## ECO 305: Intermediate Macroeconomics Week 2 Homework: Consumer and Firm Behavior

1. Suppose there is an increase in stock market values, leading to an increase in non-wage income for consumers. Describe and illustrate the impact on consumers' optimal choices for consumption, leisure, and labor supply. What is the impact on consumer welfare (i.e. consumer utility)?

2. Suppose the government increases taxes. Describe and illustrate the impact on consumers' optimal choices for consumption, leisure, and labor supply. What is the impact on consumer welfare?

3.	Suppose global supply chain disruptions lead to a decrease in labor demand, and eventually a decrease in the real wage.								
(a)	Describe and illustrate the impact on consumers' optimal choices for consumption, leisure, and labor supply. What is the impact on consumer welfare?								
(b)	Describe intuitively the income and substitution effects on consumption and leisure.								

c) Describe and illustrate the income and substitution effects on consumption and	leisure.							
<ul><li>4. Suppose there is an improvement in technology that makes labor and capital more productive.</li><li>(a) Describe and illustrate the impact on the production function</li></ul>								
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(b)	Describe	and il	lustrate	the im	pact on	produc	eers' pr	ofit ma	ximizing	g choice	for labor.
(c)	Describe	and il	lustrate	the im	pact on	equilib	rium r	eal wag	e and re	al GDP.	