

ADDITIONAL PROBLEM

Problem #1

Consider two regions with different labor resources. The only other factor of production is land and it is completely immobile. Land owners have land in both regions (assume that each of them has half of his land in each region).

- Present the situation in both regions on the graph below assuming there is no mobility of labor. Identify the rents accrued by the land owners and the labor force. (The labor force employed in the first region is OL , while for the second region it is $O'L$.)
- In what circumstances introducing mobility of labor force increases the rent accrued by the land owners? Illustrate your idea with a similar graph.
- Ceteris paribus*, could you generalize the above reasoning concerning circumstances when introducing mobility of labor force increases the rent accrued by the land owners?
- How will individual land owners react to policy aiming at introduction of labor force mobility if they own land in only one region?

