

ECONOMICS  
LONG RUN COSTS  
BRIEF ESSAY

1. Briefly discuss what the three types of scale are.

Economies of scale happened when more units of a good or service can be produced on a larger scale with fewer input costs. There is also External economies of scale which can also be realized where an entire industry benefits from a development. Lastly, there is Diseconomies of scale that can also exist, which occurs when there are inefficiencies within an industry.

2. Concerning mass (commercial) production and marketing, why is achieving economies of so important?

Economies of scale are important because it helps businesses understand competitive advantage. A company's production affects the cost per unit. A larger business or company is able lower per unit costs due to having a larger consuming audience.

3. What make diseconomies of scale so important?

Diseconomies of scale happens when economies of scale don't happen in a business. A company or business grows large enough that cost per unit increases. They can be caused by production issues, organizational management issues, or resource constraints on productive inputs.

4. In terms of long run cost concepts, explain what is different about a retailer such as Wal-Mart and a neighborhood Mom and Pop store.

Walmart is different because they benefit from selling to large families in bulk. Where as a neighborhood mom and pop store caters more toward local families which are usually smaller selling.

5. What the differences between short run costs and long run costs?

Long run cost refers to the minimum cost of production where as. In long run there are no fixed cost but in short run there are fixed costs and variable costs.

The short run is where the quantity of at least one input is fixed and the quantities of the other inputs can be varied. The long run is when the quantities of all inputs can be varied.

When you have completed this assignment, place in the Long Run Cost Drop Box. Type your answers.