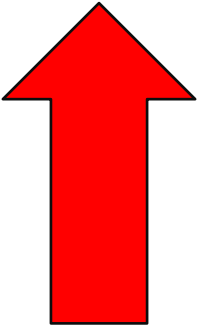


Wagde:













5
pounds

$L=1$



10
pounds

$L=2$



15
pounds

$L=3$



20
pounds

$L=4$



25
pounds

$L=5$



\$

1

0

\$

1

0

\$

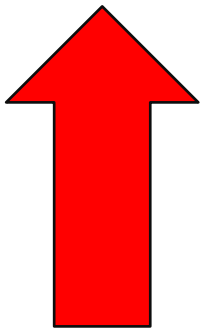
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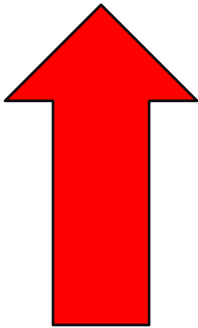
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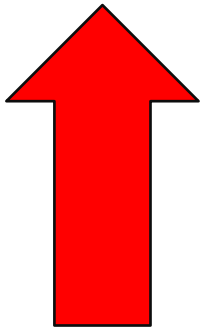
0



Cost per unit



Cost per unit



Cost per unit



Pay \$10 for
5 pounds



Pay \$10 for
10 pounds



Pay \$10 for
15 pounds

\$

1

0





Cost Per Unit Drops

\$2

pound

\$1

\$0.66

\$0.50

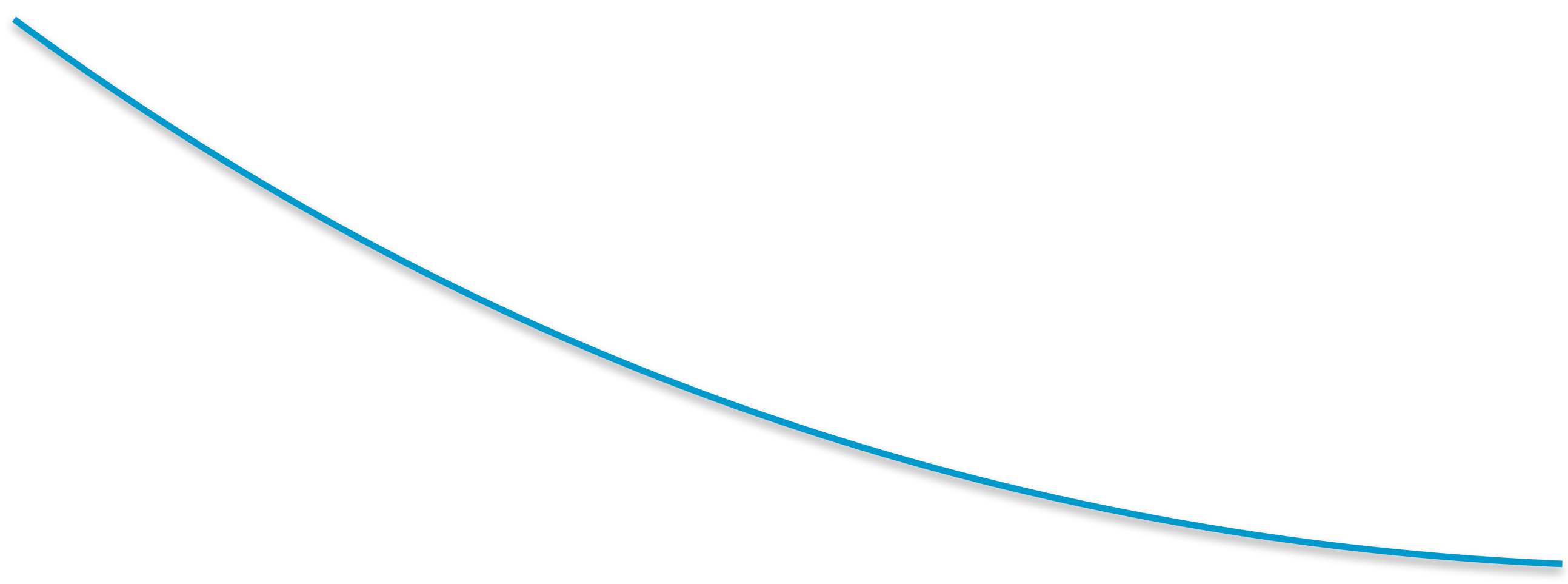
\$0.40

As the Marginal Product increase,











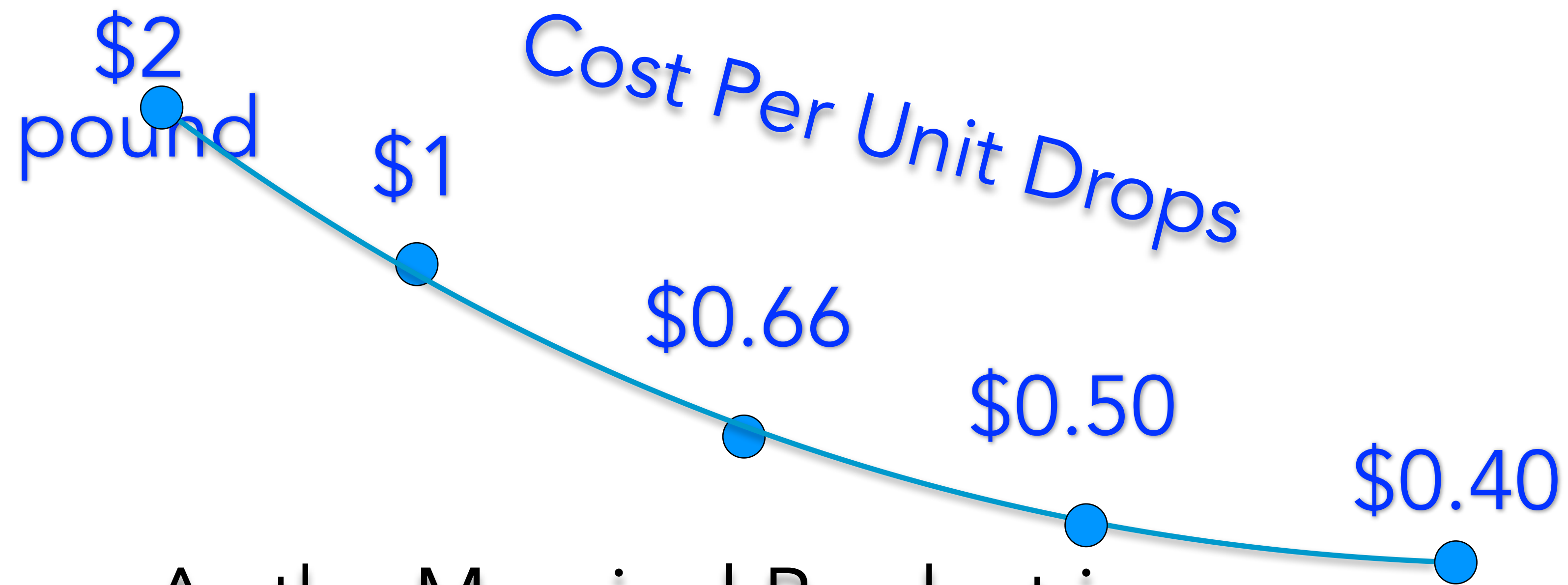


