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## Fourth World KLEMS Conference Held in Madrid, May 23-24



The Fourth World KLEMS Conference was held at the **BBVA Foundation** in Madrid, Spain, on May 23-24. The conference included reports on recent progress the development and applications of industry-level data sets on outputs, inputs, and productivity in Asia, Europe, Latin America, and the United States. The acronym KLEMS refers to inputs of capital (K), labor (L), energy (E), materials (M), and services (S). These data are widely used in research on economic growth and structural change and in international comparisons based on industry-level purchasing power parities.

Research has been completed and data sets have been published for more than forty countries. Ten countries now publish KLEMS data sets annually as part of the official national accounts: Six countries in Europe -- Denmark, Finland, Italy, The Netherlands, Sweden, and the U.K., as well as Canada, Mexico, and the U.S. in North America, and Australia. Current data sets for Argentina, Canada, China, India, Japan, Korea, Russia,

and the U.S. are available on the **World KLEMS website**. Research is planned or underway to develop datasets for additional countries around the world.

The Fourth World KLEMS Conference devoted special attention to KLEMS-type research in Europe, including recent developments in countries included in the original EU (European Union) KLEMS study and subsequent updates. The EU KLEMS study provided industry-level data on the sources of growth for EU member countries. The most recent updates of these data are available at the **EU KLEMS website**. The data are widely cited and two volumes have been published on the results:

Marcel P. Timmer, Robert Inklaar, Mary O'Mahony, and Bart van Ark, *Economic Growth in Europe: A Comparative Industry Perspective*, Cambridge, Cambridge University Press, 2010.

Matilde Mas and Robert Stehrer, eds., *Industrial Productivity in Europe: Growth and Crisis*, Cheltenham, UK, Edward Elgar Publishing, 2012.

The conference included sessions on information and communications technology (ICT), global value chains, human capital, intangible capital, and measurement issues. The final session was devoted to future challenges. Bart van Ark of the **Conference Board** discussed plans for updating the EU KLEMS study. The Directorate General for Economic and Financial Affairs (DG ECFIN) of the European Commission is supporting two full updates and revisions of the EU KLEMS data sets in 2016 and 2017. This will be carried out by van Ark and his associates at the Conference Board.

The final session included a presentation by Francisco Perez of the **Valencian Institute of Economic Research (IVIE)** on KLEMS data for Spain. The IVIE was one of the original participants in the EU KLEMS study and maintains a current data set for Spain. Paul Schreyer of the OECD, a leader in standardizing the methodology for KLEMS-type research, discussed the OECD's agenda for productivity measurement. Marcel Timmer of Groningen University, who has led the development of the **World Input-Output Database (WIOD)**, outlined future directions for research on global value chains.

The Organizing Committee for the Fourth World KLEMS Conference consisted of Dale W. Jorgenson of Harvard University, Kyoji Fukao of Hitotsubashi University, Matilde Mas of IVIE, and Marcel Timmer of the Groningen University. The IVIE was in charge of local arrangements on Madrid.

## **Program and Participants** for the Fourth World KLEMS Conference

Pictures from the Fourth World KLEMS Conference

Dale Jorgenson, Kyoji Fukao, and Marcel Timmer, eds., **The World Economy: Growth or Stagnation?** Scheduled for publication by the Cambridge University Press in September.

The Fourth World KLEMS Conference was followed by an **Open Session**.

The following is a report from IVIE:

In its fourth edition, the World KLEMS Conference included an 'Open Session' for specialized public which took place on Tuesday, May 24. The title was "Europe's Performance and Trends of the World Economy" with Professor Dale W. Jorgenson from Harvard University and José Manuel González-Páramo, BBVA Director of Global Economics, Regulation and Public Affairs, as main speakers. Participants of the round table "The Future of Europe from an International Perspective" were Matilde Mas (Universitat de València and Ivie), Ángel Melguizo (OECD), Bart van Ark (University of Groningen and The Conference Board), Kyoji Fukao (Hitotsubashi University) and Marcel P. Timmer (University of Groningen). Some of the main messages of the Open Session were:

- The world economy has accelerated since 1995 but it has also become much more unsteady
- The balance of the world economy is shifting from the G7 advanced economies to the emerging economies of Asia, specially China and India, generating a new world economic order
- The EU economy has serious productivity problems, in almost all industry sectors, when compared with the US. In addition, these differences have become greater since 2009
- Among the many reasons for this behavior of productivity are the production and use of information technology and investment in intangible capital. In both areas, the US proves to be notably superior
- Economic growth will continue to be weak in Latin America in 2016 and 2017 (around -0.5% in 2016, and 2% in 2017) leaving a reduced margin of maneuver for demand policies (monetary and fiscal)
- Latin America needs to activate an agenda for actions that promote productivity and help evade the middle-income trap. To achieve this, these countries need to strengthen their macroeconomic policies and the quality of their regulations, and diversify their political structure
- China's economic growth has been characterized by an extremely rapid and intense capital accumulation, as well as a low rate of technical progress and slow growth of the labour force as a result of the one-child policy. In order to continue its rapid economic growth, it needs to give more importance to TFP growth
- The slowdown of China's economy will result in the medium-term loss of thousands of jobs in developed countries
- Traditionally, the increase in exports and the existence of revealed comparative advantages are associated with greater competitiveness. However, this is true in a world where all stages of production are carried out in one place. But in today's world of international production fragmentation, it is no longer about what you sell, but what you do within its value chain.