Discussion: Skill-Biased Structural Change

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- Q: to what extent due to structural change among industries with different skill requirements?

1. Document a link between GDP pc and the share of value added in sectors that use high skilled labor.
2. Develop a model to see how much this might account for observed increases in the skill premium (with price and income effects, also documented).

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2. I think the data/model would be better off with more than 2 skill groups/industries.
3. Model very simple, what do we lose with this parsimony?

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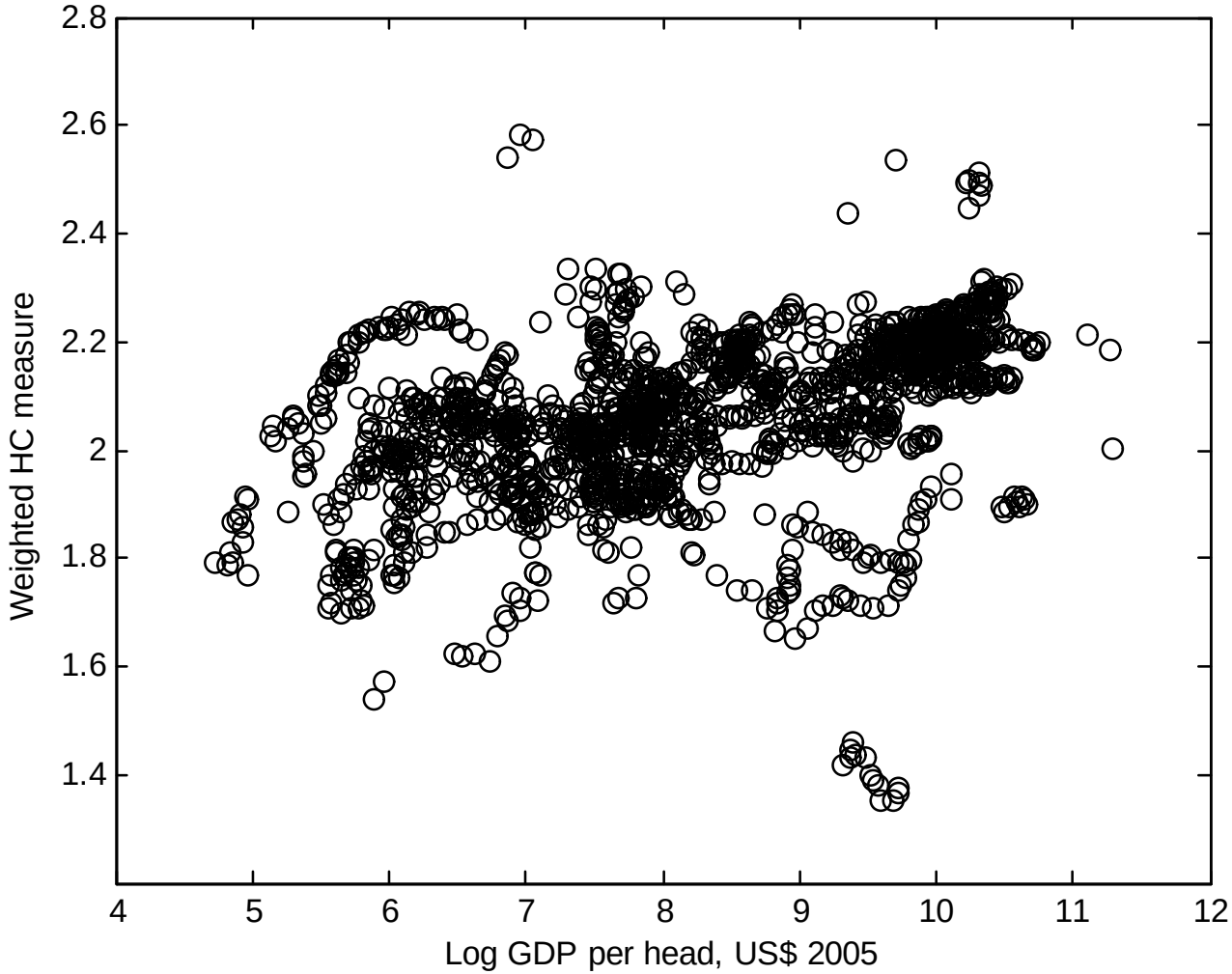
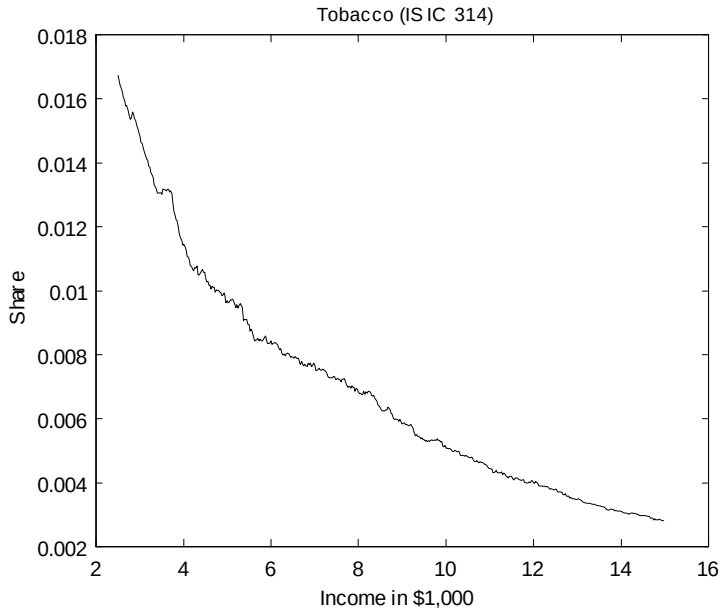
2. How do we know there isn't a switch over time in the ordering of industry skill requirements?
3. Could be some very messy things happening under the hood: price effects different within vs. across sectors. Could be accounting for a lot more (or less?) of the skill premium if you address of this.

