Multinational Corporations in a Changing Global Economy

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Comments on: *Do multinational firms export jobs?* L. Oldenski

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SUMMARY OF THE CHAPTER

- To what extent do multinational firms reduce domestic employment and move jobs abroad?
  - Share of MNE employment outside of US from 25% (1997) to 35% (2016)
  - Expanding employment abroad means expanding at home (72 percent of the cases). While the inverse is not always true.
- What impact does the presence of a multinational firm have on local labor markets?
  - Higher skilled workers gain
  - Lower skilled workers lose
- How large are the effects of offshoring to the most vulnerable workers?
  - Small: A 10 percent increase in offshoring leads to a decrease in wages between 0.22-0.40 percent for the most exposed workers
- To where do US MNEs offshore?
  - Mostly developed economies to sell there;
  - Manufacture goods sold back in the US; and
  - Manufacture to contribute production within the same MNE.
- How well do programs designed to help displaced workers by offshoring work?
  - Preliminarily (very much so), they seem to work….with a lot of caveats!

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WHAT ELSE COULD BE SAID?

1. With respect to US MNE investments overseas, are these firms unique in any aspect discussed in this chapter or do MNEs from other countries display similar effects on local labor markets?
2. For each of the various reasons MNEs invest overseas—market access, access to know-how, increased specialization, efficiency— does it make it more or less likely to lead to the export of jobs?
3. MNEs may be motivated to invest overseas at different episodes of growth—during expansion to establish a foothold or exploit opportunities or during downturns in response to loss of market share or to diversify. Is an investment made overseas, either in response to expansion or contraction, more or less likely to export jobs?
4. Are there sector, or location characteristics that make it more or less likely for an overseas investment to export jobs? Production is hierarchical or O-ring; MNE is located in a declining, low-skilled area?, Intensity and type of competition in the home market?
5. Do differences in labor regulations, between home and destination jurisdictions, make it more or less likely for overseas investments to export jobs?
6. Do differentials in factor prices (labor), between home and destination jurisdictions, make it more or less likely for overseas investments to export jobs? and
7. What can be said about the interactions between all of these factors to explain where some overseas investments make it more or less likely to export jobs?

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MINOR QUIBBLES

- The modest case for success in the re-training programs is not clear.
- There are several cases where there is a need for some clarification. For example:
    - Figure 4 needs clarification (Assumed share of value of total imports);
    - A “10 percent increase in offshoring”. This is not clear.
    - There are other examples of ratios or proportions not explained well enough to the reader.

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Comments on: *Do MNCs exploit foreign workers?* Aisbett. E., A.E. Harrison, D.I. Levine, J. Scorse and J. Silver

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SUMMARY OF THE CHAPTER

- MNCs do not create worse outcomes for local workers. They typically pay slightly higher wages than local firms in developing countries.
- MNCs engage in rent sharing in developed markets (higher-skilled workers)—not clear in developing countries.
- MNC offshoring has no effects on wages or employment at the aggregate or industry levels.
- MNC offshoring to low-income affiliates hurts workers performing routine tasks—not clear that technology or competition would not have done the same.
- MNCs violate workers' rights, but no more or less than domestic firms in the same market. *A covariate issue?*

"Whether MNCs exploit their workers may be the wrong question when it comes to preventing exploitation and improving workers' outcomes."

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OBSERVATIONS

- This chapter expends time and effort introducing the reader to several conceptions of exploitation. Is this worth the effort? Would it help to state the opposite question: Do MNCs benefit local workers?
- If the emphasis on exploitation is kept, would it be more tractable for the reader and present testable hypotheses by introducing game and contract theory to think about exploitation? For example, rent sharing agreements may be most prevalent where it is hard to assess effort and/or there are asymmetries of information.

WHAT ELSE COULD BE SAID?

1. What can be said about trends?
2. What MNC characteristics, including home base, are statistically associated with an increased or decreased probability that it exploits foreign workers?
3. Is (the degree of) exploitation a function of an economic calculation checked by domestic stakeholders or is it a function of the rules and regulations of the economy receiving the investment?
    a. Do differences in corporate social responsibility in home countries make it more or less likely for an MNC to exploit foreign workers?
    b. Do differences in labor regulations, between home and destination jurisdictions, make it more or less likely for an MNC to exploit foreign workers?

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MINOR QUIBBLES

- MNEs vs. MNCs. Should the reader infer a difference in meaning or a difference in convention?
- Discussion on impact of MNE offshoring on local workers, the chapter overlaps (does not contradict) **Chapter 8: Do multinational firms export jobs?** Is there a need to harmonize and/or eliminate overlaps?