


EXHIBIT 10

MICROECONOMICS

Explore & Apply



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MICROECONOMICS

EXPLORE
&
APPLY

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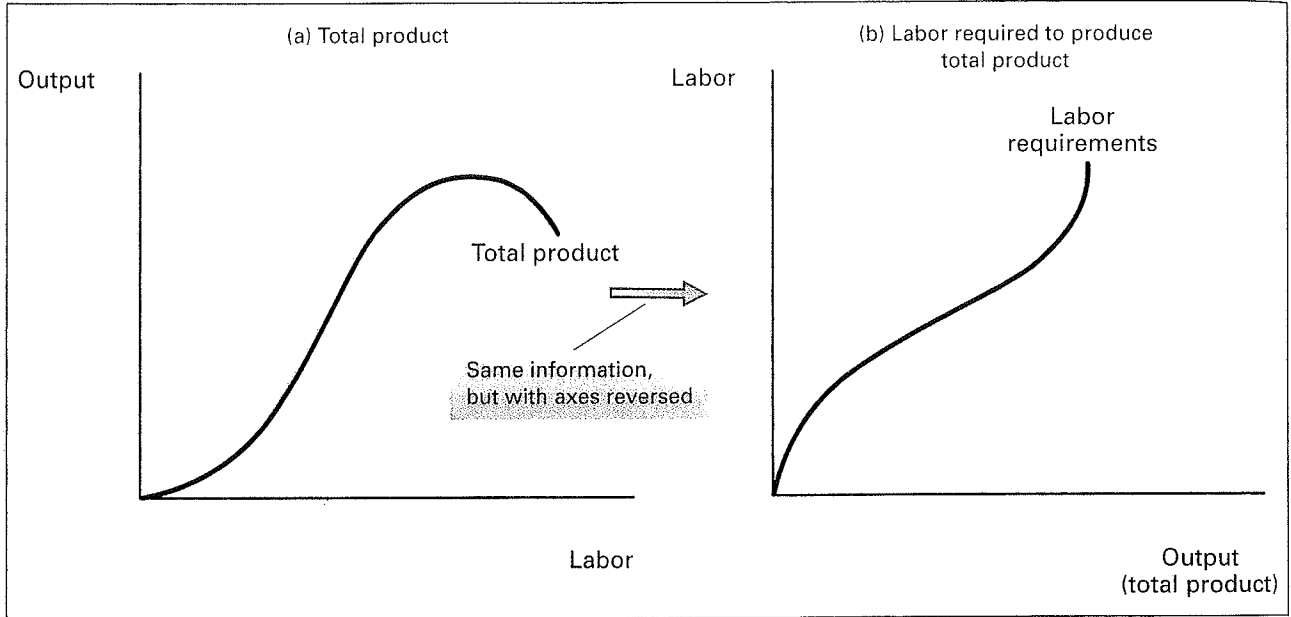


FIGURE 8-1

LABOR REQUIREMENTS CURVE Total labor requirements for each level of output are revealed by looking at the total product curve from a different perspective. The same information is contained in both the total product curve shown in (a) and the labor requirements curve shown in (b). The declining portion of total product is not relevant to labor requirements, because the firm will not hire workers who reduce total output.

FIGURE 8-2

TOTAL COST AND ITS COMPONENTS Total variable cost equals the wage rate \times labor requirements, and so has the same shape as the labor requirements curve. So does total cost, which is the sum of total variable cost and total fixed cost. Since fixed costs do not change with output, total fixed cost appears as a flat line. Marginal cost is the slope of the total cost curve or, equivalently, the slope of the total variable cost curve. Marginal cost is minimized where this slope is least, as shown.

