

If firms in the industry are not maximizing profit, firms have an incentive to **change output**

The firm should produce more
until $MC = MR$ to maximize profit

The firm should produce less
until $MC = MR$ to maximize profit







MC

MR

!

!

!

!

!

!

!

!

!

!

!

90

MC, MR

q



MC



90

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1

1



MC, MR

Q



q_1



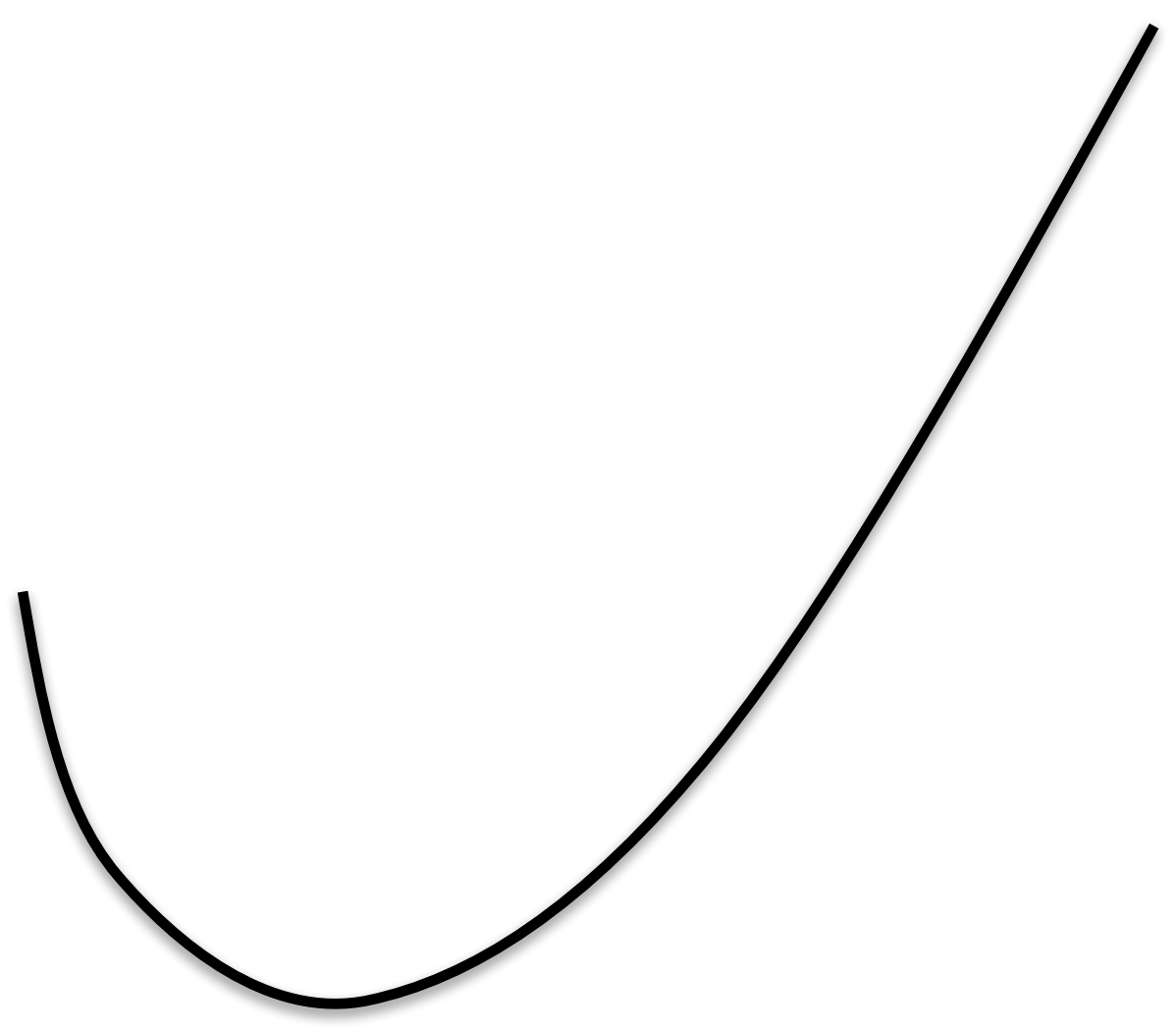
MR

If the firm is
producing q_0 where
MR $>$ MC, the firm is
not maximizing
profit



MC

MR.







