

**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

$P_e$

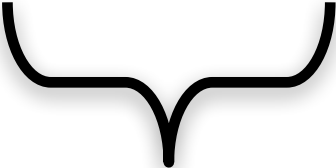
$\times q$

$=$

$ATC$

$\times q$

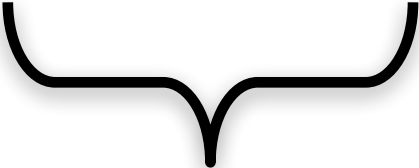




TR

=

TC







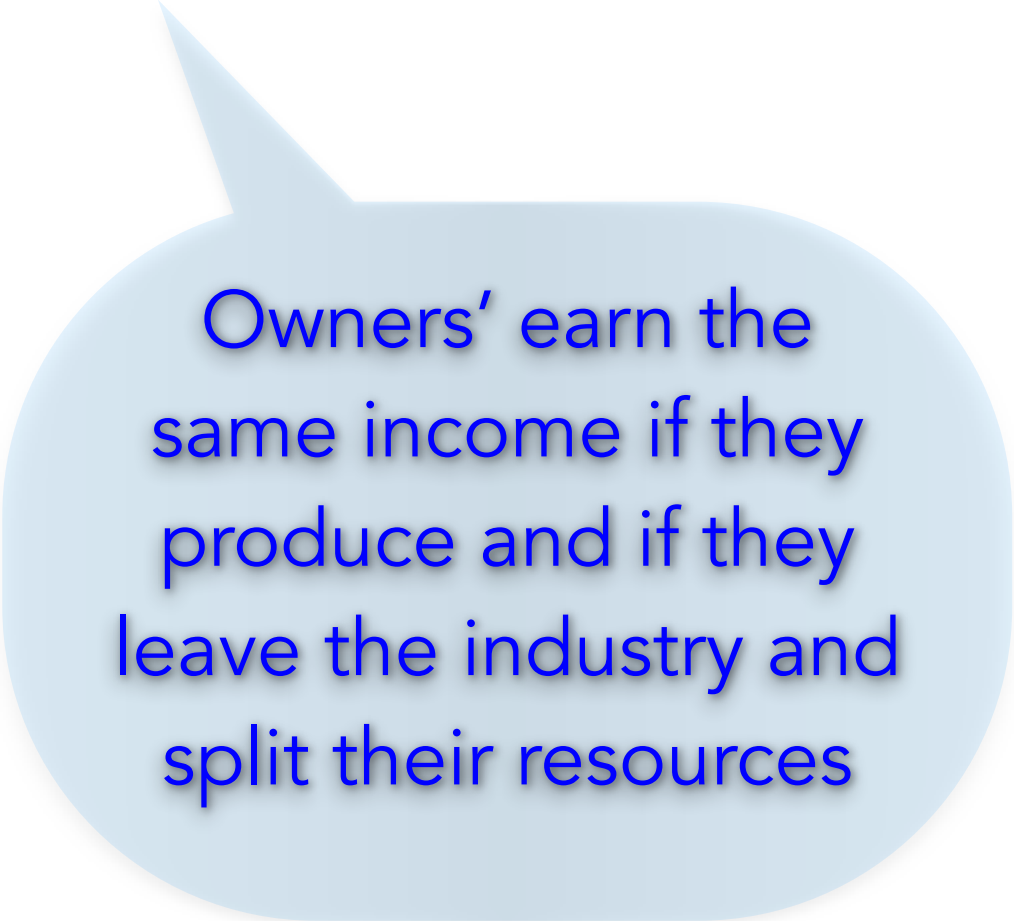
TR

=TC

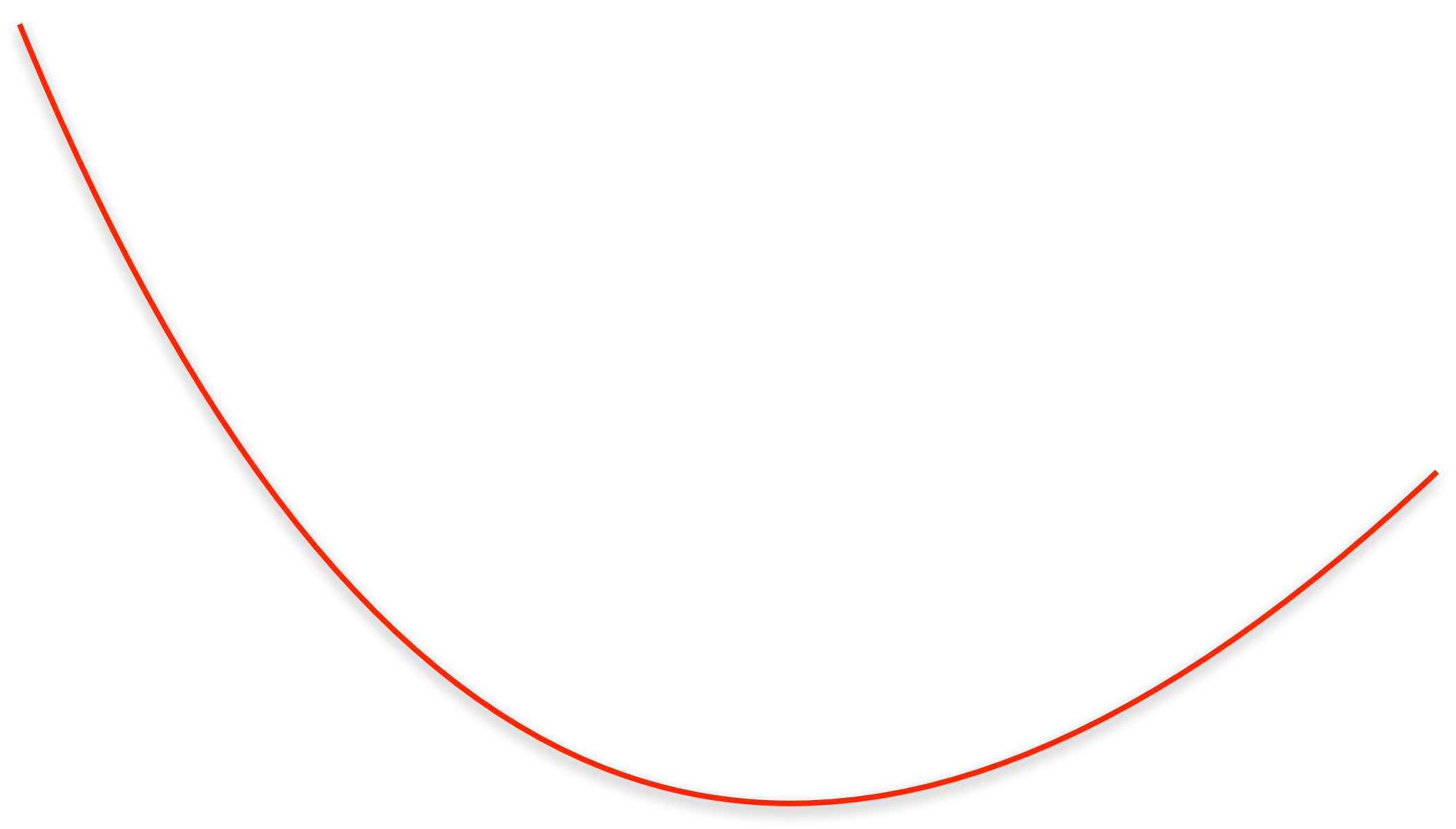
Earns zero Economic Profit

