











Q

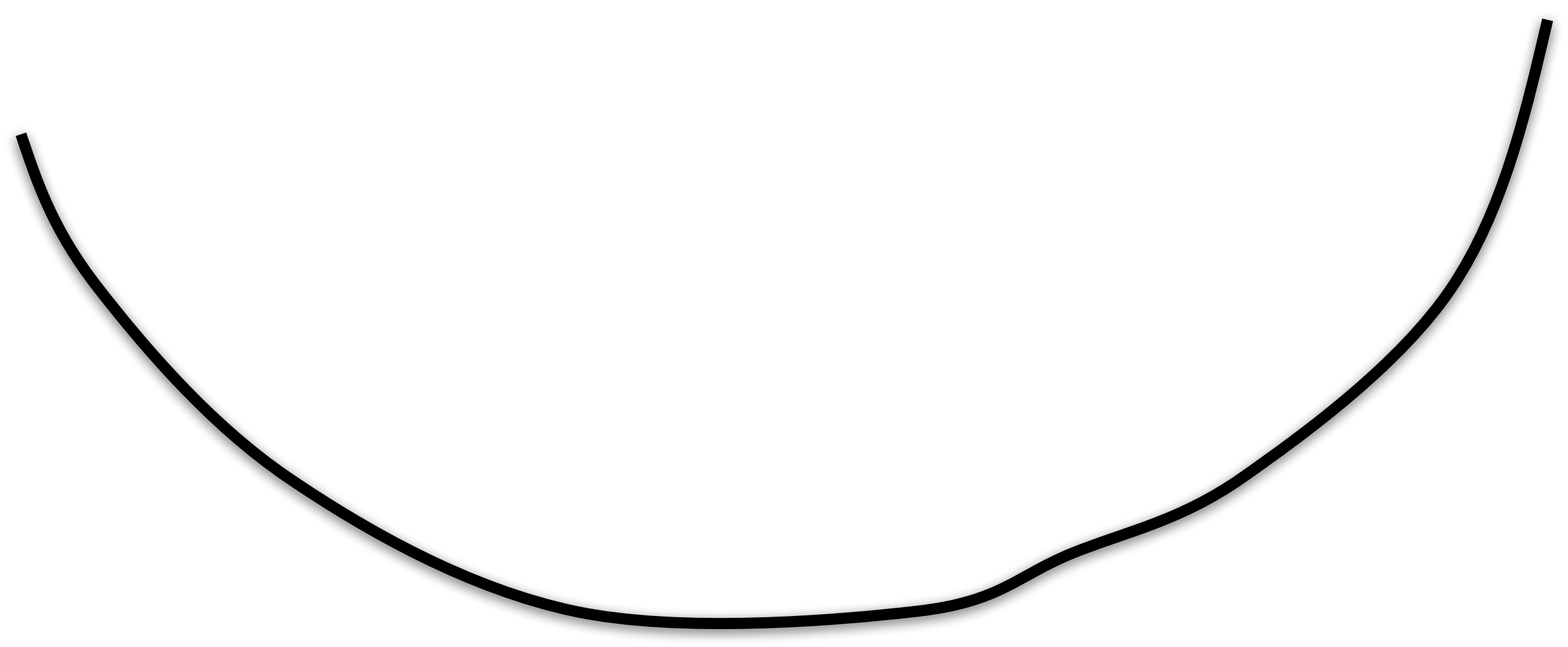
LRATC

ATC









Constant Returns to Scale

Diseconomies of Scale







ATC

decrease





ATC same





ATC

Increase

Economies of Scale

A typical LRATC: has a "U" shape

A larger plant allows
for the use of better
technology

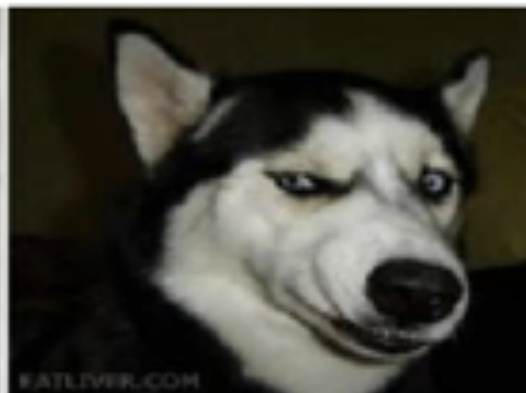
