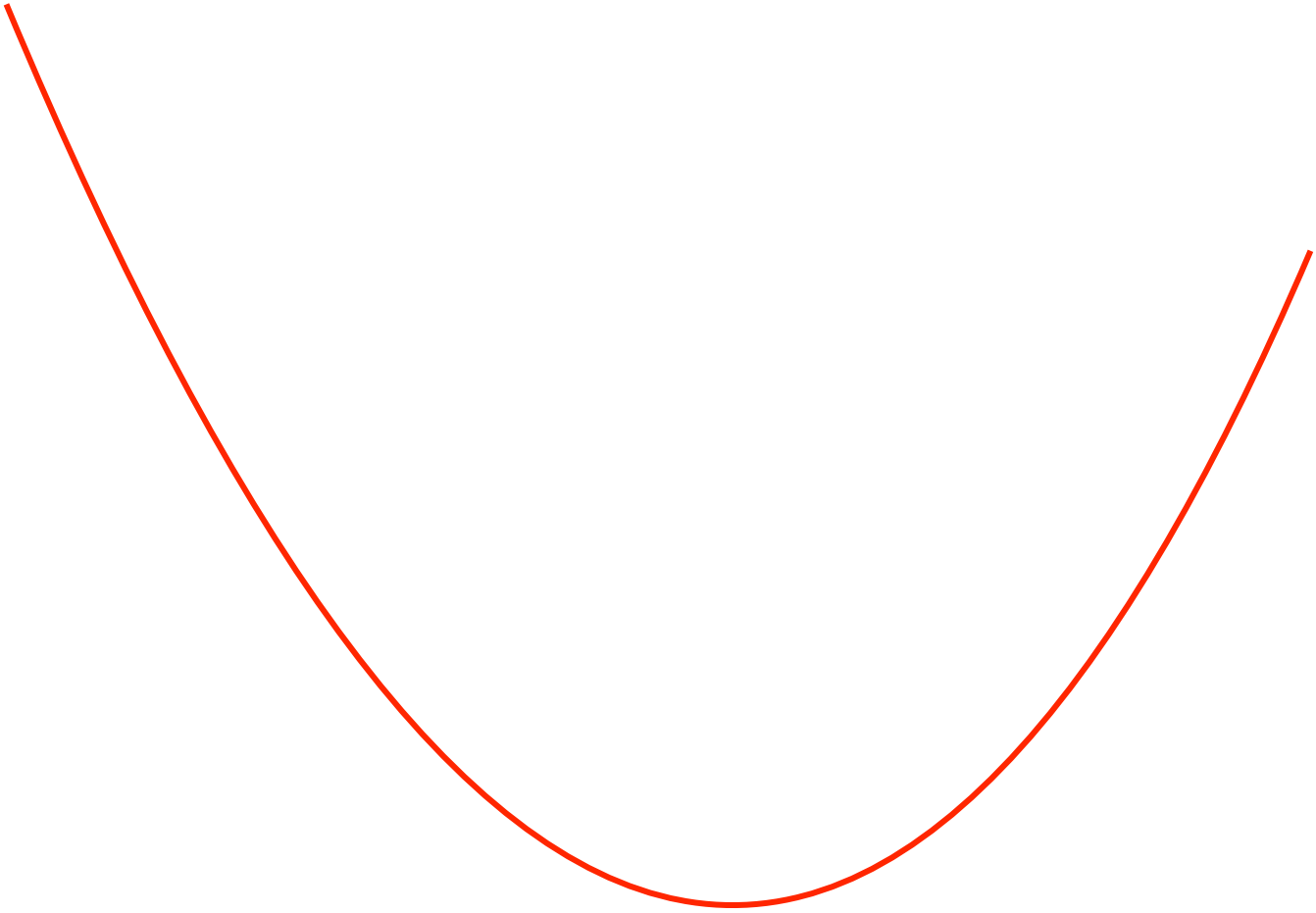


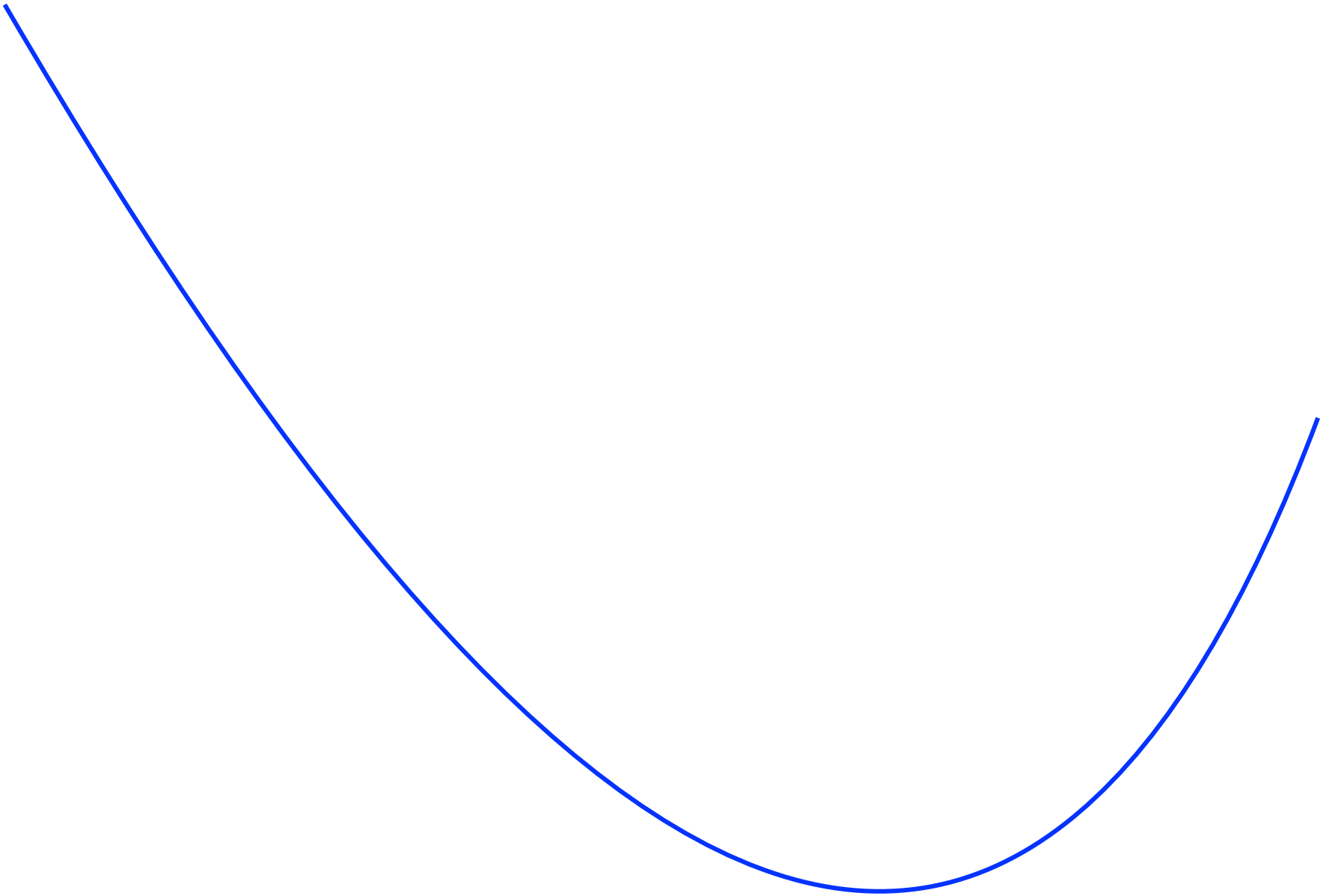


SRATC<sub>2</sub>

SRATC<sub>3</sub>

















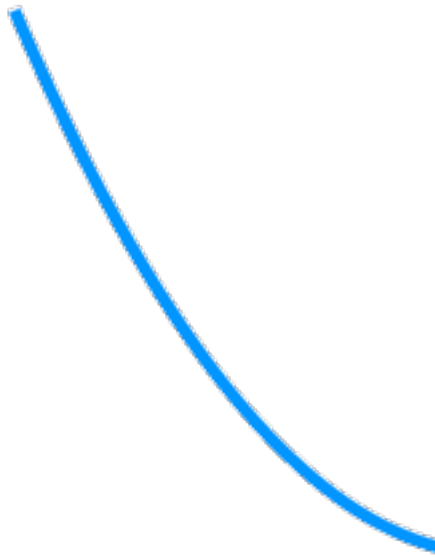






