

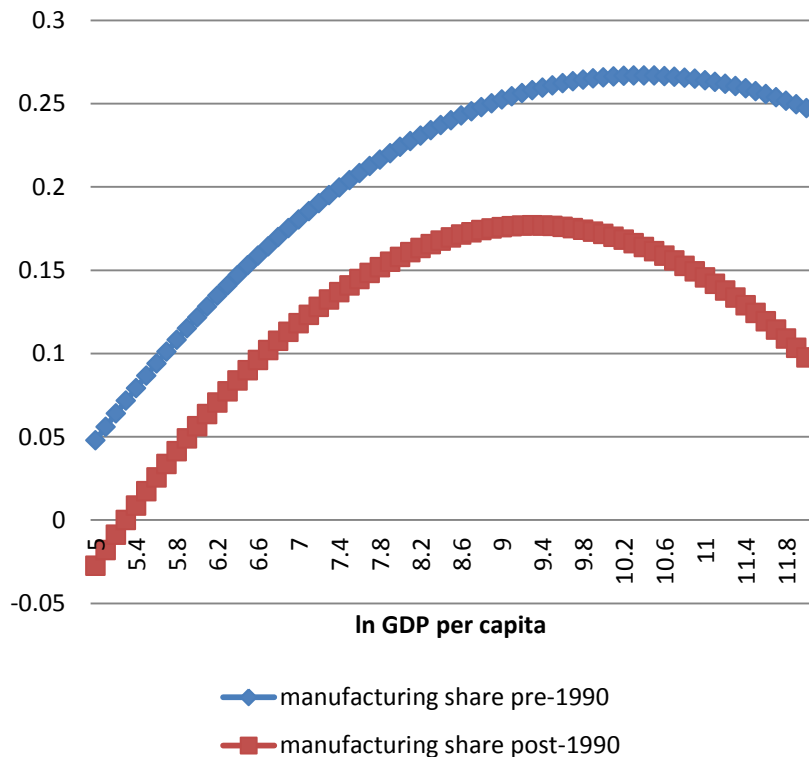
NOTES ON INDUSTRIALIZATION, DE- INDUSTRIALIZATION, AND INEQUALITY

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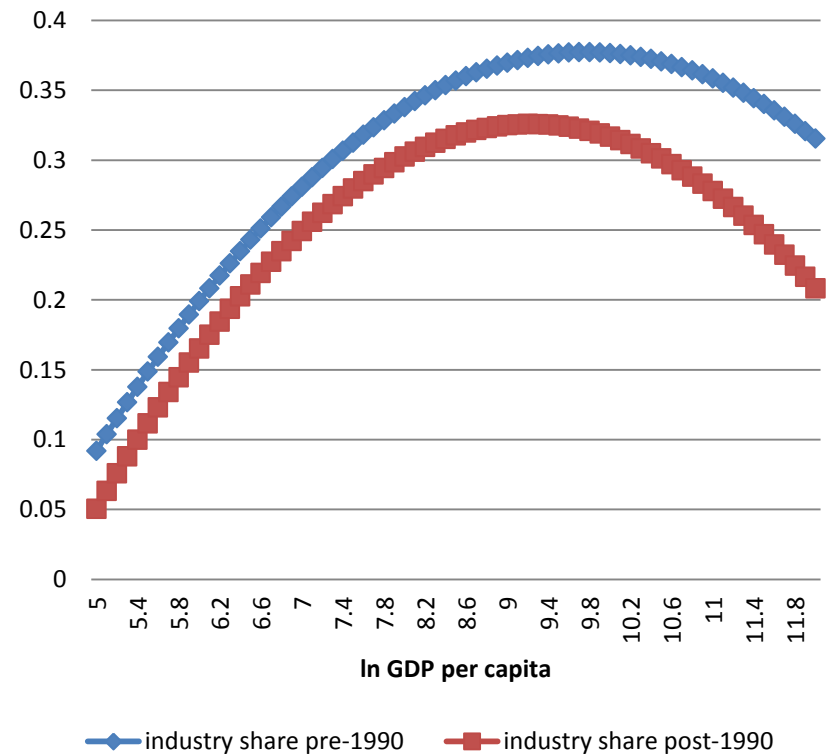
December 2014

The industrialization curve

Simulated manufacturing employment shares (GGDC, 1950-2009)

