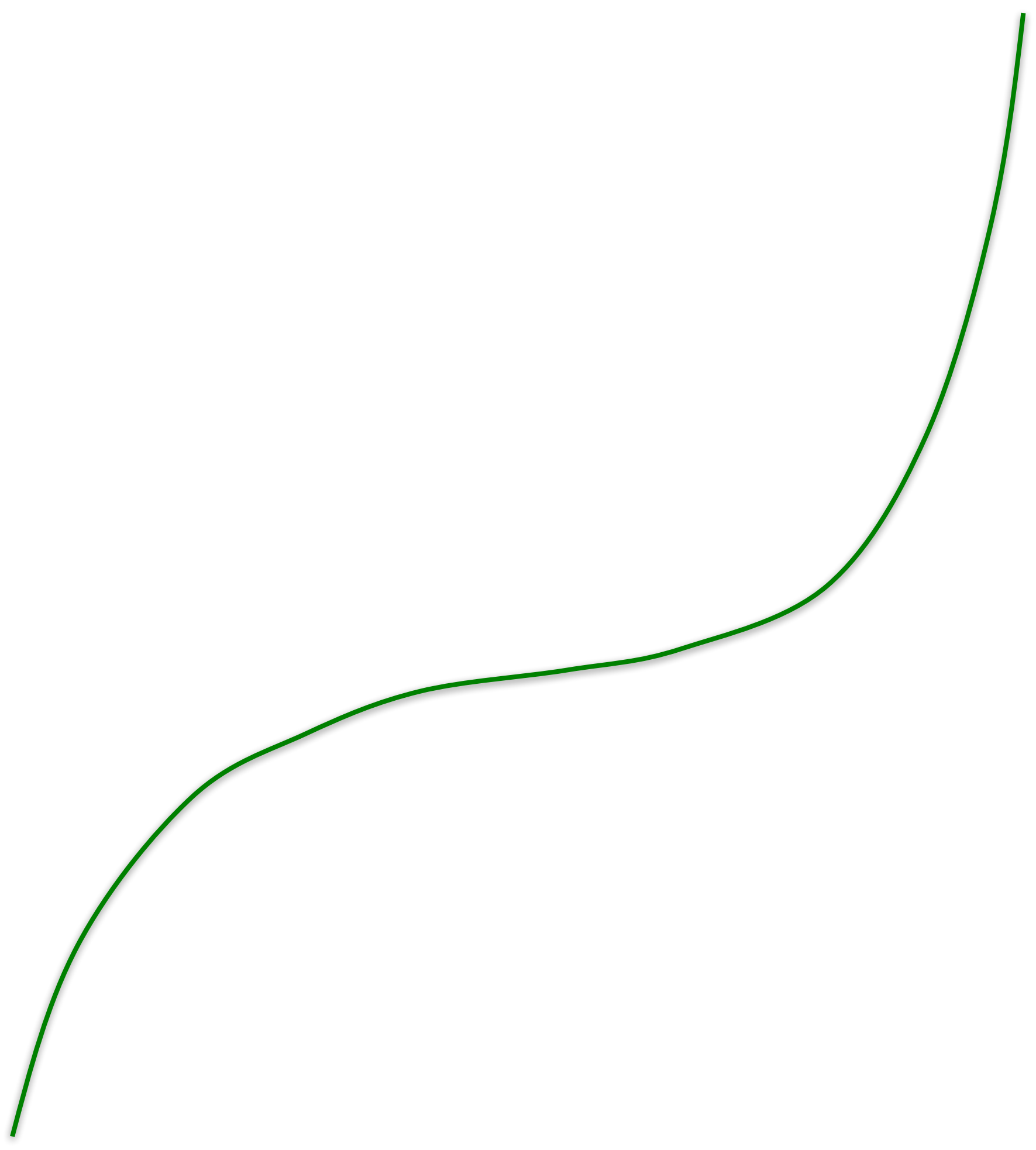


TR

Tc



q*



VC

I

FC

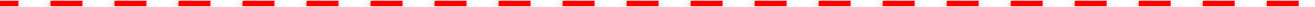
If $VC < TR = TC$



TR

=

TC






$$TR = TC$$



TC







The firm **breaks even**: The Loss if
the firm produce q^* is zero

When the **price is too low**, the firm must decide whether it should **produce at a loss** or **shut down**

TR, TC, VC

VC

The loss if the firm shuts down = FC

In the short run, the firm
should produce q^* to break
even instead of shutting
down and incurring a loss
= FC

