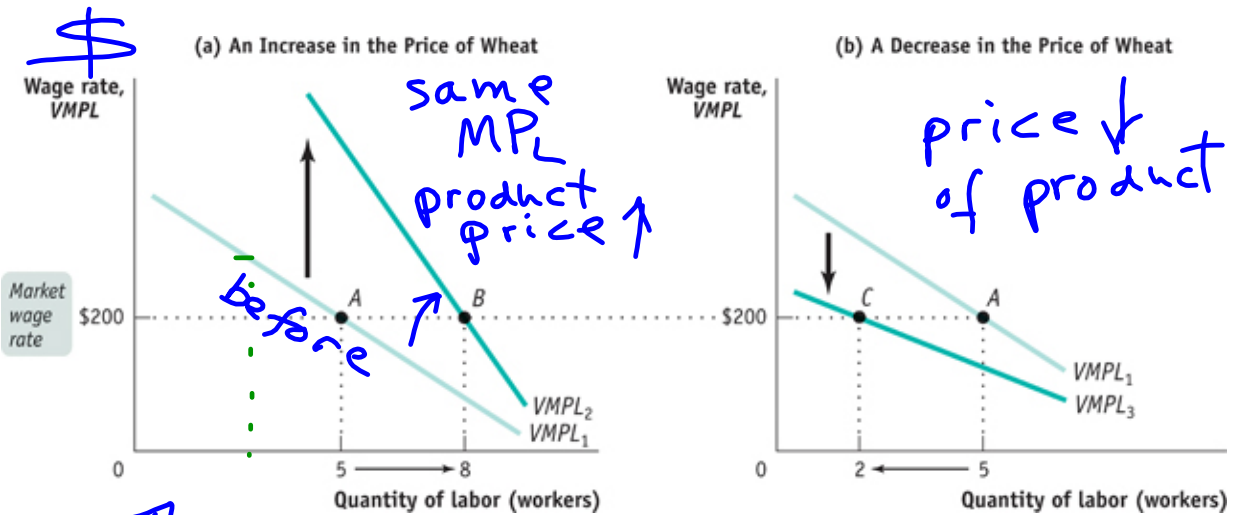
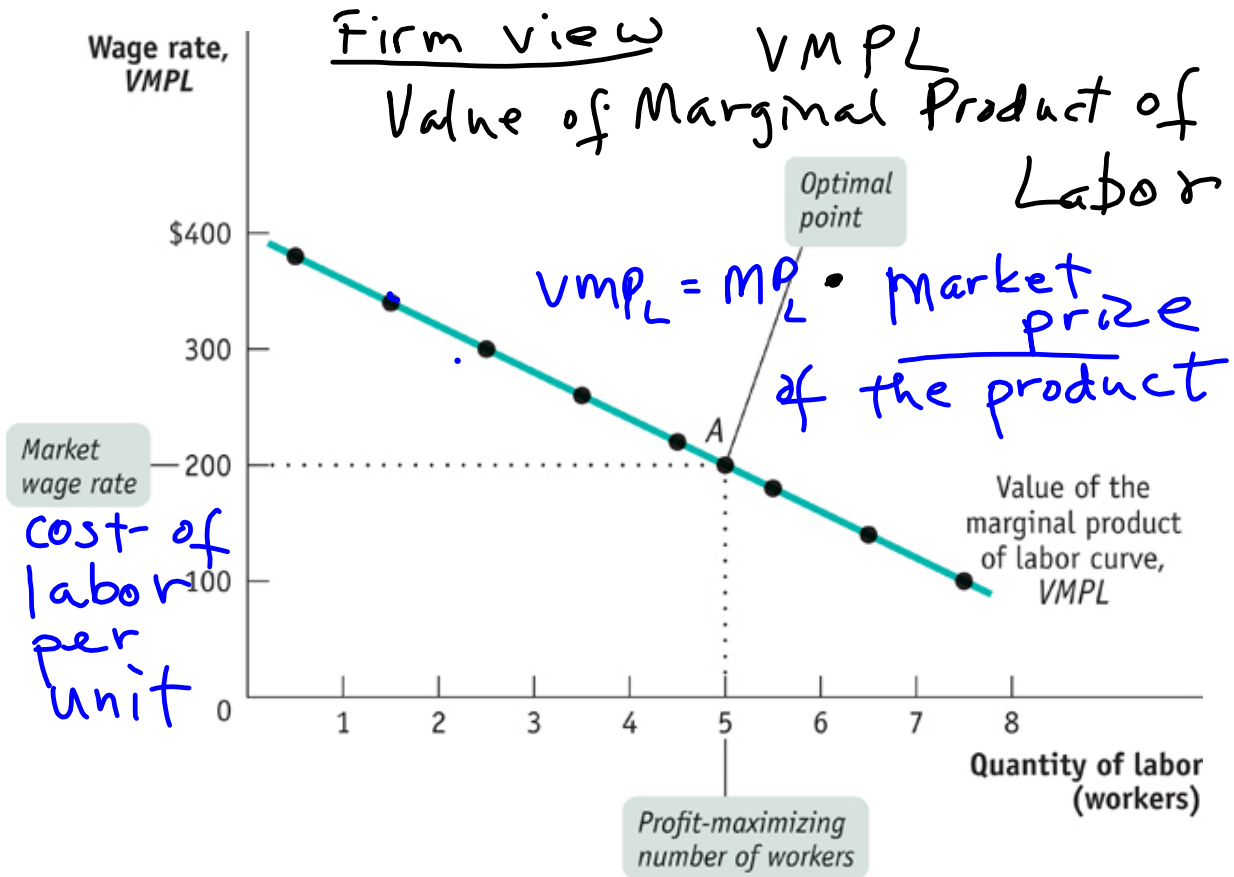


