

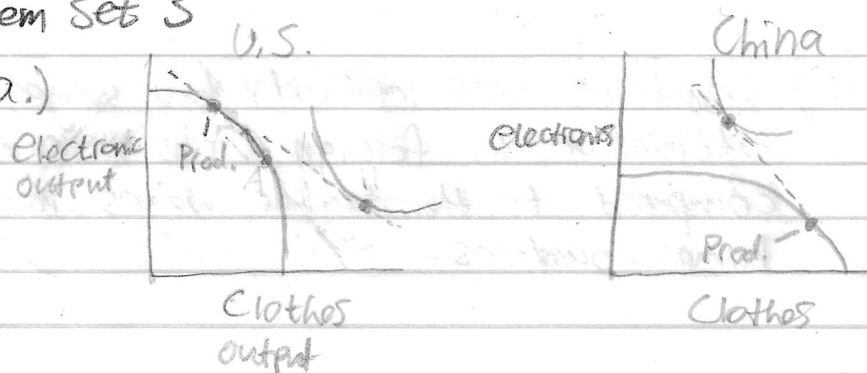
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Econ 4190

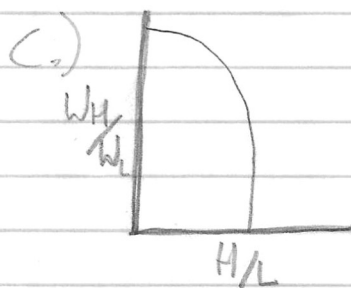
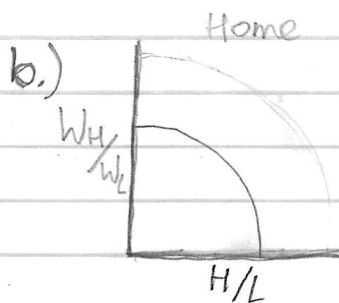
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### Problem Set 3

1.) a.)



U.S. will export electronics since High skill labor is relatively abundant, while China will export clothes since Low skill labor is relatively abundant.



d.) opening to trade increases High Skill wages since High Skill labor is in greater demand. Low Skill wages will likely decrease since there is less demand for Low Skill labor.

e.) i.) The outsourcing of labor to foreign countries with cheaper labor can lead to capital owners being better off, while laborers at Home are worse off.

e.) ii.) Countries with relatively low wages are attractive to foreign firms looking to outsource, compared to the higher wages in those firms' home countries.