Output

The firm is indifferent
between **exiting** the
industry and producing q^*
in the **long run**

When the **price is too low**, the firm must decide whether it should **produce at a loss** or **shut down**

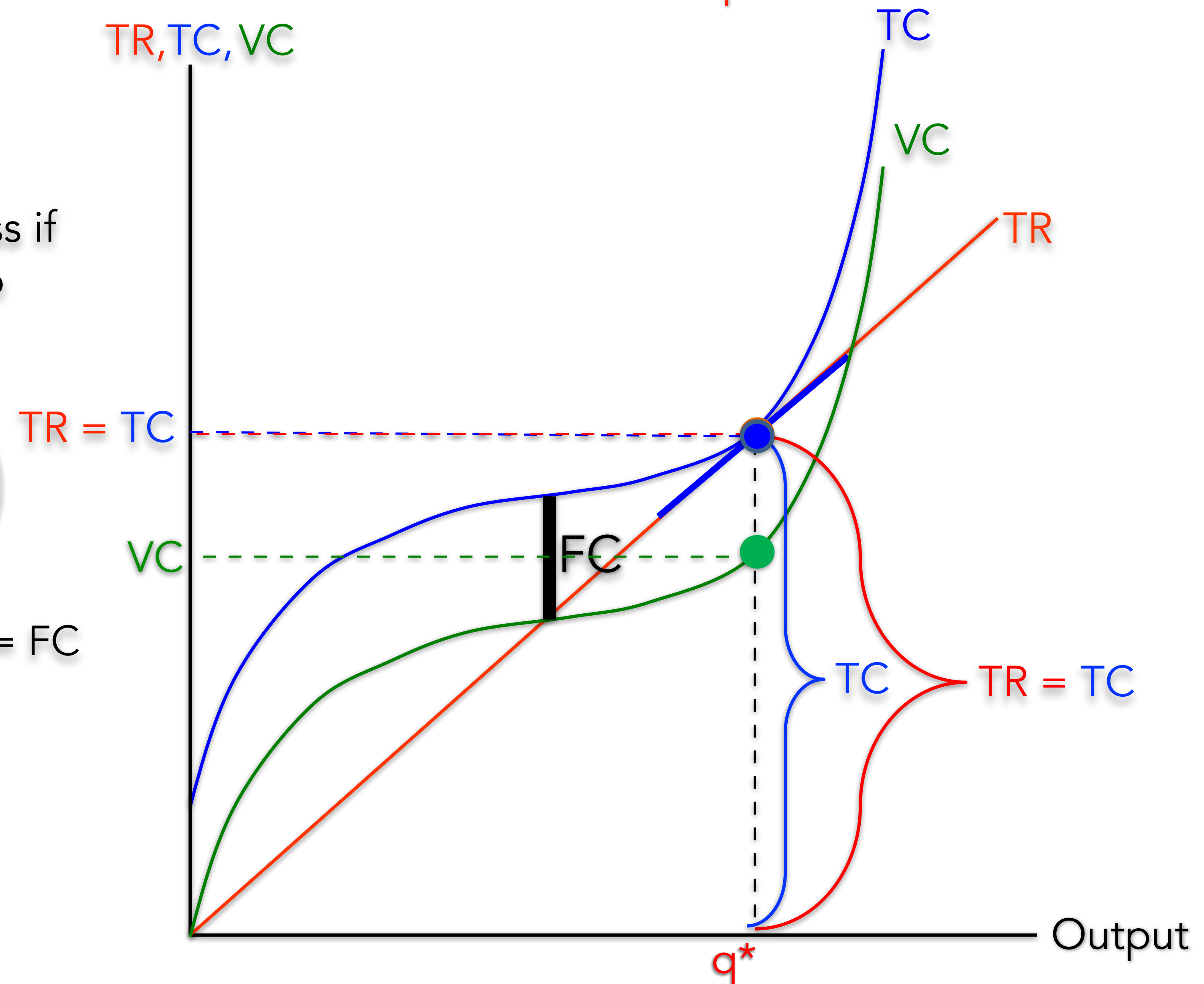
If $VC < TR = TC$

The firm **breaks even**: The Loss if the firm produce q^* is zero

In the short run, the firm should produce q^* to break even instead of shutting down and incurring a loss = FC

The loss if the firm **shuts down** = FC

The firm is indifferent between **exiting** the industry and producing q^* in the **long run**



TR, TC, VC

Output