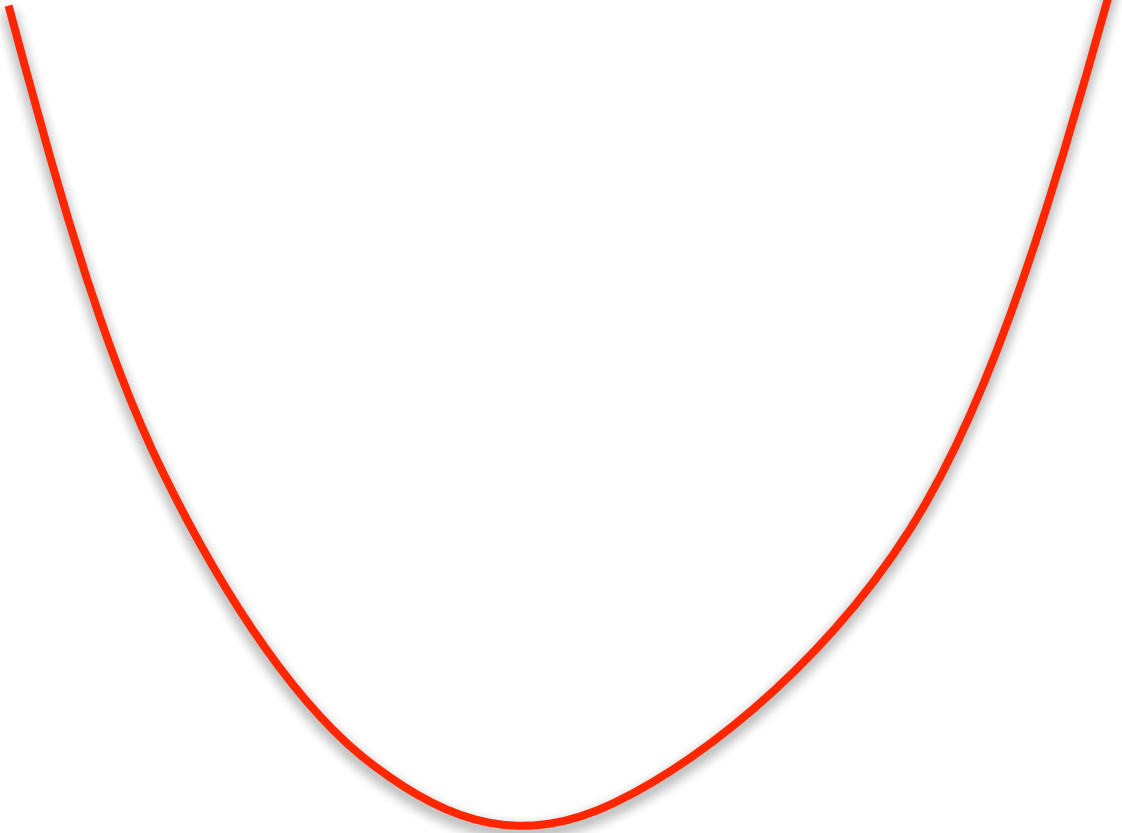
