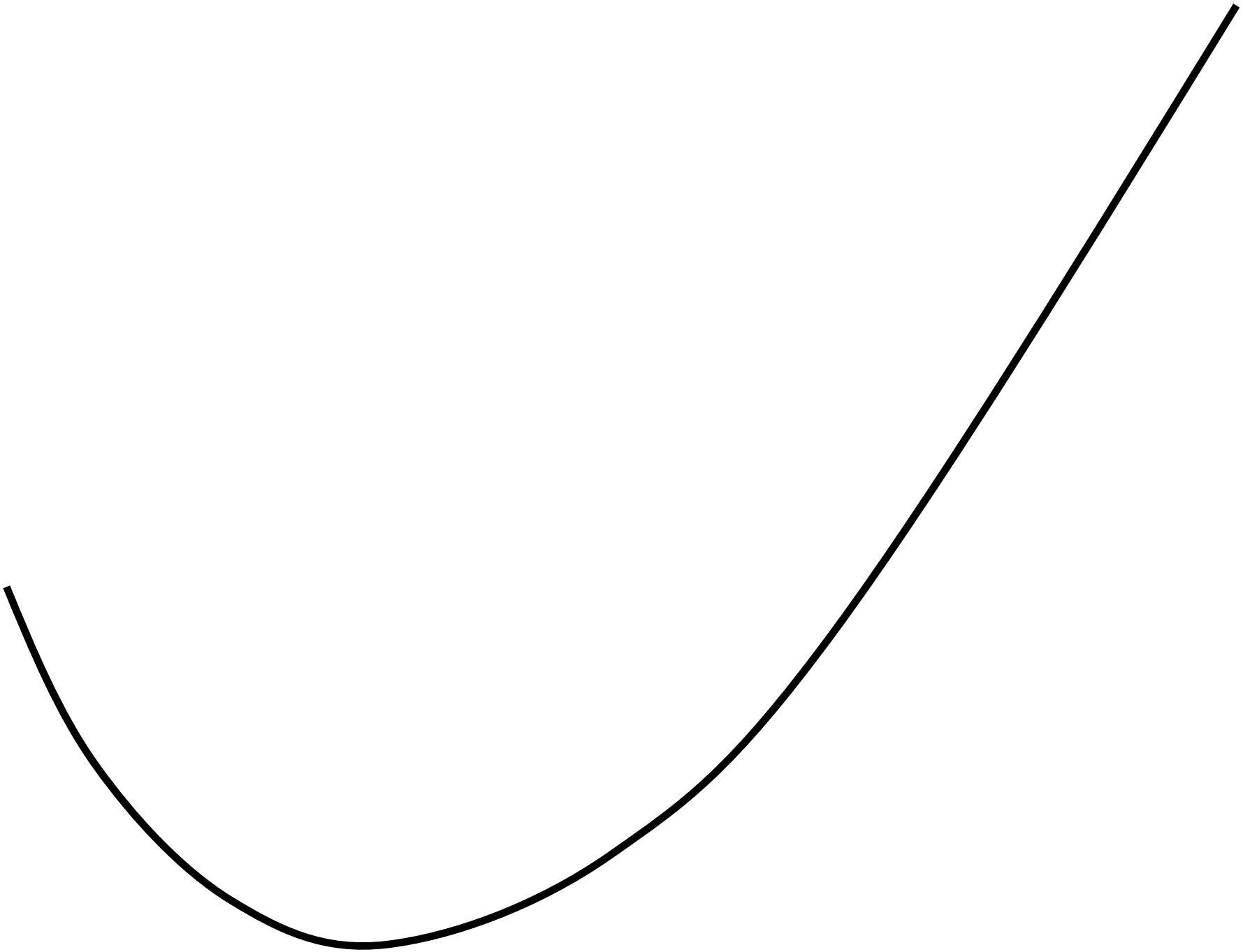


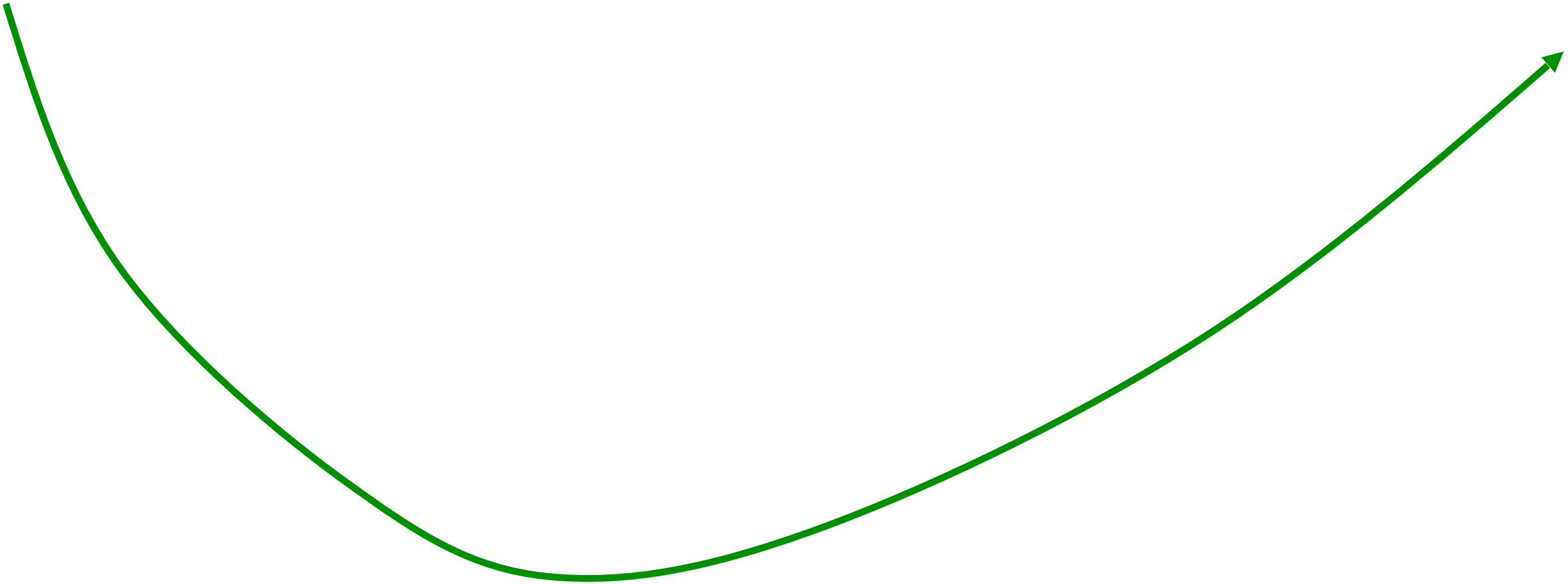
LOSS <



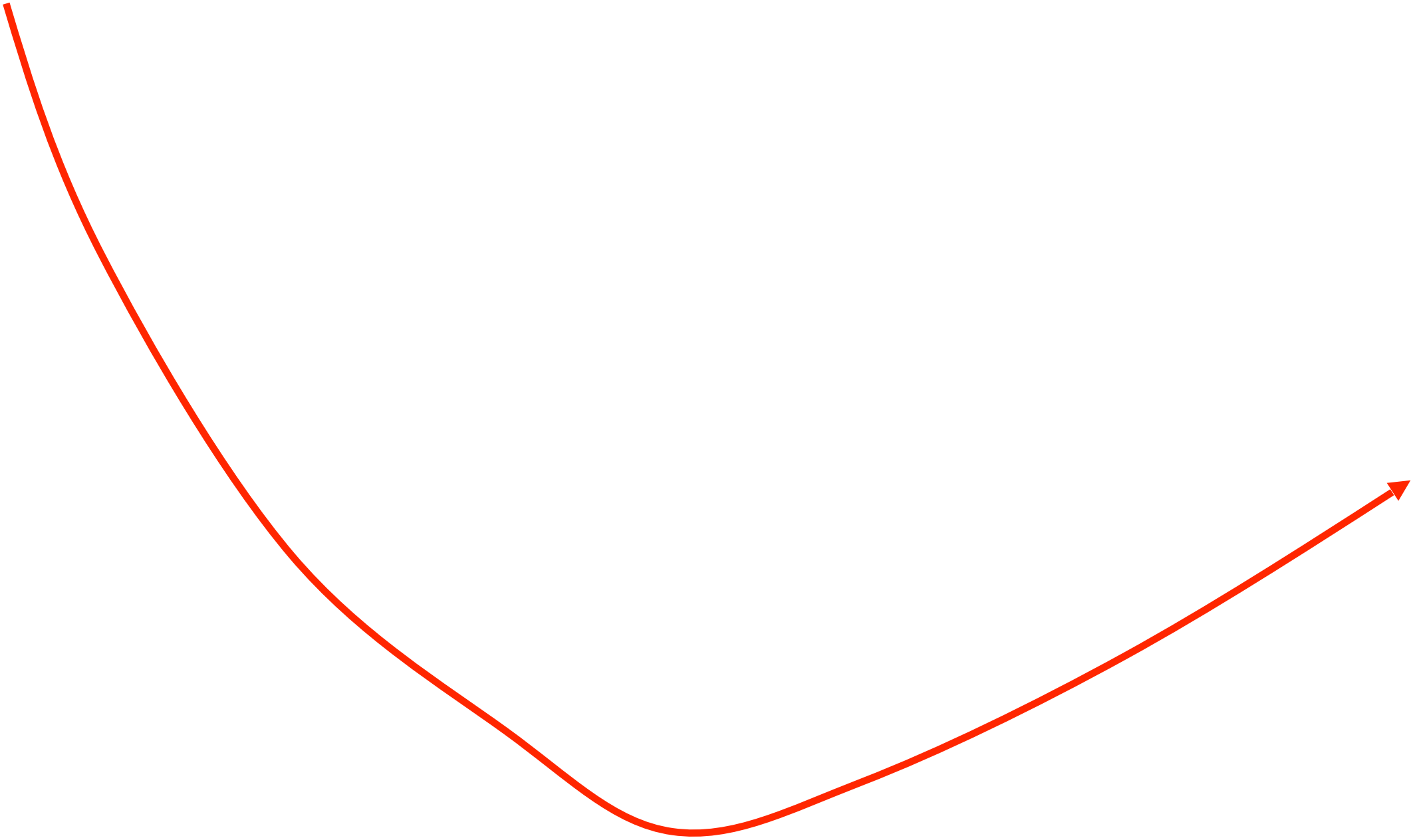




MC



AVC



ATC



MR







Pe

Firm should
Produce q^* (at a
loss) in the
short run

Exit in the long
run

AVC

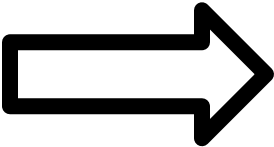
<

P_e

<

ATC

ATC



Revenue

covers all VC

and some FC

AVC



