

7 PRODUCTION

A. FIRM OBJECTIVE

- 1. Short Run (SR) and Long Run (LR)**
- 2. Questions**

B. SR PRODUCTION, INPUTS, COSTS

- 1. Total Production (TP), Average Production (AP), Marginal Physical Product (MPP)**
- 2. Marginal Revenue Product (MRP)**
- 3. MRP and D**
- 4. Marginal Resource Cost (MRC)**
- 5. Quantity of Inputs**
- 6. Diminishing Returns and Q of Inputs**

C. OPTIMAL CHOICE OF INPUTS IN THE LR

- 1. Choice of Inputs**
- 2. Optimum Q of Inputs**

D. COSTS AND OUTPUT

- 1. Total Costs (TC)**
- 2. Variable Costs (VC)**
- 3. Fixed Costs (FC)**
- 4. Overall Costs, Average Total Costs (ATC, AC)**
- 5. MC Curve**
- 6. Shape of AC Curve**
- 7. AC in SR and LR**

E. ECONOMIES OF SCALE

- 1. Increasing Economies of Scale**
- 2. SR and LR Changes in Q**
- 3. Historical vs. Analytic Costs**
- 4. Actual Input Decisions**