Imports And Income Distribution In Advanced Countries
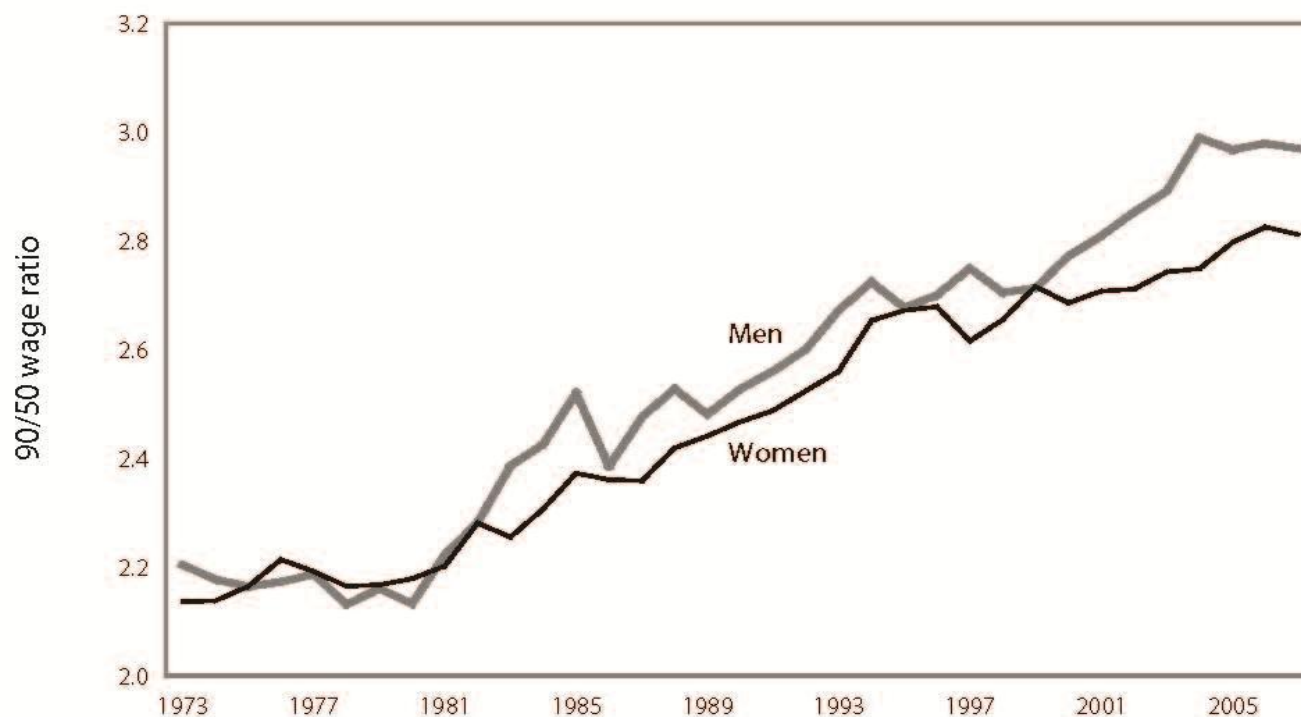
Paul Krugman

95/50 percentile wage inequality, 1973-2007

Real hourly wage for men by education, 1973-2007 (2007 dollars)

Year	Less than high school	High school	Some college	College	Advanced degree
Hourly wage					
1973	$15.72	$18.64	$19.05	$25.71	$28.56
1979	15.79	18.51	19.25	25.16	28.63
1989	13.26	16.55	18.25	25.74	32.01
1995	11.66	15.80	17.63	26.13	33.99
2000	1 2.08	16.72	19.06	29.35	36.67
2007	12.32	16.68	18.95	30.36	38.10
Annual percent change					
1973-79	0.1%	-0.1%	0.2%	-0.4%	0.0%
1979-89	-1.7	-1.1	-0.5	0.2	1.1
1989-2000	-0.8	0.1	0.4	1.2	1.2
1989-95	-2.1	-0.8	-0.6	0.2	1.0
1995-2000	0.7	1.1	1.6	2.4	1.5
2000-07	0.3	0.0	-0.1	0.5	0.5
2002-07	0.1	-0.4	-0.3	0.2	0.1
Share of employment					
1973	30.6%	34.4%	19.2%	10.3%	5.4%
1979	22.3	35.0	22.4	13.2	7.1
1989	15.9	35.2	24.4	15.7	8.8
2000	13.1	32.0	27.5	18.4	9.1
2007	12.0	31.1	27.3	19.9	9.8

