

## ***REVIEW ON: Beker, C.A.: A Case Study on Trade Liberalization: Argentina in the 1990s.***

Generally, the topic investigated is highly relevant and interesting. We still lack detailed case studies grounded in theory about the effects of liberalization or other policy measures on certain economies. Also the results would be highly relevant, not the least for theory refinement. However, the treatment in the paper is insufficient and inconclusive so far. The paper's character is that of a draft, a collection of relevant material, empirical as well as theoretical, while it still lacks systematic analysis and a proper connection of theory and empirics. Overall, in my view chapter 9 (!) would be a good outline for actual research; in the paper it comes more or less as part of the conclusions.

However, the paper does not promise too much: "This paper analyzes this process [the effects of trade and capital liberalization in Argentina] and gives some reasons for these unexpected results, focusing on the impact of trade liberalization on employment. The effects on wages and equality are also mentioned." This is exactly what happens in the paper ("giving reasons", "mentioning"), although it remains gradually questionable if the paper as it is is really an analysis and not a selective description loosely related to some theoretical considerations.

In the following, I stress some details which need further elaboration:

- I miss a definition of unemployment in the paper. Since these definitions vary greatly across countries, it is very necessary in this case to understand the actual causes of unemployment better.
- The paper fails to measure factor "abundance", which is necessary to come to meaningful conclusions. It seems to be derived from a superficial look into trade statistics (see note 7 in the paper), which is clearly insufficient.
- While gaps in the literature regarding capital liberalization are well mentioned, the basic theory is presented only sketchily. What exactly are the transmission mechanisms between "liberalization" and "employment" (not to talk about wages or inequality, which is also touched by the paper) provided/predicted by theory? While in general reasoning seems to be sound, I totally miss a systematic framework of the connections.
- While reading the paper, I asked myself: Why not simply (and descriptively) analysing trade statistics (what subsectors export/import how much before/after liberalization)? The results from that exercise would be, I guess, comparable, but conclusions would be empirically better grounded.
- Further, why are the effects from the Tequila and Asian crisis on unemployment not systematically discussed? This would have been necessary to separate (and combine) the effects of these shocks from (with) those of liberalization. So far, the paper completely fails to assess (and even to separate) these effects.
- Generally, the use of graphs and tables is suboptimal. Many lack clear descriptions (is table 3 about nominal or real GDP, etc.) and details (figure 2 could be much more informative if formatted differently, etc.) and some are badly visible (particularly table 7). Also, their collection seems to be preliminary instead of systematic and much information could have been combined.
- It is also a problem that only annual data is presented over a rather short period. Some of the relevant effects certainly are more short-term and thus invisible in the data.
- Given SST-theory, "labour was not an obvious candidate to be a loser in the process of liberalization." But capital was; why is this not tested?

- What about other factors influencing unemployment? They are discussed later, but only in the context of unemployment persistence and without any weighting of these influences. While the survey is rather complete (although maybe not really necessary for the argument), a conclusion like: “All the aforementioned reasons as well as others may be responsible for long-run unemployment. It may be that each of them has no decisive influence on persistent unemployment, but in conjunction they cause it. None of these factors may have decisive importance to deserve a determinant theoretical status by itself but together they may be responsible for the phenomenon.” is making all the efforts gradually absurd.
- This is duplicated in chapter 10, where the conclusion: “Far from being a minor issue, the sequence and speed at which the economic reforms are implemented have proven to be the key to determining whether the outcome will be a success or a failure”, does in no way follow from the paper, not even the discussion in the chapter, because the issue of sequence and speed is not contextualized in the Argentinean case (but only in an abstract, general way). Further, if this conclusion would be true, it deserves a paper on its own.
- The issue touched in chapter 7 may be relevant, but the treatment is very selective (this was the only measure?) and further off reference period.
- Finally to the “lessons” from Argentina: lesson 1 would be important and highly relevant, and it further seems highly likely that it is true, but it is only touched by the paper and in no way “shown”; lesson 2 is rather trivial and also not really shown by the paper; lesson 3 is relevant, but only suggested by some data and arguments provided in the paper; lesson 4 is relevant as well, but again it is not systematically elaborated on (the open issue of transmission!); lesson 5 follows from 3 and 4, hence the same disclaimer applies; lesson 6 is in its generality gradually self-evident, but it does not follow from the paper, because the Argentinean case is not specifically discussed.

Overall, given the important issue touched by the paper (empirically actual and theoretically potential adverse effects of trade and financial liberalization), and particularly its necessarily critical general mood towards practical political strategies derived all too easy from theoretical considerations originating in the everything but realistic neo-classical universe, the paper is not satisfying so far. There is no real analysis of effects, not at all in any kind of detail. Hence, the paper is neither a case study nor a general contribution, but in my view a draft to be completely reworked into a thorough analysis of the Argentinean case. So far, its major conclusion (which seems highly likely, however) does not strictly follow from the paper, because the kind of analysis is too selective and sketchy. However, I would be happy to read a considerably developed version of this paper in the future, which – in my view – may depart from chapter 9 and some further theoretical considerations, but then focussing on the unemployment issue by more clearly elaborating on transmission between liberalization and employment.