

# MACROECONOMICS

second edition

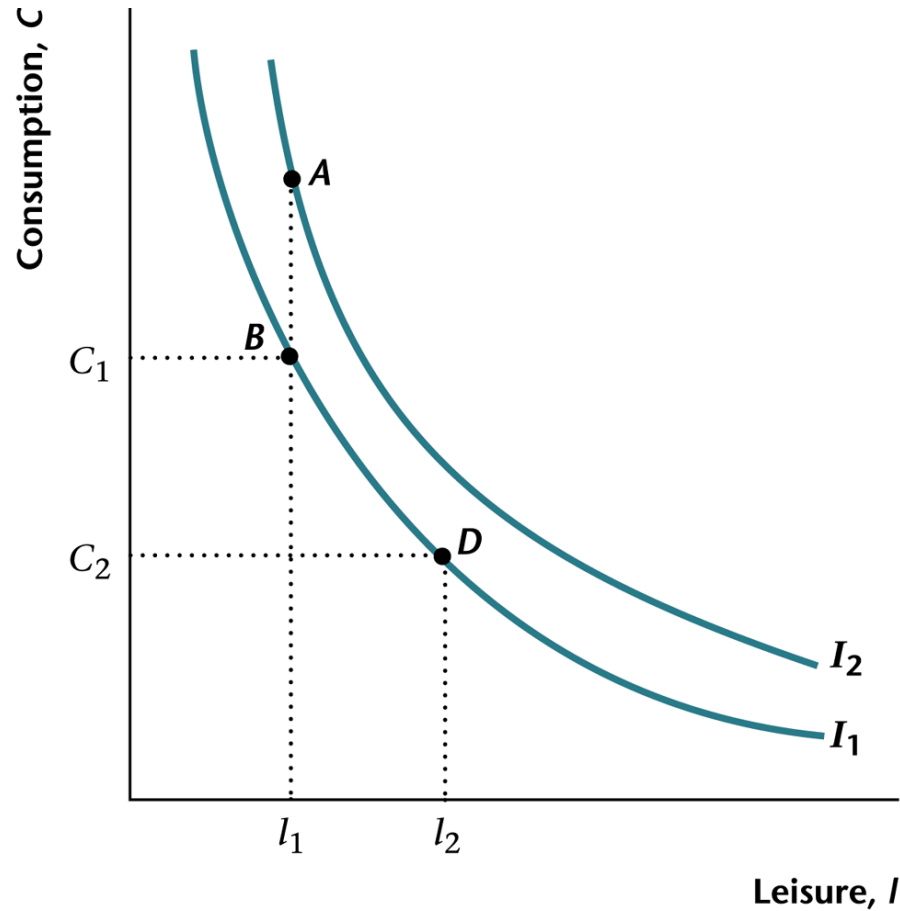


STEPHEN D. WILLIAMSON

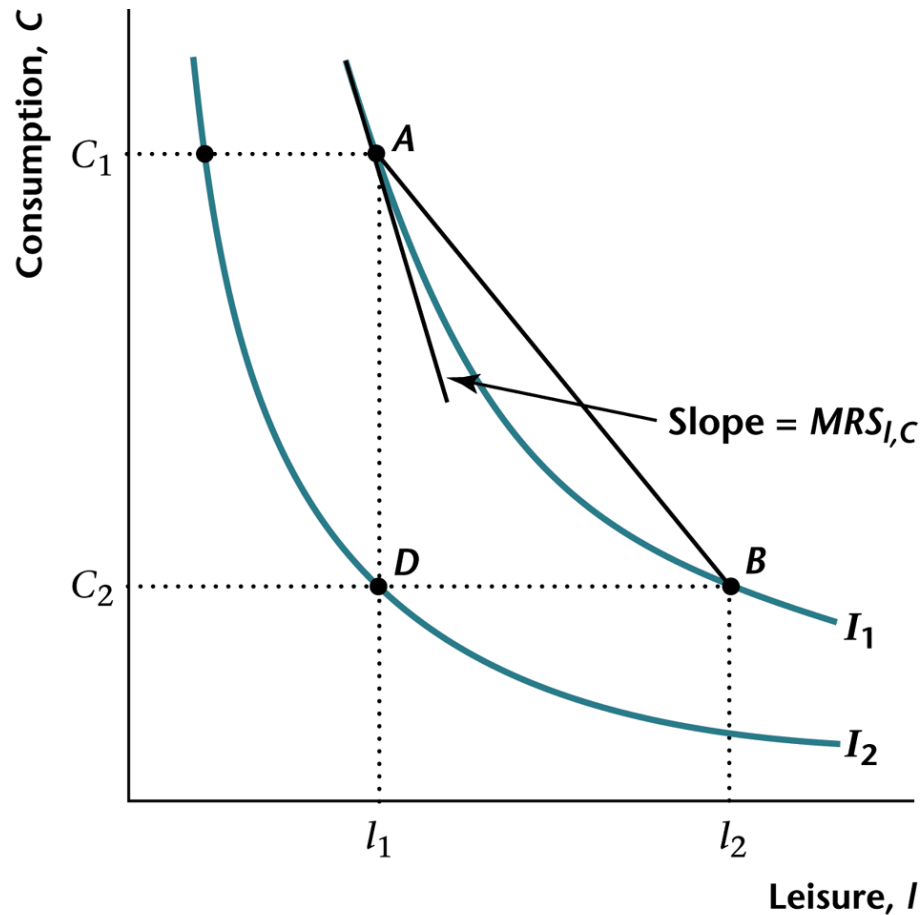
## Chapter 4

Consumer and  
Firm Behavior:  
The Work-Leisure  
Decision  
and Profit  
Maximization

