

The State of the World Economy: Recession or Revival

Seminar After Iraq
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First of all, let me stress how pleased I am to be able to participate in this well-deserved tribute to Professor Anthony Giddens.

I have long admired Giddens' innovative and comprehensive approach to social and political change, which makes him, as acknowledged worldwide, a leading name in contemporary sociology.

The convening of this seminar in your honor, my dear friend Tony Giddens, only shows that the LSE community has benefited most from your leadership and wise guidance over the last years.

As to the subject of this panel, let me suggest that we put things into perspective and give due weight to the fact that technological innovation has always been at the root of each and every economic cycle.

It goes without saying the latest economic cycle – the “informational economy”, in the words of Manuel Castells – is no exception to this rule.

The breathtaking revolution in information technologies has been decisive for the shaping of current patterns of production, management, distribution, trade and consumption.

Had there not been the extraordinary advances we have bore witness to in microelectronics, informatics and telecommunications, not to mention the related discoveries in biotechnology, new materials and renewable energy, the shape of the economy whose prospects we are now discussing would have been dramatically different.

Developments such as the upsurge in productivity levels, globalization of investment, production and market policies, shift from standardized mass production to flexible customized production, to mention some, would hardly have occurred in the absence of information technology.

Neither would it be credible to speak, as we can do today, of the emergence of a global civil society, which has direct impact on trade and consumption styles.

The question we are now faced with is whether this state of things is called into question by the economic downturn of the last years.

Is that the case or the technology-information age is instead far from exhausting its potentialities? One might argue that we cannot have a clear answer to this question until the major blocs or economies put their houses in order.

In other words, unless the reform of the Japanese financial systems progresses well, the US economy is poised to grow and doubts about the capacity of the German economy to withstand euro-area interest rates are overcome, the sustainability of informational economy cannot be put to a real test.

In the meantime we might be entitled to venture some general forecasts. First, it seems only fair to claim that, whatever the future course of events is, it is rather likely that applied knowledge will continue to have an increasing role in the growth of productivity.

Such a trend precedes the informational age and will certainly survive it. Hence the importance that the marriage of university, enterprise and public authority is encouraged ever more. Allow me to recall the example of Brazil, a country which failed in the eighties to fully benefit from the latest world economic boom exactly because of the incapacity of Public Power to foster a national partnership in favor of the improvement of human capital and higher levels of productivity.

The country has by now succeeded in modernizing the state structure so that it could steer a national strategy, as it is already doing, towards economic modernization and a closer and competitive integration with international trends.

The creation and successful development of Mercosul was a crucial step in that direction, as it opened up new investment and market opportunities, including in information-related areas. Not to mention the fact that, as an example of open regionalism, Mercosul has enhanced, rather than inhibit links with other blocs.

Here comes another point worth making about prospects for the world economy. It seems out of question that a new technological paradigm would dispense with the importance of an expanded and stable world market for profitability and productivity. This implies less protectionism and a more predictable financial environment, which, in turn, requires improvement in global governance.

Objectives such as the success of the WTO negotiations and the taming of speculative assaults on national currencies are of the utmost importance for the upturn of the world economy, be it in its current mould or in a different one.

Thank you.