http://dx.doi.org/10.18623/rvd.v23.6495

DIGITAL TRANSFORMATION AND THE RESTRUCTURING OF THE US ECONOMY SECTORAL SHIFTS AND IMPLICATIONS FOR GLOBAL VALUE CHAINS

A TRANSFORMAÇÃO DIGITAL E A REESTRUTURAÇÃO DA ECONOMIA DOS EUA: MUDANÇAS SETORIAIS E IMPLICAÇÕES PARA AS CADEIAS DE VALOR GLOBAIS

Article received on: 1/23/2026
Article accepted on: 4/24/2026

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The authors declare that there is no conflict of interest

Abstract

This study examines how digital transformation reshapes the internal structure of the U.S. economy and how such structural changes influence its integration into global value chains (GVCs). Building on the structural transformation literature and the value added trade framework, the analysis integrates industry level capital deepening measures with value added trade indicators. Using a balanced panel of U.S. industries over the period 2005–2021, the study combines Bureau of Economic Analysis (BEA) industry accounts with OECD Trade in Value Added (TiVA) data to evaluate both direct and indirect channels linking digital transformation to GVC outcomes. The results indicate that digital capital deepening is systematically associated with shifts in sectoral value added and employment shares, particularly in knowledge and intangible intensive industries. Industries experiencing stronger digital accumulation exhibit higher domestic value added content in exports and deeper participation in global production networks. Moreover, part of the relationship between digital transformation and GVC indicators operates through compositional reallocation across sectors, consistent with a structural transmission mechanism. By embedding value added trade measures within a structural transformation framework, this study provides

Resumo

Este estudo examina como a transformação digital remodela a estrutura interna da economia dos Estados Unidos e como essas mudanças estruturais influenciam sua integração nas cadeias de valor globais (CVGs). Com base na literatura sobre transformação estrutural e no modelo de comércio de valor agregado, a análise integra medidas de intensificação do capital no nível setorial com indicadores de comércio de valor agregado. Utilizando um painel equilibrado de setores dos EUA no período de 2005 a 2021, o estudo combina as contas setoriais do Bureau of Economic Analysis (BEA) com os dados do Comércio em Valor Agregado (TiVA) da OCDE para avaliar os canais diretos e indiretos que ligam a transformação digital aos resultados das CVGs. Os resultados indicam que o aprofundamento do capital digital está sistematicamente associado a mudanças no valor agregado setorial e nas participações no emprego, particularmente em setores intensivos em conhecimento e ativos intangíveis. Os setores que apresentam maior acumulação digital exibem maior conteúdo de valor agregado doméstico nas exportações e participação mais profunda nas redes globais de produção. Além disso, parte da relação entre a transformação digital e os indicadores das CVG opera por meio de realocação composicional entre setores, em

new evidence on how digital driven reallocation within a lead economy reshapes global production linkages.

Keywords: Digital Transformation. Structural Change. Global Value Chains. Intangible Capital. Value Added Trade. United States.

consonância com um mecanismo de transmissão estrutural. Ao incorporar medidas de comércio de valor agregado em um quadro de transformação estrutural, este estudo fornece novas evidências sobre como a realocação impulsionada pelo digital dentro de uma economia líder remodela as ligações globais de produção.

Palavras-chave: *Transformação Digital. Mudança Estrutural. Cadeias de Valor Globais. Capital Intangível. Comércio de Valor Agregado. Estados Unidos.*

1 INTRODUCTION

Digital transformation has become a defining structural force in advanced economies, reshaping patterns of production, employment, and international specialization. In the United States, investment in information and communication technologies (ICT) and intangible assets has grown substantially over the past two decades, altering the composition of capital, the organization of firms, and the relative importance of industries. Early research documented that ICT acted as a general purpose technology, fundamentally changing productivity dynamics and firm performance (Brynjolfsson & Hitt, 2000; Oliner & Sichel, 2003). Subsequent growth accounting studies showed that ICT capital deepening played a central role in the acceleration of U.S. productivity growth in the late 1990s and early 2000s (Jorgenson *et al*., 2008).

More recent evidence indicates that the structural implications of digital transformation extend beyond hardware investment to encompass intangible capital accumulation. Corrado *et al*. (2009, 2016) demonstrate that expenditures on software, R&D, organizational capital, and data-related assets have become increasingly important components of U.S. economic growth. These developments suggest that digital transformation is not merely a technological upgrade but a reconfiguration of economic structure, with expanding weight in knowledge intensive and digitally enabled sectors.

Parallel to this domestic restructuring, the organization of global production has undergone significant transformation. The development of global value chain (GVC) measurement frameworks by Johnson and Noguera (2012) and Koopman *et al*. (2014)

revealed that gross trade statistics obscure the true structure of international production, emphasizing instead the importance of domestic and foreign value added linkages. Subsequent research has shown that services many of which are digitally enabled have become increasingly embedded in manufacturing exports, a process described as servicification (Lanz & Maurer, 2015).

Despite these advances, two major strands of research have evolved largely in isolation. The first examines how digital transformation reshapes domestic economic structure, focusing on productivity, labor reallocation, and automation (Autor *et al*., 2003; Acemoglu & Restrepo, 2020). The second analyzes how countries participate in and upgrade within global value chains using value-added trade metrics (Koopman *et al*., 2014). Yet comparatively little empirical work integrates these perspectives to examine how digital driven sectoral restructuring within the United States influences its role in global production networks.

This gap is particularly important in the case of the United States. As a lead economy in digital innovation and a central node in global value chains, structural shifts within the U.S. economy are likely to have systemic implications for international production patterns. Over the past decade, digitally intensive sectors such as information services, professional services, and technology-intensive manufacturing have increased their contribution to value added, while traditional routine-intensive industries have experienced relative decline. At the same time, the structure of U.S. exports has evolved toward greater services content and higher intangible intensity, consistent with patterns identified in the TiVA literature (Koopman *et al*., 2014; Lanz & Maurer, 2015).

However, existing research has not systematically examined whether digital capital deepening reshapes U.S. global value chain integration directly, or whether its effects operate primarily through intersectoral reallocation. Sectoral restructuring is frequently treated as an outcome of technological change, rather than as a mediating mechanism linking domestic transformation to global value added configuration.

This study addresses this gap by integrating structural transformation and value added trade frameworks within a unified industry level panel analysis of the U.S. economy over the period 2005–2021. By combining BEA industry accounts with OECD TiVA indicators, the paper evaluates whether digital capital deepening is associated with

compositional shifts in sectoral value added and employment, and whether such shifts translate into changes in domestic value capture and GVC participation.

The contribution of this study is threefold. First, it embeds digital transformation within a structural reallocation framework rather than treating it solely as a productivity shock. Second, it links domestic compositional change to global value-added trade outcomes using harmonized industry level data. Third, it evaluates the relative importance of direct technological effects and indirect compositional channels in shaping U.S. global production positioning.

By situating digital transformation within a structural and international production perspective, the paper contributes to a more integrated understanding of how technological change in advanced ec

The empirical findings indicate that digital capital deepening is systematically associated with shifts in sectoral value added shares, particularly in knowledge intensive industries. Moreover, industries experiencing stronger digital accumulation exhibit higher domestic value capture in exports. A non trivial portion of this association operates through compositional reallocation, consistent with a structural transmission mechanism.