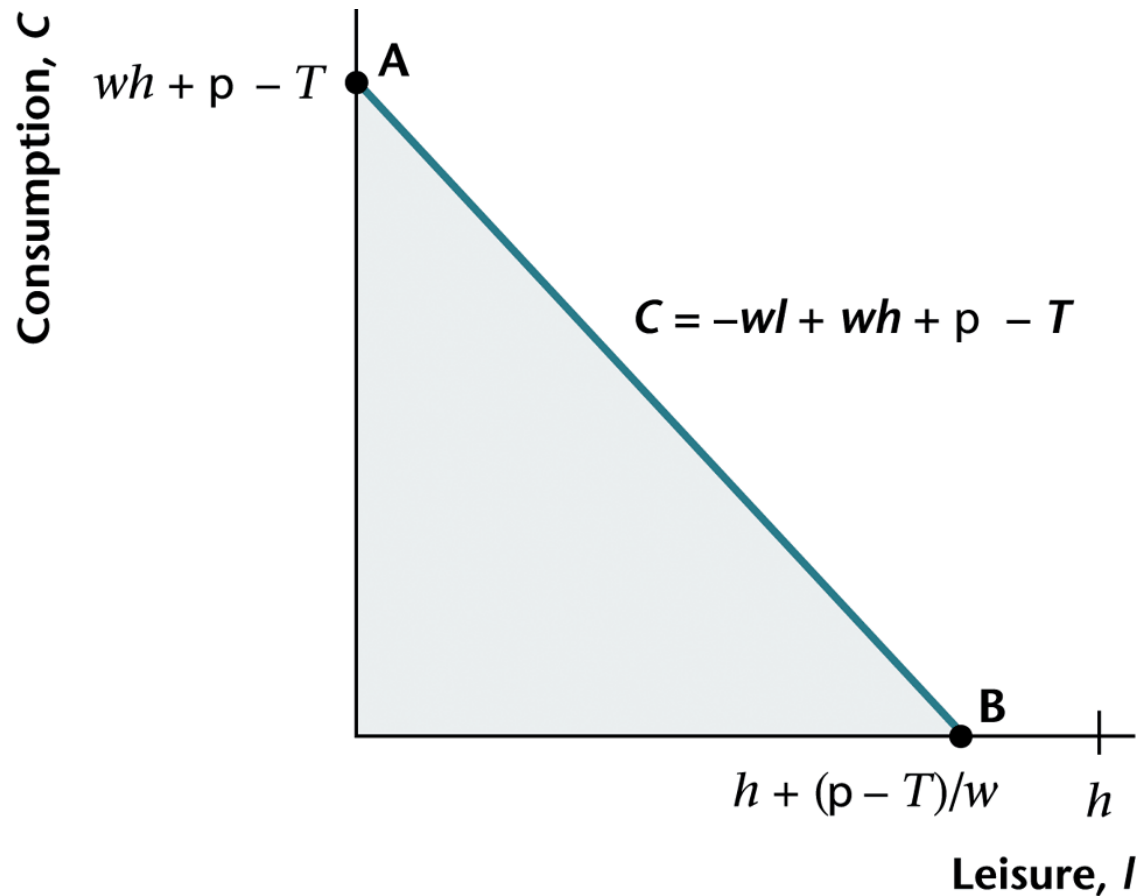
# Figure 4.1 Indifference Curves



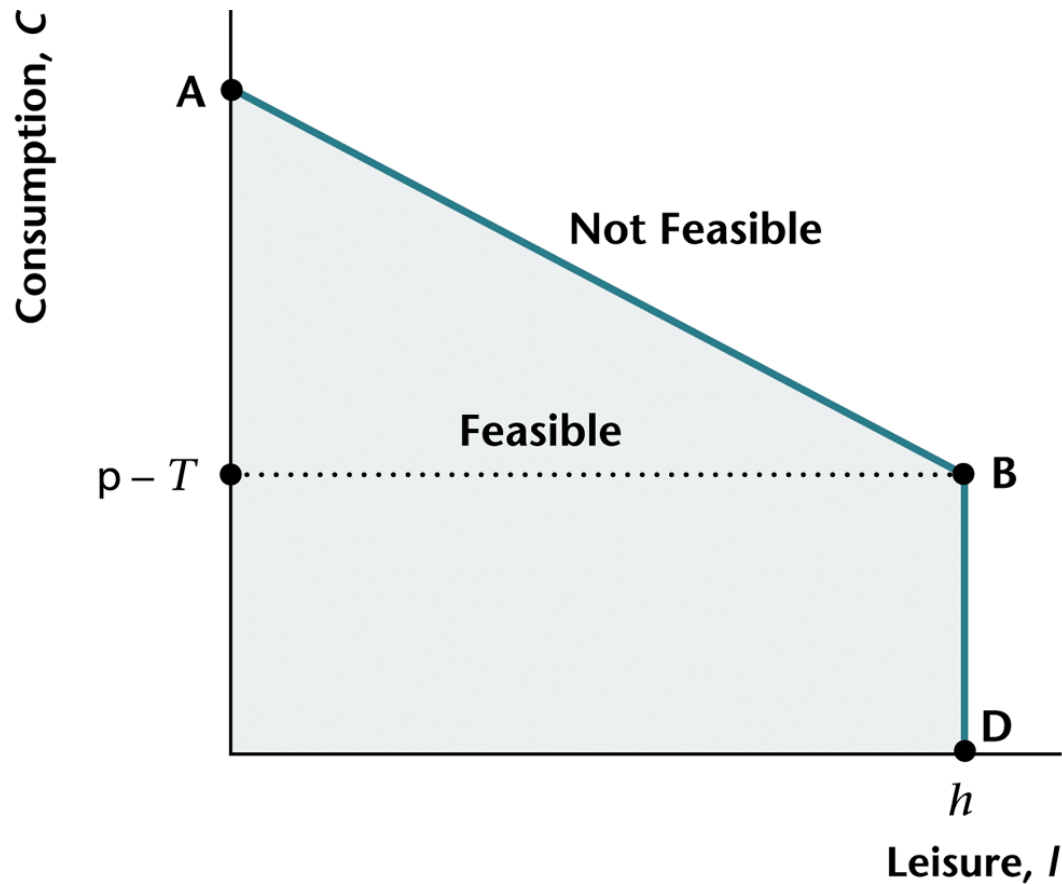
# Figure 4.2 Properties of Indifference Curves



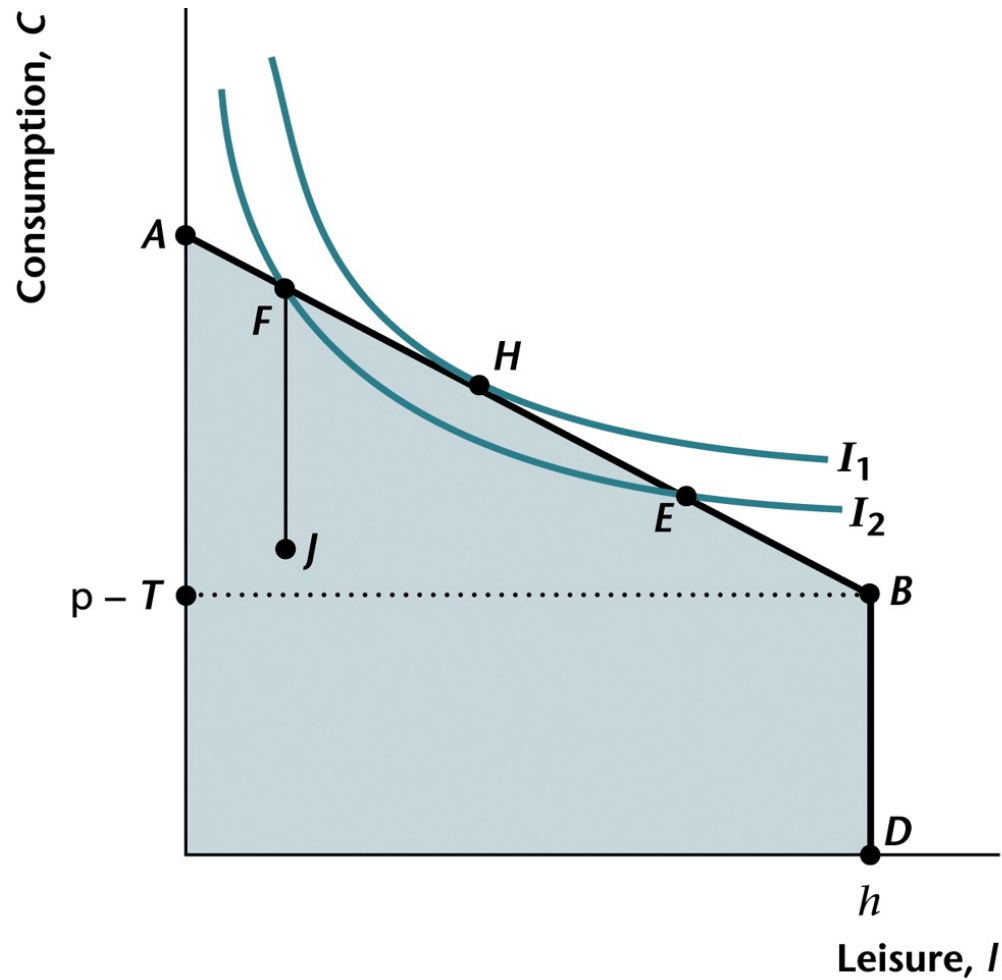
# Figure 4.3 Representative Consumer's Budget Constraint ( $T > \pi$ )



