

q<sub>3</sub>

—

—

—

—

—

—

—

—

—

—

—

1

2

3

4

5

6

7

8

9

10

11

12

94

95

9%



$\text{MR} \equiv \text{P}_6$

$$\text{MR} = \text{P}_5$$



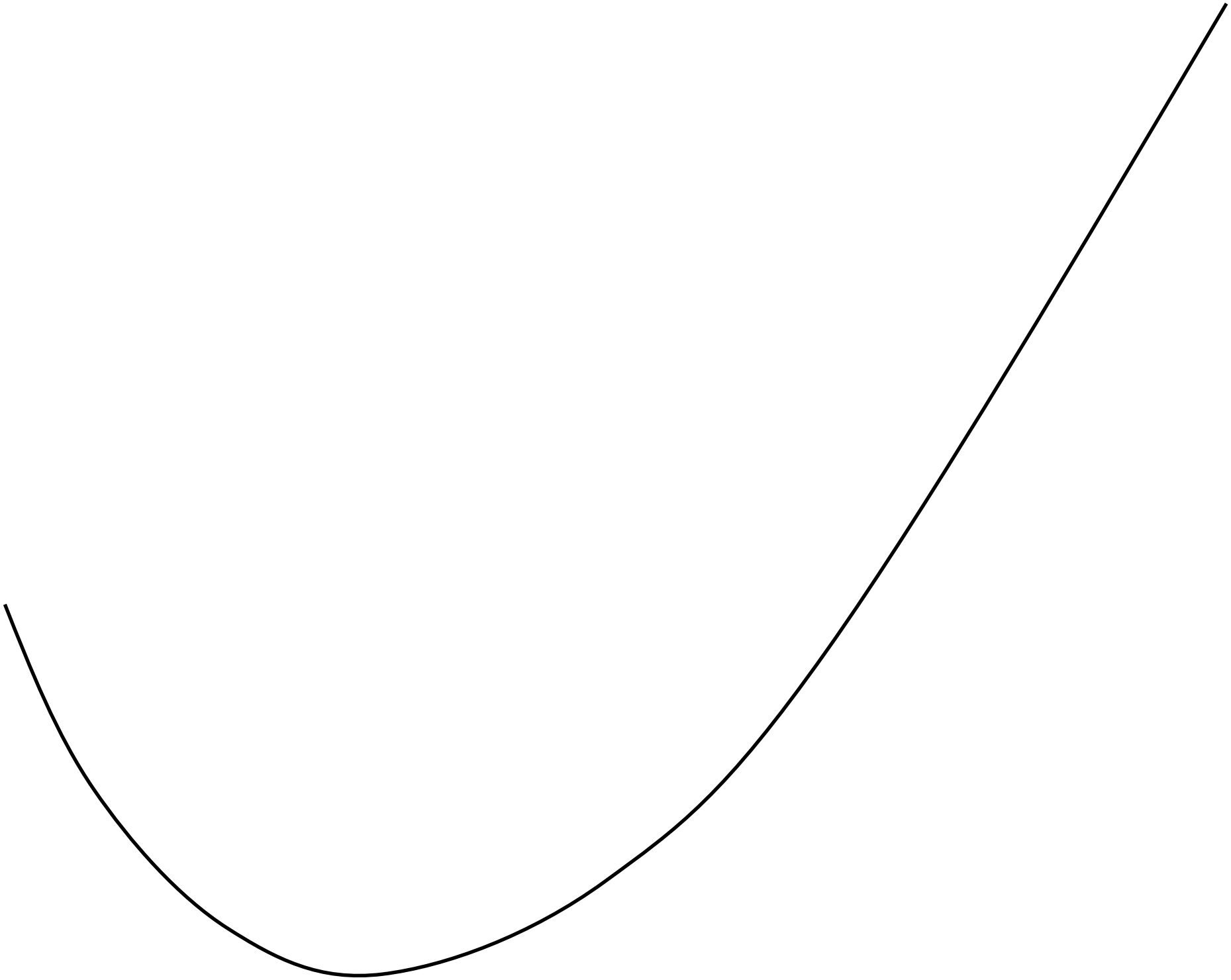
$MR \equiv P_4$

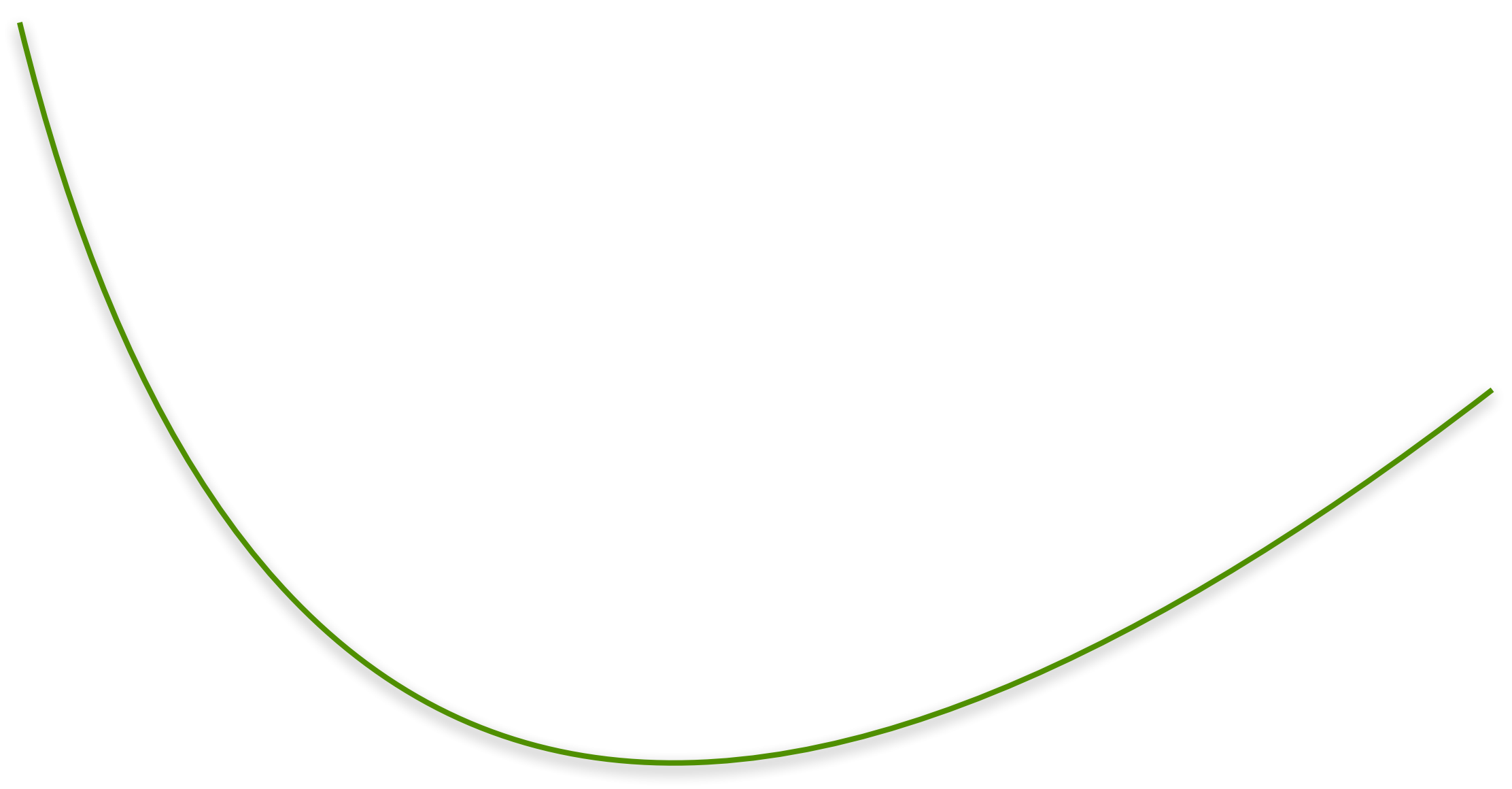
MC

AVC

$$P_1 \text{-----} MR=P_1$$







