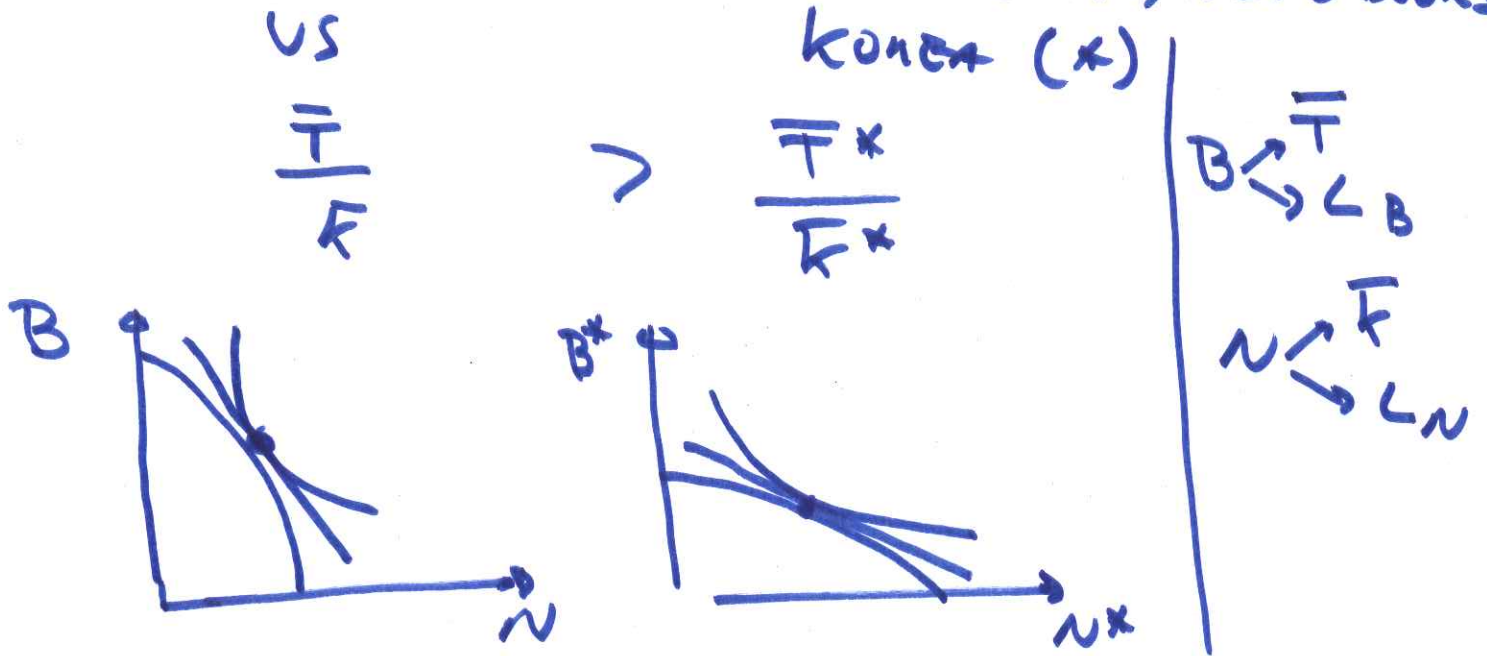


10-4-11

US KOREA FTA : Two Goods:
BEEF, NOTEBOOKS



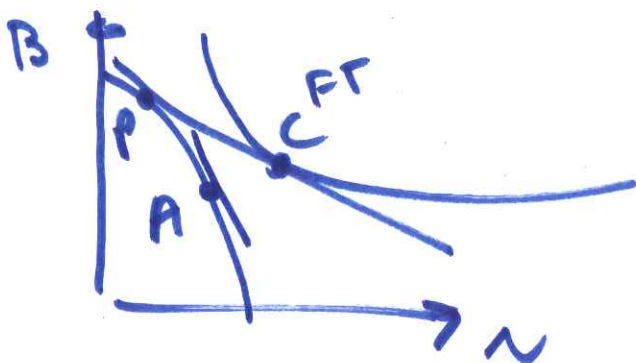
AUTARKY:

