

Economics 128
The Multinational Enterprise
Fall 2007
Mondays and Wednesdays 2:40 – 4:00 pm in 104 PAC

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Office Hours: Mondays 4:15-6:15 pm or by appointment

Course Web Page: blackboard (through your e-portfolio)

Writing tutor: Justin Holzwarth, jholzwarth@wesleyan.edu,

General Course Information

Purpose: An examination of the economic consequences of the globalization of markets and industries will be used as the foundation for discussion of firm-level responses, including foreign direct investment and foreign trade.

Assignments and Credit:

Class participation	20%
Paper 1	15%
Paper 2	15%
Paper 3	15%
<i>Research Paper</i>	
- proposal	5%
- presentation	5%
- final paper	25%
Total	100%

Readings: The main textbook in this class is *Elements of Multinational Strategy* by Keith Head (2007). The book is currently available online in pre-publication format and can be downloaded (free!) from <http://strategy.sauder.ubc.ca/head/book/book.pdf>. All other required course readings will be made available through the electronic reserve system at Olin. The password for e-reserve is “econ128” (not case sensitive). *Note, the Olin e-reserve system lists the readings in alphabetical order by author’s last name so you may have to search carefully to identify the proper reading for a given date.*

Class participation: Assigned readings for each class are indicated below. Required readings should be read before class. EVERYONE is responsible for contributing to a lively discussion. In addition, several classes will be devoted to presentations on your research.

Short papers: There will be three short paper assignments; each is worth 15% of your course grade. Each paper should be 5-7 pages long, double-spaced, 12 point font, with one-inch margins.

You must meet with the writing tutor for this course to discuss at least one of these papers. To prove that you have met with him, I expect you to attach a copy of the draft you discussed with him. Note, I will *not* grade the rough draft that you and the tutor have marked up. You will also need to meet with the tutor after I have returned your graded paper with comments. To prove you have met with the tutor, you will need to send me a brief email (perhaps 1-2 paragraphs) telling me what you learned from the meeting. (Note: I suspect you will likely find it very beneficial to meet with the tutor for subsequent papers. Thus, I encourage you to schedule your initial meeting with him as early in the semester as possible.) *If you don't arrange both meetings with the tutor, then I will lower your best paper grade by one full letter grade (i.e., treat an "A" paper as if it were a "B" paper, etc.).*

Two copies must be submitted for each assignment:

- a. A hard copy of the paper is due at the beginning of class.
- b. The computer file for the paper (in doc or pdf format) must also be uploaded to the course website on turnitin.com by midnight of the due date.

1. *What is globalization? (Wednesday, September 19)*
Think about globalization as a phenomenon. Formulate your own definition of globalization. Discuss what you consider to be significant indicators of the level of globalization, as well as the main causes of globalization.

Find an article (or more) in the popular media (e.g., *New York Times*, *Wall Street Journal*, *The Economist*, etc.) that mentions globalization. How does the article address the points discussed above? Does the attitude towards globalization seem to be positive, neutral or negative?

2. *Corporate case study (Monday, October 8; company name due Monday, October 1¹)*
Visit the website of a multinational firm. It can be headquartered anywhere in the world (i.e., does not have to be a U.S. firm).
 - a. Introduce the firm – describe the firm's key products/services and industry.
 - b. Find or create a map indicating the location of its most important operations worldwide. Explain how you define "important" – current market revenue, market share, market potential, etc. Explain why you think the firm has operations spread throughout the world.

¹ If multiple students propose analyzing the same company or companies that I believe are very similar, I will ask one or more of them to change their company.

- c. Using what you know about this firm, do you think it would behave like its peers in the industry? Draw on our class discussions of the life cycle of a firm, and market adaptation.
 - d. Describe briefly the process by which this firm went international. Note, it may be difficult to get this information. If so, use your answers to (a) and (b) to discuss and evaluate the process that you think the firm may have used to go international.
3. *Corporate responsibility (Wednesday, November 7)*
 Discuss the relevant stakeholders in a firm, and the firm's responsibilities towards each party. How should a firm handle potential conflicts between these groups? Think about how a firm is affected by host and home country business, legal and cultural environments. It may be helpful to consider why firms are often discussed as anthropomorphic entities.