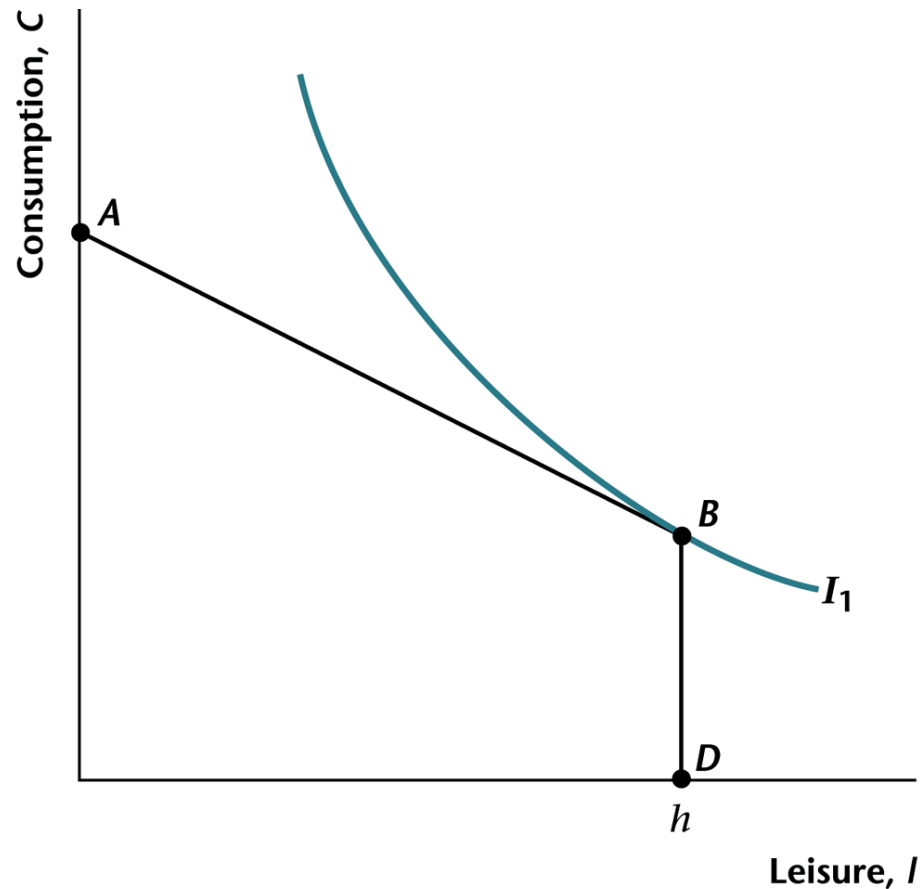
# Figure 4.4 Representative Consumer's Budget Constraint ( $T < \pi$ )



