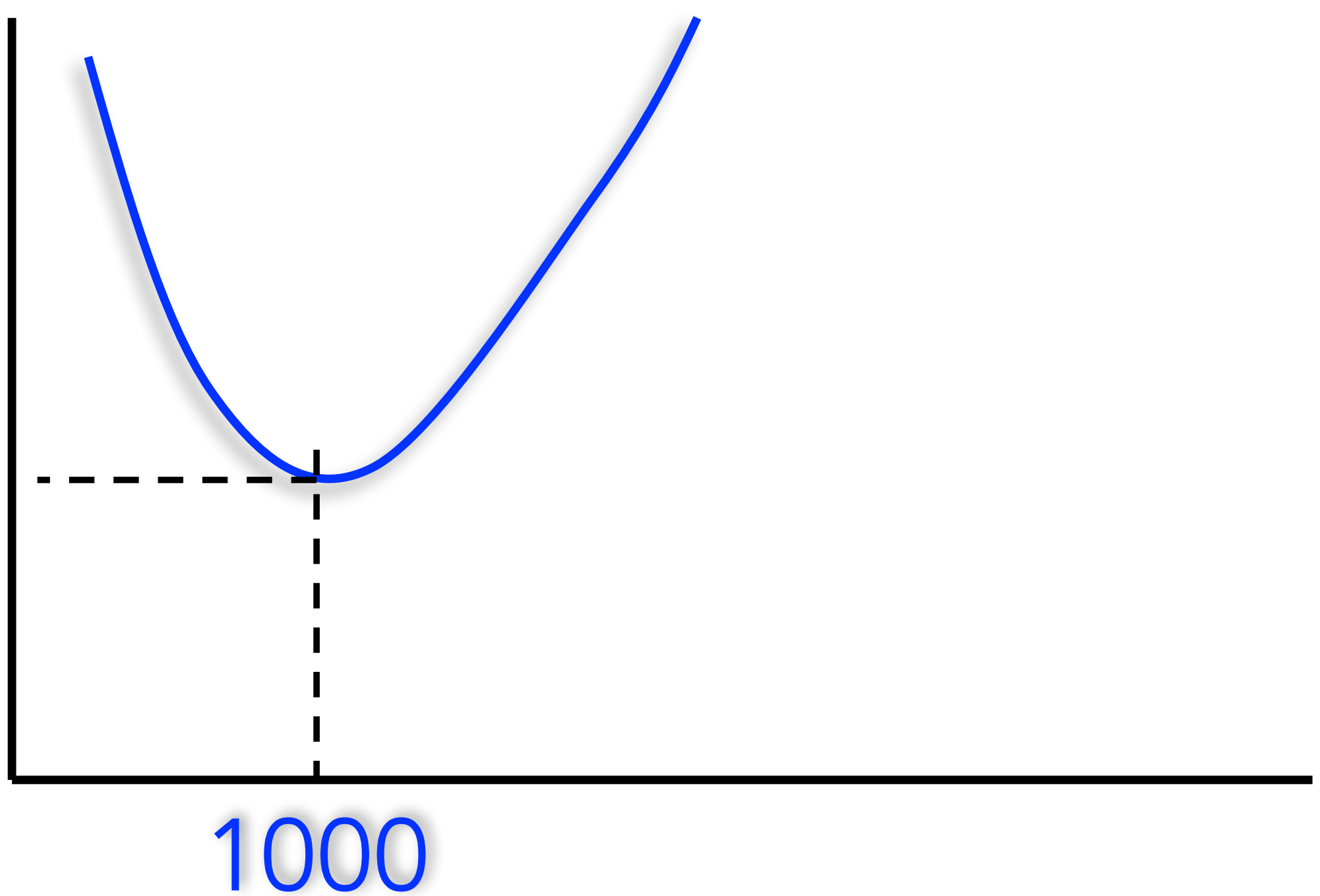
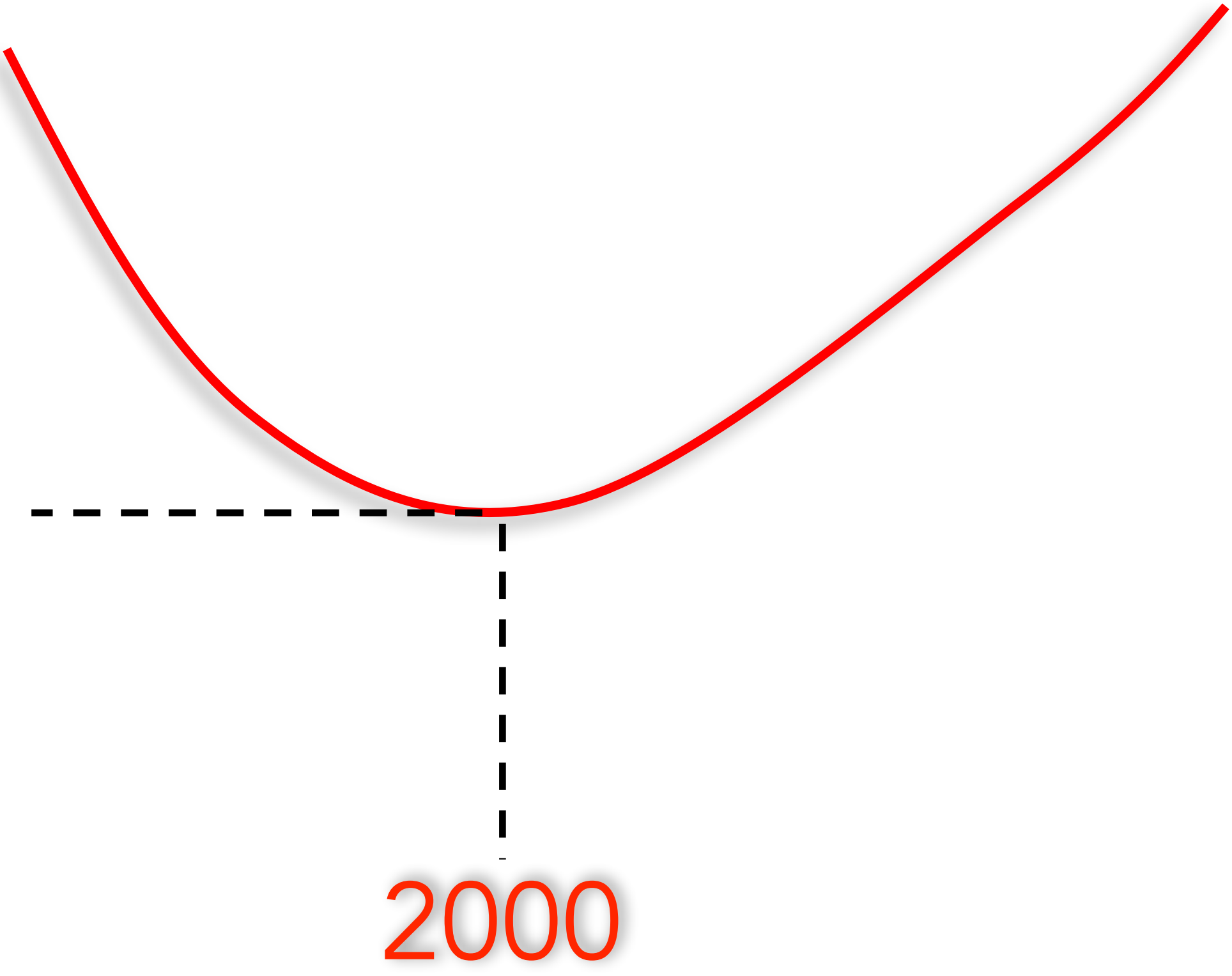
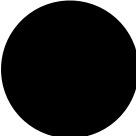
22

