

Lecture 9 – November 21

Edward Steinfeld “Cross-Straits Commercial Integration and Industrial Catch-Up”

1. What is the significance of modularization for the form that inter-firm competition takes in mainland China? What strategies are available to firms to attempt to change this outcome? What are its implications for their ability to innovate?
2. How has the strategy the Chinese government has taken towards economic reform influenced the way that mainland firms have been incorporated into the global production system? How (un)successful has the state been in shaping China’s engagement with the international economy? Why?

George Schultz, “Offshoring, Import Competition, and the Jobless Recovery”

1. How does Schultz explain America’s “jobless recovery”? Are the factors he points to also linked somehow to increasing economic openness in trade in goods and services, or are the two phenomena unrelated?

Thomas Friedman, “The World is Flat”

1. Friedman argues that we are about to enter an “era in which technology will truly transform every aspect of business, of government, of society, of life.” To what degree are his claims for the future unique? Are we really seeing something new happening, and if so, what makes it different from previous periods of technological change?
2. Friedman argues that in 30 years China will be competing with the US not only in manufacturing, but also in design and other segments of the value chain. Who do you think is right? Can both authors be right? Which sectors do you think this is more/less likely to occur in?

Suzanne Berger, *How We Compete*

1. Berger argues that it is possible for firms in advanced industrial states (AIS) to succeed in industries that theories of comparative advantage suggest should no longer be viable. What, according to the author, is different about industry structures that enable this to happen? What parts of the value chain are more likely to stay in AISs, and why?
2. What are *legacy resources*? Why, according to Berger, are they important?

3. What are the risks to firms of outsourcing? What strategies can they employ to mitigate these risks?
4. Berger argues that the world is still rounder than Friedman would have us believe. What flaws does she find in his argument? Who do you find more convincing, and why? What advantages, does Berger argue, do firms in AISs retain over their competitors in developing states, and how durable are these?

Paul A. Samuelson, "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization," in *Journal of Economic Perspectives* 18:3 (Summer 2004), pp135-146.

1. Samuelson argues that the Ricardian model of free trade need not necessarily lead to mutual gains for all sides through free trade. How can a negative outcome be obtained under conditions of free trade? How significant are the implications of his argument?