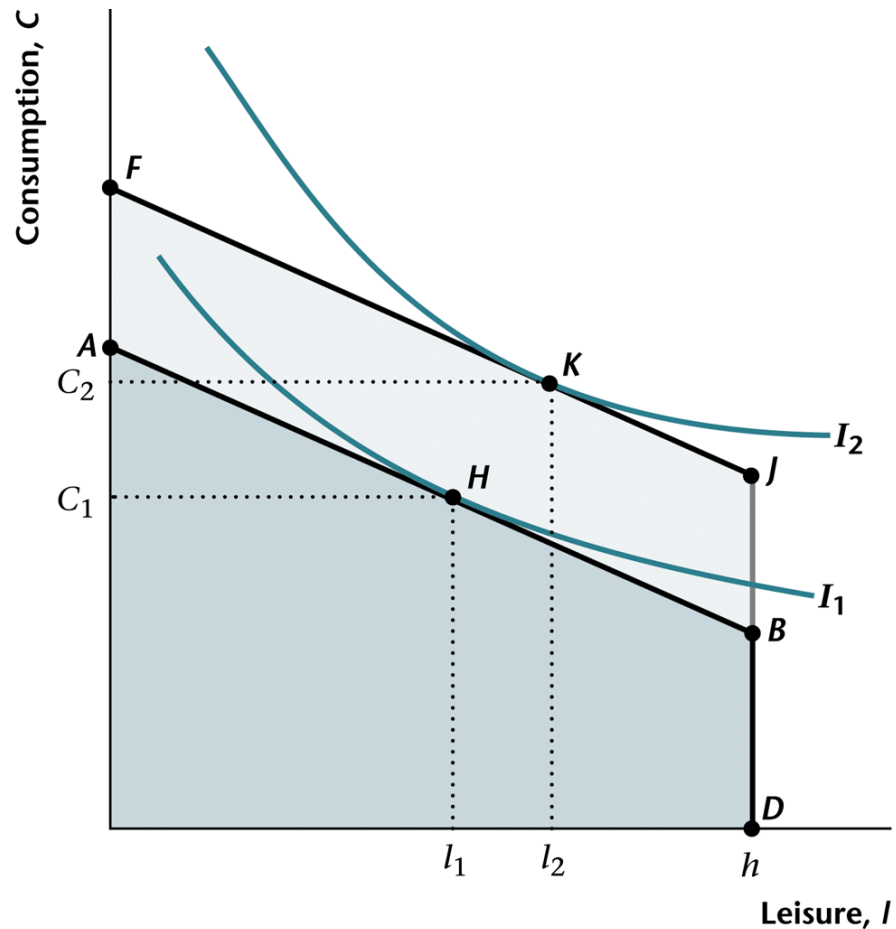
# Figure 4.5 Consumer Optimization



# Figure 4.6 The Representative Consumer Chooses Not to Work

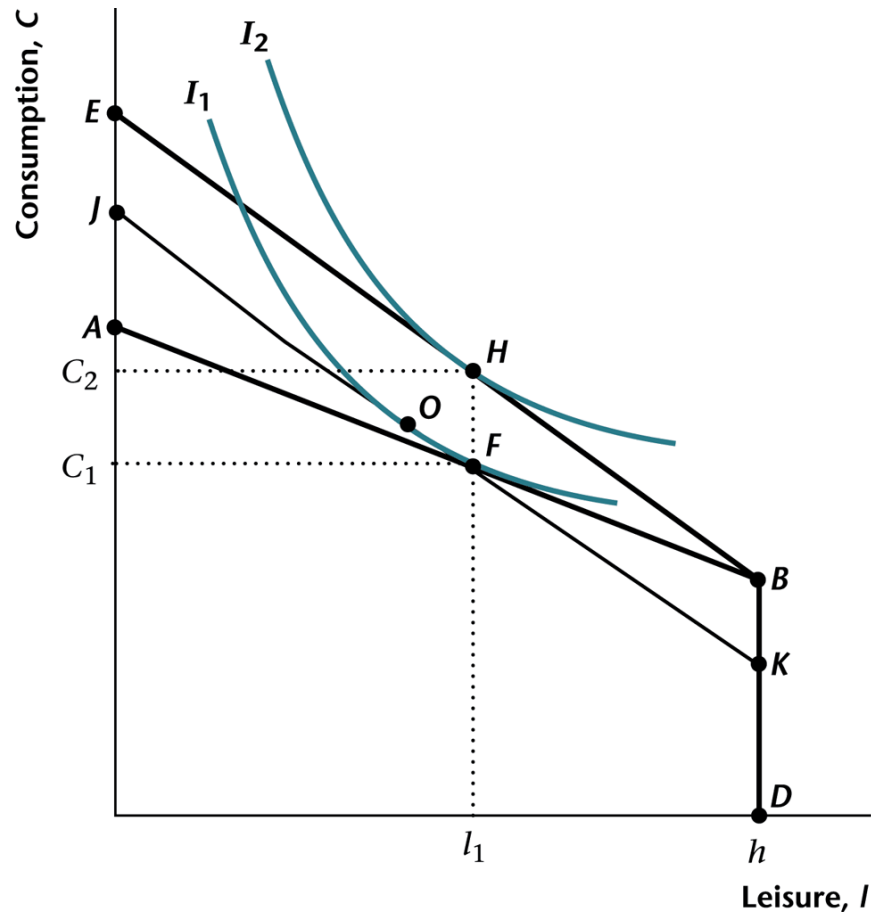


# Figure 4.7 An Increase $\pi - T$ for the Consumer

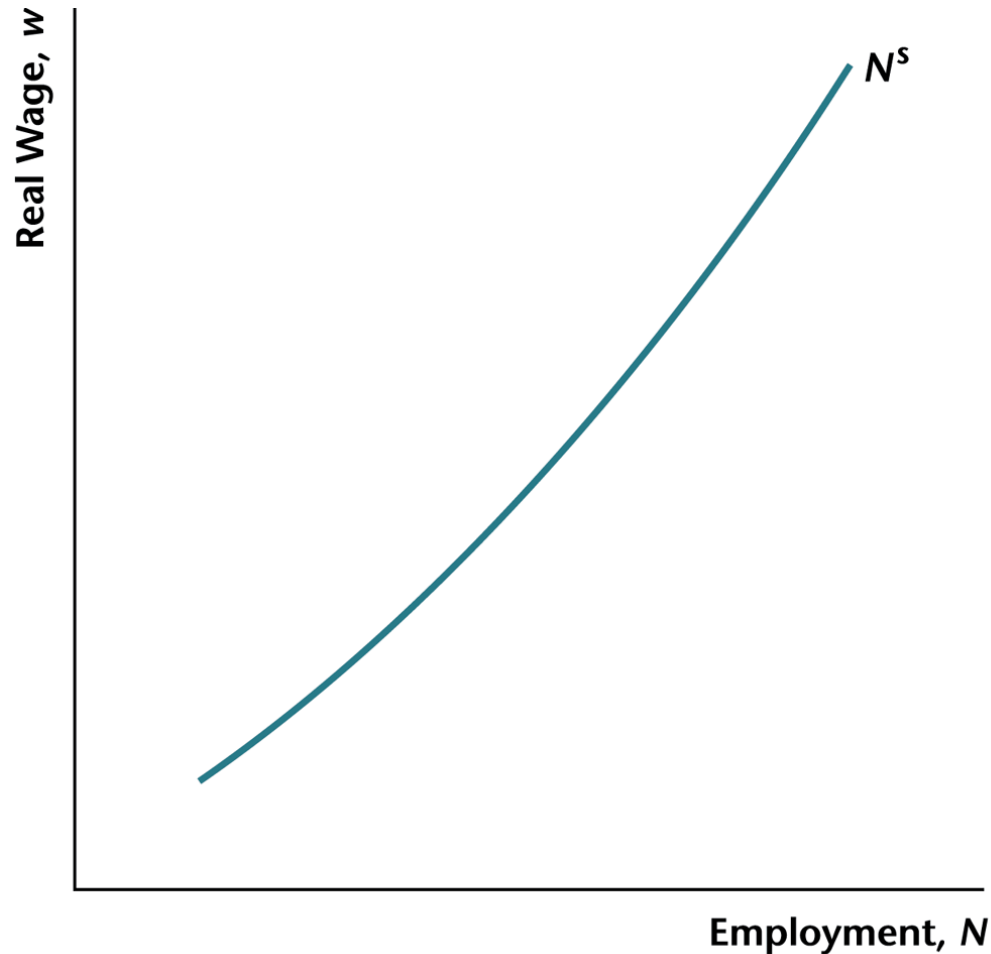




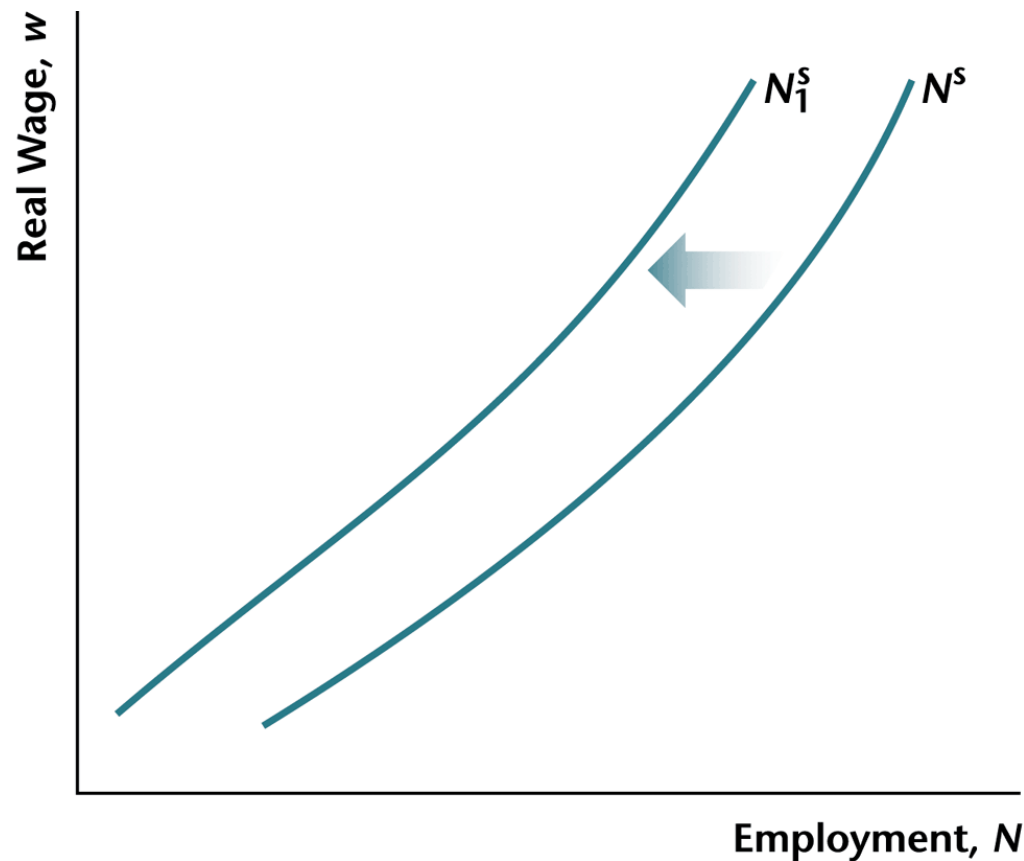
# Figure 4.8 Increase in the Real Wage Rate—Income and Substitution Effects



