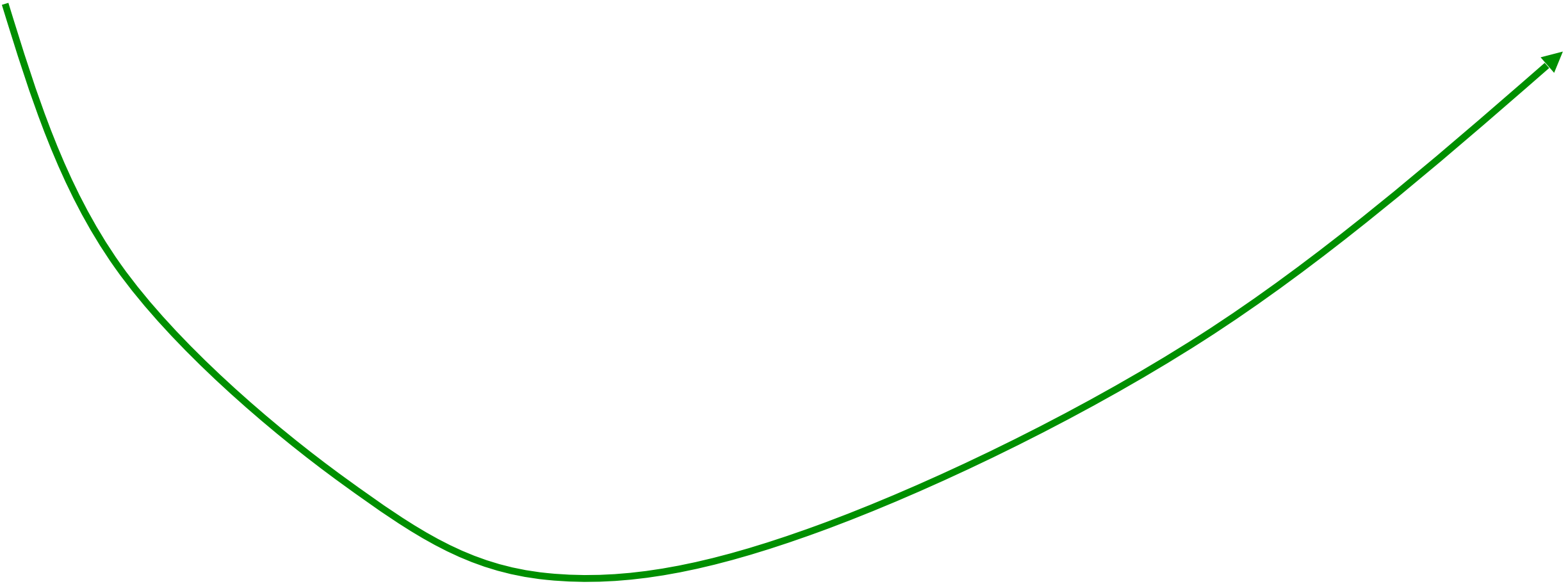
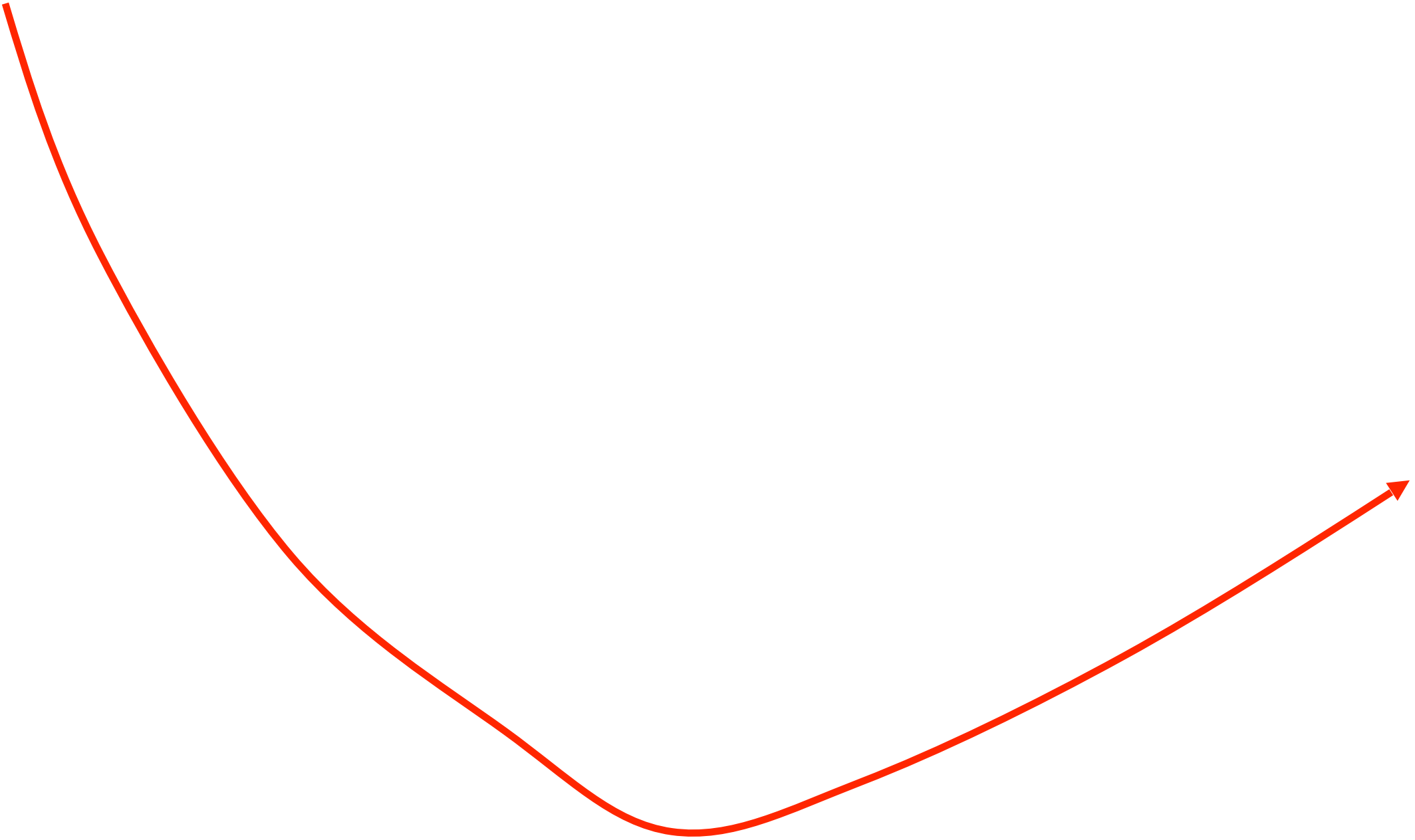


