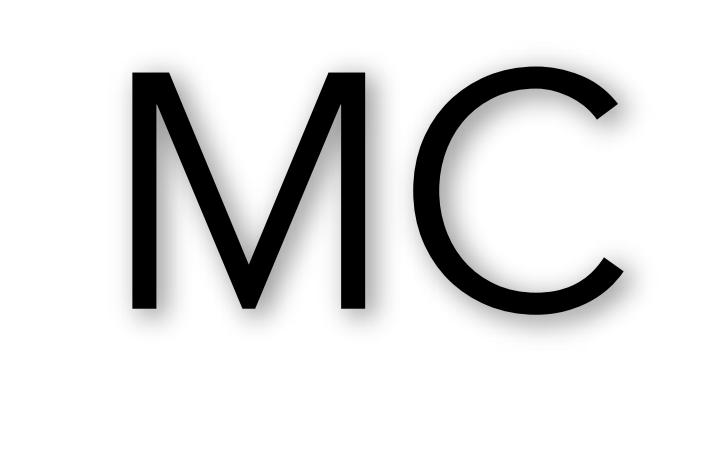
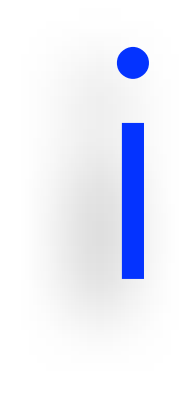

AVC


ATC


MC

Long Run Equilibrium Condition

Loss

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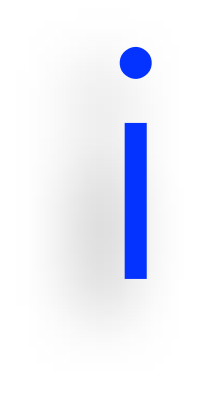

