



TOWARDS A RETURN OF INDUSTRIAL POLICY?  
ARTNeT SYMPOSIUM  
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# Fragmentation, Comparative Advantage, and Industrial Policy

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## Some questions:

- What is industrial policy?
- When is it warranted?
- Does comparative advantage justify it?
- Does fragmentation change this?
- If others do it (and they do!), should we?

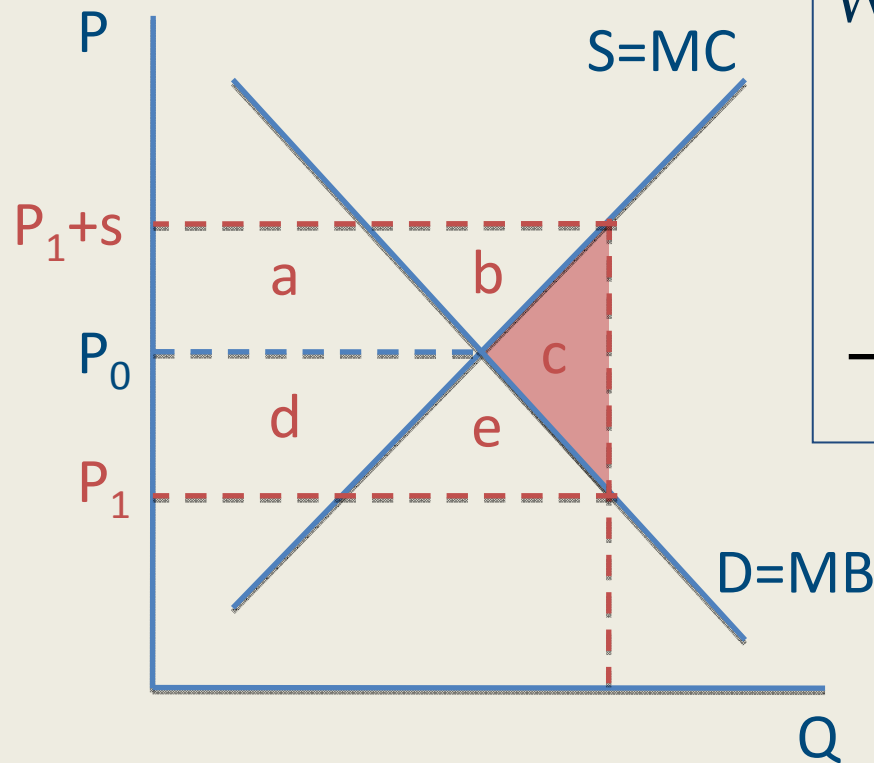
# What is industrial policy (IP)?

- Policies to influence presence of size of industries
  - Subsidies
  - Taxes (or tax breaks)
  - Regulations with effect of subsidies/taxes

# When is IP warranted?

- When there are market distortions
  - Externalities
  - Static or dynamic
- This is very basic economics...

# A subsidy without a distortion lowers welfare



Welfare effects of  
subsidy,  $s$ :

Suppliers  $+(a+b)$

Demanders  $+(d+e)$

Government  $-$

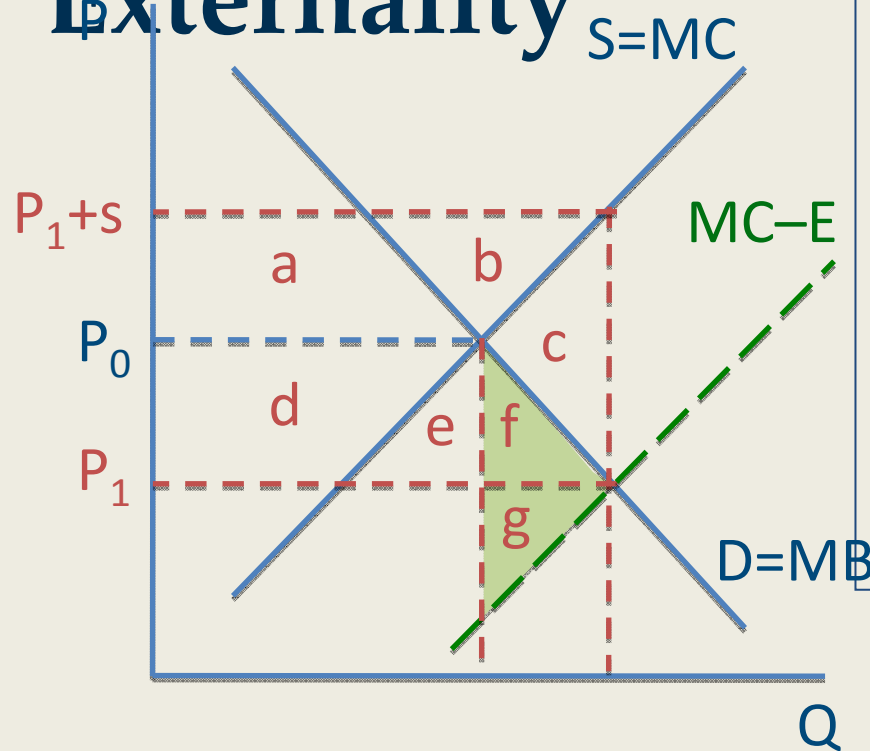
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$(a+...+e)$

Net:

$-c$

# A subsidy can raise welfare with a distortion: +ive Externality



Welfare effects of  
subsidy,  $s$ , & ext,  $E$ :

Suppliers  $+(a+b)$

Demanders  $+(d+e+f)$

Government  $-$

$(a+...+f)$

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Externality  $+(c+f+g)$

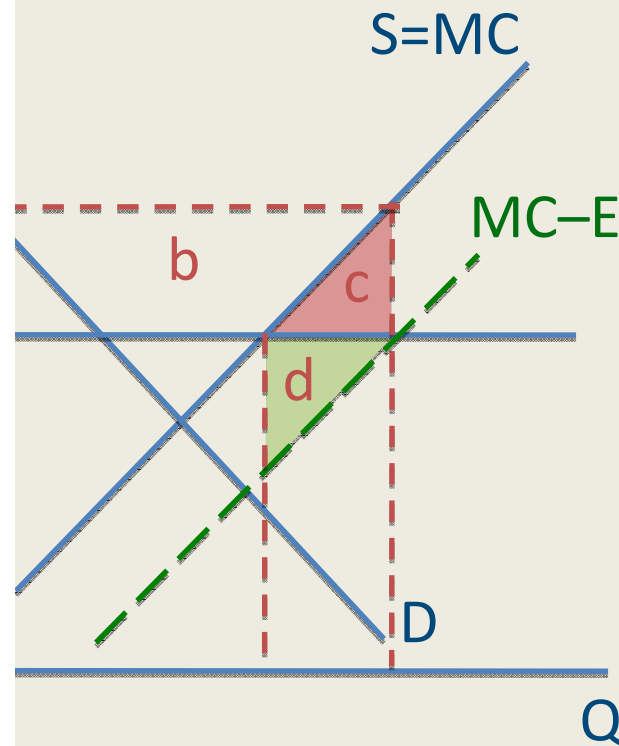
Net:  $+(f+g)$

# h true also with trade, ort...

Net welfare effects of  
subsidy,  $s$ , :

No Ext  $-c$

Ext=E  $+d$



预览已结束，完整报告链接和二维码如下：  
[https://www.yunbaogao.cn/report/index/report?reportId=5\\_7939](https://www.yunbaogao.cn/report/index/report?reportId=5_7939)

