



Rialtas na hÉireann
Government of Ireland

Changing democracy: the economic drivers

John McCarthy

Chief Economist, Department of Finance

Presentation to the Assistant Secretary Network Annual Conference

12th April 2019

Birds-eye view



Shifting economic landscape

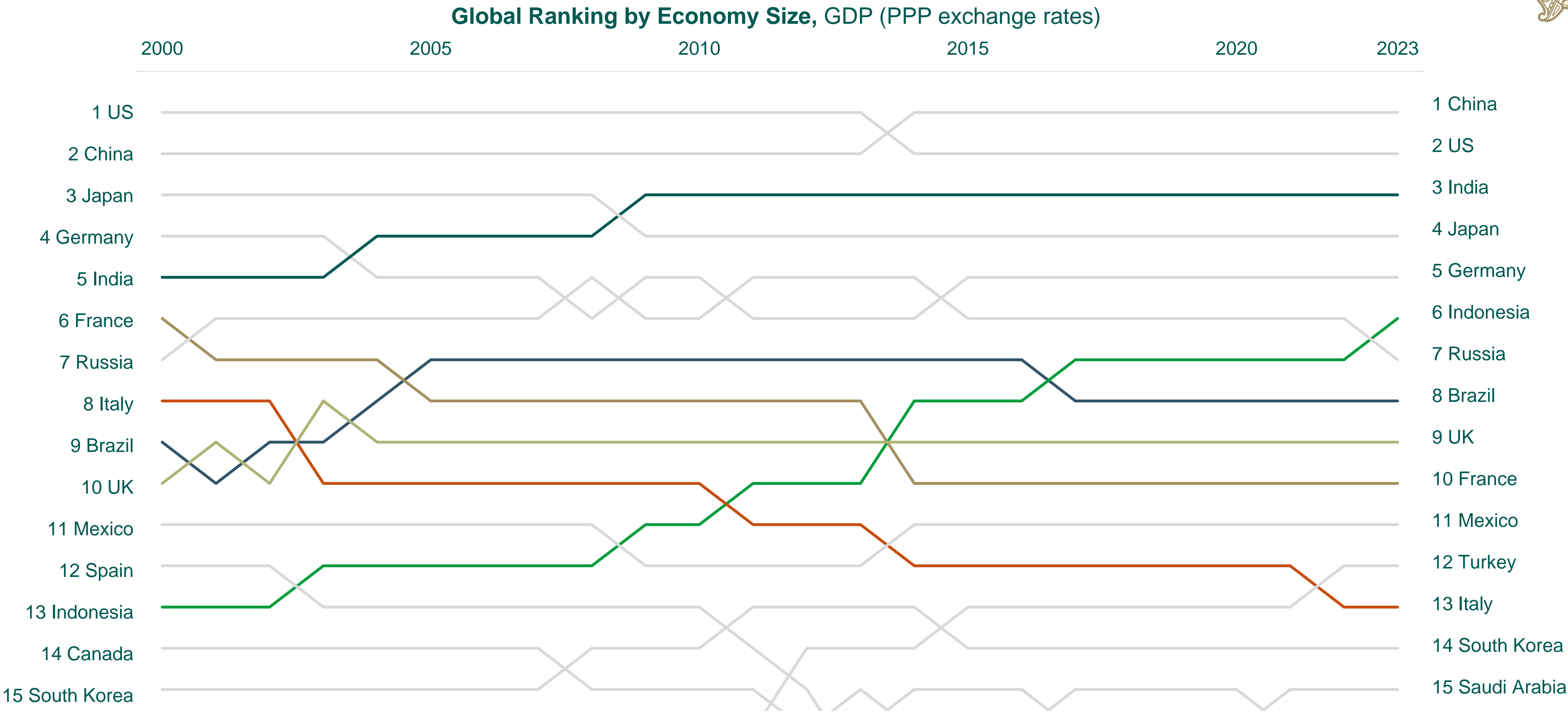
- Globalisation
- Automation

Some economic consequences

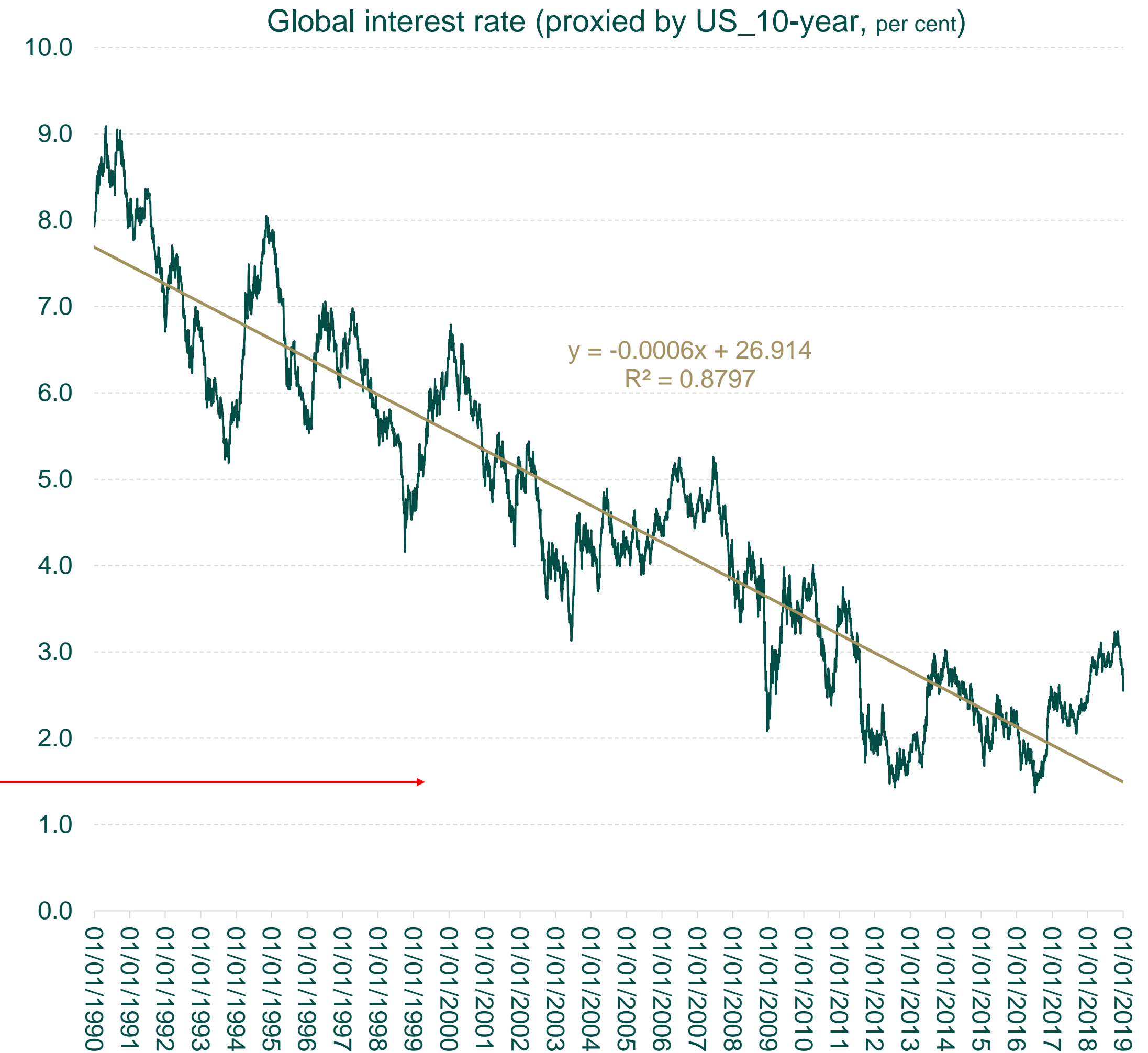
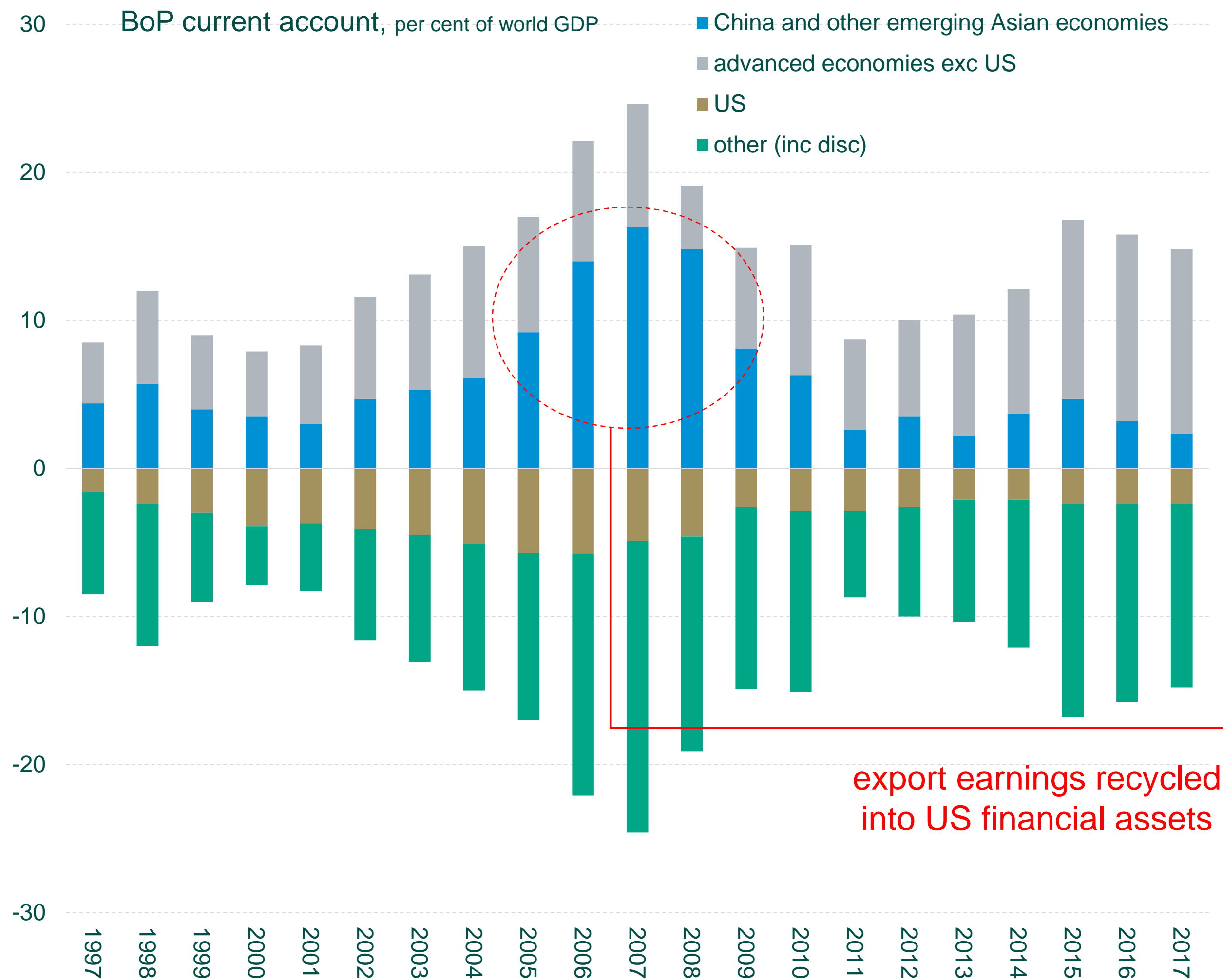
- Factor (of production) returns
- Income distribution

