

The Average/Marginal Rule

If the next unit's MC is higher than the average cost

Average cost RISE

If the next unit's MC is lower than the average cost

Average cost FALL

If the next unit's **MC** is equal to the average cost

Average cost stays the SAME

MC

>

ATC

ATC RISE

MC

<

ATC

ATC

FALL

MC

=

ATC

ATC stays the SAME

MC

>

AVC

AVC RISE

MC

<

AVC

AVC

FALL

MC

=

AVC

AVC stays the SAME

The Average/**Marginal** Rule

If the next unit's **MC** is **higher** than the average cost

$$MC > ATC$$

ATC **RISE**

$$MC > AVC$$

AVC **RISE**

If the next unit's **MC** is **lower** than the average cost

$$MC < ATC$$

ATC **FALL**

$$MC < AVC$$

AVC **FALL**

If the next unit's **MC** is **equal to** the average cost

$$MC = ATC$$

ATC **stays the SAME**

$$MC = AVC$$

AVC **stays the SAME**

