

# The future of globalisation and challenges for advanced economies

comments based largely on my book

*THE GREAT CONVERGENCE: Information Technology and the New Globalisation, Harvard University Press*

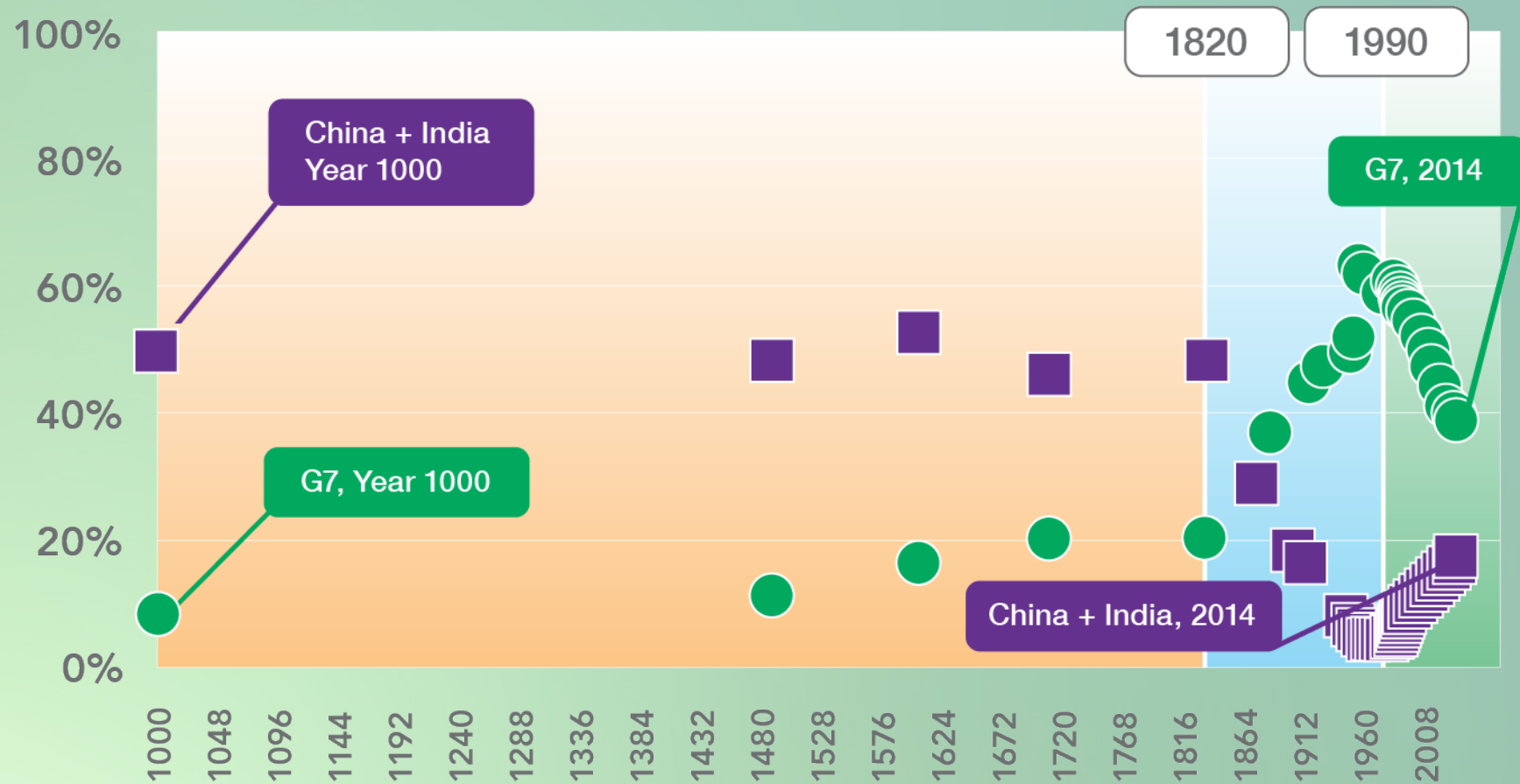
**RICHARD BALDWIN**

PROFESSOR OF INTERNATIONAL ECONOMICS  
THE GRADUATE INSTITUTE | GENEVA

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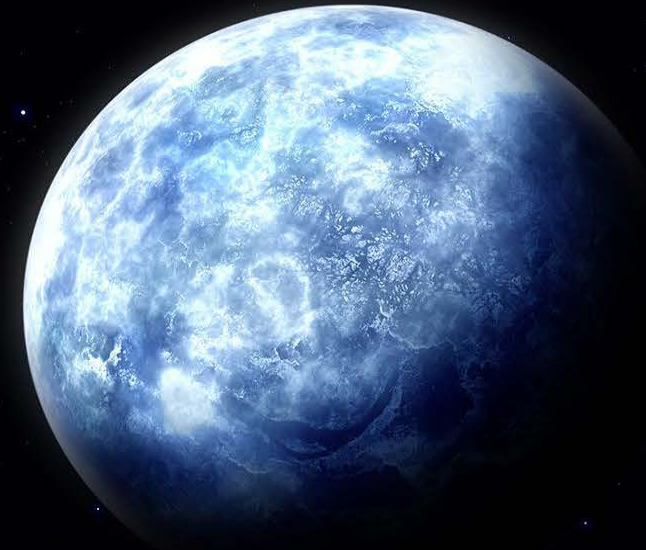
# Globalisation changed radically (twice)

Shares of world income



# Arbitrage drives globalisation

- Goods
- Knowhow
- Labour



# Arbitrage is constrained by 3 costs

**Trade costs (goods)**



**Communication costs (ideas)**



**Face-to-face costs (labour services)**



# Globalisation: Past, Present, Future



**GOODS** – « Old Globalisation »

**KNOWHOW** - « New Globalisation »

**LABOUR** - « Future Globalisation »

# Global value chains open a 'pipeline' for globalisation as knowledge arbitrage

## Headquarter Economies (G7)

High  $\frac{\text{Knowhow}}{\text{Labour}}$

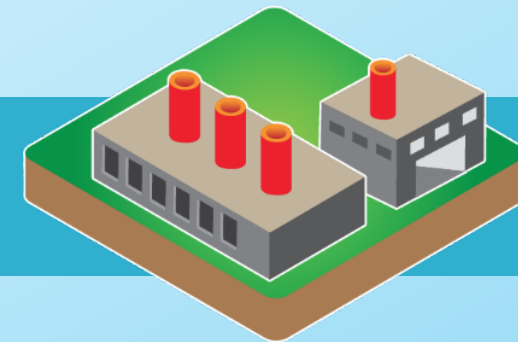
