

**“Not So Absolutely Fabulous” *The Economist* 11-04-1995
& “Does Trade with Low-Wage Countries Hurt American
Workers” *FRBP Business Review* March/April 1998**

1. Why do protectionists in rich countries such as the United States complain that emerging countries such as China have an unfair advantage? What is the key flaw in their complaint?
2. What determines absolute advantage? How would a U.S. absolute advantage in all goods compared to China be reflected in wages?
3. What determines comparative advantage? How would a U.S. comparative advantage in complex machinery compared to China be seen in the pattern of trade?
4. How can a country have low wages yet high costs of producing some goods?

5. What will firms do if wages are less than the value of the output produced by an additional worker?

6. What did Golub find about unit labor costs in developing countries such as Malaysia, India, and the Philippines compared to the United States?

7. Did Golub find that wages explained the pattern of trade in manufacturing?

8. If emerging economies experience faster productivity growth than the United States, how will wages adjust?