

GLOBAL PRODUCTION

FIRMS, CONTRACTS AND TRADE STRUCTURE

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Preface

This book has grown out of the *CREI Lectures in Macroeconomics* that I delivered in Barcelona in June of 2012. I am grateful to the Series Editor, Hans-Joachim Voth, for inviting me to deliver these lectures and for encouraging me to accept the invitation. Part of my initial reticence, I can now admit, was related to the fact that I viewed the invitation to give these prestigious lectures as a flagrant case of ‘home bias’. At the time, the CREI Lecture series committee was composed of a coauthor of mine (Hans-Joachim Voth), one of my Ph.D. advisors (Jaume Ventura) and two of my favorite teachers during my undergraduate studies at Universitat Pompeu Fabra (Antonio Ciccone and Jordi Galí). Regardless of their motivations, it was an honor to have been selected as the 2012 CREI Lectures speaker. I am grateful for the comments and feedback I received during my lectures and also for CREI’s hospitality during my many visits there.

The book is largely aimed at graduate students and researchers interested in learning about recent developments in the field of International Trade. I have attempted, however, to make the style of the book a bit less terse than is standard in professional journals and graduate-level textbooks. This may alienate some technically-oriented readers, but will hopefully encourage some advanced undergraduate students and trade practitioners to venture into the material in this book. Chapter 1, in particular, provides an overview of the topics covered in later chapters at a highly accessible level. The book contains an extensive Theoretical Appendix, which will hopefully earn me the forgiveness of some mathematically-inclined readers. It would be hard to sell this book as being a set of Lectures in *Macroeconomics*, but I hope that some of the material in this lecture will appeal to researchers in that field, as well as readers interested in Organizational Economics and Applied Contract Theory.

Although the bulk of the contents of this book has appeared in some form or other in academic journals, many chapters of this book include new and original work. For instance, the multi-country global sourcing model

introduced in Chapter 2 and further developed in Chapters 5 and 8, stems from very recent work by Antràs, Fort and Tintelnot (2014). Similarly, I am not aware of the existence of multi-country models of limited commitment of the type developed in Chapter 3. Many of the empirical parts of the book are original as well, although they build heavily on previous work in terms of both methodology and data sources.

I have taught most of the material in these lectures at Harvard but also at Study Center Gerzensee, the London School of Economics, Penn State University, the University of Zurich and Northwestern University. I have found that between four and five 90-minute lectures are generally sufficient to cover the contents of this book. I am grateful to all these institutions for their hospitality and to the lecture participants for many useful comments.

Although I have attempted to provide a broad overview of the topics in this lecture, the spirit of the CREI Lectures dictated me to have my own work feature prominently in this book. For this reason, my greatest debt is to my coauthors on the papers overviewed in this book, including Daron Acemoglu, Davin Chor, Fritz Foley, Teresa Fort, Esteban Rossi-Hansberg, Bob Staiger, Felix Tintelnot, Steve Yeaple, and especially Elhanan Helpman. I am also particularly grateful to my colleagues Elhanan Helpman and Marc Melitz for many stimulating discussions that have shaped my thinking on the topic of this book. My interest in the contracting aspects of global production dates back to my Ph.D. years at MIT and I am indebted to Daron Acemoglu, Gene Grossman, Bengt Holmström and Jaume Ventura for their encouragement during those initial phases of this intellectual adventure. I am also very grateful to the Bank of Spain for generously funding my research at that crucial early stage.

Turning my lecture slides into a book manuscript has proved to be much harder and time-consuming than I first anticipated. Lucia Antràs, Mireia Artigot, Teresa Fort, Elhanan Helpman, Wilhelm Kohler, Marc Melitz, Felix Tintelnot, and two anonymous reviewers read different parts of the first draft of this book and provided very useful feedback and corrections. I am also grateful to Eric Unverzagt for his careful editorial assistance.

Several colleagues have kindly shared their data for some of the empirical material in this book. These include Andrew Bernard, Davin Chor, Robert Johnson, Nathan Nunn, Mike Waugh, and Greg Wright. I have also benefited from the outstanding research assistance of Ruiqing Cao, Yang Du, Alonso de Gortari, and especially Boo-Kang Seol during various periods over which this book was written. They are of course not responsible for any mistakes left in the manuscript. Finally, I am forever grateful to my wife Lucia and my daughters Daniela and Martina for their patience during the many hours

I have spent mulling over and writing this book.