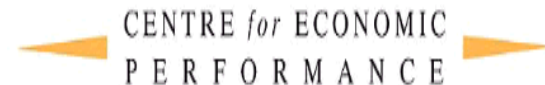


# Digital Economy

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# INTRODUCTION

- Current Crisis based on demand side
- Long-run needs supply side reforms
- Technology increases productivity but also changes demand for quality of jobs

# THE CURRENT CRISIS

- EU economy contracted since 2008. unemployment 25.5m in 2012. Productivity fell
- Worst performance since Great Depression
- Global problem. Entire OECD at a standstill (Japan similar US a bit better, but not much – worse job performance than many EU nations – Germany, UK)
- Policy failures – first in financial regulation. Initial reaction of stimulus was good but subsequent reaction poor
  - Fiscal austerity in EU even in those nations who don't need to (Germany in EZ, UK outside it)
  - Prevarication over banking union, etc.
  - Monetary policy starting to improve (OMT)
- Need fiscal stimulus, e.g. infrastructure

# LONG-RUN CHANGES NEEDED

- Structural reform in labour and product markets to reduce barriers to entry, growth & exit
  - Occupational licensing
  - Setting up a business
  - Public employment services

# DIGITAL TECHNOLOGY AND ECONOMY

- Technology changes quality of jobs, not (in medium run) the quantity
- Technological change hums along for 500 years and no trend upwards in unemployment
- But in last 100 years technology has increased demand for skills
  - Supply of skills massively expanded. Years of education keep rising, but no fall in the relative wages of the skilled
  - In fact premium for skills has risen in most countries
- So policy issue is to keep the supply of skills expanding to meet demand (if demand slows down, then increased supply will reduce inequality so not bad)
- Best way to do this is through schools, especially early interventions focused on disadvantaged