$$P_0 \text{-----} MR=P_0$$



$$q = 0$$

$$q_2$$

9

=

0

$$q = 0$$

**T**

h

e



**F**







**m**



**S**

S

h









R

u

n

S

u

**p**



**P**



Y



S



h

e



a

m



a

**S**



h

e



M



a

**b**











A





Short Run Supply = MC above AVC

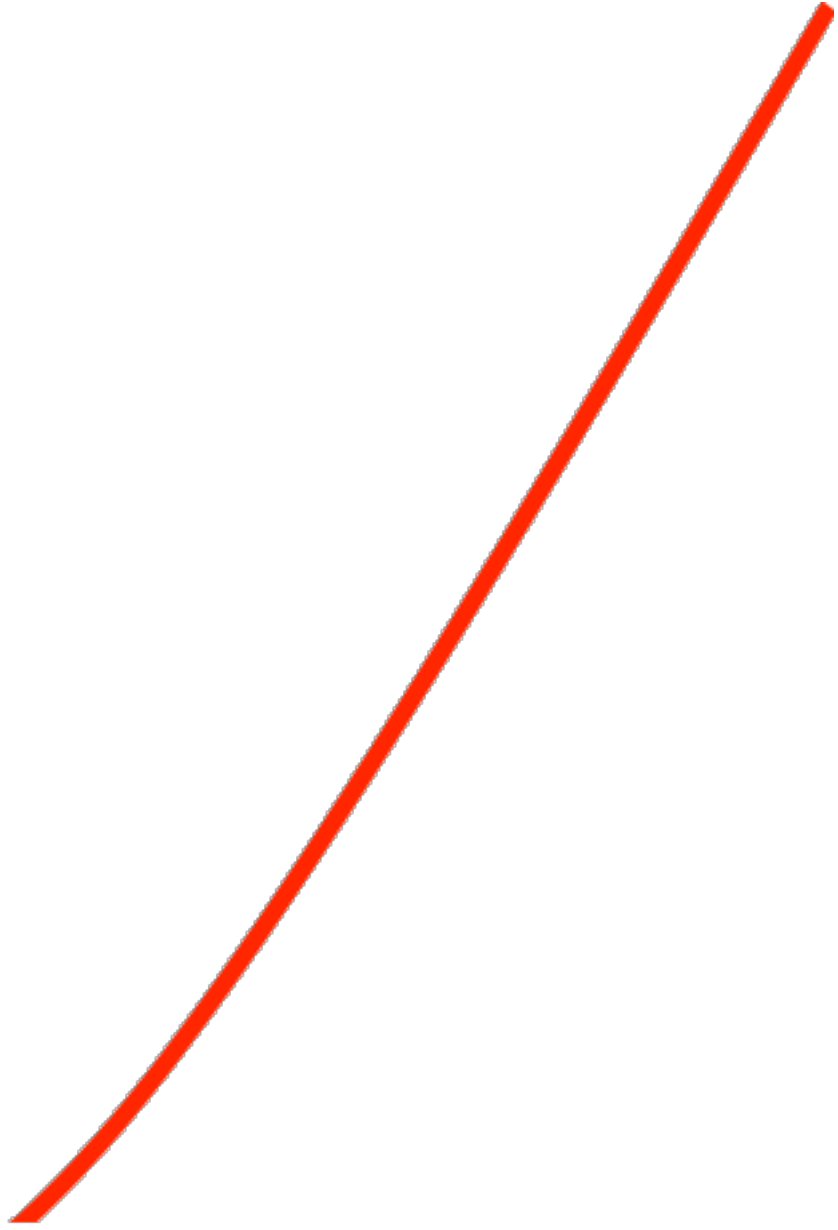




