

New Global Economic Order

Globalisation - development of increasingly intricate linkages between states, societies, business & cultural entities in the 'world system'.

Phenomena of Globalisation -

- Scope (stretching)
 - across the globe
- Intensity (deepening)
 - increased interaction
 - increased interconnectedness
 - increased interdependence

Globalisation does not imply uniform & absolute global unity in politics, economics or culture.

Globalisation is an umbrella term for abundant examples of substantive change.

Drivers of global change -

Technological change

Economic liberalism

Economic liberalism

- Govt. policy - increased competition and deregulation
- Increased multilateral agreements - GATT, WTO, NAFTA, EU
- Dominance of neo-classical economics (economic rationalism)

Economic deregulation-

- Liberalisation of trade, capital & internal markets
- Trade - lower tariff & non-tariff barriers, eased tech.transfer restrictions
- Capital - floating currency, no money supply targets, easier DFI and K transfers
- Internal - national markets, competition policy

Economic deregulation reduces the ability of governments to manage/regulate the domestic economy.

Globalisation has made traditional policy obsolete.

Technological change -

- New electronics, ICT, materials, biotechnology
- New products & processes
- Falls in transport & communications costs
- Increase in speed & extent of connectivity
- Changed management approaches

Aspects of Technological change

- Speed & volume of Capital flows via ICT - more than traded goods flows
- Industrial restructuring and location - organisational arrangements, resources, site, labour, markets, R&D, finance & professional services

Rise of MNCs has changed international trade & production

Global operations & resourcing
Global activity to attract activity -
(govt. policy, geography, factor
endowments)

Global trade increasing faster than global production

- Intra-corporate transfers, multi-polar ‘triad’ trade.
- Relocation of 1st world manufacturing to NICs - 1st world restructuring
- Explosion of global services trade esp. in finance - \$ US 1 trillion a day

Impacts of globalisation in Australia

- Restructuring - primary, secondary, tertiary sectors - industry, employment, society
- Increased deregulation & competition
- Industrial relations flexibility
- Core -periphery model - Sydney vs the rest
- Greater social disparity and increased political volatility
- Increased need for innovation

Management implications

- Strategy & implementation - eg. Mass production vs niche specialisation
- Technology - what, when, how, why?
- Change - structures, practices, relationships
- Innovation - how, what, when?

Features of a New Techno- Economic paradigm

- New forms of organisational ‘best practice’
- New skill profiles effecting worker quality/quantity
- New ‘product mix’ through new technology
- New innovation trends (radical & incremental) to use new low-cost technology

New TEP cont.

- New patterns in investment locations - changing comparative advantage
- Growth of small innovative firms in rapidly growing technology sectors
- Concentration by large firms in new sector - growth, diversification
- New patterns of consumer behaviour, consumption and economic distribution

Conventional neo-classical economics explains only market deregulation (perfect competition)- doesn't account for technological change or knowledge (exogenous factors)

Neo-classical investment theory hampered by ‘law of diminishing returns’ (marginal cost $>$ marginal utility)

Neoclassical trade theory -
comparative advantage accrues in
areas of greatest factor intensity &
endowment (land, labour, capital

Economic specialisation
according to comparative
advantage

New Growth Theories & Innovation Economics

Includes technology and knowledge
as factors of production

Allows for imperfect competition &
economies of scale

Increasing returns -
Increasing investment will increase
output & knowledge

Growth based based on the ‘spillover’
of knowledge beyond firms and into
the economy (positive externalities).

Knowledge contained in
physical/human capital, innovation,
R&D.

Strategic Trade Theory (Krugman) -
competitive advantage created by
economies of scale, barriers to market
entry & steep learning curves allowing
increased chance of ongoing profit.

Certain Industries more beneficial than others - can be encouraged by investment (public/private)

Industries follow certain 'path dependencies' due to economic factor endowments, past history & chance events