

The Lisbon strategy – core of European economic policy

Content, problems, alternatives

Presentation at the Alternative ECOFIN

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Development and stations of the strategy

1985 Internal Market

1992 Treaty of Maastricht (Fiscal rules)

1997 Treaty of Amsterdam

1999 Monetary Union

Financial Services Action plan

2000 Summit in Lisbon

2005 Re-launch of the Strategy

2008 Begin of the third cycle of the LS

Main Objective:

Competitiveness

Structural reforms

Macro-economic
discipline

„Modernisation“ of
social systems and
policies

The Lisbon Strategy

Different member states – different framework rules (R)

M1 – Ra

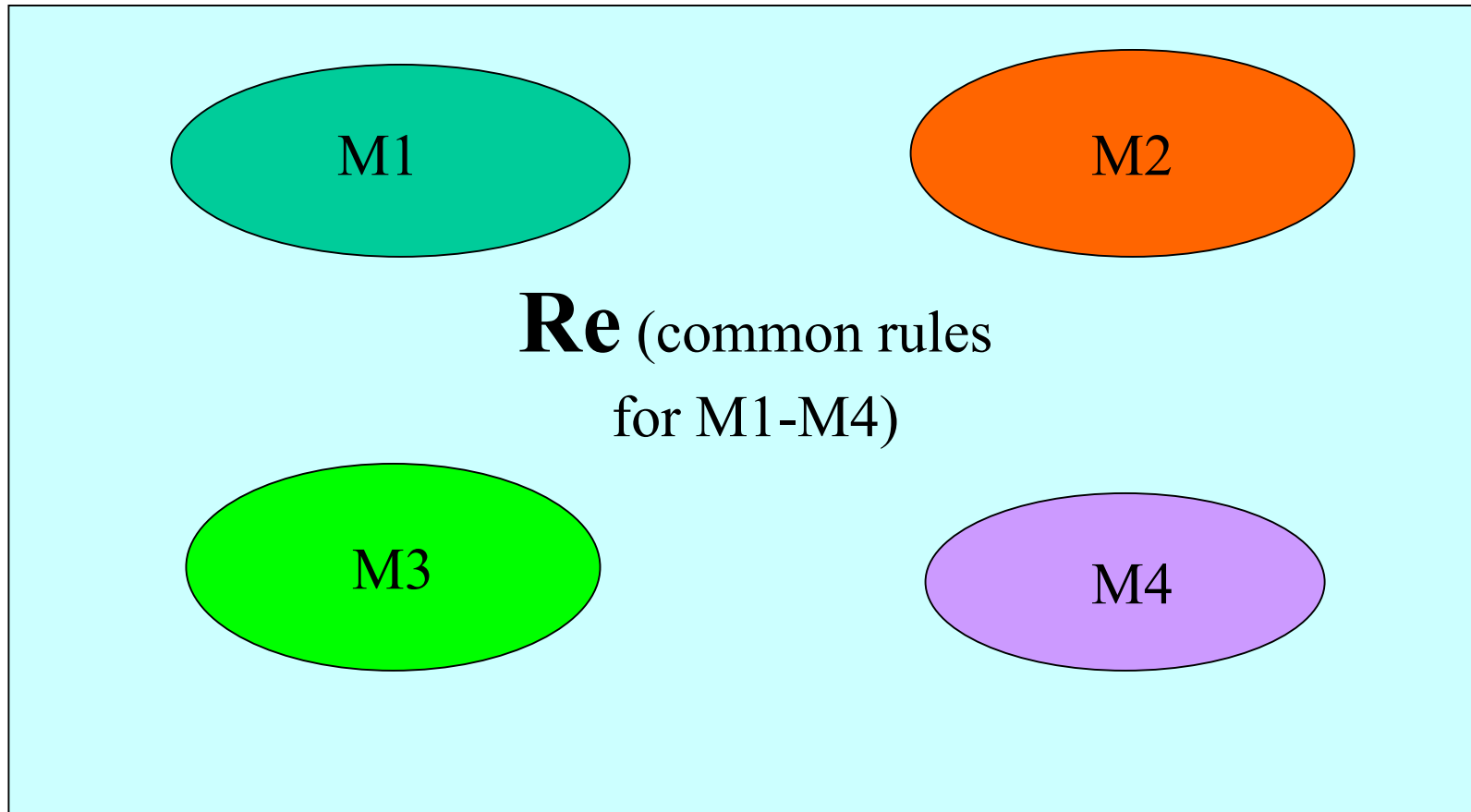
M2 – Rb

M3 – Rc

M4 – Rd

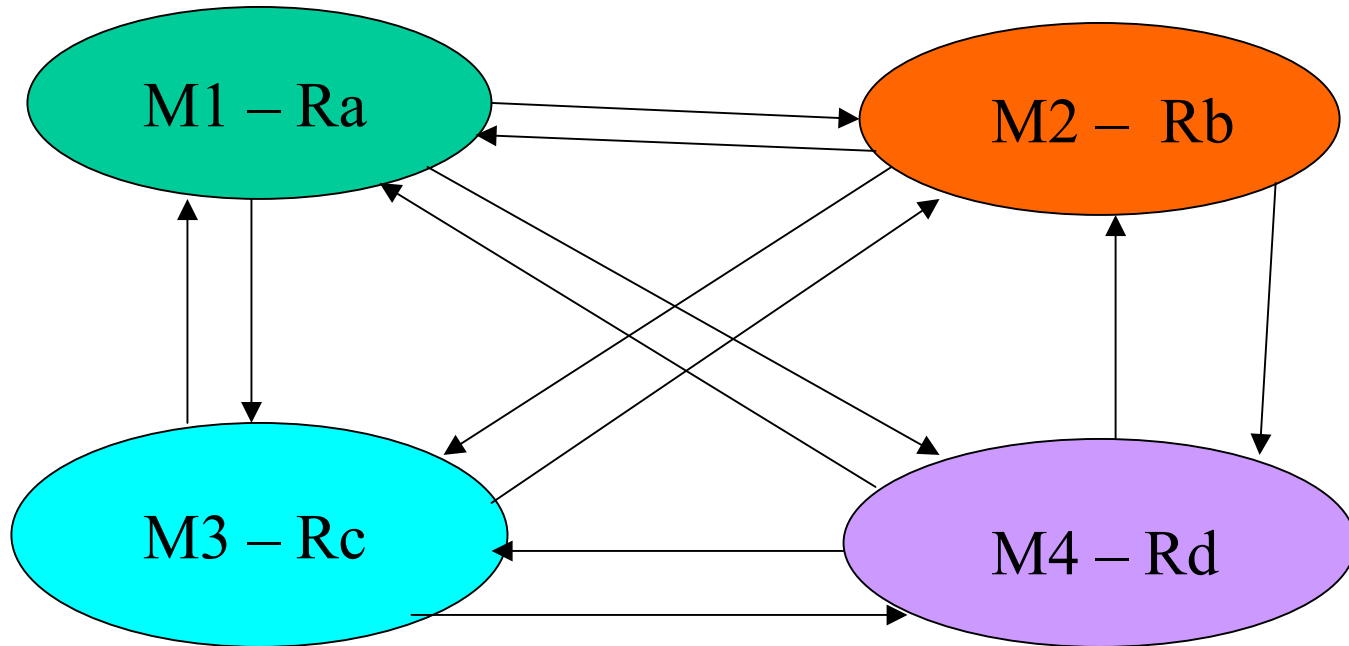
Positive integration

Competition within a common framework of rules



Negative integration

Competition of rules



Macro-economic „discipline“

Monetary policy:

- exclusive focus on price stability; no responsibility for growth and employment
- Complete independence from democratic discussions and decisions

Fiscal policies:

- exclusive focus on balanced budgets

The EU-Budget

- too small for efficient policies (1% of EU-27 GDP)

