

CONTENTS

<i>Contributors</i>	ix
<i>Introduction to the series</i>	xi
<i>Preface</i>	xiii
1. Heterogeneous Firms and Trade	1
Marc J. Melitz and Stephen J. Redding	
1. Introduction	1
2. Empirical Evidence	2
3. General Setup	4
4. Closed Economy Equilibrium	10
5. Open Economy with Trade Costs	12
6. Quantitative Predictions	24
7. Factor Abundance and Heterogeneity	32
8. Trade and Market Size	33
9. Endogenous Firm Productivity	37
10. Factor Markets	46
11. Conclusion	48
References	49
2. Multinational Firms and the Structure of International Trade	55
Pol Antràs and Stephen R. Yeaple	
1. Introduction	55
2. Stylized Facts	59
3. Benchmark Model: An Extended Krugman (1980) Model	66
4. The Proximity-Concentration Hypothesis	68
5. Vertical Expansion	85
6. Multicountry Models	96
7. Multinational Firm Boundaries	102
8. Conclusion	125
References	126
3. Gravity Equations: Workhorse, Toolkit, and Cookbook	131
Keith Head and Thierry Mayer	
1. Introduction	132
2. Micro-Foundations for Gravity Equations	137
3. Theory-Consistent Estimation	150
4. Gravity Estimates of Policy Impacts	160

5. Frontiers of Gravity Research	172
6. Directions for Future Research	189
7. Conclusion	190
References	190
4. Trade Theory with Numbers: Quantifying the Consequences of Globalization	197
Arnaud Costinot and Andrés Rodríguez-Clare	
1. Introduction	197
2. Getting Started	200
3. Beyond Armington	205
4. Evaluating Trade Policy	225
5. Numbers We Can Believe In?	236
6. "Micro" versus "Macro" Numbers	248
7. Life without Gravity	253
8. Concluding Remarks	256
References	257
5. Domestic Institutions as a Source of Comparative Advantage	263
Nathan Nunn and Daniel Trefler	
1. Introduction	263
2. Contracting and Property-Right Institutions: Impacts on Comparative Advantage	265
3. Informal Institutions and their Impacts on Comparative Advantage	288
4. Policies and the Indirect Impacts of Institutions on Comparative Advantage	299
5. The Impact of Trade and Comparative Advantage on Domestic Institutions	300
6. Conclusion	309
References	309
6. International Trade Agreements	317
Giovanni Maggi	
1. Introduction	317
2. The Motives for Trade Agreements	319
3. The Design of Trade Agreements	346
4. Regional Trade Agreements	369
5. Conclusion	383
References	384
7. International Prices and Exchange Rates	391
Ariel Burstein and Gita Gopinath	
1. Introduction	391
2. Empirical Evidence	393

3.	A Simple Framework to Interpret Empirical Findings	412
4.	Models with Desired Variable Markups	426
5.	Other Models of Incomplete Pass-through	431
6.	Industry Equilibrium	435
7.	General Equilibrium	437
8.	Conclusion	442
9.	Appendix	443
	References	447
8.	Exchange Rates and Interest Parity	453
	Charles Engel	
1.	Exchange Rates and Interest Parity	453
2.	Monetary Sticky-Price Models of Exchange Rates	456
3.	Empirical Studies of Exchange Rates	469
4.	Ex Ante Excess Returns and the Uncovered Interest Parity Puzzle	494
5.	Conclusions	515
	References	516
9.	Assessing International Efficiency	523
	Jonathan Heathcote and Fabrizio Perri	
1.	Introduction	523
2.	A Methodology for Assessing International Efficiency	524
3.	Assessing Long-Run Efficiency	528
4.	Assessing Efficiency in International Business Cycles	549
5.	Conclusion	579
6.	Appendix: Proof of Proposition 1	580
	References	582
10.	External Adjustment, Global Imbalances, Valuation Effects	585
	Pierre-Olivier Gourinchas and H�el�ene Rey	
1.	Introduction	585
2.	Stylized Facts	588
3.	Long-Term Capital Flows in the Neoclassical Growth Model	596
4.	Models of Global Imbalances	604
5.	External Balance Sheets, Valuation Effects, and Adjustment	622
6.	The International Monetary and Financial System	638
7.	Conclusion	640
	References	640

11. Sovereign Debt	647
Mark Aguiar and Manuel Amador	
1. Introduction: Conceptual Issues	647
2. Empirical Facts	649
3. A Benchmark Framework	652
4. Richer Notions of "Default"	667
5. Self-Fulfilling Debt Crises	672
6. Incomplete-Market Models and their Quantitative Implementation	676
7. Concluding Remarks	683
References	684
12. International Financial Crises	689
Guido Lorenzoni	
1. Introduction	689
2. Fiscal-Monetary Imbalances	691
3. Overvaluation, Unemployment, and Multiple Equilibria	696
4. Financial Flows, Sudden Stops, and Balance Sheet Effects	709
5. Spread Spirals and Rollover Crises	716
6. Sources of Fragility	723
7. Concluding Remarks	736
References	736
<i>Index</i>	741