

Economics 467
International Industrial Organizations
Fall 2009

Maria Muniagurria
7424 Social Science
Phone: 263-3865

e-mail: munia@ssc.wisc.edu
Office Hours : Tu: 4-5 pm
Th: 1-2 pm

Teaching Assistant:
Camila Casas
7310 Social Science
Phone: 263-2327
Email: casas2@wisc.edu

Course Description:

This course will focus on the links between firms and international trade. We will study theoretical models, evaluate the effects of government policies and look at both aggregate empirical evidence and case studies.

Intermediate Microeconomics (Econ 301) is a prerequisite for the course.

E-mail and WEB Page

The class will be put on an electronic mailing list. This allows distribution of announcements and class related information to everyone. Please check your E-mail regularly (**this is mandatory**).

The Web page for our class: <http://www.ssc.wisc.edu/~munia/467/>

Grading:

Grading will be on the basis of three exams (non cumulative) and several homework assignments. NO LATE homework will be accepted. There will be NO FINAL EXAM .

The dates and weighting will be:

| | Weight | Date / Dates |
|----------|--------|--------------------------------------|
| Exam 1 | 31 % | Thursday October 8 |
| Exam 2 | 31 % | Tuesday Nov 10 |
| Exam 3 | 31 % | Tuesday Dec 15 (last day of classes) |
| Homework | 7 % | TBA |

Readings

(1) We will be using chapters from International Trade and Industrial Organization books (e-reserves or other) and papers (e-reserves or web page links).

(2) Case Studies from Harvard Business School (instructions for online purchase will be sent via email).

(3) Additional readings and handouts (web page and links/ e reserves).

The e-reserves will be at the Social Science Reference Library. You can access them through My UW Portal.

Part A: Theory, Empirical Evidence and Government Policies

I Introduction

Overview of traditional Trade Theory

II Game Theory

Shy: Ch.2 (e-reserves)

Game Theory I and II: Chap. 7 and Ch. 9, Church, J and Ware, R: Industrial Organization:

<http://homepages.ualgary.ca/~jrchurch/page4/page5/files/PostedIOSA.pdf>

III Oligopoly Theory: Classic and Dynamic Models, Collusion

Carlton and Perloff: Ch. 6 (e-reserves).

Classic Models of Oligopoly: Ch. 8, Church, J and Ware, R: Industrial Organization:

<http://homepages.ualgary.ca/~jrchurch/page4/page5/files/PostedIOSA.pdf>

IV Strategic Trade

Carlton and Perloff: Ch. 18 (pages 590-600) (e-reserves).

Collision Course in Commercial Aircraft: Boeing-Airbus-McDonnell Douglass HBS 9-391-106.

Airbus vs Boeing Revisited: International Competition in the Aircraft Market, "by D. Irwin and N. Pavnik, NBER Working Paper 8648, December 2001 (selected pages) (e-reserves)

Civil Aircraft Power from European Commission (web page).

V Dumping and International Trade

"Reciprocal Dumping in International Trade", from *Industrial Organization*, by Oz Shy, MIT, 1995.

Feenstra/Taylor Ch. 6 (pages 216-224 only) (e-reserves)

"The Worldwide Spread of Antidumping Protection by Meredith Crowley", Chicago Fed Letter, January 2004.

(Web Page link: http://www.chicagofed.org/publications/fedletter/cfljanuary2004_198.pdf)

For reference only:

* "A Reciprocal Dumping Model of International Trade", by J. Brander and P. Krugman, JIE (1983), pp. 313-321 (e-reserves).

VI Research and Development, Innovation and Intellectual Property Rights

Innovation and Incentives (selected pages) by Suzanne Scotchmer, MIT Press 2004.

Welfare Effects of Global Patent Protection, by Alan Deardorff, *Economica*, Vol. 59, No 233 (Feb. 1992) (web page).

TRIPS: Controversy and Potential Reform, by K. Maskus, The World Bank, 2002 (e-reserves).

Implementing the TRIPS Agreement, Watal (e-reserves)

Governments and International R&D Races, from *Industrial Organization*, by Oz Shy, MIT, 1995 (e-reserves).

