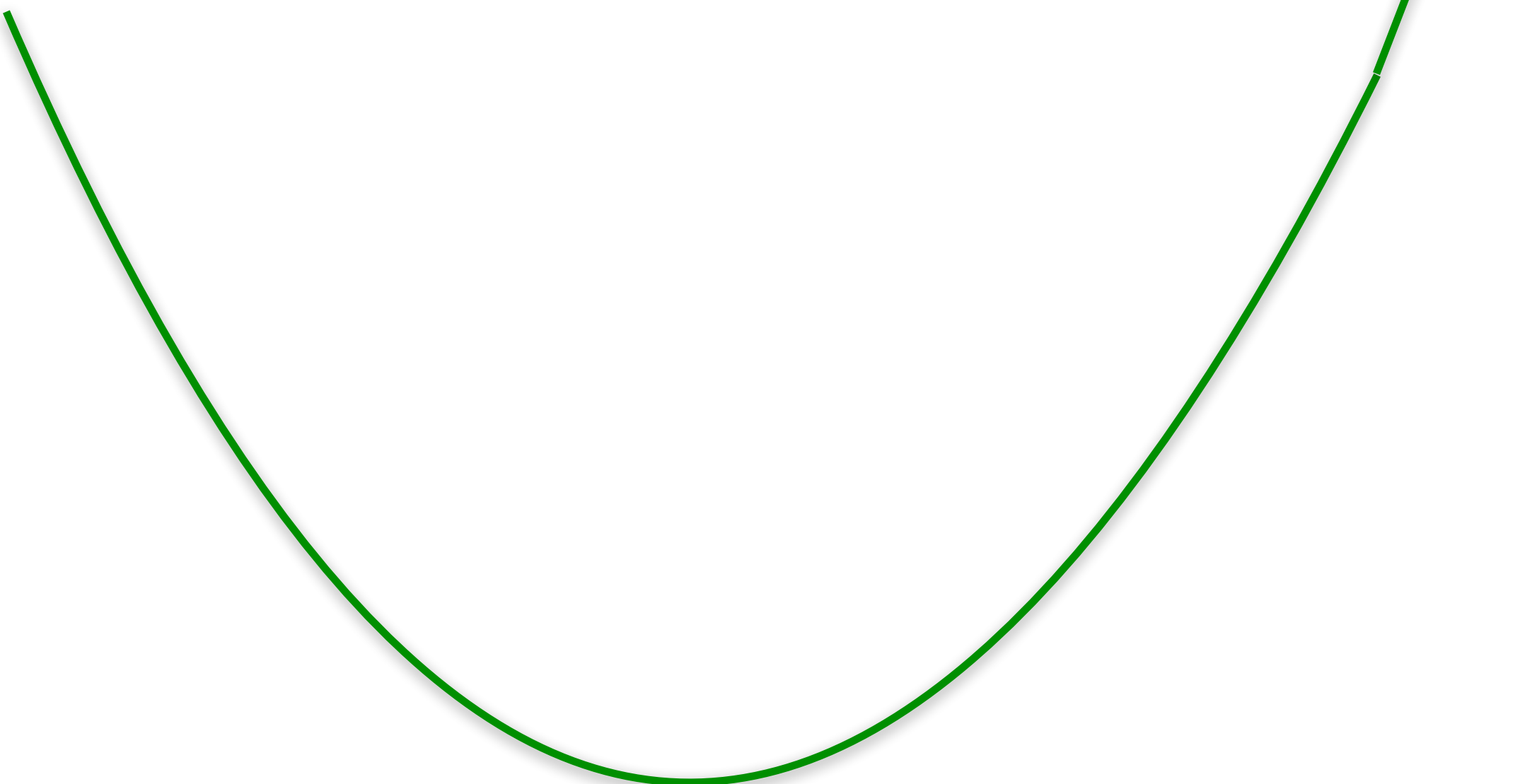


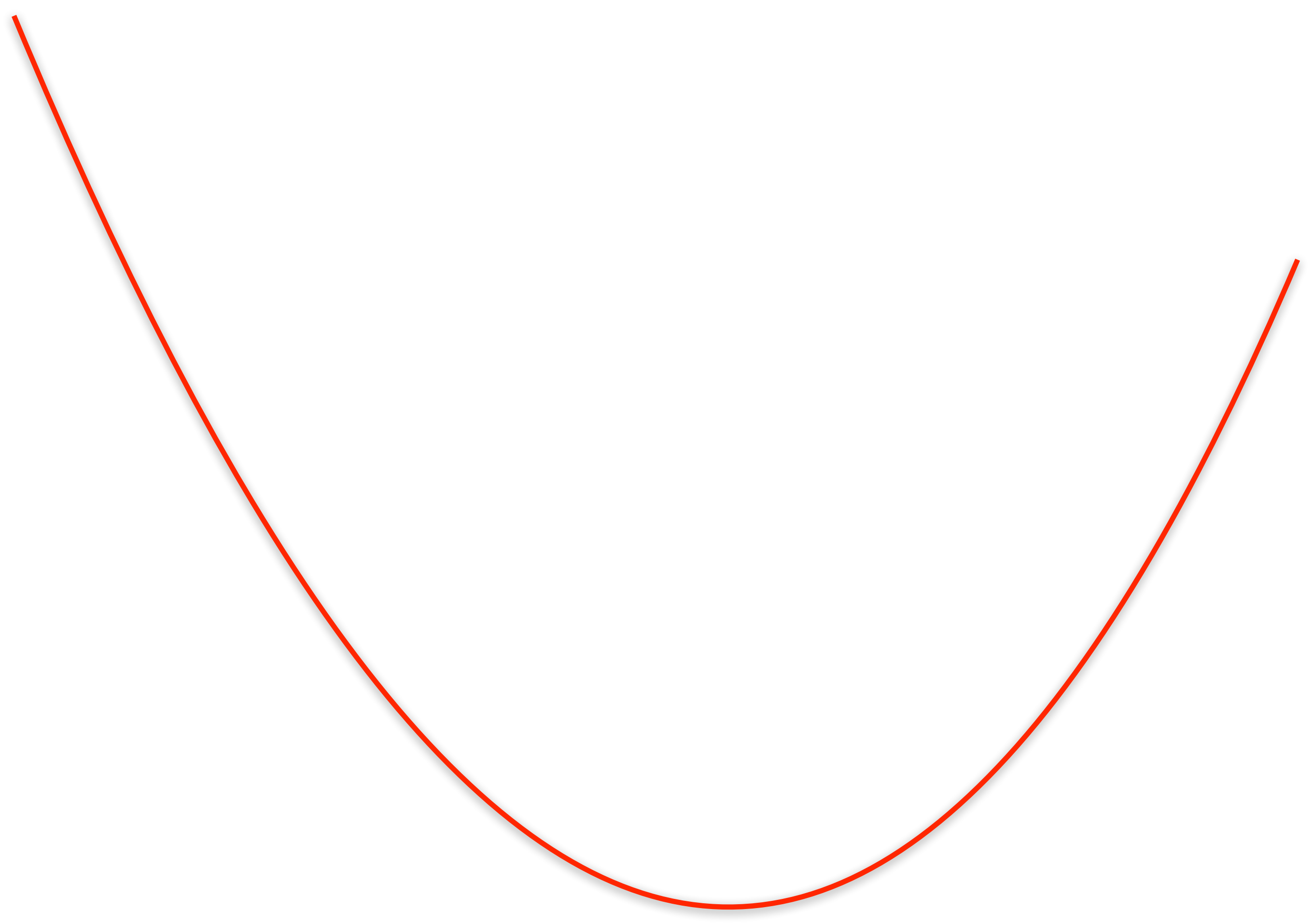