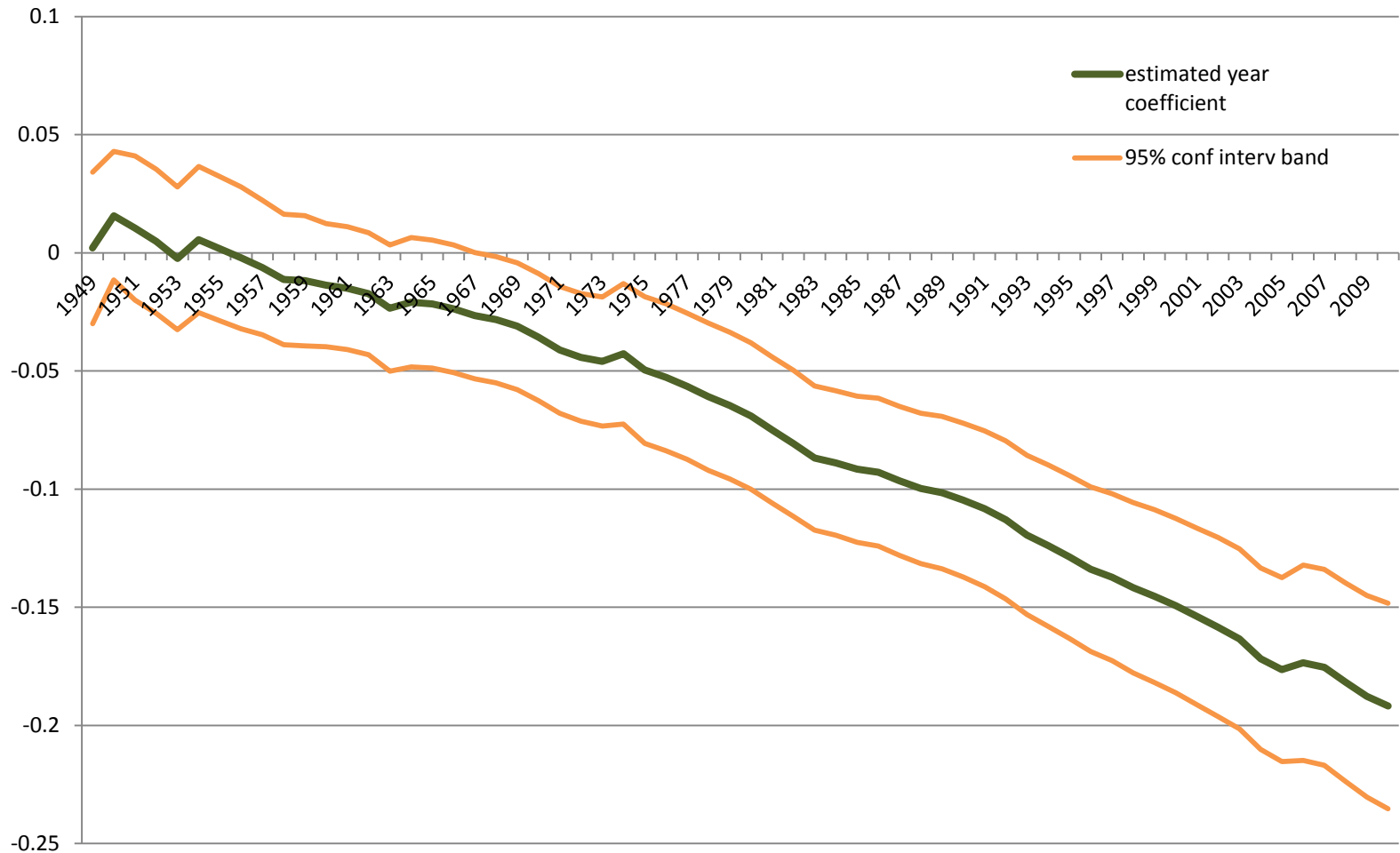


Simulated industrial employment share (WDI, post-1980 data only)



