Growth and Productivity: Can Digital Technologies Deliver?

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July 2019, ECB
Session 3: Growth and Productivity

- can digital technologies deliver?
- a paradox
  - boom of digital technologies and yet productivity is slowing down
- four presentations
  1. Pat Bajari: The impact of big data on firm performance
  3. Diego Comin: Medium-term drivers of productivity growth
  4. Peter Gal: Digital technologies and online platforms
- very interesting and thought-provoking papers
  - common theme:
    - relationship between technology and productivity
  - different approaches
Big Data and Productivity

- Bajari, Chernozhukov, Hortaçsu & Suzuki (2018)
  - estimate the value of big data to firms
  - using big data from Amazon

- main results
  - positive value of data
  - but with diminishing returns

- Bajari, Chernozhukov & Schoelkopf
  - ML + big data → more accurate quality-adjusted prices

- fascinating questions, we know so little!
Can Big Data Explain the Productivity Slowdown?

- big data may show that GDP is mismeasured
  - use big data to build better quality-adjusted prices
    - important: prices and demand often positively correlated!
    - Hottman, Redding & Weinstein (2016); Bonfiglioli, Crino' & Gancia (2019)
- mixed views:
  - Brynjolfsson, Rock & Syverson (2017); Syverson (2017)
- can more information be bad?
  - it’s often asymmetric
  - cost of storing and processing information
  - who takes advantage of big data?
- can big data explain the rise of superstar firms?
  - Farboodi & Veldkamp (2019)
World Productivity: 1996 - 2014

- Esfahani, Fernald & Hobijn (2019)
  - productivity growth accounting with distortions
    - 1996-2014, up to 36 industries and 40 countries

- key results
  - main driver of productivity growth: country-industry productivity
    - slowdown in industrialized countries offset by emerging economies
  - reallocation/misallocation of labor (mostly between countries) is drag on productivity
    - explains fluctuations

- begs the question
  - why a productivity slowdown in industrialized countries?
Sources of US Growth: Technology vs Misallocation

- Baqee & Farhi (2019)
  - reallocation occurs mostly across firms within industries

- we need to look at firms to understand economic performance
Medium-Term Drivers of Productivity Growth

- Comin (2019)
  - technology adoption responsible for productivity decline since the Great Recession
  - efficiency of R&D responsible for the pre-Great Recession slowdown

- adoption, not just innovation matters!

- differences in adoption rates may explain why firms are becoming more unequal
  - will more data narrow or amplify the gap?

- what about labor productivity?
are new technologies good for workers?
Who Benefits from New Technologies?

- not all technologies are equal
  - hardware, software, industrial robots
- Blanas, Gancia & Lee (2019), EU KLEMS
  - ICT capital correlates with employment gains
  - software capital correlates with employment losses
- yet, we need to understand the micro-level adjustment
  - French firm-level imports of industrial robots
  - study effect on firm-level outcomes (1994-2013)
Before/After Robot Import: Firm TFP

![Graph showing the coefficient on Robot Importer Dummy with 95% confidence interval over time](image)
Before/After Robot Import: Firm Employment

![Graph showing coefficient on Robot Importer Dummy with 95% confidence interval.](image-url)
Before/After Robot Import: NP Workers Share

![Graph showing coefficient on Robot Importer Dummy with 95% confidence interval.](image)
are automating firms raising markups?
Wrapping up

- did digital technologies deliver?
- more data helps firms, but has its cost
  - needed: a quantification of net benefit, including to consumers
- growth still driven by residual productivity
  - but increasingly driven by developing countries catching up
- productivity effect of new technologies still elusive
- costs more visible
  - new technologies can displace workers, at least in the short run

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References

Baqee & Farhi (2019). "Productivity and Misallocation in General Equilibrium" NBER WP 24007
Farboodi & Veldkamp (2019)."A Growth Model of the Data Economy" Working Paper