

Globalisation: the great unbundling(s)

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*26 March 2007
Stockholm*

The 1st & 2nd unbundlings

- 1st unbundling is roughly old paradigm (trade theory).
- 2nd unbundling is roughly new paradigm (trade in tasks).

1st Unbundling

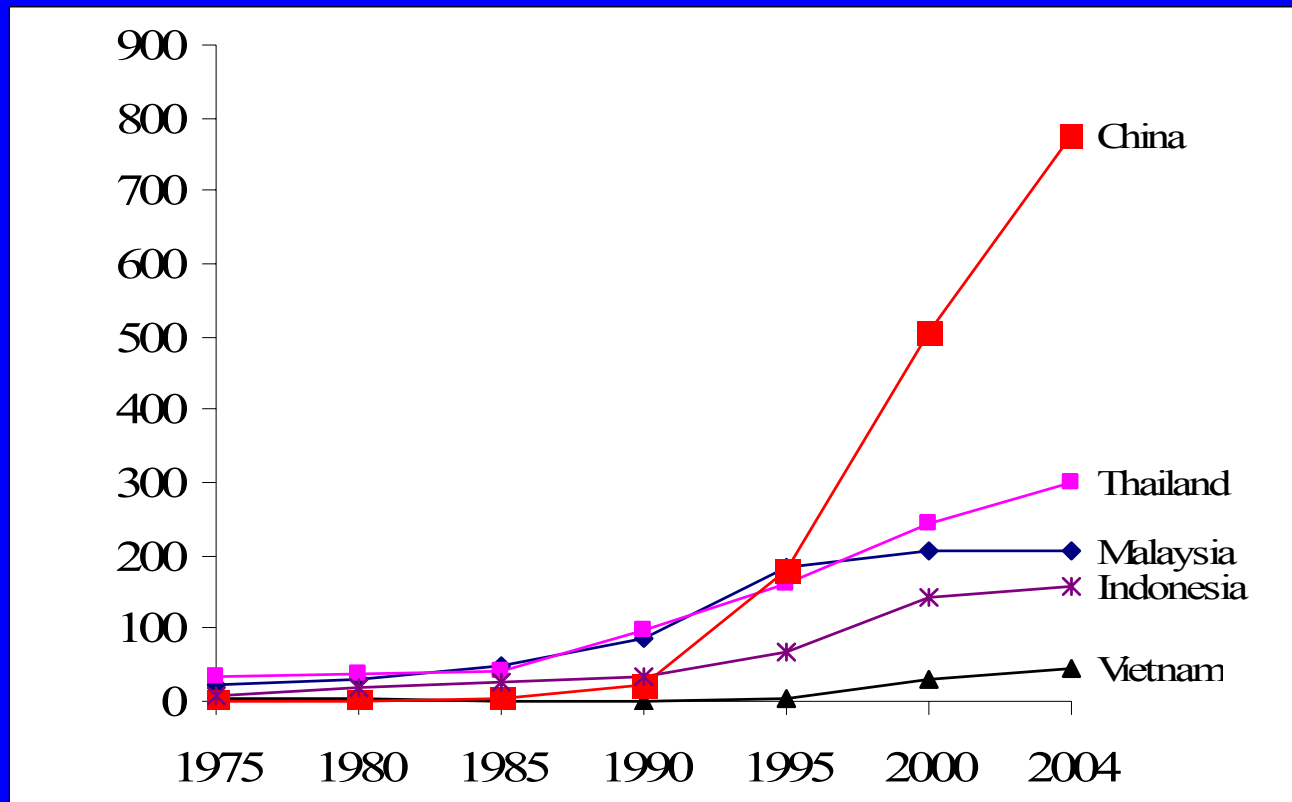
- Definition: Separation of production & consumption.
- Causes:
 - trade costs for goods, people and ideas fall rapidly, but especially for goods.
- Roughly 1870 till present.
 - Old paradigm (basically trade theory – Ricardo, Ohlin, Heckscher, etc)

2nd Unbundling

- Definition: Unbundling of factories & offices
- Causes:
 - trade costs for goods, people and ideas fall rapidly, but especially for ideas.
- Roughly 1985 – present.
 - New paradigm: “trade in tasks, not only trade in goods”
 - 3 Princeton professors: Blinder, Grossman, Rossi-Hansberg (and Krugman)

