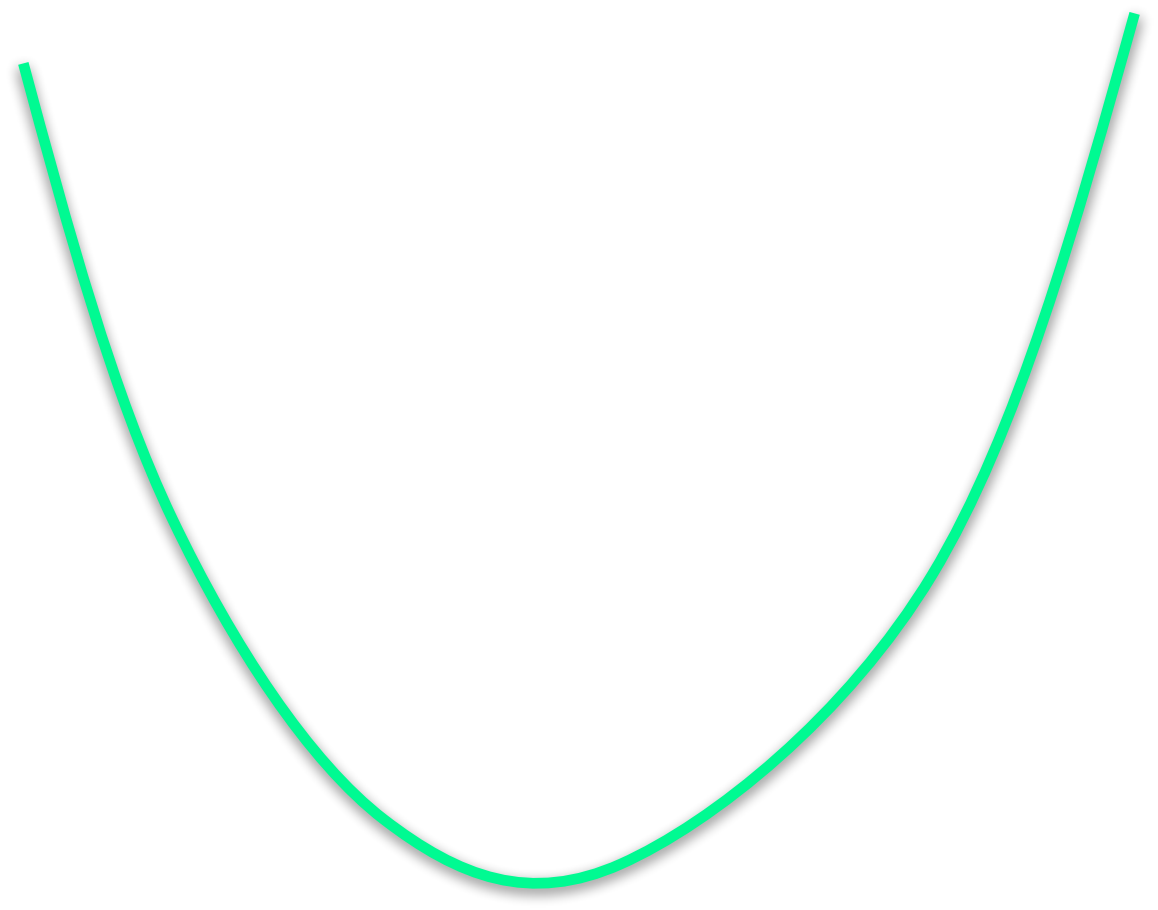


SRATC1

SRATC2

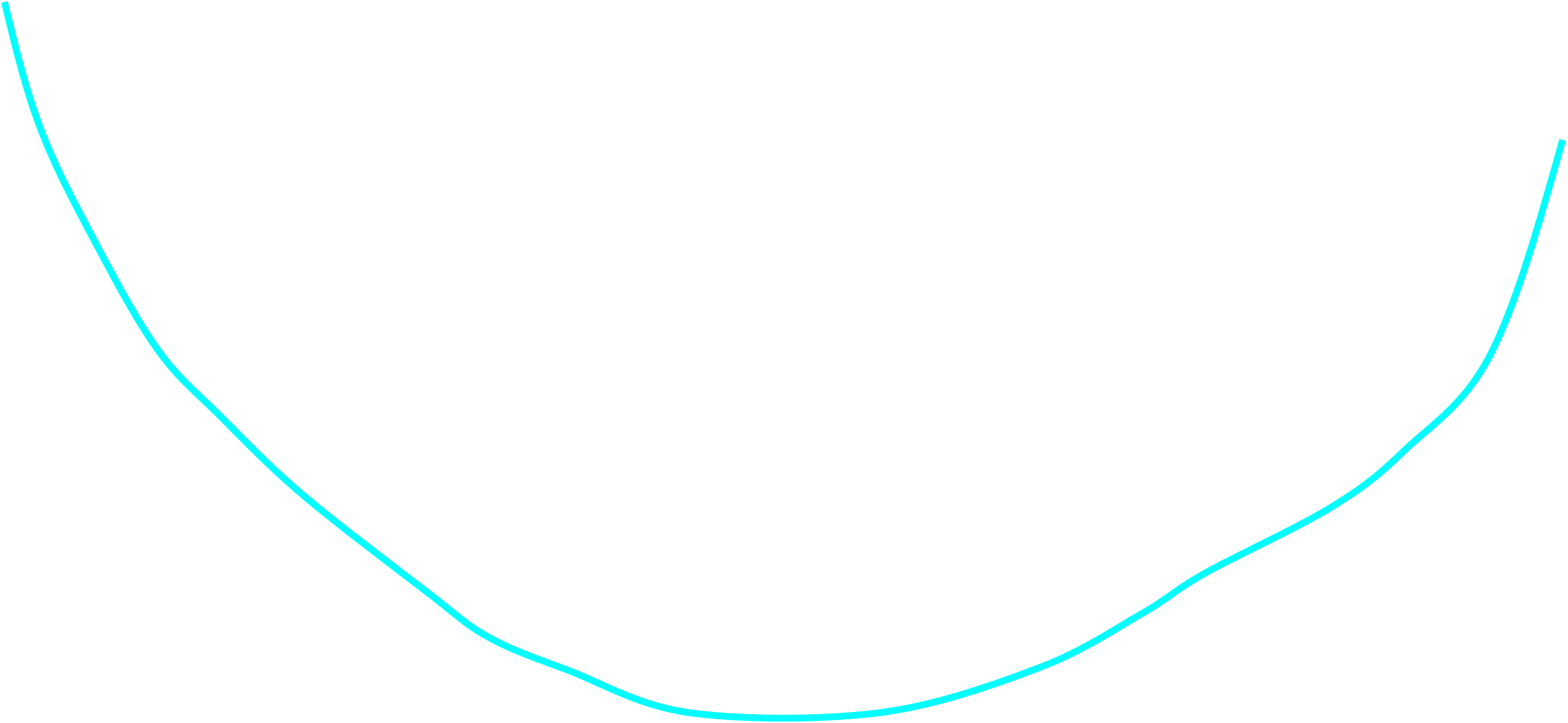
SRATC3

