Economics

My cost curves notes

Cost Curves

Short Run Production Function $Q = F(L, \bar{K}) = F(L)$

→ only changes in the variable labor input can change the level of output

Average Product of Labor

$$AP = Q/L$$

Marginal Product of Labor

$$MP = \Delta Q/\Delta L$$

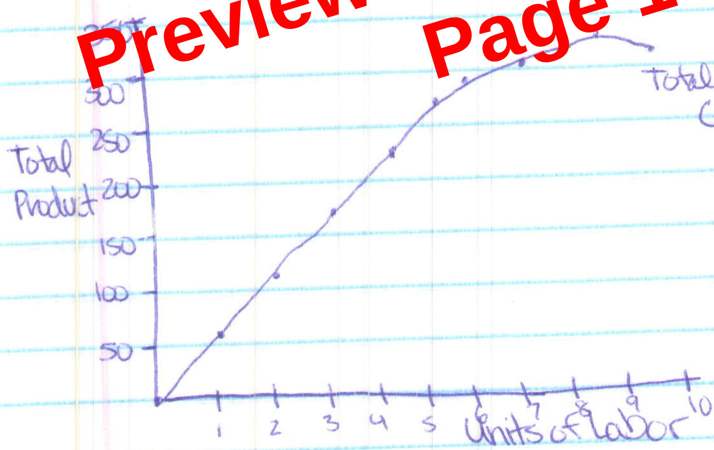
When AP is rising, MP > AP

When AP is falling, MP < AP

At maximum AP, AP = MP

Law of Diminishing Marginal Product

- As usage of a variable input increases, a point is reached beyond which its marginal product decreases



Typical