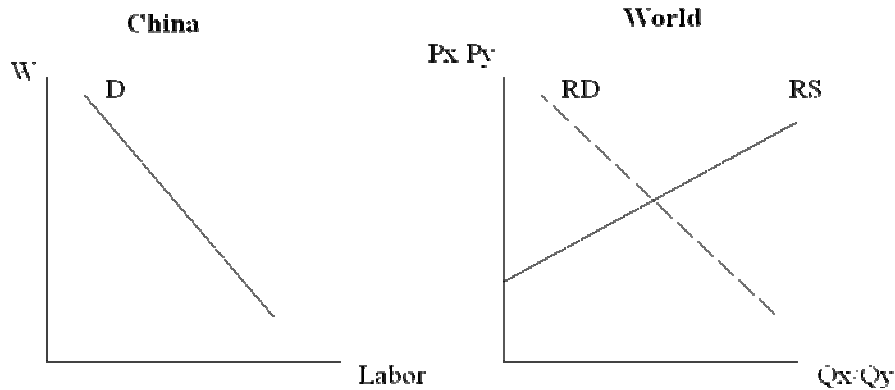


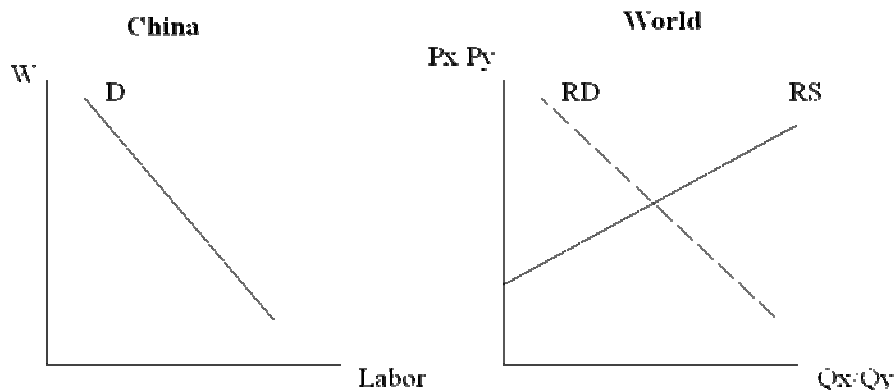
*Labor Standards*

1. Under international trade theory with 2 countries,
  - a. Explain and show in graph how the fear of low skill labor in the US about lower labor standards (hence lower wages) in China causing lower wages in the US can be valid under perfect competition.



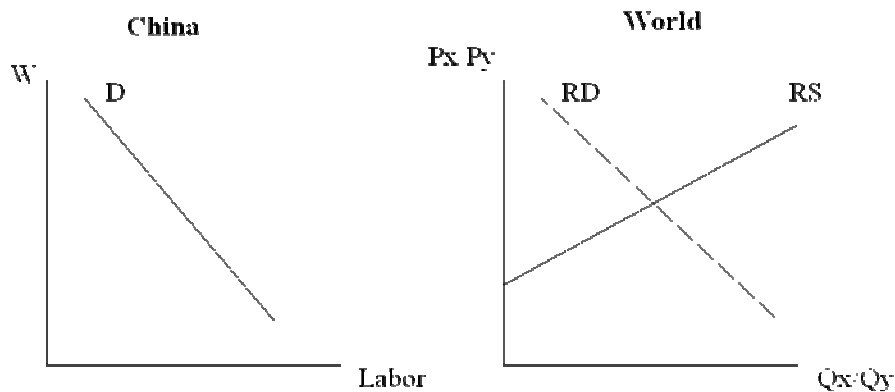
$W_{china}$  employment  $x$  production  $x$  exports world  $P_x P_y$   $W_{us}$  ?

- b. Now explain and show in graph why this argument may not be necessarily true under Monopsony.



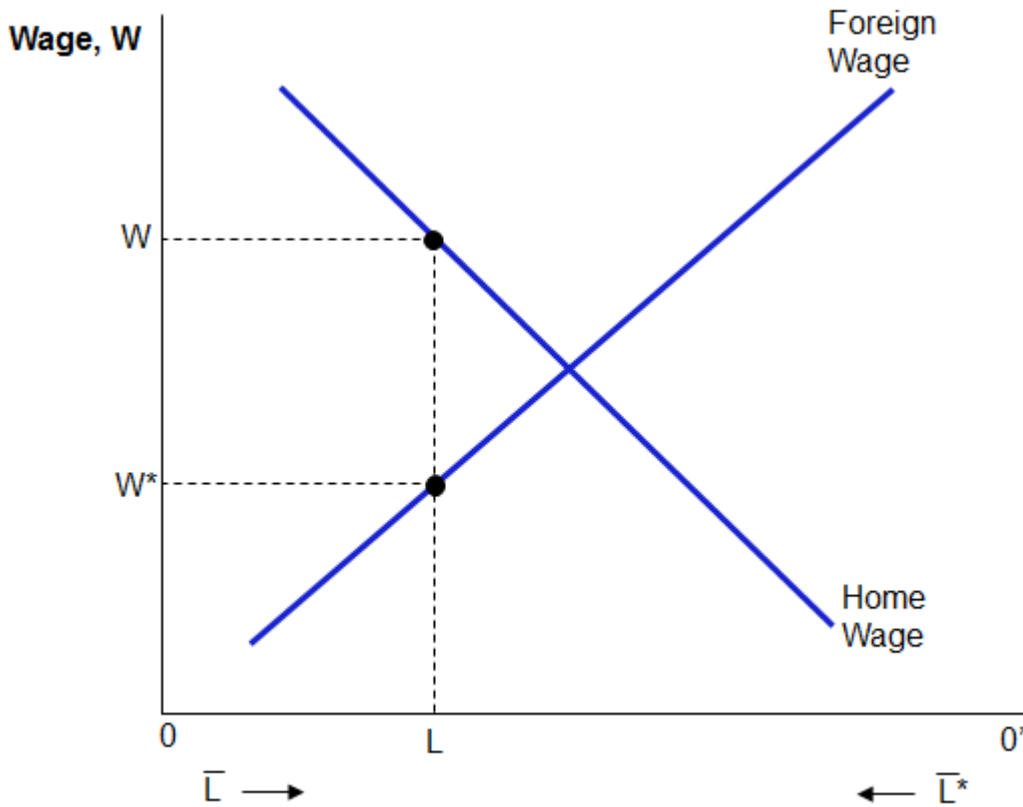
$W_{china}$  employment  $x$  production  $x$  exports world  $P_x P_y$   $W_{us}$  ?

- c. Give two explanations why low labor standards in China do not “increase” wages in the US under imperfect competition?



## Migration

2. Consider the world labor market with only one good and two factors of production (labor and capital). Show **IN THE GRAPH AND USING THE APPROPRIATE EQUATION**



- Gains/losses from migration to the Home and the Foreign country where home wage is  $W$  and foreign wage is  $W^*$ .
- change in the value of production in the Home and the Foreign country and the net gains/losses in the world from migration.
- What happens to rents accrued to capital owners in the Home and the Foreign country?