

SRATC  
Plant 9

With this plant, we can  
produce any amount  
from zero to 8,000 units



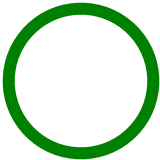


8,000

ATC is lowest at  
3,000 units

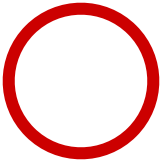
3,000



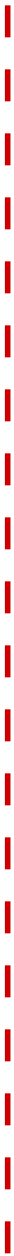




\$2







12,000

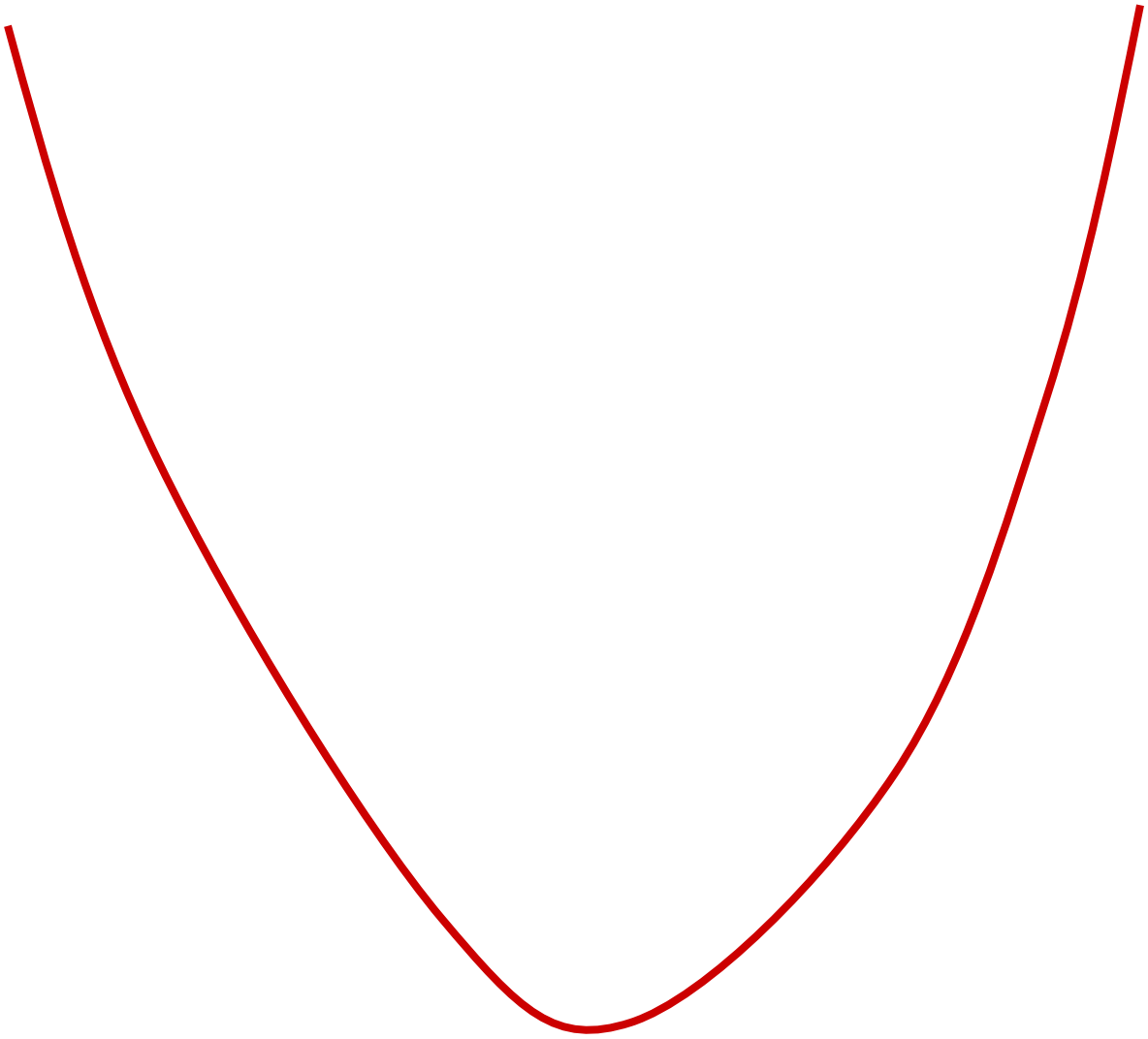


6,000



\$

1

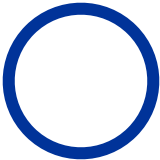


SRATC  
Plant 2



With this plant, we can produce any amount from zero units to 12,000.

