Problem Set 4: International Movement of Labor and Capital

Part I (Data on Migration):

Search the Internet for the following data on labor migration (Hint: to receive credit you need to indicate the URL from which you downloaded the data):

1. The share of the foreign-born population in 2010 (or later) for the following countries: Australia, Israel, Netherlands, Ireland, Spain, Slovenia, Sweden, Finland, Hungary, Slovak Republic and Mexico. Based on the data you collected, which of these nations can be labeled as an “immigration country”?

Part II (International Movement of Labor):

1. Which of the following kinds of immigrants probably contributed the greatest net taxes, after deducting welfare payments, to the U.S. government? Which probably contributed the least? Explain your choices.
   
   (a) Political refugees around 1990.
   (b) Illegal immigrants arriving around 1970.
   (c) Electrical engineers arriving around 1970.
   (d) Earlier immigrants’ grandparents, arriving around 1990.

2. Explain why international trade and migration are perfect substitutes in the H-O model.

3. According to the H-O model, if two countries form a common market (no trade barriers and no barriers to labor movement), why is it difficult to predict the pattern and volume of trade between them?

4. Describe how a single international migrant can raise her own income by moving from country A (a poor country) to country B (a rich country), yet still lower the average income per capita both in A and B.
5. Why might the average voter have a very different economic perspective on the immigration of skilled labor such as physicians than would professional groups such as the American Medical Association? What should the role of Congress be in this dispute?

Part III (International Movement of Capital):

(Hint: To answer the first four of the following questions, consult the relevant chapter in your textbook!)

1. Describe the net (i.e. outbound minus inbound) direct investment position abroad of the United States at the end of 2010.

2. In which industries is the U.S. direct investment position the greatest (name the top three in 2010)?

3. Which countries are the five largest recipients of U.S. foreign direct investment (name the countries together with their respective U.S. direct investment position abroad by the end of 2010)?

4. Which are the five largest investor countries in the United States (name the countries together with their respective foreign direct investment position in the U.S. by the end of 2010)?

5. Consider two countries that have lifted capital controls at some point in the past. What happens to the size of the capital stock and output in each country if controls over foreign ownership are reinstated, thus keeping the marginal productivity of capital from equalizing between the two countries?