

Report on: "International Trade and Polarization in the Labour Market"

The labour markets in advanced countries show polarization, that is, the growth of high-skilled and low skilled jobs, with the associated wage gap. It is shown that the effects of off-shoring on the polar ends of the labour market contribute to our understanding of this phenomenon.

The paper deals with an important and actual problem. However, I have a few comments:

- The introduction gives an unbalanced survey of the literature. The author claims that the literature on 'the job polarization phenomenon to be nearly synonymous with Skilled-biased Technological change'. This is not true. Feenstra (2010), Offshoring in the global economy, MIT, or Krugman (2008) Trade and Wages, Reconsidered, Brookings Papers on Economic Activity, give a much more nuanced discussion of the literature, and point out that evidence on this topic is too limited to draw firm conclusions (see also the discussion between Leamer and Krugman in the Journal of International Literature, around 2000). The introduction should not only be toned-down somewhat as to the originality of the contribution, but also should give a more up-to-date account of the literature on this topic. Now it remains unclear what the contribution of this paper is, compared to the more recent (and extensive) literature.
- Related to the above, Section 2 is uninformative. The presentation of the literature surveyed in this section uses a lot of 'hand-waving', and is not very informative on the models, that are only briefly mentioned, with respect to similarities or differences in relation to the current model. Grossmann/Rossi-Hansberg, implicitly do discuss the composition of jobs, as they discuss excess labor supply effects caused by off-shoring.
- I find the intuition in section 3, and the set-up of the model unnecessarily complicated. The model in essence is a higher-dimensional HO-model consisting of two commodities and three factors of production. It is well-known that in higher dimensions standard results (at best) hold on an average basis. In the case of 3 factors and 2 commodities, standard Stolper-Samuelson effects continue to hold (a price increase of a good will lead to a rise in real return of *some* factor), but Rybczynski effects do no longer hold as changes in factor endowments, necessarily lead to changes in the returns and change factor intensities. The introduction of special assumptions in this model, such as made in the specific factors model, allows for tractable results. My guess is that a reformulation of the model in terms of a higher dimension HO model

might help readers to understand the fundamentals of this model. Also comparing the results with (an elaborate) specific factors model could help understanding what are the main causes of the results (by providing a bench-mark).

To conclude, This paper discusses an interesting topic, but is not (yet) convincing in the set-up of the model, or the discussion of the results. A more transparent set-up of the model could help to highlight the most important contributions of this paper.