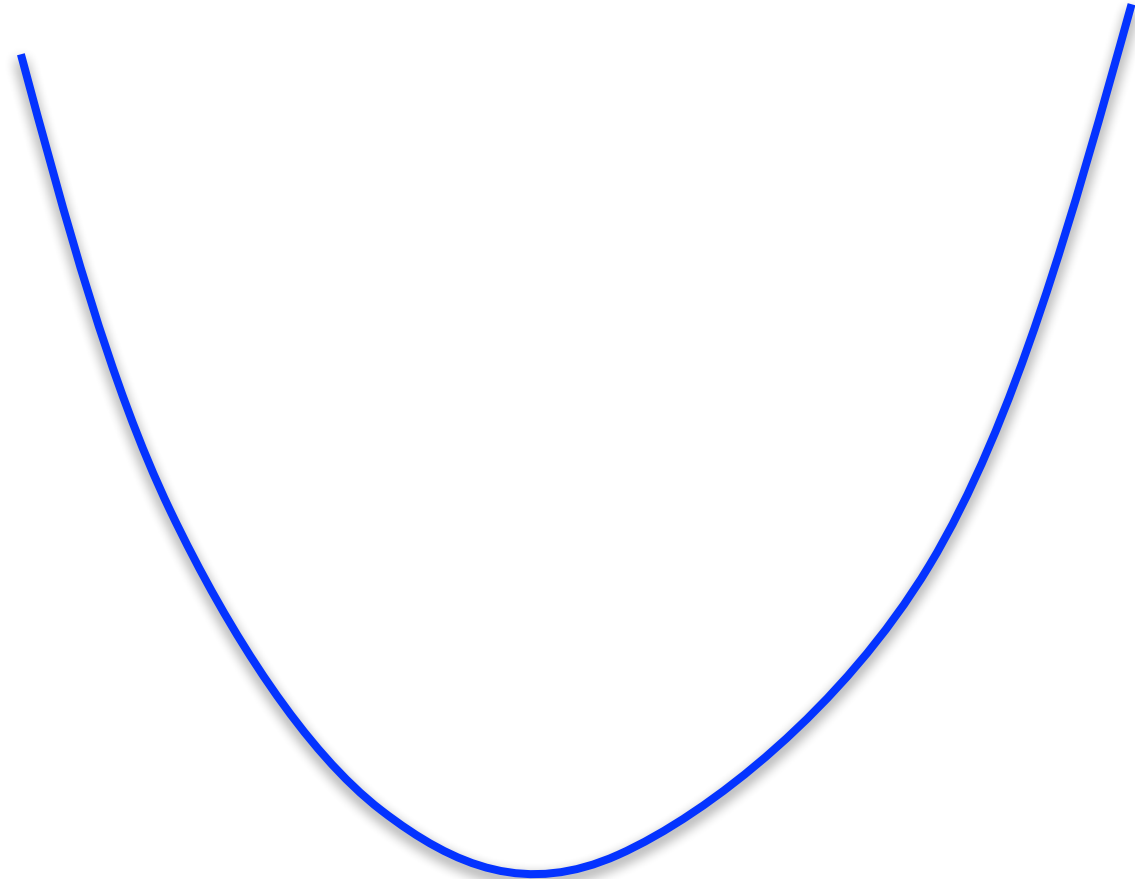




