EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY

Financial, Economic and Social Crisis

Increasing the competitiveness and sustainability of the EU: Implementing the EU2020 strategy by fostering innovation, long-term investment for jobs and growth

CRIS

EN Executive summary: DE/FR

2011

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICIES

SPECIAL COMMITTEE ON THE FINANCIAL, ECONOMIC AND SOCIAL CRISIS

INCREASING THE COMPETITIVENESS AND SUSTAINABILITY OF THE EU: IMPLEMENTING THE EU 2020 STRATEGY BY FOSTERING INNOVATION, LONG-TERM INVESTMENT FOR JOBS AND GROWTH

BRIEFING NOTE

Abstract

This brief steps back from the details of the almost 200 policy proposals and goals contained in the documents to highlight the key challenges and opportunities faced by the European Commission in fulfilling the mostly worthy goals put forward in the EU 2020. It concludes that a lack of political will shall hinder the implementation of proposals. A grand political bargain that makes EU citizens enthusiastic about the EU again may be possible but seems at the present time to be out of reach. In the absence of this and additional financial resources, the Commission should pare down its ambitions and prioritise the proposals that deliver the most bang for the buck.

IP/A/CRIS/NT/2010-24 February 2011

PE 451.489 EN

This document was requested by the European Parliament's Special Committee on the Financial, Economic and Social Crisis (CRIS).

AUTHOR

Sony KAPOOR, Managing Director Re-Define (www.re-define.org)
with additional research by
Linda OKSNES, Research Associate Re-Define

RESPONSIBLE ADMINISTRATOR

Doris KOLASSA
Policy Department Economic and Scientific Policies
European Parliament
B-1047 Brussels
E-mail: poldep-economy-science@europarl.europa.eu

LINGUISTIC VERSIONS

Original: EN
Executive summary: FR, DE

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its newsletter please write to:
poldep-economy-science@europarl.europa.eu

Manuscript completed in February 2011

This document is available on the Internet at:
http://www.europarl.europa.eu/activities/committees/studies.do?language=EN

DISCLAIMER

CONTENTS

Executive summary 3
1. So what is the EU 2020? 4
2. The Ghost of the Lisbon Agenda 5
3. Big Ambitions – too bad about the small realities 8
4. The Monti report and the Single Market Act 10
5. What next? 11
References 14

EXECUTIVE SUMMARY

The EU is still in the midst of the most serious financial and economic crisis in a generation. It was in this context that the European Commission presented its 'vision' document in the form of the EU 2020 strategy[1] that lays out its action plan for turning the EU into an economic dynamo. Two other related documents, the Monti report[2] on the future of the Single Market and a Commission communication presenting 50 ideas on improving the functioning of the Single Market[3] have also recently been put on the table all with the common objective of building a more dynamic European economy.

Amidst all the cacophony of buzzwords and the churning of papers, it is easy to lose the big picture. This brief steps back from the details of the almost 200 policy proposals and goals contained in the documents to highlight the key challenges and opportunities faced by the European Commission in fulfilling the mostly worthy goals put forward in the EU 2020. We conclude that a lack of political will shall hinder the implementation of proposals. A grand political bargain that makes EU citizens enthusiastic about the EU again may be possible but seems at the present time to be out of reach. In the absence of this and additional financial resources, the Commission should pare down its ambitions and prioritise the proposals that deliver the most bang for the buck.

The Commission needs to guard against the risk of a reversal of economic integration by ensuring that a comprehensive and fair solution to the on-going euro crisis is reached as soon as possible. It needs to continue the pursuit of the grand political bargain while prioritising a smaller list of reforms that deliver the biggest results with minimum political opposition. Convincing stakeholders of the benefits of more Europe is a critical challenge and building a green financial system presents a once in a generation opportunity. We also need an EU led Marshall plan for making quality public investments to make sure that the worthy goals of the three reports are actually met.

[1] Communication from the Commission, Europe 2020, A strategy for smart, sustainable and inclusive growth; COM(2010)2020 final, 3 March 2010; http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF

[2] A new strategy for the Single Market, At the service of Europe's economy and society, Report to the President of the European Commission José Manuel Barroso, by Mario Monti, 9 May 2010; http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf

[3] Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, Towards a Single Market Act, For a highly competitive social market economy, 50 proposals for improving our work, business and exchanges with one another, COM(2010)608 final, 27.10.2010; http://ec.europa.eu/internal_market/smact/docs/single-market-act_en.pdf

1. SO WHAT IS THE EU 2020?

Of the fifty people we randomly surveyed in various national capitals in the EU, only five had heard of the EU 2020 or its predecessor the Lisbon Strategy[4].

