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Introductory remarks

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Annual Conference of the Global Forum on Productivity
co-organised by the Italian G20 Presidency

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- It is a pleasure to join Minister Franco and Secretary General Cormann in welcoming you to this important initiative, promoted by the OECD Global Forum on Productivity together with the Italian Presidency of the Group of Twenty (G20) to discuss recent developments in productivity and the challenges ahead.

- The OECD has a long and outstanding reputation for producing high quality studies on productivity and the determinants of cross-country differences in growth performances. As Chief Economist of the Organization, I had the privilege and honour of contributing to this research programme more than 20 years ago.

- At that time, our efforts were directed towards obtaining a deeper understanding of the "new economy" and of the impact of information technologies (ICT) on society at large. To this end, the OECD significantly intensified its research activity, the collection and diffusion of comparable cross-country data and benchmarking analyses aimed at identifying best practices among member countries. The lessons learnt back then were published in several reports, starting from the book on "The Sources of Economic Growth in OECD Countries", issued in 2003, and the various editions of "Going for Growth", which are still highly relevant today.

- The new research presented at this edition of the Global Forum on Productivity confirms that, analogously to the case of "the new economy" debate in the late 1990s, obstacles to the diffusion of new technologies play a critical role in explaining the disappointing growth performance experienced at least since the global financial crisis. In particular, they help explain why, despite the new digital revolution, the dynamics of aggregate productivity have been so sluggish.

- To be fully exploited, the new digital technologies require adequate availability and composition of skills in the workforce, good managerial practices and, often, appropriate economies of scale. These factors are creating a divide between a few fast growing large firms and many small ones struggling to keep up, which is preventing our economies from taking full advantage from technological progress.

- These are critical issues, whose relevance can hardly be overstated. The troubled macroeconomic context in which the digital revolution has been taking place since the global financial crisis has also played a role in explaining the stagnation of productivity. We have learnt that deep recessions, especially if accompanied by severe financial distress, may have long-lasting effects on potential output, in particular through a reduction in the speed and quality of capital increase. Coupled with adverse structural developments, such as the ageing of populations in large parts of the world, the global financial crisis and the euro-area sovereign debt crisis have pushed down equilibrium interest rates, reducing the room for an effective monetary policy response to the low-growth, low-inflation environment. We are now fully aware that, when confronted with recessions of such a magnitude, a joint and strong effort on the part of both monetary and fiscal policy is necessary to prevent structural damages to the economy.

- Today, we have just faced another global recession of unprecedented nature and size, which hit our economies in the middle of the digital and green revolutions. The pervasive adjustments forced by these two structural changes, together with the legacy of the pandemic, which is still threatening our countries, are pushing the global economy into uncharted territories. It is still hard to understand what the "new normal" will look like, but I believe that both governments and central banks can do a great deal to prevent the pandemic shock from leaving permanent scars. It is of the utmost urgency to prepare our economies for the future, making possible the stronger, inclusive and sustainable growth pursued over the years, with mixed success, by the G20. Indeed, "People, Planet and Prosperity" are the priorities of the Italian Presidency of the G20.

- The global policy response to the crisis, thanks to the close international cooperation that the G20 strongly promotes, has already obtained important results. The joint action of fiscal and monetary policies has avoided a generalized tightening of credit, averting the risk of a spiralling crisis. It has attenuated the impact of the emergency on the corporate and household sectors, preventing the destruction of viable physical, intangible and human capital. It has also been key in directing resources to strengthening health-care infrastructures, including for the development of vaccines.

- Thanks to the policy support and the vaccination campaigns, the recovery is now gaining strength. Economic forecasts are being revised upward. However, progress is uneven, and less developed and emerging economies are still facing major difficulties in curbing the pandemic. The health crisis will not be over until vaccines are accessible to all countries. Diverging health and economic patterns would not be acceptable, as they would put the global economy and the whole society at risk.

- In such an uncertain environment, a coordinated effort is still needed to support the recovery, until idle productive capacity, which remains sizeable, is fully reabsorbed. At the same time, we must pave the way for the upcoming future, by strengthening potential growth and favouring the structural transformations that will take place.

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- Somewhat surprisingly, some studies suggest that, contrary to recent crisis episodes, the pandemic shock could have a positive impact on productivity. The available data tentatively confirm that, thanks to the extensive support they have received, firms are reacting swiftly, recovering a large fraction of the investments deferred during the emergency. Stronger accumulation and the need to adjust productive processes to the challenges of climate change and the opportunities offered by new digital technologies may entail a more intense innovative activity. The managerial changes imposed by the spread of the virus, which forced even smaller and more conservative firms to experiment with new forms of labour organization and the benefits of digital technologies, should spur further innovative efforts. As in the case of the oil shocks of the 1970s and early 1980s, the pandemic could then be followed by a period of strong investment, an extensive reorganization of production processes and, ultimately, faster productivity growth.

- These potentially positive developments, however, will need to be supported by suitable policies aimed at removing the obstacles that have delayed the diffusion of new technologies and of organizational innovations over the last few years. Otherwise, they might lead to higher market concentration and much smaller welfare benefits.

- A critical role will be played by public investment in digital infrastructures and, even more importantly, in human capital. The “human side of productivity” has to be taken seriously. Improving the supply of human capital through effective education remains a priority in many countries. Nevertheless, increasing the years of schooling is not the only target our policies should focus on. Expanding the availability of specific skills, which are often acquired during the working career, through on the job training and lifelong learning, is also key, particularly in light of the intense reallocation processes that the digital and green transitions will entail. Finally, yet no less importantly, we should address with greater determination the wide set of frictions that prevent individuals, notably women and minorities, from pursuing their comparative advantage, too often causing a considerable misallocation of talents.

- Most of the topics and policy challenges that I have just mentioned are being discussed in this conference and I am looking forward to the contributions from the upcoming high-level panel discussion among G20 policymakers, to whom I am pleased to give the floor with no further hesitation.

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