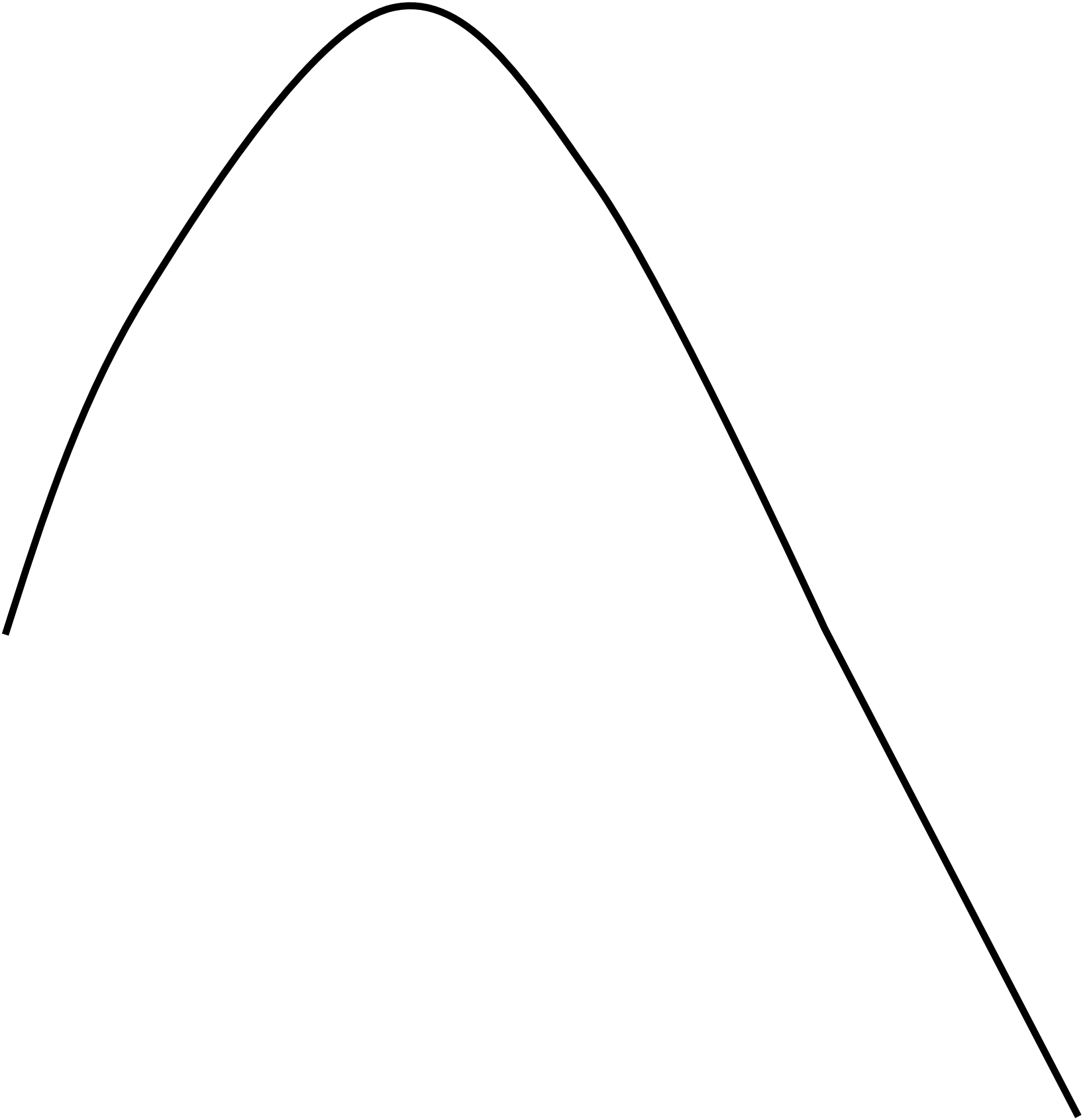




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Labor



$MP_{L2}$



$L_2$

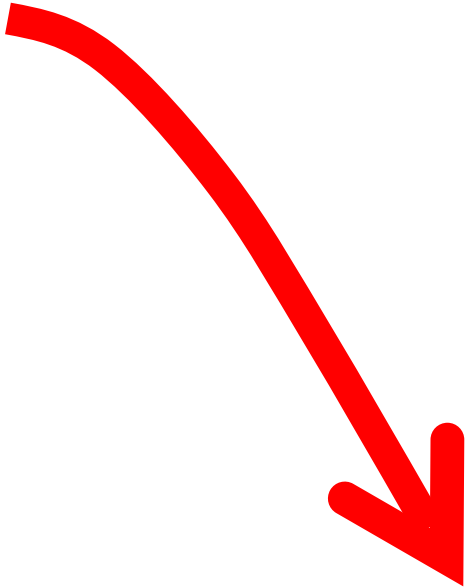
MP<sub>L1</sub>



L<sub>1</sub>



MP<sub>Labor</sub> Eventually  
Decrease











As the firm brings in  
more workers ( $L$ )