AVC

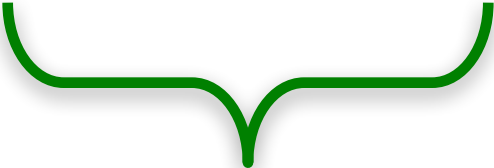
$\times q \leq$

P_e

$\times q \leq$

ATC

$\times q$



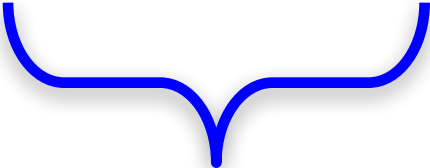
VC

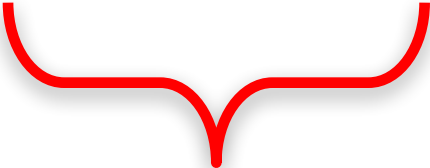
<

TR

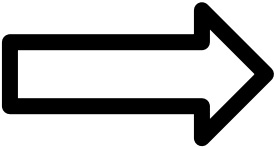
<

TC





Firm incurs a
loss smaller
than the FC



VC

FC

TR

Firm incurs a loss
smaller than the loss
if it shuts down



$$AVC < P_e < ATC \Rightarrow \underbrace{AVC \times q}_{VC} < \underbrace{P_e \times q}_{TR} < \underbrace{ATC \times q}_{TC} \Rightarrow VC < TR < TC$$

Firm incurs a loss **smaller** than the FC

Firm incurs a loss **smaller** than the loss if it shuts down

Firm should **Produce** q^* (at a loss) in the **short run**

Exit in the **long run**

