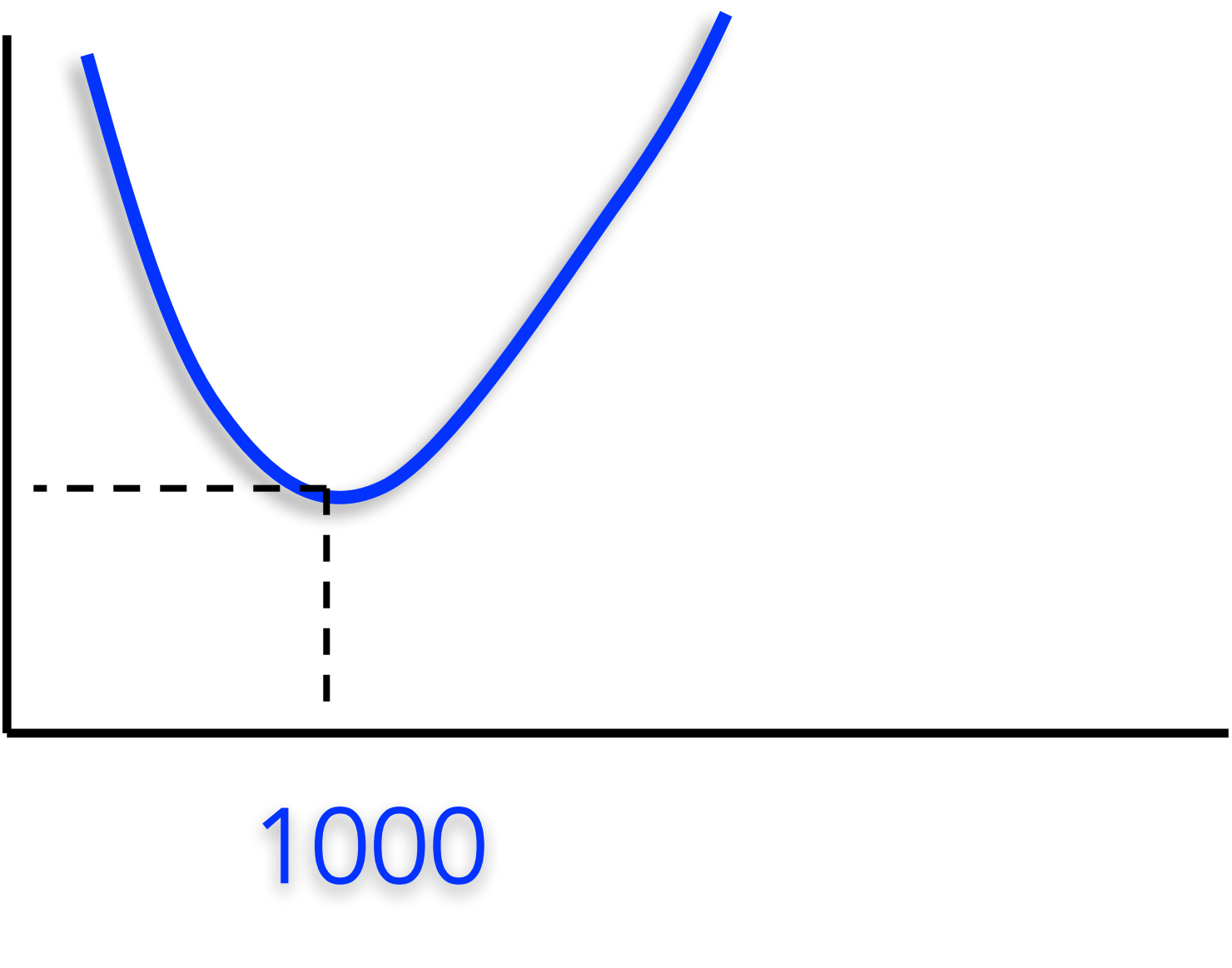
