

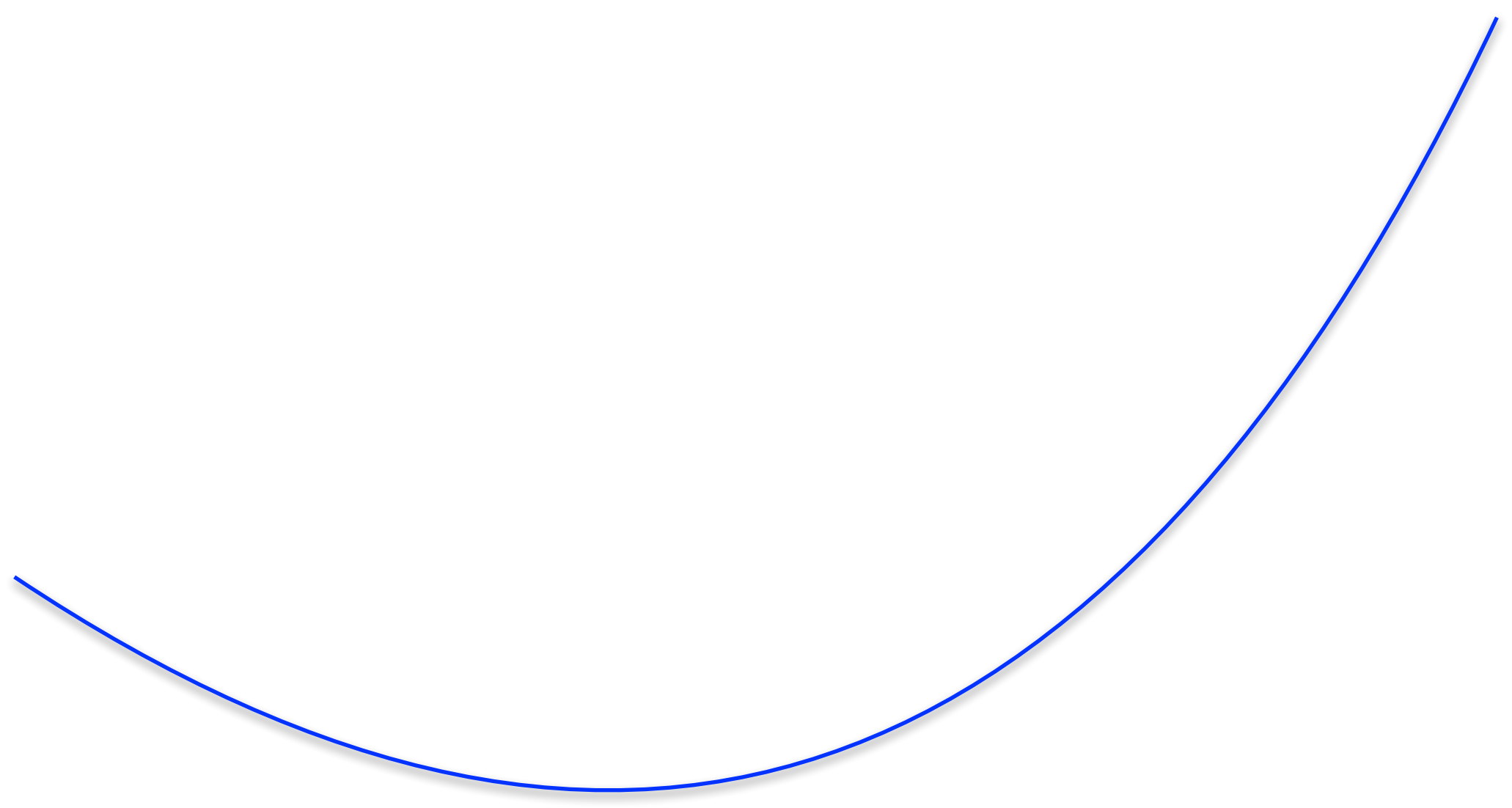


MR

MC

P<sub>e</sub>









To Minimize the  
Loss, the firm  
must produce  $q_0$



