

## The stages of production

To simplify the understanding of a production function, it is common to divide its range into 3 stages.

- In Stage 1 (from the starting point to point B) the variable input is being used with increasing efficiency reaching at point B .
- In Stage 2,(from point B to point C) output increases at a decreasing rate.
- In Stage 3,(from point C to point D) output is being decreases and the production after point D must be stopped .

### 6-6. Producer Surplus

6-6.1. Producer Surplus definition: Producer surplus is defined as the difference between what producers actually receive when selling a product and the amount they would be willing to accept for a unit of the good. Firms willingness to accept payments can be read off of a market supply curve for a product.

6-6.2. Producer Surplus uses: Producer Surplus is used to measure the welfare of a group of firms which sell a particular product at a particular price.

6-6.3. Market supply curve: The market supply curve shows the quantity of the good that firms would supply at each and every price that might exist. Read the other way, the supply curve tells us the minimum price that producers would be willing to accept for any quantity demanded by the market.

6-6.4. Derived of Producer Surplus curve : A graphical representation of producer surplus can be derived by considering the following exercise. Suppose that only one unit of a good is demanded in a market. As shown in the adjoining Figure, some firm would be willing to accept the price  $P_1$  if only one unit is produced. If two units of the good were demanded in the market then the minimum price to induce two units be supplied is  $P_2$ . A slightly higher price would induce another firm to supply an additional unit of the good.

Questions:

1. Give the definition of the production?
2. list factors of the production?
3. Draw the stages of the production?

4. Give the Producer Surplus definition?
5. What The market supply curve shows?
6. Translate the fallowing paragraph:-

#### Mass production

Mass production (also called flow production) is the production of large amounts of standardized products on [production lines](#).

It was popularized by [Henry Ford](#) in the early 20th Century, particularly in his [Ford Model T](#)

Mass production typically uses moving paths to move partially complete products to workers, who perform simple repetitive tasks to permit very high rates of production per worker, allowing the high-volume manufacture of inexpensive finished goods. Mass production is [capital concentrated](#), as it uses a high proportion of machinery in relation to workers. With fewer labour costs and a faster rate of production, capital is increased while expenditure is decreased.