

# The Law of One Price and Skilled Labor Outsourcing

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## **Abstract**

What are the long run effects of outsourcing on employment and wages in Korea and the United States? How can international economists reconcile the outsourcing of skilled labor by a presumably skill abundant country like the United States (Deardorff, 2005)? This paper uses standard regression techniques and data from the respective government agencies to examine the possibility of wage convergence in the Korean and US market for computer programmers. Results show that the law of one price, a theory expected to hold in the long run, actually holds over a much shorter time horizon than may have been previously assumed. Additionally, the direction (downward) and rate of change for the real wage of US computer programmers may be of particular concern to policymakers.