









The firm gets \$1 in

revenue for each

dollar spent on labor

The firm gets \$1 in

dollar spent on capital

revenue for each

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

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

 MRP_{κ}

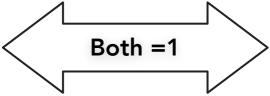
MRP

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





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



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

$$\frac{MRP_L}{P_L} = 1$$
Both = 1
$$\frac{MRP_K}{P_K} = 1$$

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

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