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ECONOMICS RESEARCH SEMINAR SERIES 15-2021

Profits, Scale Economies, and the Gains from Trade and Industrial Policy

By

Dr. Ahmad Lashkaripour

Dr. Ahmad Lashkaripour *received his Ph.D. from the Pennsylvania State University in 2014. His research is focused on quantifying the consequences of globalization and international trade agreements. Ahmad's work has been published in the American Economic Journal, the Journal of International Economics, and the Journal of the European Economics Association. His current research measures the effectiveness of trade policy in tackling misallocation and climate change.*

Abstract: Trade restrictions are often used as (a) a first-best policy to manipulate the terms-of trade, or (b) a second-best policy to correct domestic market distortions. We analyze the (in) effectiveness of trade restrictions at achieving these goals. To this end, we derive sufficient statistics formulas for first-best and second-best trade taxes in an important class of multi-industry, multi-country trade models featuring market distortions. Guided by these formulas, we estimate the key parameters that govern the gains from policy in these frameworks. Our estimates indicate that (i) the gains from terms-of-trade manipulation are relatively small; (ii) trade policy is remarkably ineffective at correcting domestic distortions; (iii) a unilateral adoption of domestic industrial policies is also ineffective as it causes immiserizing growth; but (iv) industrial policies that are coordinated via deep trade agreements, deliver welfare gains that exceed those of any non-cooperative policy alternative.

Date: Tuesday, February 23, 2021

Time: 07:00 P.M. (PST) and 09:00 A.M. (Eastern Time)

Webinar link:

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Department of Economics, IBA Karachi

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