

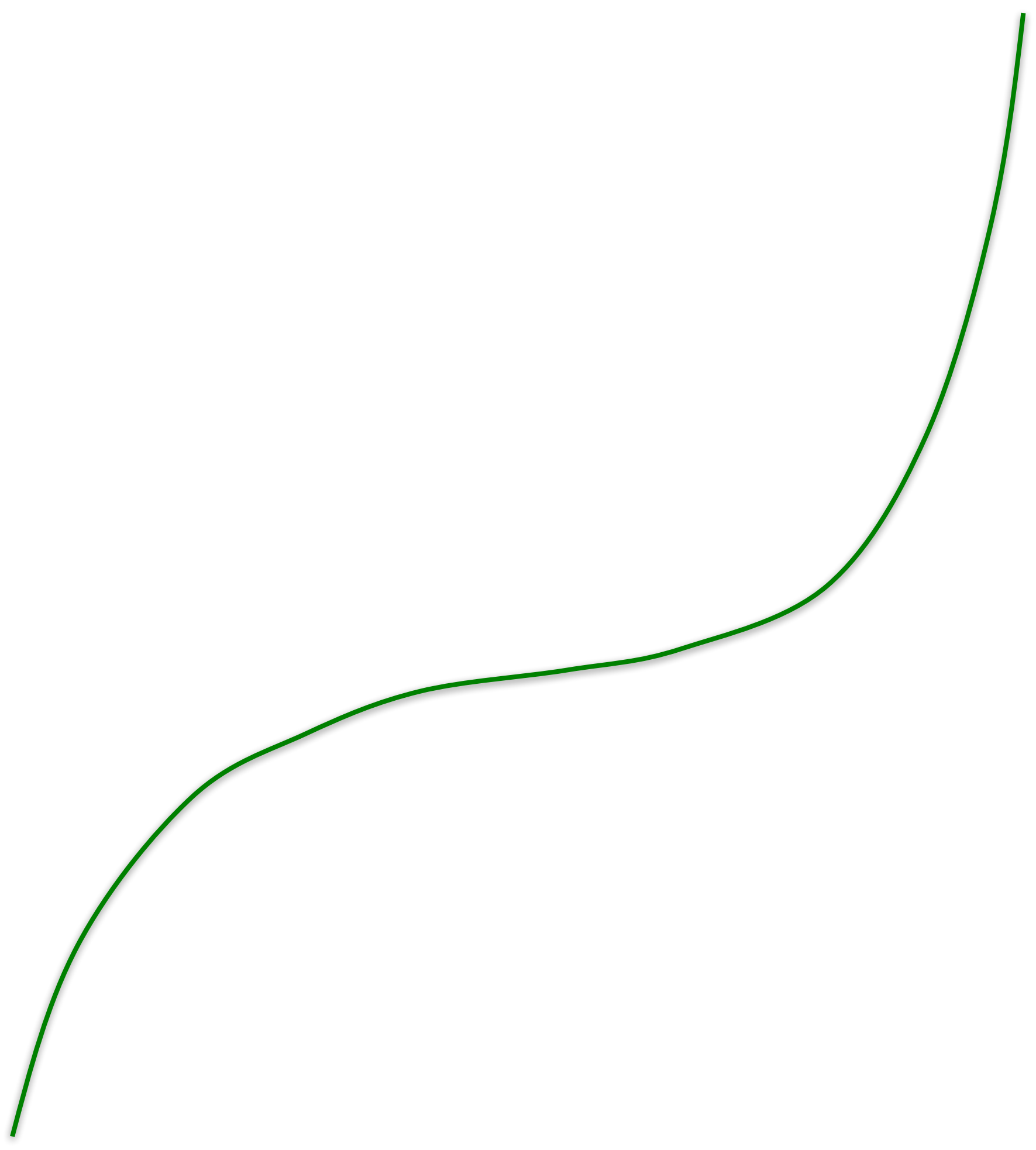
TR

Tc





q\*



VC

**I**

**FC**

If  $VC < TR = TC$

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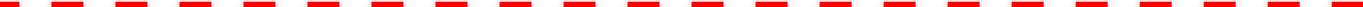
36

TR

=

TC








$$TR = TC$$



TC







The firm **breaks even**: The Loss if  
the firm produce  $q^*$  is zero



When the price is too low, the firm must decide whether it should produce at a loss or shut down

TR, TC, VC

VC

The loss if the firm shuts down = FC

In the short run, the firm should produce  $q^*$  to break even instead of shutting down and incurring a loss = FC

