

Multinational Enterprises (MNEs) and Globalization

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Presentation to Goldschmidt Fellows 01/11/2017



- How MNEs affect the U.S. economy
 - U.S. MNEs operating here and abroad
 - Foreign MNEs operating here
- Where to find the data on BEA's website
- Q&A

Two senior reporters on globalization



Louis Uchitelle

<http://www.nytimes.com/by/louis-uchitelle>

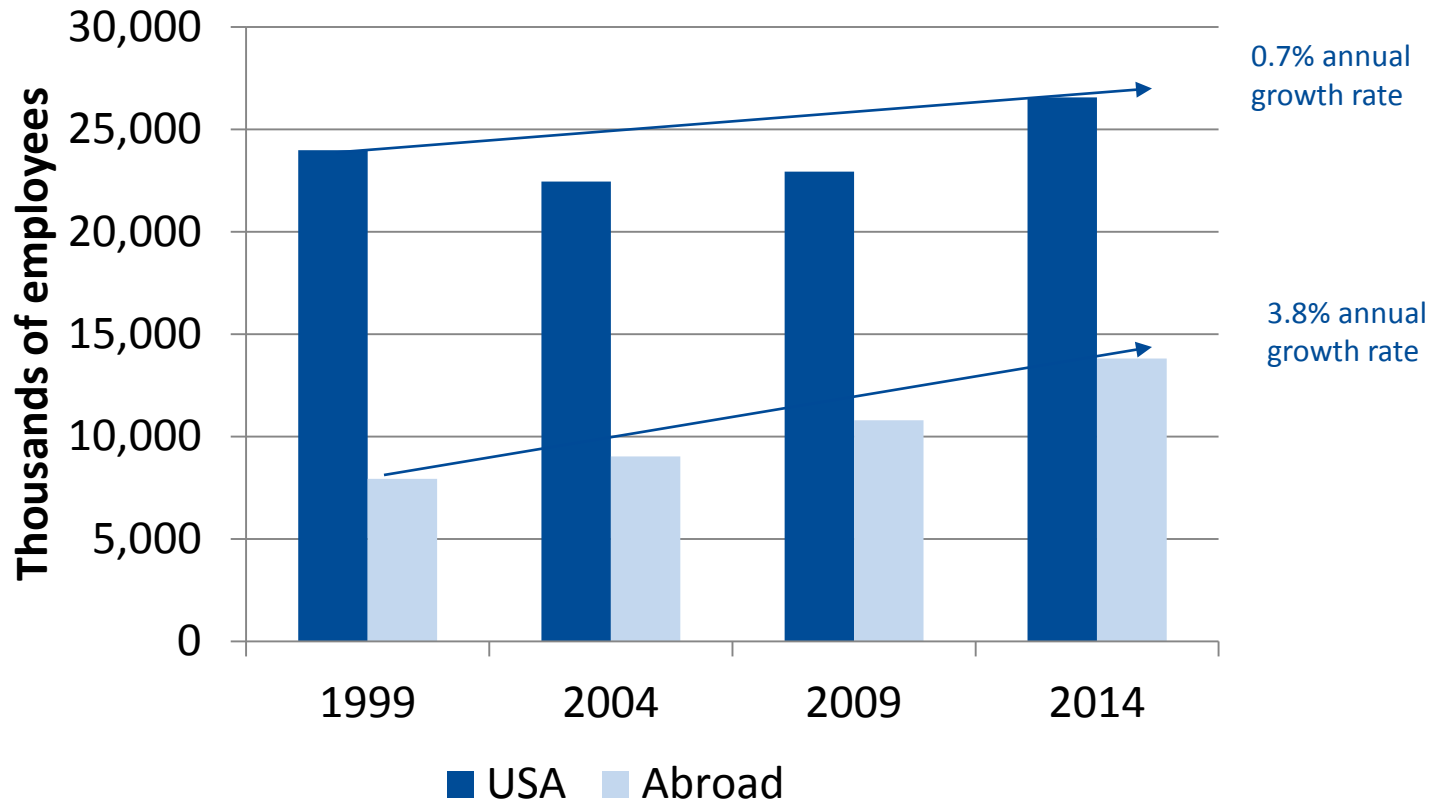


David Wessel

<http://topics.wsj.com/person/W/david-wessel/1566>

Where are U.S. MNEs hiring workers?

