

If firms in the industry are not maximizing profit, firms have an incentive to **change output**

The firm should produce more
until $MC = MR$

The firm should produce less
until $MC = MR$







MC

MR

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MC, MR

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MC



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MC, MR

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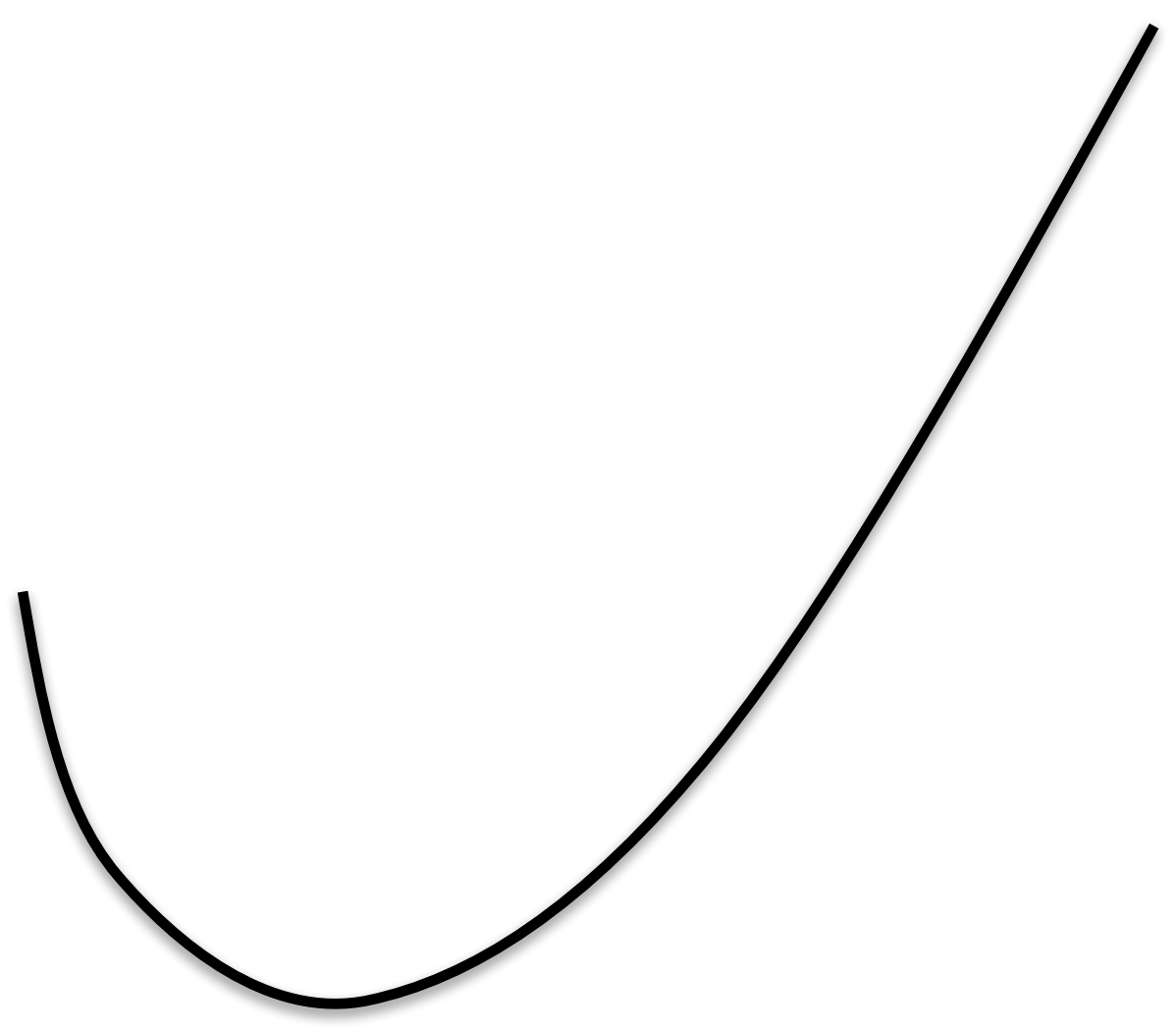
MR

If the firm is
producing q_0 where
MR $>$ MC, the firm is
not maximizing
profit



MC

MR.