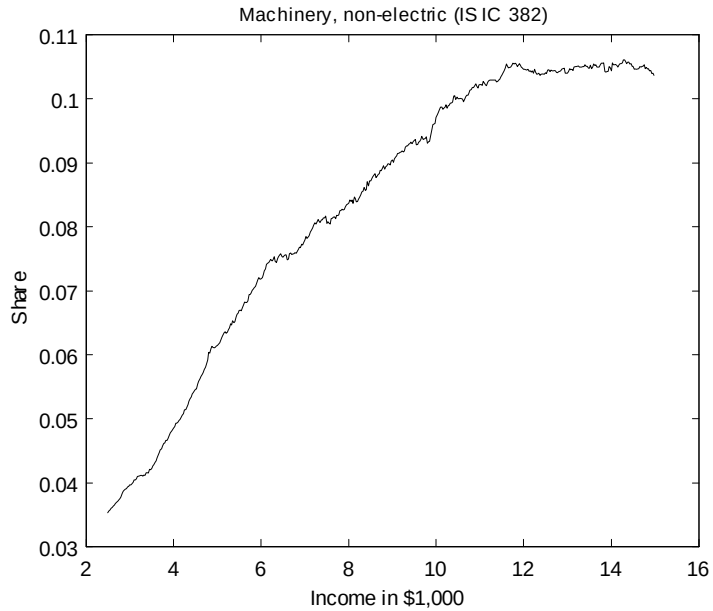
More countries/industries:



Manufacturing weighted HC, 104 countries, 1960-2003. Industry HC=wages & salaries per employee in the US, 1970-2000 in INDSTAT 3. 1702 obs, t-stat is 18.63.

Price effects: Manuf.