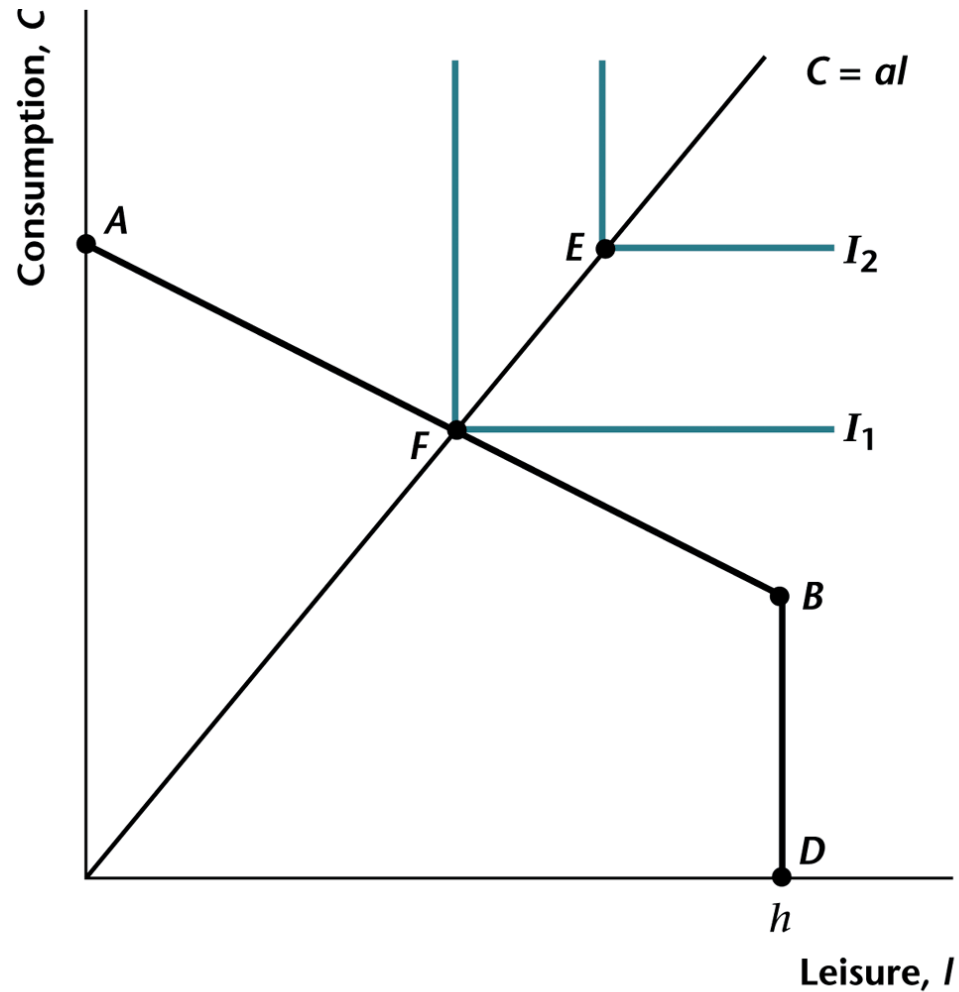
# Figure 4.9 Labor Supply Curve



# Figure 4.10 Effect of an Increase in Dividend Income or a Decrease in Taxes



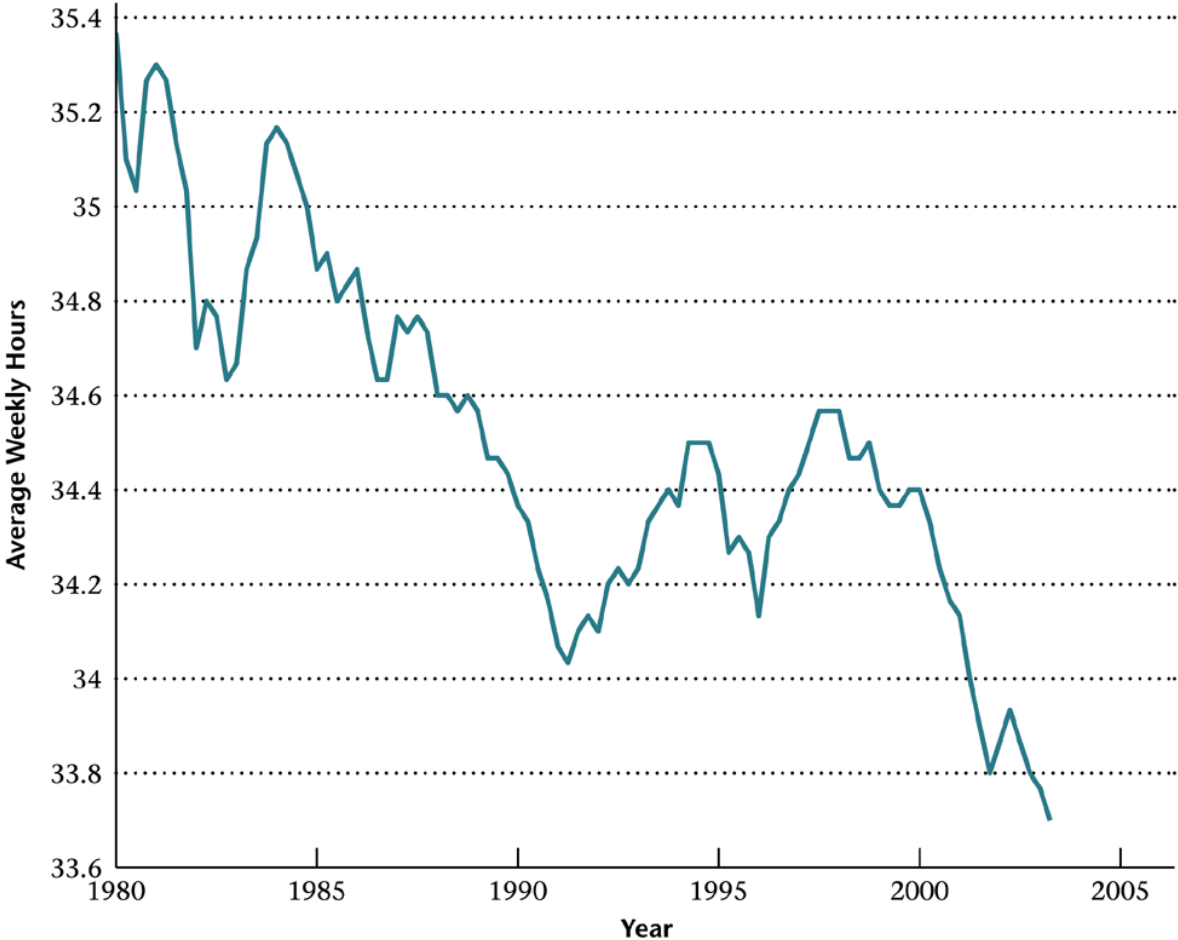
