Randall K. Filer - Opponent’s Report on

Essays on the Globalization of Production and International Trade

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This thesis consists of three closely related essays. Each follows a similar form - it takes a relatively intuitive lacuna in the literature on industrial structure in open economies and then uses a great deal of analytical firepower to extend a conventional model to close the perceived gap. In general, this strategy gives the author ample opportunity to show her understanding of the previous literature and her own technical prowess. On the other hand, it often seems like the economic equivalent of hunting fleas with a cannon. One is left wondering why such an elaborate mechanism is needed to establish what, at times, seem intuitively obvious points. Ms. Arro would be well reminded of Occam’s Razor. Her work would get far more attention if she could strip the analysis down to the minimum required to make her point.

Along similar lines, the narrative structure of the essays is highly monotonic. By this I mean there is no easy to follow “story” to draw the reader forward. We are left at the end of the paper with an overwhelming feeling of “so what?” Ms. Arro needs to make it much clearer why we care about the results she is establishing. Are they merely technical wizardry or do they have any useful import in either designing or evaluating national trade or competition policies or in at least better understanding previously seemingly anomalous firm behaviors? If so, the usefulness of the results needs to be much more frequently and much more vividly pointed out.

Among the three essays, the third, while perhaps the one with the most potential, also seemed, at me at least, to be the least satisfactory. There are two areas I would like to see expanded. The presentation of ideal products seems to be couched in terms of fixed design characteristics. Thus, the role of endogenously determined prices seems to be given short shrift. More critically, it is unclear to me why there would ever by an organizational structure with “ideal” intermediate goods producers (who, according to the model earn zero profits). Why do transactions costs not drive every such producer to be acquired and vertically integrated. It would seem that this outcome would be unstable and unobserved, yet as far as I can see, this pressure to internalize a la Coase has not been addressed.

In short, Ms. Arro has clearly demonstrate her mastery of economics and should be allowed to proceed to a defense. I have serious reservations, however, whether her papers as currently structured and presented will find easy acceptance in major journals. To be attractive for publication, I would urge that they be substantially revised to be cleaner, simpler, and more obviously relevant.