MC



AVC





ATC



MR





Q



Pe

Firm should produce  $q^*$  in the short run  
and produce  $q^*$  in the long run

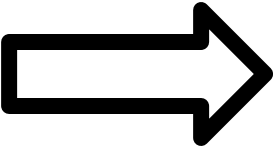


$P_e$

$>$

ATC

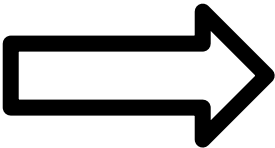
ATC

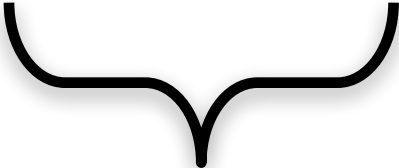


Firm makes a Profit



$$P_e \times q > ATC \times q$$



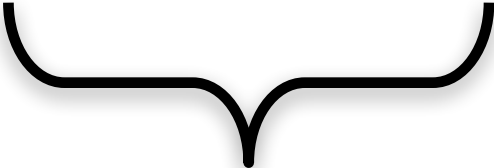




TR

>

TC



TR

TC

Profit

$$P_e > ATC \Rightarrow \underbrace{P_e \times q}_{TR} > \underbrace{ATC \times q}_{TC} \Rightarrow \text{Firm makes a Profit}$$