Already have best
technology

Monitoring

Costs Rise



CEO



General Manager



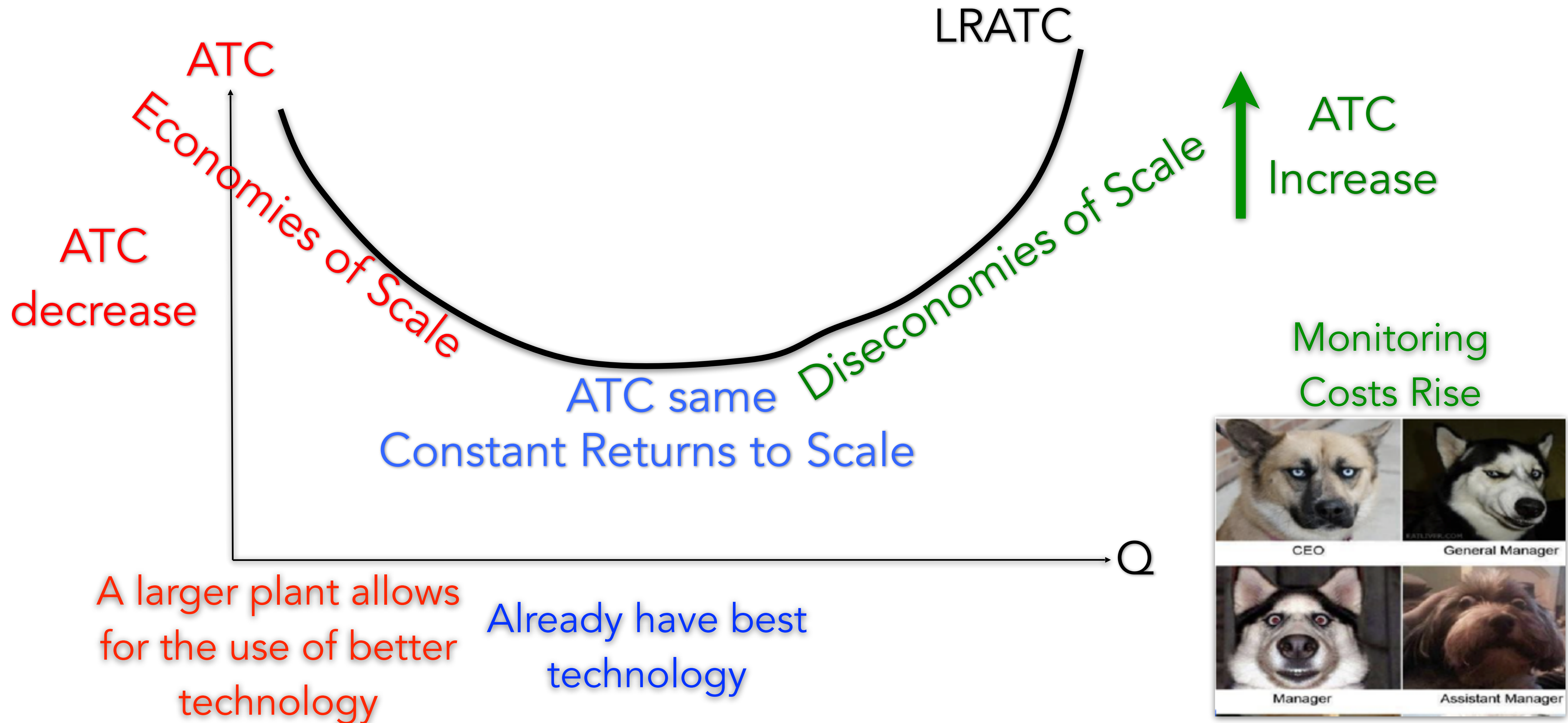
Manager



Assistant Manager



A typical LRATC: has a "U" shape



ATC

Q

OUTPUT	LRATC
100	90
200	84
300	78
400	72
500	60
600	54
700	48
800	42
900	36
1000	27
1100	21
1200	21
1300	21
1400	28
1500	37
1600	43
1700	50