Institut für Arbeitsmarkt- und Berufsforschung
Die Forschungseinrichtung der Bundesagentur für Arbeit

IAB-DiskAB

Invitation

FDI and unemployment, a growth perspective

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North-South foreign direct investment (FDI) is frequently viewed as a process in which jobs relocate from the North to the South. I build a growth model with two asymmetric trading economies, the North where firms innovate and the South where Northern firms invest to take advantage of lower wages. Contrary to expectation, I find that lower FDI costs increase unemployment both in the North and in the South. There are two effects of FDI on unemployment, a direct positive one which contributes to the turnover of firms parallel to innovation. The indirect effect appears through innovation and growth: more FDI means higher innovation, this intensifies firm turnover and increases the unemployment rates in both countries even further. I solve the model analytically without trade costs and imitation of products in the South. For the version with trade costs and imitation I offer a numerical solution in which I also look at the effect of FDI on welfare and find a positive relation. In addition to FDI, I explore how intellectual property (IP) rights protection affects unemployment and welfare. Both are higher in a steady state with stricter IP protection.

Date:
Monday,
September 3, 2018

Time:
11:00 a.m.

Venue:
Regensburger Str. 100
Room E10
90478 Nürnberg