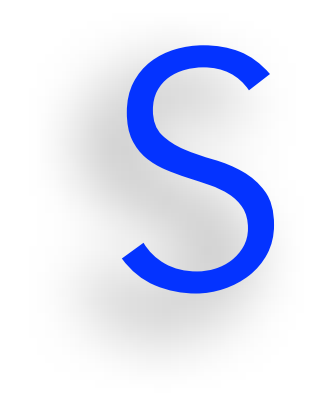

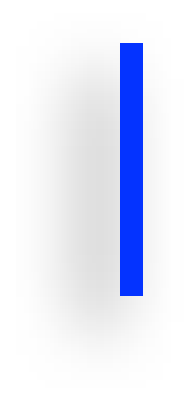


y


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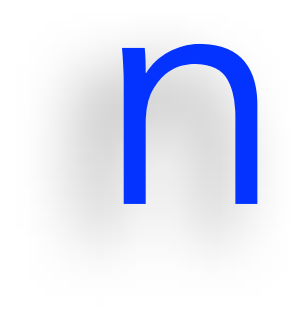
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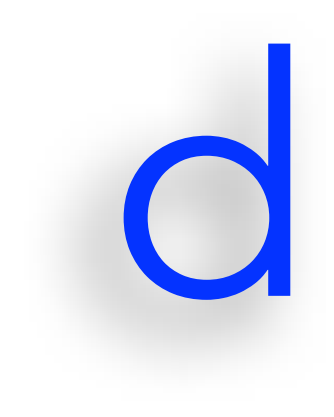
