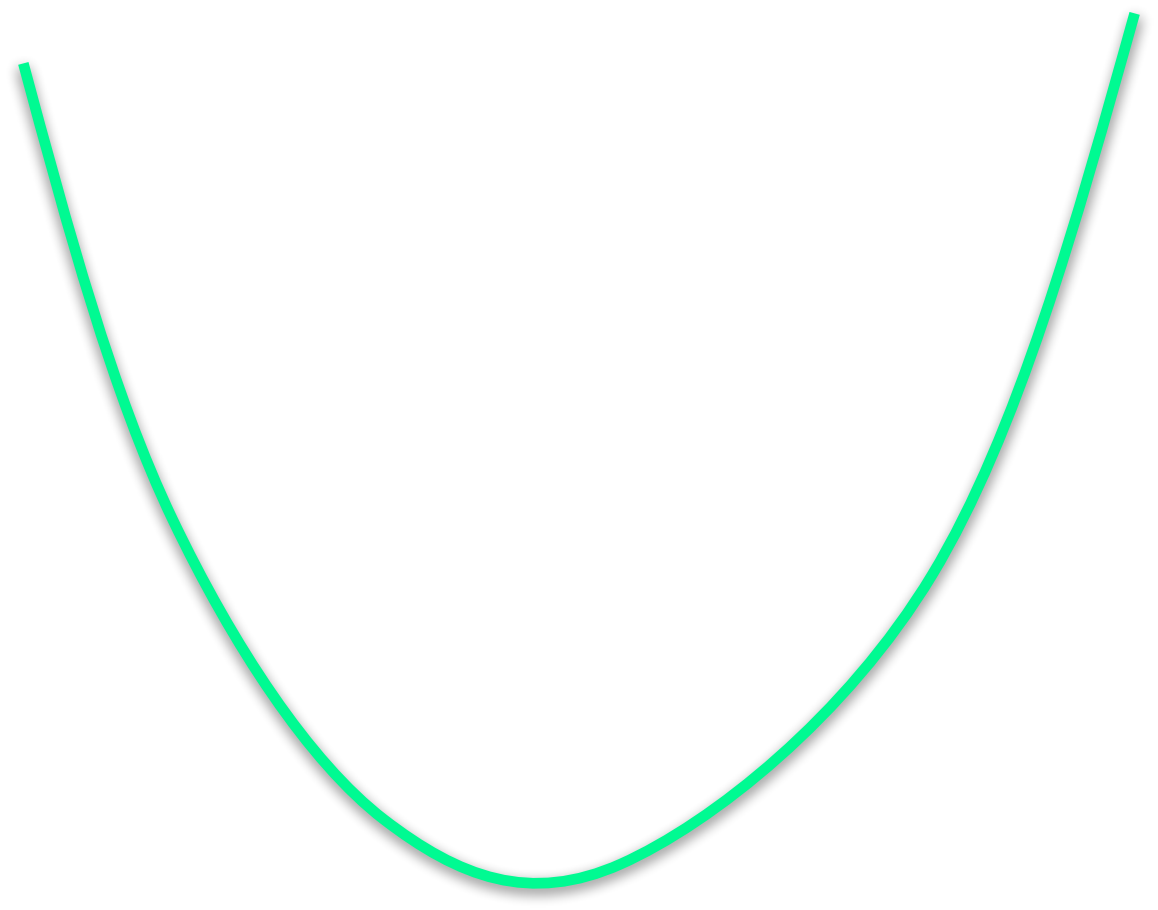


SRATC1

SRATC2

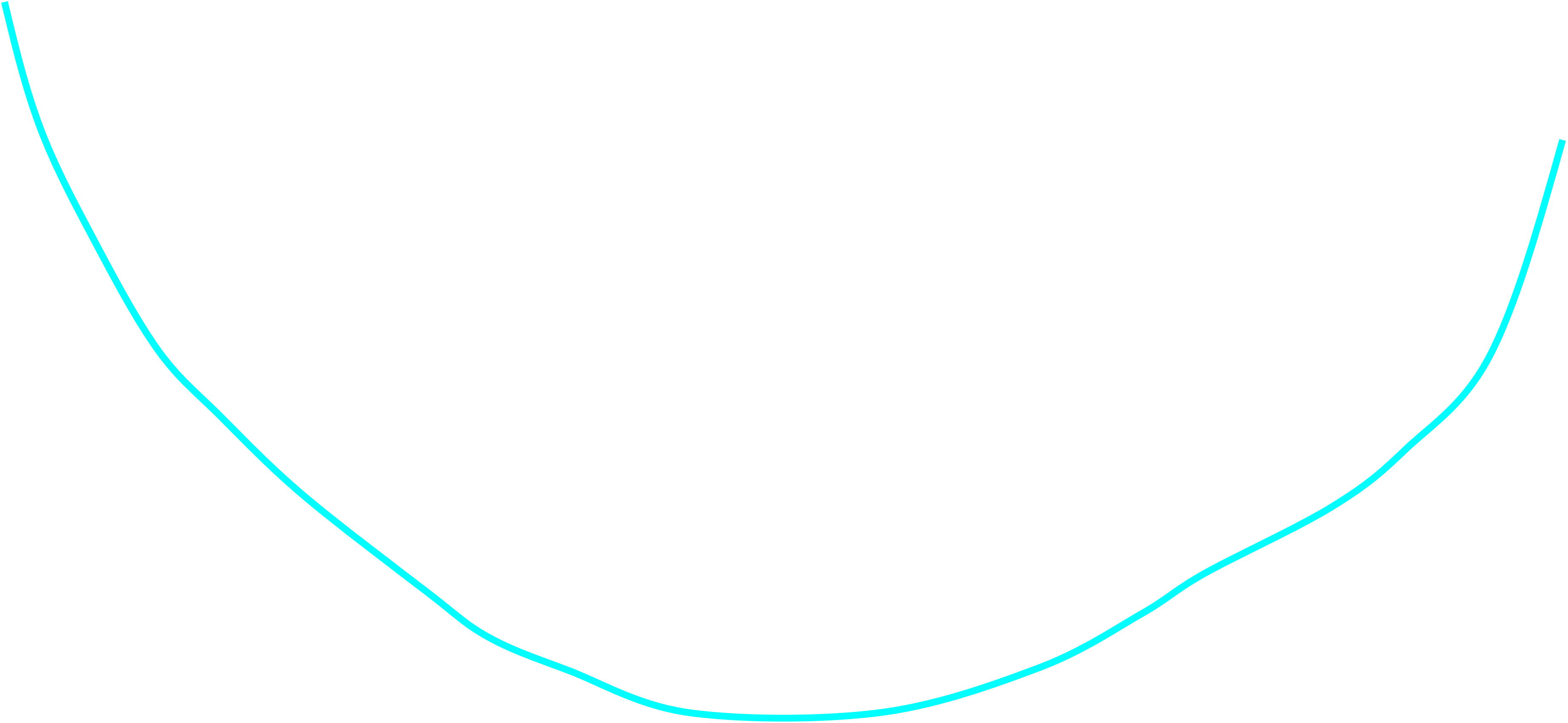
SRATC3

SRATC5



SRATC6

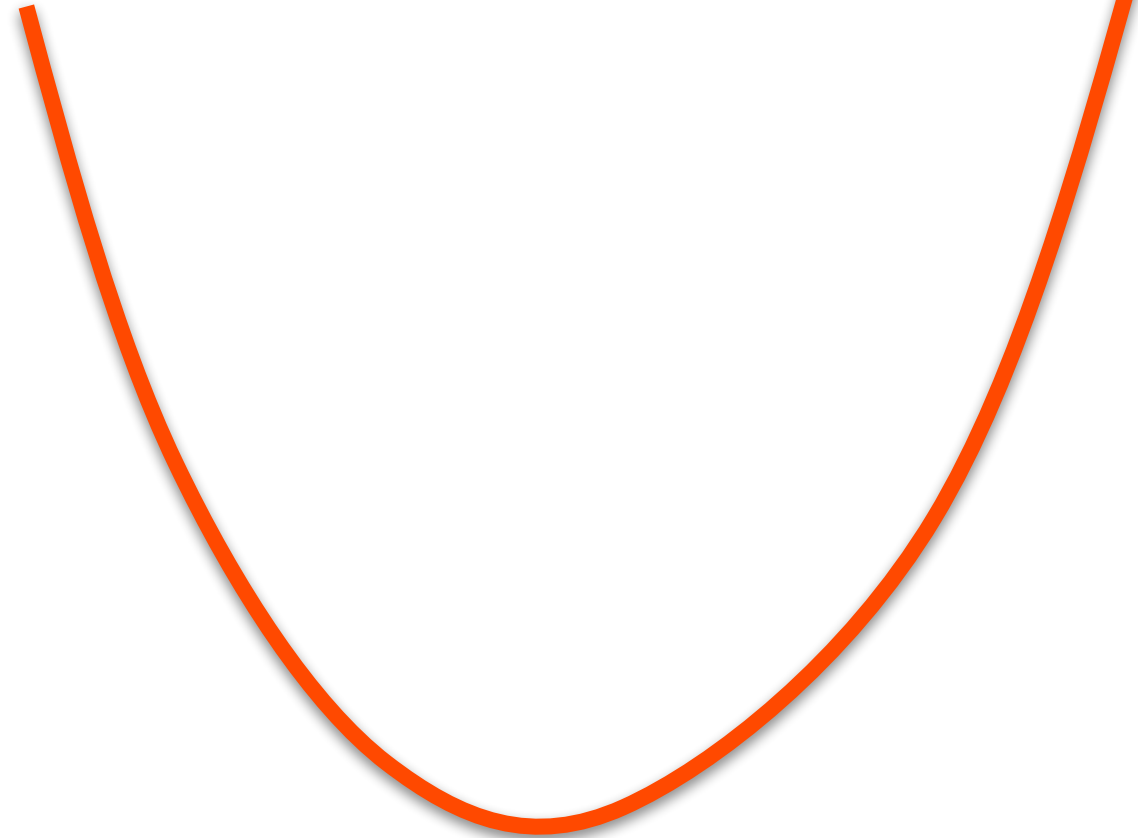
SRATC7



LRATC

Which plant is the smallest?

SRATC1 is the smallest





SRATC4

Output

NOTHING BUT THE
BEST

Which plant(s) have the lowest cost?

W





h

e















e









e

S

e



W

p



a





S



h









m



a



p







u



e

a





h

e





W

e

S



P



S

S



b



e





S









h



S







U

S



Y

Lowest Cost
in the Long
Run



Which one is the **smallest** plant with the **lowest** cost?

T



S

u



V



V



a









m

P

e













m

S





h



S



n



u

S





Y

mm

U



p







u





W





h

P



a

n



4





p



a

n



5

P



a





4



S



h

e

S

m

a





e

S



p



a





W











e



W

e

S





S



S

A pink speech bubble with a white background and a pink border. The text inside is black with pink highlights for the first letter of each word in the acronym.

