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 /'veərɪəbl kɒst/	Packaging is a **variable cost**: it rises as the firm sells more.
average cost /'ævrɪdʒ kɒst/	**Average cost** is total cost divided by the number of units.
profit /'prɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
monopsony /mə'nɒpsəni/	A **monopsony** is a market with only one buyer.
monopsony power /mə'nɒpsəni 'paʊə/	The only big employer in a town has **monopsony power** over wages.
immobility /ˌɪməʊ'bɪlɪti/	High house prices cause labour **immobility**: workers cannot move to where the jobs are.
contestable market /kən'testəbl 'mɑːkɪt/	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 /pə'tenʃl ˌkɒmpə'tɪʃn/	The threat of a new rival creates **potential competition**.
limit pricing /'lɪmɪt 'praɪsɪŋ/	**Limit pricing** keeps prices low so new firms do not want to enter.

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predatory pricing /'predətəri 'praɪsɪŋ/	**Predatory pricing** means cutting prices below cost to push rivals out.