



ECON 437: Multinationals and the Globalization of Production, Fall 2017

Tuesday and Thursday 12:05–13:20 // Osmond Lab 101

	Professor	Teaching Assistant
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Office hours:	T 16:00–17:00 // W 11:00–12:00	TBA
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, October 5 — in class.**

Exam 2: **Thursday November 9 — in class.**

Final Exam: **Final exam period.**

Note: 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-f17)

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.

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
 - (c) Export platforms
4. Vertical FDI
 - (a) Why go multinational? Input costs.
 - (b) Models of vertical FDI
5. The effect of FDI on the host country
6. Competing for FDI
7. Multinationals and taxes
8. Hold-up problems and internalization

Problem set due dates: September 7 and 28; October 19; November 2; December 7.

Exam dates: October 5; November 9; finals week.

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

Academic integrity is the pursuit of scholarly activity in an open, honest and responsible manner. Academic integrity is a basic guiding principle for all academic activity at The Pennsylvania State University, and all members of the University community are expected to act in accordance with this principle. Consistent with this expectation, the University's Code of Conduct states that 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.

Academic integrity includes a commitment by all members of the University community not to engage in or tolerate acts of falsification, misrepresentation or deception. Such acts of dishonesty violate the fundamental ethical principles of the University community and compromise the worth of work completed by others.

Disability Accommodation

Penn State welcomes students with disabilities into the University's educational programs. Every Penn State campus has an office for students with disabilities. Student Disability Resources (SDR) website provides contact information for every Penn State campus. For further information, please visit Student Disability Resources website.

In order to receive consideration for reasonable accommodations, you must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an intake interview, and provide documentation: See documentation guidelines. If the documentation supports your request for reasonable accommodations, your campus disability services office will provide you with an accommodation letter. Please share this letter with your instructors and discuss the accommodations with them as early as possible. You must follow this process for every semester that you request accommodations.

Counseling and Psychological Services

Many students at Penn State face personal challenges or have psychological needs that may interfere with their academic progress, social development, or emotional wellbeing. The university offers a variety of confidential services to help you through difficult times, including individual and group counseling, crisis intervention, consultations, online chats, and mental health screenings. These services are provided by staff who welcome all students and embrace a philosophy respectful of clients' cultural and religious backgrounds, and sensitive to differences in race, ability, gender identity and sexual orientation.

Counseling and Psychological Services at University Park (CAPS): 814-863-0395
Counseling and Psychological Services at Commonwealth Campuses Penn State Crisis Line (24 hours/7 days/week): 877-229-6400
Crisis Text Line (24 hours/7 days/week): Text LIONS to 741741

Educational Equity/Report Bias

Consistent with University Policy AD29, students who believe they have experienced or observed a hate crime, an act of intolerance, discrimination, or harassment that occurs at Penn State are urged to report these incidents as outlined on the University's Report Bias webpage.