



$$\frac{\text{MRP}_K}{P_K} = 1$$

$$\text{MRP}_K = 90$$

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$$P_K = 90$$



*The firm gets \$1 in revenue for  
each dollar spent on **Capital***

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

The firm spends \$90 ( $P_K$ ) to buy a piece of equipment, and gets \$90 in revenue from that piece

Example:

$$\frac{\text{MRP}_K}{P_K} = \text{Revenue per dollar spent on Capital}$$



$$if \text{ } MRP_K = PR_K$$

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

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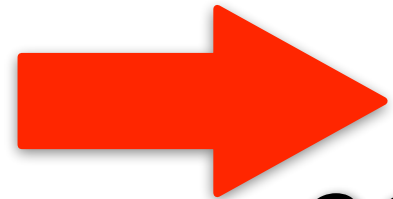
$$P_K = 60$$

*The firm gets \$2 in revenue for each  
dollar spent on Capital*

Example:

=

2



*The firm should buy that piece of  
equipment: increase the use of capital*

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

Example:  $\frac{MRP_K = 90}{P_K = 90}$

The firm spends \$90 ( $P_K$ ) to buy a piece of equipment, and gets \$90 in revenue from that piece

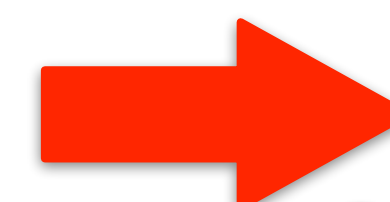
if  $MRP_K = P_K$   $\frac{MRP_K}{P_K} = 1$

 The firm gets \$1 in revenue for each dollar spent on Capital

$$\frac{MRP_K}{P_K} = \text{Revenue per dollar spent on Capital}$$

Example:  $\frac{MRP_K = 120}{P_K = 60} = 2$

The firm gets \$2 in revenue for each dollar spent on Capital

 The firm should buy that piece of equipment: increase the use of capital

*We know the firm has hired the optimum number of workers if*

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