

# ‘And now win the peace’: Ten lessons from history for the next normal

We are not at the end of the COVID-19 crisis, and maybe not even at the end of the beginning. But it is not too soon to build the strategies that will foster broad-based growth.

*by Kevin Sneader and Shubham Singhal*



**Two months after Germany surrendered**, Britain held a general election. “And now win the peace,” exhorted the Labour Party, which promised massive social and economic change. The words struck a chord and Labour won big, sweeping Winston Churchill out of leadership.

Western Europe, Japan, and the United States did win the peace, enjoying more than two decades of broad-based economic growth that not only raised living standards and brought a better quality of life to their citizens but also helped to fuel global growth (Exhibits 1 and 2).

As the world considers how to navigate the post-COVID-19 future, the only certainty is that it will be different, or as we wrote in a prior article, “the future is not what it used to be.” But then, the future is

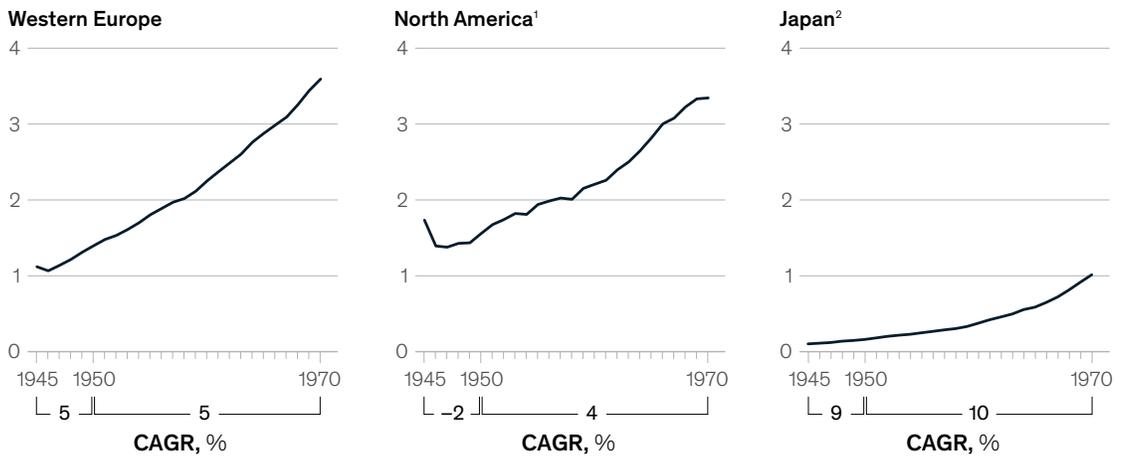
always different, and always uncertain. The past is less so. Considering the lessons of history can help business leaders and policy makers figure out how to manage the challenging years ahead.

With that in mind, we looked specifically at the post-World War II era—a time when much of the world rose, quite literally, from the ashes. Not everywhere, of course, or to the same degree. Indeed, many countries would not want to revisit the decades after the war. Eastern Europe went behind the iron curtain; China suffered civil war, starvation, and the Cultural Revolution; much of Africa, Latin America, and the Middle East was unstable and wracked by conflict (although there were bright spots in these regions, too). So the following discussion draws chiefly on the experience of Japan, the United States, and Western Europe, which

