






Firms bring in more
workers (Labor)

Firms bring in more
machines (Capital)


To a plant of
fixed size

To Increase Production in the Short Run

Depending on the prices of
Labor (P_L) and Capital (P_K),
the firm chooses the best
combination of Labor and
Capital

A large, black-outlined speech bubble with a tail pointing downwards and to the right. Inside the bubble, text is written in a sans-serif font. The words 'uses more' and 'capital' are highlighted in blue, while the rest of the text is black.

If labor is more
expensive than capital,
the firm **uses more**
capital than labor

A red speech bubble with a white background and a red outline. The bubble has a tail pointing downwards and to the right. Inside the bubble, the text "If capital is more expensive than labor the firm uses more labor than capital" is written in black, with "uses more labor" highlighted in red.

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expensive than labor the
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To Increase Production in the **Short Run**

If capital is more expensive than labor the firm **uses more labor** than capital

Firms bring in more **workers (Labor)**

To a plant of **fixed size**



Depending on the prices of **Labor** (P_L) and **Capital** (P_K), the firm chooses the best combination of **Labor** and **Capital**

Firms bring in more **machines (Capital)**

Fixed
plant size

