



1

2

3

4

5

6

7

8

9

10

11

12

94

95

9%



$\text{MR} = \text{P}_6$

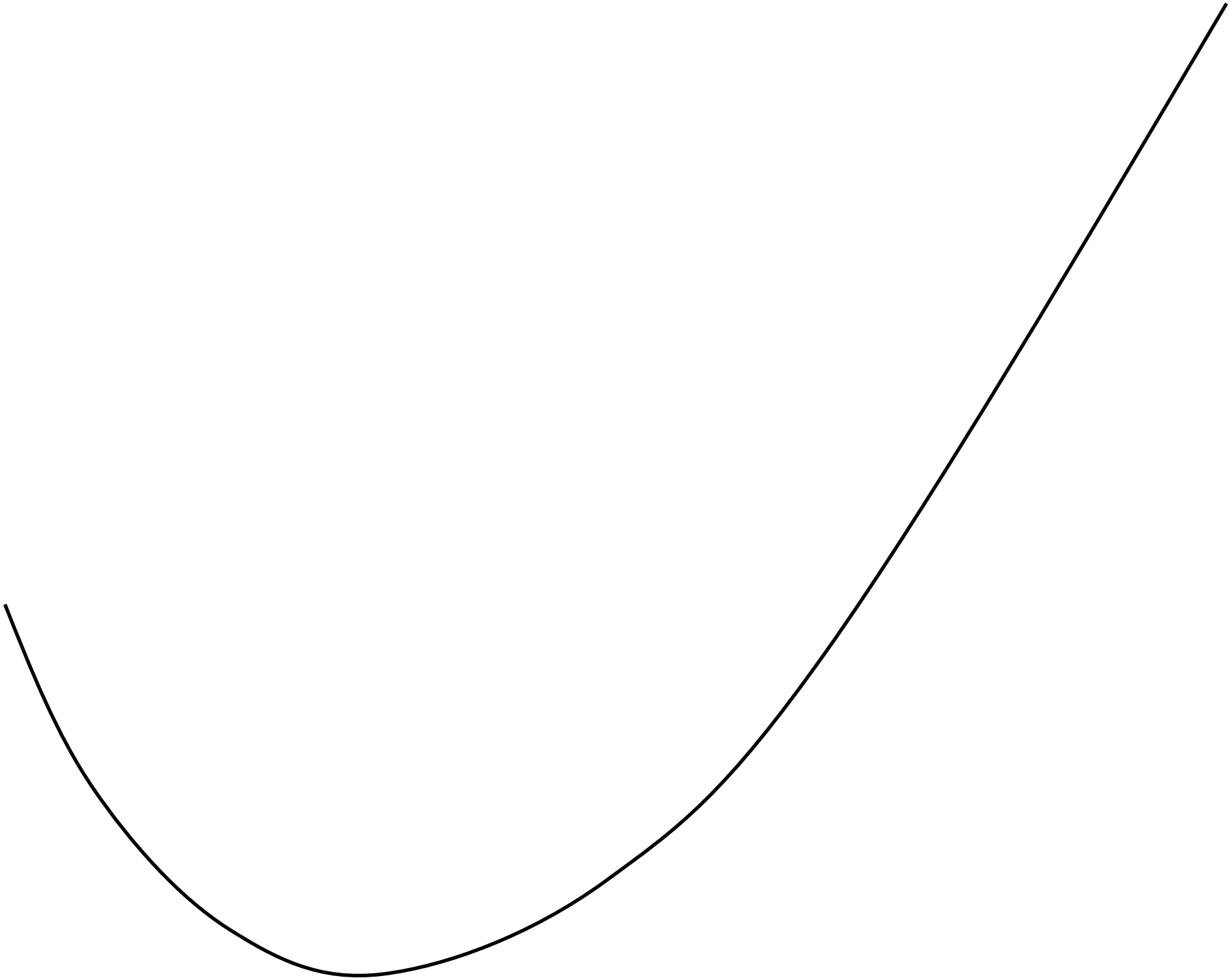
$$MR = P_5$$

$MR \equiv P_4$

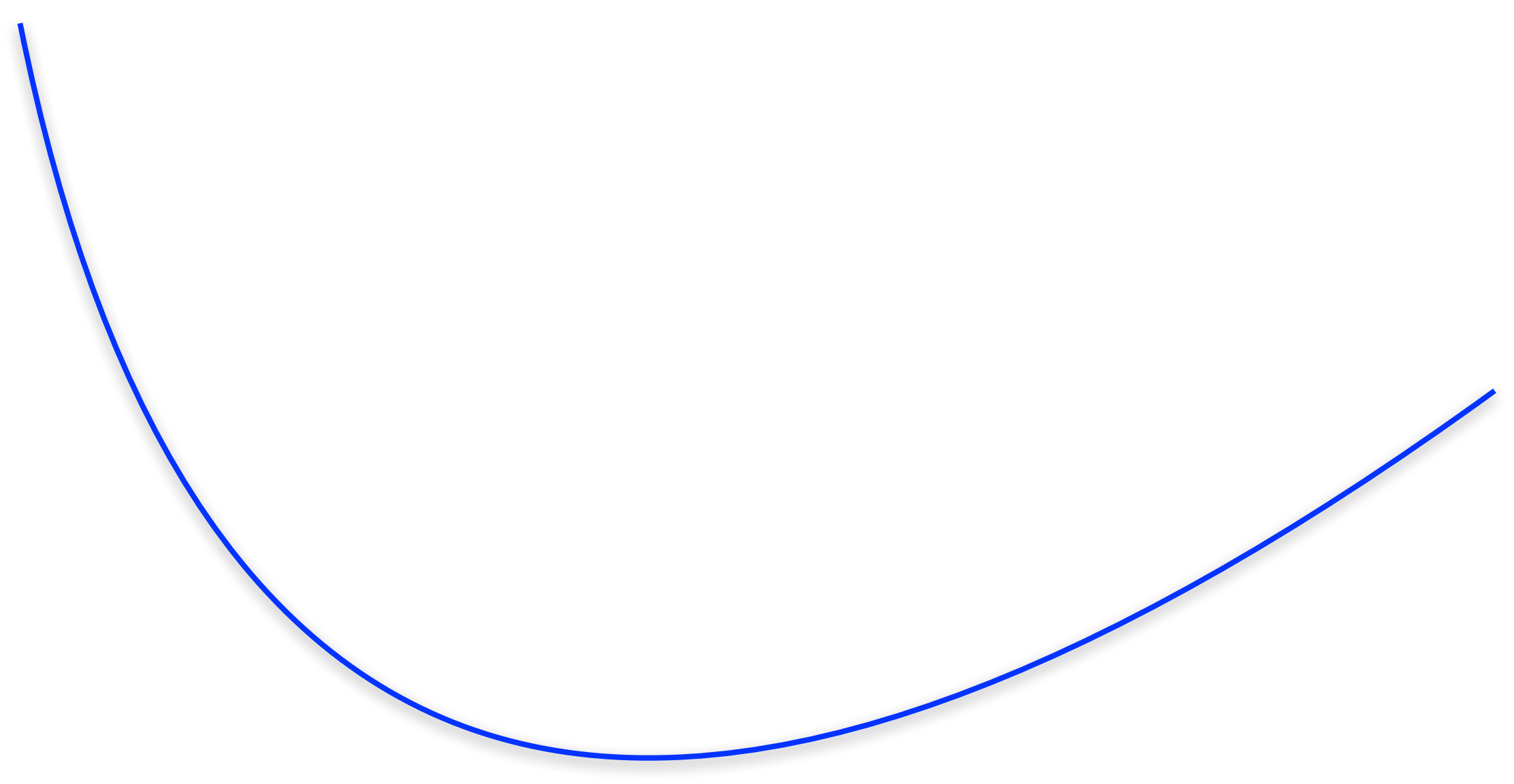
MC

$$P_1 \text{-----} MR=P_1$$





$$P_0 \text{ ----- } MR=P_0$$



ATC

P₄ - - - - -

$$q = 0$$