SRATC₁

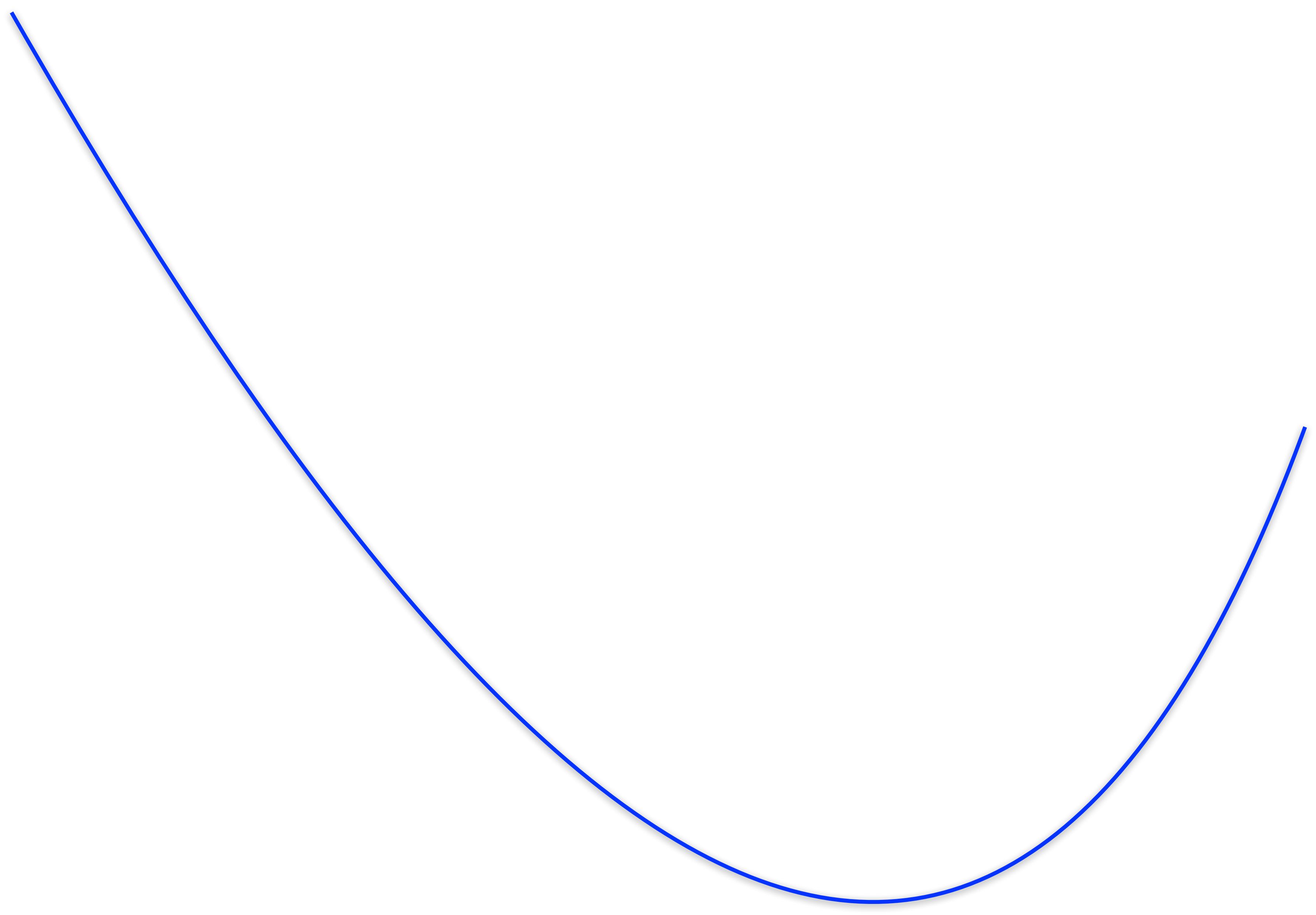


