

# 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  | _____                      |

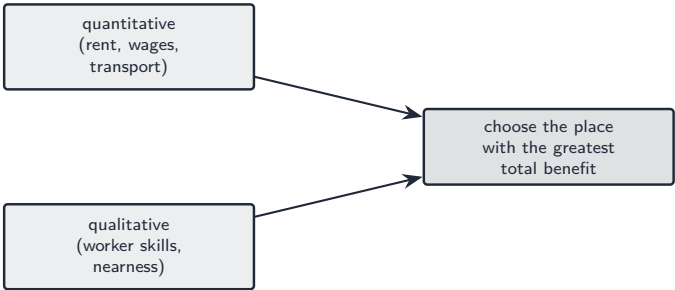
## Recall

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.

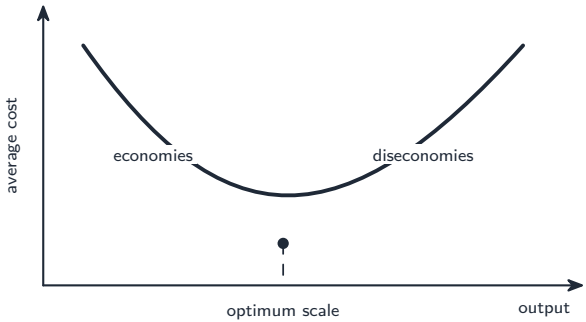
### ■ 1 Choosing a location



- **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

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Try these in order.

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

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

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

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

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

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**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]

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