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GLOBALIZATION AND WAGE INEQUALITY: EVIDENCE FROM URBAN CHINA

ABSTRACT

This paper examines the impact of globalization on wage inequality using Chinese Urban Household Survey data from 1988 to 2008. Exploring two trade liberalization shocks, Deng Xiaoping's Southern Tour in 1992 and China's accession to the World Trade Organization (WTO) in 2001, we analyze whether regions more exposed to globalization experienced larger changes in wage inequality than less-exposed regions. Contrary to the predictions of the Heckscher-Ohlin model, we find that the WTO accession was significantly associated with rising wage inequality. We further show that both trade liberalizations contributed to within-region inequality by raising the returns to education (the returns to high school after 1992 and the returns to college after 2001). (C) 2011 Elsevier B.V. All rights reserved.

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113