

How Technology Is Transforming G20's Growth Agenda

Zia Qureshi

The Brookings Institution

International Conference on

“G20 and BRICS: Pursuing Multilateral Solutions to 21st Century Challenges”

The Russian Presidential Academy of National Economy and Public Administration

Moscow – October 10, 2018

Technological change, led by digital revolution, is profoundly altering growth and distributional dynamics

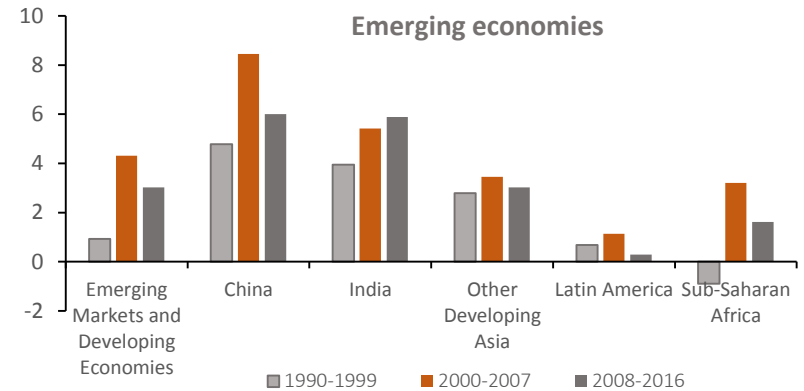
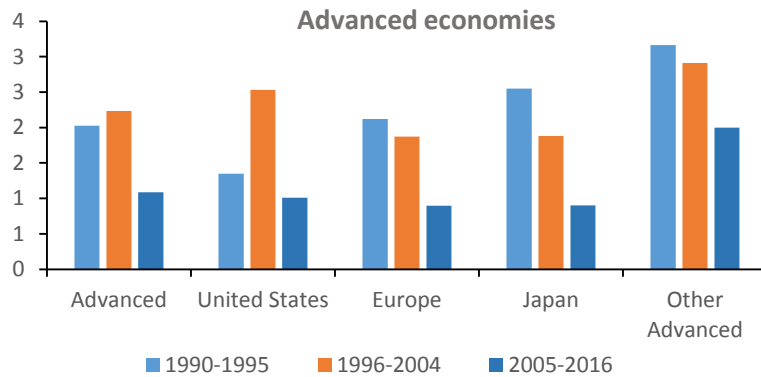
- Change permeates all markets:
 - **Product Markets:** digitization of production and commerce; rise of intangible economy, platform economy, big data; winner-take-all markets; increased market concentration and new challenges for competition policies
 - **Labor Markets:** shift in demand toward higher-level skills; automation and job polarization; increased need for continuous upskilling/reskilling; rise of gig economy
 - **Financial Markets:** financialization of the economy; digital finance; financial platforms; fintech; blockchains
 - **Markets for Technology/Ideas:** increased importance of intellectual property rights (IPRs) in a more knowledge-intensive economy; need to overhaul old patent regimes
- **Digital Globalization** — a new era of global flows:
 - rise of digital trade; cross-border digital flows now have a larger impact on global growth than traditional flows of traded goods
 - emergence of a new class of superstar multinationals—global technology giants—that affect competition across national markets
 - New issues for international cooperation arising from digital globalization—need for disciplines covering trade, investment, competition, IPRs, and taxation relating to cross-border digital activity

