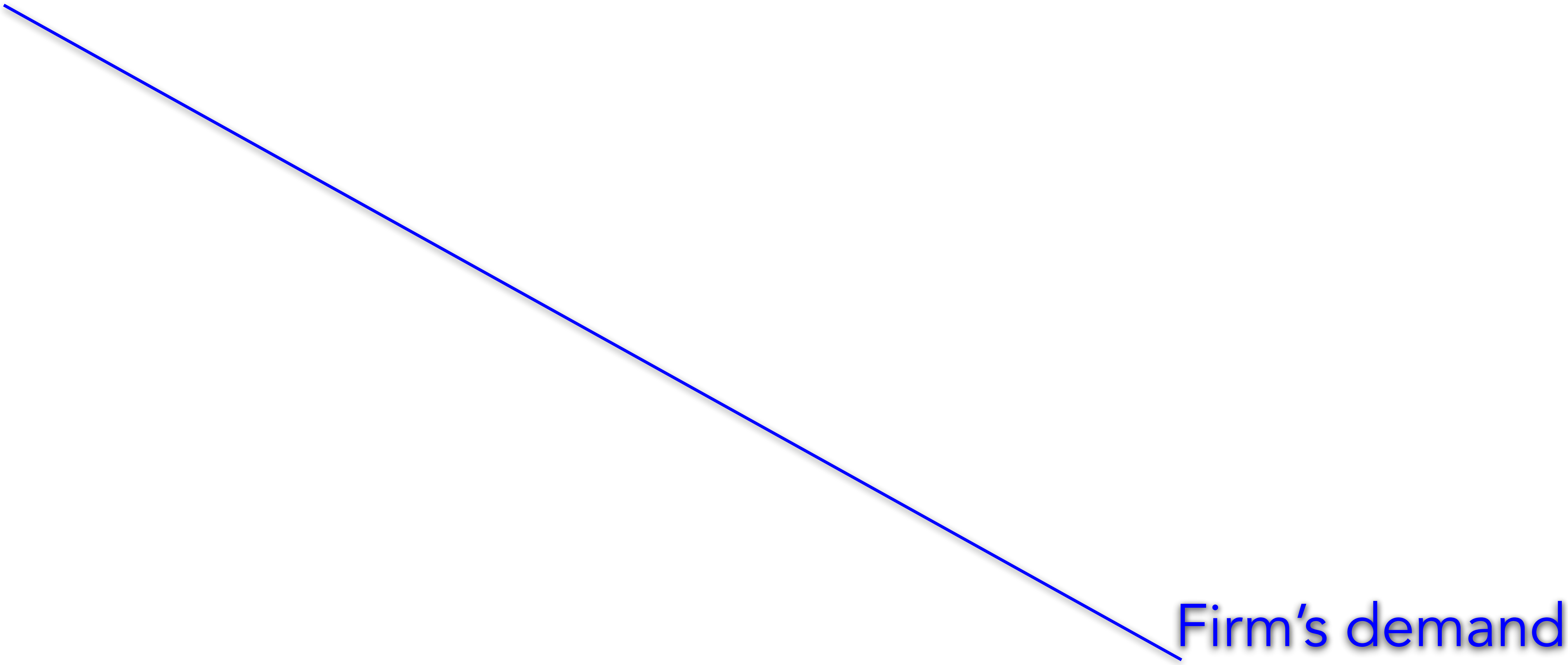
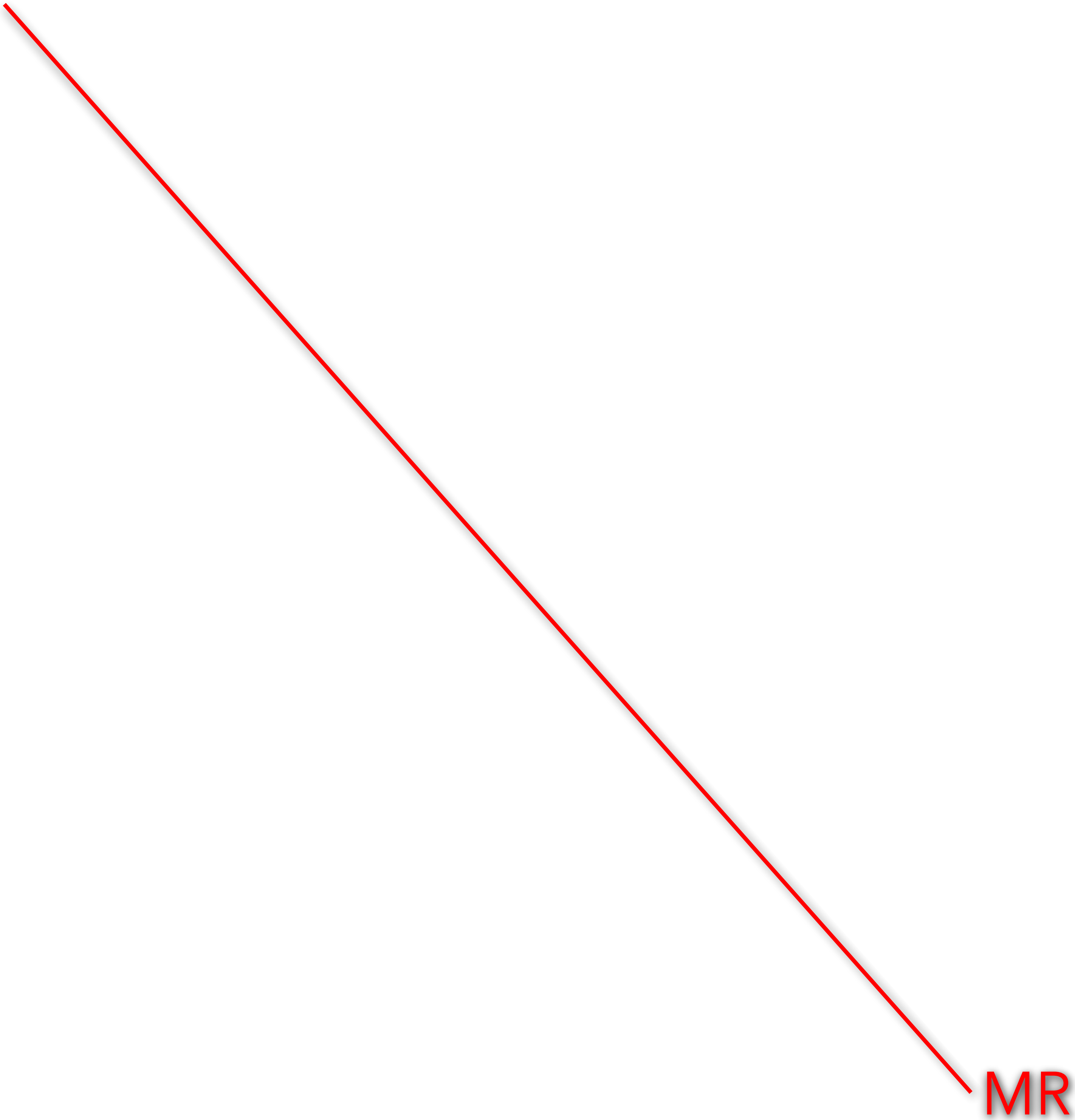
