



# GLOBAL NETWORK FOR ADVANCED MANAGEMENT

## **IN THIS ISSUE** **News and Events**

- **Most-Read Global Network Perspectives Articles for 2016**
- **Video: China, Trump and the U.S.-Sino Relationship**
- **GNAM LinkedIn Group**

## **Selections from Global Network Perspectives**

- **How Companies Should Respond to Mistakes (Jan U. Hagen, ESMT)**
- **What Does The Trump Administration And Climate Change Denial Have To Do With Switzerland? (Francisco Szekeley, IMD Business School)**
- **What Are the Consequences of India's Currency Reform? (Shyam Sunder, Yale School of Management)**
- **The Role of Economic Freedom in Prosperity (Peter Chen, HKUST)**
- **Threat of Recession in Mexico, and Emerging Economies at Risk (María de Lourdes Dieck Assad, EGADE Business School)**
- **Demonetization of High Denomination Notes in India (Charan Singh, Indian Institute of Management Bangalore)**

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## **QUICK LINKS**

- [Member Schools](#)
- [Network Cases](#)
- [Network Weeks](#)
- [Network Courses](#)
- [Global Network Perspectives](#)

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## **News and Events**

### **Most-Read Global Network Perspectives Articles for 2016**

As 2016 comes to a close, Global Network Perspectives looks back on the most-read articles from 2016. [See the top ten list >>](#)



### **Video: China, Trump and the U.S.-Sino Relationship**

GNAM students were invited to view live a panel discussion with Professor Stephen Roach, the former chairman of Morgan Stanley Asia; Professor Robert Shiller, an expert in financial markets and behavioral finance and the winner of the 2013 Nobel Prize



in Economic Sciences; and and Lei Zhang '02, founder of the Hillhouse Capital Management Group, as they shared their thoughts on the U.S.-Sino relationship in the current global economic and political environment, and its future in the Trump era. [View the video >>](#)

### **GNAM LinkedIn Group**

More than 1500 students, alumni, faculty and staff of GNAM schools have joined the GNAM LinkedIn group. The group is a closed group that accepts students, alumni, faculty and staff from GNAM schools. [Join the GNAM LinkedIn group >>](#)

### **Selections from Global Network Perspectives**



#### **How Companies Should Respond to Mistakes**

A powerful explosion rocked a port terminal at a BASF facility in Ludwigshafen on October 17. Three people died and at least 30 were injured, eight seriously. The investigation is only in its initial phase, and only an interim report has been

made available so far. Preliminary indications suggest the deadly explosion may have been caused by a worker cutting the wrong pipeline during routine maintenance and repairs.

Management at BASF, especially Chief Executive Kurt Bock and the human resources director, Margret Suckale, have spoken openly about the event, without assigning blame. Both have expressed a concern for the victims and their families and the desire to determine the cause of the accident.

This approach contrasts sharply with the response at Volkswagen, Europe's largest automaker, to its global diesel emissions scandal. In its communications since the emissions fraud was uncovered by U.S. environmental regulators in September 2015, VW has only referred to its "diesel issue." At its core, Volkswagen admitted to having manipulated diesel engines for years to artificially lower their emission levels to meet environmental laws in the United States. [Read more >>](#)



### **What Does The Trump Administration And Climate Change Denial Have To Do With Switzerland?**

The recent election of Donald Trump to the US presidency has a number of implications for the US and for the global community, particularly in the area of sustainability and climate change.

During his controversial campaign Trump called climate change a hoax and threatened to dismantle the US Environmental Protection Agency (EPA), eliminate the recently adopted Clean Power Plan (an initiative to reduce carbon pollution from power plants, the largest source in the US, while maintaining energy reliability and affordability) and to lower restrictions on drilling and mining on federal lands. These actions will push the US sustainability agenda backward. But what does this have to do with the quality of life of people outside of the US? A lot. Mainly because climate change is a global phenomenon. If we increase carbon dioxide emissions in the US or China we will increase global warming impacts not only for the American and Chinese people but for everyone, even those of us in Switzerland.

