Economics 330: The Multinational Enterprise
Fall 2016
Tuesdays and Thursdays 10:20-11:40 am in PAC 107

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Office Hours: Tuesdays, Wednesdays, and Thursdays 2-3:30

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
  Participation in discussions 16%
  Leading discussion 16%
  Blog postings (8) & comments (16) 16%

- Short assignments
  Case study 8%
  1 empirical problem set 8%

- Research Paper
  - topic 1%
  - outline, slightly annotated bibliography, data sources 5%
  - presentation 10%
  - final paper 20%

Total 100%

Readings: Many papers, totaling about 50-60 pages per session, will be required reading. To make sure this is clear: none of the papers listed on the syllabus are optional reading unless identified as such. Moreover, you are expected to read the entirety of all papers listed unless I explicitly state otherwise. All readings are posted to moodle.

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Class participation: Assigned readings for each class are indicated below. Required readings must be read before class. EVERYONE is responsible for contributing to a lively discussion.

Participation in discussions: If you know that you will have to be late and/or leave early, please let me know in advance. Excessive absences, late arrivals or early departures will lead to a lower class participation grade.

1 Exceptions: no office hours on Wednesday October 12 (Yom Kippur), and Wednesday & Thursday October 19-20 (Financial Management Association conference).
Please adhere to the following policies as your participation grade depends also on these:

- Be on time for class.
- Avoid getting up during class sessions unless absolutely necessary. This is not only very disruptive to all people in the classroom but shows a lack of respect for all present.
- No use of computers, tablets, or cell phones during class sessions without instructor consent.
  - Note, students may find it helpful to take notes on the readings so that you don’t need to have a laptop take up your entire desk.
- Please switch your phones to “airplane mode” and turn off the ringer volume.

Students who meet the above expectations will receive a B for class participation. To earn a higher grade a student will need to ask insightful questions as well as answer questions posed by me or others. I will give a C or lower for class participation to students who never participate in class or who are often not able to answer questions.

**Leading class discussion:** On each of eight class sessions groups of 3 students will lead the class. If they can’t get you to talk about the material, then they need to talk for the entire time. I will probably contribute points at the margin but I should not be leading the discussion.

Students sometimes find it helpful to make handouts when leading class. If that is part of your game plan, please feel free to go to Linda Mascaro or the student worker in the economics office and ask to use the department copier – be sure to say it is for this class.

**Class blog:** We will maintain a Moodle discussion forum all semester with student participation required for at least 8 of the 10 designated class dates. The dates for which the forum will be used are indicated with the wording “Blog #_” in the deliverables column of the course schedule.

- Post about one of the required readings on the Moodle discussion forum no later than 8pm the night before class.
  - You should write a post of at least 100 words that addresses anything at all related to at least one of the assigned readings. It may be helpful to focus on answering some or all of these questions:
    - What do you see as the primary contribution of this paper? How would you explain this contribution to someone else in this class? How would you explain this to someone who is not an economist by training?
    - Theory paper: does the model seem plausible? Could you imagine empirical tests of the theory?
    - Empirical paper: did the empirical model seem consistent with the underlying economic theory? What data did the paper use? What do you think of the dataset? What do you think of the empirical techniques that are used?
    - Counterfactuals: can you think of alternate explanations for the phenomenon studied in the paper and/or the results presented in the paper?

- You will also need to comment on at least two of your classmates’ posts before the start of the next class session (but if you want me to see it before class, please post before 8am).
- Total: 8 comments from you and 16 comments on classmates’ posts
- **Grading:** 1 point for each blog post (max of 8 points) plus 0.5 point for each blog comment (max of 8 points total; max of 2 comments can receive grading credit per day).
- **Note:** your posts and comments on other students’ posts don’t have to always be on the same calendar day.
Short assignments

**Corporate case study (5-7 pages)**: Choose a multinational firm that is headquartered anywhere in the world (i.e., it does not have to be a U.S. firm) and describe how and why the firm became a multinational. Among the points you will want to cover:
- Why does the firm operate world-wide?
- Describe the process by which the firm went international. Note, it may be difficult to get this information so draw heavily on our class readings to inform your discussion of this process.
- What are ‘important’ locations to this firm? That is, is ‘important’ defined in terms of supply chain logistics, current market share or market revenue, market potential, etc.
- Using what you know about this firm, do you think it would (or should) behave like its industry peers?
- Discuss the relevant stakeholders in the firm, and the firm’s responsibilities towards each party.

**Problem set:** There will be one entirely empirical problem set. It is designed to help you better understand the empirical papers routinely assigned in this class while also preparing you to produce a strong, potentially empirical, research paper of your own.

This problem set will be graded on a check plus (7.2 points), check (5.4 points) and check minus (3.7 points) scale. Late problem sets – or problem sets submitted without a Stata do file printed out - will get a grade of 1.0 irrespective of the quality of work shown. Up to three folks can collaborate on the problem set.

