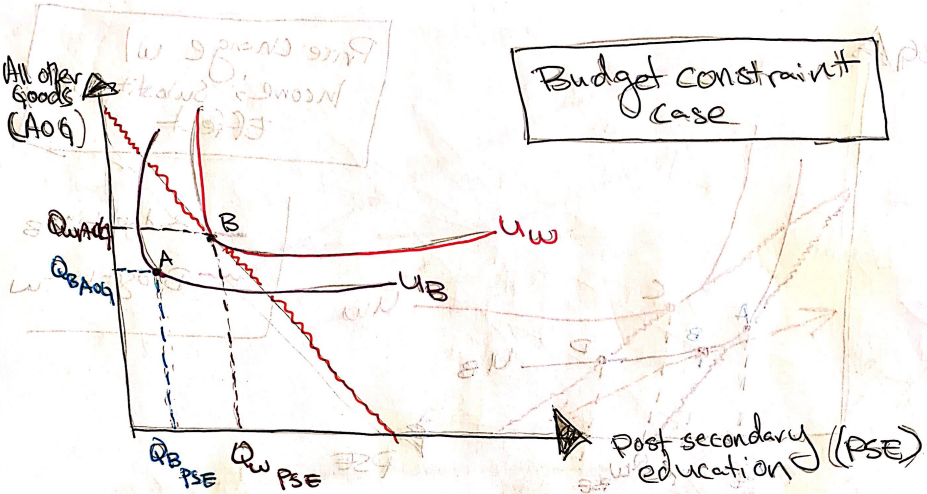
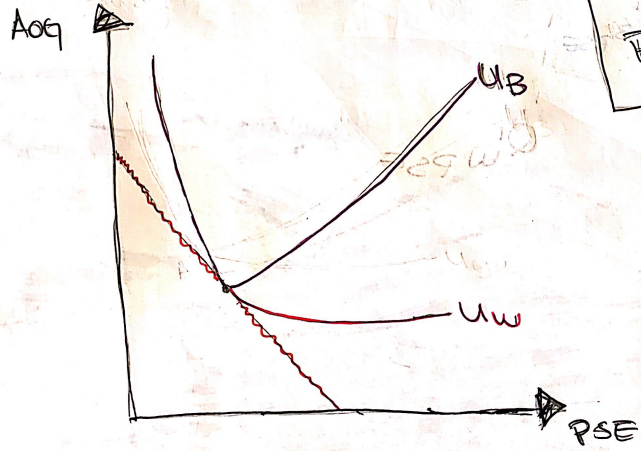


