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# EC 494

## Exporters & Multinational Corporations

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### Overview

Multinational corporations are a primary driver of the rapid globalization of the world economy that we have witnessed in the past couple of decades. This course is comprised of two primary elements: 1) a theoretical component that introduces the more advanced theories of international trade and foreign direct investment (FDI) and 2) an applied component that discusses the role of multinational corporations and exporters in shaping globalization. The theories developed in this class expose students to the current paradigm in the international trade and FDI literatures focused on heterogeneous firm-level analysis. These derivations provide a sound platform from which to evaluate the causes and consequences of international trade and FDI and provide a natural transition for contemplating the role of exporting firms and multinational corporations in shaping globalization. Throughout this applied component of the course, we will examine issues, such as the role of productivity and diversity in entering foreign markets, the labor market effects in home and host countries, the correlation with economic development and inequality, convergence or polarization of global cultures, and issues related to international trade policy and transportation. This course counts as a Group E elective.

**Prerequisites: ECON 361 and ECON 381**

### Course Outline

We will cover various chapters of the main textbook and supplement the material with a number of primary research articles provided on Moodle:

1. Theoretical models of exporters and multinational corporations
2. Facts & firms in global markets
3. Various topics exploring the effects of trade and FDI

### Office Hour Policy

My office hours are specific times set aside for you. You are welcome to stop in during these hours to ask any questions or discuss any material from the course. If you cannot make my office hours, please e-mail me and we can set up an appointment.

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Spring 2019

TTH 9:40am – 11:10am ; CARN 107

Instructor: Felix Friedt

E-Mail: [ffriedt@macalester.edu](mailto:ffriedt@macalester.edu)

Office: CARN 310C

Office Hours: Tuesday 8:00am-9:00am and  
3:00pm-4:00pm, Wednesday 8:30am-9:30am, or  
by Appointment

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### Required Text Book

- “*Elements of Multinational Strategy*”, Keith Head, Springer, 2007

### Important Dates

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**February 8<sup>th</sup>, 2019**

Last day to add/drop/audit

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**February 28<sup>th</sup>, 2019**

Exam

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**April 5<sup>th</sup>, 2019**

Last day to withdraw/change grading option

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**April 16<sup>th</sup>, 2019**

Econ Honors Thesis Day

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**May 5<sup>th</sup>, 2019**

Term Paper due

## Learning Outcomes and Goals

The assessment office at Macalester has published 6 specific learning goals that each student should achieve by the time they graduate. This table serves as a reference guide connecting the most important individual learning outcomes of this course to the course learning goals and overarching Macalester learning goals.

<b>Course Learning Outcomes</b> (Students will be able to)	<b>Course Learning Goals</b> (Students will)	<b>Macalester Learning Goals</b>
Reproduce the New Trade Theory, Melitz Model, and Horizontal FDI model	Know the advanced models of international trade and FDI and their differences	<b>Think Critically and Analyze Effectively</b>
Understand the underlying assumptions of these theories and their implications		
Derive the conclusions from these theories		
Interpret and analyze real world data and contrast it to the conclusions based on the advanced theories		
Define the main barriers to trade	Know the role and implications of international trade costs and country characteristics in shaping individual firm behavior	
Evaluate the effects of trade costs on firm decisions		
Determine which country characteristics drive firm decisions		
Analyze the impact of trade and FDI on economic development and inequality	Understand the consequences of international trade and FDI and how multinational corporations shape globalization	
Explain the linkages between global trade/FDI and local labor markets		
Evaluate the impact of trade & FDI on the environment		
Determine how firms adapt to cultural differences in global markets	Understand the role of culture in determining trade and FDI	<b>Demonstrate Intercultural Knowledge and Competence</b>
Develop a model that describes the influence of trade & FDI on local cultures	Understand the role of trade and FDI in shaping global cultures	
Conduct a literature review	Know how to conduct original research and communicate findings in a term paper and via presentations	<b>Communicate Effectively</b>
Develop a theoretical model to frame the question of interest		
Evaluate the hypothesis via an empirical analysis		
Present findings to the class		
Engage in group work that involves both collaborative research and presentations	Understand and practice appropriate group work ethics	<b>Make Informed Choices and Accept Responsibility</b>
Communicate progress and deadlines		

## Inclusive Learning Environment

For this and all of my courses, I strive to create an inclusive learning environment. What that means to me is that all students from all diverse backgrounds and perspectives be well-served by this course, feel comfortable and welcome in this class, that students' learning needs be addressed both in and out of class, and that the diversity that the students bring to this class be viewed as a resource, strength and benefit. Based on the content of this course, it is likely that some of the material presented in this course may contain overt and/or covert biases pertaining to diversity: gender identity, sexuality, disability, age, socioeconomic status, ethnicity, race, nationality, religion, and culture. It is my intention to facilitate purposeful, respectful, and fruitful discussions that address both the content and potential biases of the material and lead to a deeper understanding of the material and appreciation of diversity. To this end, it is imperative to create a classroom environment of trust and respect where we listen to each other's opinions and worldviews and are aware of our own identity and emotions. Your suggestions are encouraged and appreciated. Please let me know ways to improve the effectiveness of the course for you personally, or for other students or student groups.