$$\left(\frac{p_N}{p_B}\right)^A > \left(\frac{p_N}{p_B}\right)^{A^*}$$

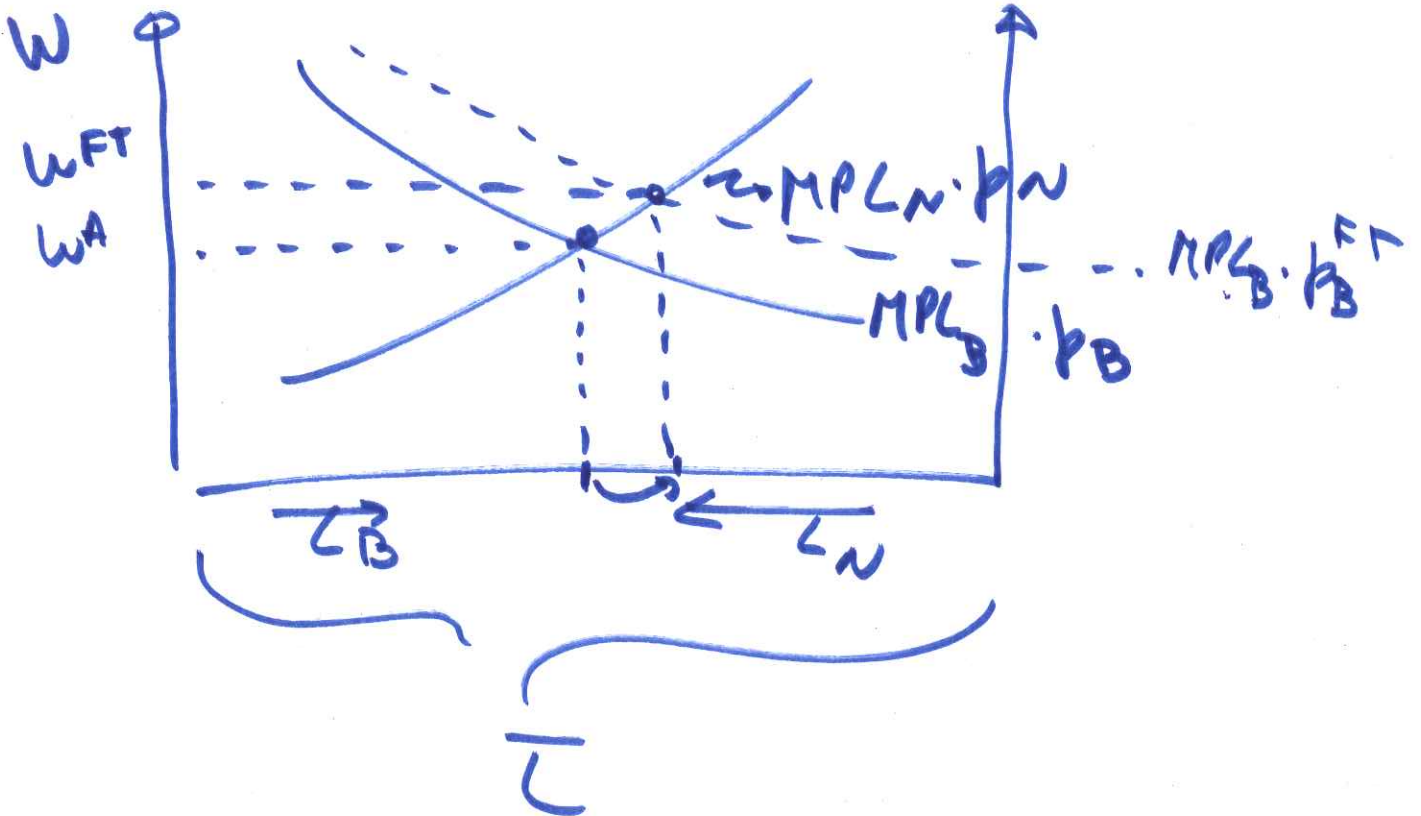
FT

$$\left(\frac{p_N}{p_B}\right)^{A^*} < \left(\frac{p_N}{p_B}\right)^{FT} < \left(\frac{p_N}{p_B}\right)^A$$

US: AUT \rightarrow FT



$\frac{p_N}{p_B} \downarrow$
ASSUME $p_B \uparrow$
 p_N CONT.



$\uparrow L_B$ $\downarrow L_N$ $\uparrow W$

How ABOUT

$\frac{W}{P_B}$: \downarrow
??