Policies need to rise to the challenges of the digital economy

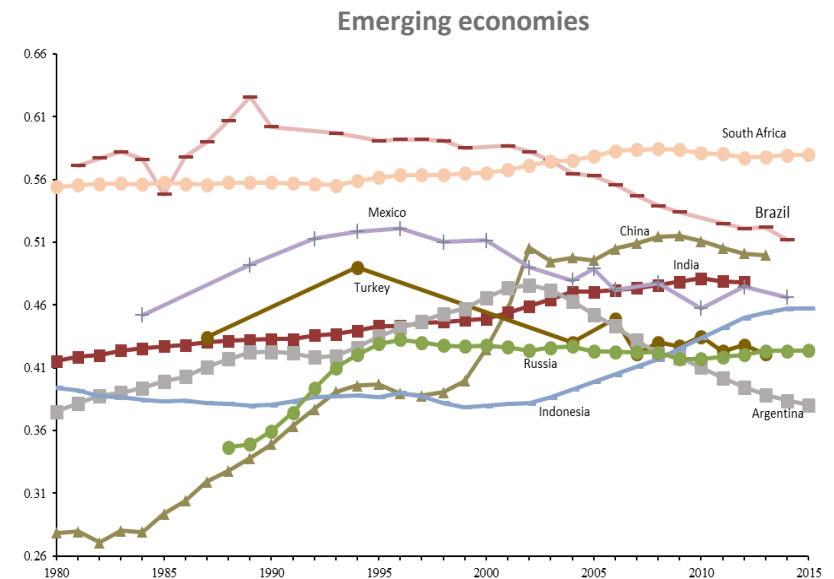
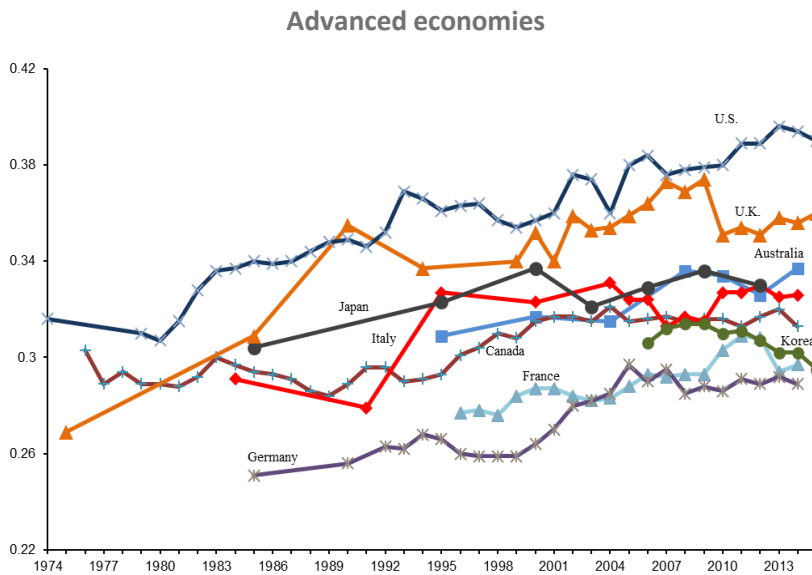
- Advances in technologies hold considerable promise to boost economic growth and human welfare. Visions of a “Fourth Industrial Revolution.”
- But technological change is inherently disruptive; with new opportunities come new challenges.
- Realization of potential economic gains, and how they are shared, depends crucially on the policy environment.
- Despite booming technologies, productivity growth (the main driver of long-term economic growth) has slowed in major economies. And income inequalities have increased, stoking societal discontent and political backlash.
- Why? An important reason is that policies have not kept pace with technological change to produce better growth and equity outcomes.
- At the national level, policies have been slow to adapt as new technologies reshaped markets and the world of work.
- At the international level, global disciplines have lagged behind an increasingly networked global economy. Global governance has not kept up with globalization.

Booming technology but slowing productivity and rising inequality

Labor productivity: Average annual percentage change



Income inequality: Gini coefficient for disposable income



Source: Productivity data from The Conference Board; income distribution data from OECD IDD, UNU-WIDER WIID, and SWIID.

Booming technology but slowing productivity and rising inequality: Common dynamics and agenda

Causes

- Barriers to technology diffusion and competition
- Rise of winner-take-all markets
- Slowdown in investment – more rents, less investment
- Inefficiencies and inequities of rapid financialization
- Shifts in demand for skills caused by technology and globalization
- Upskilling/reskilling falling behind in the race with technology
- Rising inequalities of opportunity
- Weakening redistributive role of the state

Outcomes

Slowdown in
productivity
growth

Rise in
income
inequality

Remedies

National Reforms

- Revitalizing competition for the digital age
- Unshackling innovation and its diffusion—R&D policies, patent regimes
- Investing in digital infrastructure and improving digital ecosystems
- Investing in skills for a changing world of work
- Revamping labor market policies and social protection
- Improving tax systems—efficiency, equity, taxation of digital economy

International Reforms

- Promoting a better, more inclusive globalization
- Reshaping global institutions for the 21st century