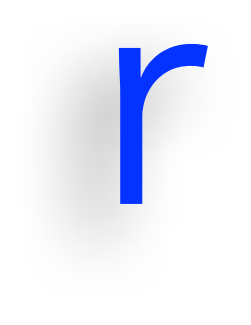
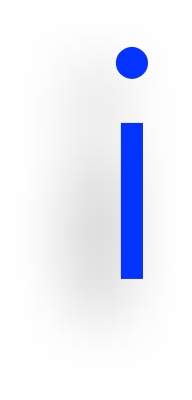
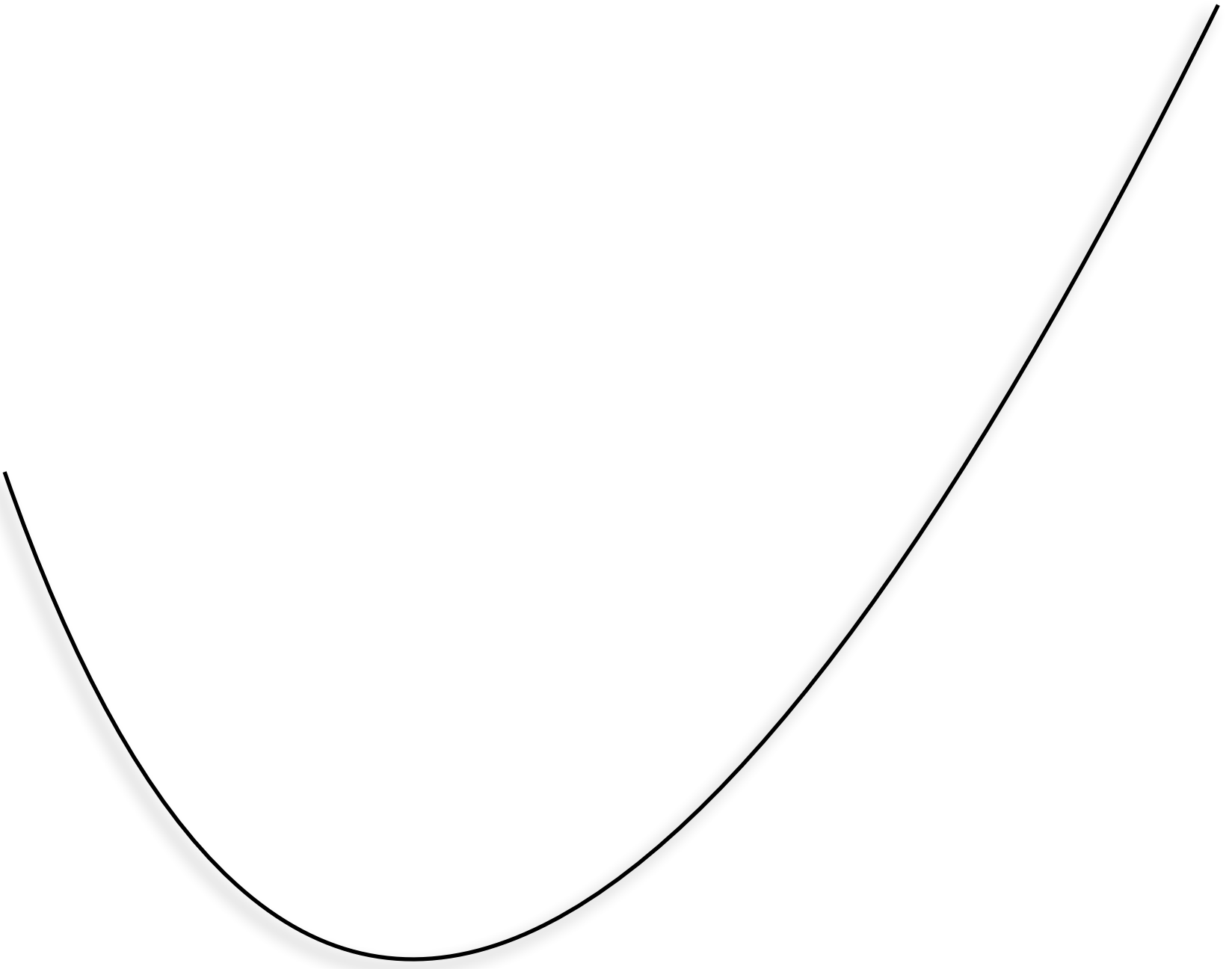
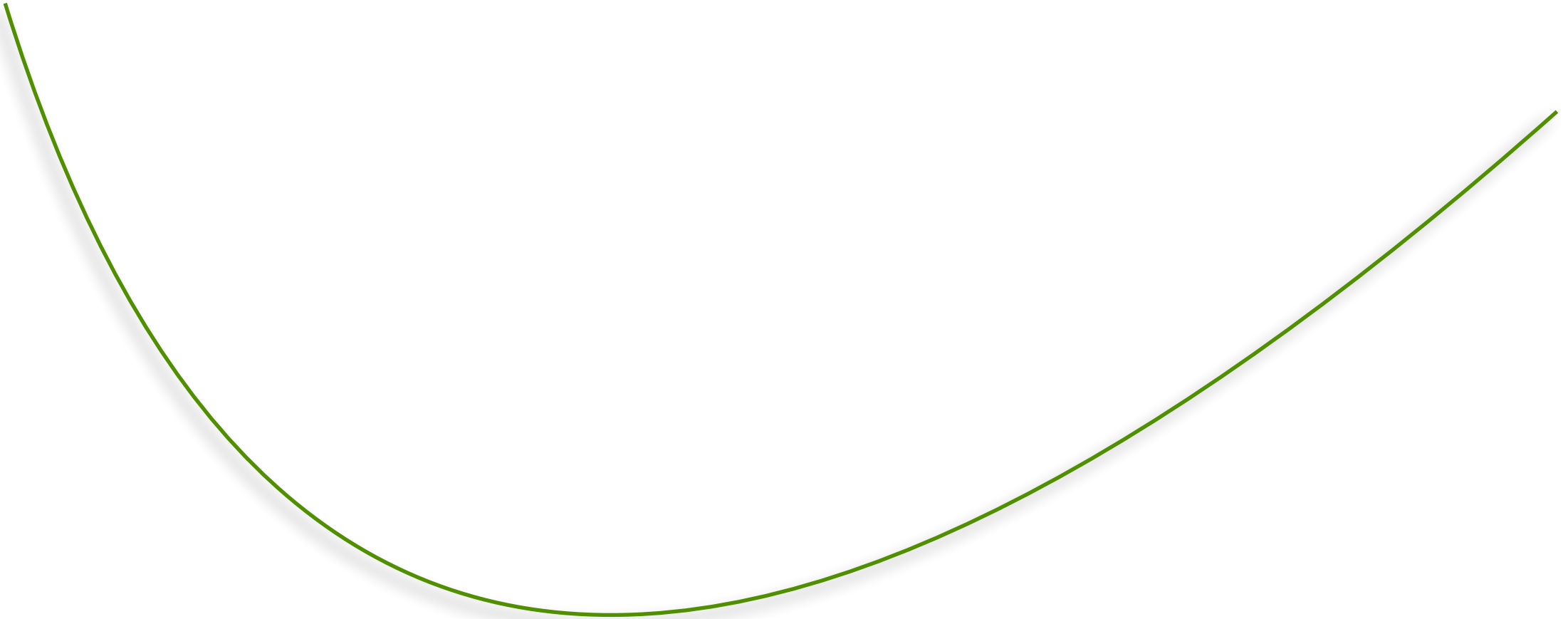
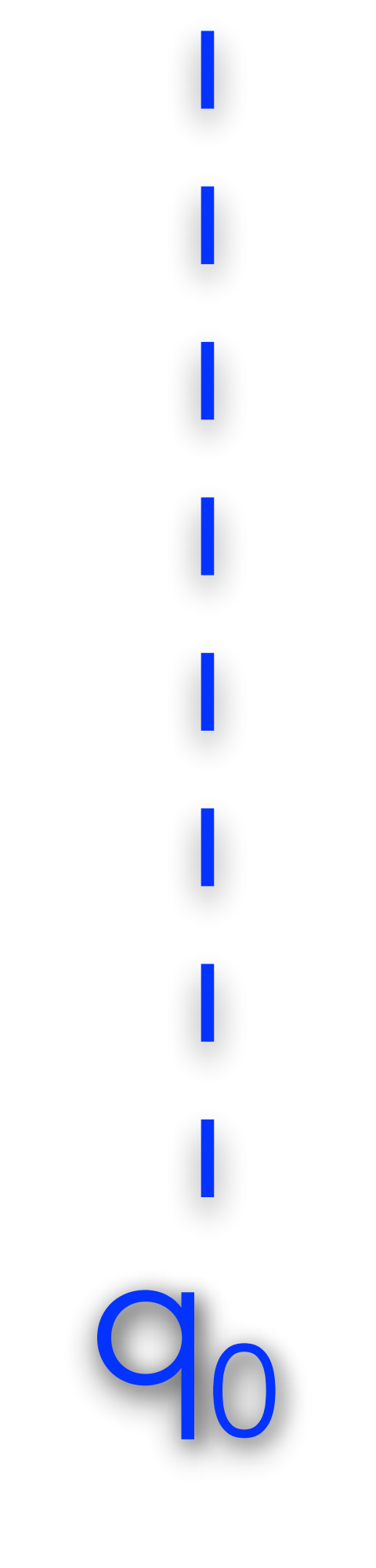








