

Practice: The economics of the WALL Spring 2019

Revised: February 20, 2019

Simple question: What are the economic consequences of a “wall”? Good, bad, who knows? Let’s simplify this a bit: **The WALL reduces the number of people working in the United States, so less L .** Let’s use the framework developed in class to answer the following questions.

- How would the wall affect aggregate, real GDP? What is the “core principle” behind your answer.
- How would this affect the real wages. What is the “core principle” behind the production function that drives this?
- Is there a conflict between the two answers above?
- If you received most of your income from capital rather than labor, is the wall in your economic interest? (Hint: how would the wall affect real interest rates?)