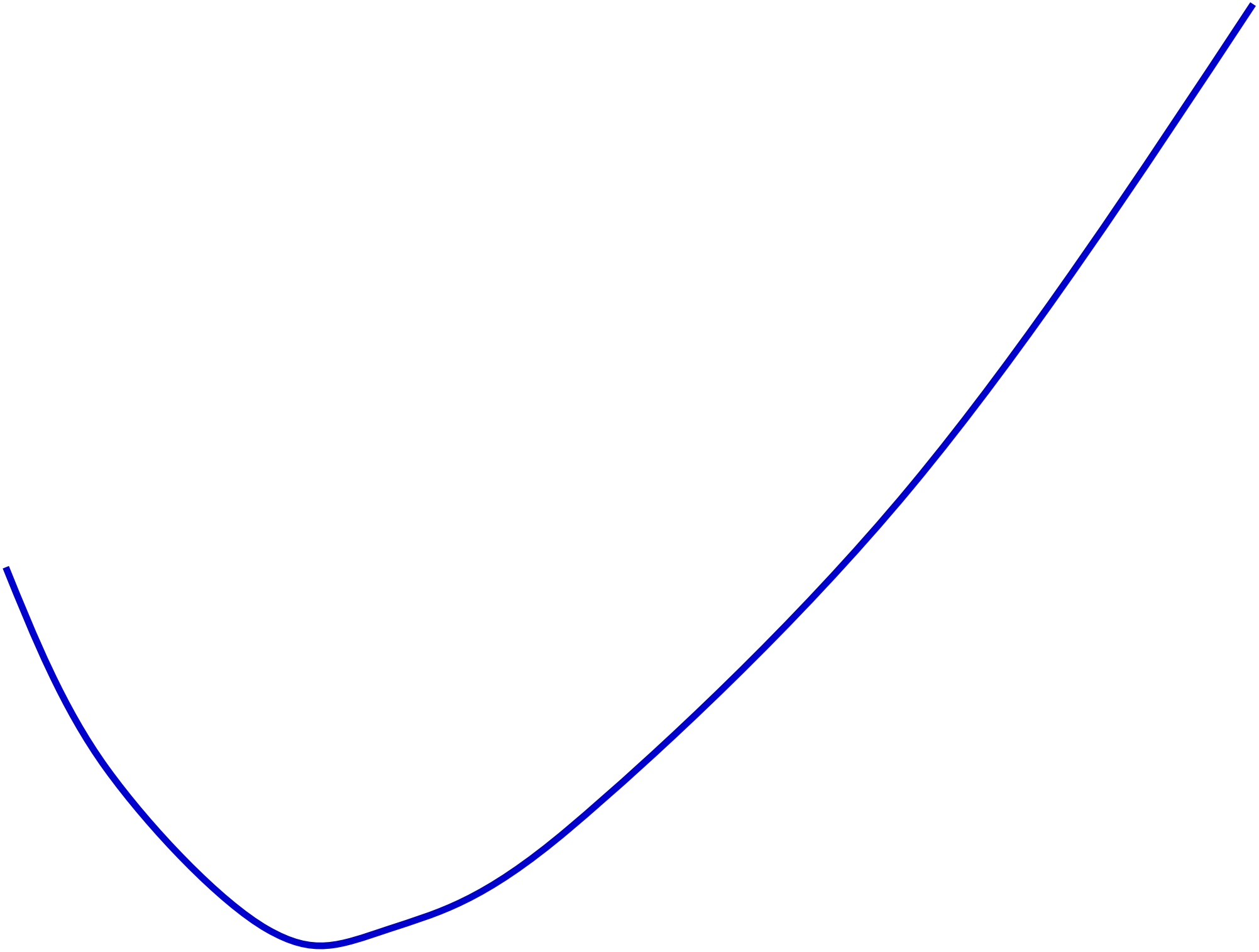