Industry shares and GDPpc for the highest- and lowest-TFP growth manuf industries

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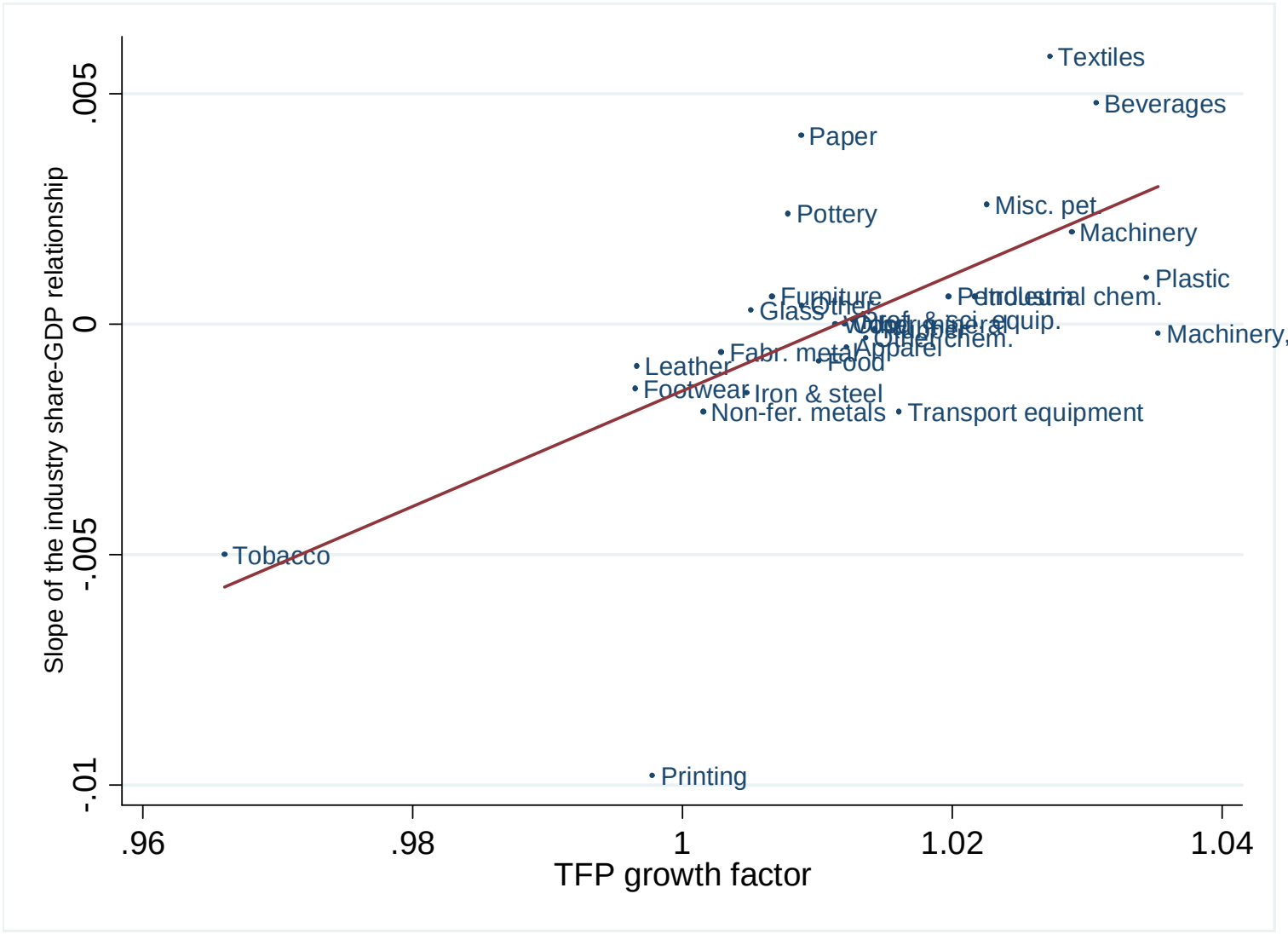

