

'Relational Contracts Between and Within Firms in the Global Economy'

Gregory Corcos

Ecole Polytechnique

Abstract

I build a model of trade and imperfect competition where firm boundaries and the use of self-enforcing agreements are endogenous. I show that trade liberalization causes gains from endogenous reorganizations, including the emergence of hybrid organizational forms. The mechanism is based on an increase in the price-elasticity which translates into an increase in the quasi-rents from suppliers' specific investments and incentives to re-organize. I also show that trade liberalization causes a rise in incentive payments.