

MC

AVC

ATC



MR





Q



Pe

Firm should produce q^* in the short run but it's indifferent between staying and exiting the industry in the long run

Pe

=

ATC

ATC

=



Firm breaks even

P_e

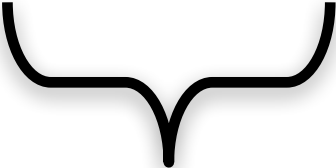
$\times q$

$=$

ATC

$\times q$

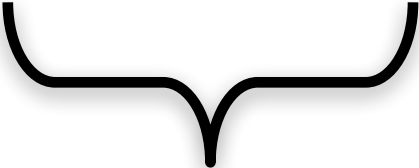




TR

=

TC





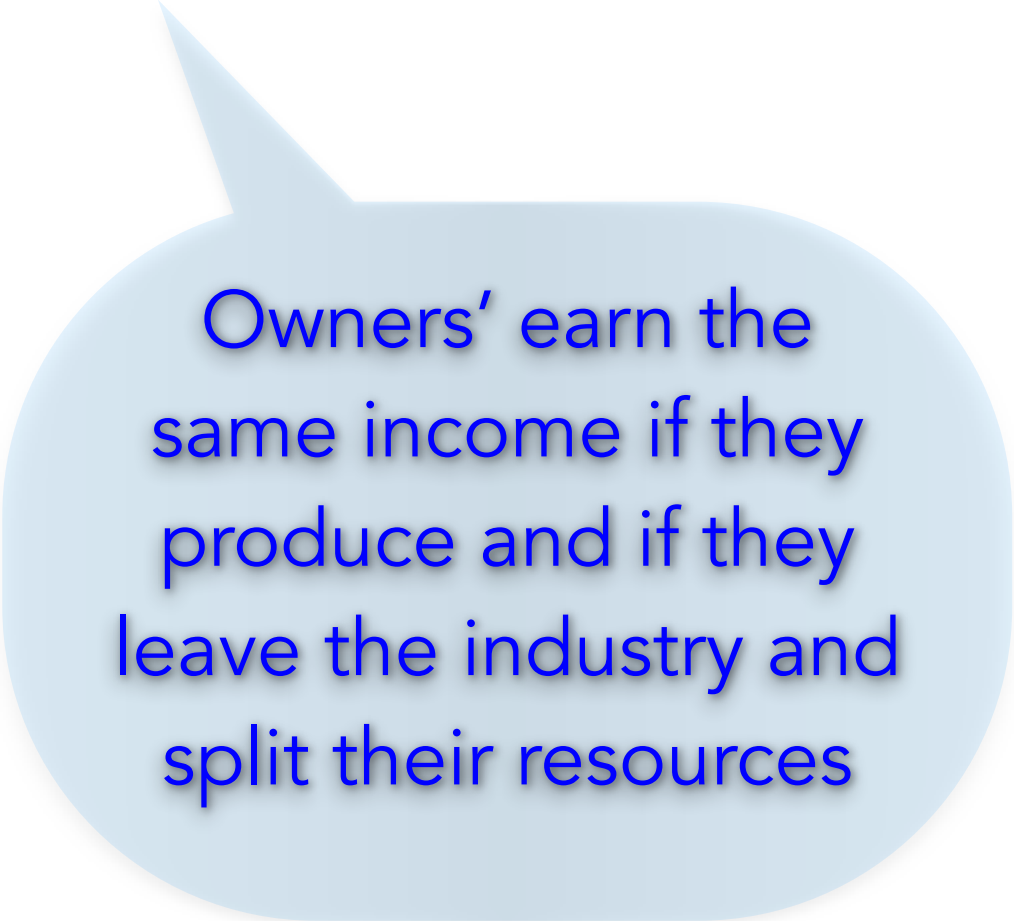
