

**Econ 4311
Fall 2015**

Strategic Economics of Multinational Enterprises

Prof. Usha Nair-Reichert

Office Hours: Thurs 11am-12pm
Or by appointment
Office: 206 Old CE

Class Times: T, Th 1.35-2.55pm
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Course Objectives

This course will examine the operations of multinational enterprises (MNEs) in a fast changing global environment. We will examine theories of foreign direct investment (FDI) and understand the applications of these theories and the growth of multinational firms. We will explore how multinational firms make decisions from a microeconomic perspective, and also understand some key elements of the macroeconomic environment that impact multinational strategy and profitability. Students in the class are typically from many disciplinary backgrounds. Although the emphasis will be on using economics to analyze multinational decision making and strategy formulation, I encourage you to share your thoughts on different ways to approach any particular problem that we may be discussing in class.

I expect everyone in the class to have a sound knowledge of principles of micro and macroeconomics and basic calculus as I will not review any of this material in class.

Learning Objectives

At the end of this class, you are expected to understand:

- The dynamics of global markets and foreign direct investment.
- Theories of FDI, and their application to decision making and strategy formulation by MNEs.
- The relationship between international trade, outsourcing and the activities of multinational firms.
- Competition in global markets.
- How the regulatory environment impacts multinational decision making and firm strategies.
- How the macroeconomic environment impacts multinational decision making.

Text

Elements of Multinational Strategy, by Keith Head, Springer is the required book for the class. The course is based on the required book, other readings and lectures. You are also expected to keep up with current international economic issues discussed in outlets such as the Wall Street Journal, Fortune, Business Week, and the Harvard Business Review.

Grades

The course grade will be based on 2 in-class exams, and an optional take-home final exam. The 1st exam is worth 30 points, the 2nd exam is worth 35 points, and the final exam 30 points. Class participation and assignments will be worth 5 points. Your exams will be graded on the basis of your ability to understand the theories and apply them in the context of MNE decision making and strategy formulation.

I will let you know what your grade is before the final (this will include grades for Exams 1 and 2, group project, class participation and assignments). You can keep the grade you have before the final or chose

to take the final. If you take the final, your grade in the class will be based on all your grades, i.e. grades in all exams, class participation and assignments grades. Assignments will be graded for effort. You must let me know in class in writing whether you will be taking the final or not. Your final will be a 10 page paper. I will discuss the details of the final paper in class. You will also be provided with written guidelines.

In case of excessive absenteeism, pop quizzes that count for credit may be given. Hence, the total points for this course will depend on the number of pop quizzes given in class. Grades will be assigned as follows:

90% of the total points and above	A
80% to less than 90% of the total points	B
70% to less than 80% of the total points	C
60% - to less than 70% of the total points	D
Less than 60% of the total points	F

If you are taking this class pass/fail, you need to attend all classes, take all the required exams, and obtain a letter grade C to pass the course.

The exam schedule is *tentative* and will be confirmed in class. If you have a valid reason for being absent such as illness or a family emergency (supported by appropriate documentation), you will be permitted to assign a higher weight to any subsequent exam that you will be taking in this class. You will have to decide which exam you want higher weights for, prior to the exam. If you need to travel on GT business (please provide written documentation), you should let me know at least 2 weeks ahead of time if you have a conflict with one of the exams, and you should make arrangements to take the exam before your travel date. You will not be allowed to take the exam after the class takes the exam.

Attendance and Class Participation

You are required to attend all classes and be in class on time. Regular attendance will enable you to understand the material more easily, as the lectures and class discussions form an important part of this course. Your final grade may be lowered by a letter grade if there are three unexcused absences. (Excused absences include illness, family emergencies and travelling on GT business supported by appropriate written documentation).

You are responsible for all the material covered in the class, and for finding out details regarding the exams and assignments if you miss class. I encourage you to actively participate in the class; you are welcome to suggest any topics of interest in the area of multinational enterprises that you wish to discuss in class and / or share useful insights / experiences relevant to the topic being discussed.

Accommodations through ADAPTS

Georgia Tech offers accommodations to students with disabilities. Please contact the ADAPTS office if you require such accommodation. If you already have a letter from the ADAPTS office approving specific accommodations, please be sure to give me a copy of that letter.

Honor Code

The Georgia Tech Academic Honor Code will be strictly enforced at all times. You can collaborate on assignments in that you can discuss with others how to solve a problem. However, each student must work individually on the writing the answers in their own words. All in-class exams are closed book exams. The use of any kind of notes, crib sheets, formula sheets etc. (electronic or otherwise) during the in-class exams is not allowed. All exams including the final are individual efforts, so you cannot give help to or receive help from anyone inside or outside the class. You can find more information about the honor code at <http://honor.gatech.edu/content/2/the-honor-code>

Reading Assignments and Tentative Schedule

This is a tentative schedule, which may change depending on guest speakers. The chapters from the text indicated below will be supplemented with handouts, journal articles, and other materials as appropriate. All extra readings will be provided to you on T-square.

Week 1	Introduction: Current challenges facing the global economy Growth of Multinational corporations Role of MNCs in economic development Business across borders. Lecture KH: Ch 1; CH: Ch 2, 3.
Week 2	An overview of macroeconomic factors and MNE strategy Theories of the multinational firm Gains from trade and factor advantage. Lecture; KH: Ch 2; Ch 3
Week 3	Gains from trade continued
Week 4	Trade Costs and FDI. KH: Ch 4
Week 5	Protectionism, Trade Rules and their impact on FDI decisions; KH: Ch5
Week 6	Guest Speaker – Global mergers and acquisitions Market adaptation by MNCs: KH: Ch 6.
Week 7	Internalization decisions of MNEs KH: Ch 8
Week 8	KH: Ch 8 continued; Exam I Oct 8, 2015
Week 9	Fall Break; Markets and competitive analysis: Competitors and competition in a MNE world; KH: Ch 9
Week 10	Markets and competitive analysis: Competitors and competition in a MNE world;
Week 11	Foreign exchange risk and the MNE: KH: Ch 10
Week 12	MNEs and globalization of R&D – lecture and readings
Week 13	Political Risk: KH: Ch 11 International taxation and transfer pricing: KH: Ch 12
Week 14	International taxation and transfer pricing: continued Innovation ecosystems and the role of MNCs: lecture and readings Exam II Nov. 24, 2015
Week 15	Innovation ecosystems and the role of MNCs continued Thanksgiving Break
Week 16	Balance of payment deficits, capital flows and financial crisis. Lecture and readings Review and integration of ideas developed during the course
Final Exam:	Your final paper must be emailed to me in either MS Word or pdf format by <u>Dec 8, 2015 at 3pm.</u>