












Firms bring in more
workers (Labor)

Firms bring in more
machines (Capital)


To a plant of
fixed size

To Increase Production in the Short Run

Depending on the
prices of Labor (P_L)
and Capital (P_K), the
firm chooses the best
combination of Labor
and Capital



If labor is more
expensive than capital,
use more capital than
labor

A red speech bubble with a white background and a red outline. The bubble has a tail pointing downwards and to the left. Inside the bubble, the text "If capital is more expensive than labor, use more labor than capital" is written in black, with "use more labor" highlighted in red.

If capital is more
expensive than labor, use
more labor than capital

To Increase Production in the **Short Run**

If capital is more expensive than labor, use **more labor** than capital

Firms bring in more workers (Labor)



To a plant of **fixed size**

Depending on the prices of **Labor** (P_L) and **Capital** (P_K), the firm chooses the best combination of **Labor** and **Capital**

Firms bring in more machines (Capital)

Fixed
plant size

