

The Average/Marginal Rule

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

Average cost RISES

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

Average cost FALLS

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

Average cost stays the SAME

MC

>

ATC

ATC

RRISE

MC

<

ATC

ATC

FALL

MC

=

ATC

ATC stays the SAME

MC

>

ANC

AND

RISE

MC

<

ANC

AND

FALL

MC

=

ANC

AVC stays the SAME

The Average/**M**arginal 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**

