Imperfect Competition

I. Domestic Monopoly
   A. **Partial Equilibrium (Trade is procompetitive)**
      1. Low external MC: Fully Competitive Solution
      2. Moderate external MC: Limit pricing
      3. High external MC: Full monopoly solution
   B. **Effect of Globalization (More external supply)**
      1. Lower domestic price
      2. Less Domestic Production
      3. More imports
   C. **Nonequivalence of Quotas and Tariffs**
      1. Comment also on minimum wages
   D. **Foreign Dumping from Domestic Protection**
      1. Barriers as Export Promotion
   E. **Scale Economies (Export Promotion)**
      1. External Price = Breakeven Price
         a) **Tariffs give market power to domestic supplier**
            (1) Lower output, higher price
      2. External Price Below Breakeven Price
         a) **Tariff up to the Breakeven Price**
            (1) Home market plus share of export market

II. Foreign Monopoly

III. Duopoly
   A. **Reciprocal Dumping (Brander and Krugman)**
      1. Mixed Welfare Effect of Trade
         a) **Procompetitive but wasteful crosshauling**
   B. **General Equilibrium (Markusen)**
      1. Comparative Advantage of Small Country in Scale-Economy Product
   C. **Strategic Interaction (Brander-Spencer)**
      1. Tariff as pre-commitment device

IV. Product Differentiation
   A. **Monopolistic Competition (Krugman)**
      1. Trade provides variety