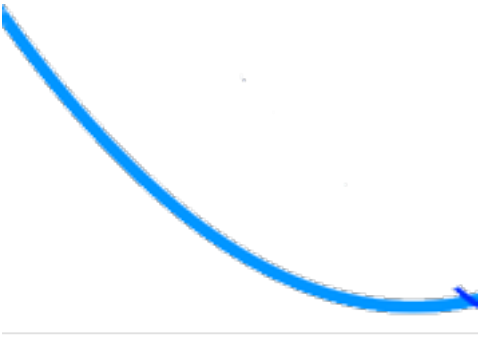


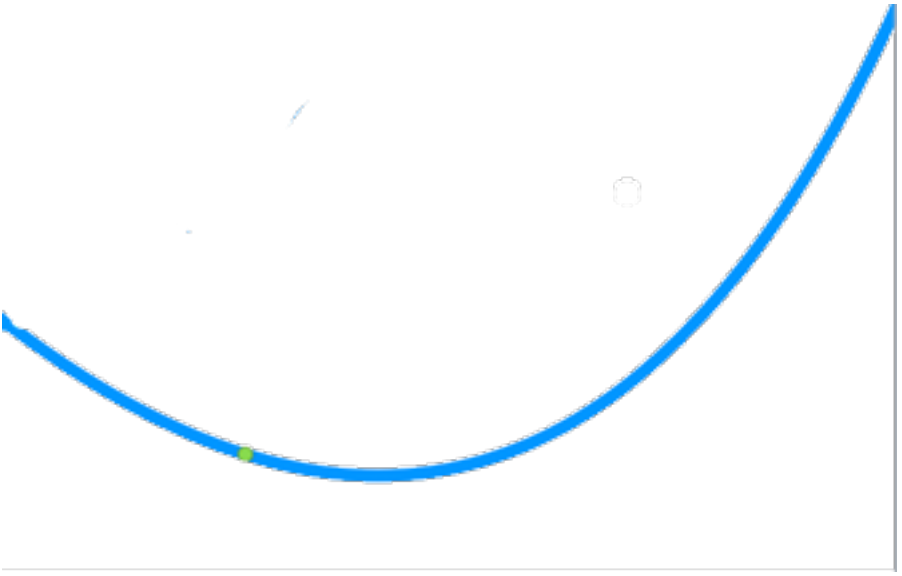




Q<sub>2</sub>

Q<sub>2</sub>





Q1

1. *What is the purpose of the study?*

