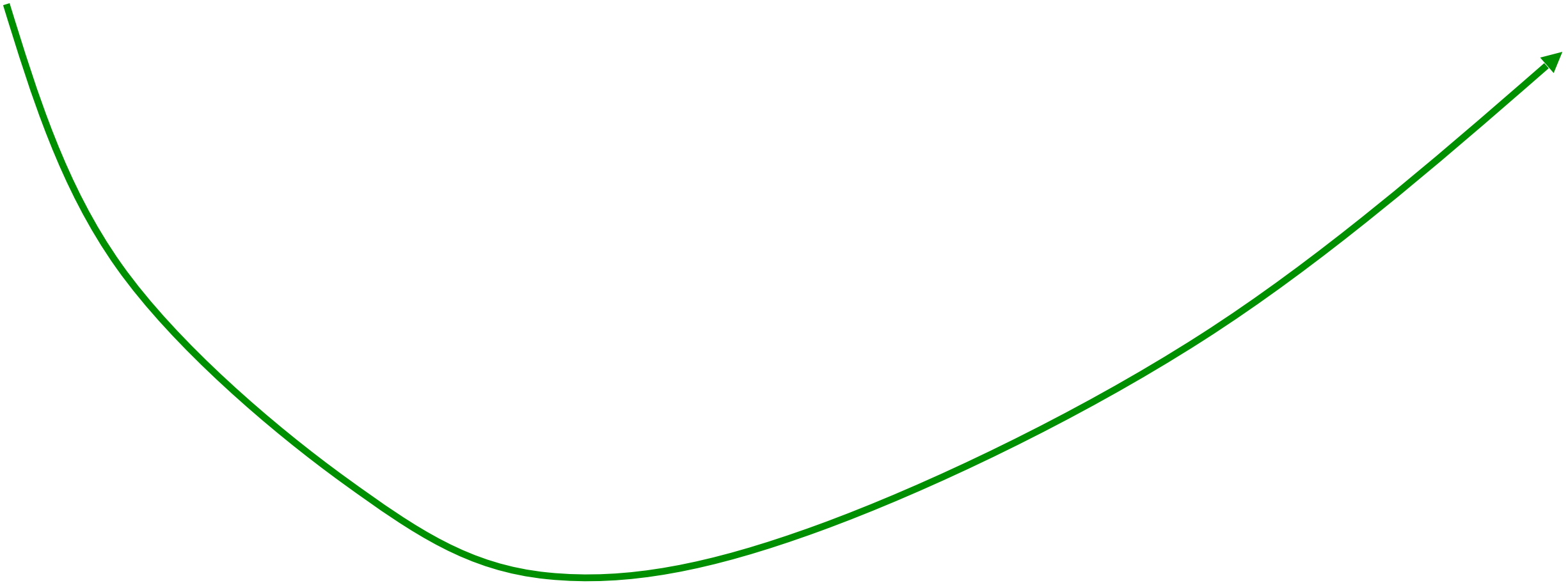
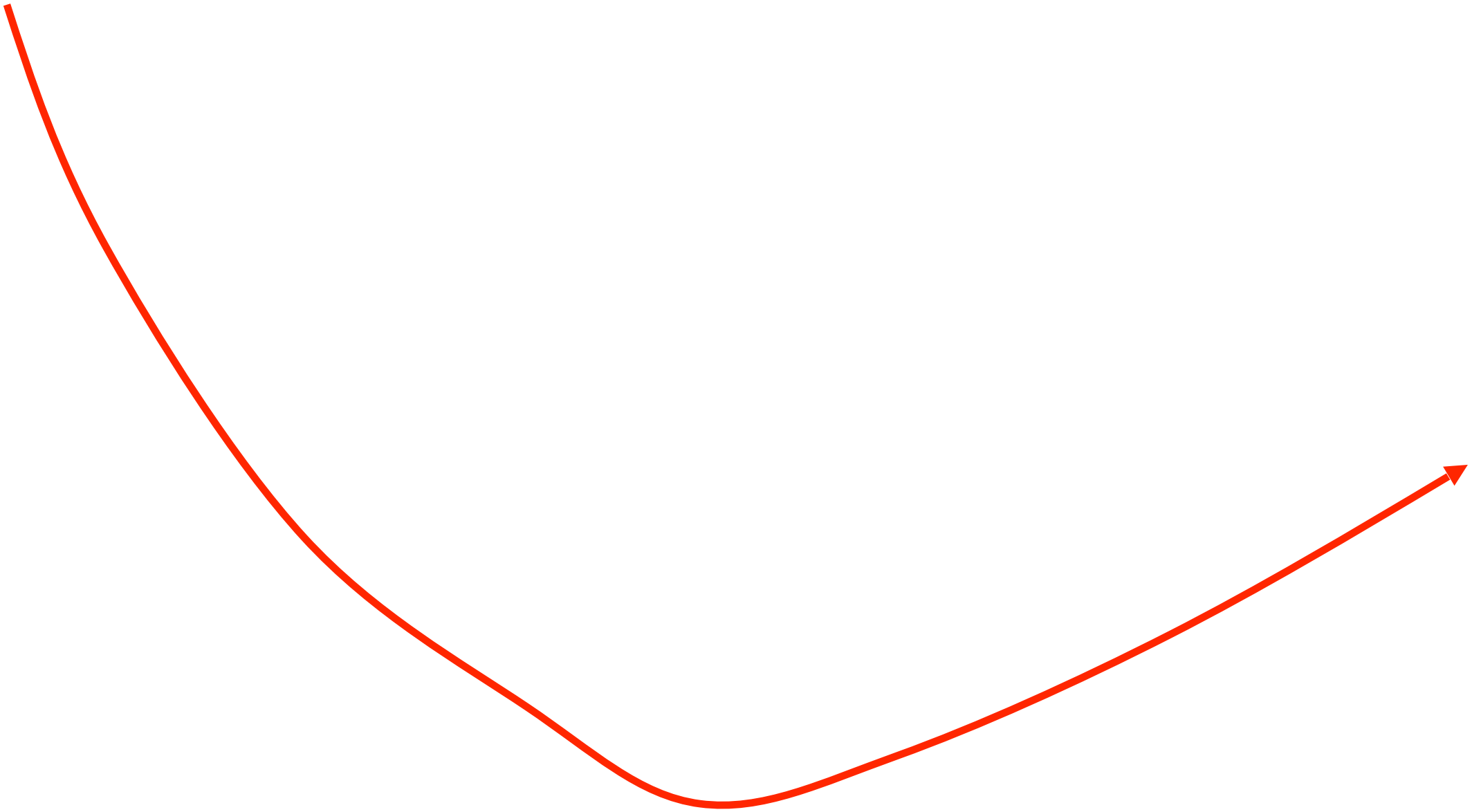


