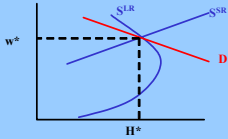
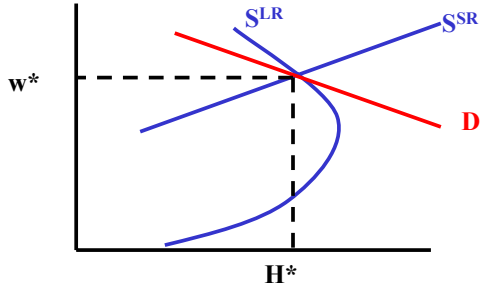


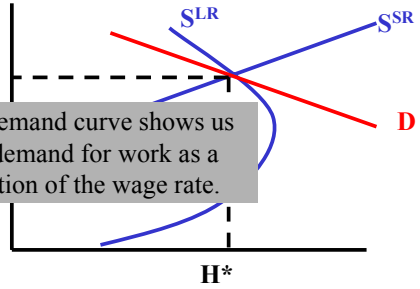
Temporary or Permanent?



Our Revised Model

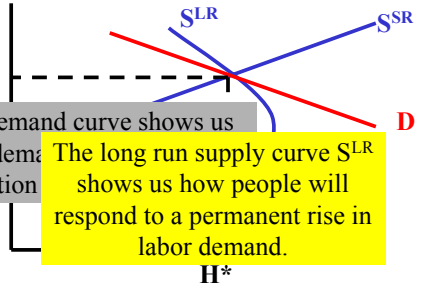


The Demand Curve



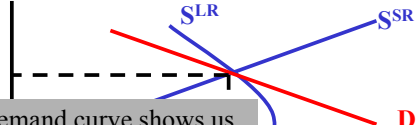
The demand curve shows us the demand for work as a function of the wage rate.

The Long Run Supply Curve



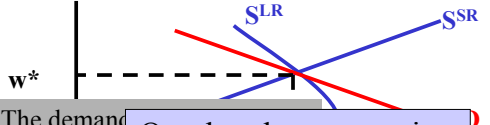
The long run supply curve S^{LR} shows us how people will respond to a permanent rise in labor demand.

The Short Run Supply Curve



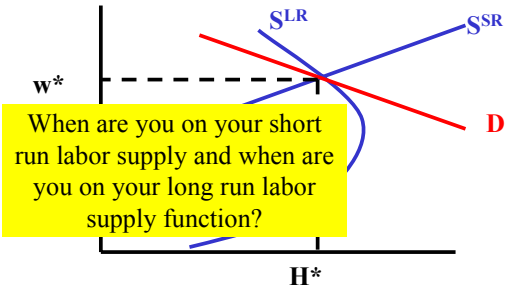
The short run supply curve S^{SR} shows us how people will respond to a temporary rise in labor demand.

Expectations



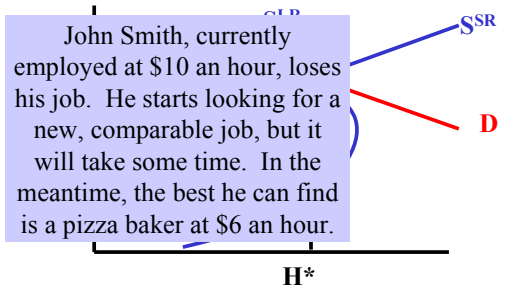
Or what they *expect* is a temporary rise.

Some Applications



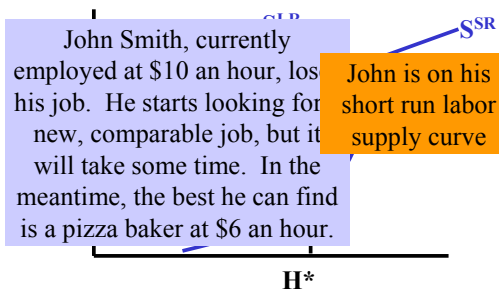
When are you on your short run labor supply and when are you on your long run labor supply function?

John Smith



John Smith, currently employed at \$10 an hour, loses his job. He starts looking for a new, comparable job, but it will take some time. In the meantime, the best he can find is a pizza baker at \$6 an hour.

