Output	PLANT 1	PLANT 2	PLANT 3
100	90	96	99
200	84	90	93
300	78	84	87
400	72	78	81
500	66	60	78
600	72	54	75
700	78	48	72
800	84	42	60
900	90	36	57
1000	96	30	27
1100	102	36	21
1200	108	42	15
1300	114	48	9
1400	120	54	3
1500	126	60	6

SRATC1

SRATC2

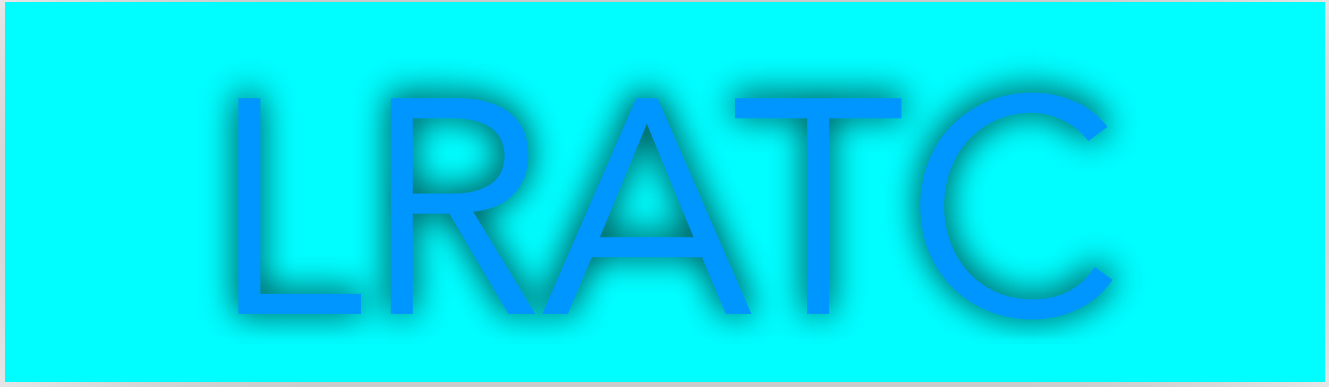
SRATC3

To build the LRATC choose the lowest SRATC for each Output level

OUTPUT	LRATC
100	90
200	84
300	78
400	72

500	60
600	54
700	48
800	42
900	36

1000	27
1100	21
1200	15
1300	9
1400	3
1500	6


LRATC

Cost with
plant 1

Cost with
plant 2

Cost with
plant 3

$90 is
the lowest cost
to produce 100
units

Cost with
plant 1

Cost with
plant 2

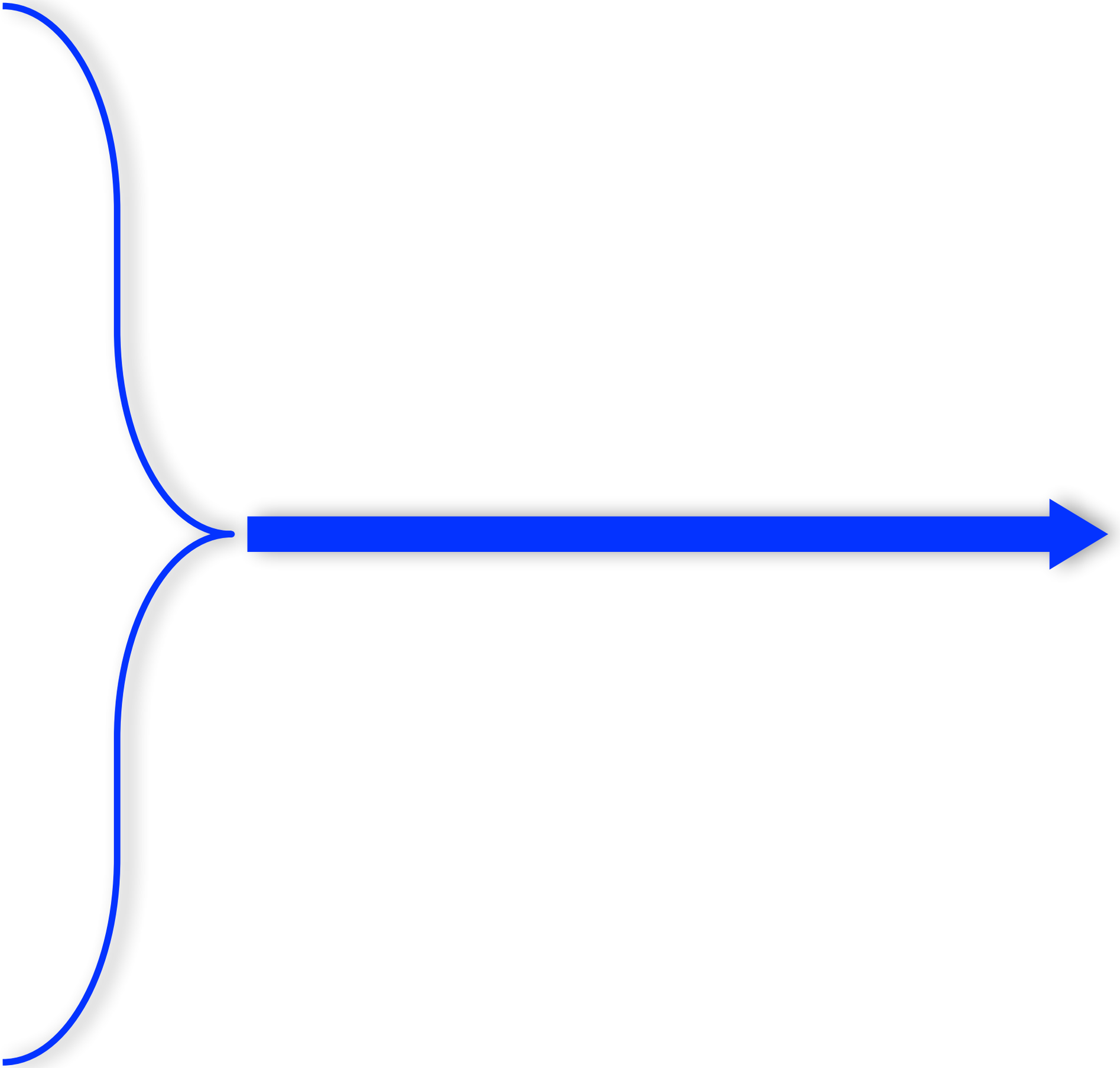
Cost with
plant 3

$84 is
the lowest cost
to produce 200
units

Plant 1 has the lowest cost

Plant 2 has the lowest cost

Plant 3 has the lowest cost



Output	SRATC1	SRATC2	SRATC3	OUTPUT	LRATC
100	90	96	99	100	90
200	84	90	93	200	84
300	78	84	87	300	78
400	72	78	81	400	72
500	66	60	78	500	60
600	72	54	75	600	54
700	78	48	72	700	48
800	84	42	60	800	42
900	90	36	57	900	36
1000	96	30	27	1000	27
1100	102	36	21	1100	21
1200	108	42	15	1200	15
1300	114	48	9	1300	9
1400	120	54	3	1400	3
1500	126	60	6	1500	6

Plant 1 has the lowest cost

Plant 2 has the lowest cost

Plant 3 has the lowest cost

In the long run firms choose a plant size…