The importance of well-functioning markets for productivity growth

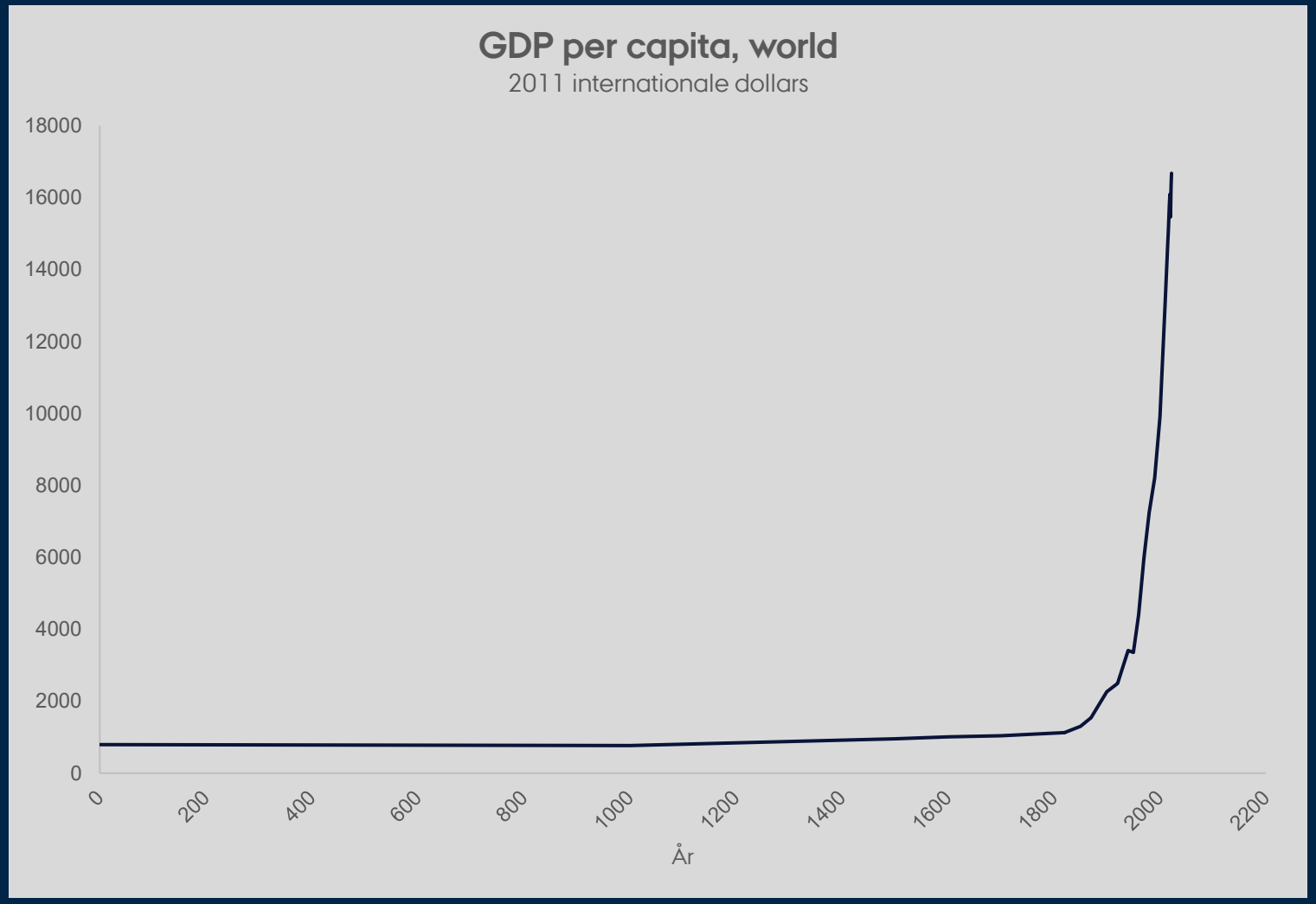
THE ROLE OF COMPETITION

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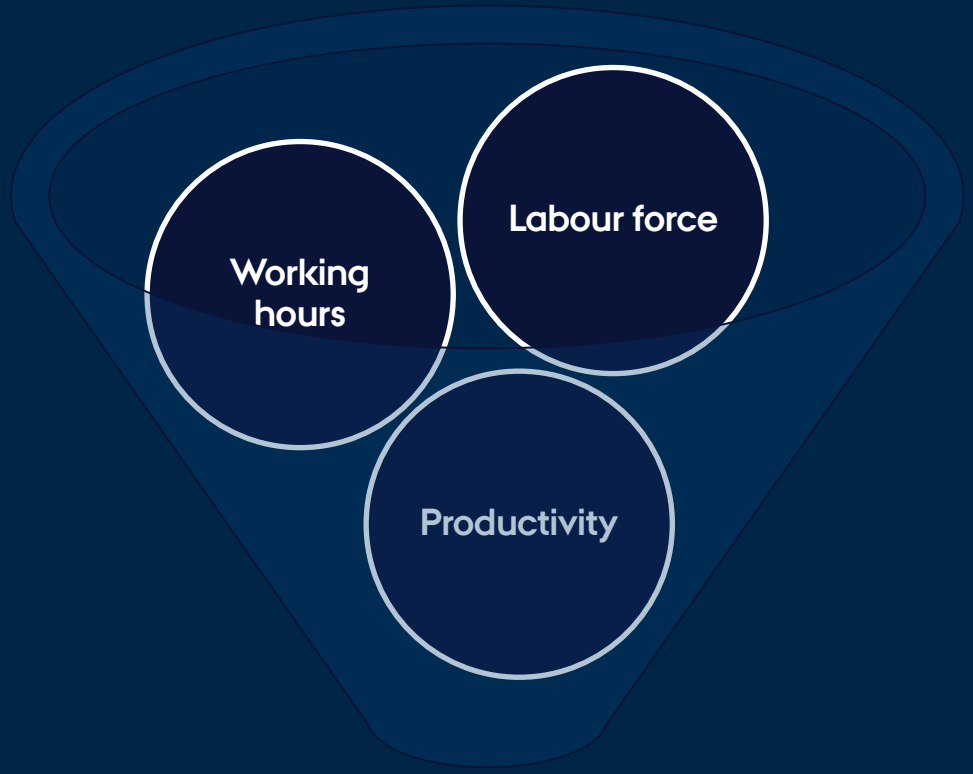
