Report for
"Globalisation as a 'good times' phenomenon: a search-based explanation."
by T.H.Edwards

I have not had the time to spend to fully think through this paper and give it fair consideration. I like the idea behind the paper. It is nice and has potential. I will therefore give a generally positive nod to the paper, although I think it should be tightened up a bit to make certain things more obvious to the reader. I also have some questions that I would appreciate having the author answer for me just so that I know these aren't a problem for the paper.

Questions for the author:

1. It seems that the impact of a higher death rate, D, would be the same as the higher interest rate used to model the impact of a credit crisis. If that is true, then simply having greater steady-state exit of firms in the model should also lead to more protectionist stances. Does that make sense? Does that bolster the argument or detract from it?

2. Why is it the foreign firms that are doing the searching? Does it matter? We tend to think of the Northern firms as searching to outsource portions of production, so it would seem more natural to think of the domestic firms as searching out foreign firms rather than the opposite. Does this assumption matter to the results?

3. Usually an optimal tariff argument relies upon being a "large" country. That does not seem to play a role here (unless it is implicit that the North is a large country and can affect its terms of trade). I don't see terms of trade being explicitly considered in the paper. I also don't see discussions of factors of production moving from one type of production to another within the North as a consequence of trade. I feel I am missing something to understand how we know that once enough foreign matches disappear it is all of a sudden optimal to impose a tariff? What about domestic consumers? What about foreign demand for Northern exports? Foreign demand is never mentioned.

3. Even if there are kinks in the supply function, I feel like you need some type of asymmetry or threshold effect to explain why all of a sudden there would be an optimal tariff.

4. In a global recession, it is likely that demand will also fall. I.e. there wouldn't just be an increase in r (rho in the model) but also a fall in domestic demand. It seems like that combination would lead to a different outcome in the model?

5. Is there no foreign demand? Is there balanced trade?

6. Maybe most of my problems come from the fact that the paper is trying to analyze trade theory in a partial equilibrium context. I'm not sure I understand how to do that in

a logical way given that most optimal tariff arguments rely on the country being able to affect its terms of trade?