

**MC**

**C**

AVC

ATC





MR



Q



P

e

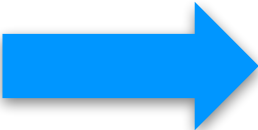
Firm should produce  $q^*$  in the short run and  
produce  $q^*$  in the long run

Pe

>

ATC

ATC





Firm makes a Profit



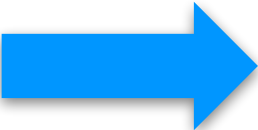
$P_e$

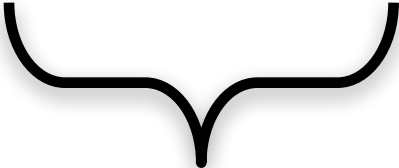
$\times q$

$>$

$ATC$

$\times q$

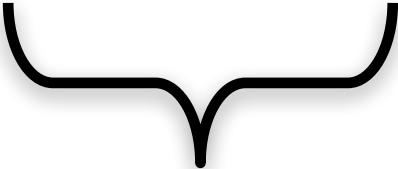




TR

>

TC

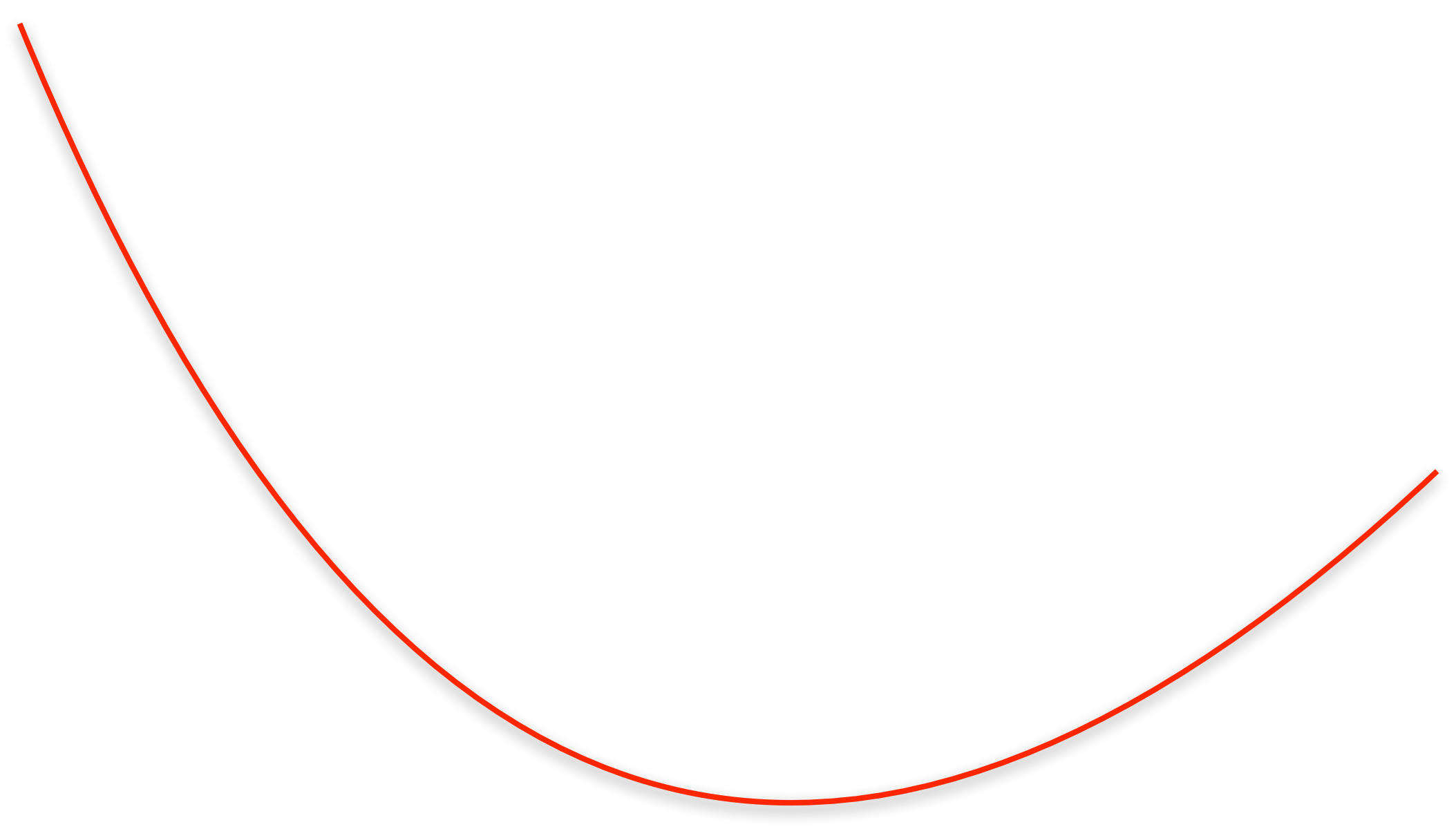


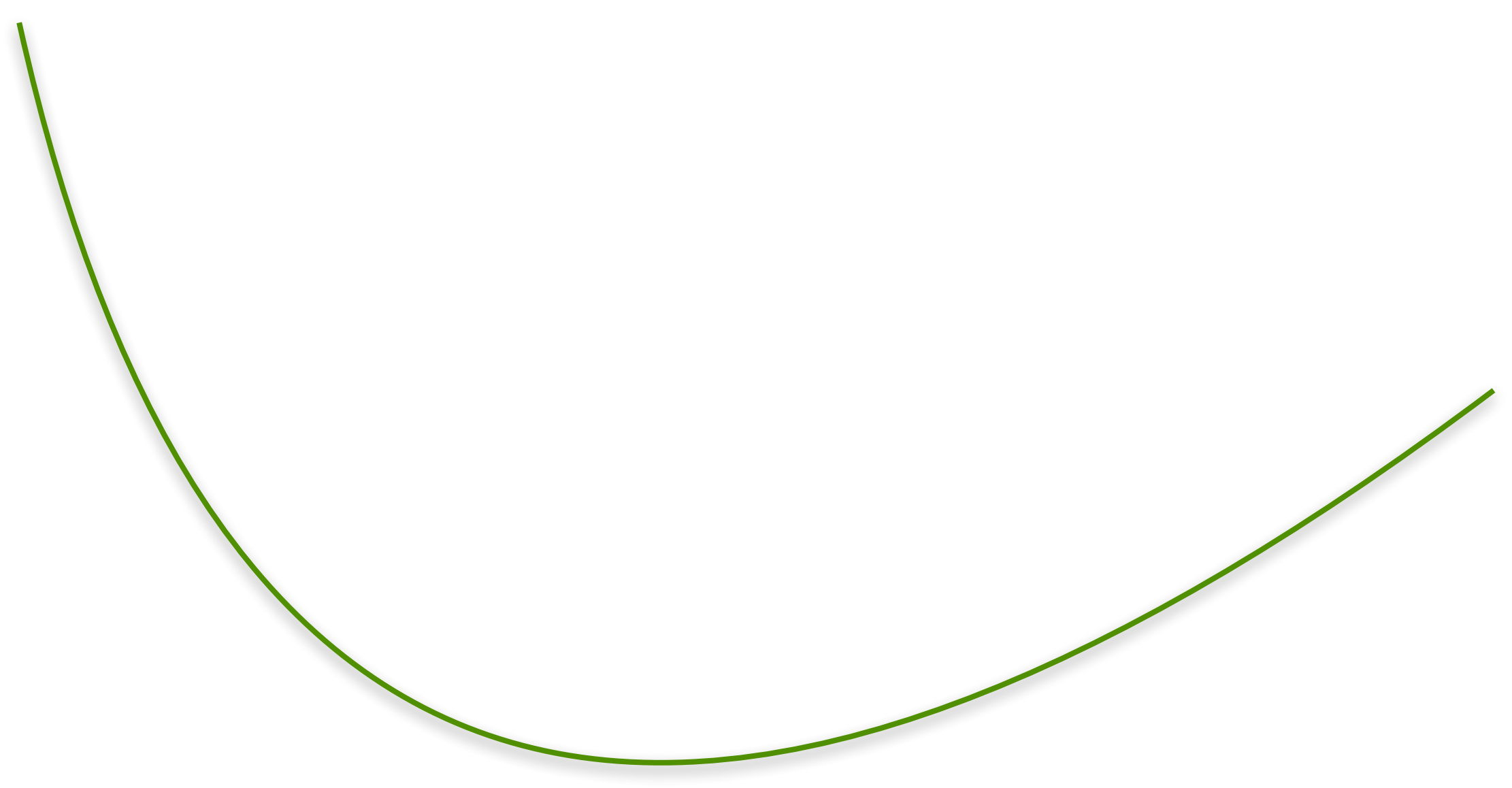
TR



TC

Profit









$$P_e > ATC \quad \Rightarrow \quad \underbrace{P_e \times q}_{TR} > \underbrace{ATC \times q}_{TC} \quad \Rightarrow \quad \text{Firm makes a Profit}$$

