

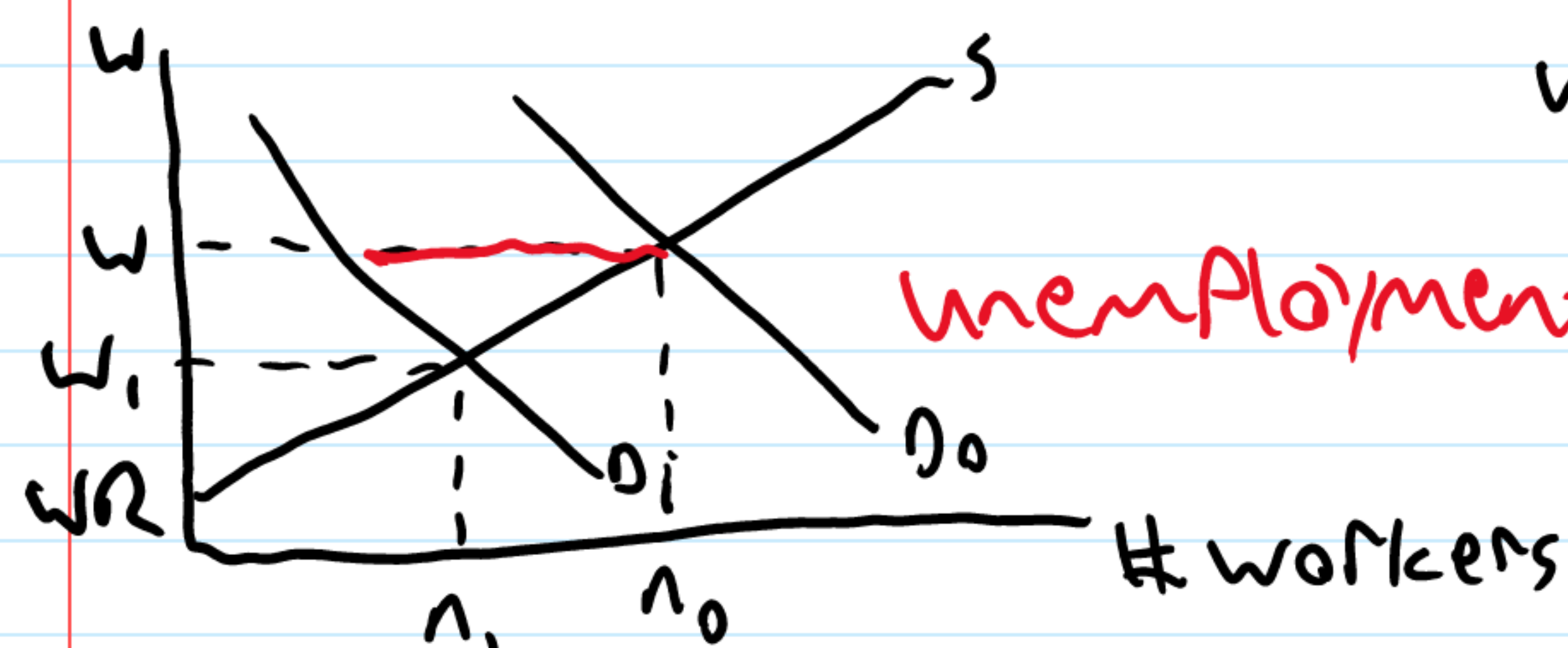
6.4 Opportunity Cost of Labor in Markets with High Unemployment

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Natural rate of unemployment = 2.5-4 %

↳ Lowest unemployment before inflation

Wages are sticky on the way down



$w_R = \text{lowest pay}$

unemployment \rightarrow excess/surplus workers

SWAG

$$QC \text{ per worker} = (w + w_2) / 2 = (50 + 20) / 2 = 35$$

$$\text{Social Cost} = 35q' + 50(\text{MERB})(q')$$

$$w_R = ? \quad w_R = 0 \quad w/2 = QC / \text{worker}$$