Exhibit 1

**Economic growth was strong from 1945 to 1970 in Western Europe, North America, and Japan.**

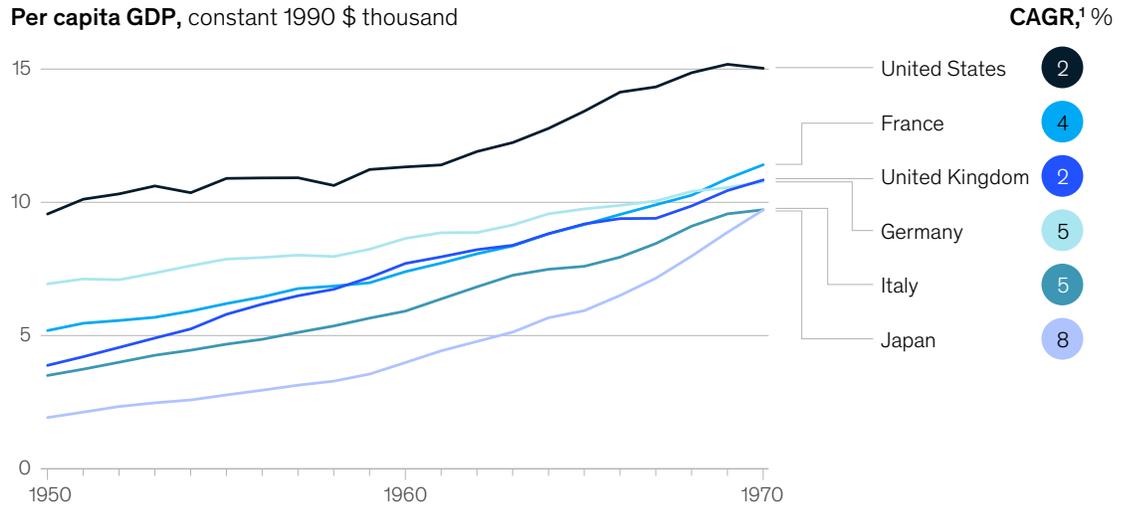
GDP, constant 1990 \$ trillion



<sup>1</sup>Canada and United States.  
<sup>2</sup>Data unavailable for 1941–49, and so GDP was estimated using 1940–50 compound annual growth rate (CAGR).  
 Source: Maddison Project Database (2010), University of Groningen

Exhibit 2

**Per capita GDP growth also was strong from 1950 to 1970.**



<sup>1</sup>Compound annual growth rate.  
Source: Maddison Project Database (2010), University of Groningen

were conspicuous in their success. Technologies developed for war were adapted for peace-time use. Poverty, government debt, and inequality fell, while living standards improved and prosperity spread broadly.

In this article, we address two questions. First, what accounted for this record of inclusive growth, sustained for more than two decades? And second, while acknowledging that the world has changed enormously since 1945, are there ideas and actions taken then that can inspire us now?

**The lessons of the past: Factors behind postwar recovery**

*When everybody else thinks it's the end, we have to begin.*

—Konrad Adenauer, chancellor of West Germany, 1949–1963

The French have a phrase for it—“les trente glorieuses,” or the “glorious 30”—the period from 1945 to 1975 in which faster growth, greater productivity, higher wages, and generous social benefits transformed the country. The German term is “wirtschaftswunder,” or economic miracle, and the Italian is similar, “il miracolo economico.” In 1964, a rebuilt Japan successfully hosted the Tokyo Olympics.

The coronavirus pandemic is not nearly on the scale of the tragedy of World War II, in which an estimated 60 million people died and many cities were leveled. But COVID-19 has killed more than 600,000 people so far and shut down huge swathes of the global economy, with all the suffering that implies. By any standard, that constitutes a global catastrophe. So it may be useful to think about how Western Europe, Japan, and the United States recovered from a previous catastrophe. We think the following factors were particularly relevant.

# Considering the lessons of history can help business leaders and policy makers figure out how to manage the challenging years ahead.

## **There was a sense of purpose around rebuilding lives and livelihoods**

In June 1941, when Britain was near its wartime nadir, a British civil servant named William Beveridge was tasked with writing a report on the country's social-insurance programs. In November 1942, he produced something much more substantive. What became known as the Beveridge Report made the case for eradicating what Beveridge called five "giant evils": want, disease, ignorance, squalor, and idleness. The report had both a sense of urgency, and of possibility: "Now, when the war is abolishing landmarks of every kind, is the opportunity for using experience in a clear field. A revolutionary moment in the world's history is a time for revolutions, not for patching." The report argued for "cooperation between the State and the individual" but without stifling "incentive, opportunity, responsibility." These principles, adapted to local conditions, to a large degree describe the basis for the development of many of the postwar European welfare states.

The United States also played an important role. It suffered little physical destruction during the war and endured nothing like the postwar distress of Japan and Europe, where even several years after the war, tens of millions of people remained hungry and cold. The United States recognized that, for both humanitarian and geopolitical reasons, it needed to help. The most famous effort to meet these pressing needs was the Marshall Plan. From 1948 to 1952, the United States gave \$13 billion in aid to 16 European countries (equivalent to \$126

billion today) to get European economies back on their feet. Assistance went to everything from funding the French aircraft industry (to help buy propellers) to fighting tuberculosis to bringing European specialists to the United States to learn new industrial and agricultural techniques to financing Portugal's cod-fishing fleet. By 1952, when funding ended, each participating country's economy had surpassed prewar levels. Japan also received considerable aid and other support that fostered the structural adjustments it needed to transition from a war-focused to a peacetime economy. All told, US economic aid totaled \$44 billion by 1954—the equivalent of \$420 billion today.

No two countries are alike, and there were no magic multinational bullets that solved these countries' problems. What can be said, however, is that after World War II, there was a broad sense that it was time to do better for the millions of people who had suffered so terribly and whose leaders had previously failed them so badly.

## **Global institutions created the structures to promote technology sharing, economic growth, and political stability**

It's a veritable alphabet soup: EAEC, ECSC, GATT, IMF, NATO, UN.<sup>1</sup> All of these were created in the years after the war in an effort to forge a more constructive economic and international order. The creation of GATT, for example, created a framework that liberalized international trade. As trade barriers fell, technological transfer between industries and

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<sup>1</sup> European Atomic Energy Community, European Coal and Steel Community, General Agreement on Tariffs and Trade, International Monetary Fund, North Atlantic Treaty Organization, United Nations.

countries rose. Global foreign direct investment grew eight times from 1950 to 1970. At the same time, the formation of NATO in 1949 created the geopolitical security that allowed Western European governments breathing room to reconstruct their countries.

