

Contents

List of tables	xi
Preface	xiii
1 Introduction	1
1.1 Tariff and Quota Equivalence	3
1.2 Tariffs Are Preferred to Quotas: The Pure Case	4
1.3 Impure Cases: The Practical Dominance of Tariffs	10
1.4 Political Economy and Quotas: Conclusion	15
Appendix 1.A: The Reduced Form Primal Methodology	21
Notes	26
References	27
I Tariff Dominance: Pure Cases	
2 Tariffs versus Quotas in Imperfect Competition	31
2.1 Static Conjectural Equilibrium	33
2.2 The Formation of Conjectural Variations	37
2.3 Tariffs versus Quotas	40
2.4 Anticipation of Government Policy	46
Appendix 2.A	49
Notes	49
References	49
3 The Relative Inefficiency of Quotas: The Cheese Case	51
3.1 Efficient Quotas on Commodity Groups	52
3.2 The U.S. Dairy Industry and the Quota System	55

- 3.3 The Model of U.S. Imported Cheese Markets 58
- 3.4 The Welfare Loss of Inefficient Dairy Quotas 60
 - Appendix 3.A: Price Elasticities at the Point of Means 70
 - Notes 71
 - References 72
- 4 The Optimal Policies for Restricting Trade under Uncertainty 73
(with Leslie Young)
 - 4.1 Introduction 73
 - 4.2 The Small Country Case 74
 - 4.3 The Large Country Case 77
 - 4.4 Conclusions 79
 - Notes 80
 - References 80
- 5 Optimal Protection of Domestic Targets 83
 - 5.1 The Model 86
 - 5.2 Optimal Trade Policy 90
 - 5.3 Second-Best Rankings 93
 - 5.4 Intermediate Product Imports 98
 - 5.5 Optimal Revenue Tariffs 101
 - 5.6 Quality Upgrading, Imperfect Competition, and Optimal Trade Policy 102
 - 5.7 Conclusions 105
 - Notes 106
 - References 107

II Tariff Dominance: Impure Cases

- 6 Employment Protection under Uncertainty 111
 - 6.1 General Discussion 112
 - 6.2 Employment Protection: Theory 113
 - 6.3 The Simulation Model 120
 - 6.4 The Relative Inefficiency of Quotas: The Textile Case 123
 - 6.5 Conclusion 130
 - Appendix 6.A: Proof of Propositions 1 and 2 130

- Appendix 6.B: Accounting for Employment Risk
Aversion 132
Notes 133
References 134
- 7 The Optimality of Tariff Quotas under Uncertainty 137
(with Leslie Young)
 - 7.1 Introduction 137
 - 7.2 Specific Tariff Quotas 138
 - 7.3 *Ad Valorem* Tariff Quotas 142
 - 7.4 Extensions 145
 - Appendix 7.A 146
 - Appendix 7.B 147
 - Notes 149
 - References 150
- 8 Optimal Commercial Policy with Price Supports 151
 - 8.1 The Model 153
 - 8.2 Optimal Policy 156
 - 8.3 "Third"-Best Commercial Policy 160
 - 8.4 Producers' Welfare and Price Floors 162
 - 8.5 Conclusion 166
 - Appendix 8.A: The Welfare Measure 167
 - Appendix 8.B: Equivalence of Static and Simple Dynamic Models 169
 - Appendix 8.C: The Effect of a Price Floor Shift 170
 - Notes 174
 - References 175
- 9 Risk Aversion and Optimal Trade Restrictions 177
(with Leslie Young)
 - 9.1 Introduction 177
 - 9.2 Motivation and Intuitive Discussion 178
 - 9.3 The Model 179
 - 9.4 The Optimal Trade Restriction 181
 - 9.5 Second-Best Comparisons 184
 - 9.6 The Model with Domestic Uncertainty 187

9.7 Conclusions	192
Appendix 9.A	192
Notes	194
References	196

III Intertemporal Issues

10 Quotas as Options: Optimality and Quota License Pricing under Uncertainty	201
10.1 Pricing of Quota Licenses under Uncertainty	203
10.2 Optimal Restriction with Quantity Limits	207
10.3 <i>Optimal Restriction and Expenditure Limits</i>	211
10.4 Resale Prohibition: VERs and the Large Country Case	212
10.5 Conclusion	215
Appendix 10.A: Derivation of Comparative Statics	216
Appendix 10.B: Resale Prohibition in the General Case	218
Notes	219
References	220
Index	221