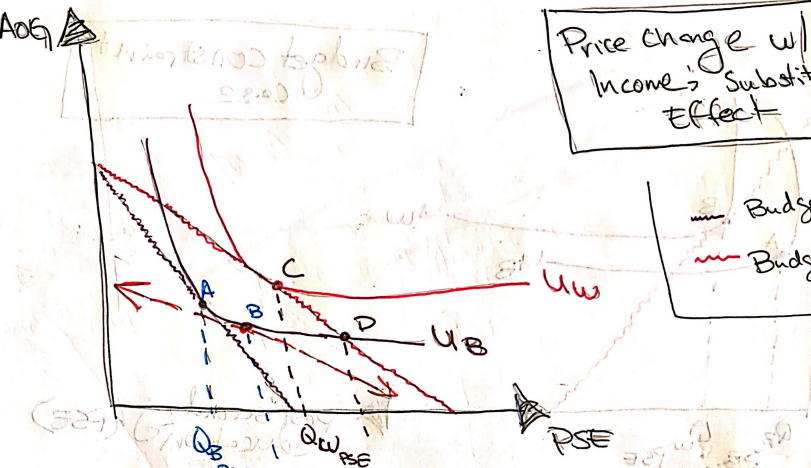
Budget constraint case



Preferences / Satisfaction



Price change w/
Income's Substitution
Effect



--- Budget Line B
--- Budget Line W

Income's Substitution
Effect

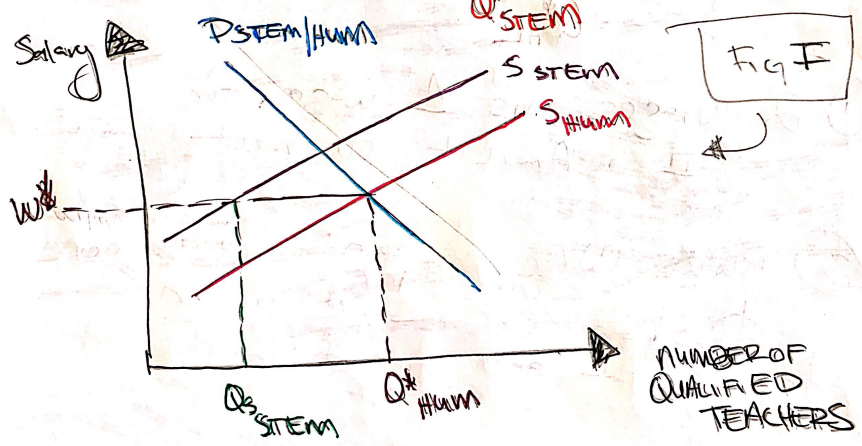
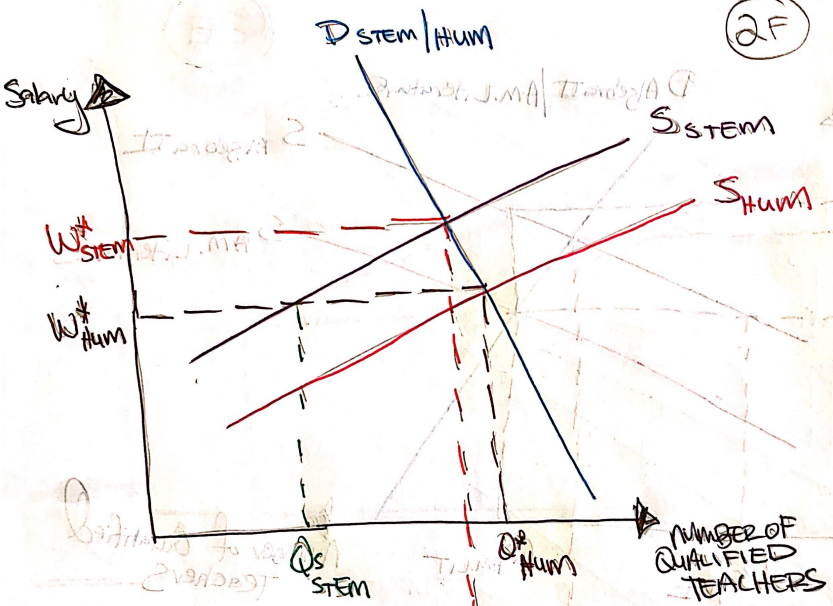
$Q'_W PSE$