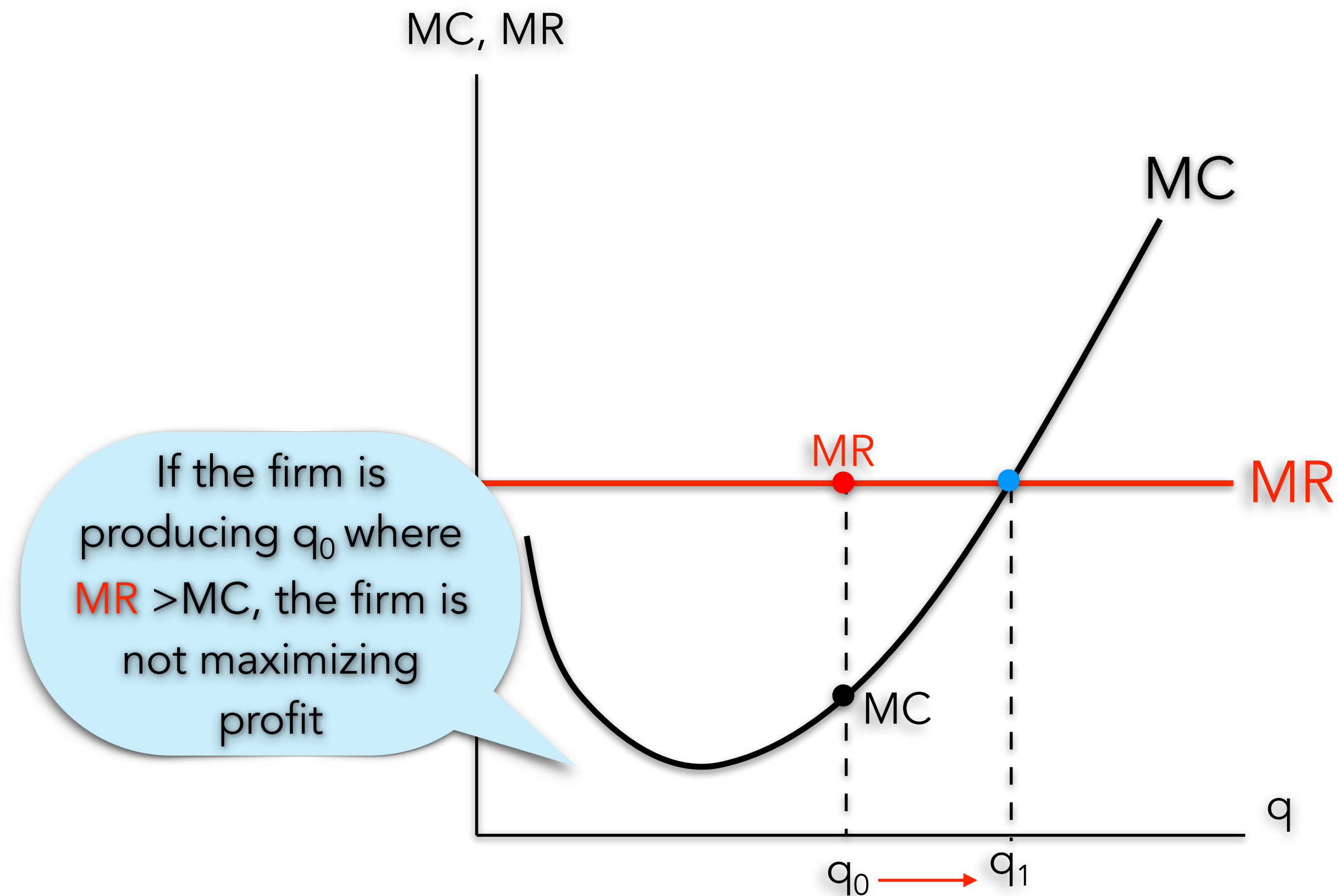
iMR



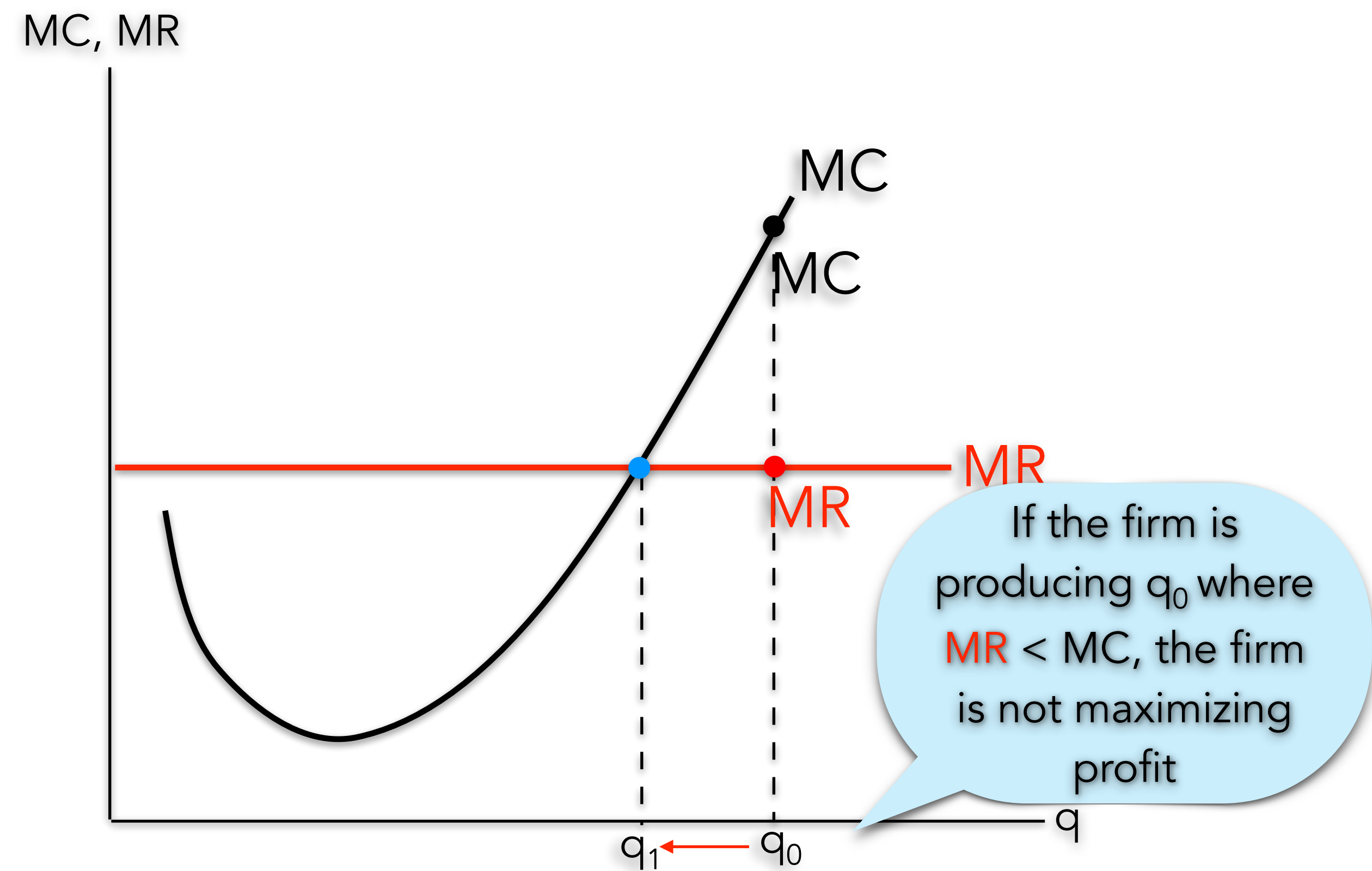
MC

If the firm is
producing q_0 where
MR < MC, the firm
is not maximizing
profit

If firms in the industry are not maximizing profit, firms have an incentive to **change output**



The firm should **produce more** until $MC = MR$



The firm should **produce less** until $MC = MR$

