

The future of globalisation and challenges for advanced economies

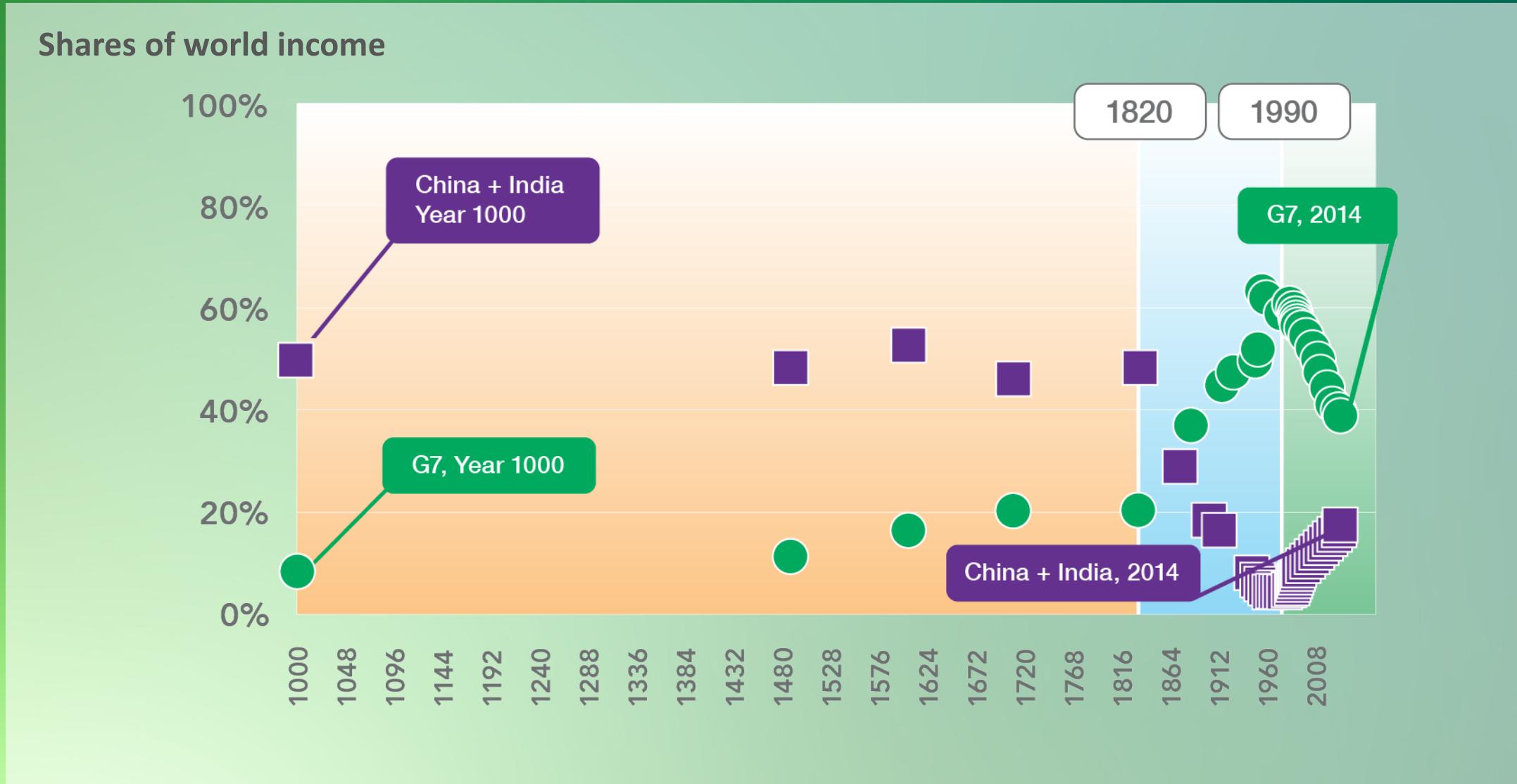
comments based largely on my book

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

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Globalisation changed radically (twice)



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

Knowhow
Labour

High wages

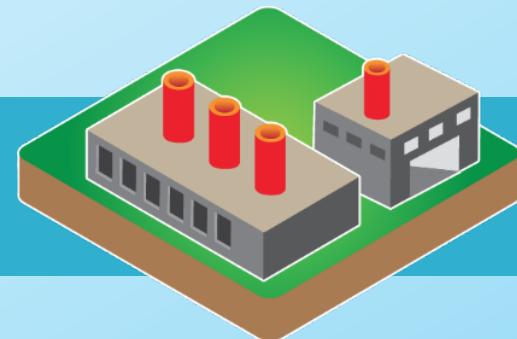


Factory Economies

Low

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

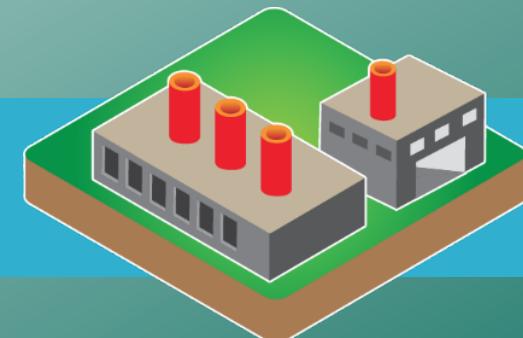
High wages



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 => Short run upheaval
- Policy response?

Long term: More local, more
human, and richer