EPI

Table 1: Well-known estimates of the effect of trade on wages

Study	Estimated effect on skilled-unskilled wage ratio	Date of data
Krugman (1995)	3%	1992
Lawrence (1996)	3%	1993
Cline (1997)	7%	1993
Borjas, Freeman Katz (1997)	1.4%	1995

Table 2: Hourly compensation in top 10 U.S. trading partners as % of U.S. level

1975	1990	2005
Canada	Canada	Canada
Japan	Japan	Mexico
Germany	Mexico	China
UK	Germany	Japan
Mexico	UK	Germany
France	Taiwan	United Kingdom
Italy	Korea	Korea
Brazil	France	Taiwan
Neth	Italy	France
Belgium	China	Malaysia
76	81	65

Figure 1
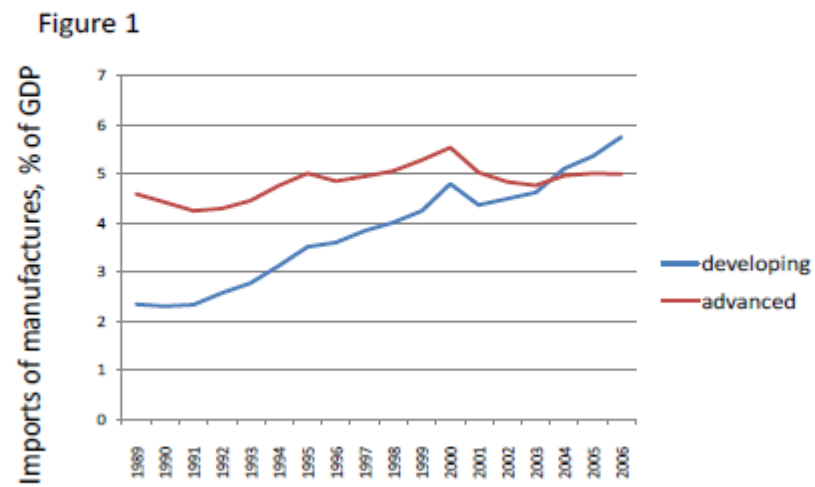
Figure 1

Figure 3
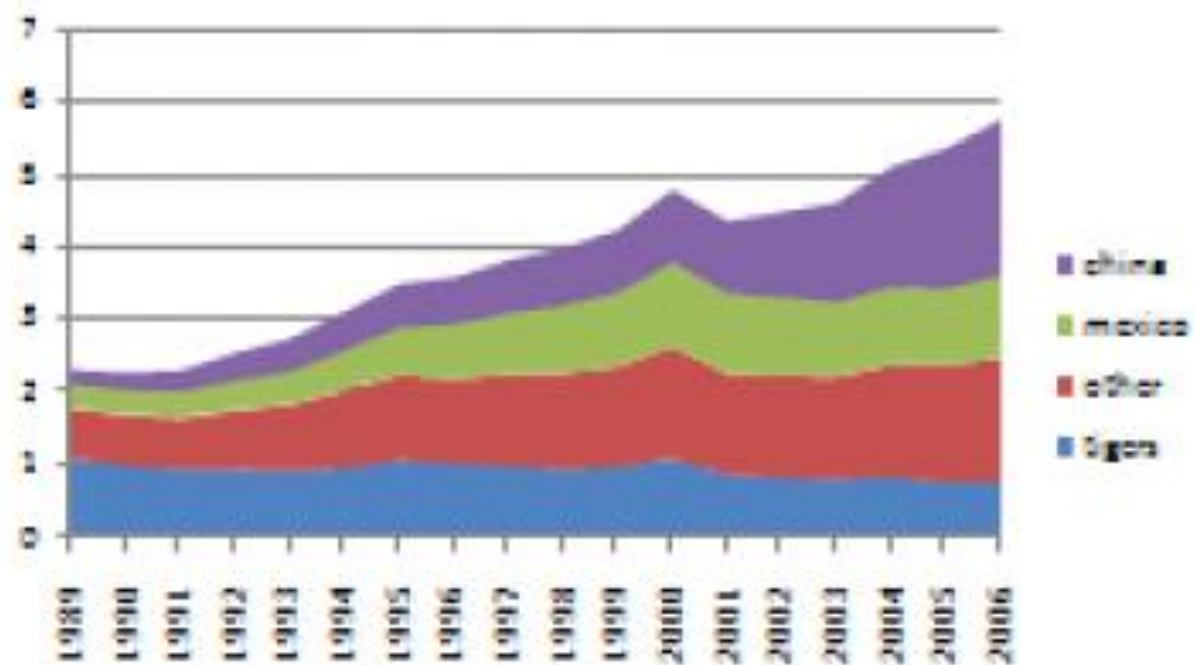
Table 3: Growth in GDP and manufactured exports

