The future of globalisation and challenges for advanced economies

comments based largely on my book


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Globalisation changed radically (twice)
Arbitrage drives globalisation

- Goods
- Knowhow
- Labour
Arbitrage is constrained by 3 costs

<table>
<thead>
<tr>
<th><strong>Trade costs</strong> (goods)</th>
<th>![Image of a cargo ship]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communication costs</strong> (ideas)</td>
<td>![Image of a man working on a computer]</td>
</tr>
<tr>
<td><strong>Face-to-face costs</strong> (labour services)</td>
<td>![Image of people shaking hands]</td>
</tr>
</tbody>
</table>
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)

Factory Economies

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 wages

High

Knowhow

Labour

High

Factory Economies

Low wages

Low

Knowhow

Labour

Low
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