

Syllabus of International Investment (Somchai Ratanakomut)

(University of Utah, Salt Lake City, Utah)

Part I
6/5/20

1. Introduction (Monday, May 12, 2014)

Multinational Corporations

Macro versus Micro Approaches

Topics in "Microeconomic Approach to International Investment"

2. Markets and Its Environment. (Wednesday, May 14, 2014)

2.1 Market types

Monopoly, Oligopoly, Monopolistic Competition and Perfectly Competitive Markets,

Concentration index and Innovation

2.2 Macroeconomic environment

Aggregate Demand, Macroeconomic Policy, Exchange Rate and Crowding Out Effect

International Trade and Investment (Vernon and Krugman)

Economic Development Strategies (Import Substitution, Outward looking and

Business Cycles)

3. Theories of Industrial Organizations (Monday May 19, 2014)

3.1 Relationships of Structure, Conduct and Performance

3.2 Price and Non-Price Competition

4. International Business Practices and Government policies (Wednesday May 21, 2014)

4.1 Infrastructure and Investment Promotion

4.2 Investment Promotion and Competition

5. Areas of Research in International Investment (Wednesday, May 28, 2014)

5.1 Trends in International Business Practices

5.2 Summary

Richard E. Caves, **Multinational Enterprise and Economic Analysis**, Second edition, Cambridge Survey of Economic Literature, Cambridge University Press, 1996.

Supplement Texts:

David Besanko, David Dranove and Mark Shanley, **Economics of Strategy**, Second Edition, John Wiley & Sons, Inc., New York, 2000.

Sjoerd Beugelsdijk, Steven Brakman, Hans van Ees, and Harry Garretsen, Eds., **Firms in the International Economy: Firm Heterogeneity Meets International Business**, MIT Press, Cambridge, Massachusetts, London, England, 2013.

Pual Cashian, **Economics Strategy and the Firm**, Palgrave Macmillan, New York, 2007.

Gerard Cliquet, George Hendrikse, Mika Tuunanen and Josef Windsperger, Eds., **Economics and Management of Networks: Franchising, Strategic Alliances and Cooperatives**, Physica-Verlag, Heidelberg 2007.

Timothy C. G. Fisher, David Prentice and Robert Waschick, **Managerial Economics: A strategic approach**, Second Edition, Routledge, London and New York, 2010.

Neil Hood, Ed., **The multinational Subsidiary: management, economic development and public policy**, Palgrave Macmillan, Hamshire, 2003.

Alfred Kleinknecht and Pierre Mohnen, Eds., **Innovation and Firm Performance: Econometric Explorations of Survey Data**, Palgrave, Hamshire and New York, 2002.

Suggested Readings:

1. Introduction (Monday, May 12, 2014)

Richard E. Caves Chapters 1 and 2

2. Markets and Its Environment (Wednesday, May 14, 2014)

Richard E. Caves Chapters 5 and 6

Timothy C. G. Fisher, David Prentice and Robert Waschick, **Managerial Economics**

3. Theories of Industrial Organizations (Monday May 19, 2014)

Richard E. Caves Chapters 3, 4 and 7, and

Pual Cashian, **Economics Strategy and the Firm**

4. International Business Practices and Government Policies (Wednesday May 21, 2014)

Richard E. Caves Chapters 8 and 9

David Besanko, David Dranove and Mark Shanley, **Economics of Strategy**

5. Areas of Research in International Investment (Wednesday, May 28, 2014)

Richard E. Caves Chapter 10

Part II

ECONOMICS DEPARTMENT
UNIVERSITY OF UTAH

SUMMER 2014

SOMCHAI RATANAKOMUT AND STEPHEN REYNOLDS (stephen.reynolds@csbs.utah.edu OSH 379)

