

**Economics 467**  
**International Industrial Organizations**  
Fall 2011

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**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. Students NEED TO TAKE THE EXAMS to pass the class

The dates and weighting will be:

	Weight	Date / Dates
Exam 1	31 %	Tuesday October 4
Exam 2	31 %	Tuesday November 8
Exam 3	31 %	Thursday December 15 (non cumulative, last day of classes)
Homework/Class assignment	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 in the second week of classes).
- (3) Additional readings and handouts (web page and links/ e reserves).
- (4) Reference readings (NOT REQUIRED FOR THIS CLASS, only for those interested in deeper treatment of the topics)

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

**I Introduction**

Overview of traditional Trade Theory, Introduction to Imperfect Competition.

Krugman, P., "The Increasing Returns Revolution in Trade and Geography," *American Economic Review*, June 2009 (e-reserves)

**II Game Theory**

Shy: Ch.2 (e-reserves)

Church, J and Ware, R *Game Theory I and II*: Chap. 7 and Ch. 9 in *Industrial Organization*  
[http://works.bepress.com/jeffrey\\_church/23/](http://works.bepress.com/jeffrey_church/23/)

**III Oligopoly Theory: Classic and Dynamic Models, Collusion**

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

Church, J and Ware, R *Classic Models of Oligopoly*: Ch. 8 in *Industrial Organization*:  
[http://works.bepress.com/jeffrey\\_church/23/](http://works.bepress.com/jeffrey_church/23/)

#### **IV Strategic Trade**

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

*Collision Course in Commercial Aircraft: Boeing-Airbus-McDonnell Douglas HBS 9-391-106* ( in HBS package to purchase)

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

Civil Aircraft Power Point from European Commission (web page).

#### **V International Pricing and Dumping**

Shy, O. "Reciprocal Dumping in International Trade", from *Industrial Organization*, MIT, 1995. (e-reserves)

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

Crowley, M. "The Worldwide Spread of Antidumping Protection", Chicago Fed Letter, January 2004. (Web Page link: [http://www.chicagofed.org/publications/fedletter/cfljanuary2004\\_198.pdf](http://www.chicagofed.org/publications/fedletter/cfljanuary2004_198.pdf))

Belleflamme and Peitz, selected pages from *Industrial Organization: Markets and Strategies* (e-reserves)

#### **Reference reading:**

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

#### **VI Research and Development, Innovation and Intellectual Property Rights**

Scotchmer , S. *Innovation and Incentives* by, MIT Press 2004 (selected page, e-reserves)

Deardorff , A. "Welfare Effects of Global Patent Protection", , *Economica*, Vol. 59, No 233 (Feb. 1992) (material covered in class only, original article for reference only available in web site).

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

Watal, "Implementing the TRIPS Agreement", (e-reserves)

WTO Factsheet on IPR's and Pharmaceuticals (web page)

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

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

Moser, P. and Voena, A. , "Compulsory Licensing: Evidence from the Trading with the Enemy Act" (December 12, 2009). (e-reserves)

Chaudhuri, S., Goldberg, P. and Gia, P. 2006. "Estimating the Effects of Global Patent Protection in Pharmaceuticals: A Case Study of Quinolones in India." *American Economic Review*, 96(5): 1477-1514. (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)

[Variety, the spice of life, has a measurable value. But it's not easy to determine](#) NYTimes 6-17-04 (web page)

#### **Reference readings:**

\*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 (web page).

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

#### **VIII Technology, Productivity, Plant Size, and Trade**

Tariffs, Technology Transfer and Welfare by R. Feenstra and K. Judd, JPE, Vol. 90, Dec. 1982 (material covered in class only, original article for reference only available in web site).

Andrew Bernard, et al: Firms in International Trade

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

World Bank International Study Group on Exports and Productivity ([Summary Report 2009](#), web page)

Eaton, J., Kortum,S. and Kramarz, F. "An Anatomy of International Trade: Evidence from French Firms," manuscript, 2004. (material covered in class only, e-reserves)

Alvarez, R. and Lopez, R. "Exporting and performance: evidence from Chilean plants," 2005;

Canadian Journal of Economics, Canadian Economics Association, vol. 38(4), pages 1384-1400,(e-reserves) .  
Bustos, P. 2011. "Trade Liberalization, Exports, and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms." *American Economic Review*, 101(1): 304–40 ((material covered in class only, e-reserves)

**Reference reading:**

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

**IX- Multinational Enterprises/ Foreign Direct Investment**

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

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

Yeapple,S “Offshoring, Foreign Direct Investment, and the Structure of U.S. Trade,”

Journal of the European Economic Association, 2006, 4, 602–611 (only sections covered in class, e-reserves)

Nunn, N and Trefler, D. “*The Boundaries of the Multinational Firm: An Empirical Analysis*”, University of British Columbia and CIAR (only sections covered in class, e-reserves)

Harrison, Ann, and Jason Scorse. 2010. "Multinationals and Anti-sweatshop Activism." *American Economic Review*, 100(1): 247–73. (e-reserves)

Alfaro, Laura, and Andrew Charlton. 2009. "Intra-industry Foreign Direct Investment." *American Economic Review*, 99(5): 2096–2119. (e-reserves)

*Monsanto: Realizing Biotech Value in Brazil*

by David E. Bell, Mary Shelman, HBS Case 9-507018( in HBS package to purchase)

**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](mailto:mellis@ssc.wisc.edu)) and your identity will be kept confidential.

