



Variable Costs increase as  
Output increase





Output





MC drops as MP

increase



MC rise as MP  
decrease

Decreasing  
Returns to  
Labor set in

# Variable Cost

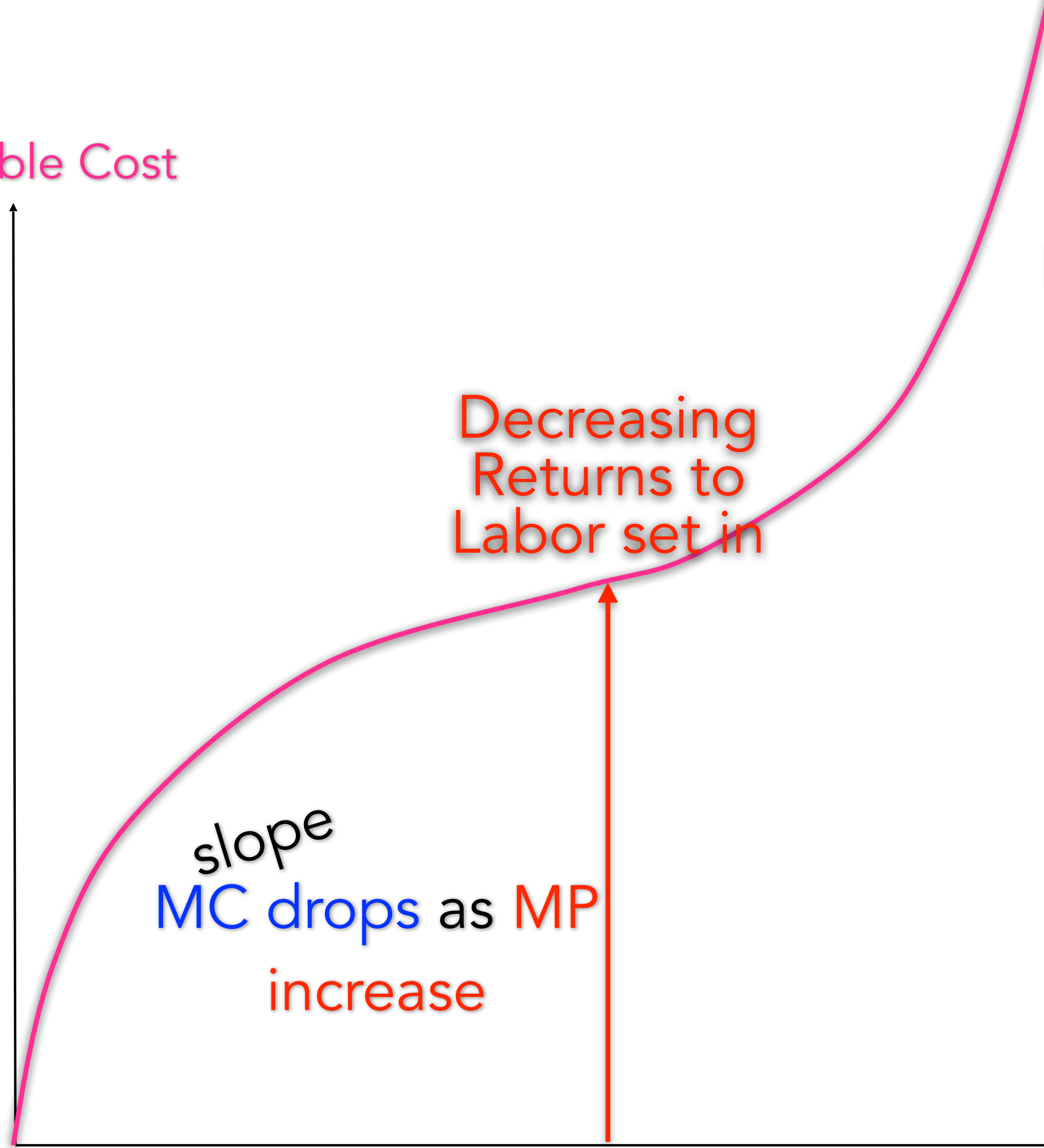
slope

slope

Variable Cost



Output



Decreasing  
Returns to  
Labor set in

slope  
MC drops as MP  
increase

slope  
MC rise as MP  
decrease

Variable Costs increase as  
Output increase

# A Typical Cost Function