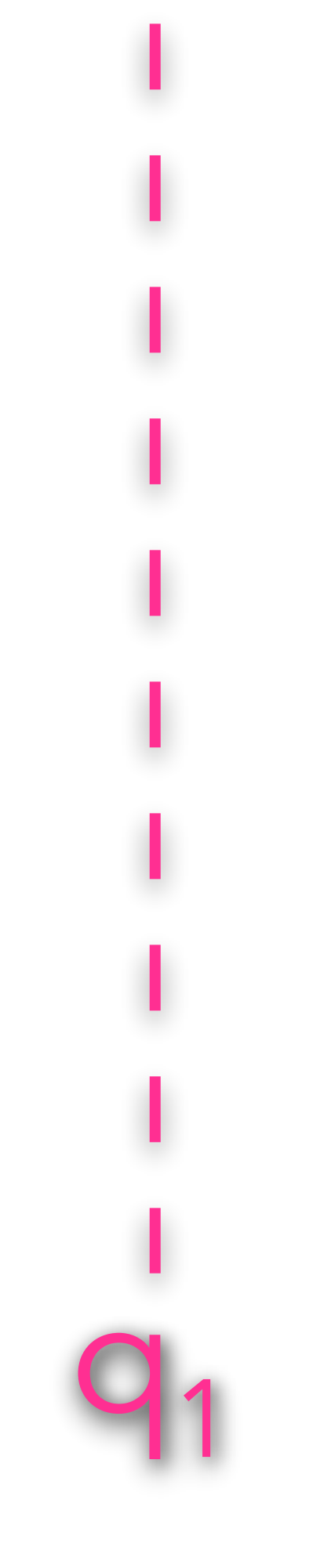



q_0

If the Market Price is $P=4$ - MR

5 MR


Price
rise

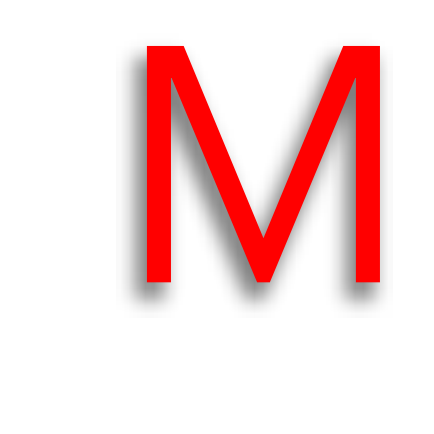

q_1

Loss

Firms exit, Supply shifts left and price rise


Price
rise

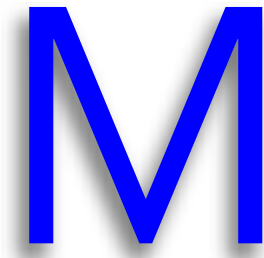
6 MR


M


M


R


P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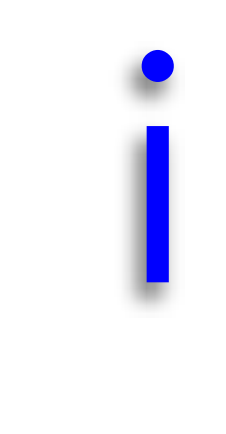

