

## The Globalisation Process

These lectures discuss the globalisation process in the context of competition between firms that differ in their capabilities. Capability, in this context, refers to a generalisation of the notion of productivity to a setting in which products differ in their levels of quality (as measured by buyers' willingness-to-pay).

### Lecture 1: History and Theory

Globalisation is a process that has been going on for 150 years. Three key phases of rapid advance stand out: the late nineteenth century, the post-WWII decades, and the present phase which took off around 1990. Each of these phases was dominated by a different economic mechanism, and each in turn has led to a new set of economic models. This lecture introduces the new 'quality and trade' literature that seems to offer the best vehicle for understanding the present phase of the process.

### Lecture 2: Quality and Trade

The globalisation phase that we have witnessed since 1990 is best seen as a three-stage process. The first phase involves trade liberalisation, whose impact effect may be negative for some countries, as was the case in Eastern Europe in the early 1990s. But it is just those countries that are most vulnerable in the initial phase that benefit most from the second phase of the process, in which capabilities are transferred from high-wage to low-wage countries. The third phase, of global industrial restructuring, is already in progress.

### Lecture 3: Capability Transfer

The process of capability transfer which lies at the heart of the current globalisation process is complex, involving several channels (FDI, outsourcing, supply chains, etc.) whose relative importance and effectiveness varies widely across different industries. Understanding the determinants of the speed and effectiveness of these transfers is now the most interesting analytical challenge in this area.