

Research Question

- ▶ How will the supply of skill respond to the rising demand for skill ?

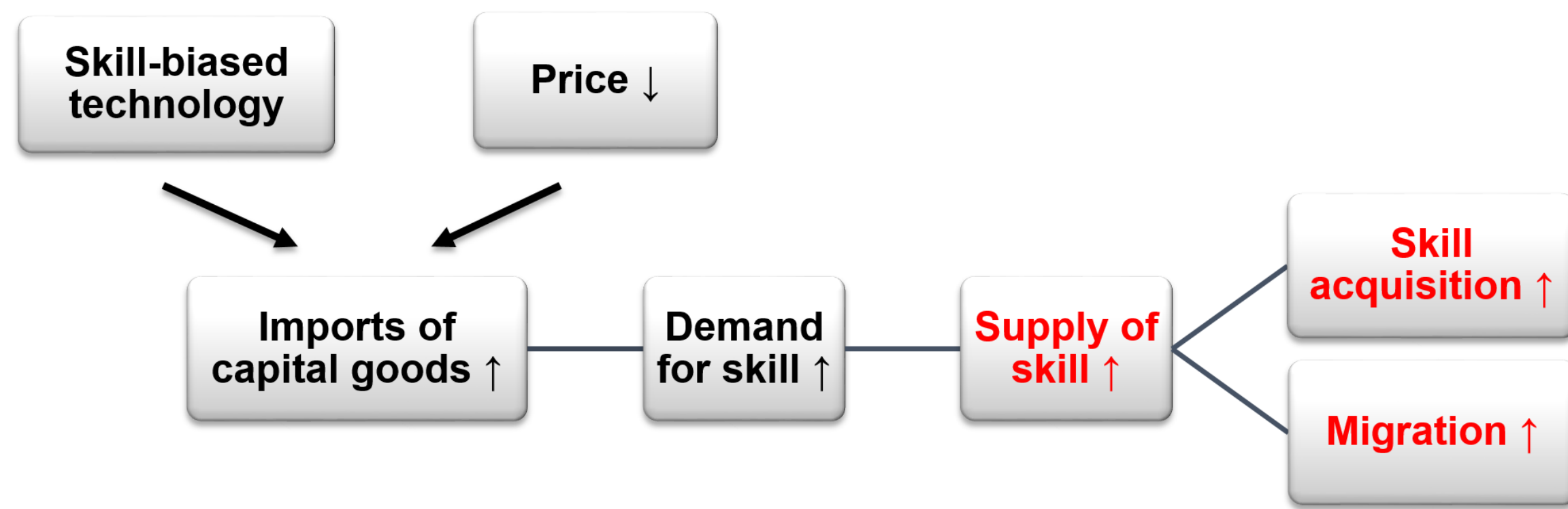


Figure 1: Imported capital goods, demand for skill and supply of skill

Conclusion

- ▶ A city at the 75th percentile experiences a 0.6 percentage points (0.14 standard deviation) larger increase in skilled labor share than a city at the 25th percentile.
- ▶ The rise of skilled labor share could be attributed to skill acquisition (23%), and migration across cities (59%: more skilled immigrants; 18%: less skilled emigrants).