SRATC₂

SRATC₃











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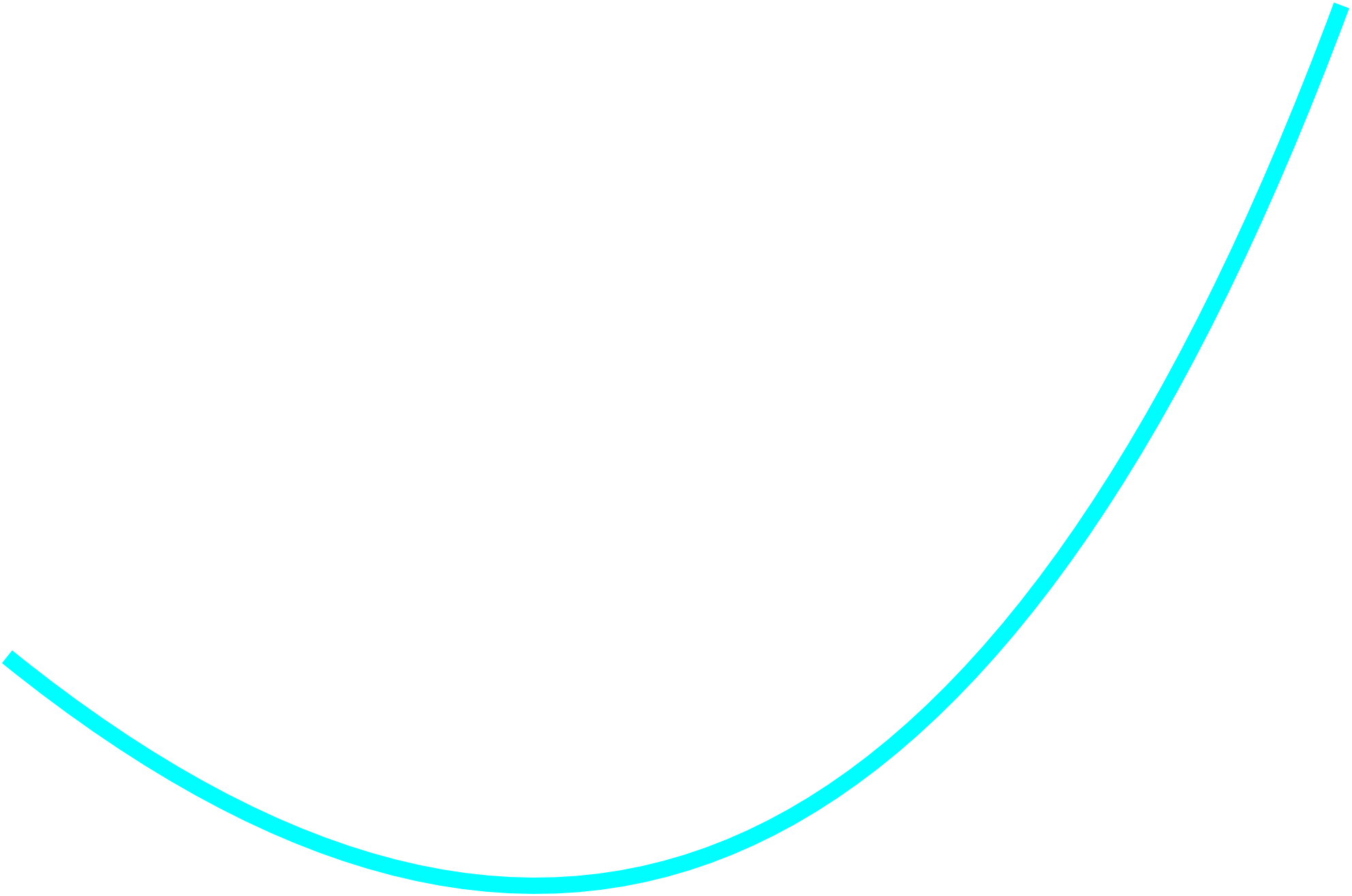


