



Course Description

Multinational Firms, Contracts, and Trade

Summer Term 2019

Instructor: Prof. Dr. Christian Fischer

Office: RW I, Room 1.0 02 150

Email: christian.fischer@uni-bayreuth.de

Webpage: www.fischer.uni-bayreuth.de

Office hours: by appointment; the best opportunity is before/after the lectures

Organization

This course is blocked on the first half of the summer term. It takes place from 23 April 2019 until 30 May 2019.

Tuesday, 14.15h – 15.45h and 16.15h – 17.45h: Weekly lectures

Thursday, 12.15h – 13.45h: Weekly tutorials

The course will be taught in English. Also, the exam will be in English (and take place in either calendar week 23 or 24). Please check CampusOnline for the up-to-date course location.

Course objectives

This course introduces students to firm-based theories of international trade, with a special focus on the organization of multinational value chains. After an introduction on key empirical regularities we will aim to understand the determinants of firms' decision to export or not, which foreign markets to enter, and the role of heterogeneity between firms in shaping those decisions. We will then study the international organization of production and analyse the key drivers for firms' engagement in outsourcing and foreign direct investments. In the multinational context, contracts are often incomplete and difficult to enforce and we will study a variety of mechanisms how firms can deal with and manage these frictions.

The course is targeted at students in the Master programs in Economics, Internationale Wirtschaft & Governance or Philosophy & Economics. The course will be taught on an abstract and theoretical

level and participants should have profound knowledge of microeconomics and good mathematical skills.

Literature

There does not exist a textbook covering all of the materials of this course. We will work with original articles and go through the analysis step by step (a tentative list of the studied papers can be found further below). However, the following references will give you an overview of many of our topics.

Antràs, P. (2016). Global Production: Firms, Contracts, and Trade Structure. Princeton University Press.

Antràs, P., & Yeaple, S. R. (2014). Multinational Firms and the Structure of International Trade. Handbook of International Economics, 4(2), 55-130.

Course outline

1. Introduction: Firms in International Trade
2. Basics I: Trade with Monopolistic Competition
3. Basics II: Firms Heterogeneity and International Trade
4. Horizontal FDI: The Proximity Concentration Trade-Off
5. Contracts and Vertical FDI
6. Relational Contracts and the Multinational Firm

Course materials

Lecture notes and problem sets can be downloaded from the [e-Learning Server](#) and will be made available before each lecture/tutorial.

Credit points

The course gives 6 ECTS and can be used for the module "Theorie und Empirie der internationalen Arbeitsmärkte (International Labor Markets)".

Examination

Grading of the course is based on active participation and a written exam (1h). The exam date will be announced during the first week of the course.

References

Introduction: Firms in International Trade

Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2007). Firms in international trade. The Journal of Economic Perspectives, 21(3), 105-130.

Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2012). The empirics of firm heterogeneity and international trade. Annu. Rev. Econ., 4(1), 283-313.

Antràs, P., & Yeaple, S. R. (2014). Multinational Firms and the Structure of International Trade. Handbook of International Economics, 4(2), 55-130.

Basics I: Trade with Monopolistic Competition

Dixit, A. K., & Stiglitz, J. E. (1977). Monopolistic competition and optimum product diversity. The American Economic Review, 67(3), 297-308.

Krugman, P. (1979). Increasing returns, monopolistic competition, and international trade. Journal of international Economics, 9(4), 469-479.

Krugman, P. (1980). Scale economies, product differentiation, and the pattern of trade. The American Economic Review, 70(5), 950-959.

Feenstra, R. C. (2015). Advanced international trade: theory and evidence. Princeton University Press: Chapter 5.

Basics II: Firms Heterogeneity and International Trade

Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. Econometrica, 71(6), 1695-1725.

Horizontal FDI: The Proximity Concentration Trade-Off

Helpman, E., Melitz, M. J., & Yeaple, S. R. (2004). Export versus FDI with Heterogeneous Firms. The American Economic Review, 94(1), 300-316.

Brainard, S. L. (1997). An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade. The American Economic Review, 520-544.

Brainard, S.L. (1993). A Simple Theory of Multinational Corporations with a Trade-off between Proximity and Concentration. NBER Working Paper.

Contracts and Vertical FDI

Helpman, E. (1984). A Simple Theory of International Trade with Multinational Corporations. The Journal of Political Economy, 451-471.

Ramondo, N., Rappoport, V., & Ruhl, K. J. (2016). Intrafirm trade and vertical fragmentation in US multinational corporations. Journal of International Economics, 98, 51-59.

Antràs, P. (2003). Firms, contracts, and trade structure. The Quarterly Journal of Economics, 118(4), 1375-1418.

Antràs, P., & Helpman, E. (2004). Global sourcing. Journal of Political Economy, 112(3), 552-580.

Acemoglu, D., Antràs, P., & Helpman, E. (2007). Contracts and Technology Adoption. The American Economic Review, 916-943.

Antràs, P., & Chor, D. (2013). Organizing the global value chain. Econometrica, 81(6), 2127-2204.

Relational Contracts and the Multinational Firm

Baker, G., Gibbons, R., & Murphy, K. J. (2002). Relational Contracts and the Theory of the Firm. The Quarterly Journal of Economics, 117(1), 39-84.

Kukharskyy, B. (2016). Relational contracts and global sourcing. Journal of International Economics, 101, 123-147.

Defever, F., Fischer, C., & Suedekum, J. (2016). Relational contracts and supplier turnover in the global economy. Journal of International Economics, 103, 147-165.