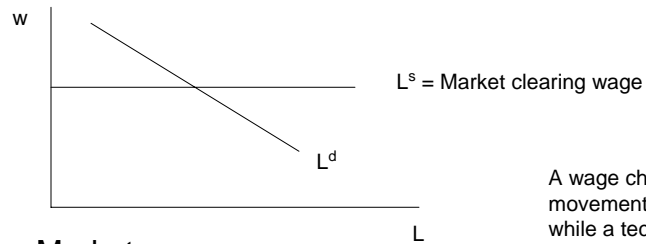
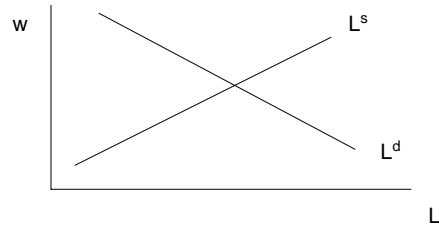


## Demand, Supply, and the Equilibrium Wage

- For a firm

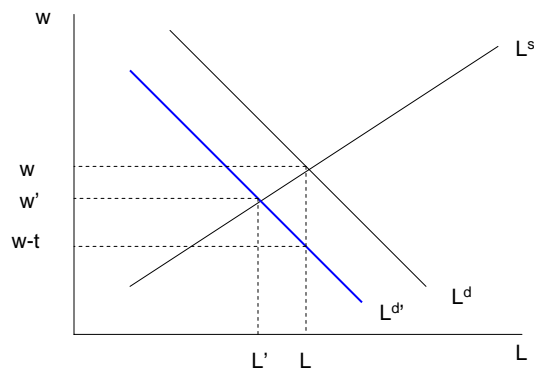


- For a Market

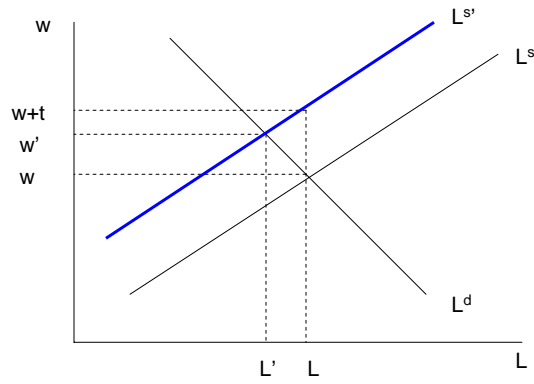


A wage change is a movement along a curve while a technology change, increased demand for a good produced an industry that competes for labor, and changing input prices (other than for labor) are examples of curve shifts.