Toward a growth agenda for the digital age

- Much of G20's attention over the past decade has been focused on the more immediate agenda of supporting economic recovery from the global financial crisis and the ensuing recession.
- While growth has recovered, the underlying productivity trajectory and longer-term growth prospects remain weak, and economic inequalities have continued to mount.
- Attention must now shift to deeper reforms to revive productivity growth and combat rising inequalities.
- With new technologies transforming the economic landscape, the core of the forward agenda is to better harness the potential of technological advancement to foster more robust and inclusive growth.
- The digital economy demands new thinking and innovation in policies.
- Key areas include: revitalizing competition for the digital age; reforming R&D policies and IPRs/patent regimes to spur innovation and its diffusion; boosting investment in upskilling/reskilling workers for the changing world of work; revamping labor market policies and overhauling social protection—a new social contract; and addressing the tax challenges of the digital economy.
- At the international level, the challenge is not only to protect the global system from current pressures to roll back past gains but also to bring global governance up to speed with digital globalization.

The G20's role

- The G20 can play a key role in reshaping policies to the challenges of the digital age: through knowledge sharing on the new issues and policy innovations; through coordination of policy efforts; and through collective initiatives.
- Useful steps taken this year under Argentina's G20 presidency through diagnostic work and policy discussions on important elements of the new growth agenda: competition policies in markets reshaped by technology; future of work; lifelong learning; social protection reform; tax policies in a changing world; digital trade; and fintech and crypto-assets.
- G20's Framework Working Group can play an anchor role in taking this work forward under future presidencies, helping to integrate the work of the more specialized G20 workstreams in a broader effort to identify and address challenges to strong, sustainable, and inclusive growth in the digital era.
- With digital globalization, issues relating to international trade, investment, competition, IPRs, and taxation are increasingly intertwined. Yet the world lacks a multilateral institutional framework to address these issues in a coordinated way (WTO mandate is mainly trade). The G20 can help fill this coordination gap, while also working toward reshaping global institutions for the 21st century.

Forthcoming book that discusses the issues raised here

AN AGENDA FOR ECONOMIC GROWTH AND EQUITY

In recent decades, across major economies, productivity growth has slowed while income inequality has increased. The proverbial economic pie has been growing more slowly and more unequally, feeding the social discontent that is so evident in much of the world today. The paradox of slowing productivity growth despite booming new technologies is real, not illusory.

Most discussions of these trends in productivity and income distribution treat them as separate problems, with independent solutions. This book argues that lagging productivity and growing inequality are, in fact, linked by common causes and call for common solutions. Chief among these causes is the interplay between technology and policies. The potential benefits of technological change, and accompanying accelerated globalization, have not been harnessed effectively to foster more robust and more inclusive economic growth.

The authors maintain that reviving productivity growth and reducing inequality are not competing objectives for policy. Rather, they propose an agenda that integrates long-term productivity growth and equity. The authors call for dialogue on an agenda for "productive equity" that highlights the need for policy reforms, at both the national and international levels, that respond to the profound ways in which technological change is reshaping markets and the world of work.

ZIA QURESHI is a visiting fellow at the Brookings Institution. He previously worked at the International Monetary Fund and as director in the World Bank's Development Economics Department.

JOEL BELL is founder and chair of the Chumir Foundation for Ethics in Leadership. He served as senior economic advisor to Canadian Prime Minister Pierre Trudeau and has held a variety of Canadian Government and senior business positions.

KEMAL DERVIŞ is a senior fellow at the Brookings Institution and former vice president and director of the institution's Global Economy and Development program. His previous positions include executive head of the United Nations Development Program and minister for economic affairs of the Republic of Turkey.

This book is a collaboration between the Chumir Foundation for Ethics in Leadership and the Global Economy and Development program at the Brookings Institution.

BROOKINGS INSTITUTION PRESS
Washington, D.C.
www.brookings.edu/press
Jacket design: Nancy Bratton Design

ISBN 978-0-8157-3657-8
9 0000 >
9 780815 736578

Qureshi/Bell/Derviş

PRODUCTIVE
EQUITY

BROOKINGS

PRODUCTIVE EQUITY

The Twin Challenges
of Reviving Productivity
and Reducing Inequality

Zia Qureshi, Joel Bell, and Kemal Derviş, Editors