Global Goliaths: Multinational Activity

Fritz Foley
How dominant are multinational firms?
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**Multinationals are major players in the U.S. economy**

Multinationals’ share of economic activity in 2017, by category

- Employment: 26.5%
- Employee Compensation: 31.8%
- Manufacturing Employment: 72.6%
- Manufacturing Employee Compensation: 83.6%
- Capital Expenditures: 53.2%
- Industrial R&D: 83.5%
- U.S. Exports: 59.8%
- U.S. Imports: 52.7%

**Note:** The original figure appears in *Global Goliaths*, Brookings Institution Press, 2021.

**Source:** Bureau of Economic Analysis, National Income and Product Accounts; National Science Foundation, Science and Engineering Indicators; Census Bureau Annual Capital Expenditure Survey.
How dominant are multinational firms?

U.S. operations of U.S. multinationals have grown at the same pace as the economy

U.S. multinational parent share of U.S. private sector activity

Source: Bureau of Economic Analysis.
How dominant are multinational firms?

A growing share of U.S. multinationals' workers are overseas

Share of employees of U.S. multinationals who work abroad

Note: The original figure appears in Global Goliaths, Brookings Institution Press, 2021.
Source: Bureau of Economic Analysis.
How aggressive are multinational firms in reducing their labor costs?
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The bulk of multinationals’ employees are in high-wage economies

Share of U.S. multinational foreign affiliate employment, by host country income

Note: The original figure appears in Global Goliaths, Brookings Institution Press, 2021.
Source: Bureau of Economic Analysis.
How aggressive are multinational firms in reducing their labor costs?

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<th>Decrease in Foreign Employment</th>
<th>Increase in Foreign Employment</th>
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<tr>
<td>Increase in U.S. Employment</td>
<td>293</td>
<td>704</td>
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<td>Decrease in U.S. Employment</td>
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Note: The original figure appears in Global Goliaths, Brookings Institution Press, 2021.
Source: Bureau of Economic Analysis
What role do multinationals play in innovation?
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U.S. multinationals still do the bulk of U.S. private sector R&D spending

U.S. parent share of U.S. business R&D


Source: Bureau of Economic Analysis.
How integrated are the operations of multinationals?
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Intra-company trade has grown at the same pace as overall international trade

Related party share of U.S. imports and exports

How aggressive are multinationals in minimizing their tax obligations?
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Multinationals' use of tax havens has increased

Share of U.S. multinational parent firms with affiliates in tax havens

Note: The original figure appears in Global Goliaths, Brookings Institution Press, 2021. Tax Haven countries are those identified in James R. Hines Jr. "Treasure islands." Journal of Economic Perspectives 24.4 (2010): 103-26, with the exception of the Cook Islands, the UK Channel Islands, and Niue, which cannot be separately identified in the BEA data.

Source: Bureau of Economic Analysis.
Multinationals play a predominant role in the U.S. and other economies

Most U.S. multinational employees are in high or upper income countries

U.S. firms that expand abroad tend to expand at home

Around 75% of U.S. private sector R&D is accounted by U.S. multinationals

The operations of multinationals are integrated across countries

Taxes matter for many multinational choices