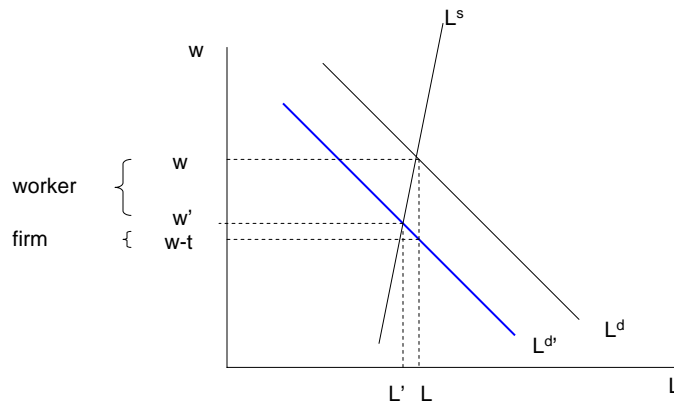
## Payroll Tax Assessed on Firms



### Payroll Tax Assessed on Workers

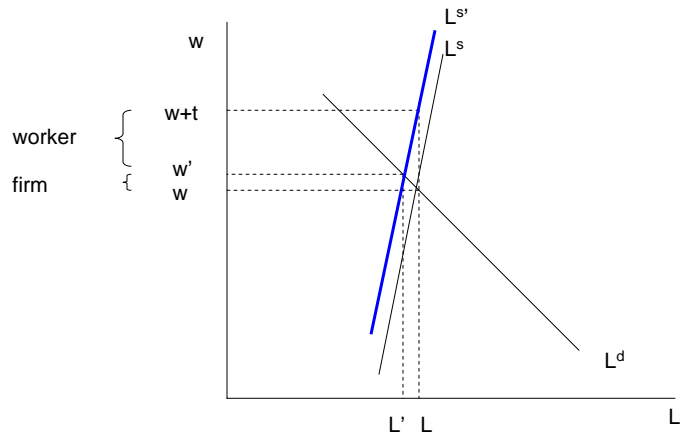


### Who Pays More? The Worker or the Firm?



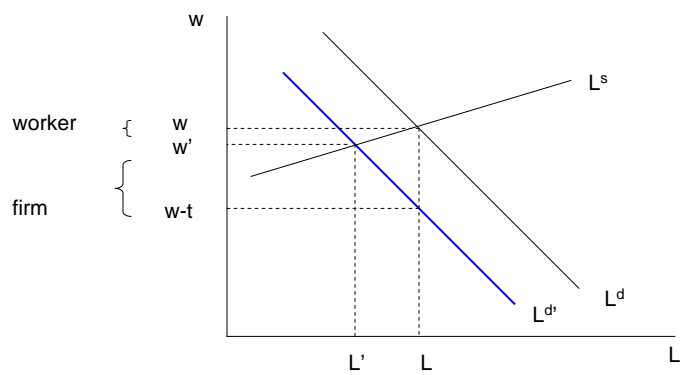
Payroll tax assessed on firm

### Who Pays More? The Worker or the Firm?



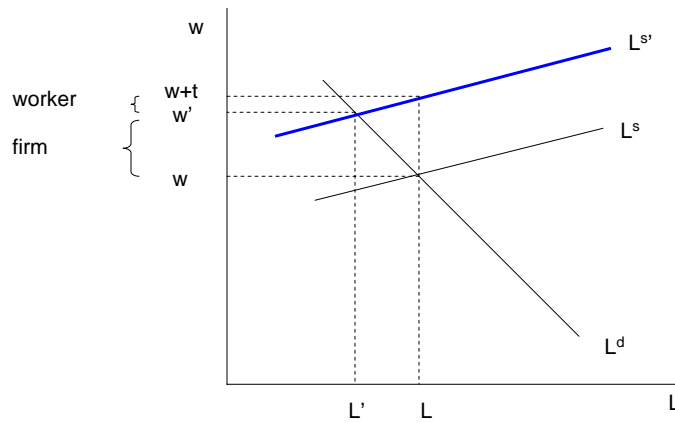
Payroll tax assessed on worker

### Who Pays More? The Worker or the Firm?



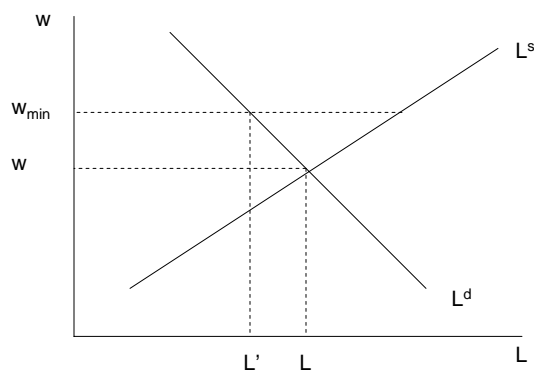
Payroll tax assessed on firm

## Who Pays More? The Worker or the Firm?



Payroll tax assessed on worker

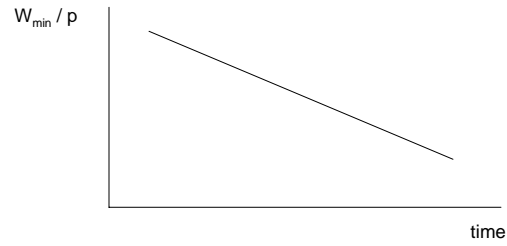
## The Impact of a Minimum Wage



The amount of unemployment depends on (a) the elasticities of labor demand and labor supply, and (b) how far above the equilibrium wage the minimum wage is set.

