

Bachelor Seminar in International Economics

„Cross Border Mergers and Acquisitions“

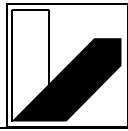
Introduction:

Understanding the effects of foreign direct investment and the behavior of multinational enterprises is a core issue in the study of international economics. The increasing availability of detailed micro-level data along with methodological advances in the econometric analysis of these data have made it possible for researchers to investigate the channels behind important correlations found in aggregate data.

An important observation in this literature is that foreign acquisitions can induce upward shifts in the technology level of acquired firms. Foreign-acquired plants in Indonesia, for example, experienced substantial restructuring upon acquisition involving a steep increase in machinery investment (Arnold and Javorcik 2009). Foreign acquisitions in the Spanish manufacturing sector similarly led to more product and process innovation and adoption of foreign technology (Guadalupe et al. 2012).

However, the public perception about cross-border M&A's is rather critical, as foreign takeovers are often associated with job losses and especially unskilled workers fear their replacement by more educated workers. There seems to be a widespread concern that foreign acquisitions may harm domestic workers through job losses and wage cuts, and these concerns seem to be most pronounced in the case of low-skilled rather than high-skilled workers.

In this seminar, we will speak to the public debate about the costs and benefits of multinational firm activity and foreign acquisitions. To be more specific, we will focus on the critical role multinational enterprises play in the global diffusion of knowledge and technology. In the first part of the seminar, we will focus on the labor market effects of foreign owned firms and investigate if nationality of ownership matters for labor demands. In the second part of the seminar we will focus on the link between innovation and foreign ownership and investigate if foreign direct investment increases the productivity of acquired firms. In a final step we will combine these insights by arguing that the use of superior technology can raise domestic productivity, however, operating this technology at maximum efficiency might require skills that are not available in the domestic firm upon acquisition. This creates incentives for the domestic firm to acquire these skills, in order to bring the new technology to its full economic potential.



Lecturer:

Dr. Michael Koch (michael.koch@uni-bayreuth.de)

Requirements:

- Writing a term paper (10 pages) about one of the seminar topics below (40% of the final grade)
- Active participation in the seminar (5% of the final grade)
- Seminar presentation in 45-60 minutes (40% of the final grade)
- Discussion (15-30 minutes) of one of the other topics (15% of the final grade)

Credit Points:

- The seminar is suited for and restricted to **Bachelor** students only
- Economics, IWE and P&E students can acquire 5 ECTS in their Bachelor program.
- P&E bachelor students (alte PO) can acquire 6 ECTS by choosing the E/Ö6 modul.

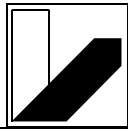
Organization:

There will be an introductory lecture on Thursday, 19th of October 2017 from 10 a.m. – 12 p.m. In this introductory lecture, topics will be assigned to students. The main part of the seminar is blocked (scheduled for 24th/25th of November 2017). For obtaining credit points, attendance at all dates is mandatory

Please note: The language of the seminar is English.

Application and deadlines:

- Applicants must enroll until 16th of October 2017 using the following link: [application](#). **Three topics** from the list below have to be indicated in the application form!
- Students who can participate in the seminar will be notified no later than 17th of October 2017. Please make sure that the e-mail address in your application is correct and up to date, as we will use this contact information for correspondence. (Note that we do not give any information upon acceptance before that date. E-mails with such requests will be deleted without response!)
- Late applications can be considered until the introductory lecture on Thursday, 19th of October 2017, provided that there is free capacity.
- The seminar is limited to 20 students (first come, first serve!).
- **Deadline for handing in the written work:** 1st of February 2018.
- **Deadline for handing in the presentation slides:** Monday, 20th of November 2017.



Seminar Topics:

1. Fabbri, F., Haskel, J. E., & Slaughter, M. J. (2003). Does nationality of ownership matter for labor demands? *Journal of the European Economic Association*, 1(2-3), 698-707.
2. Almeida, R. (2007). The labor market effects of foreign owned firms. *Journal of International Economics*, 72(1), 75-96.
3. Hijzen, A., Martins, P. S., Schank, T., & Upward, R. (2013). Foreign-owned firms around the world: A comparative analysis of wages and employment at the micro-level. *European Economic Review*, 60, 170-188.
4. Malchow-Møller, N., Markusen, J. R., & Schjerning, B. (2013). Foreign firms, domestic wages. *The Scandinavian Journal of Economics*, 115(2), 292-325.
5. Becker, S. O., Ekholm, K., & Muendler, M. A. (2013). Offshoring and the onshore composition of tasks and skills. *Journal of International Economics*, 90(1), 91-106.
6. Hakkala, K. N., Heyman, F., & Sjöholm, F. (2014). Multinational firms, acquisitions and job tasks. *European Economic Review*, 66, 248-265.
7. Arnold, J. M., & Javorcik, B. S. (2009). Gifted kids or pushy parents? Foreign direct investment and plant productivity in Indonesia. *Journal of International Economics*, 79(1), 42-53.
8. Guadalupe, M., Kuzmina, O., & Thomas, C. (2012). Innovation and foreign ownership. *The American Economic Review*, 102(7), 3594-3627.
9. Stiebale, J. (2016). Cross-border M&As and innovative activity of acquiring and target firms. *Journal of International Economics*, 99, 1-15.
10. Koch, M. und Smolka, M. (2017). Foreign Ownership and Skill-Biased Technological Change. *Aarhus University, Economics Working Paper No. 2017-04*, May 2017.