

MC

C

AVC

ATC

MR



Q



P

e

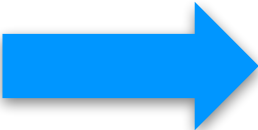
Firm should produce q^* in the short run and
produce q^* in the long run

Pe

>

ATC

ATC



Firm makes a Profit





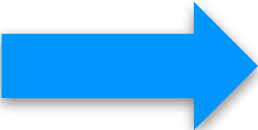
P_e

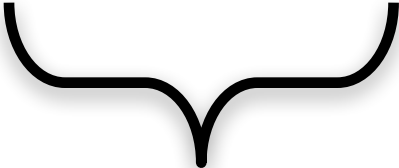
$\times q$

$>$

ATC

$\times q$





TR

>

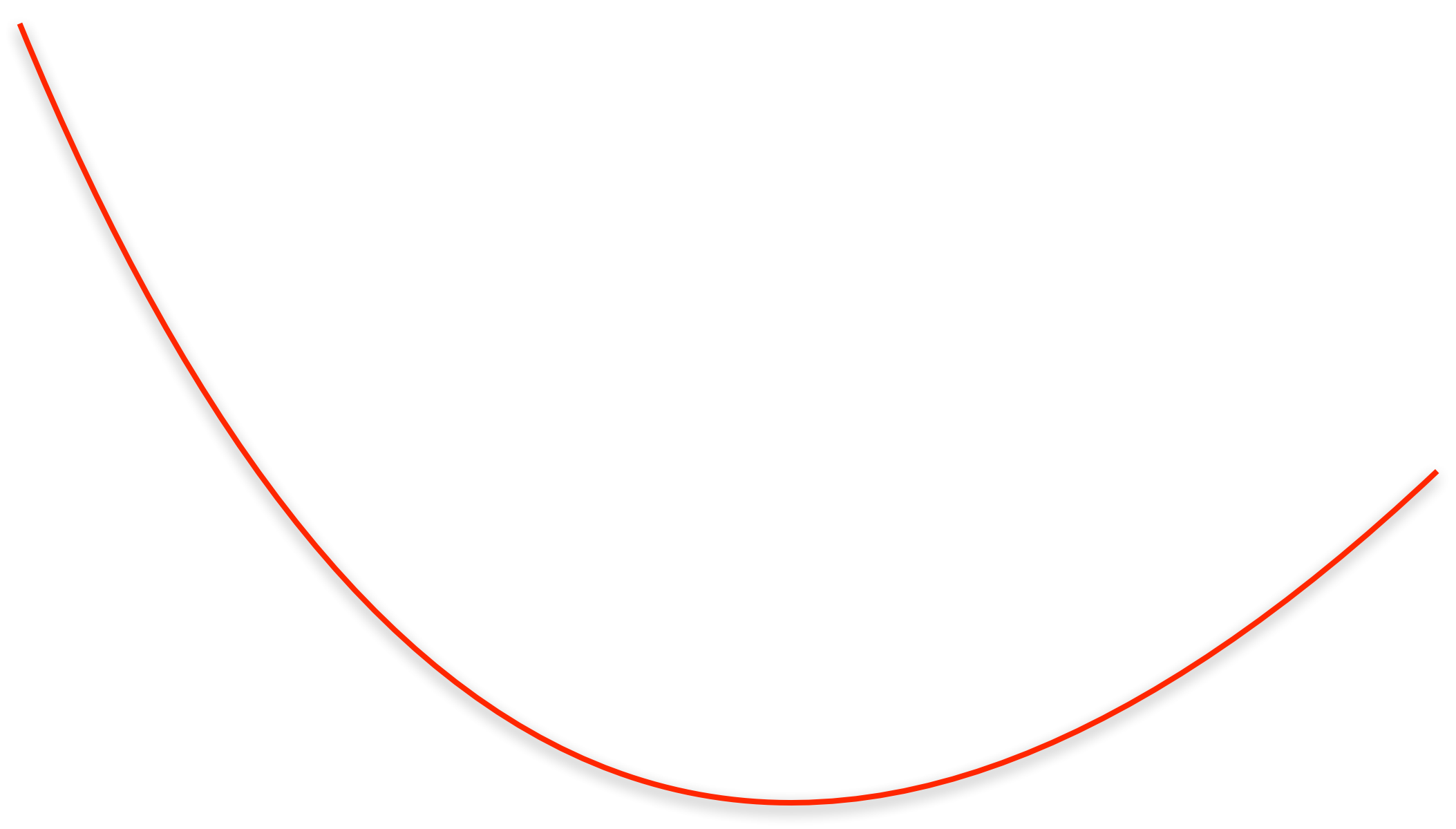
TC

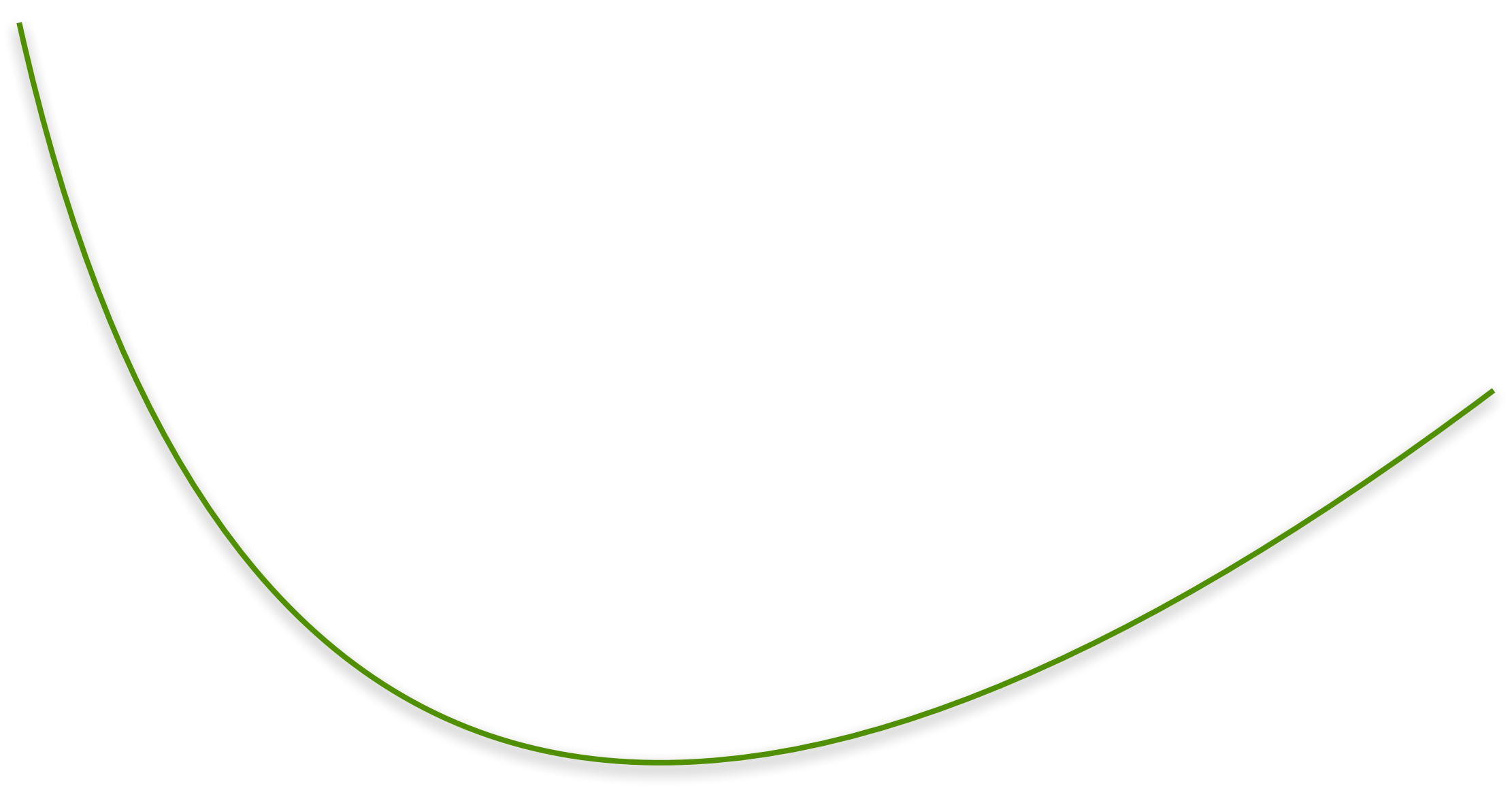


TR

TC

Profit





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