Upon being asked what they thought of the objectives that are embedded in the title of this European Parliament briefing "Increasing competitiveness and sustainability through fostering innovation and long-term investments for jobs and growth" there was a unanimous agreement that this sounded good. When we further probed them as to what this might actually mean, forty shrugged their shoulders and the rest offered phrases such as "the green new deal", "more Research & Development (R&D)" and "venture capital" in response. This obviously unscientific method cannot be used to draw any policy conclusions but it does help clarify thinking on these issues.

While no one in the policy making community thinks that the EU 2020 is a bird or a plane, the ignorance of what it is, what is says and how it will work extends right the way to the top of the EU policy making community, especially in the Member States. The EU 2020 can be loosely defined as a ten year plan to improve the health of the EU economy and is centred around hitting some key targets on 1) employment, 2) R&D investment, 3) climate change and energy, 4) education, and 5) poverty. The strategy document envisages a number of policy measures grouped under catchy titles such as “Innovation Union” and “youth on the move” as the means to achieving these headline targets. One cannot help but think that a public relation firm hired by the Commission wrote the catchy phrases.

The question of course is whether there is substance underlying these phrases and whether the EU 2020 is likely to succeed.

The strategy was officially adopted in the June 2010 summit of EU leaders. The headline flagship initiatives are:

- Innovation Union
- Youth on the move
- A digital agenda for Europe
- Resource efficient Europe
- An industrial policy for the globalisation era
- An agenda for new skills and jobs
- European Platform against poverty.

[4] Presidency Conclusions Lisbon European Council, 23 - 24 March 2000; http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/00100-r1.en0.htm; and Commission contribution "An Agenda of economic and social renewal for Europe".

2. THE GHOST OF THE LISBON AGENDA

A starting point for analysing and critiquing the proposals of the EU 2020 strategy would be to look at the previous ten year plan for the EU economy that was variously called the Lisbon Agenda or the Lisbon Strategy or the Lisbon Process. This ran from 2000 to 2010 and aimed to make the EU "*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*". The similarity between this and the headline goals for the EU 2020 is striking and this is no coincidence. The Lisbon Strategy was widely adjudged to have failed so the EU 2020 is a continuation of the Commission's efforts to improve the performance of the EU's economy. The main difference is that the EU 2020 is rather more focussed on improving education systems and fighting poverty than the Lisbon Agenda was.

"The original Lisbon strategy had several key aims. It set out to create an information society that would be based on strong research and development skills. It also called for fundamental reform of the economies of member states. In particular, it aimed to ***deregulate*** *the single market for services, a sector in which about 70% of Europeans are employed. It also said that the European Social Model needed to be modernised and it set the goal of 70% employment across the EU."*[5]

The obvious questions to ask then are 1) why the Lisbon strategy failed? 2) how the EU 2020 is expected to succeed where Lisbon failed? and 3) will this work?

"Although there was a great deal of support for the ideas behind the Lisbon strategy, in subsequent years, an economic downturn in many parts of the EU meant politicians did not follow the timetable set down in Lisbon in 2000. [...] Members states had to report on the progress they had made every three years, but because the Lisbon strategy was not legally binding, the EU couldn't force states to make changes to reach the strategy's targets."[6]

A mid-term review by the then Dutch Prime Minister Wim Kok found that the

"[...] European Union and its Members States have clearly themselves contributed to slow progress by failing to act on much of the Lisbon strategy with sufficient urgency. This disappointing delivery is due to an overloaded agenda, poor coordination and conflicting priorities. Still, a key issue has been the lack of determined political action."[7]

Under the Swedish Presidency of the EU in 2009, the Prime Minister Fredrik Reinfeldt admitted that

"Even if progress has been made it must be said that the Lisbon Agenda, with only a year remaining before it is to be evaluated, has been a failure,"[8]

Similarly, the Financial Times concluded that

"But the EU really ought to remember that what discredited the Lisbon Agenda was not the concrete policy proposals it contained - they were in many respects perfectly sensible ideas about reform. It was the fact that the programme was stuffed with too many targets that too few countries took seriously."[9]

[5] http://www.civitas.org.uk/eufacts/FSECON/EC12.htm.

[6] ibid.

[7] Kok Report, page 6; see http://ec.europa.eu/research/evaluations/pdf/archive/fp6-evidence-base/evaluation_studies_and_reports/evaluation_studies_and_reports_2004/the_lisbon_strategy_for_growth_and_employment__report_from_the_high_level_group.pdf.

