A Rising Tide?

The Local Incidence of the Second Wave of Globalization

Rowena Gray & Greg Wright

UC Merced

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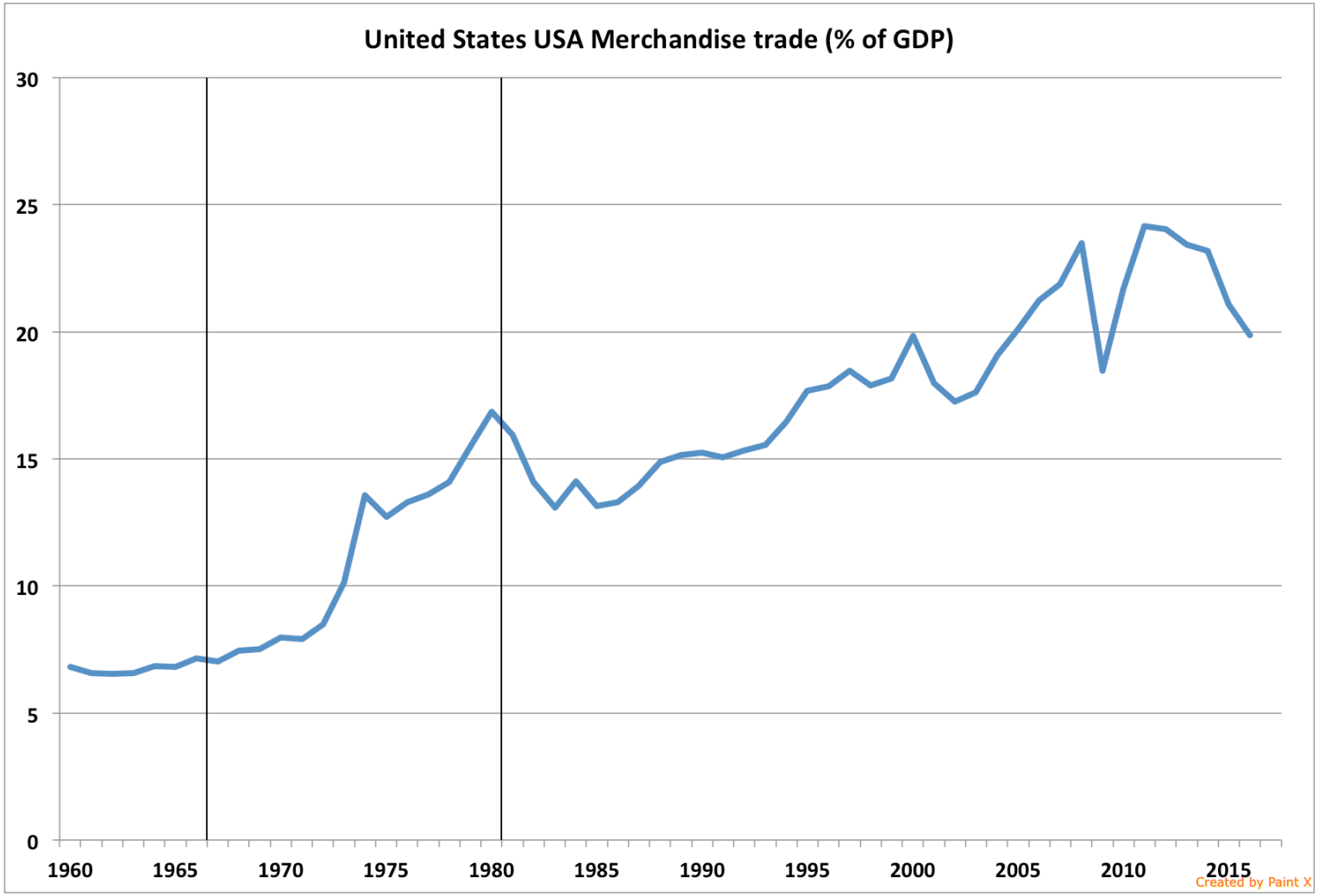
- Gains to workers vs property owners: explore heterogeneity due to different local housing and labor supply elasticities

Trade as Share of US GDP



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$$y_{ct} - y_{c,1970} = \alpha + \beta_1 \triangle XE_{c,66-80} + \beta_2 \triangle ME_{c,66-80} + Z_{c,1959} + \epsilon_{ct}$$

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- Z is pre-period Mfg Share and other controls

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- Exploit the **container-driven** rise in trade, 1966-1980