HOW TO EXPLAIN THIS?



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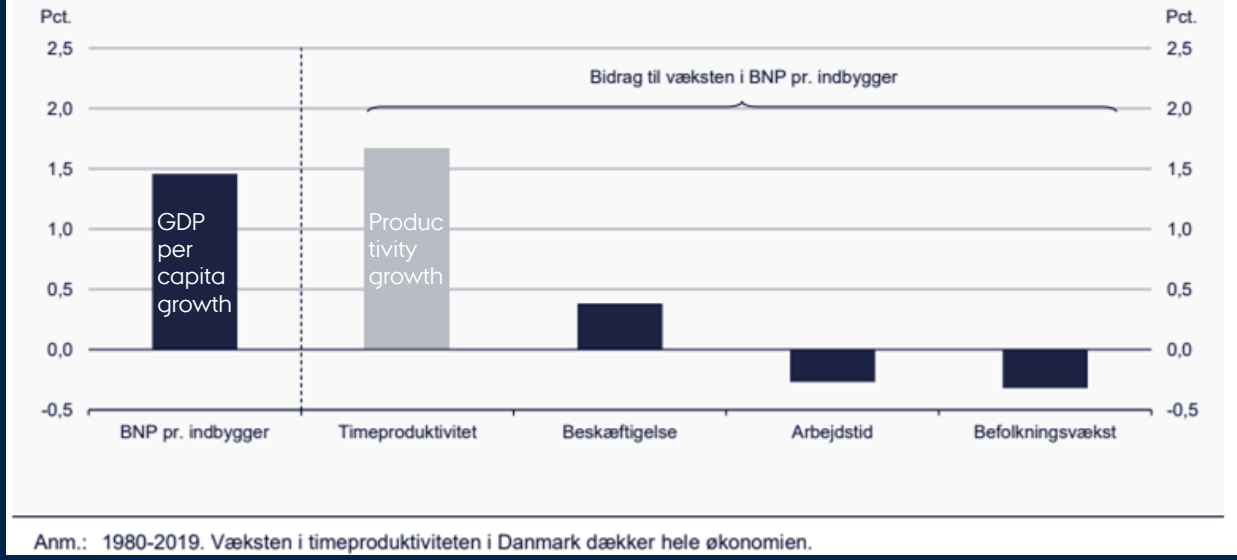
Source: CEFAU (2026) based on Maddison (2010), Bolt & van Zanden (2024)

WHAT DRIVES PROSPERITY?