[8] Joint article with finance minister, Anders Borg in in Dagens Nyheter, see http://www.dn.se/debatt/eus-tillvaxtstrategi-ar-ett-misslyckande-, translation cited according to http://www.euractiv.com/en/priorities/sweden-admits-lisbon-agenda-failure/article-182797.

[9] Europe keeps targets in its sights, Tony Barber, 17 June 2010, Financial Times.

In order to avoid the pitfalls of the Lisbon Agenda, the Spanish Prime Minster Zapatero suggested that the EU 2020 ought to biding on Member States with penalties for non-compliance[10] but opposition from many other Member States meant that the Council adopted rather mild language that is effectively non-binding and leaves little scope for penalties. As we have seen in the case of the Stability and Growth pact, even where penalties exist, they are often not used and may prove ineffective even if they were used.

"- we adopt 'Europe 2020', our new strategy for jobs and smart, sustainable and inclusive growth. It constitutes a coherent framework for the Union to mobilise all of its instruments and policies and for the Member States to take enhanced coordinated action. It will promote the delivery of structural reforms. The emphasis must now be on implementation, and we will guide and monitor this process. […]"[11]

The EU 2020, it has been envisaged, will be adopted into national plans wherein Member States are obliged to demonstrate how they plan to meet the EU 2020 targets in national reform programs. These will be submitted to the Commission and the Council will evaluate the progress of Member States once a year. The reporting under the EU 2020 and the Stability and Growth pact will be brought together, though few sanctions are envisaged for non-compliance. The Commission could however, issue a policy warning that will hopefully help exert moral pressure. A clear lesson from the EU's recent history as well as other international peer review forums is that peer pressure often does not work.

Despite the fact that the Commission states that the EU 2020 is built on the lessons from the Lisbon Agenda, we believe the lessons from its failure have not been learned and that the EU 2020 does not have the full support of the Member States that it would need to succeed. Besides, it will likely suffer from the same overloading of the agenda, the after effects of an economic downturn and a lack of co-ordination that sank Lisbon. As President Barroso himself says in his introduction to the strategy[12]

"The condition for success is a real ownership by European leaders and institutions."

He seems to assume that this is the case as is clear from his words that

"European leaders have a common analysis on the lessons to be drawn from the crisis."

We are forced to disagree strongly as this is not the case. In particular, while most leaders have railed against "short-termism", "speculation", "imbalances" etc. little of this coincides with the micro level reform program that the EU 2020 actually envisages under its hood. On matters of substance in the EU 2020, few leaders have reacted to the crisis saying that the response requires elements such as the deregulation of services, more flexicurity in labour markets, and increasing labour mobility within the Union, a renewed effort to tackle climate change targets or the removal of Single Market barriers. A fair assessment would be that the average EU leader feels the need for 1) less market, 2) more regulation, 3) more country less EU, and 4) lower public investment while the EU 2020 emphasises the exact opposite of 1) more market, 2) less regulation, 3) more EU, and 4) more public investment.

Even before its adoption by the June 2010 Council meeting Member States were already arguing about particular points. For example, a number of states questioned the poverty goal, Germany was sceptical about the education goal and other states sought clarification of the R & D goal.

[10] http://www.dw-world.de/dw/article/0,,5098907,00.html?maca=en-current_affairs_europe-105-rdf.

[11] European Council Conclusions available at http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf.

[12] http://ec.europa.eu/europe2020/index_en.htm

More recently, a draft German proposal discussed at the last Council meeting on 4 February 2011 proposes looking at the stability of public finances, unit wage costs and rates of investment in education and R & D as measures of competitiveness and puts forward a six point reform program that consists of 1) scrapping wage indexation, 2) mutual recognition of qualifications, 3) a common corporate tax base, 4) adaptation of changes to pension systems, 5) adoption of a debt brake in constitutions, and 6) the introduction of a crisis resolution regime for banks.[13] While some of the proposals echo the EU 2020, most others are much more macro oriented and do not fit into the framework. In any case, these ideas were highly contested by other Member States and this just goes to show how divided Member States remain on a number of issues around economic reform and economic governance.

President Barroso also says that the leaders *"... share a common sense of urgency on the challenges ahead".* This statement is also incorrect. The response of EU leaders to the crisis has been anything but urgent thus far. The delays in tackling the Greek crisis, the subsequent shenanigans around the setting up of a European financial stability mechanism, the slow paced discussions around setting up a permanent crisis management framework all point to EU leaders following a delay and hope strategy wherein they believe that problems faced by the euro area would go away so they do not have to face politically difficult choices at this point in time.

