

Essays on Mexican Regional and Industrial Pay Disparities

Regional Income Inequality in Mexico

The literature suggests that growing inter-state income inequality in Mexico since trade liberalization has become increasingly driven by spatial variation. Specifically, it is argued Mexico City and the states bordering the U.S.A. have been increasing their lead while the southern states have fallen further behind. In addition to studying the evolution of overall dispersion in inter-state income inequality (σ -convergence) and its regional composition, the tendency for lower-income states to experience greater growth (β -convergence) is also examined. The standard deviation, the coefficient of variation, and the between-partition component of the Theil inequality index all indicate that Mexico experienced σ -convergence from 1970 to 1980 and σ -divergence from 1980 to 2000. Decomposition analysis with ANOVA and the Theil inequality index indicate that the regional contribution to overall inter-state income inequality is large, but has either been stable or declined since 1980. From 1980 to 2000 only the northern border and northern non-border regions exhibited any sign of internal convergence and the southern region shows clear evidence of internal divergence. Regression analysis indicates that the absolute β -convergence from 1970 to 1980 was statistically significant. While adding regressors to address the potential for variability in steady state income levels does indicate conditional β -convergence from 1980 to 2000, the result is statistically insignificant.

Regional Economic Inequality in Mexico

Regional economic inequality is examined in accordance with Sen's desires for analysis that incorporates more substantive notions. In addition, a discussion of the regional development of Mexico highlights the persistent interaction of regional inequality with inequality across racial and ethnic groups. Mexican history indicates that regional disparity is the result of a cumulative process of differentiation in resource allocation and variation in implementation of policy conducive of development. Concentrated populations of indigenous-speaking groups live in the southern states and concentrated populations of Afro-Mexicans reside on each southern coast. Southern-states and states with greater concentrations of indigenous populations rank low on human development indicators. Regional development indices that summarize human development over three dimensions are constructed. Household survey data regarding housing structures and household services is used to construct an indicator of material well-being. A health indicator is constructed with infant mortality and life expectancy rates. A knowledge indicator is constructed with adult Spanish literacy rates and school enrollment rates among the school-age population.

Inter-Industrial Pay Inequality in Mexico

Standard economic theory predicts that labor mobility will equalize industrial pay across industrial sectors. Yet, studies indicate that in many industrialized and industrializing countries the workers with similar characteristics receive different levels of pay depending on industrial sector. Inter-sectoral pay differentials can be explained by differing degrees of monopoly power across industrial sectors and the evolution of such differentials can be interpreted as the outcome from the struggle for such power. Galbraith and the University of Texas Inequality Project (UTIP) have argued this view. This essay explores the UTIP macro-theory of pay distribution in the Mexican context. The UTIP theory and methodology is employed to determine industrial activities that have performed similarly through time. Then, the between-partition decomposition of the Theil inequality index is utilized to map the evolution of inter-sectoral earnings inequality and relate this evolution to the overall macroeconomic performance and to macroeconomic variables such as the rate of economic growth and the rate of inflation. There is evidence to suggest poor macroeconomic performance is associated with increased industrial pay disparity.