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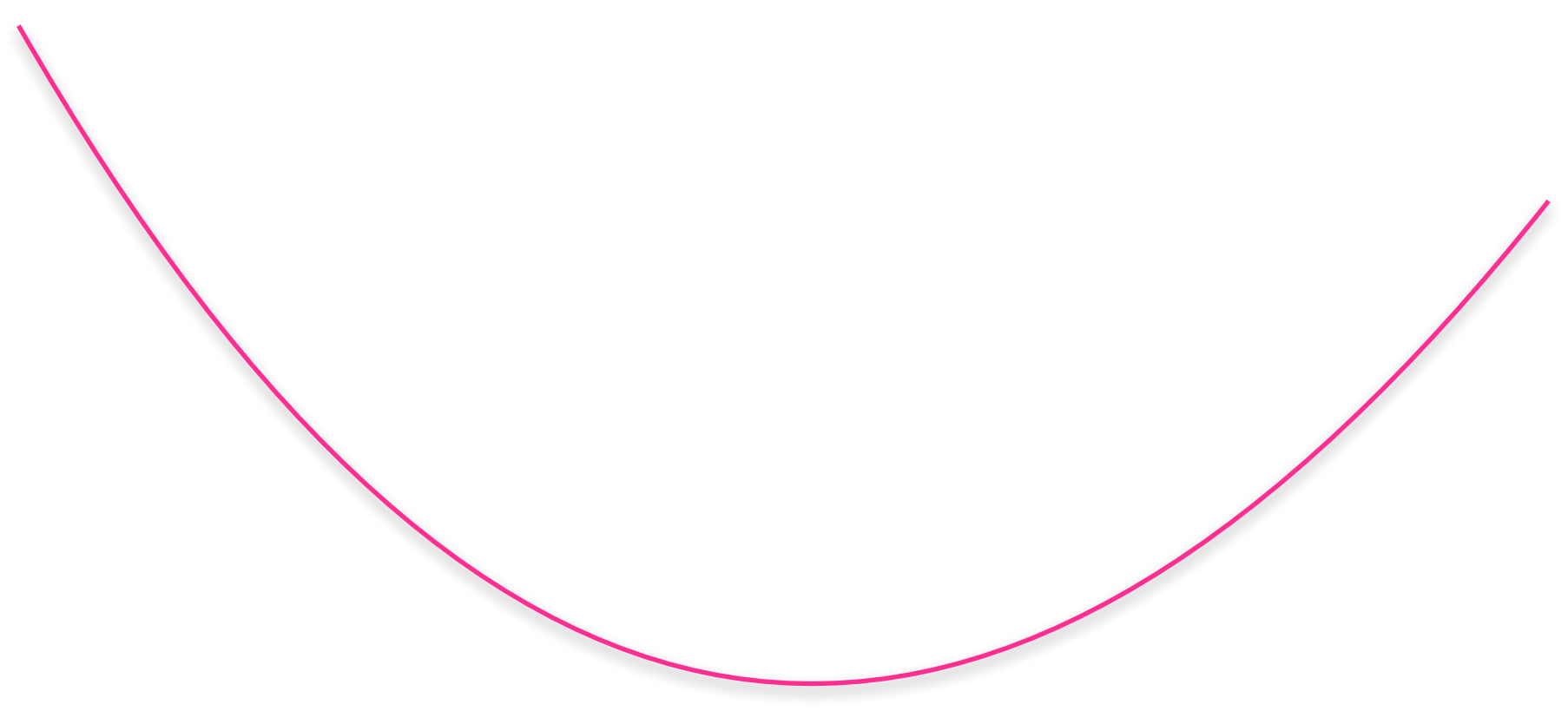
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AVC