M

P

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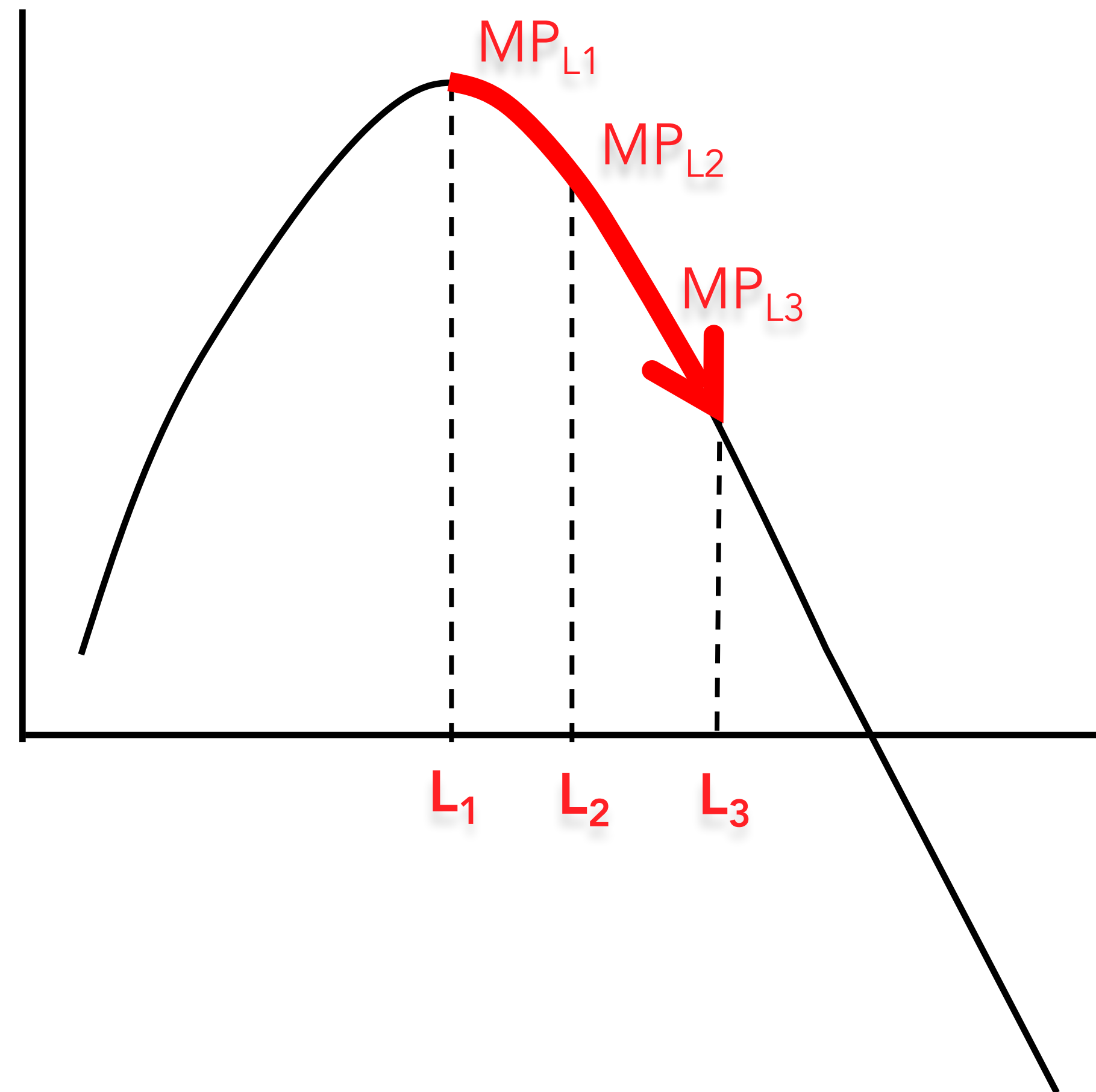
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As the Marginal Product increase,

MP: 5	10	15	20	25
pounds	pounds	pounds	pounds	pounds
L=1	L=2	L=3	L=4	L=5





Decreasing Returns to Labor eventually set in and
the **Marginal Product of Labor decrease**