

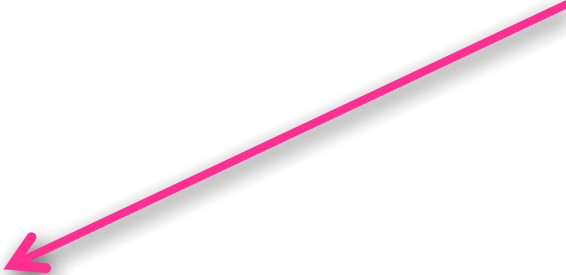






Units produced: Output

Variable Cost is zero
when output is zero



$$VC = 0$$













Variable Costs increase as Output increase

Cost per unit drops

because Marginal Product

increase



\$2

1



\$0.66



3

2

3





\$1

2

4.16

3.66

.....



\$0.50

4

4.56.....




\$0.40

5

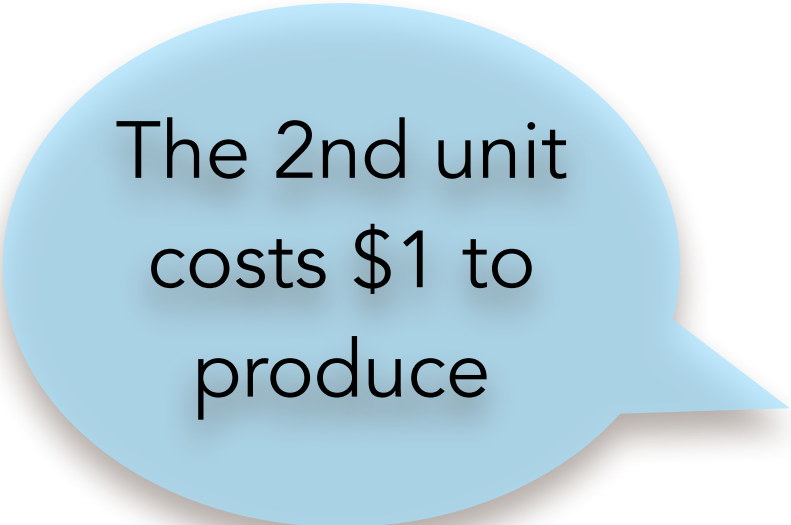


Cost per unit will **rise** as
the Marginal Product
decrease

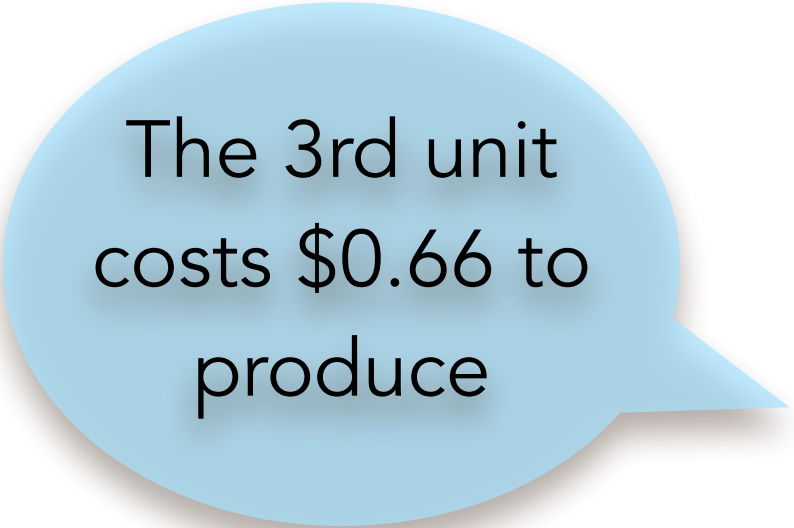
