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Love Elizabeth Wenger!

Sent from my iPhone

Topic: cost-minimizing
input combination.

$$\frac{MP_L}{P_L} = \frac{MP_K}{P_K}$$

(W) → P_L ← P_K (C_K)

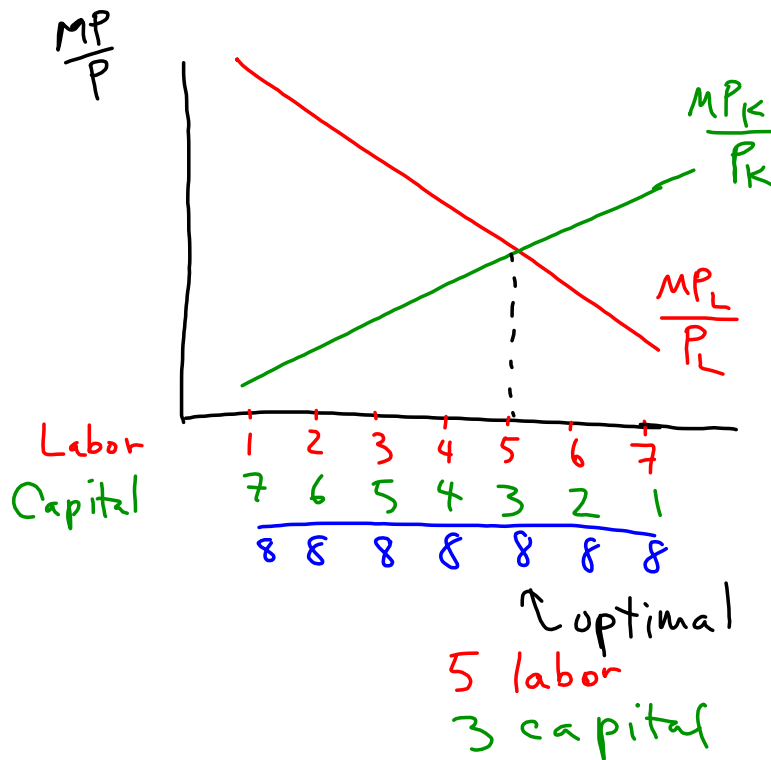
marginal
product

Suppose :

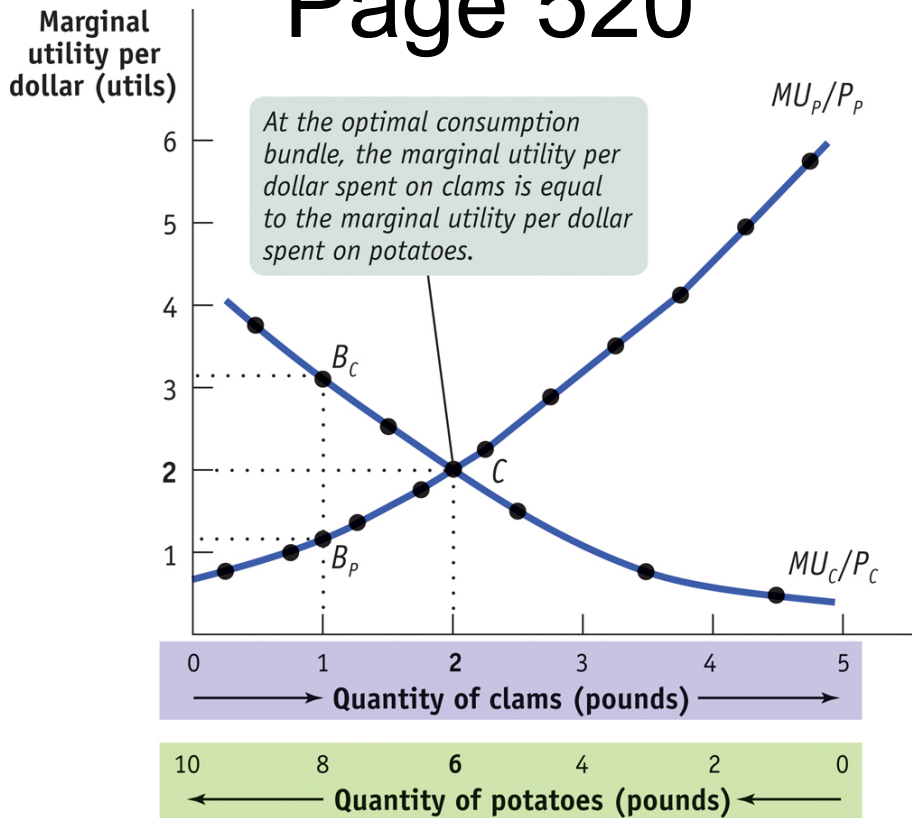
$$\frac{MP_L}{P_L} < \frac{MP_K}{P_K}$$

What do you do? (hint: diminishing marginal product, i.e. diminishing returns)

A: Less Labor (L), More Capital (K)



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