

Sunk costs

Costs incurred before a certain activity takes place.

Sunk costs cannot be recovered by sale of the asset they produced.

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- Expenses incurred for research and development of the Covid Vaccine. These expenses run in the billions of dollars and can not be included as part of the price paid by consumers for the vaccine.

- Expenses incurred by the telecoms to win mobile phone licenses at auction: Twenty-two and a half billion pounds (34 billion dollars) is a great deal of money to raise for selling air, but that is what the British government raised in an auction for five telecom licences.

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Sunk Costs act as both a barrier to **Enter** and a barrier to **Exit**