

Economics 467
International Industrial Organizations
Fall 2017

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Office hours: Tuesdays 2-3 pm, Thursdays 1-2 pm

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 the class.**

Class attendance, lecture notes, e-mail and Web Page

Class attendance is expected and will count towards your grade (see below). Lecture notes (with the exception of some news /policy items) will be posted every week by Friday afternoon. The class will be put on an electronic mailing list. This allows distribution of announcements and class related information to everyone. Please read these emails carefully since they convey official course information.

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

Laptops, Note-taking, and Electronic Devices

I strongly encourage you to take handwritten notes since most of the material is math or diagram based. Only a few lectures will cover material suited for laptop note taking.

Laptops should only be used for legitimate classroom purposes: taking notes or when I explicitly request that you bring such a device for a class activity. Laptops should not be used in class for any other purpose. A closed laptop rule may be enforced during certain class activities. The use of smart phones, i-pads, Apple watches and similar devices is not allowed during lecture.

Grading

Grading will be on the basis of three exams, and several homework assignments/class activities. NO LATE homework will be accepted. Students NEED TO TAKE THE THREE EXAMS to pass the class.

The dates and weighting will be:

| | Weight | Date / Dates |
|---------------------------|--------|----------------------------|
| Exam 1 | 30 % | Thursday October 5 |
| Exam 2 | 30 % | Thursday November 9 |
| Exam 3 (non-cumulative) | 25 % | Sat Dec 16 2:45PM - 4:45PM |
| Homework/Class activities | 15 % | TBA |

Students 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) .

Readings

- (1) We will be using readings from a variety of sources. They will be available in **e-reserves (access them through My UW)** or the class web page.
- (2) Case Studies from Harvard Business School (instructions for online purchase will be sent via email) and other sources.
- (3) **Recommended readings:** you may want to consult these to complement what is covered in class, to see additional examples, etc.
- (4) **Reference readings:** original academic work only for those interested in deeper treatment of the topics.

Weekly emails will announce topics/readings for specific dates.

List of Topics/Readings

I - Introduction: Firms and Trade Theory, Math Review

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

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

Recommended:

“The Increasing Returns Revolution in Trade and Geography,” by Krugman, P., *American Economic Review*, June 2009 (selected sections covered in class, e-reserves,)

[The Empirics of Firm Heterogeneity and International Trade](#), by A. Bernard, J. Bradford Jensen, Stephen J. Redding and Peter K. Schott, *Annual Review of Economics* (selected sections covered in class, e-reserves)

II - Game Theory

Recommended:

Ch.2 from *Industrial Organization*, by O. Shy; MIT Press, 1995 (e-reserves)

III - Oligopoly Theory: Classic and Dynamic Models, Collusion

Ch. 6 from *Modern Industrial Organization*, by Carlton and Perloff; Pearson, 2005 (e-reserves).

IV - Strategic Trade

Ch 18 (pp. 590-600) from *Modern Industrial Organization*, by Carlton and Perloff; Pearson, 2005 (e-reserves)

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

“Airbus vs Boeing Revisited: International Competition in the Aircraft Market” (selected sections) by Irwin and Pavcnik, NBER Working Paper 8648, 2001 (e-reserves)

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

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

“An Introduction to the WTO and GATT,” by Crowley, Federal Reserve Bank of Chicago 2003, (e-reserves)

V - International Pricing and Dumping

“Reciprocal Dumping in International Trade”, from *Industrial Organization*, by Shy; MIT Press, 1995. (e-reserves)

[“The Worldwide Spread of Antidumping Protection”](#), by Crowley, M.; Chicago Fed Letter, January 2004, (web page)

Ch. 6 (pp. 216-224) from *International Trade* by Feenstra and Taylor; McMillan, 2015 (e-reserves)

Recommended:

Selected pages from *Industrial Organization: Markets and Strategies*, by Belleflamme and Peitz; Cambridge Univ. Press, 2010 (e-reserves)

Reference:

“A Reciprocal Dumping Model of International Trade”, by Brander and Krugman, *Journal of International Economics* (1983), (e-reserves).

VI - Research and Development, Innovation and Intellectual Property Rights

Innovation and Incentives (selected sections) by Scotchmer, MIT Press, 2004 (e-reserves)

“Classic Models of Oligopoly: Strategic Behavior (selected pages) from in *Industrial Organization* by Church and Ware (e-reserves)

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

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

Reference:

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

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)

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

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 - Firm Heterogeneity in International Trade

[The Empirics of Firm Heterogeneity and International Trade](#) *Annual Review of Economics* by A. Bernard, J. Bradford Jensen, Stephen J. Redding and Peter K. Schott (selected sections covered in class, e-reserves)
World Bank International Study Group on Exports and Productivity, [Summary Report 2009](#) (web page)
"Exporting and performance: evidence from Chilean plants," 2005; Alvarez, R. and Lopez, R.
Canadian Journal of Economics, Canadian Economics Association, vol. 38(4), pages 1384-1400, (e-reserves) .

Reference:

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

IX - Multinational Enterprises/ Foreign Direct Investment/Industrial Policy

[Foreign Direct Investment Behavior of Multinational Corporations](#), Bruce A. Blonigen, NBER Reporter: Research Summary Winter 2006 .

["Trade, Foreign Investment, and Industrial Policy."](#) A. Rodriguez-Clare and A. Harrison, Handbook of Development Economics Volume 5, edited by D. Rodrik and M. Rosenzweig, 2010 (selected sections covered in class, e-reserves)

["Intel: A Case Study of Foreign Direct Investment in Central America"](#) (with A. Rodriguez-Clare, F. Larrain and L. Lopez-Calva), in *Economic Development in Central America, Volume I: Growth and Internationalization*, (selected sections covered in class), by Larrain B. (ed); Harvard University Press, 2001 (e-reserves)

"Multinationals and Anti-sweatshop Activism." Harrison, Ann, and Jason Scorse. 2010. *American Economic Review*, 100(1): pp. 247-73. (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 (Tammy Herbst-Koel: therbst@wisc.edu) and your identity will be kept confidential.