









SRATC

Plant 1

With this plant, we can  
produce any amount from  
zero to 8,000 units



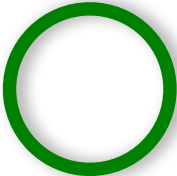
8,000



ATC is lowest  
at 3,000 units

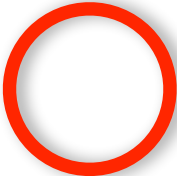
3,000







\$2







12,000



6,000

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

\$1

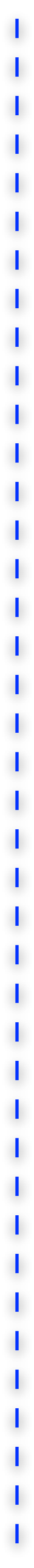
SRATC

Plant 2

With this plant, we can  
produce any amount  
from zero units to  
12,000.

ATC is lowest at  
6,000 units





11,000



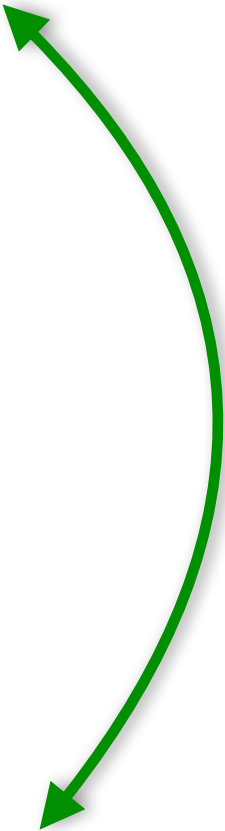


\$0.5

SRATC

Plant 3

ATC is lowest  
at 11,000 units

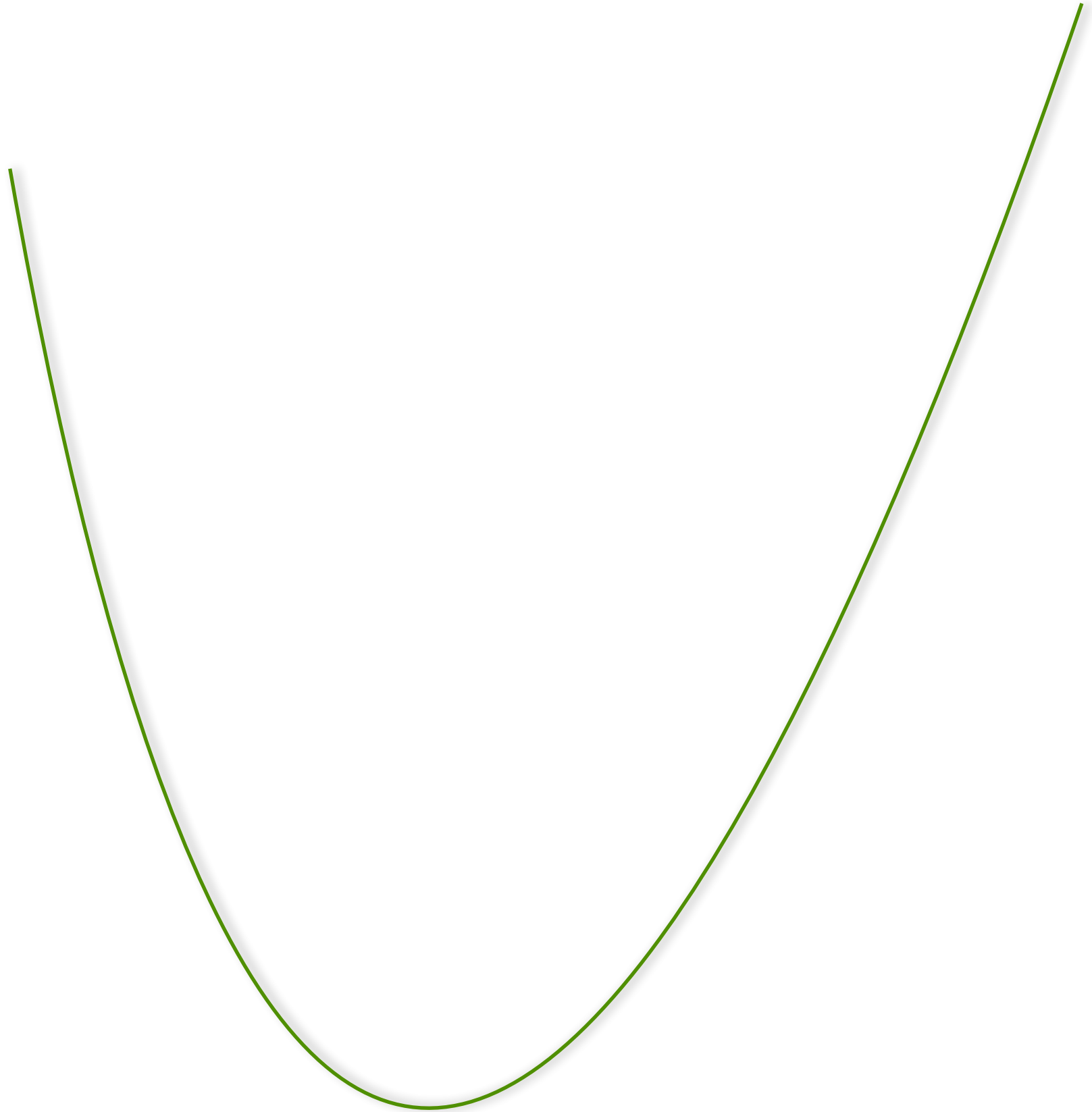




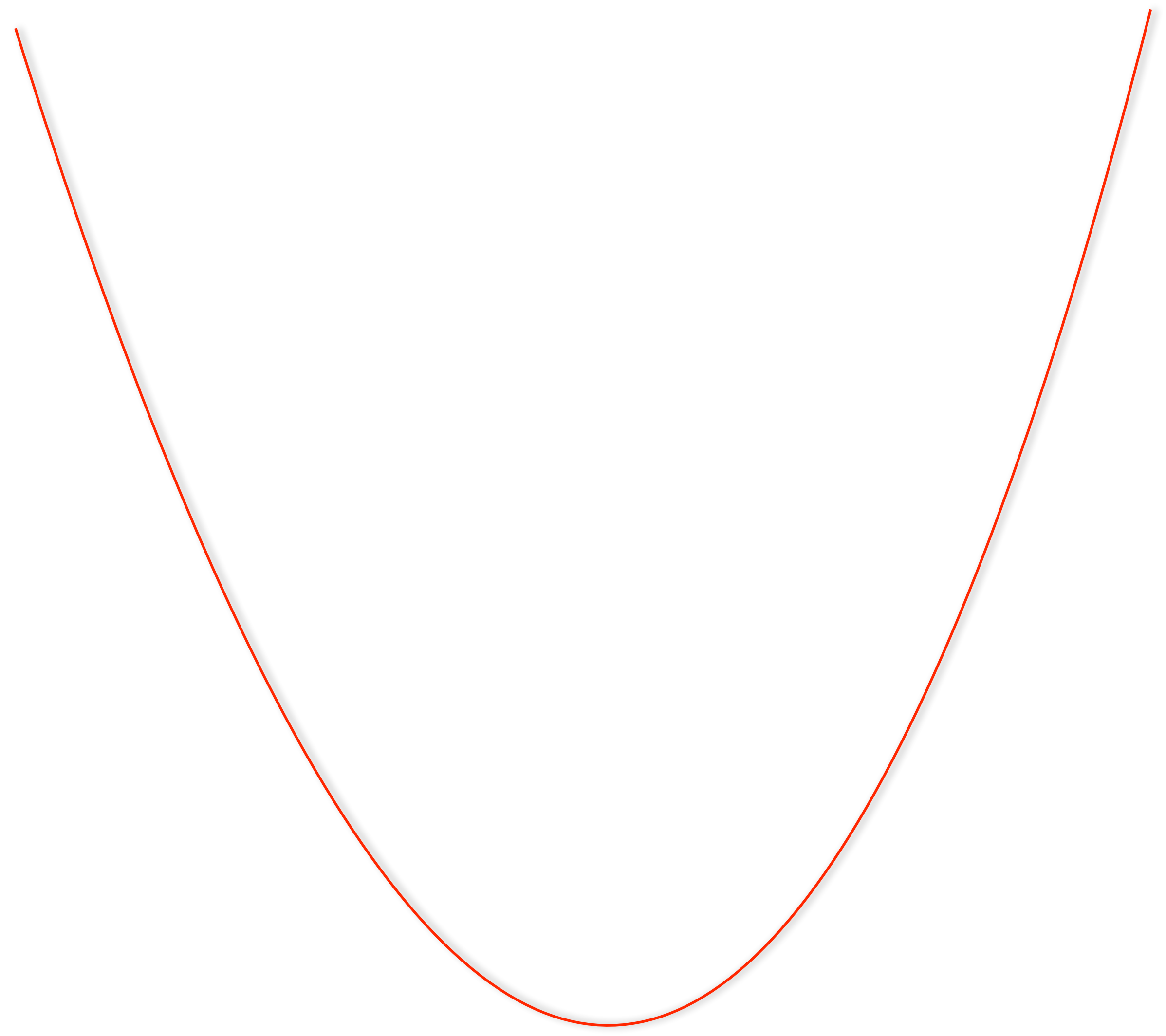
Plant 2 is larger than Plant 1 because it allows the  
firm to produce a larger range of output levels