SRATC1



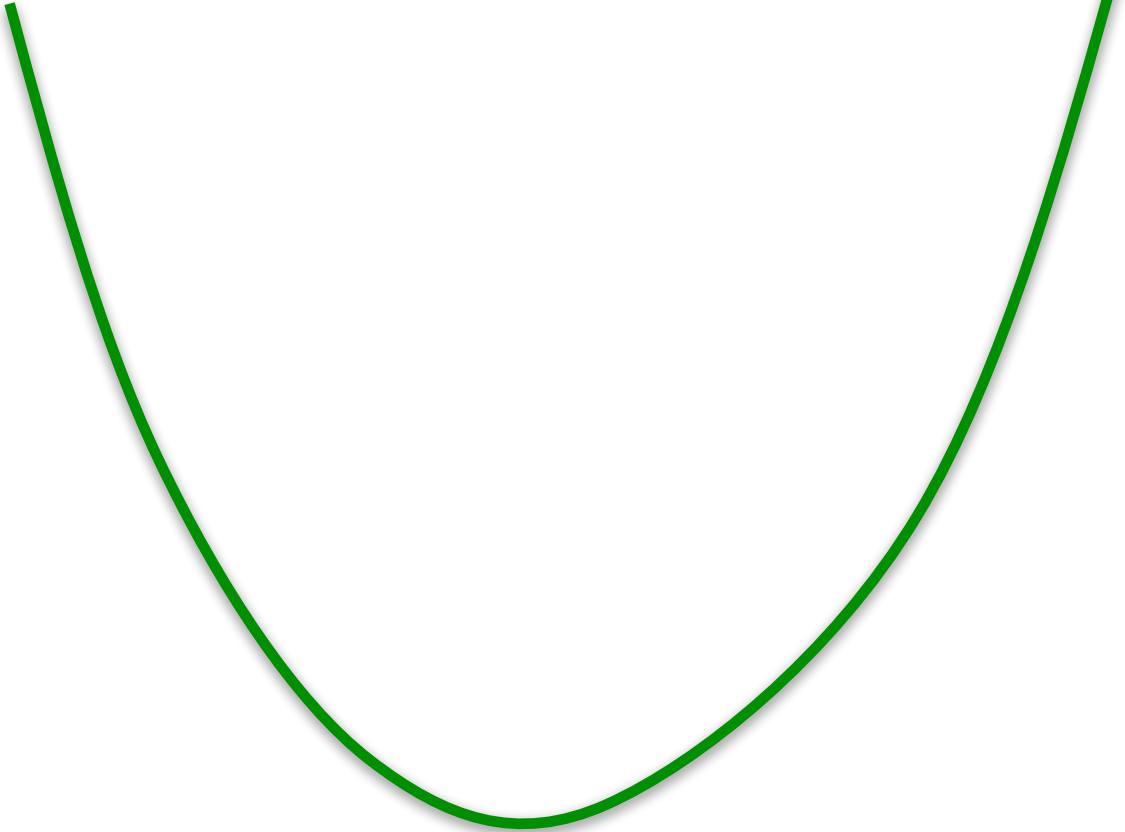
SRATC2

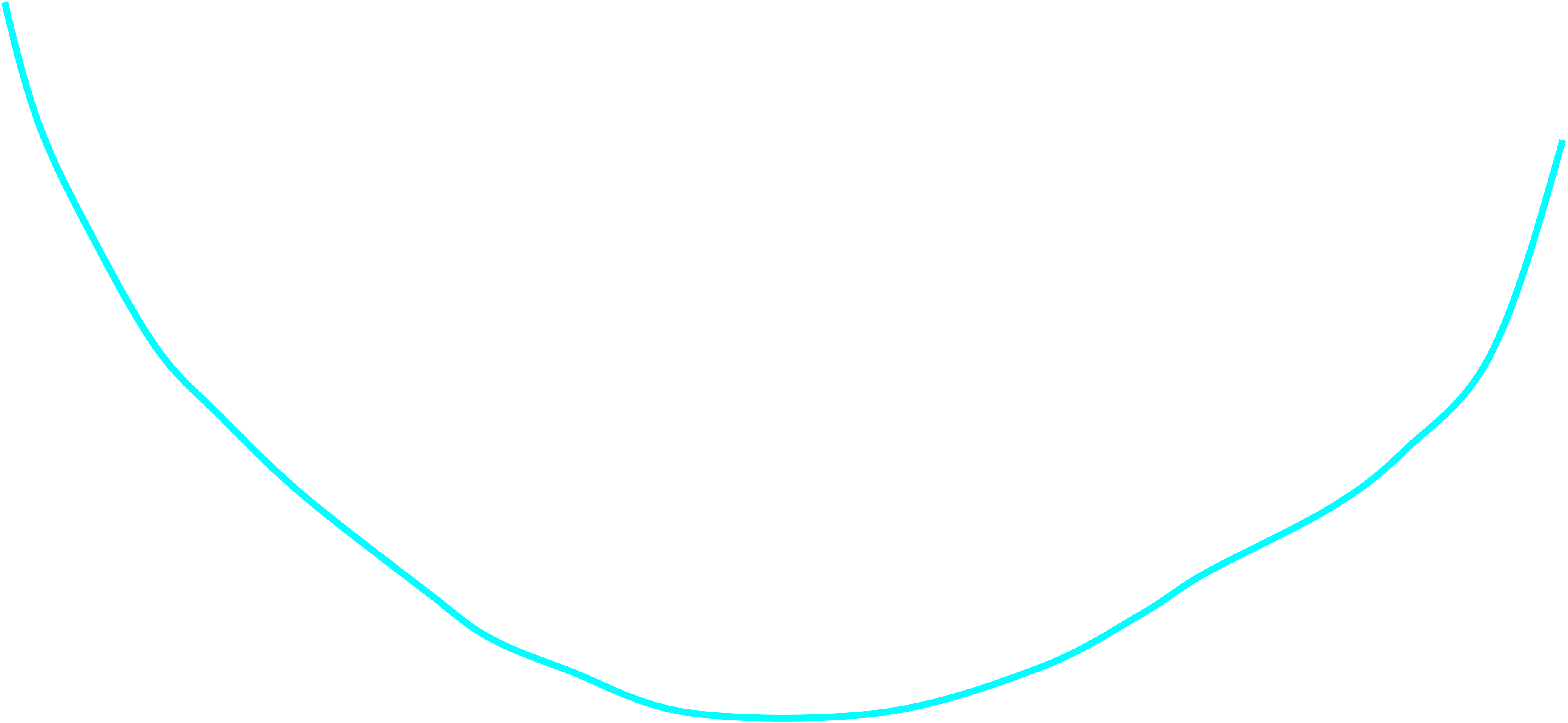


SRATC6



SRATC7





LRATC







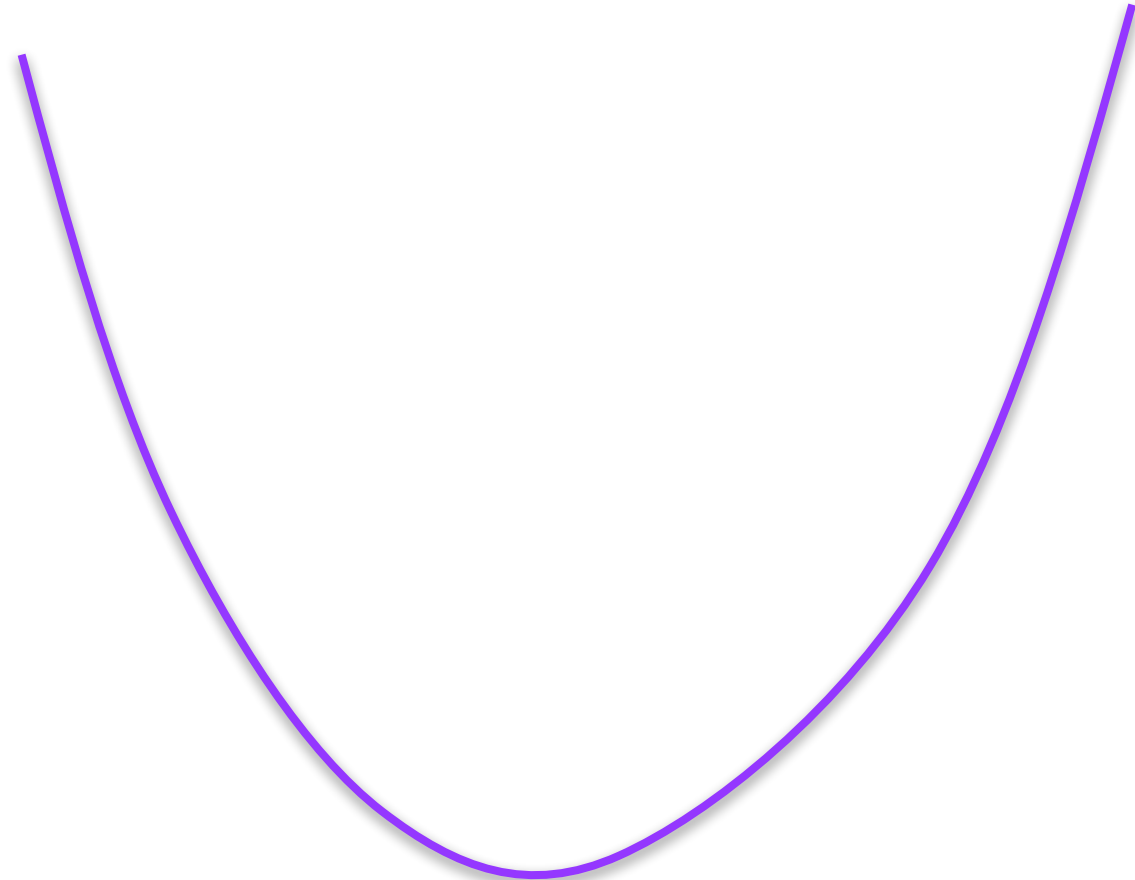
SRATC4



Output

