OECD Observer
No 301 Q4 2014
www.oecdobserver.org

Ireland's recovery, by Enda Kenny
How inequality hurts growth
New evidence on productivity and the environment
Digital finance and education
Europe's migration flows

STOP PRESS
Paris attacks: Tributes

The challenge ahead

9 770029 705002







TRIBUTES AND REACTIONS

2 In the wake of the Paris attacks, January 2015

EDITORIALS

3 **Building the conditions of a safer world**
Angel Gurría, Secretary-General of the OECD

4 **Ireland: On the path to recovery**
Enda Kenny, Taoiseach (Prime Minister), Ireland

NEWS BRIEF

6 **Inequality hurts growth; Tax revenues rise; Soundbites; Economy; Country roundup; Bribery exposed; Steel warnings; Plus ça change**

ECONOMY

9 **Environmental policies don't have to hurt productivity**

11 **A sharing economy**
Interview: Frederic Mazzella, Founder and CEO of BlaBlaCar

12 **Is inequality good or bad for growth?**

13 **Philanthropy, digital payments and financial inclusion**
Emilie Romon, OECD Global Network of Foundations Working for Development (netFWD) and Sabrina Sidhu, Better Than Cash Alliance

14 **SME equity financing: Culture and home truths**
Markus Schuller, Panthera Solutions

15 **Business brief: Turkey–Banking on resilience**
Adnan Bali, CEO of Isbank

SOCIETY

16 **Digital learning in schools**
Francesco Avvisati

18 **Migration and jobs: Is Europe's labour market adjusting?**
Thomas Liebig

BOOKS

19 **Review: Making city ports competitive**

ECONOMIC OUTLOOK

21 **Shifting into higher gear and rebuilding the engines of growth**
Catherine Mann, OECD Chief Economist

23-35 **Country snapshots**

OECD.ORG

37 **Jean Tirole: An appreciation**
Patrick Lenain, OECD Economics Department

38 **French minister Taubira attacks bribery; Visits**

39 **Recent speeches by Angel Gurría; List of OECD ambassadors**

40 **Calendar; Frankie.org**

BOOKS

41 **Review: Small businesses flourish, but not their revenue**
OECD Observer Crossword

42 **OECD iLibary: Most popular; New publications**

DATABANK

46 **Main economic indicators**

48 **A measure of recovery**

ORDER FORM... ORDER FORM

Ireland: On the path to recovery, page 4

Philanthropy, digital payments and financial inclusion, page 13

Digital learning in schools, page 16

OECD.org, page 38

OECD Observer

www.oecdobserver.org
© OECD December 2014
Printed January 2015

ISSN 0029-7054
Tel.: +33 (0) 1 45 24 9112
Fax: +33 (0) 1 45 24 82 10
sales@oecd.org

Founded in 1962. The magazine of the Organisation for Economic Co-operation and Development

OECD Publications 2 rue André Pascal
75775 Paris cedex 16, France
observer@oecd.org
www.oecd.org

Published in English and French by the OECD
EDITOR-IN-CHIEF: Rory J. Clarke
WRITERS: Brian Keeley, Patrick Love
ASSISTANT EDITOR: Justin Dupre-Harbord
PLANNING AND DEVELOPMENT EDITOR: Diana Klein
EDITORIAL ASSISTANT: Neïla Bachene
LAYOUT: Design Factory, Ireland
ILLUSTRATIONS: Charlotte Moreau, Stik, David Rooney
PHOTO RESEARCH: Rory J. Clarke, Diana Klein
ADVERTISING MANAGER: Scarlette Elizee
PRINTERS: SIEP, France; Chain of Custody certified.

Tributes and reactions

In the wake of the terrorist attacks in Paris, 7, 8 and 9 January 2015, in which 17 defenceless people were gunned down.

I do not agree with what you have to say, but I will defend to the death your right to say it.

VOLTAIRE

If liberty means anything at all, it means the right to tell people what they do not want to hear.

GEORGE ORWELL

"This attack is an affront to the values that we collectively share. We categorically condemn this odious and inhuman act against our liberties and we support the government in its response to it."

Angel Gurría, OECD Secretary-General

@OECD We stand w/the int'l community in defense of freedom of press. Our thoughts R w/the victims & families #CharlieHebdo

I watched the news in horror at what unfolded in Paris. Obviously my work is not in the same league as those guys. But to kill artists. I can't believe anyone could do that. I've donated a piece of art to a book coming out to raise money for the families of the victims and my thoughts are with them.

Bill Greenhead, illustrator, cartoonist, author of Frankie.org

"Charlie's fallen angels would want us to laugh. But Paris is in tears. We are all in shock. It was an attack against us all, against everyone in this country and beyond. We are all French today. Nous sommes tous Français aujourd'hui."

Rory Clarke, OECD Observer Editor, 7 January
www.facebook.com/oecdobserver

As the great Arab philosopher al-Kindi put it, "we should not be ashamed to acknowledge truth and discover it no matter what source it comes from"…
The world is a sadder place without the mockery of brave, clever, funny people at #CharlieHebdo

Patrick Love, OECD Insights Editor

All at Design Factory are shocked to hear of the barbaric attack and murders at the offices of Charlie Hebdo magazine this morning in Paris. It is an attack on freedom of the press, journalism and the media in general. We hope you and all your colleagues are safe and well.

Design Factory, Dublin, produce OECD Observer

@GermanyDiplo Chllr #Merkel on attack against #CharlieHebdo: "In these difficult times we stand firmly side by side with our French friends." German Foreign Office 7 Jan

@MinPres "Am shocked, the terrible and cowardly terror attack in Paris touches us all. The Netherlands stands shoulder to shoulder with France." Minister-president, Netherlands, 7 Jan

@WhiteHouse
"Our thoughts and prayers are with the victims of this terrorist attack and the people of France" —President Obama

We welcome your feedback. Send your letters to observer@oecd.org or post your comments at **www.oecdobserver.org** or **www.oecdinsights.org**

Follow us on Twitter @OECDObserver Comments and letters may be edited for publishing.

Building the conditions of a safer world

Our work will not let up in 2015, which will be a decisive year for addressing urgent global challenges

Angel Gurría
Secretary-General of the OECD

The terrorist murders of 17 people in Paris on 7, 8 and 9 January were not only a human tragedy. They were a direct attack on the values of living together in the free, law-abiding, pluralistic societies we hold dear.

Like many of you, I was privileged to pay tribute to the victims of these terrible attacks by walking alongside President François Hollande, the French government, world leaders, the victims' families and 1.5 million French citizens on the Unity March through the streets of Paris on 11 January. It gathered a rich mosaic of people from different religions, cultures and backgrounds. Similar marches took place elsewhere in France and around the world, in an uplifting demonstration of faith in our democratic values.

The OECD stands firmly behind our host country France and all our member and partner countries, in responding to these inhuman, barbaric acts. These events touch us deeply by their proximity, but we do not forget that day after day many people throughout the world see how their freedom and rights are attacked.

After the horror of the attacks it is difficult to turn to the subject of the global economy. But it is important: the OECD was forged by its members to promote peace and harmony among the world's people through sustainable, inclusive economic growth, jobs, education, health, trade, integrity and trust. These are not just worthy goals, but the necessary conditions of a safer world.

However, the strength of our economies is being tested. Many of our member countries have yet to turn the page on the global economic crisis that began seven years ago and whose legacies have had a profoundly detrimental effect on people's well-being and their trust in governments and institutions.

True, US activity is expected to firm to over 3% in 2015, but the EU's economy remains sluggish, and faces a deflationary risk; indeed, with euro area growth of just 1.1% in 2015 and 1.7% in 2016, a solid recovery looks some way off. Yet resuming a dynamic growth path is indispensable to ensure that the region can address its high unemployment rate, which stood at 11.5% at the end of the year. The euro area's weakness could also act as a drag on the relatively buoyant UK economy. The outlook for China is also less dynamic than in recent years.

On the bright side, Indonesia, India and South Africa could return to steady growth, while in Europe, Ireland and Spain, countries that felt the brunt of the crisis, have recorded impressive turnarounds (see article in this edition by Irish Taoiseach, Enda Kenny). Their efforts show that reforms do work.

Given the limited fiscal and monetary policy room available, the OECD continues to place emphasis on the importance of structural reforms, without which OECD area growth could remain sluggish for decades. In 2015 policymakers must do all they can to pursue the ambitious and feasible structural agenda they agreed to at Brisbane in November. The Australian G20 presidency successfully refocused minds on growth, and the OECD will work alongside Turkey, the G20 president in 2015, to help sustain momentum.

Indeed, the OECD has been working tirelessly since the crisis started to help make reforms happen in a range of key areas, including taxation, inequality, jobs, investment, development and governance. This work is bearing fruit. In 2014 we led efforts towards ending tax base erosion and profit shifting (BEPS) and improving transparency, notably with over 90 jurisdictions committing to implement the Automatic Exchange of Tax Information reporting standard at the latest by 2018.

We also continued to raise the bar in policy thinking through our New Approaches to Economic Challenges (NAEC) initiative, produced the first ever comparative analysis of global well-being, and further honed our pioneering Better Life Index by adding regional dimensions. Our reports on how inequality damages growth, the importance of skills and migration to well-being and prosperity, and on school performance through our PISA programme, provided valuable guidance for policymakers everywhere. Our organisation reached out by launching the Southeast Asia Programme at the Ministerial Council Meeting chaired by Japan, and advanced on the accession of Colombia and Latvia, as well as on the action plans with Costa Rica and Lithuania.

Our work will not let up in 2015, which will be a decisive year for addressing urgent global challenges. Three crucial events stand out: the conference on Financing for Development in Addis Ababa, in Ethiopia next July; a summit in September to launch the UN Sustainable Development Goals to succeed the Millennium Development Goals; and the UN Climate Change Conference (COP 21) in Paris in November-December. The eyes of the world (and its hopes!) will be focused on these summits, and the OECD is determined to play its part in ensuring successful outcomes.

It has been a tragic, dark and unsettling start to 2015. But in the spirit of the unity march in Paris, we must forge on together, to build a more inclusive, more prosperous and more peaceful future for our world.

www.oecdobserver.org/angelgurria www.oecd.org/about/secretarygeneral

Ireland: On the path to recovery

Enda Kenny, Taoiseach (Prime Minister), Ireland

©Eric Piermont/AFP

After three years of sacrifice, hard work and difficult reform, Ireland has fought its way out of the depths of the financial crisis to become one of the fastest-growing economies in Europe and one of the best countries in the world in which to do business.

Today, the Irish economy is creating nearly 1,000 new jobs every week, exports have reached record levels and more than 1,200 companies have chosen Ireland as their strategic base in Europe.

In Europe, Ireland was among the worst-affected countries by the crisis. After nearly two decades of economic growth, the collapse of the Irish banking sector and housing market and the onset of the crisis in the euro area led to Ireland's entering a programme of financial assistance with the European Union and the International Monetary Fund totalling nearly €85 billion.

Having experienced firsthand the profound social and financial damage wrought by the global crisis, the Irish government has focused on one clear priority–to get Ireland working again. This necessitated difficult decisions as we strove to stabilise the economy and repair the banking sector, while at the same time fixing the public finances. Ireland emerged from its Troika bail-out programme on 15 December 2013–the first programme country to do so.

This historic day marked the restoration of Ireland's economic sovereignty, and through progressive policymaking, we have continued to go from strength to strength. Unemployment fell to 10.7% in 2014 from a peak of 15.1% in 2012. We have successfully returned to the bond markets, raising nearly €8 billion in funding this year at historically low yields, and our investment grade ratings have been restored by all of the major credit rating agencies. The most recent *OECD Economic Outlook* predicts that the Irish economy will grow by over 3% in 2015 and 2016, confirming that a vigorous and broad-based recovery is under way.

But we are not finished yet, and this is no time for complacency, given the many challenges facing the international community. While significant progress has been made and we are moving in the right direction, the sacrifices made by the Irish people to secure Ireland's economic future cannot be underestimated, and there is a clear need to ensure that the benefits of our recovery are shared by all sections of Irish society.

When world leaders come together for the World Economic Forum in Davos in January 2015, for some the story is of seven years of economic decline and stagnation. Moreover, very weak growth

> "Intelligent policymaking will always be informed by the best available advice

in most of the EU poses economic, political and social challenges. While we all hope that the worst is now behind us, significant uncertainties remain as we enter a new global financial and economic landscape, altered irrevocably by the crisis, presenting its own risks and challenges to this fragile recovery. It is only through a shared understanding of this New Global Context (the theme at Davos) that now prevails economically, socially and politically that world leaders can design effective policy responses to support sustainable and equitable economic growth.

Intelligent policymaking will always be informed by the best available advice, and it is with good reason that Ireland holds the independent advice of the OECD in the very highest regard. Since its establishment in 1961, the OECD has played an important role in Ireland's economic and social development, offering expert advice on structural reforms and the formation of new social and labour market policies. Recently the OECD assisted the government in developing our Youth Guarantee Scheme and a review of the national Action Plan for Jobs, schemes which contributed directly to the creation of 61,000 new jobs in 2013 alone, with the expectation of further improvements to come in 2014 and 2015.

Today Ireland is working with the OECD on a review of our national innovation strategy, access to finance for SMEs and a strengthening of our regional policies. We are also actively participating in the OECD's work on the Base Erosion and Profit Shifting (BEPS) project, and Ireland has taken concrete steps to close loopholes exploited by multinational entities to avoid taxes. However, one country acting alone cannot prevent aggressive tax planning, and greater international co-ordination, supported by the expertise of the OECD, is needed to properly address this issue.

I would also like to praise the OECD's work through its Development Centre and the Development Assistance Committee (DAC). Development and humanitarian assistance are priority policy areas for Ireland, and the regular OECD peer reviews of the Irish Aid programme are an integral part of assessing its effectiveness and identifying areas for improvement. The recent DAC report praised Ireland's aid programme, noting that Ireland continues to be a world leader in effectively tackling hunger and poverty and helping the world's poorest communities to survive and thrive.

Ireland will continue with our recovery plan to bring the economy back to full employment and maintain our competitive offering as one of the world's best locations for investment. While we are now among the fastest-growing economies in Europe, we must finish carrying out further reform to ensure that we create the right conditions for even greater economic activity and job creation, while delivering high-quality public services and a fair society. We have come a long way in the last three years and our task is not yet complete. But the message is clear: Ireland is firmly on the path to recovery.

Visit www.taoiseach.gov.ie/eng

News brief

Inequality hurts growth

©Arben Celi/REUTERS

Reducing income inequality would boost economic growth, a new OECD paper finds. The working paper, “Trends in income inequality and its impact on economic growth”, finds that countries where income inequality is decreasing grow faster than those with rising inequality. In fact, in Italy, the UK and the US, the cumulative growth rate would have been six to nine percentage points higher had income disparities not widened.

The single biggest impact on growth is the widening gap between the lower middle class and poor households compared to the rest of society. A lack of investment in education by the poor is the main factor behind inequality hurting growth, the research finds.

“Countries that promote equal opportunity for all from an early age are those that will grow and prosper” said OECD Secretary-General Angel Gurría on issuing the analysis. “Trends in income inequality and its impact on economic growth” is part of the OECD’s New Approaches to Economic Challenges initiative. See www.oecd.org/social/inequality-and-poverty.htm

Soundbites

Social views

“Judged by how much of their national income countries devote to social spending, we [the US] have the world’s second-largest welfare state–just behind France”.

Robert J. Samuelson, *The Washington Post*, 26 November 2014

“Ageing Europe needs the migrants it doesn’t want”.

Paul Taylor, Reuters.com, headline, 1 December 2014

Pick of the year

I believe inequality up to a point [...] can actually be useful for growth and innovation. The problem is when inequality gets too large and becomes useless for growth [...]. I do not believe there is much evidence that paying managers $10 million rather than $1 million has been useful at all.

Thomas Piketty, addressing the OECD, July 2014

Tax revenues rise

Tax revenues and tax burdens in advanced economies are starting to bounce back, reaching levels not seen since before the global financial crisis. *Revenue Statistics 2014* shows revenues from personal and corporate income taxes are now recovering, after the sharp falls of 2008 and 2009. However, the 33.6% share of these taxes in total revenues seen in 2012–the last year for which full data are available–remains below the 36% share in 2007. The share of social security contributions has increased by 1.6 percentage points, to an average 26.2% of total revenue.

The average tax burden in OECD countries has also increased by 0.4 percentage points in 2013, to 34.1% of GDP, compared with 33.7% in 2012 and 33.3% in 2011. Denmark (48.6% of GDP) and France (45%) had the highest tax-to-GDP ratios in the OECD, while Mexico (19.7%) and Chile (20.2%) had the lowest. See www.oecd.org/tax

Economy

The slow recovery expected in the latest *OECD Economic Outlook* (see page 21-22) is confirmed in the latest OECD composite **leading indicators**. These anticipate trends and turning points some months out, based on the likes of order books, building permits and long-term interest rates. The leading indicators point to stable growth momentum, particularly for the US, Canada, China and France, but to a loss of steam in Germany, Russia and UK.

GDP in the OECD area grew by 0.5% in the third quarter of 2014, up from 0.4% in the previous quarter, with the strongest increases among G7 countries being in the US and the UK.

OECD-area **inflation** rose by 1.5% in the year to November 2014, compared with 1.7% in October. Energy prices declined by 2.1%.

Unit **labour costs** in the OECD area rose by 0.2% in the third quarter of 2014. In the US, labour costs fell by 0.1%, but rose in the euro area by 0.4% and by 0.7% in Japan.

As for **trade**, total (seasonally adjusted) merchandise exports of the G7 and emerging markets grew by 1.6% in the third quarter of 2014 compared to the previous quarter, outpacing the growth of imports (0.4%). In China exports rose by 7.6%, the highest rate in over a year.

The **unemployment rate** in the OECD area stood at 7.2% in November 2014, as in the

Country roundup

Mexico can dramatically boost growth and narrow the gap in living standards with advanced economies, and drive down poverty, the latest *OECD Economic Survey of Mexico* says. www.oecd.org/mexico

Latin America's overall GDP growth rate slowed down in 2014, dropping below 1.5%, which was below the OECD average (est. 1.8%) for the first time in a decade; any recovery in 2015 will be challenging, warns the *Latin American Economic Outlook*, co-produced with the OECD Development Centre. www.oecd.org/latinamerica and www.latameconomy.org/es/

In **India** the economy is showing signs of a turnaround, but new reforms are needed to put the country on a path to strong, sustainable and inclusive growth. www.oecd.org/india

Norway has taken some good initiatives to combat money laundering and terrorist financing, but despite good legal foundations and sound institutions, there are too few convictions, an evaluation by the Financial Action Task Force points out. Spain too has created a strong system to fight such money laundering and illicit financing, but improvements are needed, the FATF says. See "documents" at www.fatf-gafi.org/

On the development front, the **UK** has increased its development spending to 0.72% of gross national income (GNI) despite a challenging budget climate, says an aid review by the OECD's Development Assistance Committee (DAC). The review also noted that the UK is now the world's No 2 donor by volume, after the US, and the first G7 economy to meet the 0.7% UN recommendation.