**Long research paper:** Your paper will be an in-depth exploration of any topic related to foreign direct investment or the multinational enterprise. You must either develop a theoretical model for the topic or collect data and run regressions to analyze a relationship of interest. It will be necessary for you to go far beyond the readings assigned for this class but you should definitely feel free to cite the assigned readings.

Please note that I am an empiricist and if you plan to do theoretical work, it’d be highly advisable for you to consult early and often with some of my colleagues. Also, depending on your topic of interest, you may again find it beneficial to talk with some of my colleagues (e.g., if you are interested in the impact of foreign investment on local employment, why not speak with a labor economist?).

**Paper deliverables:**
1. **Topic (due Wednesday, October 5, 1pm)**
   A 1-2 paragraph email should be sent to me no later than 1pm on Wed., October 5th. Do not attach it in a document; it must be in the body of your email. The proposal should describe the topic of your paper, and can also include a tentative bibliography of works that you have already consulted or plan to consult in the course of your research. (Note: bibliographic references are not expected at this rather early date but may be useful for

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2 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.
getting more substantive feedback and guidance.) In the event that multiple students propose similar topics, I’ll help them find ways to differentiate their topics.

2. Short writing assignment (due Tuesday, November 1, 8:30am)
   In 3-5 pages please present a preliminary outline, review of 2-3 articles that you’ve already read and will use to guide your research, tentative bibliography, and explain your data sources. Focus on the ways in which other researchers have approached the topic and how you plan to do so. This will be graded more for content than for quality of writing.

3. 8-10 minute presentations (Tuesday, November 29; Thursday, December 1; Tuesday, December 6; Thursday, December 8)³
   Theoretical papers: students should present their key model and discuss the intuitions. Empirical papers: Students should present what they think is their main regression and results. It would be best to have your data uploaded ahead of time to the classroom computer so that you can run regressions in Stata in real time if appropriate.
   All: Please view this as a chance to (a) show what you are doing and (b) ask for help with refining your work. It is not expected that anyone will have a “complete, finished model” to share at this time. You are expected to demonstrate that you’ve made enough progress through the date of your presentation that it is reasonable to expect you to submit a fantastic paper on time.
   A good presentation will likely have 2-3 powerpoint slides or Excel tables that take the presenter about 4-5 minutes to cover.⁴ Then the presenter will open the floor for 3-4 minutes of questions.

   You will be graded on three dimensions:
   1. Do you have a good approach (i.e., theory, model and dataset, if applicable)?
   2. How you explain your model and interpret the results
   3. Your receptivity to other students’ comments and suggestions.

4. Paper (2pm on Saturday, December 17)⁵
   Your paper should be about 15-20 pages long (not including references, appendices or exhibits). Theoretical papers will be shorter than empirical papers. Late papers will be docked one letter grade per day late (or fraction thereof).

   You are expected to deliver two copies of the research paper assignments 2 and 4:
   1. 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).
   2. A copy should also be uploaded to the class folder on turnitin.com. Our class ID number is 13340305 and the password is “econ330”.

³ If students wish to volunteer for early spots, that would be most appreciated. Else, presentation slots will be assigned in mid-November (prior to Thanksgiving break) by grouping students with similar topics. 7-8 students will be assigned slots on each of the first three days, and then the remaining students will present at the start of the last class session. The professor will then use the balance of that last class session to address issues raised repeatedly in presentations.
⁴ It is not mandatory to use powerpoint. However, I have frequently observed that powerpoint presentations are often more concise and focused.
⁵ All papers that earn a grade of A or A+ will be eligible for consideration for the department’s Lebergott-Lovell Prize, which is awarded annually to the best paper written in the current academic year that uses econometric techniques to analyze an economic problem.
Formatting for the writing assignments: You cannot use a font smaller than Calibri 11 (the Microsoft default font) and you must double-space your text. Your margins cannot be smaller than the default setting of 1” on each side.

Honor Code: In accordance with the Honor Code, submitting another person’s work as your own constitutes plagiarism and will not be tolerated. To put this in colloquial terms, unless you personally came up with the solutions and words that you are attaching your name to, it is not your work. If you have any questions about the application of the honor code, please contact me.

Students with Disabilities: Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in and benefit from its programs and services. To receive accommodations, a student must have a documented disability as defined by Section 504 of the Rehabilitation Act of 1973 and the ADA Amendments Act of 2008, and provide documentation of the disability. Since accommodations may require early planning and generally are not provided retroactively, please contact Disability Resources as soon as possible. If you believe that you need accommodations for a disability, please contact Dean Patey in Disability Resources, located in North College, Room 021, or call 860-685-5581 for an appointment to discuss your needs and the process for requesting accommodations. Information can be found at http://www.wesleyan.edu/studentaffairs/disabilities/.