What can we do then? We need to act now and anticipate the unsustainable Trump effect. [Read more >>](#)



### **What Are the Consequences of India's Currency Reform?**

The consequences of demonetization of higher denomination notes in India is largely a matter of speculation. Since most aspects of human behavior are intimately interlinked, every

intervention sets off innumerable chains of reactions that create new reactions of their own. Since human ingenuity knows few bounds, these chains are extremely difficult to forecast. Yet, here is an attempt to do just that. [Read more >>](#)



### **The Role of Economic Freedom in Prosperity**

Hong Kong has been ranked tops in the world for economic freedom by the Fraser Institute which publishes the report on Economic Freedom of the World. The annual indices are compiled based on the size of government, legal structure and

protection of property rights, access to sound money, free trade, and regulatory environment. It's the kind of result that government ministers like to proudly cite, but what does it mean for the investment community?

Professor Peter Chen of the Department of Accounting has come up with some answers in his work on the impacts of economic freedom on corporate investment and value creation. In short, economic freedom matters and investments in places with higher economic freedom are better bets.

Professor Chen employs a real options based valuation model that accounting information informs managerial investments with lack of economic freedom acting as frictions that impede investments. "Accounting

plays two important roles,” he said. “First, it tracks down the shareholders’ wealth or current investment in the company, represented by the book value. Second and most important, if we want to project future cash flow, the accounting system reports the company’s performance in terms of profitability, that is, earnings scaled by capital invested. If a firm does nothing, it will capitalise the current earnings. If it is very profitable, it should attract capital and be able to grow. On the other hand, if the company is losing money, it has to adapt and put resources to alternative use. That is the put option.” [Read more >>](#)

### **Threat of Recession in Mexico, and Emerging Economies at Risk**



After the worldwide shock brought on by the Brexit, the election of Donald Trump confirms many of the fears that a new, uncertain world order is in store. As I warned in a [previous article on the effects of the Brexit](#), these election trends toward populism and xenophobia place the building of a more-open, more-egalitarian global society at risk and show that the world is headed toward more fragmentation. Precisely when the world economy is so fragile, a return to protectionism and economic nationalism could mean practically irreversible high costs that could undo decades of integration and cooperation among nations. The main concern is that policies such as protectionism, immigration reduction, and rejection of climate-change agreements, among others, will have a huge impact on the world economy, especially in emerging economies, whose growth and development depend greatly on trade, foreign investment, environmental action, and immigration permeability. For now, Trump’s policies—unpredictable and undefined until he is sworn in in January 2017—have unleashed high market volatility. Mexico is especially affected by the uncertainty regarding measures that affect us directly, such as a revision of or withdrawal from the North American Free Trade Agreement (NAFTA), the deportation of millions of undocumented workers, taxing or confiscation of migrant remittances, and the construction of the famous wall. [Read more >>](#)

### **Demonetization of High Denomination Notes in India**



Prime Minister Narendra Modi has announced demonetization of high denomination currency keeping in view the manifesto of the party to fight corruption and respecting the sentiments of voters. Despite the pain which people are facing in the exercise, generally the scheme has been hailed by Indians across the spectrum. The sentiments are positive and encouraging. First, some facts about the demonetized currencies. The note of Rs.500 was introduced in October 1987-88 while notes of Rs.1,000 were discontinued in January 1978 and reissued in November 2000. The history of Rs.1,000 note is interesting. It was first introduced in 1938 under the British rule and then demonetized in January 1946. Once again it was introduced in 1954 and demonetized in 1978 to be re-introduced in 2000. The total currency in circulation as on end March 31, 2016 is Rs. 16,415 billion of which notes of Rs.1,000 denomination account for 38.6 %

(Rs.6,326 billion) and Rs.500 account for 47.8% (Rs.7,854 billion). The importance of Rs.500 has been increasing over the years, from 4.1% on March 31, 1990 to 47.2% on March 31, 2016. Similarly, the share of Rs.1,000 note has increased from 1.7% in 2001 to 38% in 2016. The total amount of Rs. 500 and Rs. 1,000 notes amount to Rs. 14,180 billion as compared with India's national Income of Rs.1,35,761 billion in 2015-16 or about 10.5 percent of GDP. Assuming that the size of unaccounted economy in India, conservatively, is nearly 30% of the official economy, amount of Rs.4254 billion in high denomination notes could be due to unaccounted money. [Read more >>](#)



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### **Your news?**

Please send news from your school for the next edition of this newsletter to [elizabeth.wilkinson@yale.edu](mailto:elizabeth.wilkinson@yale.edu).