

# GROWTH AND PROSPERITY

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## Key Facts

- › On April 11, 2017 Christine Lagarde, IMF Managing Director spoke about “Innovation, Technology and Growth” at the ESMT in Berlin
- › Ms. Lagarde raised the issue of the discrepancy between technological progress and sustainable growth, as well as the inherent risks involved
- › The IMF is advising governments to promote and press for technological progress by adhering to the five principles presented
- › Ms. Lagarde and the IMF are confident about the future

Christine Lagarde, head of the IMF, held an open lecture at the ESMT in Berlin on April 11. The event entitled “Innovation, Technology and Growth” focused on the opportunities and risks of technological progress as well as recommendations by the IMF to governments on how to handle these risks.

One of the pillars of macro-economics is that technological progress leads to innovation and innovation, in turn, to growth. The practical challenge confronting healthy social co-existence is in ensuring fair, sustainable and participatory growth: sustainable in the sense of having the subsequent ability to join, participatory in the sense of enabling large sectors of society to be included.

Over the past 150 years, the world has been changing at a rate faster than ever before. The pace of technological progress has increased dramatically, especially over the past few years: Innovative players on the market, innovations such as autonomous driving, artificial intelligence, robotics and much more. From a historic perspective, the fact that it is not possible to foresee how the world will look in three years from now is a remarkable state of affairs.

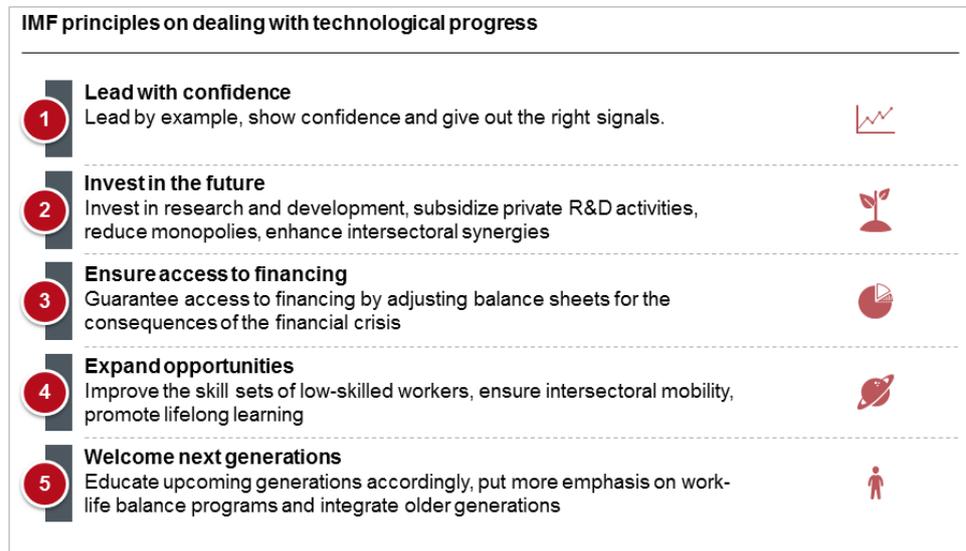
Inequality in society is on the rise despite the number of innovations. This indicates that not many benefit from technological progress and the danger remains that the

majority are left by the wayside. Taxi drivers and waiters are replaced by an autonomous-driving vehicle and a robot respectively; people produce spare parts at home using a 3D printer instead of sending an item in for repair. Ms Lagarde quoted William Gibson: “The future is already here – it’s just not very evenly distributed.” and, in doing so, emphasized that growth will not be sustainable if there is excessive inequality. This leads to large parts of society awaiting the pending developments reluctantly and with unease. According to Lagarde, the development will not only affect developed countries, but also developing countries.

The core advice of the IMF to the countries’ governments is not to block these developments or to adopt protectionist means in order to hold onto the status quo, but rather to embrace progress.

Although Ms. Lagarde underlined that these principles should not be seen as magic formulas, it is, nevertheless, pointless to hide away from this development or to protect oneself by behaving in a protectionist manner. A breakthrough in artificial intelligence would not be the cure-all for every problem either. It is imperative that states embrace the situation, constantly realigning and adapting themselves in order to promote innovations and facilitate progress.

## “Embrace change, create facilitating conditions for innovation and technological advance/progress”



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**Figure 1: The IWF has 5 principles**

These statements reveal an aporetic situation: On the one hand, a critical dialog on progress since the beginning of the Industrial Revolution has been the subject of the negative impact/consequences and the dialectics of technology; confronted on the other by the belief, hope and conviction that technologies will release the exact potential required in order to avoid or mitigate the adverse consequences: Technology, alone,

can heal the consequences resulting from the deployment of technology.

Ms. Lagarde confirmed the above in her response to a question from the floor: She advocates not taking an overly pessimistic view towards the future. Her stance is supported by healthy confidence that mankind is able to adapt to virtually anything.



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