P<sub>2</sub>

$$MR \equiv P_2$$





$P_3$  ----- ● -----  $MR=P_3$

P<sub>4</sub>

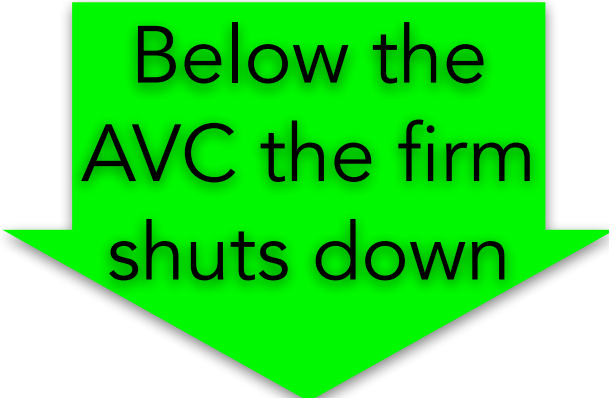



P<sub>5</sub>



P<sub>6</sub>





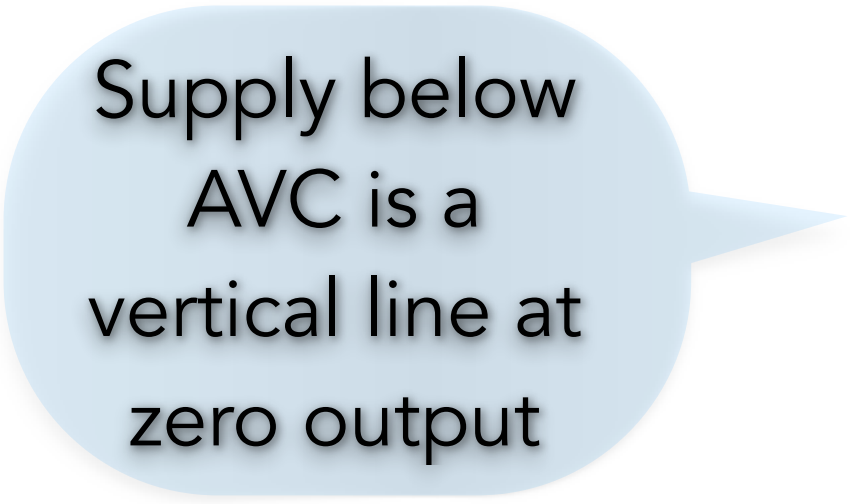
Below the  
AVC the firm  
shuts down



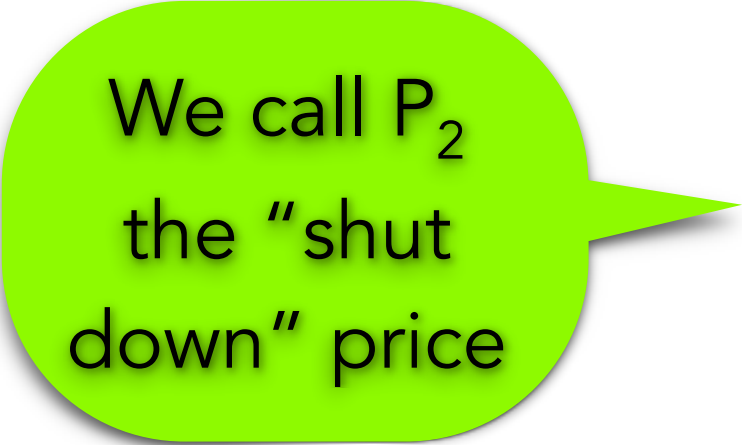








Supply below  
AVC is a  
