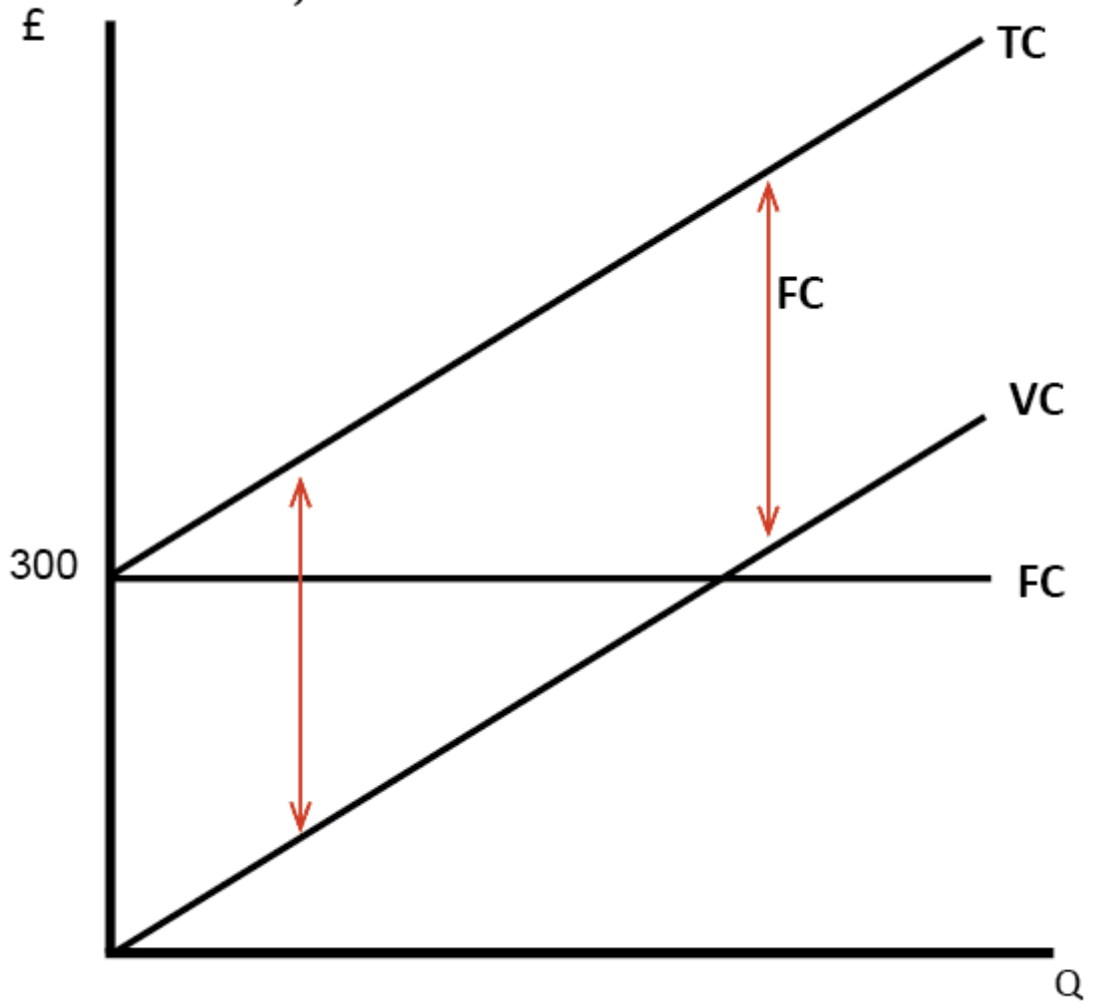


## Isocosts

### Market Failure

- **Social Costs.** This is the total cost to society. It will include the private costs plus also the external cost (cost incurred by a third party). May also be referred to as 'True costs'
- **External Costs.** This is the cost imposed on a third party. For example, if you smoke, some people may suffer from passive smoking. That is the external cost.
- **Private Costs.** The costs you pay. e.g. the private cost of a packet of cigarettes is £6.10
- **Social Marginal Cost.** The total cost to society of producing one extra unit. Social Marginal Cost (SMC) = Private marginal cost (PMC) + External marginal Cost (XMC)
- 
- $ATC$  (Average Total Cost) = Total Cost / quantity
- $AVC$  (Average Variable Cost) = Variable cost / quantity
- $MC$  = Marginal cost.
- $AFC$  (Average Fixed Cost) = Fixed cost / quantity
- **Total costs**

## Fixed, variable and total costs



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- Total cost (TC) = Variable cost (VC) + fixed costs (FC)