Solutions

Each answer shows the steps, then the **result**.

2.1

- the demand for it comes from the demand for the good it helps produce

2.2

- $MRP = MP \times P = 5 \times 4 = \$20$

2.3

- hire the factor until its marginal revenue product equals its marginal factor cost

3.1 A

3.2 B

3.3

(a)

- $MRP = 8 \times 5 = \$40$

(b)

- yes, hire the worker

(c)

- the MRP ($40) exceeds the wage ($30), so the worker adds more revenue than cost