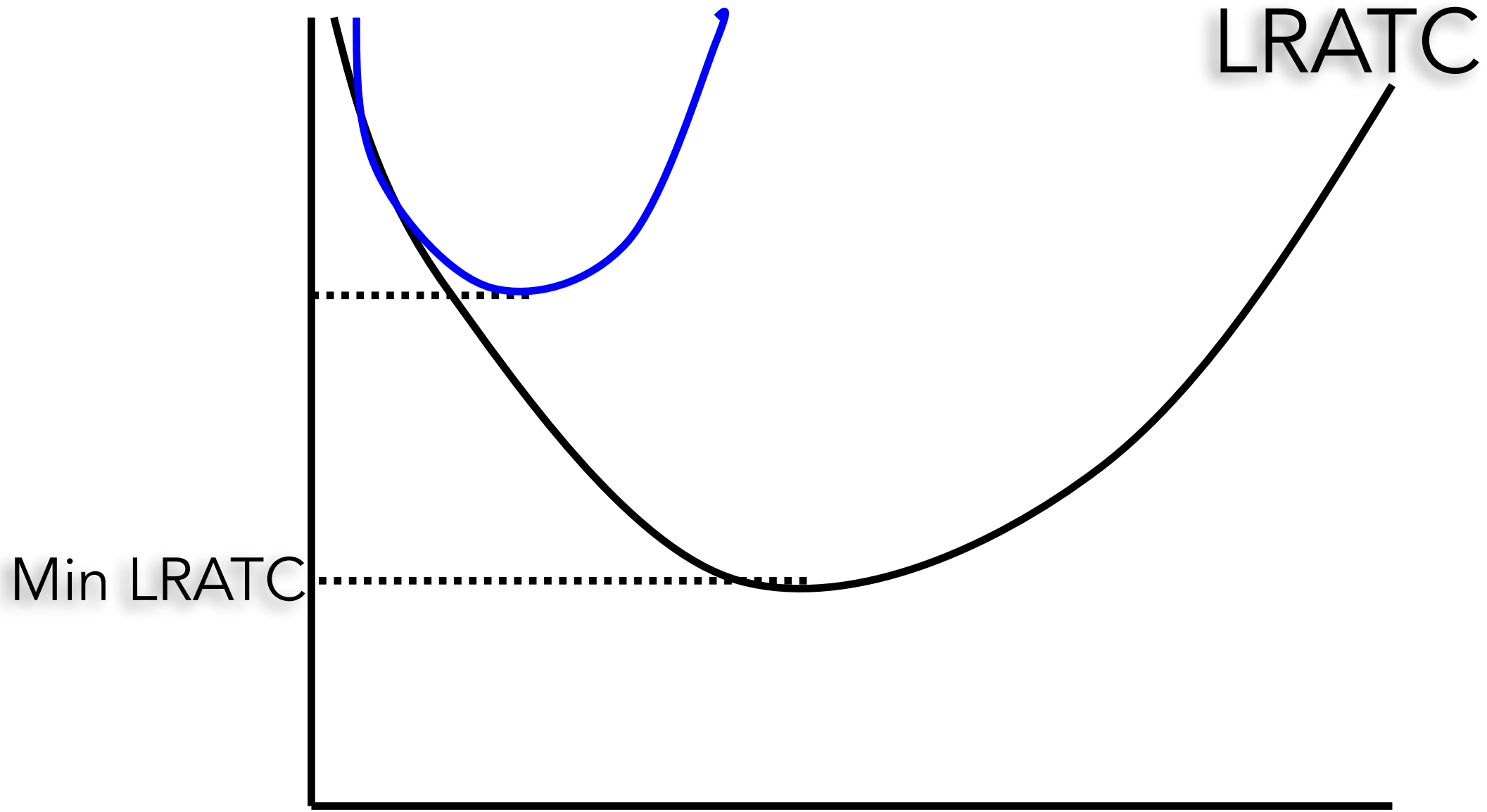


Firms have an incentive to **change plant** size if not

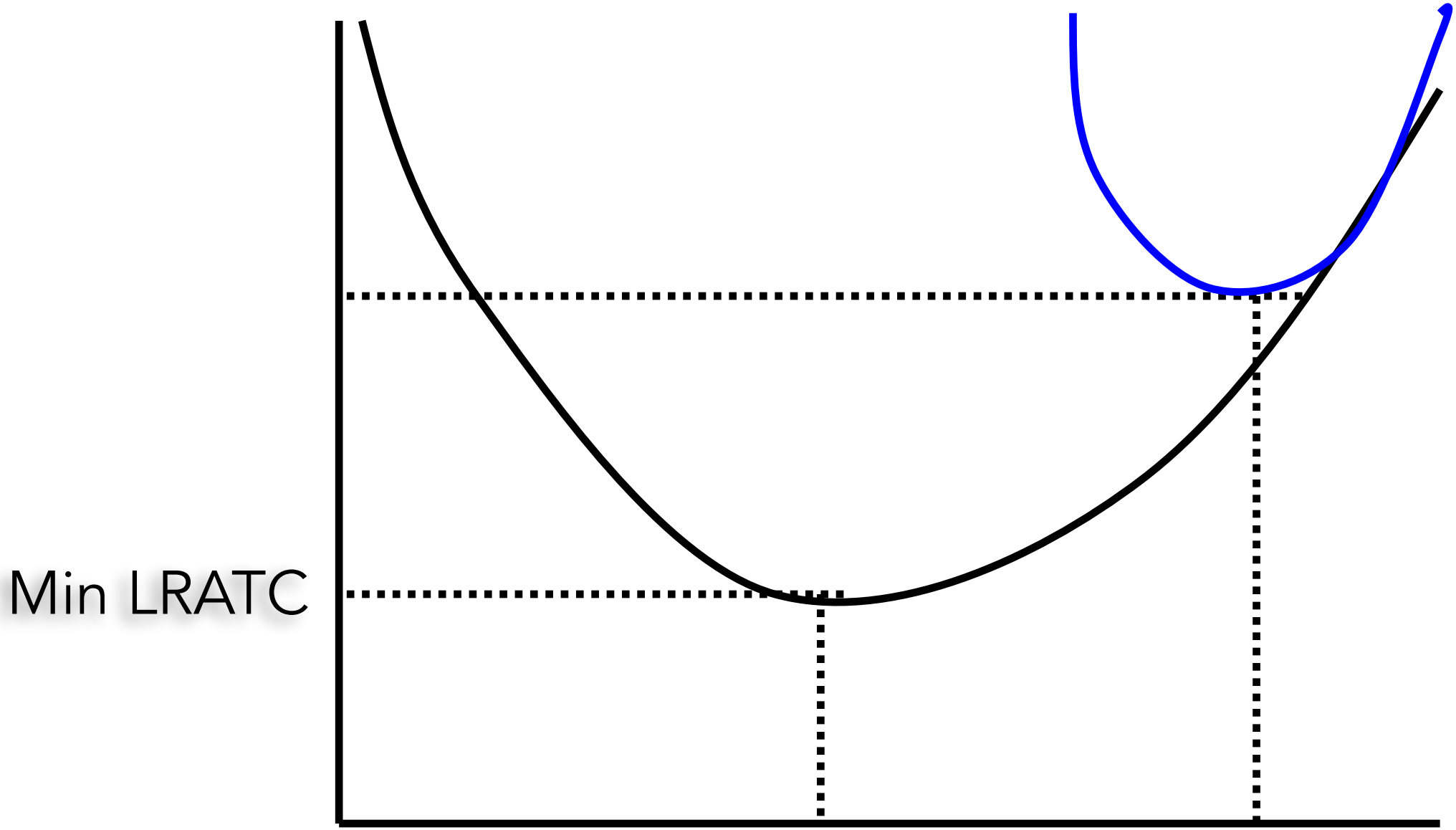
Minimizing LRATC