TR

=TC

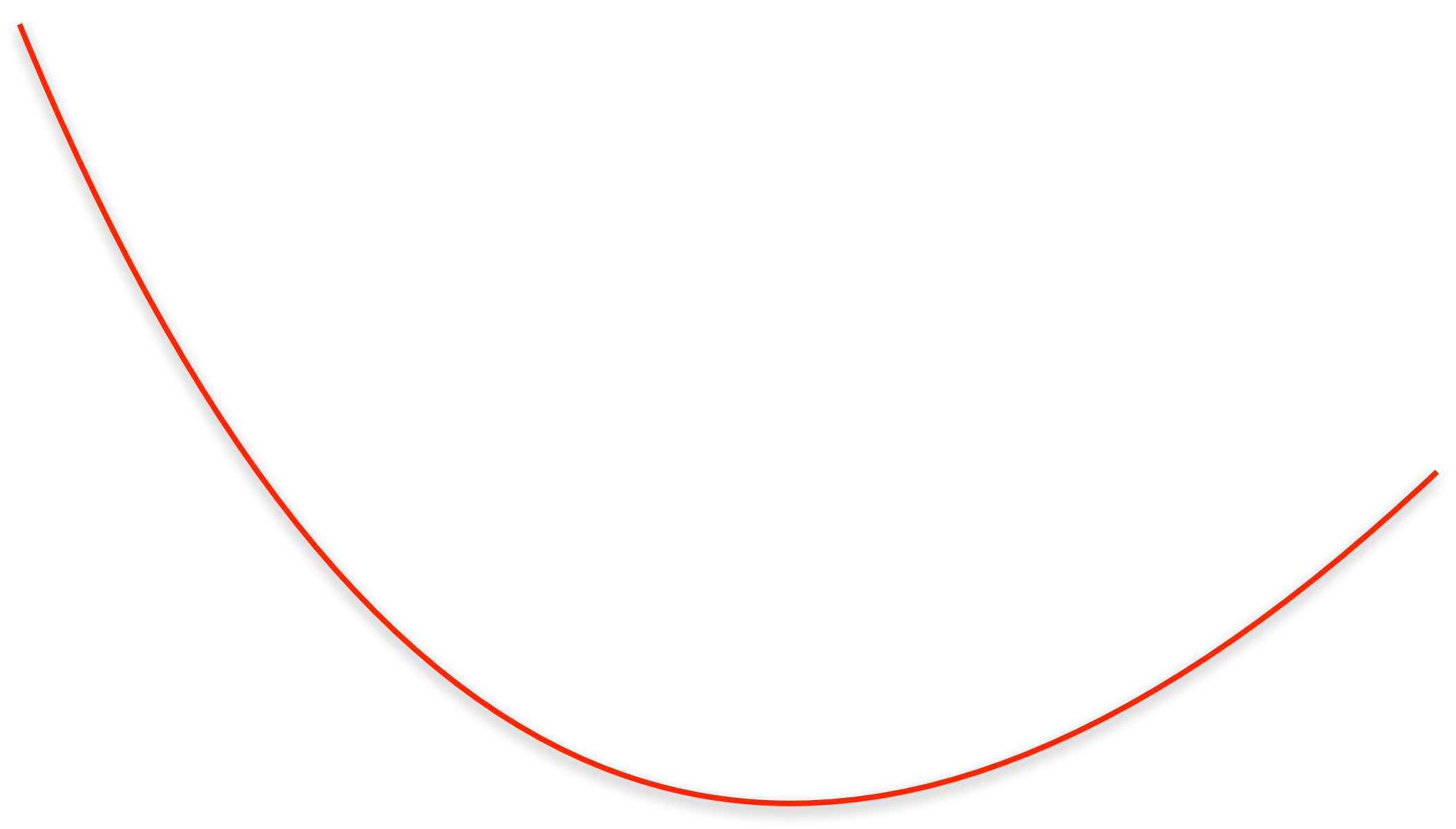
Earns zero Economic Profit

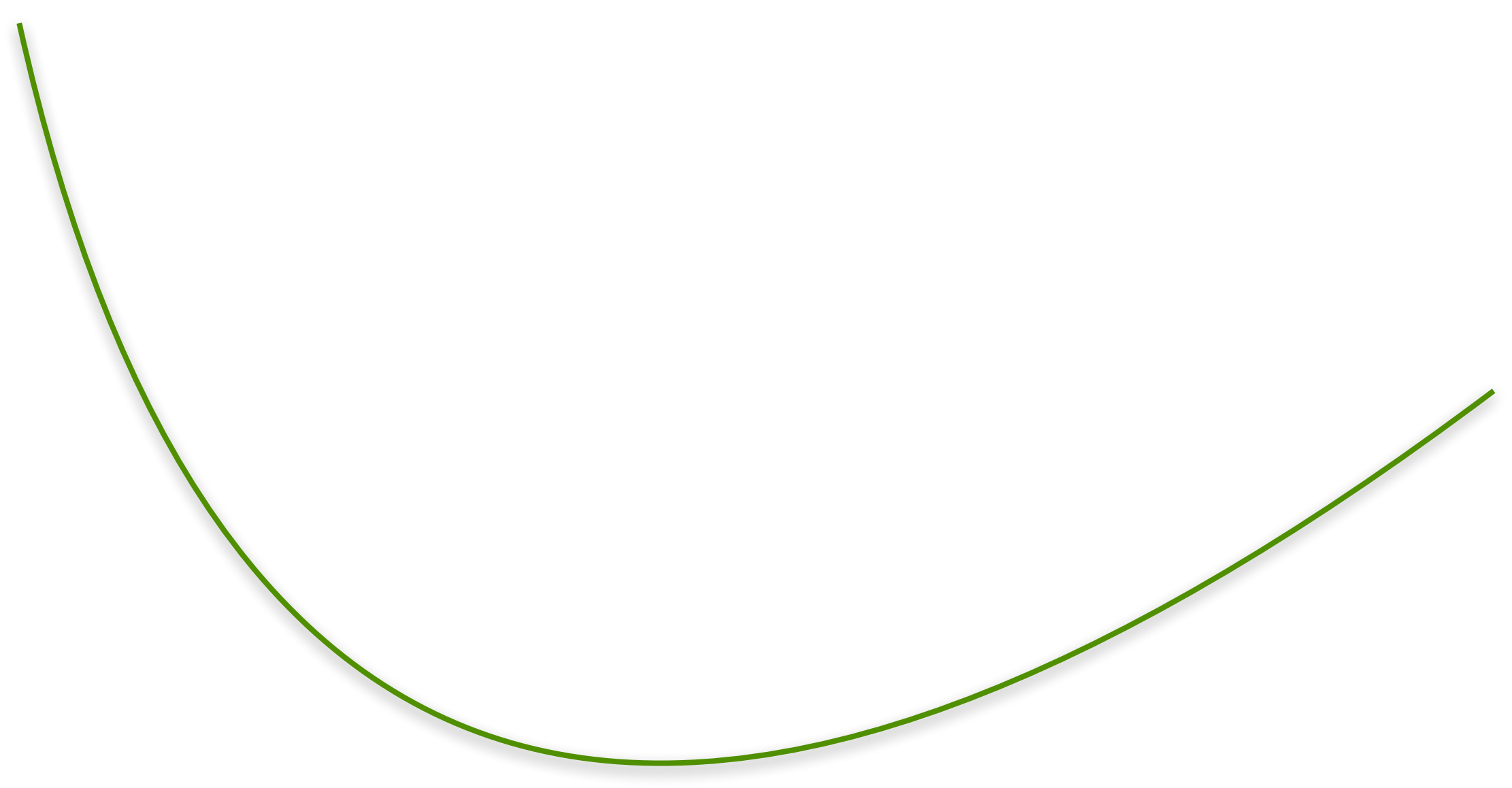


Owners'
Accounting
Profit = Implicit
Costs



Owners' earn the same income if they produce and if they leave the industry and split their resources





$$P_e = ATC \quad \longrightarrow \quad \underbrace{P_e \times q}_{TR} = \underbrace{ATC \times q}_{TC} \quad \longrightarrow \quad \begin{array}{l} \text{Firm breaks even} \\ \text{Earns zero Economic Profit} \end{array}$$

Firm should **produce** q^* in the **short run** but it's **indifferent** between staying and exiting the industry in the **long run**

Owners' earn the same income if they produce and if they leave the industry and split their resources