Plant 1 has the lowest  
ATC up to  $Q_1$

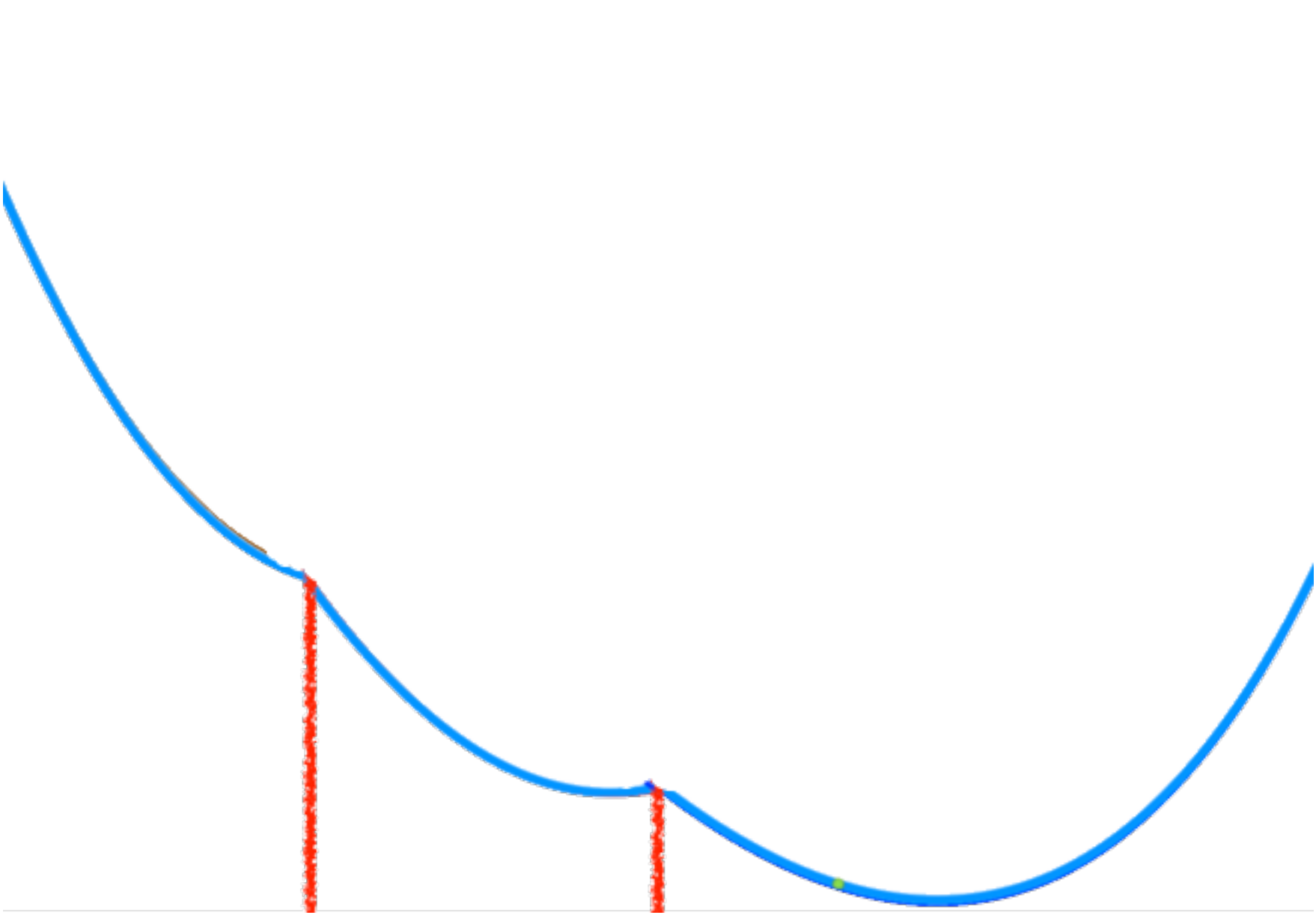
Plant 3 has the  
lowest ATC above  $Q_2$





