

# Technology-related opportunities and challenges for inclusive and sustainable growth



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# ***IMPACT OF TECHNOLOGICAL CHANGE ON GROWTH AND FISCAL POLICY***

## **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**

## **PRODUCTIVITY CHALLENGES FROM TECHNOLOGICAL CHANGE**

**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 STABILITY CHALLENGES FROM TECHNOLOGICAL CHANGE**

**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 PRIORITIES TO MAXIMIZE PRODUCTIVITY GAINS***

**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)**

# LEVERAGING TECHNOLOGY IN FISCAL MANAGEMENT

**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.**

# **TAX POLICY TO ACCOUNT FOR NEW TECHNOLOGIES**

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**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.**

## ***REGULATING FINTECH TO MINIMIZE FINANCIAL STABILITY RISKS***

**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

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