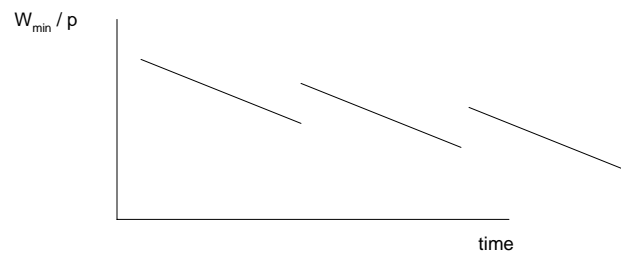
Why is it difficult to see the impact of minimum wage laws?

- (1) Minimum wages are set nominally. The real impact of a minimum wage law therefore changes over time.



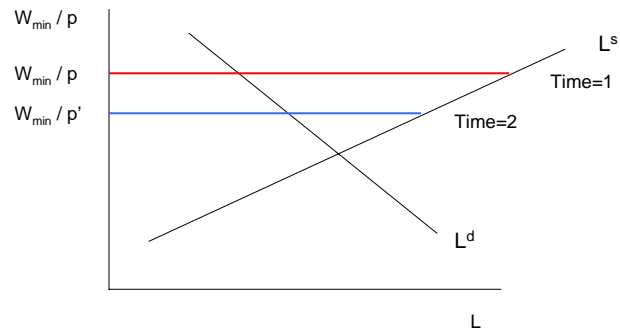
Why is it difficult to see the impact of minimum wage laws?

Since new minimum wages are set over time...



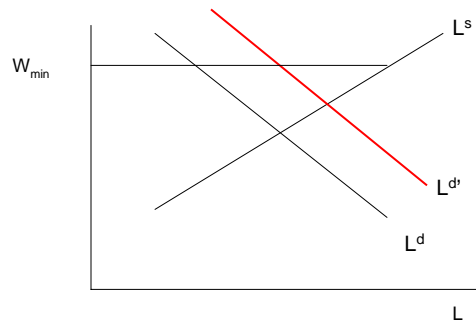
## Why is it difficult to see the impact of minimum wage laws?

So over time, a given minimum wage has less impact on employment



## Why is it difficult to see the impact of minimum wage laws?

(2) Growing demand obscures the impact of a minimum wage.



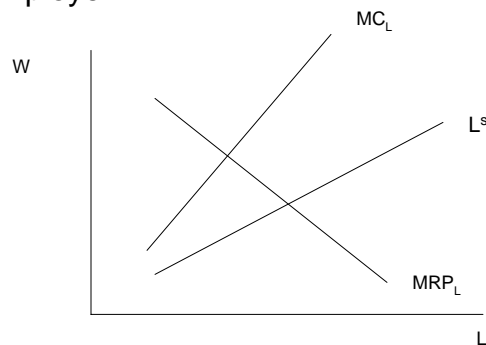
## Why is it difficult to see the impact of minimum wage laws?

