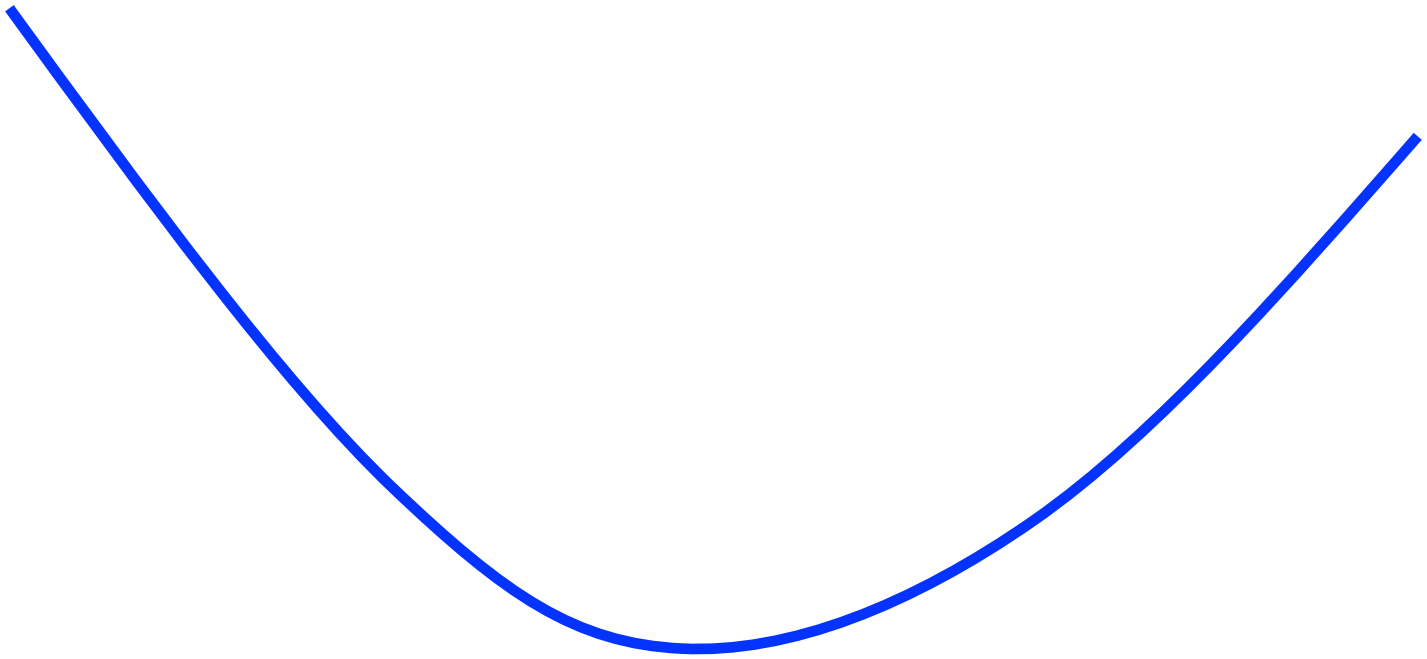
Long Run: EXIT if firms incur losses