Worldwide employment of U.S. MNEs

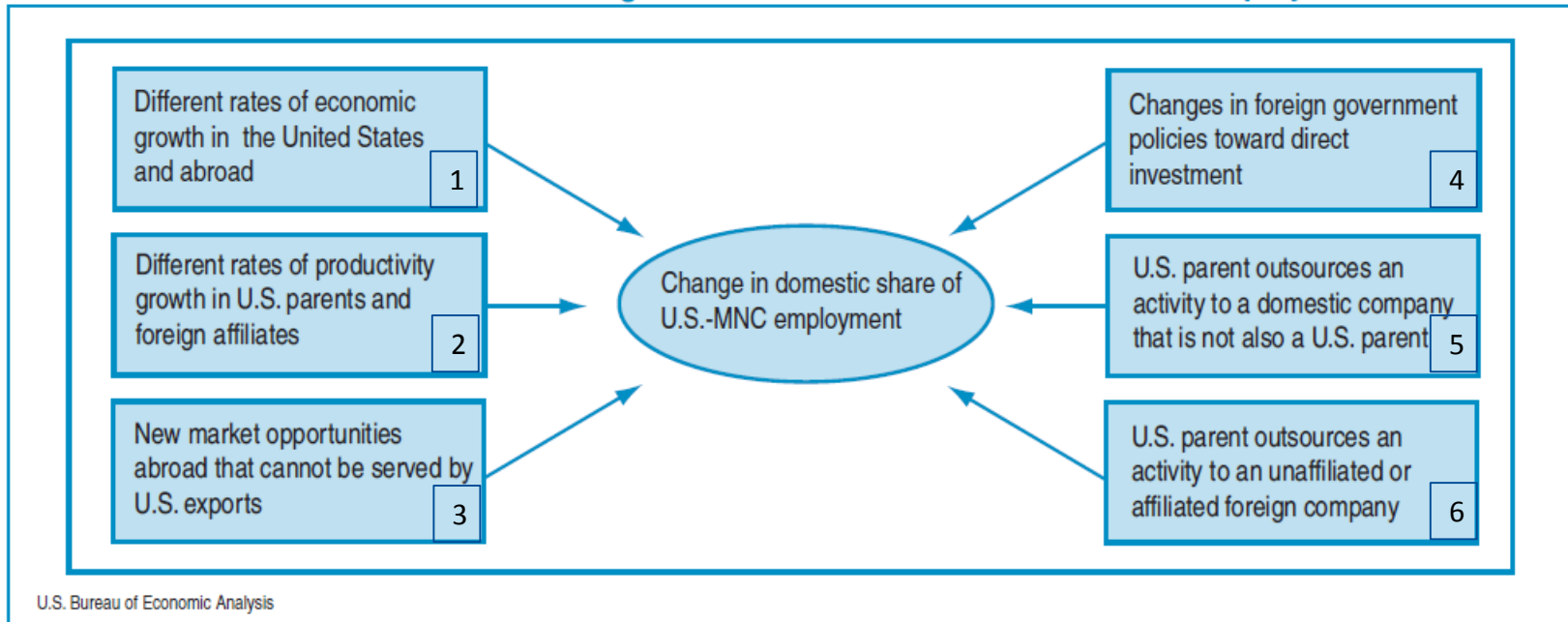


Source: BEA, December 2016 *Survey of Current Business*

Do U.S. MNE workers abroad represent lost U.S. jobs?

