

Trade & Employment: Comments

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Introduction

- **PE vv GE**
- **CGE models - differences**
- **Agent-based modelling (!!)**
- **Aggregation & Disaggregation**
- **Informality**
- **Home Production for Home Consumption**
- **Productivity**
- **Structural Change**
- **Indirect Primary Inputs**

PE vv GE

- *Ceteris paribus* condition
- Trade as a GE story
- Labour as a GE story
 - Labour markets in developing countries
 - Asset base of the poor
- Production boundary
- GE stories
 - Activity specific effects
 - Productivity growth
 - Structural change
 - Intermediate/indirect inputs

CGE Models

- Dichotomy vv continuum
 - Rendering the model ‘real’ – avoiding the F-twist
- Macroeconomic closure
 - Rendering unto ‘Walras’ & ‘Keynes’
- Comparative Static +
 - Technology changes
- Dynamic
 - Role of investment function
 - Ramsey savings ‘maths’
 - Technology changes

Aggregation & Disaggregation

- To aggregate or not to aggregate
- More labour types
 - Inadequate disaggregation
 - Skilled vv Unskilled
 - Activity specific productivity
- More households
 - Unless every real household still RHG
 - Discarded or unused information
- Functional distribution of income

Informality

- Defining informality
 - Institutional arrangements
 - Activities
 - Labour
 - Marketed vv 'non-marketed' product
- Assume 2 technologies with 'single' product
 - Labour - formal OR informal not both
 - Formal – taxes etc apply to product and labour
 - Informal – taxes etc do NOT apply to labour (or product?)
 - Different cost structures
 - Implies – products are imperfect substitutes
- Why do the formal and informal coexist?

Home Production for Home Consumption

- Seems informal but
- Single technology segmenting output on supply side
 - Non-marketed limited to home consumption
 - No taxes or trade costs
 - Marketed
 - Taxes and trade costs
 - Timing
- Implies imperfect substitution in demand
- Labour
 - Segmented
 - ‘Wedge’ between returns from HPHC vv labour market
- Separation from markets

Productivity

- Labour productivity
 - Standard biases
- Measured TFP
 - Originating within a sector
 - Excludes cost reducing effects of TFP in other sectors
- Trade
 - How do the effects of TFP in other regions impact on imports, domestic production and exports?
 - How does domestic TFP impact on domestic production exports and imports?
- ‘Double edged sword’
 - Input saving vv competitiveness

Structural Change

- Interplay between TFP and structural change
 - Leontief's index of structural change (LISC)
 - Double deflating literature
- 'Ripple' impacts of sectoral TFP
 - Domar's solution
- LISC depends on changes in
 - Intermediate input coefficients
 - Primary input coefficients
- LISC abstracts from external TFP
- CGE models and intermediate input technologies
 - Leontief coefficients!!

Indirect Primary Inputs

- CGE models and indirect primary inputs!!
- Fixed coefficients – Leontief assumption
 - But TFP in activity i should induce price decline
 - And activity j should look to reduce costs
- Leontief assumption mutes changes in demand for indirect primary inputs due to TFP
- One approach Vertically Integrated Sectors (VIS)
 - Closed economy - good for dynamics
- VIS and trade
 - Primary input content of trade