

Assignment 5

Explain why the following statement is True, False, or Uncertain according to economic principles. Use diagrams and / or numerical examples where appropriate. Unsupported answers will receive no marks. It is the explanation that is important.

- A1.** Assume that the Home wage rate is higher than the Foreign wage rate with no migration between Home and foreign. If we allow migration between the countries, Home labor will be better off.

False

See Section 8.4.2 and Figure 8.9 of Baldwin's textbook, and slides 20-22 of Ch 8 for a graphical explanation.

- A2.** Immigrants cause unemployment.

Uncertain

See Section 8.4.3 and Figure 8.10 of Baldwin's textbook for a graphical explanation.

- A3.** Greater openness reduces the take-home wage when social policies are imposed.

False

See Section 8.3.2 and Figure 8.5 of Baldwin's textbook for a graphical explanation.

- A4.** Trade integration reduces unemployment when social policies are imposed.

Uncertain

See Section 8.3.2 (page 185) and Figure 8.6 of Baldwin's textbook for a graphical explanation.

A5. Assume that the Home rental rate is higher than the Foreign rental rate with no capital mobility between Home and Foreign. If we allow capital mobility between the countries, Foreign capital owner will be better off.

True

See Section 19.2.2 and Figure 19.4 of Baldwin's textbook for a graphical explanation.