



Multinational Production and the Scope of Innovation

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This research sheds light on the role of multinational production (MP) on the scope of innovation performed by firms. Using a matched firm–patent dataset, we apply different measures of patent citation to investigate the effect of MP on the extent to which patents registered by firms can be spread across different product lines. We build our hypotheses based on two opposing features of MP developed in the literature: (i) core knowledge is geographically more difficult to transfer abroad to foreign production sites, (ii) learning spillovers can occur from international operations. Our results reveal that the number of products reinforces the second effect and that MP only increases fundamental innovation by firms that have a more diversified portfolio of products. The finding is robust to various specifications and sampling tests.