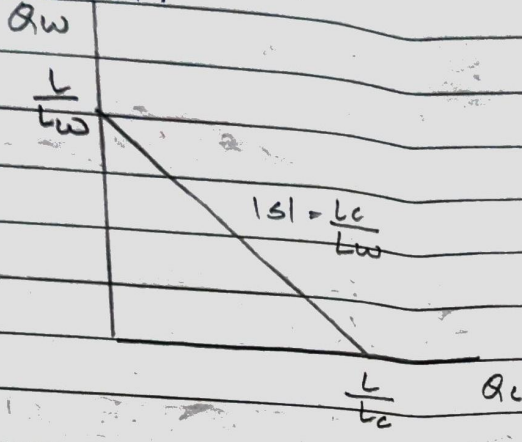


Unit-2

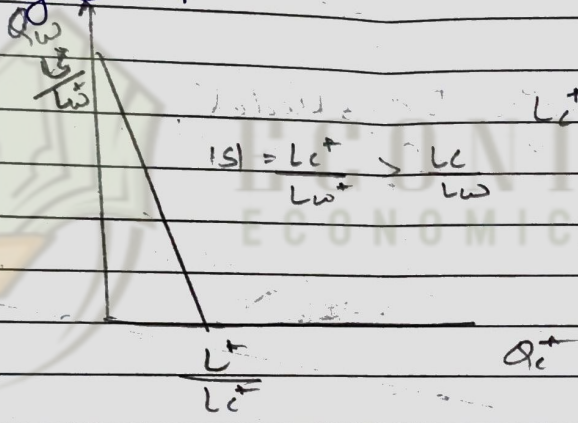
Ricardian Model

Home's PPF



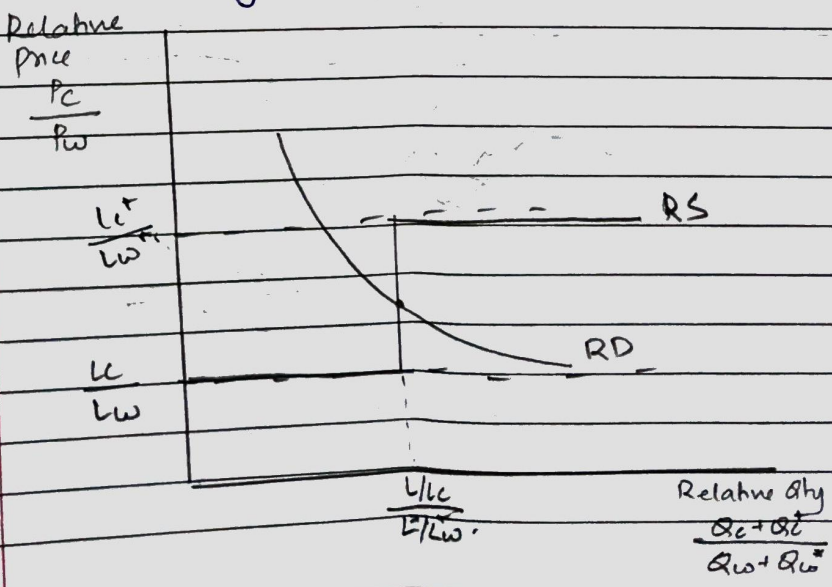
$$L_c \cdot Q_c + L_w \cdot Q_w \leq L$$

