

Adjustment costs

 economicshelp.org/blog/glossary/adjustment-costs/

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Definition of adjustment costs:

This is the cost to a firm of altering its level of output.

For example, it may be desirable for a firm to cut down on its output, but doing this will create adjustment costs such as redundancy payments and lower staff morale. On reflection of its adjustment costs, it may be more desirable to keep producing at a sub-optimum level.

Similarly a rapid expanse in output may create problems such as difficulties in negotiating a bigger place to rent and the difficulties in hiring more workers.