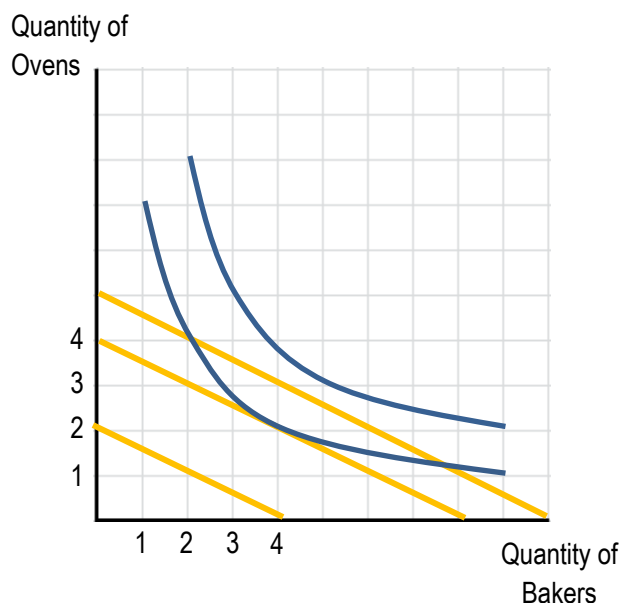


## CONCEPT: THE COST MINIMIZING COMBINATION OF LABOR AND CAPITAL

- The optimal combination of inputs reflects the \_\_\_\_\_ cost to produce a given amount of units.

□ **Cost Minimizing Point** – The point where an isoquant curve is \_\_\_\_\_ to the isocost line

**EXAMPLE:** Spooky Cookies bakes cookies with two inputs: Ovens and Bakers. Ovens cost \$6,000 per month and Bakers cost \$3,000 per month. Isoquant curves are shown for two levels of production: 5,000 cookies and 7,500 cookies. What is Spooky's cost minimizing combination of labor and capital for 5,000 cookies?



- Different countries may have different costs for inputs leading to different cost-minimizing points:

