

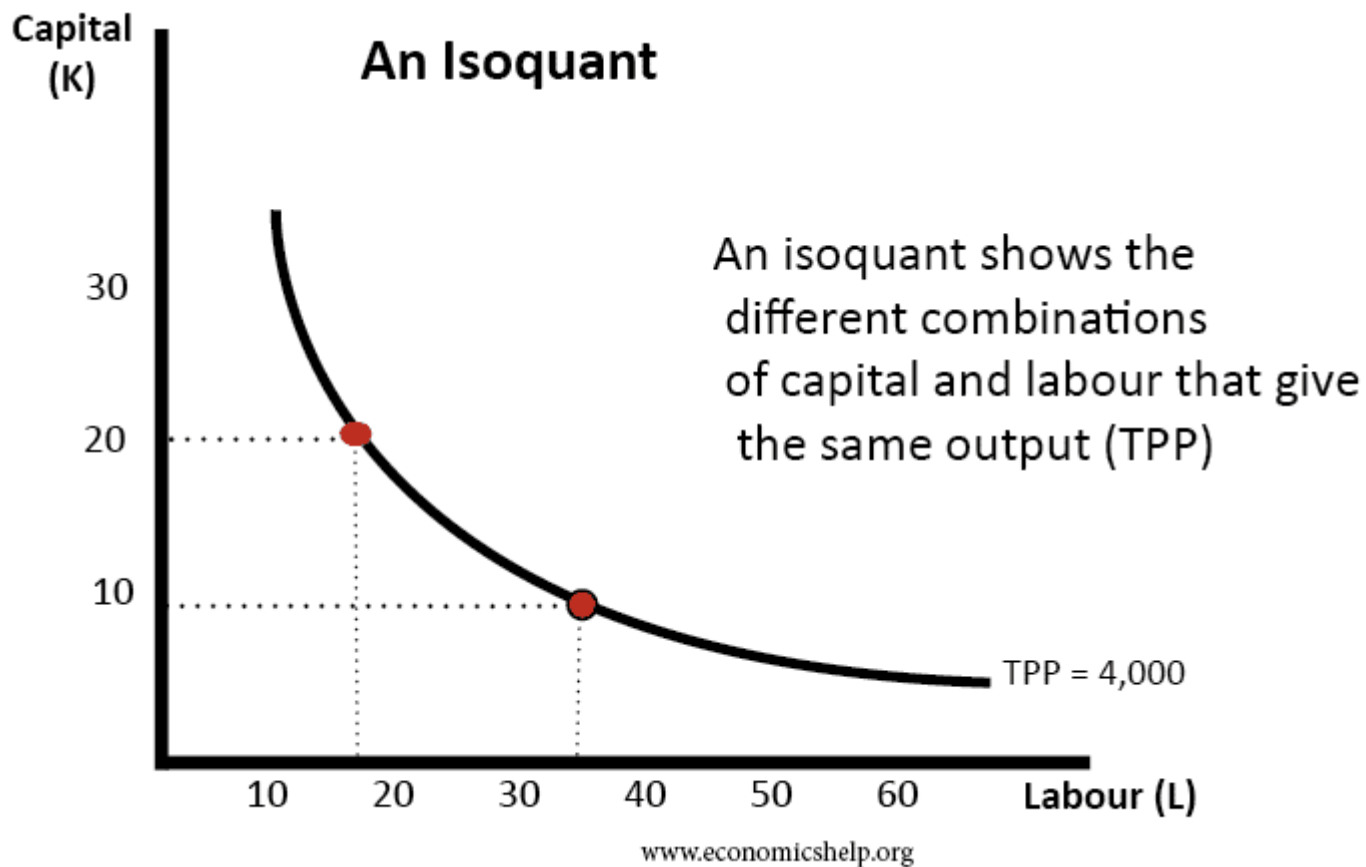
## Isoquants

### Isoquant and isocosts

- An isoquant shows all combination of factors that produce a certain output
- An isocost show all combinations of factors that cost the same amount.
- Isocosts and isoquants can show the optimal combination of factors of production to produce the maximum output at minimum cost.

### **Definition isoquant**

An isoquant shows all the combination of two factors that produce a given output



In this diagram, the isoquant shows all the combinations of labour and capital that can produce a total output (Total Physical Product **TPP**) of 4,000. In the above isoquant, this could be

- 20 capital and 18 labour or (more capital intensive)
- 9 capital and 35 labour. (more labour intensive)

An isoquant is usually shaped concave because of the law of diminishing returns. With fixed capital employing extra workers gives a declining increase in the marginal product (MP)