

THE EU'S 2020 STRATEGY

Reconciling the irreconcilable?

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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?

“Wagner’s music is better than it sounds”

A metaphor for the Lisbon Strategy?

MACROECONOMIC AIMS

- Nurturing recovery
- Maintaining stability
- Global policy linkages

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

SUPPLY-SIDE REFORM

- Multiple goals
 - Knowledge economy
 - ...but also ‘green’
 - Competitiveness
 - ...but also fairness
- Diverse starting-points

DISTINCTIVE MODELS

- Social, including labour
- Financial systems
- Regulatory traditions

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