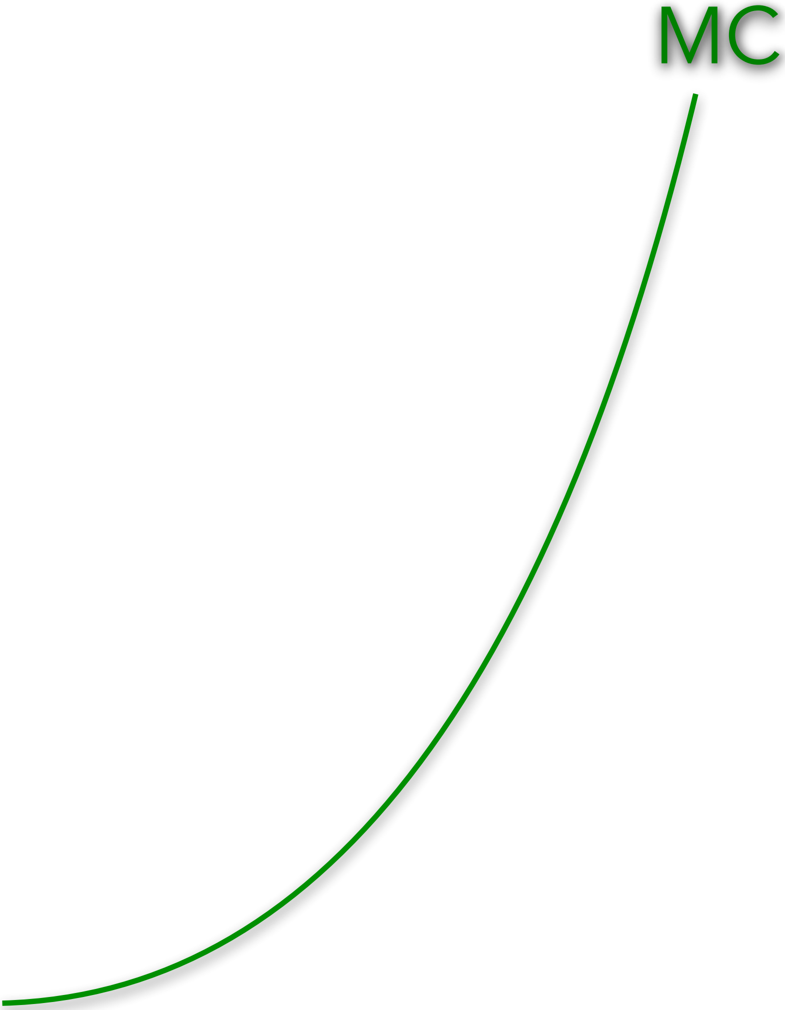

