

### Notes on Trade and Income Inequality

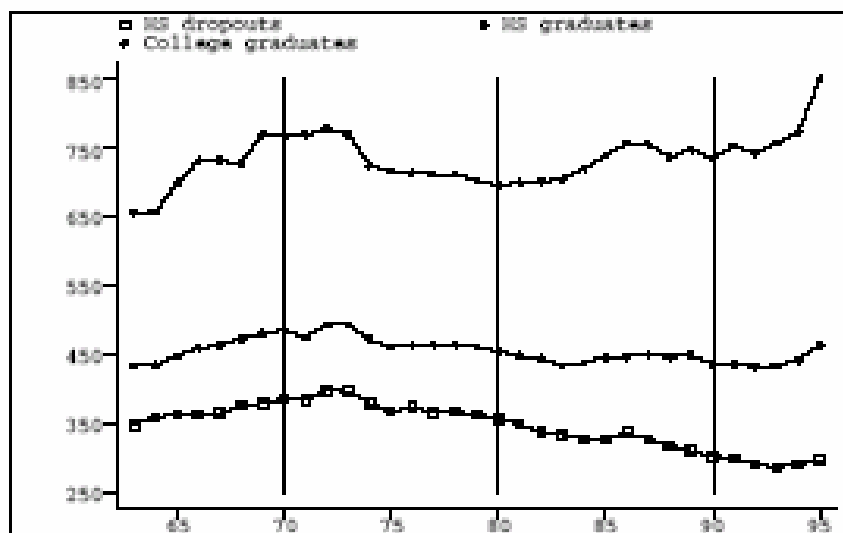


Figure 1 - Average real weekly wages by educational attainment, 1963-1995 (1992 dollars)

