



17th International Input-Output Conference

TITLE: TRADE GROWTH, TALENT AND INCOME DISTRIBUTION: EVIDENCE FROM A PLURALISTIC DEVELOPING COUNTRY

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COUNTRY: NETHERLANDS

KEYWORDS: TRADE GROWTH ; TALENT ; SDA ; INCOME DISTRIBUTION ; FACTOR PRODUCTIVITY EQUALITY

PAPER CONFERENCE CODE: 111

FULL PAPER IN CD?: NO

ABSTRACT:

The purpose of this paper is to measure the extent to which a country exports its talent (as measured by labor holding different education level), and in which means to upgrade their products structure. In particular, it is supposed that performing trade contributes to the country's welfare gain which is in line with classical economics theory. We argue factor productivity equality happens along with exchanging of talents by practicing exports and imports. In addition, we expect talent matters not only play a significant role in promoting trade and economic growth, but also influencing the income distribution. By comparing input-output tables in two points of times, the causes of talents involved in export can be measured by adapting the structural decomposition analysis (SDA). One step further, a two-stage ordinary least squares (OLS) regression equation is applied to estimate the contribution of factor productivity progress to economic growth (via trade). For the empirical analysis we will use input-output tables for Malaysia for 1991 and 2000, extended by distinguishing exports by direction of trades and disaggregating labors across education levels. The fact that our extended input-output tables also include detailed information for ethnic groups, our results aim at providing some insight into the causes of the changes in income distribution across ethnic groups in Malaysia.