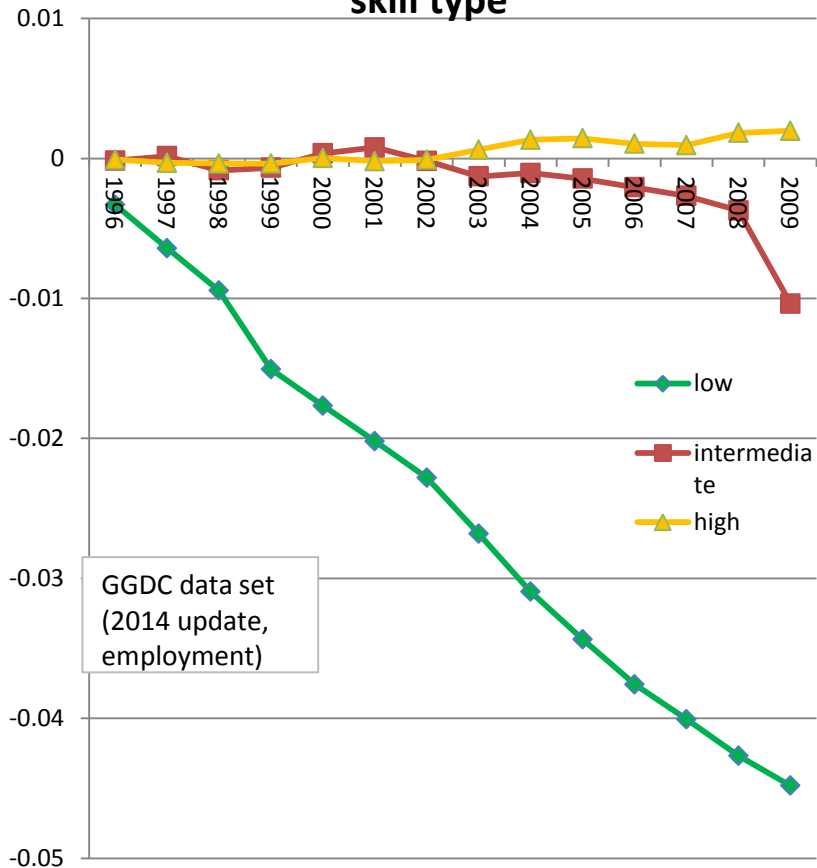
Generated from a regression of employment shares on ln population and ln GDP per capita (and their squares), country and year dummies, allowing for difference in post-1990 slope coefficients. Assumes a country with a population of 30 million.