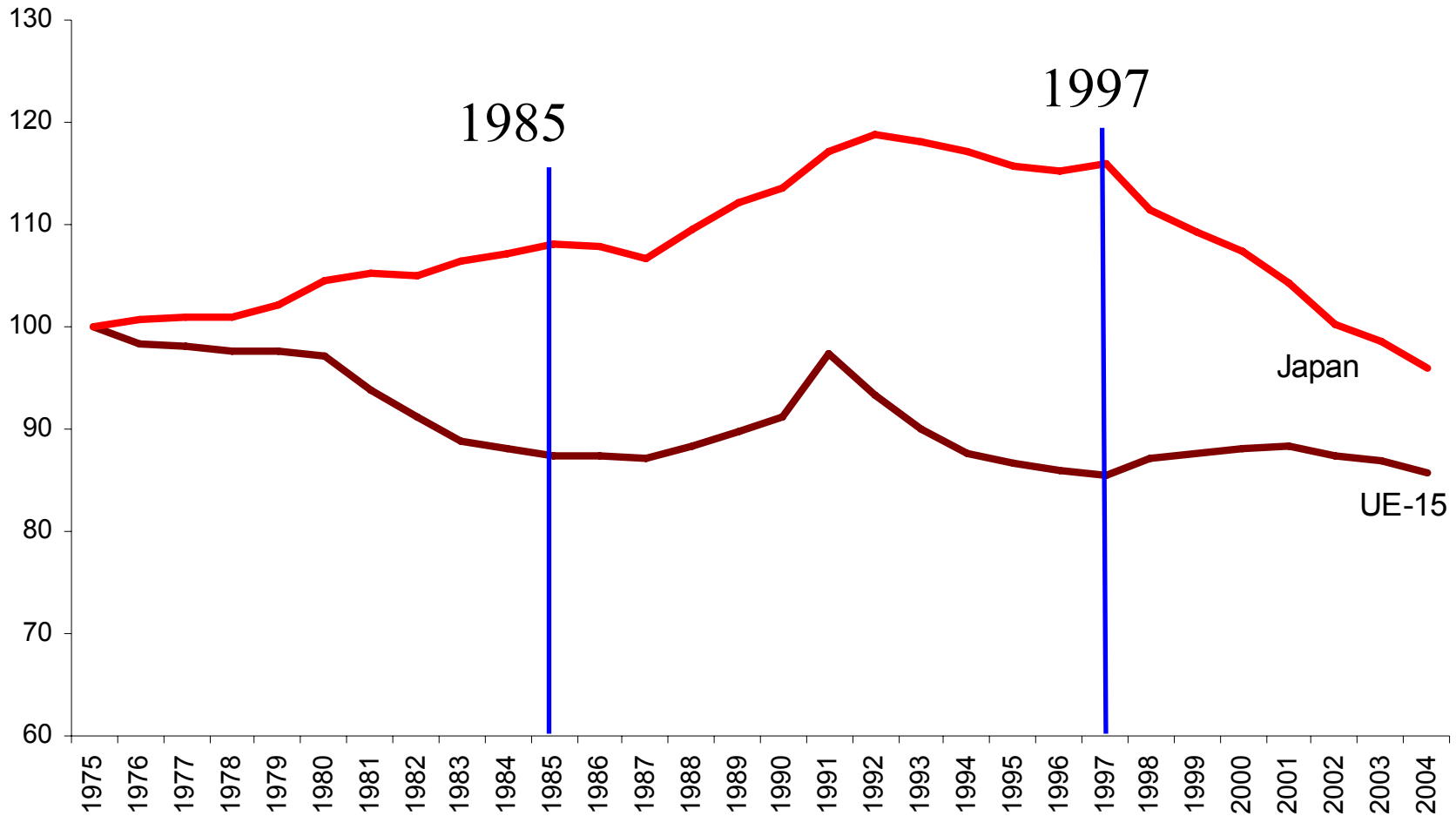
2nd Unbundling

- Regionalisation of offshoring (time cost of travel)
- Japan. Placement of Japanese automobile and electronics plants in East Asia, 1975 – 2004.



