A New Role as Technology

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In the early 1980s I had the privilege of holding two important portfolios in the federal government of Canada – Science and Technology, and Economic and Regional Development. Addressing the role of government in those days was even more complex than today as we struggled with the legacy of the 'government knows best' mentality still supported by many active politicians and the reality of limited resources and a mounting inventory of disastrous interventions. Where was the proper balance to be found between private-sector research and development and public-sector support?

Now there is a pronounced and evident leaning to less and less government intervention, but that does not mean it has no role. On the contrary, I see a significant role for government today, as I did then, in ensuring the diffusion of technologies developed anywhere on the globe from which domestic industries could benefit. This is especially true of small and medium-sized enterprises which have limited knowledge of such new technologies. National governments in the OECD have the capacity, through their science and commercial experts in foreign capitals, to follow these technological developments and ensure in turn that information systems are in place to permit their diffusion to domestic industries.

Direct subsidies to domestic industries, by contrast, will enjoy a progressive and justified demise as global free trade becomes a reality. And although government procurement is nonetheless a very effective way of stimulating research and development, it too must be opened up to foreign competition. We are seeing this happening but it will take time. Otherwise we will lose the 'magic' of the market-place – that unending spiral of the conversion of goods and services to capital and the latter, usually married with innovation, to more goods and services in what we call economic growth.

As free trade truly becomes free and global, technological innovations will become increasingly important, offering consumers more and more options at cheaper prices all over the globe. We will see Schumpeter's theory of 'creative destruction' on a scale never before imagined

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as the producers of goods and services compete for the choices of consumers. We have already seen many examples of it. Several come to mind as personal recollections. When I was a student the Wilkinson Sword hit the market; to our astonishment one could have more than one shave with a razor blade. The industry has never been the same since. The same is true of the influence of Japanese car-makers on the products of the United States and Europe. Cameras, sound systems, television sets: the list may seem endless, but it is nothing compared to what lies ahead in a true global market-place.

In this new world, what is the role of government to be? I have offered a few thoughts based on my own experience and observation, and this edition of The OECD Observer *offers some rich material from some of our experts who are pursuing these important questions. The explosion of free trade has dramatically shifted the paradigm. In the past governments saw themselves as helping domestic industry to compete in the rough and tumble of international trade. Today, and more so tomorrow, governments must recognise that it is individual firms which are competing in an international market place, not one country's industry against that of another. Support programmes to industry must be designed accordingly. They cannot be allowed to prejudice the concept of 'the level playing-field'. The first two articles in this issue, treating the role of technology in industrial performance and examining the extent of state support to industry, should be read in this light.*

The old saying 'Build a better mouse-trap and the world will beat a path to your door' is truer than ever. But to what extent should the state help you build that better mouse-trap? If any help is appropriate, what form should it take? In the age of globalisation these are important questions.