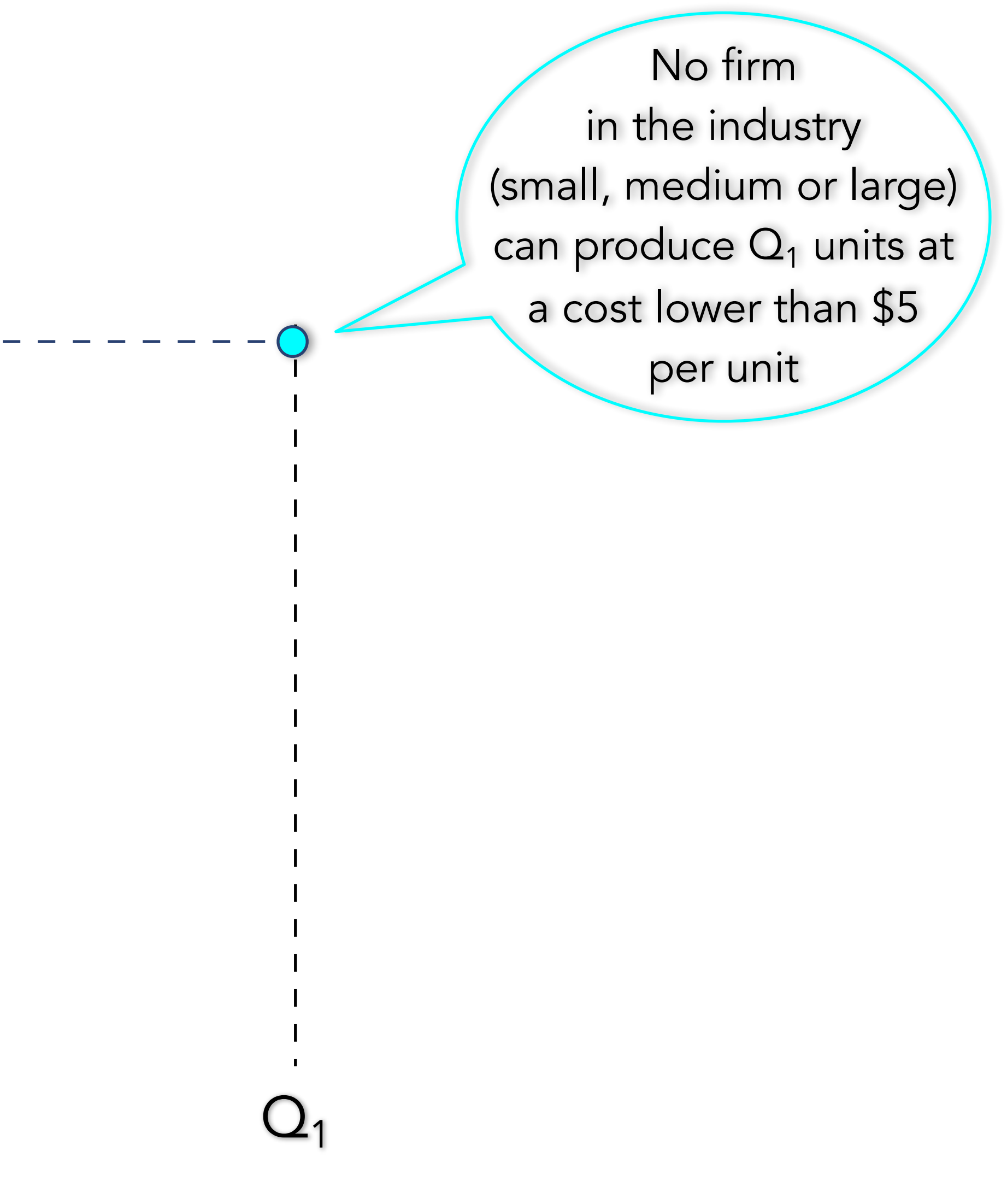


Each point on the LRATC gives you the lowest per unit cost for each output level across plant sizes