Conclusions

who's who? - the changing share of the world economic pie

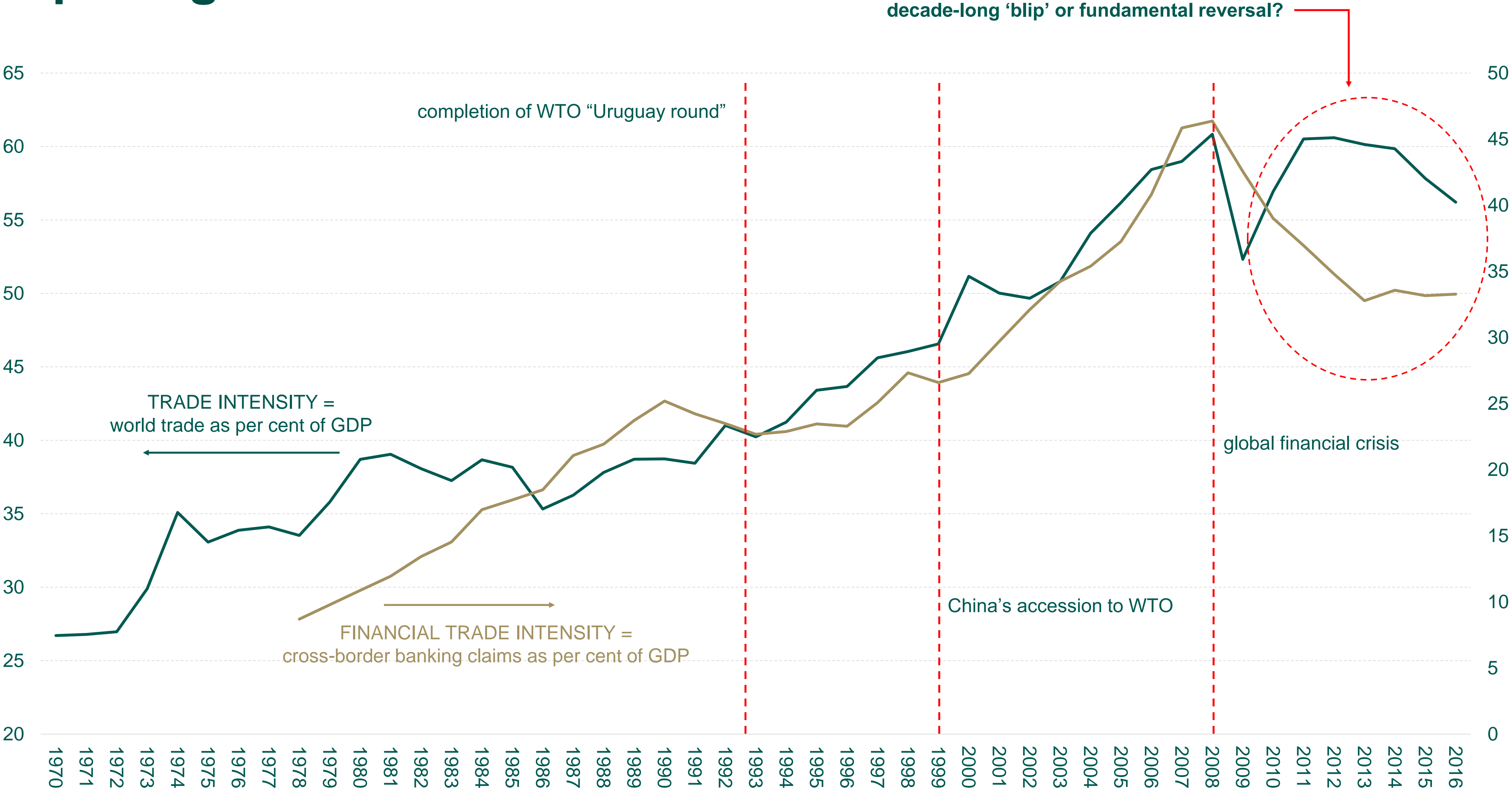


outsourcing of manufacturing to EMEs: financial side-effects





'peak' globalisation?



industrial revolution 4.0 – is the labour market ready?