BEA statistics alone can't answer the question

Chart 5. Some Possible Causes of a Change in the Domestic Share of U.S.-MNC Employment

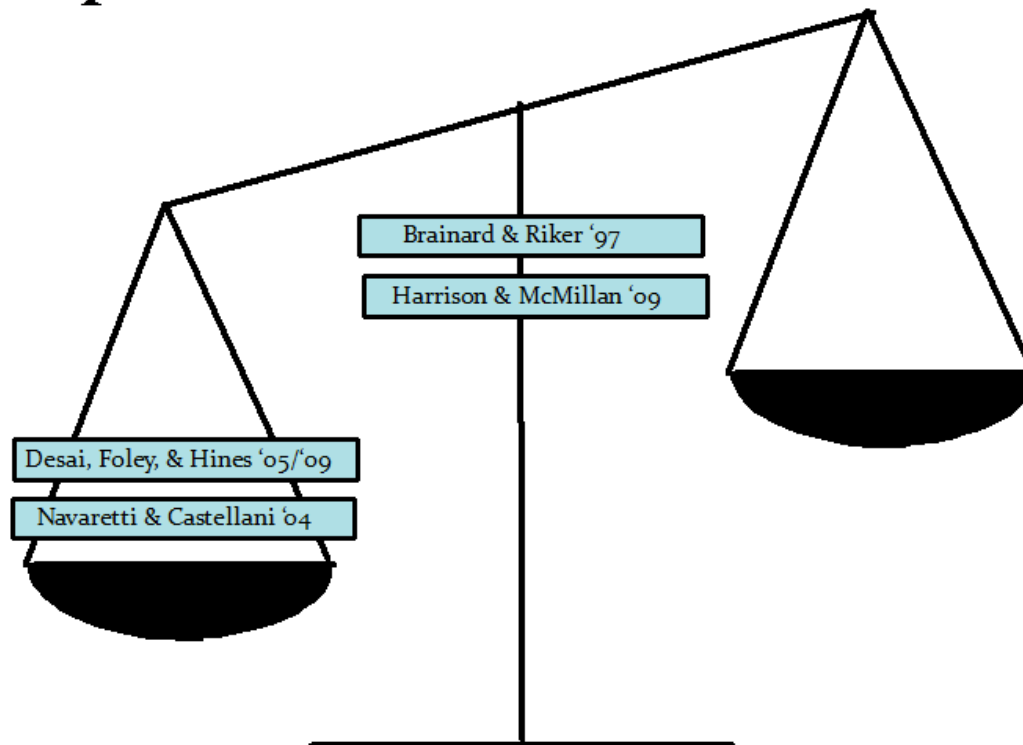


Source: BEA, March 2004 *Survey of Current Business*

Domestic and foreign workers of multinational companies are:

Complements

Substitutes



“At some companies, hiring to sell or make products abroad means more research or design jobs in the U.S.”