NOTHING BUT  
THE BEST

SRATC3



Firms have an incentive to **change plant** size if not Minimizing **LRAVC**

The firm should  
expand the plant

The firm should  
contract the plant



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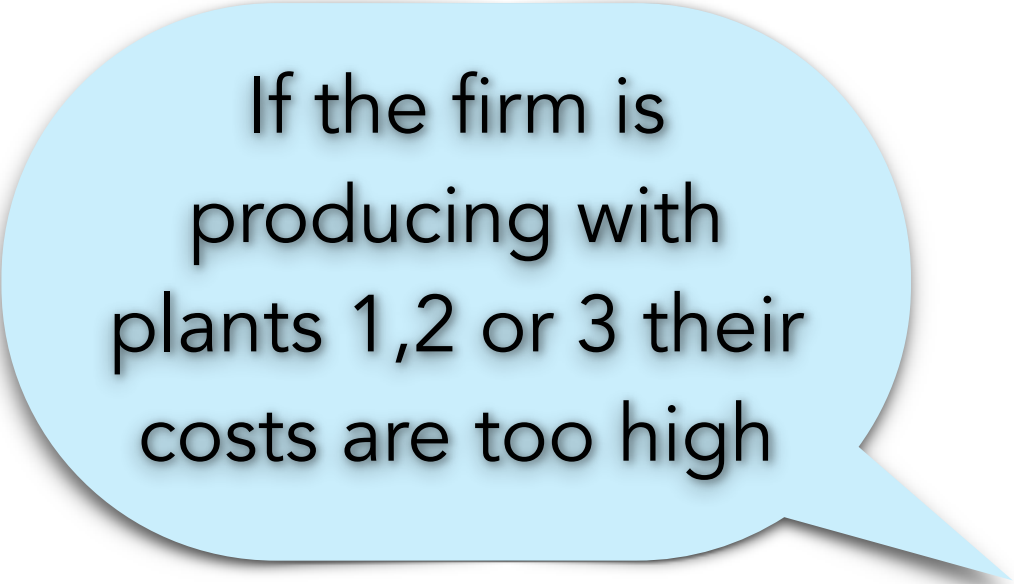


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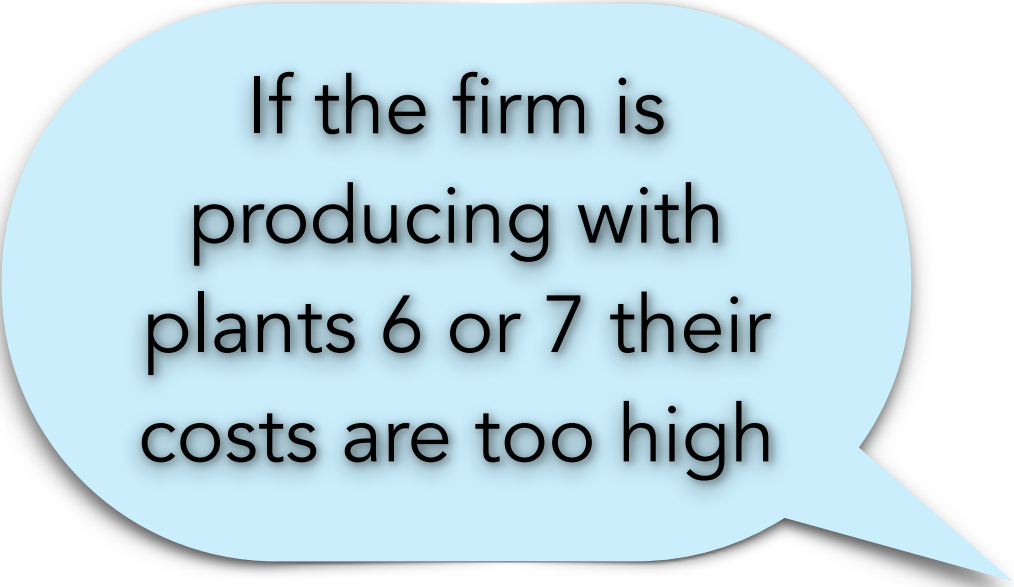
d