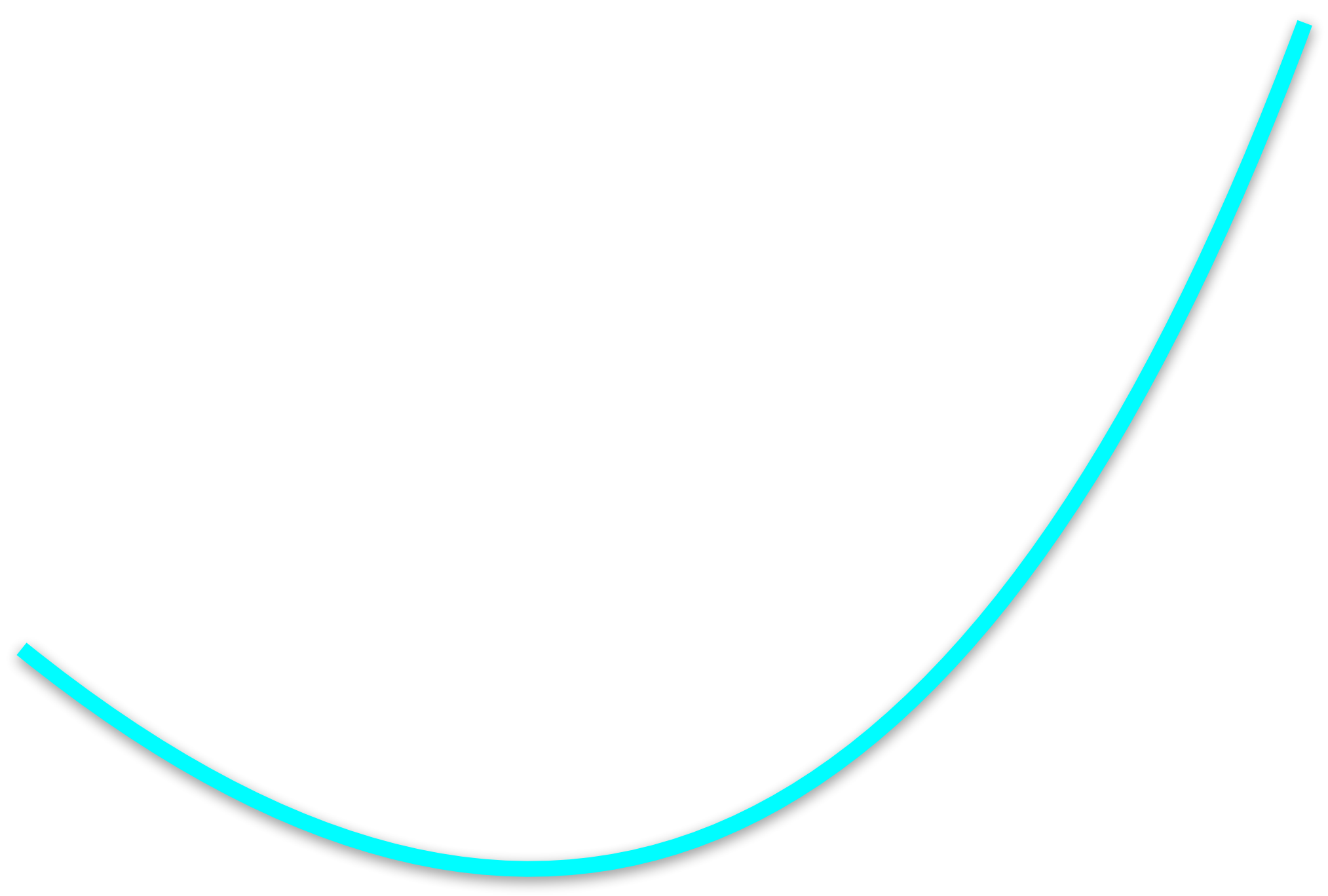
A diagram showing a point on a coordinate system. A horizontal dashed line extends to the left from a point marked with a blue circle. A vertical dashed line extends downwards from the same point. A callout box with a blue border and a pointer to the point contains text. The label Q_1 is at the bottom of the vertical dashed line.

