

ABSTRACT

Abstract of thesis entitles “Wage Differentials, Education Expenditures, Productivity and International Trade in US”, submitted by Liao Haiyan (M-A7-6807-2) for the degree of Master of Social Sciences in Economics at the University of Macau in May in 2010.

With economic development, the problem of wage differentials becomes serious. The wage differential is larger and larger, so more and more economists concern about it. This study investigates the relationship among wage differentials, productivity, international trade and government education expenditures in US. The period of the data is from 1973 to 2007 and time series analysis is used in this thesis.

The tests of the unit root show that all of the time series are $I(1)$. Then cointegration tests are introduced and the results find that there is long-run relationship among wage differentials (wage differences and wage ratios), productivity, international trade and government education expenditures. After finding the long-run models, an error correction model (ECM) is conducted. Therefore, in this thesis both of the long and short runs are considered in the empirical estimation.

Findings include that productivity and international trade have significantly positive effects on wage differences in both the short and the long run but they only have

significantly positive effect on wage ratios for the long run but not for the short run. However, government education expenditures do not have a significant effect on the wage differential in both the short and long run from the empirical results in the case of the US.

Key words: wage differential, trade, productivity, education expenditure, ECM