

Wade:

\$10













5
pounds

$L=1$



10
pounds

$L=2$



15
pounds

$L=3$



20
pounds

$L=4$



25
pounds

$L=5$



Marginal Product Increase

\$

1

0

\$

1

0

\$

1

0

\$10



Cost per unit



Cost per unit



Cost per unit



Pay \$10 for
5 pounds



Pay \$10 for
10 pounds



Pay \$10 for
15 pounds

\$

1

0





Cost Per Unit Drops

\$2

pound

\$1

\$0.66

\$0.50

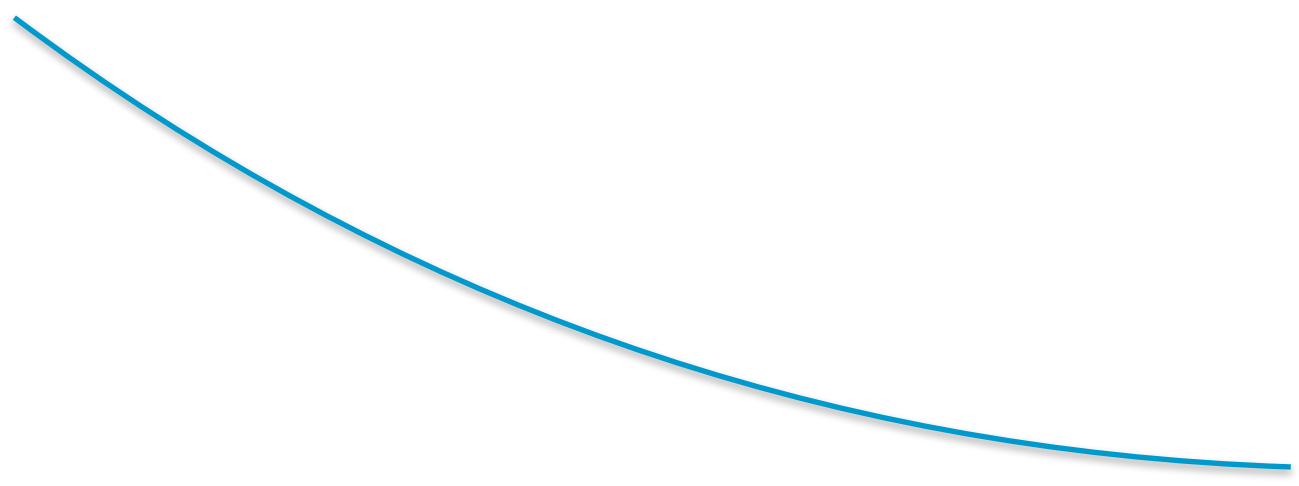
\$0.40

As the Marginal Product increase,







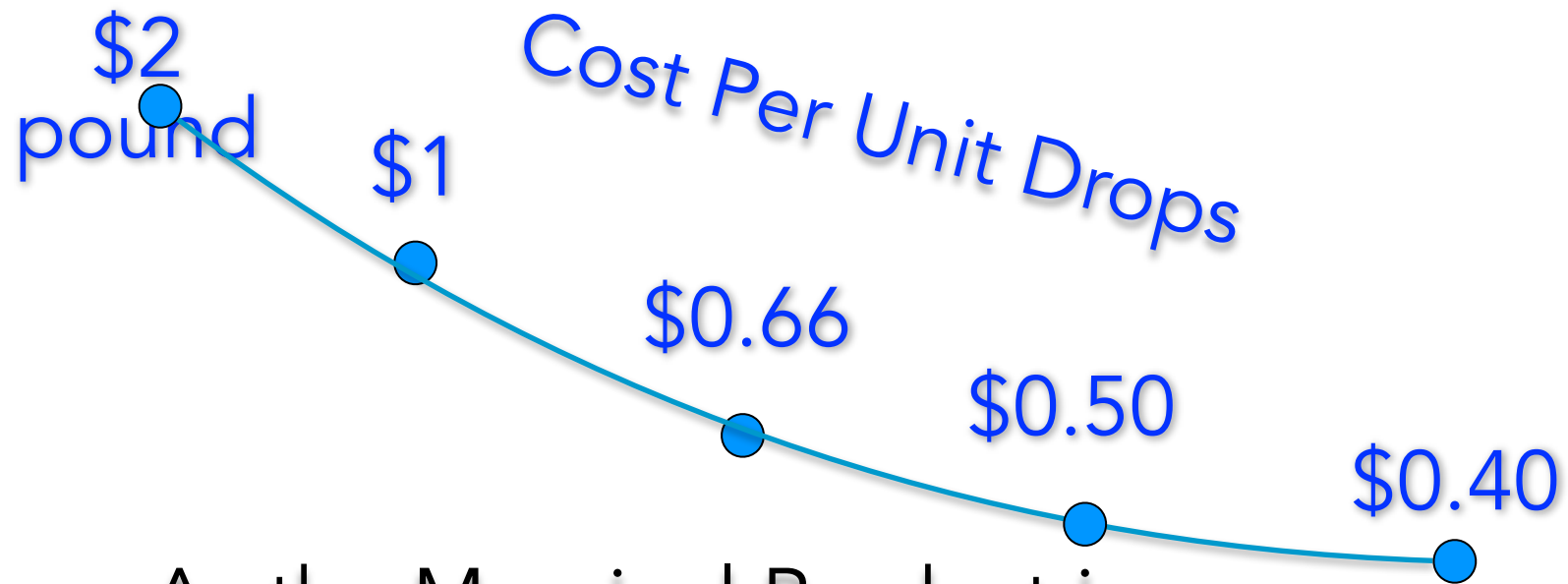







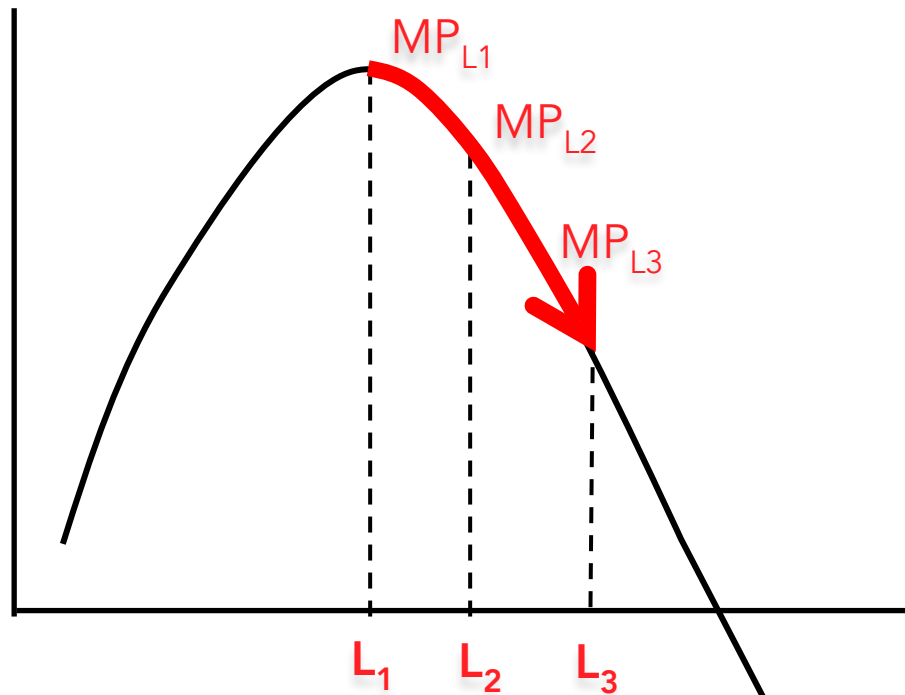
MP

Pr



As the Marginal Product increase,

MP:	5	10	15	20	25
	pounds	pounds	pounds	pounds	pounds
	L=1	L=2	L=3	L=4	L=5
					



Decreasing Returns to Labor
eventually set in and the **Marginal
Product of Labor decrease**