

The Messy Case for FDI Spillovers

Ronald B. Davies (UCD)

Among the supposed benefits of hosting foreign direct investment is that when multinationals are active in the host market, this increases the productivity of domestic firms via technological spillovers. In this short course, we will examine the evidence on such effects. In doing so, not only will we discuss the data on FDI, but also cover the main techniques used to construct productivity. Therefore the course will be of use to those interested in productivity more generally, including those in industrial organization, development, and macroeconomics. The course will consist of four 90 minute lectures with a short exam given afterwards for those looking for credit.

Course Outline:

1. What is FDI?

- Davies, Ronald B., Rodolphe Desbordes, and Anna Ray. (2017) "Greenfield vs. Merger and Acquisition FDI: Same Wine, Different Bottles?" Working Papers 01503, School of Economics, University College Dublin.

2. The Productivity of Multinationals

- Helpman, Elhanan, Marc J. Melitz, and Stephen R. Yeaple. (2004) "Export Versus FDI with Heterogeneous Firms," *American Economic Review* 94(1), 300-16.

3. Productivity Spillovers

- A. Javorcik, Beata Smarzynska (2004) "Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages" *American Economic Review* v94, n3 (June 2004): 605-27
- B. Girma, Sourafel (2005) "Absorptive Capacity and Productivity Spillovers from FDI: A Threshold Regression Analysis," *Oxford Bulletin of Economics and Statistics*, 67(3) 281-306.

4. Spillovers to Other Choices

- A. Kneller, Richard and Pisu, Mauro (2007) "Industrial Linkages and Export Spillovers from FDI," *The World Economy*, 30(1), 105-134.
- B. Chiara Franco, Chiara and Weche Gelübcke, John P. (2015) "The Death of German Firms: What Role for Foreign Direct Investment?" *The World Economy*, 38(4), 677-703.
- C. Davies, Ronald B., Lamla, Michael J., and Schiffbauer, Marc (2016) "Learning or Leaning: Persistent and Transitory Spillovers from FDI," KOF Working papers 16-399, KOF Swiss Economic Institute, ETH Zurich.