

WORKSHOP SYNOPSIS

DAS PROGRESSIVE ZENTRUM

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New technologies and the economy

Linking innovation with sustainable and inclusive growth

In the workshop “New technologies and the economy”, we discussed with leading experts from science, business, and politics what is necessary to build an economy that is conducive to linking new technologies with sustainable and inclusive growth. By taking the German stimulus package as a case study, the workshop explored what measures are needed to stimulate the economy in the short term, but also how to prepare for a green and digital transition in the long term. After outlining the possible transformative impact of economic stimulus packages, this brief puts forward three policy messages emphasising the need for (i) an increasingly important role of the state in providing digital infrastructure, (ii) a European strategy that strengthens the competitiveness and sustainability of our businesses and channels ideas from the market to public institutions, (iii) progressive measures for a new reality of work.

Rebooting the economy by creating a transformative impact

In response to the Covid-19 crisis, governments have taken unprecedented measures to contain the virus as well as to support the recovery of the economy. Apart from border closures, closures of schools and non-essential businesses, social distancing requirements, and a ban on public gatherings, many governments have additionally launched large scale stimulus packages to resurrect their economies. While many of the measures taken are designed to encourage investment and consumption, only a few of them lay the groundwork for long-term innovation.

To prevent an economic recession, the German Federal Government has adopted a fiscal stimulus package of €130 bn, which includes a temporary VAT reduction and assistance for small and medium-sized enterprises. Of this amount, a total of €50 bn is earmarked for a “future

package” intended to prepare for a green and digital transition. It consists of funding for research in artificial intelligence and quantum computing, as well as doubling purchase subsidies for electric cars in unison with an expansion of Germany’s electric car charging infrastructure.¹

South Korea is another example of a country that tries to use the Covid-19 pandemic as an occasion for meaningful change. Besides winning plaudits for its organised and assertive approach to containing the spread of Covid-19, the country’s New Green Deal promises to deliver both economic recovery and improved environmental performance. By implementing a carbon tax, increasing investment in renewable energy, and phasing out public financing for fossil fuel projects, the South Korean government is pushing forward the structural changes necessary for a transition to a low-carbon economy.

Stimulus packages need to be **timely, targeted, and temporary, but also transformative**. Rather than crafting a conventional spending-oriented stimulus package focusing exclusively on tax cuts for individuals and spending increases, they should also address key challenges such as

1. German Federal Ministry of Finance (2020). Emerging from the crisis with full strength. <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Public-Finances/Articles/2020-06-04-fiscal-package.html>

the need to increase international competitiveness, raise productivity, and reduce greenhouse gas emissions.² The financial resources now provided will determine the path towards technological progress, innovation drivers, and inclusive and sustainable economies. While it is easy to demand that investments should take place, it is a more difficult task to decide where they should take effect.

The following sections propose three policy recommendations that are based on the outcomes of the workshop.

1. Shaping an inclusive and sustainable technological transformation

Resilience and effective governance are integral when it comes to managing a global crisis. The Covid-19 pandemic has revealed massive shortcomings, especially when it comes to digitalisation, but also regarding socio-economic inequalities. To transform our economies in a sustainable and inclusive way, we need to **assess the resilience of our current institutions and governance structures.**

“The state plays an important role for inclusive technological transformations.”

- Robert D. Atkinson

Besides ensuring widespread universal access to key digital infrastructure technology, governmental institutions should also enable the development and rollout of next-generation technologies. Now more than ever, there is a necessity for investing in high-speed broadband, robust 5G networks, and digital governance at all levels. This is essential for currently outpaced and detached regions and will reduce vulnerability in society as a whole.

In the past months, many countries have been rescuing and supporting companies that fell into economic distress because of the pandemic. This is a form of solidarity in

society. Since the public uses substantial resources to support the private sector during acute crises, private sector actors must commit to modernising our economies in the most encompassing sense.

2. Strengthening competitiveness and sustainability in European industries and businesses

The digital transformation will be a main driver for future competitiveness, making investment in science, technology, and innovation an integral part of any stimulus package. Knowledge-intensive economies with more developed innovation systems suffered less from the 2008 financial crisis and did not impose austerity on R&D expenditures.³

“Technological infrastructure is about to define the competitiveness of countries in the future.”

