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CONTACT: Media Relations
613-782-8782

Inclusive growth can come through innovation, says Senior Deputy Governor Wilkins

Montebello, Quebec—The digital economy holds promise for higher overall living standards in the future, but it could leave some behind, Senior Deputy Governor Carolyn A. Wilkins told an audience of G7 deputies today.

“Technological progress will raise economic growth, although the channels through which it contributed to rising inequality in the past are still forces to be reckoned with,” Senior Deputy Governor Wilkins said at the G7 Symposium on Innovation and Inclusive Growth, which the Bank of Canada is co-hosting. “It doesn’t have to be this way—if we apply fresh thinking in some key areas, we can make policy choices that manage the side effects of innovation, without stifling it.”

In her remarks, Senior Deputy Governor Wilkins spoke about how innovation has disproportionately benefited skilled and knowledge workers, and has led to more precarious jobs for others. It has also intensified market concentration and contributed to the rise of “superstar” firms. These trends have caused many to worry about their future. As income inequality rises in many countries, trust has eroded in areas of international co-operation, such as trade policy and financial sector regulation.

To mitigate the downsides of technological progress, policy-makers should develop and implement better strategies to create a dynamic workforce with the skills to match the jobs. They should also find effective ways to “keep market power in check, particularly the power that comes from control of consumer data,” she said.

And, they will need to manage the operational risks, including cyber risk, that third-party digital service providers can pose for the financial system.

“Policy-makers themselves need to dig into the technology,” Senior Deputy Governor Wilkins said. “The better we understand it, the better policy choices we will make.”