The creation of these international institutions allowed individual economies and businesses to get on with the job of deploying the capital and technology available to rebuild their countries—with far-reaching effects. The European Coal and Steel Community, for example, eventually evolved into what is now the European Union.

### **There was sustained investment in human and physical infrastructure**

Governments took a long-term view, with effective planning teams that implemented multiyear initiatives in areas such as education, energy, infrastructure, R&D, telecom, and transportation. These were sustained through changes in political leadership and included the expertise of scientists and economists.

War-torn countries needed to fix their roads and replace their bridges, and they did, often remarkably quickly. France restored more than 80 percent of its coal capacity by the end of 1945 and doubled its steel capacity between 1947 and 1950. The US interstate highway system, begun in 1956, contributed to higher productivity and lower transportation costs. “We needed them [highways] for the economy,” noted one of the system’s architects, “Not just as a public-works measure, but for future growth.”

The infrastructure efforts went well beyond bricks and mortar. Japan introduced reforms that both demilitarized and broadened education. In the United States, the GI Bill more than doubled the number of college graduates between 1940 and 1950. Britain mandated free secondary education, and France extended how long children stayed in

school. What this translated into isn’t just better-educated people—a good in and of itself—but a pool of workers capable of excelling in the fast-changing industrial economy.

### **Business adapted**

Once the basics were established, such as stable currencies, relatively open trade, antitrust laws, workforce training, and land and labor reforms, business was able to get back to business. Public and private investment had no difficulty finding commercial applications, and the private sector absorbed it productively. In 1948, when West Germany scrapped price controls and created the Deutsche Mark, industrial production immediately responded, rising 50 percent.

Wartime economic policy also played a role, as it forced selected companies to scale up, make new products, and innovate faster than they would have otherwise. For example, Pfizer was a citric-acid manufacturer when the US government asked it to participate in the production of penicillin. After the war, the company adapted what it had learned to create an improved, deep-tank fermentation production process that enabled it to create new antibiotics and become a major pharmaceutical player. Wartime investments in areas like nuclear energy, rocketry, synthetic rubber, and automotive engineering all had positive spillover effects during peacetime.

With reduced postwar government controls, business also consolidated, creating larger units that were able to make sizeable investments in innovative technologies; the chemicals, pharmaceuticals, and high-tech industries are notable examples of this effect. At the same time, a stable political and social environment, along with flexible working conditions, also encouraged new business formation. With investment coming in, and liberalized trade rules fostering the transfer and expansion of technology, the stage was set for sustained growth with broad social benefits, as

workers moved from lower-paid sectors, such as agriculture, into more productive and higher-paid ones.

### Drawing the right conclusions: The limits of the postwar analogy

*It is not often that nations learn from the past, even rarer that they draw the correct conclusions from it.*  
—Henry Kissinger, *A World Restored*

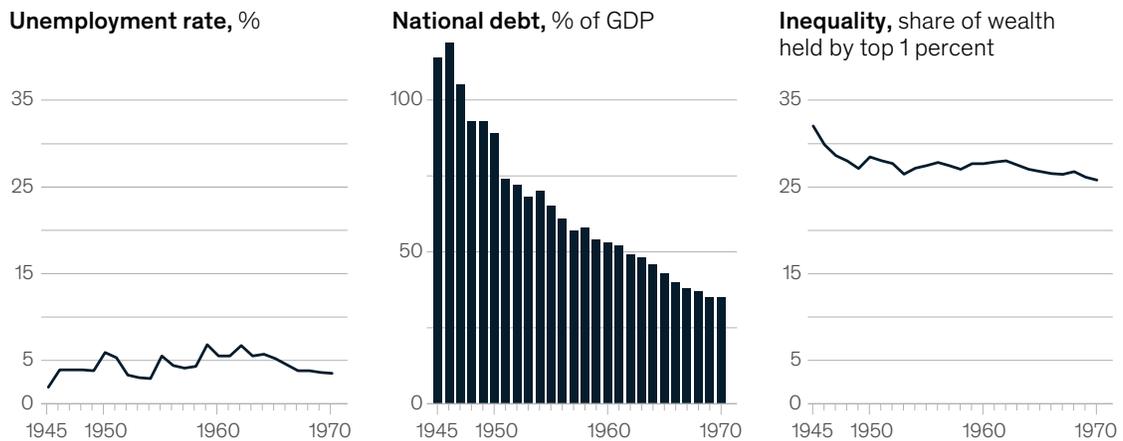
There was no postwar miracle; the actions that forged recovery were all human made. Good policies, political commitment, and hard work made it happen. The same will have to be the case in

recovering from the coronavirus crisis. Not the same policies, of course—the conditions are too different. Trade flows are much bigger, international travel is routine, information is transferred seamlessly, and the use of digital tools is only going to get much greater. But there are broad themes that we believe are pertinent.