©Matthieu de Martignac/OECD

Terrorist attacks: OECD Secretary-General Angel Gurría (second from right), with French President Hollande (centre) and some 60 other world leaders, heading the Unity March of 1.5 million people through Paris, 11 January 2015

Ireland is also performing well among donors, albeit at 0.45% of GNI, focusing its effort on the neediest countries. See www.oecd.org/dac/peer-reviews/

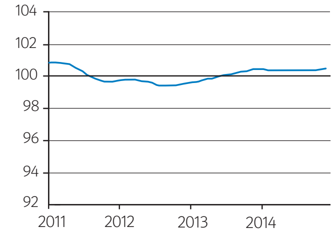
The Netherlands should increase its support for workers suffering from mental health issues and their employers, and tackle the continued social stigma and limited knowledge around such illnesses, according to a new OECD *Mental Health and Work* review. Meanwhile, Asia/Pacific countries should step up efforts to improve access to affordable, quality health care, particularly for women, says *Health at a Glance: Asia/Pacific 2014*. www.oecd.org/health

Switzerland has signed the Multilateral Competent Authority Agreement, allowing it to activate automatic exchange of financial account information in tax matters from 2018. http://oe.cd/Qx

previous month. Some 43.8 million people were out of work, down slightly since August, and 5.9 million less than the peak in April 2010. The unemployment rate edged up by 0.1 percentage point to 5.8% in the US, and steadied in Japan at 3.5%, as well as in the euro area, at 11.5%, though falling in some countries, including a ninth monthly fall by 0.2 points in Ireland.

For latest updates on economic statistics, see www.oecd.org/std/statisticsnewsreleases.htm

Stable growth momentum in the OECD area



Source: OECD Composite Leading Indicators

Bribery exposed

Most international bribes are paid by large companies, usually with the knowledge of senior management, says the *OECD Foreign Bribery Report* issued in December. The report, which analyses more than 400 cases worldwide, shows that most are paid to win contracts from state-owned or -controlled companies in advanced economies, with the mining, construction, transport and IT sectors mostly affected. Bribes equalled 10.9% of the total transaction value on average, and 34.5% of the profits, or some US$13.8 million per bribe–just the tip of the iceberg, says the report. www.oecd.org/corruption

Steel warnings

Excess capacity in steel as growth in investment projects outpaces demand will pose risks for the sector for the foreseeable future, according to industry and government officials at the OECD's Steel Committee meeting in Cape Town on 12 December 2014. The risk of trade conflicts in the industry was also flagged. http://oe.cd/Qy

Plus ça change...

A fundamental need for France was for a reconstructed conception, moral and philosophical, of the purposes of education to respond to the needs of modern French society.

Progress and reform in French education, in No 51, April 1971

OECD Observer

Environmental policies don't have to hurt productivity

As environmental pressures continue to rise, governments, just as businesses, have not been sitting back. If anything, the stringency of policy measures in the OECD area has been increasing on the whole, not least to combat pollution and climate change. But what about the effects of these actions on productivity?

New evidence from the OECD shows that more stringent environmental policies of recent years have had no negative effect on overall productivity growth. True, there may be winners and losers, but any effects have tended to fade away quickly.

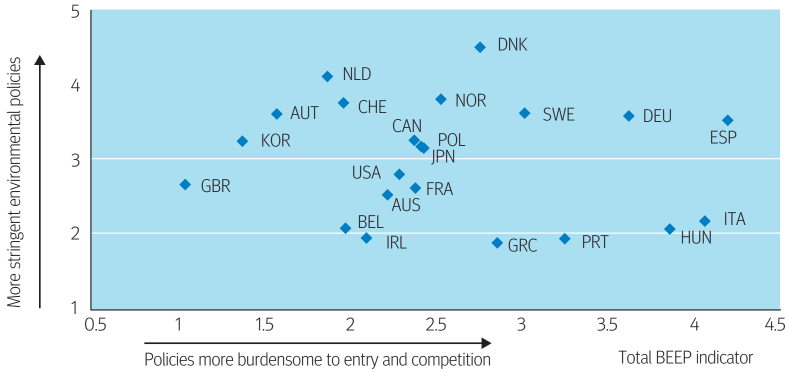
The results show that before tighter environmental policies came into effect, a country's overall productivity growth slowed, possibly because firms anticipated the changes and prepared themselves for new operating conditions. However, a rebound in productivity growth soon followed, with no cumulative loss reflected in the data.

What's more, the most productive, technologically advanced firms saw a temporary boost in productivity after rules become more stringent, as they took advantage of new, more environmentally friendly opportunities, tapped into their supply networks and reaped the fruit of earlier innovations. Less advanced firms saw their productivity fall, and some went out of business altogether.

The overall outcome of all of this was neutral, because of policy efforts and the fact that resources can be reallocated into fast growing firms. This suggests that more stringent environmental policies, when properly designed, can be introduced to benefit the environment without any loss in productivity.
This is important, because as while our economies still suffer from the aftermath of the economic crisis, and try to unleash

Environmental stringency and market openness

Burdens on the economy from environmental policies (BEEP) and environmental policy stringency (EPS)



Stringent environmental policies do not have to act as economic burdens. Austria, Netherlands and Switzerland, for instance, combine stringent environmental policies with a relatively competition-friendly stance.

Source: Kozluk (2014)

Note: Correlation between EPS and BEEP is not significant at 90% level.

more growth and jobs, they must also step up efforts to tackle climate change, pollution and other environmental challenges. Some may worry that there is a conflict between these imperatives.

Our new evidence shows that environmental stringency policies do not have to hurt productivity. On the contrary, efforts to improve growth and achieve

> “Efforts to improve growth and achieve ambitious environmental goals can go together, and should be stepped up

ambitious environmental goals can go together, and should be stepped up. Indeed, environmental policies can and should be shaped to spawn new ideas, mobilise cleaner technologies and encourage new business models that benefit both the economy and the environment.

Governments should persevere with stringent environmental policies to tackle environmental problems, but should devote resources to designing them properly. As a rule of thumb, administrative procedures should be streamlined where possible so as not to create barriers to doing business. Policies should avoid providing unwarranted advantages to existing firms, while more emphasis should be placed on flexible, market-based instruments, including taxes, as a key part of the policy mix.

The aim is to orientate policies to foster new, cleaner technologies and allow competitive measures to remove old, dirty technologies and processes that hurt both growth and the environment.

BEEP warning

To help policymakers strike the right balance, the OECD has developed the Environmental Policy Stringency Indicator (EPS), which summarises and compares the stringency of policy instruments among countries and over time. The indicator currently focuses on climate and air pollution in energy and transport, and covers such policies as taxes, feed-in tariffs, renewable energy certificates, research and development subsidies and emission limit values. Though a proxy, the indicator is the broadest and most comprehensive measure of its kind. Moreover, it is aligned with business perceptions of stringency.

To test the effectiveness of various environmental stringency indicators, users can check them off against another innovation: the OECD BEEP, or Burdens on the Economy due to Environmental Policies. Though still under development, the BEEP shows that stringent environmental policies can be designed and implemented in different ways, and adjusted in relation to barriers to competition or administration costs.

The chart shows the patterns among OECD countries. Austria, Netherlands and Switzerland, for instance, combine stringent environmental policies with a relatively competition-friendly stance of such policies. Stringent environmental policies with high administrative burdens and measures that impede competition reflect the situation for the Nordic countries and Germany, indicating a more competition-friendly stance could be encouraged in these countries without reducing their environmental stringency. In contrast, the UK could likely afford more stringent environmental policies without hurting competition.

The OECD intends to broaden the analysis of economic outcomes of environmental stringency policies to such areas as investment, employment, trade patterns and firm location–in particular to see if “pollution havens” are forming elsewhere because of outsourcing, for instance, with no overall environmental gain to the planet. This means extending the indicators to cover more OECD and non-OECD countries, which would also help test the robustness of the results of the work so far.

And it would further assist policymakers in safely introducing stringent environmental policies without hurting productivity. *Rory Clarke*

References

Albrizio, S., et al (2014), “Do environmental policies matter for productivity growth? Insights from new cross-country measures of environmental policies”, *OECD Economics Department Working Paper* No. 1176. OECD Paris.

Kozluk, T. and V. Zipperer (2014), “Environmental policies and productivity growth: a critical review of empirical findings”, *OECD Journal: Economic Studies*, Vol. 1, 2014, OECD Paris.

OECD (2014) “Green growth: environmental policies and productivity can work together, *OECD Policy Brief*, 2014, OECD Paris. See also www.oecd.org/policy-briefs

A sharing economy

Interview: Frederic Mazzella, Founder and CEO of BlaBlaCar

©BlaBlaCar

Thanks to smart online and phone technologies, dynamic new business platforms that are altering the parametres in property, transport and other service-driven markets are fast emerging. Companies such as Airbnb (helping you to rent or let out a room) and TaskRabbit (helping you pack boxes, walk the dog and other personal chores) have hit the headlines not just for their new business models, but their disruptive effects on established markets and services. Proponents say this "sharing" economy creates more choice and control for customers, while critics say it unfairly undermines competition. Policymakers are now taking a closer look at how fair the sharing economy really is and to see if any rules need to be rewritten. We asked the founder of France's BlaBlaCar, Frederic Mazzella, how his ride-sharing company has evolved to become a prime example of the sharing economy.

What is BlaBlaCar and how has it developed?
Ten years ago we dreamt of building an affordable people-powered service, in which we could connect drivers with empty seats and people travelling the same way. We believed we could address the inefficiency of cars driving empty when millions of travellers were not fully satisfied with the relatively expensive or unreliable transport systems.

Today, BlaBlaCar has become the most active collaborative consumption community in the world, with over 10 million members in 14 countries, from France to Turkey. BlaBlaCar provides its service on iPhone and Android mobile apps, mobile websites and desktop websites. In 2011, we deployed a new transactional booking model in some of our markets, reducing no-shows and last minute cancellations by a factor of 10, from more than 35% to only 3% of bookings today.

Creating a community of trusted members has been core to BlaBlaCar's growth. We put all our efforts in providing a reliable platform where members declare their identities, have certified profiles, and provide ratings on other members, moderated by our support team. We are passionate about the role of trust in building the sharing economy, and have created a framework (and even a superhero!) to share our vision with stakeholders: www.betrustman.com/.

BlaBlaCar is unlocking a new, largely untapped, low-cost-travel customer segment of the economy, increasing the efficiency of road transport and making long distance travel more accessible.

How has it been affected by legislation?
Our members use BlaBlaCar to share their travel costs with other members. Drivers do not make a profit from their journey. Cost-sharing, which we do every day with our friends and family, is perfectly legal. To ensure that drivers respect this principle, BlaBlaCar recommends a price per passenger for every journey.

> "Over the past few years, BlaBlaCar has offered an alternative vision, in phase with the emergence of the connected sharing economy

Drivers offering a ride can fix the price inside the recommended window with a strict ceiling. The price paid by passengers is a contribution towards the drivers' fuel and running costs (and tolls if there are any). As drivers are not making a profit, drivers' insurance cover is not affected, and drivers are insured by their usual insurance policy. Thus ride-sharing which is based on cost-sharing is not affected by legislation.

In the BlaBlaCar community, average car occupancy is 2.8 people, versus a European average of 1.6. Since ride-sharing increases the efficiency of road transport, reduces our environmental footprint and provides broader access to affordable long-distance mobility, governments today tend to encourage its practice.

What is the future for BlaBlaCar?
Over the past few years, BlaBlaCar has offered an alternative vision, in phase with the emergence of the connected sharing economy. What has perhaps been most surprising to us is how fast things can change when others catch on to your dream. With 2 million travellers a month, the multiplier effect of a growing viral community is striking. We knew since our early days that we needed to provide a global solution if our members were to be fully satisfied with our platform. Active across 14 countries, BlaBlaCar is now expanding to address the latent demand beyond Europe, and our members are increasingly able to share rides with one same mobile application worldwide. Never resting on our laurels and pushing back the frontiers of our community while best serving our members remains our strongest ambition.

Visit www.blablacar.com/

Is inequality good or bad for growth?

If you've been following the income inequality debate, you'll know there's been much discussion on the question in the headline above. Until just a few years ago, it's probably fair to say that mainstream opinion leaned towards the "good for growth" side of the debate. Yes, inequality might leave a bad taste in the mouth, but it was worth it if it meant a strong economy.

This case rests on three main arguments: first, inequality creates incentives for entrepreneurs. Second, wealthy types are a source of investment for the economy. Third, when the state tries to reduce inequality by taxing wealth and transferring it to the less well-off, some of these resources will be lost in the "leaky bucket" of bureaucracy and administration. From an economic perspective, that's inefficient.

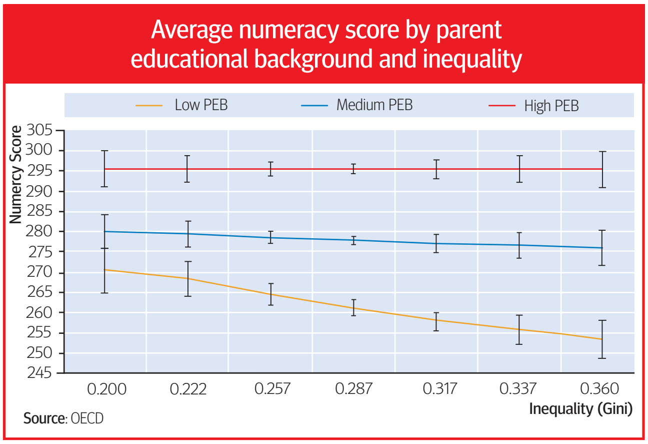
All these arguments have some merit, and indeed few would disagree with the idea that some level of inequality is inevitable, if not necessary, in a modern economy. But over the past couple of years, the bigger proposition–that inequality is good, or at least not bad, for growth–has come under increasing fire, including from the IMF, the OECD and even Standard & Poor's. And now comes new research from the OECD indicating that "income inequality has curbed economic growth significantly."

> "The situation of people at the low end of the earnings scale has the biggest impact

Much of the coverage of rising inequality has focused on the incomes of "the 1%" at the top. But the OECD research, which was led by Michael Förster and Federico Cingano, indicates that it's the situation of people at the other end of the earnings scale that has the biggest impact on growth. These lower-income households are not a small group. They represent some 40% of the population, comprising families that, from a social perspective, might be called lower-middle and working class.

Where overall inequality is higher in a society, a clear pattern emerges: people from such backgrounds invest much less in developing their human capital–essentially their education and skills. By contrast, it has almost no impact on the educational investment of middle-income and wealthy families. The implications for social mobility are clear–an ever-widening education and earnings gap between society's haves and have-nots.

This gap is seen not just in the length of time people spend in education but also in their skill levels. At the risk of swamping you in data, this is strikingly evident in the chart below. It divides the overall population into three groups based on parental education background, or PEB (which is used to represent socio-economic status) – high, medium and low levels of education. The chart then looks at the average numeracy scores of people from each of these three groups in the OECD's Adult Skills Survey and plots them against levels of inequality as measured by the Gini coefficient, where 0 equals absolute equality and 1 equals absolute inequality.



Where inequality is relatively low (around 0.2), the gap in numeracy levels between the three groups is relatively modest. But, on the other end of the scale, where inequality is higher (around 0.36–a little more than in the UK today and a little less than in the US), the score of people from poorer backgrounds is markedly lower; by contrast, the scores of people from middle and high-income families don't change much.

How does this affect growth? As an economist might say, it's "inefficient"–workers with higher skill levels can contribute more to the economy. If a large swathe of the population is unable to invest in its skills, that's bad news for the economy.

Just how bad is clear from the OECD research. It estimates that rising inequality knocked more than 10 percentage points off growth in Mexico and New Zealand in the two decades up to the Great Recession. The impact of rising inequality was also felt–albeit not as strongly–in a number of other OECD countries, including Italy, the UK and the US and even in countries with relatively low levels of inequality like Finland, Norway and Sweden.

To be sure, the debate over inequality and growth will certainly continue; Nobel economics laureate Paul Krugman admitted he remained to be convinced of the link. But the fact that the debate is happening at all is surely a good thing.

Brian Keeley

Adapted from an article which originally appeared on oecdinsights.org on 9 December 2014.

See the OECD Income Distribution Database at http://oe.cd/idd

Cingano, F (2014), "Trends in income inequality and its impact on economic growth", *OECD Social, Employment and Migration Working Papers*, No 163, OECD Publishing, Paris, http://dx.doi.org/10.1787/5jxrjncwxv6j-en.

Standard & Poor's (2014) "How increasing income inequality is dampening US economic growth, and possible ways to change the tide", on https://www.globalcreditportal.com/ or http://bit.ly/1nqboNO.

Philanthropy, digital payments and financial inclusion

Emilie Romon, OECD Global Network of Foundations Working for Development (netFWD) and Sabrina Sidhu, Better Than Cash Alliance

Access to financing can contribute to inclusive social and economic development. How might digital transactions help? Here's how.

What do a family foundation based in Canada, a semi-public foundation established in the United Arab Emirates (UAE) and a corporate foundation from one of the world's leading banks have in common? At first sight, not much beyond the fact that they are all charitable organisations. But a closer look tells us that they all dedicate time and resources to the same cause: financial inclusion.

There is growing evidence that financial sector development offers the opportunity to address inequality through interventions to ensure that economic growth translates into poverty reduction and employment. These efforts help to alleviate worries that economic integration and liberalisation of financial markets will lead to narrow, impervious corridors of spectacular growth surrounded by a hinterland of poverty. According to a report by the World Bank Development Research Group,

©Bernd Von Jutrczenka / DPA Picture-Alliance/AFP

A Better Than Cash Alliance supporter: Bill Gates

governments can save up to 75% with electronic payment programmes–because the costs of handling, securing and distributing cash and administering these cash programmes is so expensive.

By empowering poor households to take a long-term view of education and health, financial inclusion complements government policy. It also helps reap the demographic dividend by ensuring that healthier and educated young people raise productivity and attract further investments in the real economy.

Many foundations work to support those living in developing countries who do not have access to formal financial services, such as loans, insurance and savings accounts. They may also lack the skills needed to manage their financial assets in a sustainable way. Through financial inclusion, foundations empower individuals to lift themselves out of poverty, enhance their livelihoods and avoid excessive indebtedness.

Why do foundations get involved? Firstly, foundations are generally more willing to take risks and have more flexible means of operation than traditional aid agencies. They have also taken the lead in innovation, for example by inventing and making new digital payment systems accessible to the poor. An OECD Development Centre study on venture philanthropy paints a generally positive picture of the approaches used by foundations.

The Lundin Foundation works with farmers and small enterprises in sub-Saharan Africa to enhance employment opportunities and bring their products to market. Because farmers often do not have access to formal financial services–which constrains their ability to scale up–the foundation makes financial services accessible to these farmers. Lundin recently invested in Agriculture and Climate Risk Enterprise Ltd (ACRE), which provides affordable insurance to farmers against climate risk, and sponsored the development of West Africa's first dedicated agribusiness SME venture capital fund.

In the UAE, where 70% of Emiratis under the age of 30 are indebted, rising depression among youth is often attributed to financial stress. Increasing divorce rates in the country have also been linked to excessive debt. Faced with a problem of such magnitude and because

> "Foundations are more willing to take risks than traditional aid agencies

no nationwide initiative was addressing the issue, the Emirates Foundation for Youth Development decided to make financial inclusion and literacy one of their six core programmes. Through the Esref Sah ("spend true") programme, the foundation raises awareness among the Emirati youth on the importance of managing their assets and provides adequate capacity building training. In 2014, the Emirates Foundation has engaged 2,434 youth and parents through a series of workshops across the country.

Similarly, the Citi Foundation follows a "more than philanthropy" approach, by giving not only money to their grantees, but also coaching and training in order to reinforce their capabilities. In addition to financial literacy programmes delivered around the globe, the foundation seeks to strengthen microfinance institutions (MFIs) that offer small loans to low-income individuals, by helping them build their institutional and management capacity.

