

Question for Chapter 4

(1) Organized labor believes that trade with low-wage countries has increased the wage gap between skilled and unskilled workers in the U.S.

(a) Within the Heckscher-Ohlin framework, explain and illustrate why. Your answer should include a relative demand and supply diagram, as well as the production possibilities frontier for the U.S.

(b) Give (and explain) two reasons why most empirical work does not support the claims of organized labor in the U.S.