In the postwar era, international institutions (GATT, Bretton Woods, Marshall Plan<sup>2</sup>), domestic government policies (education, training, infrastructure, currency reform), and private-sector actions (innovation, technology partnerships, structural change) worked together to create the conditions for broad-based growth (Exhibits 3, 4, 5).

Exhibit 3

### In the United States, employment remained robust after 1945, while national debt and inequality declined.

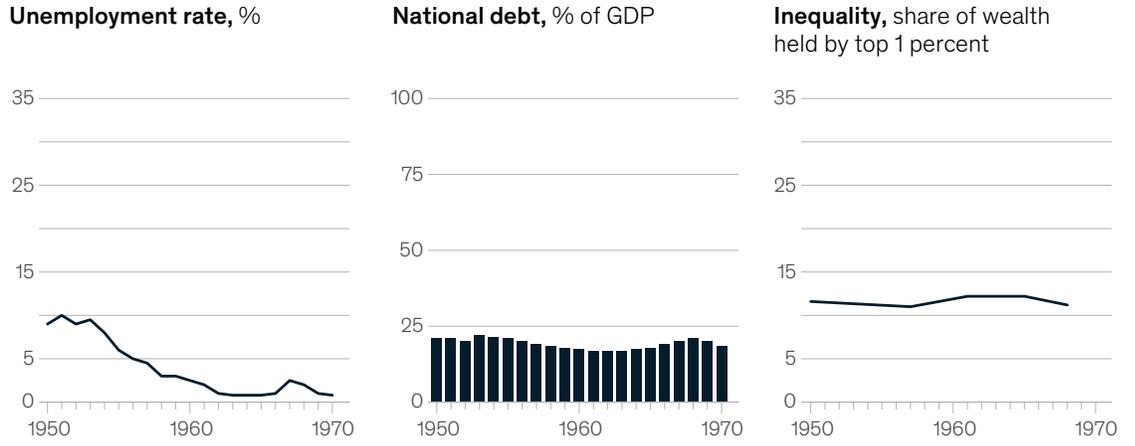


Source: Federal Reserve Bank of St. Louis

<sup>2</sup> The Bretton Woods Agreement, negotiated in 1944 by delegates from 44 countries at a UN conference held in Bretton Woods, New Hampshire, stated that gold was the basis for the US dollar, and other currencies would be pegged to the US dollar's value. The system came to an end in the early 1970s when President Richard Nixon announced that the United States would no longer exchange gold for US currency. The Marshall Plan, formally approved in 1948, was a US initiative that provided foreign aid to Western Europe.

Exhibit 4

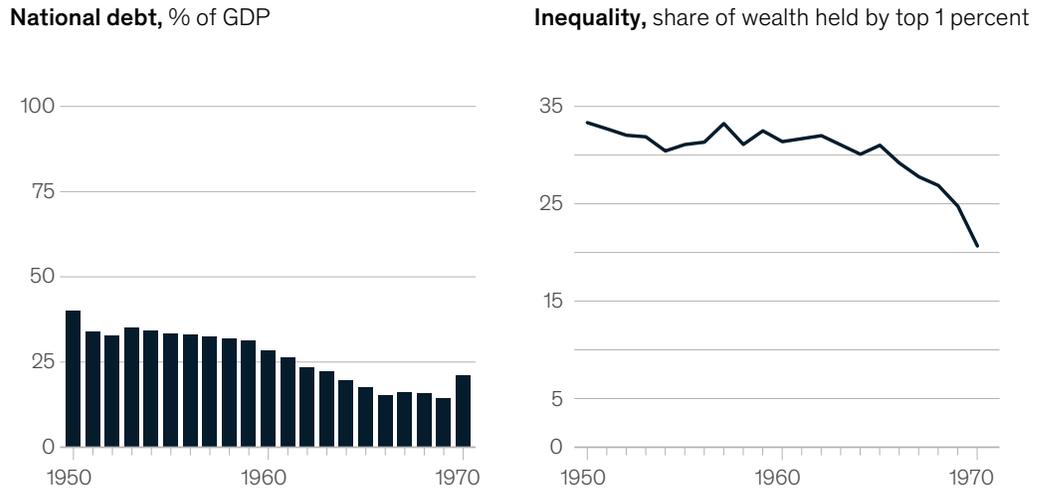
**German unemployment dropped after 1950, while debt and inequality also declined.**



Source: German Federal Bank; German Ministry of Finance

Exhibit 5

**France saw significant improvements in levels of both debt and inequality after 1950.**



Source: International Monetary Fund

And in fact, the same factors were also critical in more recent success stories, such as Estonia, Israel, Singapore, South Korea, and Taiwan, all of which emerged from difficult circumstances to create advanced economies and prosperous societies. In the postpandemic world, there needs to be a similar cohesiveness of action.