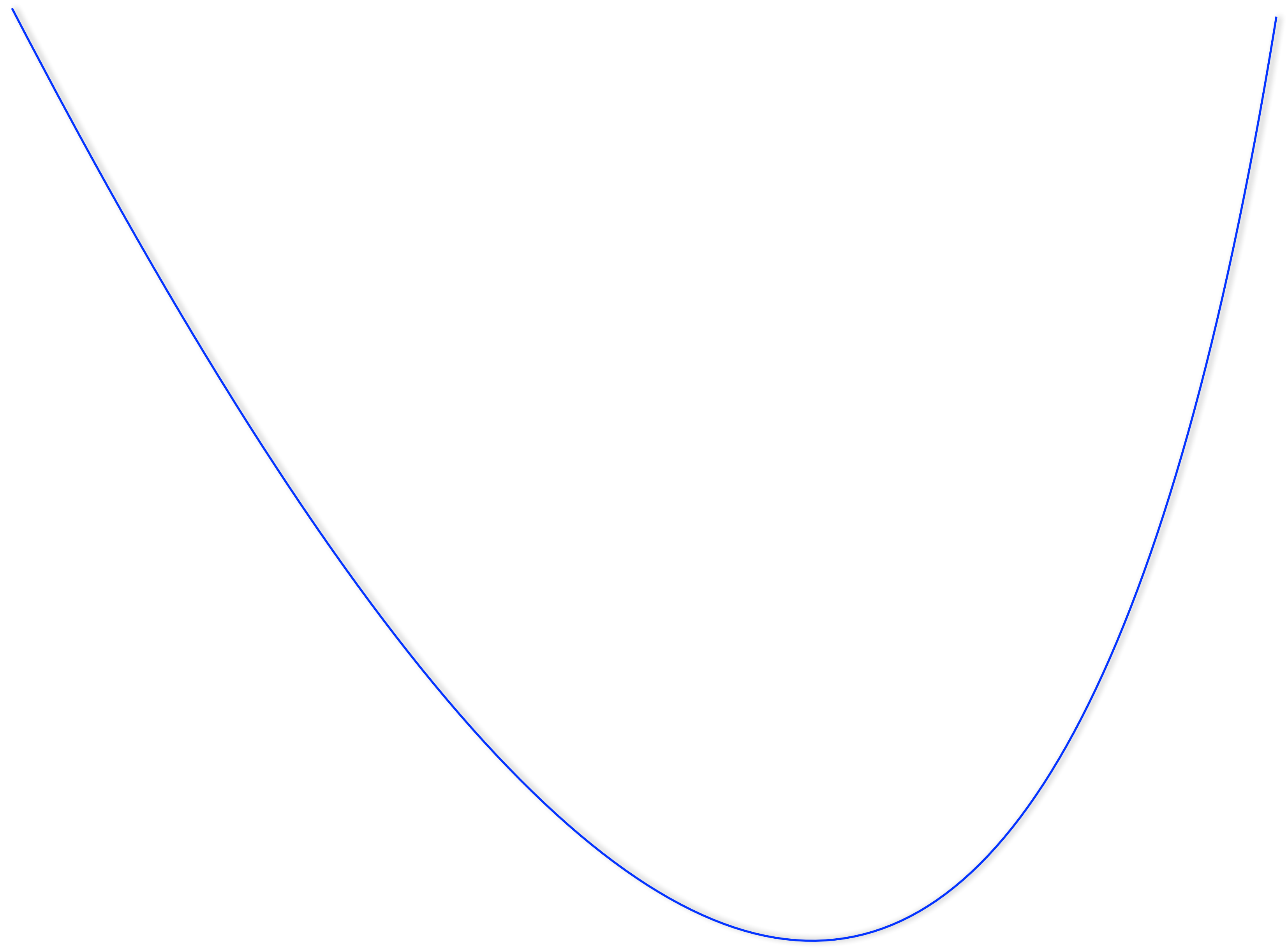


Cost per unit

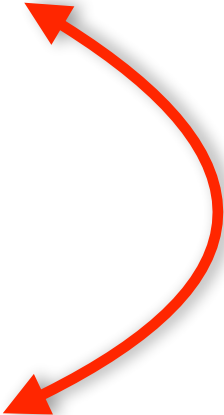








With this plant, we  
can produce any  
amount from zero  
units to 18,000

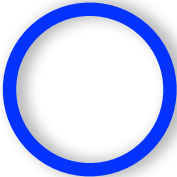












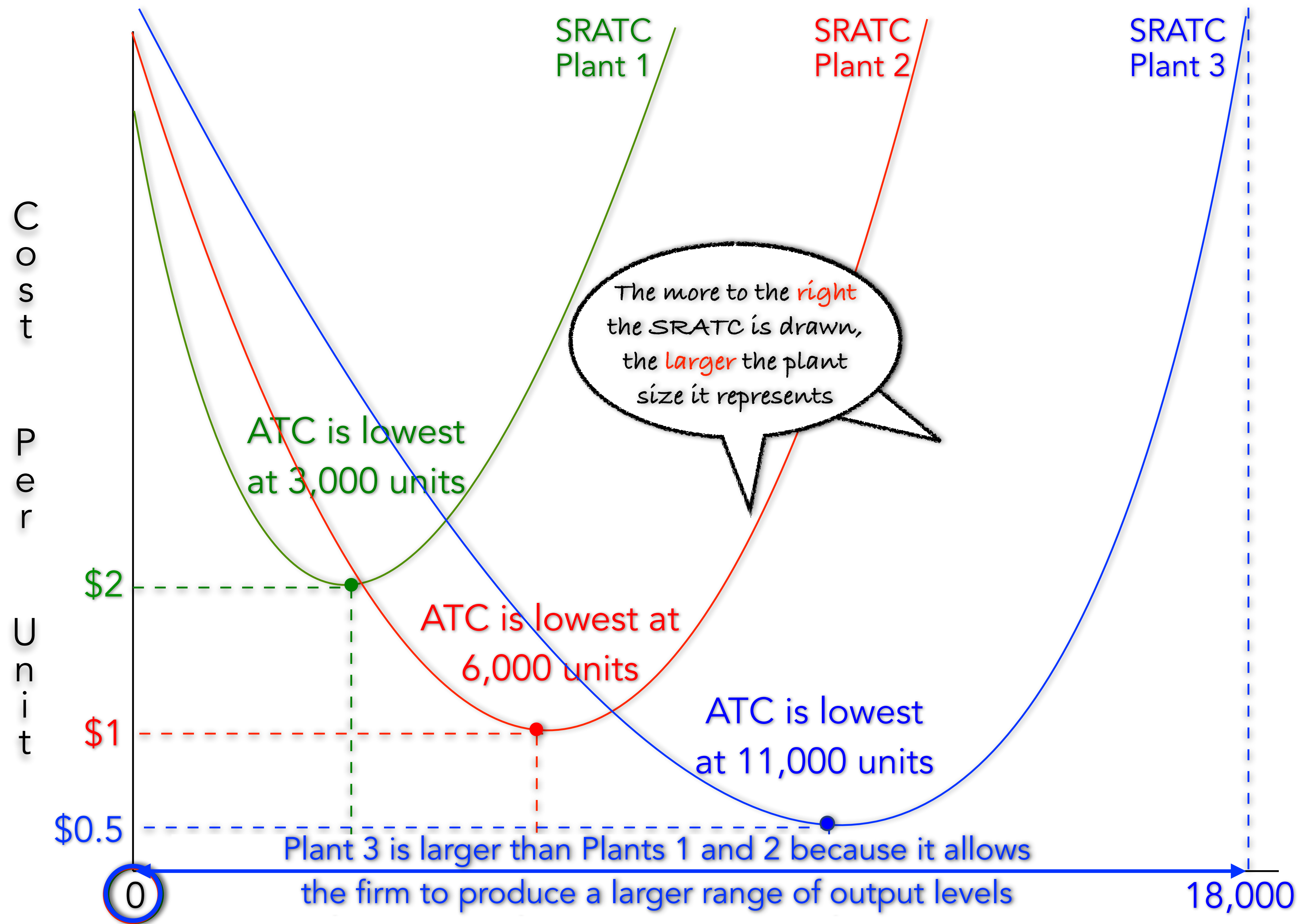
Plant 3 is larger than Plants 1 and 2 because it allows  
the firm to produce a larger range of output levels





The more to the **right**  
the SRATC is drawn,  
the **larger** the plant  
size it represents

18,000





To build the Long Run Average Total Cost Curve