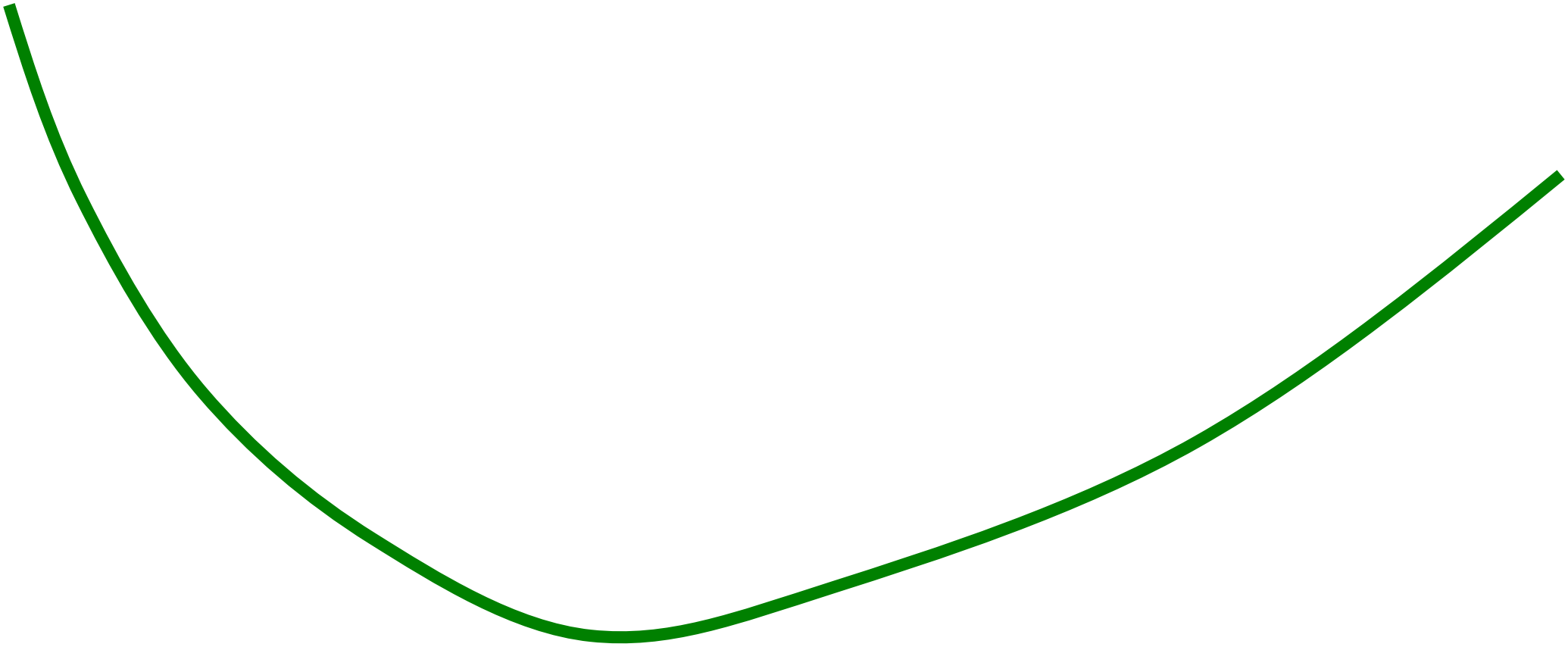