	1990	2006
China:		
GDP as % of US	6.7	20.0
Manufactured exports % of US GDP	0.24	2.13
Mexico		
GDP as % of US	4.6	6.4
Manufactured exports % of US GDP	0.37	1.16

Estimated relative wage impact of trade based on Krugman CGE model*

|	1973	1979	1989	1995	2000	2005	Percentage-point change		
							1979-95	1995-2005	1979-2005
Less developed country trade (% GDP)	1.0%	1.8%	2.5%	3.6%	4.6%	5.6%	1.8%	2.0%	3.8%
Relative wage impact	1.6	2.7	4.0	5.6	7.3	8.8	2.9	3.2	6.1
College wage premium	36.9	28.9	41.5	46.1	48.2	48.7	17.2	2.6	19.8
Trade share of premium	4.3	9.5	9.5	12.1	15.0	18.1	16.7	123.7	30.7

* CGE is a computable general equilibrium model.

Source: Bivens' (2008) re-analysis of Krugman (1995).

Table 3.28 from: Mishel, Lawrence, Jared Bernstein, and Heidi Shierholz, *The State of Working America* 2008/2009. An Economic Policy Institute Book. Ithaca, N.Y.: ILR Press, an imprint of Cornell University Press, 2009.
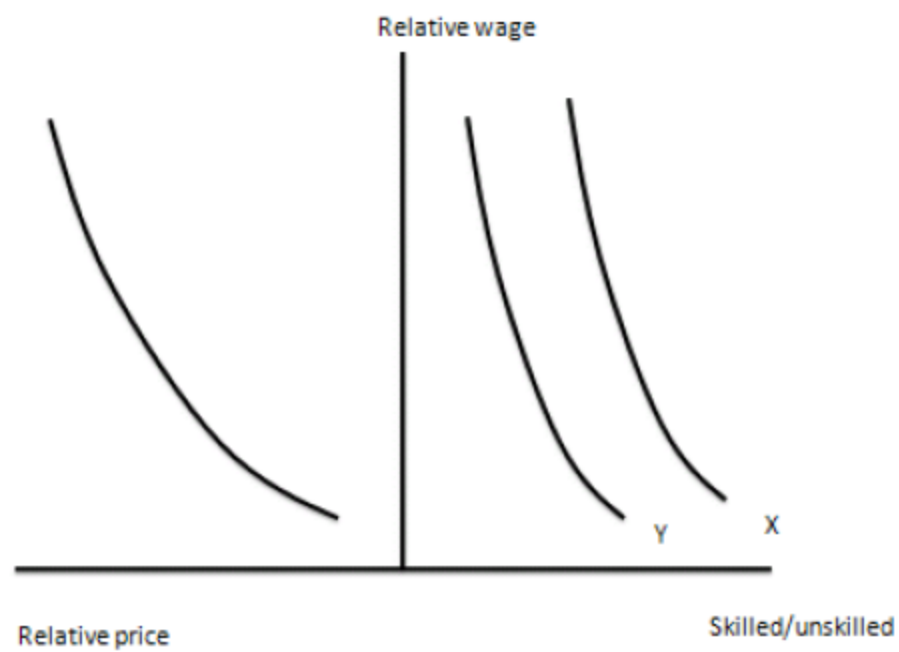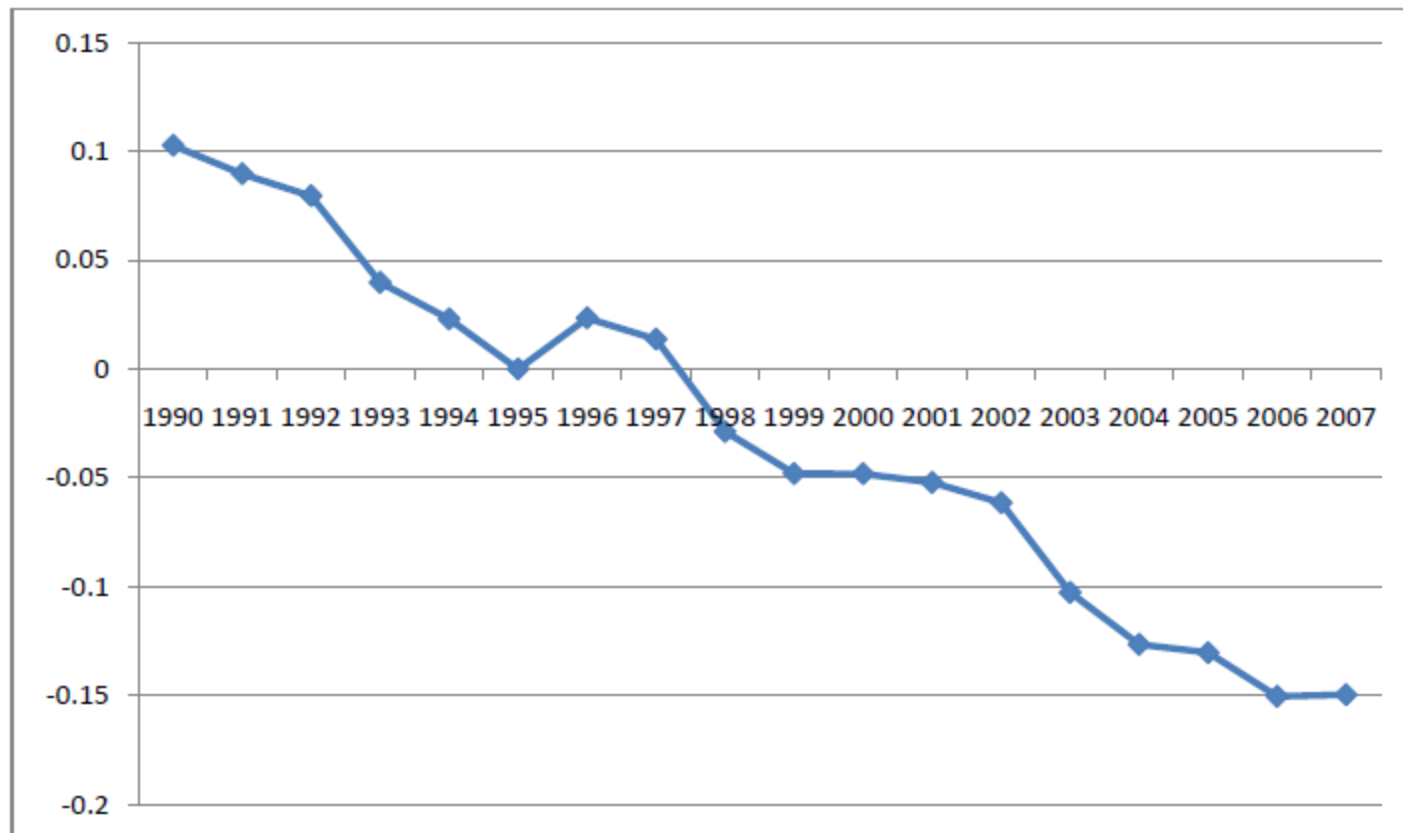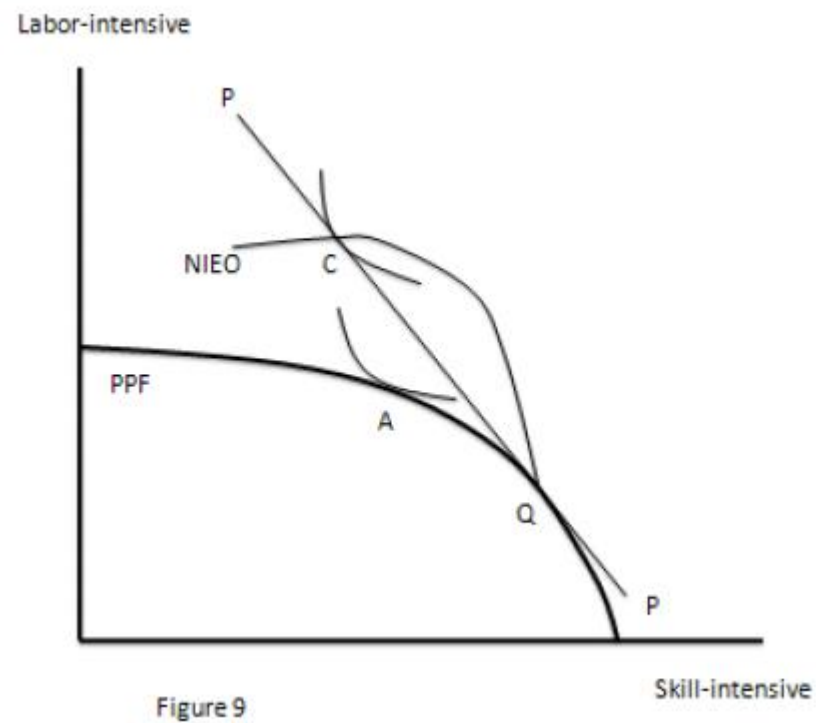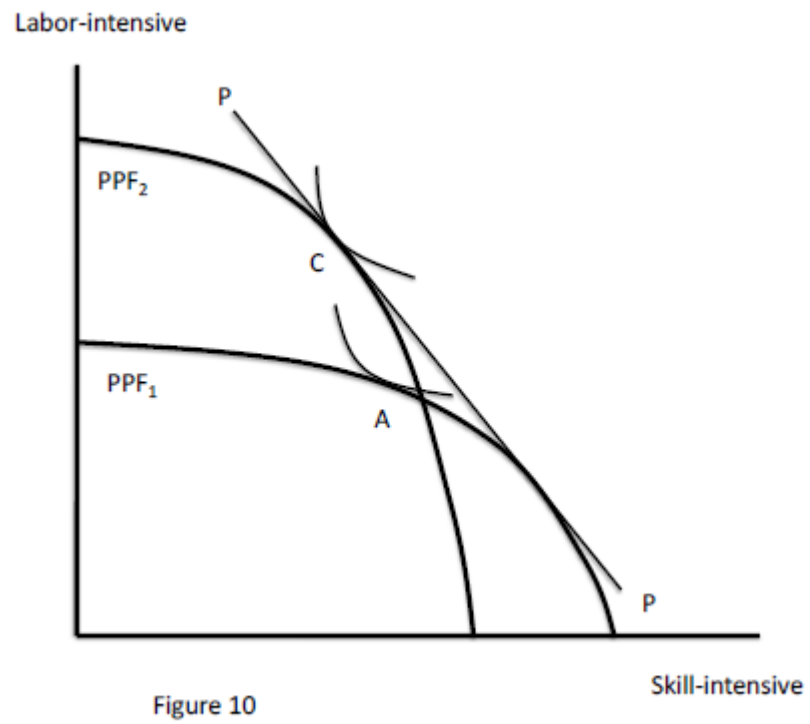
EPI