### **Adapting the lessons of the postwar era to the coming post-COVID-19 era**

*Part of being optimistic is keeping one's head pointed toward the sun, one's feet moving forward. There were many dark moments when my faith in humanity was sorely tested, but I would not and could not give myself up to despair. That way lays defeat and death.*

—Nelson Mandela, *Long Walk to Freedom: The Autobiography of Nelson Mandela*

To win the post-COVID-19 peace, today's policy makers and business leaders need to channel the optimism and imagination of their postwar equivalents—but differently. In many ways, we live in the world created then. While keeping what is worthwhile, it is time to do better. Here we suggest ten ways to win the peace.

#### **Reform and reshape globalization**

When future historians look back on the first two decades of the 21st century, one of the themes

they will emphasize will be globalization—the world's growing connectedness, in both cultural and economic terms. Globalization is a long-term phenomenon: exports of goods as a share of global GDP doubled from 4 percent in 1945 to 9 percent in 1970 and doubled again in the 1980s. By 2017, the cross-border trade in goods and services had reached 28 percent of global GDP. In addition, the continued emergence of China, India, and other economies, plus the rise of seamless communications, in the form of the mobile phone and the internet, have quickened the pace and deepened the effects of globalization. On the whole, this has been a very good thing: the spread of globalization has helped lift billions of people out of poverty. But there have been losers, in both environmental and social terms.

Global problems need global attention, something the architects of the postwar world recognized. Today, we need to do the same, reshaping globalization and its institutions to meet modern needs. The good news is that doing so may be a matter of pushing on an open door. A 2019 poll by the World Economic Forum, with respondents from 29 countries, for example, found that at least 72 percent in all regions agreed that “all countries can improve at the same time”; and majorities in all regions (and 76 percent overall) believe that it is important for countries to work together. Here are some ways to address some of the discontents associated with globalization.

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### **Create trade policies that take into account how globalization is changing**

One change is that trade in services is now growing much faster than trade in goods—60 percent faster overall, and two to three times as fast in specific sectors, such as information technology. In fact, depending on how the figures are calculated, trade in services may already be more valuable than that in goods. Digital flows exert a larger impact on GDP growth than the trade in goods, and even the trade in goods often has a digital component. Another departure from the 20th century is that labor-cost arbitrage is less important, accounting for only 18 percent of the trade in goods from poorer to richer countries. A third is that more trade is happening regionally, particularly within Europe and Asia; the COVID-19 crisis could well accelerate this development, as many companies will want to bring critical parts of their supply chain closer to home. Trade disputes have been a constant feature of the international environment, and they still are. But they have generally been related to goods. Recognizing that intellectual property- and tax-related issues will likely be more complex with services and digital technologies than with goods, it makes sense to get ahead of the action before these also become mired in endless conflict.

Global institutions need to be modernized so that these (and other technologies and trends) can become the basis for inclusive growth. International agreements that enable a balanced and safe flow of data and services, including standards for taxes on digital products and services, intellectual-property protection, data privacy, and security, all need to be developed.

### **Promote the diffusion of technology**

The McKinsey Global Institute (MGI) has identified a dozen technologies<sup>3</sup> that could create \$33 trillion a year in value by 2025. For technology to continue to advance and thrive, there must be a global

framework within which companies can operate; without it, regulation will be fragmented, which raises costs and irritation to no good effect. Again, the COVID-19 era is showing the possibilities, with new and nimble partnerships producing equipment and working together to find and develop a vaccine.

### **Renew the role and effectiveness of the public sector**

In many countries, there is rising distrust of established institutions, fueled by a sense that the young, minorities, and low- and middle-income earners are losing out.<sup>4</sup> There is widening economic inequality within many countries and a sense that the next generation is growing up in a more dangerous, less financially secure, and generally unsettled age. The COVID-19 crisis has only exacerbated these concerns. To increase trust, governments need to show that they are serious about fostering economic inclusion and making technology work for everyone. And they need to do so effectively; only 10 percent of those surveyed in 2019 believed government executed its duties competently; more than half characterized government as unfair and often corrupt. Just as in business, execution matters.

### **Modernize social policies**

The reality is that many countries offer more insecure work, higher housing costs, and greater economic polarization. Yet social policies related to work, unemployment, and income support have not changed nearly as much as the circumstances around them. That said, some initiatives are worth evaluating to see how well they work (or not). For instance, some governments are legislating new labor laws to address the needs of temporary, gig, and other unconventional working patterns. Australia, France, Georgia, and Massachusetts are considering or have passed legislation that extends unemployment insurance to independent

<sup>3</sup> Mobile Internet, automation of knowledge work, the Internet of Things, cloud technology, advanced robotics, autonomous vehicles, next-generation genomics, energy storage, 3-D printing, advanced materials, advanced oil and gas exploration and recovery, and renewable energy.

