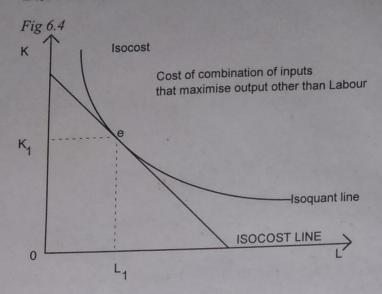
6.4 EQUILIBRIUM OF THE FIRM



Cost of combination of inputs that maximises output of the Contactour.

The firm will opt for that point of targency where the Contactour is tangent to the isocost line. At point e the equilibrium by then of the firm is defined as the level of maximum output subject to be tost constraint and is Gways shown when the isocost line is tangent to the itoquant.