Intellectual Property Protection and Medicines by J. Bhagwati, The Financial Times 2002 (web page).

Letter to the Financial Times on IPP by J. Bhagwati, February 2001 (web page).

AIDS Policy and Pharmaceutical Patents: Brazil's Strategy to Safeguard Public Health Jillian Clare Cohen, Kristina M. Lybecker (2005) *The World Economy* 28 (2) , 211-230 (e reserves)

VII Intraindustry Trade , Monopolistic Competition, Gravity Equation

Handouts on Monopolistic Competition (web page).

Feenstra/Taylor Ch. 6 (pages 185-199 and 208-215 only) (e-reserves)

Reference readings (I will announce in class what we will cover from the items below):

*Section 12.6 from "International Trade: Theory and Evidence, by J. Markusen, J. Melvin, W. Kaempfer, K. Maskus , (e-reserves).

*Increasing Returns, Monopolistic Competition and International Trade, by P. Krugman, JIE (1979) pp. 469-479 (e-reserves).

*Scale Economies, Product Differentiation, and the Pattern of Trade , Paul Krugman ,The American Economic Review, Vol. 70, No. 5. (Dec., 1980), pp. 950-959.

*Increasing Returns and Economic Geography, Paul Krugman,The Journal of Political Economy, Vol. 99, No. 3. (Jun., 1991), pp. 483-499.

VIII Technology Transfer

Tariffs, Technology Transfer and Welfare by R. Feenstra and K. Judd, JPE, Vol. 90, Dec. 1982 (web page).

IX Productivity, Plant Size, and Trade

Andrew Bernard, et al: Firms in International Trade

<http://mba.tuck.dartmouth.edu/pages/faculty/andrew.bernard/jep.pdf>

Basic Elements of Econometrics from The Economics of Growth , Aghion and Howitt, MIT Press 2009 (e-reserves).

Eaton, Jonathan, Sam Kortum, and Francis Kramarz,"An Anatomy of International Trade: Evidence from French Firms," manuscript, 2004. [Link](#)

"Exporting and performance: evidence from Chilean plants," Roberto Alvarez & Ricardo López, 2005;

Canadian Journal of Economics, Canadian Economics Association, vol. 38(4), pages 1384-1400, November (e-reserves)

Part B: Business Perspectives and Case Studies.

X - Introduction to Business Across Borders

Head Head, Keith (2006), "Elements of Multinational Strategy" Ch. 1 from

<http://strategy.sauder.ubc.ca/head/book/> (for PPT)

XI Trade Costs

Head Ch. 4 <http://strategy.sauder.ubc.ca/head/book/> (for PPT) and e-reserves

XII - Multinational Enterprises/ Foreign Direct Investment

Empirical regularities : Navaretti and Venables, “*Multinational Firms in the World Economy*”, Ch 1, 2004
Princeton Univ. Press. (e-reserves)

The MNE, Theory and Findings, Navaretti and Venables, “*Multinational Firms in the World Economy*”, Ch 2, 2004
Princeton Univ. Press. (e-reserves)

Expansion Strategies of US Multinationals Gordon H. Hanson, Raymond J. Mataloni, Jr., Matthew J. Slaughter,
NBER Working Paper No. w8433, August 2001. (Only main points) (web page)

Foreign Direct Investment Behavior of Multinational Corporations, Bruce A. Blonigen, **NBER Reporter: Research
Summary Winter 2006** <http://www.nber.org/reporter/winter06/blonigen.html>

Monsanto: Realizing Biotech Value in Brazil

by David E. Bell , Mary Shelman, HBS Case 9-507018

XIII – Social Entrepreneurs, Innovative Products

Background Readings to be announced.

Vida Gas: Village Reach-The Mozambican Foundation for Community Development Joint Venture, HBS Case 5-609-11

Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures (<http://students.wisc.edu/saja/misconduct/UWS14.html>):

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator (Mary Beth Ellis: mellis@ssc.wisc.edu) and your identity will be kept confidential.