Foreign's PPF



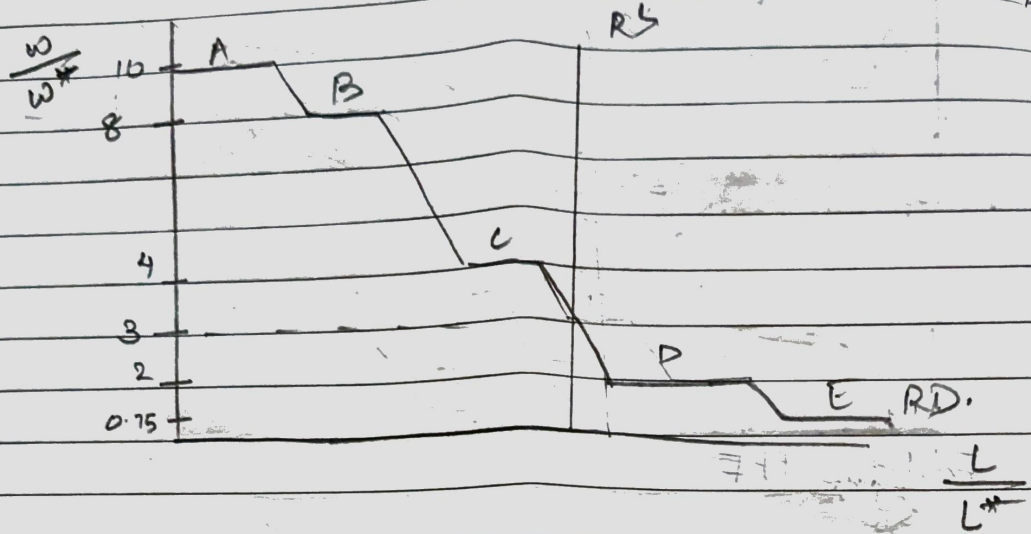
$$L_c^* \cdot Q_c^* + L_w^* \cdot Q_w^* \leq L^*$$

Relative Supply and Relative Demand.