We are not saying that President Barroso is naïve. It is his role to be the cheerleader for the European Project. But we do feel that the EU 2020 is destined, in the absence of political will, to fail in achieving many of its ambitious targets. That having been said, some of the EU 2020 targets, such as its those on emissions reductions, have the force of Union law behind them so are more likely to be met than others such as those on education.

[13] http://www.ft.com/cms/s/0/22e85cc6-2fb6-11e0-91f8-00144feabdc0.html#axzz1DFAF0hcA

3. BIG AMBITIONS – TOO BAD ABOUT THE SMALL REALITIES

Whatever the limits of the political situation might be, it is of course useful to see how much sense the policy ideas and proposals contained in the EU 2020 strategy actually make.

Certain facts, as President Barroso states in his introduction to the EU 2020 strategy, are clear. Amongst them

"Economic realities are moving faster than political realities ..."

"The last two years have left millions unemployed. It has brought burden of debt…new pressures on our social cohesion."

"… business as usual would consign us to a gradual decline …"

"… we must look beyond the short term …"

The question then is, whether or not the policy proposals in the strategy are the appropriate response to these facts and whether following up on them is likely to make the EU more prosperous in the long run. Prosperity comes from increasing productivity. Productivity in turn, is defined as the value of goods and services produced per unit of resources. High productivity allows a nation or region to support high wages and attractive returns on capital and through this a high standard of living.

On this subject, there is a widespread consensus on a number of issues. These are 1) a bigger market allows for more opportunities for a growth in productivity and prosperity, 2) new technology and innovation are amongst the largest sources of gains in productivity, 3) better educated workers are, given everything else being constant, more productive than those who are less well-trained, and 4) improvements in the efficiency of the use of resources can significantly increase productivity.

Given this, the decision of the Commission to focus on 1) removing barriers to the Single Market, 2) improving innovation, 3) an increased investment in education and R & D, and 4) improving resource productivity in particular by reducing the use of carbon intensive technology are all sensible.

However, having a list of 75 action points, particularly in the presence of the serious political constraints highlighted in the previous section, will probably prove to be self-defeating. Moreover, most of these action points are not immediately actionable because they are too high level *"to develop an efficient spectrum policy"* for example. As one seriously looks at the time, thinking and political will it is likely to take to translate these proposals into action on the ground it is easy to get overwhelmed. The European Commission would have been much better off focusing on far fewer of actionable points and needs to prioritise some key issues that will deliver the most bang for the buck.

While there is a useful role for planning and putting in place a framework for action, it is debatable as to how effective such a top down approach as inherent in the EU 2020 will be in stimulating what are essentially bottom up phenomenae such as innovation.

It is also hard to escape the feeling that the sections on new skills and jobs and in particular poverty have been added as an afterthought. Besides, concepts such as flexicurity remain controversial in many of the EU constituencies. Perhaps, the EU 2020 strategy would have been better if had been more limited in its scope and ambition. Then it would have been taken more seriously, been more coherent and cohesive and have actually had a better chance of being implemented. Sometimes, less is more.

However, by far the biggest critique of the EU 2020 comes from the fact that the mostly sensible shopping list is actually not backed up by much resources or scope for economic co-ordination. It is also, as highlighted in the previous section, going against the grain of prevalent thinking amongst European leaders and much of the electorate who are suspicious, at this point, of more of the Single Market.

Granted that the Commission can enact laws, pass directives and create regulations and that it has structural and cohesion funds at its disposal but without more financial firepower and economic co-ordination, it simply does not have the wherewithal to see the mostly worthy goals of the EU 2020 through.

4. THE MONTI REPORT AND THE SINGLE MARKET ACT

The Monti report is a good read. Unlike the EU 2020 that starts with unrealistic assumptions on political will, the Monti report is honest about some of the real political challenges that confront the EU. In particular it recognises that there is both an integration fatigue and a market fatigue that is dominant amongst EU leaders and citizens. It then goes to highlight that a three pronged strategy involving 1) building a consensus on a stronger Single Market, 2) initiatives to strengthen the Single Market, and a focus on 3) delivering results.

It then lays out more detailed proposals on many of the key Single Market issues highlighted in the EU 2020 document such as promoting digital access and green investments. It also makes useful suggestions on improving the functioning of the single market for both good and services through sets of targeted regulatory and deregulatory initiatives supported by building a more integrated infrastructure and a better functioning market for finance and capital.