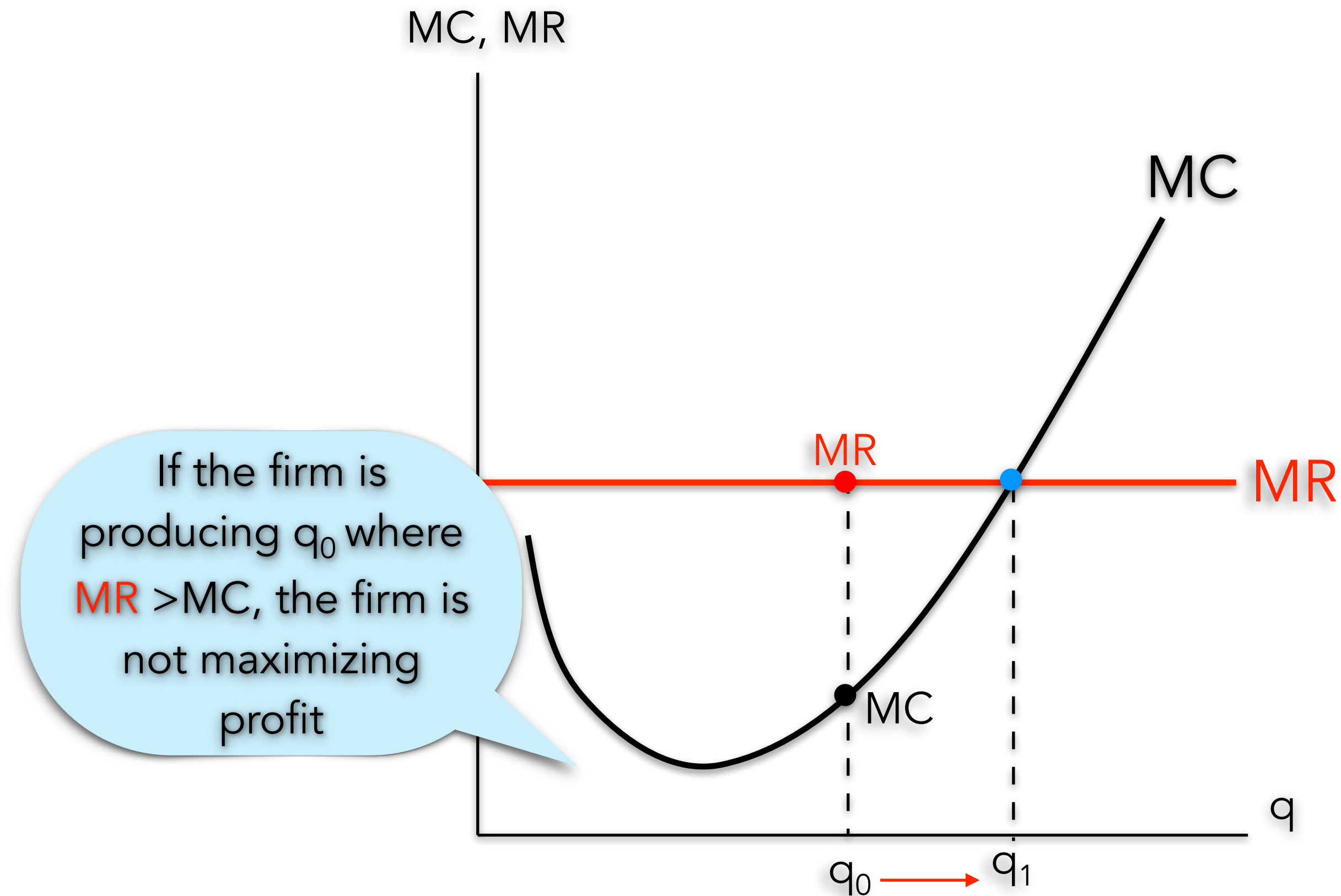
MR



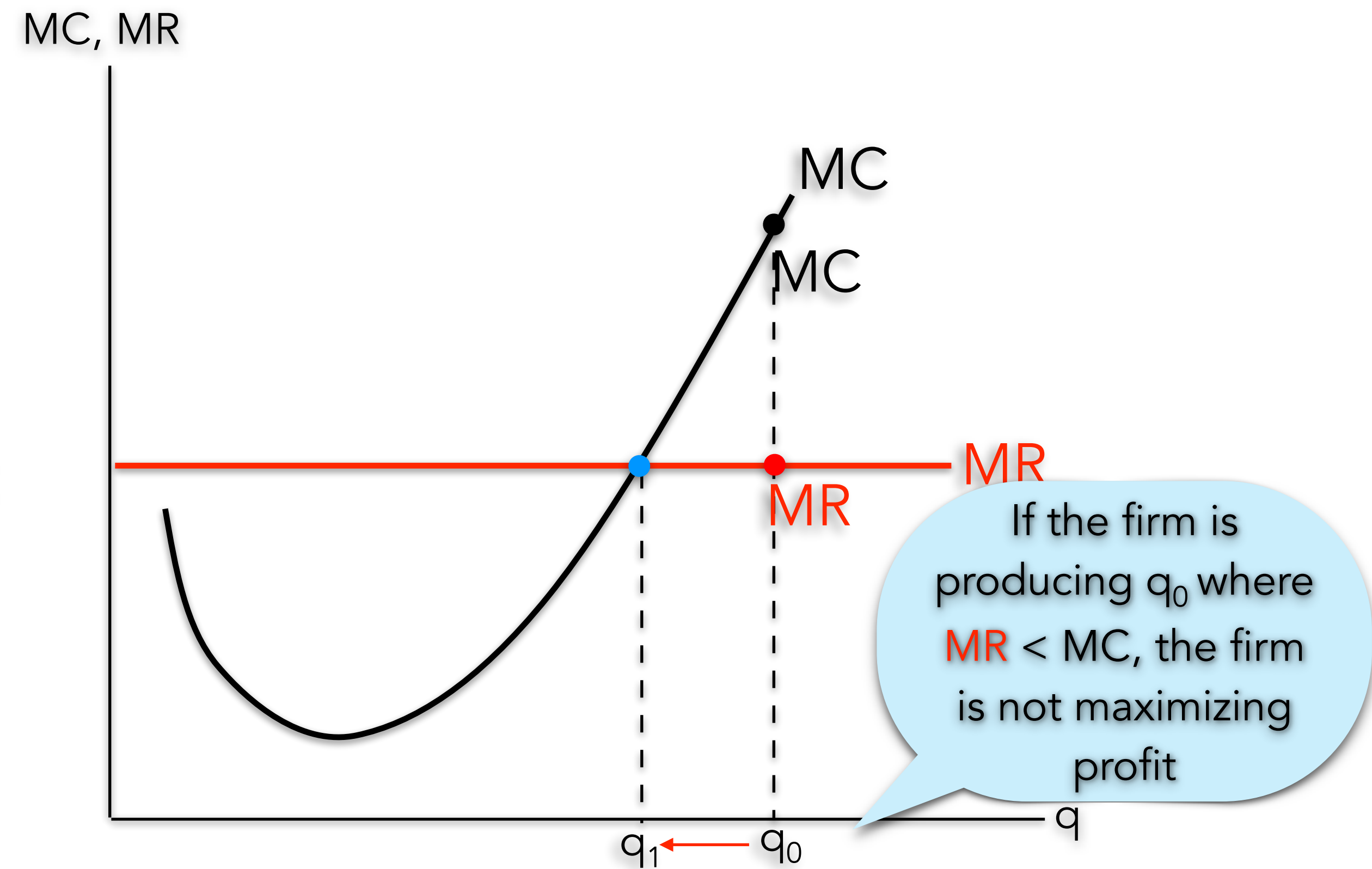
MC

If the firm is
producing q_0 where
MR < MC, the firm
is not maximizing
profit

If firms in the industry are not maximizing profit, firms have an incentive to **change output**



The firm should **produce more** until $MC = MR$ to maximize profit



The firm should **produce less** until $MC = MR$ to maximize profit

