Figure 15-1

Firm’s Labor Inputs

$w$, MRP, dollars per hour

$L$, workers per hour

$\text{Labor supply curve}$

$\text{Labor demand curve}$

$\text{MRP}_L = p \cdot \text{MP}_L$
Figure 15–2

Short and Long-Run Labor Demand

$w, MRP_L$, dollars per hour

$L$, workers per hour

Short-run labor demand ($\bar{K} = 108$)

Short-run labor demand ($\bar{K} = 32$)

Labor demand

Image by Jaki King (designbyjaki.com) for MIT OpenCourseWare
Figure 15-3

Labor-Leisure Trade-off

Leisure (N) → Work (H = 24 - N)

Goods (C)

(Price of goods = 1)

24w

C*

N*

BC

Slope of budget constraint: -w

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Figure 15-4

Income and Substitution Effects for Labor Supply

Goods

$24w_2$

$C_3$

$C_2$

$C_1$

0

N_2

N_3

N_1

24

Leisure

Work

Substitution Effect

Income Effect

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Figure 15–5

Income and Substitution Effects for Labor Supply (Income Effect Dominates)

Goods

24\(w_2\)

C_3

24\(w_1\)

C_2

C_1

0

N_2

N_1

N_3

24

Leisure

Work

Substitution Effect

Income Effect

Image by Jaki King (designbyjaki.com) for MIT OpenCourseWare
Figure 15–6

Rice Export Quotas in Vietnam

Price

$p_w$
$p_v$

Quantity

$Q_r$

$Q_w$

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Figure 15-7

Child Labor in Vietnam

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