Session 6. Structural transformation and inequality

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Concepts & outline

- Guiding questions
  - How structural transformation shapes pre-distribution inequality
  - How we can make it more inclusive

- Objectives
  - Latest economic thinking
  - Observed pathways in Asia and Pacific
    - Underlying drivers & potential opportunities
  - Policy considerations
Modern reflections on the traditional thinking framework

Traditions of Lewis, Kuznets, Kaldor

- Dual economy & labor reallocation
- Inverted U-shaped curve
- Manufacturing has a central role

Modern reflections

- Neither a universal law, nor an automatic process
  - Initial conditions
  - The type & speed of ST
  - Liberalization & opening up
  - Institutions & political structure
- Post industrialization: inverted U or an elephant?
  - Technology (capital & skilled labor)
  - Globalization
  - Financialization (return of capital)
- Thinking ahead: “globotics”
  - Jobless manufacturing & tradable services
  - Disruptions at an unprecedented speed
Different pathways of Asia-Pacific countries
Policy considerations

Guide

Guiding structural transformation
- Be selective & leverage public support to promote inclusive ST
- Reduce the starting inequality
- Invest in the people in an inclusive way

Manage

Managing transitions & disruptions
- Establish social protection floors
- Manage the pace of disruption
- Enhance labor & job market support
- Reduce the cost of life

Prepare

Preparing for the future
- Reduce costs & risks associated with using labor
- Strategize & reinvent education
- Public R&D support for job-creating innovations