Long research paper: Your paper will be an in-depth exploration of any topic related to globalization or the multinational enterprise. It will be necessary for you to go beyond the readings assigned for this class.

Paper deliverables:

1. *Proposal (Wednesday, November 14)*
 A 2 page paper proposal, double-spaced, 12 point font, with one-inch margins, is worth 5% of course grade. The proposal is due no later than the start of class on Wednesday, November 14th. It should describe the topic of your paper, contain a short outline of what you expect to be the major sections of your paper, and can include a tentative bibliography of works that you have already consulted or plan to consult in the course of your research.

2. *Presentations (Monday, December 3; Wednesday, December 5; Monday, December 10)*
 A rough draft of your paper must be submitted to the writing tutor by December 3rd. You should schedule an appointment with the tutor for either the week of December 3rd or December 10th to discuss this draft in detail. Non-submission of this draft will lead to a 2 point deduction from your presentation grade, which is 5% of your course grade. (*Note: I will not read the rough drafts. Rather, I will look at the blackboard discussion forum folder to see who has uploaded a draft for Justin to read.*)

 An 8-10 minute presentation, which will serve three complementary purposes: (1) help the student refine their research question; (2) help the student improve their understanding and/or presentation of their research topic; and (3) expose the other students to topics with which they might not be familiar.

 A good presentation will have perhaps 2-3 powerpoint slides that take the presenter about 4-5 minutes to cover. (It is not mandatory to use powerpoint. However, I have frequently observed that powerpoint presentations are often

more concise and focused.) Then the presenter will open the floor for 3-4 minutes of questions and other students will ask questions that can help the presenter with the final paper.

Note, if students wish to volunteer for early spots, that would be most appreciated. Else, presentation slots will be assigned in late November by grouping students with similar topics. Eight (8) students will be assigned slots on each of the first two days, and then the remaining three (3) students will be assigned slots on the last day.

3. *Paper (Monday, December 17)*

The final paper is worth 25% of your course grade. It is due at 5pm on Monday, December 17th. Your paper should be about 15 pages long (not including references, appendices or exhibits), double-spaced, 12 point font, with one-inch margins.

You are expected to deliver three copies of the paper:

- a. A hard copy should be placed in the locked box for this course (located in the economics department alcove on the first floor of PAC).
- b. The computer file (in doc or pdf format) should be uploaded to the course discussion page on blackboard. These papers will be archived for future reference.
- c. A copy should also be uploaded to the course webpage on turnitin.com.

Writing Tutor: Our writing tutor, Justin Holzwarth, will hold regularly scheduled office hours (see top of page 1 of the syllabus) and will also be available by appointment. Please use the discussion forum in blackboard to schedule appointments with him. By using the public forum to schedule appointments, other students will be able to see at a glance when Justin has time available.

In advance of your appointments, please email Justin the draft you'd like to discuss. If you email the draft to him sufficiently in advance of your appointment, then he can mark it up ahead of your meeting.

Turnitin: In addition to submitting your papers directly to me, all papers must also be submitted by you to the class folder on turnitin.com by midnight on the appropriate due dates. I have already set up one folder for each assignment. (Obviously, if you have non-computer-readable attachments, you will not need to upload those into the system.)

For instructions on how to use turnitin.com, you can go to the Wesleyan library website at <http://www.wesleyan.edu/libr/turnitin/> and follow their instructions for students. Once you have set up your account, you need to "enroll" in this course. Our class ID number is 1973399 and the password is "econ128".

Honor Code: All work submitted for a grade in this course must be your own original work. You are encouraged to discuss the papers with the tutor and with your fellow

students, but in accordance with the Honor Code, submitting another person's work as your own would constitute plagiarism and will not be tolerated. The papers cannot be submitted in another course without express prior permission from both me and the instructor of the other course. If you have any questions about the application of the honor code, please contact me.

