

WTO-ILO Workshop on Global Trade and Employment

Labor Market Adjustments to Trade Policy

Guido G. Porto

Universidad Nacional de La Plata

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 4. Capital Adjustment Costs

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 - Manufacturing and non-tradables
 - backward and forward linkages
 - Mexico and corn prices:
 - increases in in-farm labor
 - increases derived demand for related services (fence repairing)
 - consumption responses

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 - household income declined (twice)

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- Argentine firms that exported to HI countries:
 - pay higher average wages (meaning that they employ workers with higher average marginal productivity)
 - hire a higher ratio of non-production to production workers (skills)
 - pay higher wages conditional on skill composition (or hire a higher skill composition conditional on wages)

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- Mexico and NAFTA
- Argentina and MERCOSUR

Capital Adjustment Costs

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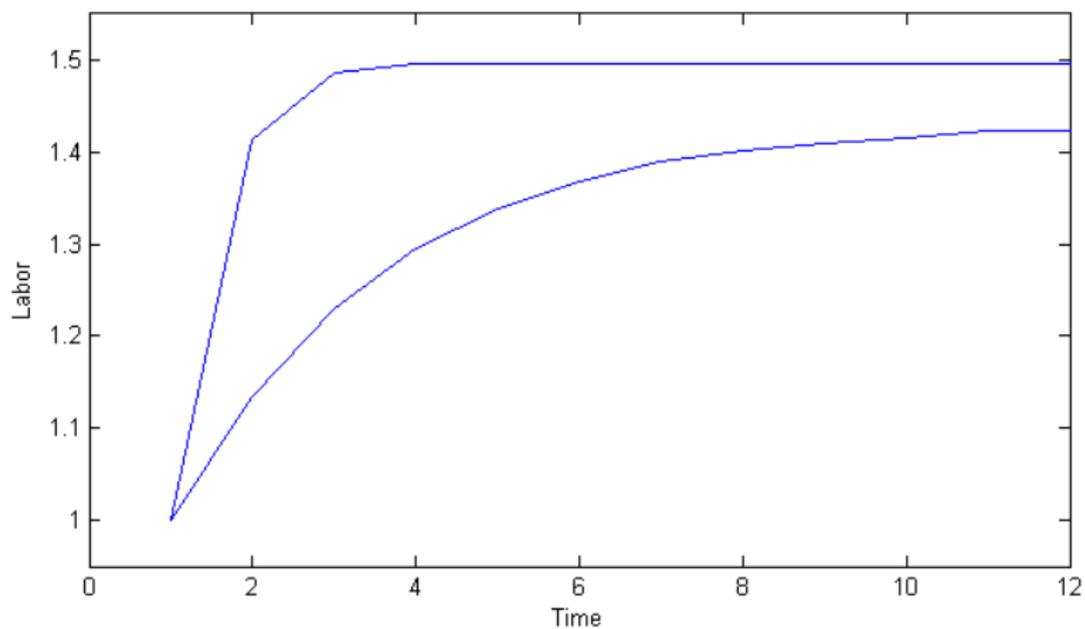
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- This project: explore impediments originated by the behavior of firms
- What happens if firms need to invest following a trade liberalization episode, but capital adjustment is not instantaneous?

An Example



Capital Adjustment Costs

- Capital-Skill Complementarities
- What are the sources of capital adjustment costs?