

MP_{L2}



L₂

MP_{L3}



L₃

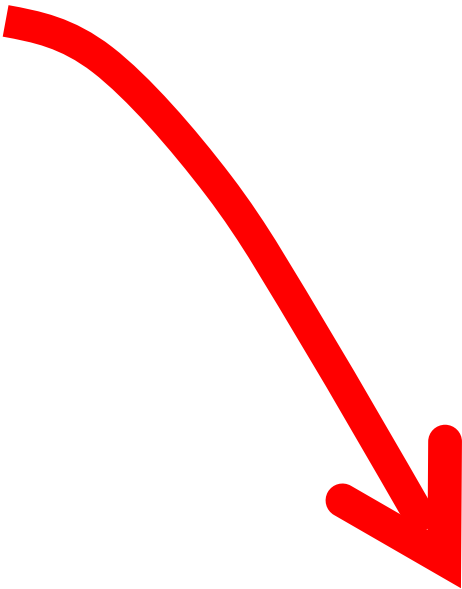
MP_{L1}



L₁

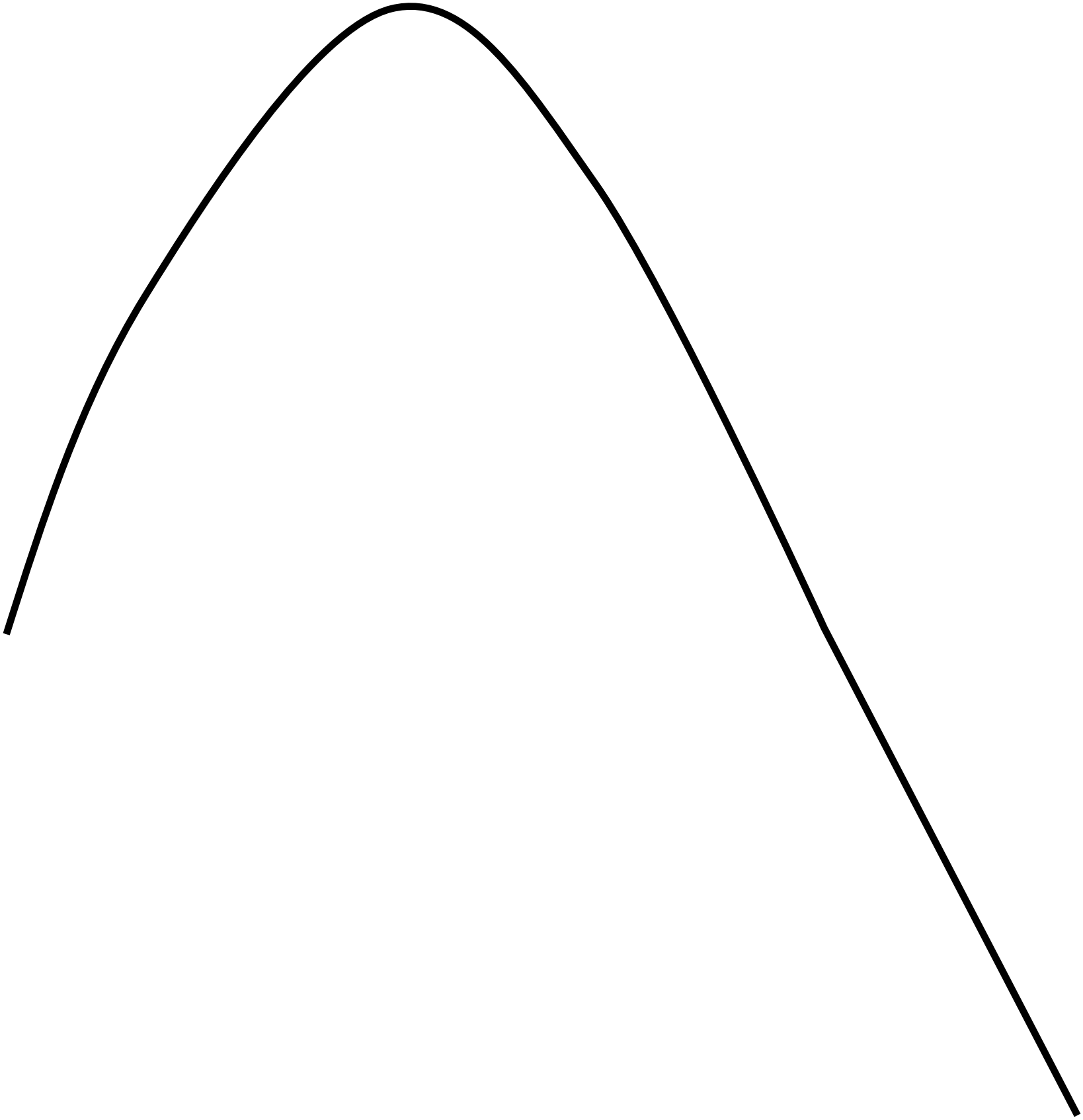


As more workers are hired:
 MP_{Labor} decrease









MP_{k2}



K_2

MP_{k3}



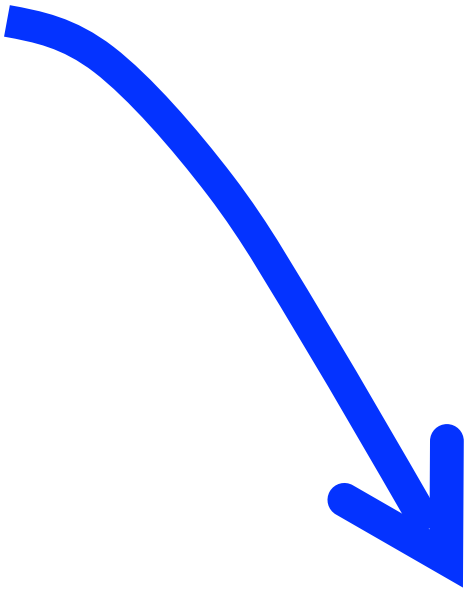
K₃

MP_{k1}



K_1

As more machines are used:
 MP_{Capital} decrease



Too many workers
decrease productivity
of Labor

Too many machines
