

Elhanan Helpman

UNDERSTANDING GLOBAL TRADE



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To Assaf, Nimrod, and Yarden

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Preface

To understand globalization, one needs first to understand what shapes international trade and the organization of production across national boundaries. However, the scholarly literature on this subject—which has evolved over the last two centuries—is huge, and much of it is too technical for nonexperts to understand. Yet it contains many important insights and results that are of interest to a broad audience, including policy makers, political scientists, other social scientists, and people with no scientific background who follow world affairs. My purpose in writing this book has been to help such individuals develop an understanding of these issues. To achieve this aim, the book is written in plain language with minimum use of technical terms. And when a technical term is used, I explain its meaning.

My hope also is that undergraduate and graduate students of economics and other professional economists will find interest in this treatise, which provides an overview of the profession's thinking on these matters. Our understanding of global trade has improved immensely over the generations, as a result of countless efforts by scholars who used theory and empirical analysis to gain insights into the complex forces that mold foreign trade and foreign direct investment. Because the world

