

Income inequality

Sociology



Given that the labor markets are always flexible, the loss of jobs in one field should be to create other new jobs in another field. Therefore both the relative and the average wages stand a chance of being impacted by trade, this is due to the emergence of economies. For a very long time, the real wage has been traced back to average productivity growth. This has however changed in modern times, the real pay of workers in many developed countries has slowly increased than labor productivity. For instance, the real wages that an employee gets in a week in the United States of America has fallen in the middle of income distribution by at least 4% in 2001 alone.

During this period, the level of labor productivity has risen by 15%; this is based on real terms. In other economies such as that of Germany and Japan, the income distribution is either flat or maybe falling. This has fueled an argument in favor of globalization that is aimed at making the workers get better wages, it has also improved the security of jobs of the low-skilled workers hence the job loss is reduced.

Question 3

According to the ideas from David Ricardo, he argues that many economies tend to gain from trade through specializing in products that have the capability of comparative advantage. Looking at the economies of many developed countries, there is the existence of many skilled workers but that is not the case in countries that are experiencing the emergence of the economy since they have low skilled workers. The economist argues that the real wage in the United States of America is covered in rising house prices. This will have the effect of making the families feel better. This means that the housing market will be responsible for the stumble of the economy while <https://assignbuster.com/income-inequality/>

the pay remains to be feeble. Therefore, excluding the workers from the spoils of globalization will pose a great challenge to the orthodox of economics.

According to the Heckscher-Ohlin theory, a country may pose a large endowment of all the factors than the other country due to the presumed of the returns to scale. These factors may be important since they are relative to the endowment. The home country has the advantage of enjoying the relative labor that is abundant. It is only possible if the ratio of the endowment of labor exceeds the ratio of other foreign countries.

Question 4

Richard Freeman pointed out that the traditional theory should be modified because the sheer size of the bigger labor forces that were emerging had the potentials of shifting the global capital-labor ratio to a massive extent against the workers. The new entrants that are introduced to the market could only cause little capital with them leading to a sharp decline of the global capital-labor ratio.

Question 5

For the country to be able to increase income tax through trade balance, it has to introduce the Keynesian policy. This policy has the capability of identifying one-way causation that has the relationship between spending on the total output and the total income that determines the level of employment that is associated with a specific amount of expenditure. This policy argues that the aggregate demand can be overlooked by the knowledge of the pattern that divides income from spending, Thus explaining the different levels of income and the volume of employment.