THE EU’S 2020 STRATEGY
Reconciling the irreconcilable?

Iain Begg
European Institute, London School of Economics
The original mandate for the Lisbon strategy: The Union has today set itself a new strategic goal for the next decade

‘to become the most competitive and dynamic knowledge-based economy in the world….

…capable of sustainable economic growth with more and better jobs and greater social cohesion’
WHAT WE KNOW IS COMING

Demographic change
- The relative ageing of the population
  - Challenges of labour supply: the vexed issue of immigration
  - The funding legacy left to the next generation(s)
- Implied shifts in economic structures
  - Care, health, ‘grey’ consumers

The necessary shift to a low-carbon economy
- Prospect of new vectors of inequality
  - A notion of ‘carbon justice’ as well as social

Globalisation as an enduring challenge
- Ramifications for fiscal sustainability of social model(s)
- Potential ‘demands’ on global governance
SCENARIOS FOR POST-2010

- **Scenario 1 – A bump in the road**
  - Recovery takes hold quite rapidly
    - Unemployment peaks well before post-2010
  - Limited change in underlying trends and drivers

  >> Growth and jobs focus continues

- **Scenario 2 – Enduring recession or ‘lost decade’**
  - Risks of long-term unemployment and exclusion
  - Policy focus on mitigating adverse effects

  >> Links between employment & social enhanced

- **Scenario 3 – Reinvention: towards new model**
  - Active intervention to re-shape the economy

  >> Sustainable development & low carbon paradigm
EU 2020 THEMES
Commission paper of 24/11/09

- Creating value by basing growth on knowledge – strong focus on innovation
  - Education, research, creativity
- Empowering people in inclusive societies
  - New skills allied to cohesion
  - Emphasis on flexicurity
- Creating a competitive, connected and greener economy
  - Lower energy intensity; industrial policy?

>> Yet weak in explaining ‘why Europe?’
STRATEGIC DIRECTIONS: What needs to be reconciled?

MACROECONOMIC AIMS
• Nurturing recovery
• Maintaining stability
• Global policy linkages

ALL IN A SINGLE, CREDIBLE AND SUCCESSFUL CO-ORDINATION PROCESS…!!

DISTINCTIVE MODELS
• Social, including labour
• Financial systems
• Regulatory traditions

SUPPLY-SIDE REFORM
• Multiple goals
  • Knowledge economy
  • …but also ‘green’
  • Competitiveness
  • …but also fairness
• Diverse starting-points

“A metaphor for the Lisbon Strategy?”

“Wagner’s music is better than it sounds”
MACROECONOMIC GOALS

- Difficult choice of exit strategy
  - Timing, with the risk of adverse spillovers
  - Manner: fiscal leading monetary …or vice versa
  - The spectre of inflation

- Need to stress quality of public finances
  - Spending better, but substantially less
    - Growth enhancing programmes
  - Locking-in future savings – recasting pensions

- Debt reduction & winding-down imbalances
SUPPLY-SIDE OF ECONOMY

- Balancing market reforms & better regulation
  - More needed on financial regulation
  - Hard to work out the “how” of industrial policy

- Certainly major challenges around energy
  - Trade-off: security-low carbon-competitiveness
  - Distribution of burdens
    - Across Member States…and social groups

- The nature of innovation and knowledge
EMPLOYMENT GOALS

So far, surprisingly employment-rich crisis
- Some exceptions and hard hit segments
  A ‘MANCESSION’?
- Negative consequences for productivity growth

From mitigation measures to long-run aims
- Action to boost labour supply
- The demand for labour: costs; various barriers
- The flexicurity agenda has to go beyond:
  Flexibility for employers to fire and fire
  Security to buy-off workers’ resistance

Equality, ‘better’ jobs: wider social goals
GOVERNANCE CHALLENGES POST-2010

1. Reconciling different EU processes
   - Lisbon, Sustainable Development
   - Energy policy for Europe, Social Inclusion
   - Cohesion policy
   - …and the EU budget

2. Fostering political commitment & ownership
   - Who, how, what? As well as why…?
     - Is a specific euro area component
     - If so, new modalities for area level governance are required

3. Running the strategy: where power lies
   - The balance between MSs, sub-national and EU levels
   - Promoting the potential ‘new’ activities
KEY QUESTIONS FOR EU

- Defining a post-2010 narrative for policy
  - Countering climate change as obvious one
    - Chimes with public mood
  - Maybe, also, a reinforced social dimension

- One-size-fits-all or differentiation?
  - Is it time for customised guidelines, targets, etc.

- Joined-up government/ance for EU 2020
  - Needs budget and ‘Lisbon’ to work in tandem

- Defining EU role is, hence, politically tricky
  - Key is, therefore, political leadership
THE KEY MESSAGE FOR ALL POLICY-MAKERS
Reconciliation is a tricky balancing act