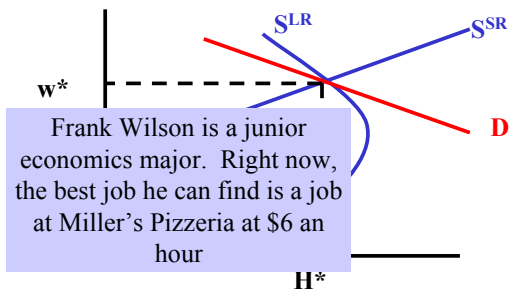
John Smith



John Smith, currently employed at \$10 an hour, loses his job. He starts looking for a new, comparable job, but it will take some time. In the meantime, the best he can find is a pizza baker at \$6 an hour.

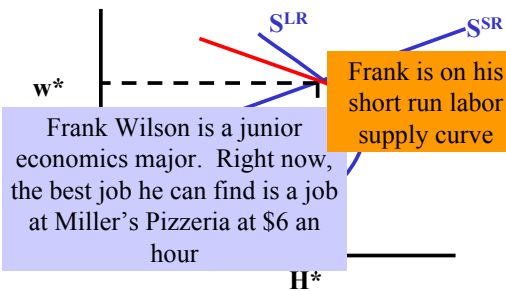
John is on his short run labor supply curve

Frank Wilson



Frank Wilson is a junior economics major. Right now, the best job he can find is a job at Miller's Pizzeria at \$6 an hour

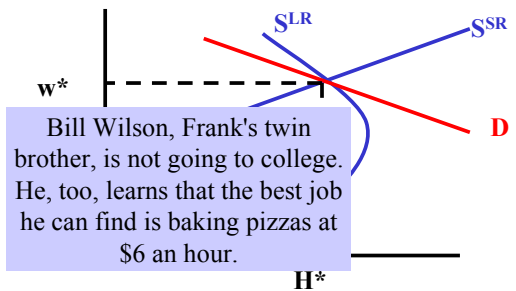
Frank Wilson



Frank Wilson is a junior economics major. Right now, the best job he can find is a job at Miller's Pizzeria at \$6 an hour

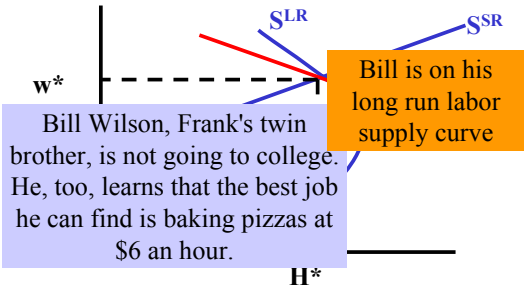
Frank is on his short run labor supply curve

Bill Wilson



Bill Wilson, Frank's twin brother, is not going to college. He, too, learns that the best job he can find is baking pizzas at \$6 an hour.

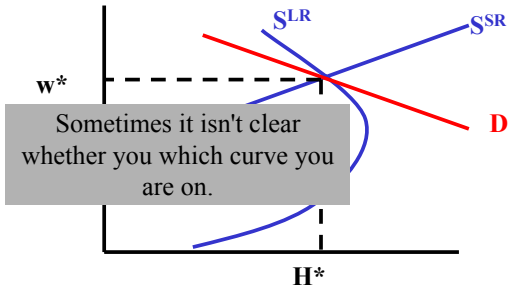
Bill Wilson



Bill Wilson, Frank's twin brother, is not going to college. He, too, learns that the best job he can find is baking pizzas at \$6 an hour.

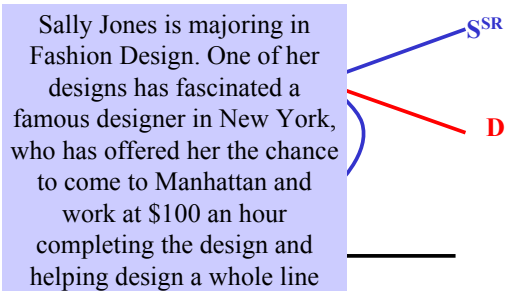
Bill is on his long run labor supply curve

Life is Uncertain

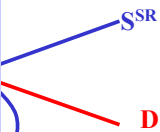


Sometimes it isn't clear whether you which curve you are on.

