

**Economics 467**  
**International Industrial Organizations**  
Fall 2021  
M-W: 4- 5.15 pm 6240 Social Science room  
<https://canvas.wisc.edu/courses/274758>

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Office hours: on Zoom, see links on Canvas  
Tu 12.30-1.30 pm  
Wed 9-10 am

### 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. Calculus will be used in this class.**

### Credits

This 3 CR course has two 75 min lectures per week. Students are expected to work approximately 6 hours per week outside of class to complete assignments and learn the relevant material.

### Learning Goals

Students will:

1. Demonstrate an understanding of models of competition among firms
2. Demonstrate an understanding of the effects of various government policies on firms, consumers and government finances
3. Demonstrate the ability to frame and solve problems faced by firms in international environments, using concepts such as optimization, equilibrium, and incentives
4. Demonstrate knowledge of basic game theory
5. Demonstrate knowledge of various theoretical frameworks to analyze the performance of particular firms engaged in international environments

### Canvas

We **will** be using **CANVAS** to post all the relevant material (syllabus, Zoom links, lecture notes, readings, homework, etc.) and to submit your homework.

Although your exams/homework grades will be entered there, the overall course score shown does not include weights, so it is NOT equivalent to your overall course grade.

### Exams/Homework/Grading

Grading will be on the basis of three exams (there will be no final exam) and several homework assignments/class activities. Homework will be posted in Canvas at least 10 days before its due date and needs to be uploaded using the requested format (in most cases you will need to submit a pdf file).

We will hold evening exams to allow for alternate seating.

The dates and weighting will be:

	Weight	Date	Time	Room
Exam 1	28 %	Mon October 11	5.30-6.45 pm	TBA
Exam 2	28 %	Mon November 15	5.30-6.45 pm	TBA
Exam 3 (non-cumulative)	26 %	Wed December 15	5.30-6.45 pm	TBA
Homework/Class activities	18 %	TBA		

Students **NEED TO TAKE THE THREE EXAMS** to pass the class and will be graded on a curve with the course median at the mid B range. The grade distribution will be approximately as follows: A: 18%, AB: 12%, B: 35%, BC: 20%, C: 12%, lower than C: 3% (there is an absolute standard to pass the class).

### Review Sessions

I will hold review sessions before the first two exams:

Exam 1 Review Session: TBA

### **Class attendance, lecture notes, e-mail**

Class attendance is expected. Lecture notes will be posted within 24 hours of delivery.

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 **Canvas page** for our class has the Zoom links to office hours, syllabus, lecture notes, readings, homework, information about the topics we will be covering at a particular time, etc. **I will not be using the Canvas message/inbox feature.**

### **Other Policies:**

1. **Make ups/Late homework:** Absences from exams or failure to hand in a homework assignment on time will be automatically excused only in cases of medical or family emergency, which must be communicated to me as soon as possible with verifiable evidence. Any other requests to be excused from an exam must be presented in writing (an e-mail is OK) within the first two weeks of the semester.
2. **Special Accommodations:** Students requesting special accommodations need to contact me during the first week of classes. In addition to sending me notification letters, we need to meet in person.
3. **Laptops, Note-taking, and Electronic Devices**  
I strongly encourage you to take handwritten notes (paper or tablet) since most of the material is math or diagram based. Only a few lectures will cover material suited for laptop note taking.  
Laptops/Tablets should only be used for legitimate classroom purposes. We will have a phone break halfway through the lecture and I ask you to refrain from using your tablet/laptop/phone for non-class purposes at other times.
4. **Announcements:** Students are responsible for announcements made in class, Canvas and via e-mail.

### **Readings**

- (1) We will be using readings from a variety of sources. They will be available in Canvas or URLs provided.
- (2) Case Studies from Harvard Business School (instructions for online purchase will be sent via email/posted in Canvas) and other sources.
- (3) **Recommended readings:** you may want to consult these to complement what is covered in class, to see additional examples, etc.

### **List of Topics/Readings**

#### **I - Introduction: Firms and Trade Theory, Math Review**

[Derivatives Review , Prof. K.Hansen's Econ 301](#)  
[Optimization Review, Prof. K. Hansen's Econ 301](#)

#### **II - Game Theory**

Recommended:

[An Introduction to Elementary Game Theory from “Competition Policy: Theory and Practice”](#), Motta M. , Cambridge University Press, 2004.

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

[Ch. 6 from \*Modern Industrial Organization\*](#), by Carlton and Perloff; Pearson, 2005

Recommended:

[Oligopoly I from “Competition Policy: Theory and Practice”](#), Motta M., Cambridge University Press, 2004.