vertical line at  
zero output

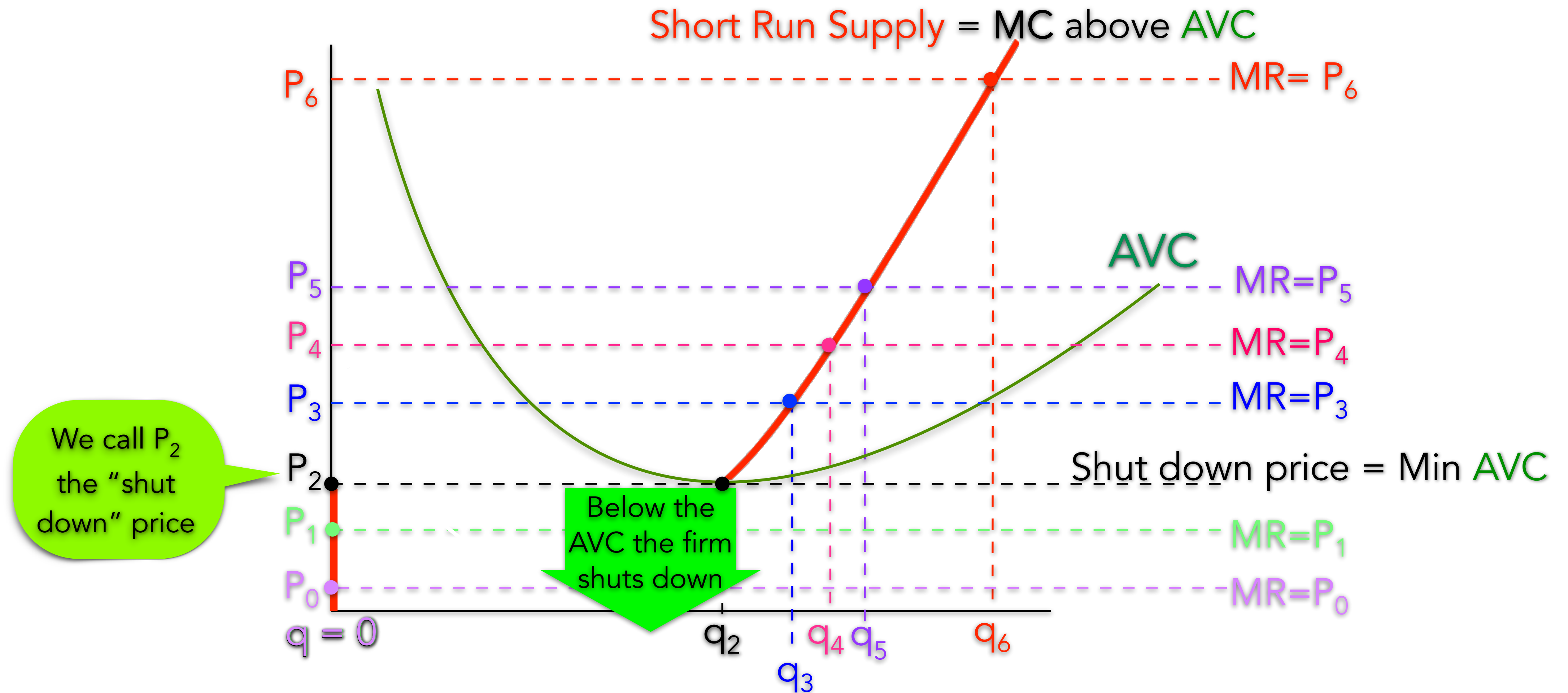


We call  $P_2$   
the “shut  
down” price

Shut down price = Min AVC

The Firm's Short Run Supply is the MC above the AVC

The Firm's **Short Run Supply** is the **Same** as the **MC** above the **AVC**



# The Firm's Long Run Decision