As a part of what is implicitly a grand bargain, the Monti report suggests that the political and citizen consensus needed for these stated sets of reforms be built by a number of initiatives that would need to include 1) stronger protection for workers, 2) improvement in the provision of social services, and 3) improving tax policy and tax co-ordination. In fact, suggestions on the increased use of Eurobonds may also help drive some of this consensus amongst those sceptical of the benefits of the Single Market.

It goes further suggesting specific sets of measures that will help enforce the vision of "more Europe" articulated in the report. These include both non-binding analysis options where pieces of EU legislation are subject to a common sense audit as well as the strengthening of infringement procedures.

Finally, the report has some useful suggestions for institutional level action at the EU level where it suggests that the Council, Parliament and Commission need to work closer together and prioritise Single Market issues.

On balance, this is a good report with many useful ideas and suggestions and seems to have an understanding of the various political realities. However, despite this the problems of funding and political will that are likely to plague the EU 2020 remain unanswered.

The idea of a grand bargain where a better safety net and more labour friendly Europe is part of the package of a more commercially integrated business friendly Europe is an attractive one. However, the problem is that significant groups of citizens, stakeholders and Member States remain opposed to various elements of this grand bargain. For example, German opposition to Eurobonds, Luxembourg’s opposition to further tax harmonisation, the opposition of worker groups to more services liberalisation and of business groups to higher levels of social protection etc. are highly entrenched and potentially intractable. So while the concept is appealing, there is a very long way to go before political leaders and citizens can be convinced to endorse the idea of more Europe enthusiastically anytime soon again.

The 50 proposals to improve the Single Market published by the European Commission in the form of a communication “*Towards a Single Market Act*” are a response to the President Barroso’s desire under the EU 2020 to improve the functioning of the Single Market and of the will to operationalise the recommendations of the Monti report. Many of the suggestions are once again sensible but questions marks around the political will, citizen buy in and resource availability needed to enact such broad ranging changes remain.

5. WHAT NEXT?

The EU is standing at a cross roads with three possible ways forward.

a) One leads to less Europe where economic integration is halted, and even reversed, in order to match political realities. This would be self-defeating and many of the benefits that being part of the Single Market have brought to EU citizens would be reversed. While the backlash in the wake of the crisis is very real, all EU stakeholders and leaders need to ensure that this is contained and does not translate into a reversal of hard fought Europeanisation. The continuing inability of EU leaders to contain the Euro crisis makes it increasingly likely that citizen disenchantment with the EU project and the Single Market will grow and will lead us in the direction of less Europe.

b) The other extreme is that political integration catches up with economic reality. As highlighted by the on-going economic and financial crisis in the EU, Member State economies are already very highly interconnected and the externalities of policy and economic developments in any Member State are increasingly affecting others. Moreover increased financial integration means that the speed of spill-overs from one country within the Union and the possibility of contagion have also increased so both the scope of economic co-ordination as well as the speed of EU level decision making needs to increase significantly.[14]. The fraught discussions around Eurobonds and an intensification of the euro area economic governance reform discussions may mean that more co-ordination may come about, at least in the euro area. However, unless a significant new effort is made by EU leaders to sell the European project to their citizens and agree to concessions to other Member States that might be politically costly domestically any political progress is likely to fall short of economic reality. The crisis has provided a unique opportunity for a European response and this opportunity should not be missed.

c) The third route is a continuation of business as usual where economic integration continues to significantly exceed political integration and co-ordination. This, as we have seen in the context of the on-going EU crisis is not a stable long term solution as the gaps between market integration and fragmented economic governance will mean that asymmetries, imbalances and instability will continue to stalk the EU economy and that the EU will not be adequately equipped in the event of a future crisis.

How do these scenarios relate to the three reports under discussion? The reports all aim at the second scenario of expecting political buy in and integration to catch up with economic reality. However, as we have discussed earlier in this brief, this cannot be taken for granted by any means. In fact, the EU's inability to draw a line under the crisis makes it more likely that the undesirable scenario of a reversal of economic integration might actually unfold. In actual fact, the most likely scenario that is likely to occur is one where political integration and economic co-ordination continue to lag economic integration. Under these political constraints, the European Commission's efforts at improving the functioning of the Single Market may actually increase the gap between political and economic reality and may lead to instabilities and imbalances further down the line.

