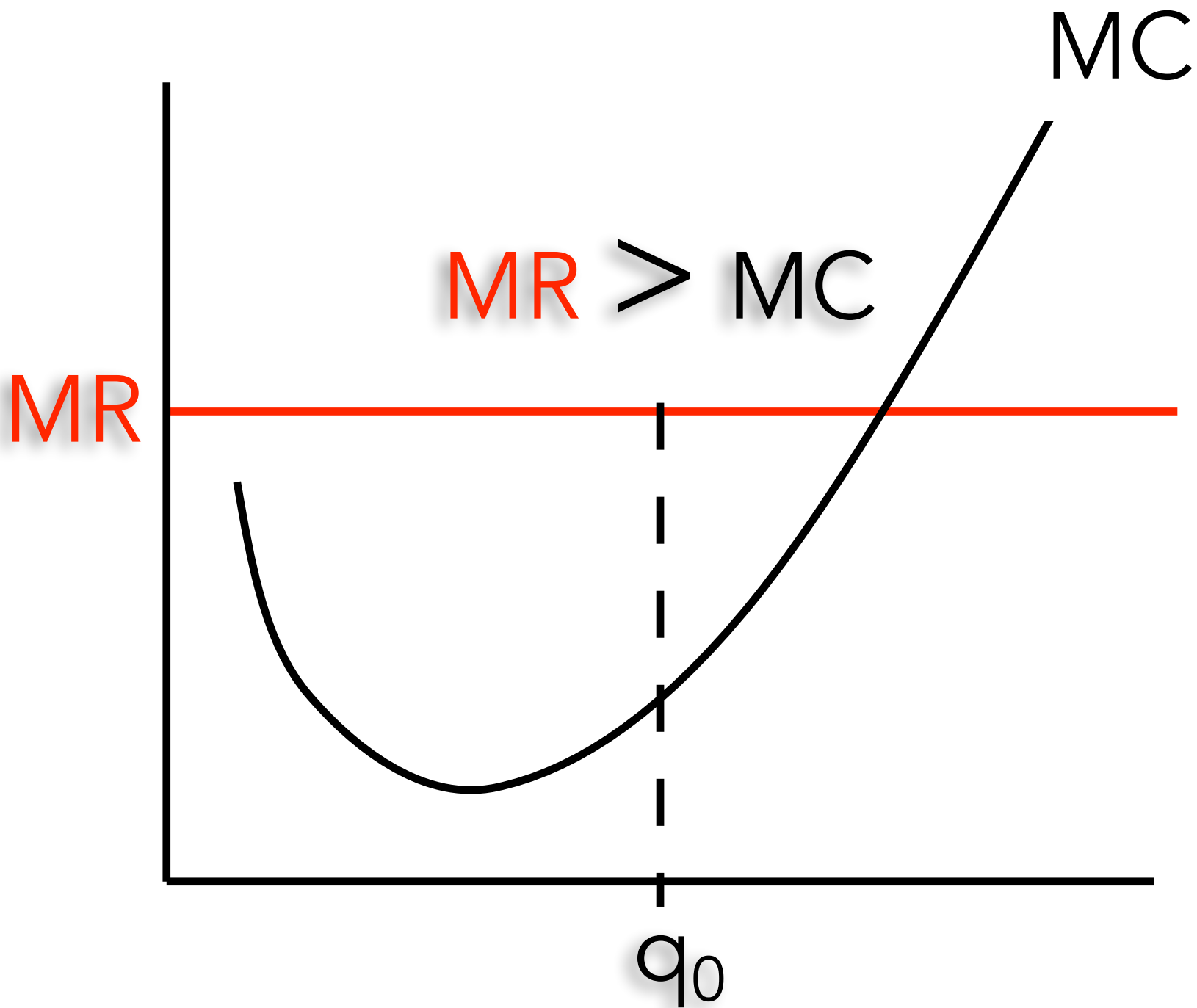
