



ECON 437: Multinationals and the Globalization of Production, Fall 2016

Tuesday and Thursday 12:05–13:20 // IST 113

	Professor	Teaching Assistant
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Office hours:	T 16:00–17:00 // W 11:00–12:00	
Course page:	kimjruhl.com/multinationals	

Introduction

Modern economies are dominated by multinational enterprises — firms that own business units in more than one country. Multinationals are responsible for one-fifth of U.S. employment and facilitate almost all international trade. Multinational firms are both goods producers (Apple, Ford, Nestle, Nike) and service providers (Google, Santander, Starwood Hotels, Walmart).

In this course we will study what motivates some firms to expand production abroad and the different forms this expansion can take. We will study the impacts of multinationals on their host countries and the ways that trade and tax policy shape the structure of the firm.

Important Dates

Exam 1: **Thursday, September 29 — in class.**

Exam 2: **Thursday November 3 — in class.**

Final Exam: **Final exam period.**

Note: Early flights home, bus tickets to leave town, and family vacations are NOT valid excuses to miss or reschedule a final exam. Students should make plans to leave campus AFTER all their scheduled exams are completed. The Economics Department’s policy on valid excuses for missing an exam is detailed below.

Prerequisites

I expect you to be able to apply the tools of basic economics, statistics, and mathematics. Problem sets will often require you to work with data or compute numerical examples. Students must have completed ECON 302 (Intermediate Micro Theory) or ECON 333 (International Economics) prior to enrollment.

Course website (kimjruhl.com/multinationals)

Virtually everything you need for this course will be posted on the course website: notes, readings, assignments, slides, and links to electronic information sources. The “recent announcements” section of the site displays the last few announcements I have made. Clicking on the “all announcements” link will take you to the course announcements page. From there, if you wish, you can subscribe to the course announcements via an RSS feed aggregator. Below the recent announcements is the course schedule. This is a week-by-week breakdown of assigned reading and problem set due dates. The topics and reading schedule is subject to change, but the due dates for problem sets and the exam dates are immutable.

Feedback

Please see me if you have concerns or comments about the course. If you would like to provide feedback about this course you may also contact the Director of Undergraduate Studies in Economics or leave a comment in the box that the Department maintains in 303 Kern.

Course Materials

Readings There is no required textbook for this course. The readings for the course will be a mixture of research papers, news and magazine articles, and my notes. Links to each week's reading are posted on the course website.

Slides I post a preliminary version of my slides to the course webpage before class and (if necessary) an updated version after class.

News I expect you to read regularly a publication that covers economic topics. My favorites are *The Economist* and the *The Wall Street Journal*, but *The New York Times*, *Bloomberg.com*, or any other suitable publication or website will do.

Grading

Your course grade will be computed as:

Deliverable	Contribution
5 Problem Sets	5%
Exam 1	25%
Exam 2	25%
Final Exam	40%
Participation	5%

Problem sets In the problem sets, you will be asked to compute numerical examples similar to ones we have covered in class, find and analyze data, and use the principles we are studying to analyze and comment on various issues.

There are 5 problem sets throughout the semester, and each set is worth 1 percentage point of your final grade. Problem sets are graded as "check," "check plus," or "check minus." Problem sets scored check or check plus earn the full 1 percentage point. Problem sets graded check minus earn 0 percentage points. Problem sets should be brought to class on the day they are due. Late problem sets are not accepted.

Exams Exams 1 and 2 are not cumulative. The final exam is cumulative. The exams cover any material from class or assigned as reading. You may use one sheet of notes (letter size paper, both sides) and a calculator, but you may not use any device that is capable of wireless transmission.

Class participation Everyone learns more and has more fun when people participate in class. Class participation includes asking thoughtful questions, raising issues from current events, and sharing your own relevant experiences.

Excused Absences

The Economics Department's policy on valid excuses is available at <http://econ.la.psu.edu/undergraduate/valid-excuses>. From the website:

Illness or injury, family emergencies, certain University-approved curricular and extra-curricular activities, and religious holidays can be legitimate reasons to miss class or to be excused from a scheduled examination.

In the case of your own illness or injury, confirmation from a physician, physician's assistant, a nurse-practitioner, or a nurse is required. Be advised that University Health Services cannot provide such verification unless they have provided treatment and the student authorizes release of information to the instructor. Further, barring extraordinary circumstances, the confirmation must be available to the instructor prior to the missed course event.

With regard to family emergencies, you must provide verifiable documentation of the emergency. Given the vast array of family emergencies the instructor will provide precise guidance as to what constitutes adequate documentation. Unless the emergency is critical you should notify the instructor in advance of your absence from the scheduled course event. In cases of critical emergencies, you must notify the instructor within one week of your absence.

For University-approved curricular and extra-curricular activities, verifiable documentation is also required. The student should obtain from the unit or department sponsoring the activity a letter (or class absence form) indicating the anticipated absence(s). The letter must be presented to the instructor at least one week prior to the first absence.

In the case of religious holidays, the student should notify the instructor by the third week of the course of any potential conflicts.

If a student misses a class during which an evaluative event (e.g., a quiz or an exam) takes place, and the student has a valid excuse, it is the policy of the Economics Department that the missed event may be made up in one of two ways that are to be decided by the instructor:

1. the student will take a make-up version for the missed evaluative event; or
2. the student will be excused from the missed event, and the weight of that event in the overall course grade will be reassigned to either the course final exam or to a subset of the subsequent evaluative events in the course.

Academic Integrity

Penn State defines academic integrity as the pursuit of scholarly activity in an open, honest and responsible manner. All students should act with personal integrity, respect other students dignity, rights and property, and help create and maintain an environment in which all can succeed through the fruits of their efforts (Faculty Senate Policy 49-20).

Dishonesty of any kind will not be tolerated in this course. Dishonesty includes, but is not limited to, cheating, plagiarizing, fabricating information or citations, facilitating acts of academic dishonesty by others, having unauthorized possession of examinations, submitting work of another

person or work previously used without informing the instructor, or tampering with the academic work of other students. Students who are found to be dishonest will receive academic sanctions and will be reported to the University's Judicial Affairs office for possible further disciplinary sanction.

Nondiscrimination

The Pennsylvania State University is committed to the policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. The Pennsylvania State University does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status.

Students with disabilities

The Pennsylvania State University encourages qualified people with disabilities to participate in its programs and activities and is committed to the policy that all people shall have equal access to programs, facilities, and admissions without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by state or federal authorities. If you anticipate needing any type of accommodation in this course or have questions about physical access, please tell the instructor as soon as possible.

Course outline and deliverable due dates

Below is a thematic course outline. The schedule on the course web page is the most up to date and includes links to the assignments and readings.

1. Introduction
2. Multinational data
3. Horizontal foreign direct investment
 - (a) Why go multinational? Market access.
 - (b) Models of horizontal FDI // back to the data
4. Vertical FDI
 - (a) Why go multinational? Input costs.
 - (b) Models of vertical FDI // back to the data
5. Hold-up problems and internalization
6. Multinationals and taxes

Problem set due dates: September 8 and 22; October 3 and 27; November 17.

Exam dates: September 29; November 3; finals week.