$\frac{W}{P_N} = \uparrow \Rightarrow \frac{W}{P_N} \uparrow$

Show this

$\frac{W}{P_B} = MPL_B$

so NEED TO KNOW WHAT HAPPENS TO MPL_B

\bar{T} CONSTANT, $L_B \uparrow \Rightarrow \frac{\bar{T}}{L_B} \downarrow$

$\Rightarrow \boxed{MPL_B \downarrow}$

RESULT: UNCERTAIN FOR
LABOR SINCE:

$$\frac{w}{p_B} \downarrow \quad \frac{w}{p_N} \uparrow$$

CAPITAL OWNERS : WORSE
OFF

$$\frac{r_K}{p_B} \quad \frac{r_K}{p_N}$$

CAPITAL ONLY USED IN NOTEBOOK

$$\boxed{\frac{r_K}{p_N} = MPK \downarrow}$$

SO WHAT HAPPENS TO MPK?

$$L_N \downarrow \Rightarrow \frac{\bar{K}}{L_N} \uparrow \Rightarrow MPK \downarrow$$

HOW ABOUT

$$\frac{r_K}{p_B} ?$$

SPLIT METHOD:

$$\frac{r_K}{p_B} = \left(\frac{r_K}{p_N} \right) \left(\frac{p_N}{p_B} \right)$$

LAND OWNERS : BETTER OFF

$$\frac{r_T}{r_B} \quad \frac{r_T}{r_N}$$

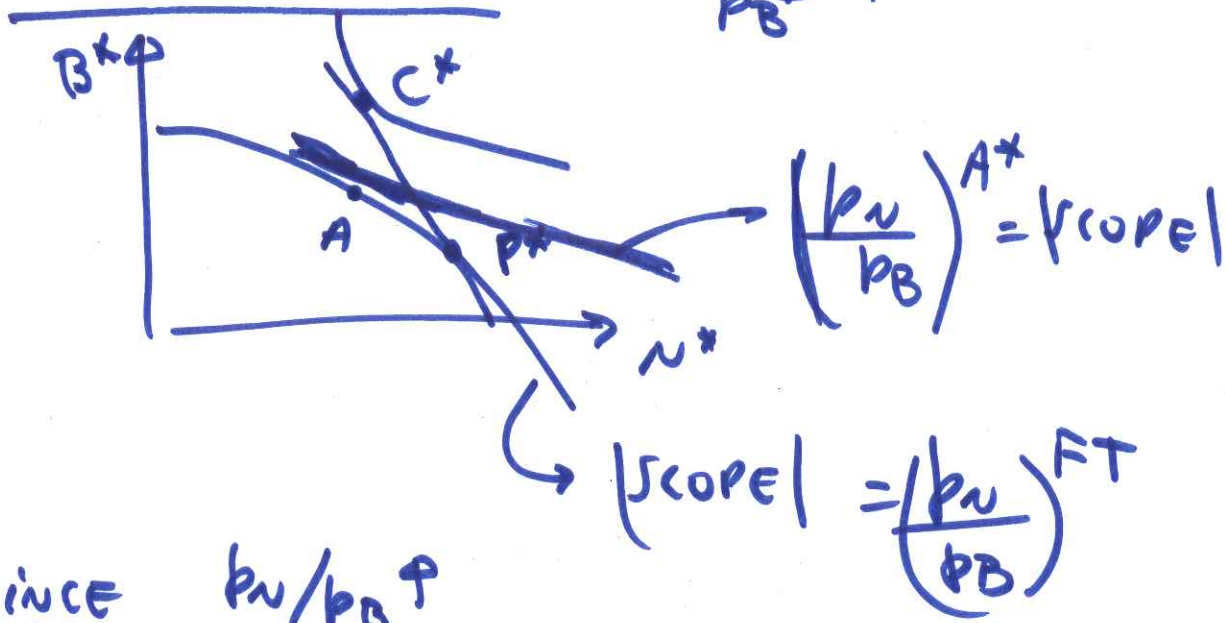
LAND ONLY USED IN BEER

$$\frac{r_T}{r_B} = \text{MRT } \Phi$$

SINCE $L_B \uparrow \Rightarrow \frac{I}{L_B} \downarrow \Rightarrow \text{MRT } \Phi$