ATC is lowest at  
6,000 units



With this plant, we can produce any  
amount from zero units to 18,000



18,000

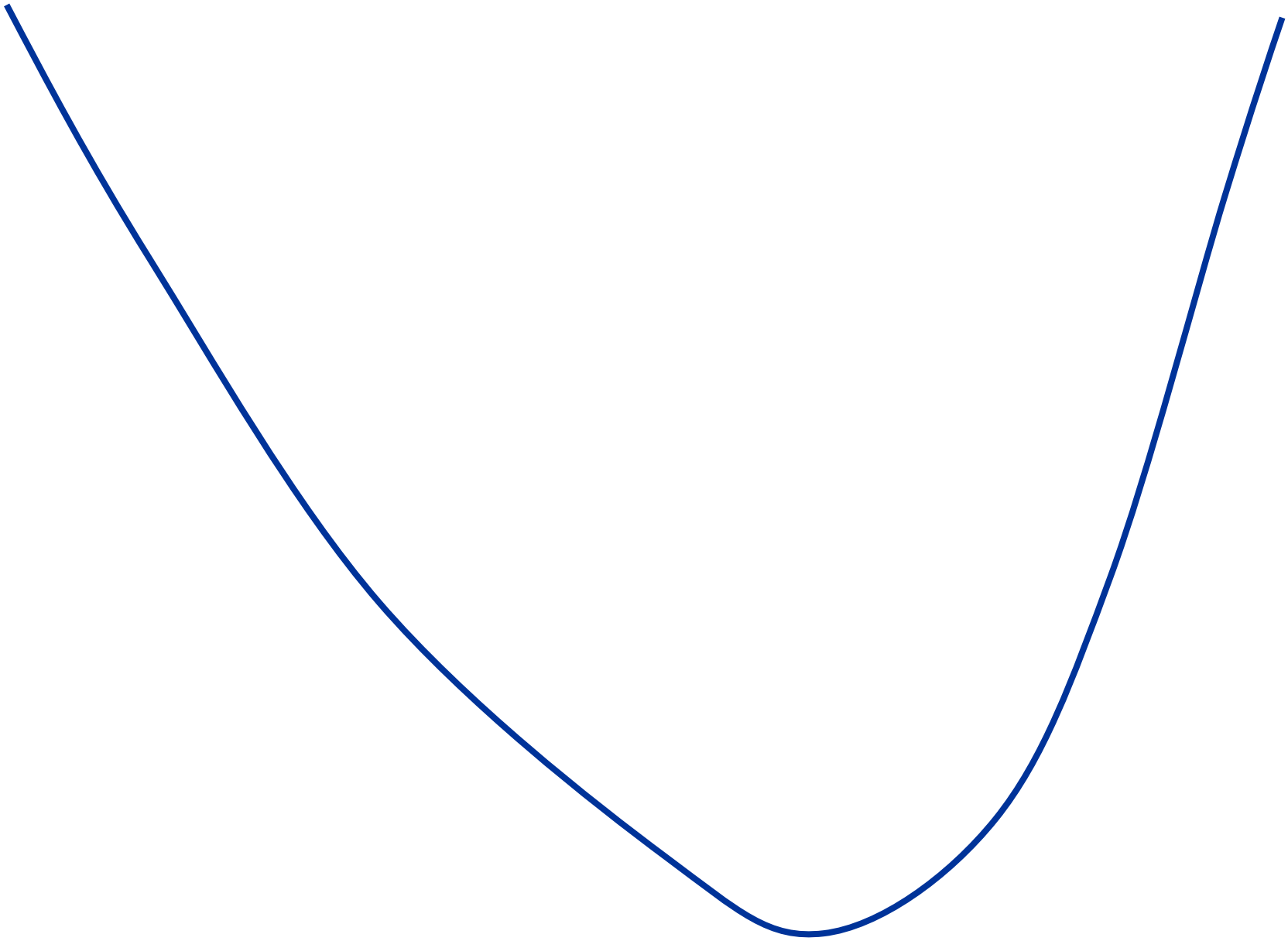
11,000







\$0.5



SRATC  
Plant 3

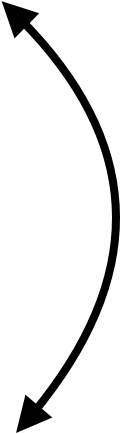
ATC is lowest at  
11,000 units











Plant 2 is larger than Plant  
1 because it allows the  
firm to produce a larger  
range of output levels