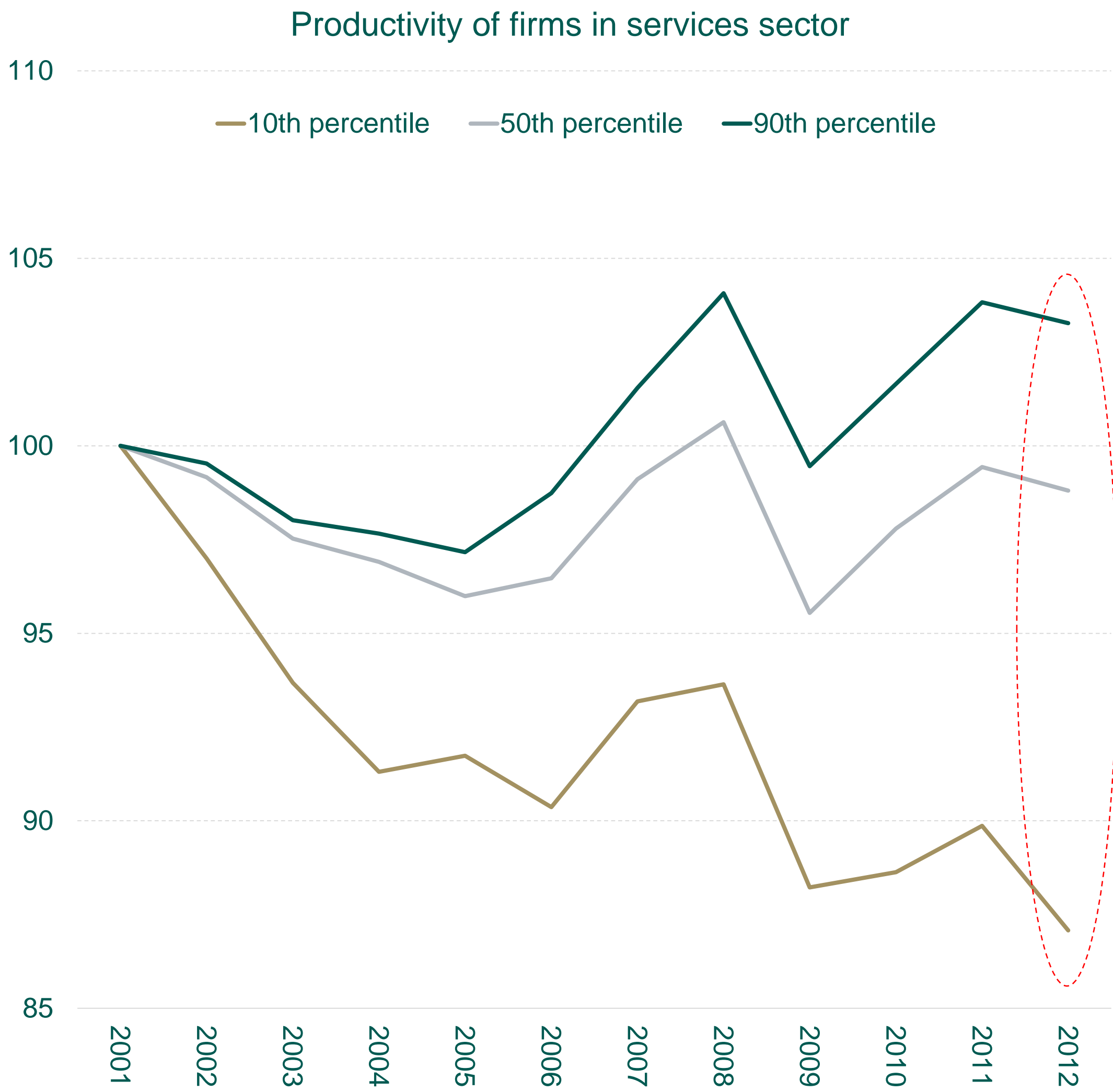
