Explain how a firms costs of production may be affected by diminishing returns in the short run and economies of scale in the long run. (15 marks)

Before you begin answering the question make sure that you have read sections in your textbook relating to both diminishing returns and economies of scale. (section on economies of scale can be found on pages 30-34). You might also find it useful to watch an econplusdal clip on the topics before you tackle the question too.