TR = Zero









MC

AVC



ATC

q = 0

FC



The **loss** if the firm **Shuts**
Down is equal to the **Fixed**
Cost

VC = Zero

When a firm **Shuts Down** the plant
the firm produces zero units

Losses =

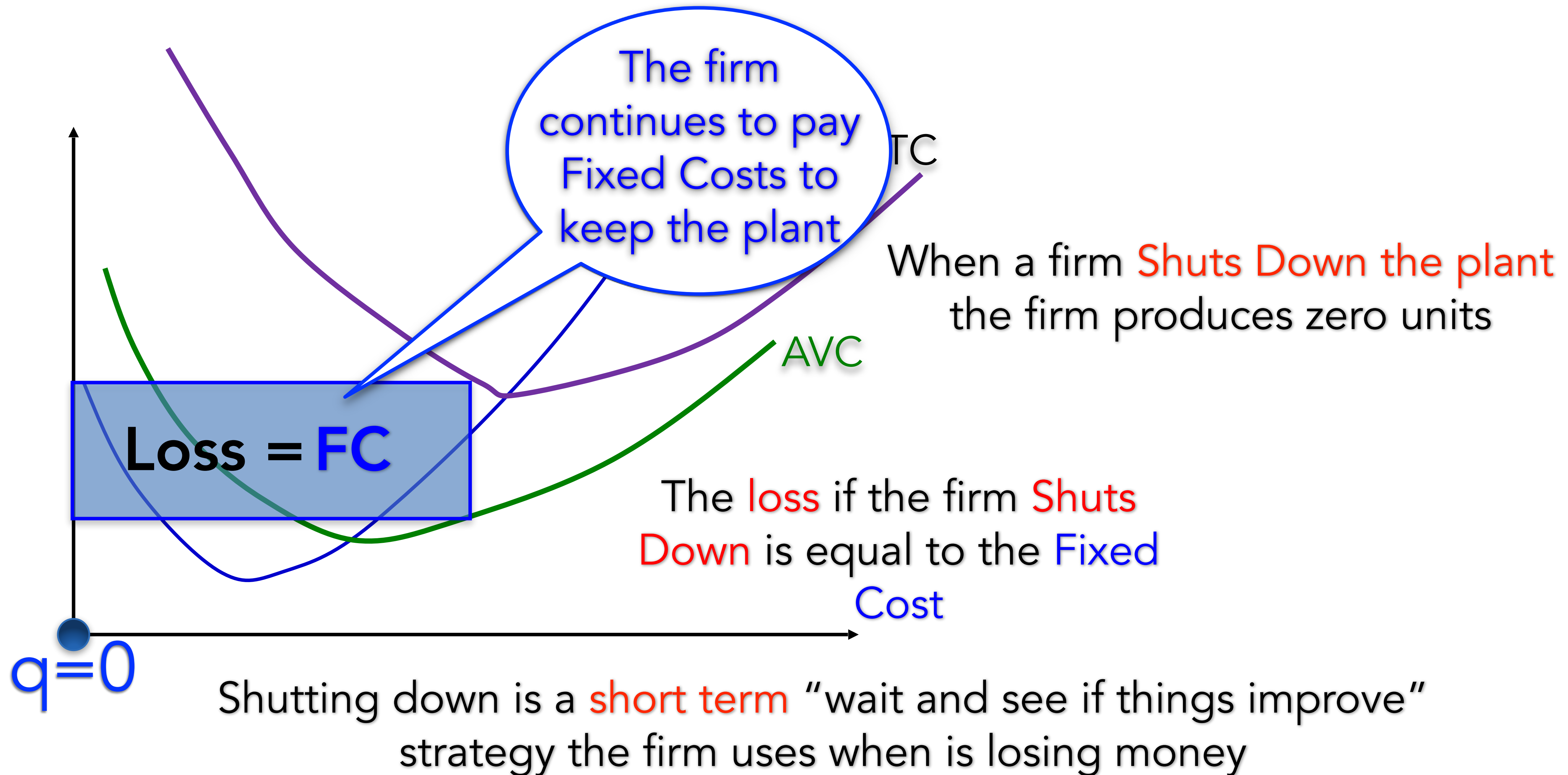
Shutting down is a **short term** "wait and see if things improve"
strategy the firm uses when is losing money



The firm
continues to pay
Fixed Costs to
keep the plant

Shutting Down the Plant

Shutting Down the Plant



Loss if the firm **shuts**
down is **equal** to the
Fixed Cost

