



## IWB III - Firms in International Markets (LV-Nr: 34064)

### Lecturer

Stefan Kornitzky

### Content

The recent international economics literature puts particular emphasis on the role of firms in international markets. On the one hand, imperfect competition and the preference of consumers to purchase goods from different firms are broadly accepted to be important aspects for understanding the empirical observation that, in contrast to the predictions of traditional trade theory, most of the trade flows are in the form of two-way exchanges (i) within narrow industry classifications and (ii) between relatively similar countries. On the other hand, firm organization itself is important for understanding the international transaction patterns. In particular, the international fragmentation of production processes and the organization of firms across national borders seem to be important aspects that render the recent wave of globalization different from previous ones.

It is the purpose of the lecture "Firms in International Markets" to shed light on these two phenomena. Thereby, the focus lies on the discussion of workhorse models for analyzing these aspects. Beyond that, some empirical evidence is presented in order to emphasize the relevance of the aforementioned phenomena.

### Organization

Both the course and the exam will be in English. The course is blocked and takes place weekly from Thursday 25<sup>th</sup> of April 2019, 10am-2pm in room S58.

### Table of Contents

#### Part I: The multinational firm

1. Definitions and stylized facts
2. Dunning's OLI framework
3. Horizontal and vertical MNEs

4. FDI in a three-country setting
5. Greenfield versus M&A

## **Part II: In-house production versus outsourcing**

6. Introducing the problem
7. Internal production versus outsourcing

## **Material and Literature Recommendations**

Lecture Notes and further material for this course can be downloaded from the E-Learning Server.

### **Recommended Literature**

- Barba Navaretti, G. and Venables, A.J. (2004). *Multinational Firms in the World Economy*. Princeton University Press.
- Brakman, S. and Garretsen, H. (2008). *Foreign Direct Investment and the Multinational Enterprise*. MIT Press.
- Markusen, J.R. (2002). *Multinational Firms and the Theory of International Trade*. MIT Press.

### **Exercise Course**

We will discuss exercises interchangeably with lecture parts during the course.

### **Grading**

Grading of the course is based on a written exam (1h) after the end of the course. If the number of participating students is less than 5, an oral examination may replace the written one. The exam will take place about two weeks after the end of the course.