

CES — Summer 2006

The Formation and Operation of Multinational Enterprises

September 4, 2006

Instructors: Karolina Ekholm & Marc-Andreas Muendler
Class Time: TueWedThu, September 5-7, 2006

1 Course Objectives

This course presents theories of the multinational enterprise (MNE) with a focus on implications for empirical research. The first lecture provides an overview of the theory of foreign direct investment (FDI) with an emphasis on models of vertical and horizontal FDI. The second lecture presents recent theoretical models focusing on firm heterogeneity and organizational aspects of international production and trade. The third lecture takes theories to microeconomic data on firms and jobs and discusses the use of structural but nonparametric (Das, Newey, and Vella 2003) and reduced-form (Rosenbaum and Robin 1983) estimation approaches. The lecture series concludes with an assessment of the consequences of MNE formation and operation for local market outcomes.

2 Readings

Lecture 1, Tue Sep 5: Barba Navaretti and Venables (2004), Chapter 3-4, Feenstra (1998)

Lecture 2, Wed Sep 6: Barba Navaretti and Venables (2004), Chapter 5, Antras (2003), Helpman, Melitz, and Yeaple (2004)

Lecture 3, Thu Sep 7: Das, Newey, and Vella (2003), Rosenbaum and Robin (1983)

3 Class Schedule

- 1. Tue, September 5:** The Formation and Operation of the Multinational Enterprise. Traditional approaches to analyzing the Multinational Enterprise: horizontal and vertical FDI. (Barba Navaretti and Venables 2004, Chapter 3-4, Feenstra 1998)
- 2. Wed, September 6:** Recent approaches to analyzing the Multinational Enterprise: organization of production and firm heterogeneity (Barba Navaretti

and Venables 2004, Chapter 5, Antras 2003, Helpman, Melitz, and Yeaple 2004)

3. Thu, September 7: Towards Empirical Models of the Multinational Enterprise (Das, Newey, and Vella 2003, Rosenbaum and Robin 1983)

References

- ANTRAS, P. (2003): "Firms, Contracts, and Trade Structure," *Quarterly Journal of Economics*, 118(4), 1375–1418.
- BARBA NAVARETTI, G., AND A. J. VENABLES (2004): *Multinational Firms in the World Economy*. Princeton University Press, Princeton.
- DAS, M., W. K. NEWEY, AND F. VELLA (2003): "Nonparametric Estimation of Sample Selection Models," *Review of Economic Studies*, 70(1), 33–58.
- FEENSTRA, R. C. (1998): "Integration of Trade and Disintegration of Production in the Global Economy," *Journal of Economic Perspectives*, 12(4), 31–50.
- HELPMAN, E., M. MELITZ, AND S. R. YEAPLE (2004): "Exports versus FDI with Heterogenous Firms," *American Economic Review*, 94(1), 300–316.
- ROSENBAUM, P. R., AND D. B. ROBIN (1983): "Central Role of the Propensity Score in Observational Studies for Causal Effects," *Biometrika*, 70(1), 41–55.