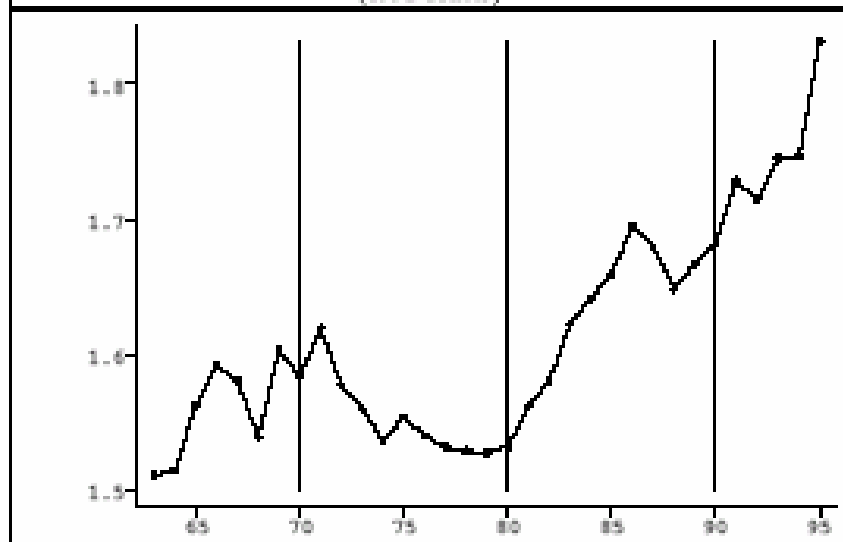
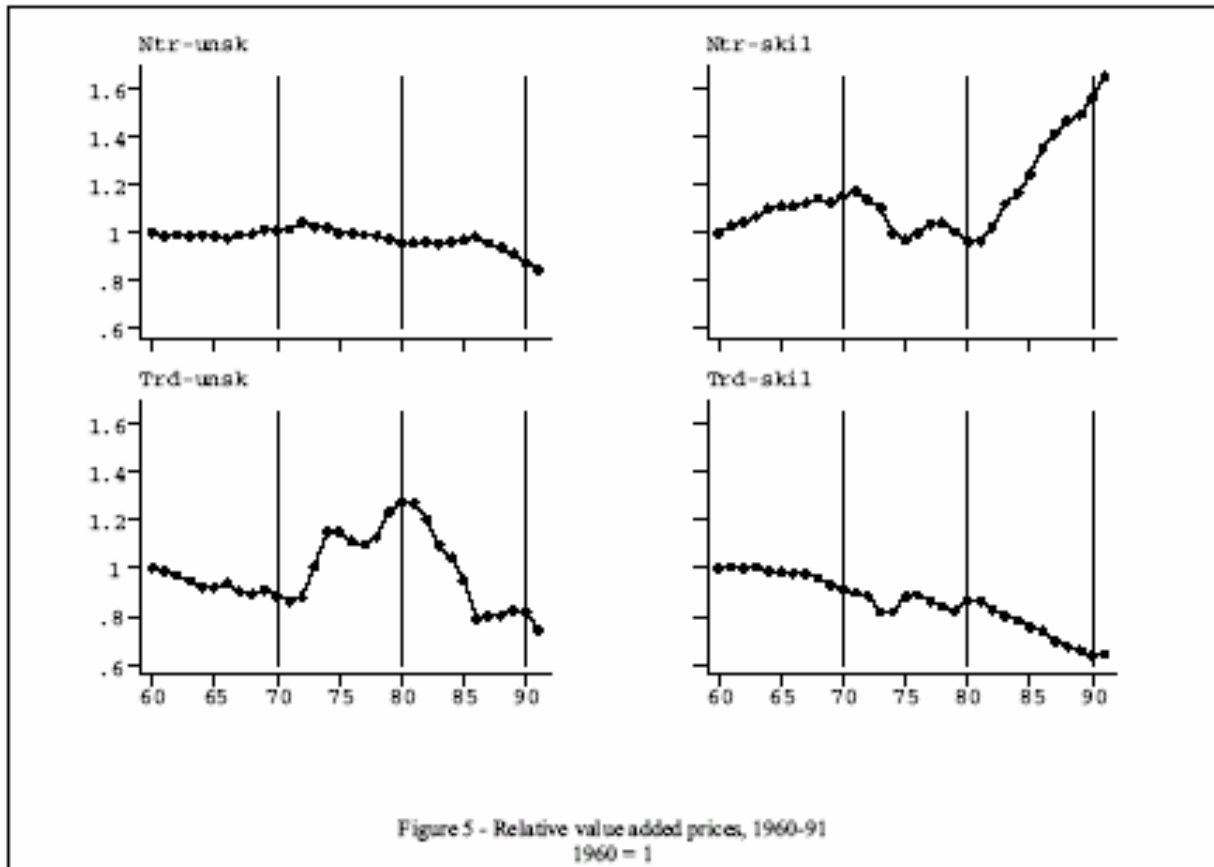


Figure 2 - College graduate/HS graduate relative average weekly wage, 1963-1995

James Harrigan and Rita A. Balaban, 1999, "U.S. Wages in General Equilibrium: The Effects of Prices, Technology, and Factor Supplies, 1963-1991," Federal Reserve Bank of New York Staff Report, no. 64, February.



James Harrigan and Rita A. Balaban, 1999, "U.S. Wages in General Equilibrium: The Effects of Prices, Technology, and Factor Supplies, 1963-1991," Federal Reserve Bank of New York Staff Report, no. 64, February.

Table 5  
 Characteristics of "high" import-competing industry workers, rank ordered by number of workers displaced, 1979-99

