

Abstract

The purpose of this paper is to estimate a model incorporating non-competitive behaviour in product and factor markets. In addition, capital accumulation is subject to adjustment costs so that firms are not constrained to be in long-run equilibrium.

The model is applied to two major Canadian manufacturing industries; pulp and paper and mill products. The results show for both industries in each of the three product markets and the wood input market that there is competitive behaviour. In addition, the industries are not in long-run equilibrium as marginal adjustment costs cause marginal profit to exceed the rental rate on capital.

With the industries exhibiting short-run competitive behaviour in product and factor markets, new estimates are derived for scale economies and rates of technological change. Unlike the results from other studies, both industries exhibit small scale economies and positive rates of technological change.

J.E.L. Classification: L6, C5

Send correspondence to: Jeffrey I. Bernstein
Department of Economics
Carleton University
Ottawa, Canada
K1S 5B6