

# International Trade, General Oligopolistic Equilibrium, and Unemployment\*

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## Abstract

This paper merges the efficiency wage model of Shapiro and Stiglitz (1984) into a general oligopolistic equilibrium model of Neary (2009). We investigate the relationship between unemployment and pro-competitive channel of international trade. We show that trade liberalization promotes an increase in unemployment rate, a decrease in output of each firm, and welfare.

**Keyword:** Shapiro-Stiglitz Model of Efficiency Wages; International Trade; General Oligopolistic Equilibrium (GOLE); Cournot Competition

**JEL classification:** F16, L16

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