

# International Outsourcing, Unemployment, and Welfare (国際的なアウトソーシング、 失業、および経済厚生) ※

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## Abstract

This paper constructs a quality-ladder product cycle model with international outsourcing and Southern unemployment to examine the effects of an increase in the fraction of production process outsourced to the South on innovation, wage differential, (un)employment, and welfare. The increase in the fraction of production process outsourced to the South decreases the Northern (hence North-South relative) wage rate, stimulates innovation, and expands Southern employment. The increase in the fraction of production process outsourced to the South shifts consumer expenditure as well as production labor demand from the North to the South. Southern consumers are always better off while Northern welfare improves if the quality increment by innovation is sufficiently large.

*Keywords:* quality-ladder, product cycle, International Outsourcing, unemployment, innovation, wage differential, welfare

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