Firm’s demand


MR

P_{mc}

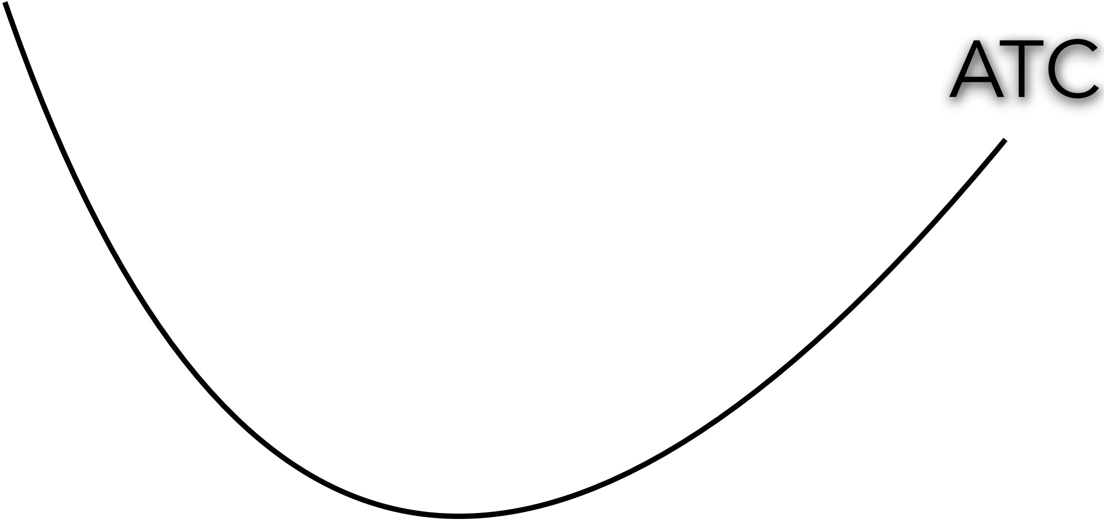
q_{mc}


MC

$$MR = MC$$

P

Q


ATC

L

i

k

e

i

n

P

e

r

f

e

C

t

C

O

m

p

e

t

i

t

i

O

n

a

n

d

M

O

n

O

p

O

y

i

f

P

=

A

T

C

f

i

r

m

S

