












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

A large, black-outlined speech bubble with a pointed tail at the bottom center. Inside the bubble, text is written in a sans-serif font. The text is arranged in four lines. The first three lines are in black, and the last line is in blue. The text reads: "If labor is more expensive than capital, the firm uses more capital than labor".

If labor is more
expensive than capital,
the firm uses 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 the firm uses more labor than capital" is written in black, with "uses more labor" highlighted in red.

If capital is more
expensive than labor the
firm **uses more labor**
than capital

To Increase Production in the **Short Run**

If capital is more expensive than labor the firm **uses 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