- Svenja Falk

To promote new technologies that support economic as well as societal innovation, an ambitious and coordinated European recovery plan is essential. It should establish an effective environmental and climate policy while at the same time strengthen the conditions for a competitive business environment. Governments should put in place parallel systems to improve worker re-training and adjustment policies.

2. Atkinson, R. (2008). Timely, Targeted, Temporary and Transformative: Crafting an Innovation Based Economic Stimulus Package. The Information Technology & Innovation Foundation. <https://itif.org/files/TimelyTargetedTemporaryTransformative.pdf>

3. United Nations Conference on Trade and Development (2020). The need to protect science, technology and innovation funding during and after the Covid-19 crisis. Policy brief, No. 80. https://unctad.org/en/PublicationsLibrary/presspb2020d4_en.pdf

3. Building progressive measures for a new reality of work

Progressives need to come together and discuss shared visions of what a post-Covid-19 world of work should look like. Instead of sliding back into business as usual and austerity politics, we need to 'build back better' in a way that enables transformation of existing practices at work. Economic stimulus measures provide strong incentives for an ecologically sustainable economy, a more equal distribution of wealth, future-ready business models, and a general improvement in quality of life but also how to create a more productive workforce.

This will include defining the space for what it means to work from home on a more permanent basis. Most workers see benefits in working from home and some companies have announced that home office will be the new normal for large parts of their workforce. Workers feel more productive and seem to work more efficiently but they also report a tendency to do extra hours and experience higher levels of exhaustion and loneliness.⁴ Managing this transition to working from home will require different and more profound skill levels of virtual leadership by managers. It will also require greater efforts in rethinking the role of social partners in providing workers with the infrastructure and working environment that promote the benefits but also mitigate the social risks of working from home.

It is too early to call, but in the long-run these new working realities will further transform labour markets and business models that are built on new technological infrastructures. Yet, improving conditions for a privileged share of the workforce which can work from home must be accompanied by improving the work environments and conditions (working hours, salaries, etc.) for those who have been bearing the brunt of the Covid-19 crisis. This includes frontline health and social care professionals, bus, tram and tube drivers, or retail workers (pharmacies, supermarkets, and big-box stores, etc.).

4. Kunze, F., Hampel, K., Zimmermann, S. (2020). Homeoffice in der Corona-Krise – eine nachhaltige Transformation der Arbeitswelt? Universität Konstanz and Das Progressive Zentrum e.V., Policy Paper, No. 2. <https://www.progressives-zentrum.org/homeoffice-corona/>

Finally, there is obviously a more profound question of how the disruptions of Covid-19 will transform labour markets. Will those who have been put on government-backed part-time schemes return to their old workplace?

Conclusion

The Covid-19 pandemic has highlighted how crucial it is for governance-structures, public services and administrations to maintain their capacity for action. A progressive vision must make the case for a short-term recovery and long-term-transformation of the economy that is as dynamic and tech-savvy as it is inclusive and sustainable.

“We need to ask ourselves not only how to rescue 2020, but also what we need to do in order to prepare for 2030.”

- Danyal Bayaz

The crisis confirms the need for new governance models and policy strategies in response to the changing parameters of the modern economy during the 4th industrial revolution. Instead of solely focusing on a 'return to normal', Covid-19 should be seen as an opportunity for a long-delayed green and digital transformation. The stimulus package of the German government is a step in the right direction, but it needs to be accompanied by continuous investment in technological change, the workforce, and innovation.

Our speakers:

Robert D. Atkinson

Founder and President of the Information Technology and Innovation Foundation

Danyal Bayaz

Member of the German Parliament, Alliance 90/The Greens

Svenja Falk

Managing Director at Accenture Research

Max Neufeind (Chair)

Policy Fellow, Das Progressive Zentrum

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About the workshop series

The online workshop “New Technologies and the economy - Linking innovation with sustainable and inclusive growth” is the first in a series of three workshops in the **#Tech4Society innovation series** and took place at the **Progressive Governance Digital Summit 2020**.



Das Progressive Zentrum

is an independent, non-profit think tank founded in 2007, devoted to establishing new networks of progressive actors from different backgrounds and promoting active and effective policies for economic and social progress. It involves especially next generation German and European innovative thinkers and decision-makers in the debates. Its thematic priorities are situated within the three programmes Future of Democracy, Economic and Social Transformation and International Dialogue, with a particular focus on European integration and the transatlantic partnership. The organisation is based in Berlin and also operates in many European countries as well as in the United States.



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