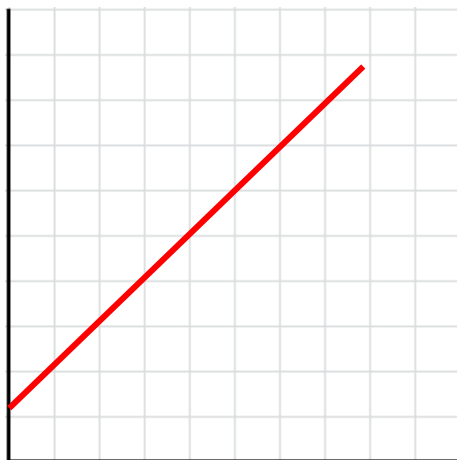


## CONCEPT: SUPPLY OF LABOR IN PERFECT COMPETITION

- The supply of labor is usually depicted the same way as the supply for a good.

- ☐ When we decide to work, we give up our \_\_\_\_\_ time
  - Leisure includes \_\_\_\_\_ that is not work itself
  - **Reservation wage** – the \_\_\_\_\_ wage that a person is willing to take
- ☐ As wages increase, the supply of labor \_\_\_\_\_



- On the individual level, it is possible for the supply curve to \_\_\_\_\_

- ☐ As wages increase, a person earns more money
- ☐ After reaching a high wage, the person may value leisure more than work

- **Substitution effect** – Increased wages raise the \_\_\_\_\_ of leisure time

- **Income effect** – Increased wages give the consumer more \_\_\_\_\_

> Wages increase → Leisure is a \_\_\_\_\_ good → Quantity demanded of leisure \_\_\_\_\_

