

OIECOY01– The Globalization of Firms

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Department: International affairs
Semester: 2

Course level: Undergraduate, Graduate
Domain: International Economics
Teaching language: English
Number of in-class hours: 18
Number of course sessions: 6 + Exam
ECTS: 3

Course description and objectives

This course will provide students with the analytical tools that are essential to understand the process of globalization through the lens of firms. Lectures will focus on the key topics that are at the core of the optimal firm's international strategy: when is it optimal to offshore production abroad? In which countries and how? When exporting is more efficient than offshoring? Which are the main trade obstacles for firm? At the end of the course, students are expected to have a good knowledge of the mechanisms underlying the determinants and the consequences of the optimal international strategy of firms. Students will also be able to read simple research articles that can be used for the writing of research or policy notes.

Prerequisites

Solid bases in economics and international economics are strongly encouraged

Learning outcomes

The students will have a deep knowledge of the main drivers of the globalization process of firms and its consequences for the welfare of countries.

Assignments and grading

- The final evaluation is based on a participation (25%) and a final exam (75%)

The numerical grade distribution will dictate the final grade. The passing grade for a course is 10/20.

Class participation: Active class participation – this is what makes classes lively and instructive. Come on time and prepared. Class participation is based on quality of comments, not quantity.

Exam policy: In the exam, students will not be allowed to bring any document (except if allowed by the lecturer). Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

Course structure

Session	Topic
1	A historical perspective of globalization and the role of firms
2	Micro-foundation of Multinational Enterprises (MNEs) and the optimal entry mode
3	The proximity-concentration trade-off
4	Export, FDI and Immigrants: the optimal strategy of heterogeneous firms
5	Gravity model for trade: from macro to firm perspective
6	Obstacles to trade: tariff and non-tariff barriers to firm's exports
7	Final Exam

Bibliography

- Krugman P., Obstfeld M., and Melitz M., (2008). International Economics: Theory and Policy. Pearson, 9th Ed.
 - Chapter 2 "World trade, an overview"
 - Chapter 6: "External Economies of Scale and the International Location of Production"
 - Chapter 9: "The Instruments of Trade Policy"
- Baldwin, R. and Martin, P. (1999): "Two waves of globalization: superficial similarities, fundamental differences", NBER Working Paper 6904.
- Beugelsdijk S., Brakman S., Garretsen H. and C. Van Marrewijk (2013) "International Economics and Business. Nations and Firms in the Global Economy", ed. Cambridge University Press (second edition). Chapter 6.
- Brainard, S.L. (1993) "A Simple Theory of Multinational Corporations with a Tradeoff between Proximity and Concentration", NBER Working Paper 4269.
- Brainard, S.L. (1997) "An Empirical Assessment of the Proximity- Concentration Trade-off Between Multinational Sales and Trade," American Economic Review, 87(4), pages 520-544.
- Helpman, E., Melitz M. and S. Yeaple (2004) "Export Versus FDI with Heterogeneous Firms," American Economic Review, vol. 94(1), pages 300-316.
- Ottaviano, G.I.P, Peri G. and G.C. Wright (2013) "Immigration, Offshoring, and American Jobs," American Economic Review, vol. 103(5), pages 1925-1959.
- Mitaritonna, C., Orefice G. and G. Peri (2017) "Immigrants and firms' outcomes: Evidence from France," European Economic Review, vol. 96(C), pages 62-82.
- Anderson J. and E. van Wincoop (2003) "Gravity with gravitas : A solution to the border puzzle", The American Economic Review 93(1), pages 170-192
- Chaney T. (2008) "Distorted Gravity : the intensive and extensive margins of international trade," American Economic Review, 98(4), pages 1707-21
- Head, K. and T. Mayer (2014) "Gravity Equations : Workhouse, Toolkit, and Cookbook", in Handbook of International Economics, Chapter 3.

- Baldwin, Richard (2013), "Multilateralising 21st century regionalism", Paper written for OECD, available here: <https://repository.graduateinstitute.ch/record/286980>
- Fontagné, L. and G. Orefice (2017) "Let's Try Next Door: Technical Barriers to Trade and Multi-destination Firms", European Economic Review, 2018, vol. 101, pages 643-663
- Fontagné, L., Orefice G., Rocha N. and R. Piermartini (2015) "Product Standards and Margins of Trade: firm level evidence", Journal of International Economics, 2015, vol. 97(1), pages 29-44.

Moodle: Yes

Academic integrity

Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.