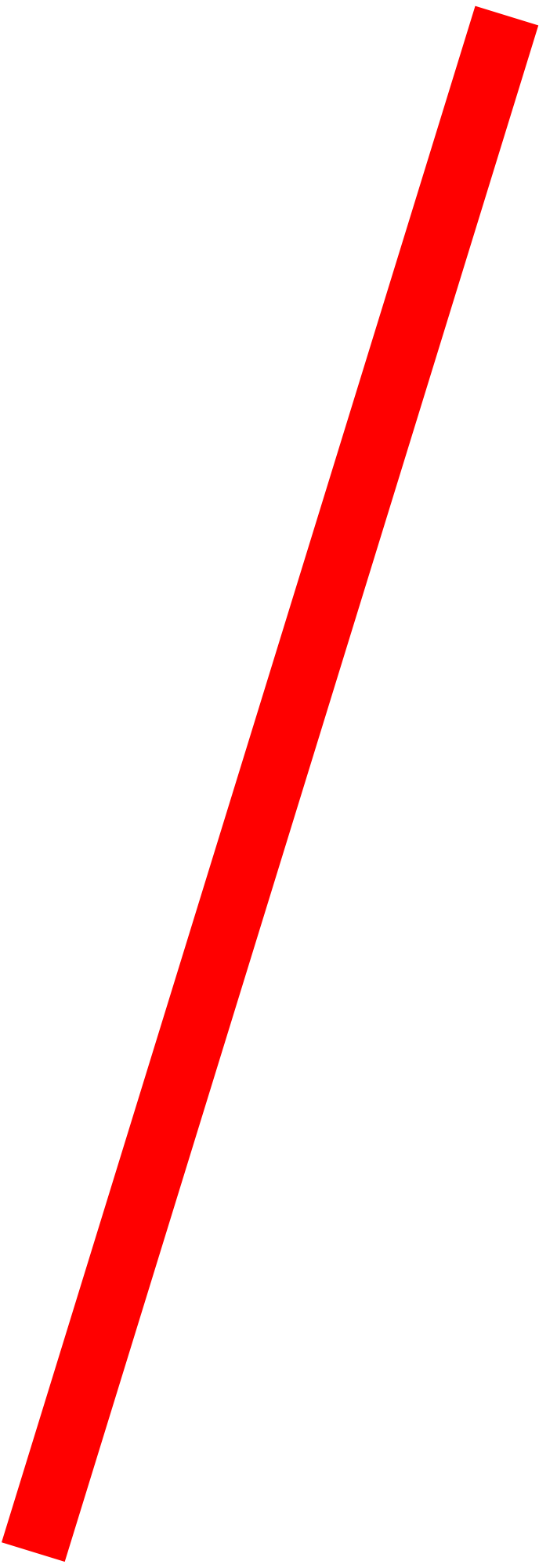


MC

LR Supply = MC above ATC

