

Firm Size and Foreign Direct Investment

ABSTRACT

This paper examines the importance of firm size in explaining foreign direct investment with data from American and Swedish firms. The results suggest that firm size only has a threshold effect on foreign investment, an effect on the decision to invest abroad. Once, however, a firm has jumped the initial barriers to foreign production, size has no effect on the fraction of the firm's resources devoted to foreign activity. Among firms that invest in foreign production large firms do not appear to have any particular advantage over small investing firms.

Magnus Blomström
C.V. Starr Center for Applied Economics
New York University
and
National Bureau of Economic Research
269 Mercer Street
New York, N.Y. 10003
(212) 598-3159

Robert E. Lipsey
Queens College and Graduate Center, CUNY
Flushing, N.Y. 11367
and
National Bureau of Economic Research
269 Mercer Street
New York, N.Y. 10003
(212) 598-3533