



**This graph shows Acme’s total product curve from Figure 8.1, “Acme Clothing’s Total Product Curve” with the ranges of increasing marginal returns, diminishing marginal returns, and negative marginal returns marked. Acme experiences increasing marginal returns between 0 and 3 units of labor per day, diminishing marginal returns between 3 and 7 units of labor per day, and negative marginal returns beyond the 7th unit of labor.**

The idea that the marginal product of a variable factor declines over some range is important enough, and general enough, that economists state it as a law. The *law of diminishing marginal returns* holds that the marginal product of any variable factor of production will eventually decline, assuming the quantities of other factors of production are unchanged.