The Widening Regional Inequality in China

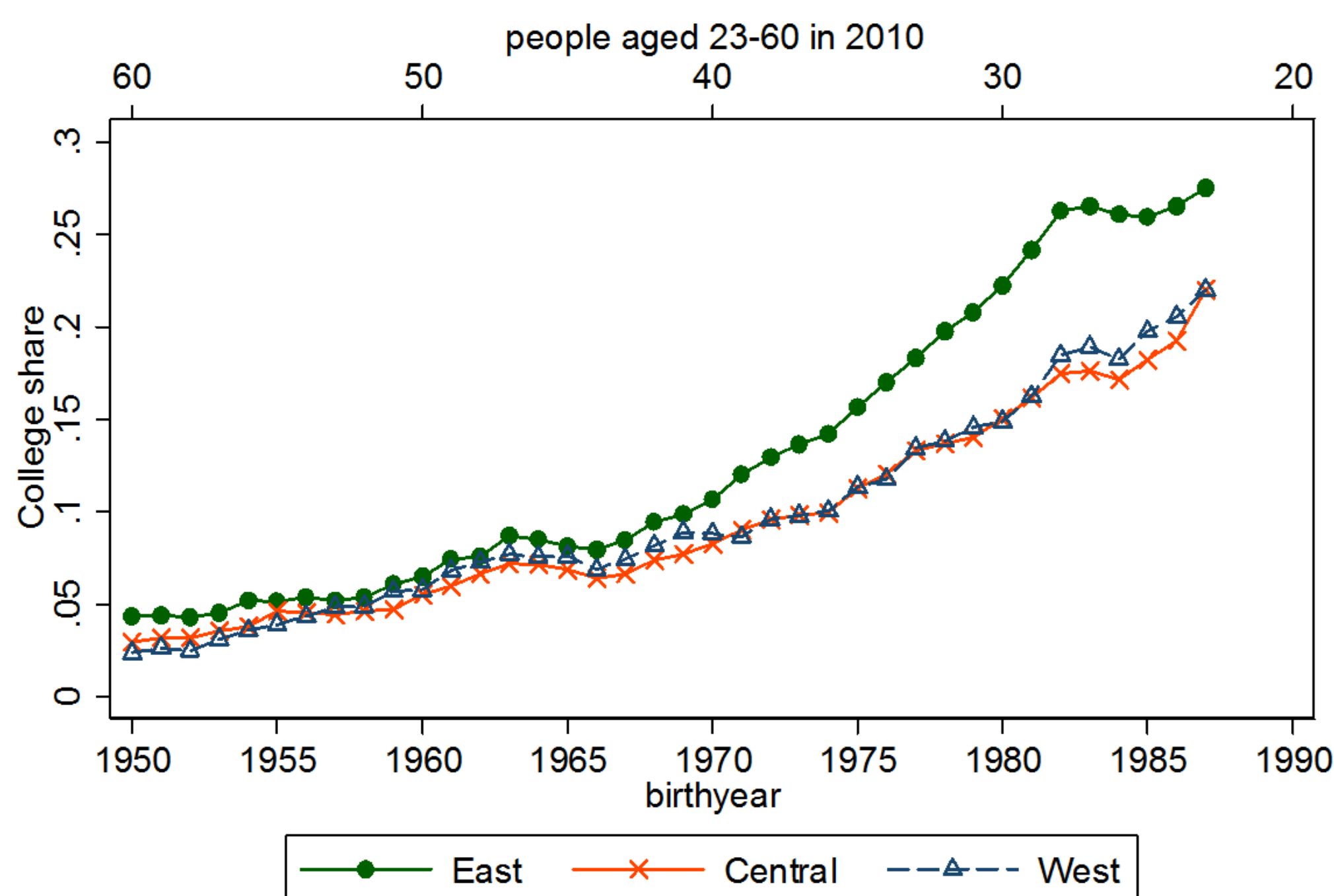


Figure 2: Share of people with some college education or above

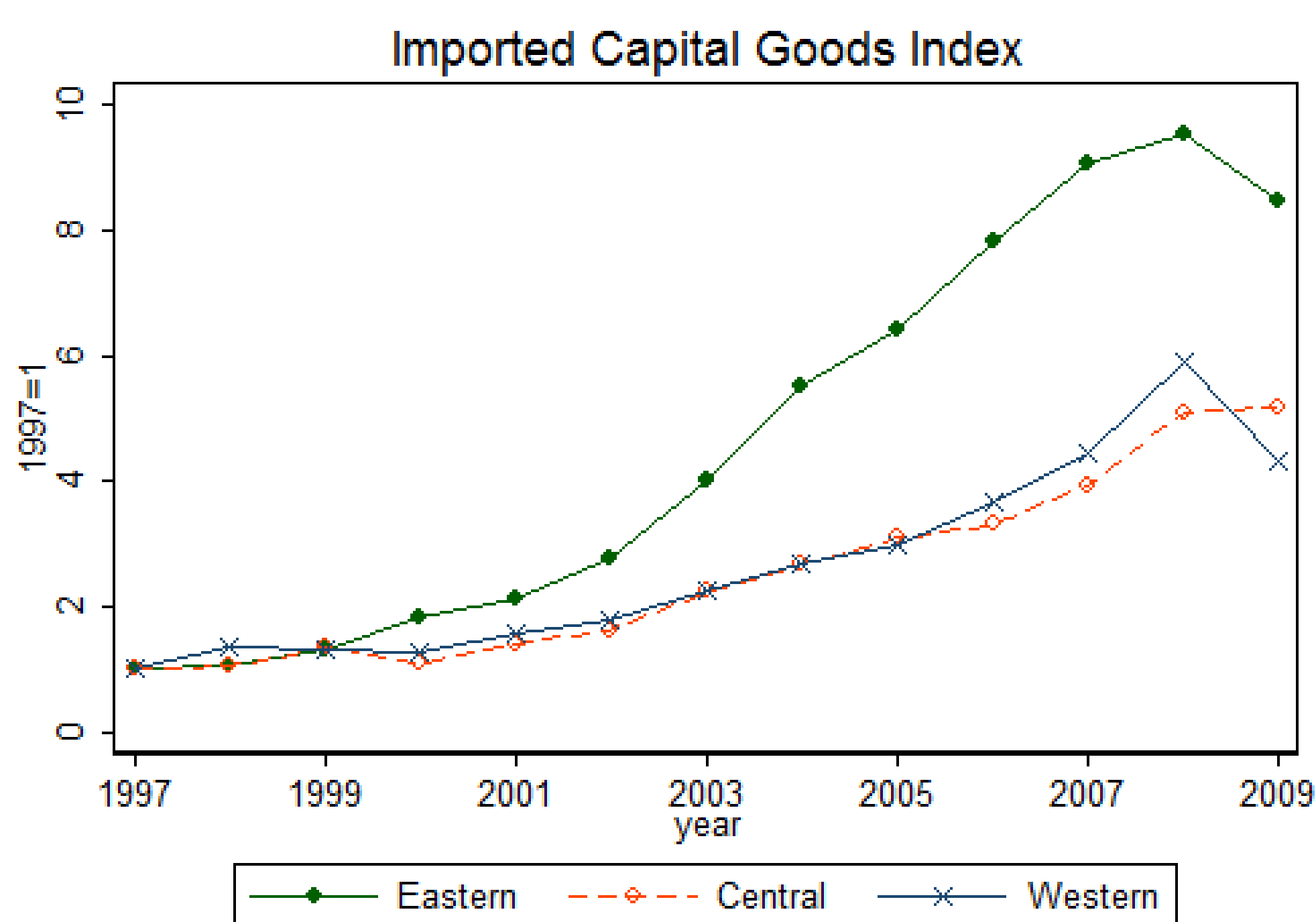


Figure 3: Capital goods imports index

Second Stage

	(1)	(2)	(3)	(4)	(5)	(6)	(5)
	Decomposition						
	Y=100×ΔGrowth of people with some college education or above				Human capital accumulation		Immigration Emigration
	OLS	IV	IV	IV	IV	IV	IV
ΔCapital goods import per capita	15.83*** (2.89)	23.26*** (7.40)	22.58*** (7.58)	10.86*** (4.17)	2.50 (2.05)	6.40*** (1.53)	-1.96** (0.80)
Textile share			0.73 (0.73)	1.02* (0.62)	0.50 (0.40)	0.43 (0.30)	-0.09 (0.25)
Electronic share			1.91 (1.79)	1.55 (1.14)	0.26 (0.56)	0.74 (0.57)	-0.54 (0.36)
Share of people with urban hukou				23.28*** (2.79)	14.36*** (1.13)	10.38*** (1.45)	1.46 (0.97)

