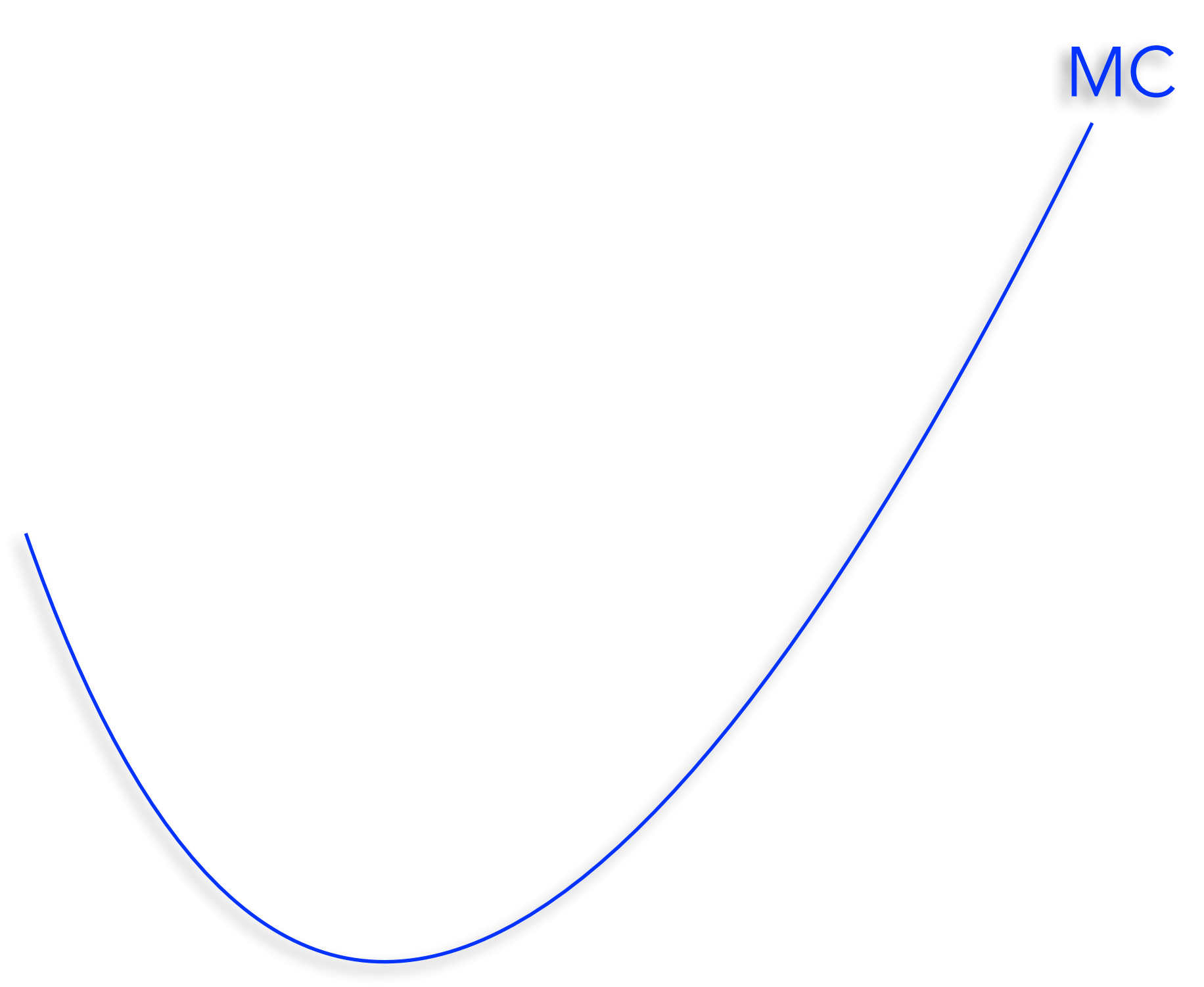
P=MR

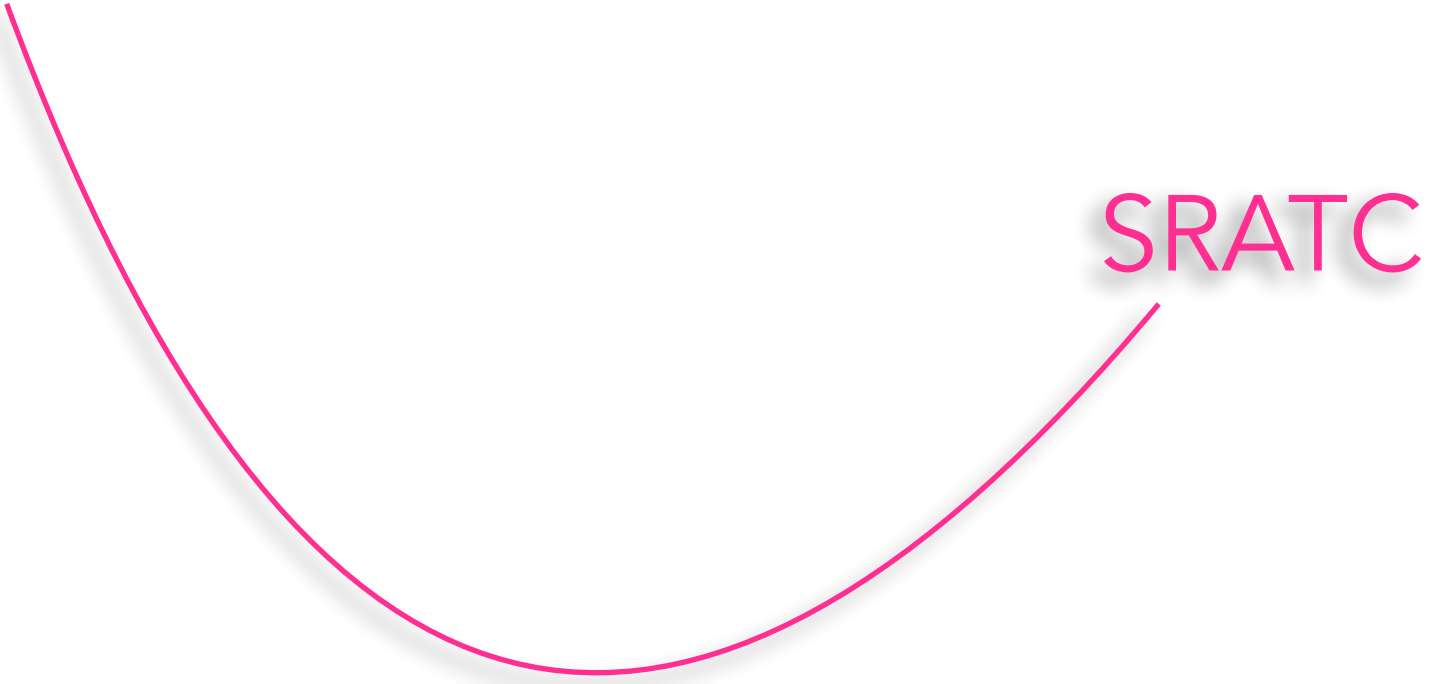
MC = SRATC at the minimum ATC


MC

P = MR = MC

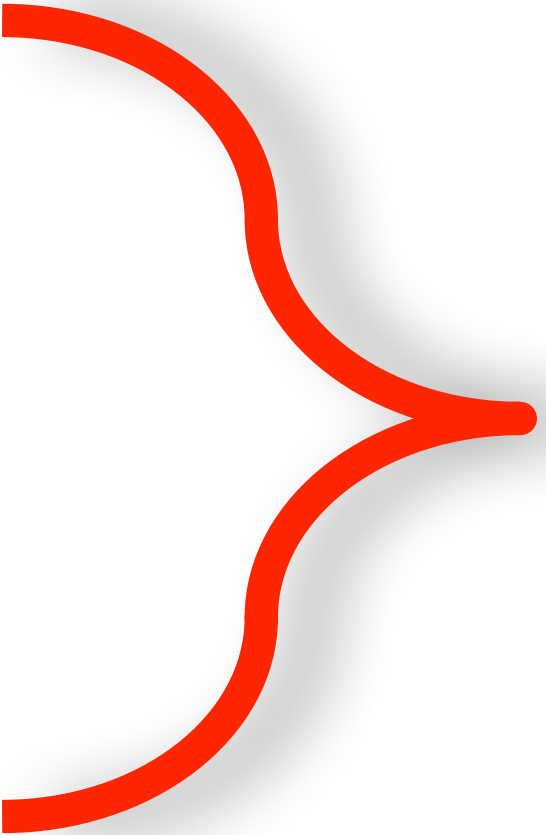
SRATC = LRATC

P = SRATC

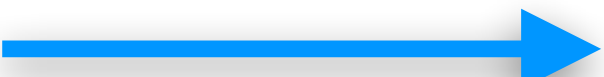

SRATC

LRATC

MC = MR = P = Minimum SRATC = Minimum LRATC



MC = SRATC