## Moodle

All course materials will be distributed through the Moodle course website, which can be found at <https://moodle.macalester.edu/>. Things that will be posted on Moodle include, but are not limited to, readings, presentation slides, homework assignments, answer keys, and grades. Announcements made via email and/or adjustments made in Moodle should be considered modifications to this syllabus.

## Evaluation

**Exam:** This course will have one exam on the theoretical component of this course. The date for the exam is:

Exam: Thursday, February 28<sup>th</sup> (in class)

Please note that **no make-up exams will be given**. If the exam is missed, a type-written petition fully explaining and documenting the reason for missing the exam must be submitted to me within one week of the scheduled exam. If the petition is approved, the weight of the exam will be applied to the term paper project. Petitions will only be approved for extreme extenuating circumstances. If the petition is not approved (or no petition is submitted), a grade of zero will be assigned to the missed exam.

**Term Paper:** For this course, you are required to conduct original research and write a substantive term paper. **YOU MAY COLLABORATE WITH ONE OF YOUR PEERS**. In fact, I encourage group work. The purposes of this paper are:

- to expose you to the frontier of research on trade and FDI
- to give you an opportunity conduct research on a topic of interest in the realm of international trade and FDI
- to learn and practice good group work ethics
- to reflect and apply some of the modeling skills and empirical techniques you have learned throughout your previous economics course work.

As part of this project, you will be asked to establish a question of interest, conduct a literature review, develop a model, obtain relevant data, estimate the model, and present the results in a meaningful and informative way. I strongly believe that this kind of research is an essential skill for economists, in general and international economists, in particular, that will serve you beyond the scope of this course. Successful projects may include (but are not limited to) extension of existing research. The specifics of the paper, my expectations and helpful resources will be explained in class and on Moodle.

**Presentation:** Throughout the course, each group or individual will give two 20 minute presentations. The first presentation will cover a research article on one of the topics indicated on the tentative schedule below and preferably related to your term paper topic. The second presentation will be given at the end of the semester and introduce the class to your own term paper research. I will provide the specific instructions and grading rubric in class and on Moodle.

**Reading Response:** The reading responses are very short write-ups (1 paragraph per text) on the assigned readings for the day. Reading the research articles is essential to succeed in this course and leads to fuller and more productive in-class discussion.

**Grades:** Your final course grade will be determined as follows:

Exam	25%
Term Paper	40%
Presentations (2, 10% each)	25%
Reading Responses	10%

**Grade Appeals:** Any requests for re-grading an exam must be submitted in writing within one week of when the exam was handed back. If you do not pick up your exam when it is handed back, you still must submit your request within a week of when the test was originally handed back. A re-grading request should include an argument for why you feel your answer was correct. I reserve the right to re-grade the entire exam when a request to re-grade any part of the exam is made.

## Academic Dishonesty Policy

“Students are expected to maintain the highest standards of honesty in their college work; violations of academic integrity are serious offenses.” (Academic Policies, Macalester College) Any violations of the academic integrity policy will result in a failing grade for the assignment, paper or exam. Furthermore, a complaint will be filed with the Director of Academic Programs. **Cheating of any form will not be tolerated.**

*Exams:* The exam is closed-note and closed-book. Students are permitted to have a pen or pencil, ruler or straightedge, and a non-programmable calculator on their desk during the exam. Under no circumstances are students allowed to use a cell phone during the exam, including as a calculator. The use of any other assistance or sources of information is prohibited and is considered cheating.

*Term Paper:* Students are allowed and encouraged to work together on the term paper. However, all students must contribute significant elements to the research project as well as the presentations and all sources must be properly cited.

## Students with Disabilities

I am committed to supporting the learning of all students in my class. If you are encountering barriers to your learning that I can mitigate, please bring them to my attention. If you need disability related accommodations, please contact the Director of Disability Services, Allie Quinn, coordinates services for any student in need of accommodations. You may schedule an appointment by calling the Disability Services Office, 651-696-6874.

