Course Description

Multinational Firms, Contracts, and Trade

Summer Term 2019

Instructor: Prof. Dr. Christian Fischer
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Office hours: by appointment; the best opportunity is before/after the lectures

Organization

This course is blocked on the first half of the summer term. It takes place from 23 April 2019 until 30 May 2019.

Tuesday, 14.15h – 15.45h and 16.15h – 17.45h: Weekly lectures
Thursday, 12.15h – 13.45h: Weekly tutorials

The course will be taught in English. Also, the exam will be in English (and take place in either calendar week 23 or 24). Please check CampusOnline for the up-to-date course location.

Course objectives

This course introduces students to firm-based theories of international trade, with a special focus on the organization of multinational value chains. After an introduction on key empirical regularities we will aim to understand the determinants of firms’ decision to export or not, which foreign markets to enter, and the role of heterogeneity between firms in shaping those decisions. We will then study the international organization of production and analyse the key drivers for firms’ engagement in outsourcing and foreign direct investments. In the multinational context, contracts are often incomplete and difficult to enforce and we will study a variety of mechanisms how firms can deal with and manage these frictions.

The course is targeted at students in the Master programs in Economics, Internationale Wirtschaft & Governance or Philosophy & Economics. The course will be taught on an abstract and theoretical
level and participants should have profound knowledge of microeconomics and good mathematical skills.

**Literature**

There does not exist a textbook covering all of the materials of this course. We will work with original articles and go through the analysis step by step (a tentative list of the studied papers can be found further below). However, the following references will give you an overview of many of our topics.


**Course outline**

1. Introduction: Firms in International Trade
2. Basics I: Trade with Monopolistic Competition
3. Basics II: Firms Heterogeneity and International Trade
4. Horizontal FDI: The Proximity Concentration Trade-Off
5. Contracts and Vertical FDI
6. Relational Contracts and the Multinational Firm

**Course materials**

Lecture notes and problem sets can be downloaded from the e-Learning Server and will be made available before each lecture/tutorial.

**Credit points**

The course gives 6 ECTS and can be used for the module "Theorie und Empirie der internationalen Arbeitsmärkte (International Labor Markets)".

**Examination**

Grading of the course is based on active participation and a written exam (1h). The exam date will be announced during the first week of the course.
References

Introduction: Firms in International Trade


Basics I: Trade with Monopolistic Competition


Basics II: Firms Heterogeneity and International Trade


Horizontal FDI: The Proximity Concentration Trade-Off


Contracts and Vertical FDI


Relational Contracts and the Multinational Firm