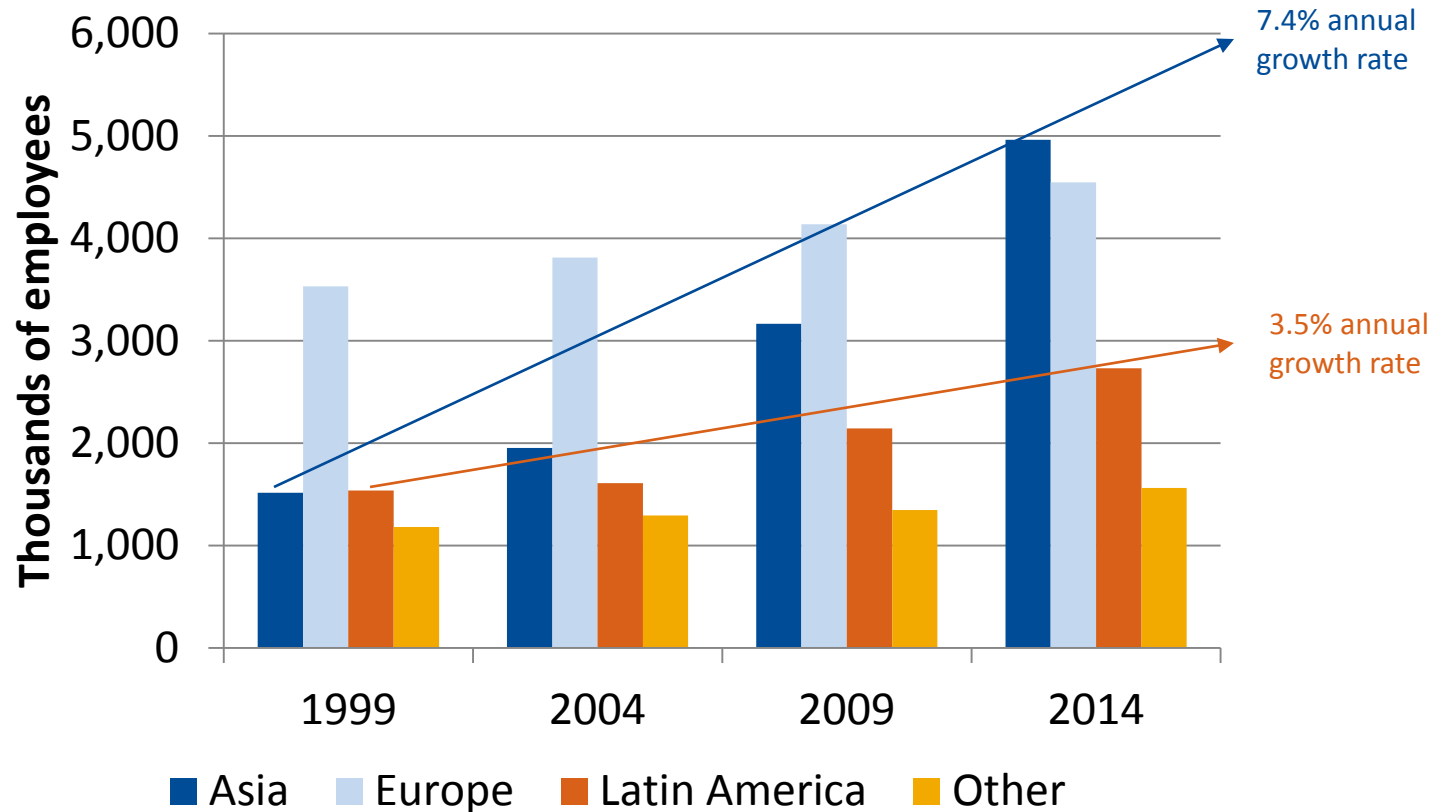
Source: David Wessel, “Big U.S. Firms Shift Hiring Abroad,”
The Wall Street Journal, April 19, 2011.

- Production sharing between U.S. parent companies and their foreign subsidiaries increases demand for headquarter services (HQ) in the United States.
- Specifically, a 1-percentage point increase in production sharing tends to be associated with a
 - 0.17-percentage point increase in subsidiaries' demand for HQ services
 - This effect is stronger (0.33) in high-tech manufacturing than in low-tech manufacturing (0.06).

Source: Marilyn Ibarra-Caton and Raymond Mataloni,
“Headquarter Services in the Global Integration of Production”
(under review at the *Journal of International Management*)

Where are U.S. MNEs hiring workers abroad?

