


**Camila Infanger**



**DIGITAL  
METAMORPHOSIS  
AND ECONOMIC  
CHANGE**

**ZIA QURESHI AND CHEONSIK WOO (2022)**

**"Technological change unleashes creative destruction."**

**Schumpeter**

**Policies** have a crucial role to play to improve the enabling environment **for firms and workers** to broaden access to the **new opportunities** that come from **technological change** and to enhance capabilities to adjust to the **new challenges**.

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**Article**

**main discussion**

how today's technological change is transforming **growth**  
and distributional dynamics and reshaping **public policy**  
**agendas**

# Policy making

The new technologies hold immense potential to boost productivity and economic growth, create new and better jobs to replace old ones, and raise human welfare.

**!! The challenge for policymakers is to better harness this potential !!**

# Income Inequality

- Income inequality **within** countries has been rising:

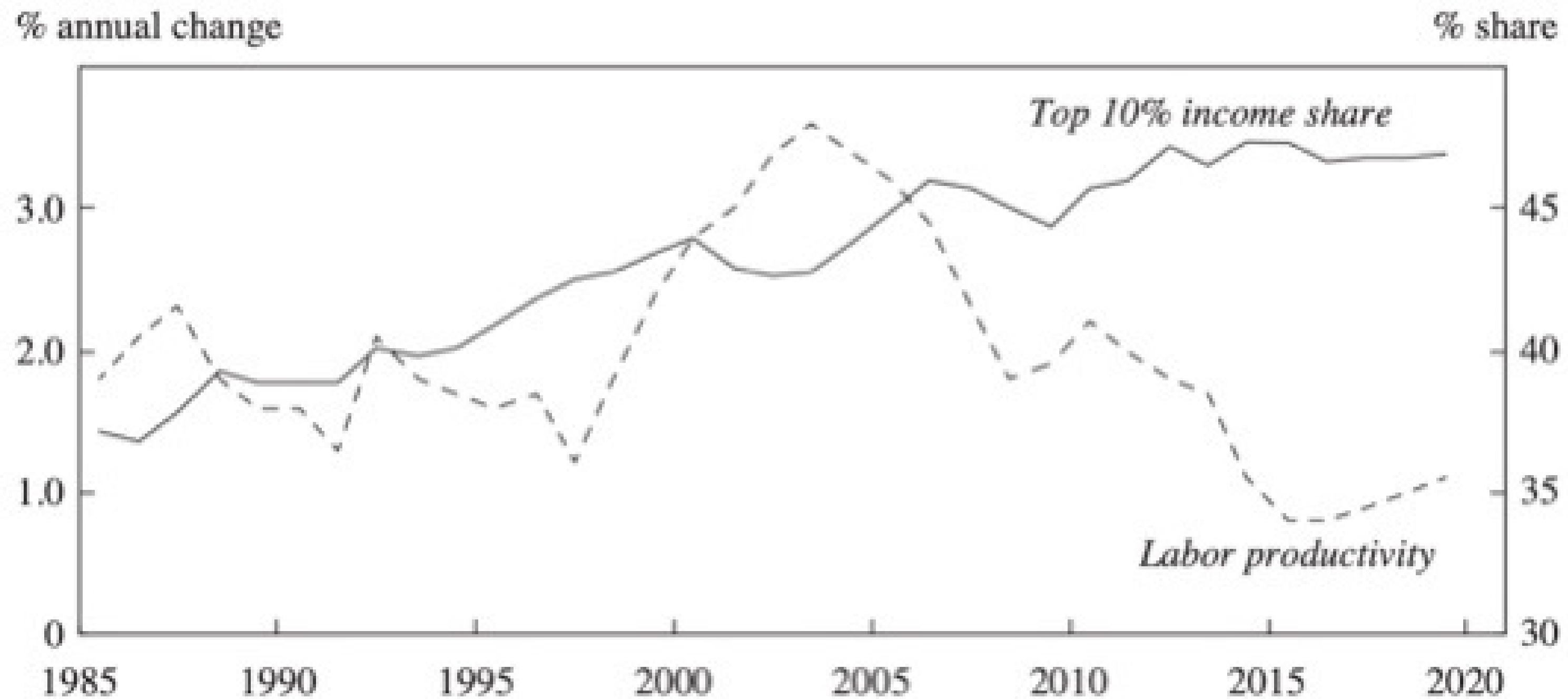
Inequality has risen in all major advanced economies since the 1980s, and quite appreciably in several of them. There has been a particularly sharp increase in income concentration at the top end of the distribution.

