

Answer on Question #40280 – Economics - Economics of Enterprise

Assignment

Assuming that the firm hires 10 units of capital and 20 units of labour, use the production function given in part a to compute the average and marginal products of labour.

Solution

If $Q = K \cdot L$, and the firm hires 10 units of capital and 20 units of labour, so $K = 10$, $L = 20$, $Q = 10 \cdot 20 = 200$ units.

Average product of labour = $Q/L = 200/20 = 10$ units

Marginal product of labour = change in Q /change in $L = (200 - 0)/(20 - 0) = 10$ units.