

# Editorial

## Creating the conditions for a decisive transition

Recent turbulence has severely disrupted societies and economies globally. The COVID-19 pandemic required unprecedented government responses across policy areas to protect lives and livelihoods. And as the pandemic receded, Russia's illegal war of aggression against Ukraine stressed energy and food markets, harming people everywhere and reducing growth.

We must keep long-term goals in sight when navigating a course out of difficult times. All governments are seeking to re-invigorate growth, improve livelihoods, and tackle climate change. This 2023 edition of *Going for Growth* shows how, with good policy making, structural reforms can boost economic growth, improve productivity, and reduce inequalities while transitioning to a zero-carbon future.

Our policy priorities and associated recommendations are grouped around four pillars: enhancing the efficiency of support; better use of resources; harnessing digital transformation and faster decarbonisation.

First, both the pandemic and the war have highlighted the importance of having robust social protection systems and exposed major deficiencies in the systems in place. In many countries, a significant share of workers, particularly the most vulnerable, fall outside social safety nets because of their work status. At the same time, social protection systems could be better targeted to reduce costs and improve sustainability.

Outcomes for workers and for the wider economy can be improved with policies which increase participation, improve the matching between jobs and workers, and support firms to become more dynamic, innovative, and greener. One source of the current weakness of potential growth is years of weak investment and capital accumulation. Policy can bolster firms' incentives to invest and upgrade their capital. Market competition also drives potential growth. Strengthening competition authorities and frameworks is critical, but often it is not enough. In most countries, boosting competition requires deeper regulatory reforms across a wide range of sectors, especially in services where regulatory barriers to the entry are still prevalent.

Third, recent advances in artificial intelligence underscore the vast potential of digitalisation to boost productivity and transform economies. Enabling firms and workers to reap the full benefits requires improvements across many policy areas. These include increasing investments in and widening access to broadband connections; strengthening firms' incentives and capability to acquire digital technologies and adapting business models. Fast progress in artificial intelligence also brings new challenges for governments and societies, requiring cooperation across stakeholders and policymakers – within and across countries – to ensure that these powerful tools are used for the benefits of all. Best policy practice has yet to be established in this area, but the OECD Council Recommendation on Artificial Intelligence provides a set of guiding principles for innovative and trustworthy AI developments.

Finally, decarbonising faster to meet climate change targets is the dominating challenge of our time. It will need both incentives-based policies and regulatory measures. Carbon pricing has an important role to

play. As do policies to increase public and green investment, and to strengthen regulations, institutions, and standards to reduce emissions.

These four pillars are reinforcing. Coherent climate and investment policies and effective structural reforms can work together to facilitate the transition and promote growth while protecting the most vulnerable. Early planning for the transition is essential to avoid stranded assets in carbon-intensive industries and stranded people and communities alongside them.

This edition has a special focus on trade where there are threats to unwind some of the benefits and miss out on further opportunities. Chapter 2 presents new OECD analysis which reviews trade integration through global value chains, identifies related risks, and prescribes policies to cushion them. Globalization has brought many benefits through higher productivity, lower prices, greater choice, and greater prosperity for billions of people, especially in emerging-market economies.

This 2023 edition of *Going for Growth* provides concrete advice to governments of OECD and partner countries. It sets out how structural policy reforms can improve medium and long term economic outcomes for millions of people across these countries, including the most vulnerable. And how this can be done while sharing those dividends widely and ensuring the green transition.

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