While these programmes gain considerable momentum, a larger range of development actors are also coming together to leverage their comparative advantages in support of financial inclusion. The Better Than Cash Alliance for example is a unique UN-based group that is funded by three major foundations (Bill and Melinda Gates Foundation, Ford Foundation and the Omidyar Network), three financial services providers (Citi Foundation, MasterCard and Visa) and one bilateral donor (USAID).

Housed at the United Nations Capital Development Fund, the Better Than Cash Alliance provides expertise in the transition to digital payments to achieve the goals of empowering people and growing emerging economies. In addition to raising awareness of the benefits of replacing physical cash with electronic payments, the alliance facilitates the transition for governments, the development community and the private sector. While physical cash payments are more effective than distributing in-kind goods, there is a growing body of evidence that digitising payments can create lasting benefits for people, communities and economies. Why? Because they are a more cost-effective, efficient, transparent and safer means of disbursing and collecting payment.

The support from the three foundations to the Better Than Cash Alliance and their commitment to work with governments, private sector and development partners is deeply rooted in their own vision for increased financial inclusion in developing countries. Bill Gates, the co-chair of the Bill and Melinda Gates Foundation, predicts that in the future all "transactions will be digital, universal and almost free". Increasing financial inclusion at a national level is a complex task and requires a number of actors, in order to ensure that the vast range of products, services, policies and regulations, as well as infrastructure upgrades, are met. This will require both technical skill, significant human capital to ensure the change happens and deep financial resources. Thus, a multitude of players will be required for multi-dimensional sectoral change at country level and there is no doubt that foundations have a key role to play in increasing financial inclusion globally.

This article originally appeared on oecdinsights.org on 19 December 2014.

Visit www.oecd.org/dev/development-philanthropy/

SME equity financing: Culture and home truths

Markus Schuller, Panthera Solutions

©REUTERS/Kai Pfaffenbach

Culture problem?

Let's face it: the bulk of small and medium-sized entreprises (SMEs) are still financed mainly by bank credit. However, as bank finance is harder to come by in the current post-crisis environment, fostering non-bank financing alternatives may help closing an SME financing gap. The OECD has been looking into such issues, using input from the private sector via its financial roundtables.

The overall challenge was described as how to stimulate equity financing for a segment that is characterised by low survival rates and a large diversity of entities, the two main drivers that make it difficult to assess risk. The focus of the debate was more on analysing the current drivers of a challenging environment for SME equity financing and less on solutions.

> "In Germany only 13.8% of the population invests in listed equity securities, compared with around 50% in the US

Let's focus on a more fundamental driver of an investor´s motivation to ensure a sustainable flow in SME equity investments: cultural change.

The lack of a risk equity culture across Europe is an important obstacle. In Germany only 13.8% of the population invests in listed equity securities, compared with around 50% in the US. Both the US and Germany have seen a slight deterioration in equity ownership since 2000, explained by the long-term effects of the dot.com bubble during the 2000s and the pro-cyclical behaviour of retail and institutional investors, leading to a reduction in their exposure caused by the Great Recession.

How can this trend of sinking equity ownership in Germany and neighbouring countries be reversed? Let's analyse what drove the rise of equity owners in Germany from 3.9 million in 1992 to 6.2 million in 2000 and back down to 4.5 million by 2013. Two main factors can explain the rise: pro-equity friendly sentiment in politics; and accessible home bias lowering the entry barrier for investors.

The dot-com bubble deformed the first. Since it burst, politicians have been stigmatising equity markets as too dangerous to get exposed to. The Great Recession acted as reaffirmation of their convictions. Some even enacted policies to forcefully dry up market liquidity, as seen in Austria with its stock exchange tax.

The dot.com bubble also caused millions of Germans to divest their home bias. Home bias is well-researched in behavioural finance, driven by both rational and irrational factors. Local bias in SME investments is driven by: pride of local ownership; ambiguity aversion (investors are more likely to choose an option with known risks over unknown risks, and with fewer unknown elements rather than many); identification with product, service or entrepreneur; and reduced information asymmetry through local knowledge.

Sourcing information globally on listed companies works well thanks to its digital distribution, but identifying yourself with them doesn't. The affinity to an equity home bias for both institutional and retail investors can be used as an entry point for changing the equity culture in Europe.

Extract: the full version of this post appeared on oecdinsights.org on 3 December 2014.

Mr Schuller participated in financial market roundtables at the OECD in 2014.

Business brief

Turkey: Banking on resilience

Adnan Bali
CEO of Isbank

Signs of economic slowdown in many parts of the world are increasing. There are fears that the euro area might enter its third recession since the global crisis. Despite the efforts made by the Bank of Japan, the Japanese economy is still struggling to achieve higher growth rates. The United States, on the other hand, appears as one of the few bright spots in the global economy, with a relatively strong growth performance and an improved labour market. The Fed, which is planning to start raising what has been an historically low policy interest rate, still needs to take into account the impacts of stronger US dollar and higher interest rates on already weak global demand. The deepening concerns over global economic growth have also dragged energy and commodity prices down: the fact that oil prices have declined by nearly half since June 2014 reflects the significance of such concerns.

In this rather dim global economic environment, the worries over growth prospects in emerging market economies also intensified, as these are expected to suffer from the deceleration in global trade. In particular, commodity exporters such as Russia and Brazil are likely to suffer most.

On the other hand, net energy importers such as Turkey will be among the main beneficiaries of the upcoming global economic conjuncture. The decline in energy prices will help contain the upward pressures on Turkey's current account deficit, which is widely cited as the economy's Achilles heel. In fact, the current account deficit is already much lower now than it was a year ago. The measures taken by the banking authority in order to dampen the growth in consumer loans and the Central Bank of Turkey's tight monetary policies implemented especially in the first half of 2014 put a brake on the growth in domestic demand and imports. In contrast, the momentum in exports was sustained despite the problems in Turkey's major markets. Thus, 2014 was a year of economic rebalancing for Turkey. We expect that domestic demand will pick up in 2015 compared to 2014, but only modestly, without putting pressure on the current account deficit or undermining financial stability.

> "Turkish banks have had no difficulty accessing foreign wholesale funding

The key question for the coming period is whether the Turkish economy can cope with the mounting risks in the global economy, the main one being the Fed's tightening. Sooner or later, the Fed will start raising interest rates. The rate hike cycle will lead to a higher volatility in global financial markets and some liquidity will be withdrawn from emerging markets. The magnitude of spillovers from a Fed tightening will depend on the timing and the pace of rate hikes.

Rising geopolitical tensions in Turkey's neighboring countries, particularly Iraq and Syria, form another notable risk for Turkish economy.

The fact that the Turkish economy has demonstrated significant resilience in the face of several external and domestic shocks over the past few years makes us feel confident that the economy will weather the repercussions of those risks as well. Two factors help explain this resilience. One is the fiscal discipline that has been the main pillar of Turkish macroeconomic policies since the 2000-2001 crises. In fact, Turkey managed to reduce its government debt from 74% of GDP in 2002 to around 33% of GDP in 2014.

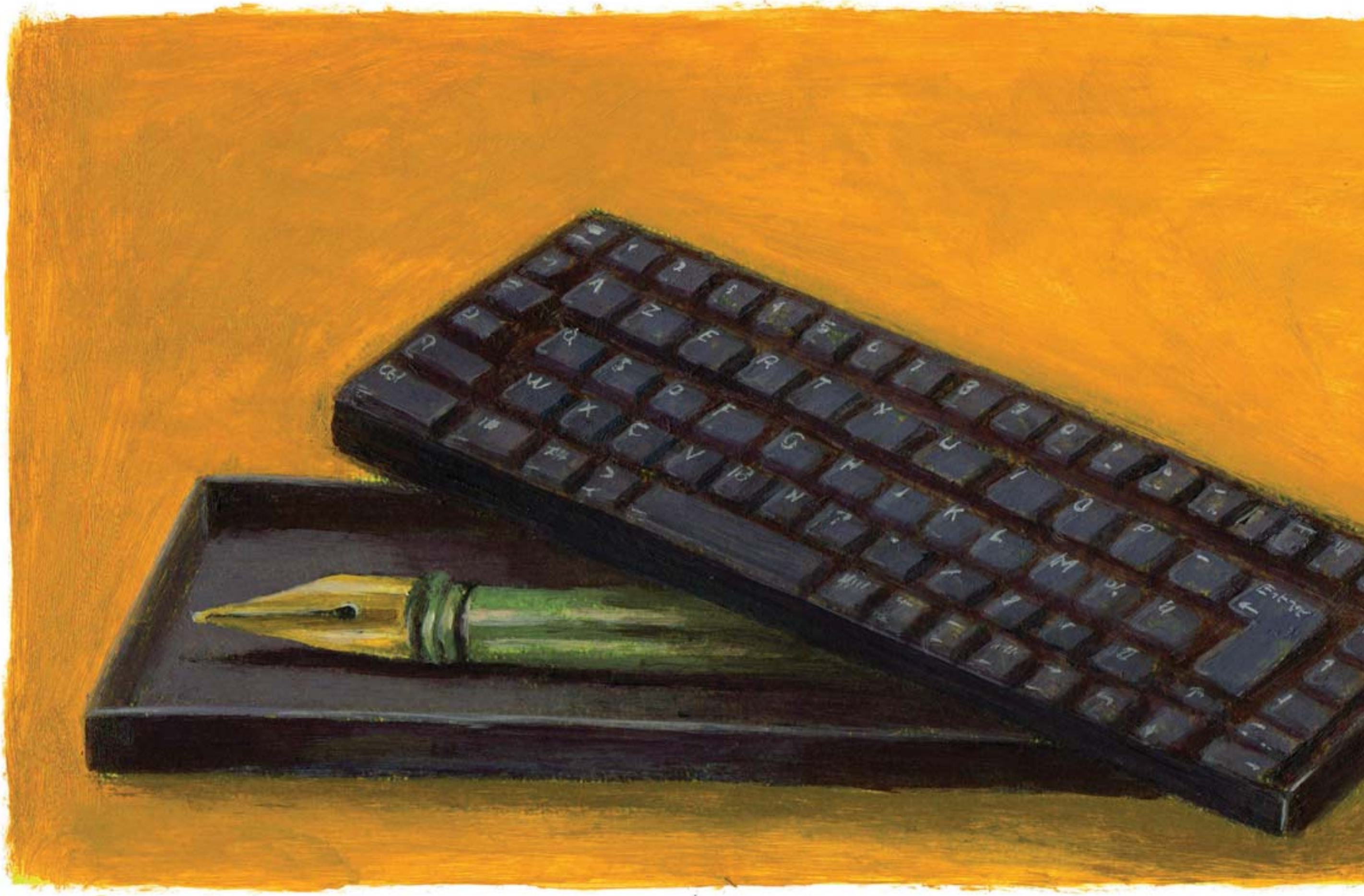
The other factor is the soundness and robustness of the Turkish banking sector. The healthy balance sheets of Turkey's banks and the banking authority's conservative approach and proactive policies allowed the banking sector to maintain its strong capital adequacy ratios and good asset quality under difficult market conditions. As of September 2014, the capital adequacy ratio in the sector is 16% and the non-performing loans ratio is 2.7%. Thanks to their good reputation, Turkish banks have had no difficulty accessing foreign wholesale funding even though the risk perception of emerging markets has deteriorated.

In sum, the global economy is entering a period of slower growth and risks for emerging market economies are rising. Although Turkey's strong macroeconomic fundamentals and flexibility of its economy provide a certain level of immunity to those risks, the Turkish economy is nevertheless expected to grow below potential for the next few years. In order to restore growth to its potential trend, bolster productivity and avoid falling into "middle-income trap", Turkey should now focus on microeconomic reforms especially in core areas such as education, business environment, the labour market and energy. Realising these reforms will allow Turkey to strengthen its reputation as an appealing destination and a reliable market.

Visit www.isbank.com.tr/en/

Digital learning in schools

Francesco Avvisati, OECD Directorate for Education and Skills



©Serpix.com

Schools are places of learning and producing the innovators of tomorrow. But did you know that in most OECD countries, schools lag behind workplaces and homes in the adoption of information and communication technology (ICT) tools?

The good news is that digital devices are becoming more commonplace in schools. In 2012, more than nine out of ten 15-year-old students in Australia and Denmark used computers at school at least on a weekly basis. So did 57% of students, on average, across the 29 OECD countries with available data, an increase by 4 percentage points since 2009.

Yet in the past, greater use of computers at school often did not translate into better learning. There is no positive

> "Today, digital literacy is officially part of the core curriculum in countries such as France and Norway

association, for instance, between the extent to which computers are used at school and students' performance in mathematics, according to OECD's Programme for International Student Assessment (PISA). And in Japan, Korea, Shanghai-China and Singapore, whose students' topped PISA rankings in 2012, use of computers at school is below the OECD average.

So what are the benefits of learning with digital tools?

ICT tools have the potential to improve education and teaching in several ways. The widespread presence of ICT to perform everyday productive and leisure activities creates a demand for specific skills and knowledge related to their use–and possibly reduces the importance

of some of the skills that schools have traditionally taught. Schools can also play an important role in promoting responsible uses of the internet and raising awareness on new threats, as reminded in an OECD council recommendation (The Protection of Children Online, February 2012). And finally, even without adding new missions to schools, existing practices may be enhanced by the possibilities afforded by ICT tools, making the learners' experience more engaging and fostering deep learning.

However, as in traditional class settings, the role of the teacher is as crucial as ever. Great teachers often get better results when using technology; poor teachers, unfortunately, cannot be replaced by technology.

Indeed, teachers must ensure that the conditions which promote deep learning are met in the digital classroom as well as in the traditional classroom. New devices may help teachers create these conditions, but the principles of effective

> "The principles of effective learning are the same whether computers are involved or not: our human brain, after all, is the same, even when a screen is placed in front of our eyes

learning are the same whether computers are involved or not: our human brain, after all, is the same, even when a screen is placed in front of our eyes. In any situation, learning requires time and practice, is most rapid when driven by the learners' needs, and can be effectively supported by social interactions.

Digital learning is effective when the new tools are used to extend study time and practice, such as when we practise a foreign language with an online partner, but often digital tools encourage multi-tasking, which harms learning. Digital tools can also help students assume control over the learning situation, e.g. by individualising the pace with which new material is introduced, or by providing immediate feedback on how well they are learning. Furthermore, new devices can support collaborative learning, which is a powerful learning situation, by having students "teach" to each other new concepts that they have learned, and interact with other students and teachers in different countries.

Unfortunately, past experiences with ICT in schools show that mere access to ICT did not always translate into good use of the tools. Teachers often received little support to integrate the new tools into their practice. After several decades of ICT programmes in education, it is now clear that giving students access to digital devices and connecting all schools to the internet, while expensive, is the easier part of the equation. Key to improving students' outcomes is a concerted strategy that includes developing better learning materials, attracting good teachers in the profession, encouraging teachers' own learning and professional growth, and improving our ability to measure what students have learned–all efforts that require significant resources and the ability to plan in the long term.

Still, despite these challenges, there is no doubt that technology is transforming education. Today, digital literacy–which includes the ability to understand and interact with everyday ICT tools–is officially part of the core curriculum in countries such as France and Norway. Estonia has led the way in introducing coding–the writing of machine instructions in a programming language–in primary and secondary classes, and is now being followed by many other countries, including England and Italy. Australia has included ICT literacy among the domains on which the quality of its school system is assessed, through its National Assessment Programme.

The OECD takes this advent of technology seriously too: in 2015, PISA will assess students entirely on screen–opening up a range of new possibilities for measuring what students can create and truly achieve, not just in virtual environments, but in the real world, too.

References

OECD (2014), *PISA 2012 Data Set* (database), http://pisa2012.acer.edu.au/downloads.php [version: 22 June 2014].

OECD (2012), "The Protection of Children Online", *Recommendation of the OECD Council*, OECD, Paris, http://www.oecd.org/sti/ieconomy/childrenonline_with_cover.pdf.

OECD (2011), *PISA 2009 Data Set* (database) December, http://pisa2009.acer.edu.au/downloads.php. [version: 11 December 2011].

Migration and jobs: Is Europe's labour market adjusting?

Thomas Liebig, OECD Directorate for Employment, Labour and Social Affairs

The question of whether or not migration, and in particular free mobility within Europe, can play a role in reducing unemployment is a highly topical one. In the EU, harmonised unemployment rates rose between 2007 and Q3 2014 from 7.2% to 10%. However, not all countries were equally affected. Whereas the unemployment rate rose in Greece and Spain over the same period by about 18 and 16 percentage points, respectively, it actually declined in Germany, by almost 4 percentage points. At the larger regional level, by 2012, disparities were even more pronounced, ranging from 1% in the Finnish region of Åland to 30% in the Spanish region of the Canary Islands, and are unlikely to have changed much since. The Canary Islands were also the region which experienced the largest increase in unemployment rates during the crisis, by more than 18 percentage points, whereas the unemployment rate declined in the five eastern *Länder* of Germany by seven to nine percentage points. In the United States, the spread of state-level unemployment rates was much smaller, ranging from a low of about 3% in North Dakota to a high of 13% in Michigan in 2012. In terms of unemployment at the larger regional level, the variation is more than twice as large in Europe as in the United States.

One way these variations in regional unemployment adjust over time is through migration. This has long been the case in the US, and with free labour mobility being an EU objective, should also apply to the euro area as well. How has migration reacted to the crisis? Has labour from high unemployment regions in Europe actually moved to low unemployment regions?

The answer is yes, though with caveats. An OECD working paper finds that in Europe, people are moving in significant and growing numbers from high to low unemployment regions. If all of these migration movements were employment-driven (leading to an actual job), then up to a quarter of the crisis-related differences in unemployment would be reduced within a year, the authors believe. Obviously, factors other than work also drive migration, including accompanying family and studying. Such factors may reduce the size of the equalising effect, but it is nonetheless clear that the scale of such inter-regional mobility in Europe has increased sharply with the crisis. By contrast, in the United States, the crisis and subsequent sluggish recovery have not been accompanied by greater inter-regional labour mobility, even if the level of that mobility remains higher than in Europe.

The increase in employment-driven mobility in Europe is good news for the labour market's ability to adjust, but a closer look reveals a more complicated picture. Labour market adjustment in Europe during the crisis was driven primarily by citizens moving from outside the euro area, such as the most recent EU accession countries and people from non-European countries. Indeed, the mobility of nationals from the new EU member states is considerably larger than those from Europe as a whole and also larger than that of nationals from southern Europe. Immigration from Romania or Poland alone to other EU countries has been larger than that of Spain, Greece, Portugal and Italy taken together.

Moreover, migrants with citizenship from a country in southern Europe who moved to another country within the euro area often face difficulties in integrating well into the labour market: fewer than 6 out of 10 of these migrants are in employment within the year following the move, compared with more than 7 out of 10 for migrants from newer EU countries such as Poland, Hungary and the Baltic republics.

Most intra-EU movers from the new EU member countries, in particular from Romania and Bulgaria, saw a strong improvement in their employment positions at destination compared with their home situation–something that is not systematically observed among movers within the United States.

Moreover, intra-EU migrants tend to be younger and better educated on average than their compatriots who did not move–a phenomenon that is also observed with respect to inter-regional mobility in the US, but to a lesser extent. Nationals from southern Europe stand out with respect to their relatively high education level, with the majority having a tertiary degree. This is particularly true of Greece and Italy, where over 60% of migrants are highly

> The scale of inter-regional mobility in Europe has increased with the crisis

educated, compared with just a quarter of migrants from Portugal.

