Abstract

We investigate the impacts of trade liberalization and pro-competitive policy of government on wage rate, unemployment, and aggregate welfare, where we focus on the interaction between monopolistic power of oligopolistic firms and labor market on the general oligopolistic equilibrium (GOLE) framework. The rest of the essays are structured as follows.

In Chapter 1, we present our research motivation and construct a basic GOLE model, which uses the following chapters, and reveal the characteristics of the model. Thereafter, we survey the literatures of GOLE considered to be relevant to our researches.

In Chapters 2 and 3, we incorporate Chaney and Ossa's (2013) vertical (intra-firm) division of labor into a GOLE model. Using this framework, we investigate how the pro-competitive effects of trade expansion and government policies affect firm productivity and aggregate welfare. Chaney and Ossa (2013), who base their framework on Krugman's (1979) monopolistic competition model, show that an increase in market size increases the productivity of each firm through a further division of labor.

Additionally, we introduce Chaney and Ossa's (2013) theories on the division of labor into a GOLE model in order to investigate the relationship between firm productivity and strategic interaction. Chapter 2 shows that pro-competitive government policies reduce each firm's employment by means of an increase in the wage rate. Consequently, this decrease in employment interrupts the division of labor and decreases both productivity and total output.

In Chapter 3, we extend the framework from Chapter 2 into a multi-country trade model with a firm's free entry–exit condition. Using this model, we analyze how pro-competitive trade expansion affects the intra-firm division of labor and firm productivity. This chapter reveals that trade expansion decreases the number of firms and increases employment among the remaining ones. This, in turn, promotes a greater division of labor within the surviving firms; thus, firm productivity and total output improve.

In Chapter 4, we merge Shapiro and Stiglitz's (1984) efficiency wage model into the GOLE framework. We investigate whether trade expansion's pro-competitive effect improves the unemployment rate, real wage rate, or

the firm owner's welfare. The chapter reveals that trade expansion increases both the real wage rate and, hence, the risk of employees' shirking, which implies a decline in the unemployment rate and the payment of efficiency wages. Consequently, total output increases as the unemployment rate improved. According to our findings, trade expansion decreases firm profit but can increase firm owners' utility.

In Chapter 5, we indicate the way of future researches.