Variable Cost



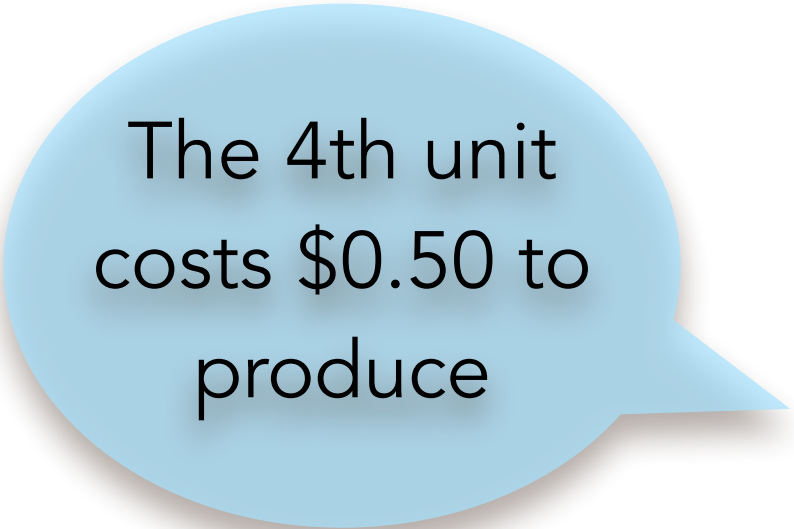
The first unit
costs \$2 to
produce



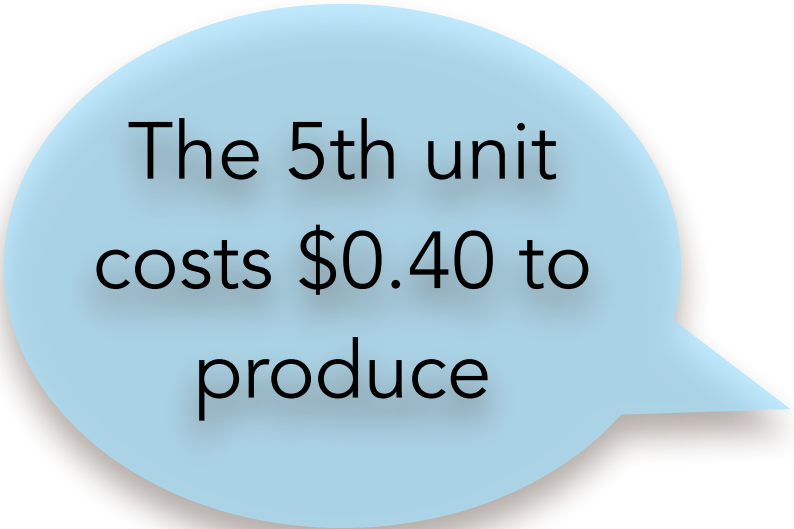
The 2nd unit
costs \$1 to
produce



The 3rd unit
costs \$0.66 to
produce

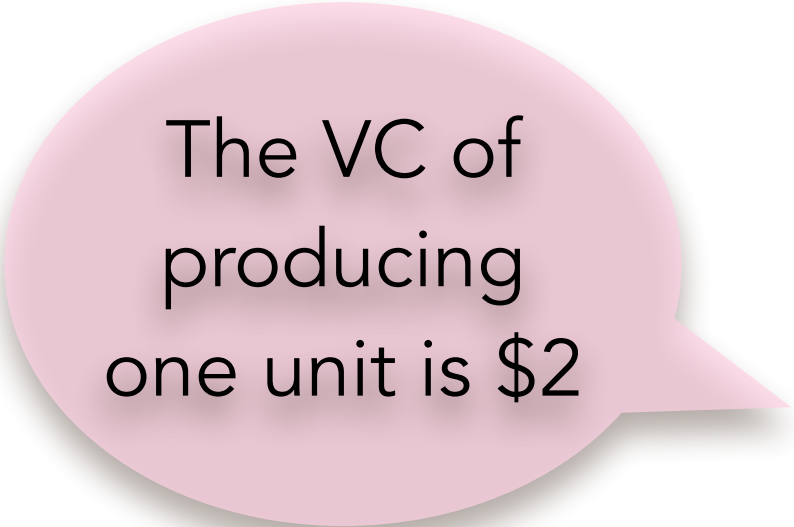


The 4th unit
costs \$0.50 to
produce



The 5th unit
costs \$0.40 to
produce

Decreasing Returns
to Labor set in:

A pink speech bubble with a tail pointing towards the bottom right corner of the image. The bubble has a soft shadow beneath it.