Prosperity

Decomposing GDP per Capita Growth (40-year average, Denmark)

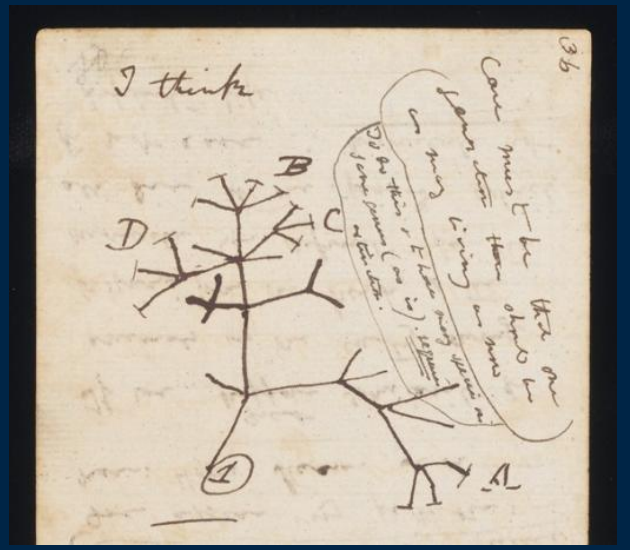


Anm.: 1980-2019. Væksten i timeproduktiviteten i Danmark dækker hele økonomien.

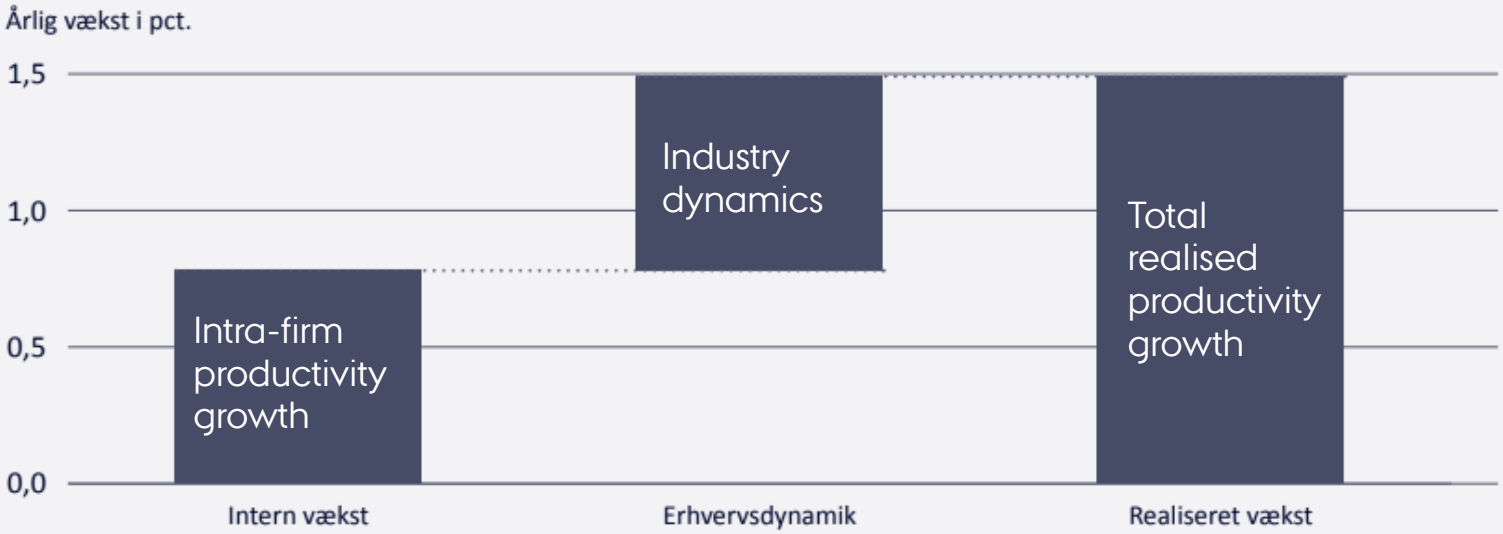
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Source: FM (2020) Behov for 2.generationsreformer.