### (3) Uncovered sectors.

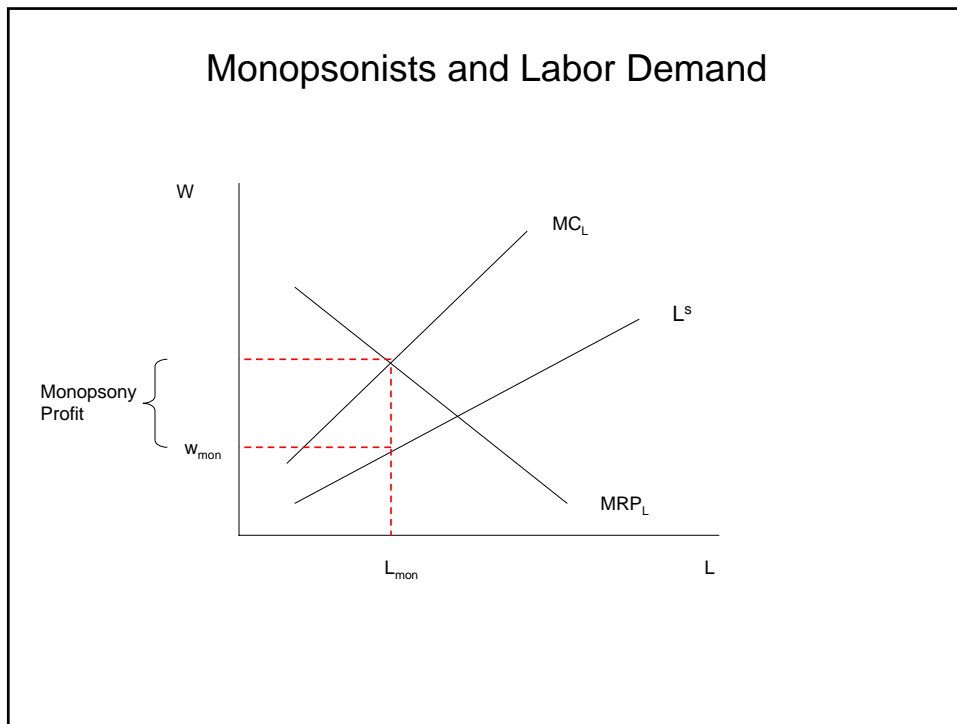
- In this case, an increase in the minimum wage (or the introduction of a minimum wage) may lead to a reallocation of workers across 'covered' and 'uncovered' sectors.
- As a result, employment may increase or decrease.

## Monopsonists and Labor Demand

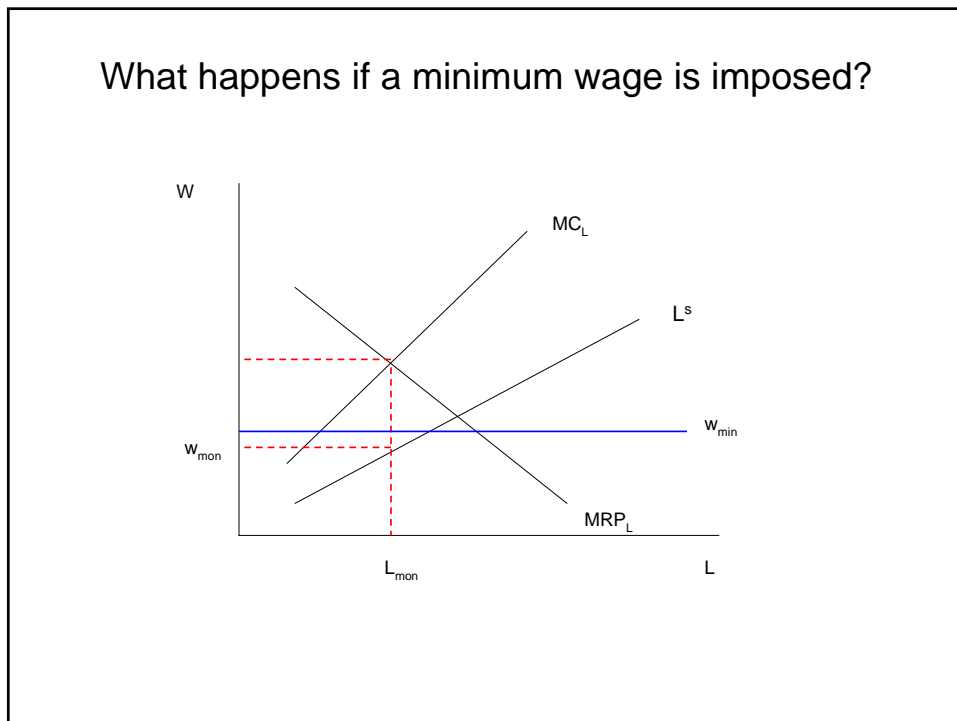
- A firm has monopsony power if it faces an upward sloping labor supply curve.
- A pure monopsony is a labor market with only one employer.



