Firms, costs, growth and competition

Pearson Edexcel · International A-Level · Economics · Vocabulary in context

Word	Example
fixed cost /fɪkst kɒst/	The shop's rent is a **fixed cost**: it stays the same however much it sells.
variable cost /ˈveərɪəbl kɒst/	Packaging is a **variable cost**: it rises as the firm sells more.
average cost /ˈævrɪdʒ kɒst/	**Average cost** is total cost divided by the number of units.
profit /ˈprɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
monopsony /məˈnɒpsəni/	A **monopsony** is a market with only one buyer.
monopsony power /məˈnɒpsəni ˈpaʊə/	The only big employer in a town has **monopsony power** over wages.
immobility /ˌɪməʊˈbɪlɪti/	High house prices cause labour **immobility**: workers cannot move to where the jobs are.
contestable market /kənˈtestəbl ˈmɑːkɪt/	In a **contestable market**, new firms can enter and leave easily.
sunk cost /sʌŋk kɒst/	Money spent on advertising is a **sunk cost**: you cannot get it back.
potential competition /pəˈtenʃl ˌkɒmpəˈtɪʃn/	The threat of a new rival creates **potential competition**.
limit pricing /ˈlɪmɪt ˈpraɪsɪŋ/	**Limit pricing** keeps prices low so new firms do not want to enter.

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predatory pricing /ˈpredətəri ˈpraɪsɪŋ/	**Predatory pricing** means cutting prices below cost to push rivals out.

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