FIGURE 7.2 Cost-Minimizing Input Combination

The cost-minimizing input combination occurs at point A. Point G is technically inefficient. Points E and F are technically efficient, but they do not minimize cost (the firm can lower cost from TC_1 to TC_0 by moving to input combination A).

Slope of each isocost line $= -\dfrac{w}{r}$

K, capital services per year

$\dfrac{TC_1}{r}$

$\dfrac{TC_0}{r}$

E

G

A

F

Q_0 isoquant

L, labor services per year