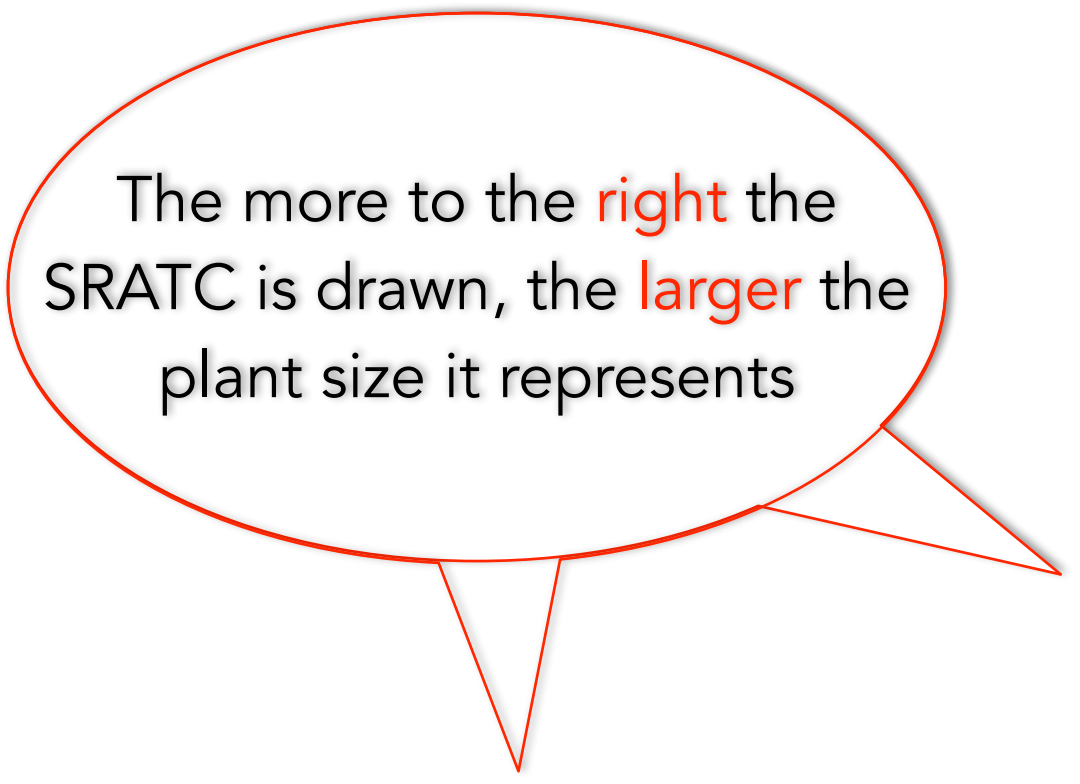
Plant 3 is larger than Plants 1 and 2



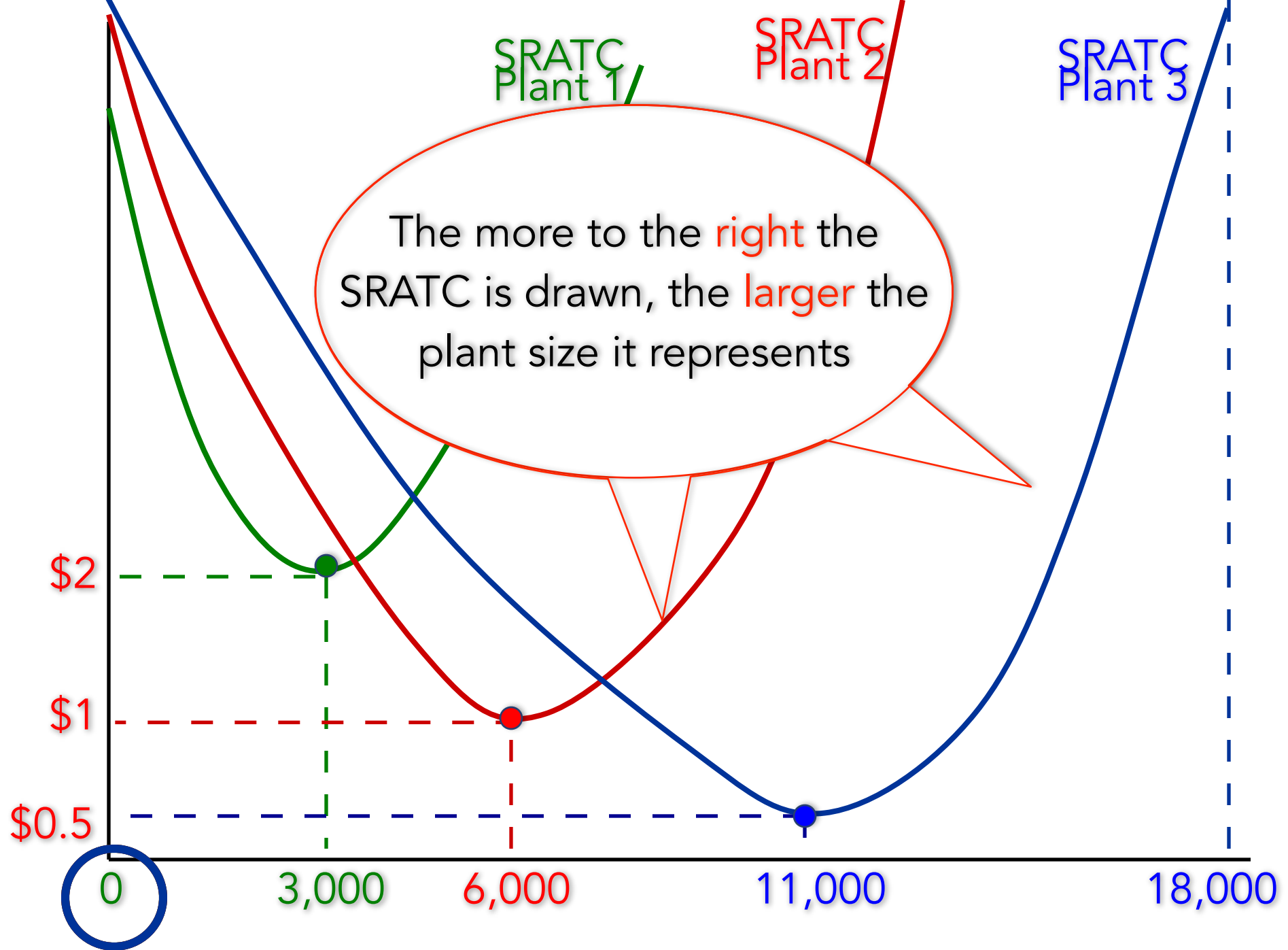
because it allows the firm to produce



a larger range of output levels



The more to the **right** the  
SRATC is drawn, the **larger** the  
plant size it represents



To build the Long Run Average  
Total Cost Curve