Clearly, there is no easy solution. So our suggestion would be that

- The European Commission take a more realistic view of political will and citizen sentiment and pares down the 200 or so separate policy initiatives into a smaller more tractable size. Less may actually turn out to be more.

[14] http://www.re-define.org/sites/default/files/Sony%20Kapoor%20Policy%20Paper%20for%20the%20European%20Parliament.pdf

- The European Commission prioritises the policy proposals according to criteria such as 1) impact on long-term economic potential, 2) distributive implications, 3) political hurdles, and 4) impact on economic and political integration and use the limited political capital and financial resources available to it to act on those that deliver the most bang for the buck.
- The European Commission and EU leaders continue, especially in the context of crisis resolution, to work on trying to reach a grand political bargain.
- In the short to medium term, the European Commission should continue to work on improving the functioning of the Internal Market but simultaneously be cognisant of the imbalances and instability that this might bring about in the absence of proper EU level policy making. So such an effort should be accompanied by building a better crisis management apparatus.
- The EC needs to explore all possible ways to increase the available resources so as to realise the more ambitious goals envisaged under the EU 2020 strategy. An intensive exploration of innovative sources of financing as well as increasing the resources of the European Investment Bank and looking into launching project specific Eurobonds for financing EU wide infrastructure would all be steps in this direction.
- Together with exploring options for increasing resources, the EC should also look into how its existing pot of funds, the EUR 347 billion pot of cohesion funds in particular can be better used to meet the pan European goals set under the EU 2020 strategy. This would need to be reflected in the EU policy on regions and an increase in the size and scope of cohesion funds that are one of the main means of redistribution within the EU may actually be used as a part of the grand bargain we have discussed earlier in this brief.
- Under the present scenario where EU consumers, citizens, tax payers, entrepreneurs and even whole countries are all feel insecure for understandable reasons, it is more important than ever before for the various EU bodies and leaders to be accessible to these stakeholders and address their legitimate concerns and potentially negative distributive consequences in an open and honest manner. Otherwise the European project cannot be sustained.
- What is required in the EU is progress on 1) the political front, 2) the macro-economic front, and on 3) micro-economic issues without alienating citizens. No matter how good various policy suggestions may be, it is up to our leaders to address the political lacunae in the Union. While macroeconomic stability and a resolution of the crisis are necessary conditions for a prosperous Europe, the focus of the three reports rightly is on getting the little things right.
- Productivity and competitiveness are micro-economic phenomenon that operate at the level of firms and workers and underpin the prosperity of whole nations and continents. Sustainability also derives from micro-level actions around increasing the efficiency of resource usage. Innovation drives all three and all of the grand plans of the EU will fail if workers, small and medium sized enterprises and entrepreneurs do not buy into these plans and if the economic and political environment they face on a daily basis continues to obstruct not encourage the kind of behaviour that is so needed to make the EU a more dynamic economy.

- A unique opportunity exists now with the on-going reform of the financial system so as to introduce regulations and reforms that encourage a longer-term perspective, facilitate growth and reward sustainable and innovative actions. A neglected aspect of the three reports is the lack of focus on building a green financial system that has a longer term orientation, penalises negative externalities and rewards socially useful behaviour.
- Long term productivity, economic growth and jobs are all conditional on high quality public investments in basic and essential infrastructure. The European Commission should present a vision for a new EU-wide Marshall plan like program that presents the natural macro complement and political vision for the three micro-reform oriented.

REFERENCES

- European Commission; Communication from the Commission, Europe 2020, A strategy for smart, sustainable and inclusive growth; COM(2010)2020 final, 3 March 2010.

- European Commission; Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, Towards a Single Market Act, For a highly competitive social market economy, 50 proposals for improving our work, business and exchanges with one another COM(2010)608 final, 27.10.2010.

- European Council, Lisbon European Council Conclusions, 23 - 24 March 2000; and European Commission contribution "An Agenda of economic and social renewal for Europe", March 2000.

- European Council, European Council Conclusions, EUCO 13/10, 17 June 2010.

- Kok, Wim (chair), Facing the challenge: The Lisbon strategy for growth and employment, Report from the High Level Group, November 2004.

- Monti, Mario; A new strategy for the Single Market, At the service of Europe's economy and society, Report to the President of the European Commission José Manuel Barroso, 9 May 2010.

EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A
ECONOMIC AND SCIENTIFIC POLICY

Role

Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

Policy Area

- Financial, Economic and Social Crisis

Documents

Visit the European Parliament website:
http://www.europarl.europa.eu/studies

PHOTO CREDIT:
Shutterstock Images LLC

ISBN