No firm
in the industry
(small, medium or large)
can produce Q_1 units at
a cost lower than \$5
per unit

Q_1

No
firm in the industry
(small, medium or large)
can produce Q_2 units at
a cost lower than \$2
per unit

Q_2



LRATC

0.3

2

3

4

5

6





9

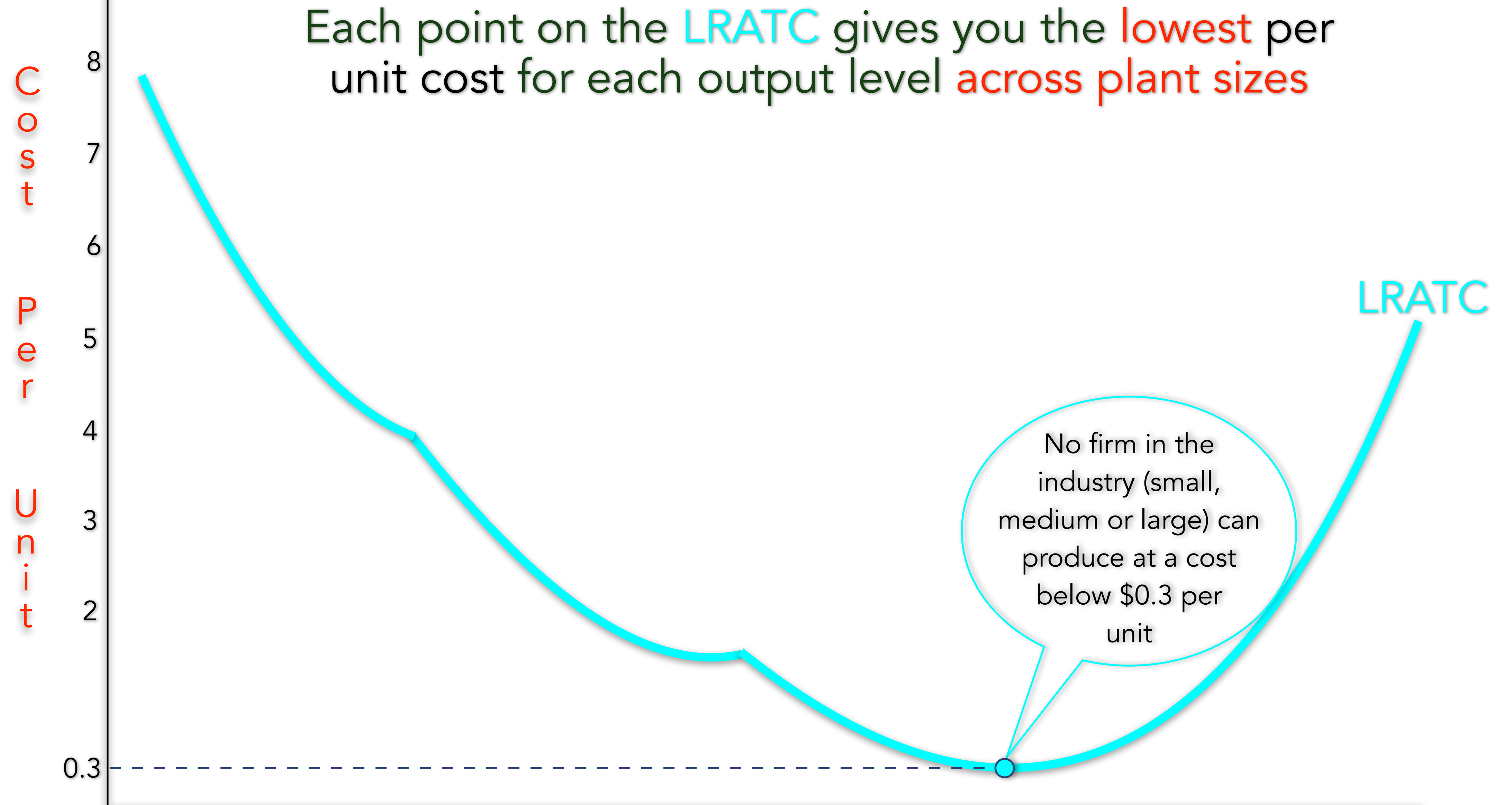
Cost
Per
Unit

No firm in the industry (small, medium or large) can produce Q_3 units at a cost lower than \$3.50 per unit

Q_3



No firm in the industry (small, medium or large) can produce at a cost below \$0.3 per unit



The larger the number of plant size options...

C
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