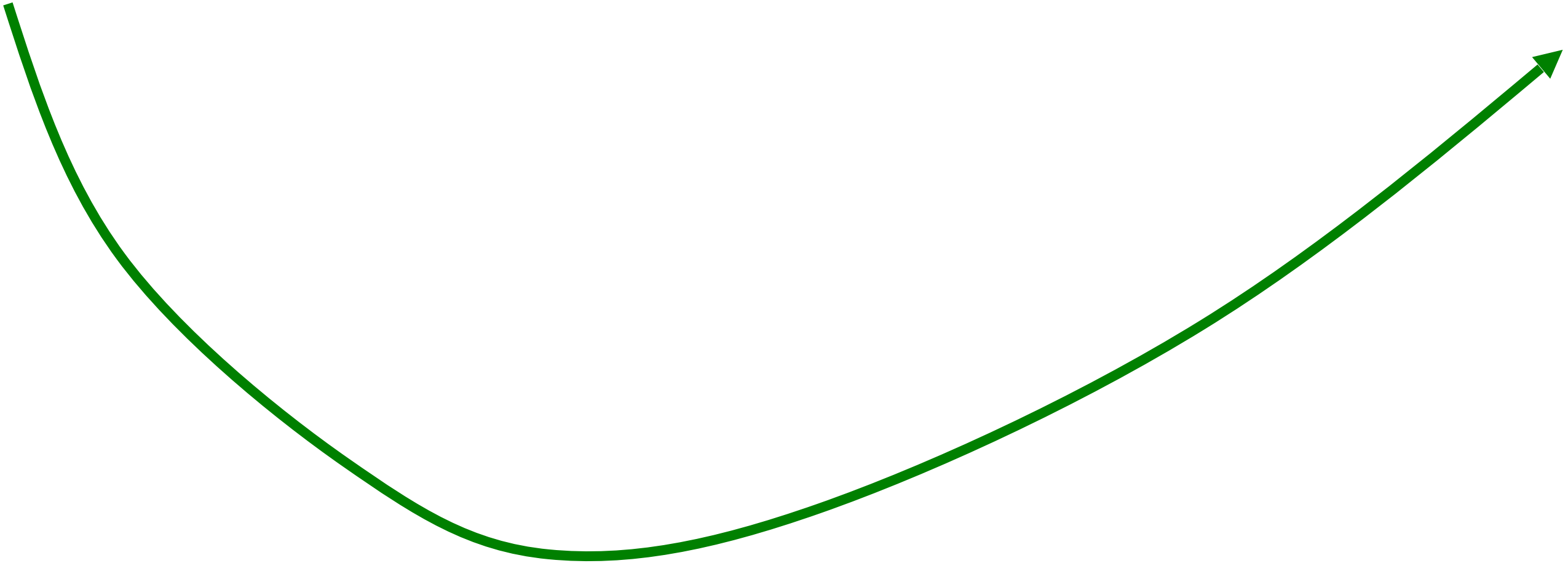


MC





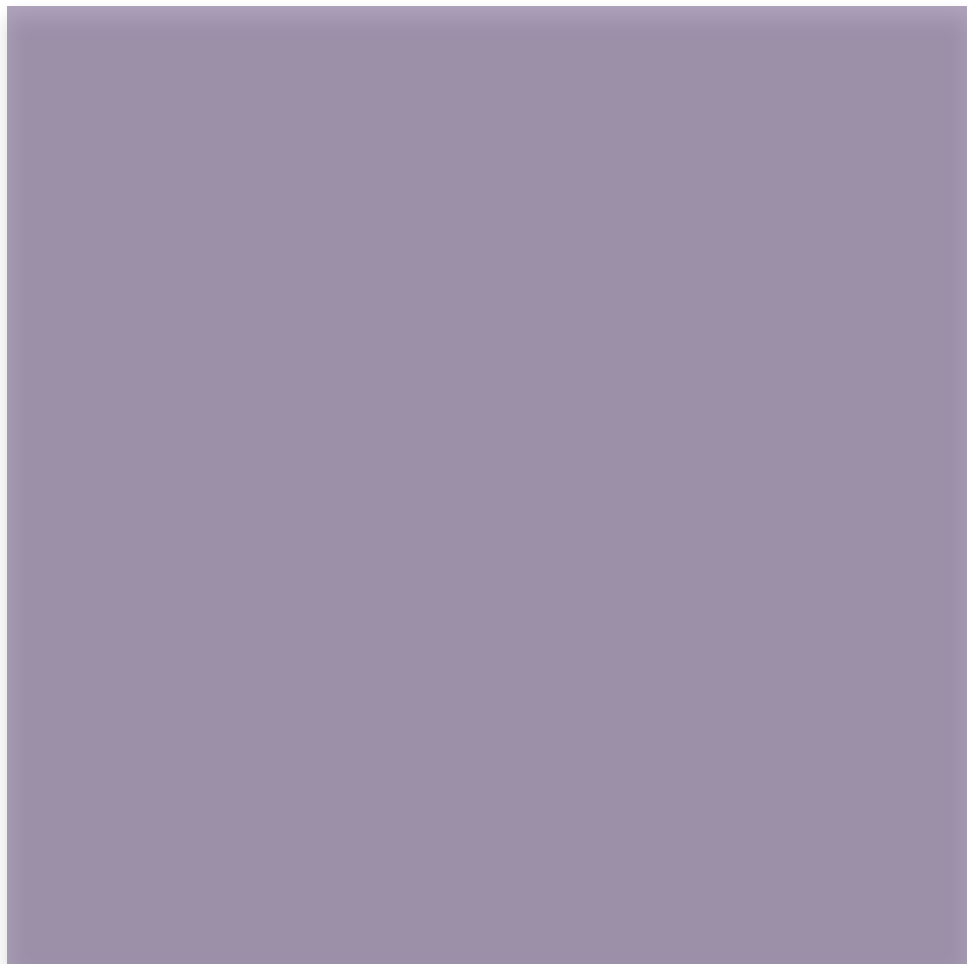
P = NMR

ATC

AVC

q





P

Tc

FC

Short Run: The firm should shut down to minimize loss



Loss





VC

Revenues cover **some** of
the VC **none** of the FC

TR



Loss = +
some of the
VC

Loss if the firm produces q^*
is larger than the Fixed Cost

Loss if the firm shuts down
is equal to the Fixed Cost

PATENT AVOIDANCE PATENT

$$P < AVC < ATC$$

Short Run: The firm should **shut down** to minimize loss

Loss if the firm produces q^* is **larger** than the **Fixed Cost**

Loss if the firm **shuts down** is **equal** to the **Fixed Cost**

Revenues cover **some** of the VC **none** of the FC

