Institut für Arbeitsmarkt- und Berufsforschung

Die Forschungseinrichtung der Bundesagentur für Arbeit

IAB

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

Einladung 20/2014

Multinational Firms and International Business Cycle Transmission

Professor Andrei A. Levchenko

University of Michigan, Ann Arbor

We investigate how multinational firms spread economic shocks across countries using a large firm-level dataset that contains ownership information for 8 million firms in 34 countries. We use these data to document two novel empirical patterns. First, foreign affiliate and parent sales exhibit strong positive comovement: a 10% growth of the parent is associated with a 2% growth of the affiliate. Second, shocks to the source country are almost as important as shocks to the destination country in explaining variation in sales growth at the source-destination level. We propose a parsimonious quantitative model to interpret these findings and to evaluate the role of multinationals for international business cycle transmission. For a typical country, the share of aggregate productivity transmitted by all foreign multinationals combined is non-negligible, accounting for about 10% of aggregate productivity shocks. On the other hand, since bilateral multinational production shares are small, interdependence between most individual country pairs is minimal. There is substantial heterogeneity in the strength of this mechanism, with the most integrated countries significantly more affected by foreign shocks.

Donnerstag, 9. Oktober

11:00 Uhr

Sitzungssaal 126a