The VC of
producing
one unit is \$2

The VC of
producing 2
units is $\$2 + \1

The VC of
producing 3 units
is $\$2 + \$1 + \$0.66$

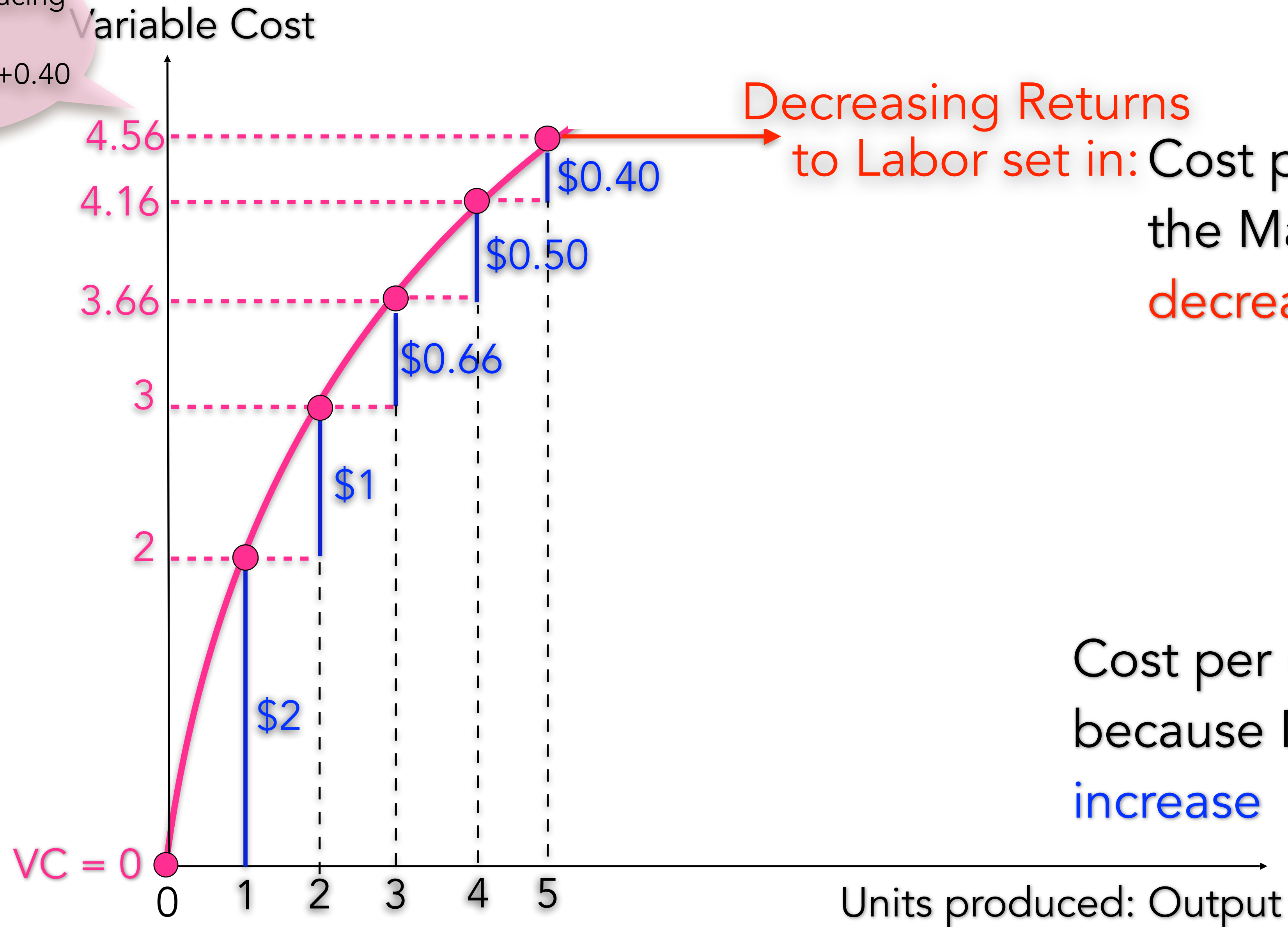
The VC of
producing 4 units
is $2 + 1 + 0.66 + 0.50$

