9 Location and scale – Part 1

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
quantitative factors	定量因素			
qualitative factors	定性因素			
economies of scale	规模经济			
diseconomies of scale	规模不经济			
optimum scale	最优规模			

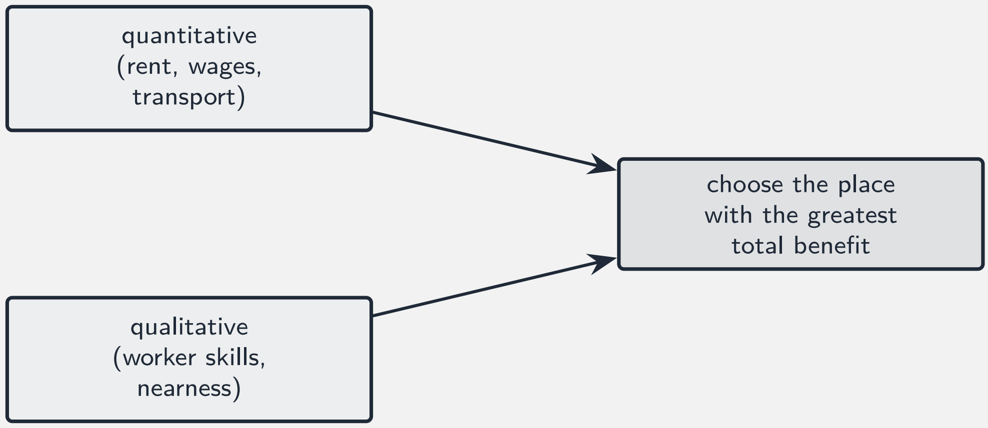
Recall

Where a firm sits, and how big it grows, both change its costs. This sheet looks at location and scale.

New ideas

Read these first, then do the Practice.

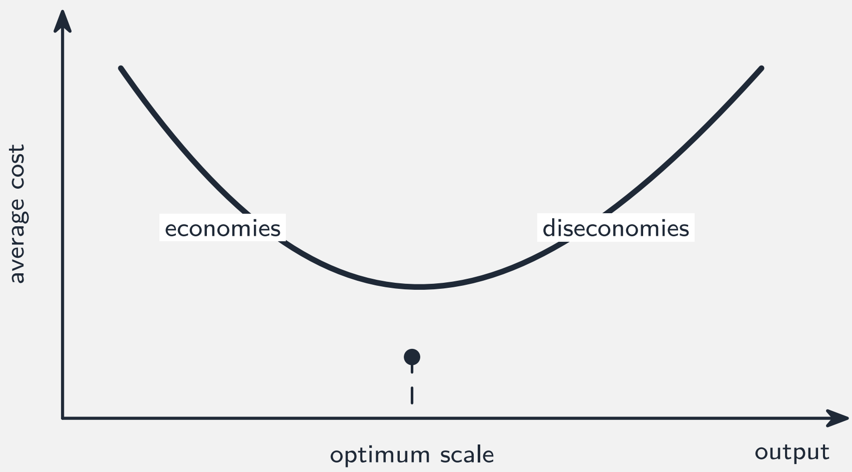
■ **1 Choosing a location**



- **quantitative factors** 定量因素—things you can measure in money (rent, wages, transport);
- **qualitative factors** 定性因素—things harder to measure (worker skills, nearness to customers).

The firm picks the place with the greatest total benefit.

■ 2 Economies of scale



- **economies of scale** 规模经济—average cost *falls* as the firm grows (e.g. bulk buying);
- **diseconomies of scale** 规模不经济—average cost *rises* when it grows too big;
- the **optimum scale** 最优规模 is the size where average cost is lowest.

Watch out: economies of scale = average cost *falls* as the firm grows; diseconomies = average cost *rises* when it grows too big; the optimum scale is where average cost is *lowest*. Location weighs quantitative (money) *and* qualitative factors.

Practice

Try these in order.

9.1 Give one *quantitative* location factor. [1]

9.2 Give one *qualitative* location factor. [1]

9.3 What happens to average cost when a firm enjoys *economies of scale*? [1]

9.4 What are *diseconomies of scale*? [1]

9.5 At the *optimum scale*, what is true about average cost? [1]

9.6 Challenge. A supermarket chain can buy stock far more cheaply than a single corner shop. Name this type of economy of scale and explain how it lowers the cost per unit. [2]