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Physical capital, knowledge capital, and the choice between FDI and outsourcing

Capital physique, capital de connaissance, et le choix entre l'investissement direct à l'étranger et la sous-traitance.

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Abstract

Abstract There exist two approaches in the literature concerning the multinational firm's mode choice for foreign production between an owned subsidiary and a licensing contract. One approach considers environments where the firm transfers primarily knowledge-based assets and assumes that knowledge is non-excludable. A more recent approach takes the property-right view of the firm and assumes that physical capital is fully excludable. This paper combines both forms of capital assets in a single model. There are subtleties, and added structure is needed to establish what ex ante seems a straightforward testable hypothesis: relatively physical-capital-intensive firms choose outsourcing while relatively knowledge-capital-intensive firms choose FDI.

Abstract

Il existe deux approches dans la littérature spécialisée quand on examine les choix de production à

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choisissent la sous-traitance pendant que les firmes à forte intensité de capital de connaissance choisissent l'investissement direct à l'étranger.

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