

[illegible]





2

3

4



5









10

1

1





15

30

50

6

7

8

2

5

95

107



125

1

3

1



Total Product

1

1

7



Wage  
\$50

Assume that labor is  
the ONLY variable cost  
and the wage is \$50

1 worker = \$50



2 workers = \$1000


3 workers = \$150

Variable Cost






4 workers = \$2000

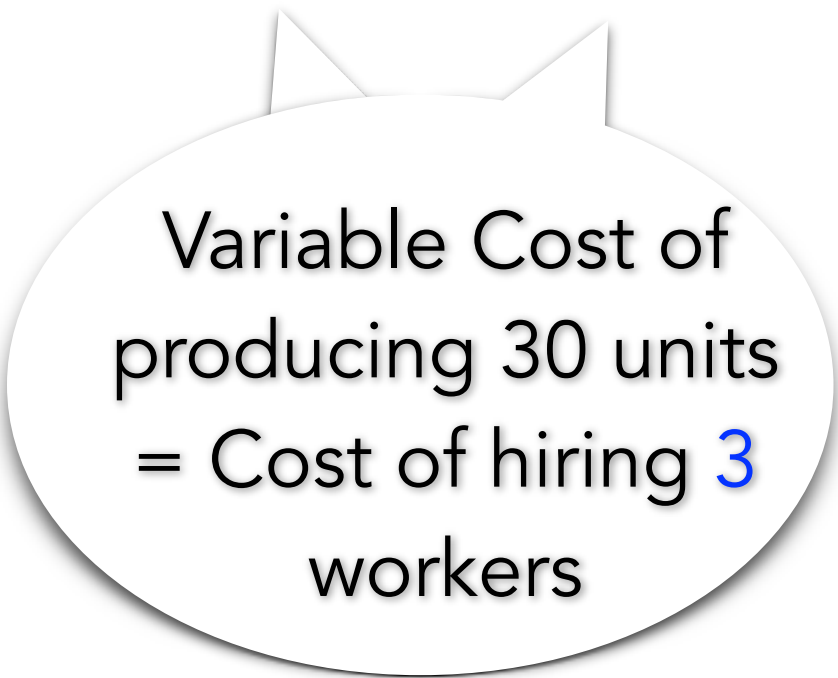


Variable Cost of  
producing 5 units  
= Cost of hiring  
**one** worker



Variable Cost of  
producing 15 units  
= Cost of hiring  
**two** workers





Variable Cost of  
producing 30 units  
= Cost of hiring 3  
workers

# Variable Cost

0

50

100

150

200

250

300

350

400

450

500

550



0workers=0





$$5 \text{ workers} = \$250$$





6 workers = \$3000



7 workers = \$350



8 workers = \$4000



9 workers = \$450





10 workers = \$500



11 workers = \$550



**From Production Function to the Cost Function**

**F**

**r**





m

t

h

e

**P**

**r**



**d**



u

**C**

**t**

i



**n**

**F**

u



n

C

t

i



n

t





t

h

e

C



S

t

**F**



u

n

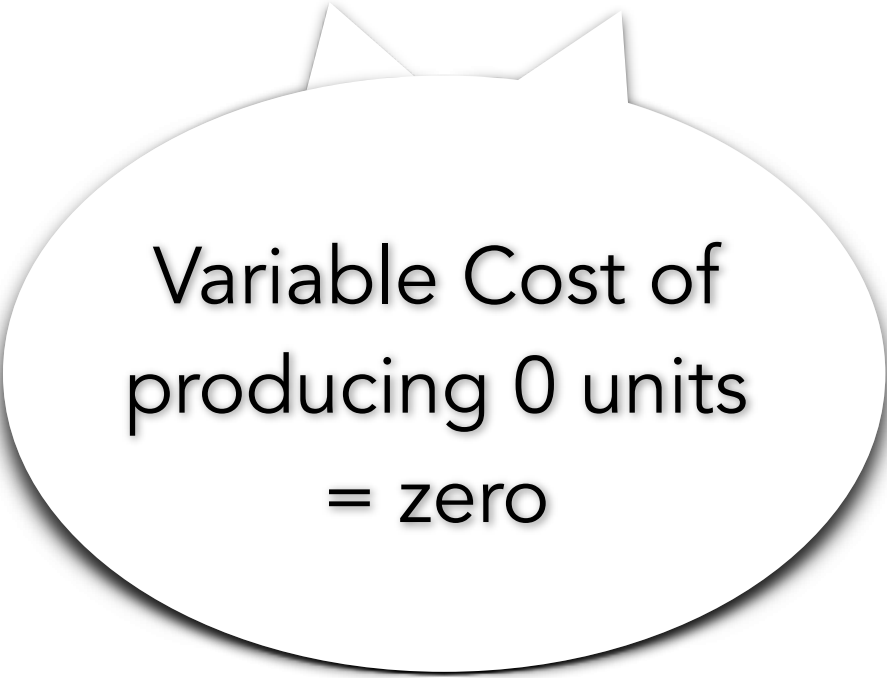
C

t

i



n



Variable Cost of  
producing 0 units  
= zero



From the Production Function to the Cost Function



# From the **Production** Function to the **Cost** Function

Q	Variable Cost
0	0
5	50
15	100
30	150
50	200
67	250
82	300
95	350
107	400
117	450
125	500
131	550

Wage  
\$50

Q
0
5
15
30
50
67
82
95
107
117
125
131

VC	
0	
50	
100	
150	
200	
250	
300	
350	
400	
450	
500	
550	