<sup>4</sup> Trust in government fell in more than half of the Organisation for Economic Co-operation and Development (OECD) economies between 2006 and 2016, and almost half the people polled in 16 OECD economies believe the average person in their country is worse off today than 20 years ago. "What worries the world," Ipsos, September 2018, ipsos.com.

contractors. Others allow recipients to continue to receive benefits if they are working part-time or starting a business. Governments from Germany to Nebraska to Minneapolis are considering changes to zoning laws to encourage the construction of denser and cheaper housing. Others are looking at restricting rent increases. Making benefits portable—that is, attached to individuals, rather than workplaces—is another option. For example, New York State’s Black Car Fund provides workers’ compensation, paid for by a fare surcharge, for livery and rideshare drivers. Lifelong training accounts, funded by business, government, and individuals, could encourage workers to invest in themselves, and also boost productivity. These are just some of the ideas that countries and states are experimenting with; we cite them to illustrate that

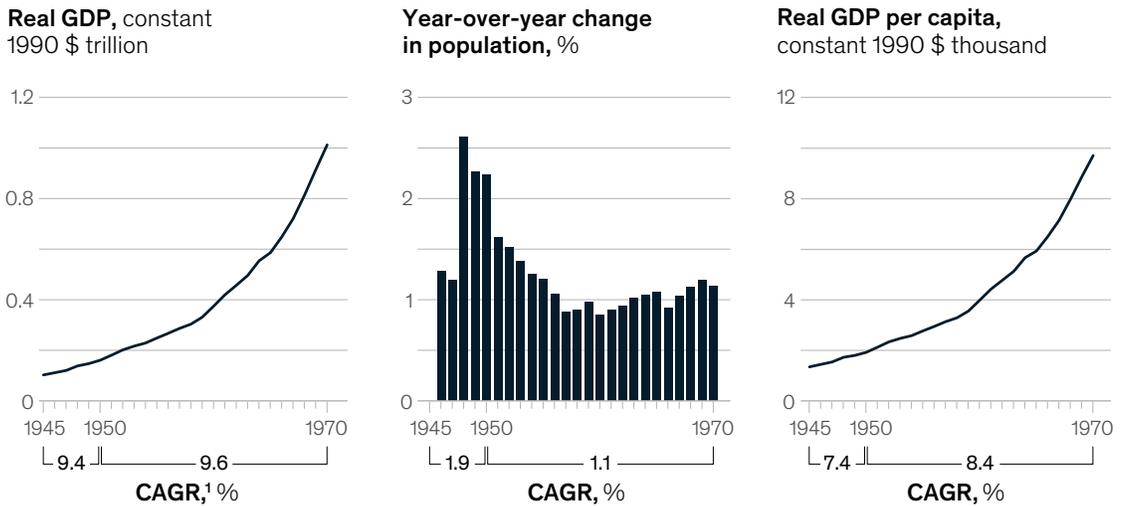
there are many different options to learn from. The role of government is to identify the best ideas, test them, and then expand (or discard) them.

**Institute measures to increase productivity**

There can be no inclusive growth without economic growth, which means productivity has to grow, too. Productivity was the foundation of the economic success of the postwar era (Exhibit 6). Led by rising business investment and technology diffusion, Germany, Japan, and other war-torn economies built world-class industries in sectors ranging from cars and luxury goods to steel and energy. It is still true that only through greater productivity do wages and living standards improve, particularly in markets where population growth ranges from little to none.

Exhibit 6

**Strong productivity contributed to Japan’s postwar growth, even when population growth slowed after 1960.**



<sup>1</sup>Compound annual growth rate. Source: Maddison Project Database (2010), University of Groningen

In many advanced economies, however, productivity growth has slowed—to 0.5 percent in 2010 to 2014, down from 2.4 percent a decade earlier. We recognize that economists discuss whether productivity gains are well measured and why digital technology does not translate in expected productivity gains. Nevertheless, to do better, there are proven “catch-up” approaches, such as removing barriers to competition in services, cutting red tape that impedes business formation (and dissolution), and allowing more effective reallocation of human and financial resources as new technologies emerge and productivity gains shift across industries. The productivity of public and regulated sectors, such as healthcare, has been notably slow to improve.

The other way to boost productivity is to “push the frontier” of innovation and technology. This is where sustained, long-term growth will come from. It will not come from industry as we knew it in the 20th century but from Industry 4.0, meaning the use of advanced technologies such as artificial intelligence (AI), robotics, genetics, biomedicine, and the Internet of Things. The latter, for example, has a wide range of uses, from detecting production errors early to boosting crop yields by measuring the moisture of fields to monitoring the health status of patients. Fulfilling the potential of these technologies, however, requires supportive regulation and a well-prepared workforce. Otherwise, the danger is that those who are displaced by technological change will end up in lower-paid or casual work—the opposite of inclusive growth.

