

Accepted Manuscript

WAGE BARGAINING, TRADE and GROWTH

Wolf-Heimo Grieben , Fuat Şener

PII: S1090-9443(17)30167-9
DOI: [10.1016/j.rie.2017.07.001](https://doi.org/10.1016/j.rie.2017.07.001)
Reference: YREEC 735

To appear in: *Research in Economics*

Received date: 24 May 2017
Revised date: 29 June 2017
Accepted date: 1 July 2017

Please cite this article as: Wolf-Heimo Grieben , Fuat Şener , WAGE BARGAINING, TRADE and GROWTH, *Research in Economics* (2017), doi: [10.1016/j.rie.2017.07.001](https://doi.org/10.1016/j.rie.2017.07.001)



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

WAGE BARGAINING, TRADE AND GROWTH

This version: June 28, 2017

Wolf-Heimo Grieben[‡]
University of Halle-Wittenberg

Fuat Şener*
Union College

Abstract

We construct a North-South product-cycle model of trade with fully-endogenous growth and union wage bargaining. Economic growth is driven by Northern entrepreneurs who conduct R&D to innovate higher quality products. Northern production technologies can leak to the South upon successful imitation. The North has two sectors: a tradeable industrial goods sector (manufacturing) where wages are determined via a bargaining process and a non-tradeable sector (services) where wages are flexible. The South has only a tradeable industrial goods sector where wages are flexible.

We find that unilateral Northern trade liberalization, in the form of lower Northern tariffs on industrial goods, increases the rate of innovation but decreases both the bargained wage in the industrial sector and the flexible wage in the service sector. The wage effects are relative to the Southern wage rate. We also consider a variant of the model with Northern unemployment, driven by a binding minimum wage in the non-tradeable service sector. In this case, Northern tariff cuts decrease the innovation rate and the bargained wage rate. In addition, the Northern unemployment rate increases. The model thus highlights role of labor market institutions in determining the growth and labor market effects of tariff reductions. We also study the effects of unilateral Southern trade liberalization.

Keywords: Schumpeterian growth, product cycle, trade liberalization, labor unions, bargaining power, unemployment

JEL classification: F12, F43, J51, O31, O32

* **Corresponding Author.** senerm@union.edu. Department of Economics, Union College, Schenectady, New York, 12308 USA;

‡ wolf-heimo.grieben@wiwi.uni-halle.de. Department of Economics, University of Halle-Wittenberg, Universitaetsring 3, 06099 Halle, Germany.

Download English Version:

<https://daneshyari.com/en/article/5103759>

Download Persian Version:

<https://daneshyari.com/article/5103759>

[Daneshyari.com](https://daneshyari.com)