WHAT DOES DARWINISM TELL US ABOUT PRODUCTIVITY?



Average Annual Productivity Growth (20-years average, Denmark)

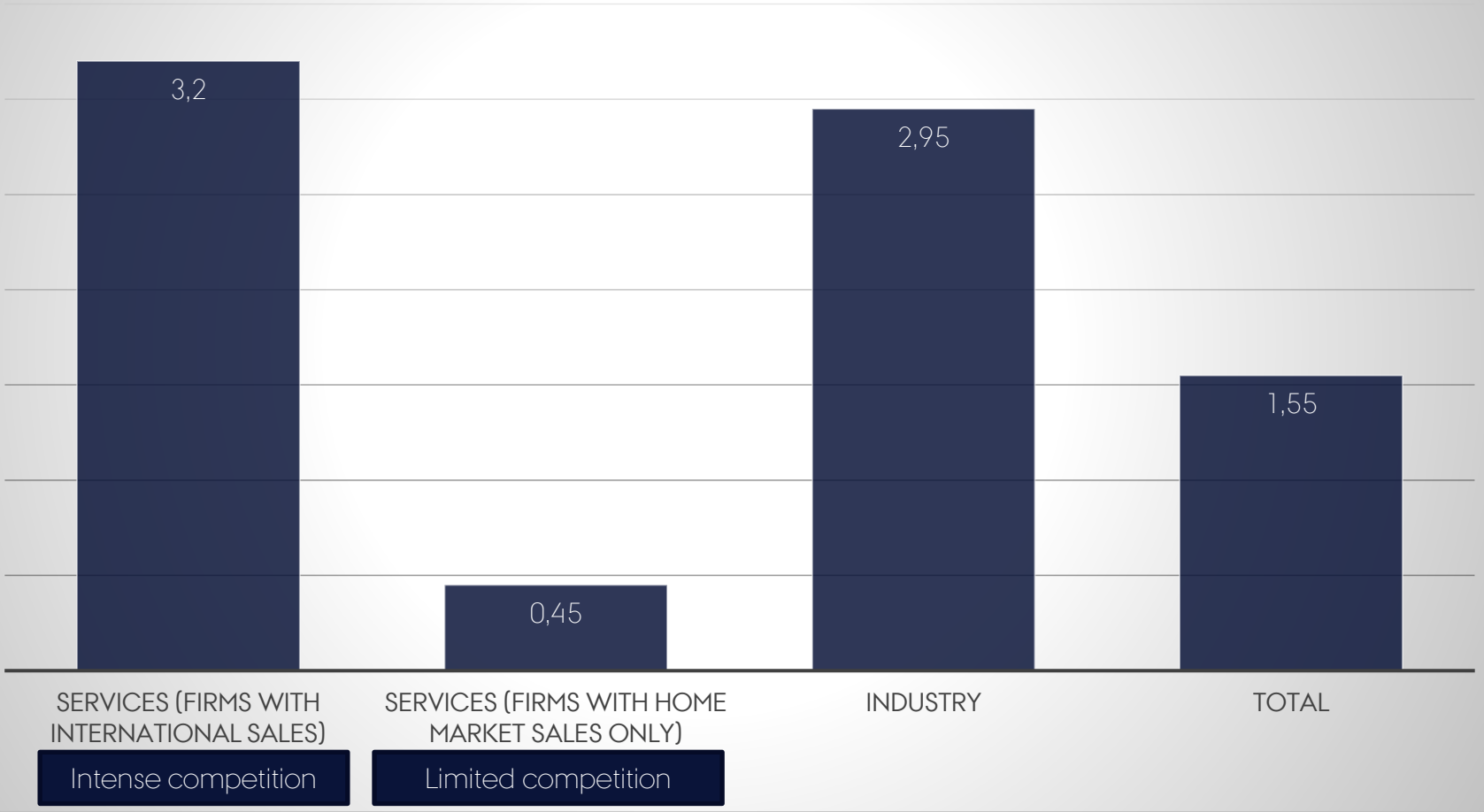


Anm.: Figuren viser gennemsnitlig årlig vækst på baggrund af data fra 2003-2018. Den anvendte metode tager udgangspunkt i Dansk Økonomi, efter 2013, hvor den aggregerede produktivitetsvækst består af bidrag fra hhv. virksomhedens interne produktivitetsforbedringer og bidrag fra omfordeling mellem virksomheder (dvs. bidrag fra ændrede markedsandele, ophørte virksomheder og nye virksomheder). I opgørelsen er der frasortereret fonde og foreninger, selvstændige offentlige virksomheder, observationer med negativ værditilvækst og virksomheder med mindre end én fuldtidsbeskæftiget.

Kilde: Danmarks Statistik, De Økonomiske Råd (2013): *Dansk Økonomi, efterår 2013* og egne beregninger.

Source: Reformkommissionen: Nye Reformvej 1, 2022.

Productivity Growth (Denmark, average annual %)



