The Average/Marginal Rule

If the next unit's MC is **higher** than the average cost

Average cost RISE

If the next unit's MC is **lower** than the average cost

Average cost FALL

If the next unit's MC is **equal to** the average cost

Average cost stays the SAME

MC > ATC

$$MC < ATC$$

ATC FALL

$$MC = ATC$$

ATC stays the SAME

MC > AVC

AVC RISE

MC < AVC

AVC FALL

$$MC = AVC$$

AVC stays the SAME

The Average/Marginal Rule

If the next unit's MC is **higher** than the average cost

MC > ATC   ATC RISE

MC > AVC   AVC RISE

If the next unit's MC is **lower** than the average cost

MC < ATC   ATC FALL

MC < AVC   AVC FALL

If the next unit's MC is **equal to** the average cost

MC = ATC   ATC stays the SAME

MC = AVC   AVC stays the SAME