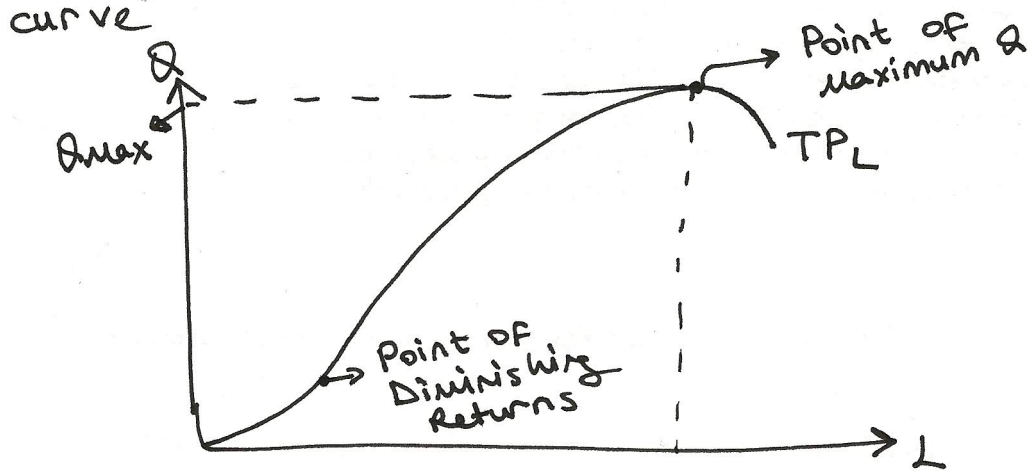


## Additional Notes

### \* Derivation of the variable cost curve from the total product curve.

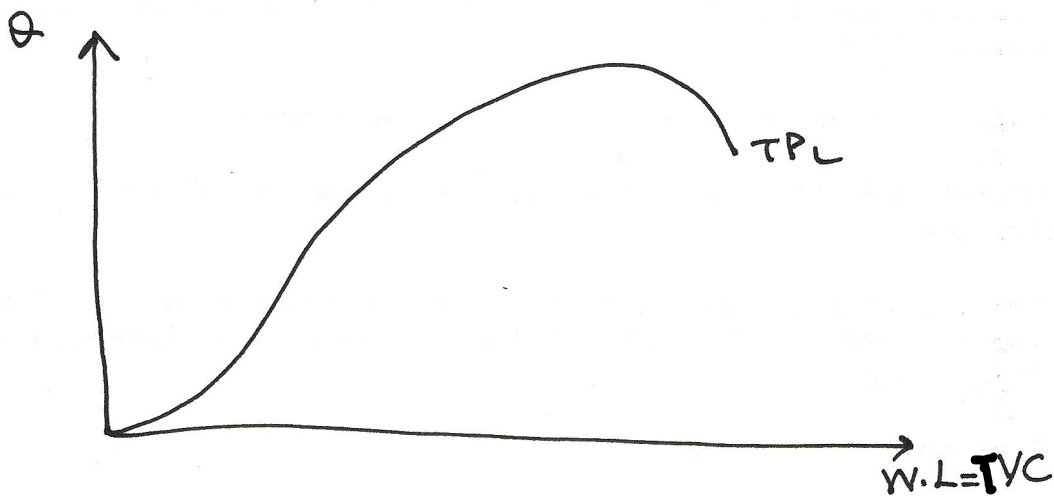
(i) We have seen the shape of total product curve



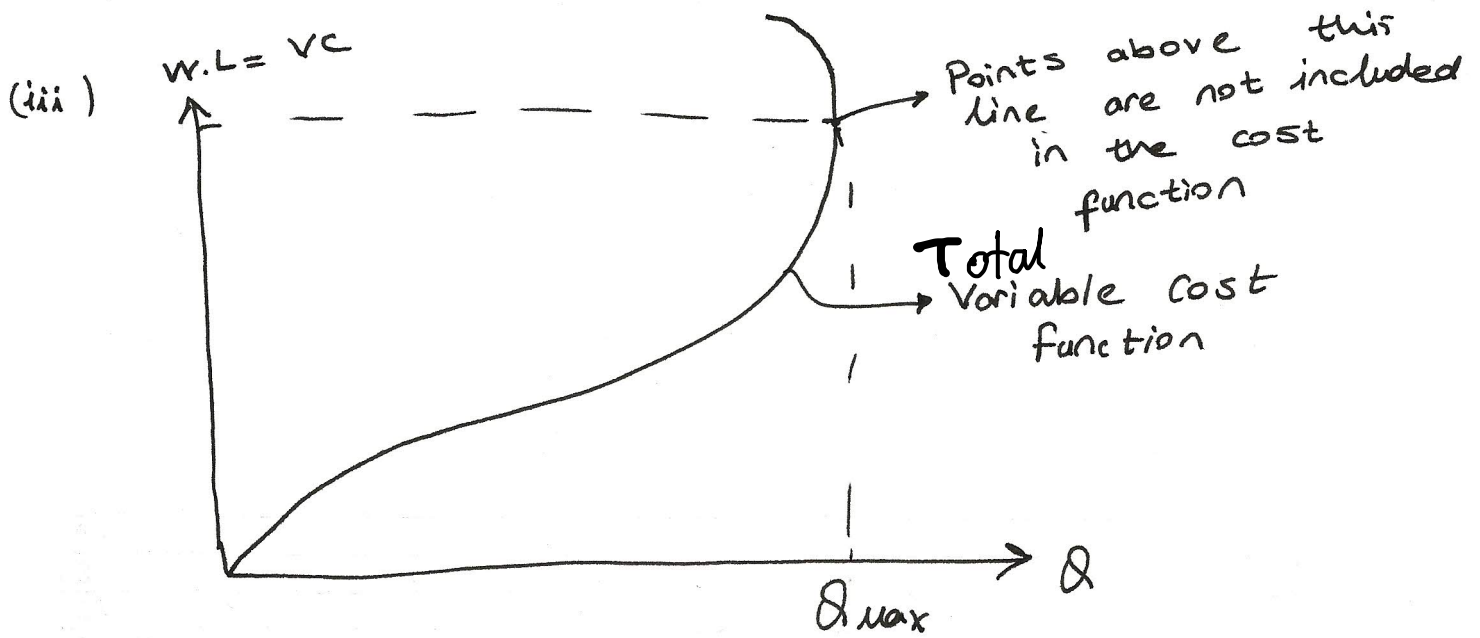
• Here, we assume that labor is the only variable input.

(ii) Now multiply  $x$  axis by  $w$  (wage) and use

**Total** Variable Cost =  $TVC = w \cdot L$



↳ Now we will change the  $y$  and  $x$  axis  
i.e.,  $y$  axis will be  $TVC$  and  $x$  axis will be  $Q$ .



Conclusion: The relationship between variable cost and output is governed by the law of diminishing marginal returns