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.

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<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings to be covered on that day</th>
<th>Deliverable</th>
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*The Cohen chapter can be skimmed.* |
Tues., Sept. 13  Why go international?  
1. Choice of (a) or (b):

2. Choice of (a) or (b):

3. Quick overview of Dunning’s OLI paradigm:  

Thurs., Sept. 15  Statistical review/econometrics bootcamp  


3. Wonnacott & Wonnacott – skim Chs. 13-15 (not on course moodle)

Tues., Sept. 20  Theoretical determinants of FDI  


Thurs., Sept. 22  Classification of FDI  


Tues., Sept. 27  Empirical determinants of FDI; library research resources with Diane Klare  


**Thurs., Sept. 29**  
Impacts of FDI on the Host Country – 1


All students should read (1) and either (2) or (3).

**Tues., Oct. 4**  
Impact of FDI on the Host Country – 2


**Thurs., Oct. 6**  
Employment impacts of FDI on the Home Country


Readings 2 and 3 are contradictory. Read one carefully and skim the other.

**Tues., Oct. 11**  
Impact of national institutions and culture

Thurs., Oct. 13  Country selection and risk


Thurs., Oct. 20  Stata bootcamp with Manolis Kaparkis in Allbritton 204

The four readings are all relatively short and are written primarily for lay people (not academics).
Thurs., Oct. 27  
Corporate structure  
1. Read one paper and skim the other:  
   (a) Morck, Randall, Daniel Wolfenzon, and Bernard Y. Yeung, 2005,  
   “Corporate governance, economic entrenchment, and growth,”  
   *Journal of Economic Literature*, 43.  
   (b) La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer,  
2. Quick overview of Michael Porter’s Five Forces:  
   [https://en.wikipedia.org/wiki/Porter%27s_five_forces_analysis](https://en.wikipedia.org/wiki/Porter%27s_five_forces_analysis)

Tues., Nov. 1  
Impact of Innovation on Corporate Activity  
1. Guadalupe, Maria, Olga Kuzmina, and Catherine Thomas, 2012,  
   budgeting decisions and information sharing,” *Journal of Economics  
   and Management Strategy*, 20(4).  
3. Bloom, Nicholas, Raffaella Sadun, and John Van Reenen, 2012,  
   “Americans do I.T. better: US multinationals and the productivity  
*Students should read any two papers and skim the third.*

Thurs., Nov. 3  
How MNEs Innovate  
   stronger intellectual property rights increase international  
   technology transfer? Empirical evidence from U.S. firm-level panel  
   data,” *Quarterly Journal of Economics*, 121(1).  
2. Zhao, Minyuan, 2006, “Conducting R&D in countries with weak  

Tues., Nov. 8  
Politics and the MNE (come on, today’s the election!)  
*These readings are tentative placeholders. If issues are raised during the  
   presidential campaign that seem more pertinent to our class, then relevant  
   readings may be assigned for today in lieu of these articles.*  
1. Azzimonti, Marina, “Does partisan conflict deter FDI inflows to the  
   US?,” *NBER working paper 22336*.  
2. Durnev, Art, Ruben Enikolopov, Maria Petrova, and Veronica  
   Santarosa, 2015, “Politics, instability, and composition of  
   international investment flows,” *Journal of Corporate Finance*, 30.  

Thurs., Nov. 10  
Corporate social responsibility  
1. Friedman, Milton, “The social responsibility of business is to increase  
   performance,” *Harvard Law School Forum on Corporate Governance  
   and Financial Regulation*, blog post.
3. Chapters 1&2 of Kotler, Philip, and Nancy Lee, 2005, “Corporate social responsibility: Doing the most good for your company and your cause,” John Wiley and Sons. [Chapter 1 = “The case for doing at least some good”; Chapter 2 = “Corporate social initiatives: six options for doing good”]

4. Optional: Chapter 9 of Kotler and Lee (“Twenty-five best practices for doing the most good for the company and the cause”)

Tues., Nov. 15  Corporate responsibility in action – 1


2. Newspaper articles (TBD) about corporate responsibility. Articles will be distributed by email and/or moodle closer to classtime.

Tues., Nov. 22  Corporate philanthropy


All students should read (1) and (2) and choose either (3) or (4).

Tues., Nov. 29  Student presentations – 1

Thurs., Dec. 1  Student presentations – 2

7 Morgridge was Chairman Emeritus of Cisco Systems.

8 The latest draft of this paper will be posted to the course moodle by mid-November.
Tues., Dec. 6  Student presentations – 3
Thurs., Dec. 8  Student presentations – 4; Wrap up with professor
Sat., Dec. 17  Research paper due – 2pm (start of registrar assigned exam slot)