What Is Technology-Enabled Disruption?

Robert Kaplan

September 25, 2017

Technology enabled disruption means to me: Business models are being altered by the use of technology. Technology is being used to find either lower price, create lower price, greater convenience or other features that are changing the nature of competition. So let me talk about some of the impacts of disruption that I think we’re seeing at the Dallas Fed on at the Federal Reserve. First impact, I think, is on inflation in that there’s a cyclical element of inflation, and I think there’s a structural element of inflation. The cyclical element of inflation is, is the labor market tightens and slack comes out of the labor market. We would normally see some wage pressure, greater wage pressure and eventually with a lag that would be passed on to price pressures. We’re not seeing that, uh, in the same way we have in the past at this level of unemployment, and I think part of the reason is structural in that technology enabled disruption means workers are increasingly being replaced by technology, which I think may be having some impact on wages. In addition, businesses have much less pricing power because consumers can so easily shop for the lowest price on DSO. The impact of that is businesses are more likely having to resort to cost savings, further replacing workers with technology in order to be competitive because they know they are unlikely to be able to price to pass on price increases to the consumers to their customers. And so I think this is likely having some muted impact on inflation.