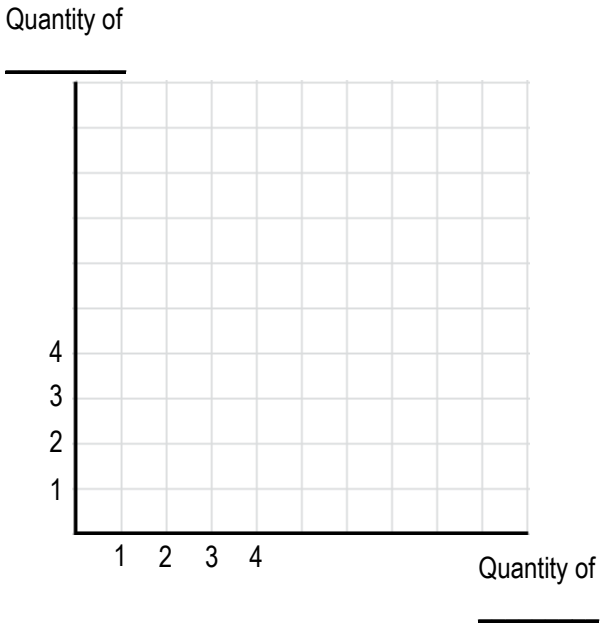
CONCEPT: ISOQUANT LINES

● A firm can produce the same level of output (i.e. 10,000 cookies) with different combinations of inputs

□ ***Isoquant Curve*** – shows all combinations of two _____ that result in the same level of _____

EXAMPLE: Spooky Cookies bakes cookies using the information in the tables below. Graph the isoquant curves for Spooky's production of cookies based on combinations of labor and capital.



Production = 500 cookies		
Bundle	Oven Quantity	Labor Quantity
A	1	9
B	2	4
C	4	2
D	7	1

Production = 750 cookies		
Bundle	Oven Quantity	Labor Quantity
E	2	9
F	3	5
G	5	3
H	8	2

Marginal Rate of Technical Substitution (MRTS) – rate a firm could substitute between inputs and keep production equal

□ The MRTS is the _____ of the isoquant curve at a point

$$Slope = \frac{\Delta y}{\Delta x} = \frac{Rise}{Run}$$

Production = 500 cookies		
MRTS when using 7 ovens:	MRTS when using 4 ovens:	MRTS when using 2 ovens: