







Units produced: Output

Variable Cost is zero
when output is zero



VC

=













Decreasing Returns
to Labor set in:



Variable Costs increase as Output increase

Cost per unit drops
because Marginal
Product Increase



\$2

1



\$0.66

3

2

3

.....



\$1



2

4.16

3.66

.....



\$0.50



4

4.56

.....



\$0.40



5



Cost per unit will rise
as the Marginal
Product Increase

Variable Costs increase as Output increase



