

University of Colorado
Department of Economics
SPRING 2009

IAFS 4500

MULTINATIONALS IN THE GLOBAL ECONOMY

INSTRUCTOR: PROFESSOR HÂLE UTAR

Office: 114, Economics
Phone: 492 7869
E-mail: utar@colorado.edu

TIME AND LOCATION Thursday 5:00-7:30 PM ECON 205

COURSE DESCRIPTION

Increased globalization and international trade has led to significant shifts in the competitive environment faced by businesses, and consequently in how the production of goods is organized across countries and markets. The implications from these shifts on local economies and individual lives have been a highly visible topic of debate. It is clear that globalization places the businesses of many industries in a new competitive environment, from which some emerge stronger, more productive, and in which others perish. In this class we will cover the process of globalization from the perspectives of firms.

Topics examined in the class include the drivers of firms' choices to become multinational, where they locate and the effects of multi-national enterprises' (MNEs) activities and foreign direct investment (FDI) on host and home economies. During the first half of the semester, students will be provided with an economic background and an analytical framework to study relevant aspects of globalization, and the motives, determinants, and consequences of production fragmentation through FDI and MNEs. During the second half of the semester students present their own research on different aspects of the relationship between MNEs activities and the host and home economies.

OFFICE HOURS Tuesday 11:00 - 12:00pm
 Thursday 11:00 - 12:00pm

TEXTBOOKS

- Multinational Firms in the World Economy, G. B. Navaretti and A. J. Venables (NV)
- Nations and Firms in the Global Economy: An Introduction to International Economics and Business, Brakman, Garretsen, van Marrewijk, van Witteloostuijn (BGMW)
- In Defense of Globalization, J. Bhagwati

There may be additional reading assignments during the course.

COURSE WEBPAGE

- For lecture notes, assigned articles and other class material: [CULearn](#)

- TENTATIVE SCHEDULE: MULTINATIONALS IN THE GLOBAL ECONOMY

- Week 1
 - * The Global Economy: Concepts, and definitions
 - * Facts and Issues of multinational enterprises
- Week 2
 - * Basic Microeconomic Theory
 - * Discussion Topic: Does globalization lead to poverty? (Bhagwati, p.51-67)
- Week 3
 - * The multinational enterprise; an overview of theory and empirical findings
 - * The determinants of foreign direct investment
 - * Discussion Topic: Child Labor Increased or Reduced? (Bhagwati, p.68-72)
- Week 4
 - * Horizontal Foreign Direct Investment: market access
 - * Discussion Topic: Women: Harmed or Helped? (Bhagwati, p.73-91)
- Week 5
 - * Vertical Foreign Direct Investment: input costs and factor prices
 - * Discussion Topic: Environment in Peril? (Bhagwati, p.135-161)
- Week 6
 - * Host Country Effects of Foreign Direct Investment: conceptual framework and the evidence
 - * Aggregate effects of FDI on economic growth: cross-country evidence
 - * Firm effects, Productivity, Employment Volatility, Factor Markets
 - * Discussion Topic: Culture Imperiled or Enriched? (Bhagwati, p.106-121)
- Week 7
 - * Home Country Effects of Foreign Direct Investment: Outsourcing, Offshoring, Productivity
 - * Discussion Topic: Wages and Labor Standards at Stake? (Bhagwati, p.122-134)
- Week 8
 - * Policy Implications: FDI incentives, policy competition and policy coordination
 - * Discussion Topic: Corporations: Predatory or Beneficial? (Bhagwati, p.162-195)
- Week 9
 - * Midterm Examination
- Week 10
 - * Presentations Start

GRADING POLICY

This course is an advanced seminar course. You are expected to participate in the class and attendance is required. There will be a midterm examination which will be given during class and a final examination as scheduled by the university. No show at the exam with no valid excuse according to university policy will be graded zero. The final grade will be given as follows:

- Class Discussions 20%
- Midterm Examination (March 11) 30%
- Seminar Presentation and Seminar Discussion 25%

- Research Paper 25%
(Due date for the final version of the research paper is **April 15**.)

No show at the midterm with no valid excuse according to university policy will be graded zero. There will not be any make-up exam. If you miss the exam with a valid excuse then the research paper will weigh 50% towards your final grade.