Figure 5: Main results

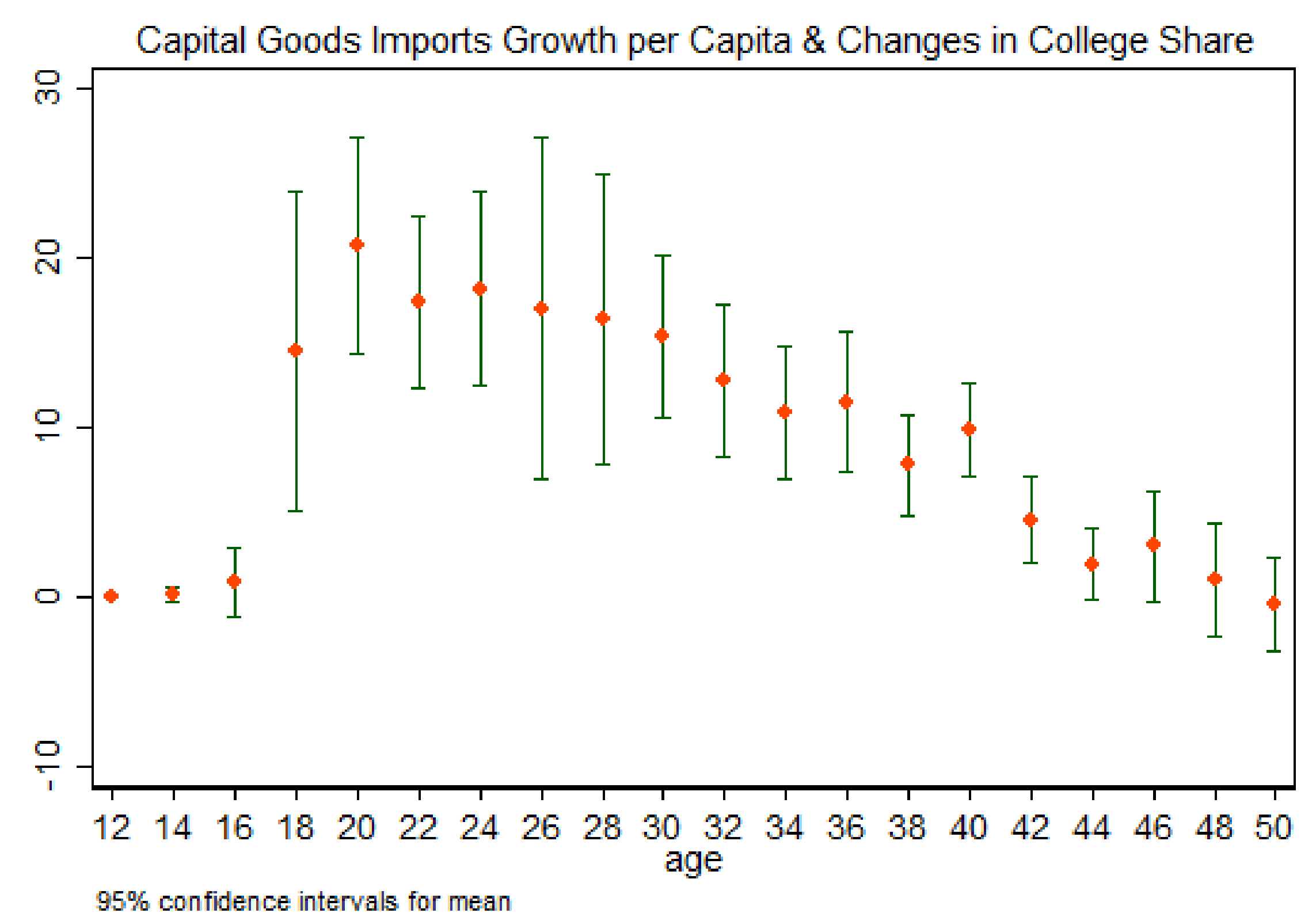


Figure 6: By age

Econometric Specification

- ▶ Data: population census data and trade data (2000 and 2010)
- ▶ Second Stage

$$y_i = \beta x_i + \delta z_{i,0} + \mu_i$$

where y_i is the changes in college share of city i between 2000 and 2010, x_i is the changes in imported capital goods per capita.

- ▶ Bartik IV

$$iv_i = \left[\sum_j \frac{x_{i,j,t-1}}{x_{j,t-1}} \left(\frac{x_{j,t} - x_{j,t-1}}{x_{j,t-1}} \right) \right]$$

where y_i is the changes in college share of city i between 2000 and 2010, x_i is the changes in imported capital goods per capita.

Mechanism

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Second Stage			First Stage			
Dependent Variable	Skill Premium			Imported Capital Goods Intensity	Export /GDP	Imported Capital Goods Intensity	(Non-Capita Goods Import & Export)/GDP
Imported Capital Goods Intensity	0.21*** (0.08)	0.21*** (0.08)	0.21*** (0.08)				
Export/GDP				-0.14 (0.27)			
(Non-Capital Goods Import & Export)/GDP			-0.09 (0.19)	0.01 (0.16)			
FDI/GDP				0.36 (0.72)			
Ln(Exchange Rate) _{Stock}				-1.41*** (0.49)	-0.12 (0.14)	-1.41*** (0.49)	-0.17 (0.22)
Ln(Exchange Rate) _{Export}				0.14 (0.35)	0.49*** (0.17)	0.14 (0.35)	0.69** (0.27)
Ln(Exchange Rate) _{Non-Kimport}						0.01 (0.07)	-0.03 (0.06)
Under-identification				6.58**	6.58**	5.43*	5.43*