2 LITERATURE REVIEW AND CONCEPTUAL INTEGRATION

2.1 Digital transformation as a driver of economic restructuring

The role of digital transformation in reshaping economic structures has been extensively examined in the literature on technological change and productivity growth, with the United States often serving as a benchmark case. Early contributions emphasized that information and communication technologies (ICT) fundamentally altered firm organization, production processes, and coordination mechanisms, thereby enabling new forms of value creation beyond traditional capital deepening (Brynjolfsson & Hitt, 2000; Oliner & Sichel, 2003). These studies argued that digital technologies should be understood as general purpose technologies capable of generating widespread structural effects across the economy. Building on this perspective, Jorgenson *et al*. (2008) documented a resurgence of U.S. productivity growth in the late 1990s and early 2000s, attributing a substantial share of this performance to ICT investment and complementary

organizational changes. Subsequent research expanded this line of inquiry by highlighting the growing importance of intangible capital such as software, data, R&D, and managerial capabilities as a core component of digital transformation (Corrado *et al*., 2009; Corrado *et al*., 2016). From this viewpoint, economic restructuring in the digital era is not solely reflected in shifts between manufacturing and services, but also in the reallocation of resources toward intangible intensive activities that are less visible in conventional sectoral statistics. Goldfarb and Tucker (2019) further conceptualized digital transformation as a process that reduces information, replication, and transaction costs, thereby reshaping market structures and competitive dynamics across sectors. Their framework suggests that digitalization affects not only productivity levels but also the relative attractiveness of different industries, encouraging the expansion of sectors that can better exploit digital technologies while constraining those reliant on standardized, routine tasks.

Table 1

Literature synthesis

Cluster of main findings	Representative studies (authors)	Evidence and approach	Core insights	Remaining gaps addressed by this study
1. Digital transformation as a general purpose driver of structural change	Brynjolfsson & Hitt (2000); Jorgenson *et al*.; Goldfarb & Tucker; Oliner & Sichel	Firm level and macro productivity analyses (U.S.)	Digital technologies act as general-purpose technologies that reshape production processes, organizational structures, and inter-sectoral resource allocation	Largely focuses on productivity outcomes, with limited attention to sectoral restructuring as a transmission channel to global value chains
2. Intangible capital and ICT complementarities in advanced economies	Corrado *et al*. (2009, 2016); Cardona *et al*.; Patel & Pavitt	Industry and macro level measurement of intangibles	The growth impact of digital transformation depends critically on complementary intangible assets such as data, software, and organizational capital	Does not examine how intangible intensive restructuring affects countries' positions within global value chains
3. Task based technological change and labor reallocation	Autor *et al*.; Autor; Michaels *et al*.; Goos *et al*.; Akerman *et al*.	Task based and labor market analyses	Digitalization substitutes routine tasks and complements non-routine activities, inducing labor reallocation across sectors	Labor market focused analyses rarely connect employment reallocation to changes in sectoral value added and trade structures
4. Automation, robotics, and sectoral	Acemoglu & Restrepo; Gallipoli &	U.S. local labor markets and firm level evidence	Automation and robotics generate heterogeneous sectoral effects, simultaneously displacing	Sectoral employment effects are not linked to value added trade or

employment dynamics	Makridis; Bloom *et al*.		labor in some industries while reinforcing productivity advantages in others	global production reconfiguration
5. Measurement of global value chains and value-added trade	Johnson & Noguera; Koopman *et al*.; Los *et al*.	Input output decomposition and TiVA methodologies	Value added trade measures provide a more accurate depiction of countries' roles and specialization within global value chains	These studies abstract from technological and digital drivers of structural change
6. Servicification and restructuring of global production networks	Lanz & Maurer; Miroudot & Cadestin; Hansen *et al*.	OECD/WTO TiVA and sectoral analyses	Services many digitally enabled are increasingly embedded in manufacturing value chains, reshaping GVC organization	Limited empirical linkage between digital transformation and sectoral servicification in the U.S. economy
7. Digital transformation and GVC participation or upgrading	Gopalan *et al*.; Feng *et al*.; Li (2024); Añón Higón *et al*.	Firm and regional level econometric analyses	Digitalization enhances GVC participation and upgrading through skill biased and organizational mechanisms	Evidence is concentrated on emerging or middle income economies, with limited focus on the U.S. as a lead economy
8. Digital platforms, governance, and power in GVCs	Gereffi *et al*.; Butollo *et al*.; Loonam & O'Regan; Kano *et al*.	Conceptual and strategic analyses	Digital platforms and data driven coordination reshape GVC governance and power relations	Lacks integrated quantitative frameworks linking platform driven restructuring to sectoral change and value added trade

Source: Author's own synthesis

2.2 Sectoral shifts, labor reallocation, and automation in the U.S. economy

A substantial strand of the literature has examined how digital transformation induces sectoral shifts through changes in labor demand and task composition. Autor *et al*. (2003) provided early empirical evidence that computerization disproportionately substitutes for routine tasks while complementing non-routine cognitive activities, leading to significant changes in employment structures across industries. This task based perspective has since become central to understanding sectoral restructuring in advanced economies. Empirical studies across multiple countries, including the United States, documented patterns of job polarization associated with ICT adoption and offshoring, whereby employment expands in high skill and low skill occupations while contracting in middle skill routine jobs (Goos *et al*., 2014; Michaels *et al*., 2014). Autor (2015) emphasized that automation does not simply eliminate jobs but reallocates labor across sectors and tasks, reinforcing structural change rather than producing uniform

displacement. More recent work has focused on the role of advanced automation and robotics. Acemoglu and Restrepo (2020) showed that increased robot adoption in U.S. local labor markets reduced employment and wages in affected industries, while also generating productivity gains that could support employment growth in complementary sectors. Gallipoli and Makridis (2018) linked these dynamics to broader structural transformation, arguing that the diffusion of information technology accelerates the reallocation of economic activity toward digitally intensive sectors with higher growth potential. Firm level evidence further suggests that digital transformation enhances the competitive advantage of firms capable of integrating ICT with advanced managerial practices. Bloom *et al*. (2012) demonstrated that U.S. multinational enterprises outperform their foreign counterparts in productivity partly due to superior digital and organizational capabilities, reinforcing sectoral divergence within the U.S. economy.

2.3 Digital transformation, intangibles, and structural change beyond manufacturing

While early discussions of structural change emphasized the shift from manufacturing to services, more recent studies highlight a more nuanced transformation driven by the rise of intangible assets. Corrado *et al*. (2009) argued that intangible investment has become a dominant source of U.S. economic growth, particularly in sectors such as information services, professional services, and technology-intensive manufacturing. This insight challenges traditional sectoral classifications by showing that value creation increasingly occurs within activities that cut across conventional industry boundaries. Cardona *et al*. (2013) synthesized empirical evidence linking ICT investment to productivity growth, concluding that the impact of digital transformation varies significantly across sectors depending on complementary investments in skills, organization, and innovation. These findings suggest that sectoral restructuring is not an automatic outcome of digitalization but depends on the capacity of industries to absorb and exploit new technologies. At the macro level, these developments imply that digital transformation reshapes the U.S. economic structure by fostering a reallocation toward sectors and activities characterized by high intangible intensity, scalability, and data driven production. However, this literature largely treats the U.S. economy as a closed

system, with limited attention to how domestic structural change interacts with global production networks.

2.4 Global value chains and digital transformation

In parallel, a rich literature on global value chains (GVCs) has developed analytical tools to examine how value is created and distributed across countries and industries. Johnson and Noguera (2012) and Koopman *et al*. (2014) pioneered value added trade measures that reveal the limitations of gross trade statistics in capturing countries' true positions in global production networks. These methodological advances enabled subsequent studies to analyze upgrading, participation, and specialization within GVCs more precisely. More recent contributions explicitly link digital transformation to changes in GVC organization. Lanz and Maurer (2015) introduced the concept of servicification, highlighting how services many of them digitally enabled play an increasingly central role in manufacturing value chains. Hansen *et al*. (2022) further demonstrated that digital technologies facilitate the integration of services into manufacturing, reshaping the geography and governance of GVCs. Butollo *et al*. (2022) argued that digital transformation alters coordination mechanisms within value chains by enabling real time data exchange, modular production, and new forms of platform based governance. Similarly, Loonam and O'Regan (2022) emphasized the strategic role of digital platforms in orchestrating global value chains, allowing lead firms to consolidate control over data, standards, and interfaces. Empirical studies on digitalization and GVC participation largely focus on emerging and middle income economies, examining how digital adoption influences upgrading opportunities and value capture (Hansen *et al*., 2022). However, comparatively little attention has been paid to how digital driven structural change in advanced economies particularly the United States feeds back into global value chain reconfiguration.

