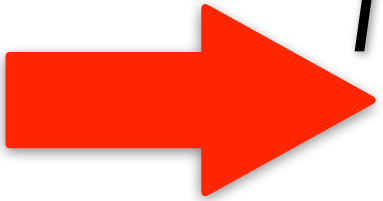
$$\frac{MRP_L}{P_L} = 1$$

$$\frac{MRP_L = 120}{P_L = 120}$$



*The firm gets **$1** in revenue for each dollar spent on Labor*

We know the firm has hired the optimum number of workers if

$MRP_L = P_L$

The firm spends $120 ($P_L$) to hire another worker, and gets $120 in revenue from that worker

Example:

$$\frac{MRP_L}{P_L} = \text{Revenue per dollar spent on Labor}$$

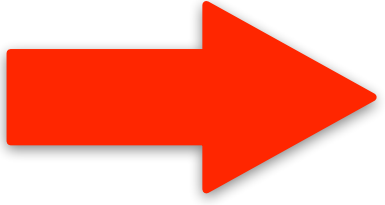
$$\textit{if}\ MRP_L = P_L$$

$$\frac{MRP_L = 60}{PL = 120}$$

*The firm gets **50 cents*** in revenue *for each dollar spent on Labor*

Example:

$$==0.5$$



The firm should not hire that worker: use less labor

We know the firm has hired the optimum number of workers if

$$MRP_L = P_L$$

Example: $\frac{MRP_L = 120}{P_L = 120}$ *The firm spends $120 ($P_L$) to hire another worker, and gets $120 in revenue from that worker*

if $MRP_L = P_L$ $\frac{MRP_L}{P_L} = 1$ → *The firm gets* ***$1*** in revenue *for each dollar spent on Labor*

$\frac{MRP_L}{P_L}$ = *Revenue per dollar spent on Labor*

Example: $\frac{MRP_L = 60}{PL = 120} = 0.5$ *The firm gets* ***50 cents*** in revenue *for each dollar spent on Labor*

→ *The firm should not hire that worker: use less labor*