Module Number: BS3332

**Module Title:** Economics of Multinational Enterprise

Number of Aston Credits: 10

**Total Number of ECTS credits:** 5

(European Credit Transfer)

# **Staff Member Responsible for the Module:**

# **Dr Natalya Smith**

**Economics and Strategy Group** 

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Availability: Please see office hours on door or group

administrator, Liz Blackford or Kelly Moore, SW1017, Extension

3038

Other Staff Contributing to the Module: None

#### **Pre-Requisite(s) for the Module:**

either BS2223 International Business Economics

or

BS2241 Principles of Macroeconomics and BS2242

Principles of Microeconomics

#### **Module Learning Outcomes**

This module is designed to provide a thorough understanding of the economics of multinational enterprises (MNEs). The module explores the nature, extent and the pattern of foreign direct investment (FDI), the motives for foreign production and the determinants of MNE activity. It examines in depth the impact of such activity on both host and home countries along with its policy implications and the importance of governments and/or institutions in controlling/managing MNE behaviour. It examines the contribution of economic analysis to an understanding and appraisal of these matters. Class discussions and assignments are designed to provide students with the knowledge and skills so as a result students will be able to: 1) critically evaluate scholarly research in the IB field demonstrating a thorough understanding of extant literature on the MNE, 2) communicate ideas effectively in written and oral form, and 3) develop an original policy paper that builds upon and extends knowledge gained in the course.

Upon successful completion of the module students will be able to:

- appreciate the nature, scale and scope of MNEs in the world economy,
- explore and contrast competing theories of why do MNEs exist, and the ways in which they differ from single-country firms,

- have a clear appreciation of the nature, conduct and impact of MNEs,
- evaluate the behaviour of MNEs and the importance of the oligopolistic markets within which they operate,
- explain the implications of MNE behaviour for the countries in which they locate their activities, and
- evaluate the usefulness of policies to cope with their behaviour.

#### **Module Content**

To explain the historical evolution of MNE activity, the course starts with the identification of the motives for, and determinants of, international production. It also discusses some major reasons prompting firms to undertake FDI, particularly distinguishing four types of such investment.

Taking a micro-oriented perspective, it then considers the reasons why, and the situations in which, particular enterprises become foreign producers and/or increase, or change the content and pattern of, their global economic involvement. Here we also discuss the behaviour of such enterprises as they become multinationals.

Building on the theoretical framework outlined in our first part of the course and having learned about the features of the market in which MNEs operate, in the second part of the course we discuss the effects of MNE activity on a number of policy-oriented areas looking at both home and host country effects of MNEs activity.

The present structure of the curriculum facilitates the realisation of the aims and objectives of the module together with its stated learning outcomes. It does this by:

- 1) exploring the extent and pattern of MNEs and competing theoretical arguments for MNEs;
- 2) evaluating the behaviour of MNEs in the context of an oligopolistic market structure;
- 3) reviewing and discussing the empirical evidence on the effects of MNEs on the economies of host and home countries and
- 4) evaluating the usefulness (or lack thereof) of policies in dealing with the behaviour of MNEs.

#### **WEEK 1** Introduction (No tutorial)

- The Extent and Pattern of FDI
- Definitions and Measurements

# WEEK 2-4 Theories of MNEs/FDI

- Why do Businesses Go Multinational?
- Doing Business in a Global Economy

WEEK 5: Seminar 1

#### **WEEK 6-7**: Economics of MNEs and Patterns of Market Competition:

- The Firm and the Market
- MNE as Oligopolist

WEEK 8: Seminar 2

**WEEK 9-10**: FDI Spillovers and Policy Implications:

Home and Host Country Effects

- MNE in Developing Countries
- MNE and Economies in Transition

WEEK 11: Revision

WEEK 12/13: Examination

#### **International Dimensions**

By its very nature the module is entirely international in content.

## **Corporate Connections**

The module includes material relevant to business and policy-makers through examples used in lectures and tutorials. As part of their assessed work students are required to write a policy-relevant assignment on an aspect of multinational enterprise.

#### Links to Research:

This module is related in many ways to Natalya's research interests and the researching she is currently doing. For example the areas such as the determinants of FDI, MNEs in transition economies, the impact of FDI on host countries (i.e., spillovers of FDI), political economy aspects of international business among others.

# **Learning and Teaching Rationale and Methods:**

- a) Method of Teaching
- 1. Lectures (including two seminars) over eleven weeks.
- Case Study based tutorials over 7 weeks.

Students will undertake 2 in-depth case study over the module during the tutorial sessions on which they will be examined during the final examination.

b) Duration:

Contact Hours	22
Directed Learning	22
Private Study	54
Assessment	2
Total	100

#### **Ethical Approval**

This module does not require any primary research and no ethical approval will be necessary.

#### Assessment and Feedback Rationale and Methods

The assessment is via

- 1.) 70% Two-hour closed book examination
- 2.) 30% Individual Paper

The examination will have TWO compulsory parts and will take the following format.

PART ONE: Students must answer ONE question from TWO that relate DIRECTLY to the material covered in tutorial sessions. Students are therefore strongly advised to attend ALL tutorials. PART TWO: Students will answer TWO questions from THREE set on *any* part of the module taught.

The coursework is an individual (maximum of) 2,000 word policy-related essay which students will be asked to write individually.

For all assessment's components, marks will be awarded according to the student's ability to demonstrate a comprehensive understanding of the themes of the module, evidence of having achieved the learning outcomes, ability to carry out and present individual analysis of various problems. The assessment criteria will consist of problem identification application of economic concepts, issues for policy formulation and implementation, critical analysis and conclusion.

Students are encouraged to utilise lecturer office hours (see above) to obtain more detailed feedback and advice. The feedback on the students' performance on the course will be given using a variety of methods such as via Blackboard, to groups or individually on request.