

The Global Firm

Advanced Economics and Finance, Cand.oecon.

Syllabus, Spring 2012

Preliminary, subject to change

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Schedule: Lectures:
Fridays, 8:00-9:40, week 5-7;
Tuesdays, 13:30-15:10, week 8-13 & 15-20.

Exercises:
Fridays, 9:50-11:30, week 5-7;
Tuesdays, 15:20-17:00, week 8-13 & 15-20.
The exercise hours will be mostly used for 1) extending the theoretical discussions; 2) presenting empirical evidence for the theories discussed in lectures; Students may also be asked to present in groups empirical papers so to be better prepared for the term-paper writing.

Exam: The exam consists of two parts: a term paper (40%) and a 4-hour close-book written exam (60%), scheduled on **June 13th**, from 9am to 1pm.

Curriculum: The teaching materials will be based 100% on articles. The course is divided into two parts. The first part is about the positive aspects of multinational firms: why do firms become MNEs, and how do they organize their activities, and what's their impact on host countries, etc. The second part is about the interactions between MNEs and public policy: how is the behaviour of MNEs shaped by policies, and how does the presence of MNEs affect policy choices.

Term paper: Please see the course description for more details.

Important dates:

Deadline for prospectus submission: 10.4.2012

Deadline for approval of topic: 13.4.2012

Deadline for final paper submission: 15.5.2012

(Please submit a hard copy to program secretary, Rikke Glahn, and an electronic copy to both lecturers by 1pm, May 15.)

Part 1: Positive aspects of MNEs

(*Note: all papers can be accessed via CBS network, or through CBS off-campus authorization; papers without link will be provided to students in advance; the actual readings may be subject to change.)

Week 5 (03.02)
(PD & NJ)

Course Overview

Navaretti, GB and A. Venables. 2004. "[Chapter One: Facts and Issues](#)," in *Multinational Firms in the World Economy*, Princeton University Press.

Exercise: Continue discussion on Navaretti and Venables (2004).

Week 6 (10.02)
(PD)

An Introduction to the Firm Theory in MNE Context

Hart, Oliver. 1989. "[An Economist Perspective on the Theory of Firm](#)." *Columbia Law Review*, 89(1): 1757-1774.

Exercise: Holstrom, Bengt and John Roberts. 1998. "[The Boundaries of the Firm Revisited](#)." *Journal of Economic Perspectives*, 12(4): 73-94.

Week 7 (17.02)
(PD)

The Rise of Multinational Firms – the OLI Framework

Ethier, Wilfred. 1986. "[The Multinational Firm](#)." *The Quarterly Journal of Economics*, 101(4): 805-833.

Exercise: Methodology in Positive Economics

Friedman, Milton. 1953. "[The Methodology in Positive Economics](#)." In *Essays in Positive Economics*, University of Chicago Press, pp. 3-43.

Week 8 (21.02)
(PD)

The Determinants of FDI Structure

Yeaple, Stephen. 2003. "[The Role of Skill Endowment in the Structure of the US Outward Foreign Direct Investment](#)." *Review of Economics and Statistics*, 85(3): 726-734.

Exercise: Empirical analysis of Yeaple's paper above.

Homework 1, TBA

Week 9 (28.02)
(PD)

MNE's Decision Choice

Hanson, G., R. Mataloni and Matt Slaughter. 2001. "[Expansion Strategies of US Multinational Firms](#)." *NBER Working Papers*, w8433.

Exercise: Empirical analysis of HMS' paper above

Week 10 (06.03) **MNEs under Market Frictions**
(PD) Antras, Pol, et al. 2009. "[Multinational Firms, FDI Flows, And Imperfect Capital Markets.](#)" *Quarterly Journal of Economics*, 124(3): 1171-1219.

Exercise: Bernard, A., J. Jensen, S. Redding, and P. Schott. 2010. "[Intra-Firm Trade and Product Contractibility.](#)" *American Economic Review*, 100(2): 444-48.

