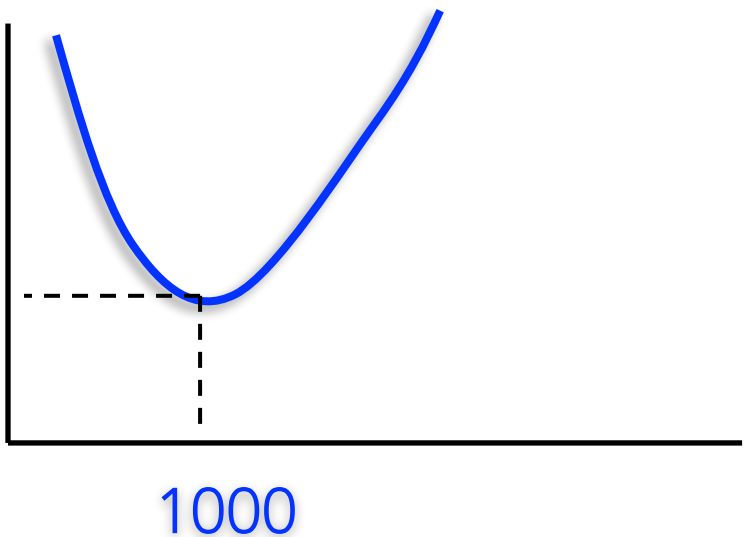
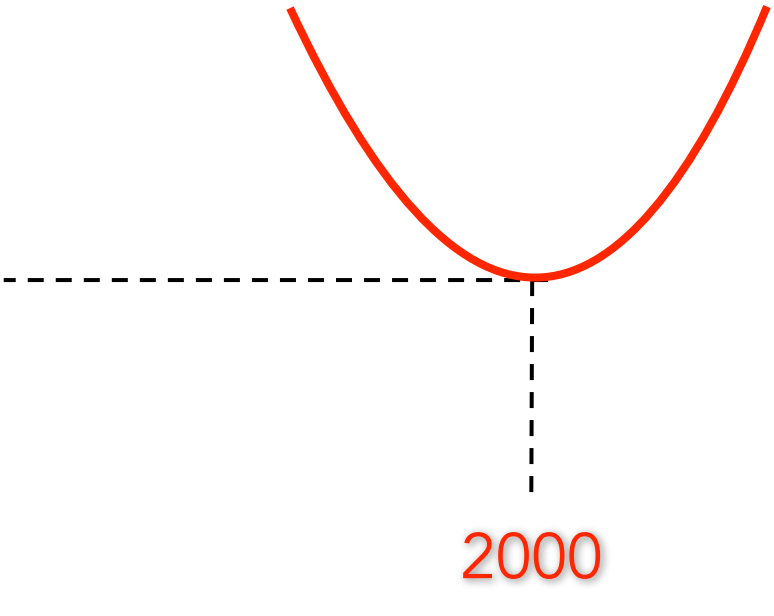




0.2





0.3

ATC

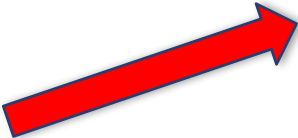


ATC



Or Disconnections of scale

ATC increases



3

1

TC

---

Q

ATC

=



\$0.20

Triple Costs

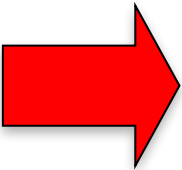


3TC



20

Double Output





\$0.30

= ATC

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

$$= \frac{3(200)}{2(1000)}$$





ATC

Increase

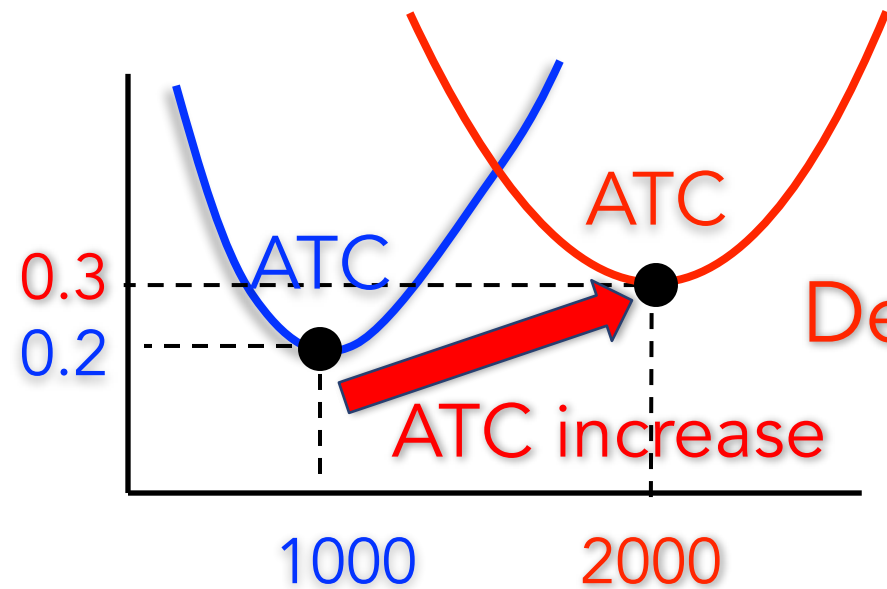
A yellow speech bubble with a tail pointing towards the top right corner. Inside the bubble, the text "If costs increase more than output" is written in a black, sans-serif font, arranged in four lines.

If costs  
increase more  
than output

Decreasing Returns to Scale

In a larger plant, if the firm  
use **triple** the inputs, costs  
also **triple**

The firm is forced to add more layers of management who add more to costs than to output: **output only doubles**



Decreasing Returns to Scale  
Or Diseconomies of scale

\$0.20

Triple Costs

\$0.30

$$ATC = \frac{TC}{Q} = \frac{200}{1000} \rightarrow \frac{3TC}{2Q} = \frac{3(200)}{2(1000)}$$

ATC Increase

If costs increase more than output

Double Output

# Decreasing Returns to Scale