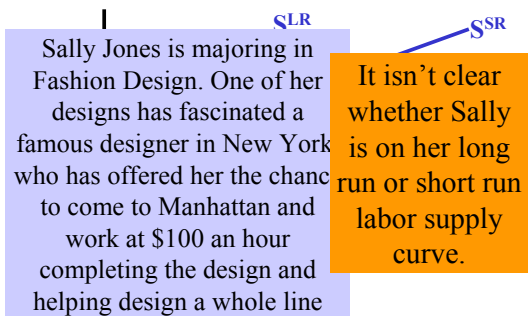
Sally Jones



Sally Jones is majoring in Fashion Design. One of her designs has fascinated a famous designer in New York, who has offered her the chance to come to Manhattan and work at \$100 an hour completing the design and helping design a whole line



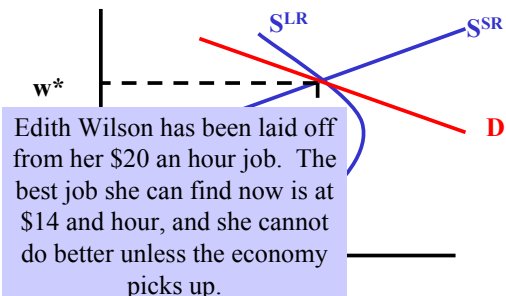
Sally Jones



Sally Jones is majoring in Fashion Design. One of her designs has fascinated a famous designer in New York who has offered her the chance to come to Manhattan and work at \$100 an hour completing the design and helping design a whole line

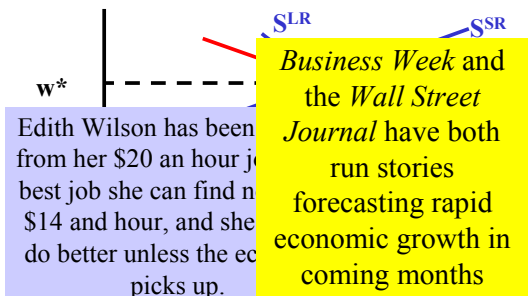
It isn't clear whether Sally is on her long run or short run labor supply curve.

Edith Wilson



Edith Wilson has been laid off from her \$20 an hour job. The best job she can find now is at \$14 an hour, and she cannot do better unless the economy picks up.

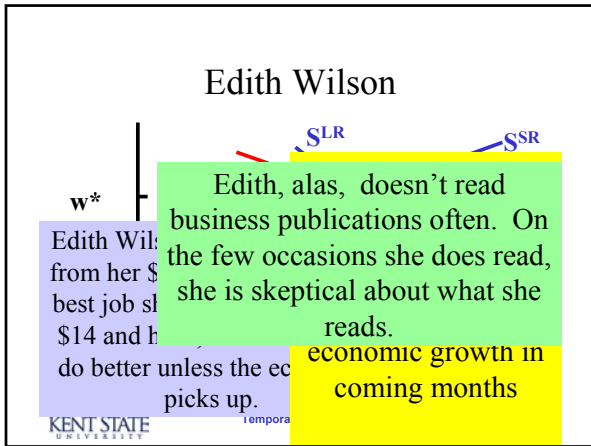
Edith Wilson



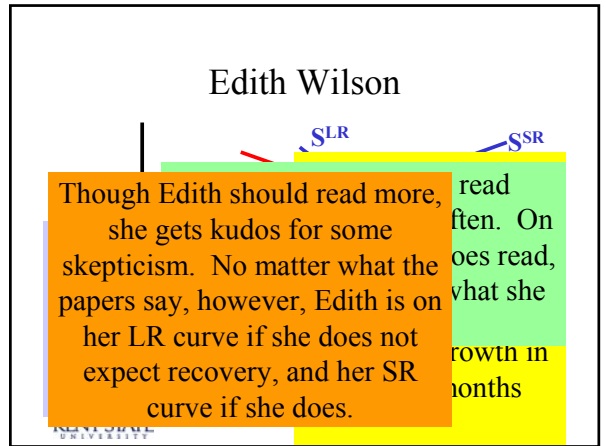
Edith Wilson has been laid off from her \$20 an hour job. The best job she can find now is at \$14 an hour, and she cannot do better unless the economy picks up.

Business Week and the Wall Street Journal have both run stories forecasting rapid economic growth in coming months