Figure 5

Relative wage

Relative price

Y   X

Skilled/unskilled
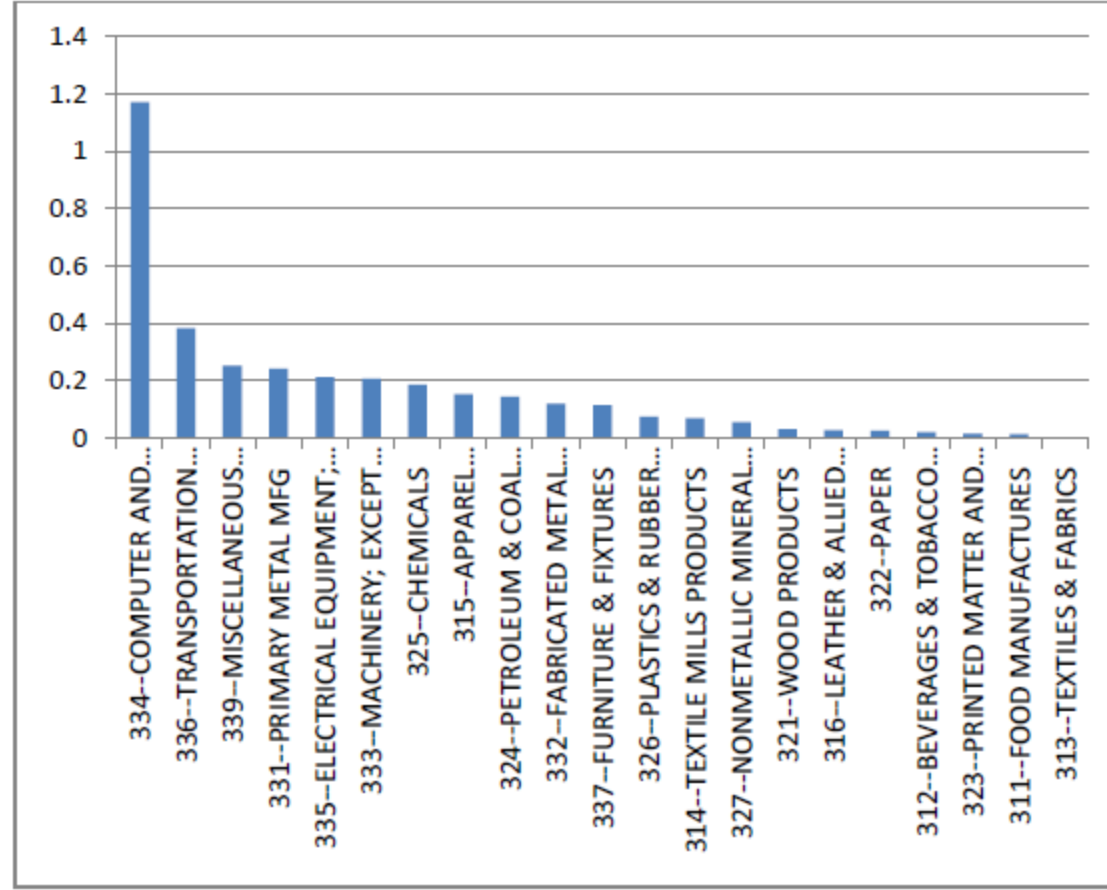
Figure 6

Figure 7

Relative price of imports from developing countries (log)

