

Lecture 7 – November 7

Hirst & Thompson, *Globalization in Question*, ch. 3

1. What are the most important factors, according to Hirst and Thompson, that lead patterns of trade and investment to diverge from theories of comparative advantage and efficient capital allocation?
2. What are the major differences between patterns of trade and FDI? What accounts for these differences? What are the consequences, according to Hirst and Thompson?
3. What factors *other than labor costs* do Hirst and Thompson suggest affect investment decisions by multi-national corporations (MNCs)? How important do you think these are relative to labor costs? What are the implications of their argument?
4. Hirst and Thompson argue that governments can create endowment advantages (p.62). What do they mean? What types of endowments do you think governments might be best at creating? What is the significance of this argument in light of the classical models of free trade we have considered?

Suzanne Berger, *How We Compete*, ch. 5, 6, 9, 10

1. What is modularization? Which processes are more likely to be modularized? How does modularization influence firm decisions about how they organize themselves?
2. What policies, according to Berger, are still available to governments in attempting to prevent jobs from relocating beyond national boundaries? What other factors contribute to the continuing importance of national borders?
3. What is the key factor that drives firms to decide to locate production or other facilities internationally? What factors act, on the other hand, to constrain relocation and/or reduce the economic benefits of relocation?
4. Firms in a wide variety of countries and industries are choosing to maintain manufacturing capabilities domestically rather than choosing to outsource. What are the factors that are driving this outcome?

David McKendrick, “Levering Locations”

1. Both Berger and McKendrick point to firm clustering as an important dynamic in the international economy. What are the two types of clusters, according to McKendrick? What are the implications of clustering for the costs and benefits of firm relocation?

2. The US and Japan hard-disk industries followed markedly different patterns in the 1980s. What explains the divergence between the two? Were both approaches equally viable in the long-run? Why/Why not?

Timothy Sturgeon and Richard Florida, “Globalization, Deverticalization and Employment in the Motor Vehicle Industry”

1. What factors explain the retention of employment levels in US motor vehicle manufacturing? Is this trend sustainable?
2. What benefits, other than lower labor costs, have accrued to firms that have shifted manufacturing abroad? Are these benefits likely to occur in other industries also? If so, which ones?
3. What new skills have firms in the motor vehicle industry had to develop because of the globalization of production? How are these skills likely to affect their competitiveness in relation to one another?