International trade in a general oligopolistic equilibrium with public firms [*]

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Abstract

We incorporate a public firms into a oligopolistic general equilibrium. The economy is divided into public sectors and private sectors. The government determines public firm's output to maximize the welfare in the country. We investigate how the number of public sectors affect welfare in autarky and that in open economy. In autarky, (1) the number of public sectors does not affects welfare. (2) the number of private firms does not affects the welfare. Next, we expand the model into the open economy and we obtain the following results: (1) If government has complete information that how the output in public firms affects the wage in both countries, the number of private firms does not affects welfare. However, (2) When the number of private sectors are $2/3$, the welfare in each country is minimized.

Keywords: General Oligopolistic Equilibrium, Public Firms, International Trade, Welfare.

JEL classification: L16, F12, F16

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