High wages



## Factory Economies

Low  $\frac{\text{Knowhow}}{\text{Labour}}$

Low wages



*High Tech + Low Wages Revolutionises World Manufacturing*

The future is unknowable, but also inevitable



# Digital technology opens a pipeline for direct international wage competition

## Headquarter Economies (G7)

High  $\frac{\text{Knowhow}}{\text{Labour}}$

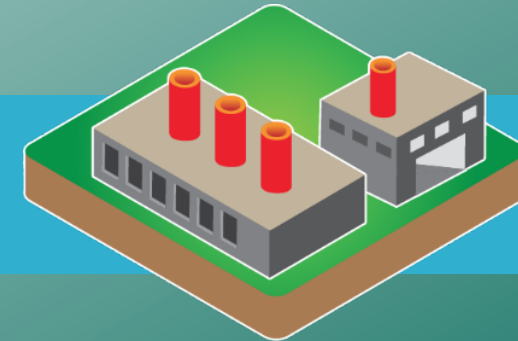
High wages



Factory Economies

Low  $\frac{\text{Knowhow}}{\text{Labour}}$

Low wages





# Future globalisation: Office jobs, not factory jobs



# Tele-migration

People sitting in one nation & working in offices in another nation



Economics => profitable

Digitech => possible

# 4 ways digital technology is lowering barriers to tele-migration

- Domestic remote work paves the way.
- Online “match making” platforms.
- Machine translation.
- Advanced telecommunication technology.

# Global “talent tsunami”



- Mismatch of velocities  $\Rightarrow$  Short run upheaval
- Policy response?

Long term: More local, more  
human, and richer

