

CLARENDON LECTURES IN ECONOMICS 2004

COMPETING IN CAPABILITIES

GLOBALIZATION AND INDUSTRIAL DEVELOPMENT

Lecture 1: A View from the B-school

Lecture 2: Uncertain Futures: Learning to Survive

Lecture 3: A Divided World: Can Latecomers become Leaders?

The concept of a firm's "capability", though widely explored in the business school literature, has as yet barely entered mainstream economics. Yet this concept promises to prove useful over a number of fronts, including in particular the area of Industrial Development. The lectures introduce a simple formulation of the "capability" concept, and employ it to ask a series of questions about the current globalization process, and its impact on developing countries.

The capability concept, at one level, simply involves a broadening of the standard productivity concept to a world of differentiated products in which the quality of a firm's products is a key determinant of its success. At a deeper level, however, it concerns the idea that productivity and quality in turn rest upon the set of interlocking elements of "know how" possessed by the individuals comprising the firm. This immediately poses some deep questions relating to the value of the firm. Other implications relate to the recent heated debate which has developed in response to the appearance of various well-publicised rankings of countries' "competitiveness". The issue here is whether it is a firm's (or country's) absolute level, or its relative level of capability, that is pertinent to its success. But the most important series of questions relate to Industrial Development: how fast, and how effectively, are capabilities being transferred to firms in developing countries as part of the current "globalization" process? Can these latecomers become leaders in their respective global markets? If so, over what timescale? What are the policy measures that may help (or hinder) the process? And what are the implications of all this for the advanced industrial economies?

John Sutton