

## Leandro Freylejer

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| <b>Citizenship</b>            | Canadian   |
| <b>Languages</b>              | English, Spanish   |
| <b>Programs</b>               | Stata, MATLAB, Mathematica   |
| <b>Research Interests</b>     | International Trade<br>Macroeconomics  |
| <b>Teaching Interests</b>     | International Economics (Trade, Finance and Monetary Economics)<br>Macroeconomics<br>Microeconomics  |
| <b>Education</b>              | PhD, Economics, University of Toronto (expected 2017)<br>Dissertation: Essays in International Trade<br>Committee: Daniel Trefler (supervisor), Peter Morrow, Kunal Dasgupta<br><br>MA, Economics, Queen's University (2007-2008)<br><br>Thesis: A Search Model of Market Segmentation (Scarthingmoor Prize for best MA essay)<br><br>BA (Honours), Economics, University of Manitoba (2003-2007)  |
| <b>Awards and Fellowships</b> | University of Toronto Doctoral Completion Award, 2014<br>University of Toronto Graduate Fellowship, 2009-2013<br>Joseph-Armand Bombardier CGS Doctoral Scholarship (SSHRC), 2009-2011<br>Joseph-Armand Bombardier CGS Master's Scholarship (SSHRC), 2007-2008<br>Tri-Council Recipient Recognition Award, 2007<br>Queen's Graduate Award Scholarship (declined), 2007<br>Export Development Canada's International Studies Scholarship (EDC), 2006 |

## Research Papers

Labour Market Policy and the Gains from Trade (*job market paper*)

- Presented in 2014: Canadian Economic Association Conference (Vancouver)

Multiproduct Firms, Credit Constraints and the Gains from Trade (in progress)

Product Quality, Information and Trade

## Professional Experience

2009-present: Teaching Assistant, University of Toronto

- International Finance (Fall 2011)
- International Monetary Economics (Summer 2014, Fall 2015, 2016)
- International Trade (Fall 2011, 2012, Winter 2013, 2014, 2016)
- Economic Theory-Macro (graduate) (Fall 2012, 2013)
- Macroeconomic Theory (2010, 2015)
- Microeconomic Theory (Summer 2011, 2012)
- Conducted tutorials and graded problems and examinations

2008-2009: External Consultant Canadian Centre for Policy Analysis (CCPA), MB Office

- Conducted research on living standards of northern Manitoba aboriginal communities as part of a University of Manitoba, University of Winnipeg and CCPA five-year research project funded by a SSHRC/CURA research grant

## References

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## Dissertation Abstracts

### Labour Market Policy and the Gains from Trade

The disappearance of good industrial jobs in the US has recently been a major part of the public discourse against increasing international trade. I propose an alternative policy instrument to expand the share of high value added industrial jobs while allowing a country to benefit from low trade barriers. I show that increasing labour mobility distortions can be used to increase the share of ‘good’ jobs in periods of trade liberalization. In particular, I study the aggregate and distributional effects of labour market policies affecting the level of occupational mobility distortions when jobs across industrial sectors are heterogeneous. To do this, I expand a standard quantitative trade model with monopolistic competition and firm heterogeneity to include the endogenous sorting of heterogeneous workers to occupations in the presence of distortions. I begin by analysing a Roy model of labour sorting and show that differences in the market structure of sectors lead to a misallocation of production, which results in a wedge in labour value added across sectors. The government can solve this misallocation by changing the sectoral composition of employment in the economy through the increase in the level of labour market distortions. Guided by this model, I develop and calibrate a structural model of the labour market. I use the model to study the impact of labour market distortions on the gains from trade between US and fourteen developed countries from 1992 to 2007. Consistent with the literature I find that even without government intervention, there are significant distortions due to occupational mobility costs. Moreover, I find that relative to factual distortions, welfare maximizing distortions lead to a 2.7% increase in the median occupation switching cost and a doubling of welfare gains from trade (0.48% versus 0.23% increase in real income). This is achieved by expanding employment in sectors such as equipment manufacturing and reducing it in sectors such as textiles. I also show that a drawback of this policy is that the gains from trade are much more unequally distributed across workers.

### Product Quality, Information and Trade

In this paper I propose a model to explain deviations from the pecking order of foreign market entry. In the workhorse quantitative model of international trade there is an ordering of markets describing how costly is to export there. Firms’ entry patterns into export markets follow this ranking. I first use Chilean firm level data to show that firm’s entry consistently deviate from these ranking. In particular, a large number of firms supply to markets that are difficult to enter while ignoring easier markets to penetrate. To explain these deviations, I show a two period, partial equilibrium model with asymmetric information in product quality. Firms know the quality of their product but consumers are unaware of it. Consumers can learn something about the quality of each product through experimentation. After consuming in the first period, consumers observe a noisy signal from the share experience of everybody who consumed the variety and update their quality expectations. Consumers use the updated information set to decide the demand for each firms’ product in the second period. The higher the amount of people who consume the product the lower is the noise to signal ratio. This results in a lower variance of the signal and in consumers having greater confidence in the observed outcome of experimentation. Since a firm can always choose to exit the next period without incurring fixed costs, all firms benefit from a high variance signal. However, only high quality firms benefit from high consumer confidence in the signal. As result, to maximize lifetime profits low quality firms enter the smallest market, which are the ones with lowest instantaneous profits (harder to enter). As the quality of their product increases firms enter markets with more consumers only. The most productive firms maximize the amount of experimentation by entering all markets. Here, deviations from the hierarchy prediction occur as the result of the maximizing decisions of firms and not as result of an exogenously imposed structure on the firm-destination match as it has been previously suggested.