Figure 7: Capital goods imports and skill premium

First Stage

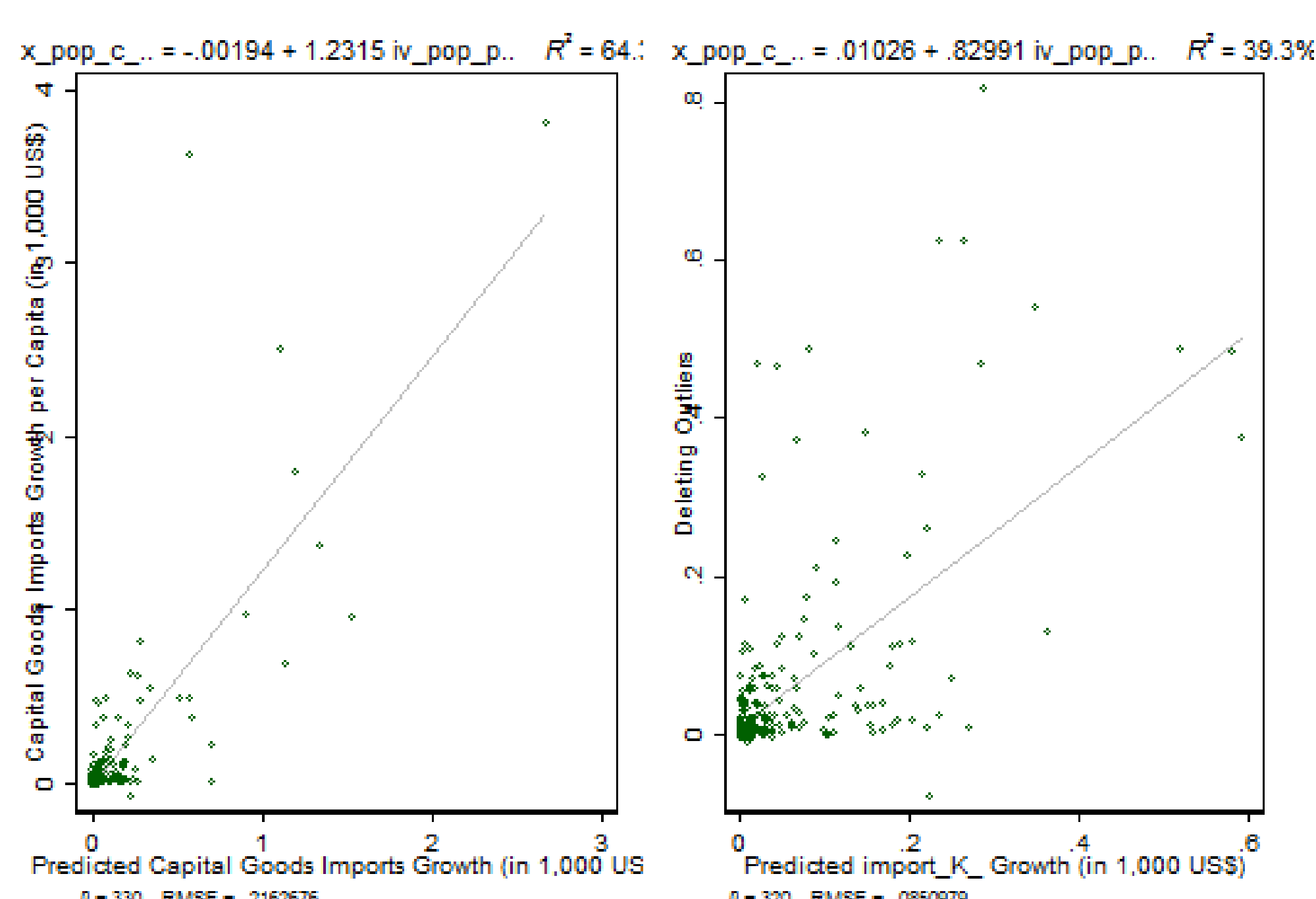


Figure 4: First Stage