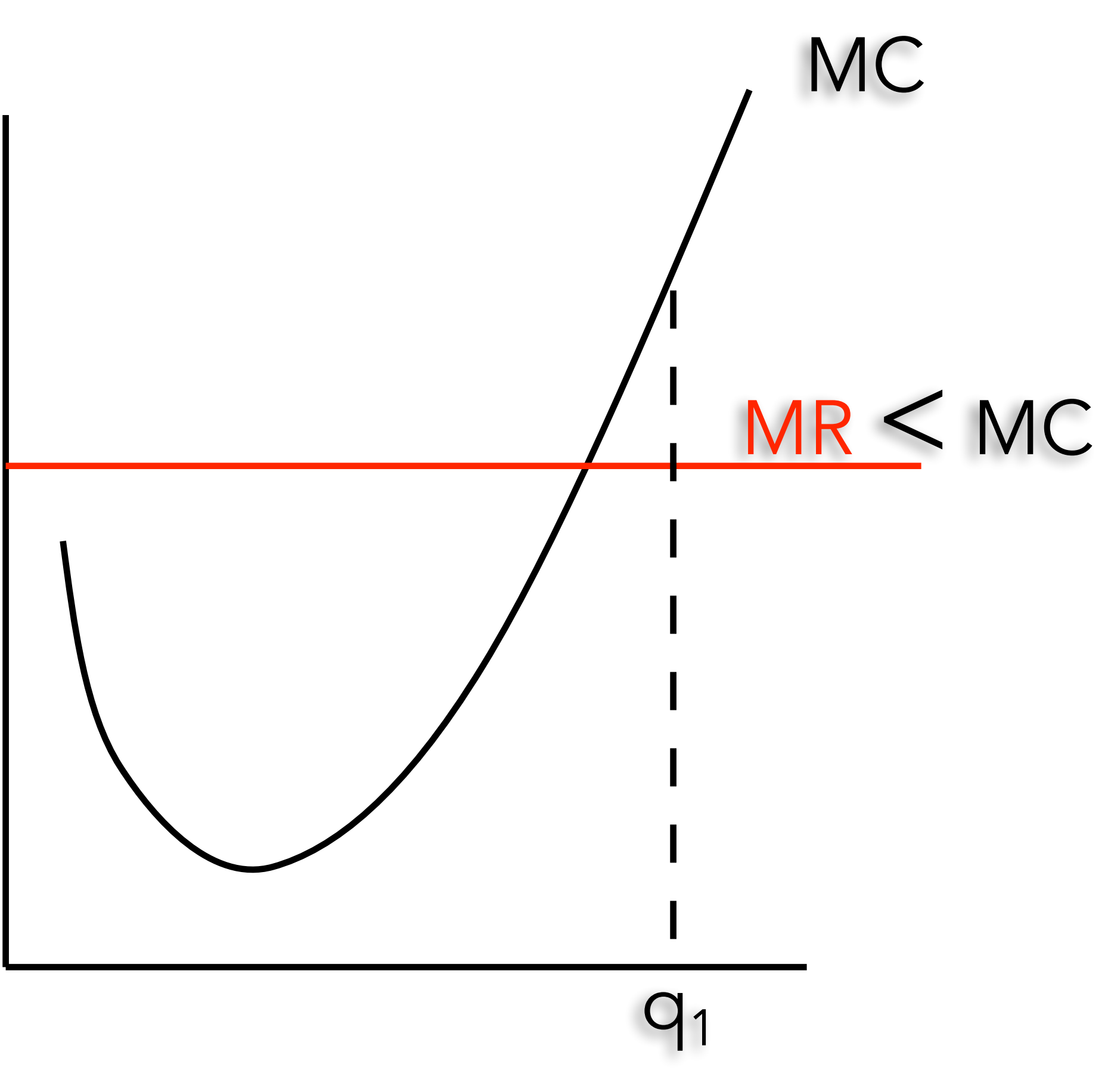