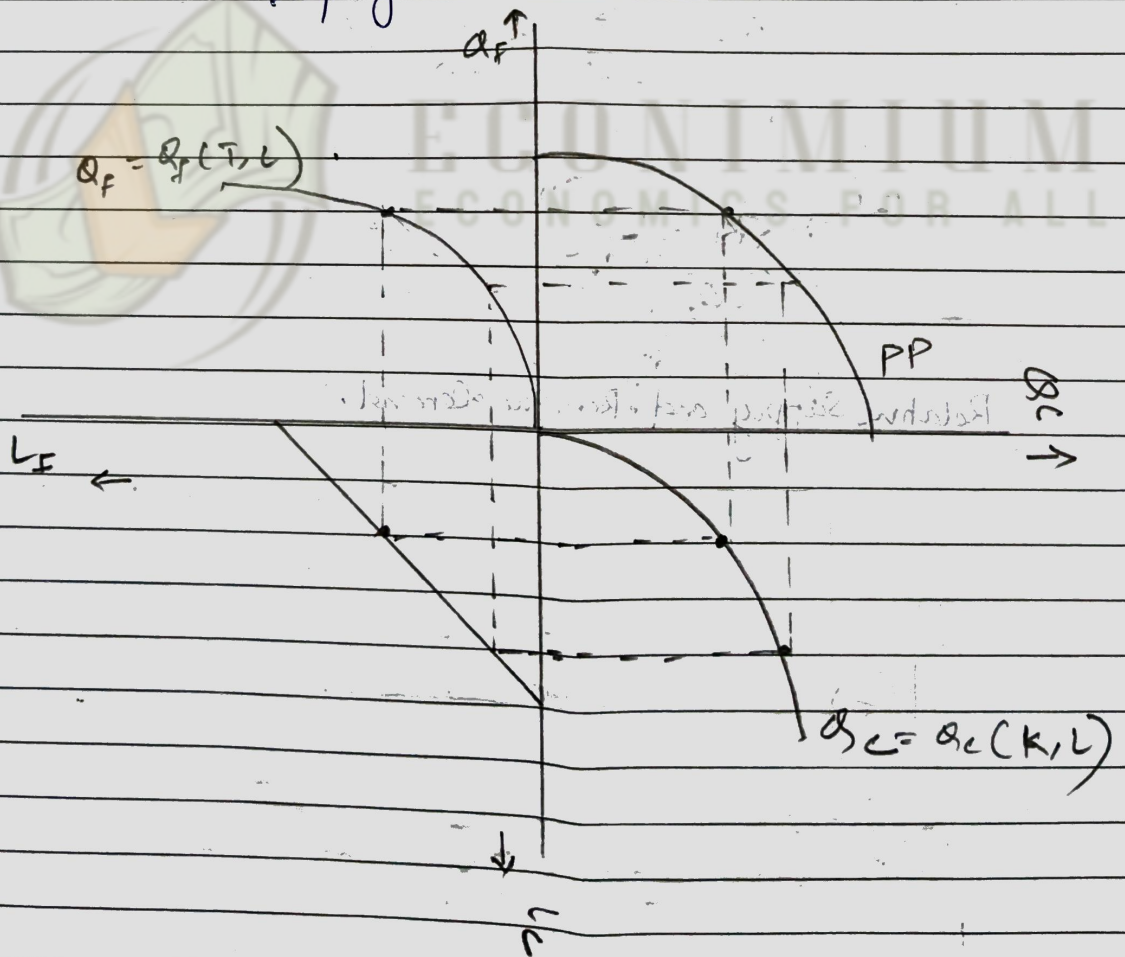


Determination of wage in many-good Ricardian

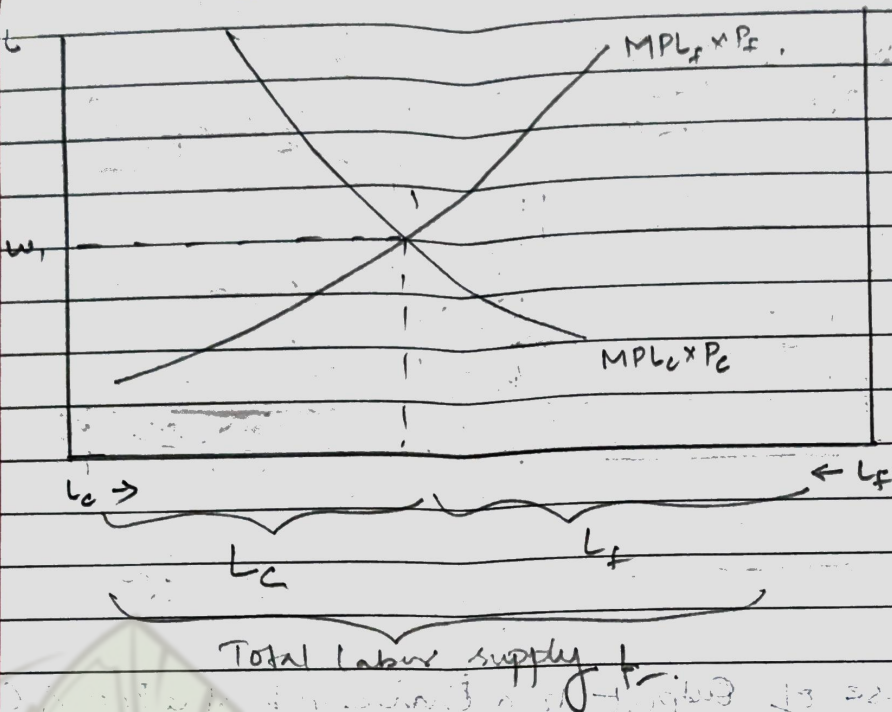
Alberati



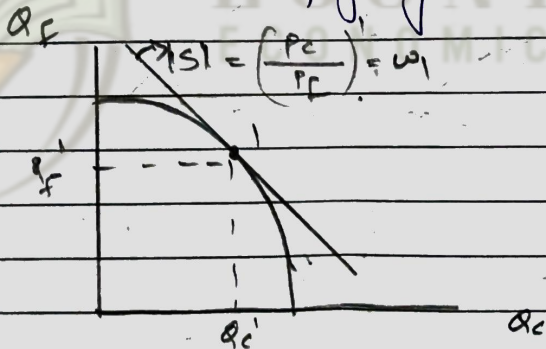
Specific Factors Model



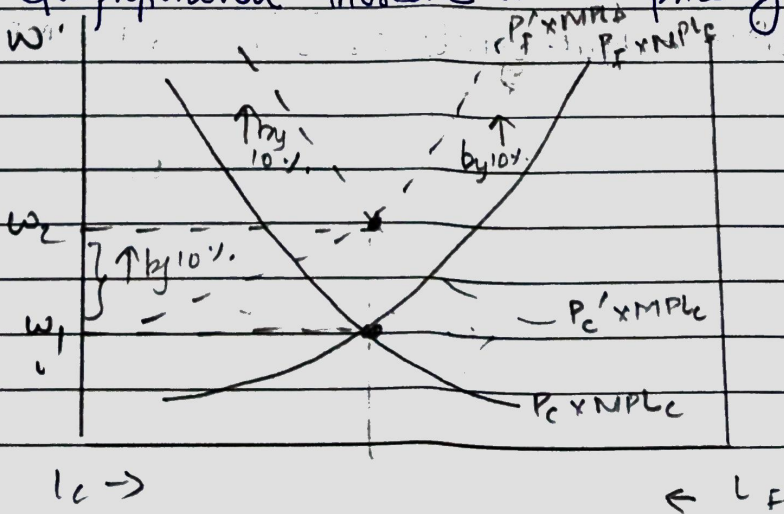
Allocation of labor and equilibrium



