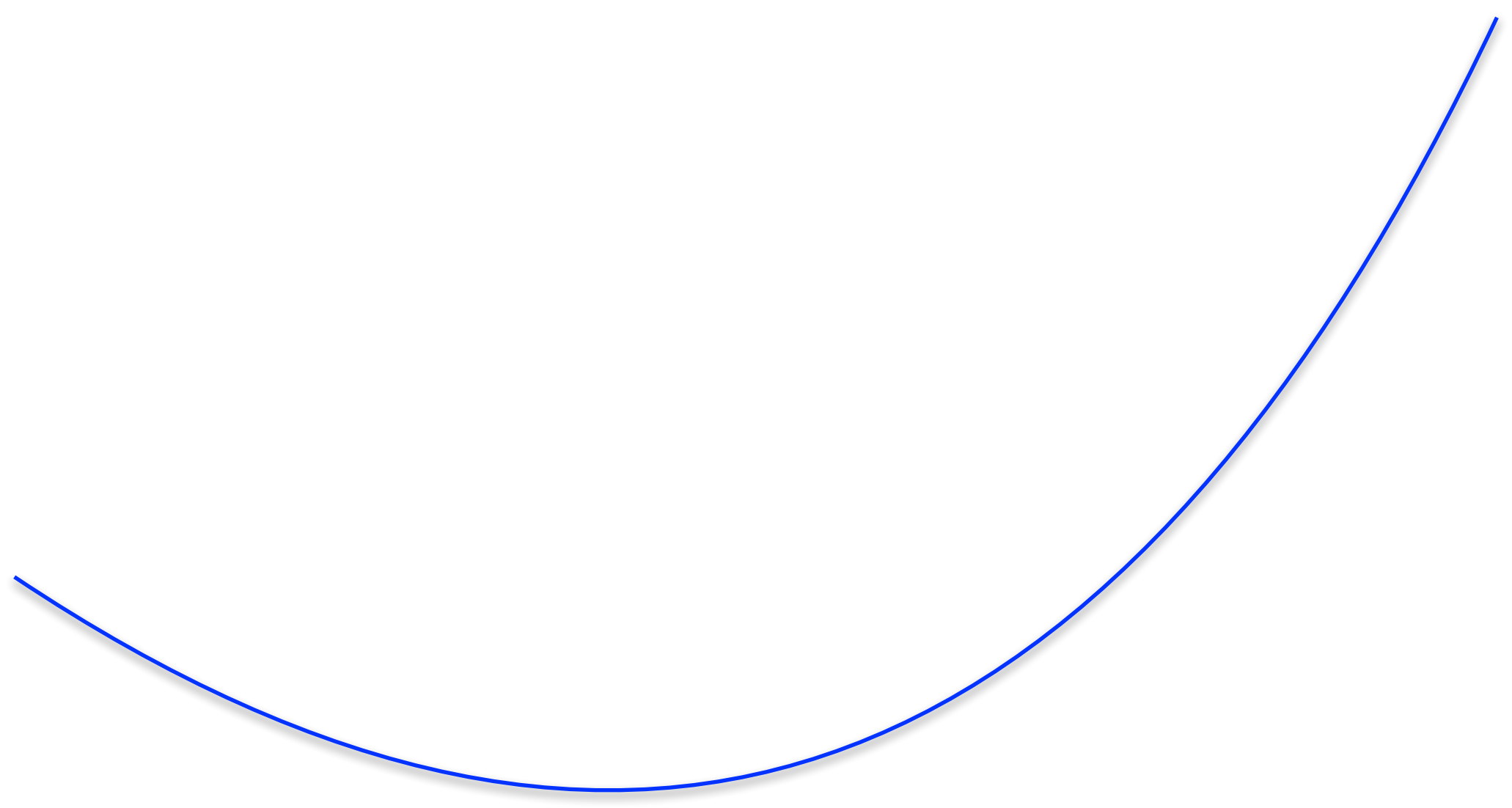


MR

MC

P_e







To Minimize the
Loss, the firm
must produce q_0

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