q

=

0

$$q = 0$$

q

=

0

$$q = 0$$

T

h

e

F





m



S





n

g

R

u

n

S

u

Р

p



Y



S



h



a

m

e

a

S



h

e

M



a

b





e



h

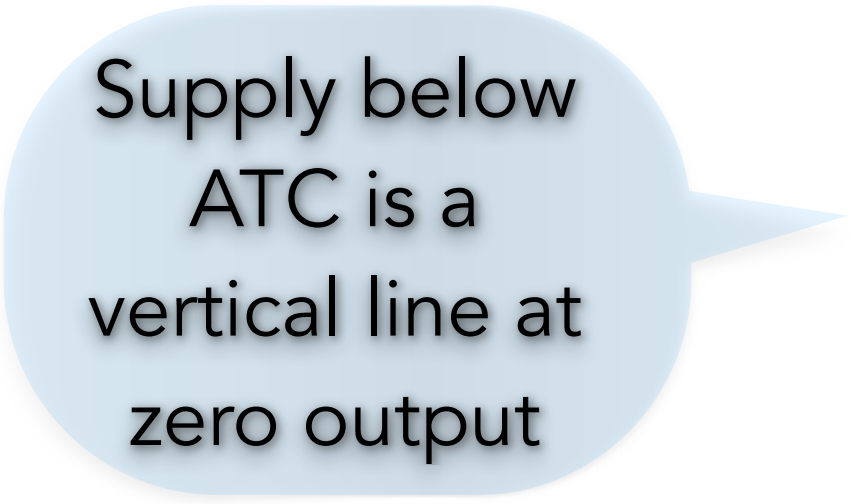


A

T



Long Run Supply = MC above ATC



Supply below
ATC is a
vertical line at