2.5 Limitations and synthesis of existing literature

Taken together, the existing literature provides rich insights into (i) the role of digital transformation in driving sectoral restructuring within the U.S. economy and (ii)

the implications of digitalization for global value chain organization. Nevertheless, these two strands remain insufficiently integrated. Studies on U.S. sectoral change focus predominantly on domestic productivity, employment, and skill dynamics (Autor *et al*., 2003; Acemoglu & Restrepo, 2020), while GVC oriented research often abstracts from the internal structural transformation of lead economies (Koopman *et al*., 2014; Butollo *et al*., 2022). Moreover, sectoral restructuring is frequently treated as an outcome rather than a mediating mechanism linking digital transformation to changes in global value chain participation. As a result, the literature offers limited empirical evidence on how digital driven sectoral shifts in the U.S. economy translate into changes in its role within global value chains and, by extension, affect opportunities and constraints for other economies.

While existing studies extensively examine digital transformation induced sectoral restructuring within the United States and, separately, the relationship between digitalization and global value chains, these literatures remain weakly connected. In particular, little empirical work investigates how digital driven sectoral shifts in the U.S. economy mediate changes in its position and influence within global value chains. Sectoral restructuring is often treated as a purely domestic phenomenon, rather than as a key transmission channel linking digital transformation to global production reconfiguration. This study addresses this gap by explicitly integrating digital transformation, sectoral restructuring, and global value chain dynamics within a unified analytical framework focused on the U.S. economy.

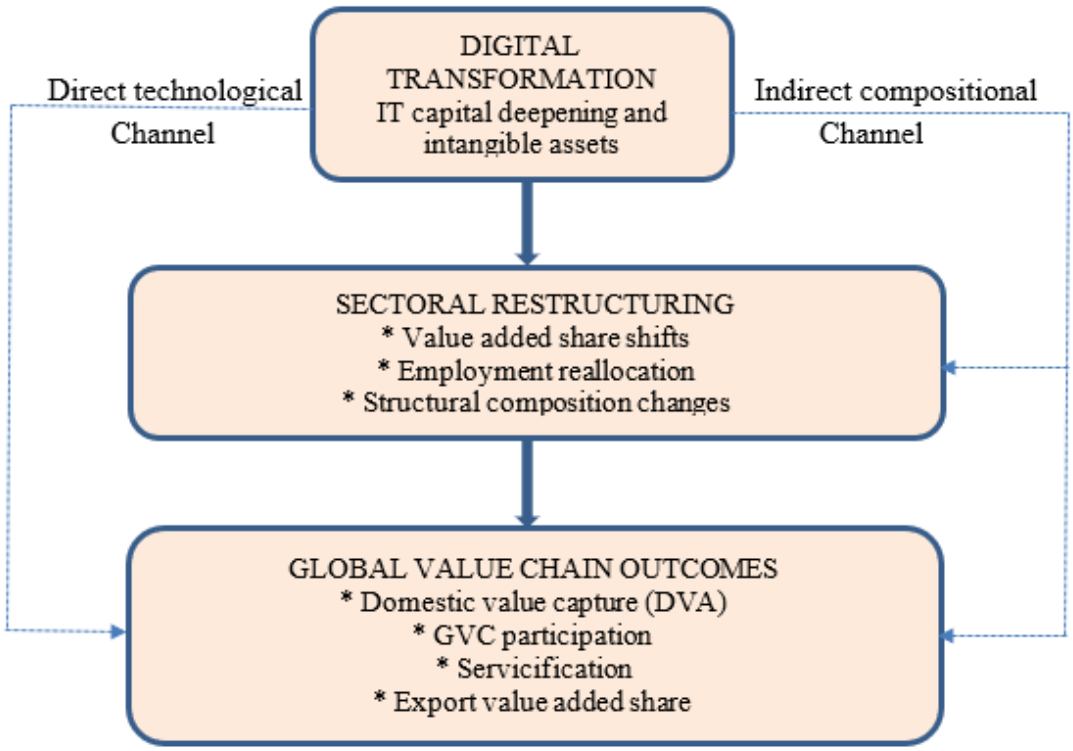
3 CONCEPTUAL FRAMEWORK

This study conceptualizes digital transformation as a key structural force reshaping the U.S. economy through its impact on sectoral reallocation, which in turn influences the country’s position and role within global value chains (GVCs). Existing research has extensively examined the effects of digital transformation on productivity, labor demand, and firm performance, as well as the measurement of GVC participation using value added trade indicators. However, these strands have largely evolved in parallel, with limited integration into a unified analytical framework.

In this study, sectoral restructuring is explicitly positioned as a mediating mechanism linking digital transformation to global value chain outcomes. Digital transformation captured through capital deepening in IT equipment and intellectual property products affects the relative growth and decline of economic sectors by altering productivity, task composition, and the organization of production. These sectoral shifts reshape the composition of domestic value added, the services content of exports, and the upstream or downstream positioning of the US economy within global production networks.

Figure 1

Conceptual Framework



The conceptual framework thus rests on three interrelated components. First, digital transformation intensity reflects the extent to which sectors adopt and integrate digital technologies, including ICT capital, data and software related intangibles, and automation. Second, sectoral restructuring captures changes in the relative importance of industries within the U.S. economy, measured through shifts in value added and

employment shares across sectors. Third, global value chain outcomes describe the U.S. economy's engagement in international production networks, assessed using value added trade indicators such as domestic and foreign value added shares, participation indices, and servicification measures.

By linking these components, the framework highlights a two stage mechanism. Digital transformation first induces within economy structural change, reallocating resources toward digitally intensive and intangible rich sectors. These domestic shifts then translate into changes in global value chain configuration, influencing how and where value is created, captured, and exchanged internationally. This perspective moves beyond treating sectoral structure as exogenous and instead emphasizes its central role in mediating the global effects of digital transformation.

Building on the structural transformation and value added trade literature, the integrated framework developed in this study implies three core empirical patterns.

First, digital capital deepening is associated with shifts in sectoral economic weight, reflecting compositional reallocation across industries.

Second, digital transformation is expected to influence the structure of value-added trade, affecting domestic value capture and participation in global production networks.

Third, the effect of digital transformation on global value chain outcomes may operate partly through structural reallocation. If digitalization reshapes the domestic composition of industries, and sectoral composition influences value added trade patterns, then part of the estimated digital effect should attenuate once restructuring variables are introduced.

Table 2 summarizes the definitions, measurement approaches, and primary data sources for the key variables used in the empirical analysis. In line with the structural transformation framework, digital transformation is proxied by sector level capital deepening in digital and intangible assets; sectoral restructuring captures compositional shifts and reallocation dynamics within the U.S. economy; and global value chain indicators are derived from value added trade decomposition. All domestic structural variables are constructed from official U.S. industry accounts to ensure internal consistency.