We call this plant
the Minimum
Efficient Scale or
MES

T



b



6

b













m

P







a



d

S

U

















h



S







u

S





Y



a







m

m

U





P







U





6







e





W

e

S



P



S





b



e





S















W











m

P













S

W











W









S



S



W







P





















m



u

















d

U

S





Y





h

e



m

a





e





P



S





b











m











S







u

S





Y











W





h

P



a





4

S



2

e



F





m

S

W







S

m

a









P



a





S



a

V

e





g



e











a







a







S

u



V



V

e









S







u

S





Y

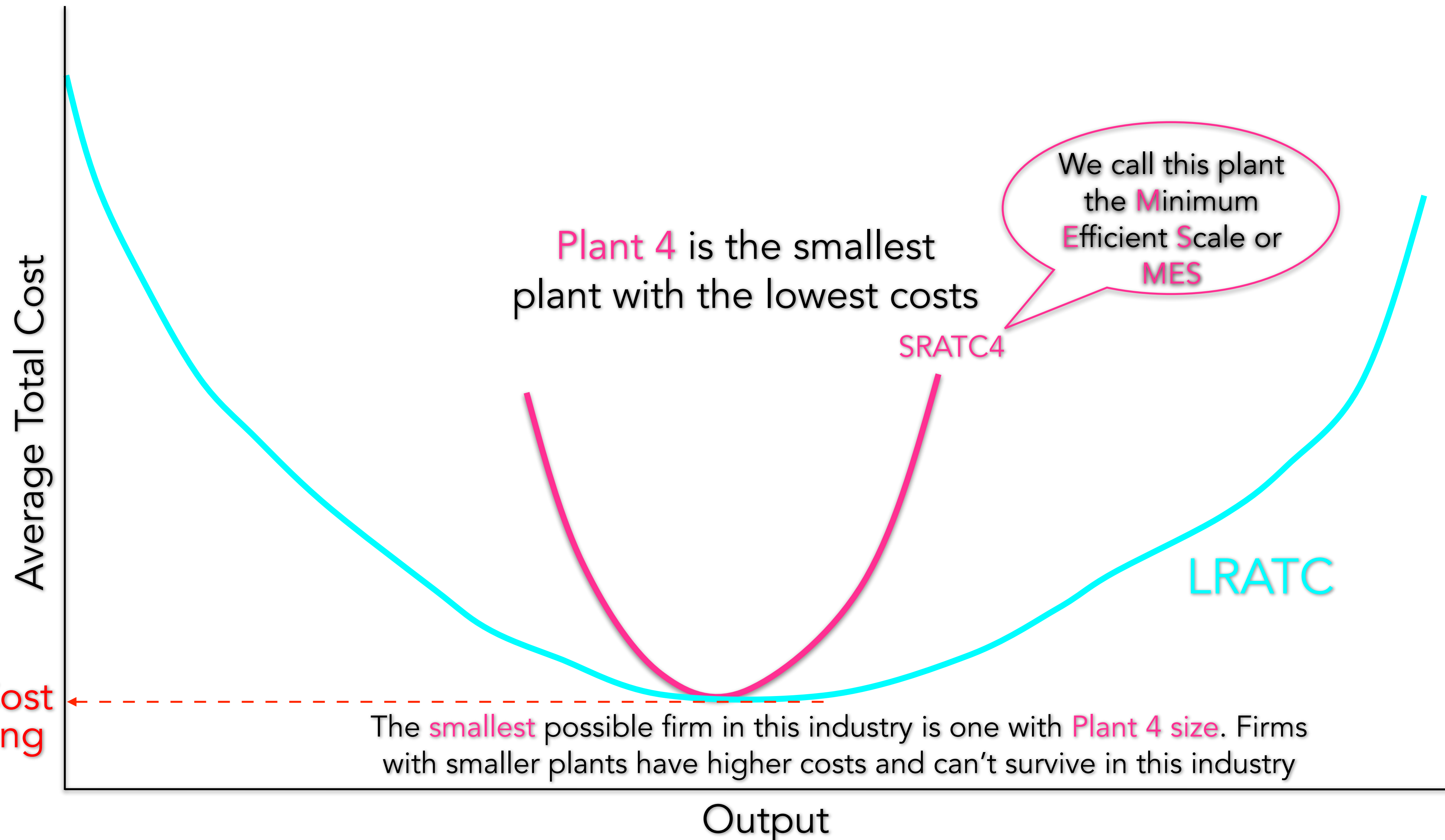
With either one of these two plants the firm can produce at the lowest possible cost for this industry

To be able to **compete and survive** in this industry, a firm must produce at the **lowest possible cost**. Otherwise competitors with lower costs, will price the firm out of the industry.

To survive and compete, firms in
this industry must produce with
plant 4 or plant 5

Plant 4 is the smallest
plant with the lowest costs

Which one is the **smallest** plant with the the **lowest** cost?



To be able to **compete and survive** in this industry, a firm must produce at the **lowest possible cost**. Otherwise competitors with lower costs, will price the firm out of the industry.

