

Variable Costs increase as
Output increase





Output





MC drops as MP

increase

MC rise as MP
decrease

Decreasing
Returns to
Labor set in

Variable Cost

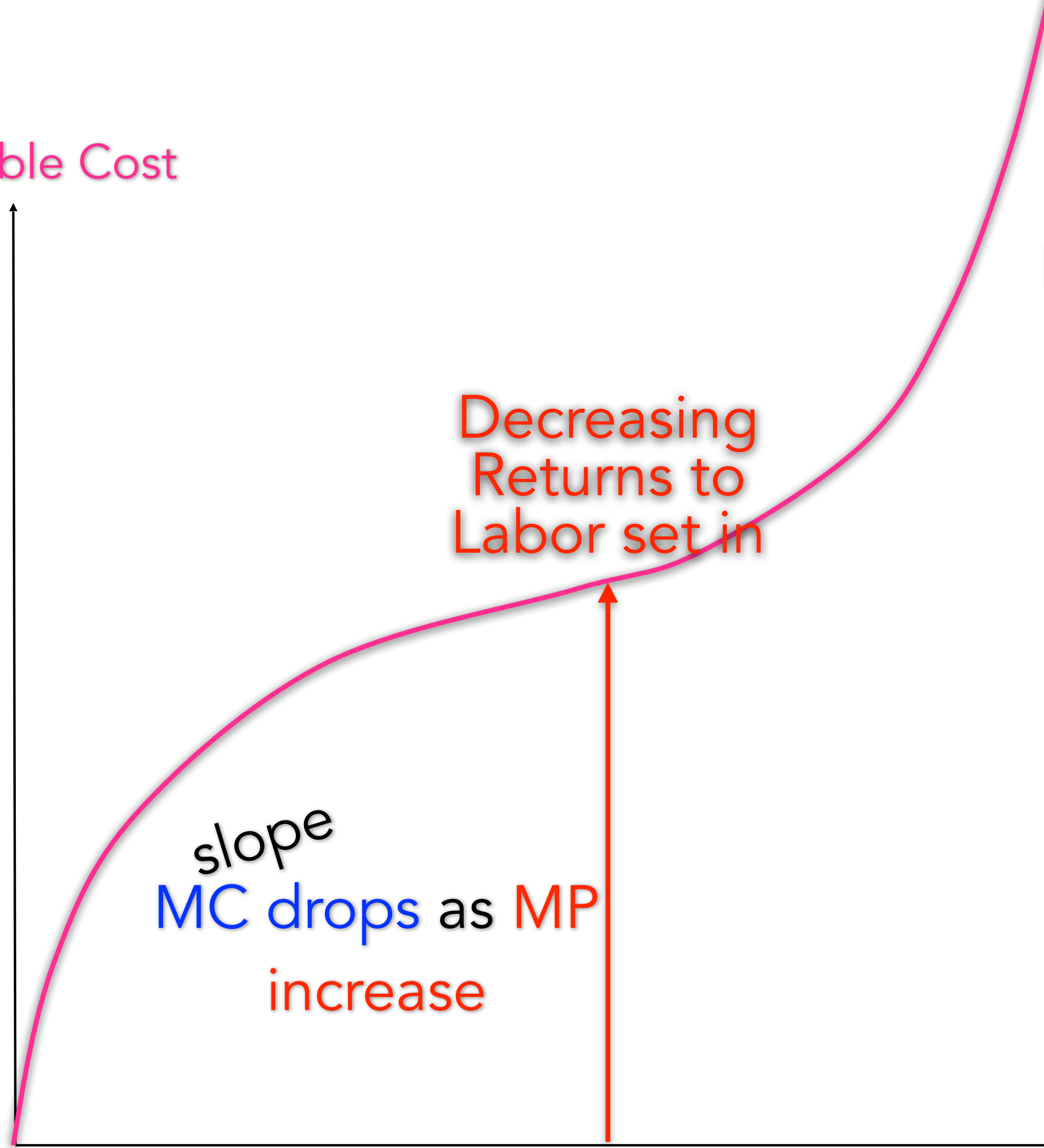
slope

slope

Variable Cost



Output



Decreasing
Returns to
Labor set in

slope
MC drops as MP
increase

slope
MC rise as MP
decrease

Variable Costs increase as
Output increase

A Typical Cost Function