Missed Assignments: Should a personal emergency necessitate missing a scheduled paper deadline, contact me as soon as possible **prior to the paper deadline date** to arrange for an alternative. Any such absence requires written certification from the Deans' Office.

Contact: E-mail is my preferred way of being contacted. Normally I will respond within a day, excluding illness and travel. Placing in the subject of your email the phrase "ECON 128" plus a description of your message will likely result in a faster reply than a blank or generic subject.

My office is room 208 PAC. I will be available for questions during office hours and by appointment. If the door is open you should feel free to drop in, but understand that sometimes we may need to schedule a later appointment. If the door is closed, I am either not in or not available to meet with students.

Course Schedule

Below is a list of topics to be covered in the course, and approximate dates for the material. Most readings are from the Head textbook – I urge you to download the pdf of this book as soon as possible in case it is taken offline. All other readings are available via Olin's e-reserve system. In addition, the DVD "The Men Who Would Conquer China," has been digitized and added to our course blackboard.

Date	Topic Readings
Wednesday, Sept. 5	Context: Firms, MNEs, Globalization
Monday, Sept. 10	Globalization; firms & strategy 1. Head, Ch. 1 2. Friedman, <i>The World is Flat</i> , Ch. 1
Wednesday, Sept. 12	Globalization; firms & strategy 1. Rivoli, <i>Travels of a T-shirt</i> , misc. pages 2. Friedman, <i>Lexus and the Olive Tree</i> , Ch. 11
Monday, Sept. 17	Foreign trade and the firm; life cycle of a firm 1. Head, Chs. 2 & 3 2. UNCTAD World Investment Report 1996 – Ch. 3 3. Hill, <i>International Business</i> , pp. 182-184

Wednesday, Sept. 19	<p><i>Paper 1 due at beginning of class</i></p> <p>Gains from trade; market adaptation</p> <ol style="list-style-type: none"> 1. Irwin, <i>The Case for Free Trade</i>, Ch. 2 2. Hill, <i>International Business</i>, pp. 208-215, 228-229
Monday, Sept. 24	<p>Types of firms that expand internationally; corporate motivation</p> <ol style="list-style-type: none"> 1. Head, Ch. 6 2. Hill, <i>International Business</i>, Ch. 7
Wednesday, Sept. 26	<p>Timing of international expansion; structure of international expansion</p> <ol style="list-style-type: none"> 1. Head, Chs. 7 & 8
Monday, Oct. 1	<p><i>Company selection (for paper 2) due at beginning of class</i></p> <p>Structure of international expansion</p> <ol style="list-style-type: none"> 1. Hill, <i>International Business</i>, Ch. 14 2. Hitt et. al, pp. 249-253
Wednesday, Oct. 3	<p>Country selection for international expansion</p> <ol style="list-style-type: none"> 1. Head, Ch. 9 <p><i>and one of the next two articles (your choice):</i></p> <ol style="list-style-type: none"> 2. Ghemawat, "Distance Still Matters: The Hard Reality of Global Expansion," <i>Harvard Business Review</i>, Sept. 2001. 3. Porter, "The Competitive Advantage of Nations," <i>Harvard Business Review</i>, Mar.-Apr. 1990.
Monday, Oct. 8	<p><i>Paper 2 due at beginning of class</i></p> <p>Political angles</p> <ol style="list-style-type: none"> 1. Head, Ch. 11 2. Lohr, "Who's Afraid of China, Inc.," <i>The New York Times</i>, July 24, 2005.
Wednesday, Oct. 10	<p>Case study: China</p> <ol style="list-style-type: none"> 1. Fallow, "China Makes, The World Takes," <i>The Atlantic Monthly</i>, July/August 2007. 2. "The Men Who Would Conquer China" (DVD) [available via blackboard or Olin Reserve – not available via standard Olin e-reserve]
Monday, Oct. 15	<i>No class – fall break</i>
Wednesday, Oct. 17	<i>No class – professor at Financial Management Association conference</i>
Monday, Oct. 22	<p>Law and risk</p> <ol style="list-style-type: none"> 1. Moffett, Stonehill, and Eiteman, <i>Fundamentals of Multinational Finance</i>, Ch. 17

