Contents

Abstracts xiii
Introduction 1
Jeffrey Frankel and Christopher Pissarides

Part I: Productivity in the International Economy

1 Long-Term Barriers to the International Diffusion of Innovations 11
Enrico Spolaore and Romain Wacziarg

Comments 47
L. Rachel Ngai
Linda Tesar

2 Firm Heterogeneity, Endogenous Entry, and the Business Cycle 57
Gianmarco I. P. Ottaviano

Comments 87
Charles Engel
Paolo Pesenti
3 The Risk Content of Exports: A Portfolio View of International Trade 97
Julian di Giovanni and Andrei A. Levchenko

Comments 152
Sebnem Kalemli-Ozcan
Assaf Razin

Part II: In What Countries Are Downturns Unsusceptible to Demand Stimulus?

4 The Cyclical Behavior of Equilibrium Unemployment and Vacancies in the United States and Europe 169
Alejandro Justiniano and Claudio Michelacci

Comments 236
Marcus Hagedorn
Steinar Holden

5 Toward a Political Economy of Macroeconomic Thinking 249
Gilles Saint-Paul

Comments 285
Allan Drazen
Enrico Spolaore

6 The Fiscal Stimulus of 2009–2010: Trade Openness, Fiscal Space, and Exchange Rate Adjustment 301
Joshua Aizenman and Yothin Jinjarak

Comments 343
Menzie Chinn
Francesco Giavazzi
Part III: Exchange Rates, Nominal and Real

7 Flexing Your Muscles: Abandoning a Fixed Exchange Rate for Greater Flexibility  353
Barry Eichengreen and Andrew K. Rose

Comments  392
Jorge Braga de Macedo
Kenneth D. West

8 Traded and Nontraded Goods Prices, and International Risk Sharing: An Empirical Investigation  403
Giancarlo Corsetti, Luca Dedola, and Francesca Viani

Comments  467
Richard H. Clarida
Mario J. Crucini