Technology-related opportunities and challenges for inclusive and sustainable growth

Shuvojit Banerjee,
Macroeconomic Policy and Financing for Development Division, UNESCAP
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Technological change will impact
- the growth process in the region through the productivity channel
- the macroeconomic conditions for growth through the financial stability channel
- the need for governments to support growth through fiscal policy

Policies to respond to these issues will determine whether technological change is a help or hindrance to development in the region
The technological revolution will make employment generation even more challenging.

Witnessing phenomenon of premature deindustrialisation as workers do not have the skills to work in high-tech industries.

Given the large share of low- and medium-skilled workers in the region, technology-induced disruptions in the labour market are a real possibility.
Financial technologies, or FinTech, while enhancing financial inclusion challenges traditional monetary and financial policies in three ways:

*Monetary transmission mechanism*

*Lack of regulation*

*Replacement of fiat money*
Fiscal policy has a fundamental role to play in supporting productivity enhancing policies as economies go through technology induced transitions

- investments in infrastructure
- taking care of people (social protection, education and skills training)
Digitalization helps expand fiscal space and strengthen tax administration.
- From *the revenue side*, digitalization helps expand fiscal space by broadening the tax base and improving taxpayers’ compliance
- From *the expenditure side*, technology improves efficiency of public services and distribution.

However, how to fully harness such benefits remains a question.
For technology-induced revenue benefits and countering under-taxation in the digital economy, a concerted national and international effort is needed.

International cooperation to harmonize national tax policies in the context of a growing digital economy is critical.
Given the challenges arising from the FinTech industry, regulatory framework would need to be adjusted to manage the corresponding financial risks

Market infrastructure (such as clearing or settlement) can be provided to support regulatory efforts

International coordination will be critical to maximize the benefits of FinTech
Thank you