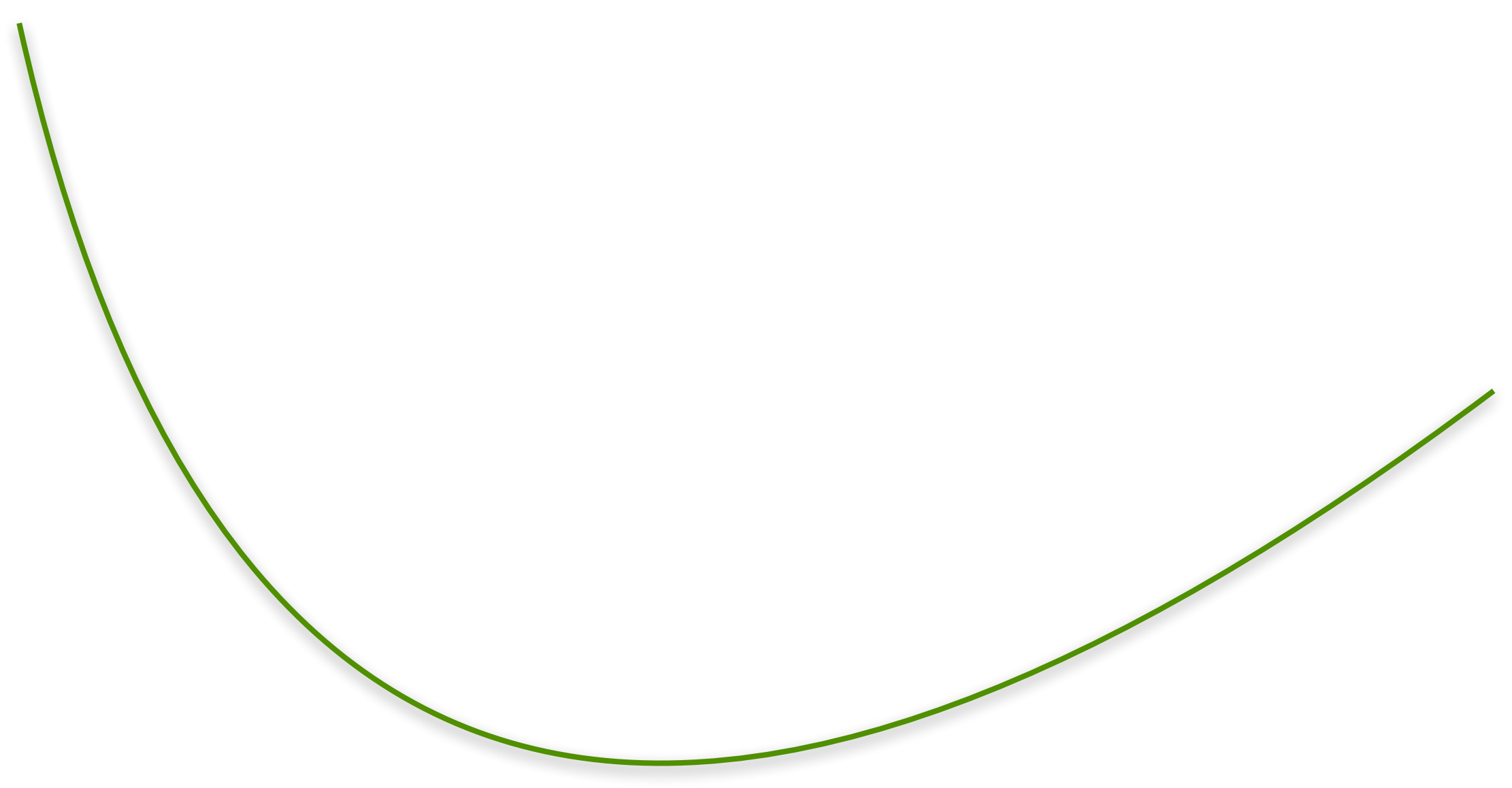


Owners'  
Accounting  
Profit = Implicit  
Costs



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