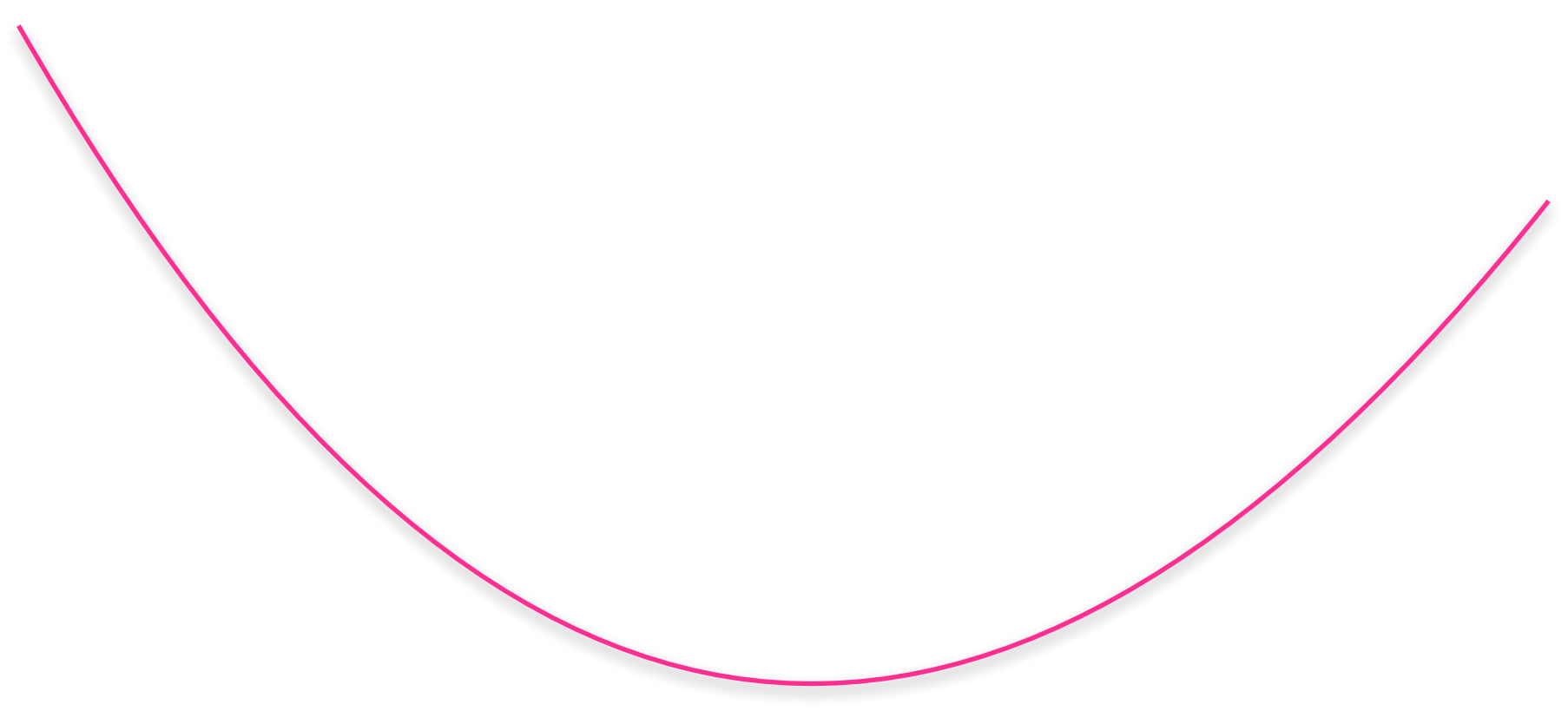
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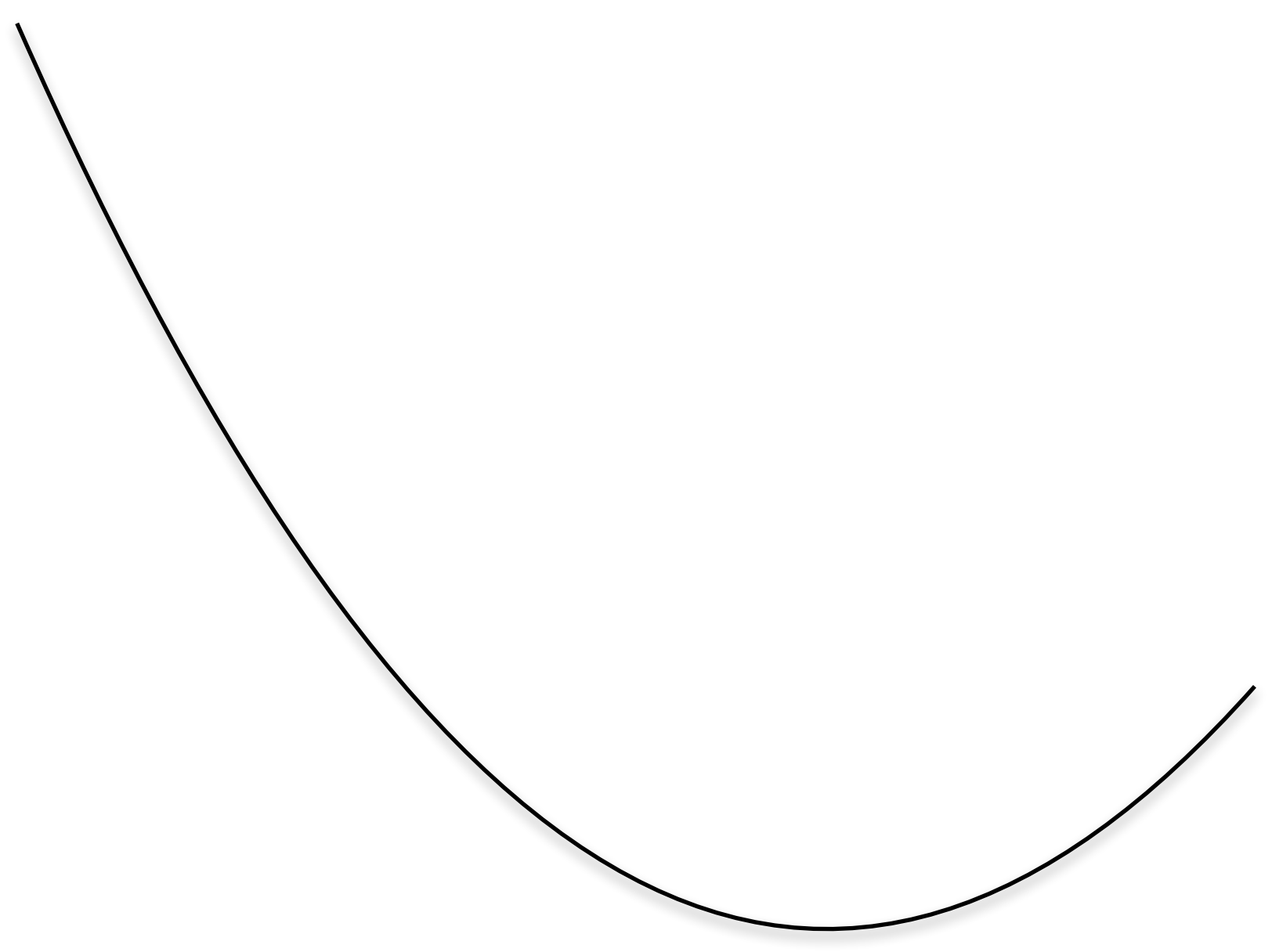
AVC