Industrial employment

Industrial employment in large OECD nations, 1975-2004

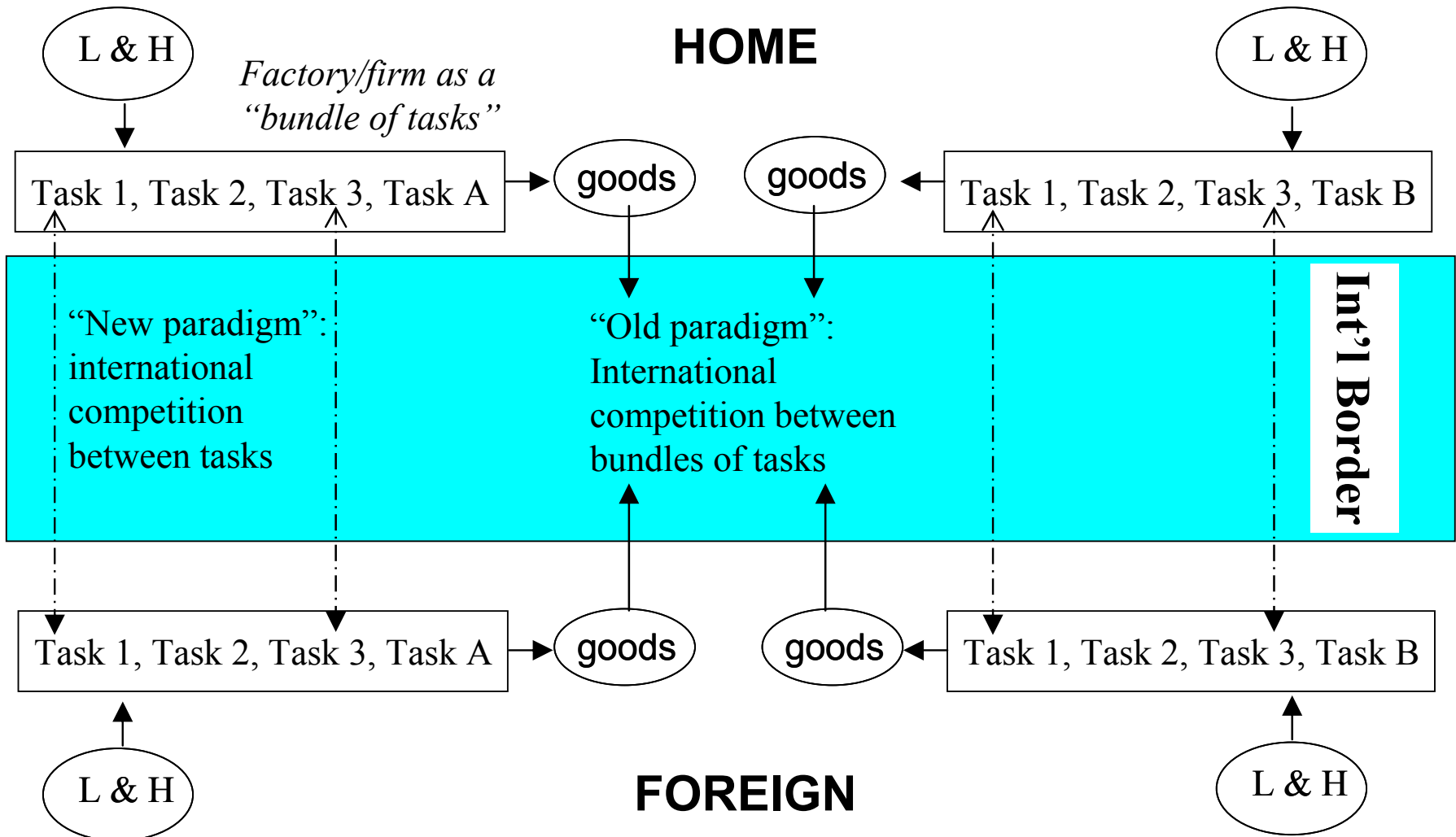


The old & new paradigms

What level of aggregation proper for analysis?

Unskilled intensive sector (X)

Skill intensive sector (Y)



Deep difference

- Old paradigm: trade in goods, firms/sectors/skill groups are the proper level of analysis.
- New paradigm: Competition at level of tasks, not firms or sectors.
 - Winners and losers according to tasks.
 - Firms/sectors/skill groups not fine enough disaggregation.
 - Globalisation happens with a finer level of resolution.

Differences for policy making

- Unpredictability. The winners and losers from globalisation are much harder to predict.
 - Not just lower ITC costs; organisational issues too.
 - Don't understand the 'glue' that bundled production into firms & offices; can't predict how it unglues.
 - All sorts of odd economics at work: agglomeration, convex communication & coordination costs, tipping points, etc. network externalities, re-organisation of working concepts (telecommuting), teams, etc.
- Suddenness.
- Individuality.
 - Policies for sectors/firms/regions, not individuals.

More conjectures

- Globalisation and inflation process.
 - Hard to understand wage behaviour due to incorrect level of disaggregation?
- Globalisation & the tax base.
 - Definition of mobile factors & jobs.
- Income inequality
 - Super star economics

Tentative policy implications

- Much harder to pick winners & losers.
- ‘information society’ jobs likely subject to dramatic changes in trade costs, i.e. they may be offshored.
- Van Welsum and Reif (2005) and Van Welsum and Vickory (2006) classify “offshore-able” jobs as those characterised by four features:
 - IT intensity,
 - output that is IT transmittable,
 - tasks that are code-fiable, and
 - little face-to-face interaction.
- Maybe this suggests a re-thinking, or at least more subtle thinking of Lisbon.

Comment on Lisbon

- Lisbon agenda is everything and thus nothing.
- Elements of Lisbon are tried & true.
 - Innovation raises labour productivity and thus living standards;
 - Education tends to raise productivity of workers & may raise flexibility of workers;
 - Flexible product markets.
- BUT, frequent reference to information society & knowledge based society suggests aim to facilitate movement of labour from the losing sectors to the winning sectors.
 - Basically picking winners & losers.

Tentative policy implications

- Even greater need for flexibility & continuing education;
 - Amount of learning vs learning to learn.
- The superstar economics.
- Competition among welfare states (jobs vs workers)

Bottomline

- The gains from trade for newly tradable task are exactly the same as for trade in goods.
- Pains from trade may be less correlated with skill level, job experience, sector than they were in the past.
- Social policy even more necessary politically.
 - Protect workers, not jobs (Flexisecurity not EPL).
- Policies to facilitate acceptance of globalisation and to ease pain of adjustment and exploit new opportunities may need to be more at worker level.

End

- Thank you for listening.
- My web site:
www.hei.unige.ch/baldwin/