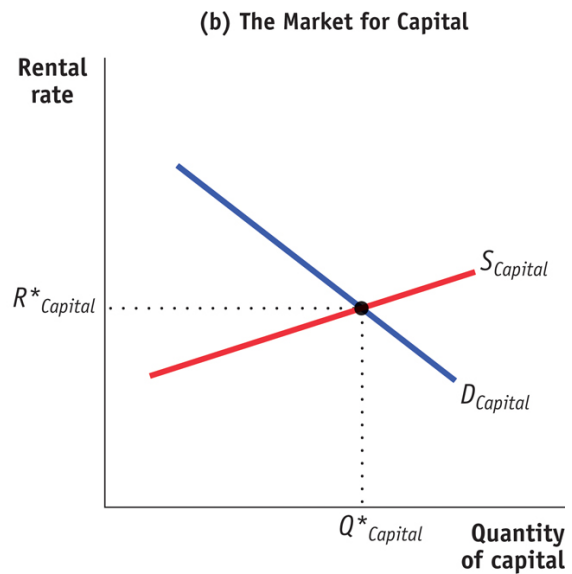
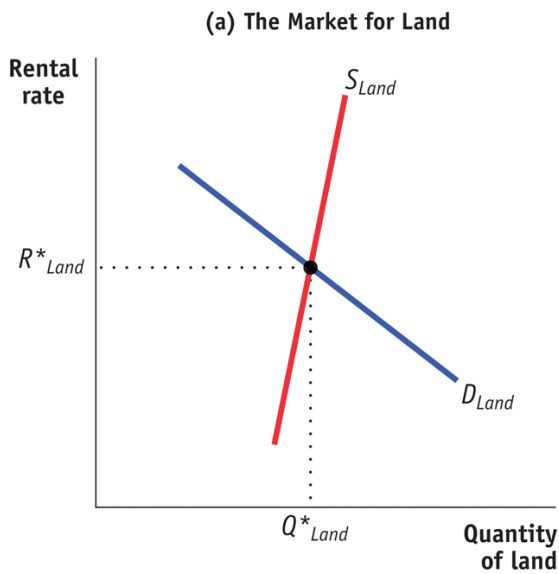
diminishing marginal  
product of labor,  
 $MP_L$

Fact: factor demand  
is derived demand.

Derived from the  
value of what is  
produced.



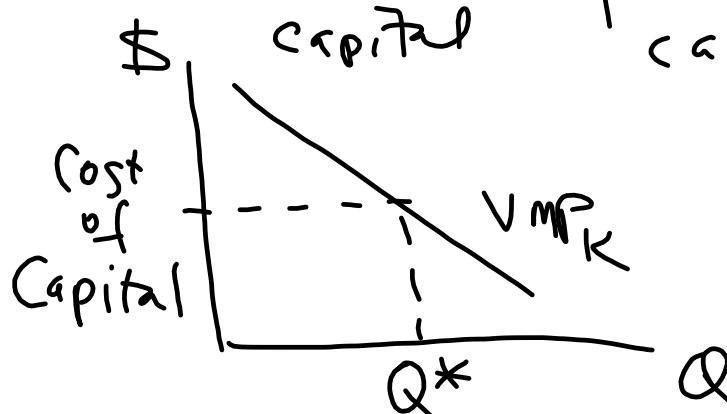
$\uparrow$  increase in product price



elasticities of supply:  
 land inelastic  
 capital elastic

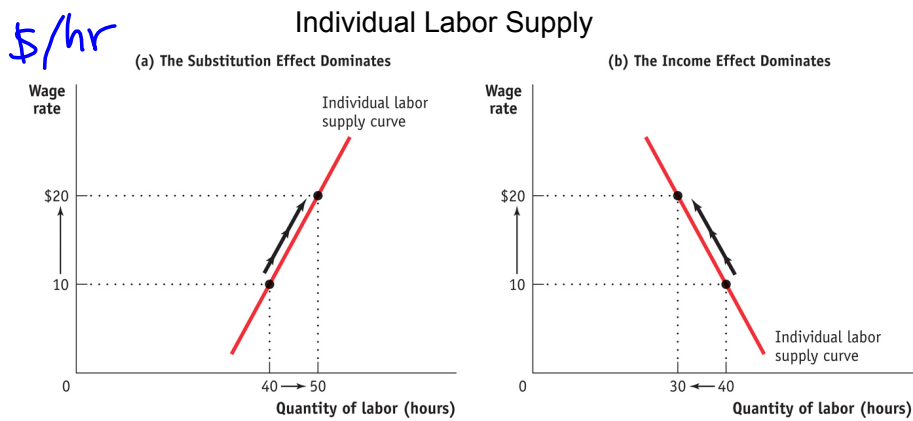
$VMP_{Land}$  = Value of marginal product of land

$VMP_K$  = Value of marginal product of capital



Topic Marginal Productivity Theory of Income Distribution

says: factors of production divide up the national income in proportion to their relative marginal productivity.



hours  
 "substitution" effect - substituting work for leisure (working more, playing less)  
 "income" effect - more leisure

leisure: normal good

income ↑ leisure ↑