TITLE OF COURSE: MULTINATIONAL FIRMS, ECON 5520/6520

TEXT: R. CAVES, MULTINATIONAL ENTERPRISE AND ECONOMIC ANALYSIS, 3rd Edition 2007

MW 6 PM- 9 PM, ROOM: M LI 1150

GENERAL DESCRIPTION: **PART II** EXAMINES THE THEORY, EXPERIENCE AND POLICY OF INTERNATIONAL ECONOMICS OF INVESTMENT WITH A MACROECONOMIC ORIENTATION. THE MAIN TOOLS OF ECONOMIC ANALYSIS IN THIS PART COME FROM (1) THE THEORY OF INTERNATIONAL ECONOMICS (TRADE AND FINANCE) AND (2) THE THEORY OF ECONOMIC DEVELOPMENT. THESE MACROECONOMIC PERSPECTIVES ARE BASED ON "STYLIZED FACTS," ASSUMPTIONS, DRAWN FROM MICROECONOMIC ANALYSIS, FOCUS OF **PART I** OF THE COURSE WITH PROF. RATANAKOMUT. IN READING THE ASSIGNMENTS FOR **PART II**, PLEASE, FOCUS ON THE MAIN THEMES -- NOT THE TECHNICAL DETAIL -- OF THE READING. YOU DO NOT NEED TO READ EVERYTHING BUT SHOULD SELECT SOME ITEMS IN EVERY SECTION TO READ CAREFULLY (* IS MORE IMPORTANT THAN NO *) AND "SKIM" OTHERS. PARTICULARLY IMPORTANT ASSIGNMENTS ARE MARKED, ***; THEY SHOULD BE READ CAREFULLY BY EVERYONE.

THE COURSE IS VERY INTENSIVE. IF YOU PLAN TO MISS EVEN ONE CLASS MEETING (THE EQUIVALENT OF MORE THAN A WEEK'S WORK DURING A REGULAR SEMESTER) YOU ARE ENCOURAGED NOT TO REGISTER.

OCCASIONALLY A READING ASSIGNMENT MADE IN PART I. WILL BE REPEATED IN PART II. PLEASE REVIEW THE READING SINCE DIFFERENT ASPECTS WILL BE EMPHASIZED IN THE DIFFERENT PARTS OF THE COURSE.

ALL UNCTAD WORLD INVESTMENT REPORTS CAN BE ACCESSED ELECTRONICALLY, FREE, THROUGH THE MARRIOTT LIBRARY CATALOG WHEN YOU ENTER THROUGH THE *MY UTAH* PORTAL AT: <http://www.unctad.org/> THAT IS HOW YOU WILL GET THEM, NOT ON RESERVE. WIR 2011 is at: [http://www.unctad.org/en/Pages/DIAE/World Investment Report/WIR2011_WebFlyer.aspx](http://www.unctad.org/en/Pages/DIAE/World%20Investment%20Report/WIR2011_WebFlyer.aspx)

ASSIGNMENTS FOR INTRODUCTION AND PART I:

June 2 I. INTRODUCTION: TRADE VERSUS FOREIGN DIRECT INVESTMENT AND GENERAL EQUILIBRIUM MODELS.

*** R. CAVES, MULTINATIONAL ENTERPRISE AND ECONOMIC ANALYSIS, CHAPTER 1, Multinational Enterprise (MNE) as an Economic Organization AND CHAPTER 2 The MNE and Models of International Economic Activity

* UNCTAD WORLD INVESTMENT REPORT, INVESTMENT, TRADE AND INTERNATIONAL POLICY ARRANGEMENTS, CHAPTER 3, 1996

* UNCTAD WORLD INVESTMENT REPORT, PAGES 43-47, JAPAN, CHINA AND ASEAN, 2002

* UNCTAD WORLD INVESTMENT REPORT, 2009, OVERVIEW

http://www.unctad.org/en/docs/wir2009overview_en.pdf

*** R. CAVES, J. FRANKEL AND R. JONES, WORLD TRADE AND PAYMENTS, "FACTOR PROPORTIONS AND TRADE: THE HECKSCHER-OHLIN MODEL"

June 4, II. SPECIFIC FACTORS, PROPRIETARY ASSETS, PRODUCT & PROCESS CYCLES & INCREASING RETURNS: TRADE WITH FDI.