zero output

$$P_2 \text{-----} MR=P_2$$

$$P_3 \text{-----} MR=P_3$$







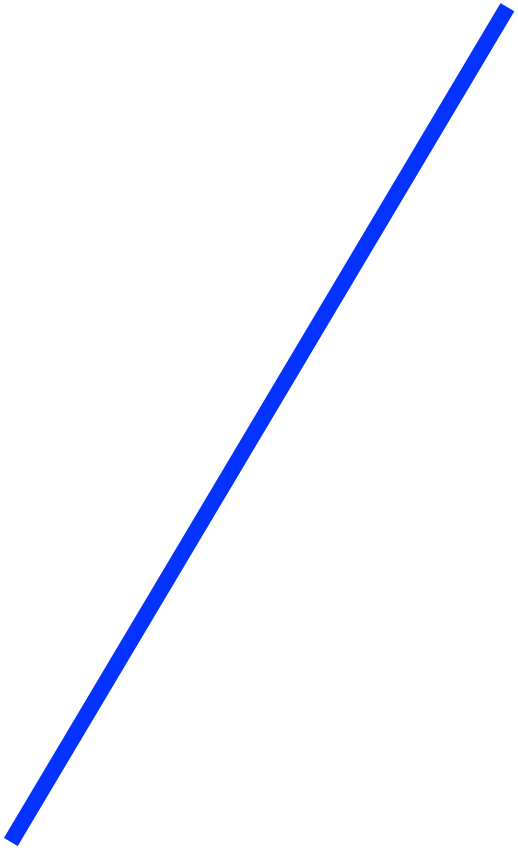


P₆



P₅









Below the
ATC the firm
exits

A pink speech bubble with a white shadow, pointing to the right. Inside the bubble is the text "We call P₄ the 'exit' price".