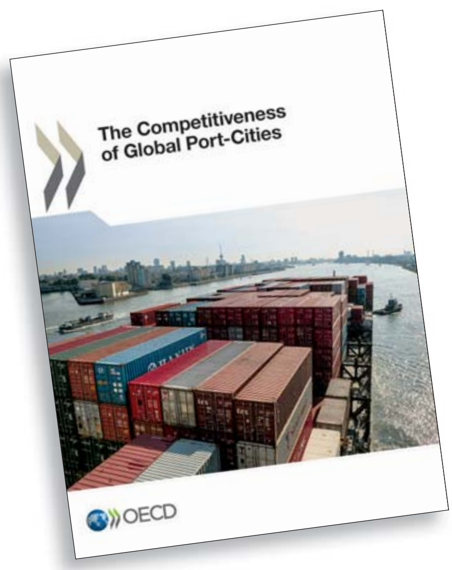
The exodus of such talent has raised concerns about a possible “brain drain”, though the limited scale of the flows concerned, and the fact that one can expect significant return mobility if the situation in the origin country improves, tempers such risks. In any case, such effects have to be weighed against the easing of the labour market (and possible social welfare) in the origin countries.

In addition, many migrant Spaniards, Greeks, Italians and Portuguese were previously immigrants themselves, having become citizens in their host country. About 17% of the movers from southern Europe are in this group, who are about three times more likely to migrate than native-born co-nationals.

In short, labour mobility in the euro area appears to be on the rise, which is positive for the EU single market project. Maintaining momentum requires a continued effort in encouraging movement and removing obstacles. Some of these are tricky to tackle, such as the issue of language. And it is not certain that public opinion in many countries would favour moves to increase migration for employment. The evidence on the economic side is rather clear: more mobility within Europe and in particular within the euro area would improve the European-wide labour market, and that means the economy too.

Jauer, J., et al. (2014), “Migration as an Adjustment Mechanism in the Crisis? A Comparison of Europe and the United States”, *OECD Social, Employment and Migration Working Papers*, No. 155, OECD Publishing, Paris, http://dx.doi.org/10.1787/5jzb8p51gvhl-en. See www.oecd.org/eu/Adjustment-mechanism.pdf

Making city ports competitive



With 90% of external trade volumes transported by ship, port-cities stand as symbols of globalisation. Indeed, this has been so since ancient times: French economic historian Fernand Braudel has stressed the historical link between ports, urban development and the birth of the capitalist market economy.

In this magazine, Wolfgang Michalski has described the great history and development of Hamburg and its linchpin role in Germany’s economy. However, while cities such Hamburg, or Osaka-Kobe, or Shanghai, have been able to flourish thanks to their ports, others have not reaped the benefits, with ports merely playing a role of gateway for their country, such as Le Havre for Paris.

But ports can become economic drivers in their own right, according to *The Competitiveness of Global Port-Cities*. Singapore, for instance, is now a maritime logistics hub, with 5,000 maritime establishments, a workforce accounting for 5% of Singapore’s national employment and an output that accounts for 7% of GDP.

The report identifies three main determinants for port competitiveness: extensive maritime forelands, effective port operations and strong hinterland connections. This can be achieved through the creation of freight lanes, such as the Alameda Corridor, which connects the port of Los Angeles and Long Beach to US transcontinental railways.

A key issue for port-cities is how they can increase their local benefits. The report recommends three models: maritime service clusters, industrial development and port-related waterfront development. Another option is economic diversification to reduce the dependence on the port.

The Competitiveness of Global Port-Cities also points to downside risks, particularly for the environment: more than a half of the sulphur dioxide emissions in Honk Kong, China, are related to shipping, but also to land use, traffic congestion and security, affecting the well-being of local populations. Policies to address these issues are key for making ports competitive in the long run.

OECD (2014), *The Competitiveness of Global Port-Cities*, OECD Publishing. http://dx.doi.org/10.1787/9789264205277-en

Wolfganf Michalski, “Globalisation and the resilience of a city”, in OECD Observer No 290-291, Q1-Q2 2012, http://oe.cd/P9

The University of Sydney

CEO, CFO, GM, MD, MP, PM.

Leadership isn't a title.

We are proud to be a knowledge partner of the Organisation for Economic Co-operation and Development (OECD) Forum.

This year we hosted six OECD directorate and department heads on our campus.

THE UNIVERSITY OF SYDNEY

sydney.edu.au/leadership

14/4514.12 CRICOS 00026A

The economic challenge

Shifting into higher gear and rebuilding the engines of growth

Catherine Mann, OECD Chief Economist

Overall, the global economy continues to run in low gear. At 3% over the past seven years, the pace of global growth is more than 1 percentage point below the 2000-07 period, and about three-quarters of a percentage point below the average of the 15 years prior to the financial crisis. Global trade growth also remains below trend. Around the world, private business investment is still just idling along. Eleven million more people remain unemployed in the OECD area alone, compared to 2007. Recent dramatic declines in oil prices, while a boost to global demand, balance against incoming data that reveal slower global demand.

But if the speed of the pack remains unimpressive, policy action has allowed some economies to move up through the field. Monetary injection, particularly in the US and the UK, has raised domestic demand, and the shift into high gear with stronger business investment to yield higher employment and more rapid wage growth is starting to show traction. In Japan, the twin drivers of investment and consumption are starting to rev, and employment is increasing. The April tax jolt interrupted economic momentum, but the expansion of quantitative easing and additional fiscal stimulus hopefully will keep the economy on course. Within the euro area, those economies that have rebuilt their engines with sweeping reforms are starting to move up the field. But overall, the euro area is grinding to a standstill and poses a major risk to world growth as unemployment remains high and inflation persistently far from target.

In emerging markets as well, there are high gear and low gear economies. India and China remain the fastest growing major economies. China's investment growth is decelerating; this pace is more sustainable, but against a backdrop of previous rapid credit expansion, gives cause for concern. India's system-wide reforms could solidify the shift to higher gear growth, although implementation faces challenges. Brazil is emerging from a short recession in the first half of 2014; resolution of political uncertainty should create an environment where the right policies could put the economy back on track. Russia is in go-slow mode, with the economy's course strewn with obstacles and the steep fall in oil prices causing the economy's pistons to misfire.

Against this subdued background are short-term risks of volatility, medium-term concerns about the legacy of debt and recent credit expansion, and long-term worries about the rate of growth of potential output.

In the near term, financial volatility associated with shifts in perceptions of the likely evolution of the stance of monetary policy in the major economies (as played out in May 2013) likely will be repeated as the speed of recovery in the major regions differs. Financial markets frequently incorporate insufficient risk into asset prices, which is then followed by pricing in too much. Some emerging market economies have increased exposure to volatile short-term capital flows, increasing their vulnerability to these sentiment shifts.

Domestic balance sheet vulnerabilities persist. In advanced economies, little progress has been made on bringing down the high levels of public and private debt inherited from the pre-crisis period, in part because growth has been sluggish and inflation low. In some countries, the build-up of real estate debt has increased, and in China as well, private debt has risen sharply. Any economy faces the risk that debt build-ups, particularly from real estate and problematic loan origination, will lead to financial accidents with real-economy consequences. Macro-prudential tools, including quantitative metrics such as loan-to-value ratios, can protect the balance sheets of both borrowers and lenders.

> “The increase in GDP that a country may enjoy through broad-based labour, trade, product, and tax reforms is large

Finally, the extended period of low-gear growth leaves a long-term legacy. Slack real investment, drops in labour force participation, the step-down in productivity growth, and slower growth in global demand collectively have reduced the long-term cruising speed of almost all economies. Overall, a downshift from 4% to 3% in growth of global potential output has real consequences for the well-being of the world's younger citizens: It will take 23 years instead of 17½ years to double world GDP from its current level.

This macroeconomic prognosis leaves us with a keen need for continued supportive macroeconomic policy, as well as tailored structural policies to raise both demand and supply throughout the global economy. The specifics of macroeconomic policy vary somewhat across these economies where growth momentum is building. Too-hasty removal of monetary accommodation or renewed fiscal austerity could downshift the pace of recovery rather than help it.

With regard to monetary policy, the relationship between monetary ease and increased real business investment has been quite weak, even disconnected.

The global recovery will gain momentum only slowly

OECD area, unless noted otherwise

	2014	2015	2016
		%	
Real GDP growth			
World	3.3	3.7	3.9
OECD	1.8	2.3	2.6
United States	2.2	3.1	3.0
Euro area	0.8	1.1	1.7
Japan	0.4	0.8	1.0
Non-OECD	4.8	5.1	5.3
China	7.3	7.1	6.9
Output gap	-2.3	-1.9	-1.4
Unemployment rate	7.3	7.0	6.8
Inflation	1.6	1.5	1.8
Fiscal balance	-3.9	-3.4	-2.9
World real trade growth	3.0	4.5	5.5

Source: *OECD Economic Outlook* 96 database.

StatLink http://dx.doi.org/10.1787/888933169924

In the United States and the United Kingdom, a premature tightening of financial conditions could put asset prices as well as real investment into reverse. The additional stimulus announced by the Bank of Japan, put in place with the objective of boosting real investment, employment and consumption in Japan, will bolster asset prices around the globe. In the euro area particularly, intensified monetary support is critical to growth, otherwise the economy may get stuck in a deflationary rut.

With regard to fiscal policy, the United States and the euro area as a whole, and specific countries in particular, have already tightened their belts quite a bit. Fiscal stance going forward needs to balance the long-term sustainability of public finances against possible downside effects on short-term growth and confidence, factors that could put the economy into a skid. The characteristics of debt obligations bear close scrutiny, as do the type of fiscal spending and tax choices. Government spending in the near term to strengthen innovation, education and infrastructure will both support near-term demand as well as turn back the legacy of low potential supply and complement the engines of trade and investment.

The increase in GDP that a country may enjoy through broad-based labour, trade, product and tax reforms is large. Whereas individual reforms are important for individual economies, getting the global economy into high gear requires system-wide reforms. Prospects for the take-up of the Bali trade facilitation agreement are particularly welcome because participating in global value chains has underpinned growth for so many economies. To stay on track, the economies of the G20 are committing to national growth strategies that, if implemented, are estimated by the OECD and IMF to increase G20 GDP by about 2% by 2018 (US$1.6 trillion) relative to a 2013 baseline scenario. With the G20 representing about 90% of the world's economic activity, these reforms to tax, trade, labour and product markets will benefit domestic investment and global trade, and support greater employment and consumption around the world economy. But the hard work of implementation for the most part remains ahead. Ladies and gentlemen, start your engines!

This article is the author's January 2015 update of the editorial from *OECD Economic Outlook* No 96, November 2014.

COUNTRY SNAPSHOTS 2015-16

	Page
Australia	23
Austria	23
Belgium	23
Brazil	23
Canada	26
Chile	26
China (People's Republic of)	26
Colombia	26
Czech Republic	27
Denmark	27
Estonia	27
Euro area	27
Finland	28
France	28
Germany	28
Greece	28
Hungary	29
Iceland	29
India	29
Indonesia	30
Ireland	30
Israel	30
Italy	30
Japan	31
Korea	31
Latvia	31
Luxembourg	31
Mexico	32
Netherlands	32
New Zealand	32
Norway	32
Poland	33
Portugal	33
Russian Federation	33
Slovak Republic	33
Slovenia	34
South Africa	34
Spain	34
Sweden	34
Switzerland	35
Turkey	35
United Kingdom	35
United States	35

Country snapshots 2015-16

Extracts from OECD Economic Outlook No 96, November 2014

Australia

Economic uncertainties

Output growth is projected to ease to 2.5% in 2015 but recover to 3% in 2016. Declining business investment will be countered by gathering momentum in consumption and exports. Growth at the projected pace will be enough to lower the unemployment rate, although consumer price inflation will remain moderate due to economic slack.

Fiscal policy should continue to aim for a budget surplus by the early 2020s but, given economic uncertainties, it should avoid heavy front loading. Short of negative surprises, withdrawal of monetary stimulus should start in the second quarter of 2015. The booming housing market and mortgage lending will require continued close attention by the authorities. There is room for both fiscal and monetary policy to provide support in the event of unexpected negative economic shocks.

GDP growth

2011 Current prices AUD billion	2014	2015 % real change	2016
1 452.8	3.1	2.5	3.0

Austria

Subdued growth

Economic growth remains subdued due to weak external demand and declining domestic confidence. Solid fundamentals, favourable financial conditions and a gradual improvement of the external environment should nevertheless allow the economy to recover steadily in 2015 and 2016. Unemployment, though high for national standards, remains among the lowest in the European Union. Inflation is projected to stay above the euro area average.

The restructuring of distressed financial institutions continues to add to public debt. Reducing effective marginal income tax rates, especially for the low skilled, and increasing the effective retirement age would support labour force participation and growth, and help to deal with the increasing costs of health care and pensions.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
308.8	0.5	0.9	1.6

Belgium

Fragile prospects

The pickup in domestic demand, driven by household consumption and business investment, should continue to spur economic activity, with further support coming from the gradual firming of export growth. However, prospects remain fragile due to low confidence, weak competitiveness and fiscal consolidation. The unemployment rate is projected to fall slowly. Inflation will pick up in the course of 2015, but will remain modest due to limited imported price pressures.

With annual structural budget improvements of at least 0.5% of GDP in the coming years, the government plans to reach a balanced budget in 2018. As planned, consolidation measures should be tilted towards expenditure restraint, since spending cuts would make room to lower the tax burden, especially on labour. A tax shift from labour to consumption and capital gains would also reduce labour costs and increase competitiveness.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
380.0	1.0	1.4	1.7

Brazil

More fiscal discipline needed

After real GDP declines in the first half of 2014, activity is set to recover gradually. Nonetheless, growth will remain modest due to tighter monetary and fiscal policies, weak external demand, low levels of investment and persistent infrastructure bottlenecks. Inflation will only come down slowly, as overdue increases in administered prices are likely to push up inflation temporarily.

As fiscal performance has deteriorated, more fiscal discipline will be needed in the coming years to ensure a sustainable reduction of gross public debt. A tighter fiscal stance will also make it easier for monetary policy to bring inflation down to the target. Faster progress in infrastructure investment, lower trade barriers, fewer administrative burdens and a comprehensive tax reform would all ease supply constraints and raise growth.

GDP growth

2014	2015 % real change	2016
0.3	1.5	2.0

The data in the country snapshots are adapted from OECD Economic Outlook No 96; the cut-off date for the data was November 2014.

The OECD Economic Outlook is produced twice yearly: No 97 will be issued during OECD Week, 2-4 June 2015. An interim economic outlook for the major global economies will be issued on 18 March 2015. For more information, email: news.contact@oecd.org

Your Better Life Index

There is more to life than the cold numbers of GDP and economic growth. The OECD Better Life Index allows you to compare well-being across different countries, based on 11 topics the OECD has identified as essential, in the areas of material living conditions and quality of life. Each petal of the flower represents one topic and the size of the petal the country's rating for that topic. The height of the flower shows the country's overall rating.

The OECD Better Life Index enables you to rate countries according to the importance you give to the 11 topics. You can compare your well-being priorities with those of other users by country, age and gender, and share your results.

Create your own Better Life Index at:

www.oecdbetterlifeindex.org

OECD

OECD Better Life Initiative

Canada

Growth to accelerate

Building on recent solid growth, real GDP is projected to accelerate through 2015, driven by rising exports and business investment. Exports will be supported by stronger foreign-market growth and recent currency depreciation. Business investment should strengthen with improved demand, to boost capacity and cost competitiveness. Activity should slow somewhat in 2016 as higher interest rates begin to bite, consumption growth slows to reduce household indebtedness and housing investment eases. With economic slack fully absorbed, inflation is projected to return to 2% after falling temporarily in 2015.

Monetary accommodation will need to be gradually withdrawn to counter inflationary pressures. The projection assumes this will begin around mid-2015. Fiscal consolidation should progress as planned, and provincial governments should continue with reforms to manage growth in healthcare expenditures. Should housing-related risks increase further, additional macro-prudential measures may be required to ensure financial stability.

GDP growth

2013 Current prices CAD billion	2014	2015 % real change	2016
1 893.8	2.4	2.6	2.4

China (People's Republic of)

Slower growth ahead

Growth declined somewhat in 2014 amidst the ongoing property market correction and the resulting weak demand in upstream industries. The authorities have adopted a series of measures to support growth, and investment in infrastructure and social housing is expected to accelerate to meet urbanisation needs. Growth is projected to continue to edge down in the next two years, to around 7%. The current account surplus is set to widen somewhat to about 2.75% of GDP.

The slowdown is expected to reduce imbalances, and not jeopardise job creation, which remains buoyant as the service sector expands. Indeed, attempts to spur growth would only draw out the correction process and aggravate already high leverage, misallocation of capital and accumulation of bad debt. Implicit guarantees should be removed and small firms should be subject to more rigorous reporting and disclosure requirements to enhance their access to bank credit.

GDP growth

2014	2015 % real change	2016
7.3	7.1	6.9

Chile

Modest recovery expected

Chile's rapid economic growth has slowed sharply since mid-2013 and is projected to pick up only modestly in the near term. Declining copper prices and lower demand from China have reduced the terms of trade, business confidence and investment. A moderate recovery is expected in 2015 and 2016, driven by supportive monetary policy, expansionary fiscal policy and stronger external demand.

The sharp depreciation of the Chilean peso has put upward pressure on inflation. However, inflation expectations remain well anchored, and hence the central bank has space to react to the incipient slack and weakening labour market with another interest rate cut. In 2015, a significant expansion in public spending is appropriate to support aggregate demand, and there is fiscal space to extend this stimulus into 2016 if needed. The official commitment to balance the budget in the longer term is welcome.

GDP growth

2011 Current prices CLP billion	2014	2015 % real change	2016
121 402.8	1.9	3.2	3.7

Colombia

Stable inflation

Economic growth has been solid but is projected to moderate in 2015, as lower export prices reduce investment and export growth, and private consumption slows due to tighter credit conditions. In 2016, growth will pick up again as infrastructure investment accelerates and external demand gains momentum. Inflation will remain stable around its target as there is no significant build-up of excess demand pressures, while unemployment will stabilise at around 9.5%.

Monetary policy should remain neutral to keep inflation near the target, as inflation expectations are well anchored. Fiscal consolidation in line with the fiscal rule is welcome, but the tax mix should change to support inclusive growth.

GDP growth

2011 Current prices Colombian Peso trillions	2014	2015 % real change	2016
619.9	4.9	4.4	4.7

Czech Republic

Recovery under way

The recovery is becoming more balanced as supportive financial conditions, government spending, rising confidence and stronger incomes are strengthening domestic demand in 2014 and 2015. The strength of domestic demand is offsetting the headwinds to exports from near-term weakness in export markets. As exports also recover, economic slack will diminish and push inflation to 2% by 2016.

Monetary policy is concentrated on preventing deflation, but by 2016 policy will likely need to refocus on pre-empting rising inflation. This will involve allowing the exchange rate to float freely and raising the policy rate again. For a more sustainable recovery, the authorities should continue implementing measures to strengthen competition.

GDP growth

2011 Current prices CZK billion	2014	2015 % real change	2016
4 019.7	2.4	2.3	2.7

Denmark

Competition reforms needed

Economic growth remains weak, but domestic demand is projected to recover in 2015, underpinned by supportive monetary policy and broader improvements in financial conditions. External demand growth is expected to be modest, but to recover in the course of 2016.

The underlying stance of fiscal policy has been expansionary in 2014 and is expected to turn broadly neutral in 2015 and 2016. Additional structural reforms that encourage competition in domestically-oriented service sectors are needed. In an environment of high household debt and very low interest rates, continued efforts to enhance financial stability and reduce policy distortions in housing markets are warranted.

