

EE211 (October 17, 2023)

Class activity (Costs in the Short Run)

Suppose output is given by the production function

$$Q = 3KL$$

, where K denotes capital and L denotes labor.

The price of capital is \$2/ machine-hour, the price of labor is \$24/ person-hour, and capital is fixed at 4 units in the short run. Graph the ATC, AVC, AFC, and MC curves.