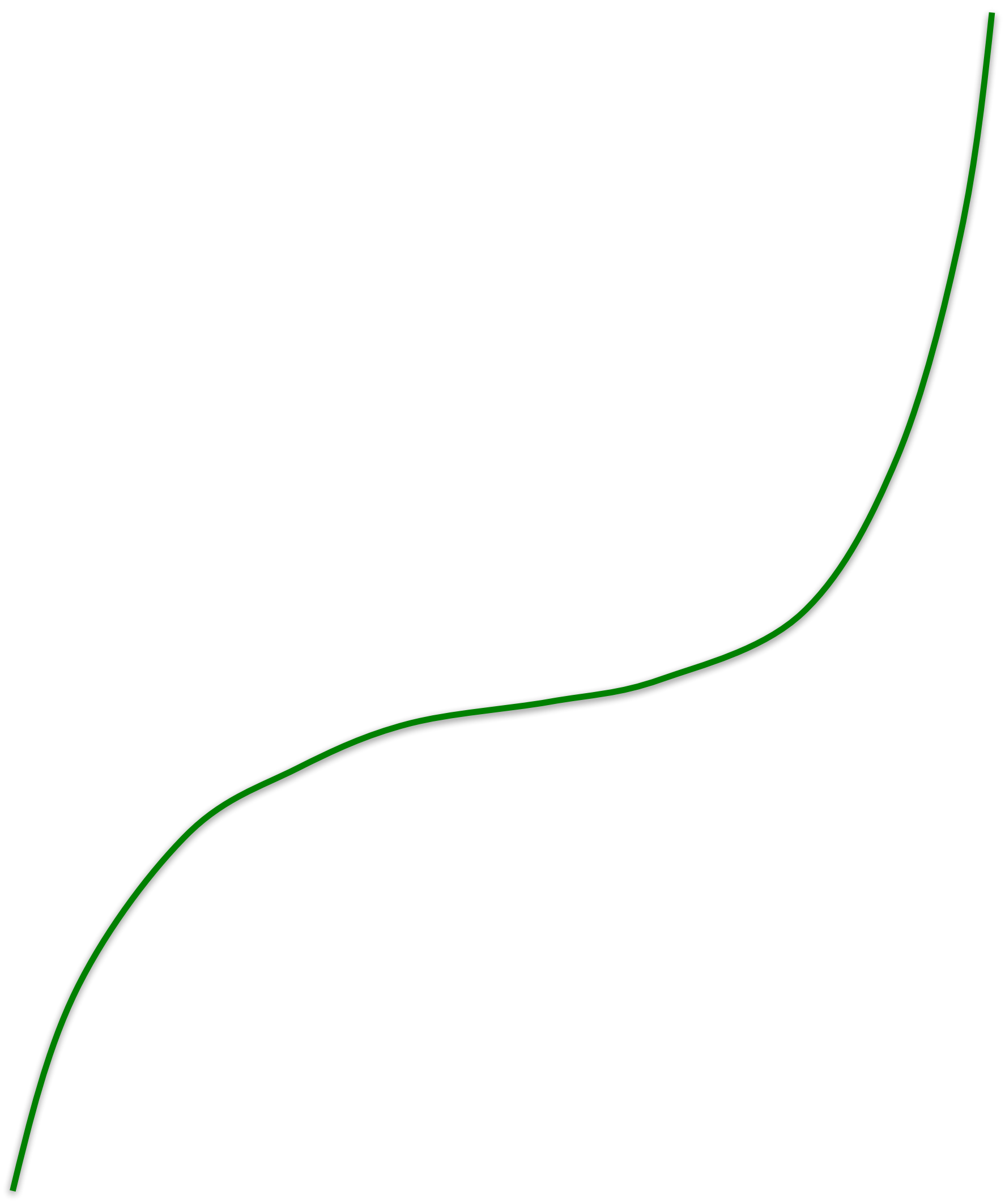


TR

Tc





VC


$$\text{Loss} = \text{FC}$$

TR

=

VC





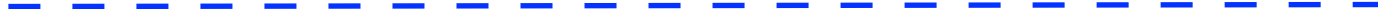
q*

When the **price is too low**, the firm must decide whether it should **produce at a loss** or **shut down**