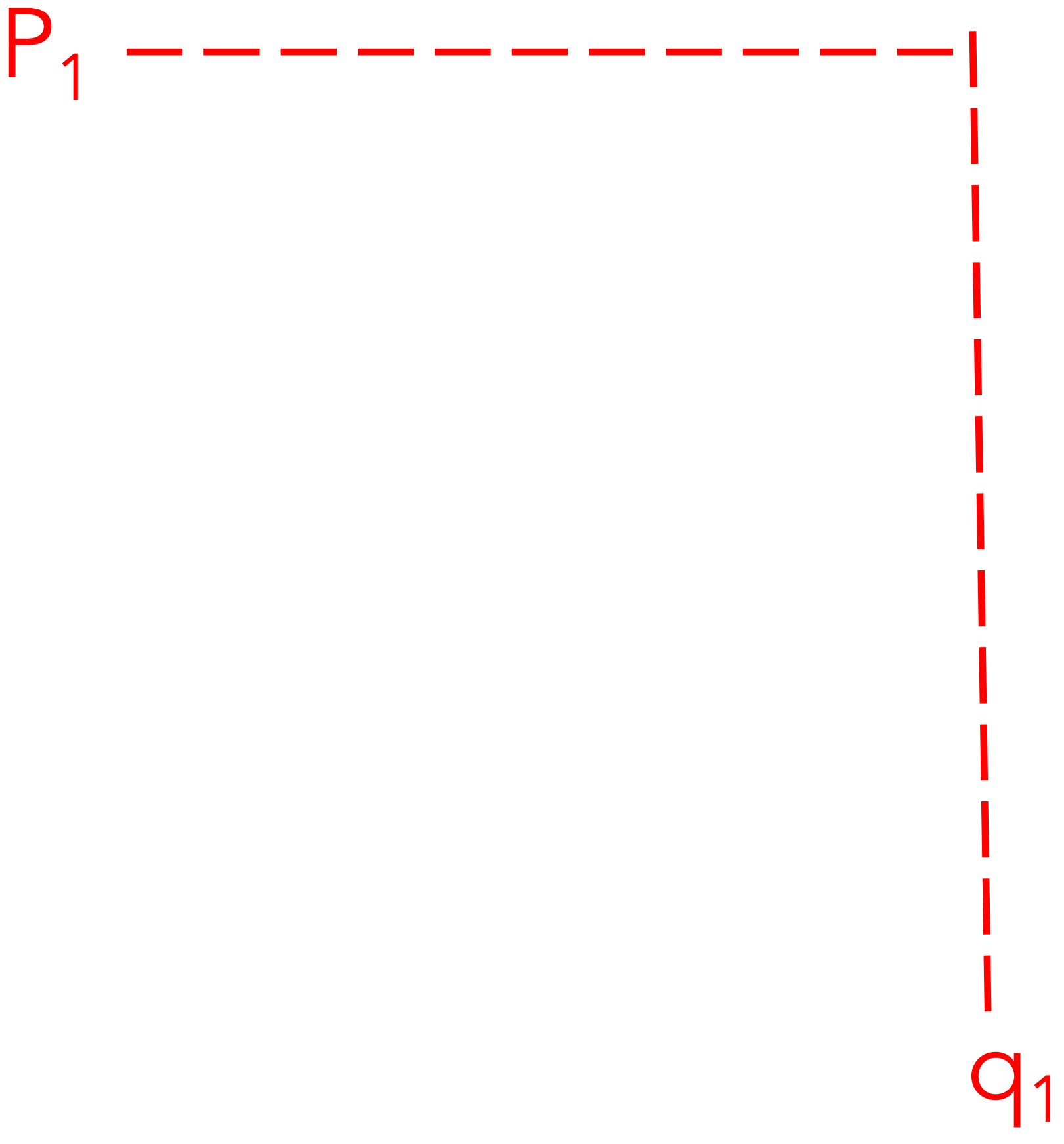
If price > ATC, produce q*

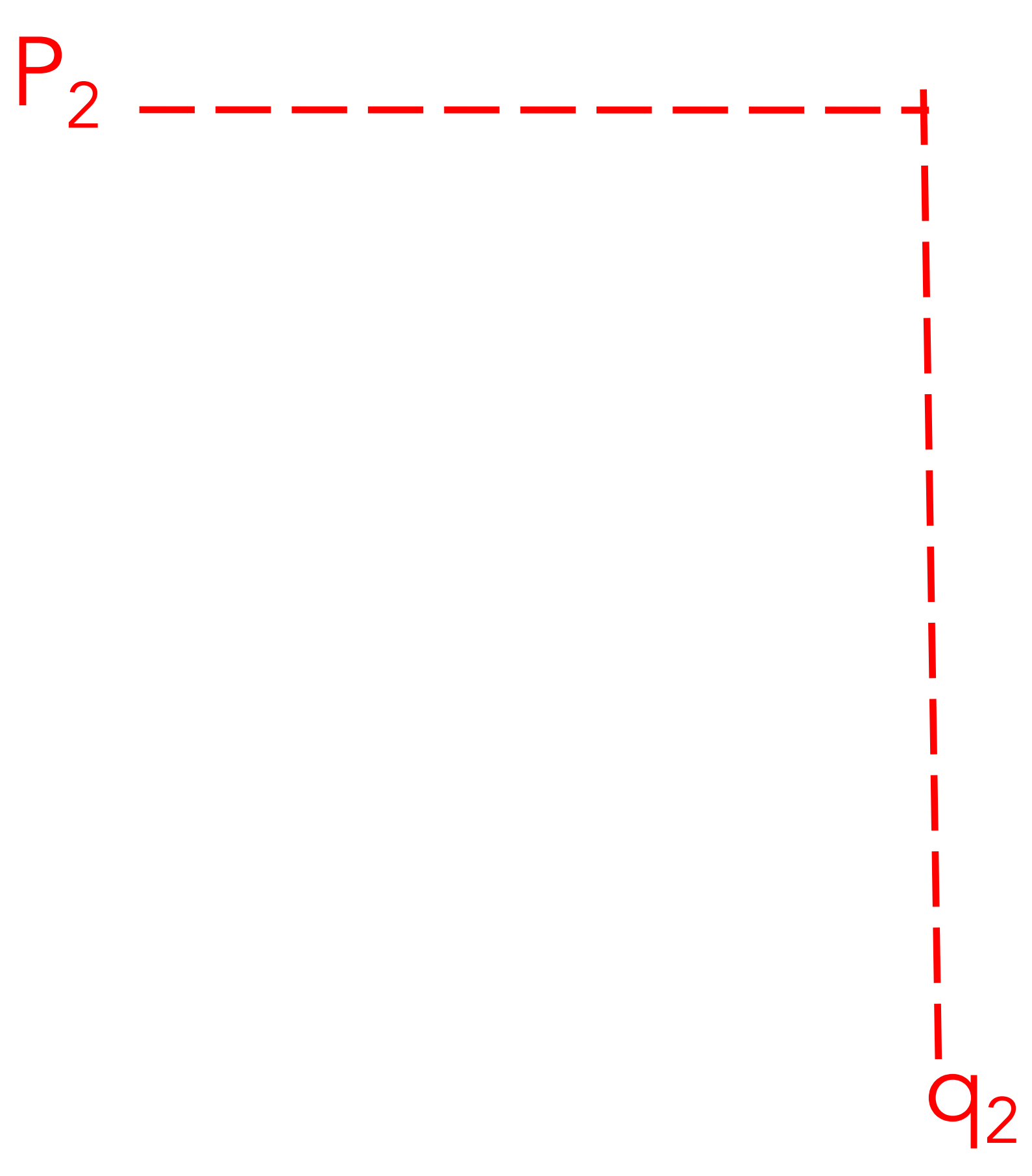
