

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

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

$$P_L = 120$$



*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 $MRP_L = P_L$

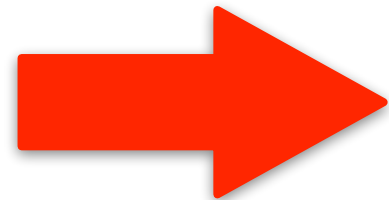
$$\text{MRP}_L = 60$$

$$\text{PL} = 120$$

*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