Wilf Csaplar Jr.   Economics 280   Homework #5   Due Friday 03/02

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you one point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you ten points. If you do double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (35 points) Illustrate on both the AP_L/MP_L diagram and the MRP_L/MRC_L diagram an increase in the amount of capital. Explain why the curve(s) moved as drawn. What happens to the quantity of labor used?

2) (15 points) Explain why the MP_L curve takes the shape drawn in your answer to Question #1.

3) (20 points) Copy this table onto your answer sheet and fill it in. Show all work for all calculations. If a row does not require calculations, then explain how you got the entries.

L	TP_L	MP_L	AP_L
0			
2	40		
4			25
6		25	
	160		20

4) (10 points) When the book calculates MRP_L in Column 3 on Page 242, they say that MR = P. Why can they say that?

5) (20 points) The book draws on Page 240, a graph of TP_L. What why does it slope down in Stage III of production? Why do we disregard that area of the graph?