If price < ATC, Exit

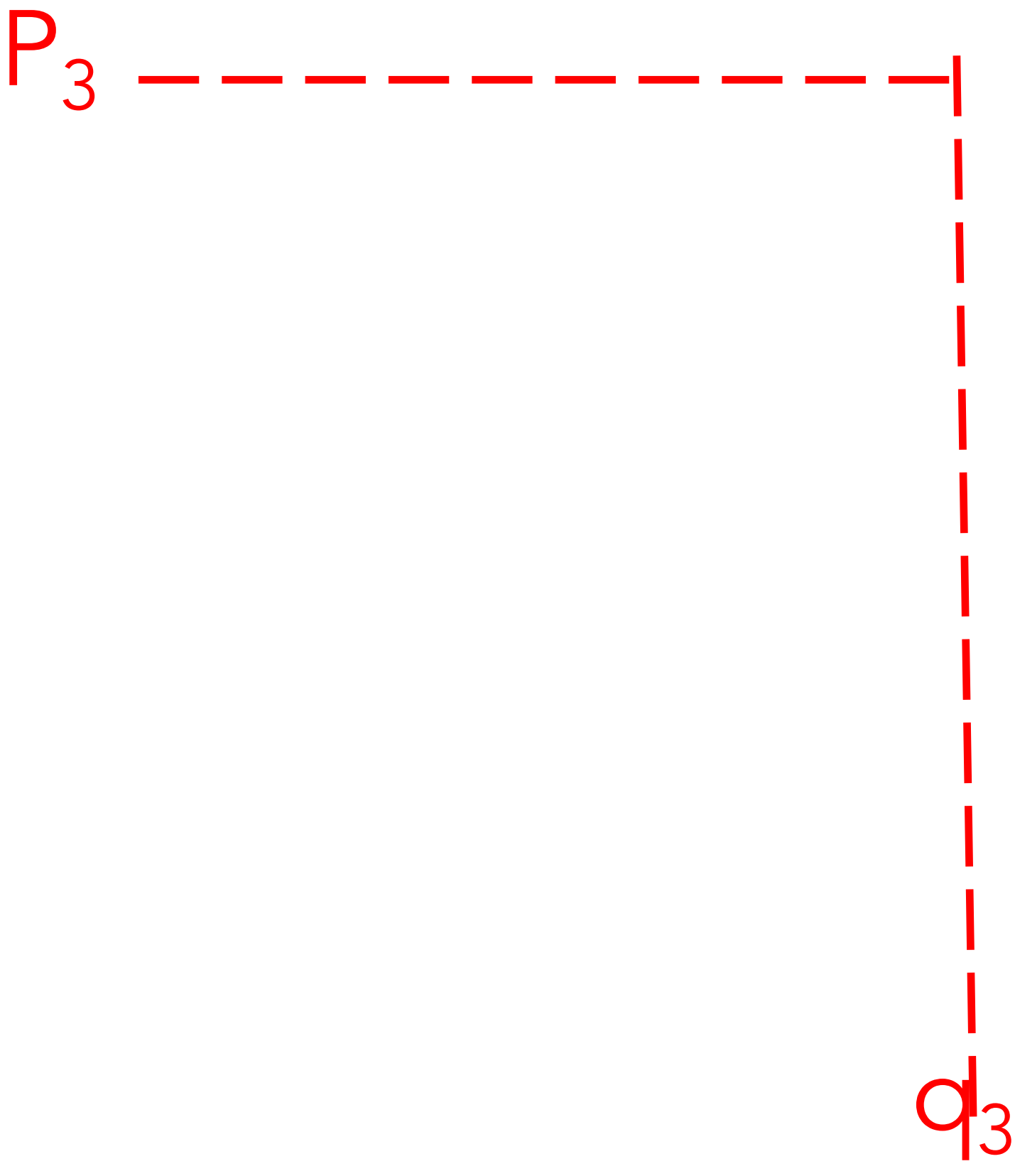


