

The Myth of Benefit of Trade: the case of Mexico's manufacturing sector

Topic: (2.1) Special Session: Stock-flow consistent input-output modelling

Author: Luis Villanueva

Co-Authors: XIAO JIANG

In many export-led development economies, such as the case of Mexico, the wages paid to the exports sectors have not necessarily increased with more demand for exports. In this context, one crucial question to answer is; if workers are not the ones benefiting from trade, where are these benefits going? We put forth a special markup pricing model in which imported intermediates play a central role to assess how the benefits of trade are distributed among four actors; workers (wages), capitalists (profits), and foreigners (imports). We use a stock-flow consistent multi-sector CGE model for the Mexican economy to empirically verify the distribution of income among these four actors. We end our paper discussing the policy implication of our findings.