

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