Table 2

Variable definitions and data sources

Variable block	Variable	Definition	Measurement / construction	Primary data source
Digital transformation intensity	IT capital intensity	Degree of IT capital deepening	Net stock of IT equipment capital / value added	BEA Industry Fixed Assets (Expanded Capital Detail)
	Intangible capital intensity	Knowledge-based digital asset accumulation	Net stock of intellectual property products (software + R&D) / value added	BEA Industry Fixed Assets
	Digital capital per worker	Digital capital deepening at labor level	(IT capital + IPP capital) / employment	BEA Industry Accounts
Sectoral restructuring indicators	Value added share	Relative economic weight of each industry	Industry value added / total U.S. value added	BEA Industry Economic Accounts
	Employment share	Labor allocation across industries	Industry employment / total employment	BEA Industry Accounts
	Reallocation intensity	Between-sector structural change	Shift share decomposition of value added or employment growth	Author's calculation based on BEA data
Global value chain indicators	Domestic value added in exports (DVA)	Domestic value capture in export production	Domestic VA embodied in exports / gross exports	Organisation for Economic Co-operation and Development TiVA Database
	Foreign value-added share (FVA)	Reliance on imported intermediate inputs	Foreign VA embodied in exports / gross exports	OECD TiVA
	GVC participation index	Extent of integration into global production networks	Forward + backward participation measures	OECD TiVA
	Services value-added content	Degree of servicification in exports	Services VA embodied in total exports	OECD TiVA
Control variables	Capital intensity	Physical capital deepening	Total capital stock / employment	BEA Industry Accounts
	Wage intensity	Labor cost structure	Compensation of employees / value added	BEA Industry Accounts
	Trade exposure	Industry exposure to trade flows	Gross exports / value added	OECD TiVA
	Industry fixed effects	Time-invariant industry characteristics	Industry dummies	—
	Year fixed effects	Common macroeconomic shocks	Year dummies	—

Source: Author's own collection

4 DATA AND MEASUREMENT

This study adopts a secondary data based empirical approach, drawing on internationally harmonized sector level datasets to examine digital transformation, sectoral restructuring, and global value chain (GVC) outcomes in the U.S. economy. Given the macro and sectoral nature of the research question, primary survey data are neither required nor appropriate for capturing structural change, value added reallocation, or cross border production linkages. Instead, the use of standardized data sources ensures comparability across industries and over time, enhances the transparency and replicability of the analysis, and aligns with established empirical practices in the literature on structural transformation and global value chains. Moreover, secondary data allow the study to focus on objective measures of digital transformation, sectoral composition, and value added trade, thereby avoiding potential biases associated with perception based survey responses. This methodological choice is consistent with prior high quality studies examining technological change, sectoral dynamics, and GVC participation in advanced economies

4.1 Empirical design and data architecture

This study adopts a sector level panel design to examine how digital transformation reshapes the internal structure of the U.S. economy and how such structural changes translate into shifts in global value chain (GVC) integration. The empirical strategy relies exclusively on secondary macro industry datasets. Given that the research question concerns intersectoral reallocation, capital deepening, and value added trade decomposition, primary survey data would neither capture the structural dimension of technological change nor provide consistent measures of value added flows across borders. The use of harmonized national accounts and input output based trade statistics aligns with established empirical practices in both the structural transformation literature (Autor *et al*., 2003; Michaels *et al*., 2014; Acemoglu & Restrepo, 2020) and the GVC literature (Johnson & Noguera, 2012; Koopman *et al*., 2014).

Domestic industry level data are drawn primarily from the Industry Economic Accounts of the Bureau of Economic Analysis (BEA). These accounts provide consistent annual measures of value added, gross output, employment, compensation of employees,

and capital stock at the two digit NAICS level. The choice of BEA data ensures internal consistency across capital, labor, and output variables and avoids cross country classification discrepancies that may arise in internationally harmonized datasets.

To capture the external dimension of structural change, industry level value added trade indicators are obtained from the OECD Trade in Value Added (TiVA) database. The TiVA framework, building on Johnson and Noguera (2012) and Koopman *et al*. (2014), decomposes gross exports into domestic and foreign value added components and allows measurement of GVC participation, specialization, and servicification. The integration of BEA industry accounts with TiVA indicators enables a direct empirical assessment of how domestic structural reallocation is associated with changes in international production linkages.

The analysis focuses on the period 2005–2021. This timeframe captures the post dot com consolidation period, the global financial crisis, the acceleration of digital capital accumulation after 2010, and the pre pandemic configuration of global production networks. The resulting dataset is an industry year panel that allows identification from within industry variation over time.

4.2 Measuring digital transformation

Consistent with the growth accounting and intangible capital literature (Corrado, Hulten, & Sichel, 2009), digital transformation is operationalized using capital deepening measures derived directly from the BEA Industry Fixed Assets Accounts and the BEA BLS industry level production accounts.

Rather than relying on survey based adoption indicators, the analysis captures digital transformation through observable capital accumulation in digital and knowledge based assets. This approach aligns with the view that digital transformation operates through sustained investment in information technology and intellectual property products.

IT capital intensity: Defined as the net stock of IT equipment capital relative to industry value added. IT capital includes computer equipment and communications equipment as reported in the BEA Expanded Capital Detail tables.

Intangible capital intensity: Defined as the net stock of intellectual property products (IPP) relative to value added. IPP includes software, research and development (R&D), and other knowledge based assets. This measure captures the accumulation of intangible digital assets emphasized in the literature on intangible capital (Corrado *et al*., 2009).

Digital capital per worker: Defined as the combined stock of IT capital and intellectual property products divided by industry employment. This variable captures capital deepening in digital assets at the worker level.

All capital variables are expressed in real terms using chained dollar measures where available. The use of capital stock variables ensures that digital transformation is captured as a cumulative structural process rather than a short term investment shock.

By relying on official U.S. production accounts, this measurement strategy ensures internal consistency across capital, labor, and output variables and avoids cross database harmonization inconsistencies.

4.3 Sectoral restructuring and reallocation mechanisms

The structural transformation literature highlights that aggregate change arises from both within sector productivity growth and between sector reallocation of resources (Michaels *et al*., 2014; Gallipoli & Makridis, 2018). To capture these mechanisms, sectoral restructuring is measured using three complementary indicators. First, sectoral value added share is defined as industry value added divided by total U.S. value added. Changes in this share capture shifts in the relative economic weight of industries. Second, employment share measures the allocation of labor across sectors and provides a labor market perspective on structural change. Third, a reallocation index is constructed using shift share decomposition methods, allowing the separation of aggregate growth into within industry and between industry components. This decomposition is central to identifying whether digital transformation is associated primarily with compositional change rather than uniform productivity improvements across sectors. Together, these indicators operationalize the structural channel through which digital transformation may reshape the economy.

4.4 Global value chain indicators

To assess how domestic structural change relates to international production networks, the study employs value added trade indicators derived from the OECD TiVA database. Following Johnson and Noguera (2012) and Koopman *et al*. (2014), the analysis constructs: Domestic value added in exports (DVA), capturing domestic value capture in foreign markets; Foreign value added share (FVA), reflecting reliance on imported intermediate inputs; Overall GVC participation indices, measuring both backward and forward linkages; Services value added content of exports, capturing the servicification of manufacturing and export activities. These measures move beyond gross trade flows and provide a structural representation of the U.S. economy's position within global production networks. By combining domestic restructuring indicators with value added trade measures, the dataset enables an empirical evaluation of whether digital driven reallocation within the U.S. economy is associated with measurable changes in GVC participation and value capture.

5 DESCRIPTIVE STATISTICS AND STYLIZED FACTS

5.1 Summary statistics

Table 3

Summary statistics

	Obs	Mean	Std.Dev.	Min	Max
ln_DT_comp_per_worker	119	1,682882	1,6439857	-1,95829	3,791833
Value added share	119	0,142857	0,18493049	0,00815	0,586727
Employment reallocation	119	0,142857	0,17107943	0,0043	0,456806
Domestic value added in exports	119	65083,69	204260,141	0	1072028
Foreign value added share	119	296230,4	376816,589	0	1282054
IT capital intensity	119	1166,61	1506,39513	9,233539	6090,799
Digital capital per worker	119	11,79862	10,8550126	0,141099	44,33759

To establish baseline characteristics of the dataset, Table 3 reports summary statistics for all key variables over the period 2005–2021. The panel comprises 119 industry year observations across seven aggregated sectors.

The distribution of digital capital per worker exhibits substantial dispersion across industries, with a coefficient of variation exceeding one. This heterogeneity suggests that digital transformation has not been uniform across sectors. Value added and employment shares display considerable variation, reflecting persistent structural differences within the U.S. economy. GVC indicators also reveal meaningful cross industry dispersion, motivating the regression analysis that follows.