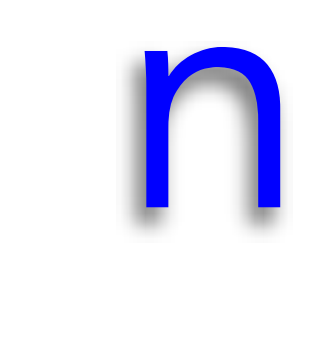
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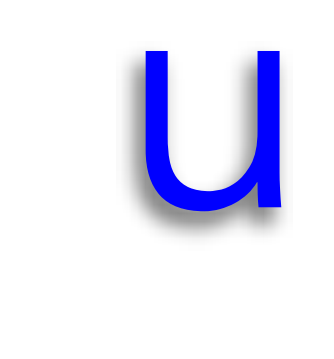


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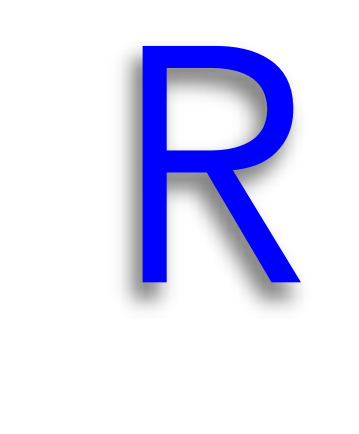
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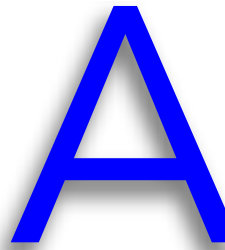

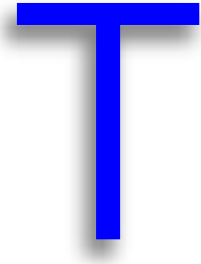

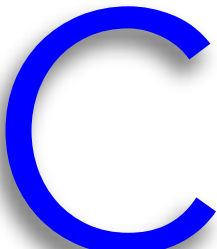


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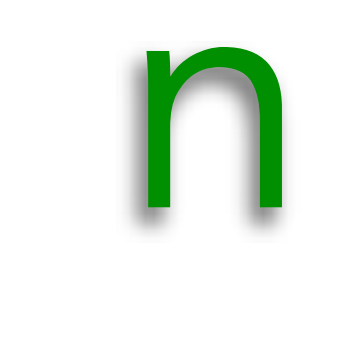
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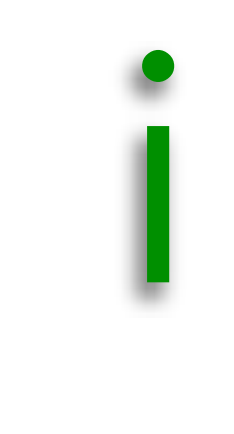

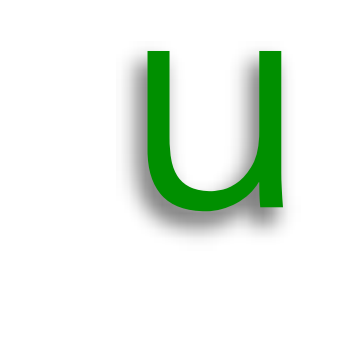

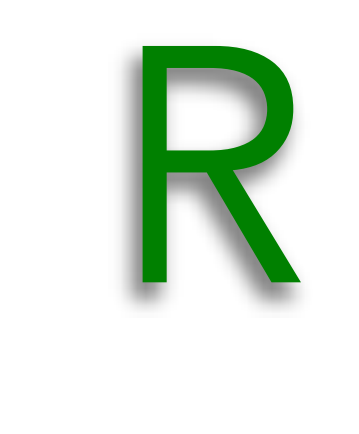
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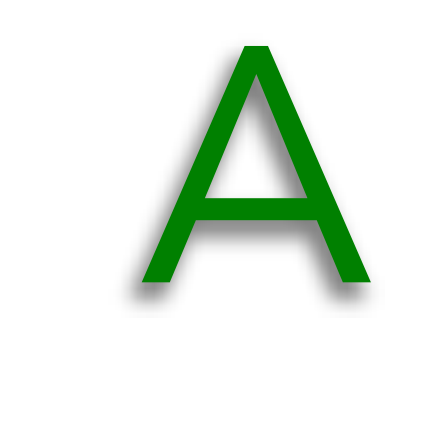
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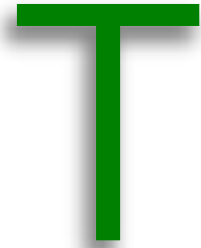