$Q'_B PSE$

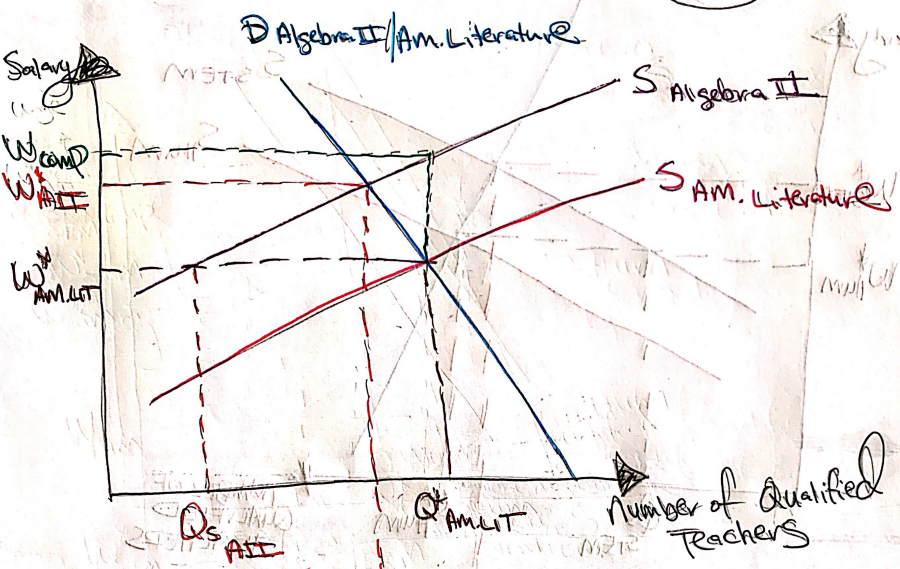
329

104

2F

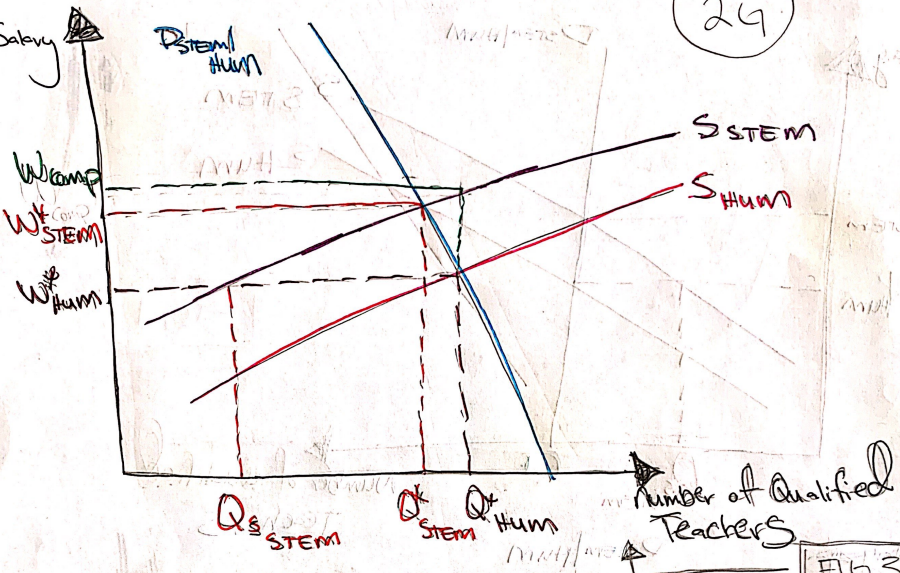


(2E)



(2c)

- ① 2 wages vs 1 wage for AII, Am. Lit to meet Demand
- ② Provide Wage compensation differential to have the same amount of AII and Am. Lit in district



- A) STEM Teachers have HIGHER OC of future earned wages than getting a masters and going into industry in comparison to humanities teachers
- B) Regardless of $S_{TEACHER}$, Schools will be inelastic in regards to $P_{TEACHER}$. $Q_{Demanded}$ of Teachers does not change with wage
- C) P impacts the $S_{STEM/HUM}$ and schools will have to supply two wages to the demand due to elasticity of supply

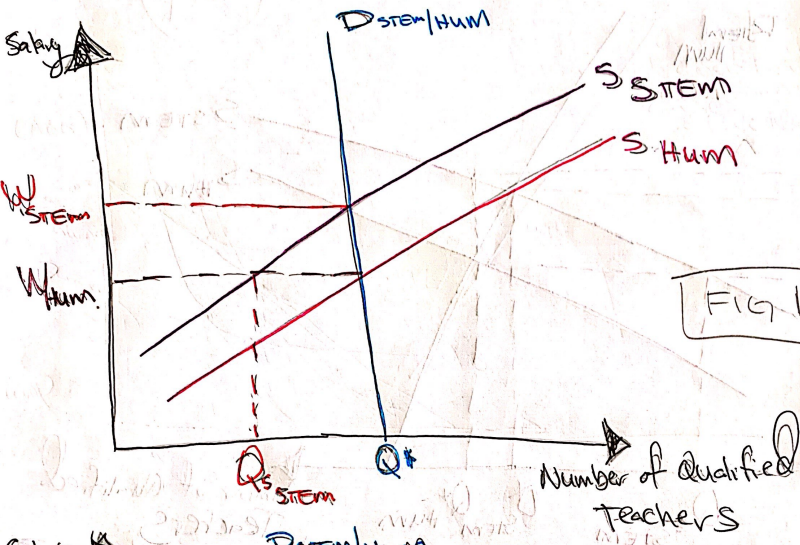


FIG I

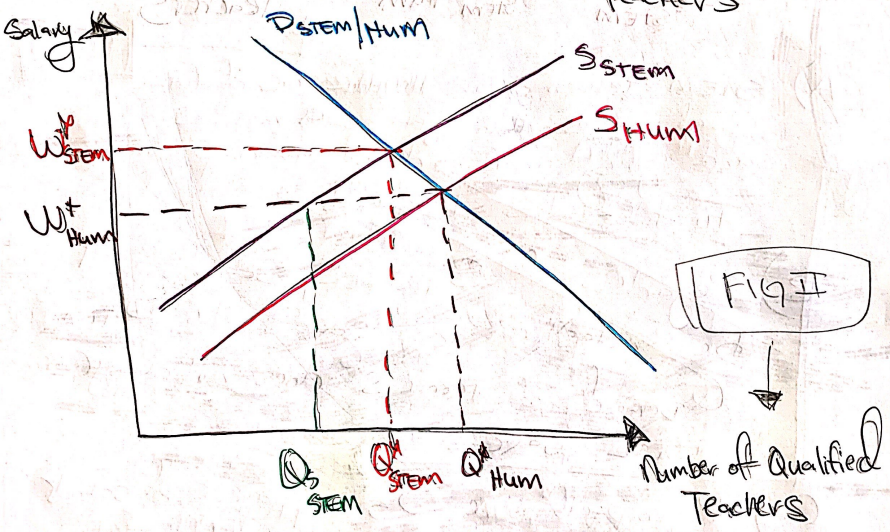


FIG II

NO SHORTAGE BEING ON DEMAND CURVE