GDP growth

2011 Current prices DKr billion	2014	2015 % real change	2016
1 832.8	0.8	1.4	1.8

Estonia

Strengthening gradually

Economic growth is projected to strengthen gradually. Strong wage growth and falling unemployment will fuel private consumption growth. Exports, however, will be held back by weak economic growth in some of Estonia's main trading partners and by losses in cost competitiveness due to high wage growth.

The government's financial position is strong and the fiscal stance broadly neutral. A somewhat looser fiscal stance would raise debt somewhat from its very low level, but would also finance medium-term fiscal priorities, including active labour market measures, education and infrastructure spending. Further steps to reduce taxes on labour earnings, in particular on low earnings, would also raise potential growth.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
16.4	2.0	2.4	3.4

Euro area

Fragile recovery

Growth in the euro area slumped as 2014 wore on, and inflation—already negative in some countries—continued to drift down, reflecting considerable excess capacity. Economic activity is projected to recover slowly as confidence improves and uncertainty about banks' balance sheets declines. However, growth will remain weak because of still-high public and private debt, tight credit conditions and high unemployment. A number of countries are still vulnerable to financial turmoil or other negative shocks. High unemployment and large margins of excess capacity will recede only slowly, putting continued downward pressure on inflation.

The pace of fiscal consolidation has eased considerably, significantly reducing one of the drags on growth. Going forward, countries should take all available room under EU fiscal rules to avoid pro-cyclical fiscal contraction, and should allow the automatic stabilisers to operate fully. Given the very weak euro area economy and the risk of deflation, the European Central Bank (ECB) should further expand its monetary support, including through asset purchases ("quantitative easing"). Structural reforms in labour and product markets are urgently needed to boost growth and jobs; in particular, the EU single market programme should be completed.

GDP growth

2013 Current prices € billion	2014	2015 % real change	2016
9 861.2	0.8	1.1	1.7

Finland

Slow upturn

Output is set to contract for the third year in a row in 2014. Rising unemployment and mounting uncertainties are undermining business and consumer confidence. Fiscal tightening is also weighing on economic activity. The upturn in both domestic and foreign demand is projected to be slow, as subdued income growth holds back consumption, global growth remains sluggish and ample spare capacity delays a pickup in investment.

The implementation of the government's structural reform programme to increase labour force participation and public sector efficiency is critical to ensure fiscal sustainability over the longer term, as age-related spending increases.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
196.9	-0.2	0.9	1.3

France

Spending reductions needed

After stagnating in the first half of 2014, economic activity picked up slightly over the summer. Real GDP growth is projected to continue at a slow pace in 2015 and gain slightly more momentum in 2016, rising by only 0.4% in 2014, 0.8% in 2015 and 1.5% in 2016. Improvements in the global environment, a favourable exchange rate, lower energy prices and a significantly slower pace of fiscal consolidation will help growth. The benefits of ongoing and announced structural reforms are sizeable but will be perceptible mostly over the medium term.

Budget deficit reduction over 2014-16 will be significantly less ambitious than originally planned, as the 3% of GDP deficit threshold will not be reached before 2017, rather than in 2015 as had been announced in spring 2014. The slower pace of consolidation is justified by weaker growth than had been expected. Medium-term policy priorities are to significantly reduce, in relation to GDP, the high level of public spending, and to design and implement structural reforms to reduce complexity, lower administrative and regulatory burdens, and ease supply-side constraints on growth and competitiveness.

GDP growth

2013 Current prices € billion	2014	2015 % real change	2016
2 114.9	0.4	0.8	1.5

Germany

Further growth-enhancing spending needed

Economic growth is weak, reflecting subdued activity in euro area trading partners and reduced demand growth in emerging economies. GDP growth is projected to strengthen gradually in 2015 and 2016, as a robust labour market and continued very expansionary monetary policy boost private consumption and residential investment. The unemployment rate is projected to remain low and consumer price inflation is set to rise somewhat.

The fiscal stance is expansionary, which is appropriate. Growth-enhancing spending should be raised further, including for childcare facilities, more support for youth with disadvantaged socio-economic backgrounds in the education system and infrastructure investment. This would boost growth in the short run, and–by increasing imports–provide positive spillovers for the euro area. Overdue structural reforms to deregulate the service sector are needed to strengthen potential growth.

GDP growth

2013 Current prices € billion	2014	2015 % real change	2016
2 814.1	1.5	1.1	1.8

Greece

Coming out of recession

Following six years of deep recession, growth is projected to be positive in 2014, and to gain additional momentum in 2015-16. The recovery will be led by buoyant exports and strengthened investment activity, supported by improved competitiveness. The unemployment rate is set to decline gradually, but will nevertheless be close to 24% in 2016. Prices and wages will keep falling given large spare capacity, but at a slower pace.

The high debt burden makes fiscal prudence imperative, but the automatic stabilisers should be allowed to work around the consolidation path. Additional debt relief may be needed. Rapid restructuring of bank balance sheets and maintaining the momentum of structural reforms are key to sustained growth.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
208.0	0.8	2.3	3.3

Hungary

Pro-competitive reforms needed

Growth is projected to slow down as tight credit conditions and an uncertain business environment limit investment, and fiscal stimulus is about to come to an end. Inflation is projected to gradually converge to the 3% target and unemployment to stabilise over the projection horizon. Export dynamism will underpin a sizeable current account surplus.

Pro-competitive reforms in non-tradable sectors are key to stronger investment and productivity growth in the medium run. A better operating environment for banks would also reinforce growth potential through greater credit availability. After strong fiscal expansion in 2014, the authorities should gradually return to their medium-run fiscal targets, to sustainably reduce debt and build room for manoeuvre for future downturns.

GDP growth

2011 Current prices HUF billion	2014	2015 % real change	2016
28 035.0	3.3	2.1	1.7

Iceland

Consumption and investment lead recovery

Iceland continues to recover from its financial crisis. Economic growth strengthened in the second half of 2014 and GDP is approaching its pre-crisis peak level. Lower inflation, exchange rate stability, declining unemployment and improved fiscal accounts are all signs of macroeconomic normalisation. The recovery will continue to be driven by private consumption and business investment. While exports are projected to expand steadily, even with deteriorating competitiveness, they will be outpaced by imports and the current account balance will therefore deteriorate gradually.

Budget outturns have been more favourable this year than foreseen. Fiscal consolidation will slow in 2015, but will remain sufficient to achieve some debt reduction. Containing public spending pressures will be important in maintaining an appropriate budgetary stance. With labour market slack disappearing, monetary policy will have to continue to focus on possible inflationary pressures. When the conditions are appropriate, exchange controls should be dismantled, because they are detrimental to business conditions.

GDP growth

2011 Current prices ISK billion	2014	2015 % real change	2016
1 700.6	2.5	3.3	2.8

India

Activity gradually picking up

Activity is projected to pick up gradually. Corporate investment is recovering swiftly as business confidence has been boosted by the decline in political uncertainty and the commitment by the government to reduce red tape. Efforts to put large stalled infrastructure projects back on track are also beginning to pay off. Tight fiscal and monetary policies are needed to contain inflation, but will also restrain domestic demand. The current account deficit will increase slightly as domestic demand strengthens but remains sustainable.

Although inflation is falling, monetary policy should not be loosened until inflation expectations adjust downward and the path of disinflation is well-entrenched. The adoption of the proposed flexible inflation-targeting monetary policy framework would help to stabilise expectations around the target. Fiscal consolidation should be pursued, but it is critical to improve its quality. Reviving inclusive growth will require deep structural reforms to better target subsidies, increase further investment in social and physical infrastructure, improve the business environment and modernise labour and tax laws.

GDP growth

2014	2015 % real change	2016
5.4	6.4	6.6

Indonesia

Moderate growth

Economic growth has continued to slow as investment and exports have softened, although household consumption is holding up. The current account has widened again, and the rupiah has depreciated significantly as a result. Growth is projected to remain moderate through 2015 before picking up somewhat in 2016, due largely to accelerating investment and firming consumption.

The recent second round of cuts in fuel subsidies will lift headline inflation, but core measures should remain well anchored, and the next move in interest rates should be downwards. The fiscal space created by the fuel subsidy cut should be directed toward lifting spending on infrastructure, education and health care.

GDP growth

2011 Current prices IDN trillions	2014	2015 % real change	2016
7 417.6	5.1	5.2	5.9

Ireland

Robust growth

After its robust rebound in 2014, the Irish economy is projected to continue growing strongly during the next two years. The expansion of activity will continue to be driven by business investment and exports. Employment growth and falling unemployment will take away spare capacity and moderately raise price and wage inflation.

The strong cyclical recovery needs to be complemented with continuing structural reforms to increase competition, raise innovation, make it easier to start and grow a business, and improve the relevance of vocational training to the labour market. Fiscal policy has prematurely shifted from consolidation to stimulus. If government revenue is higher than budgeted this should be put towards reducing still-high public debt more rapidly.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
171.0	4.3	3.3	3.2

Israel*

Growth to rebound

After a pronounced but temporary weakening in 2014, growth is projected to rebound to about 3% in 2015 and 3.5% in 2016, which should avert any rise in unemployment. The rebound in domestic demand that is expected to follow the end of the Gaza conflict, the projected strengthening of the external environment and the recent weakening of the exchange rate will sustain activity. The economy should also be supported by ever-lower interest rates and a pause in fiscal consolidation in 2015.

Falling prices call for continued expansionary monetary policy to facilitate the recovery. Even so, there needs to be continued vigilance about the risks of overheating in the real estate market that could be induced by this policy. The authorities' commitment to resume fiscal consolidation in 2016 and to pursue the goal of reducing government debt is welcome. But civilian budget expenditures, already relatively low in education and social spending, should be protected from cuts as much as possible.

GDP growth

2011 Current prices NIS billions	2014	2015 % real change	2016
924.6	2.5	3.1	3.5

* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Italy

Projected revival

After contracting during most of 2014, the economy is projected to return to growth by mid-2015 and accelerate somewhat further in 2016. ECB monetary policy support is expected to ease financial conditions and facilitate a resumption of bank lending, which should raise investment. The projected revival of Italy's export market will also support stronger growth. The overall impact of fiscal policy will be small in 2015, as tax cuts will be offset by spending reductions. Unemployment will begin to decline in 2016, but is set to remain at high levels, while wage gains look set to remain modest.

To support economic growth, the government has appropriately delayed fiscal consolidation and has completed some initial steps in its comprehensive programme of structural reforms. This programme, along with effective implementation of earlier reforms, needs to be pursued with determination if stronger growth is to be sustainable. The very high public debt ratio poses a significant vulnerability, and as growth improves, higher tax revenues should be channelled entirely to deficit reduction.

GDP growth

2013 Current prices € billion	2014	2015 % real change	2016
1 618.9	-0.4	0.2	1.0

Japan

Public finance challenge

Output growth slowed to around 0.5% in 2014, reflecting in part the impact of the consumption tax hike. Output growth is projected to rebound to around 0.75% in 2015 and 1% in 2016, supported by improving labour market conditions and expanded monetary easing. The weaker yen is expected to help sustain export growth and push inflation closer to the 2% target.

Gross public debt is 230% of GDP (and net debt is 143%). In the wake of sharp output declines in the second and third quarters of 2014, the government announced that the increase in the consumption tax rate scheduled for 2015 will be postponed to 2017. This will make it challenging to achieve the target of a primary surplus by FY 2020, and therefore a detailed and credible fiscal consolidation plan has become even more vital. The Bank of Japan's "quantitative and qualitative monetary easing" should continue until the inflation target has been sustainably achieved. Bold structural reforms to boost competitiveness and potential growth are a priority, as stronger growth is needed to address the fiscal situation.

GDP growth

2013 Current prices ¥ trillion	2014	2015 % real change	2016
478.1	0.4	0.8	1.0

Korea

Gradual rebound

Following the decline in private consumption in spring 2014, the economy is gradually rebounding, thanks in part to monetary policy easing, fiscal stimulus and measures to boost the housing market. Output is projected to grow at around 4% in 2015-16, helping to narrow Korea's large current account surplus and to lift inflation to the target range of 2.5% to 3.5%.

While fiscal stimulus to support growth is appropriate, given Korea's strong fiscal position, the top priority should be wide-ranging reforms, particularly those in the 2014 Three-Year Plan for Economic Innovation, to sustain the country's growth potential. Policies to revitalise the housing market should be implemented carefully to avoid aggravating the household debt problem.

GDP growth

2011 Current prices KRW trillion	2014	2015 % real change	2016
1 332.7	3.5	3.8	4.1

Latvia

Recovery to gain momentum

After a moderate slowdown in 2014, the recovery is projected to gain momentum, underpinned by a rebound in investment and improving export prospects. Economic activity will also be sustained by household spending but less than in the past.

Fiscal policy is sound. Complying with the fiscal rule will maintain the confidence of financial markets. The composition of public spending and the taxation system should be revised further to reduce the high level of inequality and structural unemployment.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
20.3	2.5	3.2	3.9

Luxembourg

Partial recovery

Growth will slow somewhat in 2015, and then recover only partially in 2016, as the shift of the EU VAT regime for e-commerce from the seller to the buyer country weakens export growth and higher VAT rates bear on demand. The higher VAT will also boost consumer prices, and backward-looking wage indexation could transmit price rises to wages.

Some further fiscal consolidation is still needed, but the automatic stabilisers should be allowed to work. Aligning financial regulations with EU and international initiatives will contain risks posed by Luxembourg's large financial sector. Structural reforms to enhance work incentives would reduce structural unemployment, while fostering competition and education would boost potential growth.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
42.4	3.1	2.2	2.6

Mexico

Gaining momentum

A strong rebound of exports, improved confidence and fiscal stimulus have driven a recovery, with manufacturing leading other sectors. The recovery is projected to gain momentum with growth of just over 2.5% in 2014 and about 4% in 2015, strengthening further in 2016.

Fiscal policy was expansionary in 2014, but the fiscal stance will return to a neutral position in 2015 and will tighten in 2016 as foreseen in the government's new fiscal framework. Monetary conditions can remain accommodative for some time, despite the pickup in growth and an uptick in inflation that has temporarily put it above the central bank's target range, as expectations are well anchored and fiscal support will be withdrawn. The significant decline in oil prices, while partially offset by a depreciation of the currency, could nevertheless reduce fiscal revenue substantially, delaying consolidation. On the other hand, the government's structural reforms should boost investment, notably in the energy and telecommunication sectors.

GDP growth

2011 Current prices MXN billion	2014	2015 % real change	2016
14 544.1	2.6	3.9	4.2

Netherlands

Uneven recovery

The recovery has been uneven as business investment has been volatile, but private consumption has started to recover. Growth should pick up somewhat as domestic demand gradually improves, but poor access to credit for small and medium-sized enterprises and low liquidity of household balance sheets are important headwinds. As a result of the tepid recovery, inflation is expected to remain low. The current account surplus exceeds 10% of GDP, reflecting strong exports and in part weak domestic demand.

Large fiscal consolidation has led to a major structural adjustment over the recent years. With the budget deficit reduced to below 3% of GDP, little further consolidation is assumed, which should lessen the drag on growth. Recent structural reforms to reduce labour market segmentation, increase work incentives and cut mortgage interest deductibility could help improve resource allocation and raise medium-term growth. These measures should be complemented with further efforts to boost financial buffers in banks and to reform the rental sector.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
642.7	0.8	1.4	1.6

New Zealand

Growth to moderate

Economic growth is projected to moderate to a more sustainable rate of 2.75% by 2016 as the boost from the Canterbury earthquake rebuild fades, the fall in export prices depresses domestic demand and macroeconomic policies become more restrictive. Still, the unemployment rate should edge down and wage growth increase modestly. With economic slack fully absorbed, consumer price inflation is projected to rise to 2% in 2016.

Remaining monetary accommodation will need to be withdrawn progressively. Unwarranted barriers to housing supply should be removed to increase affordability and reduce risks to financial stability. Fiscal consolidation should continue as planned to move the budget into surplus by 2015 and reinforce the downward trajectory for government debt.

GDP growth

2011 Current prices NZD billion	2014	2015 % real change	2016
205.6	3.2	3.0	2.7

Norway

Non-oil economy continues strong

Norway's mainland economy has been partially insulated from global financial turbulence and oil price volatility, reflecting the well-functioning fiscal framework governing oil revenues. The economy is projected to retain its momentum despite lower oil prices and falling investment by the oil industry in the near term. Household demand will remain solid with steady employment gains and rising household net worth. Non-oil exports and business investment will firm as the global economy improves.

With remaining labour market slack disappearing fast, the policy interest rate should start to rise in early 2016, before wage settlements accelerate and inflation expectations are undermined. Fiscal policy will continue to be expansionary, although well within the fiscal framework. The housing market has gathered pace again. Property prices and the exposure of banks to high household debt levels should continue to be monitored carefully and additional macro-prudential action taken as necessary.

GDP growth

2011 Current prices NKr billion	2014	2015 % real change	2016
2 750.8	1.7	1.8	2.5

Poland

Softer growth

Real GDP growth is projected to average 3.3% in 2014 and ease to 3% in 2015 before bouncing back to 3.5% in 2016, driven initially by a strengthening in domestic demand and a progressive recovery in export markets. Headline inflation is projected to remain low for a short while, before gently rising as economic slack diminishes.

In response to signs of softer growth and low inflation, the central bank lowered its policy rate by half a percentage point in October 2014, and a further cut around year-end would be appropriate. Most of the fiscal consolidation in 2015 (estimated at 0.5% of GDP) stems from an earlier reform to the second pillar pension system, which however also boosts implicit public pension liabilities.

GDP growth

2011 Current prices PLN billion	2014	2015 % real change	2016
1 553.6	3.3	3.0	3.5

Portugal

Gradual recovery

Growth will gain momentum over the next two years. Further improvements in export performance will be the main driver of the continuing recovery in 2015, and the contribution of domestic demand will become larger in 2016 as investment and private consumption pick up. Unemployment is set to fall further but will remain high, putting a lid on wage and price increases. Very low inflation will support competitiveness, but it also makes it more difficult for the corporate sector to reduce its debt.

A rebalancing towards the tradable sectors is under way, but would be strengthened by more competition in service sectors, a reformed and efficient judicial system, lower taxes, and better innovation performance. Progress achieved in reforming the wage bargaining system has been crucial to rebalancing, and needs to be preserved. To reduce poverty and inequality, the redistributive impact of the benefit system should be strengthened in a budget neutral way.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
176.2	0.8	1.3	1.5

Russian Federation

Economy bottoming out

The economy is bottoming out, barely avoiding a recession. The falling oil price and the tensions regarding the conflict in Ukraine are undermining investor and consumer confidence. The rouble has sharply depreciated as a result of both factors, which has cushioned the economy to some extent. The strength of the recovery will depend on the flexibility of the economy and its ability to increase trade with non-sanctioning countries. Such a redirection of trade takes time, and real GDP growth is accordingly projected to stagnate in 2015, before slowly accelerating to around 1.5% in 2016 in the wake of an import-substituting investment recovery.

Monetary policy has moved to full inflation targeting earlier than planned. Inflation has been driven up by sanctions-related price increases and the pass-through of rouble depreciation. The termination of the peg of the rouble to the dollar and the euro will give the monetary authorities greater freedom to adjust the policy stance for domestic requirements. The fiscal rule does not provide much room for stimulus. This difficult combination of weak growth and higher inflation highlights the need for structural reforms.

GDP growth

2014	2015 % real change	2016
0.3	0.0	1.6

Slovak Republic

Growth to pick up

Economic growth is projected to accelerate and to become more broad-based as domestic demand picks up. Household consumption growth rose in 2014, and is projected to remain strong in 2015 and 2016 thanks to higher employment and real wages. Exports and investment will gain strength as the international environment improves.