ATC

$$AVC \times q_0 = VC$$

$$ATC \times q_0 = TC$$

$$AFC \times q_0 = FC$$



AVC

$$\text{Price} \times q_0 = \text{TR}$$

If the **Price** $<$ ATC
the firm will incur
a loss



$$TR < TC$$

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$$\text{Loss} = \text{TR} - \text{TC}$$

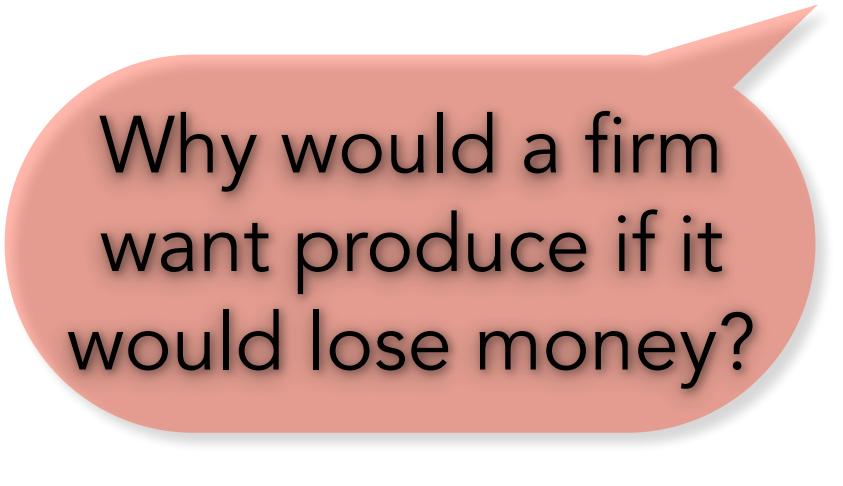
ATC

|

|


$$AFC = ATC - AVC$$





Why would a firm
want produce if it
would lose money?

