

MP_{L2}



L₂

MP_{L3}



L₃

MP_{L1}



L₁

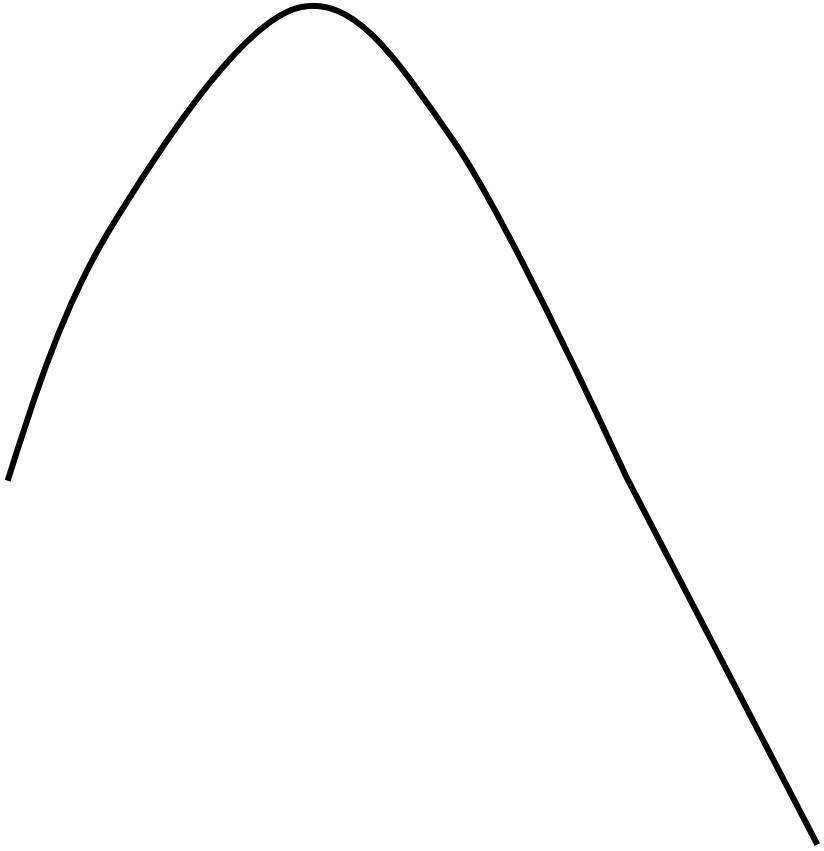


As more workers are
hired: MP_{Labor} decrease









MP_{k2}



K_2

MP_{k3}



K_3

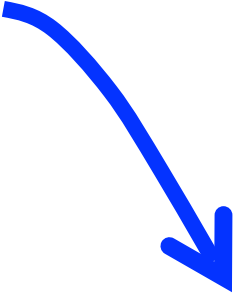
MP_{k1}



K_1



As more machines are
used: MP_{Capital} decrease



Too many workers
decrease productivity
of Labor

Too many machines
decrease productivity
of Capital

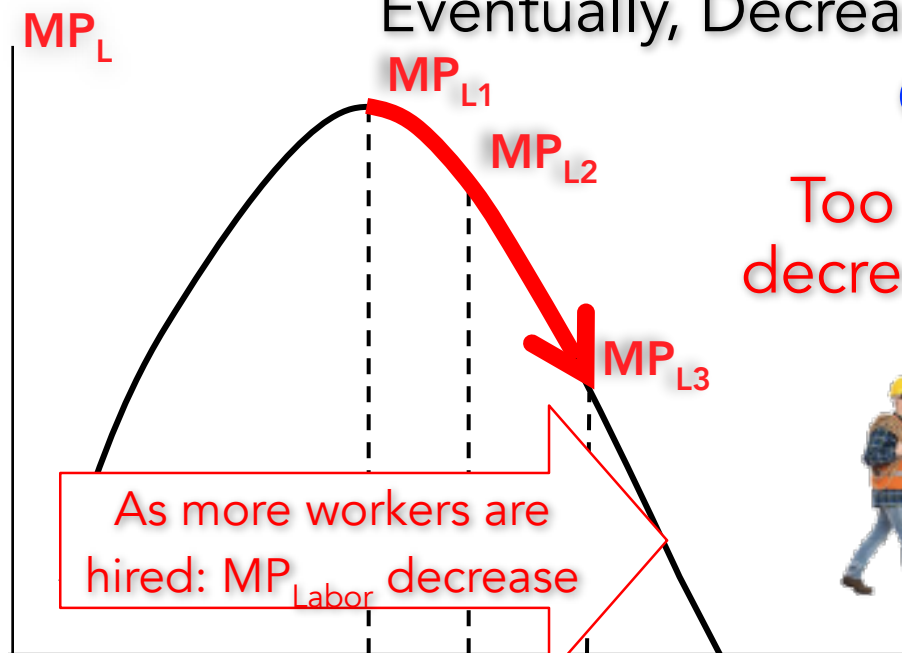
Fixed
plant size

Eventually, Decreasing Returns to both Labor and
Capital set in

MP_k

MPL

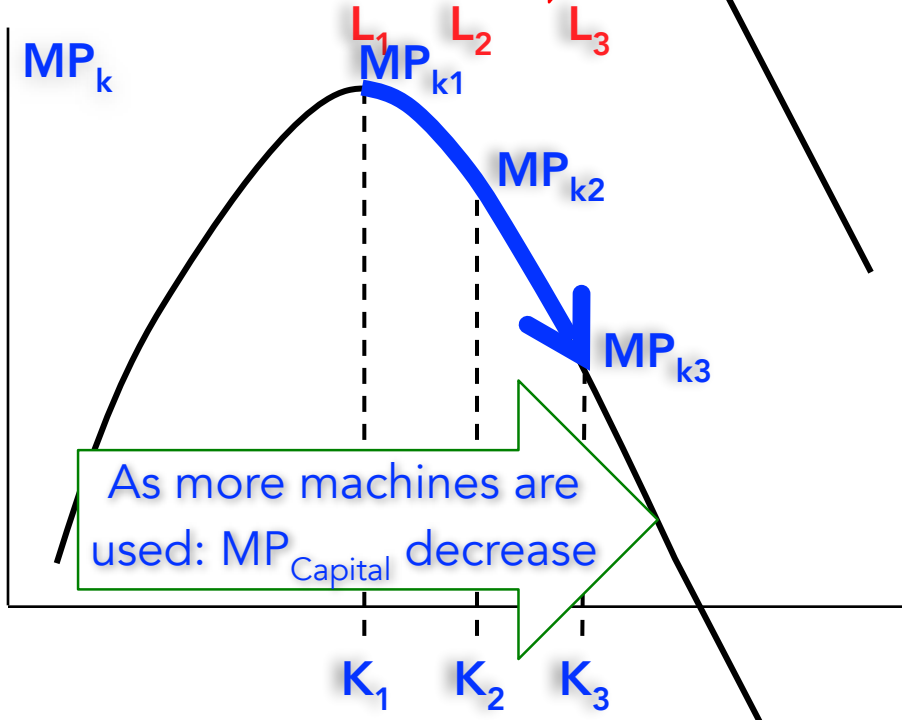
Eventually, Decreasing Returns to both **Labor** and **Capital** set in



Too many workers decrease productivity of Labor



Fixed plant size



Too many machines decrease productivity of Capital

Once Diminishing Returns Set In...

MP_L

MP_K