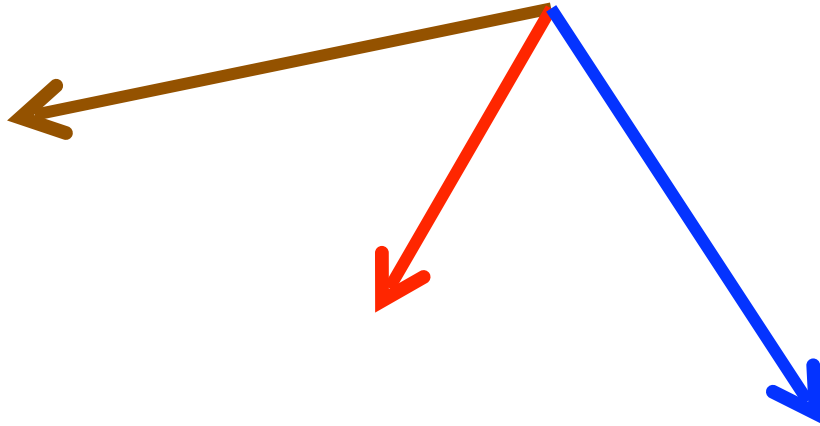
Plant 2 has the lowest  
ATC up to  $Q_2$

LRATIC



This is a **Long Run** Cost Curve: These costs can NOT be achieved with ONE plant size.

