

Dynamic Analysis of Trade Liberalization and Education Choice

Tatsuya Asami *

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Abstract

This study examines the impact of trade liberalization on education choice and aggregate consumption (production) in the long-run. We focus on supplies of two types of labor through education decision. In addition to benefit from international trade itself, trade shapes factor supplies in our model. The results are as follows. (1) In the closed economy, the number of skilled labor is too small to maximize the aggregate consumption. (2) In the economy which has the comparative advantage in producing skilled-labor-intensive goods, trade liberalization increases the aggregate consumption in the long-run. (3) In the economy which has the comparative advantage in producing unskilled-labor-intensive goods, trade liberalization may decrease the aggregate consumption in the long-run.

Keywords: education choice, market opening, dynamics, steady state

*Graduate School of Economics, Kobe University, Rokkodai-cho 2-1, Nada-ku, Kobe 657-8501, Japan.
Email: azutotatsu@gmail.com