

The firm gets \$1 in revenue for
each dollar spent on labor

The firm gets \$1 in revenue for
each dollar spent on capital

We know the firm has hired the optimum number of workers if $MRP_L = P_L$ which means that:

We know the firm has purchased the optimum
number of machines if $MRP_K = P_K$ which means that:

$$\frac{MRP_K}{P_K} = 1$$

$$\frac{MRP_L}{P_L} = 1$$

We know the firm has purchased the optimum **m**ix of machines **and** labor
when these two conditions hold at the same time:

MRP_K



P_K

MRP_L



P_L

We know the firm has purchased the optimum **mix** of machines **and** labor when the **revenue per dollar spent on Labor** is the same as the **revenue per dollar spent on Capital**

[REDACTED]

[REDACTED]



Both = 1

We know the firm has purchased the optimum **mix** of machines **and** labor when these two conditions hold at the same time:

$$\frac{\text{MRP}_L}{P_L} = 1 \quad \longleftrightarrow \quad \text{Both} = 1 \quad \longleftrightarrow \quad \frac{\text{MRP}_K}{P_K} = 1$$

$$\frac{\text{MRP}_L}{P_L} = \frac{\text{MRP}_K}{P_K}$$

We know the firm has purchased the optimum **mix** of machines **and** labor when the **revenue per dollar spent on Labor** is the same as the **revenue per dollar spent on Capital**