



If  $MRP_L > P_L$

Increase the  
use of Labor

If  $MRP_L < P_L$

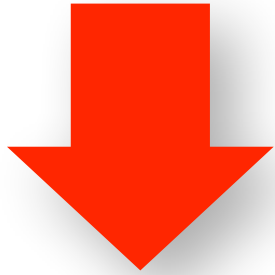
Decrease the  
use of Labor

If  $MRP_K > P_K$       Increase the  
use of Capital

If  $MRP_K < P_K$

Decrease the  
use of Capital

If  $MRP_L = P_L$



The firm has  
the optimum  
amount of  
Labor


If  $MRP_K = P_K$



The firm has  
the optimum  
amount of  
Capital


If  $MRP_L > P_L$  **Increase** the  
use of **Labor**

If  $MRP_L < P_L$  **Decrease** the  
use of **Labor**

  
If  $MRP_L = P_L$  The firm has  
the **optimum**  
amount of  
**Labor**

If  $MRP_K > P_K$  **Increase** the  
use of **Capital**

If  $MRP_K < P_K$  **Decrease** the  
use of **Capital**

  
If  $MRP_K = P_K$  The firm has  
the **optimum**  
amount of  
**Capital**



*We know the firm has purchased the optimum number of machines if  $MRP_K = P_K$*