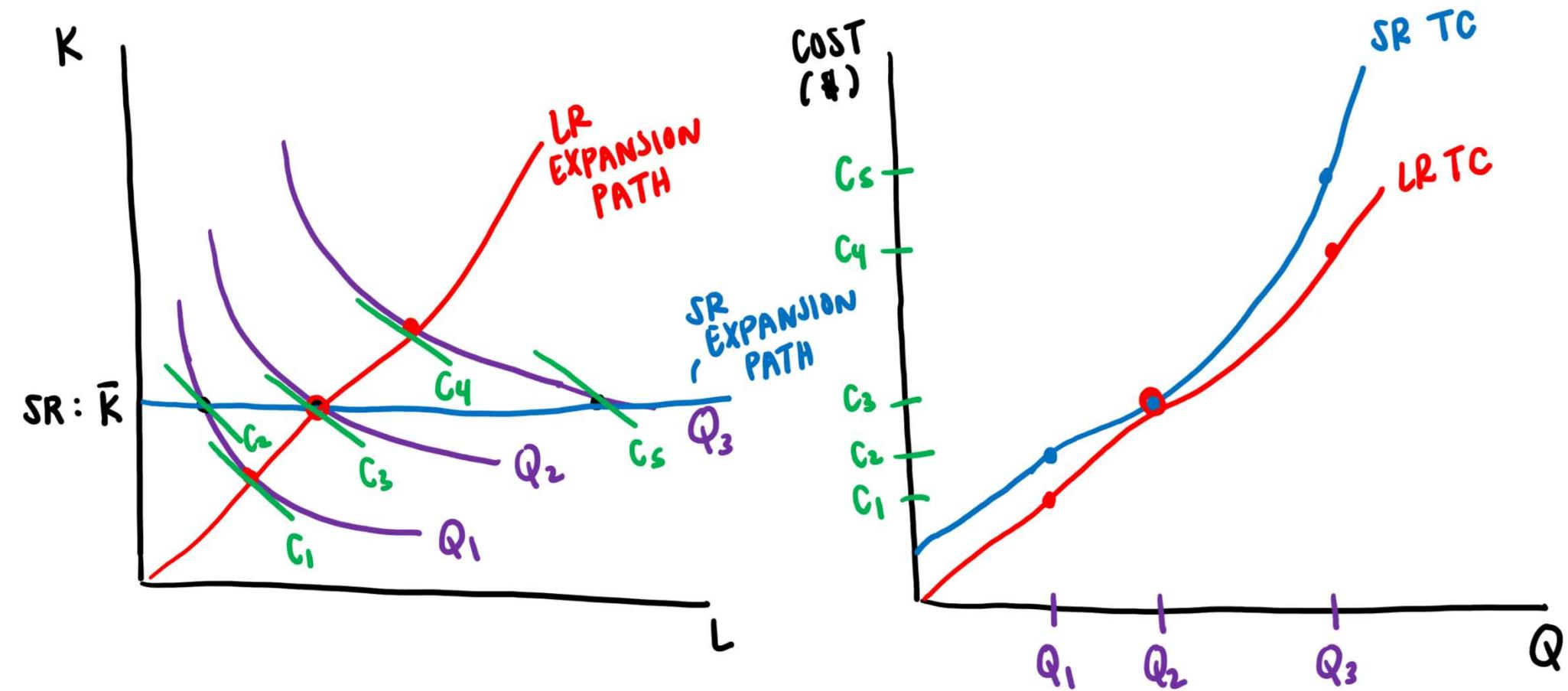


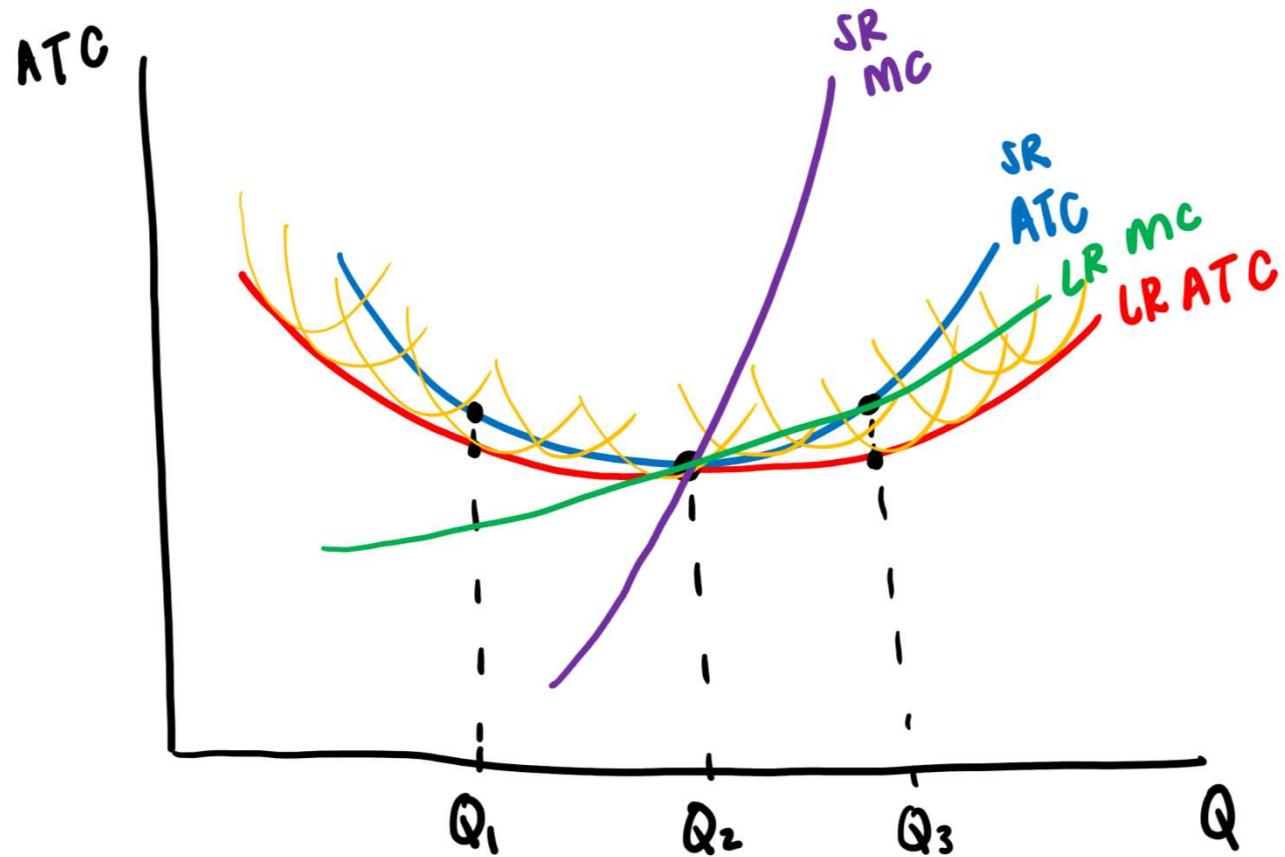
Unit 2  
Costs (Ch. 7)  
10/9

ECON 323 – MICROECONOMIC THEORY – DR. STRICKLAND

# Short-Run and Long-Run Total Cost Curves



# Short-Run and Long-Run Average Cost Curves



# Economies in the Production Process

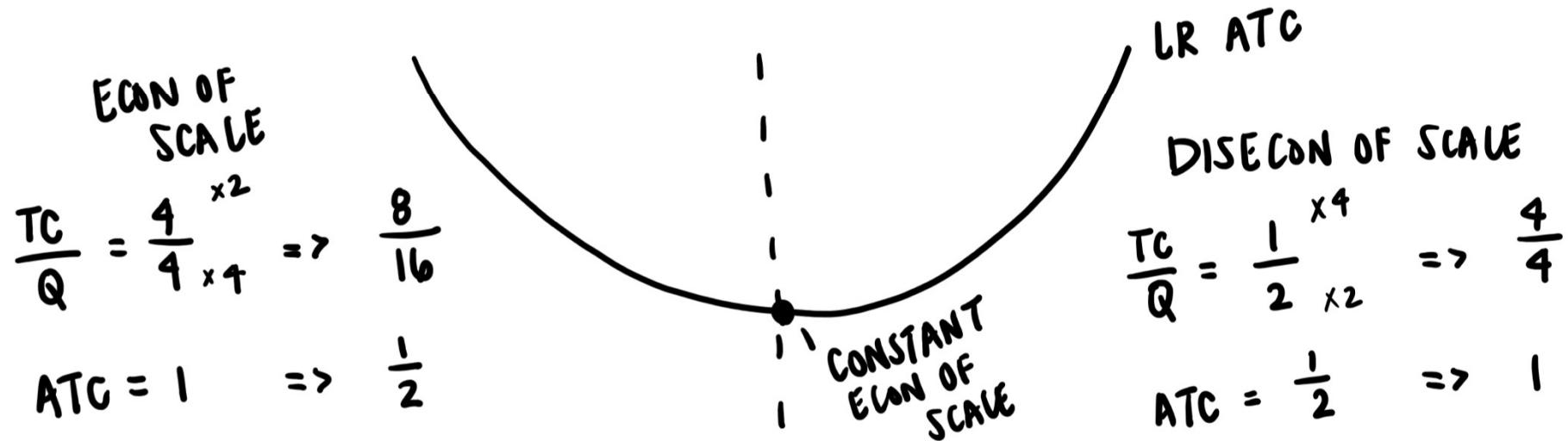
How does total cost change with output?

- Captured by **economies of scale**

**Economies of Scale:** COSTS ↑ SLOWER THAN Q ↑

**Constant economies of Scale:** COSTS + Q ↑ AT SAME RATE

**Diseconomies of Scale:** COSTS ↑ FASTER THAN Q ↑





# Economies in the Production Process

How do costs change with the number of products?

- Captured by **economies of scope**

$$\text{SCOPE} = \frac{\text{SEP.} - \text{TOGETHER}}{\text{TOGETHER}}$$

e.g.  $\text{SCOPE} = 0.25$