Containerization Sequence

1966	India	Netherlands	UK	USA	West Germany
1968	Australia	Austria	Belgium	Canada	Denmark
East Germany	France	Hungary	Ireland	Italy	
Spain	Sweden	Switzerland	Taiwan		
1969	Finland	Yugoslavia	Japan	Norway	Portugal
1970	Hong Kong	USSR	Greece	Israel	Romania
Singapore					
1971	Cote D"Ivoire	New Zealand	Philippines	Poland	Trinidad
1972		Bulgaria		Czechoslovakia	
1973	Bahamas	Brazil	Iceland	Jamaica	Malaysia
1974	Cameroon	Chile	Colombia	Nigeria	Panama
South Africa					
1975	Barbados	Honduras	Indonesia	Korea Rep	Peru
Thailand					
1976	Argentina	Benin	Kenya	Mexico	N. Caledonia
Saudi Arabia			UAE		
1977	Bahrain	Cyprus	Ghana	Iran	Jordan
Kuwait		Lebanon		Morocco	
1978	Ecuador	Egypt	Gibraltar	Haiti	Iraq
Mozambique	Oman	Papua N. Guinea	Samoa	Sierra Leone	
St. Kitts Nevis		Tanzania			
1979	Algeria	Angola	China	Congo	Djibouti
El Salvador	Mauritius	Neth.Antilles	Nicaragua	Pakistan	
Qatar		Sri Lanka		Syria	
1980	Guatemala	Liberia	Libya	Madagascar	Sudan
Uruguay					
1981	Brunei/Bhutan	Bangladesh	Belize	Costa Rica	Dem.Rep.Congo
Dominican Rep	Fiji	Guadeloupe	Seychelles	Togo	
Tunisia		Turkey		Venezuela	
1982	Gambia	Kiribati	Mauritania	St.Helena	
1983	Bermuda	Ethiopia	Guinea	Malta	Myanmar

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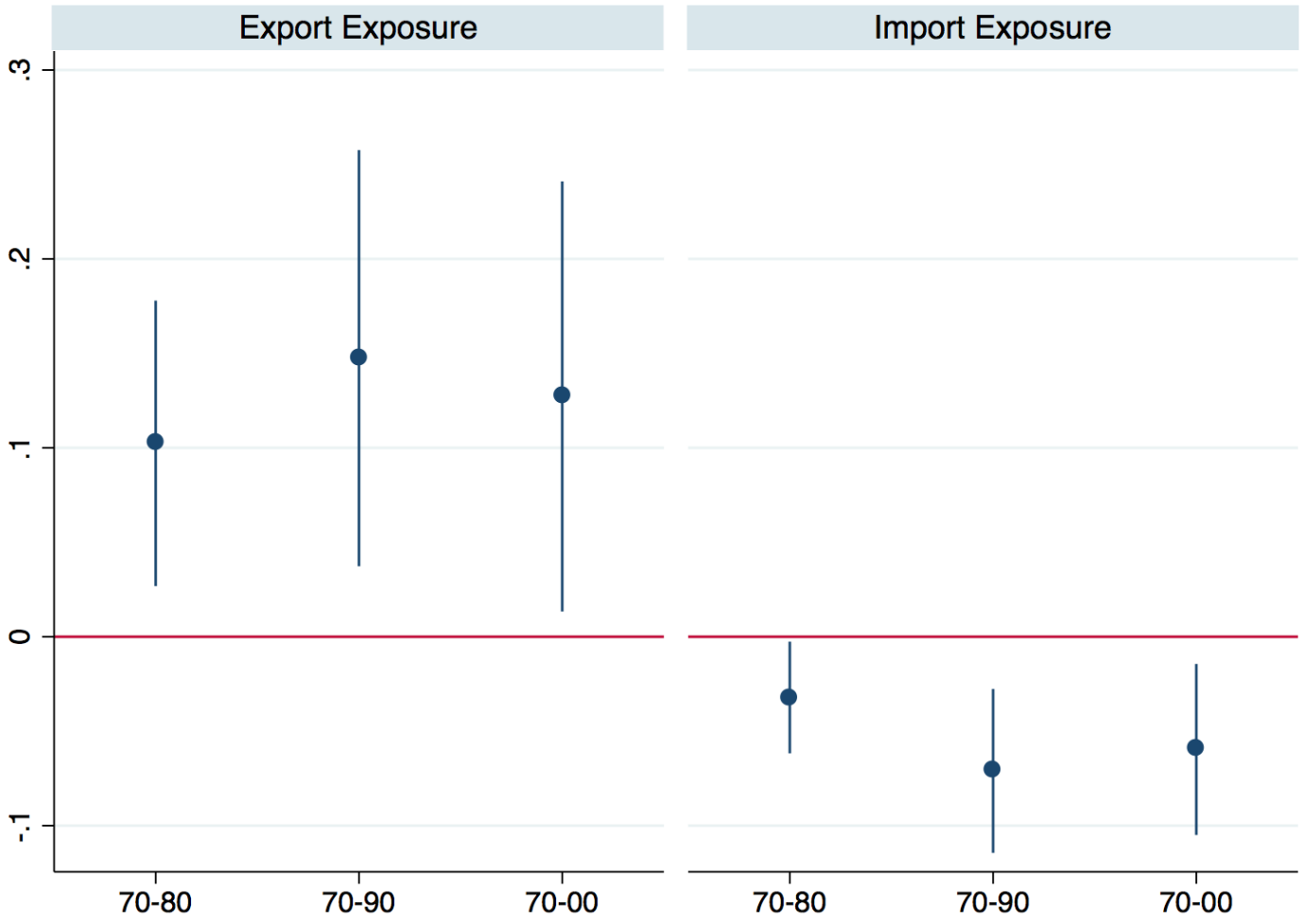
  - 2. LATE is transport costs loosely defined (but high power)

