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Overall, the global economy continues to run in low gear. At 3% over the past 7 years, the pace of global growth is more than 1 percentage point below the 2000-07 period, and about ¾ of a percentage point below the average of the 15 years prior to the financial crisis. Global trade growth also remains below trend. Around the world, private business investment is still just idling along. Eleven million more people remain unemployed in the OECD area alone, compared to 2007.

But if the speed of the pack remains unimpressive, policy action has allowed some economies to move up through the field. Monetary injection, particularly in the United States and the United Kingdom, has raised domestic demand, although even there, the shift into high gear with stronger business investment to yield higher employment and more rapid wage growth remains incomplete. In Japan, the investment and consumption engines are starting to rev, and employment is increasing. The April tax jolt interrupted economic momentum, but the expansion of quantitative easing hopefully will keep the economy on course. Within the euro area, those economies who have rebuilt their engines with sweeping reforms are starting to move up the field. But overall, the euro area is grinding to a standstill and poses a major risk to world growth as unemployment remains high and inflation persistently far from target.

In emerging markets as well, there are high gear and low gear economies. India and China remain the fastest-growing major economies. China's investment has started to slow to a sustainable speed, although with credit expansion and type of liabilities a notable concern. India's system-wide reforms could solidify the shift to higher gear growth if implemented. Brazil is emerging from a short recession in the first half of 2014; resolution of political uncertainty should create an environment where the right policies could put the economy back on track. Russia is in go-slow mode, with the economy's course strewn with obstacles, including low oil prices.

Against this subdued background are short-term risks of volatility, medium-term concerns about the legacy of debt and recent credit expansion, and long-term worries about the rate of growth of potential output.

In the near term, financial volatility associated with shifts in perceptions of the likely evolution of the stance of monetary policy in the major economies (as played out in May 2013) likely will be repeated as the speed of recovery in the major regions differs. Financial markets frequently incorporate insufficient risk into asset prices, which is then followed by pricing in too much. A number of emerging market economies has increased exposure to volatile short-term capital flows, increasing their vulnerability to these sentiment shifts.

Domestic balance sheet vulnerabilities persist. In advanced economies, little progress has been made on bringing down the high levels of public and private debt inherited from the pre-crisis period, in part because growth has been sluggish and inflation low. In some countries, the build-up of real estate debt has increased, and in China as well, private debt has risen sharply. Any economy faces the risk that debt build-ups, particularly from real estate and problematic loan origination, will lead to financial accidents with real-economy consequences. Macroprudential tools, including quantitative metrics such as loan-to-value ratios, can protect the balance sheets of both borrowers and lenders.

Finally, the extended period of low-gear growth leaves a long-term legacy. Slack real investment, drops in labour force participation, the step-down in productivity growth, and slower growth in global growth collectively have reduced the long-term cruising speed of almost all economies. Overall, a downshift from 4% to 3% in growth of global potential output has real consequences for the well-being of the world's younger citizens: It will take 23 years instead of 17½ years to double world GDP from its current level.

This macroeconomic prognosis leaves us with a keen need for both continued supportive macroeconomic policy, as well as tailored structural reforms to raise both demand and supply throughout the global economy. The specifics of macroeconomic policy vary somewhat across these economies where growth momentum is building. Too hasty removal of monetary accommodation or renewed fiscal austerity could down-shift the pace of recovery rather than help it.

With regard to monetary policy, the relationship between monetary ease and increased real business investment has been quite weak, even disconnected. In the United States and the United Kingdom, a premature tightening of financial conditions could put asset prices as well as real investment into reverse. The additional stimulus announced by the Bank of Japan will bolster asset prices around the globe; with likely gains to real investment, employment, and consumption in Japan. In the euro area and for the global economy as well, intensified monetary support is critical to growth, otherwise ever lower inflation—even deflation—may be down the track.

With regard to fiscal policy, the United States and the euro area as a whole, and specific countries in particular, have already tightened the fiscal belt quite a bit. Fiscal stance going forward needs to balance fiscal sustainability against possible downside effects on short-term growth and confidence, factors that could put the economy into a skid. The characteristics of debt obligations bears close scrutiny, as does the type of fiscal spending and tax choices. Fiscal spending in the near term to support innovation, education, and infrastructure will both support near-term growth, as well as turn back the legacy of low potential output and complement the engines of trade and investment.

The increase in GDP that a country may enjoy through broad-based labour, trade, product, and tax reforms is large. Whereas individual reforms are important for individual economies, getting the global economy into high gear requires system-wide reforms. The incomplete take-up of the Bali trade facilitation agreement is particularly vexing because participating in global value chains has underpinned growth for so many economies. To stay on track, the economies of the G-20 are committing to national growth strategies that, if implemented, are estimated by the OECD and IMF to increase G-20 GDP by about 2% by 2018 ($1.6 trillion) relative to a 2013 baseline scenario. With the G-20 representing about 90% of the world's economic activity, these reforms to tax, trade, labour, and product markets will benefit domestic investment and global trade, and support greater employment and consumption around the world economy. Ladies and gentlemen, start your engines!

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