* UNCTAD, WORLD INVESTMENT REPORT, CHAPTER 4, 1996

*** P. KRUGMAN, "A MODEL OF INNOVATION, TECHNOLOGY TRANSFER, AND THE WORLD DISTRIBUTION OF INCOME," JOURNAL OF POLITICAL ECONOMY NO. 2, 1979

*** R. VERNON, "THE PRODUCT CYCLE HYPOTHESIS IN A NEW INTERNATIONAL

ENVIRONMENT" OXFORD BULLETIN OF ECONOMICS AND STATISTICS, NO.4, 1979

*** J. MARKUSEN, "FACTOR MOVEMENTS AND COMMODITY TRADE AS COMPLEMENTS" JOURNAL OF INTERNATIONAL ECONOMICS, 14, 1983

*** R. BRECHER AND C. DIAZ-ALEJANDRO, "TARIFFS, FOREIGN CAPITAL AND IMMISERIZING GROWTH, JOURNAL OF INTERNATIONAL ECONOMICS, NO. 7, 1977

June 9, III. INTERNATIONAL INVESTMENT AND FINANCIAL FLOWS.

INTERNATIONAL FINANCIAL FLOWS AND THE MACROECONOMY: BALANCE OF PAYMENTS, AND FOREIGN EXCHANGE MARKETS.

*** R. CAVES, MNE, CHAPTER 6, Investment Behavior and Financial Flows

* M. FRY, "FOREIGN DIRECT INVESTMENT IN SOUTHEAST ASIA: DIFFERENTIAL IMPACTS," INSTITUTE OF SOUTHEAST ASIAN STUDIES, SINGAPORE, 1993 (compares LA and SEAsia)

*** M. DOOLEY, ET.AL. . "IS THE DEBT CRISIS HISTORY?" "THE WORLD BANK ECONOMIC REVIEW," JAN 1996

*** E. FERNANDEZ-ARIS AND P. MONTIEL, "THE SURGE IN CAPITAL INFLOWS TO DEVELOPING COUNTRIES," "THE WORLD BANK ECONOMIC REVIEW," JAN 1996

June 11, IV. NATIONAL DEVELOPMENT CONSEQUENCES OF MULTINATIONAL ENTERPRISES. INCOME DISTRIBUTION, TECHNOLOGICAL CHANGE AND TAX COLLECTIONS & COMPARISONS OF MNE & NATIONAL FIRMS.

*** R. CAVES, MNE, CHAPTERS 5, 7,8,9: Income Distribution, Technology, Taxation, MNEs in LDCs

* T.CHEN ANP D.TANG "THE PRODUCTION CHARACTERISTICS OF MULTINATIONAL FIRMS AND THE EFFECTS OF TAX INCENTIVES, "JOURNAL OF DEVELOPMENT ECONOMICS, NO. 24, 1986

* F. RIVERA-BATIZ & L. RIVERA-BATIZ "THE EFFECTS OF DIRECT FOREIGN INVESTMENT IN THE PRESENCE OF INCREASING RETURNS DUE TO SPECIALIZATION" JOURNAL OF DEVELOPMENT ECONOMICS, NO. 34, 1991.

* T. CHEN AND D. TANG, "COMPARING TECHNICAL EFFICIENCY BETWEEN IMPORT-SUBSTITUTION AND EXPORT-ORIENTED FOREIGN FIRMS IN A DEVELOPING ECONOMY, "JOURNAL OF DEVELOPMENT ECONOMICS, NO. 26, 1987

*** R. JENKINS, "COMPARING FOREIGN SUBSIDIARIES AND LOCAL, FIRMS IN LDCS, " THE JOURNAL OF DEVELOPMENT STUDIES," NO. 2, 1990

*** S. URATA AND H. KAWAI, "INTRA-FIRM TECHNOLOGY TRANSFER BY JAPANESE MANUFACTURING FIRMS IN ASIA" IN "THE ROLE OF FOREIGN DIRECT INVESTMENT IN EAST ASIAN ECONOMIC DEVELOPMENT" ITO AND KREUGER, EDS. , 2000.