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Source: Produktivitetskommission (2014) Konkurrence, internationalisering og regulering.

SO, HOW CAN WE BOOST PRODUCTIVITY?

The Engines of Competition

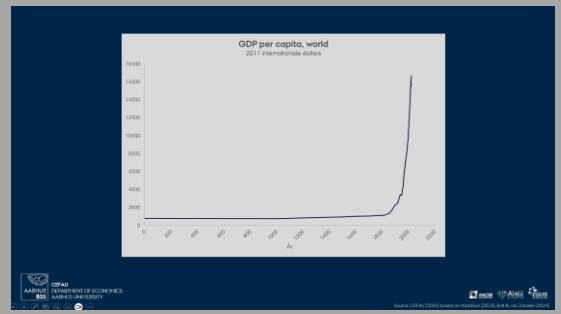
Technology, education, capital, ...

Efficient Markets

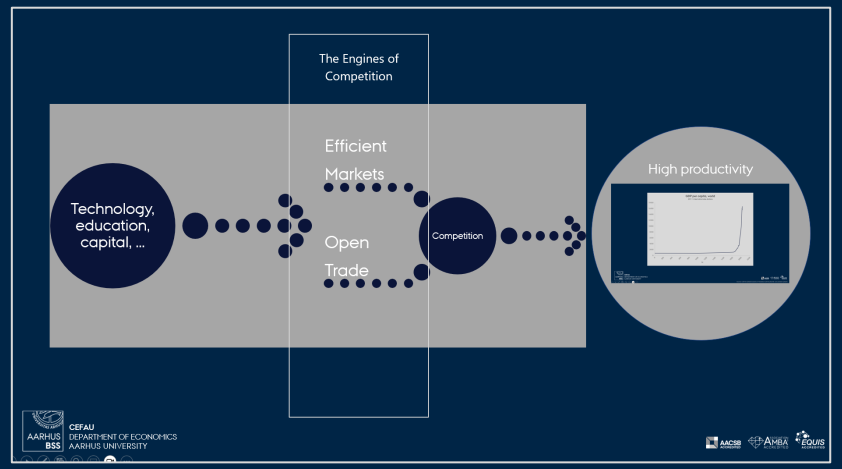
Open Trade

Competition

High productivity



THE ENGINES OF COMPETITION ARE UNDER ATTACK





Drivers of backlash against Open Trade and Efficient Markets

- The weaponization of international interdependence
- Misguided remedies in the wake of the Draghi and Letta reports



Drivers of backlash against Open Trade and Efficient Markets

- **The weaponization of international interdependence**
- Misguided remedies in the wake of the Draghi and Letta reports



Drivers of backlash against Open Trade and Efficient Markets

- The weaponization of international interdependence
- **Misguided remedies in the wake of the Draghi and Letta reports**