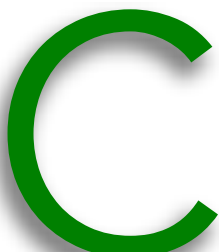

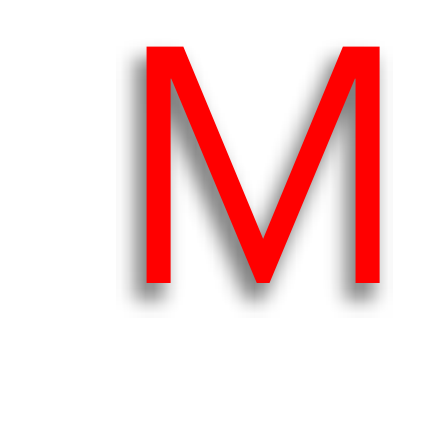
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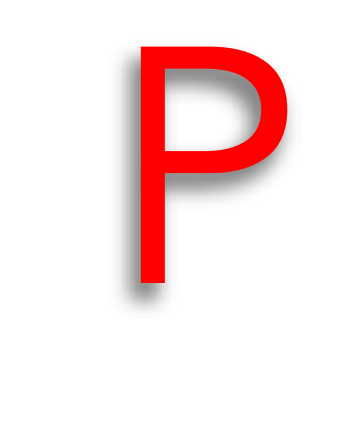

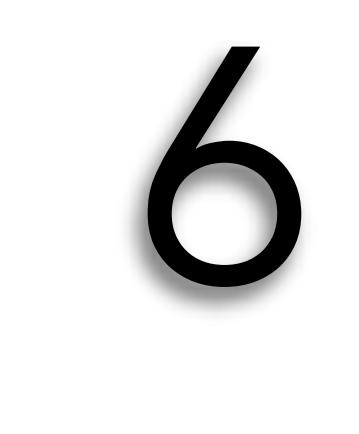
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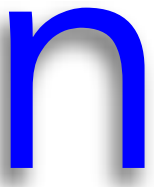
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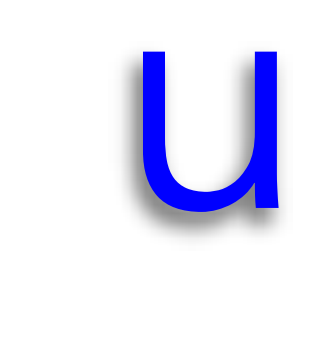
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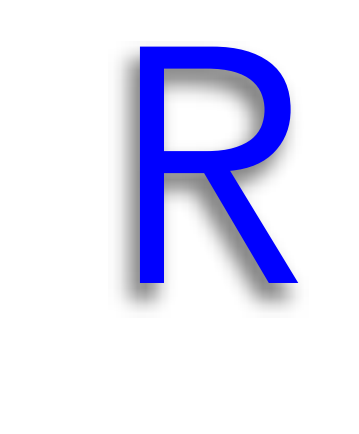
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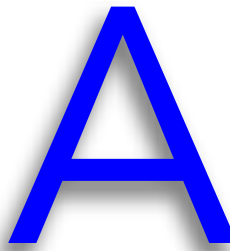

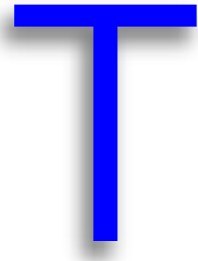

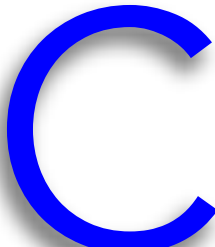


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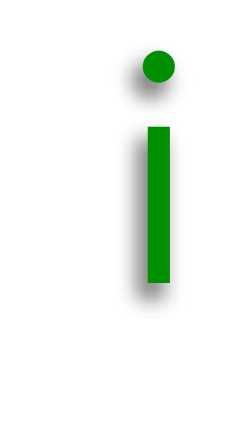