#### **Build digital infrastructure**

After the war, countries built physical assets, such as Japan’s high-speed railways or deepwater ports in Europe and the United States, to accelerate their economies. In the 21st century, digital capabilities are likely to be the most important infrastructure

investment. In four sectors alone—mobility, healthcare, manufacturing, and retail—McKinsey has identified use cases that could boost global GDP by as much as \$2 trillion by 2030.

Beyond the implications for industry, connectivity also has ramifications for equity and society—something that has been proved emphatically true during the pandemic, in which the use of online education and telemedicine has skyrocketed. However, even in advanced economies, not everyone has access to high-speed internet, and those without digital connectivity will have less access to economic opportunity. Governments can play a role in expanding access, with the goal of universal connectivity. For example, they can illustrate the possibilities in their own operations; encourage its use in the development of smart cities; and establish a regulatory framework that ensures privacy, security, ownership, and interoperability.

#### **Invest in reskilling**

Industry 4.0 and the knowledge economy could bring significant economic and social benefits. McKinsey has estimated that AI adoption alone could raise global GDP \$13 trillion by 2030—but only if the right talent is available. The change could be wrenching. By 2030, according to MGI, as many as 375 million workers—or roughly 14 percent of the global workforce—may need to switch occupational categories as digitization, automation, and advances in AI disrupt the world of work. One out of 11 jobs in 2030 could be in occupations that didn’t exist in 2015. There will be more jobs that require tertiary education and fewer available to those with only a high-school education or less.

The case for change is clear. But educational models have not changed much over the past century, and in the countries that are part of the Organisation for Economic Co-operation and Development (OECD), government spending on training has

# COVID-19-riddled 2020 is not war-racked 1950. But history can still provide useful lessons.

actually fallen. The public sector will need to devise new unemployment income and worker-transition support programs and work more closely with the private sector and organized labor to develop effective ways to build capabilities. The GI Bill and other postwar education reforms helped to create a workforce capable of excelling in a sophisticated industrial economy. Now the need is to work with business to invest in a workforce that can do the same in Industry 4.0. One priority: compile the data—a problem cannot be fixed if it is undefined. The European Union is creating a tool that can be used by all its members to consolidate information on what skills are in demand where; and Denmark is compiling detailed information on the skills required for hundreds of occupations. Another area to look at is extending educational support into adulthood through the creation of lifelong learning programs, such as the individual training accounts established in France and Singapore.

## **Expand the labor force**

In the postwar era, population growth was an important factor in the period's economic and productivity success. In today's context of aging populations (and in many countries—notably Japan, but others, too—absolute population decline), there is no new baby boom in sight, and women can only enter the workforce in big numbers once. In this context, how could the labor force be expanded?

One way is through better health. According to new research from MGI,<sup>5</sup> poor health reduces global GDP

by 15 percent. Investment in health, MGI suggests, is also sound economic policy, with a return of \$2 to \$4 for every \$1 in spending on known health improvements.

In emerging economies, poor health is a drag on productivity. In advanced economies, the benefit is subtler: the possibility of creating a longer, healthier middle age. As MGI put it, 65 would be the new 55. The value of improved health to the happiness of individuals is, of course, incalculable. In strictly economic terms, a healthier late middle age would allow more people to work longer and more productively. In the United States, where population growth is slowing, delayed retirement could add 675 million work hours per week. We understand that this would require changes to retirement laws and pension systems, and that this could be contentious (to put it mildly). Strictly in economic terms, however, increasing labor-force participation in this way could bring big dividends.

## **Reimagine and reinvigorate the private-sector social contract**

As individuals assume more responsibility (and the state less) for their careers, benefits, and retirement, the role of the workplace becomes more important. In January 2020, the Edelman Trust Barometer found that more than half (56 percent) of respondents in 28 markets (and majorities in 22 of them) agreed that “capitalism as it exists today does more harm than good in the world.” Almost three-

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<sup>5</sup> *Prioritizing health: A prescription for prosperity*, McKinsey Global Institute, July 8, 2020, McKinsey.com.

quarters said CEOs should take the lead on change, rather than waiting for government. Pressure on businesses to serve their communities in variegated ways will only build, given the substantial aid governments have provided to the private sector to cope with the COVID-19 crisis—double the scale of that related to the 2008 financial crisis. Just as business stepped up after the war, so must it do now, but in different ways.

### **Embrace ‘stakeholder capitalism’**

The term encompasses the idea that companies consider the interests of their employees, customers, suppliers, and communities, as well as shareholders, in their decision making. In a general sense, few CEOs would disagree (and even fewer publicly). But the good intentions embodied in this phrase must be accompanied by action. Again, there are many examples, such as Walmart’s education and training programs and global software company SAP’s extensive reskilling initiatives. Others, such as Unilever and Bank of America, have voluntarily raised wages for lower-paid workers; in high-cost Silicon Valley, a few companies are building housing for some of their workers and also funding affordable housing in their communities. But it is fair to say that business can do more.