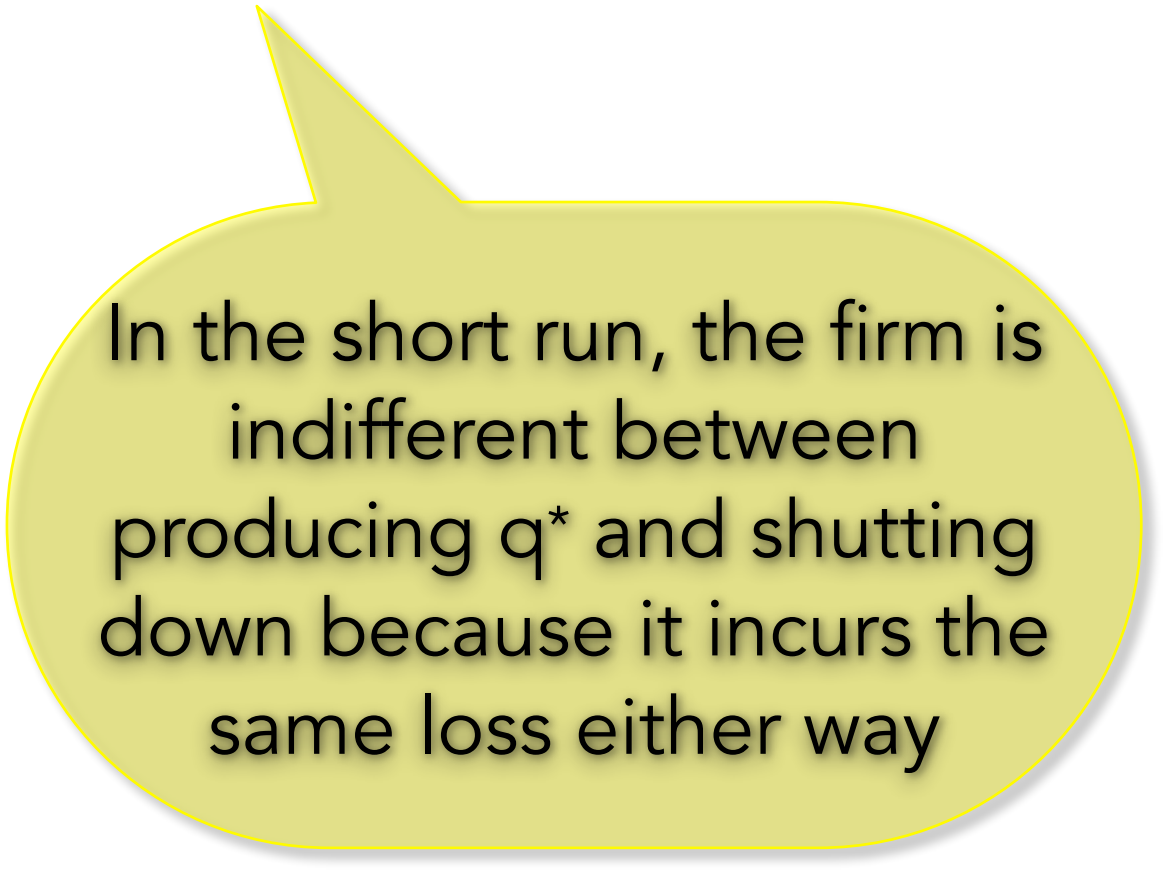
TR, TC, VC

Output

TC



The firm **incurs a loss** equal to FC



In the short run, the firm is indifferent between producing q^* and shutting down because it incurs the same loss either way

If $VC = TR < TC$



TR covers all VC and
none of the FC



VC

If the price does not
increase, the firm should
exit the industry in the long
run