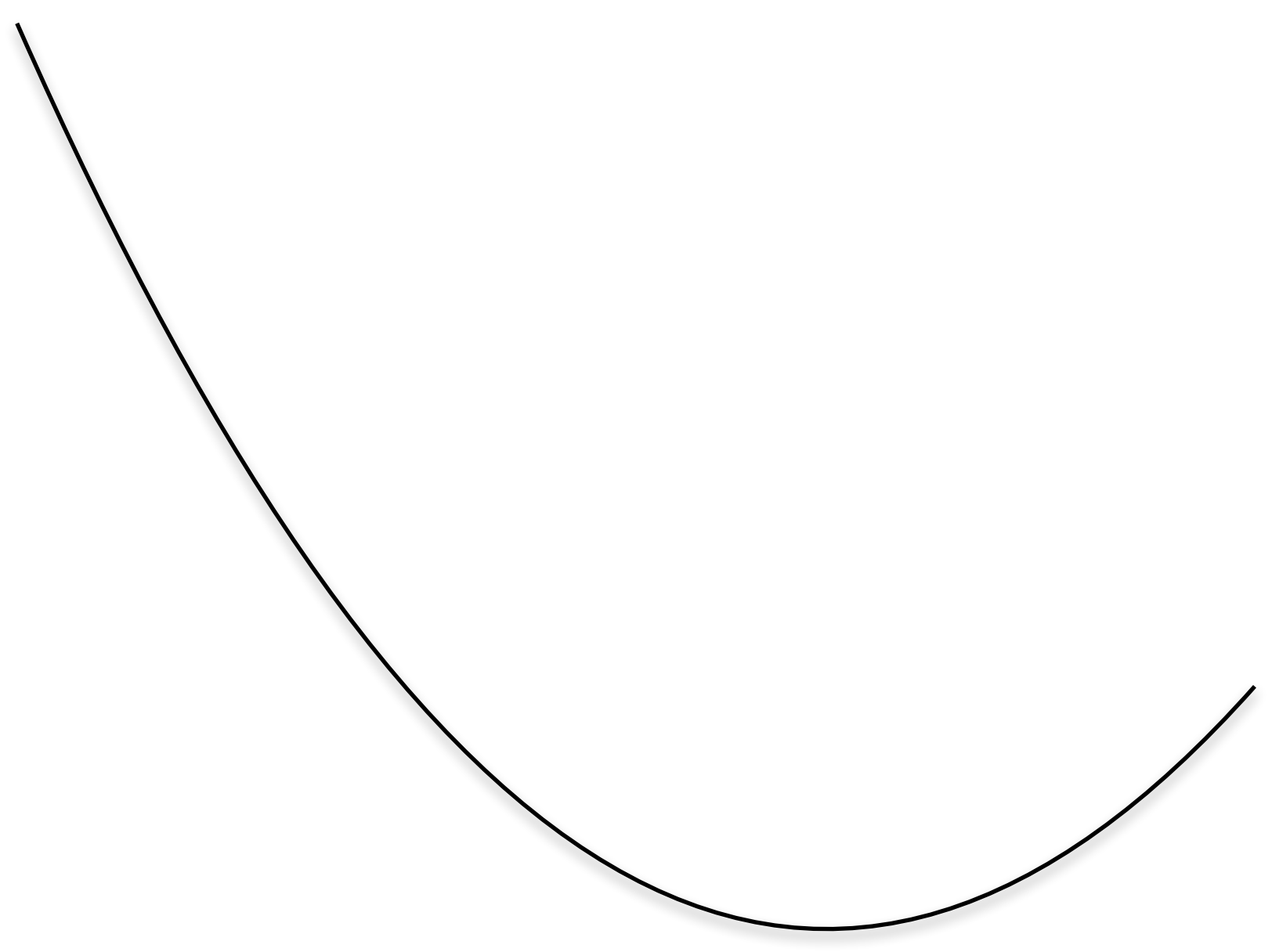
ATC



$$AVC \times q_0 = VC$$

$$ATC \times q_0 = TC$$

$$AFC \times q_0 = FC$$



AVC

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$$\text{Price} \times q_0 = \text{TR}$$

If the **Price**  $<$  ATC  
the firm will incur  
a loss



TR < TC



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$$\text{Loss} = \text{TR} - \text{TC}$$

ATC

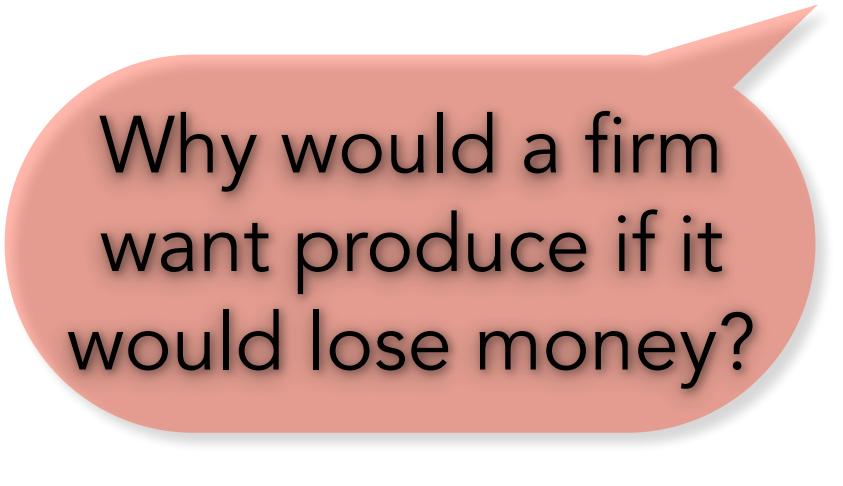
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$$AFC = ATC - AVC$$





Why would a firm  
want produce if it  
would lose money?



