

# Transcript

Globalization: What's new? And what are the implications for policy?

Globalization driven by technology

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## START AUDIO

Contributor: This week we are going to be considering technology, innovation how that relates to globalisation. And the obvious question is, is globalisation driven by technology? Is it the internet which has put us into an economy global village? And certainly globalisation sometimes depicted as being driven by these developments.

But it's important to counter for misconceptions to at least bring some sort a balance into the discussion. Firstly you know we're obviously in a globalised economy, actually most companies aren't entirely global. In an article back in 1995 with an Italian Professor, Daniele Archibugi, we analysed patent data of multi-nationals, discovering a hugely global picture.

But in almost all cases, the companies were very clearly rooted in their domestic home economy, whether it's Korea, America, Japan. And they were just operating globally. So the idea that companies are global you have to take with a pinch of salt and define exactly what you mean.

Secondly it might be thought with this globalisation that everything is just the same. Coca Cola's just sold around the world undifferentiated. Actually that same study found that that's not the same. Actually if anything differentiation and specialisation has increased partly as a result of these globalisation processes, people can specialise more in individual markets.

Thirdly and this is a big topic. But there are national systems of innovation. The fact that Japan or Korea has been successful or indeed Britain and America has been successful in innovation isn't just due to a few people making inventions or just those companies, Microsoft being good. There tends to be whole national systems of innovation.

The success of innovation, the success of technology in the economy over time will tend to depend on the educational system.

This is the graduates the Universities are producing, the financial system. The sort of time horizons the financial system has.

Whether it just gives you an overdraft which might only last for a few months or it gives you a ten year loan. All these things go to make up the national system of innovation. And globalisation hasn't undermined that. National systems and regional systems within countries are important. And national Governments should be crucial in promoting those systems of innovation, underpinning them.

And then finally new technology obviously means that money can be shot around the globe in nanoseconds. And indeed that's sometimes said to be a reason as to why you can't tax these movements, the so called Tobin tax. Which would tax financial movements around the world and that's simply not the case. Even in Britain there are taxes on financial movements, all sorts of different taxes which do look at financial movements.

And of course the technologies are just as powerful. And the increase in the power of technologies makes it just as useful for uses of regulation and taxation. As they do for diverting them.

So it's wrong to take some sort of deterministic views of technologies that have got round to Governments. It tends to be on the contrary, Governments have actively promoted processes of

globalisation. But the technologies are there to regulate the system globally if that is what's wanted.

So nation states do remain absolutely fundamentally important politically as well as economically. And nation states do have the power, the authority to tax at home and through co-operation with other countries to pursue such policies globally.

The one thing I'd say by conclusion though is that innovation itself as a process has become more open. It's become increasingly accepted that however successful your company, Microsoft or whoever else, may be, actually most of the knowledge, most of the innovation will be happening outside your company. So if you want to be successful you have to tap into those ideas. They may still be in your country but they're outside your company. And it's exploiting this open innovation which is going to be key for the success of all companies and all countries in the global economy.

Now something called the 'Innovation Exchange' has been operating in Australia for some time and Innovation Exchange UK was established in 2006 by Birmingham Business School with funding from Government. It's described in an article by Christofferson Kitson and Mickey in the Cambridge Journal of Regions, Economy and Society July 2008.

And what the Innovation Exchange does is put its experts into a company for one or two days a week. And into a university for one or two days a week, maybe another company for one or two days a week under conditions of strict confidentiality. But always on the look out for profitable collaboration between companies or between a company and a university.

And when they spot them again on the conditions of commercial sensitivity and absolute secrecy, tells the companies about the opportunity. And if the company's interested, releases a bit more information, bit by bit. Until both companies want to give the go ahead. And they then take that innovation forward and profit from it.

So the conclusion in terms of innovation having become more open outside companies isn't that individual Governments no longer have a role. But on the contrary they should be actively promoting new ways of companies being able to collaborate with each other within countries and across borders, such as the success for example of the Innovation Exchange is doing.

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