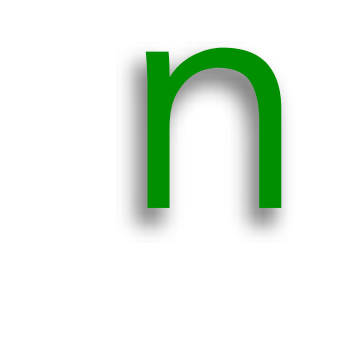
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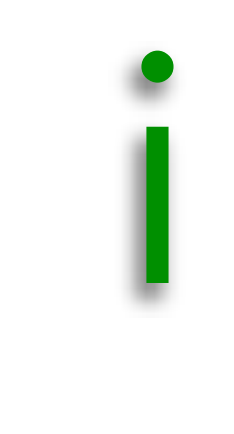

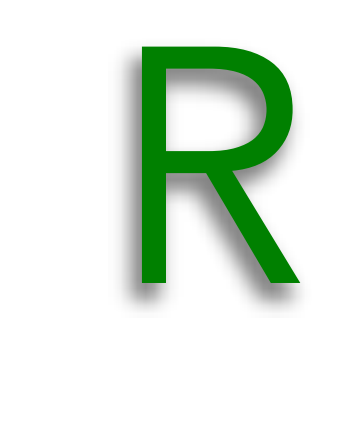
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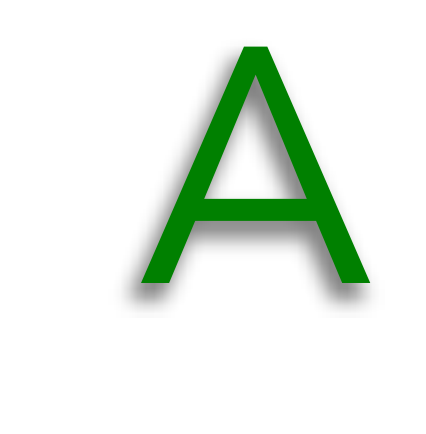
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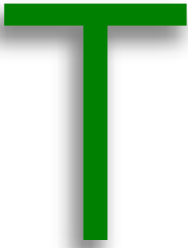
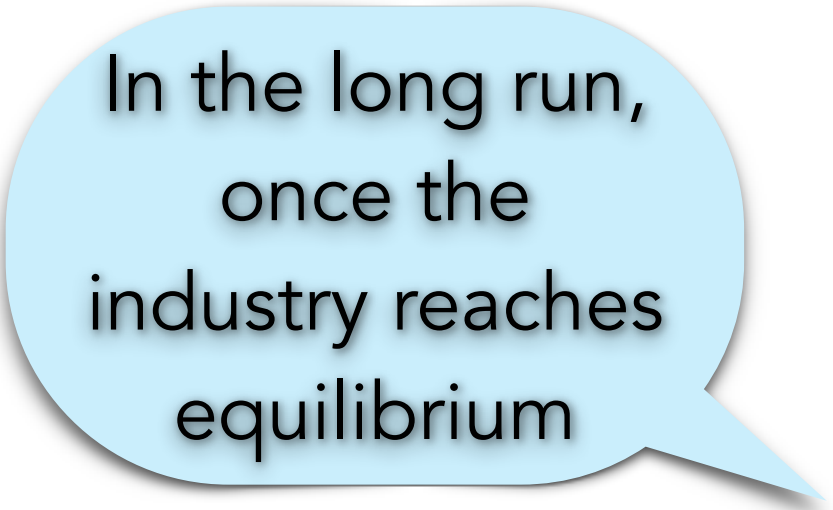



6

Once P = ATC, there will be no more losses, firms will not exit, supply will not shift left and the price will not rise anymore


In the long run,
once the
industry reaches
equilibrium

By looking at the cost curves, we can tell what these values will be in the long run