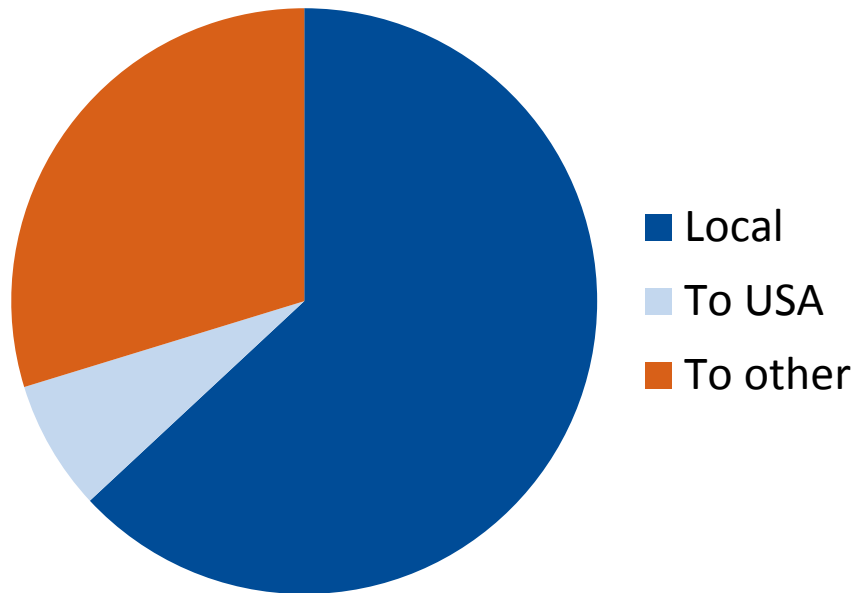
Foreign employment of U.S. MNEs



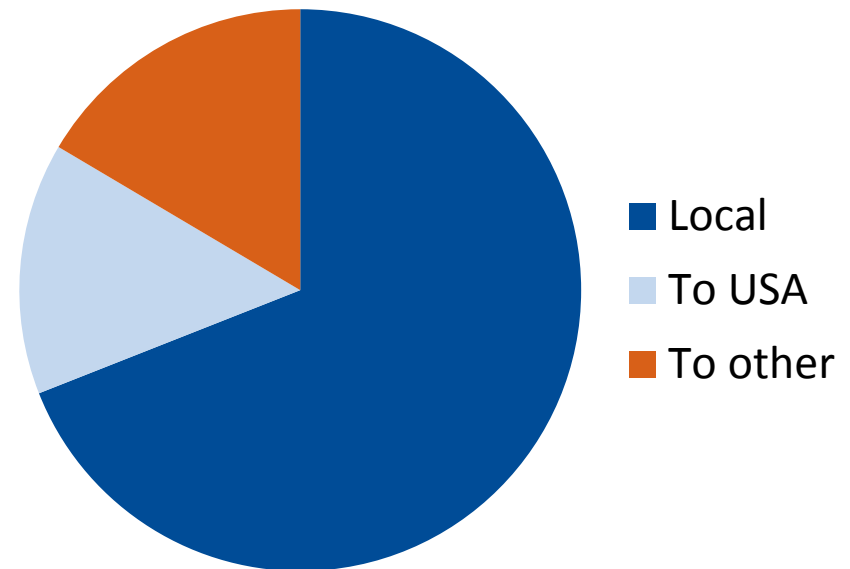
Source: BEA

Destination of sales by foreign subsidiaries

Asia



Latin America



Source: BEA

“‘As a greater percentage of our sales have been outside the U.S., we have seen our work force outside the U.S. grow,’ says Jim Dugan, spokesman for construction-equipment maker Caterpillar.”

Source: David Wessel, “Big U.S. Firms Shift Hiring Abroad,”
The Wall Street Journal, April 19, 2011.

“`We’re globalized around markets, not cheap labor. The era of globalization around cheap labor is over...Today we go to Brazil, we go to China, we go to India, because that’s where the customers are.””

Source: Jeffrey Immelt, CEO of GE, quoted in David Wessel, “Big U.S. Firms Shift Hiring Abroad, *The Wall Street Journal*, April 19, 2011.