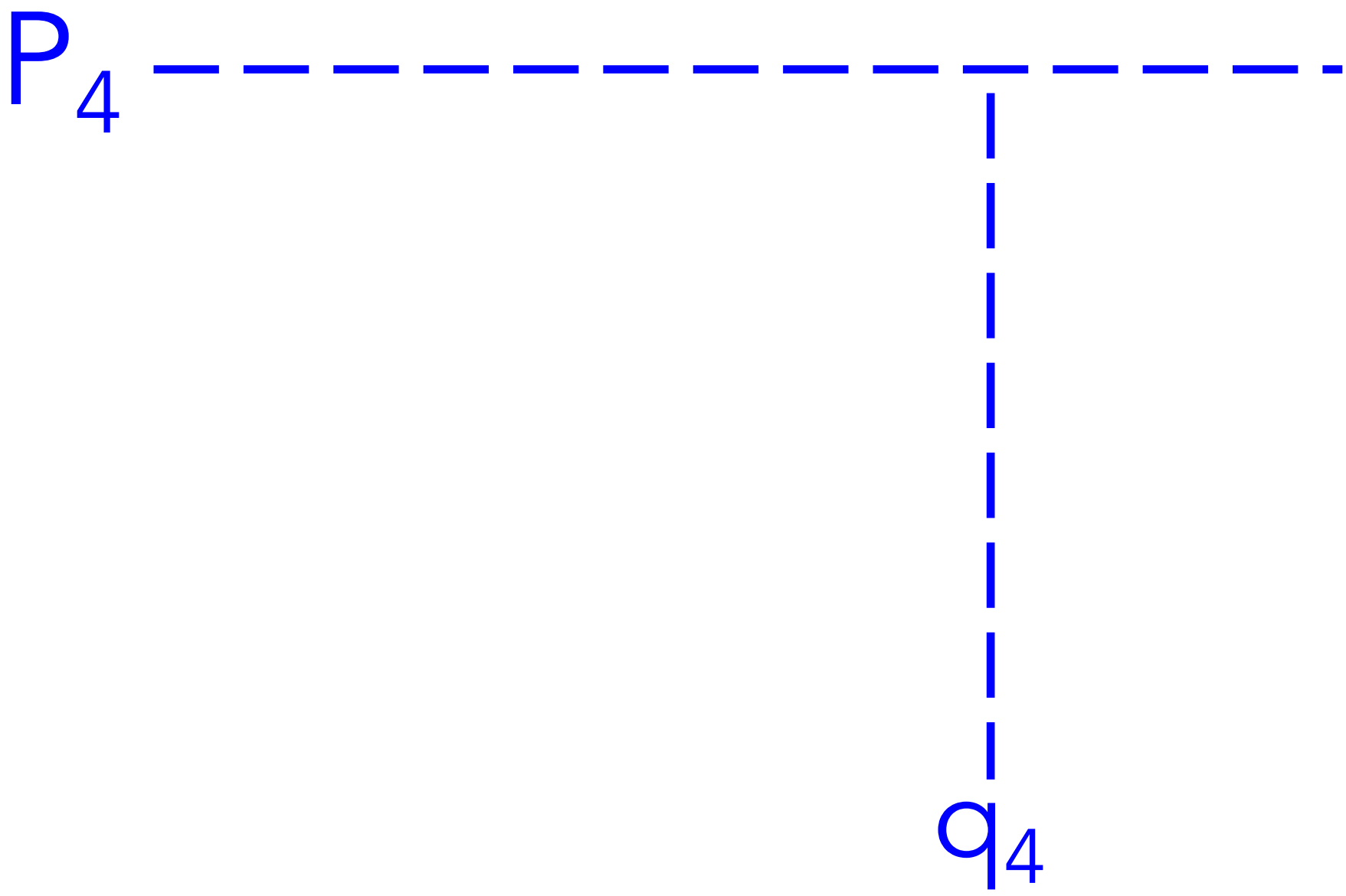
If price = ATC The firm is indifferent between stay/exit