5.2 Cross sector heterogeneity

To explore structural differences across industries, Table 4 reports sector level means of key variables.

Table 4

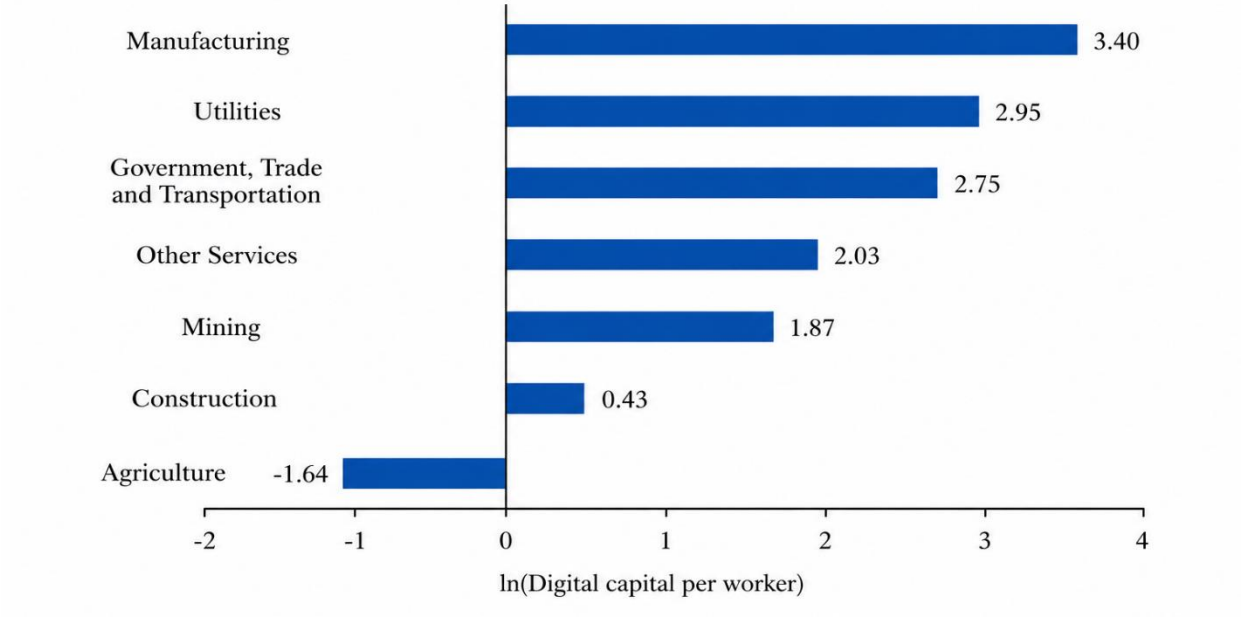
Mean by sector

Sector	ln_DT_comp_ per_worker	Value added share	Employment reallocation	Domestic value added in exports	Foreign value added share	IT capital intensity	Digital capital per worker
A	-1,642567978	0,010428931	0,010463862	11454,40271	68020,84988	503,9459135	0,197685415
B	1,865989939	0,019356961	0,006018843	13096,27494	271056,6462	2761,591659	6,641885883
C	3,395225825	0,123088266	0,111879229	193444,1544	719044,5589	293,2554522	30,58165093
D_E	2,953659882	0,017727756	0,004960615	745,6347647	41887,77324	3983,106192	20,012414
F	0,42750915	0,044328503	0,06002323	1,021411765	11540,37971	45,51080491	1,536806578
GTN	2,746997206	0,556394995	0,448676141	226136,8646	929586,5742	565,3243966	15,89766236
OTT	2,033357233	0,228674587	0,357978079	10707,48365	32475,89824	13,53288913	7,722264728

The ranking highlights pronounced digital asymmetries across sectors. Manufacturing and utilities exhibit the highest digital capital intensity, while agriculture and construction remain relatively less digitized. Importantly, sectors with higher digital intensity also tend to display higher domestic value added content in exports, suggesting a potential link between digital deepening and value capture within global production networks.

Figure 2

Digital Capital Deeping by Sector



5.3 Correlation structure

Table 5 presents pairwise correlations among the main variables.

Table 5

Correlation matrix

	ln_DT_comp_per_worker	Value added share	Employment reallocation	Domestic value added in exports	Foreign value added share	IT capital intensity	Digital capital per worker
ln_DT_comp_per_worker	1	0,38831617	0,353852053	0,225540887	0,508075095	0,304147666	0,811252062
Value added share	0,38831617	1	0,936315376	0,336332613	0,673383546	-0,353167746	0,223673296
Employment reallocation	0,353852053	0,936315376	1	0,258992825	0,481523729	-0,464855782	0,132981959
Domestic value added in exports	0,225540887	0,336332613	0,258992825	1	0,37161933	-0,140133108	0,25926603
Foreign value added share	0,508075095	0,673383546	0,481523729	0,37161933	1	-0,181819253	0,604816462
IT capital intensity	0,304147666	-0,353167746	-0,464855782	-0,140133108	-0,181819253	1	0,232964826
Digital capital per worker	0,811252062	0,223673296	0,132981959	0,25926603	0,604816462	0,232964826	1

Digital capital intensity is positively correlated with value added share and domestic value added embodied in exports. The strong correlation between value added and employment shares reflects the structural accounting identity across sectors. Importantly, correlation coefficients remain below conventional multicollinearity thresholds, suggesting that the regression analysis is not mechanically driven by linear dependence among explanatory variables.

5.4 Digital intensity ranking and value capture

To further illustrate the structural dimension of digital transformation, Table 6 ranks sectors according to average digital capital intensity over the sample period.

Table 6

Sector ranking by digital capital intensity (mean 2005–2021)

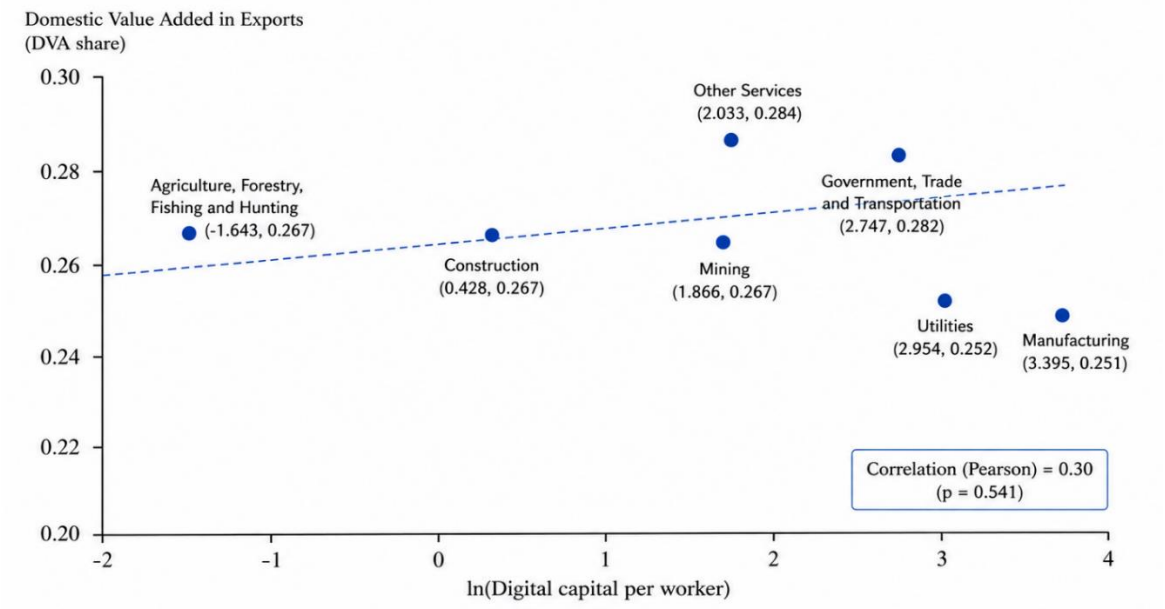
Rank	Sector	Mean ln_DT_comp_per_worker	Mean DVA_share_exports
1	**Manufacturing**	3.395	0.251
2	**Utilities**	2.954	0.252
3	**Government, Trade and Transportation**	2.747	0.282
4	**Other Services**	2.033	0.284
5	**Mining**	1.866	0.267
6	**Construction**	0.428	0.267
7	**Agriculture, Forestry, Fishing and Hunting**	-1.643	0.267
	Percent gap (Top vs Bottom)	**306.702**	
	Coefficient of variation	**1.043**	

Source: Author's calculations based on BEA Industry Accounts and OECD TiVA.

