

ECO 2023 – PRINCIPLES OF MICROECONOMICS
CHAPTER LEARNING OBJECTIVES

CHAPTER 6
THE COSTS OF PRODUCTION

The Micro Economy Today, 11th edition by Bradley R. Schiller

As you read through Chapter 6 of the assigned textbook, use these objectives as a guide for note taking. Yes, I really expect you to read this chapter! Yes, I really expect you to take notes on what you are reading about within this chapter! That's how you LEARN new subject material! Provide an "answer" to each of the learning objectives listed below, and then cross-reference this list with the in-class lecture notes that you've taken on this chapter. Of course there will be some overlap in the coverage of topics! If it's important for you to know after reading this chapter, then it's on the list below. Remember, I use the lecture period to highlight super-important concepts and to relate them to current events. You HAVE TO read along in the textbook if you want to acquire all of the information you will need for testing purposes!

After a careful reading of Chapter 6, the student is expected to be able to:

- (1) Define the term *factors of production*.
- (2) Define the term *production function*.
- (3) Define the term *productivity*.
- (4) Define the term *technical efficiency*.
- (5) Discuss the nature of the short run.
- (6) Define the term *marginal physical product*.
- (7) Given sufficient data, compute the Marginal Physical Product (MPP) of workers.
- (8) Explain the Law of Diminishing Returns.
- (9) Define the term *Profit*.
- (10) Define the term *Marginal Cost*.
- (11) Given sufficient data, compute a firm's Marginal Cost.
- (12) Explain the relationship between Marginal Physical Product and Marginal Cost, as defined by Figure 6.3 on page 123 of the text.
- (13) Define the term *Total Cost*.

- (14) Define the term *Fixed Cost* and be able to give several examples of such a cost.
- (15) Define the term *Variable Cost* and be able to give several examples of such a cost.
- (16) Understand WHAT determines how quickly (or how slowly) Total Cost rises.
- (17) Given sufficient data, compute Average Total Cost (ATC).
- (18) Given sufficient data, compute Average Fixed Cost (AFC).
- (19) Given sufficient data, compute Average Variable Cost (AVC).
- (20) Explain why AFC falls with increased levels of production.
- (21) Explain why AVC eventually rises with increased production.
- (22) Explain the U-shape of the short-run ATC curve.
- (23) Discuss the importance of the minimum point on the ATC curve.
- (24) Identify the intersection point between the ATC curve and the MC curve.
- (25) Define the term explicit cost.
- (26) Define the term implicit cost.
- (27) Distinguish between accounting cost and economic cost.
- (28) Define the term *long run*.
- (29) Derive the long run average total cost curve for a firm.
- (30) Define the term *economies of scale*.
- (31) Explain why economies of scale might emerge for a firm.
- (32) Define the term *constant returns to scale*.
- (33) Define the term *diseconomies of scale*.
- (34) Explain why diseconomies of scale might emerge for a firm.
- (35) Discuss the two factors that influence global competitiveness.
- (36) Given sufficient data, compute unit labor cost.
- (37) Discuss the role played by productivity advances in maintaining America's global competitiveness.