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Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	<p>Contents; I. Introduction; II. Model; A. Overview of Main Building Blocks; B. Final Goods Firms (F-firms); C. Intermediate Goods Firms (I-firms); D. Households; E. Government; F. Unions and Wage Bargaining; G. Definition of Equilibrium; III. Solution method and calibration; IV. Policy simulation; A. Lower average tax rate; Tables; 1. Calibration of the Benchmark Model; B. What is the Role of Labor Unions?; C. How Does Openness Affect Reform Outcome?; D. Other Labor Market Reforms; 2: Long Term Effects of Policy Reforms, Percentage Deviation from Pre-reform</p> <p>E. Relaxing the Perfect Financial Market AssumptionV. Nominal rigidities and monetary policy; VI. Conclusion; Figures; 1. Dynamic Responses of Domestic and Foreign Variables Following a Cut in Average Tax by 3 %, time in quarters; 2a. Comparison of Response to 3 % Tax Cut Under Unionized and Competitive Labor Market - output and absorption; 2b. Comparison of Response to 3 % Tax Cut Under Unionized and Competitive Labor Market - employment, wages and international trade</p> <p>3. Response of Domestic and Foreign Variables to an Average Tax Cut of 3% in Country 1, Under Benchmark and Completely Closed Economies4. Responses of Domestic and Foreign Variables to an Average Tax Cut of 3% in Country 1, Under Benchmark and Incomplete Financial Markets; 5. Responses of Domestic and Foreign Variables to an Average Tax Cut of 3% in Country 1, Under Benchmark and Sticky Prices cum Monetary Union; References; Appendix</p>
Sommario/riassunto	<p>This paper uses a dynamic economy model, with unionized labor markets, to analyze the effects of labor market reforms, similar to those recently introduced in Germany, on the domestic and trading partner economies. The model is calibrated on Germany and the rest of the Euro area. The results indicate that German labor market reforms have positive spillover effects on the rest of the Euro area, which operate through the channel of trade, relative price adjustment, and financial market integration. Compared to a competitive labor market, setting, unionization dampens the positive response of the domestic economy and magnifies the spillover effects.</p>