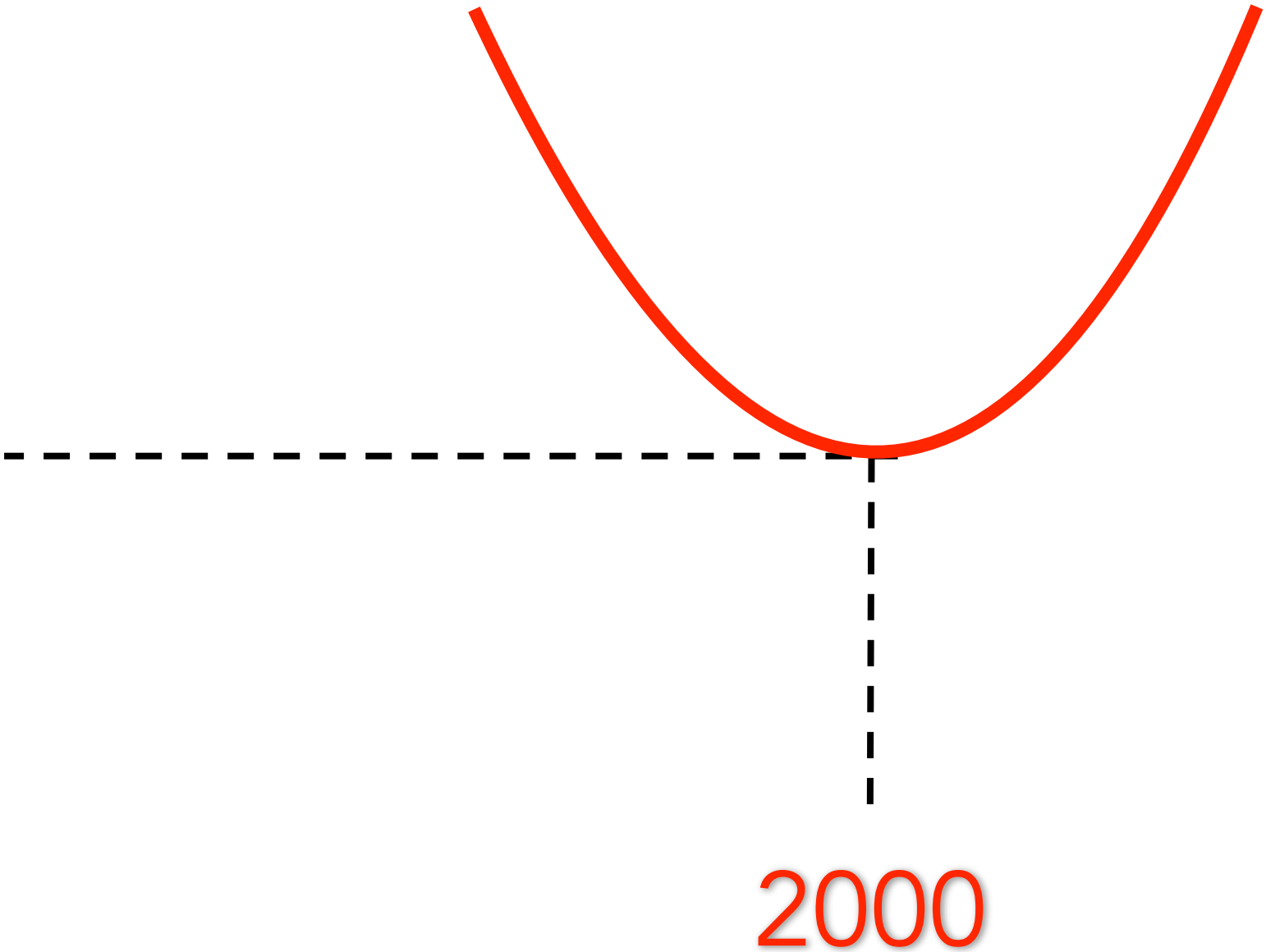