- Inequality **between** countries has been falling,

thanks to the rise of faster-growing emerging economies that are narrowing the income gap with advanced economies.

!! But technological change poses new challenges for this economic convergence

**FIGURE 1-1. Slowing Productivity Growth and Rising Inequality:  
United States, 1985–2019**



Source: Qureshi (2020).

# Inequalities effects

Job insecurity has increased, with mounting fears of a “robocalypse”: large job/wage losses from automation

intergenerational economic mobility has declined.

Rising inequality and related disparities and anxieties are stoking social discontent. They are a major driver of the increased popular disaffection and political polarization—and the rise of nationalist populism



**The outcomes of **slowing productivity growth** and **rising inequality** are interconnected, and are closely linked to the way new technologies have interacted with the prevailing policy and institutional environment**

# Shifts in labour market

- While **product markets** have seen rising inequality between firms, **labor markets** have seen rising inequality between workers.
- Technology is transforming the nature and future of work: **Automation** and digital advances have shifted labor demand toward higher-level skills.
- Education and training have been losing the race with technology.

# Effects

## labour market

- Wage inequality
- skills mismatches
- diminished job prospects (for less-skilled workers)
- “convexification” of returns (to education and training)

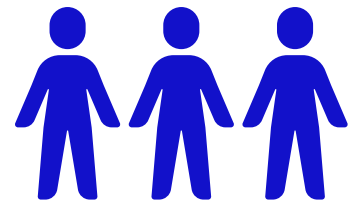
**While employer market power has strengthened, worker bargaining power has weakened with a decline in unionization and erosion of minimum wage laws.**

- Telework: beneficiaries primarily being higher-educated workers, while low-skilled workers have fewer options
- The current private technological paradigm is geared toward “excessive automation,” producing technologies that displace labor without much gain in productivity.

# Main areas deserving of attention from national policymakers

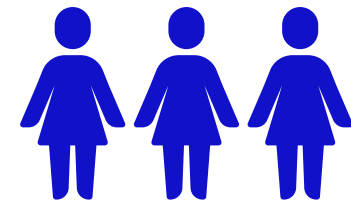
1. **international cooperation needs to play its part:** as technology transforms the world of business, policies and institutions governing markets must keep pace.
2. **Promoting Technology Diffusion:** diffusion through the innovation ecosystem should be improved
3. **Harnessing Digital Transformation in Finance:** the foundation of digital infrastructure must be strengthened to broaden access to new opportunities in the digital economy
4. **Revamping Workforce Development:** investment in skills must be boosted to emphasize skills that complement the new technologies
5. **Addressing Rising Inequality :** labor market policies and social protection systems should be reformed to realign them with the changing economy and the nature of work

# Main conclusions



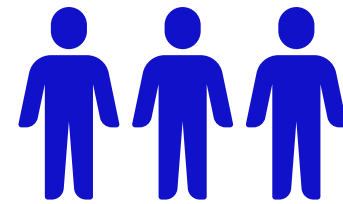
## Gender dimensions

The rising wage disparity has been pushing overall household income inequality higher



## The social safety net

should be strengthened to support necessary firm turnover and worker transitions.



## Digital technologies

are a defining feature of our time as they drive transformative change.

The current era promotes both an ever-expanding array of **smart machines** while demanding **smarter policies**

Policies will need to be more responsive to change to capture **potential gains in productivity** and economic growth and to address **rising inequality**

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**MUITO OBRIGADA!**

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