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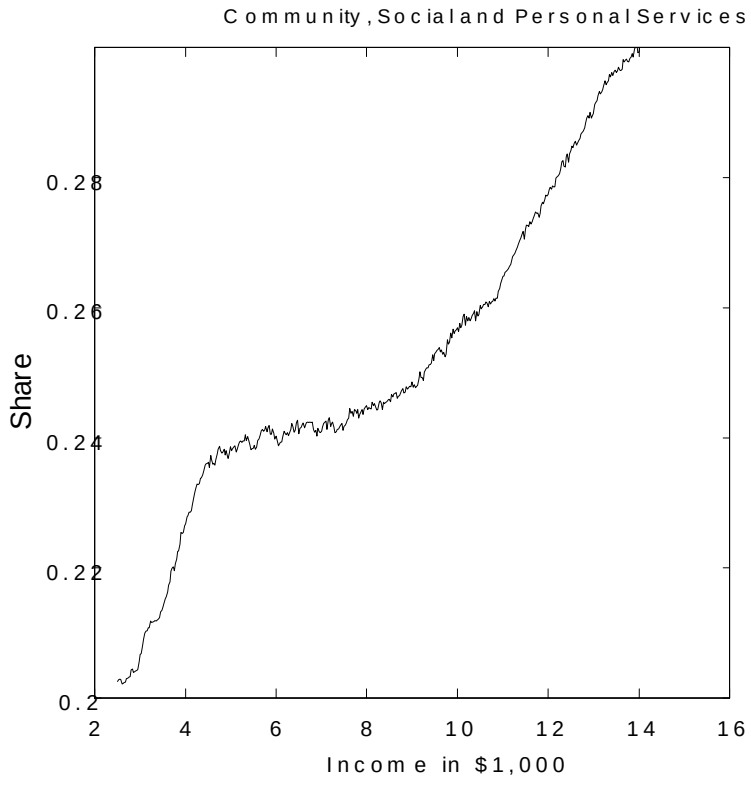
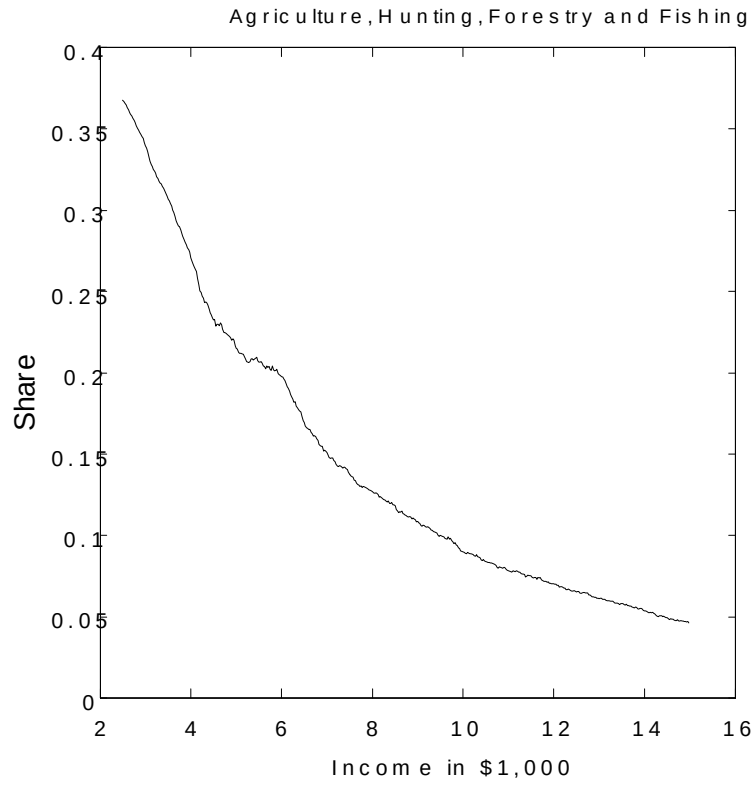
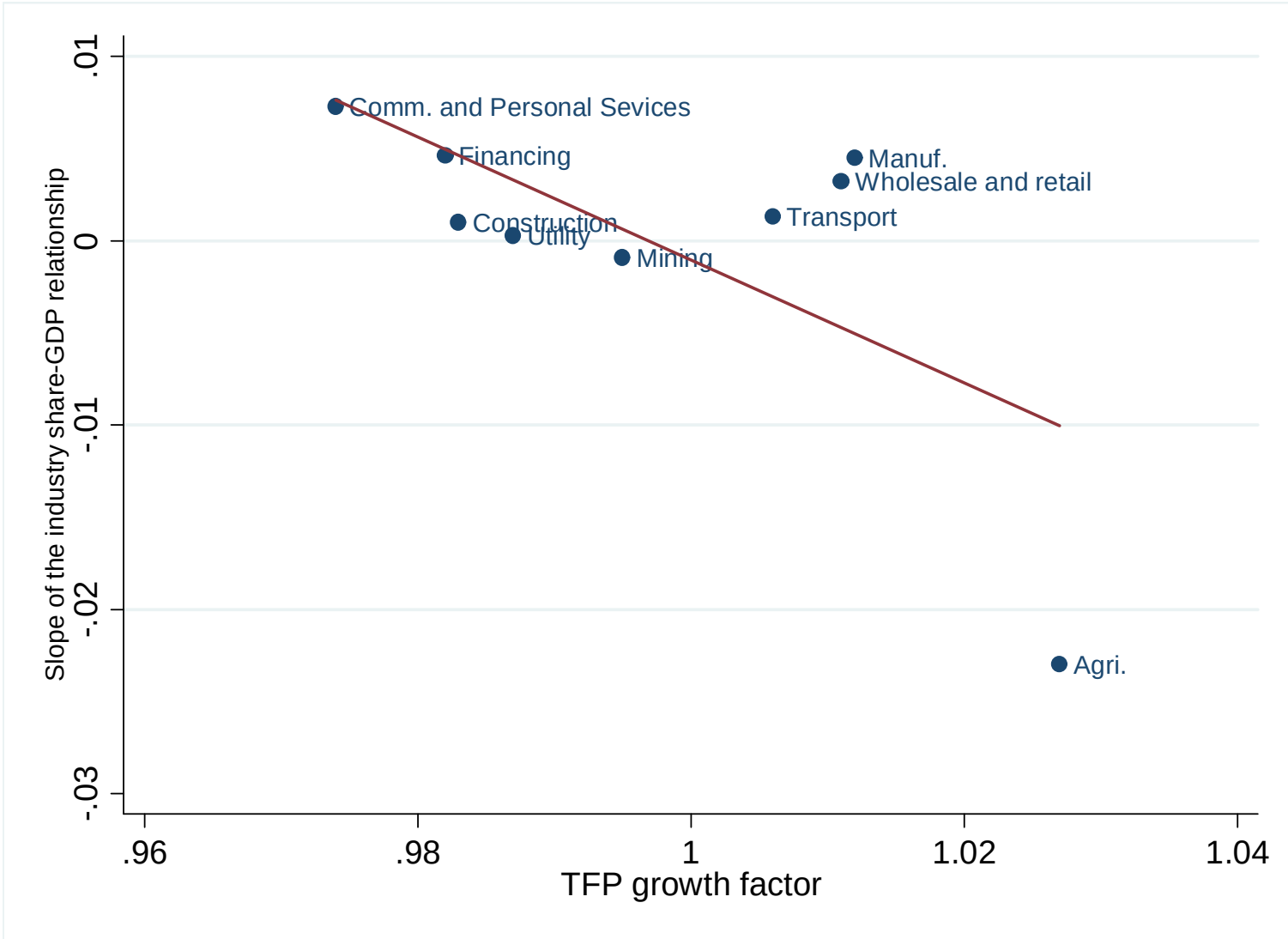
Price effects: Broad sectors





Sector shares and GDPpc for the highest- and lowest-TFP growth sectors (prices)

Price effects: Broad sectors



Industry shares and GDPpc for the highest- and lowest-TFP growth manuf industries

Calibration/measurement

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  - Focus on α_j rather than ρ may be misplaced (information technology? KOR^{2}V)

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- It should be doable!

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4. Dynamic model? Supply and demand effects likely entangled and only a general equilibrium model with endogenous labor/skill supply can disentangle them.