0.2





0.3

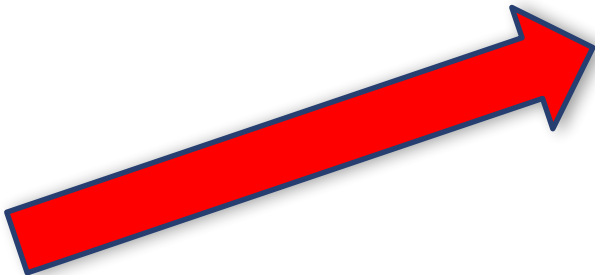
ATC



ATC

OrDisconomies of scale

ATC increase



31

TC



Q

ATC =



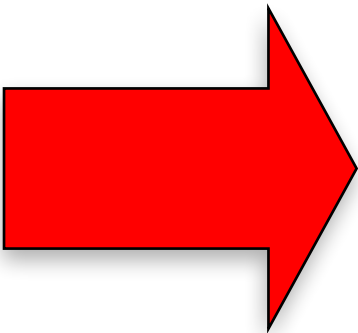
\$0.20

Triple Costs

3TC

20

Double Output





\$0.30

= ATC

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

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



ATC

Increase

A bright 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 large, black, sans-serif font, centered horizontally and vertically.

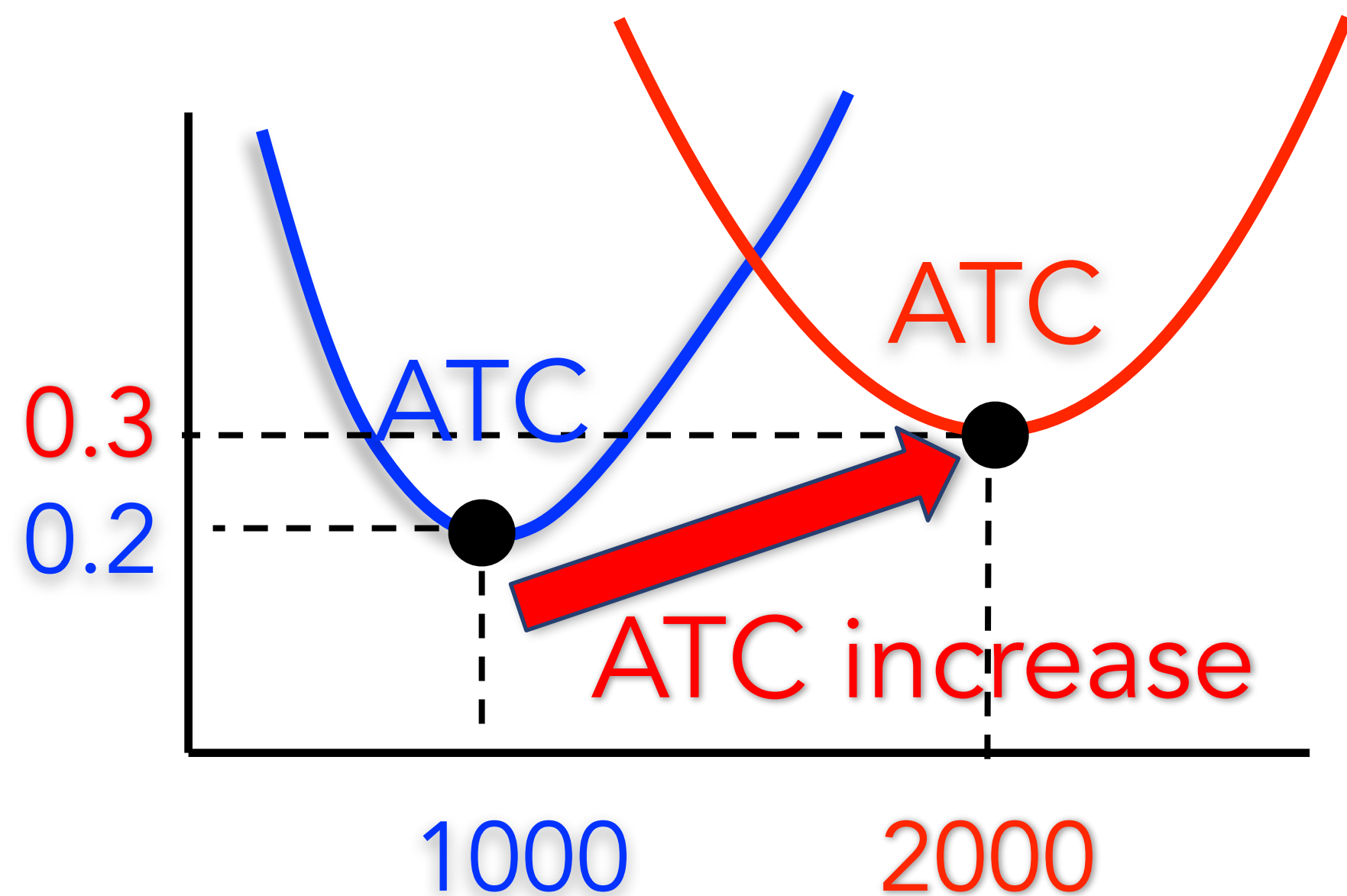
If costs
increase more
than output

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

An example



Decreasing Returns to Scale
Or Diseconomies of scale

\$0.20

$$ATC = \frac{TC}{Q} = \frac{200}{1000}$$

Triple Costs

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

\$0.30

ATC Increase

If costs increase more than output

Double Output

Decreasing Returns to Scale