# Figure 4.11 Perfect Complements



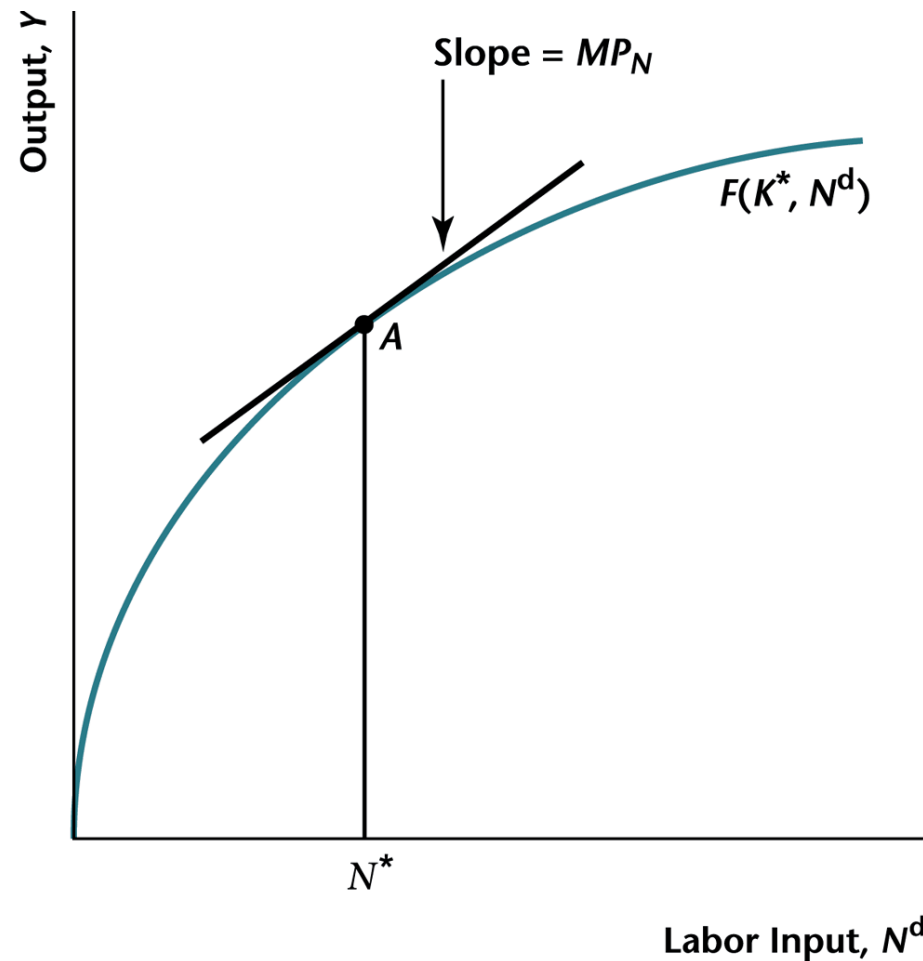
# Figure 4.12 Real Wage in the United States, 1980–2003



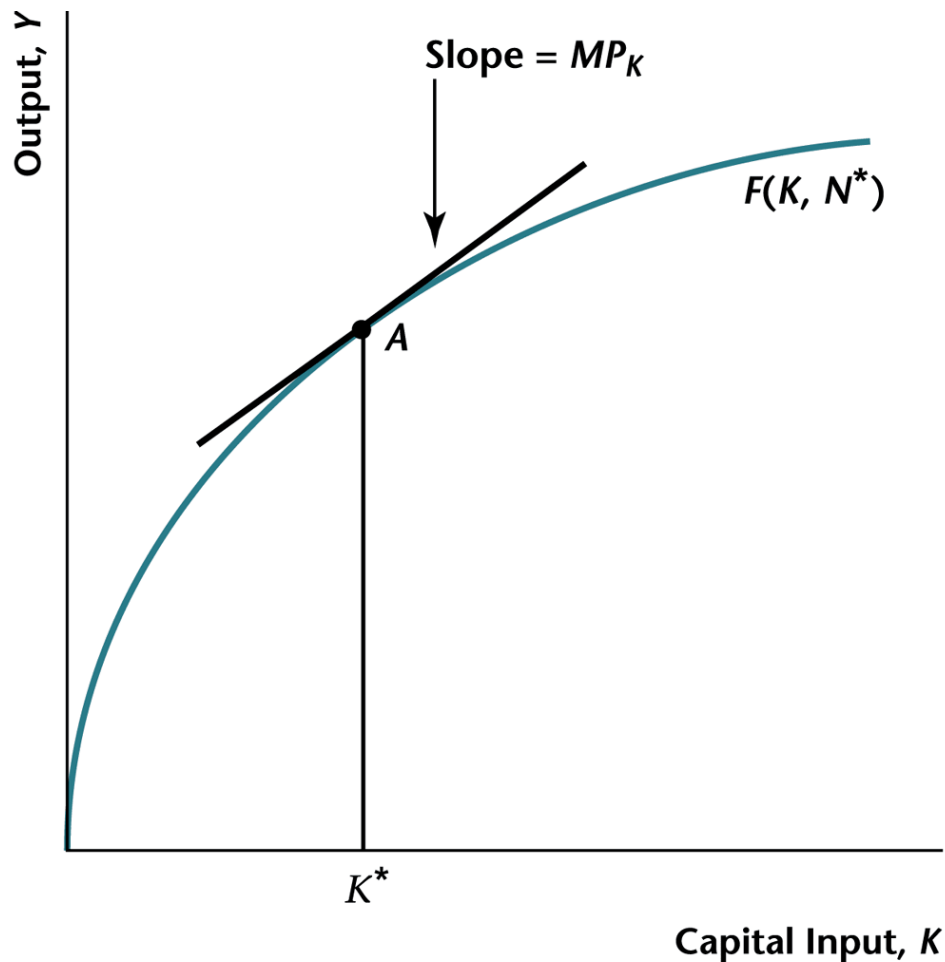
# Figure 4.13 Average Weekly Hours in the United States, 1980–2003