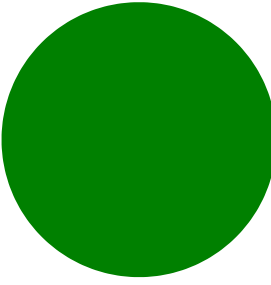
ATC


P1
q1


P2
q2


P3
q3


P4
q4



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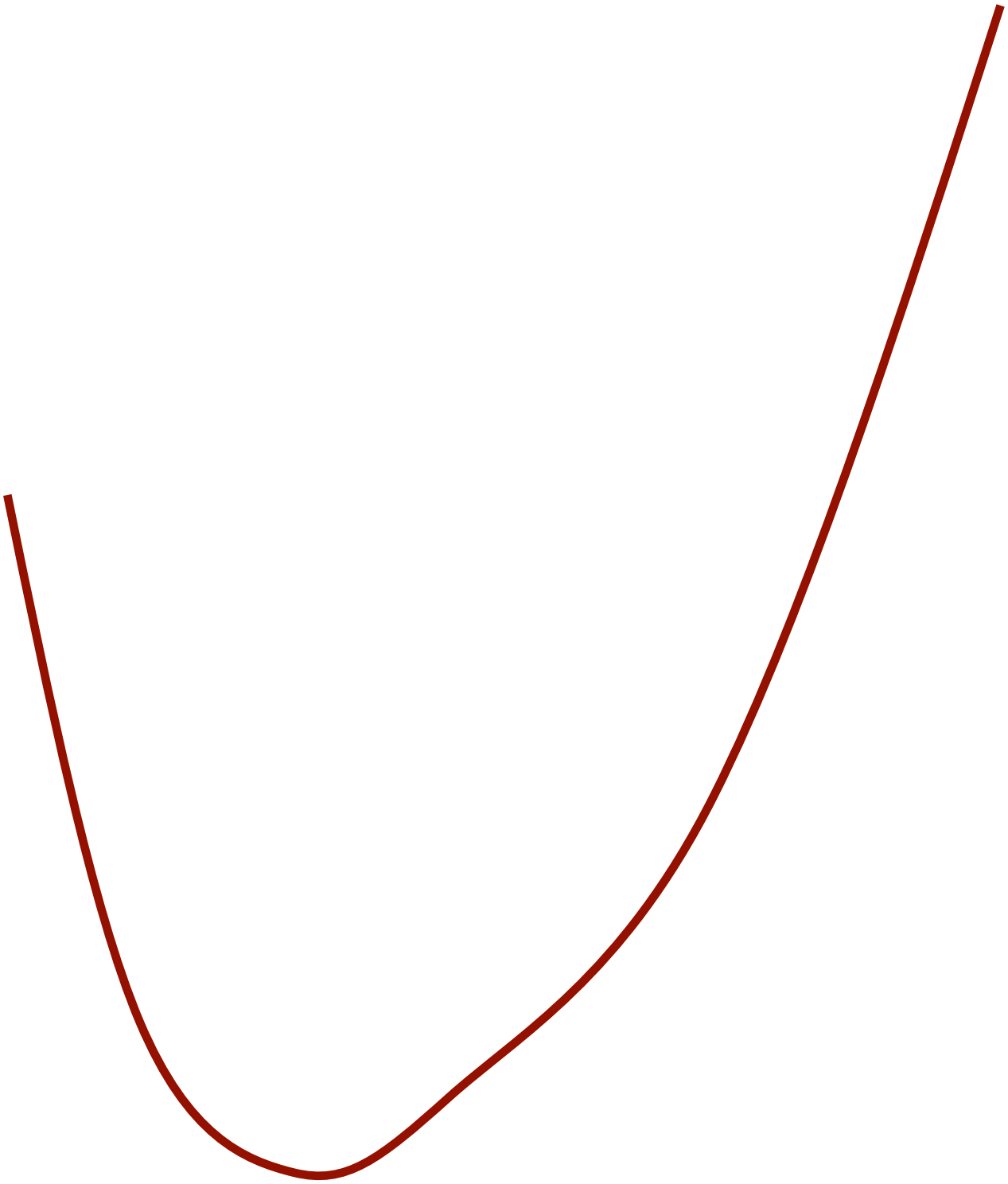
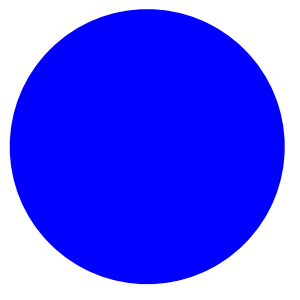