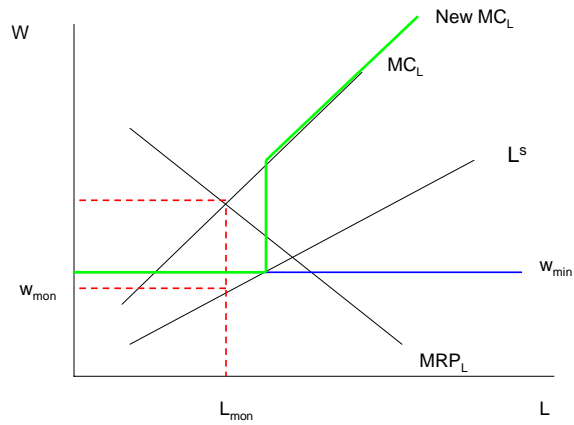
## Monopsonists and Labor Demand



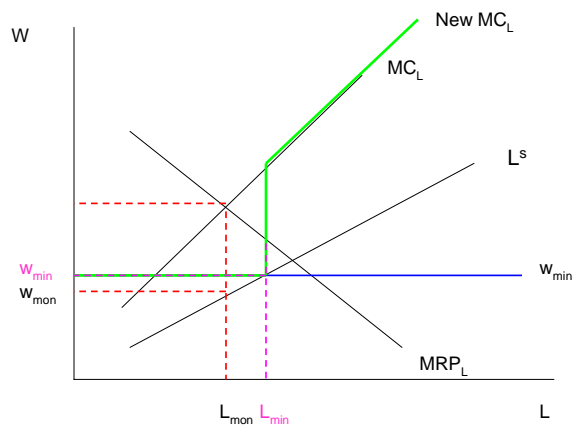
What happens if a minimum wage is imposed?



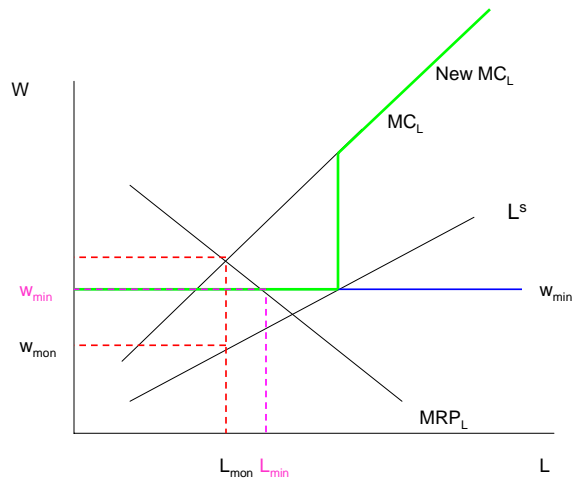
What happens if a minimum wage is imposed?



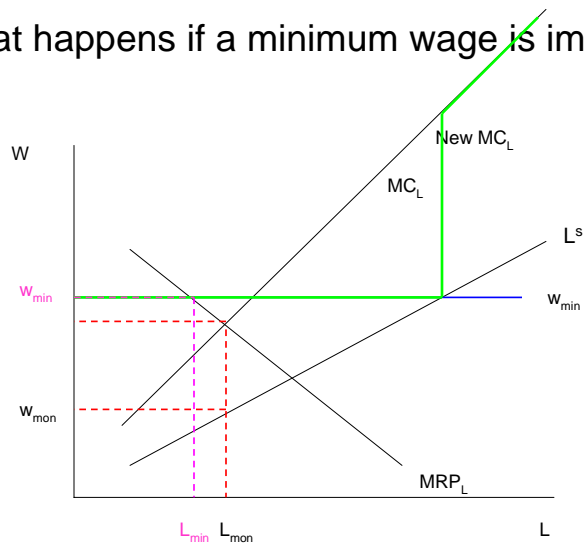
What happens if a minimum wage is imposed?