Continuing fiscal consolidation, beyond the efforts that were required to exit the Excessive Deficit Procedure, is necessary to expand fiscal room and reduce public debt. Reforming the public sector, strengthening the fiscal framework and improving tax collection would all help in this regard. Better integrating lagging regions would raise potential growth, as would stepping up activation programmes and strengthening the education system.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
70.2	2.6	2.8	3.4

Slovenia

Corporate restructuring needed

Growth will remain weak in 2015 despite strong exports, as fiscal consolidation and labour market weakness bear on consumption, and restructuring, deleveraging and low credit activity hold back investment. Growth will strengthen in 2016 as these impediments fade and domestic demand recovers. Unemployment will decline slowly and inflation is projected to be low due to the significant economic slack that will persist into 2016.

A key priority is smooth and swift corporate restructuring. Privatisation and greater openness to foreign direct investment would bring new capital and improve corporate governance. Fiscal slippage should be avoided to preserve credibility on financial markets. A thorough reform of the public sector could increase spending efficiency, while protecting the weakest segments in society. Active labour market policies should be strengthened.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
36.9	2.1	1.4	2.2

Spain

Strengthening recovery

The recovery is projected to strengthen gradually over the next two years. The improving labour market and stronger confidence will aid private consumption. Investment will pick up as prospects improve. Export performance will keep improving, boosted by competitiveness gains. The unemployment rate should decline gradually as growth picks up, but will remain high through the projection period. Spare capacity will keep wage growth down and price inflation very low.

To stop and eventually reverse the rise in public debt relative to GDP, the government needs to achieve its medium-term fiscal plan. Improving public employment services and training for the unemployed must be a priority to further reduce unemployment. Spain's medium-term growth potential would be boosted by further efforts to raise the quality of innovation, strengthen competitiveness, and facilitate the creation and growth of firms.

GDP growth

2011 Current prices € billion	2014	2015 % real change	2016
1 075.1	1.3	1.7	1.9

South Africa

Rising inflation

In the first half of 2014, the economy slowed and inflation rose, before growth rebounded as widespread labour unrest came to an end. Growth is projected to pick up in 2015 and 2016 as exports recover on the back of a weak rand and firmer world trade growth. Private consumption will recover slowly in line with real incomes, while private investment will be held back by low capacity utilisation. The economic slack should contain inflation within the reserve bank's target range.

Continued mild fiscal consolidation will be insufficient to prevent further increases in public debt. The monetary policy stance should tighten further if inflationary pressures fail to abate. Structural reforms to facilitate entry into markets dominated by state-owned enterprises are needed to remove energy and transport infrastructure bottlenecks and stimulate firm creation. Labour market reforms should aim at tackling high structural unemployment and secure less confrontational labour relations.

GDP growth

2014	2015 % real change	2016
1.3	2.1	2.9

Sweden

Unemployment to decline

Real GDP growth is projected to rise as exports gather momentum and consumption continues to grow steadily, even though private residential investment will slow. Job creation will gradually bring unemployment down, against the background of an expanding labour force. The more accommodative stance taken by the Riksbank since mid-2014 and gradually shrinking slack should help push up inflation.

Monetary and fiscal policies need to remain supportive for some time. Tackling rigid employment protection and gaps in activation policies for disadvantaged groups would foster a stronger and more inclusive recovery. Household debt needs close monitoring and housing market rigidities should be reduced to increase supply.

GDP growth

2011 Current prices SKr billion	2014	2015 % real change	2016
3 651.6	2.1	2.8	3.1

Switzerland

Consumption to pick up

Economic growth is projected to pick up gradually in 2015-16. The recent slowdown in consumption should reverse course on the back of stronger confidence, rising real wages and sustained employment gains. Exports are projected to benefit from a weaker currency and gradually improving global growth. Weak commodity prices and remaining slack have delayed the exit from deflation.

The ceiling on the franc is likely to have to be maintained in order to prevent its appreciation and help accommodative monetary policy anchor positive inflation expectations. Should growth decelerate further, fiscal room to manoeuvre is available. Stepping up pre-school funding and boosting tertiary education graduation would increase productivity growth.

GDP growth

2011 Current prices SwFr billion	2014	2015 % real change	2016
618.3	1.5	1.5	2.5

Turkey

Vulnerable economy

Growth lost momentum in 2014. Policies to hold back domestic demand in the face of a large current account deficit, increased volatility in capital flows and political uncertainties led to a sharp deceleration in private consumption and investment. This was offset to some extent by a pickup in exports. In the context of serious regional geopolitical tensions and the sluggish recovery in Europe, exports are projected to be subdued and GDP growth to be relatively weak by Turkish standards, at 3.25% in 2015 and 4% in 2016. The current account deficit is set to stay above 5% of GDP, and large short-term foreign debt refinancing needs make Turkey vulnerable to shifts in international investor sentiments.

Enhancing the credibility of monetary policy is essential with inflation far above target despite ample slack. The central government accounts signal no fiscal loosening in the ongoing electoral cycle. However, general government outcomes cannot be assessed accurately in a timely way. Fiscal monitoring and transparency should therefore be improved along international standards. Structural reforms, including those outlined in the National Development Plan 2014-2018, are needed to boost productivity in the business sector, to achieve durable competitiveness gains and balanced growth.

GDP growth

2011 Current prices TRY billion	2014	2015 % real change	2016
1 297.7	3.0	3.2	4.0

United Kingdom

Strong growth to continue

Growth has been propelled by high job creation and is set to continue at a strong pace in 2015 and 2016, underpinned by robust private consumption and investment. With slack narrowing, inflationary pressures are projected to pick up gradually. Accordingly, the stance of monetary policy is assumed to begin to normalise in mid-2015 to contain inflation.

This projection assumes that the government continues to implement its medium-term fiscal consolidation plan. Higher interest rates associated with the economic recovery could support stronger productivity growth by encouraging the selection of more profitable projects and the restructuring of loss-making companies. Labour productivity would also be strengthened by further structural reforms to improve loan availability, reduce mismatches in the labour market and further upgrade infrastructure.

GDP growth

2013 Current prices £ billion	2014	2015 % real change	2016
1 713.3	3.0	2.7	2.5

United States

Growing steadily

The US economy is projected to continue to grow steadily in 2015 and 2016. Solid increases in private employment will continue to push down the unemployment rate, though pockets of labour market slack will remain for a while. Monetary conditions and export markets should support some acceleration in demand, as the drag from tight fiscal policy dissipates and as improvements in household net worth provide a growing impetus to private spending.

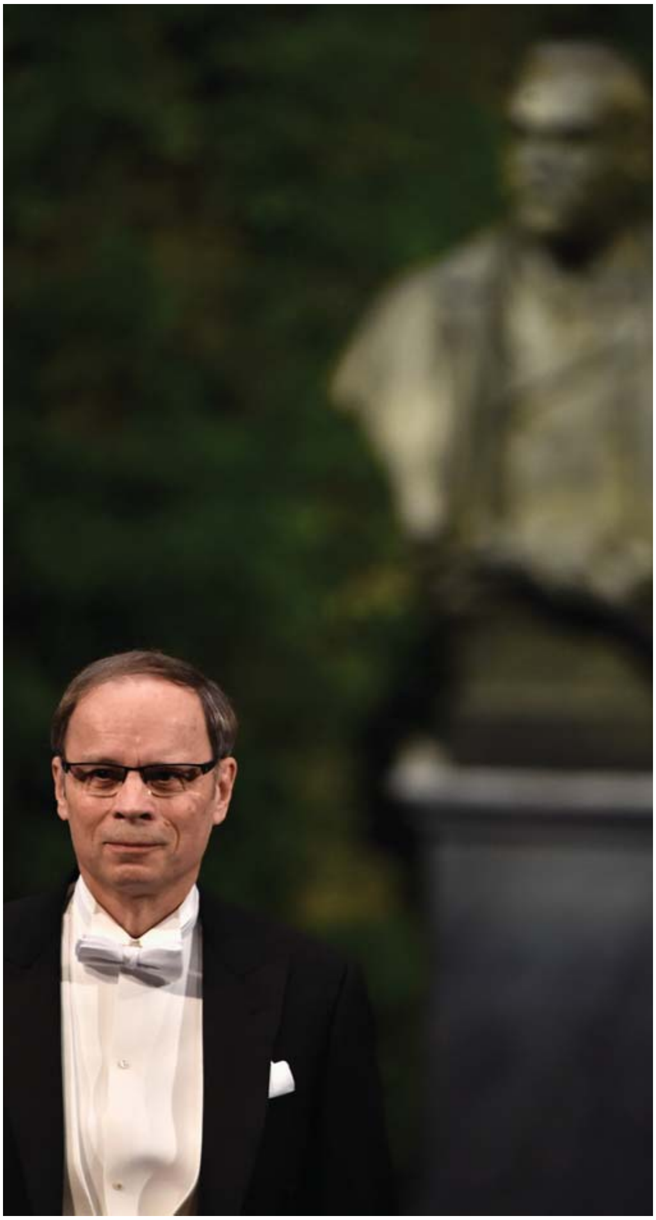
Monetary policy remains highly supportive, but as labour market slack diminishes this accommodation will need to be carefully withdrawn to keep inflationary pressures in check. The Federal Reserve's large-scale asset-purchase programme ended in October. Policy rates are then expected to begin to rise in mid-2015. The federal budget deficit has narrowed substantially, reflecting cyclical improvements, consolidation measures and other influences, and some further narrowing is projected in 2015 and 2016. Fiscal policy should focus on addressing longer-term pressures associated with healthcare spending and old age pensions. The authorities should also facilitate infrastructure spending, such as by securing sustainable funding.

GDP growth

2013 Current prices $ billion	2014	2015 % real change	2016
16 768.1	2.2	3.1	3.0

Jean Tirole: An appreciation

Patrick Lenain, OECD Economics Department



©Pascal Le Segretain/Getty Images

"What an amazing week. … I'm doing my best to come back down to earth and get back to work." And so it was, in less than 140 characters that Frenchman Jean Tirole (@JeanTirole) tweeted his excitement after learning that he had won the 2014 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

Tirole was the third French economist to win this particular Nobel prize, following Maurice Allais in 1998 and Gérard Debreu in 1983, incidentally when he had also acquired US citizenship. He was also the second French economist to steal the global limelight during the year, after Thomas Piketty made headlines with his bestseller, *Capital in the Twenty-First Century*.

Born in 1953, Tirole was a remarkable student, obtaining degrees from France's top scientific universities, École polytechnique and École nationale des ponts et chaussées, before earning his PhD from the Massachusetts Institute of Technology. With characteristic scientific and mathematical rigour, Tirole has strived to make economics resemble a pure science like any other. He pushed the research frontier with important theoretical advances in the field of industrial organisation, notably with his analysis of structure and competition among companies. While economists had a good understanding of markets based on perfect competition on the one hand and markets dominated by monopolies on the other, Tirole brought new insights to a more elusive area in between: how companies work together to secure dominance, or behave in oligopoly, as is frequently found in sectors such as information technology and telecommunications. Tirole has argued that there is no single solution to regulating oligopolies per se, and that, instead, industry-specific approaches are necessary.

> "Tirole's work could hardly be more pertinent today

Indeed, the best of practice in regulation has been industry-specific for some time now–that is, separate approaches for telecommunications, media, transportation and other sectors–so as to tailor regulatory policy to foster entry of new players, more competition, higher welfare and more dynamic innovation.

His work could hardly be more pertinent today, and thanks to Tirole, policymakers and bodies such as the OECD now have a rigorous framework that can be applied to analyse market dominance in various guises, from corporate giants such as Google and Apple, through competition among credit card providers to the effect of "free" newspapers on the traditional press. Beyond being a great scholar, Tirole is also a remarkable teacher, with one of his greatest accomplishments having been the establishment of the Toulouse School of Economics (TSE), created jointly with the late Jean-Jacques Laffont and now winning worldwide acclaim in one of France's most innovative cities. The OECD also benefits from this, with several staff members having been educated at TSE. So, many thanks to you, Professor Tirole!

Visit Toulouse School of Economics at www.tse-fr.eu

French justice minister Taubira attacks bribery

Christiane Taubira

©Andrew Wheeler/OECD

"It is unacceptable to allow corruption to undermine the functioning of public authority." So said Christiane Taubira, French minister for justice, in launching the first *OECD Foreign Bribery Report* at the organisation's headquarters in Paris on 2 December. "To fight against international bribery, it is important that we have international standards. The OECD work on producing this comparable data is essential", she said.

The *OECD Foreign Bribery Report* measures for the first time the crime of transnational corruption. It is based on data from the 427 foreign bribery cases that have been concluded since the entry into force of the OECD Anti-Bribery Convention in 1999. See News brief page 7.

©Ministry of Foreign Affairs of Mexico

Alicia Bárcena, United Nations Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), at the presentation of the *OECD Latin American Economic Outlook 2015*, during the Ibero-American Summit, Veracruz, Mexico, 9 December 2014. See Country roundup, page 7.

©Hervé Cortinat/OECD

Sweden's minister for enterprise and innovation, Mikael Damberg, at the OECD, December 2014.

©Julien Daniel/OECD

The president of Colombia, Juan Manuel Santos, on an official visit at the OECD, 7 November. Colombia is a candidate for membership of the organisation (see editorial, page 3). The *OECD Economic Survey of Colombia* is expected to be launched 19 January.
See www.oecd.org/economy.

Recent speeches by Angel Gurría

©Osman Orsal/Reuters

For a complete list of speeches and statements, including those in French and other languages, go to **www.oecd.org/about/secretary-general/publicationsdocuments/speeches**

49th High-Level Meeting of the OECD Development Assistance Committee

15 December 2014
Opening remarks by Angel Gurría, OECD Secretary-General, Paris, France

OECD Forum on Financing Democracy and Averting Policy Capture

3 December 2014
Remarks by Angel Gurría, OECD Secretary-General, Paris, France

Remarks, Launch of the OECD Foreign Bribery Report

2 December 2014
Remarks by Angel Gurría, OECD Secretary-General, Paris, France

Business Sweden Economic Forum: Strengthening Competitiveness and Building a Green Economy

2 December 2014
Remarks by Angel Gurría, OECD Secretary-General, Paris, France

OECD's Gurria congratulates President Obama on taking action to address the unsustainable situation of undocumented immigrants

1 December 2014
On the occasion of the OECD High Level Policy Forum on Migration taking place on December 1 and 2 2014.

OECD High Level Policy Forum on Migration: Mobilising Migrants' Skills for Economic Success

1 December 2014
Opening remarks by Angel Gurría, OECD Secretary-General, Paris, France

Launch of the 2014 International Migration Outlook

1 December 2014
Remarks by Angel Gurría, OECD Secretary-General, Paris, France

Water-Energy-Food: Taking on the Nexus

27 November 2014
Opening Remarks by Angel Gurría, OECD Secretary-General, delivered at the Global Forum on the Environment: New Perspectives on the Water-Energy-Food Nexus, Paris, France

OECD Eurasia Week Opening Remarks

25 November 2014
Opening remarks by Angel Gurría, OECD Secretary-General, Paris, France

4th Meeting of the OECD Water Governance Initiative

25 November 2014
Remarks by Angel Gurría, OECD Secretary-General, Paris, France

Emerging Trends and Challenges in Official Financing - Paris Club Forum

20 November 2014
Closing Remarks by Angel Gurría, Secretary-General, OECD, Paris, France

Delivering global economic resilience: Taxation - Statement at G20 Leader's Summit

16 November 2014
Session 2 - Remarks by Angel Gurría, Secretary-General, OECD, Brisbane

G20 Working Dinner on Trade

15 November 2014
Remarks by Angel Gurría, Secretary-General, OECD, Brisbane

The global economy: strengthening growth and job creation–Statement at G20 Leader's Summit

15-16 November 2014
Session 1 – Remarks by Angel Gurría, Secretary-General, OECD, Brisbane

Ambassadors

Ms Judith LaRocque, Canada
Mr Marten Kokk, Estonia
Ms Berglind Ásgeirsdóttir, Iceland
Mr Chris Barrett, Australia
Mr Yves Haesendonck, Belgium
Ms Ingrid Brocková, Slovak Republic
Mr Nicholas Bridge, United Kingdom
Mr Ricardo Diez-Hochleitner, Spain
Mr Michael Forbes, Ireland
Mr Hans-Jürgen Heimsoeth, Germany
Mr Paul Dühr, Luxembourg
Mr Pavel Rozsypal, Czech Republic
Mr Paulo Vizeu Pinheiro, Portugal
Mr Sihyung Lee, Korea
Mr Dionisio Pérez Jácome Friscione, Mexico
Ms Marlies Stubits-Weidinger, Austria
Mr Klavs A. Holm, Denmark
Mr Okko-Pekka Salmimies, Finland
Mr George Prevelakis, Greece
Mr Noé Van Hulst, Netherlands
Mr Kazuo Kodama, Japan
Mr Mithat Rende, Turkey
Mr Iztok Jarc, Slovenia
Ms Annika Markovic, Sweden
Ms Claudia Serrano, Chile
Mr Daniel Yohannes, United States
Ms Elin Østebø Johansen, Norway
Mr Ulrich Lehner, Switzerland
Mr Carmel Shama-Hacohen, Israel
Mr Jakub Wiśniewski, Poland
Mr Zoltán Cséfalvay, Hungary
Mr Gabriele Checchia, Italy
Mr Pierre Duquesne, France

European Union
Ms Maria Francesca Spatolisano

Calendar highlights

Please note that many of the OECD meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For a comprehensive list, see the OECD website at **www.oecd.org/newsroom/upcomingevents**

JANUARY

12	Statistics release: **Composite Leading Indicators**.
13	Statistics release: **Harmonised Unemployment Rates.**
14	Statistics release: **Quarterly National Accounts Contributions GDP.**
14	Launch of **Multi-dimensional Review of Myanmar Volume 2.**
15	Launch of **OECD Reviews of Health Care Quality:** Italy 2014. Rome, Italy.
15	Launch of **Development Cooperation Peer Reviews:** Austria 2015.
15-17	**2015 UN-Water Annual International Conference.** Zaragoza, Spain.
18-21	**The Education World Forum.** London, UK.
19-22	**2015 World Future Energy Summit (WFES).** Abu Dhabi, United Arab Emirates
19	Launch of the **OECD Education Policy Outlook 2015.**
19	Launch of **Back to Work Japan: Reemployment, Earnings and Skill Use after Job Displacement.**
19	Launch of **OECD Economic Surveys: Colombia 2015.**
19	Statistics release: **Quarterly Employment.**
21-24	**World Economic Forum Annual Meeting 2015.** Davos-Klosters, Switzerland.
22-23	**International conference "Making Reforms Happen"** hosted by the Department for Education (England). London, UK.
23	**Launch of International Transport Forum (ITF) Outlook 2015.**
28	**Launch of OECD Economic Surveys:** Estonia 2015.

FEBRUARY

2	Statistics: **Consumer Price Indices.**
6-8	**Munich Security Conference.** Munich, Germany.
9	Statistics: **Composite Leading Indicators**.
9-10	**G20 Finance Ministers' and Central Bank Governors' Meeting.** Istanbul, Turkey.
10	Statistics: **Harmonised Unemployment Rates**.
19-20	**Global Forum on Competition**
23	Statistics: **Quarterly National Accounts GDP Growth.**
26	**Statistics:** Trade.
24	**Launch of OECD Economic Surveys:** United Kingdom 2015.