First Stage

	$\Delta XE_{c,66-80}$	$\Delta ME_{c,66-80}$
IV: $\Delta\widehat{XE}_{c,66-80}$	0.21*** (0.09)	0.24*** (0.11)
IV: $\Delta\widehat{ME}_{c,66-80}$	0.16*** (0.03)	0.37*** (0.13)
MFG Share	0.09*** (0.02)	0.19*** (0.04)
K-P Wald F-Statistic	44.01	44.01

Results: Land Price, IV



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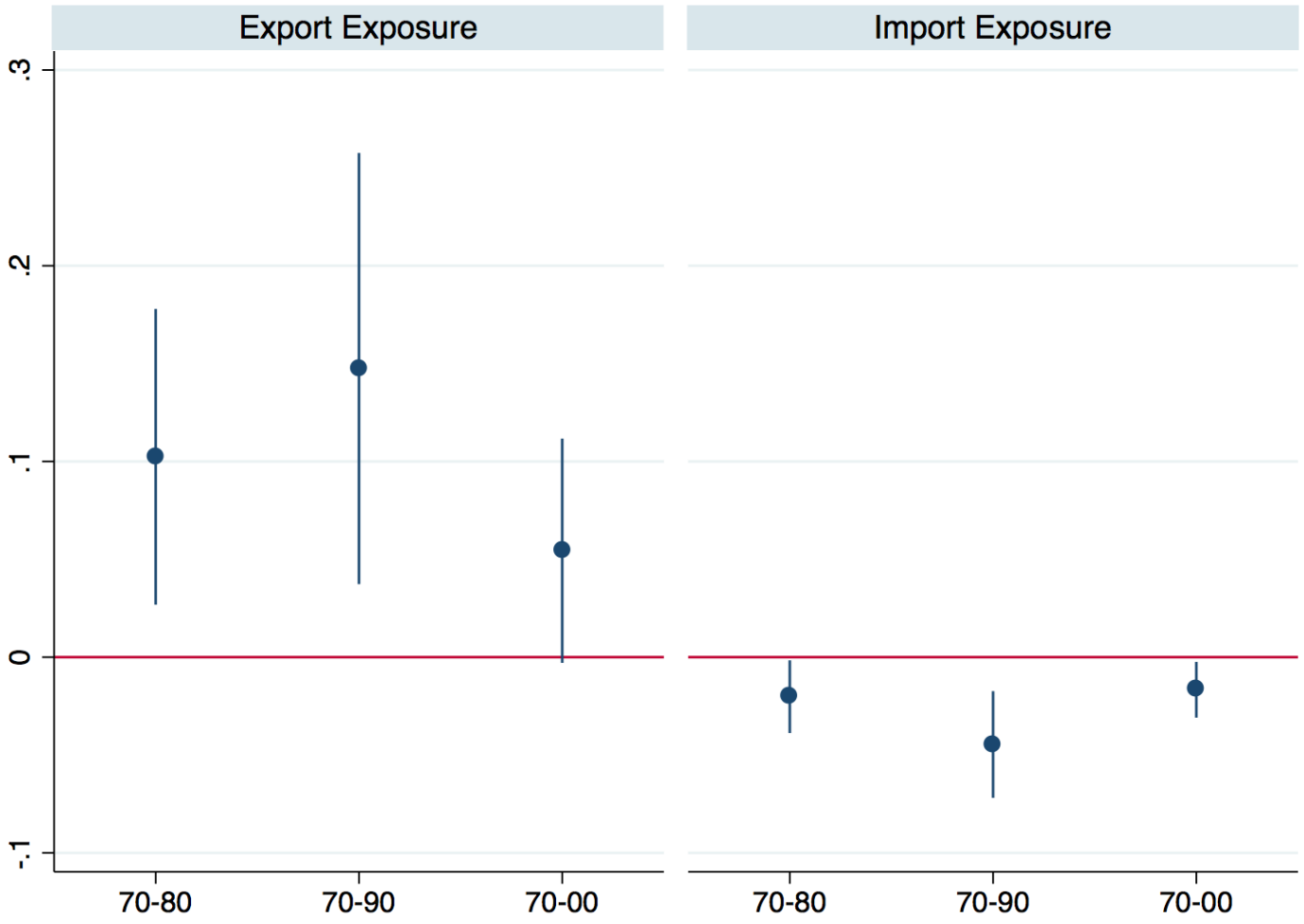
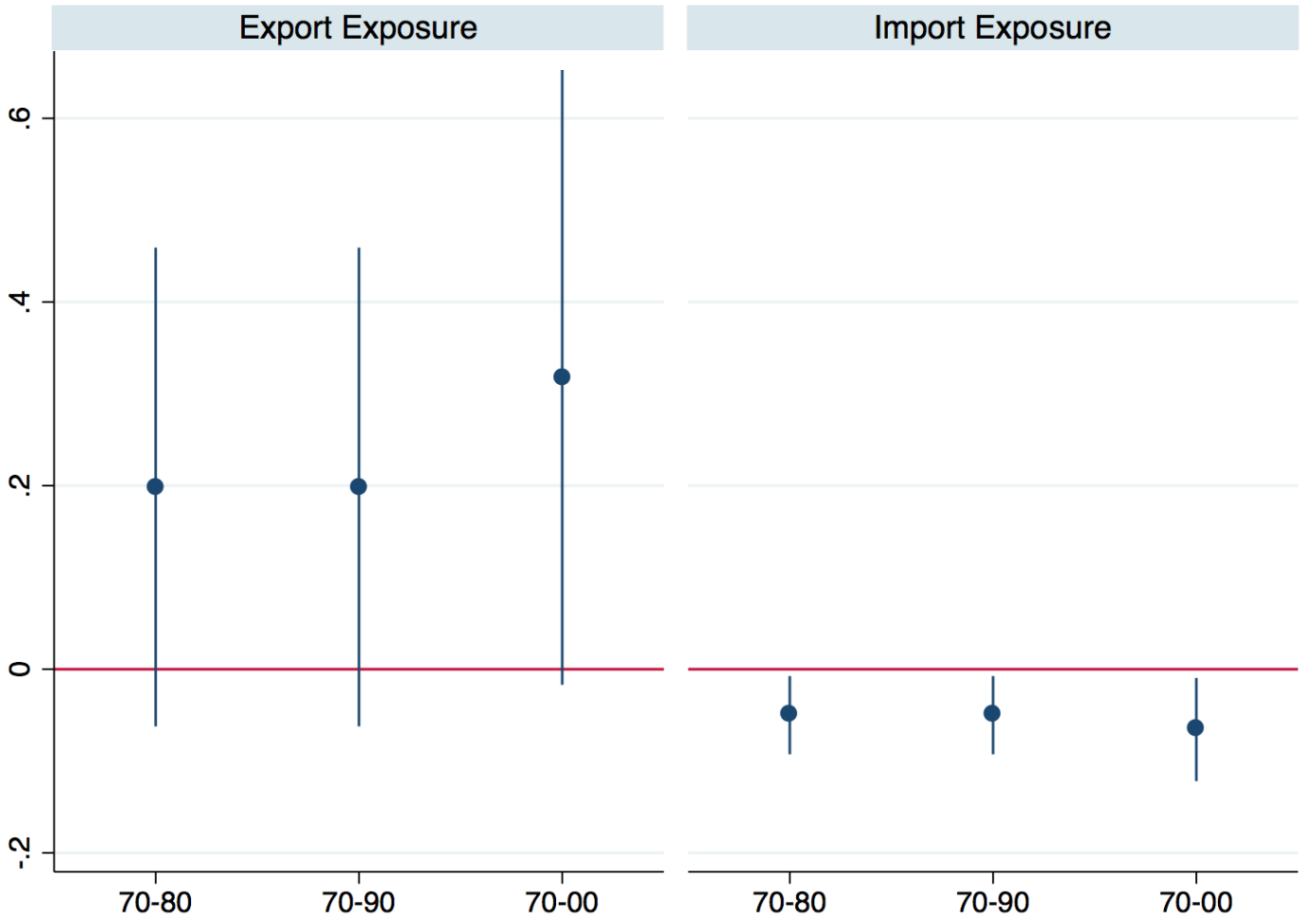
Results: Home Values, IV



Results: Median Income, IV



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- Upper bound on gains if non-housing component of the price index fell on average due to the shock

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- Repeat for Labor Supply to obtain vector β_c^{LS}

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- those with "low" LS elasticities also more responsive

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