Firms have an incentive to **change output** if they are not
maximizing profit

Firm should produce **more**
until $MC = MR$

Firm should produce less
until $MC = MR$

















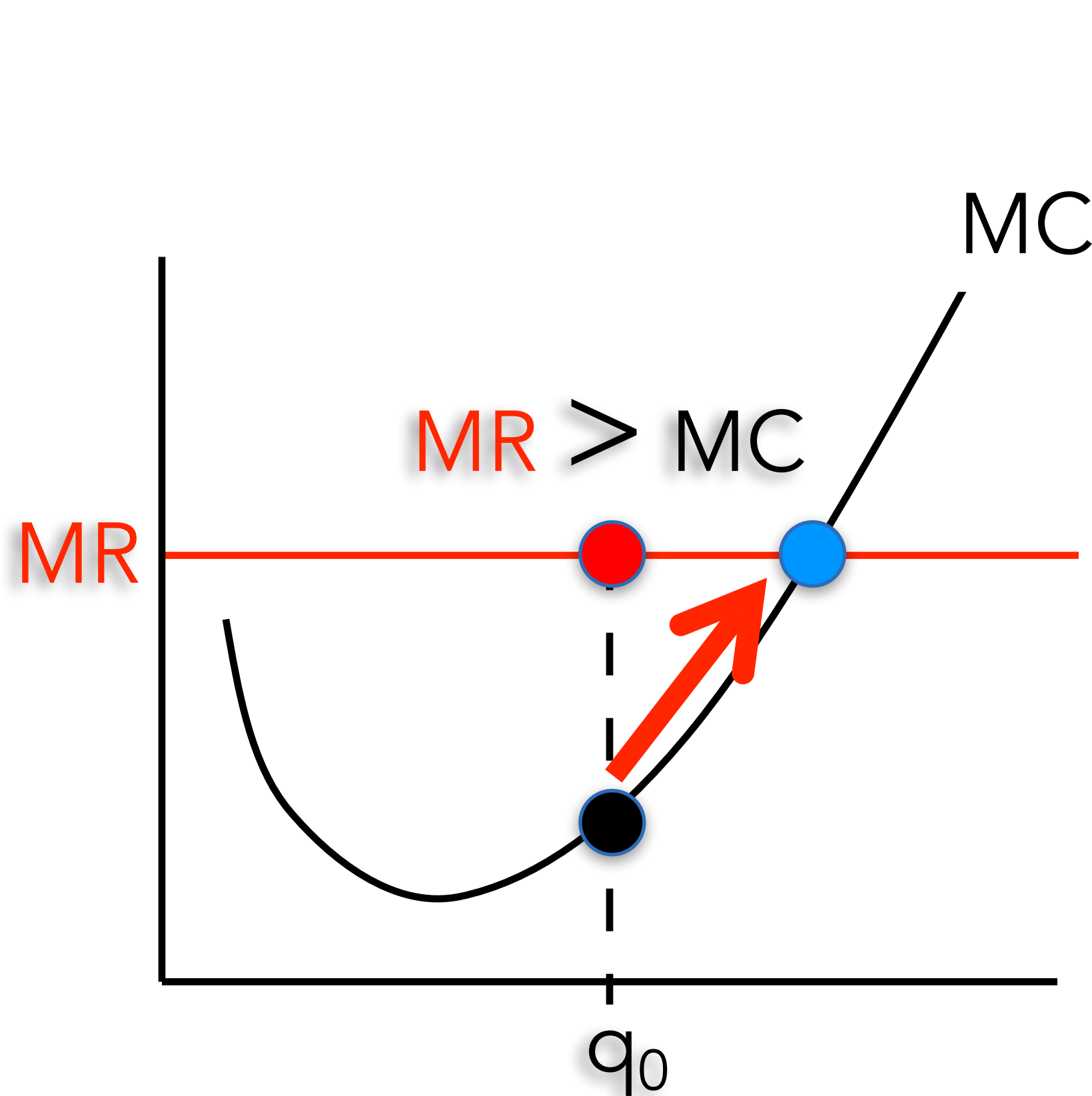




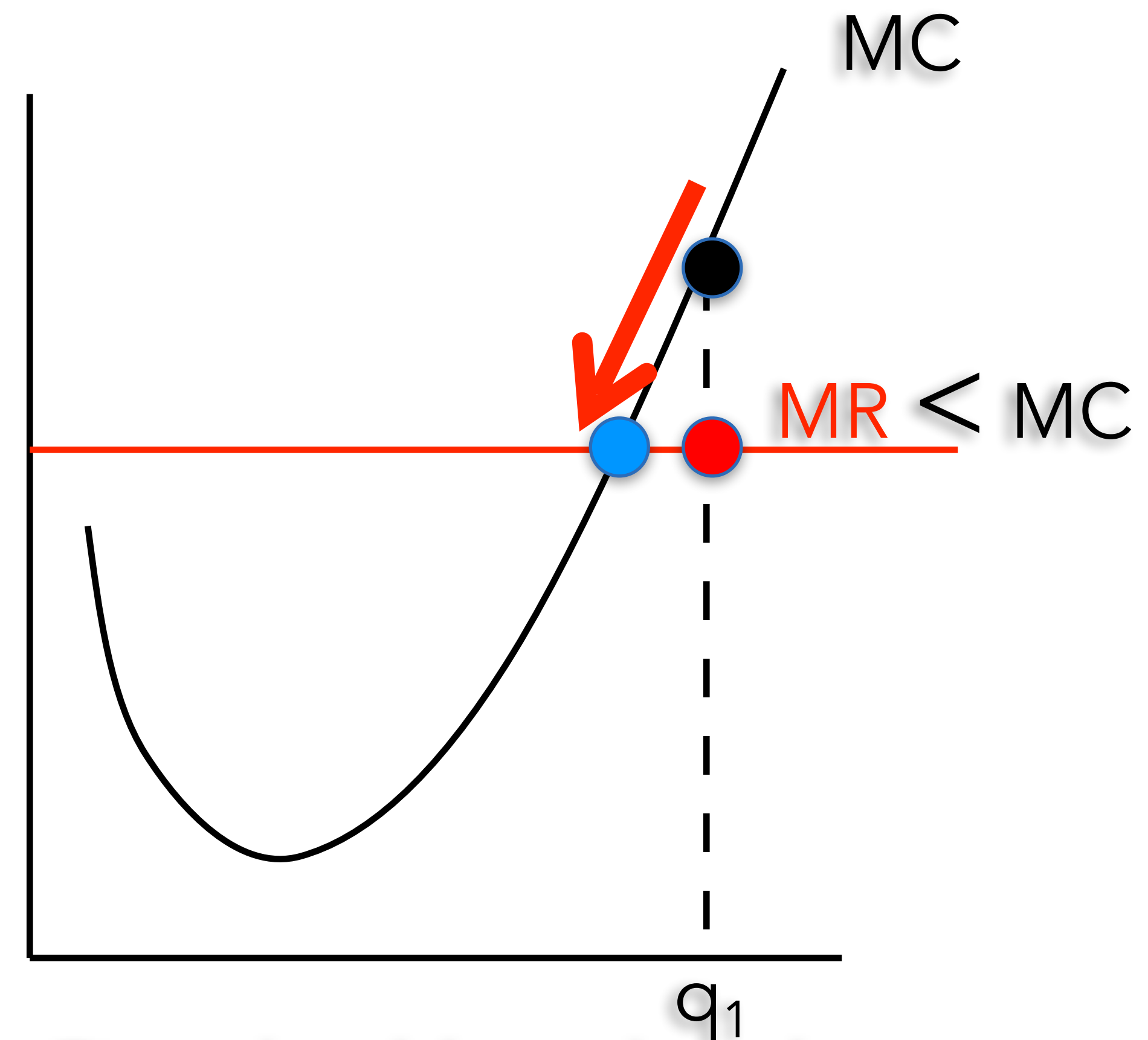
Firms maximize profit when choosing output

where $MC = MR$

Firms have an incentive to **change output** if they are not maximizing profit



Firm should produce **more**
until **MC = MR**



Firm should produce **less**
until **MC = MR**

Firms must use the **lowest cost** plant in order to survive in the industry