MARCH

8	**International Women's Day**
17-19	**Global Forum on Environment**
22	**International World Water Day**

APRIL

12-15	**World Water Forum**, Korea

JUNE

2-4	**OECD Week**
18-19	**Global Forum on Responsible Business Conduct**

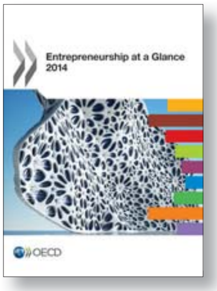
OCTOBER

20-30	**Global Forum on Competition**

NOVEMBER-DECEMBER

30 Nov-11 Dec	**UN Climate Change Conference** (21st Conference 25 of the Parties, COP 21) Paris, France

Small businesses flourish, but not their revenue



Since 2009 the French government launched a new "auto-entrepreneurs" status to help small, often one-person, businesses below a certain earnings threshold to bypass many formalities of registration, in an effort to stimulate entrepreneurial activity and jobs. By mid-2014, the number of *auto-entrepreneurs* reached nearly 1 million, according to a French business creation agency, APCE. However, according to the national statistics office, INSEE, most of these businesses have made little if any money at all. The crisis has hardly helped, but is there a recipe for success?

Entrepreneurship at a Glance 2014 attempts to understand the complex array of factors that have led to entrepreneurial success since the financial crisis, using 20 different indicators of performance and statistics from 30 different countries.

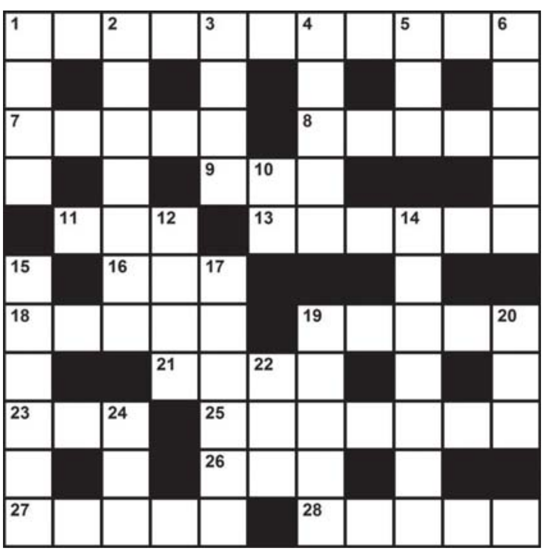
Whereas few economies escaped the credit crunch, divergent patterns of entrepreneurship have emerged across OECD countries since the crisis began. Large economies like Australia and the UK have returned to pre-crisis levels of start-up performance, whereas others like Denmark and Spain are struggling to recover their former traction.

As bureaucratic barriers to entrepreneurship have declined over the past decade, the largest obstacle to small business success and innovation across all 30 countries measured in the report remains the lack of funding. Government support for innovation varies from country to country, with some like Estonia and Hungary providing more than 85% of R&D support to small businesses, and others like Japan and the US investing more than 80% of funds in large firms. On the whole, more money is invested in large firms than in small enterprises. Such unequal investing can be problematic. Approximately 70-90% of all private businesses are micro-enterprises, with less than 10 employees, and sometimes only one. In crisis-hit countries such as Portugal, Italy and Greece, nearly half of the national workforce is employed by such enterprises.

The study also reveals a correlation between co-operation between firms for innovation, and diminishing levels of perceived obstacles to growth, suggesting that co-operation with larger firms can help smaller businesses grow, even as they take chances with new ideas.

OECD (2014), *Entrepreneurship at a Glance 2014*, OECD Publishing. http://dx.doi.org/10.1787/entrepreneur_aag-2014-en

OECD Observer Crossword No 4, 2014



Across

1 Nation that will chair the June 2015 OECD ministerial meeting
7 Man of good cheer who appears globally at year ending
8 Site of The Bank for International Settlements
9 Opinion
11 Government support for nations in need of help
13 Ethical beliefs
16 Ending for OECD's website
18 Bill Gates or Warren Buffett, for example
19 Site of the World Water Forum in December 2015
21 Religious figure who promotes world peace
23 Wrath, anger
25 "Global" issue for the Paris summit in 2015
26 First three letters of the Austrian state where Innsbruck is the capital
27 Its day is April 22, marking the origin of the environmental movement
28 Crop production

Down

1 Retirement savings, ___ eggs
2 Global meetings attempt to ease this stress between nations
3 Divisions of history
4 Large country in the Maghreb
5 Votes against
6 Retail ___ are often an indicator of economic health or the lack of it
10 Audio-visual, for short
12 Fall
14 Military action in this nation has resulted in punitive sanctions
15 Give counsel to
17 Economic point of concern globally
19 US Sec of State
20 Summer month, abbr.
22 Recompense
24 Sympathetic attention

For crossword soloutions do the OECD crossword online. See www.oecdobserver.org/crossword

Most popular

All publications available at www.oecd.org/bookshop and www.OECD-iLibrary.org

OECD Economic Outlook, Volume 2014 Issue 2

The *OECD Economic Outlook* is the OECD's twice-yearly analysis of the major economic trends and prospects for the next two years.

ISBN 978-92-64-22016-4, December 2014, 282 pages

€104 $151 £93 ¥12 500

Development Co-operation Report 2014: Mobilising Resources for Sustainable Development

The *Development Co-operation Report* is the key annual reference document for statistics and analysis on trends in international aid, this year focusing on mobilising financial resources for sustainable development.

ISBN 978-92-64-21091-2, October 2014, 428 pages

€100 $140 £90 ¥13 000

OECD Employment Outlook 2014

The OECD *Employment Outlook* 2014 includes chapters on recent labour market developments with special sections on earnings, job quality, youth employment, and forms of employment and employment protection.

ISBN 978-92-64-21092-9, September 2014, 292 pages

World Energy Outlook 2014

Now with projections to 2040, the *World Energy Outlook* presents all the latest data and developments to produce a comprehensive and authoritative analysis of medium- and longer-term energy trends.

ISBN 978-92-64-20804-9, November 2014, 728 pages

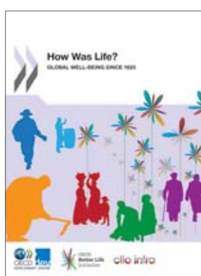
€150 $210 £135 ¥19 500

OECD Science, Technology and Industry Outlook 2014

This book reviews key trends in science, technology and innovation (STI) policies, and performance in more than 45 economies.

ISBN 978-92-64-20430-0 December 2014, 478 pages

€80 $112 £72 ¥10 400

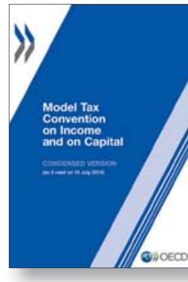


How Was Life? Global Well-being since 1820

This book presents the first systematic evidence on long-term trends in global well-being since 1820 for 25 major countries and 8 regions in the world.

ISBN 978-92-64-21406-4, October 2014, 272 pages

€52 $73 £47 ¥6 700



Model Tax Convention on Income and on Capital: Condensed Version 2014

The OECD Model Tax Convention provides the basis for the negotiation and interpretation of more than 3,000 tax treaties with the objective of removing tax barriers to cross-border trade and investment.

ISBN 978-92-64-21115-5, September 2014, 496 pages

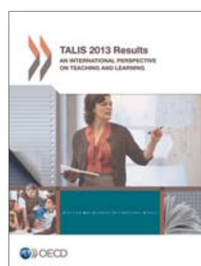
€80 $112 £72 ¥10 400

Education at a Glance 2014: OECD Indicators

This book provides annual data on the structure, finances, and performance of education systems in the OECD's 34 member countries, as well as a number of partner countries.

ISBN 978-92-64-21132-2, September 2014, 568 pages

€98 $138 £89 ¥12 700



TALIS 2013 Results: An International Perspective on Teaching and Learning

This book presents the results of a survey of teachers on working conditions and the learning environments in their schools.

ISBN 978-92-64-21133-9, July 2014, 440 pages

€80 $112 £72 ¥10 400

New publications

All publications available at www.oecd.org/bookshop and www.OECD-iLibrary.org

ECONOMICS

OECD Economic Surveys: Australia 2014
ISBN 978-92-64-20709-7, December 2014, 114 pages
€46 $65 £42 ¥5 900

OECD Economic Surveys: India 2014
ISBN 978-92-64-20707-3, November 2014, 156 pages
€46 $65 £42 ¥5 900

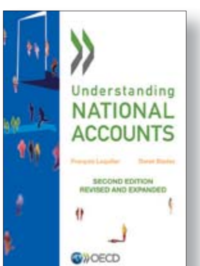
OECD Economic Surveys: Mexico 2015
ISBN 978-92-64-22675-3, December 2014, 136 pages
€48 $68 £44 ¥6 200

OECD Economic Surveys: Portugal 2014
ISBN 978-92-64-20704-2, November 2014, 112 pages
€46 $64 £41 ¥5 900

OECD Economic Surveys: Slovak Republic 2014
ISBN 978-92-64-11357-2, November 2014, 120 pages
€46 $64 £41 ¥5 900

OECD Economic Surveys: Spain 2014
ISBN 978-92-64-20702-8, September 2014, 150 pages
€46 $64 £40 ¥5 900

OECD Economic Surveys: Turkey 2014
ISBN 978-92-64-20700-4 July 2014, 120 pages
€46 $64 £40 ¥5 900



Understanding National Accounts: Second Edition
ISBN 978-92-64-21462-0, October 2014, 520 pages
€40 $56 £36 ¥5 200

National Accounts of OECD Countries, Volume 2014 Issue 2: Detailed Tables
ISBN 978-92-64-20984-8, July 2014, 317 pages
€95 $133 £85 ¥12 300

AGRICULTURE & FOOD

Agricultural Policy Monitoring and Evaluation 2014: OECD Countries
ISBN 978-92-64-21090-5, October 2014, 230 pages
€60 $84 £54 ¥7 800

Green Growth Indicators for Agriculture: A Preliminary Assessment
ISBN 978-92-64-22317-2, October 2014, 96 pages
€30 $42 £27 ¥3 900

DEVELOPMENT

An Atlas of the Sahara-Sahel: Geography, Economics and Security
ISBN 978-92-64-22234-2, December 2014, 250 pages
€90 $126 £81 ¥11 700

Perspectives on Global Development 2014: Boosting Productivity to Meet the Middle-Income Challenge
ISBN 978-92-64-21060-8, July 2014, 288 pages
€75 $105 £68 ¥9 700

Multi-dimensional Review of Uruguay: Volume 1: Initial Assessment
ISBN 978-92-64-20944-2, August 2014, 188 pages
€54 $76 £49 ¥7 000

EDUCATION

Education at a Glance 2014: Highlights
ISBN 978-92-64-21501-6, September 2014, 96 pages
€30 $42 £27 ¥3 900

Skills beyond School: Synthesis Report
ISBN 978-92-64-21467-5, November 2014, 116 pages
€30 $42 £27 ¥3 900

PISA 2012 Results: Students and Money (Volume VI): Financial Literacy Skills for the 21st Century
ISBN 978-92-64-20808-7, October 2014, 202 pages
€50 $70 £45 ¥6 500

A Teachers' Guide to TALIS 2013: Teaching and Learning International Survey
ISBN 978-92-64-21608-2, September 2014, 32 pages
€15 $21 £14 ¥1 900

New Insights from TALIS 2013: Teaching and Learning in Primary and Upper Secondary Education
ISBN 978-92-64-22617-3, December 2014, 328 pages
€60 $84 £54 ¥7 800

EMPLOYMENT

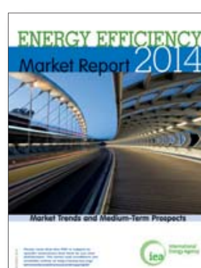
Job Creation and Local Economic Development:
ISBN 978-92-64-21131-5, December 2014, 364 pages
€105 $147 £95 ¥13 600

ENERGY

Medium-Term Gas Market Report 2014
ISBN 978-92-64-21152-0, July 2014, 208 pages
€100 $140 £90 ¥13 000

Medium-Term Oil Market Report 2014
ISBN 978-92-64-21171-1, July 2014, 168 pages
€100 $140 £90 ¥13 000

Energy Balances of OECD Countries 2014
ISBN 978-92-64-21303-6, July 2014, 336 pages
€120 $168 £108 ¥15 600



Energy Efficiency Market Report 2014
ISBN 978-92-64-21823-9, October 2014, 224 pages
€100 $140 £90 ¥13 000

Follow OECD Publications on Twitter at https://twitter.com/OECD_Pubs

Capturing the Multiple Benefits of Energy Efficiency: A Guide to Quantifying the Value Added
ISBN 978-92-64-22070-6, October 2014, 232 pages
€100 $140 £90 ¥13 000

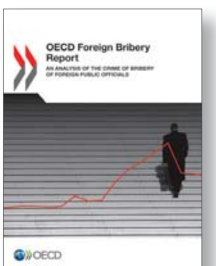
Energy, Climate Change and Environment: 2014 Insights
ISBN 978-92-64-22073-7, December 2014
€75 $105 £68 ¥9 700

ENVIRONMENT

OECD Environmental Performance Reviews: Iceland 2014
ISBN 978-92-64-21409-5, September 2014, 168 pages
€50 $70 £45 ¥6 500

OECD Environmental Performance Reviews: Sweden 2014
ISBN 978-92-64-21369-2, November 2014, 192 pages
€50 $70 £45 ¥6 500

FINANCE & INVESTMENT



OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials
ISBN 978-92-64-22660-9, December 2014, 48 pages
€24 $34 £22 ¥3 100

OECD Pensions Outlook 2014
ISBN 978-92-64-22090-4, December 2014, 204 pages
€60 $84 £54 ¥7 800

GOVERNANCE

Government at a Glance: Latin America and the Caribbean 2014: Towards Innovative Public Financial Management
ISBN 978-92-64-20947-3, September 2014, 148 pages
€24 $34 £22 ¥3 100

Lobbyists, Governments and Public Trust, Volume 3: Implementing the OECD Principles for Transparency and Integrity in Lobbying
ISBN 978-92-64-21421-7, November, 224 pages
€60 $84 £54 ¥7 800

Women in Public Life: Gender, Law and Policy in the Middle East and North Africa
ISBN 978-92-64-22462-9, December 2014, 276 pages
€80 $112 £72 ¥10 400

INDUSTRY & SERVICES

Entrepreneurship at a Glance 2014
ISBN 978-92-64-21136-0, August 2014, 108 pages
€45 $63 £41 ¥5 800

Financing SMEs and Entrepreneurs 2014: An OECD Scoreboard
ISBN 978-92-64-20824-7, September 2014, 350 pages
€100 $140 £90 ¥13 000

SCIENCE & TECHNOLOGY

Measuring the Digital Economy: A New Perspective
Measuring the Digital Economy: A New Perspective uses internationally comparable indicators to provide a comprehensive perspective on the digital economy.
ISBN 978-92-64-21130-8, December 2014, 160 pages
€35 $49 £31 ¥4 500

The Space Economy at a Glance 2014
ISBN 978-92-64-21099-8, November 2014, 144 pages
€29 $40 £26 ¥3 700

SOCIAL ISSUES, MIGRATION & HEALTH

International Migration Outlook 2014
This publication analyses recent developments in migration movements and policies in OECD countries and selected non-OECD countries. It also includes two special chapters on the skills of immigrants and their use in the labour market as well as on the management of labour migration.
ISBN 978-92-64-21118-6, December 2014, 428 pages
€95 $133 £85 ¥12 300

Society at a Glance: Asia/Pacific 2014
ISBN 978-92-64-22053-9, November 2014, 132 pages
€30 $42 £27 ¥3 900

Pensions at a Glance: Latin America and the Caribbean
ISBN 978-92-64-22054-6, December 2014, 176 pages
€40 $56 £36 ¥5 200

Health at a Glance: Europe 2014
ISBN 978-92-64-22327-1, December 2014, 160 pages
€32 $45 £29 ¥4 100

Health at a Glance: Asia/Pacific 2014: Measuring Progress towards Universal Health Coverage
ISBN 978-92-64-22353-0, December 2014, 120 pages
€30 $42 £27 ¥3 900

TAXATION

Standard for Automatic Exchange of Financial Account Information in Tax Matters
ISBN 978-92-64-21651-8, September 2014, 308 pages
€75 $105 £68 ¥9 700

OECD/G20 BASE EROSION AND PROFIT SHIFTING PROJECT

Addressing the Tax Challenges of the Digital Economy
ISBN 978-92-64-21877-2, October 2014, 200 pages
€39 $55 £36 ¥5 000

Follow OECD Publications on Facebook at http://www.facebook.com/OECDPublications

Neutralising the Effects of Hybrid Mismatch Arrangements
ISBN 978-92-64-21879-6, September 2014, 100 pages
€24 $34 £22 ¥3 100

Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance: Action 5: 2014 Deliverable
ISBN 978-92-64-21885-7, September 2014, 68 pages
€24 $34 £22 ¥3 100

Preventing the Granting of Treaty Benefits in Inappropriate Circumstances: Action 6: 2014 Deliverable
ISBN 978-92-64-21906-9, September 2014, 108 pages
€24 $34 £22 ¥3 100

Guidance on Transfer Pricing Aspects of Intangibles: Action 8: 2014 Deliverable
ISBN 978-92-64-21920-5, November 2014, 132 pages
€24 $34 £22 ¥3 100

Guidance on Transfer Pricing Documentation and Country-by-Country Reporting: Action 13: 2014 Deliverable
ISBN 978-92-64-21922-9, September 2014, 48 pages
€24 $34 £22 ¥3 100

Developing a Multilateral Instrument to Modify Bilateral Tax Treaties: Action 15: 2014 Deliverable
ISBN 978-92-64-21924-3, September 2014, 64 pages
€24 $34 £22 ¥3 100

TRADE

OECD Statistics on International Trade in Services, Volume 2014 Issue 1: Detailed Tables by Service Categorys
ISBN 978-92-64-22236-6, November 2014, 104 pages
€80 $112 £72 ¥10 400

OECD Statistics on International Trade in Services, Volume 2014 Issue 2: Detailed Tables by Partner Country
ISBN 978-92-64-22238-0, November 2014, 164 pages
€110 $154 £99 ¥14 300

URBAN, RURAL & REGIONAL DEVELOPMENT

OECD Regional Outlook 2014: Regions and Cities: Where Policies and People Meet
ISBN 978-92-64-20140-8 October 2014, 288 pages
€70 $98 £63 ¥9 100

How's Life in Your Region? Measuring Regional and Local Well-being for Policy Making
ISBN 978-92-64-21121-6, October 2014, 172 pages
€60 $84 £54 ¥7 800

The Competitiveness of Global Port-Cities
ISBN 978-92-64-20526-0 December 2014, 270 pages
€70 $98 £63 ¥9 100

Compact City Policies: Korea: Towards Sustainable and Inclusive Growth
ISBN 978-92-64-22549-7, November 2014, 208 pages
€62 $87 £56 ¥8 000

OECD Rural Policy Reviews: Chile 2014
ISBN 978-92-64-20923-7 July 2014, 212 pages
€60 $84 £54 ¥7 800

OECD Territorial Reviews: Colombia 2014
ISBN 978-92-64-22454-4, December 2014, 266 pages
€75 $105 £68 ¥9 700

FOCUS ON THE DIGITAL ECONOMY

Measuring the Digital Economy: A New Perspective
Measuring the Digital Economy: A New Perspective uses internationally comparable indicators to provide a comprehensive perspective on the digital economy.
ISBN 978-92-64-21130-8, December 2014, 160 pages
€35 $49 £31 ¥4 500