FC

FC





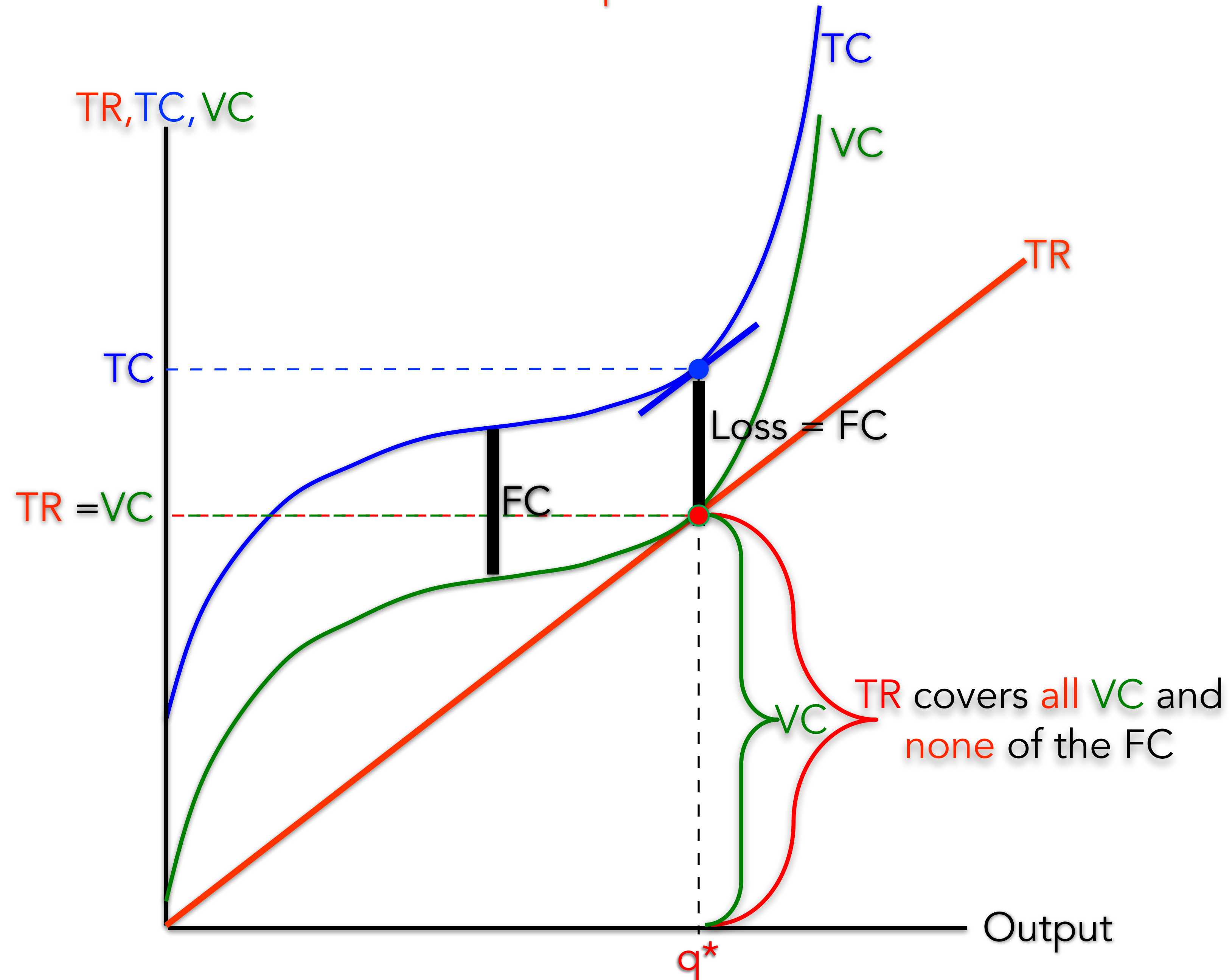
When the **price is too low**, the firm must decide whether it should **produce at a loss** or **shut down**

If $VC = TR < TC$

The firm **incurs a loss** equal to FC

In the short run, the firm is indifferent between producing q^* and shutting down because it incurs the same loss either way

If the price does not increase, the firm should **exit** the industry in the **long run**



When the price is too low, the firm must decide whether it should produce at a loss or shut down

TR, TC, VC

Output