

# The Impacts of Trade Liberalization on Wage Inequalities and Economic Growth: The Role of Primary and Higher Education

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April, 2024

## Abstract

This study analyzes the impacts of trade liberalization on economic growth and wage inequalities using a Schumpeterian quality-ladder model that considers the role of primary and higher education. Primary education prepares middle-skilled production workers, while higher education prepares knowledge workers that engage in R&D activities. The analysis shows that trade liberalization promotes both primary and higher education by increasing the wage inequality between production and knowledge workers, as well as among (low-skilled and middle-skilled) production workers. Consequently, the higher supply of knowledge workers stimulates R&D activities, leading to economic growth acceleration.

**Keywords:** trade liberalization, education, wage inequalities, economic growth

**JEL classification:** F12, F43, I24, O31

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