

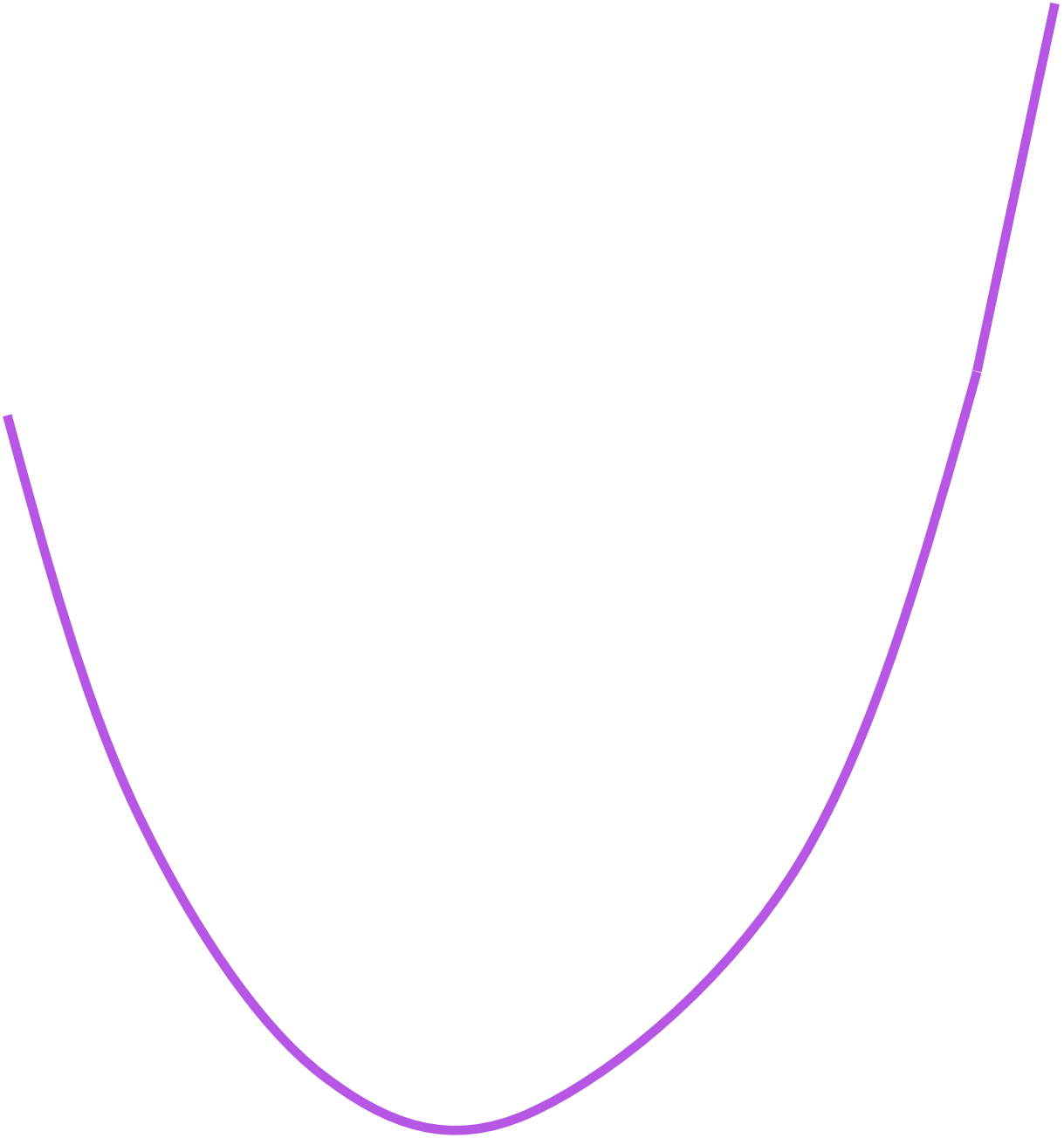
SRAATC1



SRA TC2

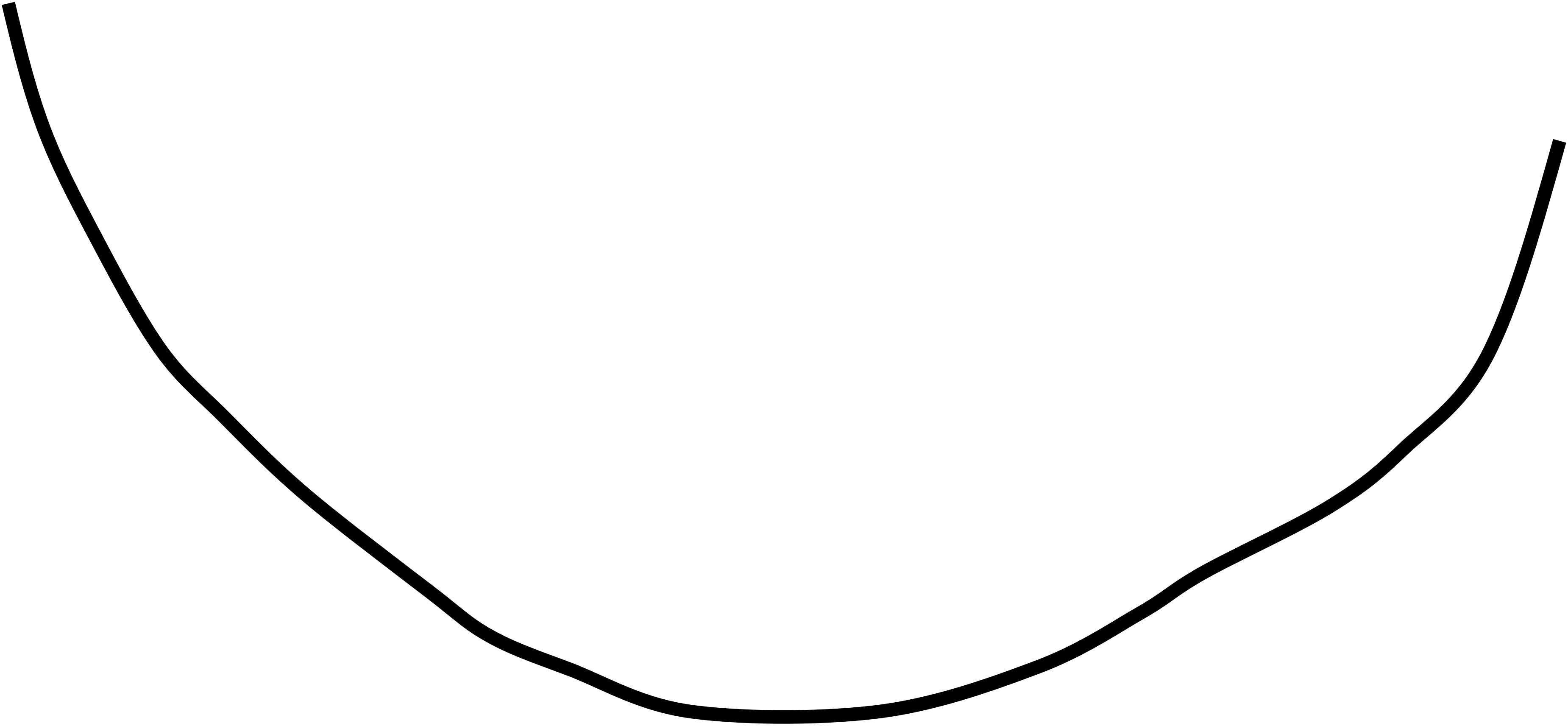
SRAATCS

SRRATCS5



SRAATC@

SRAATC7

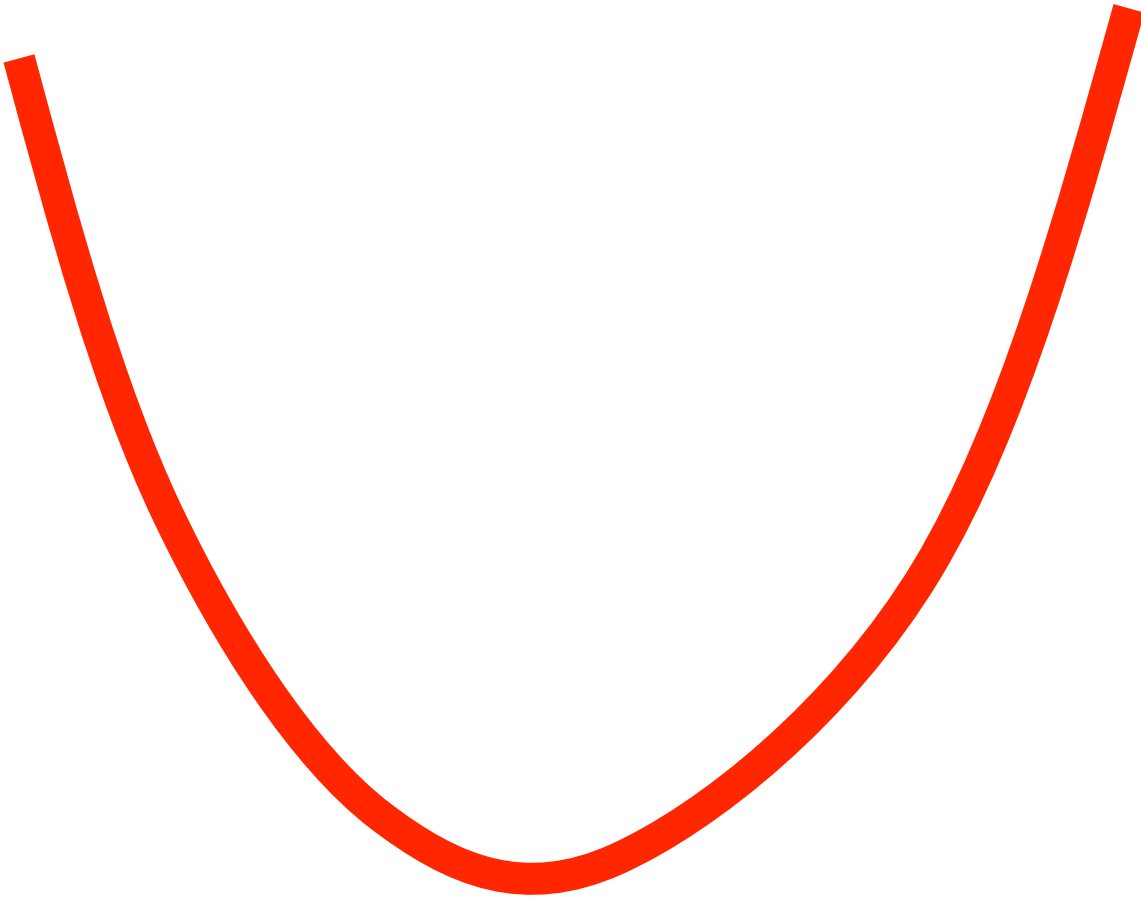


**LRATC**



Which plant is the **smallest** plant with the **lowest** LRA TC?

SRATC4







SRAATC4



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SRATC<sub>5</sub> also has  
the lowest cost but  
it's larger

The **smallest** plant with the **lowest** LRATC is the  
"Minimum Efficient Scale" (**MES**)

This is the **smallest** size which allows a firm to compete (survive) in the industry. Smaller firms with higher costs are priced out

MES

Larger firms with higher costs are also priced out

In the Long Run in this industry **only** firms with plant sizes **4 and 5** will remain in the industry

SRATC5