Homework 2, TBA

Part 2: Normative aspects of MNEs and interaction with policy

Week 11 (13.03) **Impact of MNEs on Host Countries, Part I**
(PD) Javorcik, B.S. 2004. "[Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages.](#)" *American Economic Review*, 94(3): 605-627.

Exercise: Swenson, Deborah. 2007. "[Multinationals and the Creation of Chinese Trade Linkages.](#)" *Canadian Journal of Economics*, 41(2): 596-618.

Week 12 (20.03) **Impact of FDI on Host Countries, Part II**
(PD) Harrison, Ann and Brian Aitken. 1999. "[Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela.](#)" *American Economic Review*, 89(3): 605-618.

Exercise: Impact of FDI With Firm Heterogeneity
Deng, Paul and Gary Jefferson. 2009. "[Foreign Entry, Competition and Heterogeneous Growth of Firms: Do We Observe 'Creative Destruction' in China?.](#)" *Working Paper*, Dept. of Economics, Brandeis University.

-----Niels Johannesen takes over from here-----

Week 13 (27.03) **How to tax multinational firms?**
(NJ) Desai, Mihir and James Hines, 2003. Evaluating International Tax Reform. *National Tax Journal* 56(3), p. 487-502.

Exercise:
Hines, James, 1996. Altered States: Taxes and the Location of Foreign Direct Investment in America. *American Economic Review*, 86(5), p. 1076-2094.

- Week 15 (10.04) (NJ) **Tax competition**
 Zodrow, George and Peter Mieszkowski, 1986. "Pigou, Tiebout, Property Taxation and the Underprovision of Local Public Goods." *Journal of Urban Economics*, 19(3), 356-370.
- Exercise:**
 Mutti, John and Harry Grubert, 2004. Empirical asymmetries in foreign direct investment and taxation. *Journal of International Economics* 62, 337-358.
- Week 16 (17.04) (NJ) **Attracting MNEs**
 Haufler, Andreas and Ian Wooton. 1999. "[Country size and tax competition for foreign direct investment.](#)" *Journal of Public Economics*, 71, 121-139
- Exercise:**
 Greenstone, Michael and Enrico Moretti. 2004. "Bidding for industrial plants: Does winning a 'million dollar plant' increase welfare?", NBER Working Paper No. 9844.
- Week 17 (24.04) (NJ) **Transfer Pricing**
 Haufler, Andreas and Guttorm Schjelderup. 2000. "Corporate tax systems and cross country profit shifting." *Oxford Economic Papers*, 52, 306-325
- Exercise:**
 Huizinga, Harry and Luc Laeven (2008), [International profit shifting within multinationals: A multi-country perspective](#), *Journal of Public Economics* 92, 1164-1182.
- Week 18 (01.05) (NJ) **Financial Structure**
 Huizinga, Harry, Luc Laeven and Gaetan Nicodeme (2008), Capital structure and international debt shifting. *Journal of Financial Economics* 88, 80-118.
- Slides on hybrid instruments
- Week 19 (08.05) (NJ) **Organizational Structure**
 Nielsen, Søren B., Pascal Raimondos-Møller and Guttorm Schjelderup. 2008. "[Taxes and Decision Rights in Multinationals.](#)" *Journal of Public Economic Theory*, 10, 245-258.

Exercise:

Desai, Mihir and James R. Hines Jr. 1999. "Basket cases: Tax incentives and international joint venture participation by American multinational firms." *Journal of Public Economics*, 71, 379-402.

Week 20 (15.05)
(NJ)

Tax Havens

Hines, James R., 2010. Treasure Islands. *Journal of Economic Perspectives* 24(4), p 103-126.

Exercise:

Desai, Mihir A., C. Fritz Foley, and James R. Hines Jr. (2006) "[The demand for tax haven operations.](#)" *Journal of Public Economics* 90, 513-531.