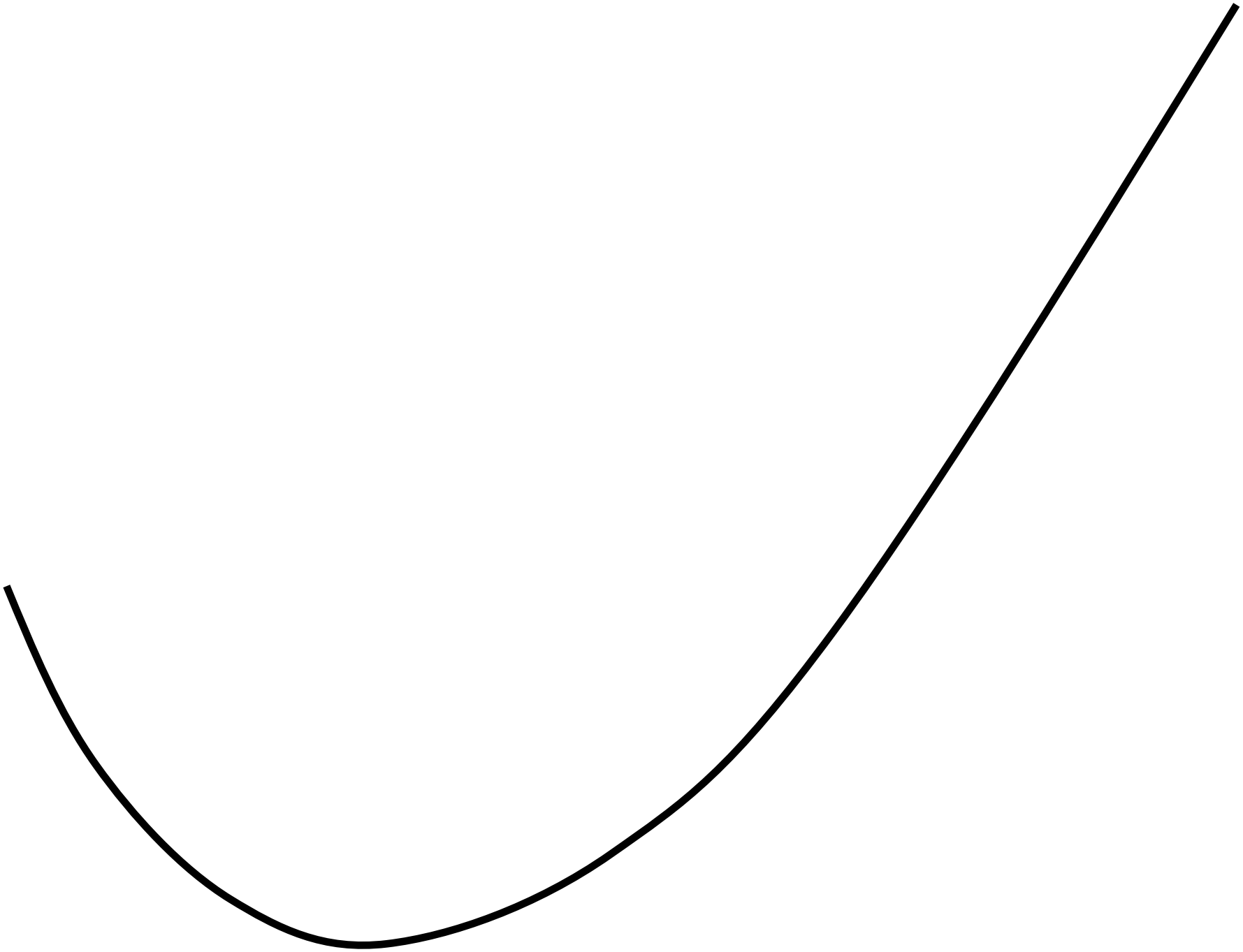


= LOSS

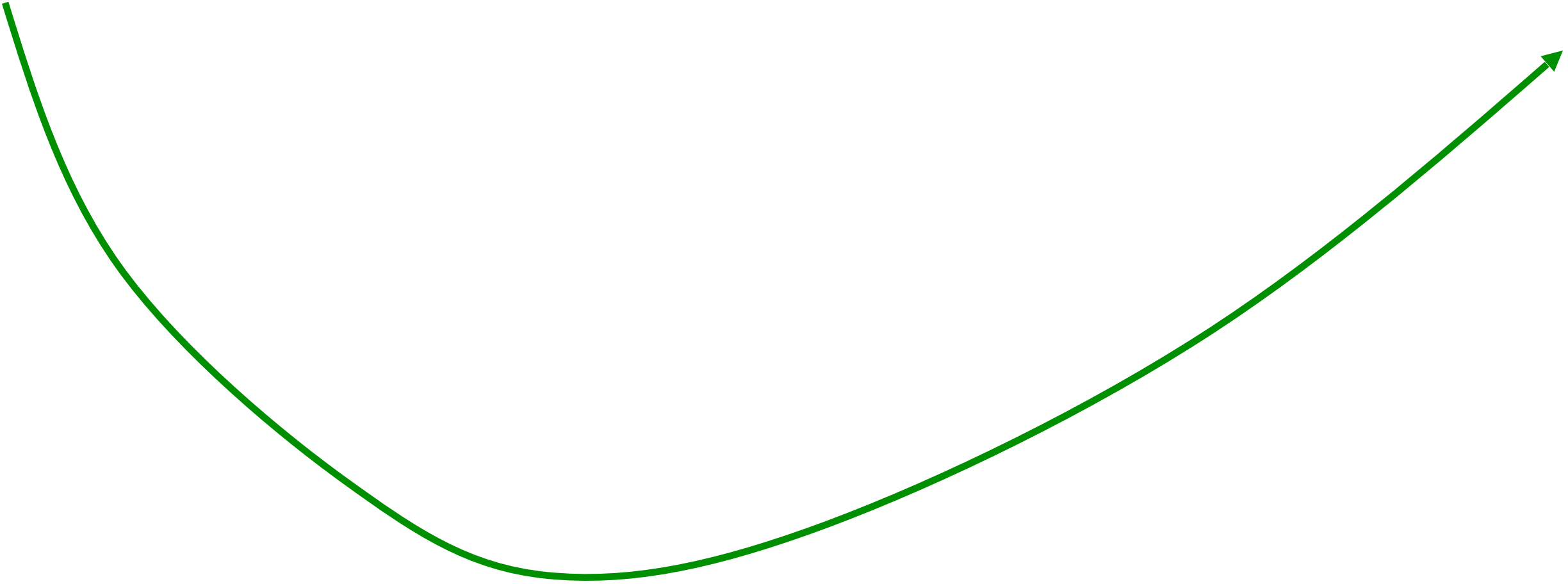




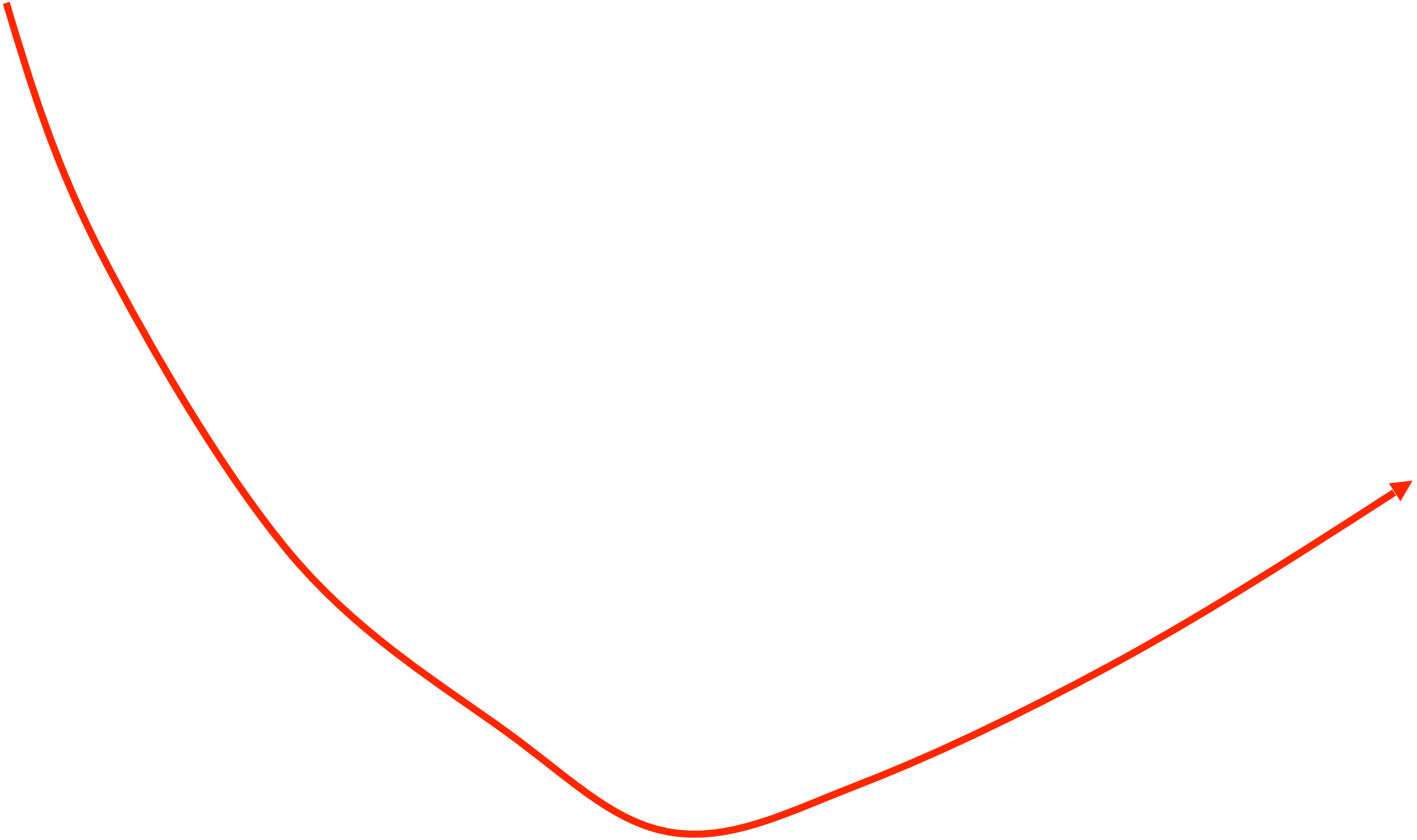


N

C



AVC



ATC



MR







Pe

AVC

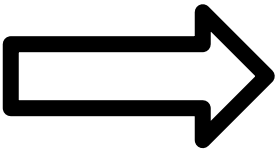
=

P_e

<

ATC

ATC



Revenue covers
ONLY VC



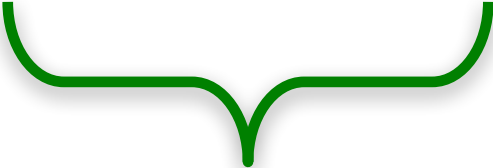
AVC

=





$$AVC \times q = P_e \times q \leq ATC \times q$$



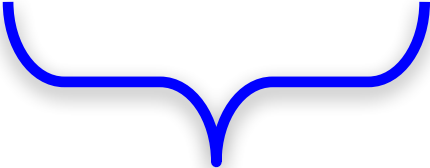
VC

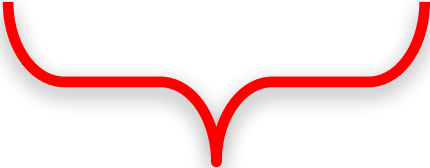
=

TR

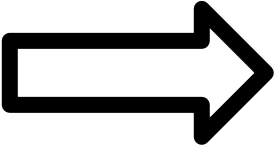
<

TC





Firm incurs a
loss **EQUAL**
to the FC



VC

=TR

FC

Firm incurs a loss
EQUAL to the loss
if it shuts down

In the short run: Firm indifferent between shut down and produce at a loss

In the long run: exit the industry

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

Firm incurs a loss **EQUAL** to the FC

Firm incurs a loss **EQUAL** to the loss if it shuts down

In the **short run**: Firm **indifferent** between shut down and produce at a loss

In the **long run**: **exit the industry**

