Globalization of firms : Theory and Applications

ECTS : 3

Description du contenu de l'enseignement :

Understanding the optimal international strategy of firms is key for a deep comprehension of the ongoing globalization process. The course focuses on the economic factors driving the optimal international strategy of heterogeneous firms: when exporting is the optimal strategy to serve the foreign country? when offshoring production abroad is optimal? In which countries and how? When exporting is more efficient than offshoring? Which are the main trade obstacles for firms? Based on analytical tools, the course will provide detailed answers to these questions.

Compétence à acquérir :

The international behavior of firms has important consequences for the wealth of developing countries. Whether a firm serves a foreign country via export or foreign direct investment has important macroeconomic consequences. At the end of the course, students will have a good knowledge of the mechanisms underlying the determinants and the consequences of the optimal international strategy of firms.

Mode de contrôle des connaissances :

The final evaluation is based on a participation (25%) and a final exam (75%)

Bibliographie, lectures recommandées :

Lecture 1: The historical perspective of globalization and the role of firms

· Krugman P., Obstfeld M., and Melitz M., (2008). International Economics: Theory and Policy. Pearson, 9th Ed. Chapter 2: “World trade, an overview”.

· Baldwin, R. And Martin, P. (1999): “Two waves of globalization: superficial similarities, fundamental differences”, NBER Working Paper 6904.

Lecture 2: Micro-foundation of Multinational Enterprises (MNEs) and the optimal entry mode

· Beugelsdijk S., Brakman S., Garretsen H. and C. Van Marrewijk (2013) “International Economics and Business. Nations and Firms in the Global Economy”, ed. Cambridge University Press (second edition). Chapter 6.

· Krugman P., Obstfeld M., and Melitz M., (2008). International Economics: Theory and Policy. Pearson, 9th Ed. Chapter 6: "External Economies of Scale and the International Location of Production".

Lecture 3: The proximity-concentration trade-off

· Brainard, S.L. (1993) “A Simple Theory of Multinational Corporations with a Tradeoff between Proximity and Concentration”, NBER Working Paper 4269.

· Brainard, S.L. (1997) “An Empirical Assessment of the Proximity- Concentration Trade-off Between Multinational Sales and Trade,” American Economic Review, 87(4), pages 520-544.

Lecture 4: Export, FDI and Immigrant workers: the optimal strategy of heterogeneous firms

· Helpman, E., Melitz M. and S. Yeaple (2004) "Export Versus FDI with Heterogeneous Firms," American Economic Review, vol. 94(1), pag 300-316.

· Ottaviano, G.I.P, Peri G. and G.C. Wright (2013) "Immigration, Offshoring, and American Jobs," American Economic Review, vol. 103(5), pag 1925-1959.

· Mitaritonna, C., Orefice G. and G. Peri (2017) "Immigrants and firms’ outcomes: Evidence from France," European Economic Review, vol. 96(C), pag 62-82.

Lecture 5: The gravity model for trade with a focus on the role of firms

· Anderson J. and E. van Wincoop (2003) “Gravity with gravitas : A solution to the border puzzle”, The American Economic Review 93(1), pages170-192

· Chaney T. (2008) “Distorted Gravity : the intensive and extensive margins of international trade,” American Economic Review, 98(4), pages 1707-21

· Head, K. and T. Mayer (2014) “Gravity Equations : Workhouse, Toolkit, and Cookbook”, in Handbook of International Economics, Chapter 3.

Lecture 6: Obstacles to trade: tariff and non-tariff barriers to firm’s exports

· Krugman P., Obstfeld M., and Melitz M., (2008). International Economics: Theory and Policy. Pearson, 9th Ed. Chapter 9: “The Instruments of Trade Policy”

· Baldwin, Richard (2013), “Multilateralising 21st century regionalism”, Paper written for OECD, available here: https://repository.graduateinstitute.ch/record/286980

· Fontagné, L. and G. Orefice (2017) "Let's Try Next Door: Technical Barriers to Trade and Multi-destination Firms", European Economic Review, 2018, vol. 101, pages 643-663

· Fontagné, L., Orefice G., Rocha N. and R. Piermartini (2015) "Product Standards and Margins of Trade: firm level evidence", Journal of International Economics, 2015, vol. 97(1), pages 29-44.

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