P, MC, MR, ATC, AVC

When the price is too low to make a profit the firm choose
output to minimize the loss

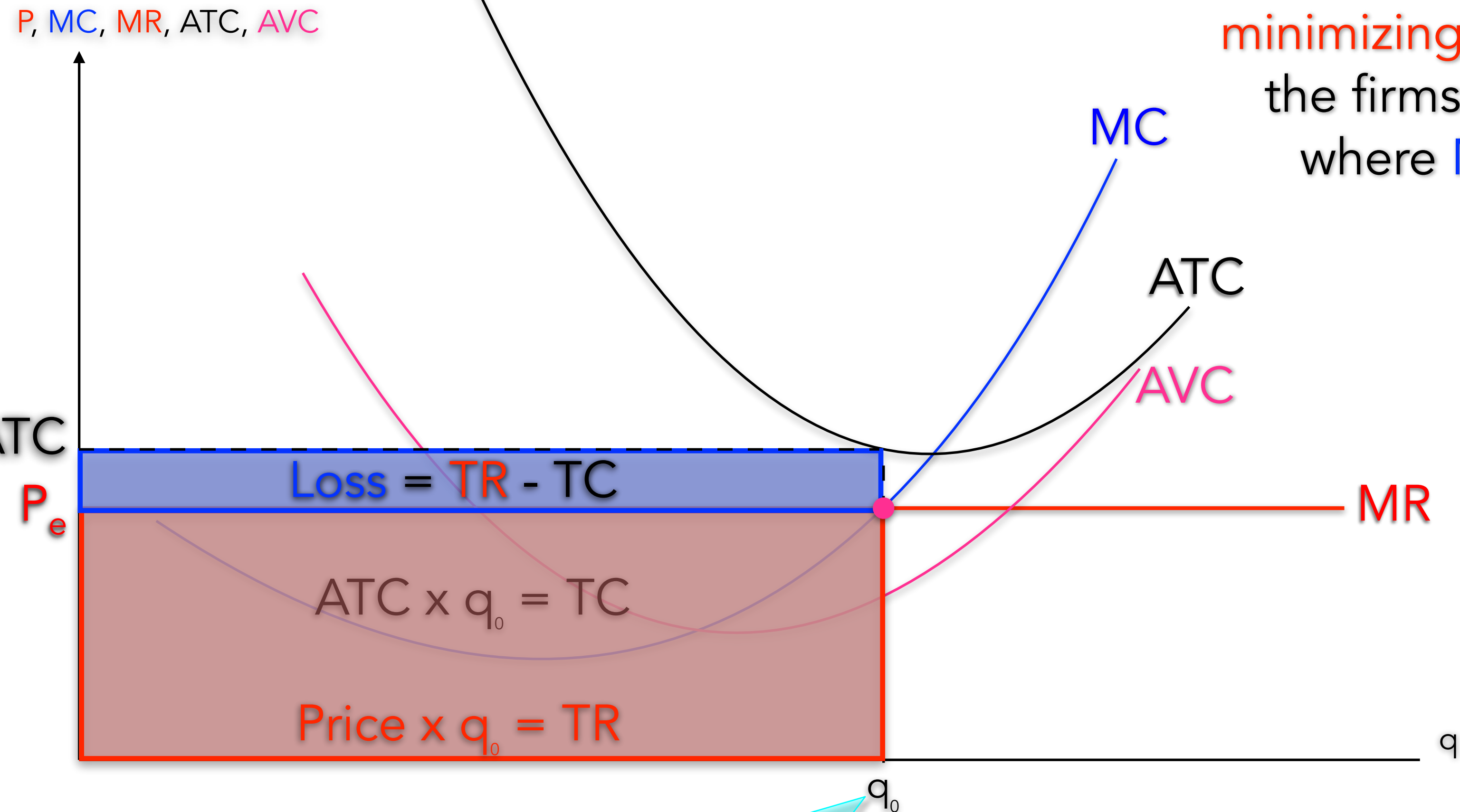
Rule: To choose the **loss minimizing** output level
the firm chooses q
where **MC** = **MR**

When the **price is too** low to make a profit the firm choose output to **minimize the loss**

Why would a firm want produce if it would lose money?

Rule: To choose the **loss minimizing** output level the firms chooses q where $MC = MR$

If the **Price** $<$ ATC the firm will incur a loss
 $TR < TC$



To Minimize the Loss, the firm must produce q_0