#### **IV - Strategic Trade**

[Ch 18 \(pp. 590-600\) from \*Modern Industrial Organization\*](#), by Carlton and Perloff; Pearson, 2005

[“Strategic Trade Policy”](#) (selected sections) by Spencer and Brander, from *The New Palgrave Dictionary of Economics* by Durlauf and Blume,

[Airbus vs Boeing Revisited: International Competition in the Aircraft Market](#) (selected sections) by Irwin and Pavcnik, NBER Working Paper 8648, 2001

Embraer: The Global Leader in Regional Jets, HBS Case (in HBS package to purchase)

[“Wine Industry Benefits from the Resolution of the Boeing-Airbus Dispute,”](#) NPR, 06-17-21

[“An Introduction to the WTO and GATT,”](#) by Crowley, Federal Reserve Bank of Chicago 2003

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

[Reciprocal Dumping in International Trade](#), from *Industrial Organization*, by Shy; MIT Press, 1995

[WTO Antidumping Gateway](#)

[Ch. 6 \(pp. 216-224\)](#) from *International Trade* by Feenstra and Taylor; McMillan

[Trade Protection along supply chains: how antidumping measures against China hurt downstream industries](#), by Bown, C. et al. LSE Phelan US Centre Blog , 02-10-21

[“Luxury’s Gray Market is Emerging from the Shadows,”](#) The New York Times, 08-24-21

Recommended:

[Selected pages from \*Industrial Organization: Markets and Strategies\*](#), by Belleflamme and Peitz; Cambridge Univ. Press, 2010

## **VI - Intraindustry Trade, Monopolistic Competition**

[Ch. 6 \(pp. 185-199 and 208-215\)](#) from *International Trade* by Feenstra and Taylor; McMillan , 2015

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

## **VII – Empirics of Firms in International Trade**

[“Firms in International Trade,”](#) Diez, F. et al. Federal Reserve Bank of Boston Working Paper 16-25, Dec 2016. (only sections covered in class)

[“Job Creation, Job Destruction, and International Competition: Job Flows and Trade ? The Case of NAFTA,”](#) Klein, M. et al. Federal Reserve Bank of Boston Working Paper 02-8, 2002 (only sections covered in class)

## **VIII - Research and Development, Innovation and Intellectual Property Rights**

["Compulsory Licensing: Evidence from the Trading with the Enemy Act."](#) Moser, P., and Voena, A. 2012. *American Economic Review*, 102 (1): 396-427. (only sections covered in class)

[Impacts of the vaccine IPR waiver on global supply](#) by Ito, B. VOX EU, 08-08-21

[A patent waiver on Covid Vaccines is right and fair](#), Nature Editorial, 05-25-21

[Why intellectual property and pandemics don’t mix](#), by Lindsey, B. Brookings Institution, 06-03-21

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

["Quid Pro Quo, Knowledge Spillover, and Industrial Quality Upgrading: Evidence from the Chinese Auto Industry"](#), Bai, J. et al., National Bureau of Economic Research Working Paper Series 27644, August 2020 (only sections covered in class)

[“The Costs of Quid Pro Quo”](#), Holmes et al., Federal Reserve Bank of Minneapolis, 2015

Monsanto: Realizing Biotech Value in Brazil by David E. Bell, Mary Shelman, HBS Case 9-507018 ( in HBS package to purchase).

## **X – Competition Policy, Antitrust**

[Appendix B, from \*Industrial Organization: Markets and Strategies\*](#), Belleflamme, P. and Peitz, M.; Cambridge Univ. Press, 2010

[Ch. I from \*Competition Policy: Theory and Practice\*](#), Motta, M., Cambridge University press, 2004

## **Career Advising**

If you are interested in learning more about careers related to this course or careers for economics majors, you are encouraged to contact the Economics Career Development Office. This office is staffed by economics specific career advisors who can help you throughout the job/internship exploration and application process. To learn more or make an appointment, visit their website:

<https://econ.wisc.edu/careers/>

## **Academic Integrity**

By virtue of enrollment, each student agrees to uphold the high academic standards of the University of Wisconsin-Madison.

Academic Integrity is critical to maintaining fair and knowledge based learning. 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 (Tammy Herbst-Koel: [therbst@wisc.edu](mailto:therbst@wisc.edu)) and your identity will be kept confidential.

### **Accommodations for Students with Disabilities**

The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA. (See: [McBurney Disability Resource Center](#))

### **Diversity and Inclusion Statement**

[Diversity](#) is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals.

The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background – people who as students, faculty, and staff serve Wisconsin and the world.

### **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, please contact our administrator to request a Course Comment Sheet: Tammy Herbst-Koel: [therbst@wisc.edu](mailto:therbst@wisc.edu). 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.