

EXAMINATION OF THE EFFECTS OF FLUCTUATIONS OF EXCHANGE RATES
ON WAGES AND EMPLOYMENT IN THE EIGHTEEN DIFFERENT MANUFACTURING
INDUSTRIES IN THE UNITED STATES:
AN ERROR CORRECTION MODEL APPROACH

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Abstract

This paper uses the error correction model to detect the effect of real exchange rate fluctuations on real wages and employment in the eighteen different manufacturing industries in the United States. The type of exchange rate employed in the paper is the trade-weighted industry-specific real exchange rate index. Empirical results show that the trade-weighted industry-specific real exchange rates have statistically significant effects on industry employment and real wages in capital-intensive industries.

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