b

r

e

a

k

e

V

e

n

(

Z

e

r

O

p

r

O

f

i

t

The firm should produce q_{mc} in the short run

ATC =

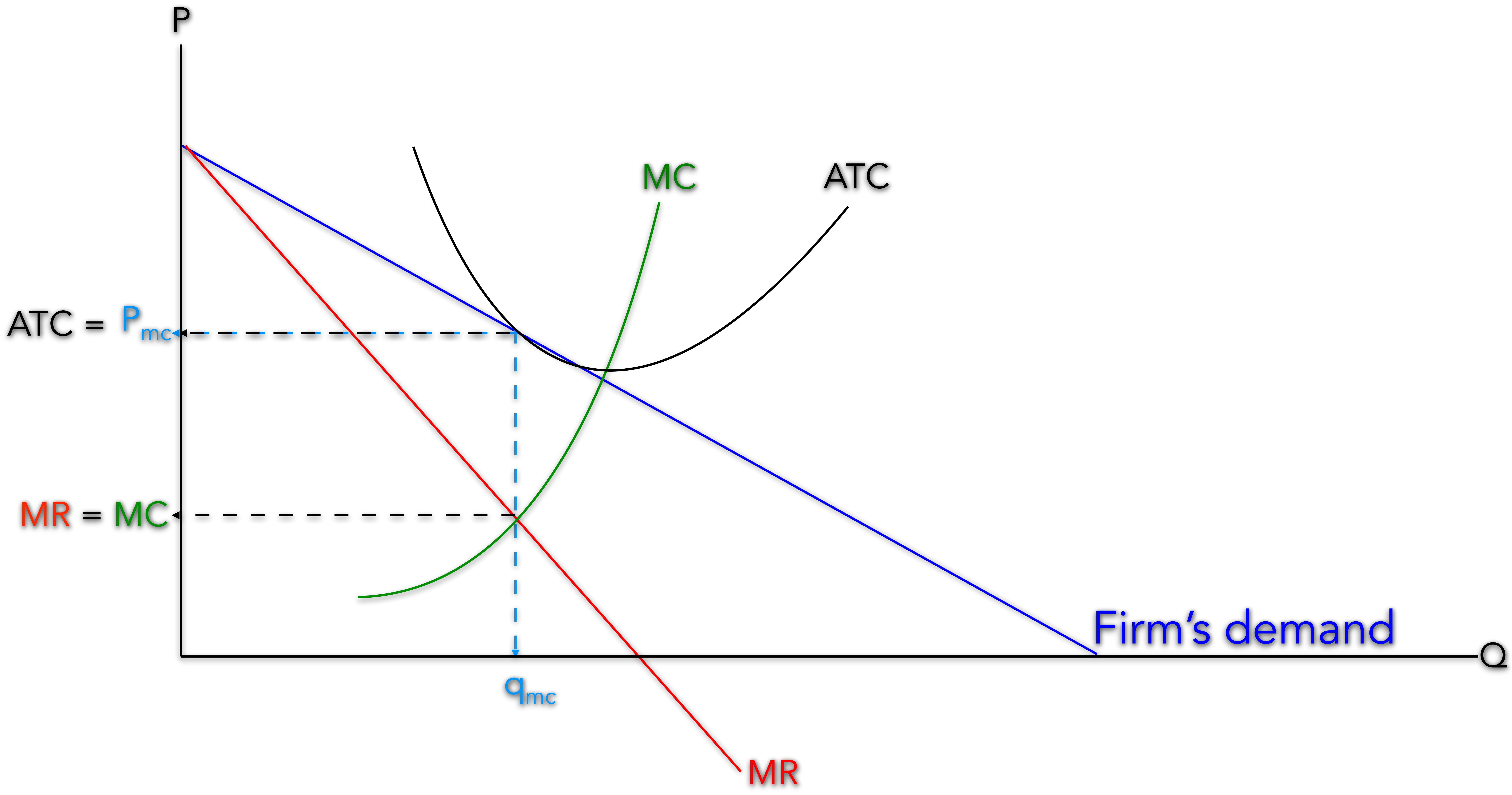
The firm is indifferent between producing q_{mc} and exiting the industry in the long run