RESEARCH PAPER

One of the course requirements is writing a research paper. A research paper can be a case study such as "Labor practices of company X in country Y" or "Multinationals in sector Y in country X". It can also focus on a certain industry such as "The impact of globalization in shaping the US auto industry" or "The role of outsourcing and offshoring in the Information Technology sector" or on a certain topic such as "The impact of Intellectual Property Rights in attracting FDI", or "Organization of Research and Development across parents and subsidiaries". There are also interesting production sharing examples in the world such as Mexican Maquiladoras or the Export Processing Zone in Hungary that can inspire many interesting questions to address in a research paper.

- The length of the paper should not exceed 15 pages with 12 font size and 1.5 line spacing.
- You have to cite at least 10 different scholarly articles, books, and/or news articles for your research. Be careful to cite all sources (journals, books, web sites, conversations) of any data or statements that are not the product of your own thinking.
- The first version of the paper is due on **Feb 18**. This is a draft version of the paper and has to include a well-defined research question and the literature review.
- The final version is due **April 15**.

PRESENTATIONS

Starting from March 18, students will present their research to the class. Students should have a well defined research question.

Content: Briefly review relevant literature, discuss why your question is interesting, and how it fits in the broader topic. Present facts and data related to the question. Present the (differing) opinions on the question and discuss them. Present your own analysis.

Slide format: Keep it simple, do not put too much information on one slide. Consider to spend approximately a minute for each slide. Preferably use pdf, or power-point. You can also use transparencies if you prefer a more old-fashioned approach. In the beginning of your presentation, give the outline of your talk, so your audience knows what to expect. Bring your own laptop. If you do not have access to one, I can provide one. Please let me know well in advance.

The length of the presentation: Prepare for approximately 25-30 minutes talk about 20-25 slides

Send your slides to me 3-4 days in advance of your presentation (Monday of the week you will present). I will send them to your discussant.

BEING A SEMINAR DISCUSSANT

Each student will be assigned to discuss a presentation. Prepare a short summary of the presentation. Discuss the presenters approach to the question and how it might be improved. Point out the weak and strong sides of the presentation (not the format, but the content of the presentation). After you receive the slides, spend a little time studying the topic of the presentation, so that you can ask a few questions to inspire a 5-10 minute discussion. Total time for the discussant is about 10 minutes. If you are not presenting, or

discussing that day, feel free to ask questions to the presenter after/during the presentation and participate in the discussion.

GUIDELINES FOR A LITERATURE REVIEW

Generally, the purpose of a literature review is to convey clearly and concisely the value of a published body of knowledge to a reader who may not be familiar with the topic in question. This can be achieved through summary, classification (which different pieces of work are similar to each other?), contrast and comparison and a critical assessment of the research quality of the articles being reviewed. This involves describing the hypotheses proposed and the evidence presented in favor of their hypotheses, critically evaluating whether that evidence is convincing. A literature review can also speculate about possible further applications of the research described.

There are many ways in which the material may be organized. Here is just one suggestion :

The introduction should identify the general topic, issue, or area of concern, thereby providing an appropriate context for the review. It should point out overall trends in the prior research, as well as the major conflicts, and gaps in research. It might also establish the writer's reason for reviewing this particular body of work. The body of the review should summarize the individual pieces of work, and compare and contrast the approaches where it is merited. You can tell a story about the development of the field, explaining how everything fits together. This part of the review can include a critical assessment as to whether the hypotheses were clearly stated, and whether the research methodologies were well designed (for investigating those hypotheses), whether the evidence for or against a hypothesis was convincing, whether there were important gaps in the investigation and so on. The conclusion should summarize the major contributions of the prior research, maintaining the focus that was established in the introduction. It should evaluate the current "state of the art", pointing out again any major methodological flaws that were described in the body of the review. It should also provide some insight into what the writer thinks would be fruitful future avenues of research in the area.

METHODS OF COMMUNICATION

- Face to face conversation (Preferred)
- Phone call (For urgent situations)
- Email (For non-urgent and low priority matters only)

I will be available during my office hours and/or just after class for questions on both class materials and other course-related matters such as questions about presentations, research paper, concerns about the deadlines or missing classes, missing exams etc.. If you need to see me outside office hours, please make an appointment either during class, or by email, as I may not be available to see you if you come by without an appointment. The use of emails should be limited to brief communications such as keeping me informed or sending me files. Email is too time-consuming a method to give answers at any length to academic questions. Please come by during office hours instead.

ACADEMIC INTEGRITY

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303 – 725 – 2273).

Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

DISABILITY MESSAGE

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303 – 492 – 8671, Willard 322, and <http://www.Colorado.EDU/disabilityservices>

CLASSROOM BEHAVIOR

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to such behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat all students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which they and their students express opinions. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at <http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student-code>