

If $MRP_L > P_L$

Increase the
use of Labor

If $MRP_L < P_L$

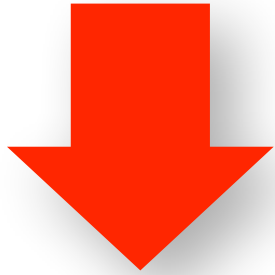
Decrease the
use of Labor

If $MRP_K > P_K$ Increase the
use of Capital

If $MRP_K < P_K$

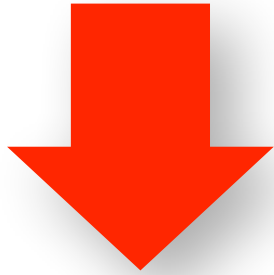
Decrease the
use of Capital

If $MRP_L = P_L$



The firm has
the optimum
amount of
Labor


If $MRP_K = P_K$



The firm has
the optimum
amount of
Capital


If $MRP_L > P_L$ **Increase** the
use of **Labor**

If $MRP_L < P_L$ **Decrease** the
use of **Labor**


If $MRP_L = P_L$ The firm has
the **optimum**
amount of
Labor

If $MRP_K > P_K$ **Increase** the
use of **Capital**

If $MRP_K < P_K$ **Decrease** the
use of **Capital**


If $MRP_K = P_K$ The firm has
the **optimum**
amount of
Capital

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