MC

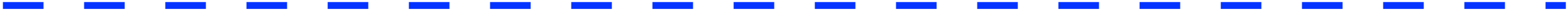
C



AVC



ATC



MR





q^*

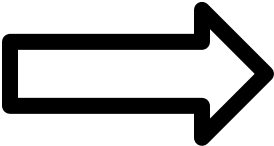
Pe

Firm should produce q^* in
the short run but it's
indifferent between staying
and exiting the industry in
the long run

$$P_e = ATC$$

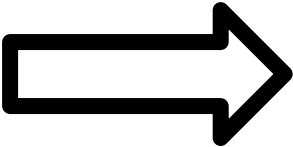
ATC

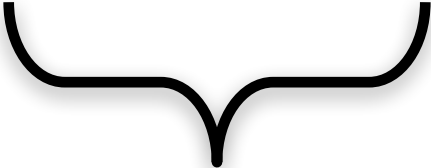
=



Firm breaks even

$$P_e \times q = ATC \times q$$





TR

=

TC






TR

=TC

Earns zero Economic Profit



Owners'
Accounting
Profit = Implicit
Costs



Owners' make the
same if they
produce or if they
split their resources

$$P_e = ATC \Rightarrow \underbrace{P_e \times q}_{TR} = \underbrace{ATC \times q}_{TC}$$

$= TC \Rightarrow$ Firm breaks even
Earns zero Economic Profit

Firm should produce q^* in the short run but it's indifferent between staying and exiting the industry in the long run

Owners' make the same if they produce or if they split their resources