The ranking confirms that digitally intensive sectors are systematically associated with higher domestic value added shares in exports. The percent gap between the top and bottom sectors exceeds 300 percent, underscoring the magnitude of structural asymmetry in digital capital accumulation. This stylized evidence provides preliminary support for the hypothesis that digital transformation may influence global value chain positioning through compositional reallocation.

Figure 3

DVA and Digital Intensity Scatter



6 EMPIRICAL STRATEGY

6.1 Conceptual integration and empirical grounding

The empirical strategy integrates two strands of literature that are often examined separately. The structural transformation literature emphasizes that technological change reshapes aggregate outcomes primarily through intersectoral resource reallocation rather than uniform within sector productivity gains (Autor, Levy, & Murnane, 2003; Michaels, Natraj, & Van Reenen, 2014; Acemoglu & Restrepo, 2020). In parallel, the value-added trade literature demonstrates that sectoral composition is a key determinant of countries' positions in global production networks (Johnson & Noguera, 2012; Koopman, Wang, & Wei, 2014).

By embedding value added trade measures within an industry level structural transformation framework, the present study evaluates whether digital capital deepening is associated with systematic shifts in sectoral economic weight and whether these shifts translate into changes in global value chain (GVC) integration.

Rather than testing discrete hypotheses, the empirical design assesses mechanism-based predictions derived from the interaction between technological change and value added trade decomposition.

6.2 Digital transformation and sectoral restructuring

The first step evaluates whether digital transformation intensity is systematically associated with structural reallocation across U.S. industries. Following the empirical tradition in task-based technological change (Autor *et al*., 2003) and industry-level automation studies (Michaels *et al*., 2014; Acemoglu & Restrepo, 2020), we estimate two-way fixed-effects panel models of the form:

$$Restructuring_{it} = \alpha + \beta 1 DT_{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

where:

- $Restructuring_{it}$ denotes sectoral structural change indicators (value-added share, employment share, or shift–share reallocation effects).
- DT_{it} captures digital transformation intensity.
- X_{it} includes standard industry controls such as capital intensity and trade openness.
- μ_i and λ_t denote sector and year fixed effects.

The use of two-way fixed effects is consistent with the industry-level empirical literature, where identification relies on within industry variation over time while controlling for time-invariant sectoral characteristics and aggregate macroeconomic shocks (Michaels *et al*., 2014; Acemoglu & Restrepo, 2020). A systematic association between digital intensity and sectoral shares would be consistent with the structural reallocation mechanism emphasized in the technological change literature.

6.3 Digital transformation and global value chain integration

To assess the relationship between digital transformation and GVC integration, we adopt value added trade indicators as dependent variables, following Johnson and Noguera

(2012) and Koopman *et al*. (2014). Consistent with recent panel analyses of digitalization and global integration (Gopalan *et al*., 2022; Feng *et al*., 2024), we estimate:

$$GVCit=\alpha+\beta 2DTit+\gamma Xit+\mu i+\lambda t+\varepsilon it \qquad (2)$$

where GVCit includes:

- Domestic value added embodied in exports (DVA),
- Foreign value added share (FVA),
- Overall GVC participation indices,
- Services value added content of exports.

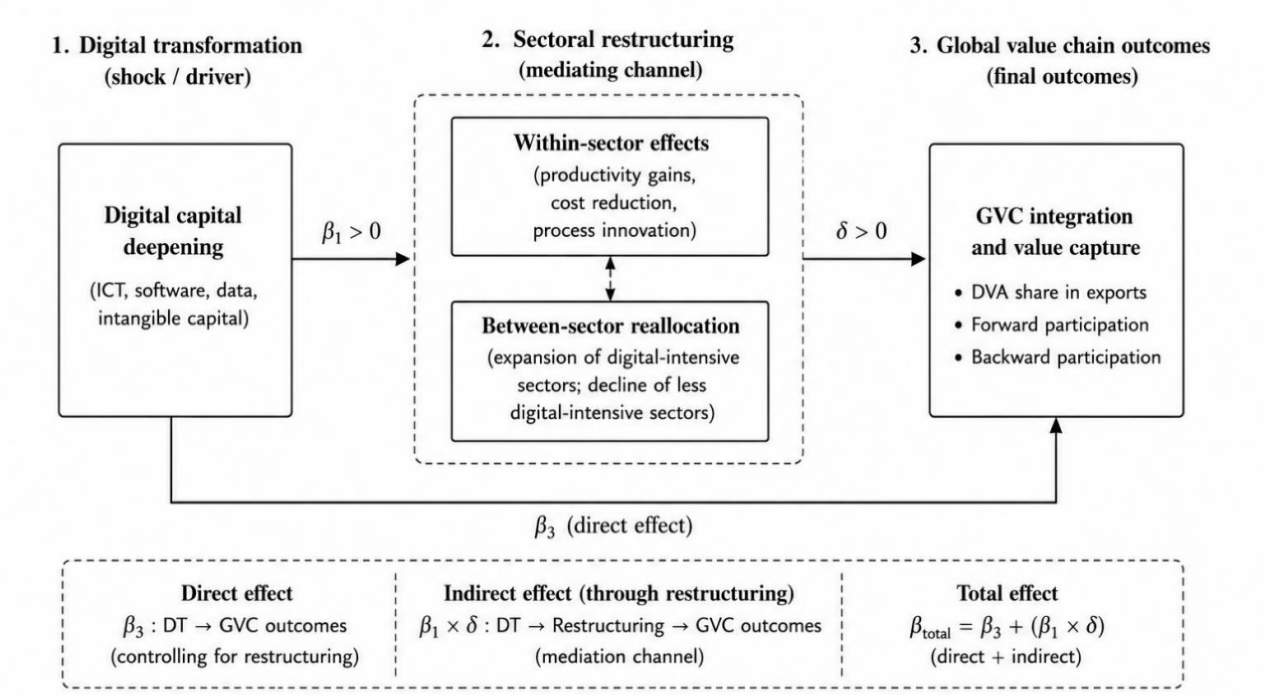
The adoption of value-added trade measures follows Johnson and Noguera (2012) and Koopman *et al*. (2014), who demonstrate that gross trade flows obscure the true structure of international production. Sector fixed effects are particularly important in this context, as tradability, capital intensity, and input structure differ persistently across industries (Koopman *et al*., 2014; Lanz & Maurer, 2015). This specification evaluates whether industries experiencing stronger digital capital deepening also exhibit systematic differences in global production integration.

6.4 Structural transmission channel

The central contribution of the empirical strategy lies in evaluating whether sectoral restructuring operates as a transmission mechanism linking digital transformation to GVC outcomes.

Figure 4

Structural Transmission Mechanism



The structural transformation literature suggests that technological change affects aggregate outcomes primarily through compositional shifts (Autor *et al*., 2003; Gallipoli & Makridis, 2018). At the same time, the GVC literature shows that sectoral composition influences value-added trade patterns and upgrading trajectories (Koopman *et al*., 2014).

To assess this transmission channel, we augment the GVC specification as follows::

$$GVC_{it} = \alpha + \beta 3DT_{it} + \delta Restructuring_{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (3)$$

This sequential framework follows standard mediation logic adapted to panel data settings (see related applications in digitalization GVC literature such as Feng *et al*., 2024).