Modernisation of social security and social policies

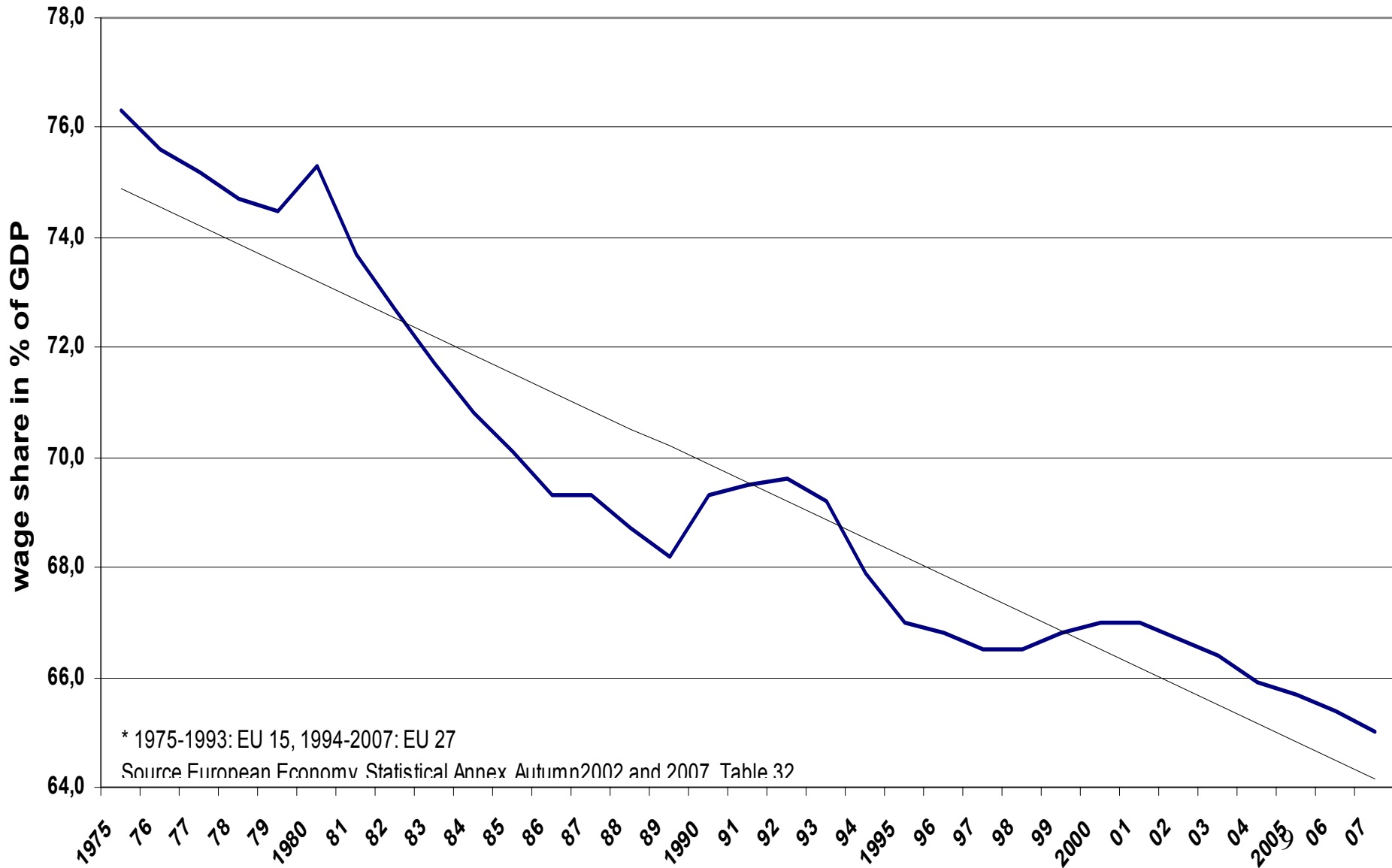
Pension reforms:

