

Contents

| | | |
|----------|--|----|
| 1 | Motivation | 1 |
| 2 | International Trade and Unemployment: The Worker-Selection Effect | 5 |
| 2.1 | Introduction | 5 |
| 2.2 | Model | 8 |
| 2.2.1 | Set-Up | 8 |
| 2.2.2 | Labor Demand | 11 |
| 2.2.3 | Wage Bargaining and Fallback Income | 11 |
| 2.2.4 | Union Membership, Vacancy Posting and the <i>Melitz</i> Lottery | 14 |
| 2.3 | General Equilibrium | 16 |
| 2.3.1 | Average Productivity and Aggregation | 16 |
| 2.3.2 | Equilibrium (Long-Term) Unemployment, Welfare and Wage Distribution | 17 |
| 2.4 | Open Economy | 21 |
| 2.4.1 | Modifications | 21 |
| 2.4.2 | Autarky Versus Trade: Macroeconomic Implications | 23 |
| 2.5 | Trade Liberalization | 26 |
| 2.6 | Conclusion | 28 |
| | Appendix | 29 |
| A.1 | Appendix 1 | 29 |
| A.2 | Appendix 2 | 30 |
| A.3 | Appendix 3 | 31 |
| A.4 | Appendix 4 | 31 |
| 3 | Unemployment Benefits as Redistribution Scheme for Trade Gains: A Positive Analysis | 33 |
| 3.1 | Introduction | 33 |
| 3.2 | Model | 36 |
| 3.2.1 | Set-Up | 36 |
| 3.2.2 | Labor demand | 40 |

| | | |
|----------|--|------------|
| 3.2.3 | Monopoly Union and Fallback Income | 41 |
| 3.2.4 | Union Membership, Vacancy Posting and the <i>Melitz</i> Lottery | 44 |
| 3.3 | General Equilibrium | 47 |
| 3.3.1 | Average Productivity and Aggregation | 47 |
| 3.3.2 | Firm Entry and Exit | 50 |
| 3.3.3 | Equilibrium (Long-Term) Unemployment and Welfare | 52 |
| 3.4 | The Government's Policy Instruments | 53 |
| 3.4.1 | Unemployment Benefits | 54 |
| 3.4.2 | The Wage Tax | 55 |
| 3.4.3 | The Payroll Tax | 55 |
| 3.4.4 | The Profit Tax | 56 |
| 3.5 | The Redistribution Schemes | 59 |
| 3.5.1 | The Government's Budget Constraint | 59 |
| 3.5.2 | Calibration | 60 |
| 3.5.3 | Simulation Results | 61 |
| 3.6 | Conclusion | 67 |
| | Appendix | 68 |
| A.1 | Appendix 1: Government Sector | 68 |
| A.2 | Appendix 2: Derivation of the General Equilibrium | 69 |
| 4 | An Optimal Redistribution Scheme for Trade Gains | 71 |
| 4.1 | Introduction | 71 |
| 4.2 | Model | 74 |
| 4.2.1 | Set-Up | 74 |
| 4.2.2 | Labor Demand | 77 |
| 4.2.3 | Union Wage Setting | 78 |
| 4.2.4 | Union Membership, Vacancy Posting and the <i>Melitz</i> Lottery | 80 |
| 4.3 | General Equilibrium | 84 |
| 4.3.1 | Average Productivity and Aggregation | 84 |
| 4.3.2 | Firm Entry and Exit | 87 |
| 4.3.3 | Equilibrium (Long-Term) Unemployment and Output | 88 |
| 4.4 | The Government's Optimization Problem | 90 |
| 4.4.1 | The Objective Function | 90 |
| 4.4.2 | Gini Coefficient | 91 |
| 4.5 | Optimal Redistribution Schemes | 95 |
| 4.5.1 | Calibration | 95 |
| 4.5.2 | Local Optima | 97 |
| 4.5.3 | Global Optimum | 104 |
| 4.6 | Conclusion | 105 |
| | Appendix | 105 |
| A.1 | Appendix 1: Government Sector | 105 |
| A.2 | Appendix 2: Derivation of the General Equilibrium | 106 |
| A.3 | Appendix 3: Derivation of the Lorenz Curve | 107 |
| | References | 109 |



<http://www.springer.com/978-3-642-33235-7>

International Trade and Unemployment

On the Redistribution of Trade Gains When Firms Matter

de Pinto, M.

2013, X, 114 p., Hardcover

ISBN: 978-3-642-33235-7

A product of Physica-Verlag Heidelberg