P, MC, MR, ATC, AVC


All equal to the Minimum ATC

MC = MR = P = Minimum SRATC = Minimum LRATC

Firms exit, Supply shifts left and price rise

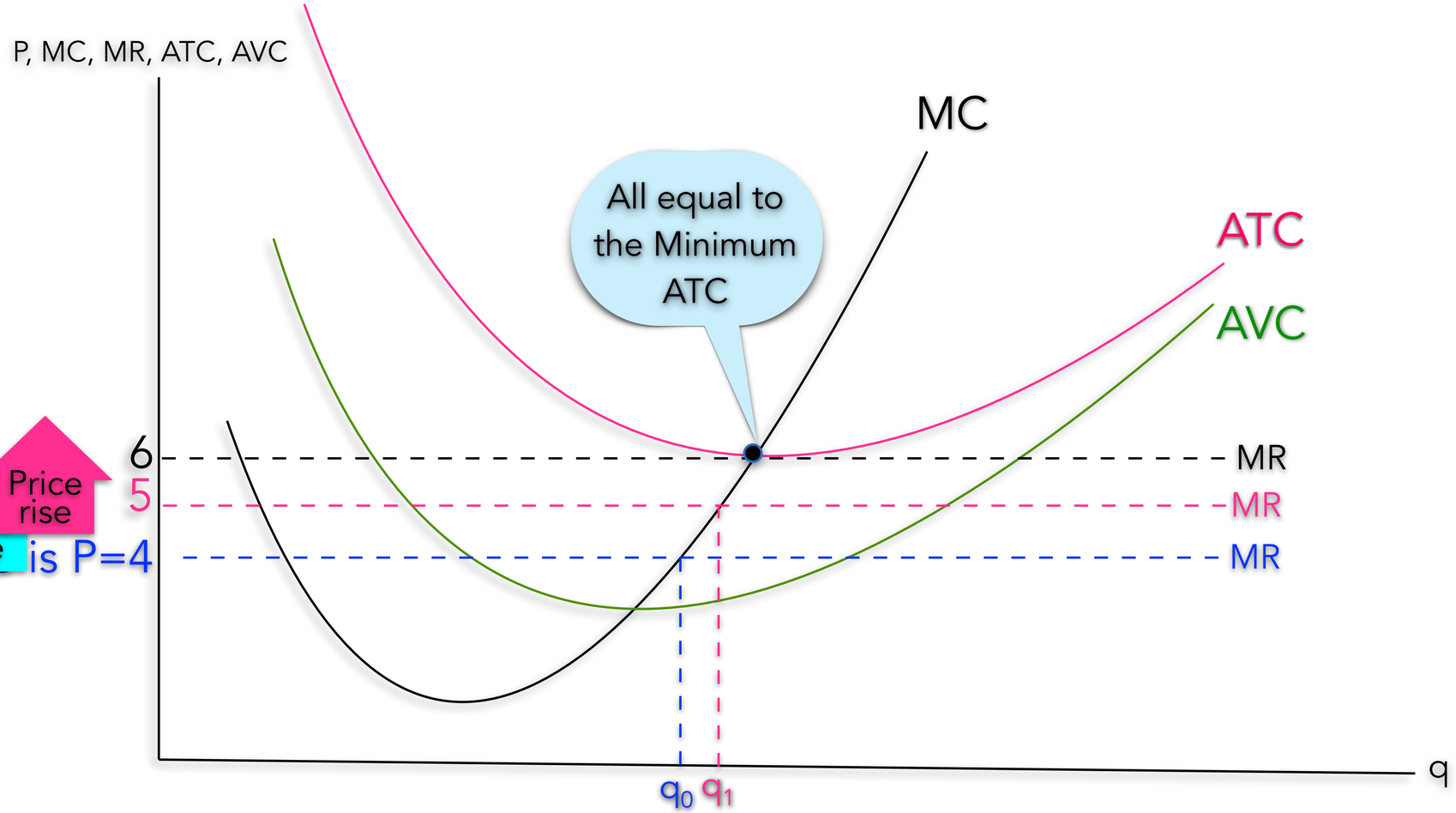
MC =6 MR =6 P =6 Minimum SRATC =6 Minimum LRATC =6

Long Run Equilibrium Condition

In the long run, once the industry reaches equilibrium

MC =6 MR =6 P =6 Minimum SRATC =6 Minimum LRATC =6

By looking at the cost curves, we can tell what these values will be in the long run



Once P = ATC, there will be no more losses, firms will not exit, supply will not shift left and the price will not rise anymore

If firms in the industry