



$$\frac{MRP_L}{P_L} = 1$$

$$\text{MRP}_L = 120$$

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$$P_L = 120$$



*The firm gets \$1 in revenue for  
each dollar spent on Labor*

*We know the firm has hired the optimum number of workers if*

$$\text{MRP}_L = P_L$$

The firm spends \$120 ( $P_L$ ) to hire another worker, and

gets \$120 in revenue from that worker

Example:

$$\frac{MRP_L}{P_L} = \text{Revenue per dollar spent on Labor}$$



*if*  $MRP_L = P_L$

$$\text{MRP}_L = 60$$

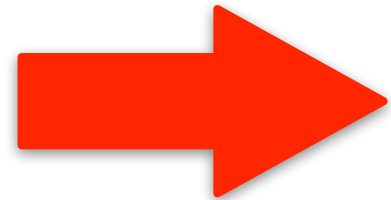
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$$\text{PL} = 120$$

*The firm gets 50 cents in revenue for each  
dollar spent on Labor*

Example:

**= 0.5**



*The firm should **not** hire that  
worker: use less labor*

We know the firm has hired the *optimum* number of workers if  
 $MRP_L = P_L$

Example:  $\frac{MRP_L = 120}{P_L = 120}$  The firm spends \$120 ( $P_L$ ) to hire another worker, and gets \$120 in revenue from that worker

if  $MRP_L = P_L$   $\frac{MRP_L}{P_L} = 1$   The firm gets \$1 in revenue for each dollar spent on Labor

$\frac{MRP_L}{P_L} =$  Revenue per dollar spent on Labor

Example:  $\frac{MRP_L = 60}{P_L = 120} = 0.5$  The firm gets 50 cents in revenue for each dollar spent on Labor

 The firm should *not* hire that worker: use less labor