Firm should expand

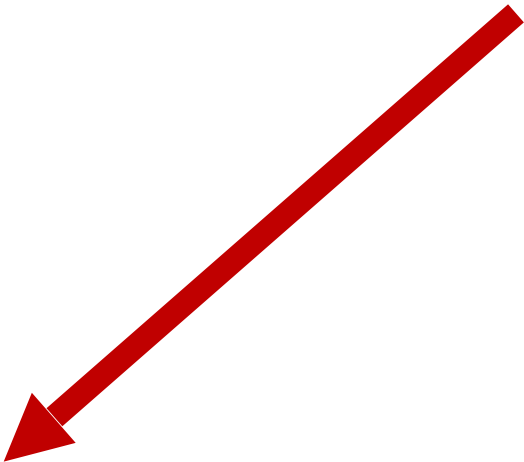
Firm should contract

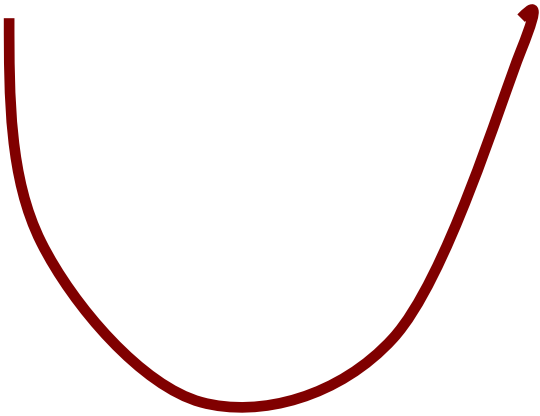


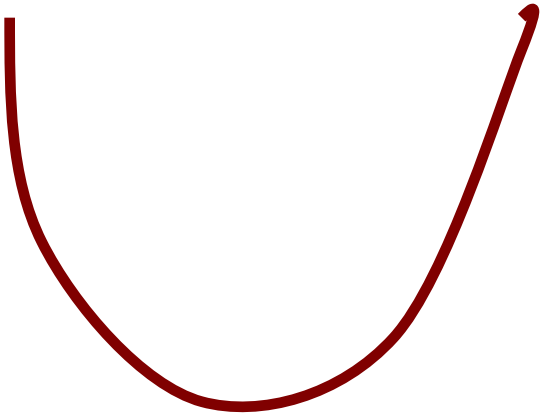
