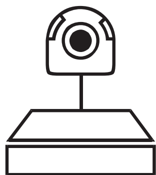


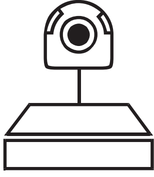
Unit 4, Lesson 21
Visual 1

NATIONAL ECONOMICS DAY GREETING CARD PRODUCTIVITY DATA

1. Number of Workers	2. Number of Cards Produced (in two minutes)	3. Labor Productivity (# of cards produced in two minutes divided by # of workers)
1		
2		
3		
4		
5		
6		
7		
8		

Labor Productivity: The amount of output per worker during a certain time period.

(In the example above, the output was greeting cards and the time period was two minutes.)



Unit 4, Lesson 21
Visual 2

DIMINISHING MARGINAL RETURNS AND THE DEMAND FOR LABOR

The law of diminishing marginal returns states that:

As more of a variable resource is added to a fixed resource, the marginal (additional) output from the variable resource will eventually decline.

Example: Output: greeting cards
Variable resource: workers
Fixed resources: 1 scissors, 2 markers

1. Number of Workers	2. Number of Cards Produced	3. Marginal Product of Labor	4. Value of Marginal Product (Price = $2)
0	0	—	—
1	4	4	$8
2	9	5	$10
3	15		
4	20		
5	24		
6	26		
7	27		
8	27		

Diminishing marginal returns first occurs with the _________ worker.

The selling price of each card is $2.00.

The only cost the business has is paying each worker $5.

How many workers would the business be willing to hire? ___________