

Multinational Firms and Global Value Chains

Spring 2021

Instructors: Pol Antràs

Emails: pantras@fas.harvard.edu and mmelitz@harvard.edu

Office Hours: Email us to arrange a meeting

Course Description

This mini-course will focus on the study of multinational activity and global value chain activity. We will discuss theoretical and empirical studies of the decisions to export and invest abroad, as well as recent developments at the intersection of the theory of international trade and the theory of the firm.

This course is targeted to second-year Ph.D. students in economics. Students are expected to have completed first-year micro and macro theory courses, and, ideally, an introductory graduate course in International Trade.

Reading List

1. Firms and the Decision to Invest Abroad: Causes and Effects

- (*) Antràs, Pol and Stephen R. Yeaple (2013), [Multinational Firms and the Structure of International Trade](#), Chapter 2, *Handbook of International Economics vol. 4*. DOI: [10.1016/B978-0-444-54314-1.00002-1](#)
- a) **The Proximity-Concentration Hypothesis**
 - (*) Brainard, S. Lael (1997), [An Empirical Assessment of the Proximity-Concentration Trade-off Between Multinational Sales and Trade](#), *American Economic Review*, 87(4): 520-544.
 - Markusen, James R. and Anthony J. Venables (2000), [The Theory of Endowment, Intra-industry and Multinational Trade](#), *Journal of International Economics*, 52: 209-234.
 - (*) Helpman, Elhanan, Marc J. Melitz, and Stephen R. Yeaple (2004), [Exports versus FDI with Heterogeneous Firms](#), *American Economic Review*, 94(1): 300-316. DOI: [10.1257/000282804322970814](#)
- b) **Vertical FDI and Offshoring**
 - (*) Helpman, Elhanan (1984), [A Simple Theory of International Trade with Multinational Corporations](#), *Journal of Political Economy*, 92(3): 451-471.
 - (*) Yeaple, Stephen (2003a), [The Role of Skill Endowments in the Structure of U.S. Outward FDI](#), *Review of Economics and Statistics*, August, 85(3): 726-734. DOI: [10.1162/003465303322369849](#)
 - (*) Feenstra, Robert C. and Gordon H. Hanson, (1996), [Foreign Investment, Outsourcing and Relative Wages](#), in R.C. Feenstra, G.M. Grossman and D.A. Irwin, eds., *The Political*

Economy of Trade Policy: Papers in Honor of Jagdish Bhagwati, Cambridge, MA: The MIT Press.

- (*) Grossman, Gene M. and Esteban Rossi-Hansberg, (2008), [Trading Tasks: A Simple Theory of Offshoring](#), *American Economic Review*, 98(5), pp. 1978-97.
[DOI: 10.1257/aer.98.5.1978](#)

2. Global Value Chains: Measurement

- Hummels, D., Ishii, J. and Yi, K.-M. (2001), [The nature and growth of vertical specialization in world trade](#), *Journal of International Economics* 54, 75-96.
- (*) Johnson, R. C. and Noguera, G. (2012), [Accounting for intermediates: Production sharing and trade in value added](#), *Journal of International Economics*, 86(2), 224-236.
[DOI: 10.1016/j.jinteco.2011.10.003](#)
- (*) Koopman, R., Wang, Z. and Wei, S.-J. (2014), [Tracing value-added and double counting in gross exports](#), *American Economic Review* 104(2), 459-494.
[DOI: 10.1257/aer.104.2.459](#)
- (*) de Gortari, Alonso (2017), [Disentangling Global Value Chains](#), NBER WP 25868
- (*) Antràs, Pol and Davin Chor (2021), [Global Value Chains](#), NBER WP 28549.

3. Multi-Country, Quantitative Models of Multinationals and Global Value Chains

- (*) Ramondo, Natalia and Andrés Rodríguez-Clare (2013), [Trade, Multinational Production, and the Gains from Openness](#), *Journal of Political Economy*, vol. 121(2), pages 273 - 322.
- Arkolakis, Costas, Natalia Ramondo, Andrés Rodríguez-Clare and Stephen Yeaple (2018), [Innovation and Production in the Global Economy](#), *American Economic Review*, 108 (8): 2128-73.
- (*) Tintelnot, Felix (2012), [Global Production with Export Platforms](#). 2017, *The Quarterly Journal of Economics*, Volume 132, Issue 1, Pages 157–209
- (*) Antràs, Pol, Teresa Fort and Felix Tintelnot (2016), [The Margins of Global Sourcing: Theory and Evidence from U.S.](#), *American Economic Review* 107 (9): 2514-64.
- (*) Antràs, Pol and Alonso de Gortari (2017), [On the Geography of Global Value Chains](#) \ *Econometrica*, 84, 4, 1553–1598.
- (*) Caliendo, Lorenzo, and Fernando Parro (2015), [Estimates of the Trade and Welfare Effects of NAFTA](#), *The Review of Economic Studies* 82, no. 1 (2015): 1-44.