# Figure 4.14 Production Function, Fixing the Quantity of Capital and Varying the Quantity of Labor

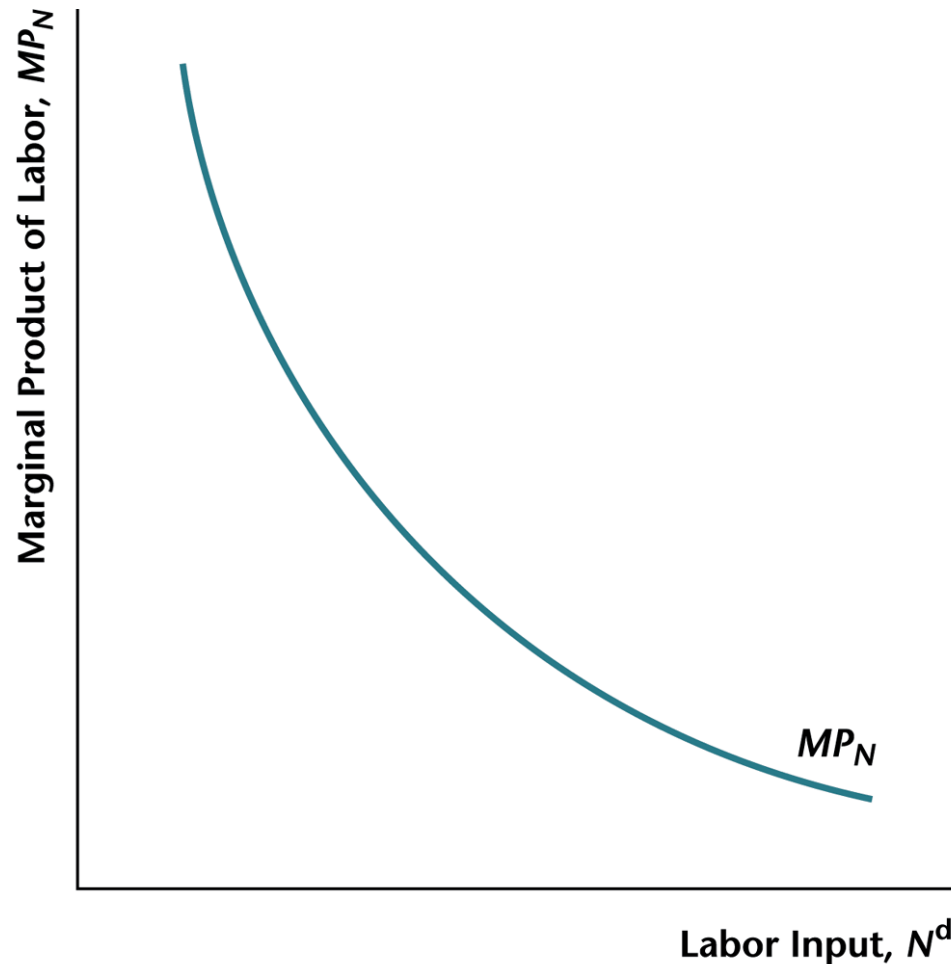


# Figure 4.15 Production Function, Fixing the Quantity of Labor and Varying the Quantity of Capital

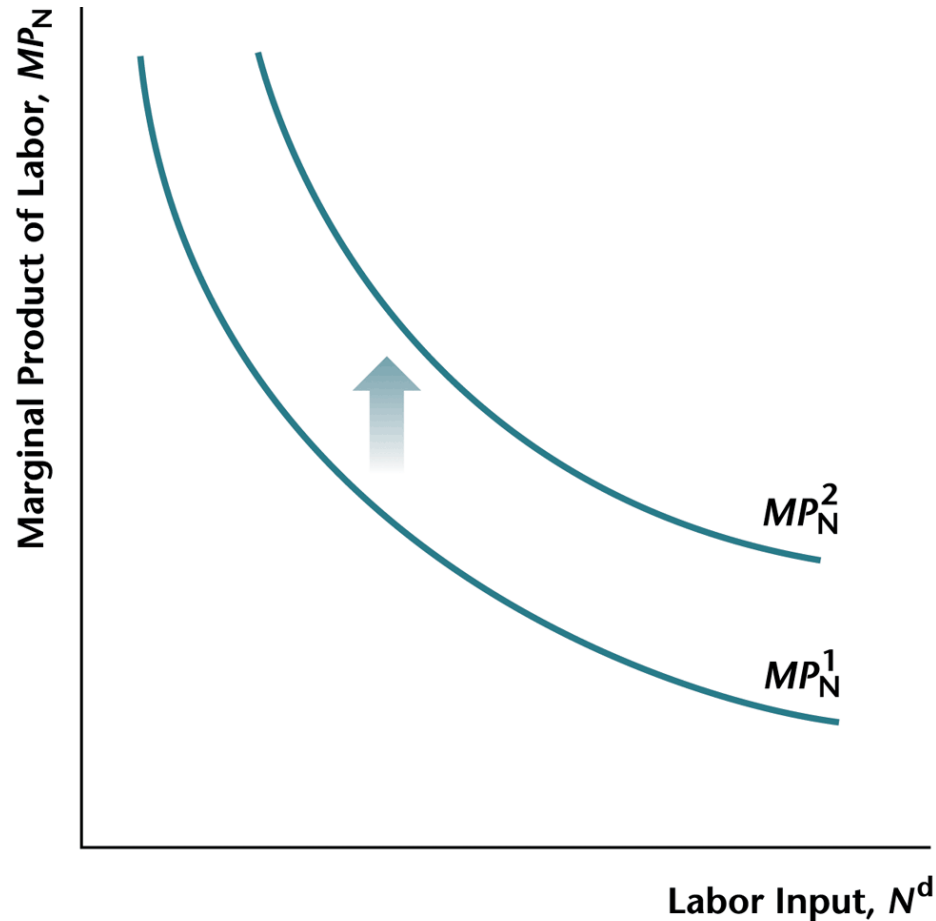




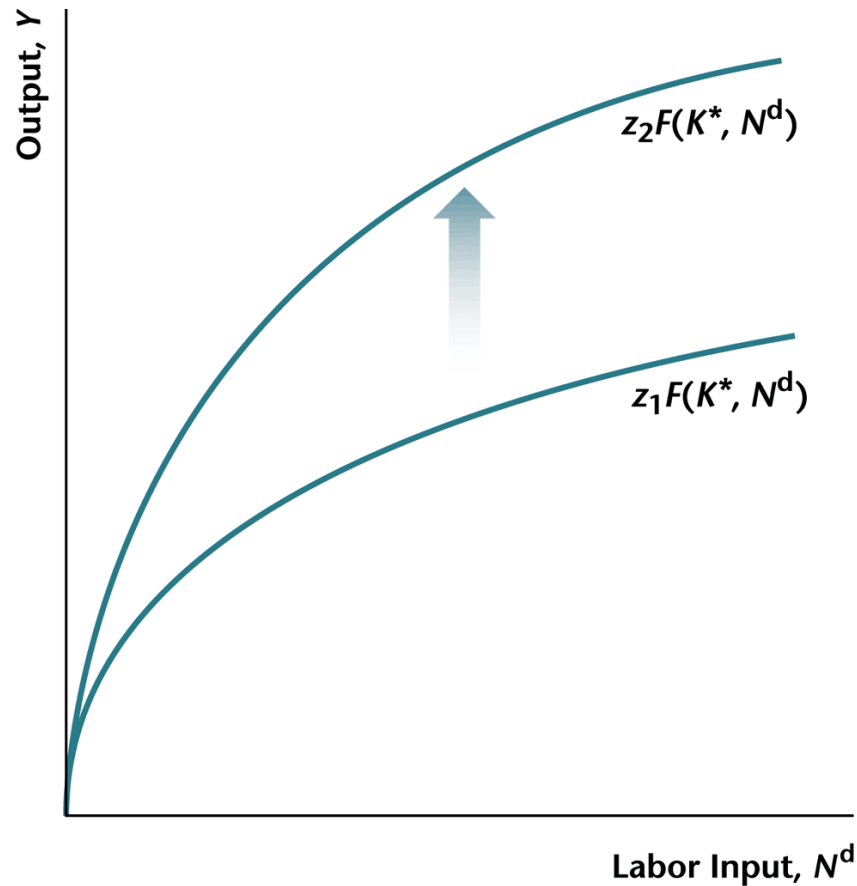
# Figure 4.16 Marginal Product of Labor Schedule for the Representative Firm



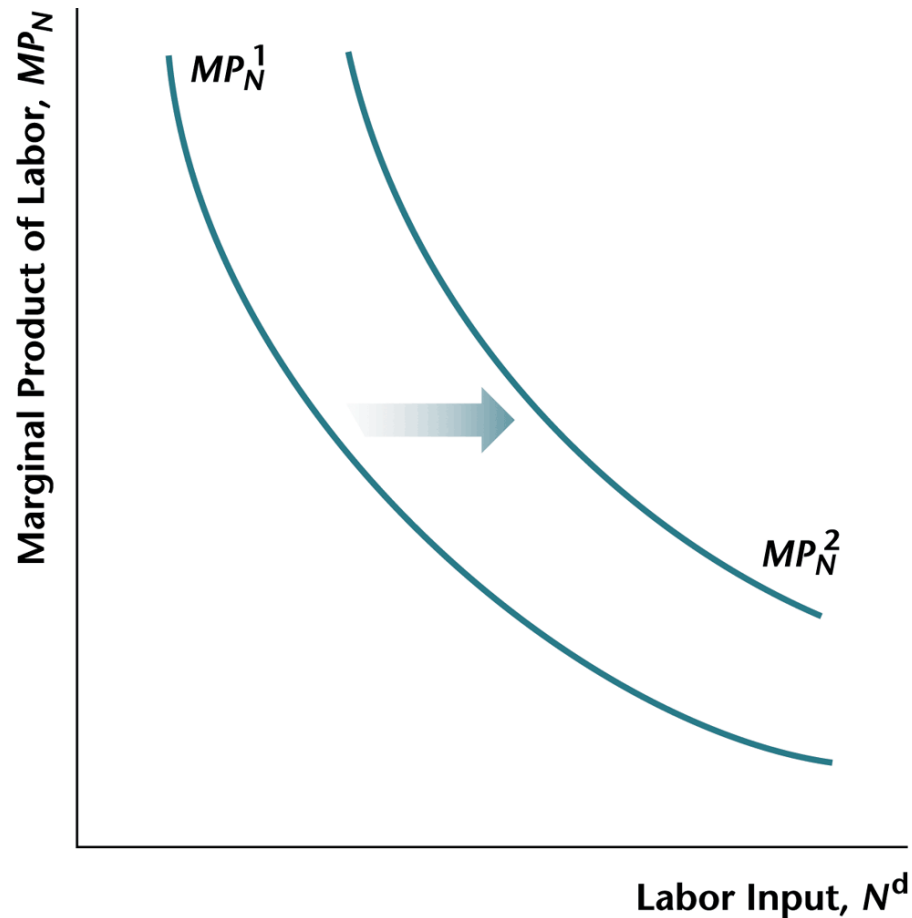
# Figure 4.17 Adding Capital Increases the Marginal Product of Labor



