

Module 54 The Production Function

Discussion: What are the costs of owning a car? Assume the car is a fixed input while it is in the garage and a variable input when you drive it. Think about the fixed costs of owning a car (as it sits in the garage) and the variable costs of owning a car (as you drive the car).

Discussion: Brainstorm all the inputs on a college campus which are used to “produce” successful college students. In the short-run, which are fixed and which are variable?

Discussion: Brainstorm the fixed and variable inputs at a fast-food restaurant.

Numerical Example: Example of a fast-food restaurant to illustrate the concept of a production function. The size of the store is a fixed input and the number of workers is a variable input.

Quantity of labor (workers)	Total production of hamburgers per hour	Marginal Product of labor
0	0	
1	55	55
2	120	65
3	190	70
4	230	40
5	240	10
6	245	5

-Diminishing returns set in at 4 workers.

-Total production of hamburgers per hour increase but at decreasing rate.

Thomas Malthus-Was He Right? “Misery is the normal condition of humankind.” Does this explain the concept of diminishing returns?