Solutions

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

2.1

- a firm too small to affect the wage, which it takes as given

2.2

- hire until the marginal revenue product equals the wage ($MRP = W$)

2.3

- set $\dfrac{MP_L}{P_L} = \dfrac{MP_K}{P_K}$ (equal marginal product per dollar for each input)

3.1 B

3.2 A

3.3

(a)

- 3 workers

(b)

- the 4th worker's MRP ($25) is below the wage ($40), so hiring them would add more cost than revenue