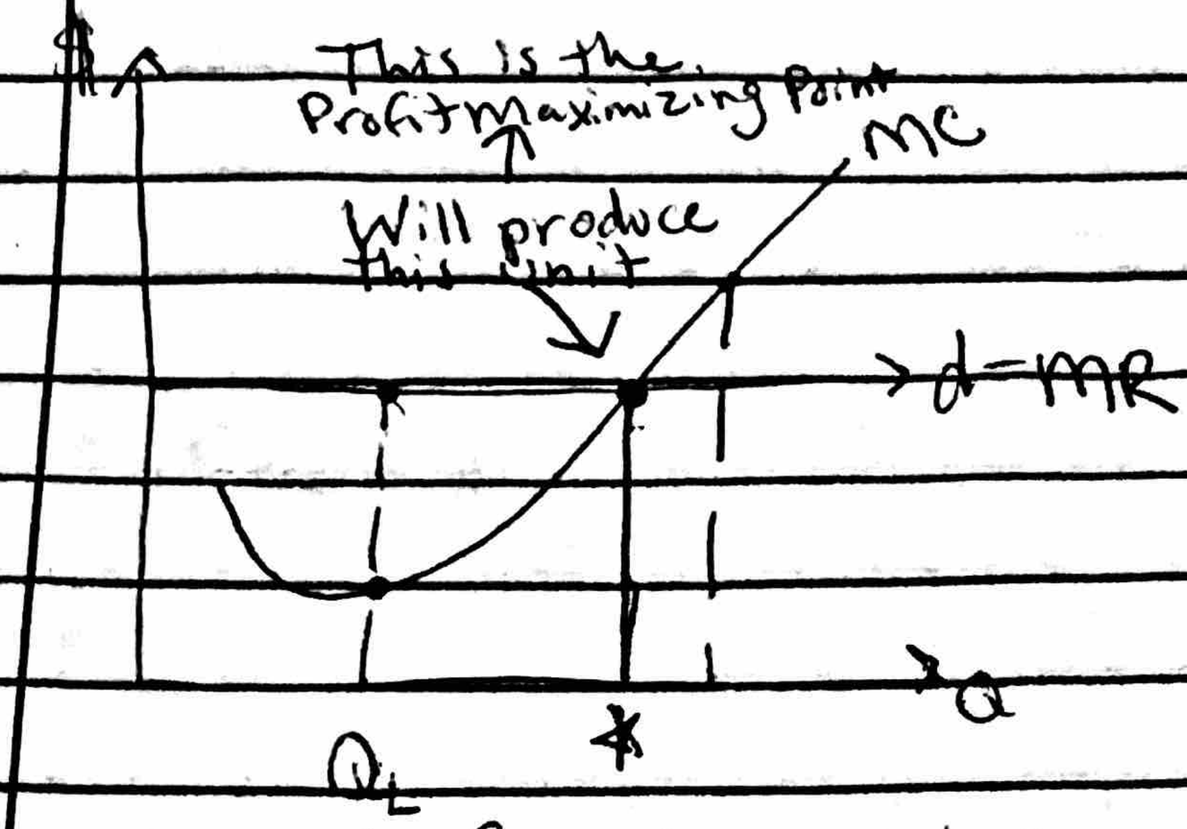
Profit Maximization in Economic Costs



Low cost of producing, bring in a greater revenue
- Want marginal cost to be less than marginal rev
- Don't want to lose money, want

MC < MR

* At the intersection, Marginal revenue is equal to marginal cost.
- will produce units until marg cost and revenue are equal. Above this point, losses money. Below the point, there is money left to earn

- MC < MR
- if we produce less than Q^* we can make more money by producing an additional unit
- MC > MR
if we produce more than Q^* we loss money

Preview from Notesale.co.uk
Page 3 of 5