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Finland faced enormous challenges 70 years ago. With the heaviest sacrifices Finland had survived World War II as an independent nation. The war had dramatically weakened the economy's productive capacity, a large number of ex-servicemen and refugees from the lost territory had to be helped to start a new life. A huge amount of goods had to be manufactured and handed over as war reparations even though experience of their production was scant.

A colossal mobilisation of resources and structural renewal was required. One challenge was the lack of knowledge and information that the development of the society could be based on. The associations of Finnish industry decided to assume a fair share of the responsibility to strengthen the knowledge base. It was also useful to Finnish industry and commerce. In the post-war political climate facts were needed to justify the benefits of private enterprise. The consequence was the establishment of Taloudellinen tutkimuskeskus, the Economic Research Centre, in 1946. A quarter of a century later it became The Research Institute of the Finnish Economy, Etlä.

In the beginning the research centre was engaged in collecting basic information and compiling various reports. A report that received a lot of attention dealt with estimating the labour force potential and assessing means to increase labour supply. Also thereafter the institute has occasionally started to gather statistics on phenomena that have been new or have become relevant, only to transfer the responsibility of updating and maintaining the statistics to authorities later on.

In the course of time the institute's focus has shifted towards more universal research that is solidly anchored in the developing methods of economics. Simultaneously research activities have expanded both as regards themes and resources. The common thread has been the analysis of prerequisites of economic growth. Questions related to labour supply have remained an area of interest, but productivity growth and structural change as well as factors that affect them have formed the focal point of Etlä's research.

Research themes have reflected a wide variety of issues that have been perceived important at any given time: international trade; trade and integration policy; functioning and development of financial markets; functioning of the labour market and development of labour market institutions; labour force skills and education policy; innovation and innovation policy; public finances; cyclical fluctuations and monetary and fiscal policy.

Etlä's mission has remained basically unchanged through the years: to produce useful and reliable information that enterprises, associations of industry and commerce, as well as politicians and public officials can base their decisions on. It includes the results of research on economic phenomena mentioned above. It includes also a current, comprehensive view on the state of the

Finnish economy and its operating environment and an overall economic forecast based on this. And it includes assessment of the impacts of various policy measures.

Why is business community financing these kinds of activities? We find it important that enterprises, various organisations and – first and foremost – political decision-makers can base their decisions on an understanding on the Finnish economy and issues influencing its performance that is as good and balanced as possible.

Of course we also want to benefit from research activities in lobbying for enterprises' interests, but not by trying to influence results. Finnish industry and commerce is interested in the themes and quality of research. The results are a matter for researchers.

By providing basic long-term funding we want to ensure that research produces new information on issues that are relevant for industry and commerce; information that is useful in practical decision-making, for instance when the Confederation of Finnish Industries takes a position on innovation or tax policy, or when the government prepares legislation on the labour market.

Information is useful when it meets high quality standards, is obtained at the right time and is readily comprehensible. High research quality is necessary for the credibility of results. Nobody benefits from research if its quality cannot be trusted. The prerequisites for high quality are solid competence and high research ethics.

Knowledge and information is required especially in times of disruption, when new things occur and the world appears to behave differently than before. Finland was in the early days of deep transformation when Etna was established. Another such period was Finland's great recession in the beginning of the 1990s.

It is not an overstatement to say that we are again in the middle of profound change, both in Finland and globally. The time from the mid-1990s to the eruption of the financial crisis was characterised by rapid growth and optimism. With China opening up, communism collapsing and free trade advancing the scope of global exchange and the international distribution of labour expanded to cover the whole world in a new way. Finland recovered swiftly from the recession, which was the deepest in the developed world since the 1930s. The quick development of information technology enabled creation of new products and amplified productivity growth, not the least in Finland. New jobs were created rapidly and their number more than offset the ones that were lost. Macroeconomic policies appeared to have succeeded in stabilising economic development. World poverty declined dramatically.

Now the situation looks quite different. GDP growth has remained slow overall, although the financial crisis has been over for some time in the developed world and a number of countries have recovered quite well. Finland's recovery has been among the slowest in Europe. Productivity growth seems to have slowed down globally to a lower level, inflation rates have declined close to zero, as have interest rates. Many economies' ability to create well-paying jobs seems to have subsided. In a number of countries income inequality has increased markedly.

World conquest of liberal democracy has come to a halt and authoritarian political forces have gained an upper hand in many quarters, even in some EU member countries. Nationalism and intolerance have gained ground. Relations between Russia and western countries are chilliest since the ending of the cold war. The advancement of European integration has stalled and partly started to disintegrate.

The background of the abrupt change is undoubtedly multidimensional, and clearly we do not understand the nature of the events very well. However, one common denominator seems to be a wide-spread fear that at the end of the day technological change, competition and globalisation will not create wealth and welfare to the extent we have used to think they would in the last decades.

In the developed countries people are afraid that jobs will either vanish to low-cost countries or be taken over by immigrants, but most of all people fear that digitalisation will destroy traditional jobs that have provided a good and stable level of earnings, leaving only temporary low-wage jobs and forced entrepreneurship as replacements.

Populist politicians have put these fears to efficient use. We have seen revealing examples of this in the last few months. There is an obvious danger that if the populists have their way, the decisive importance to welfare growth of technological development, free trade and free movement of labour and other factors of production will be dismissed. I do not wish to deny that the change involves big challenges, the management of which presupposes good policy. I wish to say that unrealistic aspirations to rein in technological development and market forces would harm the economy's ability to create wealth, which would at worst weaken the position of precisely those that the populists seek to protect by clinging to the old.

Political reactions born out of these fears are intertwined in different ways with questions of the future of work and the livelihood it provides: how digitalisation affects the demand for different types of work, how labour market institutions influence creation and destruction of various kinds of jobs, what kind of role labour market dynamics play in productivity development and, of course, how policy can be applied to steer the development, to support positive effects of technological development and to mitigate problems it may cause.

Economic resources and institutions vary between countries, as do people's preferences and political traditions. Therefore the situation in Finland is not identical with that, say, in the United States. Here income inequality, for instance, has remained stable and low in international comparison for the last 15 years. On the other hand, the Finnish economy has been clearly less capable of creating new jobs. An interesting question is to which extent these two things – income distribution and economic dynamism – are interrelated. In any event, basic technological trends as well as the opportunities and challenges they create are essentially the same in all developed countries.

Technology, productivity and work in their various manifestations have been the core themes of Etlä's research activities throughout the time of its existence. Therefore it is fitting that the topic

of this 70th anniversary seminar is technological change and the future of work. We are extremely pleased to have as the keynote speaker one of the world's leading researchers in this field, Professor Erik Brynjolfsson from the Massachusetts Institute of Technology.

Ladies and gentlemen

The Research Institute of the Finnish Economy has left behind 70 active and influential years. I have every reason to believe that Etlä will remain influential and that high quality and efficiency will characterise its operations also in the years to come. I am convinced that Etlä will help to find wise solutions to Finland's challenges in coming years and decades. I wish you welcome to Etlä's 70<sup>th</sup> anniversary seminar.