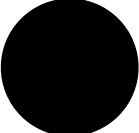

0.20


1000

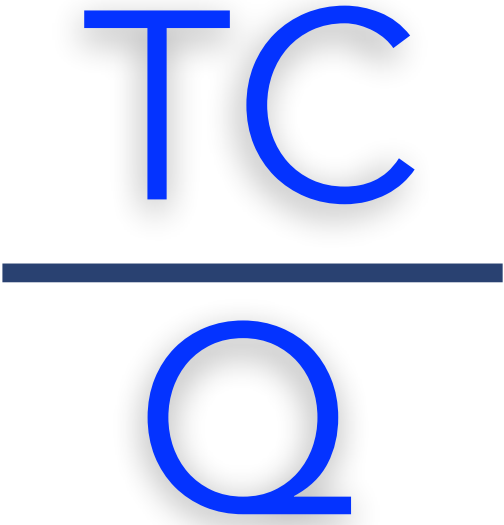

2000


ATC






ATC


TC
Q

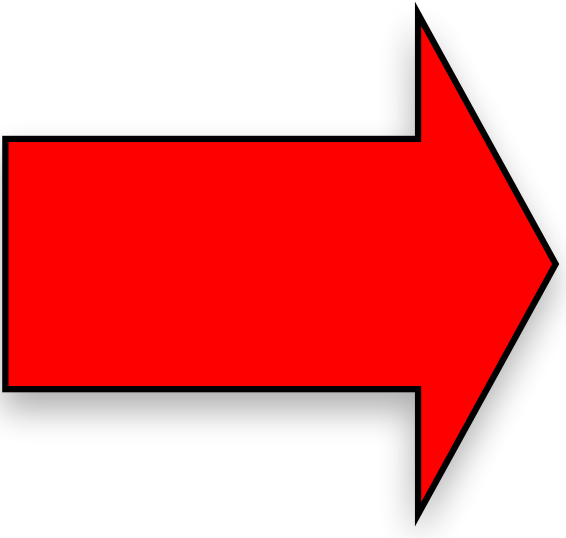

ATC =


$0.20

Double Costs


2TC
2Q

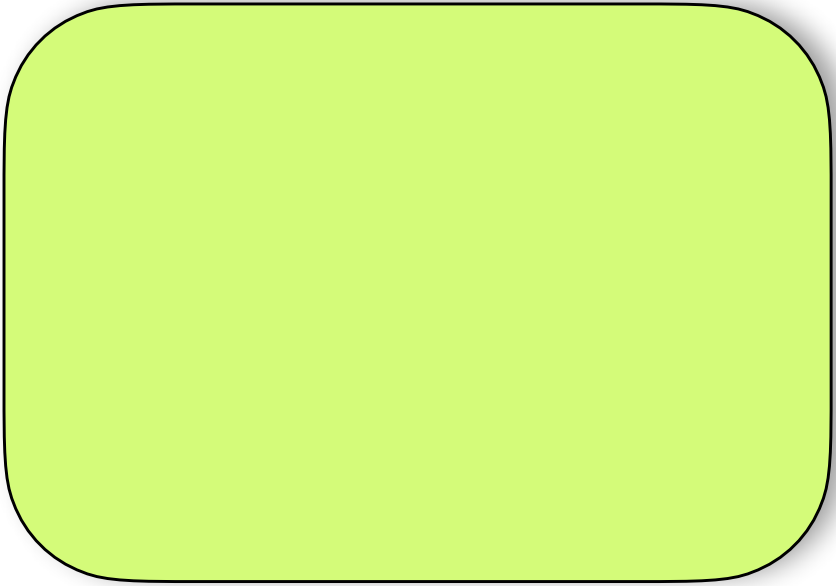
Double Output



=ATC

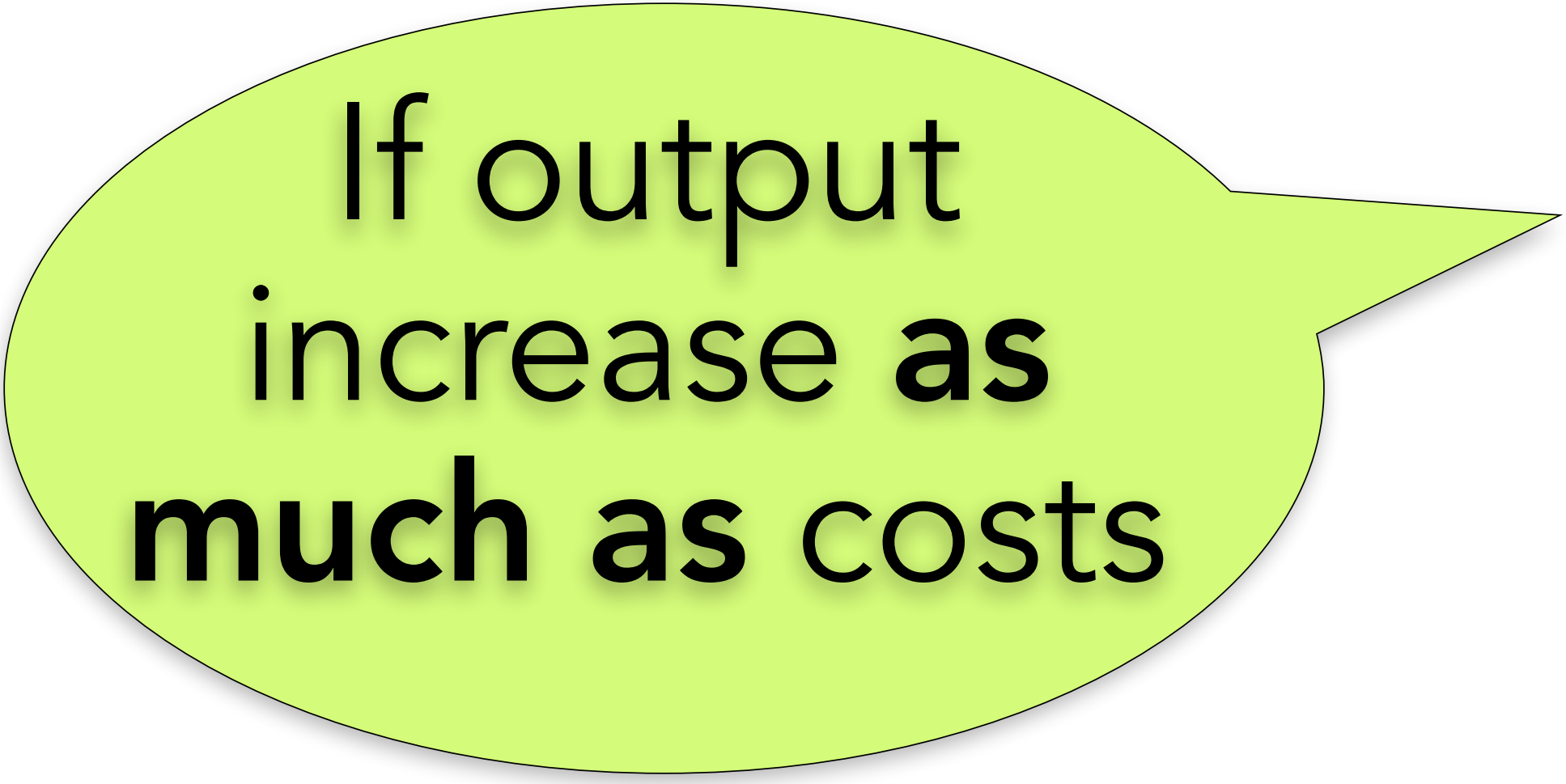
$$= \frac{200}{1000}$$

$$= \frac{2(200)}{2(1000)}$$



ATC
Same

Costs remain the same with larger plant


If output increase **as much as** costs

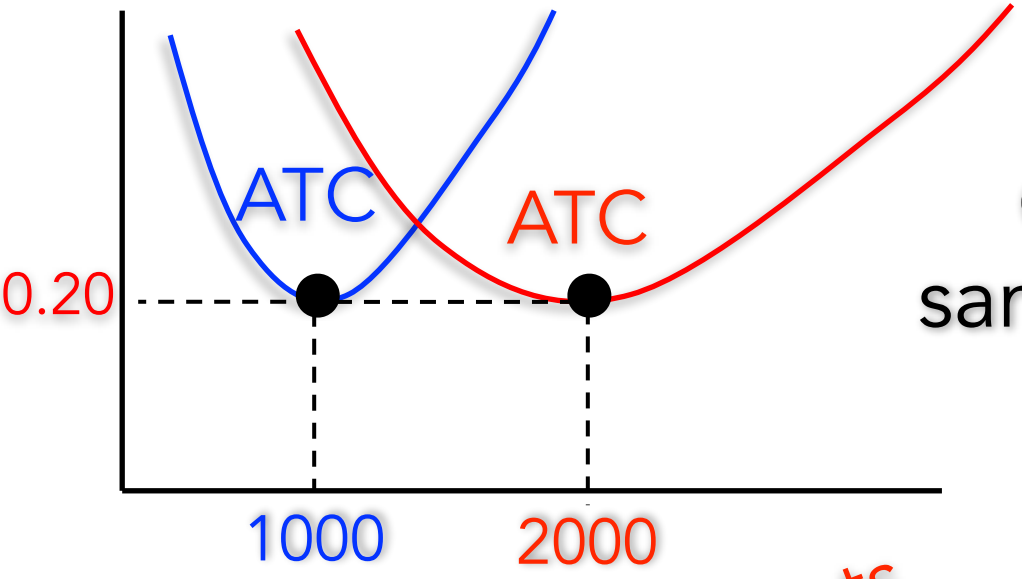

$0.20

In a larger plant, if the firm use double the inputs, then costs also double

The firm is already using the best technology costs can not be reduced any further: output only doubles

Constant Returns to Scale

Constant Returns to Scale



Costs remain the same with larger plant

$0.20

Double Inputs

Double Costs

$0.20

$ATC = \frac{TC \quad 200}{}$

$\frac{2TC}{2Q} = \frac{2(200)}{2(1000)}$

ATC Same

If output increase **as much as** costs

ouble Output

Constant Returns to Scale