

Tools

Q: Is there a labor shortage?

- construction workers?

"Standards"

- teacher shortage?

- trucker shortage?

Theory - inform
model structure.

Empirics - test theory

Karl
Popper - hypothesis - rejected?
↳ robustness of test
↳ are data
sufficient?
→ empirical technique
correctly
applied.

Labor market ?

Demand - hire labor
- employers

Supply - work for hire
- employees

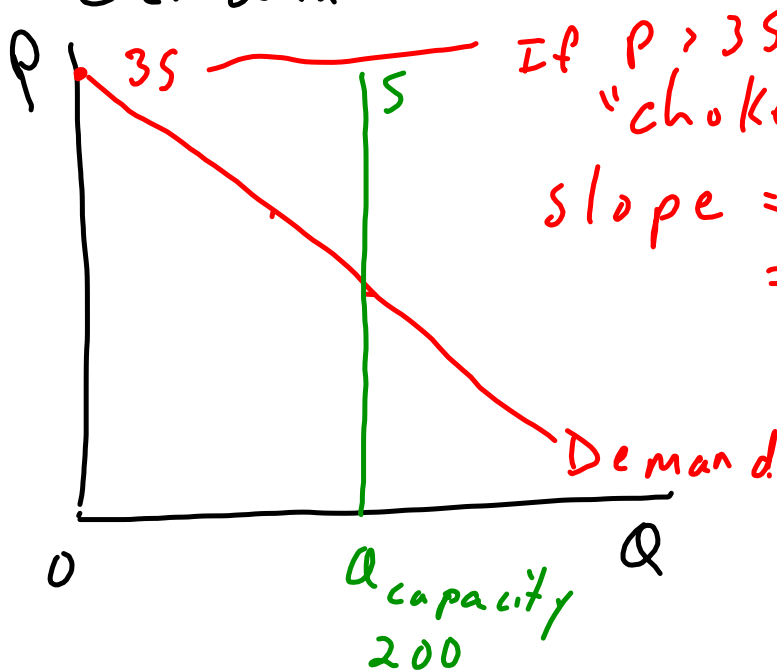
Demand → relationship between
price & quantity

- demand curve

- as $P \uparrow$ $Q_D \downarrow$

$P \downarrow$ $Q_D \uparrow$

Example - tickets to live show
Demand curve



if $P > 35$ $Q = 0$
"choke price"

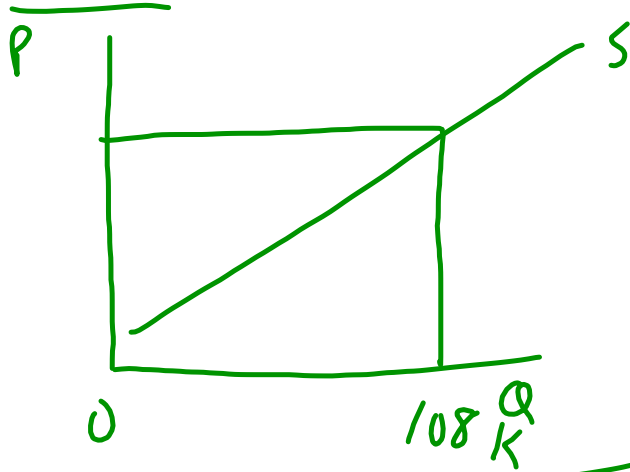
slope = -0.07

$$= \frac{\Delta P}{\Delta Q}$$

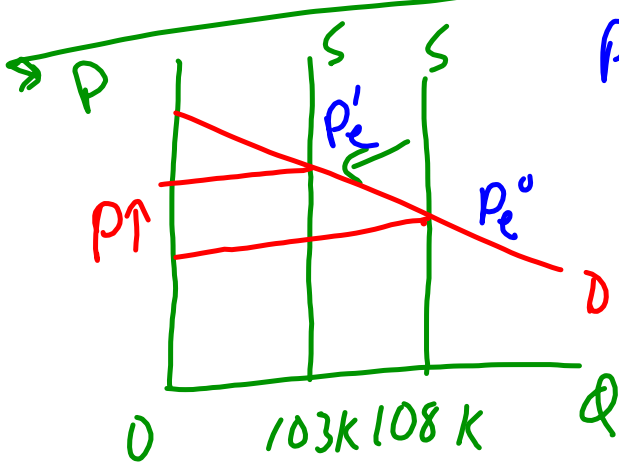
if $\Delta P = 10\%$

$\Delta Q = -7\%$

Supply



as $P \uparrow Q_s \uparrow$
- Vol Stadium
- shift in
S..

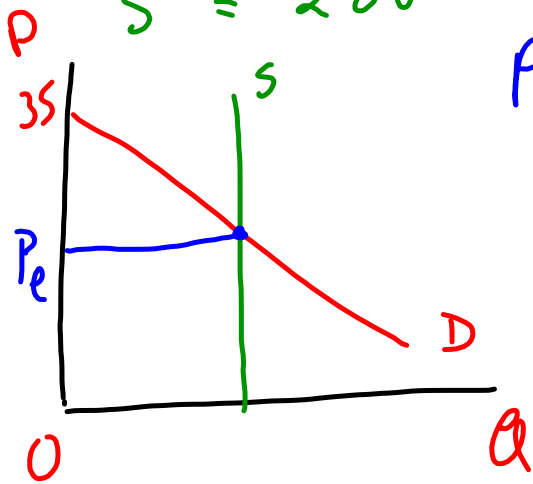


$P_e^0 \rightarrow P_e^1$
response to
reduction in
supply

graphs - market - using S & D

$P = 35 - 0.07Q$ - D curve

$S = 200$ - S curve



P_e - price $Q_D = Q_S$

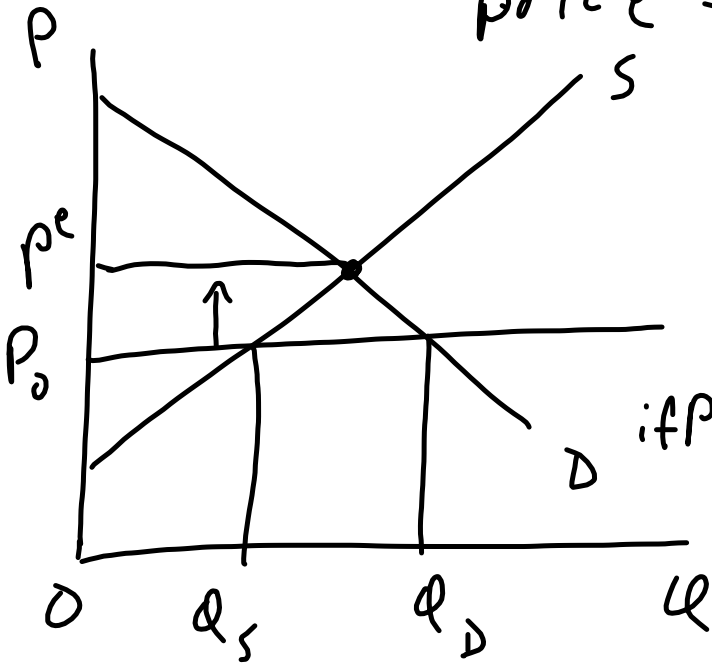
- equilibrium

comparative statics - not dynamic process

- use price for ration
- waiting line
- lottery

Q - labor shortage

$S < D$ at prevailing price - P_0



- economic predict.
 $P \uparrow$ to P^e

Why $P \uparrow$ not happening?

if $P < P^e$
 "short" side determines
 $Q \rightarrow Q_s$