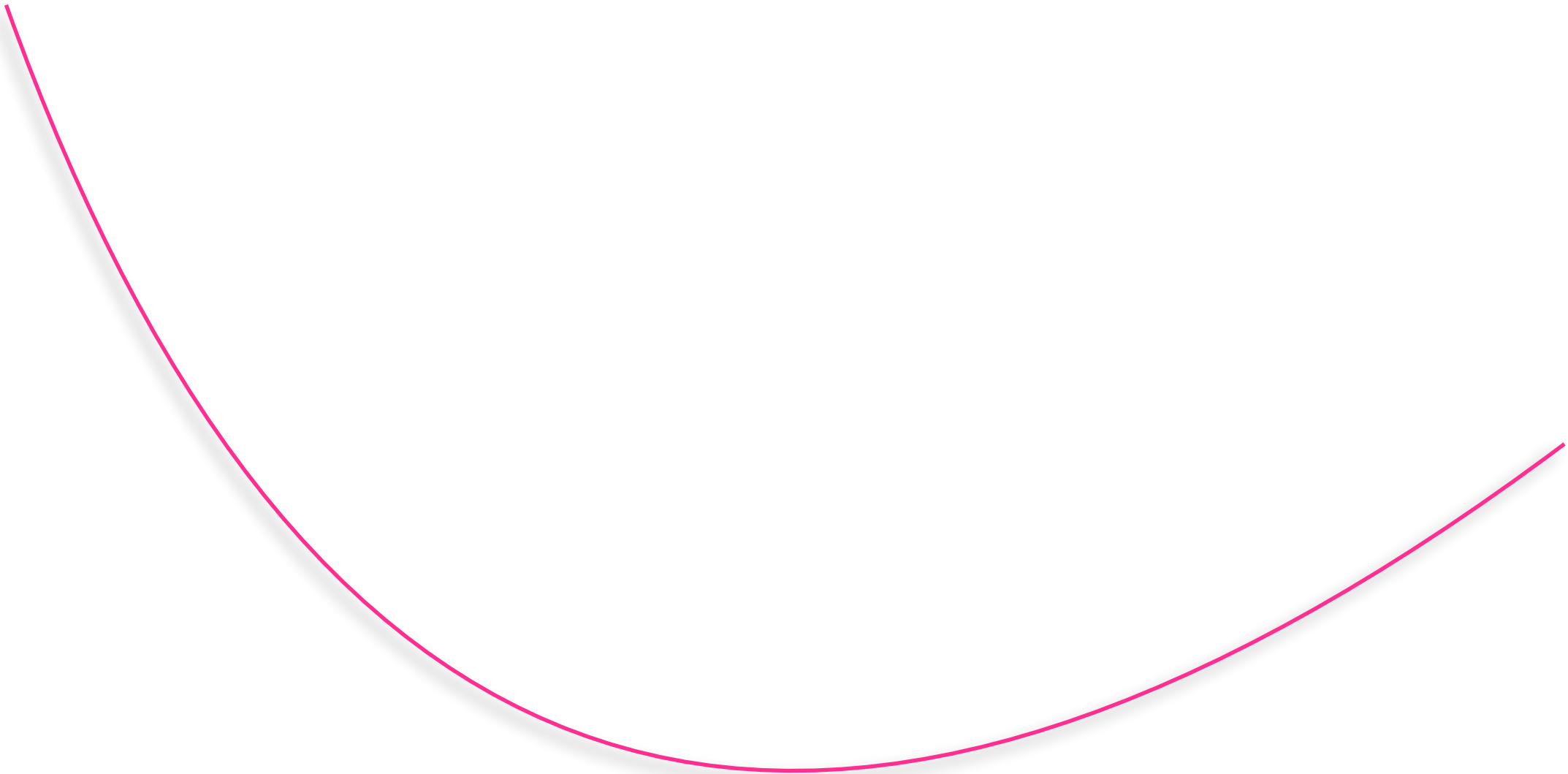


S

e







1

2

3

4

5

6

7

8

90

If the Market Price is  $P=4$  ————— MR



5

MR



Price  
rise

1

2

3

4

5

6

7

8

9

10

91

Loss

Firms exit, Supply shifts left and price rise



Price  
rise

6



MR

M







[REDACTED]

[REDACTED]

**M**

R

[REDACTED]

[REDACTED]

P

[REDACTED]

[REDACTED]



M







m

u

m

S



R

A





[REDACTED]

[REDACTED]

M









m

u

m



R

A







**M**



[REDACTED]

[REDACTED]

6

**M**

R

[REDACTED]

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6

P



6

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M







m

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[REDACTED]

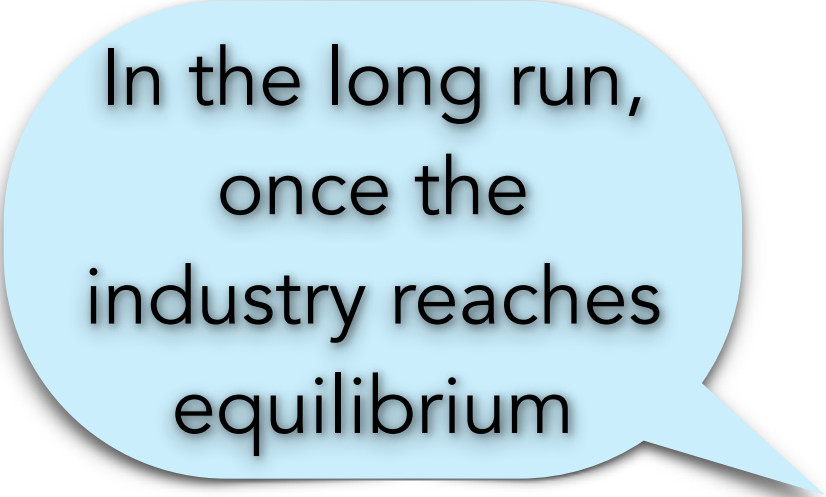
[REDACTED]