* L. BRANSTETTER AND R. FEENSTRA, "TRADE AND FOREIGN DIRECT INVESTMENT IN CHINA: A POLITICAL ECONOMY APPROACH, "JOURNAL OF INTERNATIONAL ECONOMICS" 2002

* J. PARK , "INTERNATIONAL AND INTERSECTORAL R&D SPILLOVERS IN THE OECD AND EAST ASIAN ECONOMIES," ECONOMIC INQUIRY, 2004, 42(4): 739-757

* T. OLSEN AND P. OSMUNDSEN, "SPILLOVERS AND INTERNATIONAL COMPETITION FOR INVESTMENTS," JOURNAL OF INTERNATIONAL ECONOMICS, 2003, 59(1): 211-238

* JT HUANG, "SPILLOVERS FROM TAIWAN, HONG KONG AND MACAU INVESTMENT AND FROM OTHER FOREIGN INVESTMENT IN CHINESE INDUSTRIES," CONTEMPORARY ECONOMIC POLICY, 2004, 22(1): 13-25

* UNCTAD, WORLD INVESTMENT REPORT, PAGES 101-119, "INNOVATION, R&D AND DEVELOPMENT AND R&D BY TNC;" PAGES172-176, "DRIVERS AND DETERMINANTS," 2005

June 16 V. THE INVESTMENT DEVELOPMENT PATH AND PUBLIC POLICY, MNES AND THEIR DEVELOPMENT CONSEQUENCES: MATURE INDUSTRIALIZED NATIONS VS. RECENTLY AND LATER INDUSTRIALIZING NATIONS.

*** J. DUNNING AND R. NARULA, CHAPTER 1, "THE INVESTMENT DEVELOPMENT PATH REVISITED: SOME EMERGING ISSUES," "FOREIGN DIRECT INVESTMENT AND GOVERNMENTS," 1996

- *** S. LALL, CHAPTER 13, "THE IDP: SOME CONCLUSIONS," "FOREIGN DIRECT INVESTMENT AND GOVERNMENTS," 1996
- * UNCTAD, WORLD INVESTMENT REPORT, PAGES 181-197, "DEVELOPMENT IMPLICATIONS (of R&D in developing countries)" 2005
- *** R. CAVES, CHAPTER 10, Public Policy
- A. RODRIGUEZ-CLARE, "MULTINATIONALS, LINKAGES AND ECONOMIC DEVELOPMENT," "THE AMERICAN ECONOMIC REVIEW," NO. 4, 1996
- P. ROMER, "THE ORIGINS OF ENDOGENOUS GROWTH," "JOURNAL OF ECONOMIC PERSPECTIVES," VOL. 8, 1994.
- *** S. CHAN & C. CLARK, "DO MNC'S MATTER FOR NATIONAL DEVELOPMENT? CONTRASTING EAST ASIA AND LATIN AMERICA" IN "FOREIGN DIRECT INVESTMENT IN A CHANGING GLOBAL POLITICAL ECONOMY" ED. S. CHAN, 1996.
- D. MOWERY & J. OXLEY, "INWARD TECHNOLOGY TRANSFER AND COMPETITIVENESS: THE ROLE OF NATIONAL INNOVATION SYSTEMS," CAMBRIDGE JOURNAL OF ECONOMICS, VOL. 19, 1995.
- UNCTAD, WORLD INVESTMENT REPORT, "KEY NATIONAL FDI POLICIES..." AND "EIGHT KEY ISSUES," CHAPTERS 3 AND 4, 2003.
- UNCTAD, WORLD INVESTMENT REPORT, PAGES 201-222, "ROLE OF NATIONAL POLICY (regarding R&D in developing countries)" 2005
- ***S. COHEN, MULTINATIONAL CORPORATIONS AND FOREIGN DIRECT INVESTMENT, 2007, PAGES 332-363

June 18, 2ed MIDTERM EXAM IN CLASSROOM: 6:00-8:00p

No make-up exams will be given, regardless of reason, except when required under University regulations. University regulations permit "incomplete" grades only when no more than 20% of the required work remains to be completed. The topic paper and the two midterm exams are 100% of the course grade unless classroom performance is especially good (or bad).

The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations.

All written information in this course can be made available in alternative format with prior notification to the Center for Disability Services

The assigned readings may be found by going, on line from a University computer, to the Marriott Library main page; on the left, click on "course reserves;" in the search box enter "Gander;" on the left will be a course list, click on 6620 (yes, I know it is the wrong course number) where a list of 28 items will be found; click on the desired item -- often there are several by the same author be careful to get the right one.