SRATC5



SRATC6

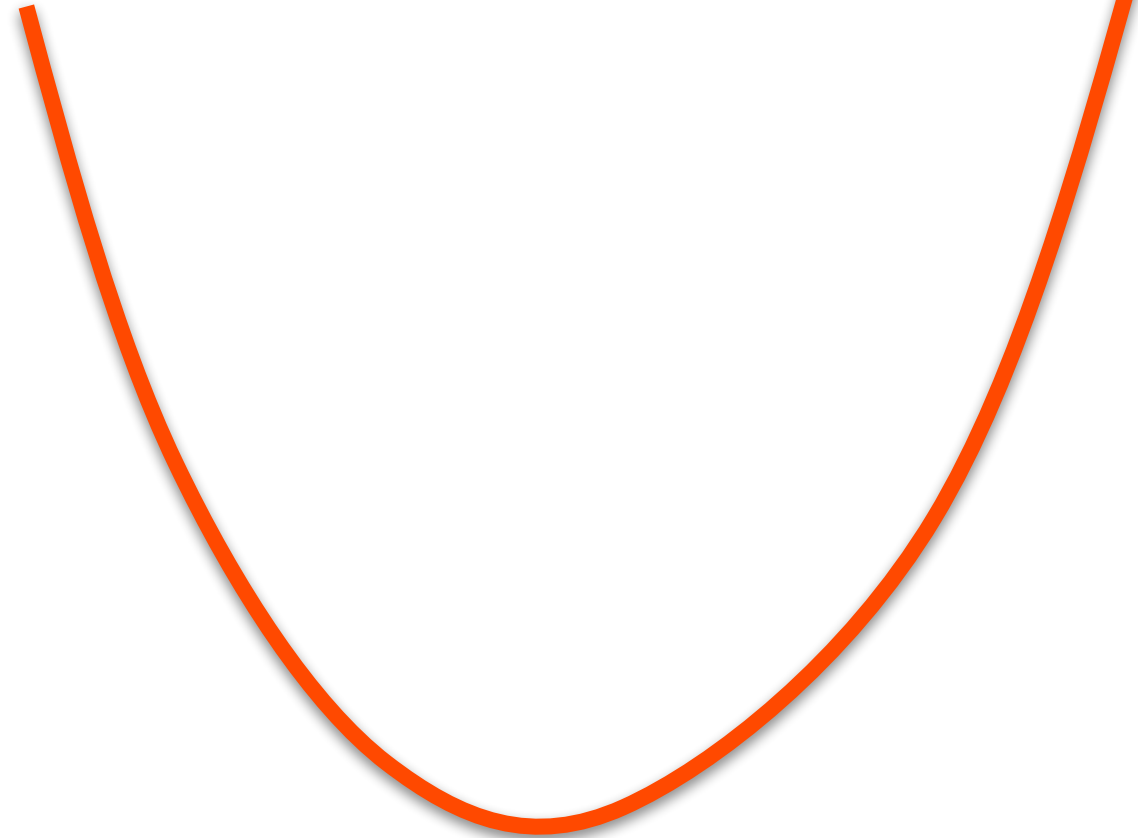
SRATC7



LRATC

Which plant is the smallest?

