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A shrinking and expanding world

While the pandemic has equalised the access of knowledge around the world, the side-effects will be felt disproportionally in the global labour market

A week ago I received an email inviting me to a meeting of economic historians of the Balkans. The association was created several years ago and while I had been interested in joining I never managed to get to any of its meetings. One had to be physically present in Belgrade on such and such a date.

But now, suddenly, with the lockdown, the meeting was held online — and even I, thousands of miles away in Washington DC, could participate. It was held at a convenient time for me and I quite happily logged in. People from different parts of the globe joined. We would likely never all have met in the pre-coronavirus world.

Before the meeting started, I chatted with other attendees and we traded information about how things were at our physical locations. They asked me about life in Washington. I told them what I could see from my home (not much) and on my short daily walks along Connecticut Avenue.

But, they persisted, are the stores open, are people in the streets, are there still demonstrations? I had to confess I had no idea. I lived through last summer's disturbances, the election-linked demonstrations, the January 6th riots, the inauguration—all of which happened within two miles of my home—but I saw none of it.

Equalising knowledge

It dawned on me as we spoke that, during the pandemic, my world had weirdly changed. On the one hand, it has expanded enormously. I have given talks, interviews and college (even high-school) lectures and participated in panels—not only in Europe and the United States, where I might have done so anyway, but also in China, South Korea, Japan, Malaysia, Russia, Turkey, Argentina, Colombia and Brazil.

I have discussed things with people whom I would have never met in person. We were closer than face-to-face: we were one face glued to another, on the screen.

People in faraway places know exactly as much as I know about what is happening in Washington and I know as much as they know about what is happening where they live.

On the other hand, my direct experience of the world I physically live in has shrunk, perhaps equally extraordinarily. It is not only that I have not seen any of the events that took place next to me — I have not had dinner or coffee with any people who might have seen some of them. Under normal circumstances I would surely have met at least some eyewitnesses.

Covid-19 has equalised our knowledge of the world. People in faraway places know exactly as much as I know about what is happening in Washington and I know as much as they know about what is happening where they live.

A complete global labour market

Will this flat world remain after the pandemic? I think the major effect will be a big change in the global labour market.

We knew before that, technically, we could do online many of the things we do now — the technology has not suddenly leaped ahead. But, as I recently found out in a nice essay by Arnold Toynbee, the crisis has played the role the devil is supposed to play in religions: its 'positive' role is to push us, through dread of succumbing to him, in a direction in which we should indeed be going but are otherwise too lazy or fearful to do.

Covid-19 made us accept the online world to compensate for the 'real' one. But now the two have become one.

The pandemic will create an almost complete global labour market. As performance of a job becomes divorced from physical presence at the work post, it will open many jobs to anyone with a Wi-Fi connection around the world.

Ever-greater competition

This is not going to be good news for everyone. While it will enable some to compete for jobs from which they were previously excluded, others will face ever-greater competition for positions.

It will not be good news for the middle class in rich countries, already battered by globalisation. There is a double irony in their situation. Not only will they have to compete, more openly than ever, with people who are willing to accept a lower dollar wage but the real standard of living of those working at lower dollar wages — say in India or Nigeria — will be *higher* than the real standard of living of people in California who demand a higher nominal wage. The lower price level in poorer countries will more than compensate for the lower dollar wage their workers will accept to outbid workers in a rich country.

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Globalisation will show us something that we vaguely knew existed but had not seen so clearly before. A worker in India will accept a $10 hourly wage and live on that wage like a $30 hourly worker in the US, while outbidding the American worker who would ask for a $15 wage. An employer will be better off hiring a worker to whom he would pay a higher real wage than another to whom he would pay a lower real wage.

Less income but higher quality of life

There will be, at least, two additional developments. Cheaper-to-live places will become much more attractive, within individual countries too. As the previous example shows, not only will such workers, living in low-cost areas, have an advantage in competition for jobs but they will be able to lead better lives while being paid less.

Secondly, time difference will change from an annoyance to a boon. The boss in northern California can wake up confident that the problem he defined at the end of his previous day's shift will have been solved by workers in Asia or Europe: the answers will be waiting in his email or on his smartphone. From being limited to 9 to 5, working hours will become unconstrained: the work will be done 24 hours a day — rain, hail or shine.

All of this will increase the global labour force and its productivity. It may be one of these forces, as Karl Marx forecast, that come out of crises to forestall the tendency of the rate of profit to fall.

Polarisation between workers in rich countries — between the lucky or highly-skilled who continue to benefit from globalisation and the less-lucky for whom the only jobs left are those that require physical presence — will deepen. It will be the role of economic policy to stop the gap

between the two categories from getting even wider — a task in which it has so far failed.

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