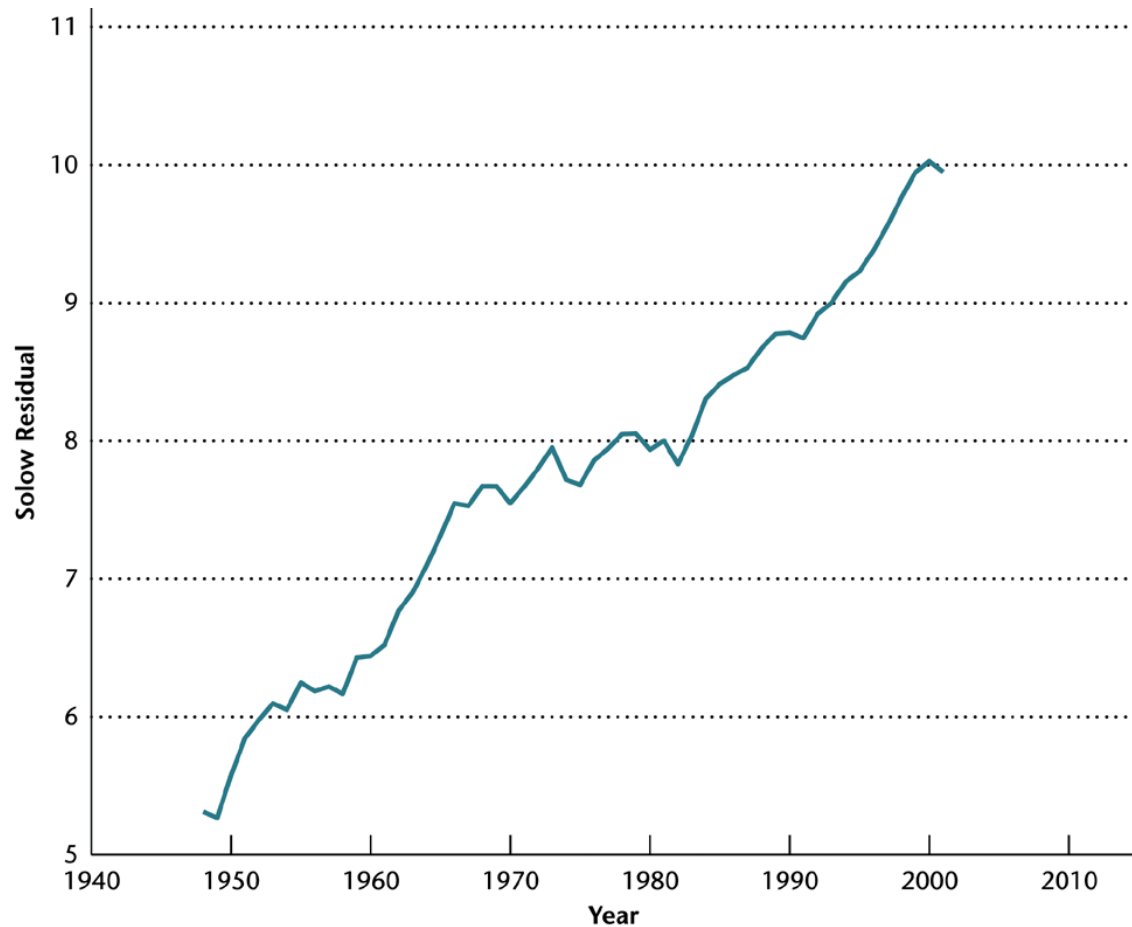
# Figure 4.18 Total Factor Productivity Increases



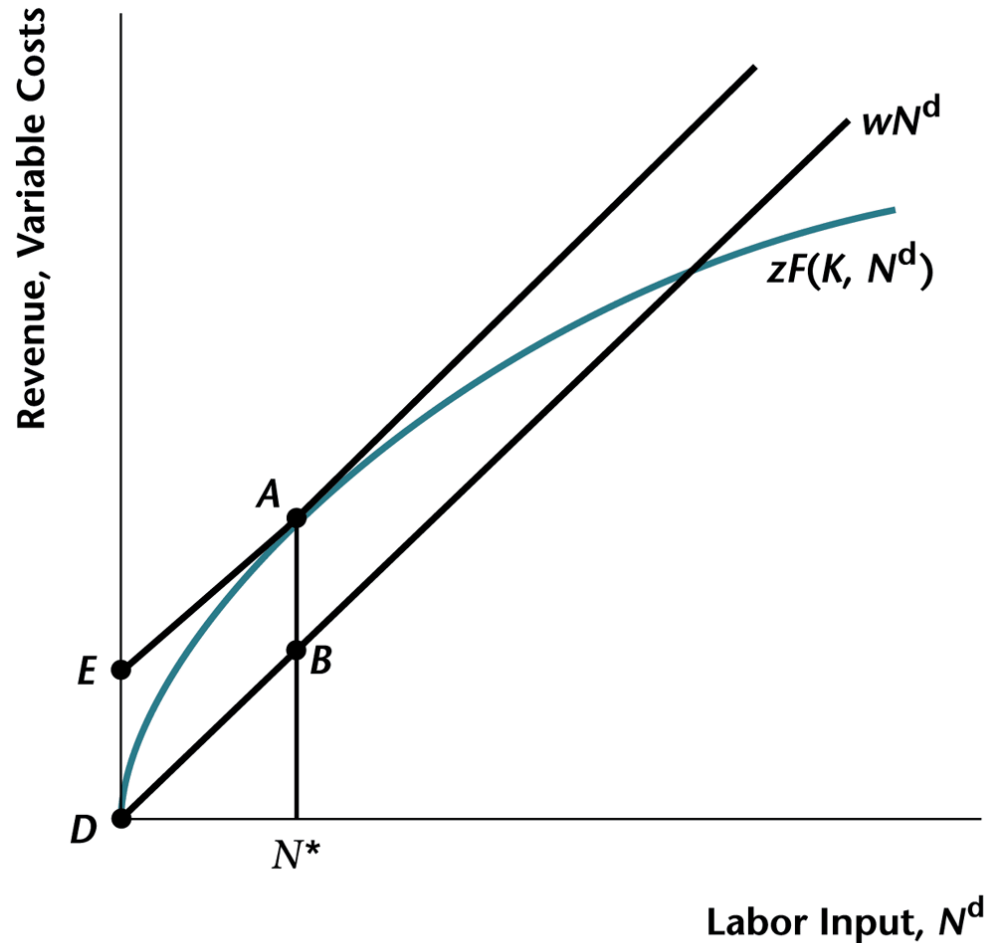
# Figure 4.19 Effect of an Increase in Total Factor Productivity on the Marginal Product of Labor



# Figure 4.20 The Solow Residual for the United States



# Figure 4.21 Revenue, Variable Costs, and Profit Maximization



# Figure 4.22 The Marginal Product of Labor Curve Is the Labor Demand Curve of the Profit-Maximizing Firm

