





*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*

*We know the firm has
purchased the optimum
number of machines if*

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

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

*We know the firm has purchased the optimum
mix 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

$$\frac{MRP_L}{P_L} = 1 \quad \longleftrightarrow \quad \frac{MRP_K}{P_K} = 1$$

Both = 1

$$\frac{MRP_L}{P_L} = \frac{MRP_K}{P_K}$$

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**