The SRATC = LRATC only when ATC is at its minimum

For firms to be maximizing Profit

For firms to be earning zero Profit/ Loss

For firms to be using the plant that minimizes the LRATC

Long Run Equilibrium Condition: In graphic form

P, MC, MR, ATC

Long Run Equilibrium Condition: In graphic form

For firms to be maximizing Profit

P = MR = MC

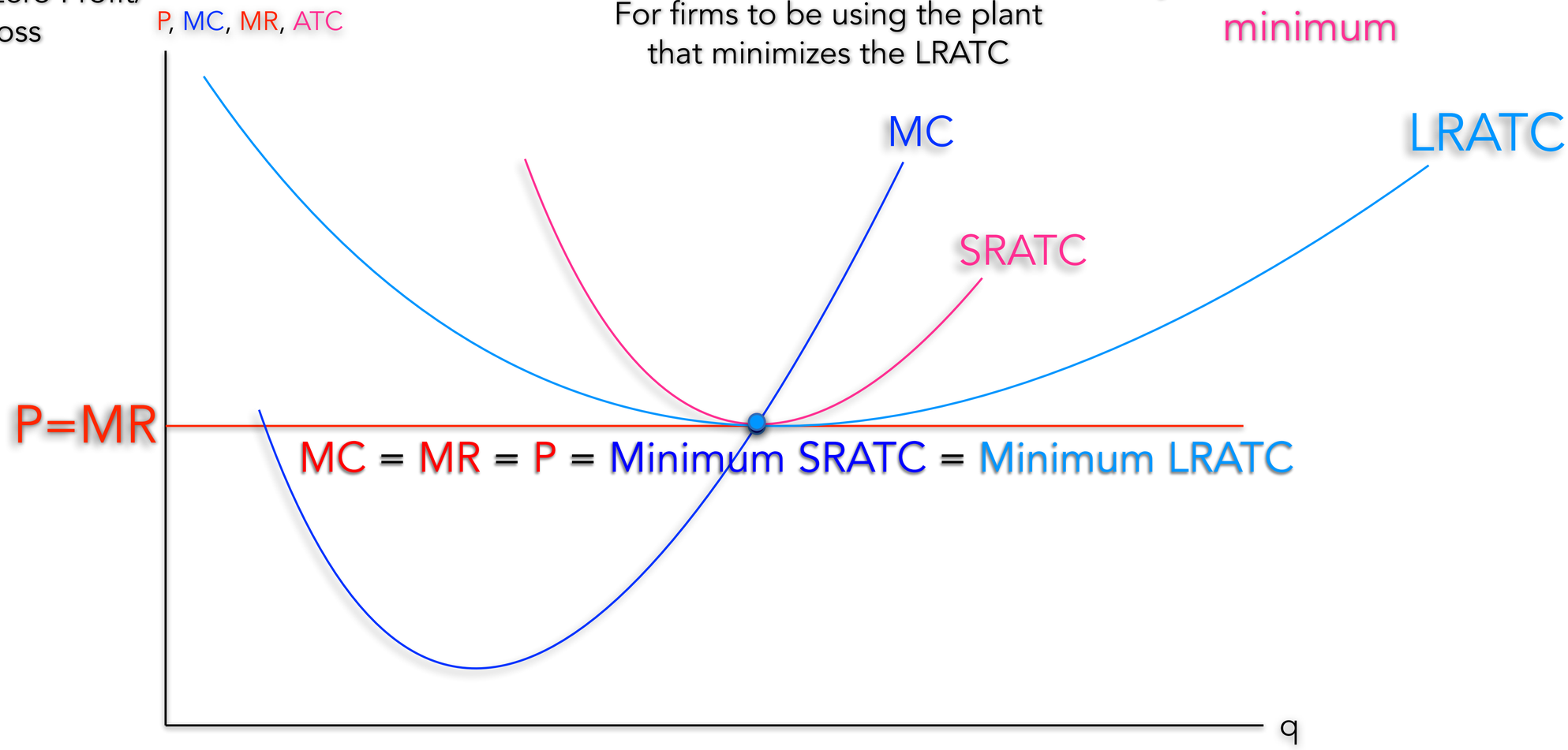
P = SRATC

} MC = SRATC → MC = SRATC at the minimum ATC

For firms to be earning zero Profit/ Loss

SRATC = LRATC → The SRATC = LRATC only when ATC is at its minimum

For firms to be using the plant that minimizes the LRATC



Long Run Equilibrium Condition