Is a Skill Intensity Reversal a Mere Theoretical Curiosum? Evidence from the U.S. and Mexico

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Abstract

A rising skill premium in two countries can be explained by the Heckscher-Ohlin model assuming a "skill intensity reversal." This assumption, however, poses an empirical challenge since past research has found little evidence for the so-called "factor intensity reversal." We now show clear-cut evidence: U.S. net exports to Mexico of electronics products—relatively high-skill intensive within the U.S. but relatively low-skill intensive within Mexico—increased from 1994 to 2000. U.S. net imports from Mexico of non-electronics products—relatively low-skill intensive within the U.S. but relatively high-skill intensive within Mexico—increased as well. The skill premium also increased in both countries.

Keywords: Heckscher-Ohlin model; Skill intensity reversal; Wage inequality; U.S.; Mexico

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