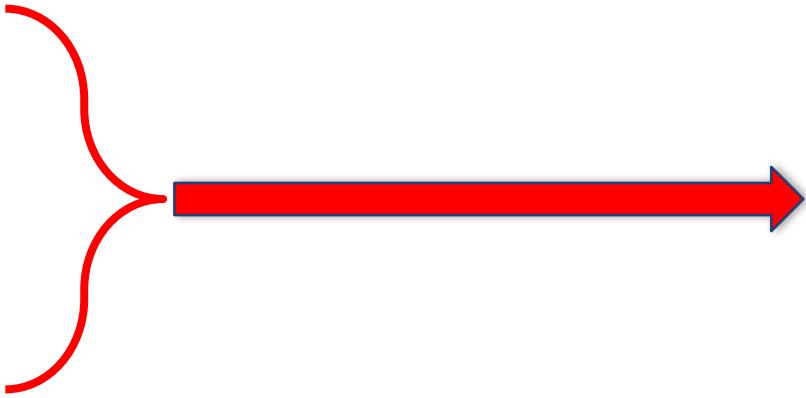


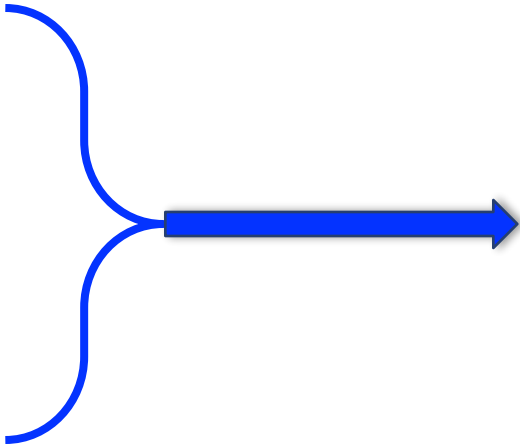


OUTPUT	PLANT 1	PLANT 2	PLANT 3	OUTPUT	LRATC
100	90	96	99	100	90
200	84	90	93	200	84
300	78	84	87	300	78
400	72	78	81	400	72
500	66	60	78	500	60
600	72	54	75	600	54
700	78	48	72	700	48
800	84	42	60	800	42
900	90	36	57	900	36
1000	96	30	27	1000	27
1100	102	36	21	1100	21
1200	108	42	15	1200	15
1300	114	48	9	1300	9
1400	120	54	3	1400	3
1500	126	60	6	1500	6

OUTPUT	PLANT 1	PLANT 2	PLANT 3	OUTPUT	LRATC
100	90	96	99	100	90
200	84	90	93	200	84
300	78	84	87	300	78
400	72	78	81	400	72
500	66	60	78	500	60
600	72	54	75	600	54
700	78	48	72	700	48
800	84	42	60	800	42
900	90	36	57	900	36
1000	96	30	27	1000	27
1100	102	36	21	1100	21
1200	108	42	15	1200	15
1300	114	48	9	1300	9
1400	120	54	3	1400	3
1500	126	60	6	1500	6







**SRATC1**

**SRATC2**



**SRATC3**





To build the  
LRATC choose  
the lowest  
SRATC for  
each Output  
level

LRATC

OUTPUT	SRATC1	SRATC2	SRATC3	OUTPUT	LRATC
100	90	96	99	100	90
200	84	90	93	200	84
300	78	84	87	300	78
400	72	78	81	400	72
500	66	60	78	500	60
600	72	54	75	600	54
700	78	48	72	700	48
800	84	42	60	800	42
900	90	36	57	900	36
1000	96	30	27	1000	27
1100	102	36	21	1100	21
1200	108	42	15	1200	15
1300	114	48	9	1300	9
1400	120	54	3	1400	3
1500	126	60	6	1500	6

The diagram illustrates the relationship between short-run average total cost (SRATC) curves and the long-run average total cost (LRATC) curve. The LRATC curve is a red line connecting the minimum points of the SRATC curves. The SRATC curves are SRATC1 (green), SRATC2 (red), and SRATC3 (blue). The LRATC curve is shown as a red line connecting the minimum points of the SRATC curves. The diagram shows that the LRATC curve is tangent to each SRATC curve at its minimum point.

In the **long run** firms choose a **plant size**...

Output	SRATC1	SRATC2	SRATC3
100	10	13	17
200	9	11	15
300	8	9	13
400	7	8	12
500	8	6	11
600	9	5	10
700	10	6	9
800	11	7	8
900	12	8	7
1000	13	9	8
1100	14	10	9