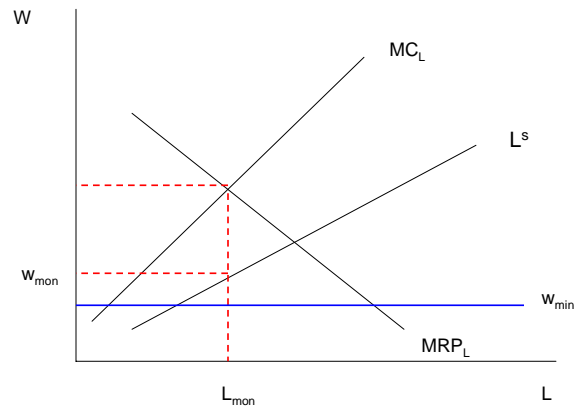
What happens if a minimum wage is imposed?



What happens if a minimum wage is imposed?



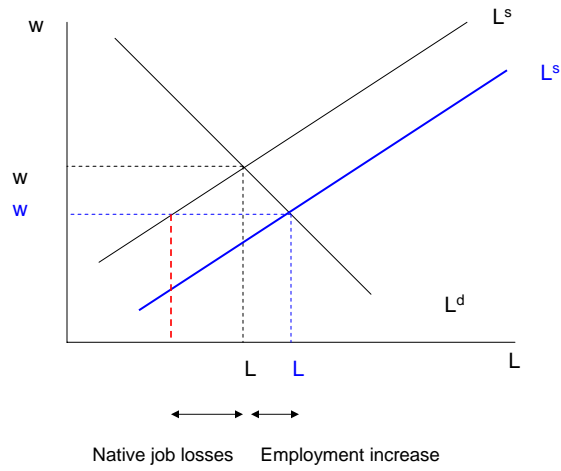
What happens if a minimum wage is imposed?



### Card and Krueger Paper

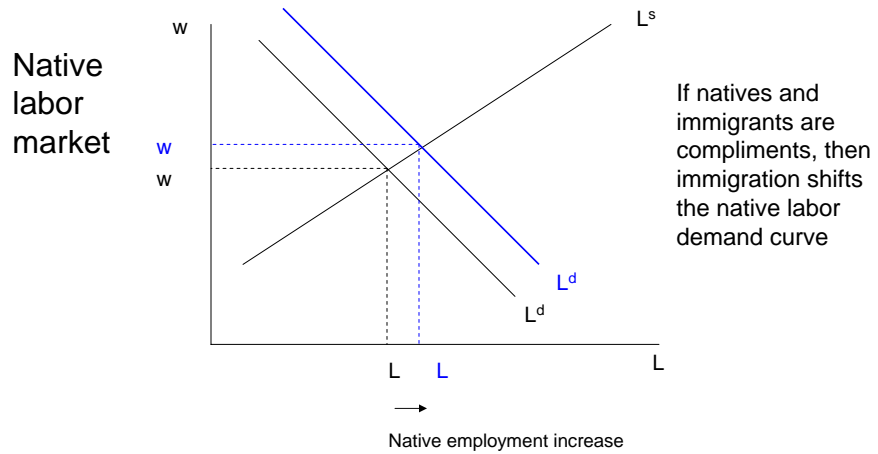
- We will talk about the Card and Krueger minimum wage paper at this point.

## Immigration



This analysis assumes that natives and immigrants are perfect substitutes.

But, the assumption of perfect substitutes is questionable at best. What if natives and immigrants are compliments?



If natives and immigrants are compliments, then immigration shifts the native labor demand curve

## Marcel Boatlift Paper

- We will talk about the Card Marcel boatlift paper at this point.