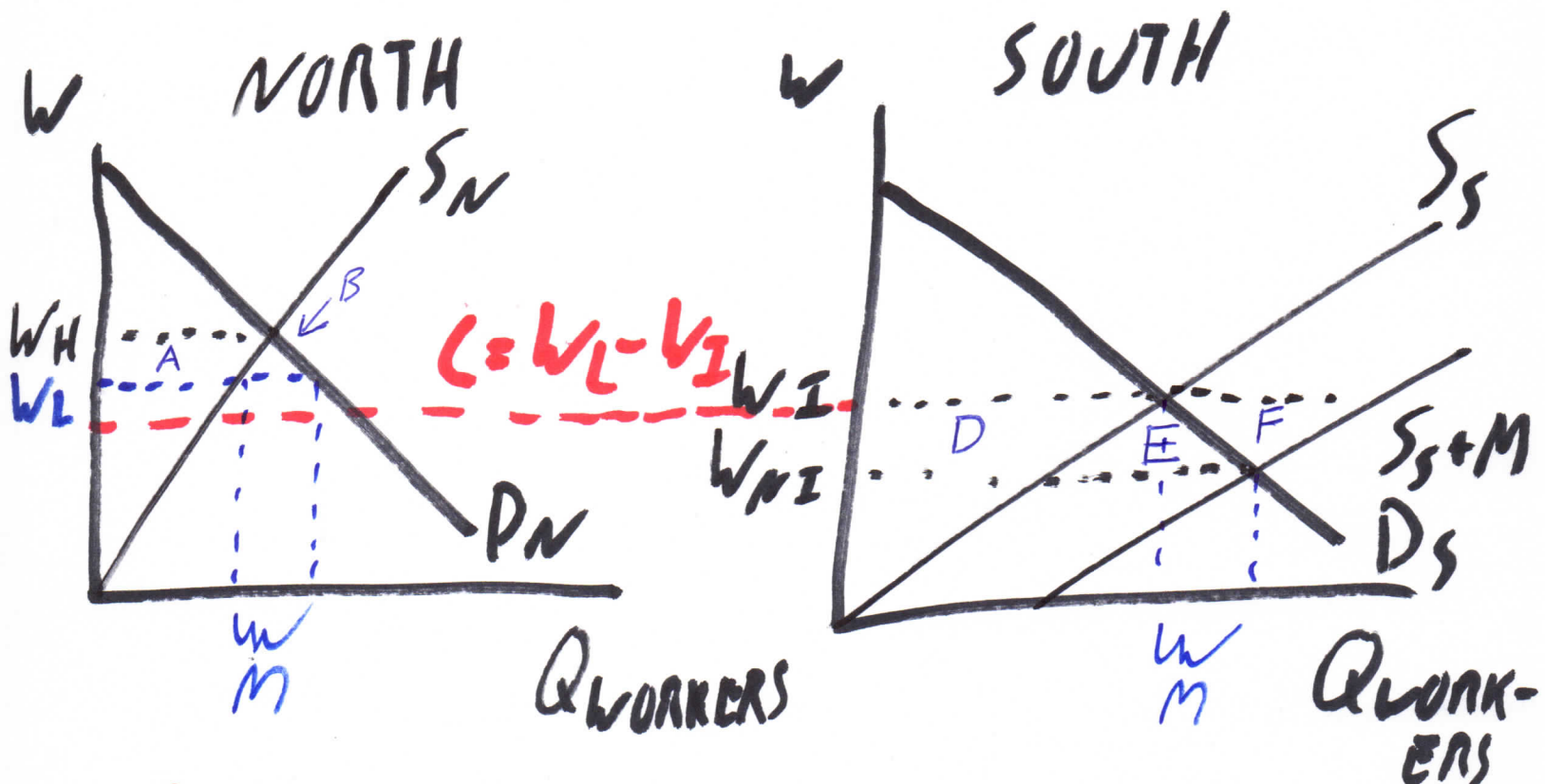


CH. 15 MIGRATION

- POWER OF LUGGAGE



**L = COST OF MIGRATION
TO MIGRANTS**

MIGRANTS $+ E + F$

WORKERS LEFT IN SOUTH

SOUTH EMPLOYERS

NATIVE NORTH WORKERS

NORTH EMPLOYERS

$+ D$

$- D - E$

$- A$

$+ A + B$

**SOUTH
LOSES
 E**

**NORTH
GAINS
 B**

WORLD AS A WHOLE + F + B

DATA SAYS

- WAGE RATES DO CONVERGE
ACROSS COUNTRIES (~~LOCALES~~)
(LOCALES)
- IN THE "NORTH", LEAST-SKILLED
WORKERS ARE HURT THE MOST
- WORK OUTPUT (PRODUCTIVITY)
INCREASES IN NORTH + SOUTH
 - KNOWLEDGE BENEFIT FROM
MIGRANTS
- PAY DEFICIT BETWEEN SIMILARLY
SKILLED NORTH WORKERS +
MIGRANTS
- LESS PEOPLE MIGRATE THAN THEORY
SUGGESTS

RESTRICT IMMIGRATION?

- GOV'T COSTS TOO HIGH!
+ FEDERAL, (-) STATE/LOCAL
OVERALL?
- KNOWLEDGE BENEFITS
H1B VISAS
- ANTI-INFLATION BENEFITS
WAGES ↓, PRICES ↓
- CONGESTION COSTS / SOCIAL
FRICTION COSTS

[CH. 15] FDI + MNEs

FOREIGN DIRECT INVESTMENT
MULTI-NATIONAL ENTERPRISES

FDI = PURCHASES OF FIRMS OR
PHYSICAL ASSET (10% OR MORE
OWNERSHIP IN FIRM/FACTORY)

- GROWN FASTER THAN INT'L
TRADE, FASTER THAN GDP
GROWTH
- FDI CORRELATED w/ GDP GROWTH
- FDI FOLLOWS GRAVITY EQ.
 - DISTANCE
 - SIZE
- GOLD KEY SERVICE
EXPORT. GOV

WHETHER TO FDI?

INHERENT ISSUES

- GOOD THING TO HAVE LOCAL KNOWLEDGE
 - NINTENDO OF AMERICA
REDMOND. WA
- COSTS: MANAGEMENT, TRANSPORT
(COMMUNICATION

FIRM SPECIFIC ISSUES

- SECRET FORMULA/TECHNOLOGY
 - HIGH TECH MANUFACTURING
- FINANCE LARGE PROJECTS
 - ECONOMIES OF SCALE
- LICENSE/INTERNALIZATION
 - KFC, COCA-COLA

LOCATION ISSUES

- COMPARATIVE ADVANTAGE
 - SAVE ON LABOR
 - EX. RATE CONCERNS
- BARRIERS TO TRADE
 - TARIFFS, GOV'T, TRANSPORT
 - TRADE BLOC
- ECONOMIES OF SCALE

OLIGOPOLISTIC POSTURING

- SIGNALS + THREATS

EXAM. NIKE + PUMA
PORTLAND

CATERPILLAR + KOMATSU

PEORIA, IL

ROLLING MEADOWS, IL

TRANSFER PRICING

- SHIFT TAXES TO AFFILIATES
IN LOW TAX COUNTRIES

AVEO → SOLD FOR \$12,000

CHARGE GM OF US \$12,000

COST TO BUILD \$10,000

- 33% OF WORLD TRADE IS
INTRA-FIRM