

ECON 6520: Multinational Firms: International Trade and Investment
(summer 2018)

Monday and Wednesday, 6:00 PM – 9:00 PM

Marriott Library 1150

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Course Description:

This course intends to emphasize and covers micro as well as macroeconomic aspects, with some examples of real world MNCs. It also deals with governments, public policies in home and host countries. For microeconomic approach, it covers MNEs' business objectives, market conditions and decision makings involved with monopoly, oligopoly and monopolistic competition. This will include their business-entry strategies, price discrimination, vertical and horizontal integration practices, and outsourcing. It also covers the issues of franchising, product differentiation, intellectual property right, transfer of technology and transfer pricing. For the macro approach, the topics cover theories and factors behind international investment, pros and cons of foreign direct investment with respect to home and host countries. Relationship between FDI and economic variables like exchange rate, wage, impacts on economic structure and income distribution. Other topics include the host countries' environment, the role of host countries government and development of the host in general.

Materials

Main text

Richard E. Caves, *Multinational Enterprise and Economic Analysis*, Third edition, Cambridge University Press, New York, 2007. (Caves)

Supplementary Texts

Timothy C. G. Fisher, David Prentice and Robert Waschik, *Managerial Economics, A Strategic Approach*, Second edition, Routledge, London and New York, 2010. (Fischer)

Lynne Pepall, Dan Richards and George Norman, *Contemporary Industrial Organization: A quantitative Approach*, John Wiley and Son, Hoboken, New Jersey, 2010. (Pepall)

Robert C. Feenstra, *Advanced International Trade: theory and evidence*, Princeton University Press, Princeton, New Jersey, 2004. (Feenstra)

Tentative Schedule, Topics and Readings

Date	Topic	Readings
MNCs in Microeconomic Perspectives		
May 14 ^h	Introduction/ Dunning Eclectic Model	Caves Ch. 1-2
May 16 th	Monopoly/ Game Theory/ Oligopoly	Fisher Ch. 2-6
May 21 st	Pricing Strategy/ Vertical and Horizontal Integration/ Transfer Technology	Caves Ch. 3 and Fisher Ch. 10
May 23 rd	Franchising/ Outsourcing/ Advertising/ Product Differentiation/ Barriers to Entry	Caves Ch. 4, Fisher Ch. 7 -9 Ch.15
May 28 th	No class – Memorial Day	
May 30 th	Innovation and Intellectual Property/ Host Government	Caves Ch. 7
MNCs in Macroeconomics Perspectives		
June 4 th	MNEs and International Trade	Caves Ch.2 Fisher Ch. 19 Feenstra Chapter 11
June 6 th	Movement of Capital/ Technology/ Implication on Workers	Caves Ch. 7
June 11 th	International Finance/ MNEs and financial flows/ Exchange Regimes	Caves Ch. 6
June 13 th	FDI and Labor Movement/ Economic Development	Caves Ch. 5,9 Feenstra Ch. 10-11 Pepall Ch. 15
June 18 th	Economic Integration and MNEs	Caves Ch. 10
June 20 th	Exam	Second half of the class

Points for Evaluation:

1 short papers	25 points
1 mid-term exam	25 points
1 final exam	50 points
Total	100 points

The instructors reserve their rights to make changes to this syllabus. Any changes to the syllabus will be announced in class well in advance of when they take effect.