

**Dynamics of Labour and Capital Adjustment – a Comparison of
Germany and the Netherlands**

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In this paper we investigate dynamic adjustment of labour and capital in German and Dutch firms. The institutions of the labour markets in the two countries imply that labour adjustment dynamics should differ. On the hand, there is unlikely to be such a divergence in the investment dynamics. This is confirmed by our results suggesting that the institutional setting influences firm behaviour. Furthermore, there is evidence that factor adjustment is interrelated over time.

JEL codes: C23, E22, E24

Keywords: investment, labour demand, interrelated adjustment costs, panel data, GMM