Output

The firm is indifferent  
between **exiting** the  
industry and producing  $q^*$   
in the **long run**

|

FC



When the **price is too low**, the firm must decide whether it should **produce at a loss** or **shut down**

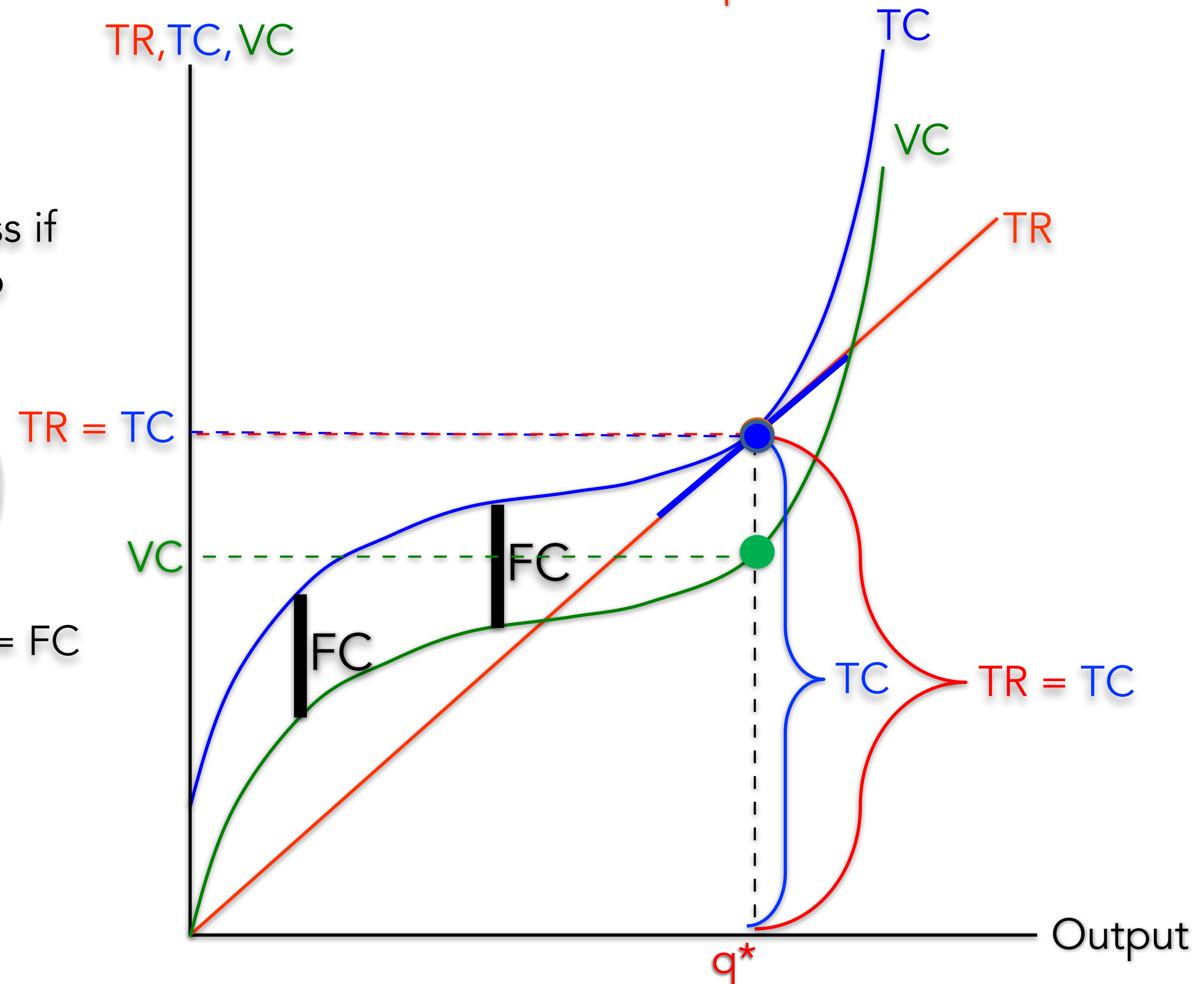
If  $VC < TR = TC$

The firm **breaks even**: The Loss if the firm produce  $q^*$  is zero

In the short run, the firm should produce  $q^*$  to break even instead of shutting down and incurring a loss = FC

The loss if the firm **shuts down** = FC

The firm is indifferent between **exiting** the industry and producing  $q^*$  in the **long run**



TR, TC, VC

Output