

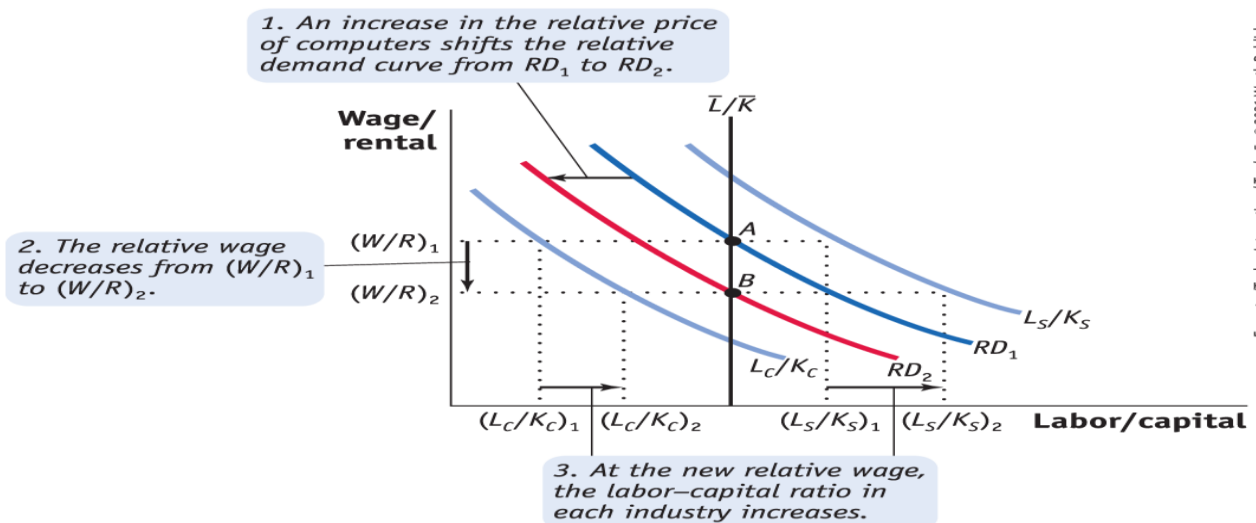
## Relative Supply and Demand Example

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

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

*and L also moves to computers*

$$5 = \frac{60}{15} \uparrow \left(\frac{15}{20}\right) \uparrow + \frac{40}{5} \uparrow \left(\frac{5}{20}\right) \downarrow$$



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

↑
↑
↑
↓

No change
No change in total