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in a Two-Sector Model  
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## Labor Market Segmentation in a Two-Sector Model of an Open Economy

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*The effects of labor market segmentation in a two-sector open economy model are examined. The model demonstrates how the structure of the labor market affects the real exchange rate, and is then used to examine the effects of two common labor market policies: increasing the degree of primary market coverage, and implementing wage restraint in the primary market. Increasing coverage increases unemployment and leads to a real appreciation. Real wage restraint, however, reduces unemployment and has ambiguous but probably small effects on the real exchange rate.*  
[JEL 411, 832]

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