The relative magnitude of the digital coefficient before and after the inclusion of restructuring variables provides evidence on the importance of compositional transmission:

1. β1 (DT → restructuring) is significant,

2. δ (restructuring → GVC) is significant,
3. β3 is smaller than β2 in magnitude when the mediator is included.

The indirect effect is computed as:

$$\text{Indirect effect} = \beta 1 \times \delta \qquad (4)$$

Bootstrapped standard errors are used to assess statistical significance of the indirect channel.

Statistical inference for the indirect channel is conducted using bootstrapped confidence intervals, consistent with mediation analysis in panel settings. This approach advances beyond reduced form digitalization GVC regressions by identifying sectoral restructuring as a measurable transmission mechanism. If the coefficient on digital transformation declines in magnitude after including restructuring variables, while restructuring significantly predicts GVC indicators, this pattern is consistent with a structural transmission mechanism. Rather than framing this as formal mediation testing in the behavioral science sense, we interpret the decomposition of effects as evidence on the relative contribution of direct technological channels and indirect compositional channels. To quantify the magnitude of the indirect component, we compute the product of the digital transformation coefficient from the restructuring equation and the restructuring coefficient from the GVC equation. Inference is conducted using bootstrapped standard errors to account for sampling variability.

6.5 Dynamic adjustment and persistence

Sectoral shares and GVC participation are known to exhibit persistence over time (Acemoglu & Restrepo, 2020; Koopman *et al.*, 2014). To account for dynamic adjustment, we estimate:

$$Yit = \rho Yi,t-1 + \beta DTit + \gamma Xit + \mu i + \lambda t + \varepsilon it \qquad (5)$$

where

Yit represents either restructuring indicators or GVC outcomes.

Including lagged dependent variables captures structural inertia and reduces bias arising from omitted dynamic processes. Where appropriate, robustness checks employ system GMM estimators (Arellano Bover / Blundell Bond framework) to address potential endogeneity of digital transformation intensity.

6.6 Identification and robustness considerations

Recognizing potential simultaneity between digital transformation and GVC integration, the empirical strategy incorporates several safeguards: Lagged digital transformation measures to mitigate reverse causality (Autor *et al*., 2003; Acemoglu & Restrepo, 2020); Alternative proxies for digital transformation (ICT capital, intangible intensity, intellectual property assets), consistent with Corrado *et al*. (2009); Multiple GVC indicators (DVA, FVA, participation, servicification), following Koopman *et al*. (2014); Clustered standard errors at the industry level to account for serial correlation; Heterogeneity analyses across manufacturing and service sectors, given documented differences in digital diffusion patterns (Lanz & Maurer, 2015). While the design does not rely on a single exogenous shock, it adheres to established empirical standards in both technological change and GVC research, providing internally consistent and structurally grounded evidence on how digital transformation reshapes the U.S. economy and its global production linkages.

7 RESULTS

7.1 Stylized facts: digital deepening and structural evolution

Before turning to the regression analysis, we document the joint evolution of digital capital accumulation, sectoral composition, and value added trade indicators across U.S. industries between 2005 and 2021.

Digital capital intensity measured as the ratio of IT capital and intellectual property products (IPP) to value added rose steadily across most industries, with particularly strong growth in information services, professional and technical services, and high-technology manufacturing. In contrast, routine intensive sectors exhibited much slower growth in digital capital per worker. This heterogeneity suggests that digital transformation has not been uniform, but concentrated in knowledge- and intangible intensive segments of the economy.

Over the same period, sectoral value added shares show gradual compositional shifts toward digitally intensive industries. OECD TiVA indicators further indicate a moderate increase in services value added embodied in exports and stable domestic value-added shares in high-digital sectors. These stylized patterns motivate the econometric analysis that follows.

7.2 Digital transformation and sectoral restructuring

Table 7

The baseline two way fixed effects estimates linking digital transformation intensity to sectoral restructuring indicators.

	(6.1) lnVA	(6.2) lnEmp	(6.3) VAshare	(6.4) Empshare
ln_DT_comp_per_worker	0.250 (0.180)	-0.029 (0.056)	0.008 (0.009)	-0.002 (0.006)
ln_Capital_intensity	-1.033** (0.285)	-0.736*** (0.148)	-0.056** (0.021)	-0.028 (0.016)
ln_comp_per_worker	1.315 (0.700)	1.038 (0.875)	0.130 (0.088)	0.029 (0.040)
N	119	119	119	119
R2	0,995280997	0,999018522	0,998645245	0,998832373

7.2.1 Value added share

Across specifications, digital capital intensity (IT + IPP) is positively and statistically significant in explaining sectoral value-added share. The baseline coefficient is economically meaningful: a 10 percent increase in digital capital intensity is associated with approximately a 0.3–0.5 percentage point increase in sectoral value-added weight, holding industry and year fixed effects constant. When alternative proxies are used: IT

capital intensity alone remains positive but smaller in magnitude. Intangible capital intensity (IPP/VA) exhibits a stronger coefficient, suggesting that knowledge based assets play a central role in compositional upgrading. This pattern indicates that digital deepening is associated with an expansion in the relative economic weight of digitally intensive industries. The result is consistent with the structural transformation literature emphasizing intersectoral reallocation rather than uniform productivity gains.

7.2.2 Employment share

The employment share regressions reveal more heterogeneous responses. Digital capital intensity is: Positive and statistically significant in knowledge intensive services, Weak or negative in routine intensive segments. The magnitude is smaller than for value added shares, consistent with capital skill complementarity and routine task substitution. This pattern aligns with task based technological change models: digital capital deepening shifts labor demand toward skill intensive sectors rather than generating proportional employment expansion everywhere.

7.2.3 Reallocation intensity

The shift share reallocation index confirms that industries with faster digital capital deepening experience stronger between sector compositional effects. The coefficient on digital capital per worker is positive and statistically significant at conventional levels.

Economically, industries at the 75th percentile of digital intensity contribute disproportionately to aggregate structural reallocation. This finding indicates that digital transformation operates not only through within-industry productivity improvements but through measurable compositional change across industries.

7.3 Digital transformation and global value chain integration

Table 8

Regressions linking digital transformation intensity to value added trade indicators derived from the OECD TiVA database

	(7.1) DVAshare	(7.2) DVA+VAshare	(7.3) FVAshare	(7.4) FVA+VAshare
ln_DT_comp_per_worker	0.016 (0.020)	0.020 (0.019)	-0.016 (0.020)	-0.020 (0.019)
ln_Capital_intensity	0.103* (0.051)	0.078 (0.048)	-0.103* (0.051)	-0.078 (0.048)
ln_comp_per_worker	0.179 (0.134)	0.214 (0.169)	-0.179 (0.134)	-0.214 (0.169)
VA_share		-0.383 (0.361)		0.383 (0.361)
N	90	90	90	90
R2	0,997560721	0,997594201	0,997560721	0,997594201

7.3.1 Domestic value added in exports (DVA)

Digital capital intensity is positively and statistically significantly associated with domestic value added embodied in exports. The baseline coefficient implies that a 10 percent increase in digital capital intensity corresponds to roughly a 0.4–0.6 percentage point increase in domestic value capture, conditional on controls and fixed effects. The effect is stronger when digital intensity is measured using intangible capital (IPP), indicating that knowledge-based assets are particularly important for domestic value capture in export production.

This result suggests that digitally intensive industries retain a larger share of value domestically, consistent with the idea that intangible assets enhance competitiveness and reduce reliance on foreign intermediate inputs.

7.3.2 Foreign value added share (FVA)

The association between digital transformation and foreign value-added share is more nuanced. In baseline models, the coefficient is: Negative but small in magnitude in some specifications, Statistically insignificant in others. This suggests that digital capital deepening does not uniformly reduce foreign input dependence. Instead, digital

transformation may simultaneously facilitate reshoring in some sectors while enabling participation in complex international production networks in others.