Production in the specific factors model



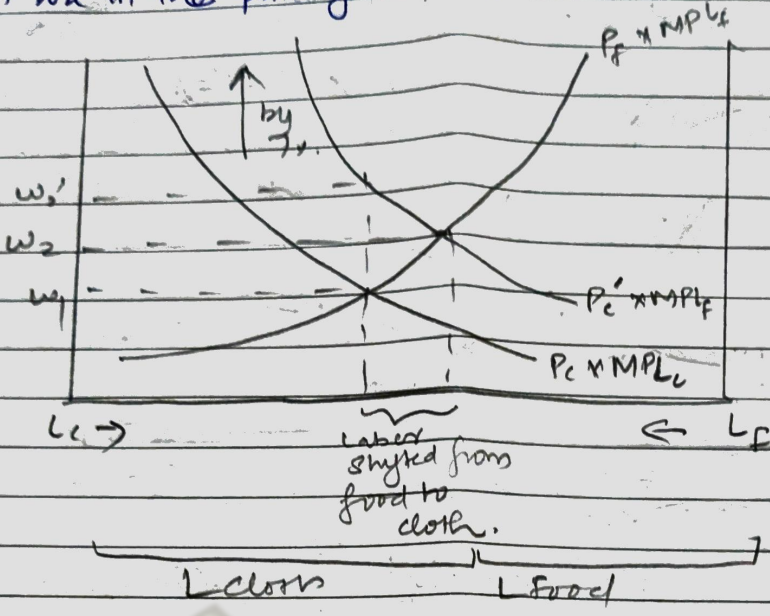
Equiproportional increase in the price of Cloth and Food,



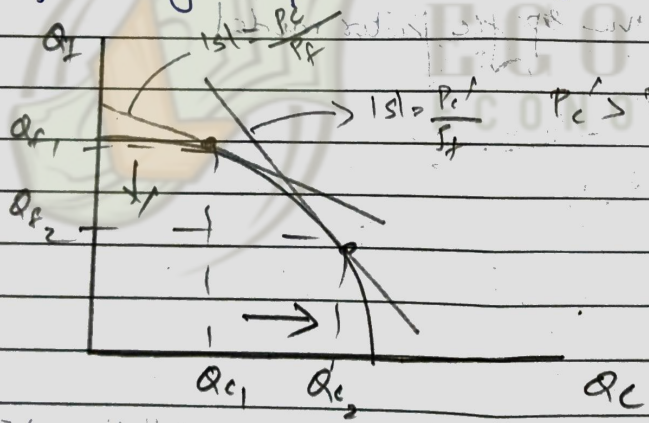
distribution of MPLC



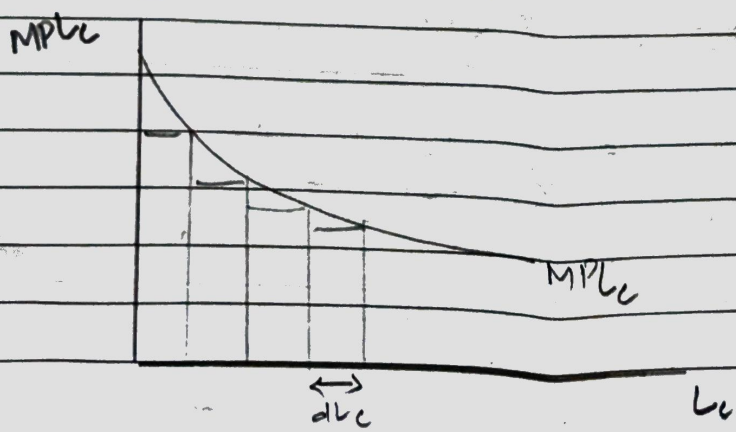
A rise in the price of cloth by 7%.



