Production & Costs

Economics

How costs behave as output rises in the short and long run.

The cost measures.

Cost	Is	Behaviour
Fixed	Independent of output	Constant in total, falls per unit
Variable	Rises with output	Rises, at a changing rate
Marginal	Cost of one more unit	Falls then rises
Average total	Total ÷ output	U-shaped

Marginal cost cuts average cost at its minimum. Whenever marginal is below average, the average must be falling.