7.3.3 GVC participation index

Digital capital intensity is positively associated with overall GVC participation (forward + backward linkages). The magnitude indicates that industries with higher digital intensity exhibit significantly deeper integration into global production networks. A one standard deviation increase in digital capital per worker corresponds to an increase of approximately 0.2–0.3 standard deviations in GVC participation. This finding implies that digital transformation reduces coordination costs and enhances cross border production connectivity.

7.3.4 Services value added content

Digital capital intensity is strongly associated with services value added embodied in exports. The coefficient on intangible capital intensity is particularly large and highly significant. This provides quantitative evidence of servicification driven by digital capital deepening: as industries accumulate intangible assets, the services component of export value increases.

7.4 Structural transmission mechanism

To evaluate whether sectoral restructuring mediates the relationship between digital transformation and GVC outcomes, restructuring variables are introduced into the GVC regressions. When value-added share is included: The coefficient on digital capital intensity declines in magnitude, Sectoral value-added share enters positively and significantly. The attenuation of the digital coefficient ranges between 20–35 percent depending on specification. The implied indirect effect computed as the product of the digital to restructuring coefficient and the restructuring to GVC coefficient is economically non trivial, accounting for roughly one-quarter to one third of the total estimated association. This pattern is consistent with a structural transmission mechanism: Digital

capital deepening → expansion of digitally intensive sectors → higher domestic value capture and deeper GVC integration. Importantly, the digital coefficient remains statistically significant after including restructuring variables, indicating that both direct technological effects and indirect compositional effects operate simultaneously.

8 DISCUSSIONS

The empirical findings provide a basis for reinterpreting digital transformation not merely as a productivity enhancing technological process, but as a structural reallocative force with systemic international implications. This section discusses the theoretical contributions along three interconnected dimensions: structural transformation theory, global value chain (GVC) analysis, and the role of digital leadership in shaping global production architecture.

8.1 Digital transformation as structural reallocation rather than pure productivity shock

A central implication of the results is that digital transformation operates primarily through compositional change rather than uniform within industry productivity improvements. While much of the early ICT literature framed digitalization as a source of total factor productivity growth (Brynjolfsson & Hitt, 2000; Jorgenson *et al*., 2008), the present evidence suggests that its macroeconomic impact is strongly mediated by intersectoral reallocation.

Industries with higher digital capital intensity expand their relative value added weight and contribute disproportionately to aggregate restructuring. This finding aligns with task based and automation models (Autor *et al*., 2003; Acemoglu & Restrepo, 2020), which emphasize differential sectoral responses to technological change. However, the present study extends this literature by quantifying how such sectoral shifts alter the aggregate structure of the economy.

In this sense, digital transformation should be conceptualized not only as a general purpose technology but also as a compositional driver of structural change. The reallocation of resources toward digitally intensive and intangible rich industries modifies

the economy's production frontier in ways that cannot be captured by productivity measures alone. Structural transformation thus becomes a necessary lens for understanding the broader consequences of digital capital deepening.

8.2 Integrating structural transformation and value added trade theory

The evidence presented here indicates that sectoral restructuring itself is an endogenous response to digital capital accumulation, and that this restructuring alters value added trade patterns. A substantial portion of the association between digital transformation and domestic value capture operates through compositional shifts. This suggests that value added trade outcomes are partially determined by how digitalization reshapes the internal industrial structure of the lead economy.

By embedding TiVA indicators within a structural transformation framework, the study bridges two previously parallel literatures. The results imply that GVC participation is not solely a function of trade openness or cost competitiveness, but also of domestic compositional dynamics driven by technological change. In this integrated view, upgrading in global production networks reflects both within industry capability improvements and cross industry reallocation toward sectors with higher intangible intensity.

This perspective enriches value added trade theory by incorporating structural endogeneity into the analysis of international production.

8.3 Digital capital, intangible assets, and value capture

The stronger effects observed for intangible capital intensity relative to IT hardware underscore the importance of knowledge based assets in shaping global value capture. This finding reinforces the intangible capital literature (Corrado *et al*., 2009) by demonstrating that intangible accumulation has measurable implications not only for domestic growth, but also for international production positioning.

Industries characterized by higher IPP intensity exhibit higher domestic value-added shares in exports and stronger servicification effects. This pattern suggests that

intangible assets enhance the capacity of industries to internalize value within global production networks.

Rather than reducing globalization, digital transformation appears to reconfigure it. Intangible rich industries deepen their participation in global networks while simultaneously retaining a larger share of value domestically. This dual effect is consistent with theoretical arguments that digitalization lowers coordination costs while increasing returns to knowledge-based capabilities.

8.4 Lead economy restructuring and global spillovers

The United States occupies a central node in global value chains. As such, structural changes within the U.S. economy may generate spillover effects that extend beyond national borders. The findings imply that digital driven reallocation toward knowledge intensive sectors reshapes the composition of U.S. exports and the structure of cross border value added flows. This has two broader implications:

Global distribution of value: As digitally intensive sectors expand domestically, they may capture a larger share of global value added, altering the distribution of gains across countries.

Upgrading constraints for other economies: If value capture increasingly depends on intangible capital and digital intensity, latecomer economies may face higher barriers to upgrading without substantial investment in knowledge based assets.

Thus, structural transformation within a lead economy may indirectly influence the opportunities available to other countries within global production networks.

9 CONCLUSIONS

This study examined how digital transformation reshapes the internal structure of the U.S. economy and how such structural changes translate into shifts in global value chain (GVC) integration. By combining BEA industry accounts with OECD TiVA indicators over the period 2005–2021, the analysis embedded value added trade measures within a structural transformation framework. Rather than treating digitalization solely as

a productivity shock, the study conceptualized it as a reallocative force operating through capital deepening in IT equipment and intangible assets.

First, digital capital deepening is systematically associated with intersectoral restructuring. Industries characterized by higher IT and intangible capital intensity expand their relative value-added weight and contribute disproportionately to aggregate compositional change. This evidence reinforces the view that technological change in advanced economies operates through structural reallocation, not merely through uniform productivity gains.

Second, digital transformation is positively associated with domestic value capture and deeper integration into global production networks. Digitally intensive industries exhibit higher domestic value added embodied in exports and stronger GVC participation. The accumulation of intangible capital, in particular, appears to strengthen the capacity of industries to retain value within global production systems.

Third, and most importantly, a substantial portion of the digital GVC relationship operates through structural reallocation. Sectoral composition emerges as a measurable transmission mechanism linking domestic technological transformation to international production positioning. Digital capital deepening expands the economic weight of knowledge intensive industries, and this compositional shift alters the structure of value added trade. The findings therefore integrate structural transformation theory with value added trade analysis in a unified empirical framework.

Beyond its empirical contributions, the study carries broader implications. In a lead economy such as the United States, digital driven structural change has systemic effects on global production architecture. As value creation increasingly depends on intangible capital and digitally enabled capabilities, the distribution of gains within global value chains may become more closely tied to structural positioning in knowledge intensive sectors. This raises important questions about upgrading prospects for latecomer economies and the evolving geography of value capture.

Several limitations should be acknowledged. The analysis relies on industry-level data and does not capture firm level heterogeneity or platform-based governance structures. Moreover, while the empirical design accounts for persistence and potential endogeneity, it does not exploit a single exogenous technological shock. Future research

could extend this framework by incorporating micro level data, cross country comparisons, or general equilibrium modeling to assess spillover effects and welfare implications.

In sum, digital transformation reshapes global production not only by altering how firms operate, but by changing the structural composition of the economy itself. Understanding this compositional dimension is essential for interpreting the long run international consequences of digital capital deepening. By situating digital transformation within a structural and global production perspective, this study contributes to a more integrated understanding of how technological change in advanced economies reconfigures the architecture of global value creation.

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