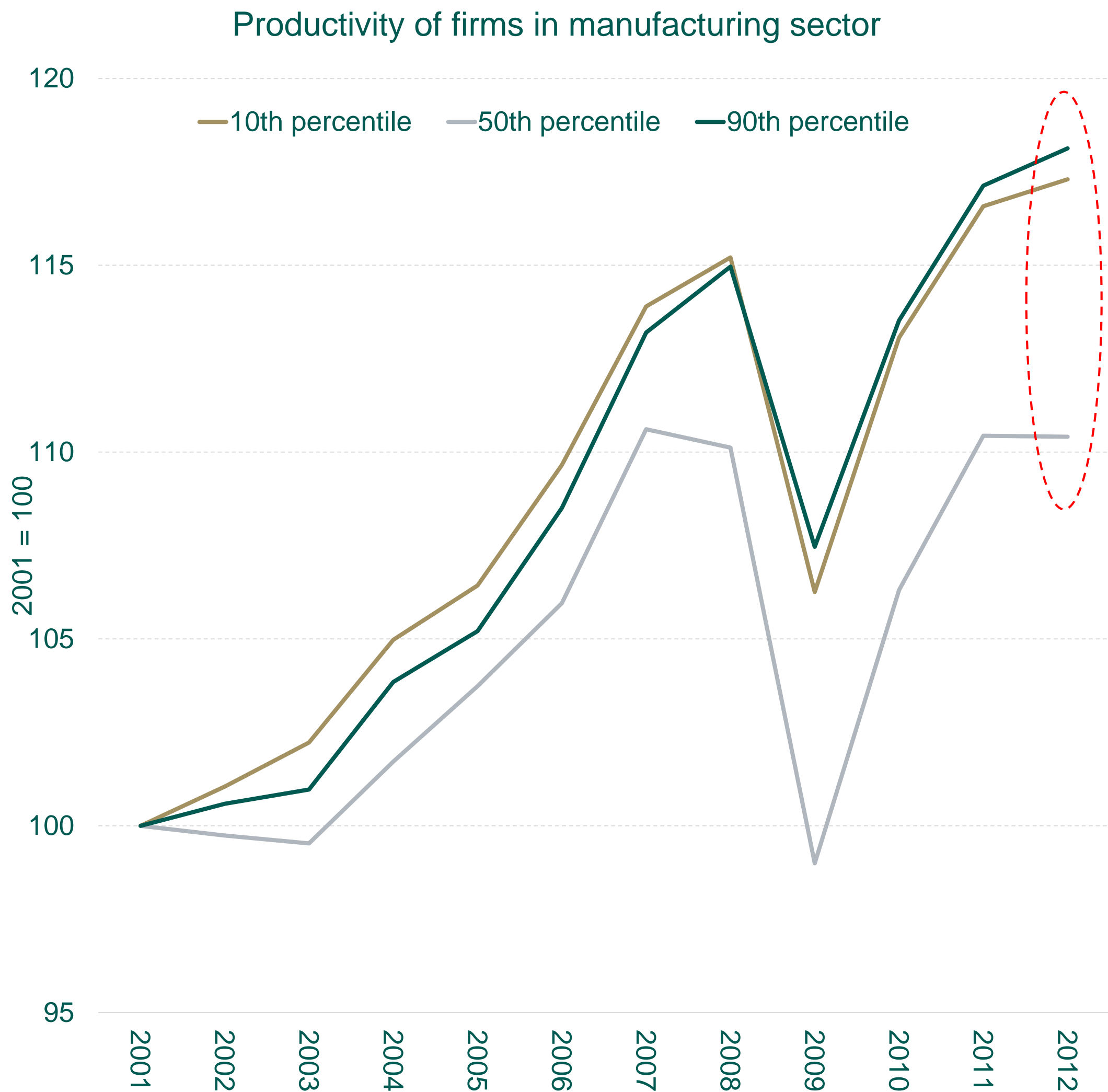