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THE COMEBACK OF INDUSTRIAL POLICY: A RISKY EXPERIMENT

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Old School

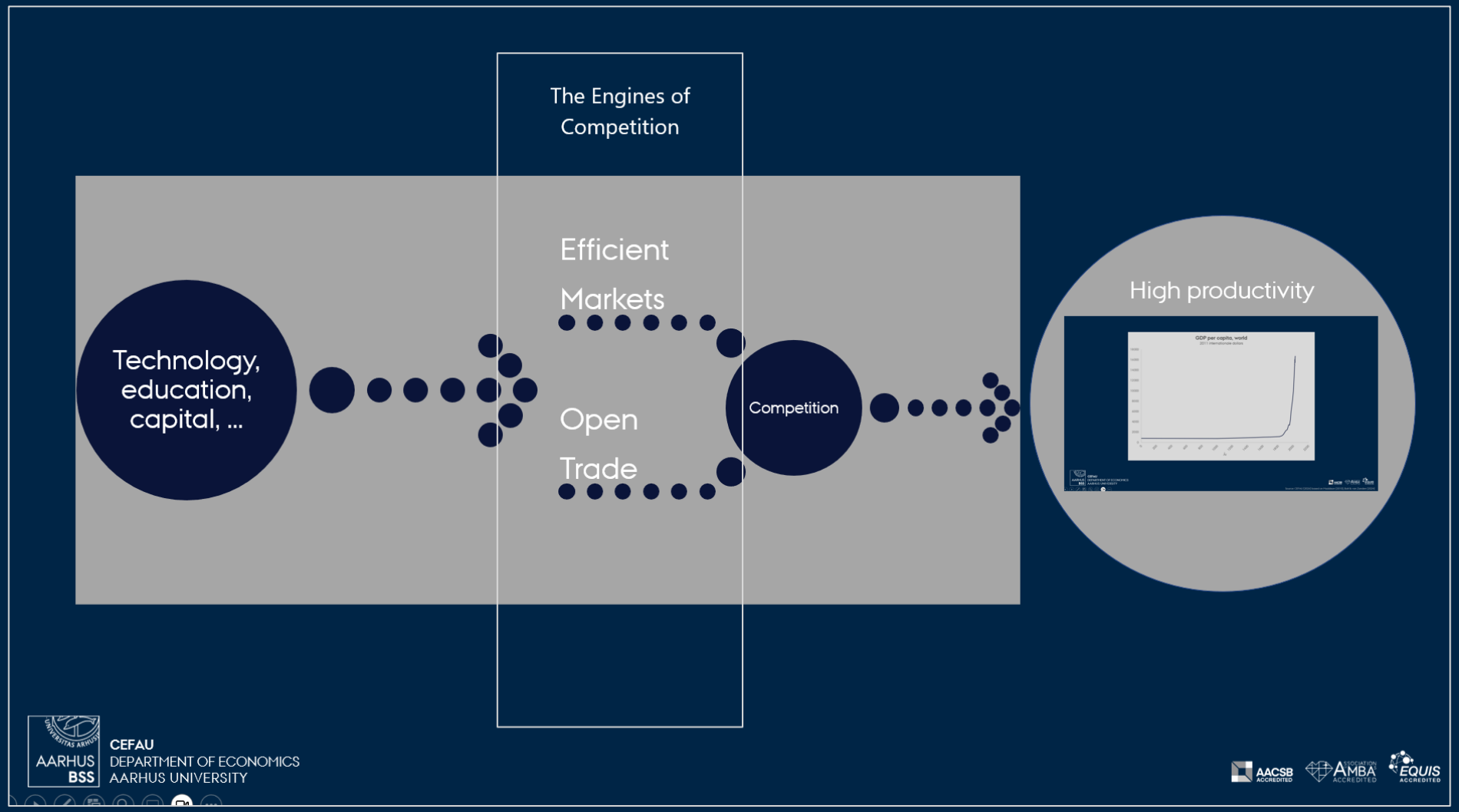
- Pick the winners

New School

- Modern tools
- Competition preserving

TO SUM UP

IS THE PROSPERITY ENGINE BROKEN?



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POLICY IMPLICATIONS

The return of industrial policy in pursuit of strategic autonomy, resilience, and national champions, together with tariffs, trade wars, and heightened uncertainty, will clog the industry-dynamics engine of productivity

POLICY IMPLICATIONS

The return of industrial policy in pursuit of strategic autonomy, resilience, and national champions, together with tariffs, trade wars, and heightened uncertainty, will clog the industry-dynamics engine of productivity

In this changing landscape:

⇒ Competition policy becomes ever more critical

⇒ Depth in Nordic/European integration grows in importance

The importance of well-functioning markets for productivity growth

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