## Tentative Schedule

Below is a **tentative** schedule of topics and readings that we will cover in lecture as well as anticipated term paper due dates. The schedule indicates the subject of the class as well as the assigned readings. Please refer to Moodle for additional information. Please view this schedule as a **flexible timeline**, as it is subject to change given the pace of the class. The only **invariable pieces are the exam and term paper deadline, barring extraordinary circumstances**. All potential changes are announced in advance.

Date		Date	
		<b>01/24</b>	<b>Syllabus &amp; Group Selection &amp; Review of Trade Theory</b> <i>Readings: Syllabus</i>
<b>01/29</b>	<b>The ‘New Trade Theory’</b> <i>Readings: Krugman, 1979, 1980</i>	<b>01/31</b>	<b>The ‘New Trade Theory’</b> <i>Readings: Feenstra Ch. 6</i>
<b>02/05</b>	<b>The Melitz Model</b> <i>Readings: Melitz, 2003</i>	<b>02/07</b>	<b>The Melitz Model</b> <i>Readings: Helpman et al., 2003</i> <i>Check-In #1: Topic &amp; Question</i>
<b>02/12</b>	<b>Discussion of Topics &amp; Data</b> <i>Readings: Data search</i>	<b>02/14</b>	<b>Trade Costs</b> <i>Readings: Head Ch. 4</i> <i>Hummels 2001, Jacks et al. 2008</i>
<b>02/19</b>	<b>Facts about FDI</b> <i>Readings: UNCTAD, 2017</i> <i>Stopford, 1998</i>	<b>02/21</b>	<b>FDI Decision – Horizontal Model</b> <i>Readings: Head Ch. 7</i> <i>Check-In #2: Lit review</i>
<b>02/26</b>	<b>Different Forms of FDI</b> <i>Readings: Hanson et al., 2005,</i> <i>Blonigen, 2001</i>	<b>02/28</b>	<b>Exam</b>
<b>03/05</b>	<b>Firms in global markets</b> <i>Readings: Helpman 2006,</i> <i>Bernard &amp; Jensen, 2007, De Loecker</i> <i>&amp; Eeckhout 2018</i>	<b>03/07</b>	<b>Determinants of FDI</b> <i>Readings: Blonigen, 2005</i> <i>Blonigen &amp; Piger, 2014</i>
<b>03/12</b>	<b>Trade &amp; Labor</b> <i>Readings: Bernard &amp; Jensen, 2007,</i> <i>Hakobyan et al., 2018</i>	<b>03/14</b>	<b>FDI &amp; Labor</b> <i>Readings: Harrison &amp; Scorse, 2010,</i> <i>OECD Report, 2008</i> <i>Check-In #3: Theory</i>
<b>03/19</b>	<b>Spring Break</b> <i>No class</i>	<b>03/21</b>	<b>Spring Break</b> <i>No class</i>
<b>03/26</b>	<b>Trade, FDI &amp; Development</b> <i>Readings: Krueger 1997, Hanson,</i> <i>2001</i>	<b>03/28</b>	<b>FDI &amp; Development</b> <i>Readings: Crespo &amp; Fontoura, 2007</i> <i>Abebe &amp; McMillan, 2018</i> <i>Check-In #4: Data</i>
<b>04/02</b>	<b>Trade &amp; Inequality</b> <i>Readings: Helpman et al. 2016,</i> <i>Muendler 2018</i>	<b>04/04</b>	<b>FDI &amp; Inequality</b> <i>Readings: Blonigen &amp; Figlio, 2001,</i> <i>Ravallion 2018</i>
<b>04/09</b>	<b>Trade &amp; Environment</b> <i>Readings: Etsy 2001, Antweiler et al.</i> <i>2001, Levine et al., 2003</i>	<b>04/11</b>	<b>FDI &amp; Environment</b> <i>Readings: Keller &amp; Levinson, 2002</i>
<b>04/16</b>	<b>Trade &amp; Culture</b> <i>Readings: Rauch, 2002</i> <i>Bala et al., 2004</i>	<b>04/18</b>	<b>FDI &amp; Culture</b> <i>Readings: Holton 2000, Lucke &amp;</i> <i>Eichler 2016</i> <i>Check-In #5: Results</i>
<b>04/23</b>	<b>Topics of interest</b> <i>Readings:</i>	<b>04/25</b>	<b>Capstone Presentations</b>
<b>04/30</b>	<b>Capstone Presentations</b>	<b>05/02</b>	<b>Capstone Presentations</b> <b>Term Paper Due (May 5<sup>th</sup>)</b>