

Essays on Economic Policy (ESPE in Spanish) - Measuring Total Factor Productivity Growth in Mexican Manufacturing

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The paper focuses on measuring and analyzing TFP growth in Mexican manufacturing during the period 1970-2003 and its importance as a source of growth in income. The analysis time span covers the most important events of trade openness in Mexican economic history: GATT (1986) and NAFTA (1994), and this allows us to visualize TFP behavior in manufacturing before and after the trade liberalization events. TFP growth estimation is done at subsector level of desegregation and using Harberger's Two Deflator Method. The paper's findings indicate that trade liberalization, which was mainly driven by NAFTA, has enhanced manufacturing productivity in Mexico. Our estimation results show that annual average TFP growth rate in manufacturing was negative during the pre-NAFTA period while the post-NAFTA annual average TFP growth rate was positive.