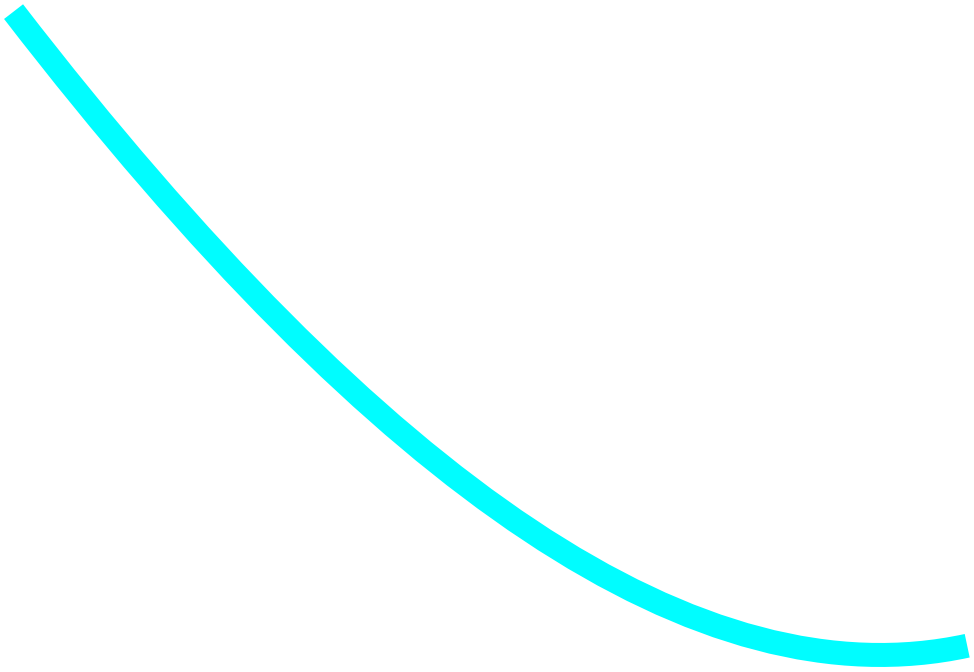


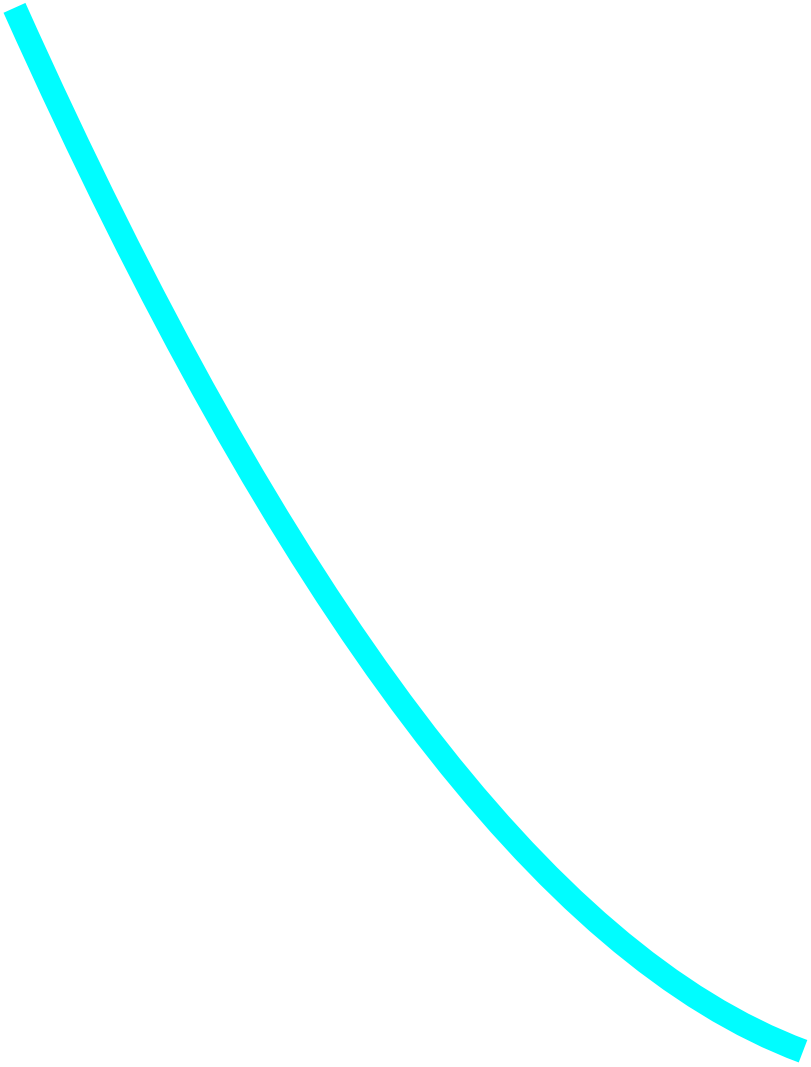
Plant 1 has the
lowest ATC up
to Q_1

Plant 3 has the
lowest ATC above
 Q_2

Cost Per Unit







Q1

Q1

Q₂

Plant 2 has the
lowest ATC up to
 Q_2

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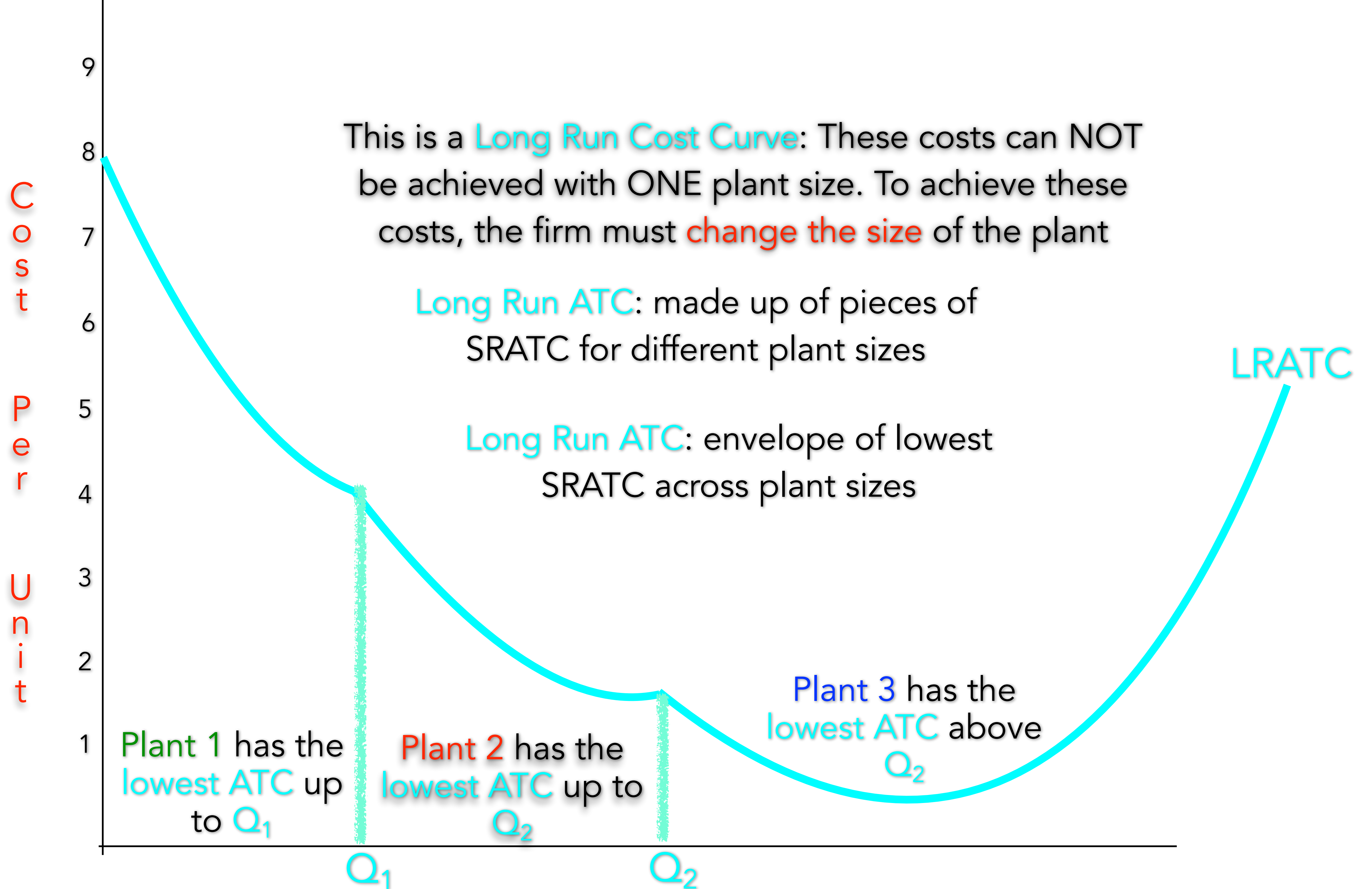
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This is a **Long Run Cost Curve**: These costs can NOT be achieved with ONE plant size. To achieve these costs, the firm must **change the size** of the plant

LRATC

Long Run ATC: envelope of lowest
SRATC across plant sizes

Long Run ATC: made up of pieces of
SRATC for different plant sizes



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Each point on the LRATC gives you the lowest per unit cost for each output level across plant sizes

LRATC

