

ECONOMIES OF SCALE AND RETURNS TO SCALE A CLARIFICATION

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ABSTRACT

This article humbly clarifies the two concepts *economies of scale and returns to scale* which is found confusing to many students and a few of the scholars in the field of economics. It sequentially explains the concepts by bringing them down to the earth with practical illustrations and graphical analyses; mathematics is reduced to the barest minimum. The conclusion has also been made in a way that it provides an answer on how to clearly distinguish returns to scale from economies of scale situation.

KEYWORDS: Economies of Scale, Returns To Scale, Efficient, Production, Input, Cost, Output