Figure 9

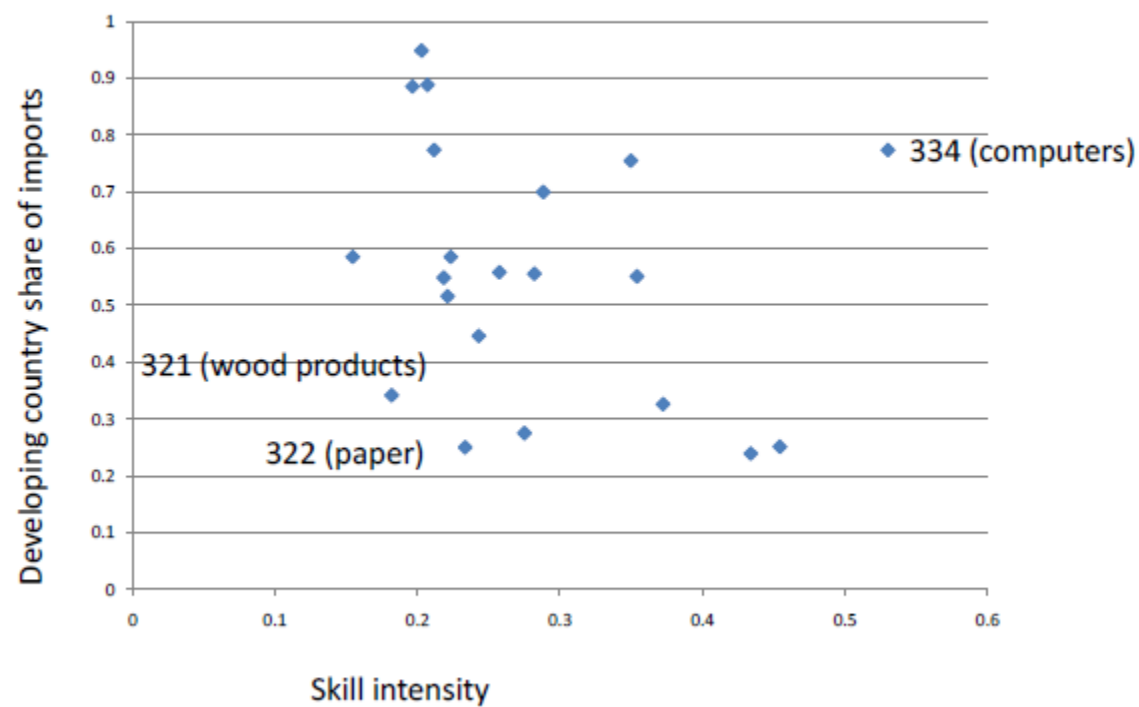"But for"

Figure 10

"As if"

Figure 12

Table 1.5: Factor Content of Net Exports for U.S. Manufacturing

Year		Capital Stock ($ billion)	Production Labor (thousands)	Nonprod. Labor (thousands)	Implied Prod/Nonprod. Ratio[a]
1982	Total manufacturing use	1,113	12,403	5,426	2.29
	Factor content, 4-digit data	-12	-229	95	2.37
	Factor content, 10-digit data	134	-351	79	2.39

Assuming 1982 input-output matrix:

Year		Capital Stock ($ billion)	Production Labor (thousands)	Nonprod. Labor (thousands)	Implied Prod/Nonprod. Ratio[a]
1985	Total manufacturing use	1,151	12,171	5,332	2.28
	Factor content, 4-digit data	-104	-1,324	-322	2.39
	Factor content, 10-digit data	-26	-776	-306	2.30
1988	Total manufacturing use	1,116	12,404	5,514	2.25
	Factor content, 4-digit data	-92	-1,420	-349	2.36
	Factor content, 10-digit data	-288	-1,385	-136	2.44
1991	Total manufacturing use	1,204	11,514	5,279	2.18
	Factor content, 4-digit data	-34	-844	-130	2.28
	Factor content, 10-digit data	-123	-861	-104	2.30
1994	Total manufacturing use	1,285	11,946	5,139	2.32
	Factor content, 4-digit data	-73	-1,252	-304	2.42
	Factor content, 10-digit data	-77	-9,447	-277	3.95
1997[b]	Total manufacturing use	na	12,065	4,740	2.55
	Factor content, 4-digit data	-56	-1,133	-201	2.67
	Factor content, 10-digit data	-310	-1,840	-240	2.79
2000[b]	Total manufacturing use	na	11,944	4,708	2.54
	Factor content, 4-digit data	-133	-2,002	-515	2.67
	Factor content, 10-digit data	94	-13,883	-468	4.99