

The Global Firm

Advanced Economics and Finance, Cand.oecon.

Syllabus, Spring 2011

- Faculty:** Paul D. Deng (pdd.eco@cbs.dk)
and
Niels Johannesen (Niels.Johannesen@econ.ku.dk)
- Schedule:** Lectures: Tuesdays week 5-19, at 13.30-15.19, in room PH109

Exercises: Tuesdays week 11-19, at 15.20-17.00, also in room PH109.
These hours will be used mostly for presenting empirical evidence of the theory covered in the lecture. Students will be asked to present the particular paper in the class. Such exercise will prepare students for their term paper.
- Exam:** The exam consists of two parts: a term paper (40%) and a 4-hour exam, closed book (60%).
- Curriculum:** The teaching material 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 interaction 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 on that.
Important dates:
Deadline for prospectus submission: 11.4.2011.
Deadline for approval of topic: 15.4.2011.
Deadline for final paper submission: 13.5.2011.
- (Please submit a hard copy to Eva, and an electronic copy to both lecturers by the deadline)

Part 1: Positive aspects of MNEs

(Note: all papers can be accessed via CBS network, or through CBS off-campus authorization)

Week 5 (01.02)
(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.

Week 6 (08.02)
(PD)

An Introduction to Firm Theory in MNE's Context

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

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

Week 7 (15.02)
(PD)

The Rise of Multinational Firms – the OLI Framework

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

Week 8 (22.02)
(PD)

The Determinants of FDI Structure

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

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.

Homework 1 TBA

Week 9 (01.03)
(PD)

MNE's Decision Choice

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

Week 10 (08.03)
(PD)

MNE's Decision Choice with Firm Heterogeneity.

Helpman, Elhanan, Marc Melitz and Stephen Yeaple. 2004. "[Export Versus FDI with Heterogeneous Firms](#)." *American Economic Review*, 94(1): 300-316.

Exercises: Empirical analysis of HMS paper above

- Week 11 (15.03) **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.
- Exercises:** Bernard, A., J. Jensen, S. Redding, and P. Schott. 2010. "[Intra-Firm Trade and Product Contractibility.](#)" *NBER Working Papers*, w15881.
- Homework 2:** TBA

Part 2: Normative aspects of MNEs and interaction with policy

- Week 12 (22.03) **Impact of MNEs on Host Countries, Part I**
(PD) Coe, David and Elhanan Helpman. 1995. "[International R&D Spillovers.](#)" *European Economic Review*, 39:859-887.
- Exercises:** Swenson, Deborah. 2007. "[Multinationals and the Creation of Chinese Trade Linkages.](#)" *NBER Working Paper*, w13271.
- Week 13 (29.03) **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.
- Exercises:** 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?.](#)" Department Working Paper, Brandeis University.
- Week 14 (05.04) **Firm taxation in the open economy**
(NJ) 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.
- Exercises:**
Devereux, Michael, Ben Lockwood and Michela Redoano. 2008: "Do countries compete over corporate tax rates?", *Journal of Public Economics*, 92, 1210-1235.
- Week 15 (12.04) **Attracting MNEs**
(NJ) Haufler, Andreas and Ian Wooton. 1999. "[Country size and tax competition for foreign direct investment.](#)" *Journal of Public Economics*, 71, 121-139

Exercises:

Greenstone, Michael and Enrico Moretti. 2004. "Bidding for industrial plants: Does winning a 'million dollar plant' increase welfare?", NBER Working Paper No. 9844.

Week 16 (19.04)
(NJ)

Transfer Pricing

Haufler, Andreas and Guttorm Schjelderup. 2000. "Corporate tax systems and cross country profit shifting." *Oxford Economic Papers*, 52, 306-325

Exercises:

Huizinga, Harry and Luc Laeven (2008), [International profit shifting within multinationals: A multi-country perspective](#), *Journal of Public Economics* 92, 1164-1182.

Week 17 (26.04)
(NJ)

Financial Structure

Johannesen, Niels. 2010. "[Taxing the financially integrated multinational firm](#)." EPRU Working Paper No. 2010-12.

Exercises:

Desai, Mihir A., C. Fritz Foley and James R. Hines. 2004. "A Multinational Perspective on Capital Structure Choice and Internal Capital Markets." *Journal of Finance*, 59(6), 2451-2487.

Week 18 (03.05)
(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.

Exercises:

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 19 (10.05)
(NJ)

Tax Havens: Are They Good or Bad?

Hong, Qing and Michael Smart. 2010. "In praise of Tax Havens: International Tax Planning and Foreign Direct Investment." *European Economic Review*, 54(1), 82-95.

Exercises:

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.