EXIT

Exit Price = Min ATC

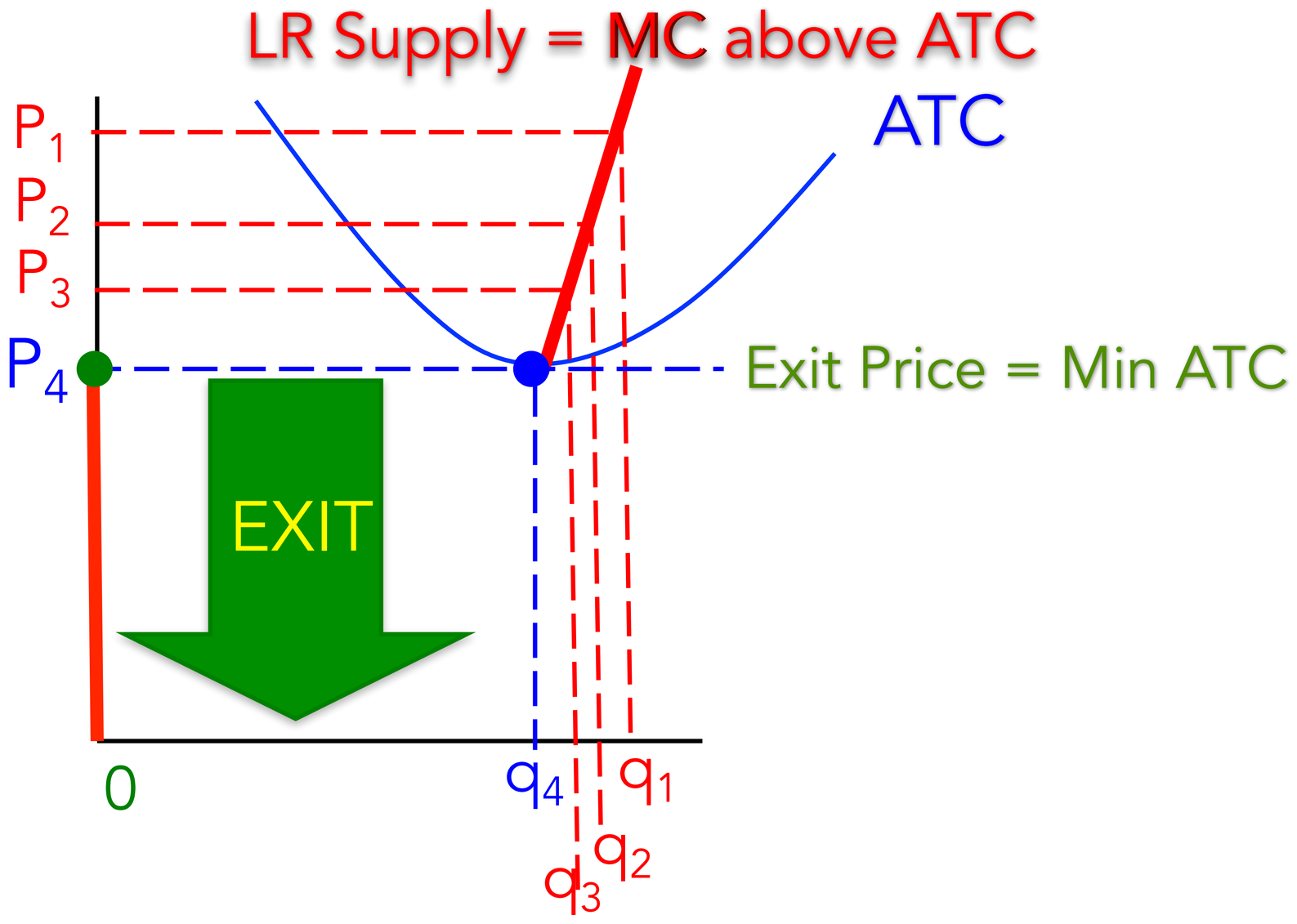


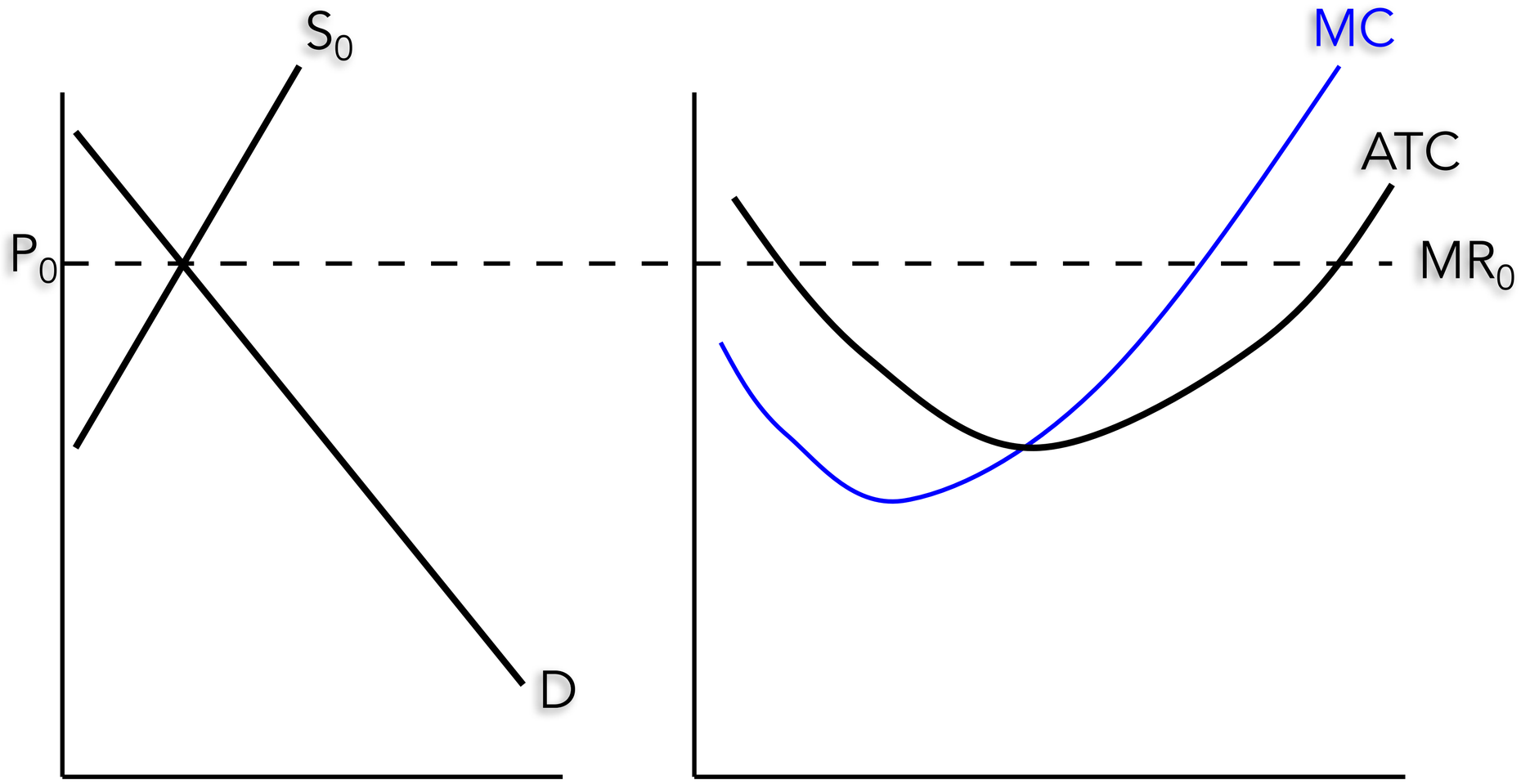
Long Run: EXIT if firms incur losses

If price > ATC,
produce q*

If price = ATC The firm is indifferent between stay/exit

If price < ATC,
Exit




S_0
P_0
D
MC
ATC
MR_0