**Y**



If the firm is  
producing with  
plants 1,2 or 3 their  
costs are too high

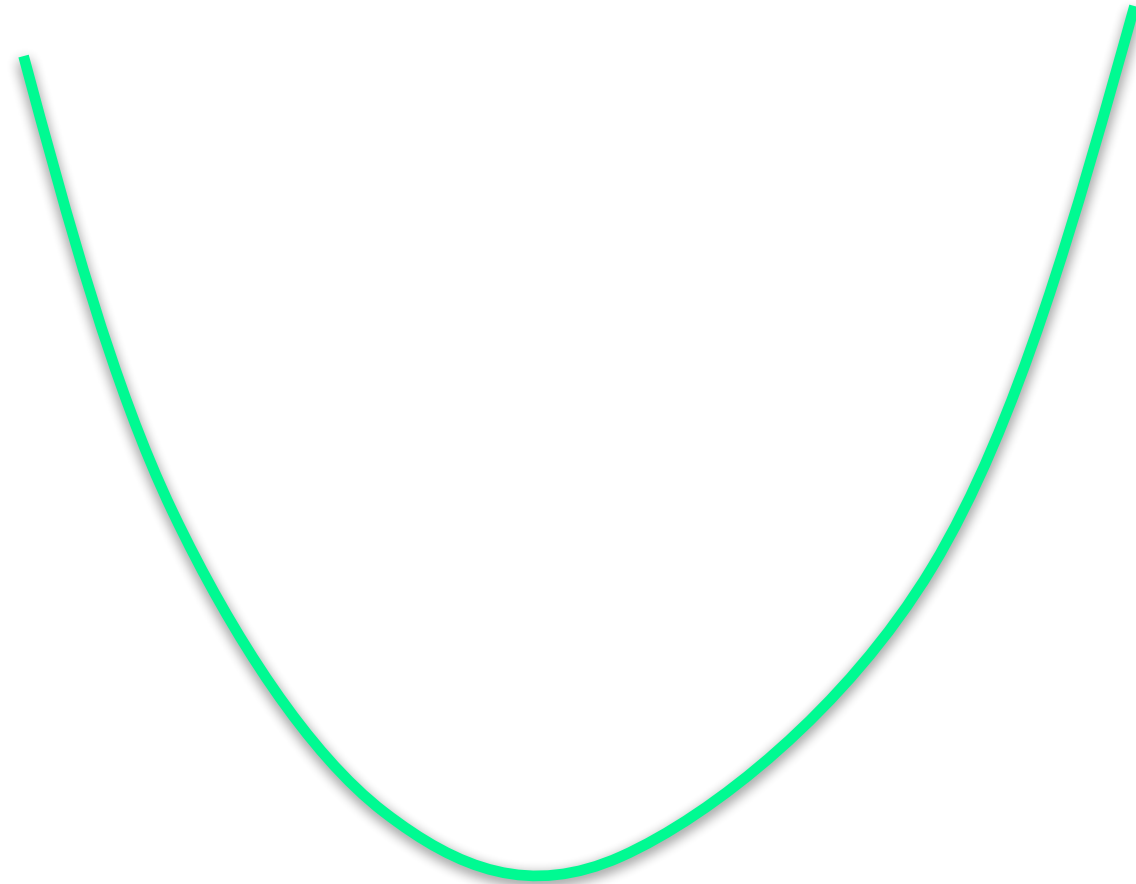


If the firm is  
producing with  
plants 6 or 7 their  
costs are too high



Lowest LRATC ← - - - - -

SRATC5

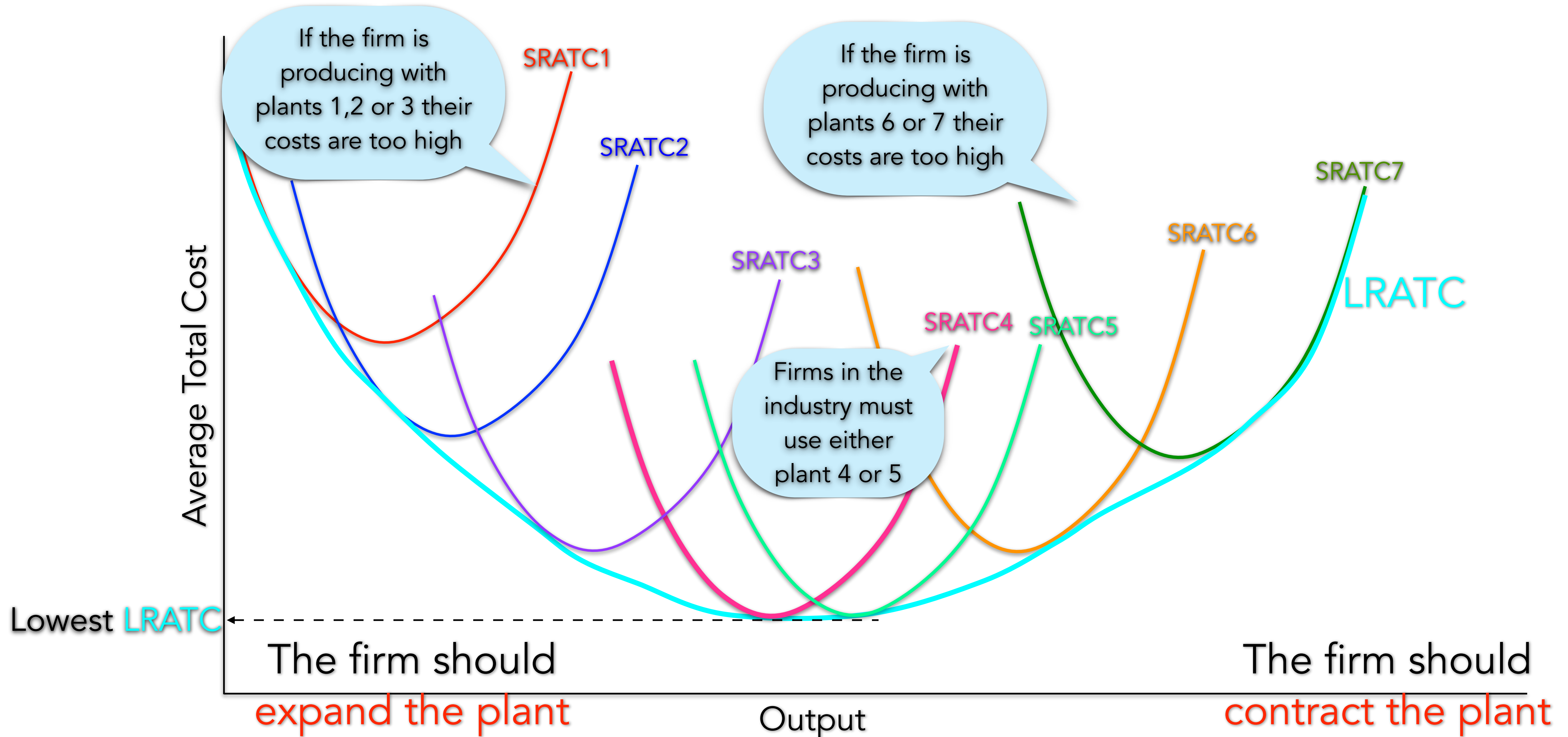




Firms in the  
industry must  
use either  
plant 4 or 5

Firms must use the **lowest cost** plant in order to survive in the industry

Firms have an incentive to **change plant** size if not Minimizing **LRATC**



Firms must use the **lowest cost** plant in order to survive in the industry

Equilibrium in the Industry