The trend is not recent, and not over yet

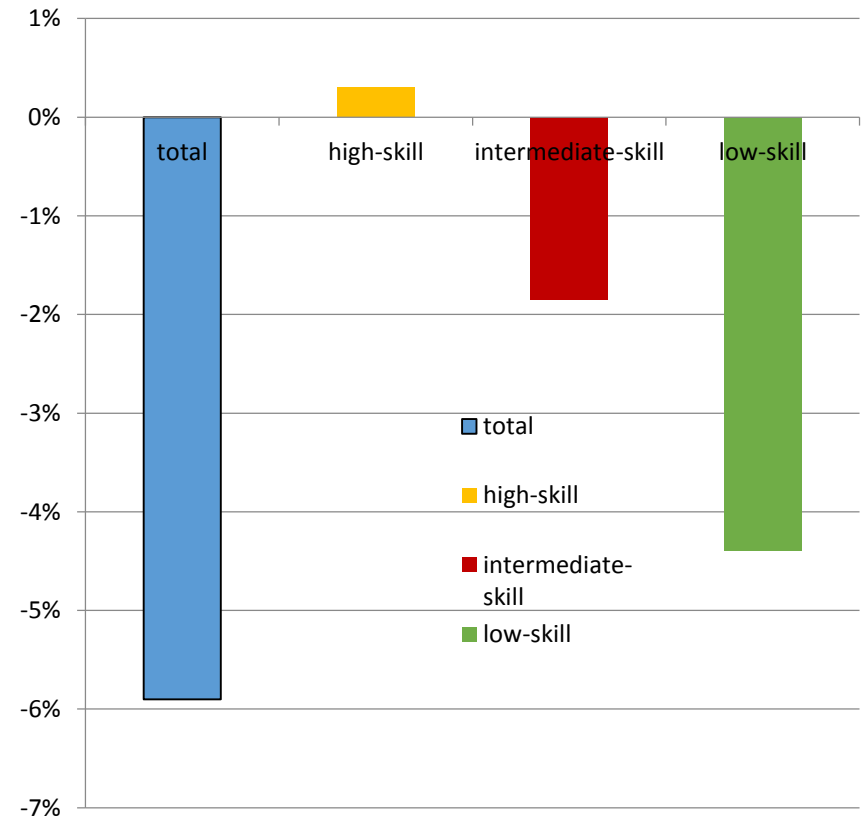


It's almost entirely due to loss in low-skilled jobs

Estimated year dummies, by labor skill type

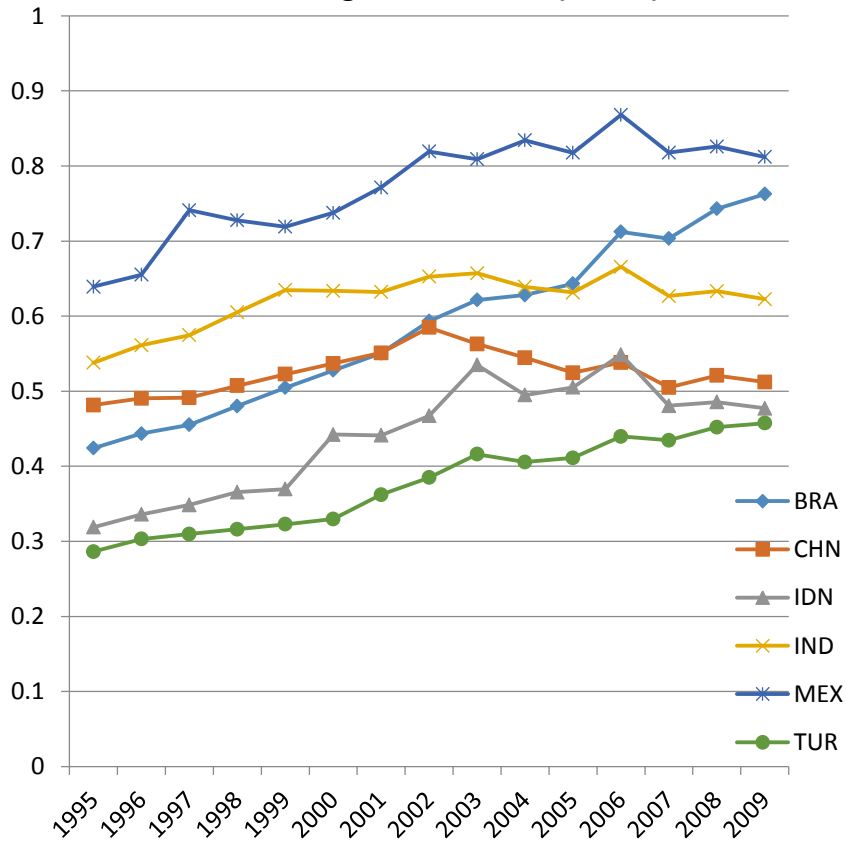


Estimated change in employment shares in manufacturing, 1995-2009

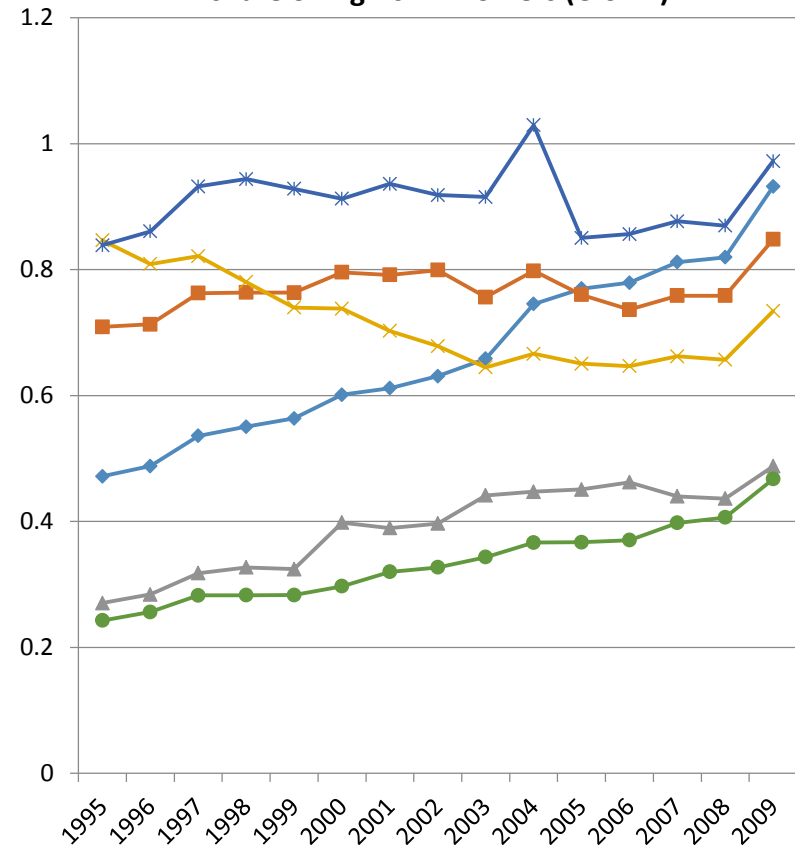


And rapid skill upgrading

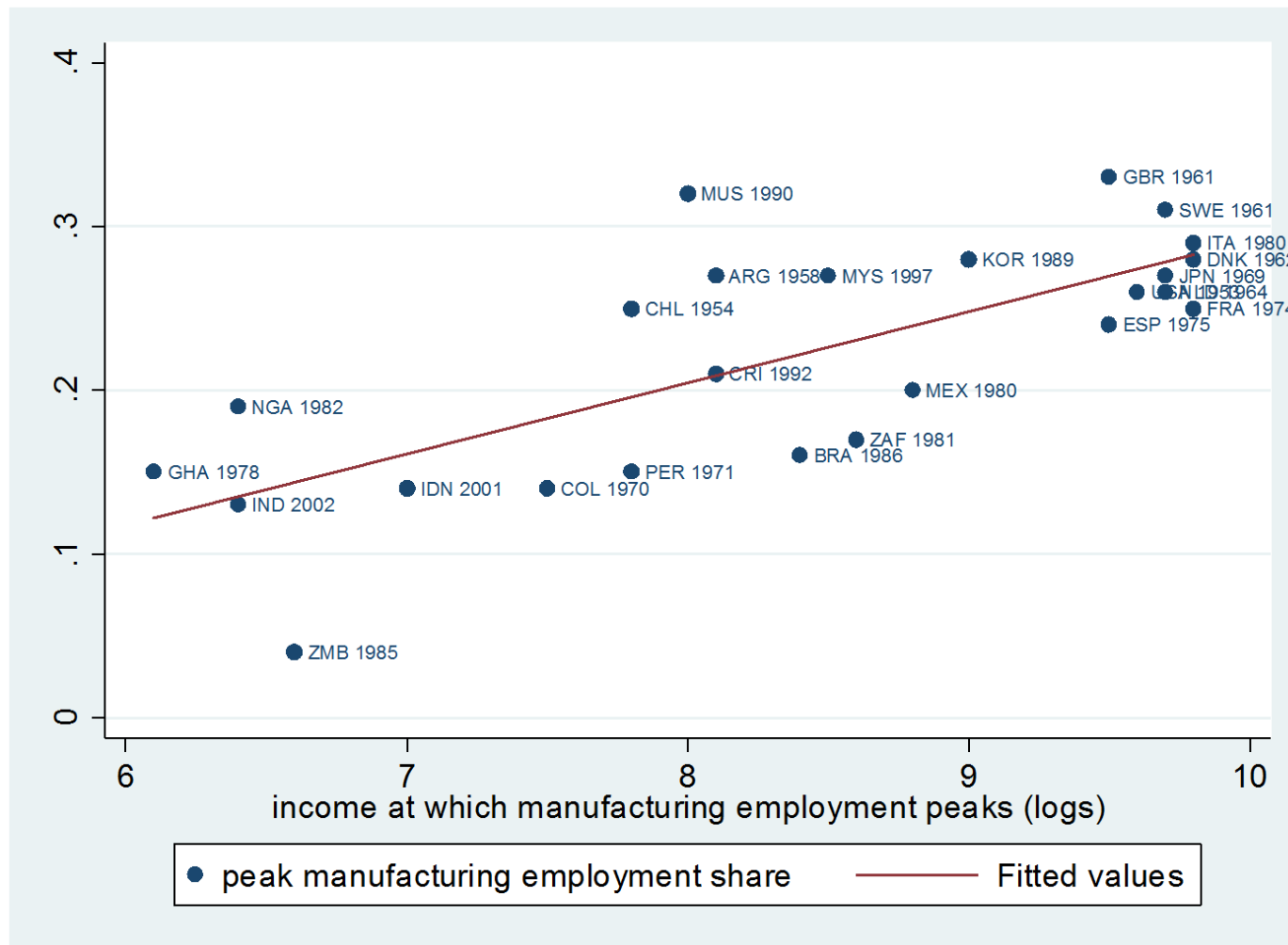
Skill upgrading relative to the U.S.:
textiles and clothing
share of high-skill workers (U.S.=1)



Skill upgrading relative to the U.S.:
transport equipment
share of high-skill workers (U.S.=1)



Premature de-industrialization



Consequences: economic and political

- Growth
 - reduced convergence possibilities
 - services cannot play escalator role, due to non-tradability
- Inequality
 - even when plugged into global supply chains, manufacturing remains an enclave
 - can petty services cannot produce a middle class?
- Political democracy/institutions
 - absence of organized working class => diffuse/diverse interests, no institutionalized articulation of preferences and bargaining, reduced willingness of elites to cut deals (“democratic settlement”) with non-elites as the latter are less coordinated and easier to divide and rule
 - periodic civil disturbances due to random trigger, but little follow up