decrease productivity
of Capital

Fixed
plant size

Eventually, Decreasing Returns to both
Labor and Capital set in

MP_k

MPL

Eventually, Decreasing Returns to both

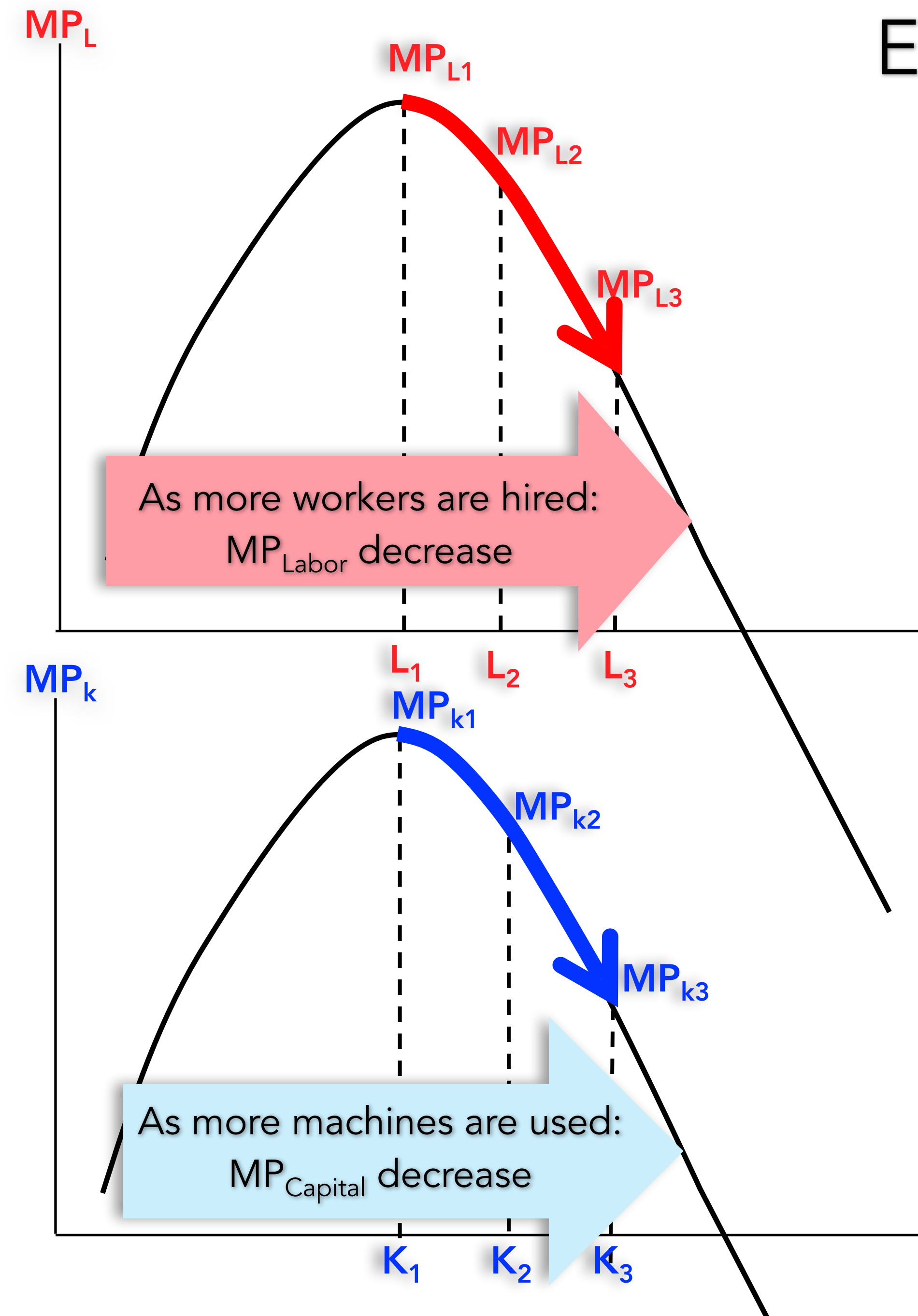
Labor and Capital set in

Fixed
plant size

Too many workers
decrease productivity
of Labor



Too many machines
decrease productivity
of Capital



Once Diminishing Returns Set In...

