

Long-Run Average Cost Estimates for Six Industries
(Average Cost as a Percentage of Minimum Average Cost)

Industry	Firm Size		
	Small	Medium	Large
Commercial Banking			
Demand Deposits	116.1	104.7	100.0
Installment Loans	102.4	101.5	100.0
Electric Power			
Generation	113.2	101.0	101.5
Hospitals	129.6	111.1	100.0
Life Insurance (Canada)	113.6	104.5	100.0
Railroads			
East	100.0	127.9	119.9
South	100.0	100.0	100.0
West	106.9	108.4	100.0
Trucking	100.0	102.1	105.6

Sources: Banking - F. W. Bell and N. B. Murphy, *Costs in Commercial Banking* (Boston: Federal Reserve Bank of Boston, Research Report No. 41, 1968). Electric power - L. H. Christensen and W. H. Greene, "Economies of Scale in U.S. Electric Power Generation," *Journal of Political Economy* 84 (August 1976): 655-676. Hospitals - H. A. Cohen, "Hospital Cost Curves," in *Empirical Studies in Health Economics*, ed. H. F. Klarman (Baltimore: John Hopkins Press, 1970), pp. 279-293. Life insurance - R. Greehan, "Returns to Scale in the Life Insurance Industry," *The Bell Journal of Economics* 8, no. 2 (Autumn 1977): 497-516. Railroads - G. Borts, "The Estimation of Rail Cost Functions," *Econometrica* 28 (January 1960): 108-131. Trucking - R. Koenka, "Optimal Scale and the Size Distribution of American Trucking Firms," *Journal of Transport Economics and Policy* (January 1977): 54-67.

Average Costs of Power Generation, 1985

Output (GWH)	Unit Cost (Cents/KWH)	
	Fossil Fuel	Nuclear Fuel
5,000	3.90	2.60
10,000	3.75	2.55
15,000	3.78	2.58
20,000	3.80	2.60
25,000	3.85	2.70
30,000	3.90	2.80

David R. Kamerschen and Herbert G. Thompson Jr., "Nuclear and Fossil Fuel Steam Generation of Electricity: Differences and Similarities," *Southern Economic Journal*, 60 (July 1993).

KWH - kilowatt hour

GWH - million kilowatt-hours