

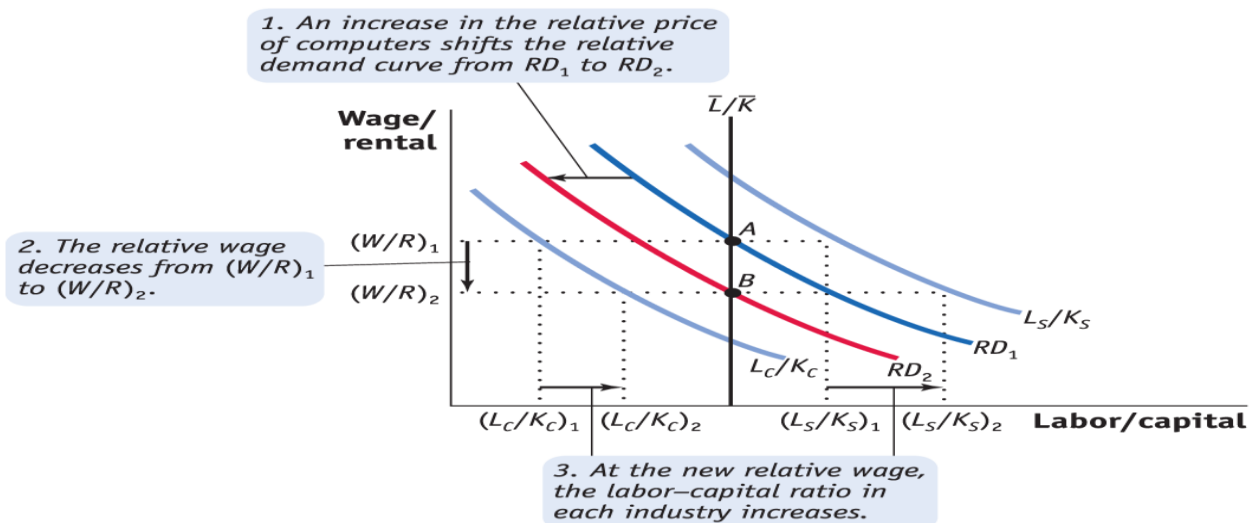
Relative Supply and Demand Example

$$\underbrace{\frac{\bar{L}}{\bar{K}}}_{\text{Relative supply}} = \frac{L_C + L_S}{\bar{K}} = \underbrace{\frac{L_C}{K_C} \cdot \left(\frac{K_C}{\bar{K}} \right) + \frac{L_S}{K_S} \cdot \left(\frac{K_S}{\bar{K}} \right)}_{\text{Relative demand}}$$

$$5 = \frac{50 + 50}{20} = \frac{50}{12} \left(\frac{12}{20} \right) + \frac{50}{8} \left(\frac{8}{20} \right) \quad \text{Now } K_c \text{ rises to 15}$$

and L also moves to computers

$$5 = \frac{65}{15} \uparrow \left(\frac{15}{20} \right) \uparrow + \frac{35}{5} \uparrow \left(\frac{5}{20} \right) \downarrow$$



$$\underbrace{\frac{\bar{L}}{\bar{K}}}_{\substack{\text{Relative supply} \\ \text{No change}}} = \underbrace{\frac{L_C}{K_C} \cdot \left(\frac{K_C}{\bar{K}} \right) + \frac{L_S}{K_S} \cdot \left(\frac{K_S}{\bar{K}} \right)}_{\substack{\text{Relative demand} \\ \text{No change in total}}}$$