LRATC





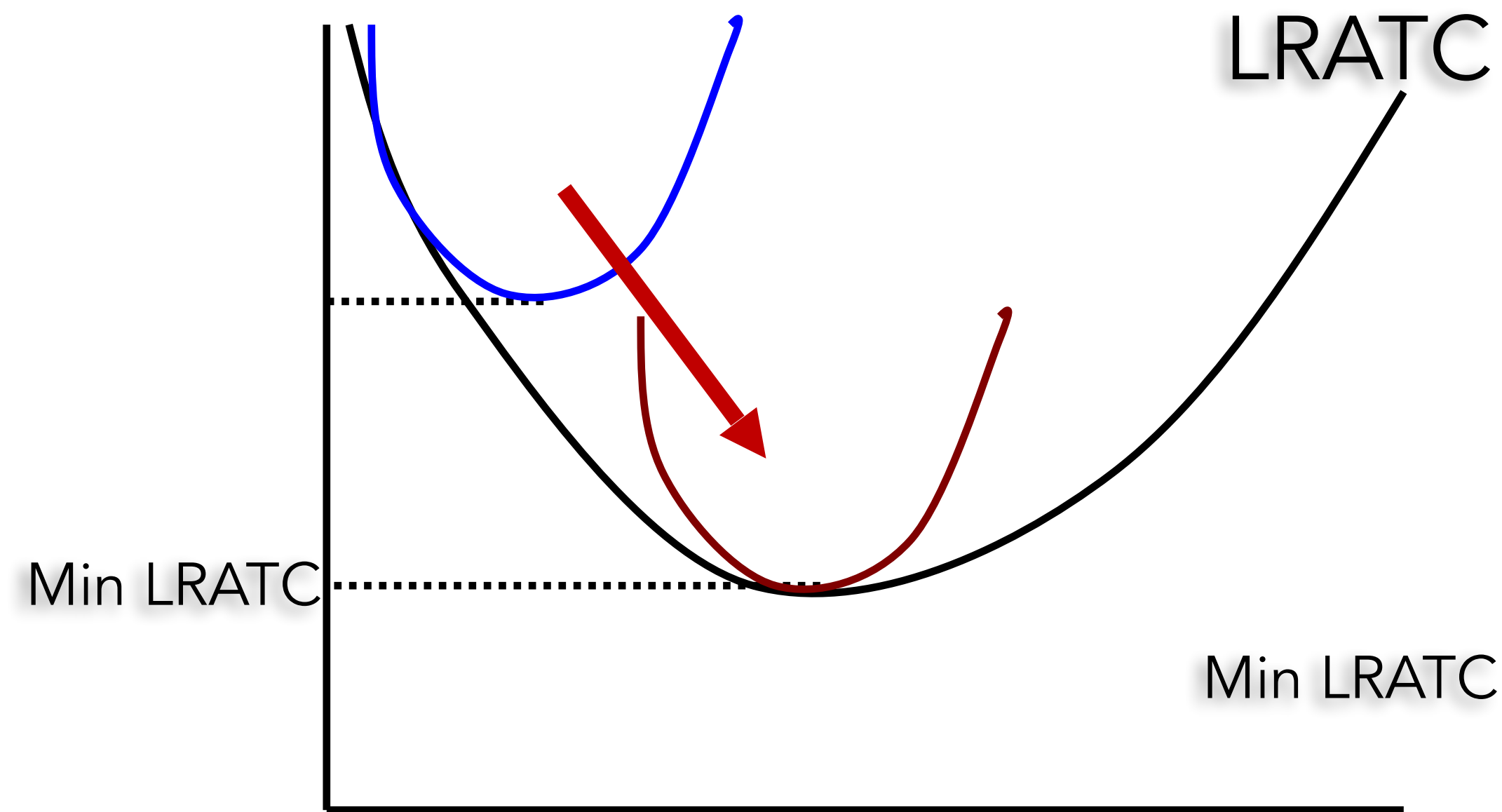




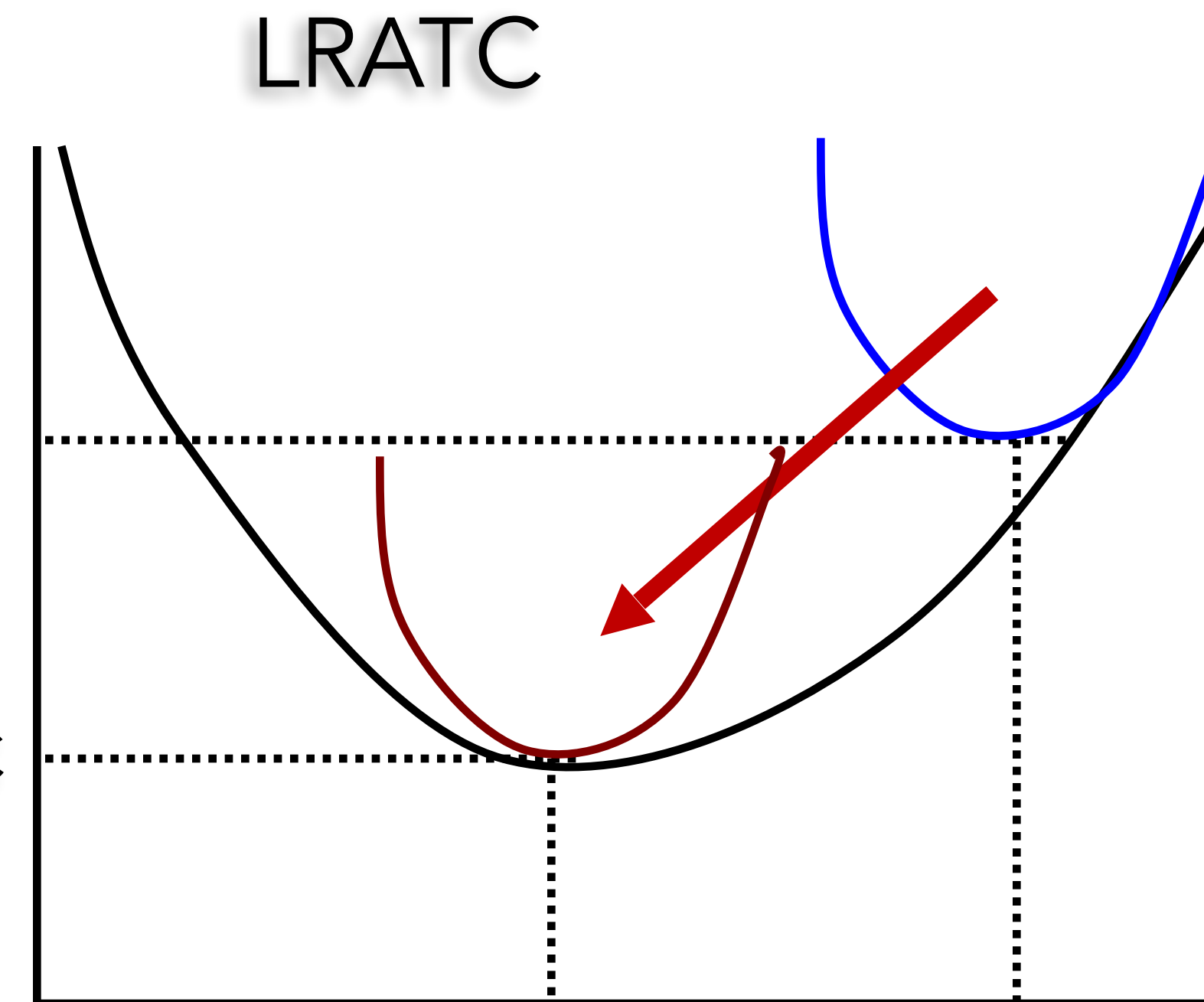


Firms must use the **lowest cost** plant in order to survive in the industry

Firms have an incentive to **change plant** size if not
Minimizing LRATC



Firm should **expand**



Firm should **contract**

Equilibrium in the Industry