Title: Does Skill Abundance Still Matter? The Evolution of Comparative Advantage in the 21st Century

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Abstract:

This paper documents that skill-abundant countries no longer have a comparative advantage in skill-intensive sectors. While this empirical relationship was strong in the 1980s, it weakened in the 1990s and disappeared by the 2000s. Using a quantitative trade model incorporating automation, I find that lower trade costs and automation are the key factors. Trade costs contribute via market access, while automation changes comparative advantage through task reassignment. Lower trade costs and automation increase skill premia primarily by reassigning tasks to capital rather than reallocating factors across sectors. Lower trade costs also amplify automation's effects on skill premia and welfare.