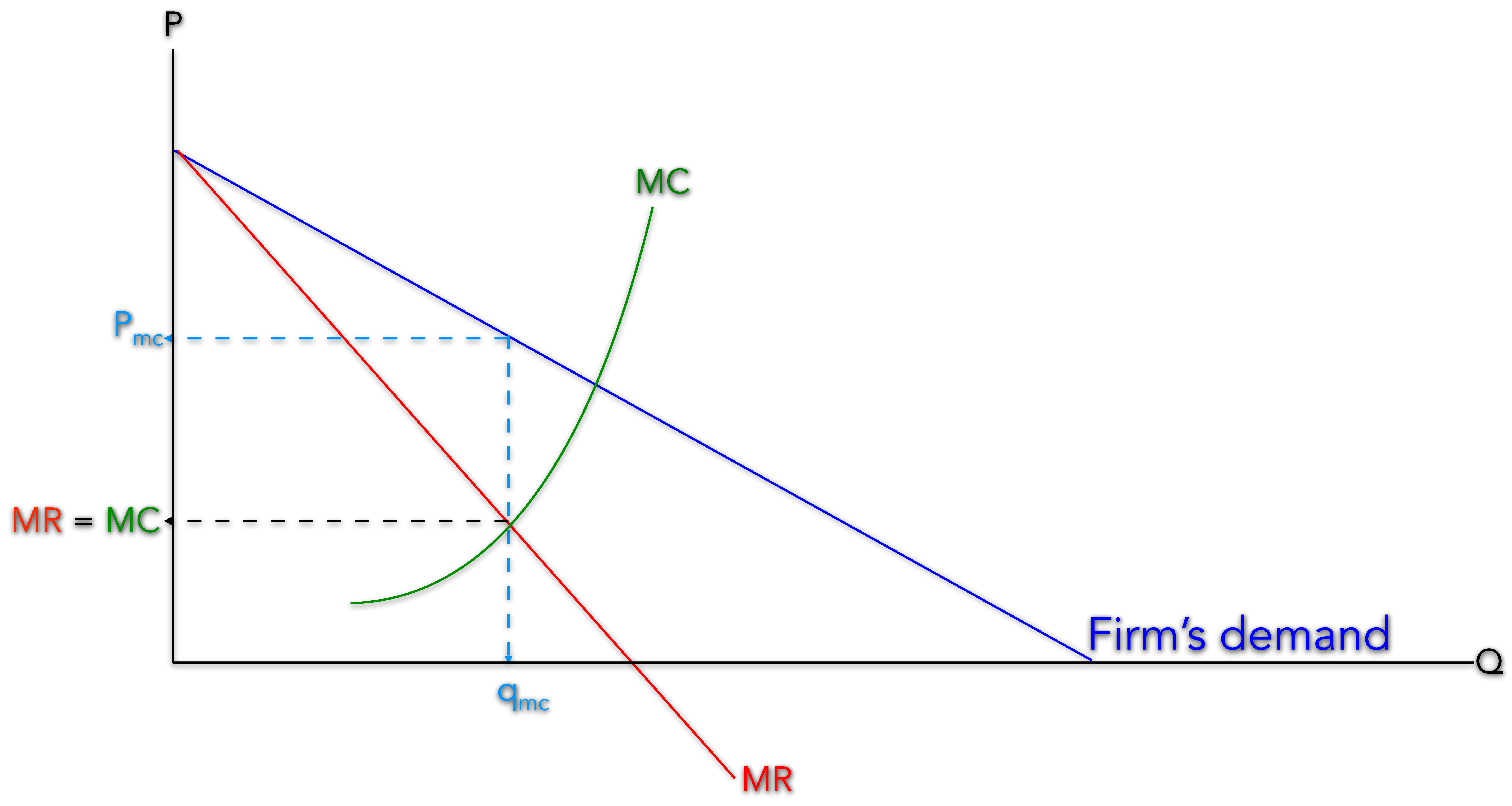
Like in Perfect Competition and Monopoly if P = ATC firms break even (zero profit)

Like in Perfect Competition and Monopoly if P = ATC firms break even (zero profit)

The firm should produce q_{mc} in the short run

The firm is indifferent between producing q_{mc} and exiting the industry in the long run




P
MC
P_{mc}
MR = MC
Firm's demand
Q
q_{mc}
MR