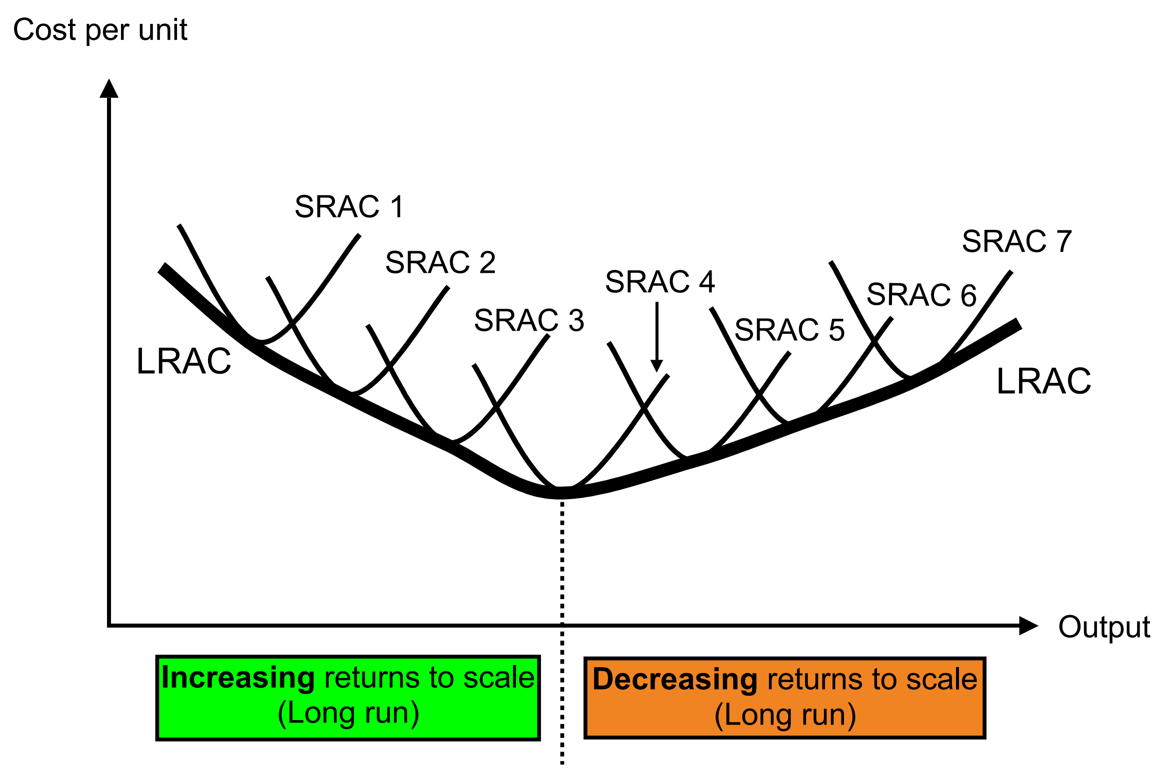
Cost Curves
(Short run and long run)

1 Short run vs long run

In the short run, there are fixed factors of production and, therefore, fixed costs, whereas in the long run all factors and all costs are variable. Producing a given quantity of output, the short run average costs are therefore normally higher than the long run average costs. The long run average cost curve combines the lowest points of the short run average cost curves. The former curve is a so-called **envelope curve.**

2 Short run and long run average costs



SRAC = Short run average cost
LRAC = Long run average cost