The research is limited, but there is evidence to suggest that companies that execute the “triple bottom line” well—meaning economic, social, and governance programs—create positive financial value through greater efficiency, innovation, risk management, and access to markets. In the future, regardless of the bottom-line effects, actively participating along all three dimensions may be seen as part of the social license that business needs to operate. This is a curve that the best companies will want to get ahead of.

### **Invest in employees**

When it comes to the social contract between companies and communities, reskilling—that

is, equipping existing workers to do higher-level jobs—would appear to be an area where the role of business is straightforward. But the record is patchy. In a 2017 survey of executives, only 16 percent said they felt “very prepared” to address potential skills gaps. About twice as many said they were “somewhat” or “very” unprepared. While training budgets have risen over the past few years, that is not the same thing as reskilling; much of the former goes to leadership conferences and showing new workers the ropes.

Reskilling is essential if businesses are to deliver on the promise of Industry 4.0—and if workers are to benefit from it. Amazon, for example, is spending \$700 million to upskill as much as a third of its workforce, or 100,000 people. One program trains nontechnical staff to transition them into software-engineering careers; in another, warehouse workers can earn an A+ certification that qualifies them for IT support positions.

Altruism may be an element in this and similar efforts, but there are also economic benefits: it can be much more profitable to reskill a valued employee than to find a new one. And as labor forces grow more slowly, or even shrink, a company’s existing pool of workers can be a source of new talent. As one executive told the *Wall Street Journal*, “Executives have this idea that ‘as my people become obsolete, I’ll just hire new people.’ Well, they won’t be there.”

Reskilling can be expensive, particularly for smaller companies; and it’s true that sometimes employees take their new skills elsewhere. One approach is to work with other institutions—community colleges, government agencies, even companies in the same sector—to spread the costs, as winemakers have done in Washington state. And it’s worth remembering that while reskilling carries cost—so does having a less adept and discouraged workforce.

### Deploy productivity-boosting technology

During the COVID-19 crisis, companies have used technology in new ways to cope, often with a speed and success that surprised them. For example, retail stores cut down on the number of in-store cashiers but added more people to deal with online-enabled curbside pickup and delivery. On the whole, however, there are big gaps between what is being done and what could be done. In 2017, MGI found that on average, industries were less than 40 percent digitized; China, Europe, and the United States, other research found in 2019, had tapped into only 20 percent of their digital potential. That matters, because just as technological diffusion powered postwar growth, digital capabilities will likely be a major factor in fueling post-COVID-19 growth.

An analysis of the effect of digital on productivity is compelling—70 percent of those identified as “digital superstars” achieve higher-than-average productivity, and the most digitized sectors are also the ones that are the most productive. Even so, only a quarter of global sales and supply-chain operations were digitized in 2019, less than a third of operations volume was digitally automated, and in 2018, only 12 percent of companies had invested in AI in domains where the business case to do so was strong. There is particular potential in supply-chain digitization, where the process has barely started. Some companies are getting it right, by closely tying their digital and corporate strategies and creating a healthy organizational culture. But not nearly enough are doing so, meaning that the economy is not benefiting from these proven productivity technologies.

The good old days, in many ways, weren't all that good. People all over the world today are richer and healthier, with more access to information, culture, and education. From 2004 to 2018, more than 300 million people in India alone have lifted themselves out of poverty. Global life expectancy in 2016 was 72 years—up from 46 years in 1950 and higher than in any single country then. In Africa, life expectancy increased by almost a decade from 2000 to 2016 (to 62.1 years).

In one sense, however, the 1950s and '60s do look pretty good, as many economies enjoyed sustained and inclusive growth. COVID-19-riddled 2020 is not war-racked 1950. But history can still provide useful lessons. One is the need for international institutions and the public and private sectors to pull in the same direction. Another is the importance of health, education, and training.

There are also lessons in what not to do. Countries that cut themselves off from global flows of technology, trade, and information generally underperform. Controls on capital, wages, and prices suppress growth. Nationalizing industry is a productivity dud (with rare exceptions). Even with the right goals and the best of intentions, making the wrong choices can hurt productivity—as happened in postwar Britain—and thus make it less likely that the desired outcomes occur.

Imagination, leadership, and a dash of inspiration will be required to figure out the right policies for the 21st century. During the COVID-19 crisis, there have been many examples from the public, private, and social sectors to prove that these qualities are alive and well. What is needed now is the commitment to make the changes and investments that will create a future of broad prosperity.

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**Kevin Sneader** is the global managing partner of McKinsey and is based in the Hong Kong office; **Shubham Singhal** is a senior partner in the Detroit office.

The authors wish to thank Scott Moore for his contributions to this article.

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