SRATC1 is the smallest





SRATC4

Output

At the end of the day

Which plant(s) have the lowest cost?

W







e







e







e







h

e

S

e



W

p



a





S



h









m



a



p







u





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















m

S





h



S



n



U

S





Y

mm

u



p







u





W







p



a

n



4





p



a

n



5

P



a





4



S



h

e

S

m

a



[REDACTED]

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 on the first letter of each word in the second line and the first letters of the last two words.

We call this plant
the Minimum
Efficient Scale or
MES

T



b



6

b













m

P







a



d

S

U

















h



S





d

u

S





Y



a







m

m

U





P







U





a







e





W

e

S



P



S





b









S















W











m

P













S

W











W









S



S



W







P





















m



u

















d

U

S





Y



T

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

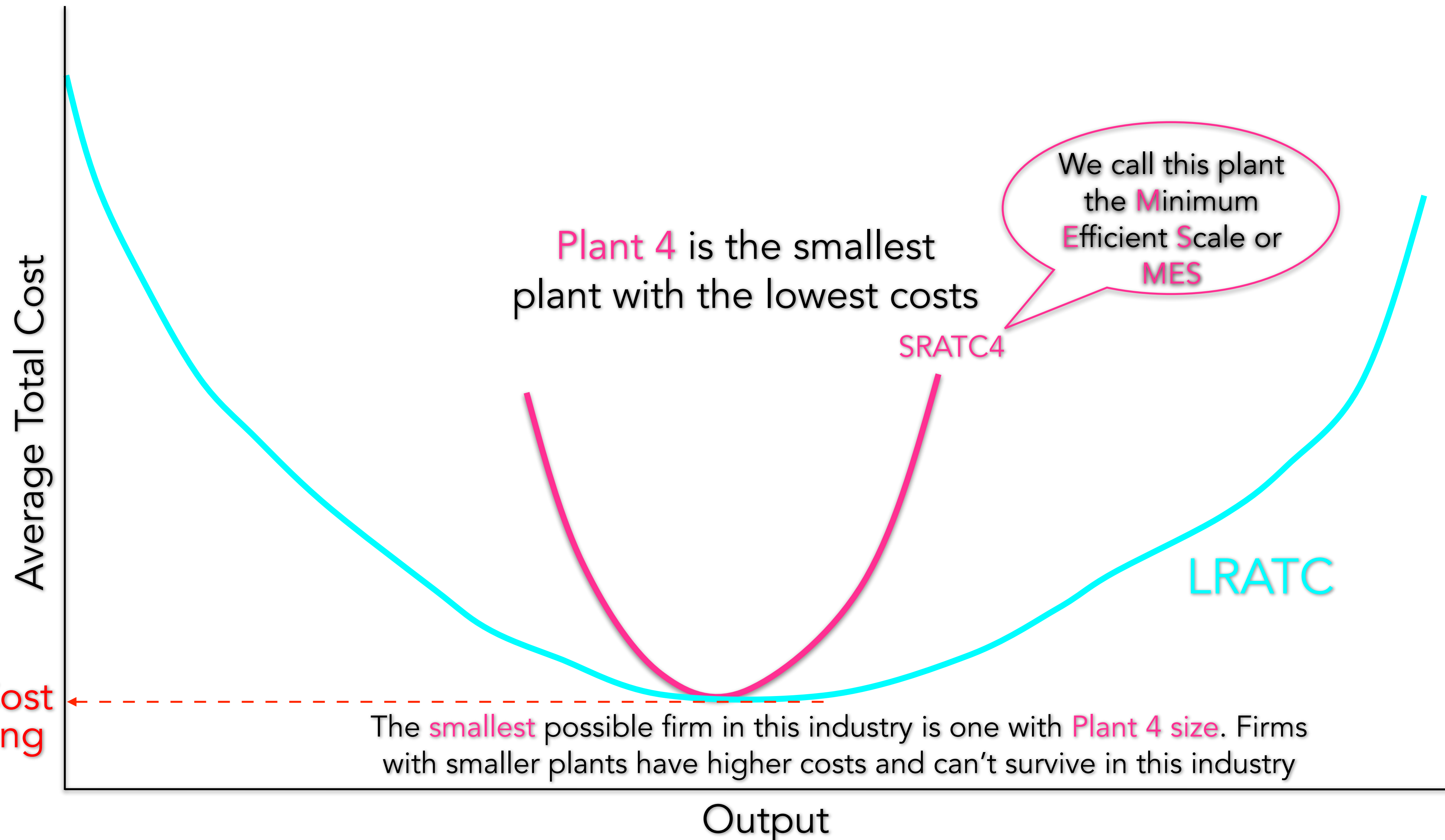
With either one of these two plants the firm can produce at the lowest possible cost for this industry

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.