The VC of producing
4 units is

$$2+1+0.66+0.50+0.40$$

Variable Costs increase as Output increase

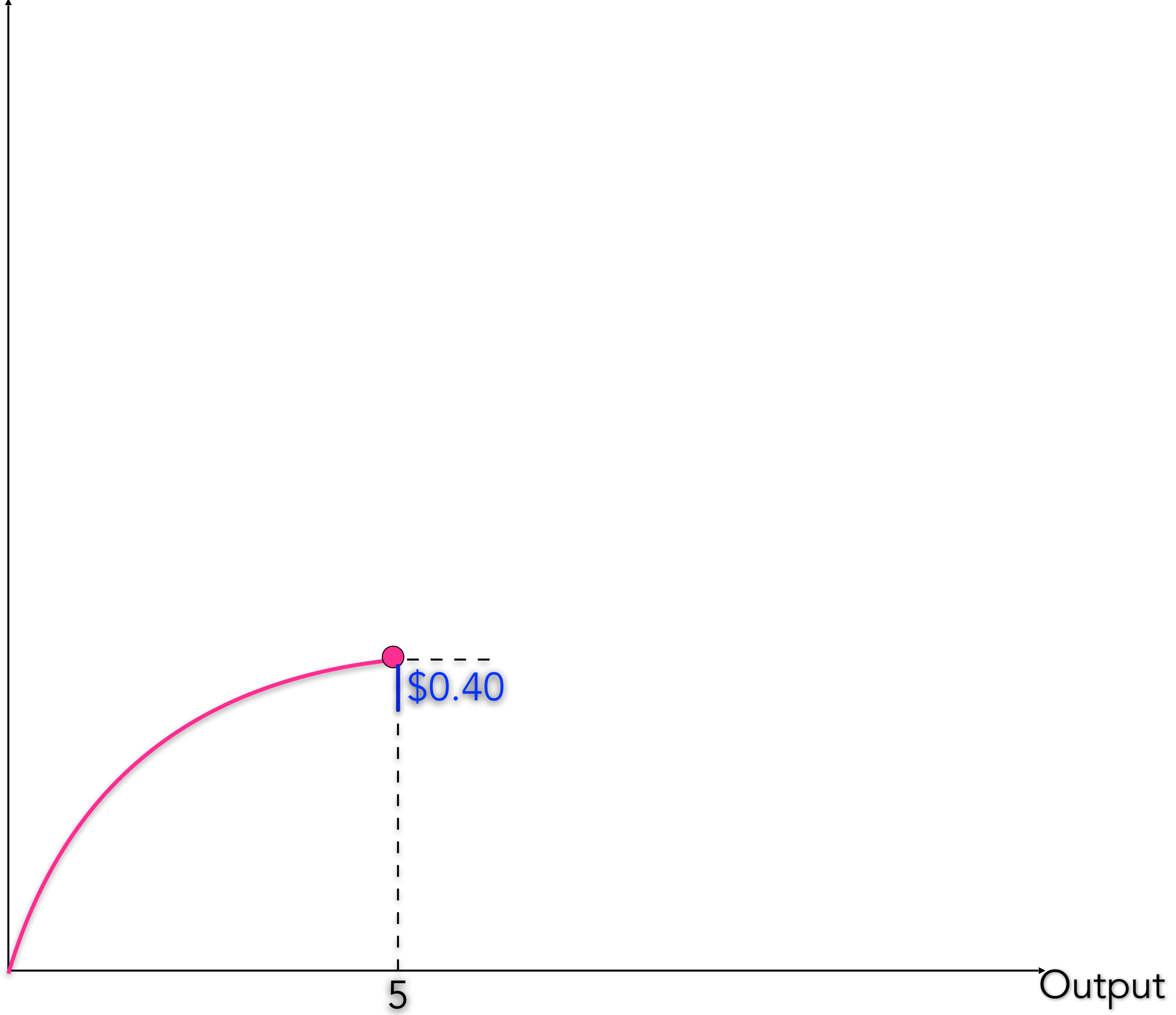
The VC of producing
4 units is
 $2+1+0.66+0.50+0.40$



Decreasing Returns
to Labor set in: Cost per unit will **rise** as
the Marginal Product
decrease

Cost per unit **drops**
because Marginal Product
increase

Variable Cost



Output