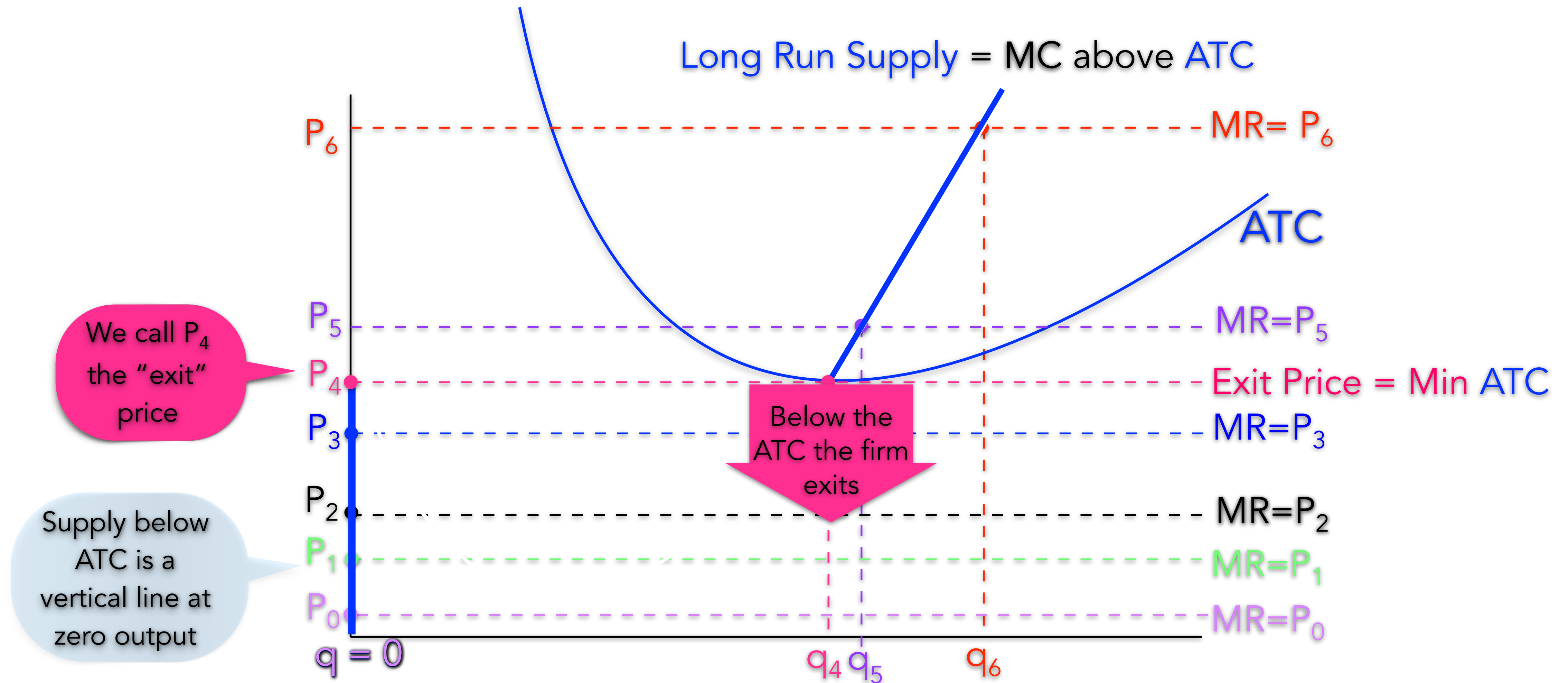
We call P_4
the "exit"
price

In the Long Run, the firm exits if it incurs a loss

Exit Price = Min ATC

The Firm's Long Run Supply is the Same as the MC above the ATC

The Firm's Long Run Supply is the Same as the MC above the ATC



In the Long Run, the firm exits if it incurs a loss

The Firm's **Short Run** Decision: An example with numbers

