CONCEPT: LONG RUN EXIT/ENTER DECISION

● A firm will **exit the market** if it _____ earn a profit. A firm will **enter the market** if it _____ earn a profit.

☐ When a firm **shuts down**, they produce no output _____

☐ When a firm **exits** the market, they produce no output _____

● The relevant costs in a long-run exit decision are _____

☐ In the long-run, all costs are _____

☐ There are no _____ in the long run.

EXAMPLE: A farmer is considering if he should continue to rent a field for the upcoming season at a price of $1,000. Seeds cost $200. Should the farmer produce this season?

Revenue from sales = $500		Revenue from sales = $100	
No Production:	Production:	No Production:	Production:
Best Scenario:		Best Scenario:	

● The firm shuts down if price falls below the _____ of the _____ curve.

☐ The minimum of the ATC curve is the "entry/exit point"

Exit if: $TR < TC$	Divide by Q:	Exit if:	Enter if:
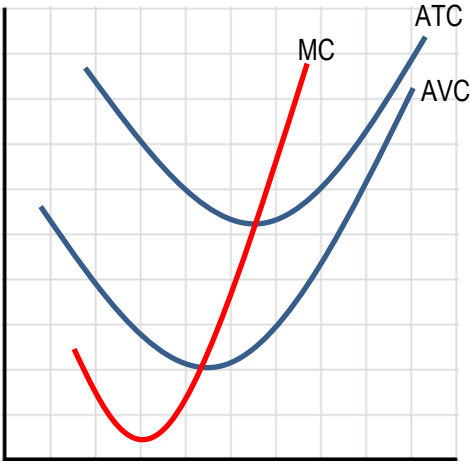
Price	Profit	Short-Run Production	Long-Run Production