

FIRMS, MARKET STRUCTURE, AND TRADE

Nottingham Lectures in International Economics, 13-15 March 2012

J. Peter Neary, University of Oxford (peter.neary@economics.ox.ac.uk)

In these three lectures I hope to give a selected overview of some of the key substantive and methodological issues in recent work on international trade, with particular reference to work that emphasises firm behaviour. A modest background in mathematics and microeconomic theory and some familiarity with the broad outlines of international trade theory will be assumed.

1 The Heterogeneous Firms Revolution

1.1 Some Empirics of Exporting Firms

Clerides, S. K., Lach, S., and Tybout, J. R. (1998). Is learning by exporting important? micro-dynamic evidence from colombia, mexico and morocco. *Quarterly Journal of Economics*, pages 903–947.

Bernard, A. B. and Jensen, J. B. (1999). Exceptional exporter performance: Cause, effect, or both? *Journal of International Economics*, 52(1):1–25.

* Bernard, A. B., Jensen, J. B., Redding, S. J., and Schott, P. K. (2007). Firms in international trade. *Journal of Economic Perspectives*, 21(3):105–130.

1.2 Endogenous Firm Size in Monopolistic Competition

Krugman, P. R. (1979). Increasing returns, monopolistic competition, and international trade. *Journal of International Economics*, 9(4):469–479.

Neary, J. P. (2009a). Putting the ‘new’ into new trade theory: Paul krugman’s nobel memorial prize in economics. *Scandinavian Journal of Economics*, 111(2):217–250.

Lawrence, C. and Spiller, P. (1983). Product diversity, economies of scale, and international trade. *Quarterly Journal of Economics*, 98:63–83.

Forslid, R. and Ottaviano, G. I. (2003). An analytically solvable core-periphery model. *Journal of Economic Geography*, 3(3):229–240.

1.3 Heterogeneous Firms in Monopolistic Competition

- Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6):1695–1725.
- Chaney, T. (2008). Distorted gravity: The intensive and extensive margins of international trade. *American Economic Review*, 98(4):pp. 1707–1721.
- Melitz, M. J. and Ottaviano, G. I. (2008). Market size, trade, and productivity. *Review of Economic Studies*, 75(1):295–316.
- Antràs, P. and Helpman, E. (2004). Global sourcing. *Journal of Political Economy*, 112(3):552–580.
- Bustos, P. (2011). Trade liberalization, exports and technology upgrading: Evidence on the impact of mercosur on argentinian firms. *American Economic Review*, 101(1):304–340.
- Helpman, E., Itskhoki, O., and Redding, S. (2010). Inequality and unemployment in a global economy. *Econometrica*, 78(4):1239–1283.

2 Firm Selection and Welfare

- * Mrázová, M. and Neary, J. P. (2011). Selection effects with heterogeneous firms. Discussion Paper No. 588, Department of Economics, University of Oxford.
- Dixit, A. K. and Stiglitz, J. E. (1977). Monopolistic competition and optimum product diversity. *American Economic Review*, 67(3):297–308.
- Arkolakis, C., Costinot, A., and Rodríguez-Clare, A. (2009). New trade models, same old gains? NBER Working Paper No. 15628, December; forthcoming in *American Economic Review*.
- Zhelobodko, E., Kokovin, S., Parenti, M., and Thisse, J.-F. (2011). Monopolistic competition: Beyond the CES. Working Paper 2011 - 08, Paris School of Economics.
- Dhingra, S. and Morrow, J. (2011). The impact of integration on productivity and welfare distortions under monopolistic competition. draft, Princeton University.

3 Superstar Firms and Trade

3.1 Oligopoly and Trade: From Partial to General Equilibrium

Brander, J. A. (1981). Intra-industry trade in identical commodities. *Journal of International Economics*, 11(1):1–14.

Brander, J. and Krugman, P. (1983). A ‘reciprocal dumping’ model of international trade. *Journal of International Economics*, 15(3-4):313–321.

Neary, J. P. (2003b). Globalization and market structure. *Journal of the European Economic Association*, 1(2-3):245–271.

Neary, J. P. (2003c). The road less travelled: Oligopoly and competition policy in general equilibrium. in R. Arnott, B. Greenwald, R. Kanbur and B. Nalebuff (eds.): *Economics for an Imperfect World: Essays in Honor of Joseph E. Stiglitz*, Cambridge, Mass.: MIT Press, 485-500.

Neary, J. P. (2003a). Competitive versus comparative advantage. *The World Economy*, 26(4):457–470.

Neary, J. P. (2010). International trade in general oligopolistic competition. Working Paper, University of Oxford.

* Neary, J. P. (2010). Two and a half theories of trade. *The World Economy*, 33(1):1–19.

3.2 Foreign Direct Investment

Helpman, E., Melitz, M. J., and Yeaple, S. R. (2004). Export versus fdi with heterogeneous firms. *American Economic Review*, 94(1):300–316.

Neary, J. P. (2002). Foreign direct investment and the single market. *Manchester School*, 70(3):291–314.

Neary, J. P. (2009b). Trade costs and foreign direct investment. *International Review of Economics & Finance*, 18(2):207–218.

Neary, J. P. (2007). Cross-border mergers as instruments of comparative advantage. *Review of Economic Studies*, 74(4):1229–1257.

Nocke, V. and Yeaple, S. (2007). Cross-border mergers and acquisitions vs. greenfield foreign direct investment: The role of firm heterogeneity. *Journal of International Economics*, 72(2):336–365.

3.3 Multi-Product Firms

- Eckel, C. and Neary, J. P. (2010). Multi-product firms and flexible manufacturing in the global economy. *Review of Economic Studies*, 77(1):188–217.
- Eckel, C., Iacovone, L., Javorcik, B., and Neary, J. P. (2010). Multi-product firms at home and away: Cost- versus quality-based competence. Discussion Paper No. 522, Department of Economics, University of Oxford.
- Bernard, A. B., Redding, S. J., and Schott, P. K. (2010). Multiple-product firms and product switching. *American Economic Review*, 100(1):70–97.
- Bernard, A. B., Redding, S. J., and Schott, P. K. (2006). Multi-product firms and trade liberalization. NBER Working Papers 12782, National Bureau of Economic Research, Inc.
- Nocke, V. and Yeaple, S. (2006). Globalization and endogenous firm scope. NBER Working Papers 12322, National Bureau of Economic Research, Inc.