P, MC, MR, ATC, AVC

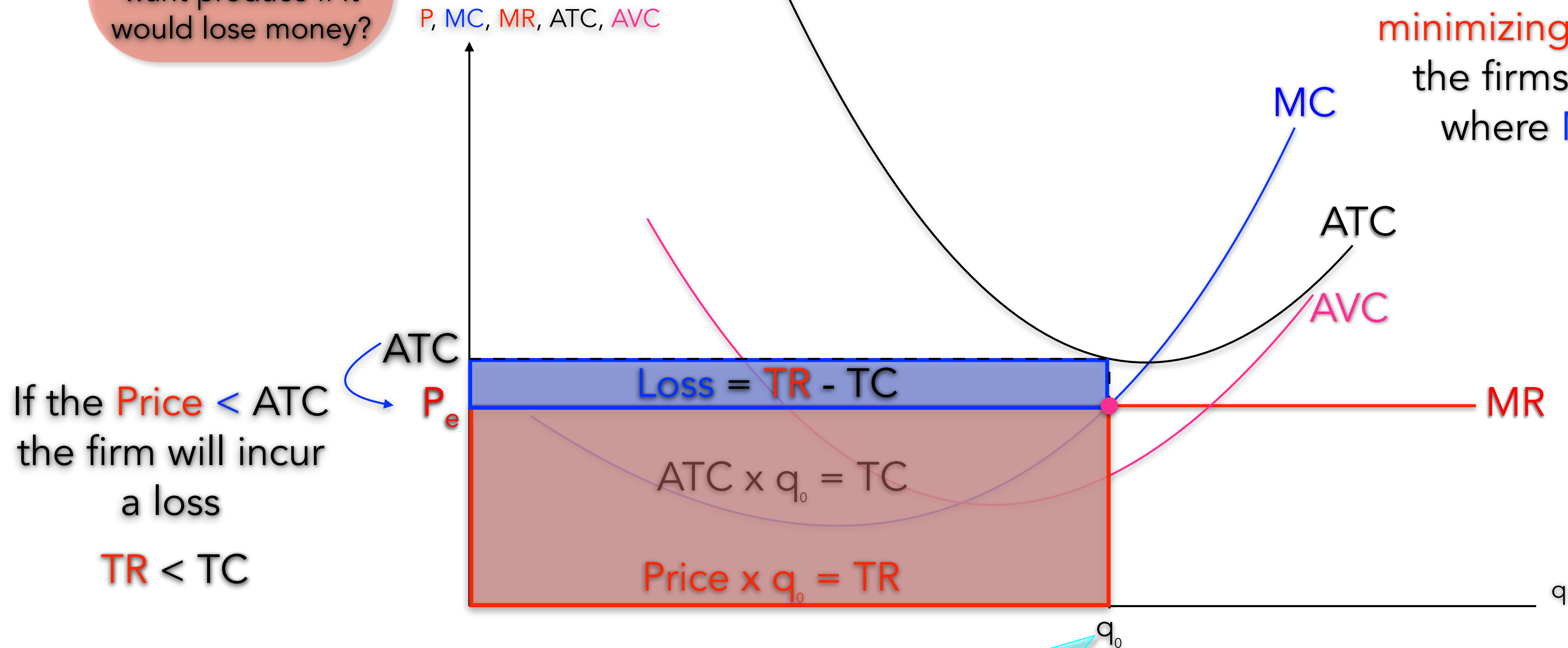
When the price is too low to make a profit the firm choose  
output to minimize the loss

Rule: To choose the **loss minimizing** output level  
the firm chooses  $q$   
where **MC** = **MR**

When the **price is too** low to make a profit the firm choose output to **minimize the loss**

Why would a firm want produce if it would lose money?

Rule: To choose the **loss minimizing** output level the firms chooses  $q$  where  $MC = MR$



If the **Price**  $<$   $ATC$  the firm will incur a loss  
 $TR < TC$

To Minimize the Loss, the firm must produce  $q_0$