4. Contract Enforcement and Institutions as Determinants of Specialization

- (*) Antràs, Pol (2014), *Global Production: A Contracting Perspective*, book manuscript, Chapters 3, 4 and 5.
- Antràs, Pol (2005), [Incomplete Contracts and the Product Cycle](#), *American Economic Review*, 95:4, pp.1054-1073. [DOI: 10.1257/0002828054825600](#)
- (*) Acemoglu, Daron, Pol Antràs and Elhanan Helpman (2007), [Contracts and Technology Adoption](#), *American Economic Review* 97:3, pp.916-943.
[DOI: 10.1257/aer.97.3.916](#)

- Berkowitz, Daniel, Johannes Moenius and Katharina Pistor (2006), [Trade, Law and Product Complexity](#), *Review of Economics and Statistics*, 88:2, pp.363-373.
- (*) Nunn, Nathan (2007), [Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade](#), *Quarterly Journal of Economics*, 122:2, pp.569-600.
[DOI: 10.1162/qjec.122.2.569](#)
- (*) Levchenko, Andrei (2007), [Institutional Quality and International Trade](#) *Review of Economic Studies*, 74:3, 791-819.
- Chor, Davin (2010), [Unpacking Sources of Comparative Advantage: A Quantitative Approach](#), *Journal of International Economics*, vol. 82(2): 152-167.
- Antràs, Pol and C. Fritz Foley (2015), [Poultry in Motion: A Study of International Trade Finance Practices](#), *Journal of Political Economy*, 123 (4): 809-85.

5. The Boundaries of the Multinational Firm

- (*) Antràs, Pol and Stephen R. Yeaple (2014), Chapter 2 - [Multinational Firms and the Structure of International Trade](#), In: Gita Gopinath, Elhanan Helpman and Kenneth Rogoff, Editor(s), *Handbook of International Economics*, Elsevier, Volume 4, Pages 55-130, [DOI: 10.1016/B978-0-444-54314-1.00002-1](#)
- (*) Antràs, Pol (2014), *Global Production: A Contracting Perspective*, book manuscript, Chapters 6, 7 and 8.

a) Theoretical Models

- Ethier, Wilfred (1986), [The Multinational Firm](#), *Quarterly Journal of Economics* 101: 805-833.
- Ethier, Wilfred, and James Markusen (1996), [Multinational Firms, Technology Diffusion, and Trade](#), *Journal of International Economics* 41:1-28. [DOI: 10.1016/0022-1996\(95\)01411-X](#)
- Grossman, G.M. and Helpman, E. (2002), [Integration vs. Outsourcing in Industry Equilibrium](#), *Quarterly Journal of Economics* 117 (1), 85-120.
- (*) Antràs, Pol (2003), [Firms, Contracts, and Trade Structure](#), *Quarterly Journal of Economics*, 118:4, pp. 1375--1418.
- (*) Antràs, Pol and Elhanan Helpman (2004), [Global Sourcing](#), *Journal of Political Economy*, 112, pp.552--580.
- Antràs, Pol and Elhanan Helpman (2008), [Contractual Frictions and Global Sourcing](#), in E. Helpman, D. Marin, and T. Verdier (eds.), *The Organization of Firms in a Global Economy*, Harvard University Press.
- (*) Antràs, Pol and Davin Chor (2013), [Organizing the Global Value Chain](#), *Econometrica*, vol 81, no. 6: 2127–2204.

b) Empirical Evidence

- Yeaple, Stephen R. (2006), [Offshoring, Foreign Direct Investment, and the Structure of U.S. Trade](#), *Journal of the European Economic Association*, 4, pp.602-611.
- Nunn, Nathan and Daniel Trefler (2008), [The Boundaries of the Multinational Firm: An Empirical Analysis](#), in E. Helpman, D. Marin, and T. Verdier (eds.), *The Organization of Firms in a Global Economy*, Harvard University Press.

- Nunn, Nathan and Daniel Trefler (2013), [Incomplete Contracts and the Boundaries of the Multinational Firm](#), *Journal of Economic Behavior and Organization*, vol. 94, pp. 330–344.
- Feenstra, Robert C. and Gordon H. Hanson (2005), [Ownership and Control in Outsourcing to China: Estimating the Property-Rights Theory of the Firm](#), *Quarterly Journal of Economics*, 120:2, pp.729--761.
- (*) Corcos, Gregory, Delphine M. Irac, Giordano Mion, and Thierry Verdier (2013), [The Determinants of Intra-Firm Trade](#), *Review of Economics and Statistics*, vol. 95, No. 3, pp. 825-838.
- Ramondo, Natalia, Veronica Rappoport, and Kim Ruhl (2016), [Intrafirm Trade and Vertical Fragmentation in U.S. Multinational Corporations](#), *Journal of International Economics*, 98 (1), pp 51-59.
- Antràs, Pol and Davin Chor (2013), [Organizing the Global Value Chain](#), *Econometrica*, vol 81, no. 6: 2127–2204.
- Alfaro, Laura, Pol Antràs, Davin Chor and Paola Conconi (2016), “[Internalizing Global Value Chains: A Firm-Level Analysis](#)”, *Journal of Political Economy* 127.2: 508-559.