Now let's look at foreign MNEs in the USA



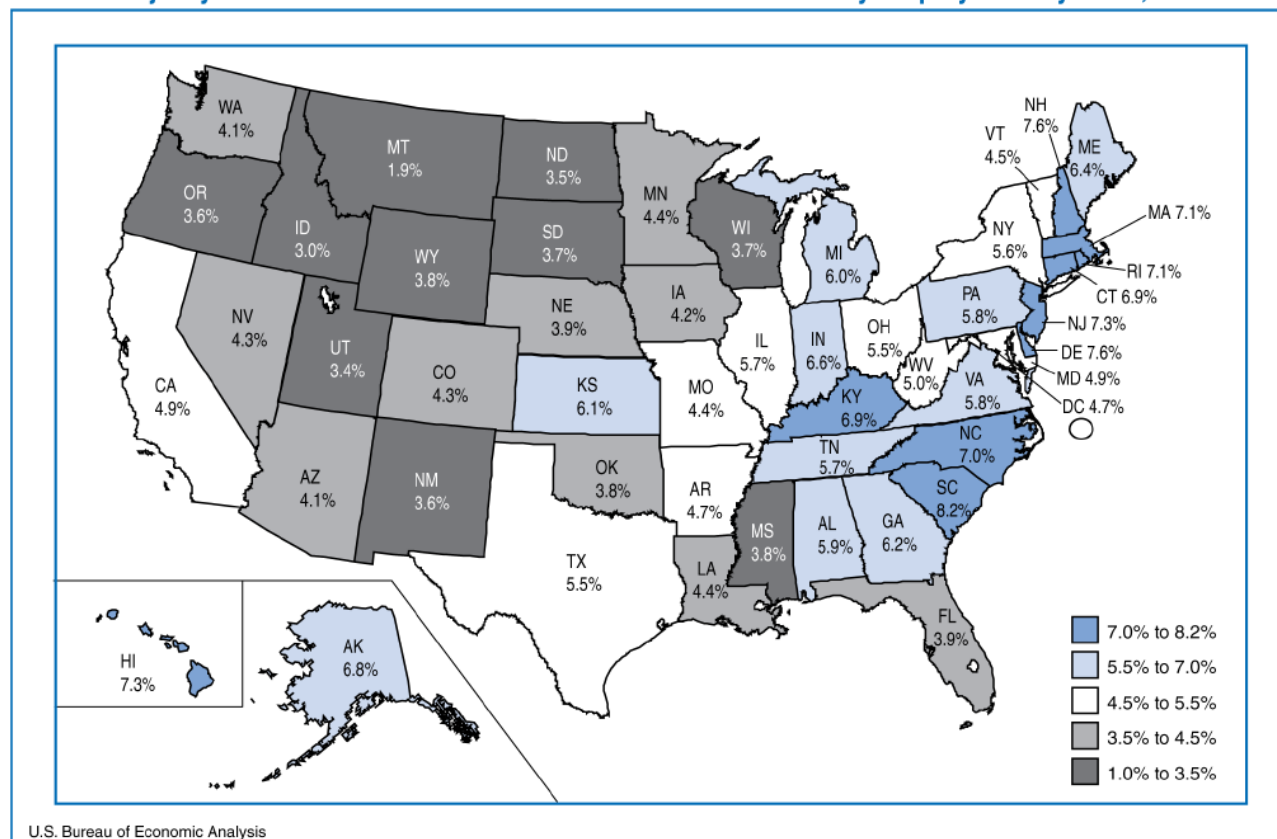
“Companies from abroad [...] now have a large enough presence in the American corporate sector to strengthen or weaken the economy by their behavior.”

Source: Louis Uchitelle, “Foreign Investors Turning Cautious on Spending in U.S.,” *The New York Times*, August 4, 2002.

How important are foreign-owned companies in the U.S. economy?