	starting point	main features	drivers
INDUSTRIAL REVOLUTION 1.0	1800s	Mechanisation of agriculture / industry	water, steam
INDUSTRIAL REVOLUTION 2.0	1870	Mass production	electricity
INDUSTRIAL REVOLUTION 3.0	1980	Technological advancement	digital, electronic
INDUSTRIAL REVOLUTION 4.0	2000s	AI / robotics / automation	computer power

capital / labour substitution?
2-tier (skilled / unskilled) labour market?

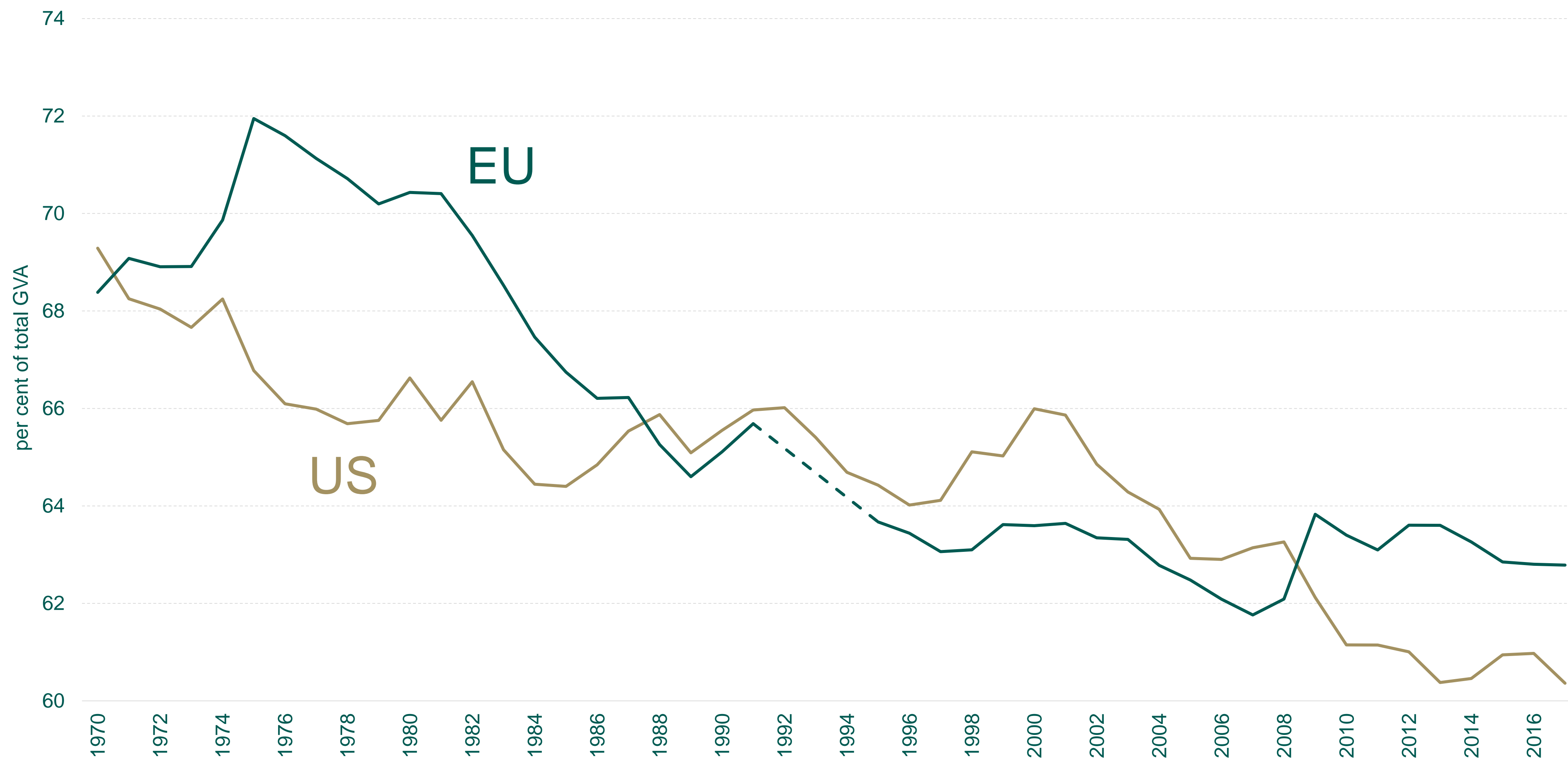
Commonalities
: factor returns
: productivity differences
: income distribution

rise of “superstar firms” [OECD countries]



