

How are the concepts of diminishing returns and marginal cost used by businesses?

# Law of diminishing return

- Economic law stating that if one input in the production process is increased while the others are held fixed a point will be reached at which additions of the input will result in smaller increases in output.
- The more money you put in you get less and less back

# Marginal cost

- Cost added by producing one extra item of a product (production costs)
- Used in the real world to help businesses determine the appropriate rate of production
- Monopolistically competitive markets are not as efficient at determining marginal cost as perfectly competitive markets.

# Writing assignment

- Research and write a paragraph (7 sentences) on how marginal cost and the law of diminishing returns are used by businesses.
- Cite your source.