To achieve these costs, the firm must  
**change the size of the plant**

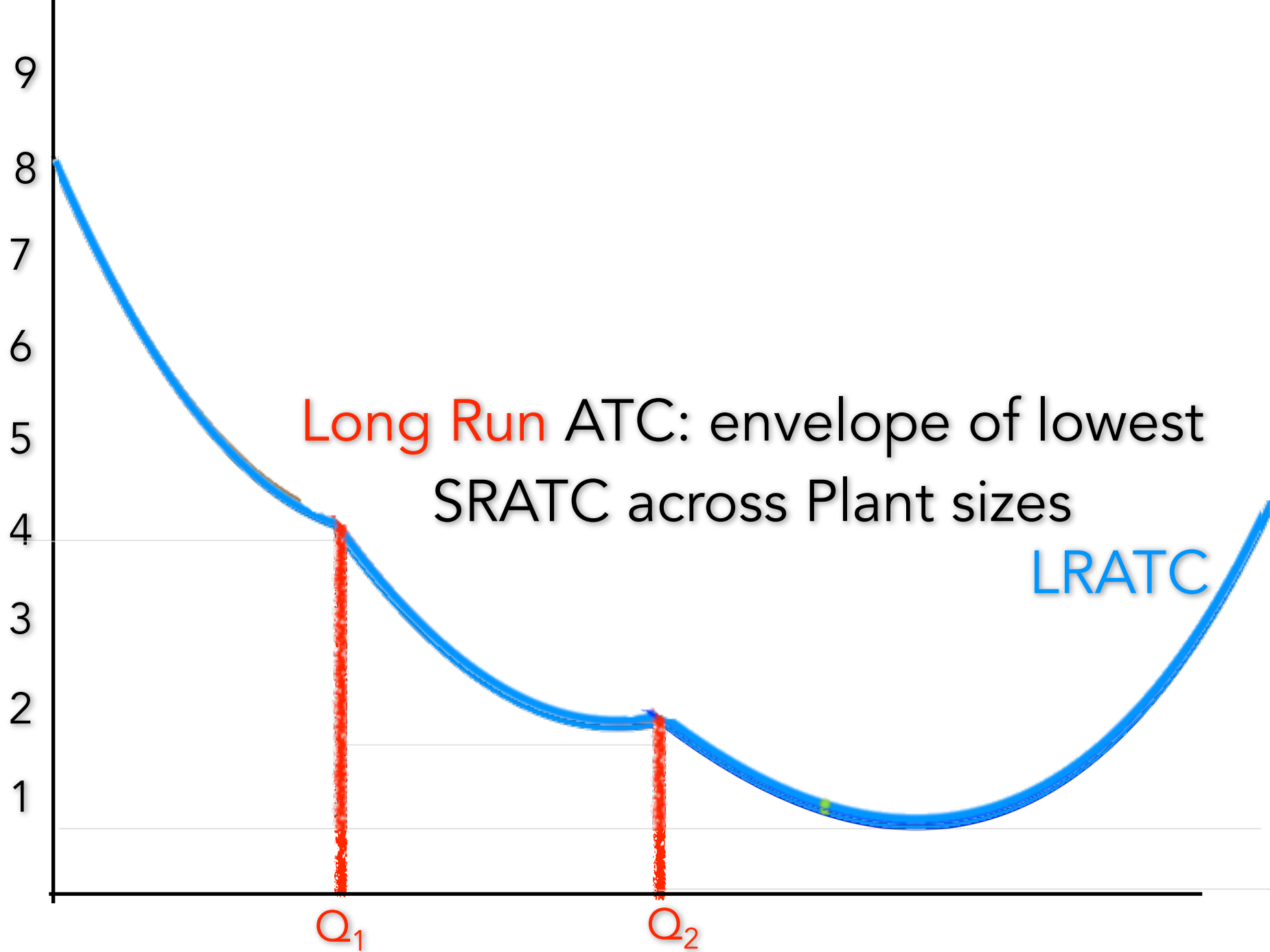


Long Run ATC: envelope of lowest

SRATC across Plant sizes

Long Run ATC: made up of pieces of SRATC  
for different plant sizes

LRATIC





Each point on the LRATC gives you the  
lowest per unit cost for each output  
level across plant sizes

