THE ORGANIZATION OF FIRMS
IN A GLOBAL ECONOMY

EDITED BY ELHANAN HELPMAN,
DALIA MARIN, AND THIERRY VERDIER
Contents

Preface vii

Introduction 1

1 Contractual Frictions and Global Sourcing 9
   Pol Antràs and Elhanan Helpman

2 The Boundaries of the Multinational Firm: An Empirical Analysis 55
   Nathan Nunn and Daniel Trefler

3 Contract Enforcement, Comparative Advantage, and Long-Run Growth 84
   Gianmarco I. P. Ottaviano

4 The Dynamics of Firm-Level Adjustment to Trade Liberalization 107
   James A. Costantini and Marc J. Melitz

5 Competing in Organizations: Firm Heterogeneity and International Trade 142
   Dalia Marin and Thierry Verdier

6 Optimal Choice of Product Scope for Multiproduct Firms under Monopolistic Competition 173
   Robert C. Feenstra and Hong Ma
Contents

7 Firm Heterogeneity, Intra-Firm Trade, and the Role of Central Locations 200
Stephen Ross Yeaple

8 Export Dynamics in Colombia: Firm-Level Evidence 231
Jonathan Eaton, Marcela Eslava, Maurice Kugler, and James R. Tybout

9 Fair Wages and Foreign Sourcing 273
Gene M. Grossman and Elhanan Helpman

10 Organizing Offshoring: Middle Managers and Communication Costs 311
Pol Antràs, Luis Garicano, and Esteban Rossi-Hansberg

List of Contributors 341
Author Index 343
Subject Index 347
The Organization of Firms in a Global Economy presents a new research program that is transforming the study of international trade. Driven by the availability of new micro data sets and innovative theoretical models, it focuses on the level of firms, products, and stages of production rather than on countries and industries. It addresses such questions as why only a small proportion of firms in a given industry export and why an even smaller proportion invest abroad; why exporters tend to be more productive than nonexporters; why almost one-third of international trade takes place between units of the same firm and why as much as two-thirds involves multinational firms as exporter, importer, or both; and why international trade may have been the most important driver of organizational changes in the corporation that have been taking place in the last decade.

Until a few years ago, models of international trade did not recognize the heterogeneity of firms and exporters, and could not provide good explanations of international production networks. Now such models exist and are explored in this volume.

ELHANAN HELPMAN is Galen L. Stone Professor of International Trade at Harvard University and a Fellow at the Canadian Institute for Advanced Research. He is the author of many research articles and books, including The Mystery of Economic Growth (Harvard).

DALIA MARIN is Professor of Economics at the University of Munich.

THIERRY VERDIER is Scientific Director, Paris School of Economics, and Professor of Economics, University of Southampton.
"This outstanding volume will become essential reading for graduate-level courses in international trade."
—Stephen Redding, London School of Economics

"This is no ordinary conference volume. It is an integral part of new and important developments in research that are presently transforming the field of international trade."
—Harry Flam, Stockholm University