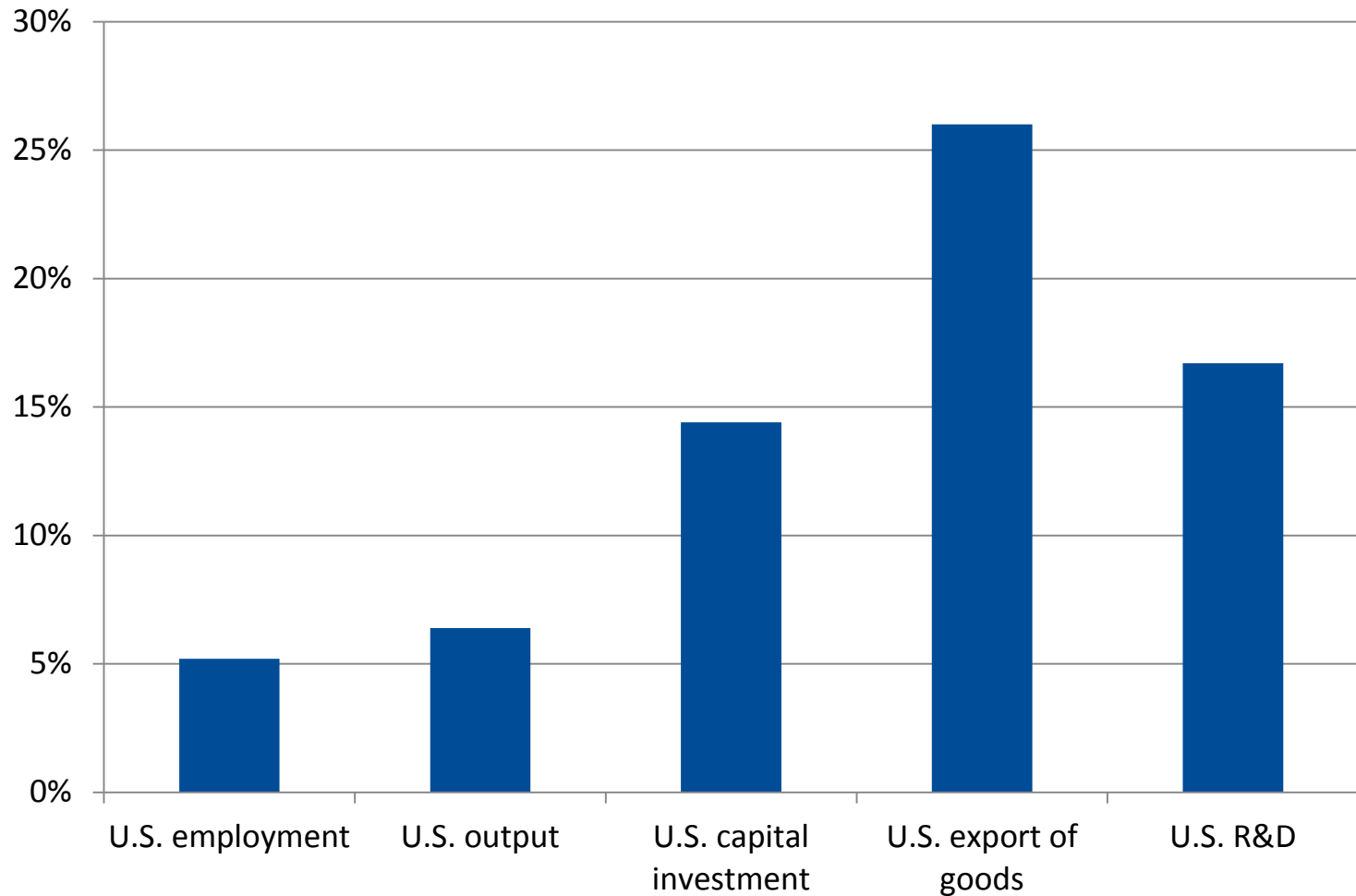
They accounted for 5.2% of U.S. private employment in 2014.

Chart 1. Majority-Owned U.S. Affiliates: Share of Total Private Industry Employment by State, 2014



Source: BEA, August 2016 *Survey of Current Business*

Role of foreign-owned companies in the U.S. economy



Source: BEA (data cover 2014)

*How do foreign-owned companies
affect the U.S. economy?*

- Here, too, published BEA data cannot *fully* answer this question but microdata from BEA surveys can be used by researchers to do so. Research has shown that foreign-owned firms advance U.S. economic growth because they:
 - Pay higher wages (Doms and Jensen 1998)
 - Are more productive (Doms and Jensen 1998)
 - Have a higher propensity to export (Bernard, Jensen, and Schott 2009)

- Published data from BEA surveys can be used to show the activities of:
 - U.S. and foreign MNEs in the United States
 - U.S. MNEs abroad
- Microdata from the BEA surveys can be used by researchers to examine the impact of MNEs on the U.S. economy.

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