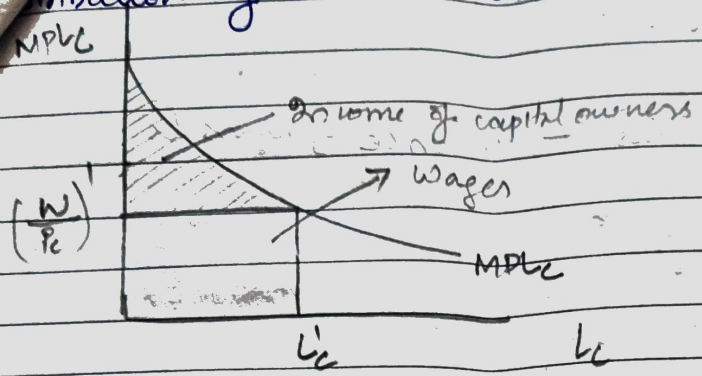
Response of Output to a Change in Relative Price of Cloth



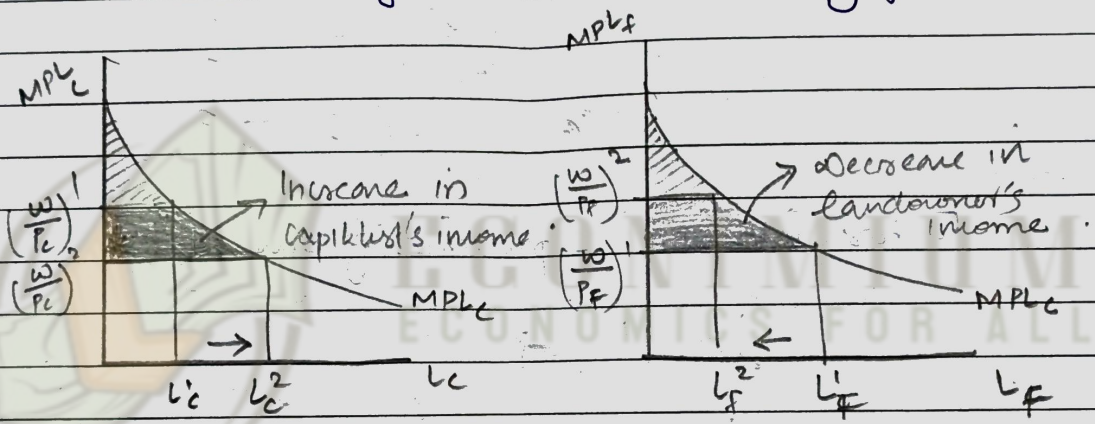
Showing that output equals area under the MP curve



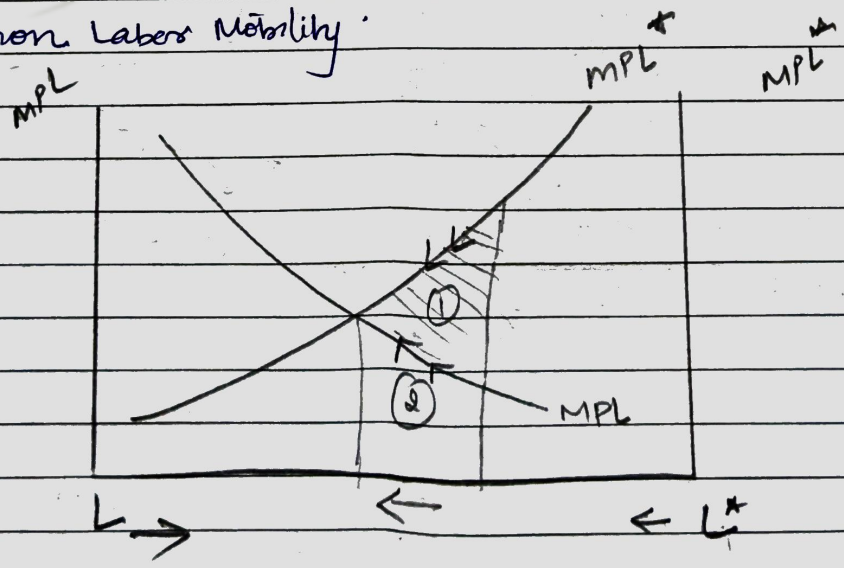
Distribution of Income within the cloth sector



A rise in Pc - Change in the income earned by factor owners



International Labors Mobility



Foreign's gain = ① + ②
Home's loss = ②