Given current levels of uncertainty, it is quite a challenge to discuss the outlook for the global economy in the months to come. But I will take the risk, and share the OECD's assessment of the forces shaping the near-term outlook, the risks surrounding our projections and the major policy challenges facing many OECD countries.

And, of course, I cannot avoid mentioning the challenges for the euro area, as we celebrate a 'bitter-sweet' 10th anniversary of the euro.

The outlook for the global economy

When we published our latest OECD Economic Outlook in November, the global economic prospects were already very gloomy. At that time, we presented a scenario where OECD output was projected to grow by around 1.6 per cent in 2012 and 2.3 per cent in 2013. That scenario represented a significant downward revision from our previous projections and was predicated on the absence of disorderly sovereign defaults, systemic bank failures and excessive fiscal tightening in the United States.

Since then, the global economic environment has deteriorated further. Activity has lost impetus, even in the large emerging-market economies outside the OECD area, unemployment has edged up from already high levels in some countries, and financial market tensions have persisted. The euro area already appears to be in recession.

Because the uncertainty around our projections was particularly large, we considered an even bleaker alternative. This darker scenario could be triggered by different events, including a worsening situation in the banking system, further contagion in euro area sovereign debt markets or excessively tight fiscal policy in the United States.

The bottom line is: in a situation of great uncertainty, all depends on policy action to restore confidence. Prospects could be significantly brighter if measures were taken to solve the euro area sovereign debt and banking crises and a credible medium-term fiscal programme were enacted in the United States. As the economists put it, we could have multiple equilibria for the global economy, and appropriate policies could trigger a move from a “bad” equilibrium towards a “good” one.

Dealing with the euro area crisis

Ten years after the launch of the common currency, the euro is facing its most severe test.

Confidence in the monetary union is being shaken by lingering sovereign debt and banking crises. The European Leaders have announced measures to stem contagion, to strengthen the banking system and to overhaul the governance of the euro area and to strengthen fiscal discipline in the years to come. A “fiscal compact” was announced at the Leaders’ Summit in December. These are important measures to restore the confidence needed to achieve our upside scenario. They will need to be implemented swiftly and decisively.

But there are also deeper underlying causes to the euro area crises, which need to be addressed. Structural reforms, to rebalance growth and to restore competitiveness, need to be put in place as a matter of urgency. Indeed, this is the crux of the matter.

To be more specific, the peripheral economies have lost competitiveness over the years, because of a gradual increase in the cost of labour and weak productivity growth. Their external positions and public finances have deteriorated sharply as a result. By contrast, other countries in the euro area have gained competitiveness on the back of solid productivity gains and relied on external drivers to grow.

Given the structural underpinnings of the euro-area crisis, it should not be a surprise that structural reforms tailored to specific country conditions lie at the core of the long-term resolution of the euro area woes. Countries will have to rebalance their engines of growth, and this can only be achieved by removing structural rigidities within individual countries – in labour and product markets, for example – that hold back competitiveness and growth.

For example, reforms to liberalise sectors, such as retailing or professional services, which are often sheltered from competition, could contribute to rebalancing by unleashing opportunities for investment in those countries with large external surpluses. Likewise, labour and product market reforms could foster productivity growth in those countries that have lost competitiveness and accumulated large external imbalances.

Pro-growth reform also facilitates fiscal consolidation in countries with weak public finances. This is because faster growth generates revenue to the budget and is accompanied by lower spending on some programmes, including unemployment insurance.

To be clear, ambitious medium-term fiscal consolidation will be necessary, given the level of indebtedness of some euro area countries. And indeed we have already seen steps in this direction in many countries. But it is an imperative to design adjustment packages in a growth-friendly manner. This can be done with a proper mix of expenditure and revenue measures.

On the expenditure side, for instance, higher public sector efficiency could allow for maintaining, or even increasing, outputs while reducing expenditure.

On the revenue side, broadening tax bases by reducing tax expenditures would enable a reduction in (marginal) tax rates and the associated economic distortions. Improving the effectiveness in tax collection and the fight against tax evasion are other promising avenues. Even if revenue neutral, tax reforms can also contribute indirectly to fiscal consolidation through their medium-term effects on income, productivity and tax receipts. In addition, policies to tax public “bads” such as pollution could help consolidation while creating opportunities for growth.

Taking a broader perspective

Since the onset of the crisis, the OECD has been working to help governments soften the blow on those who will be worst hit and to lay the foundations of a stronger global economy for the generations to come. We have identified country-specific policy actions that should be implemented if the global environment deteriorates further, to stabilise the financial sector, to protect the safety net, and to provide macroeconomic support while strengthening fiscal frameworks. In addition, a wide range of structural measures remain urgent, with priorities varying from country to country.

But let us be clear, in the current circumstances there is no more “business as usual”. It is not enough to “go structural”. It is also imperative to “go social” to deal with the social scars left by the crisis, including high joblessness and rising inequality, and to face the challenges posed by a slow recovery on the labour market. And this is not only a “mantra”. This is the only way to really invest in our future.

We thus call on countries to tackle resolutely the tragedy of unemployment, which risks becoming structural, and particularly youth unemployment, as we can neither accept nor afford a lost generation. Youth unemployment stands at around 20% in OECD countries; it is higher still in France and reaches close to 50% in Spain.

We also call on countries to reverse the long-term trend of rising inequalities, which also lies at the heart of the current crisis. Our recent report “Divided We Stand” provides powerful evidence that the benefits of growth do not trickle down automatically and that inequality does not foster social mobility. We thus need comprehensive strategies for inclusive growth.

[…] on the prospects for the global economy, I can only say, once again, that all will depend on policy action and leadership. But this is in fact good news. It means that we can put “better policies for better lives” at the centre of our policy efforts and tackle this crisis.

The road ahead is arduous. There is no shortcut. Mais, comme l'a dit votre Napoléon, "l'infortune est la sage-femme du génie ». Let us hope that from this crisis, we will build a better world economy.

Fuente: Remarks by Angel Gurría, OECD Secretary-General, delivered at the "Colloque Risque Pays COFACE 2012" Paris, 16 January, 2012