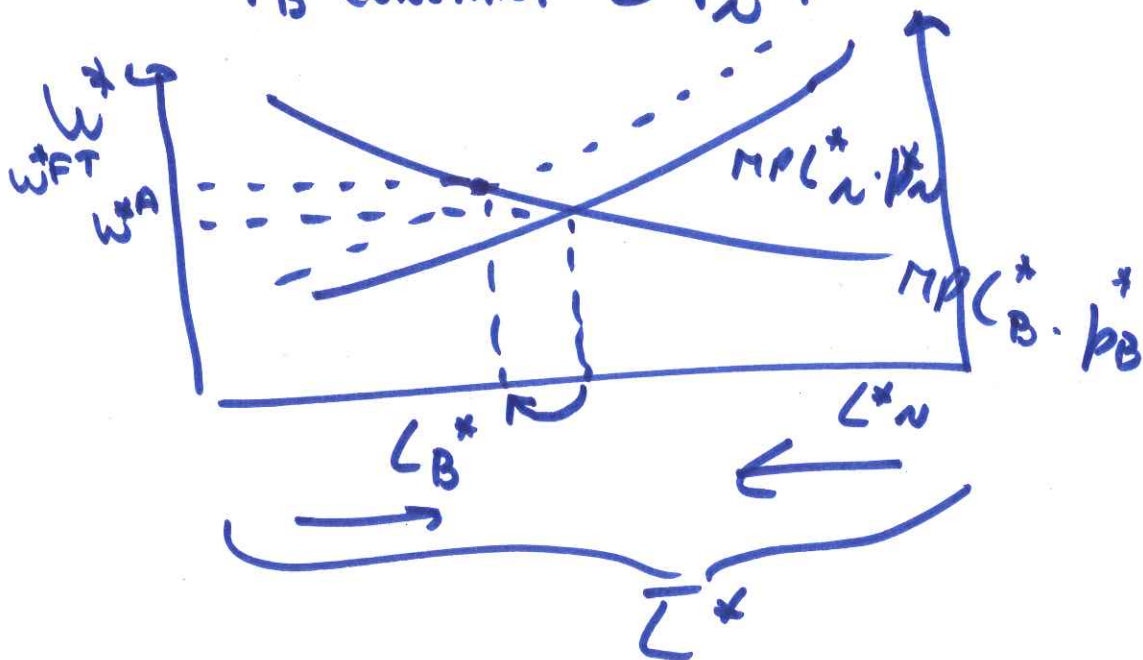
$$\frac{r_T}{r_N} ? \text{ split } \left(\frac{r_T}{r_N} \right) = \underbrace{\frac{r_T}{r_B}}_{\Phi} \underbrace{\frac{r_B}{r_N}}_{\Phi} \left(\Phi \right)$$

KOREA: AUT → FT : $\frac{p_N^*}{p_B^*} \uparrow$



SINCE $p_N/p_B \uparrow$
ASSUME

p_B CONSTANT & $p_N \uparrow$



$\uparrow L^*_N$ $\downarrow L^*_B$ $\uparrow w^*$

WORKERS

$\uparrow w^*$ & p_B CONSTANT $\Rightarrow \frac{w^*}{p_B^*} \uparrow$

$\frac{w^*}{p_N^*} ??$ SINCE N PRODUCED

$$\frac{w^*}{p_N^*} = MPL_N^*$$

since $L_N^* \uparrow \Rightarrow MPL_N^* \downarrow$
& $\bar{K}^* \text{ constant } \frac{\bar{K}^*}{L_N^*} \downarrow \Rightarrow MPL_N^* \downarrow$

so $\boxed{\frac{w^*}{p_N^*} \downarrow}$

so UNCERTAIN EFFECT ON WORKERS

K-OWNERS: $\frac{r_K^*}{p_B^*} ? \frac{r_K^*}{p_N^*} ?$

since ~~we~~

since k used only in N sector

$$\frac{r_K^*}{p_N^*} = MPK \uparrow$$

AS $L_N^* \uparrow \Rightarrow \frac{\bar{K}^*}{L_N^*} \downarrow \Rightarrow MPK \uparrow$

SINCE WE CAN USE SPICIT METHOD:

$$\frac{r_K^*}{p_B^*} = \left(\frac{r_K^*}{p_N^*} \right) \left(\frac{p_N^*}{p_B^*} \right) \uparrow \text{ (FROM PAGE 5)}$$

- 7 -

$$\Rightarrow \frac{r_k^+}{p_B^+} \uparrow$$

SO K-OWNERS BETTER OFF

$$T\text{-OWNERS: } \frac{r_T^+}{p_B^+} ? \frac{r_T^+}{p_N^+} ?$$

SINCE T USED ONLY IN B SECTOR:

$$\frac{r_T^+}{p_B^+} = \text{MPT} \downarrow$$

$$\text{SINCE } L_B^+ \downarrow \Rightarrow \frac{\bar{I}^+}{L_B^+} \uparrow \Rightarrow \text{MPT} \downarrow$$

SPLIT METHOD

$$\frac{r_T^+}{p_N^+} = \frac{r_T^+}{p_B^+} \frac{p_B^+}{p_N^+}$$

↓
↓

FROM ABOVE
FROM PAGE 5

LAND OWNERS WORSE OFF