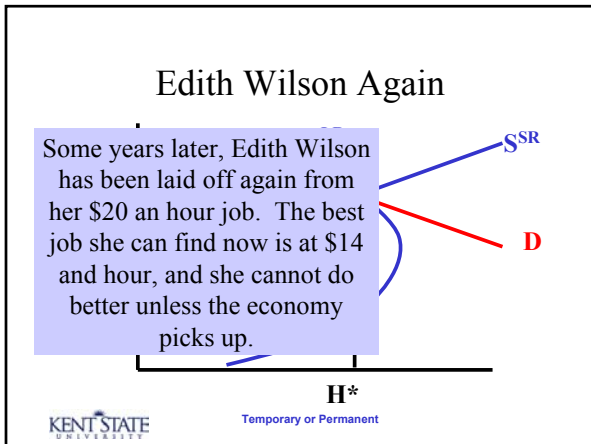
Edith Wilson



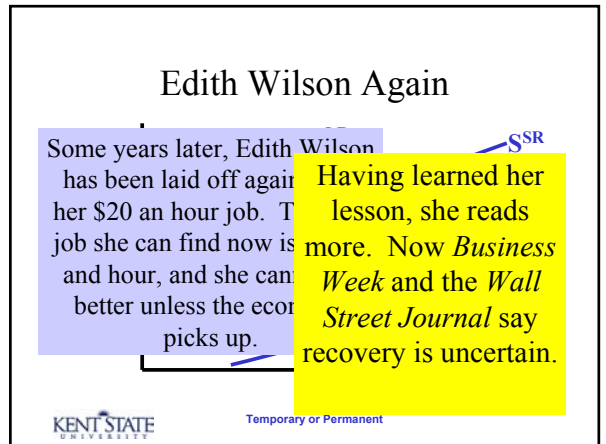
Edith Wilson



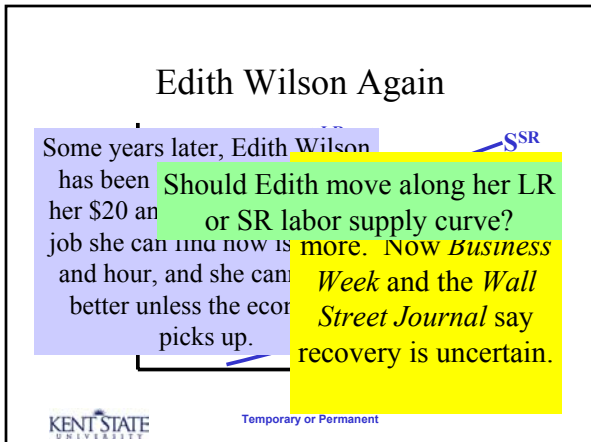
Edith Wilson Again



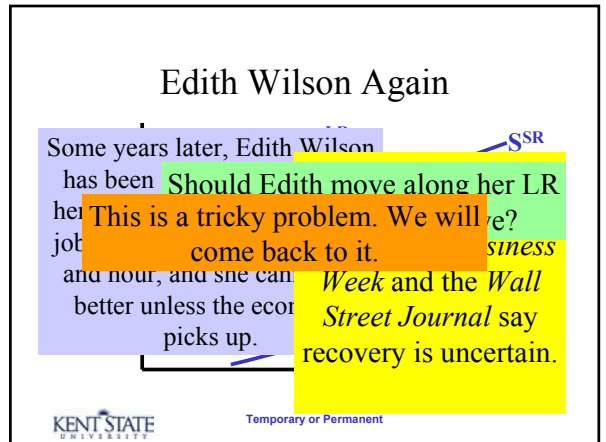
Edith Wilson Again

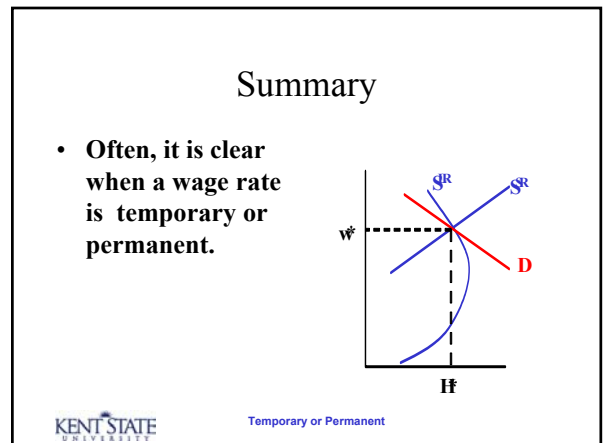
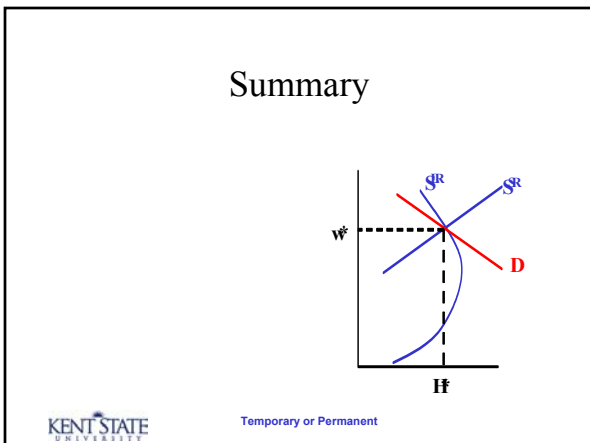
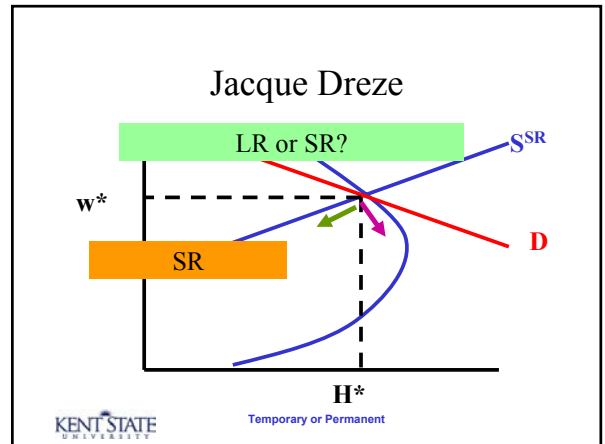
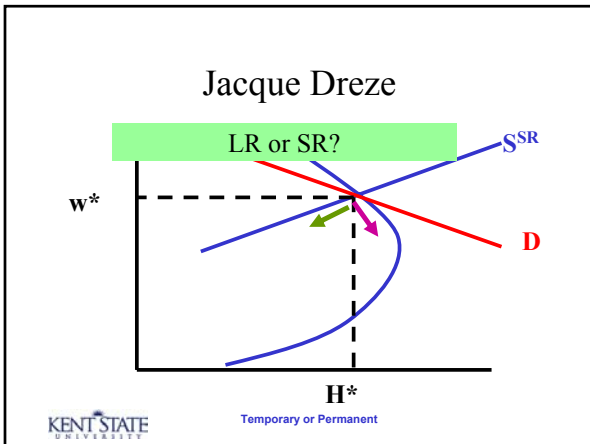
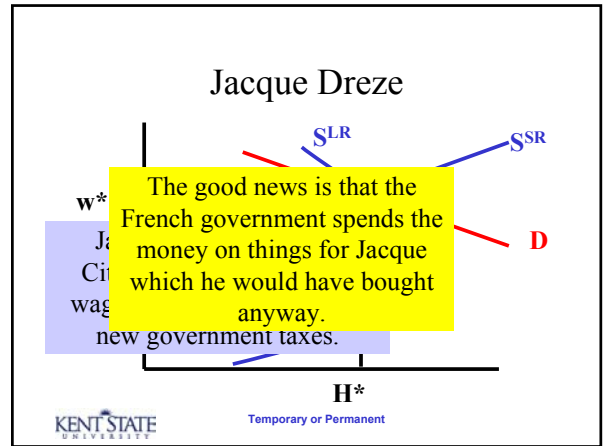
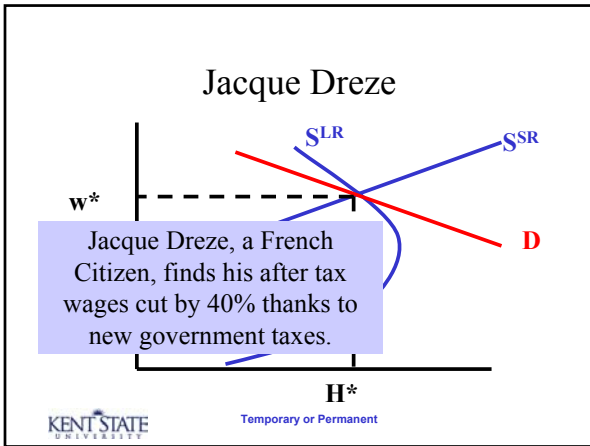


Edith Wilson Again



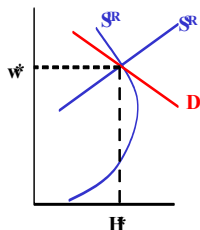
Edith Wilson Again





Summary

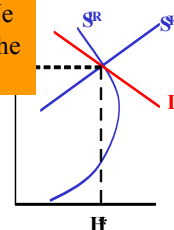
- Often, it is clear when a wage rate is temporary or permanent.
- But there are cases when it is not.



Summary

- Often, it is clear when a wage rate is temporary or permanent.
- But there are cases when it is not.

The uncertainty case is complicated. We focus initially on the certain cases.



End

©2004 Charles W. Upton.
All rights reserved