	Mean old job earnings	Share female	Share High School		Share w/ tenure > 10 yrs.	Share reemploy	Change in weekly earnings		Share w/ earnings loss >30%	Share w/ jobless > 26 wks
			Dropouts	Grads			Median	Mean		
Electrical machinery	\$412.16	0.484	0.139	0.414	0.184	0.673	-0.033	-0.143	0.22	0.222
Apparel	\$236.37	0.791	0.378	0.447	0.181	0.556	-0.041	-0.083	0.199	0.203
Motor vehicles	\$448.32	0.248	0.196	0.503	0.287	0.622	-0.117	-0.228	0.35	0.296
Electronic computing eqp	\$588.10	0.377	0.068	0.256	0.224	0.737	-0.068	-0.239	0.254	0.134
Radio, TV	\$431.61	0.479	0.138	0.431	0.214	0.657	-0.003	-0.071	0.192	0.252
Blast furnaces	\$509.54	0.111	0.203	0.465	0.39	0.617	-0.36	-0.493	0.446	0.367
Construction & material	\$489.36	0.178	0.152	0.415	0.219	0.678	-0.17	-0.296	0.307	0.3
Misc. manuf industries	\$327.01	0.46	0.236	0.416	0.14	0.638	-0.023	-0.173	0.229	0.201
Footwear	\$240.26	0.662	0.427	0.439	0.194	0.543	-0.071	-0.072	0.239	0.329
Scientific & controlling	\$464.28	0.403	0.087	0.311	0.128	0.717	0.021	-0.088	0.17	0.198
Toys & sporting goods	\$333.96	0.506	0.212	0.312	0.117	0.619	-0.03	-0.153	0.245	0.23
Knitting mills	\$223.05	0.759	0.368	0.487	0.167	0.609	-0.024	-0.107	0.225	0.263
Other primary metal	\$444.22	0.252	0.189	0.563	0.257	0.581	-0.061	-0.157	0.306	0.207
Other rubber products	\$311.23	0.533	0.261	0.522	0.297	0.683	0	-0.166	0.231	0.101
Tires & inner tubes	\$605.57	0.247	0.085	0.309	0.485	0.689	-0.42	-0.464	0.487	0.315
Photographic eqp	\$526.49	0.223	0.137	0.414	0.385	0.777	-0.077	-0.15	0.254	0.236
Cycles & misc. transport	\$352.04	0.219	0.221	0.647	0.136	0.681	0	-0.203	0.255	0.251
Leather products	\$226.64	0.734	0.525	0.321	0.17	0.378	-0.089	-0.106	0.254	0.335
Office & acct machines	\$464.81	0.432	0.095	0.462	0.167	0.612	0.206	0.175	0.117	0.237
Pottery & related	\$267.02	0.454	0.376	0.386	0.229	0.396	-0.223	-0.464	0.338	0.214
Misc. textile	\$282.40	0.666	0.379	0.559	0.222	0.511	-0.077	-0.328	0.398	0.242
Watches, clocks	\$403.63	0.268	0.098	0.434	0.241	0.777	0.01	-0.066	0.128	0.169
Leather tanning & finish	\$322.83	0.368	0.098	0.471	0.202	0.635	0.158	0.101	0.092	0.109
High import competing average	\$402.97	0.449	0.213	0.427	0.221	0.635	-0.047	-0.132	0.253	0.24
Mfg. Average	\$396.88	0.369	0.211	0.437	0.215	0.648	-0.047	-0.121	0.252	0.221
Non-Manufacturing average	\$368.65	0.511	0.119	0.365	0.127	0.691	0	-0.038	0.212	0.127

Taken from Kletzer (2001), table 3.4  
 Changes in weekly earnings are changes in ln(earnings).

Table 4  
 Post-displacement outcomes, 1979-99  
 by industry level of import-competition

	High Import Competition Mfg.	Medium Import Competition Mfg.	Low Import Competition Mfg.
Share reemployed at survey date	.634	.654	.668
For reemployed:			
Mean change in log earnings:	-.132 (.475)	-.126 (.469)	-.086 (.475)
Median change	-.047	-.062	-0.027
Share with no earnings loss or earning more	.36	.34	.38
Share with earnings losses greater than 15%	.35	.36	.34
Share with earnings losses greater than 30%	.25	.25	.26

