



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  $MRP_L = P_L$  which means that:

We know the firm has purchased the optimum  
number of machines if  $MRP_K = P_K$  which means that:

$$\frac{\text{MRP}_K}{P_K} = 1$$

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

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



$MRP_K$

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$P_K$

MRP<sub>L</sub>



P<sub>L</sub>

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:

$$\frac{\text{MRP}_L}{P_L} = 1 \quad \longleftrightarrow \quad \text{Both} = 1 \quad \longleftrightarrow \quad \frac{\text{MRP}_K}{P_K} = 1$$

$$\frac{\text{MRP}_L}{P_L} = \frac{\text{MRP}_K}{P_K}$$

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**