To Increase Production in the Short Run

$MP_{L3}$



$L_3$

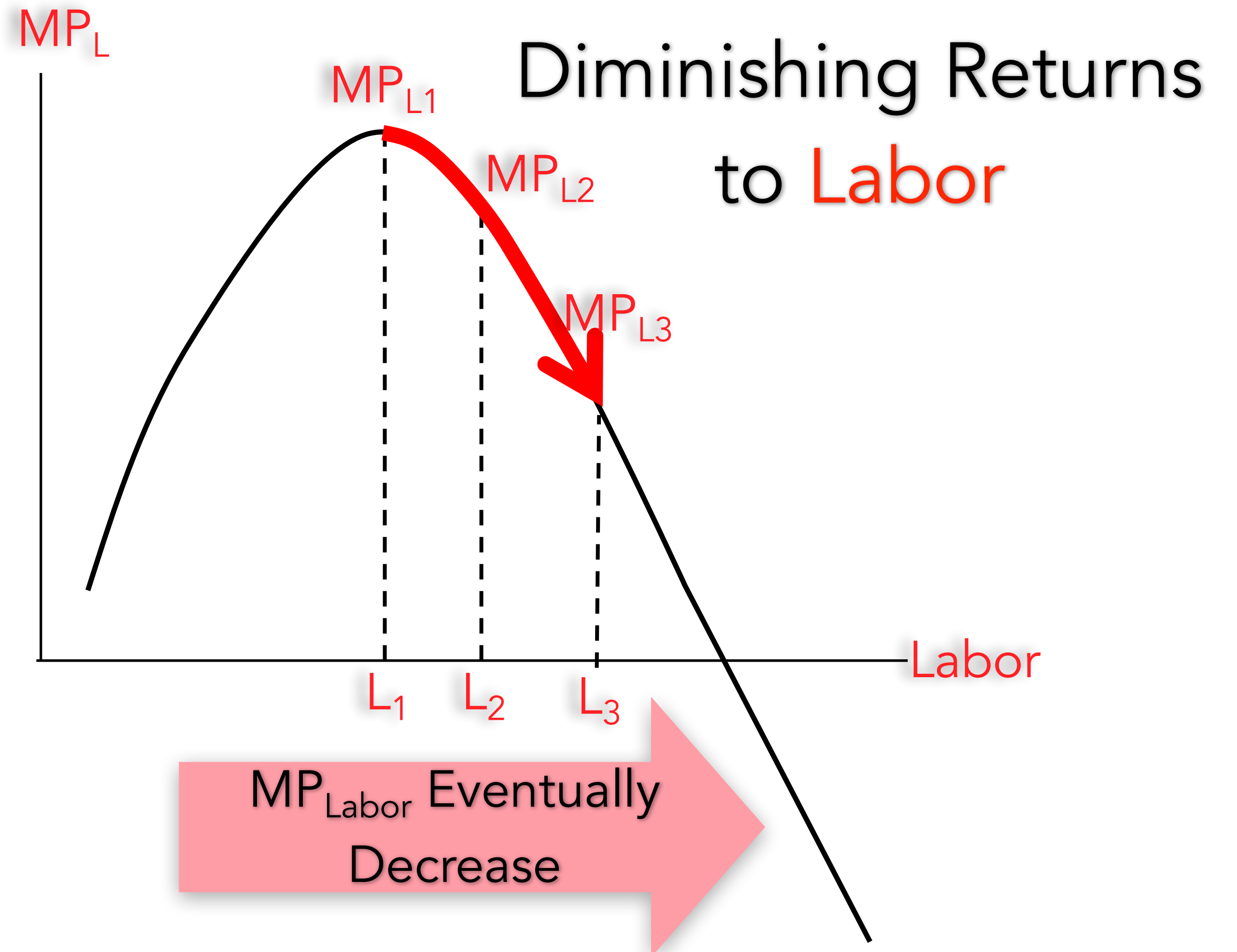
# Diminishing Returns to Labor

MP<sub>L</sub>



To Increase Production in the **Short Run**

As the firm brings in  
more workers (L)





What happens as the firm brings in more capital?