

DRAFT - SUBJECT TO CHANGE

Part IIB Paper 9

Trade and Industry

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This course will cover two topics: (1) trade and trade policy under imperfect competition and (2) trade under monopolistic competition.

The following textbooks will be referenced:

- Feenstra, *Advanced International Trade*, 2004.
- McLaren, *International Trade*, 2013.

Trade under imperfect competition

Lecture 1. Trade and trade policy: Monopoly

- (a) Foreign monopolist selling into a competitive domestic industry.
- (b) The non-equivalence of tariffs and quotas in the presence of a domestic monopolist.
- Readings: McLaren, *International Trade*, Chapter 4.
- Brander, James A. and Spencer, Barbara J. Trade Warfare: Tariffs and Cartels. *Journal of International Economics*, 1984. 16: 227-242.
- Feenstra, *Advanced International Trade*, pp. 221-224.

Lecture 2. Trade policy under oligopoly: Tariffs and Quotas

- Readings: McLaren, Chapter 10.
- Brander, James A. and Spencer, Barbara J. Trade Warfare: Tariffs and Cartels. *Journal of International Economics*, 1984. 16: 227-242.
- Eaton and Grossman. Optimal Trade and Industrial Policy under Oligopoly. *Quarterly Journal of Economics*, 1986. 101(2): 383-406.

- Feenstra, *Advanced International Trade*, pp. 224-233.

Lecture 3. Dumping and antidumping.

- Readings: Feenstra, *Advanced International Trade*, pp. 241-249.
- Brander, James and Krugman, Paul. A Reciprocal Dumping Model of International Trade. *Journal of International Economics*, 1983. 15: 313-321.
- Bown and Crowley, "Import Protection, Business Cycles and Exchange Rates: Evidence from the Great Recession," *Journal of International Economics*, May 2013, 90(1): 50-64.
- Bown and Crowley, "Emerging Economies, Trade Policy and Macroeconomic Shocks," *Journal of Development Economics*, 2014.

Lecture 4. Trade Policy under Imperfect Competition: Subsidies

- Reading: Feenstra, *Advanced International Trade*, pp. 286-297.
- Defever and Riano, "China's pure exporter subsidies: Protectionism by exporting," 4 January 2013, VoxEu.org.
- Brander, James A. and Spencer, Barbara J. Export Subsidies and International Market Share Rivalry. *Journal of International Economics*, 1985. 18: 83-100.

Lecture 5. Trade Policy and Technology Adoption

- Reading: Miyagiwa and Ohno, "Closing the technology gap under protection," 1995. *American Economic Review*, 85, 755-770.
- Crowley, "Do safeguard tariffs and antidumping duties open or close technology gaps?" 2006. *Journal of International Economics*, 68: 469-484.

Trade under monopolistic competition

Lecture 6. Trade under increasing returns to scale.

- Readings: McLaren, Chapter 3.
- Krugman, Paul R. Increasing Returns, Monopolistic Competition and International Trade. *Journal of International Economics*, 1979. 9: 469-479.
- Krugman, Paul R. Scale Economies, Product Differentiation, and the Pattern of Trade. *American Economic Review*, 1980, 70(5): 950-959.

- Feenstra, Advanced International Trade, Chapter 5.

Lecture 7. Trade under monopolistic competition.

- Readings: Krugman, Paul R. Increasing Returns, Monopolistic Competition and International Trade. *Journal of International Economics*, 1979. 9: 469-479.
- Krugman, Paul R. Scale Economies, Product Differentiation, and the Pattern of Trade. *American Economic Review*, 1980, 70(5): 950-959.
- Feenstra, Advanced International Trade, Chapter 5.

Lecture 8. Trade with heterogeneity across firms under monopolistic competition.

- Readings:
- Melitz, Marc and Daniel Trefler. 2012. “Gains from Trade when Firms Matter.” *The Journal of Economic Perspectives*, Vol. 26, No. 2 (Spring 2012), pp. 91-118.
- Melitz, Marc J. The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. *Econometrica*, 2003. 71(6): 1695-1725.