Production, productivity and business costs

Pearson Edexcel · International GCSE · Economics · Vocabulary in context

Word	Example
factors of production /ˈfæktəz ɒv prəˈdʌkʃn/	Land, workers and machines are **factors of production**.
land /lænd/	Fields, forests and oil are all **land** in economics.
labour /ˈleɪbə/	Factory workers provide **labour**.
capital /ˈkæpɪtl/	Machines and buildings are **capital**.
enterprise /ˈentəpraɪz/	**Enterprise** means taking a risk to start a business.
sectors /ˈsektəz/	The economy has three **sectors**: farming and mining, making goods, and services.
primary sector /ˈpraɪməri ˈsektə/	Fishing belongs to the **primary sector**.
secondary sector /ˈsekəndəri ˈsektə/	Car manufacturing belongs to the **secondary sector**.
tertiary sector /ˈtɜːʃəri ˈsektə/	Banking belongs to the **tertiary sector**.
deindustrialisation /ˌdeɪndəˌstrɪəlaɪˈzeɪʃn/	**Deindustrialisation** means factories become a smaller part of the economy.
productivity /ˌprɒdəkˈtɪvɪti/	Better machines raise **productivity**: more output per hour.
human capital /ˈhjuːmən ˈkæpɪtl/	Training builds workers' **human capital**.

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division of labour /dɪˈvɪʒn ɒv ˈleɪbə/	**Division of labour** gives each worker one task.
revenue /ˈrevənjuː/	Selling 30 loaves at $5 brings $150 of **revenue**. $5 30 $150
total revenue /ˈtəʊtl ˈrevənjuː/	Price times quantity sold gives **total revenue**.
average revenue /ˈævrɪdʒ ˈrevənjuː/	**Average revenue** is revenue per unit sold.
costs /kɒsts/	Wages and rent are the main **costs** of the shop.
fixed costs /fɪkst kɒsts/	Rent is one of the **fixed costs**: it stays the same however much you make.
variable costs /ˈveərɪəbl kɒsts/	Raw materials are **variable costs**: they rise as you make 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**.
loss /lɒs/	A firm makes a **loss** when total costs exceed total revenue.
economies of scale /ɪˈkɒnəmiz ɒv skeɪl/	Large firms gain **economies of scale**, so each unit costs less.
internal economies of scale /ɪnˈtɜːnl ɪˈkɒnəmiz ɒv skeɪl/	A large firm's lower costs per unit come from **internal economies of scale**.
external economies of scale /ekˈstɜːnl ɪˈkɒnəmiz ɒv skeɪl/	Good local roads can give all firms in an area **external economies of scale**.

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diseconomies of scale /ˌdɪsɪˈkɒnəmiz ɒv skeɪl/	A very large firm can face **diseconomies of scale**, such as slow decisions.
bureaucracy /bjʊəˈrɒkrəsi/	Too much **bureaucracy** can make government services slow.
long-run average cost	The **long-run average cost** curve shows the lowest cost per unit at each size of firm.

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