Addressing the Tax Challenges of the Digital Economy: Action 1: 2014 Deliverable

This book presents an analysis of the challenges the spread of the digital economy poses for international taxation.
ISBN 978-92-64-21877-2, October 2014, 200 pages
€39 $55 £36 ¥5 000

Digital Economy Papers
freely available at http://dx.doi.org/10.1787/20716826

- The App Economy
- Connected Televisions
- Unleashing the Power of Big Data for Alzheimer Disease and Dementia Research
- New Approaches to Spectrum Management
- Consumer Policy Guidance on Mobile and Online Payments
- Consumer Policy Guidance on Intangible Digital Content Products
- International Traffic Termination
- Cloud Computing
- Skills and Jobs in the Digital Economy
- The Internet in Transition: The State of the Transition to IPv6
- The Economics of Transition to IPv6
- The Development of Fixed Broadband Networks
- Wireless Market Structures and Network Sharing

All publications listed on these pages are available at:
www.oecd.org/bookshop and **www.oecdilibrary.org**

A list of OECD publications distributors in various countries is available at:
www.oecd.org/publishing/distributors

A list of institutions subscribing to the OECD iLibrary is available at:
www.oecd.org/publishing/oecdilibrarysubscribers

			% change from:				level:	
			previous period	previous year			current period	same period last year
Australia	Gross domestic product	Q3-2014	0.3	2.7	Current balance	Q3-2014	-11.6	-12.4
	Industrial production	Q3-2014	0.5	3.7	Unemployment rate	Q3-2014	6.1	5.7
	Consumer price index	Q3-2014	0.5	2.3	Interest rate	Q3-2014	2.6	2.6
Austria	Gross domestic product	Q3-2014	0.0	0.3	Current balance	Q1-2014	1.5	3.1
	Industrial production	Q3-2014	-1.7	-1.3	Unemployment rate	Q3-2014	5.0	5.0
	Consumer price index	Q3-2014	-0.2	1.7	Interest rate	Q3-2014	0.2	0.2
Belgium	Gross domestic product	Q3-2014	0.3	0.9	Current balance	Q1-2014	-0.2	-5.0
	Industrial production	Q3-2014	-1.6	0.2	Unemployment rate	Q3-2014	8.5	8.5
	Consumer price index	Q3-2014	-0.1	0.1	Interest rate	Q3-2014	0.2	0.2
Canada	Gross domestic product	Q3-2014	0.7	2.6	Current balance	Q3-2014	-7.7	-12.6
	Industrial production	Q3-2014	0.4	3.8	Unemployment rate	Q3-2014	6.9	7.1
	Consumer price index	Q3-2014	0.1	2.1	Interest rate	Q3-2014	1.2	1.2
Chile	Gross domestic product	Q3-2014	0.4	0.8	Current balance	Q3-2014	0.2	-1.6
	Industrial production	Q3-2014	1.1	-1.3	Unemployment rate	Q3-2014	6.4	5.5
	Consumer price index	Q3-2014	0.9	4.9	Interest rate	Q3-2014	0.0	4.8
Czech Republic	Gross domestic product	Q3-2014	0.4	2.4	Current balance	Q2-2014	-1.9	-1.0
	Industrial production	Q3-2014	1.7	3.9	Unemployment rate	Q3-2014	5.9	7.0
	Consumer price index	Q3-2014	0.1	0.6	Interest rate	Q3-2014	0.4	0.5
Denmark	Gross domestic product	Q3-2014	0.0	0.3	Current balance	Q2-2014	5.3	5.8
	Industrial production	Q3-2014	0.0	-1.0	Unemployment rate	Q3-2014	6.5	7.0
	Consumer price index	Q3-2014	-0.2	0.6	Interest rate	Q3-2014	0.3	0.3
Estonia	Gross domestic product	Q3-2014	0.2	2.6	Current balance	Q1-2014	-0.1	0.0
	Industrial production	Q3-2014	1.3	3.0	Unemployment rate	Q3-2014	7.6	8.2
	Consumer price index	Q3-2014	-0.4	-0.6	Interest rate	Q3-2014	0.2	0.2
Finland	Gross domestic product	Q3-2014	0.2	0.0	Current balance	Q1-2014	-0.4	-0.5
	Industrial production	Q3-2014	0.1	-3.0	Unemployment rate	Q3-2014	8.7	8.1
	Consumer price index	Q3-2014	0.1	1.1	Interest rate	Q3-2014	0.2	0.2
France	Gross domestic product	Q3-2014	0.3	0.4	Current balance	Q1-2014	-6.7	-13.2
	Industrial production	Q3-2014	0.5	-0.1	Unemployment rate	Q3-2014	10.5	10.3
	Consumer price index	Q3-2014	-0.2	0.4	Interest rate	Q3-2014	0.2	0.2
Germany	Gross domestic product	Q3-2014	0.1	1.2	Current balance	Q1-2014	68.6	65.0
	Industrial production	Q3-2014	-0.4	1.0	Unemployment rate	Q3-2014	5.0	5.2
	Consumer price index	Q3-2014	0.4	0.8	Interest rate	Q3-2014	0.2	0.2
Greece	Gross domestic product	Q3-2014	0.7	1.4	Current balance	Q2-2014	0.4	0.2
	Industrial production	Q3-2014	-5.1	-4.1	Unemployment rate	Q2-2014	26.8	27.6
	Consumer price index	Q3-2014	-1.2	-0.6	Interest rate	Q3-2014	0.2	0.2
Hungary	Gross domestic product	Q3-2014	0.5	3.1	Current balance	Q4-2013	1.4	0.3
	Industrial production	Q3-2014	-0.8	6.6	Unemployment rate	Q3-2014	7.5	10.1
	Consumer price index	Q3-2014	0.0	-0.1	Interest rate	Q3-2014	2.1	4.1
Iceland	Gross domestic product	Q3-2014	3.9	-0.3	Current balance	Q1-2014	0.0	0.1
	Industrial production	Q2-2014	-5.0	-1.7	Unemployment rate	Q3-2014	5.1	5.6
	Consumer price index	Q3-2014	0.2	2.1	Interest rate	Q3-2014	6.1	6.2
Ireland	Gross domestic product	Q2-2014	1.5	6.5	Current balance	Q1-2014	3.0	3.2
	Industrial production	Q3-2014	-3.3	19.7	Unemployment rate	Q3-2014	11.2	12.8
	Consumer price index	Q3-2014	-0.1	0.3	Interest rate	Q3-2014	0.2	0.2
Israel	Gross domestic product	Q3-2014	-0.1	1.9	Current balance	Q2-2014	2.2	1.7
	Industrial production	Q3-2014	2.3	2.3	Unemployment rate	Q3-2014	6.3	6.0
	Consumer price index	Q3-2014	0.2	0.0	Interest rate	Q3-2014	0.4	1.2
Italy	Gross domestic product	Q3-2014	-0.1	-0.5	Current balance	Q1-2014	7.9	-0.1
	Industrial production	Q3-2014	-1.1	-1.3	Unemployment rate	Q3-2014	12.8	12.3
	Consumer price index	Q3-2014	-0.1	-0.1	Interest rate	Q3-2014	0.2	0.2
Japan	Gross domestic product	Q3-2014	-0.4	-1.2	Current balance	Q3-2014	6.2	5.7
	Industrial production	Q3-2014	-2.0	-1.2	Unemployment rate	Q3-2014	3.6	4.0
	Consumer price index	Q3-2014	0.3	3.3	Interest rate	Q3-2014	0.2	0.2
Korea	Gross domestic product	Q3-2014	0.9	3.3	Current balance	Q3-2014	19.4	20.3
	Industrial production	Q3-2014	-0.2	1.1	Unemployment rate	Q3-2014	3.5	3.1
	Consumer price index	Q3-2014	0.2	1.4	Interest rate	Q3-2014	2.5	2.7
Luxembourg	Gross domestic product	Q2-2014	0.7	3.2	Current balance	Q1-2014	0.6	0.6
	Industrial production	Q3-2014	1.0	4.9	Unemployment rate	Q3-2014	6.0	5.9
	Consumer price index	Q3-2014	-0.2	0.6	Interest rate	Q3-2014	0.2	0.2
Mexico	Gross domestic product	Q2-2014	1.0	2.7	Current balance	Q3-2014	-2.7	-6.9
	Industrial production	Q3-2014	0.2	..	Unemployment rate	Q3-2014	5.0	4.9
	Consumer price index	Q3-2014	0.7	4.1	Interest rate	Q3-2014	3.3	4.2

			% change from:				level:	
			previous period	previous year			current period	same period last year
Netherlands	Gross domestic product	Q3-2014	0.2	1.0	Current balance	Q1-2014	24.7	25.6
	Industrial production	Q3-2014	0.9	0.3	Unemployment rate	Q3-2014	6.6	7.0
	Consumer price index	Q3-2014	0.5	0.9	Interest rate	Q3-2014	0.2	0.2
New Zealand	Gross domestic product	Q2-2014	0.5	3.3	Current balance	Q2-2014	-1.7	-1.7
	Industrial production	Q2-2014	-1.1	2.7	Unemployment rate	Q3-2014	5.4	6.1
	Consumer price index	Q3-2014	0.3	1.0	Interest rate	Q3-2014	3.7	2.6
Norway	Gross domestic product	Q2-2014	0.9	1.8	Current balance	Q2-2014	12.4	14.3
	Industrial production	Q3-2014	2.3	2.4	Unemployment rate	Q3-2014	3.6	3.5
	Consumer price index	Q3-2014	0.6	2.1	Interest rate	Q3-2014	1.7	1.7
Poland	Gross domestic product	Q3-2014	0.9	3.4	Current balance	Q1-2014	-0.8	-3.0
	Industrial production	Q3-2014	0.4	1.5	Unemployment rate	Q3-2014	8.6	10.3
	Consumer price index	Q3-2014	-0.5	-0.2	Interest rate	Q3-2014	2.5	2.7
Portugal	Gross domestic product	Q3-2014	0.3	1.1	Current balance	Q2-2014	-0.1	1.0
	Industrial production	Q3-2014	-0.6	1.3	Unemployment rate	Q3-2014	13.6	16.0
	Consumer price index	Q3-2014	-0.6	-0.5	Interest rate	Q3-2014	0.2	0.2
Slovak Republic	Gross domestic product	Q3-2014	0.6	2.5	Current balance	Q2-2014	0.3	1.0
	Industrial production	Q3-2014	0.7	2.6	Unemployment rate	Q3-2014	13.1	14.3
	Consumer price index	Q3-2014	-0.1	-0.1	Interest rate	Q3-2014	0.2	0.2
Slovenia	Gross domestic product	Q3-2014	0.7	3.1	Current balance	Q2-2014	0.7	0.7
	Industrial production	Q3-2014	0.9	5.2	Unemployment rate	Q3-2014	9.1	9.9
	Consumer price index	Q3-2014	-0.7	-0.2	Interest rate	Q3-2014	0.2	0.2
Spain	Gross domestic product	Q3-2014	0.5	1.7	Current balance	Q2-2014	-5.6	1.3
	Industrial production	Q3-2014	-0.5	0.7	Unemployment rate	Q3-2014	24.2	26.2
	Consumer price index	Q3-2014	-0.8	0.3	Interest rate	Q3-2014	0.2	0.2
Sweden	Gross domestic product	Q3-2014	0.3	2.1	Current balance	Q2-2014	7.5	9.2
	Industrial production	Q3-2014	-2.0	-3.7	Unemployment rate	Q3-2014	7.9	8.0
	Consumer price index	Q3-2014	-0.2	-0.2	Interest rate	Q3-2014	0.2	0.9
Switzerland	Gross domestic product	Q3-2014	0.6	1.9	Current balance	Q2-2014	11.7	25.4
	Industrial production	Q2-2014	0.8	3.0	Unemployment rate	Q2-2014	4.4	4.2
	Consumer price index	Q3-2014	-0.3	0.0	Interest rate	Q3-2014	0.0	0.0
Turkey	Gross domestic product	Q2-2014	-0.5	2.5	Current balance	Q2-2014	-9.3	-17.5
	Industrial production	Q3-2014	1.6	4.2	Unemployment rate	Q2-2014	9.6	8.7
	Consumer price index	Q3-2014	0.9	9.2	Interest rate		..	..
United Kingdom	Gross domestic product	Q3-2014	0.8	3.0	Current balance	Q2-2014	-38.9	-12.9
	Industrial production	Q3-2014	0.2	1.9	Unemployment rate	Q2-2014	6.3	7.7
	Consumer price index	Q3-2014	0.0	1.5	Interest rate	Q3-2014	0.5	0.5
United States	Gross domestic product	Q3-2014	1.0	2.4	Current balance	Q2-2014	-98.5	-106.1
	Industrial production	Q3-2014	0.8	4.4	Unemployment rate	Q3-2014	6.1	7.2
	Consumer price index	Q3-2014	0.1	1.8	Interest rate	Q3-2014	0.1	0.1
European Union	Gross domestic product	Q3-2014	0.3	1.3	Current balance		..	..
	Industrial production	Q3-2014	-0.4	0.6	Unemployment rate	Q3-2014	10.1	10.9
	Consumer price index	Q3-2014	..	0.5	Interest rate		..	..
Euro area	Gross domestic product	Q3-2014	0.2	0.8	Current balance	Q2-2014	85.1	80.6
	Industrial production	Q3-2014	-0.4	0.4	Unemployment rate	Q3-2014	11.5	12.0
	Consumer price index	Q3-2014	..	0.4	Interest rate	Q3-2014	0.2	0.2
Non-members								
[1]Brazil	Gross domestic product	Q3-2014	0.1	-0.2	Current balance	Q2-2014	-19.6	-19.9
	Industrial production	Q3-2014	-0.2	-3.8	Unemployment rate		..	..
	Consumer price index	Q3-2014	0.8	6.6	Interest rate		..	..
[1]China	Gross domestic product		..	..	Current balance	Q2-2013	54.2	58.1
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q3-2014	0.4	2.0	Interest rate	Q3-2014	4.5	5.4
[1]India	Gross domestic product	Q3-2014	1.5	5.9	Current balance		..	..
	Industrial production	Q3-2014	-1.2	1.3	Unemployment rate		..	..
	Consumer price index	Q3-2014	3.6	6.8	Interest rate		..	..
[1]Indonesia	Gross domestic product	Q2-2014	1.2	5.1	Current balance	Q4-2013	-3.5	-7.3
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q3-2014	1.7	4.4	Interest rate	Q3-2014	9.3	6.2
Russian Federation	Gross domestic product	Q2-2014	0.2	1.0	Current balance	Q2-2012	22.7	23.4
	Industrial production	Q3-2014	0.3	1.5	Unemployment rate		..	..
	Consumer price index	Q3-2014	1.6	7.7	Interest rate	Q2-2014	8.8	7.4
[1]South Africa	Gross domestic product	Q2-2014	0.2	1.1	Current balance		..	..
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q3-2014	1.2	6.3	Interest rate	Q3-2014	6.0	5.1

Gross domestic product: Volume series; seasonally adjusted. **Leading indicators:** A composite indicator based on other indicators of economic activity, which signals cyclical movements in industrial production from six to nine months in advance. **Consumer price index:** Measures changes in average retail prices of a fixed basket of goods and services. **Current balance:** Billion US$; seasonally adjusted. **Unemployment rate:** % of civilian labour force, standardised unemployment rate; national definitions for Iceland, Mexico and Turkey; seasonally adjusted apart from Turkey. **Interest rate**: Three months.

Australia, Canada, Chile, Japan, Korea, New Zealand, Switzerland and US report the current balance data according to BPM6 classification.

..=not available, [1]Key Partners.
The data for euro area now cover 18 countries.
Source: *Main Economic Indicators*, December 2014.

A measure of recovery

The GDP growth story over the past year or two has been one of diverging trends, with relative buoyancy returning to economies such as Sweden, the UK and the US, but with the euro area still looking off colour. How have the crisis and subsequent economic growth patterns affected the actual size of each country's economy compared to 2007? Have OECD countries recovered their pre-crisis levels of GDP?

As our chart shows, Sweden, the US and the UK, which were among the first countries in our chart to see their annual GDP dip in 2008, started to pick up again from 2010. They recovered and surpassed their 2007 levels for gross domestic product: by 2011 in the case of Sweden and the US, and by 2013 in the case of the UK. Japan also recovered its 2007 GDP level by 2013.

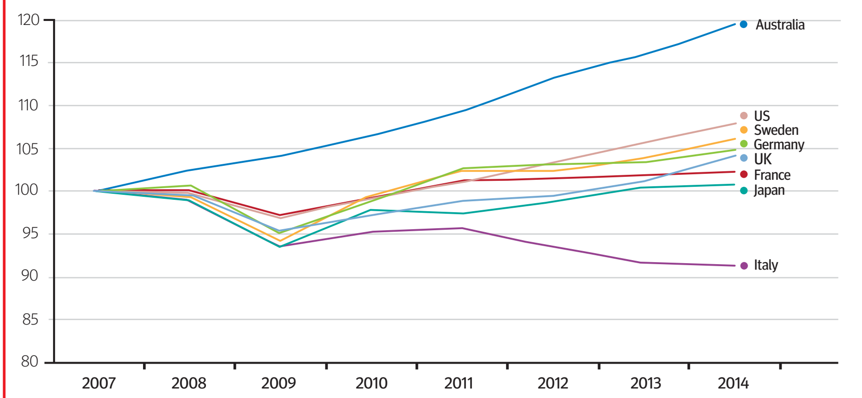
As for France and Germany, they saw a dip in annual GDP a whole year later, in 2009, though also recovered their pre-crisis GDP levels by 2011. However, France in particular has struggled with very sluggish growth, as witness its relatively flat GDP level compared to its starting point.

Italy's GDP level remains well below its pre-crisis level. This is in sharp contrast to Australia, which is a case apart in our chart, having recorded growth in every year since 2007.

For key indicators go to OECD Data at http://data.oecd.org

GDP levels since the start of the crisis

2007 = 100, based on GDP volumes at 2010 prices, US$, PPP



Source: OECD Data

Note: Forecast estimates for 2014. This chart shows the positions of each economy relative to its own level in 2007, and does not compare economic size. Sweden, for instance, has recovered more strongly than Germany, but remains a smaller economy.

OECD OBSERVER ORDER FORM – SUBSCRIBE TODAY!

❑ **Yes**, sign me up for 4 issues and my special OECD Forum edition.

❑ € 77
❑ US$ 102
❑ £ 60
❑ ¥ 9 800

❑ **Yes**, sign me up for 8 issues plus 2 OECD Forum specials and **save 30%**!

❑ € 107
❑ US$ 146
❑ £ 86
❑ ¥ 14 300

You can order either online at www.oecd.org/bookshop or by mail at one of the addresses below

Name

Telephone

Fax

Address

Postcode, City and Country

Organisation

Position held

E-mail

Date

Signature

Subscription will start with the next available issue. You will receive the English language edition unless you select the French - tick here ❑

For customers in the US
Turpin Distribution, The Bleachery, 143 West Street, New Milford, Connecticut 06776 USA
Tel: (1) 800 456 6323 Fax: (1) 860 350 0039 Email: oecdna@turpin-distribution.com

For customers in the rest of the world
Turpin Distribution Ltd., Stratton Business Park, Pegasus Drive, Biggleswade, Bedfordshire SG18 8QB, UK
Tel: (44) 1767 604 960 Fax: (44) 1767 601 640 E-mail: oecdrow@turpin-distribution.com

Payment details

❑ Cheque/money order enclosed (payable to "OECD")
❑ Please charge my VISA/MasterCard/American Express

TOTAL amount due

Card number

Expiry date