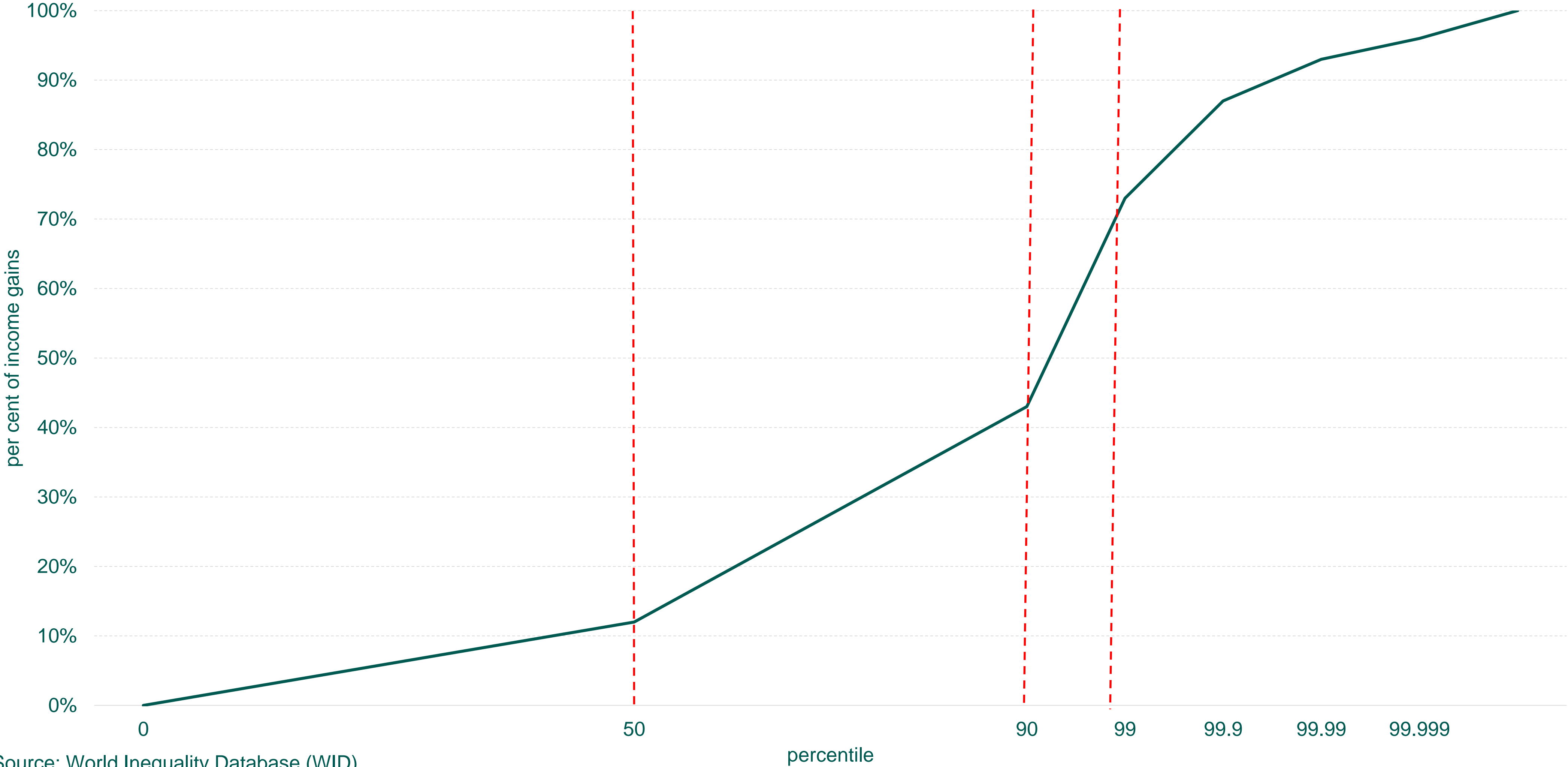


declining share of labour income in US and Europe





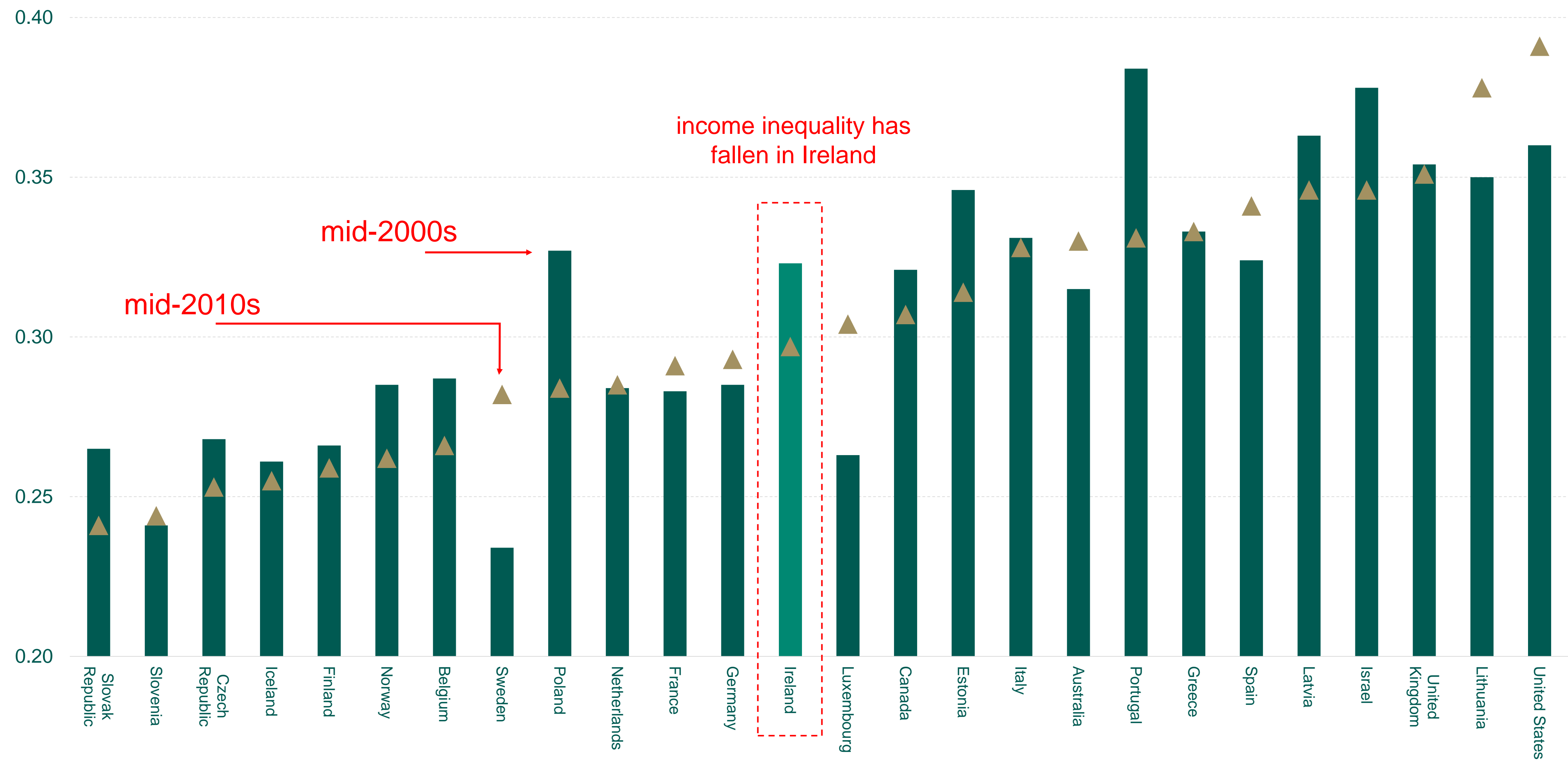
uneven distribution of income gains, 1980-2015



Source: World Inequality Database (WID)



Gini is out of the bottle [higher figure = higher income inequality]



Conclusions



Globalisation and trade

- Benefits are spread and often invisible
- Costs are concentrated and visible

Is the labour market ready?

- Comparative advantage changing
- Investment in education and skills crucial



Disclaimer and other information:

The views expressed in this presentation are those of the presenter and do not necessarily reflect the views held by the Department of Finance, the Minister for Finance or the Government of Ireland.

Data are sourced from a variety of sources including the IMF, the World Bank, the OECD and the World Inequality Database.

For the latest publication's follow the Department of Finance on social media:



@IRLDeptFinance

<https://twitter.com/IRLDeptFinance>



Department of Finance Ireland

<https://www.linkedin.com/company/department-of-finance-ireland/>