- Wednesday, Oct. 24 Investor perspective on international corporate activity
1. Friedman, "The Social Responsibility of Business Is to Increase Its Profits," *The New York Times*, September 13, 1970.
 2. Morck and Yeung, 1991, "Why investors value multinationality?," *Journal of Business*, 64(2), pp. 165-187.
 3. Greene, Hornstein, White, and Yeung, 2007, "Multinationals do it better: Evidence on the efficiency of corporations' capital budgeting," unpublished working paper.
- Monday, Oct. 29 Financing issues
1. Head, Chs. 10 & 12
- Wednesday, Oct. 31 Spillovers from FDI on host country
1. Hill, *International Business*, Ch. 8.
- Monday, Nov. 5 Spillovers from FDI on host and home countries
1. Wessel, "Globalization Study Moves Past Rhetoric," *The Wall Street Journal*, July 26, 2007.
 2. Hanson, Mataloni, and Slaughter, "Expansion Abroad and the Domestic Operations of U.S. Multinational Firms," unpublished working paper, Sept. 2003, pp. 1-5, 22-23.
 3. Dean, "The Forbidden City of Terry Gou," *The Wall Street Journal*, August 11, 2007.
- Note: if you want to read the study by Aldonas, Lawrence and Slaughter, "Succeeding in the Global Economy," that is discussed in (1), see <http://tinyurl.com/2728at> for (a) a fact sheet summarizing the report, (b) the full report, and (c) the forum's 2007 globalization survey.*
- Wednesday, Nov. 7 *Paper 3 due at beginning of class*
- Corporate citizenship in the global economy
1. Murray, "The CEO As Global Corporate Ambassador," *The Wall Street Journal*, March 29, 2006.
 2. Locke, Qin, and Brause, "Does Monitoring Improve Labor Standards? Lessons from Nike," unpublished working paper, March 2007.
- Monday, Nov. 12 Bottom of the pyramid
1. Prahalad and Hammond, "Serving the World's Poor, Profitably," *Harvard Business Review*, Sept. 2002.
 2. Prahalad and Lieberthal, "The End of Corporate Imperialism," *Harvard Business Review*, August 2003.
- Wednesday, Nov. 14 *Research paper proposal due at beginning of class*
- Culture
1. <http://www.geert-hofstede.com/> - read home page; look at page with the scores for all countries and read the profiles for the U.S. and any two other countries
 2. Jin, "After Cowboy Chicken Came to Town," *The Bridegroom: Stories* (2000), pp. 184-225.
 3. Head, Ch. 13

Monday, Nov. 19	Intersection of bottom of pyramid and culture 1. Fishman, "Salmon, Shirts, and the Meaning of Low Prices," <i>The Wal-Mart Effect: How the World's Most Powerful Company Really Works - and How It's Transforming the American Economy</i> , (2006): Ch. 7 & notes; pp. 167-195; 273-276.
Wednesday, Nov. 21	<i>No class - Happy Thanksgiving!</i>
Monday, Nov. 26 and Wednesday, Nov. 28	Case study: Clothing Industry 1. Lardner, "Annals of Business: The Sweater Trade," Parts I and II, <i>The New Yorker</i> (January 11, 1988) pp. 39-73 and (January 18, 1988) pp. 57-73. 2. Gereffi, 1994, "The Organization of Buyer-Driven Global Commodity Chains", pp. 95-122 in <i>Commodity Chains and Global Capitalism</i> , edited by G. Gereffi and M. Korzeniewicz, Westport, CT: Greenwood.
Monday, Dec. 3 and Wednesday, Dec. 5	Student presentations – 8 on each day
Monday, Dec. 10	Student presentations – 3 Conclusion and wrap-up: 1. Kozlow, "Globalization, Offshoring and Multinational Companies: What are the questions and how well are we doing at answering them?," unpublished working paper, 2006.
Monday, Dec. 17, 5pm	Research paper is due