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Spence: “Cautiously optimistic about Italy”

The 13rd edition of Trento Economics Festival, dedicated to Technology and Job, closes with The Nobel Prize Economist Michael Spence. The economist shared his views on Italy and is “cautiously optimistic”. Depending on one’s classification of Donald Trump, the Italian government is the first democratically elected anti-establishment government. He says the concerns of employment, distribution and immigration which fueled their election are legitimate concerns. Italy has a lot of assets in people and creativity but suffers from too many obstacles getting in the way of young talented people trying to start businesses. The current entrepreneurship systems are not where they need to be but can be improved. Spence says the Italian economy needs to be “untied and let free” to fully realize its potential.

The final session is a rapid round of questions and answers covering technology, redistribution, the digital market and Italy between Michael Spence and Tito Boeri, Scientific Director of Trento Economics Festival. Technology and slow growth - Spence says - are not entirely incompatible. There is a transition that needs to take place as technology develops. The demand for high skilled labor has moved faster than the supply resulting in a slow down of growth. It takes time for the labor market to readjust. Spence also believes that the productivity and growth associated with technological development have been slightly overstated. Spence points out that computers existed for 30 years before the the bump in productivity was seen “the bump in productivity will kick in but not as fast as we think.”

When it comes to redistribution Spence believes growth is the best way of distributing resources across the market. He sees it as a more practical solution given the political struggles of redistribution and the fact that growth is required to give governments the resources to fuel their efforts to help those who have been negatively affected by the market. He does not ignore the role of governments and acknowledges the importance and impact of cohesion and structural funds that the European Union has in place but suggests that national governments should be the primary governing body running redistribution efforts. Spence also expressed a desire for the conversation in Europe to change from social security and welfare policy to competitiveness policy. Again, Spence acknowledges social welfare policies and their necessity but wishes more time was devoted to discussing how to make Europe more competitive.

Spence calls the development of the digital marketplace an “unregulated flowering” which has been good but requires regulation. The digital market poses questions of fair competition with services like Uber operating as a taxi service but not being regulated as one. Spence admits that regulation will not be symmetrical across countries except for maybe inside the European Union. This difference in internet and digital regulation can be seen in the differences of China’s strict regulation and United States’s more free approach to the internet.

Watch the interview with Michael Spence: <https://youtu.be/Bj7RjnT24uk>

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