Ch6: Production Inputs Intermediate Goods Final Purchased by Consumer 50005

Simplifying Assumptions · Firm produces a single good · Zinputs: Labar & Capital · Short run: Capital is fixed Long run i all inputs are Variable
More inputs > more outputs MR > 0 YL · Diminishing marginal returns to labor & Capital Sa 2011 Ja 201K JK2 201K Price of imputs are fixed

Objective: To produce a given quantity as inexpensively as possible. Constrained optimilization Production Function $Q = f(K,L) = K^{.5}L^{.5}$ Capital labor

Cost Minimization Problem like indifference Curves) · Isoquants Same quantity K 9=10 9=20 9=40 Q = K + LQ = min(K,L) Perfect Compliments Perfect Substitutes