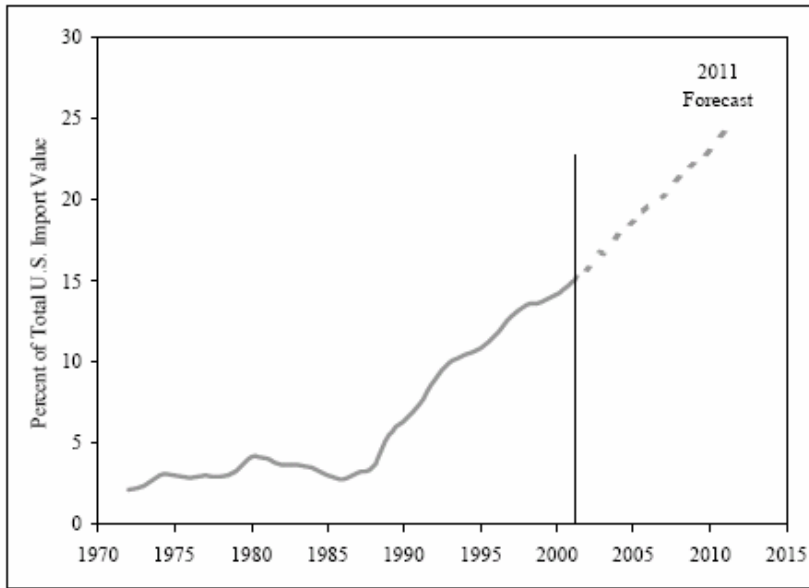
Taken from Kletzer (2001), table 3.3

Lori Kletzer, 2003, "Trade related job loss and wage insurance," mimeo.

- ***Import penetration from low-wage countries is accelerating:*** The share of U.S. manufacturing imports originating in China and other very low-wage countries increased between 1981 and 2001, from 4% to 15%. Our forecast, based on current product-market entry by low-wage countries, indicates that increases in this share will accelerate, to 24%, by 2011.
- ***The industries most at risk are low-skill, low-wage and employ relatively few workers:*** Imports from low-wage countries have been, and will continue to be, concentrated in low-wage, low-skill, labor-intensive sectors like Apparel and Footwear. It is important to note that these sectors employ relatively few workers compared to industries where the U.S. retains comparative advantage.
- ***The industries least at risk are high-skill, high-wage:*** Industries consistent with U.S. comparative advantage – i.e. industries that are skill-intensive and pay above average wages – will continue to outperform. Even within industries that face high levels of low-wage competition, some firms will survive and thrive by adjusting their mix of products.
- ***Reallocation, reallocation, reallocation:*** Industries with relatively little competition from low-wage countries saw employment *increase* an average of 2.3% per decade over

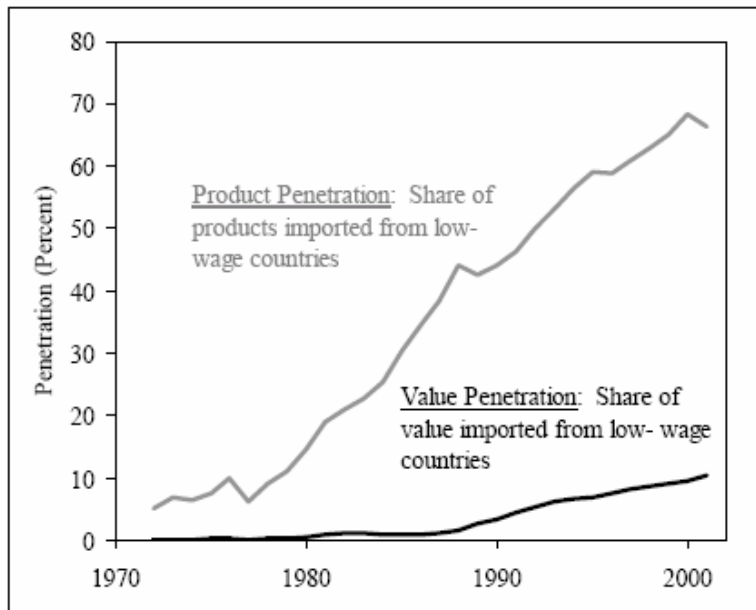
the past thirty years. By contrast, industries facing the highest levels of low-wage country competition experienced employment declines averaging 12% per decade. The net result of these trends is a reallocation of U.S. manufacturing towards U.S. comparative advantage. Competition from low-wage countries has fostered the growth of high-wage, high-skill and high-productivity industries and has hastened the decline of uncompetitive sectors.

**Figure 1: U.S. Manufacturing Imports from Low-Wage Countries**



Notes: Figure displays actual and forecast share of the value of U.S. imports originating in low-wage countries from 1972 to 2011. Countries are classified as low wage if their per capita GDP is less than 5% of U.S. per capita GDP on average between 1972 and 2001.

**Figure 3: Low-Wage Countries First Establish a Beachhead and Later Gain Market Share**



Notes: Product penetration is the number of products imported from at least one low wage country divided by the total number of products imported each year. Value penetration is the total value of low-wage country imports divided by the total value of imports.