6

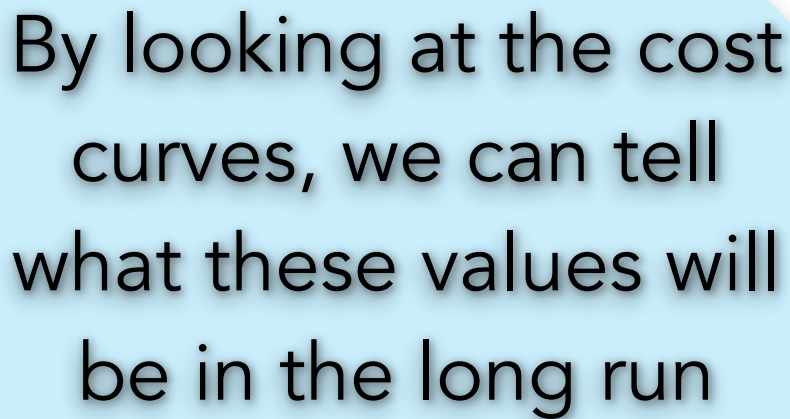
Once  $P = ATC$ , there will be no more losses, firms will not exit,  
supply will not shift left and the price will not rise anymore







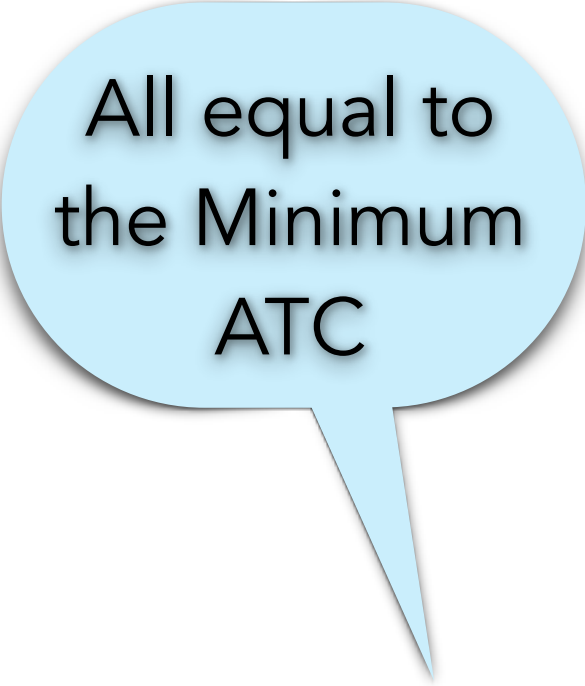
In the long run,  
once the  
industry reaches  
equilibrium



By looking at the cost curves, we can tell what these values will be in the long run

P, MC, MR, ATC, AVC

Q



All equal to  
the Minimum  
ATC

$$MC = MR = P = \text{Minimum SRATC} = \text{Minimum LRATC}$$

Firms exit, Supply shifts left and price rise

$MC=6$   $MR=6$   $P=6$  Minimum  $SRATC=6$  Minimum  $LRTC=6$

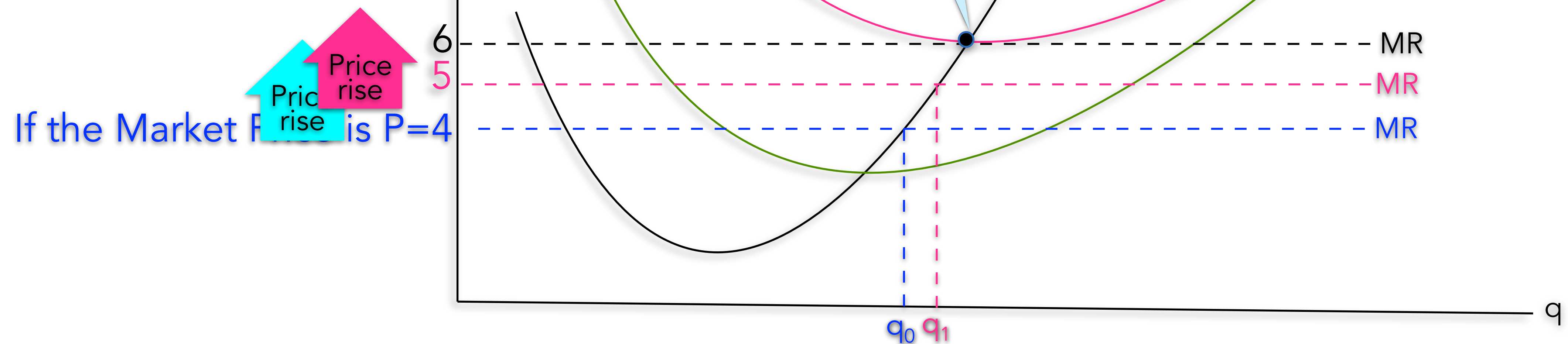


# Long Run Equilibrium Condition

In the long run,  
once the  
industry reaches  
equilibrium

$$MC = 6 \quad MR = 6 \quad P = 6 \quad \text{Minimum SRATC} = 6 \quad \text{Minimum LRATC} = 6$$

By looking at the cost  
curves, we can tell  
what these values will  
be in the long run



Once  $P = ATC$ , there will be no more losses, firms will not exit,  
supply will not shift left and the price will not rise anymore

If firms in the industry