

Isoquants The possible combinations of inputs that will produce given level of output can be defined as isoquant: An isoquant; a curve that shows the efficient Combination of labor and capital that can produce a Single (iso) level of output (quantity). Thus, $Q = (L^p + K^p)^{1/p}$ (2 – 12) The marginal rate of technical substitution for a CES isoquant is : $MRTS = - (L/K)^{p-1}$ (2 – 13) At every point on a CES isoquant, the constant elasticity of substitution is: $\sigma = \frac{1}{1-p}$ So, efficiency involves that isoquants do not cross