



Have we found the exit?

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Jean Pisani-Ferry
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Last Exit to Lisbon (March 2006): Overall assessment

- **Kok proposed a 3-legs governance:**
 - Strengthen incentives through the publication of league tables
 - Support implementation through the EU budget
 - Bolster ownership through national reform programmes
- **European council (2005) retained only one:**
 - No naming and shaming
 - No budgetary support, but
 - National reform programmes
- **Can Lisbon walk on just one leg?**



Last Exit to Lisbon (March 2006): Main findings

1. Uneven and insufficient ownership, especially in larger countries

2. Questions about the value added of the evaluation

- Lots of good advice, but **lack of consistent methodology**
 - No distinction between what should be done for one's own good and what should be done in the name of common goals
 - No transparent basis for setting EU guidelines
 - Not clear enough how priorities are defined
 - Risk of giving wrong policy signals

=> Insufficient effectiveness to overcome the reliance on just one leg



Last Exit to Lisbon (March 2006): Main recommendations

- **Need to strengthen the rationale**
 - Less guidelines, more focus on areas of common priority
- **Reinforce the instruments and the process**
 - More transparent benchmarking
 - Resume the publication of performance assessment tables
 - EU budgetary support
 - Clarify methodology and make it explicit
 - Better use of NRPs by governments



Assessing progress to date

- **LAF an important step forward**
 - Explicit targets
 - Transparent methodology
 - Systematic evaluation of country performance
 - Focus on determining key problem areas
- **Advantages**
 - Transparency
 - Evidence-based dialogue with national policymakers
 - Objective cross-country comparisons
 - Time consistency



Questions on methodology:

(1) Approach

- **Underlying theory**

- Potential long list of growth determinants
- Growth accounting framework has advantages and shortcomings

- **Nonlinearities**

- Between policy actions and outcome
 - e.g. Competition and innovation
- Complementarity across policy instruments
 - e.g. labour market institutions x spending on ALMP
- Complementarity across policy fields
 - e.g. labour markets and product markets
- Across countries
 - Impact of investment on R&D depends on development level



Questions on methodology: (2) Implementation

- **Sample: ss there sufficient variance of performance and policies within the EU?**
 - (Question about Lisbon rather than LAF)
 - Ensures better homogeneity of indicators but uneven variance may lead to underestimate policy levers
 - Trade, competition
 - Capital markets / product markets / labour markets
 - Employment vs. productivity
- **Information set: quantities and/or prices?**
 - Priority to quantities (vs. Growth Diagnostics method of Hausmann et al.)
- **Different horizons**
 - Significant differences between e.g.
 - Participation rates
 - Market reforms
 - Education
 - [Example](#)



Questions on methodology: (3) Policy impact

- **Priorities vs. laundry list**
 - Ranking of policy priorities important
- **Benchmarking**
 - Could be used to improve comparative assessment, requires political support
- **Ownership**
 - Will governments develop stronger ownership because the methodology is better?



Suggestions

- **Check robustness**
 - Larger sample
 - Alternative methods
 - Various horizons
- **Use key findings for transparent benchmarking**



Thank You For Your Attention

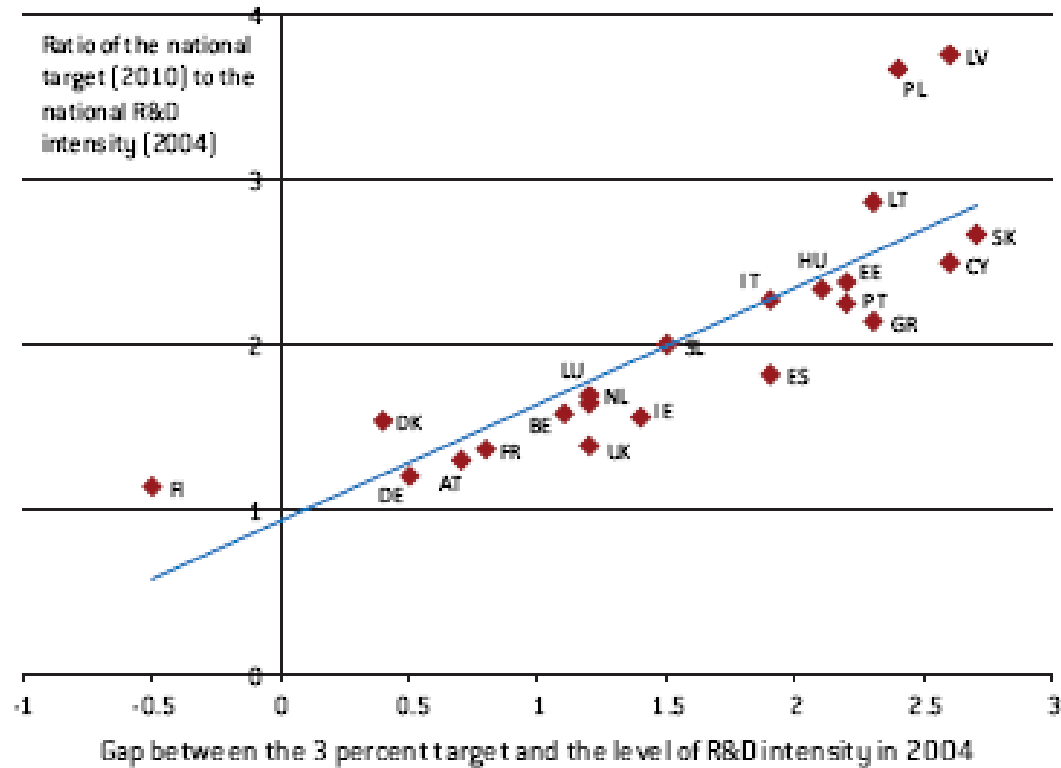
jean.pisani-ferry@bruegel.org

www.bruegel.org



Irrealistic targets

Figure 3: R&D intensity targets for 2010 compared 'the Lisbon gap' in 2004



Source: Bruegel based on European Commission, National Reform Programmes and annual reports on implementation. Bulgaria, the Czech Republic, Romania and Sweden not included as we were not able to find an explicit R&D target in the National Reform Programmes of those countries.





Growth effect of three series of policy initiatives (Aghion et al 2007) - France

