



Global Master's in Management

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**Global Master's in
Management**



Taster lecture
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Globalisation and Rebalancing the World Economy

What do we need to know about globalisation:

- What is it?
- Is it new?
- What causes it?
- Is it going to change, or stop?
- What are the implications
 - For the world economy
 - For business

What is globalization?

- Emergence of markets not limited by national boundaries
 - World market for goods and services
 - Capital market expansion and global financial flows
 - Labour market expansion and global migration
- Emergence of global businesses
 - Making goods and products to supply a world market (including foreign direct investment)
 - Division of labour on global scale

Globalization

What is Globalization – “global interdependence”:

- Global markets for
 - Goods and services
 - Capital (capital flows)
 - Labour (migration)
- It's not a new thing.....

Table 1
Some Data on Globalisation Merchandise
Exports As Share of GDP (%)

	1820	1870	1913	1929	1950	1973	1998		
Europe	2	10	16	13	9	21	25		
USA	2	3	4	3	3	5	10		
Latin America	n/a	9	10	6	5	5	6		
Asia	n/a	1	3	3	2	4	9		
World	1	5	8	9	6	11	17		

David Landes: *The Wealth and Poverty of Nations*, 1998

- Economic development

Creativity + Incentive to individual private gain + competition + “Sound” government = Innovation and growth.

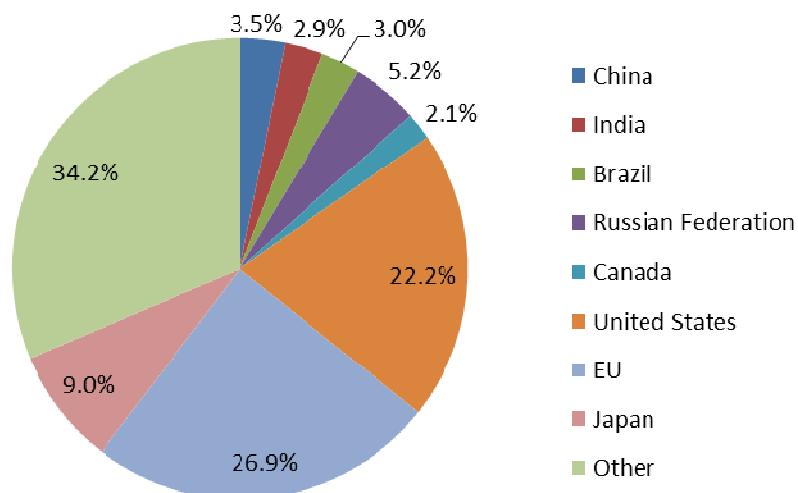
- Relies on:

- the individual drive to win
- supportive and nurturing community
- flexible society (immigrants, outsiders)
- Contrasting national cultures

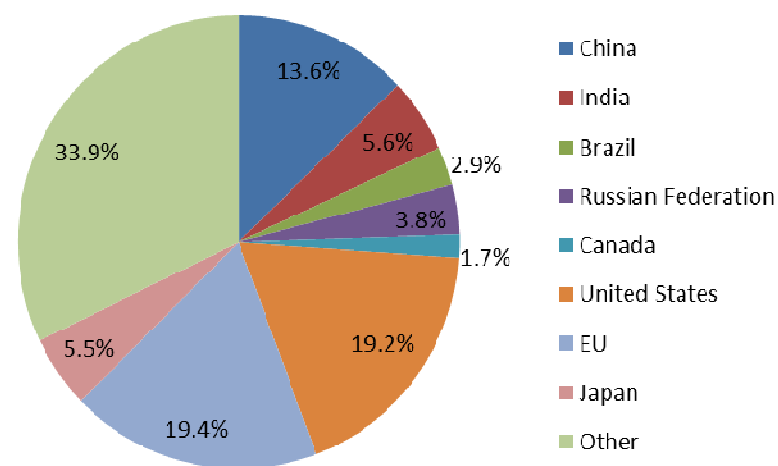
Drivers of Globalisation

- Creativity/technology (global market)
- Decline in transactions costs of doing business globally
- Policy
 - Trade policy (e.g., WTO, customs unions e.g. NAFTA, EU)
 - Abolition of most capital controls
 - Policies to encourage FDI
 - Labour skills and migration policy
- Ideology/Politics
 - Triumph of the market
 - Collapse of communist regimes

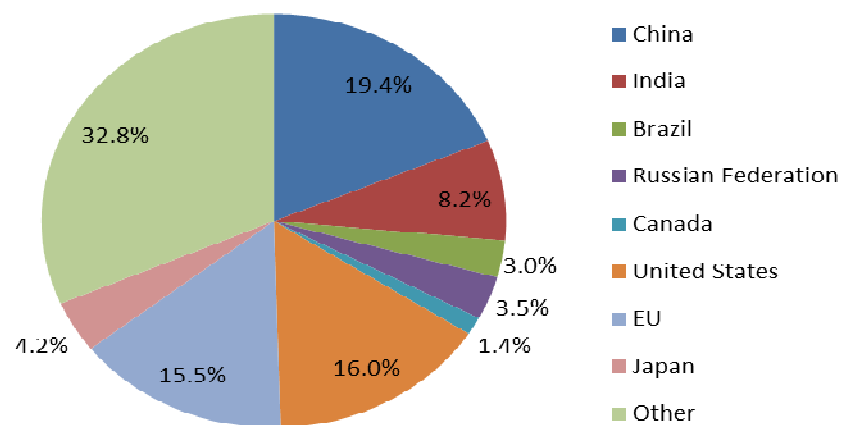
GDP of largest economies as a % of total world GDP in 1990, in PPP



GDP of largest economies as a % of total world GDP in 2011, in PPP



GDP of largest economies as a % of total world GDP in 2025, in PPP





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