- Shift from public PAYGO systems to private capital funded systems

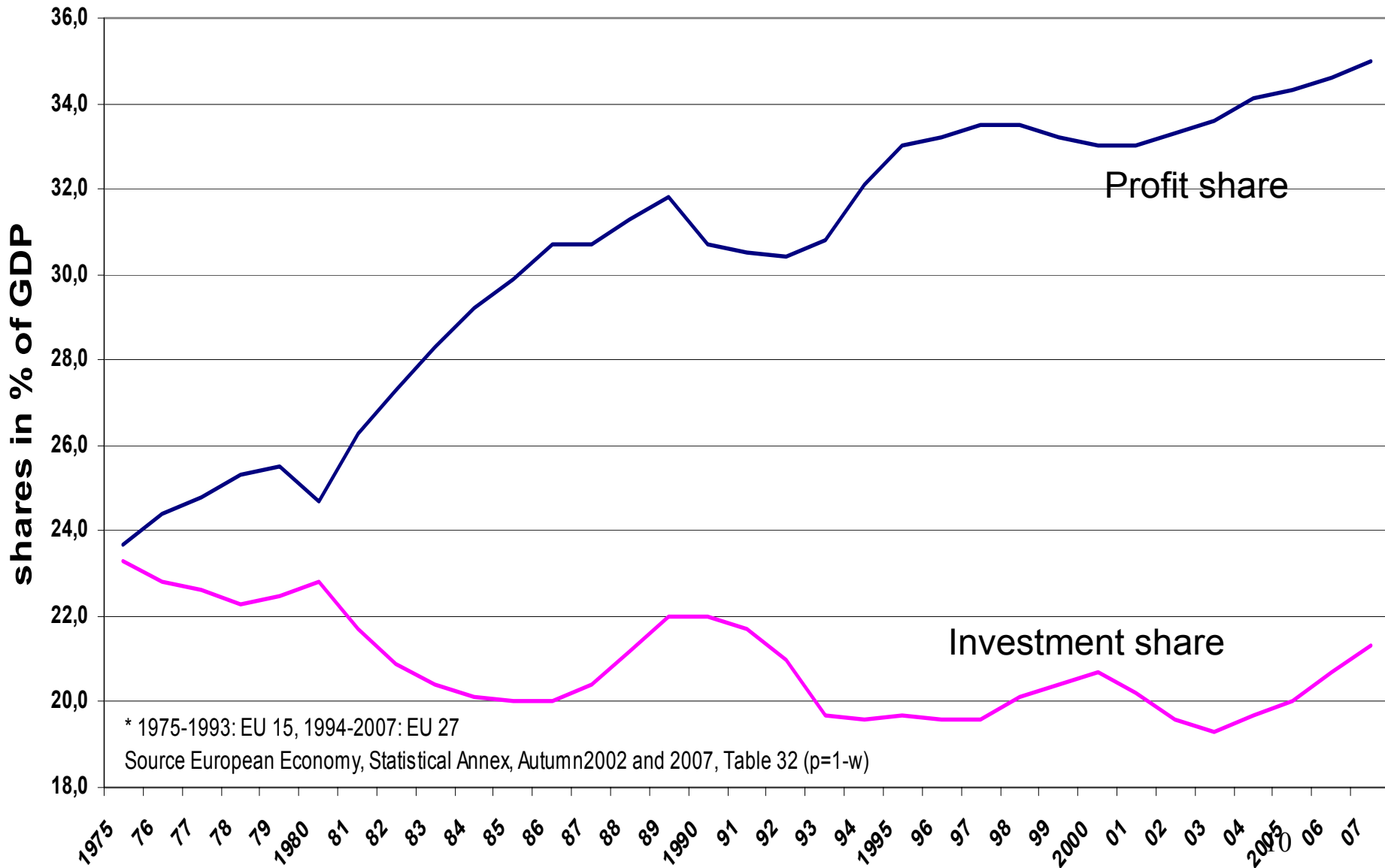
Social policies

- Social benefits as obstacles to employment

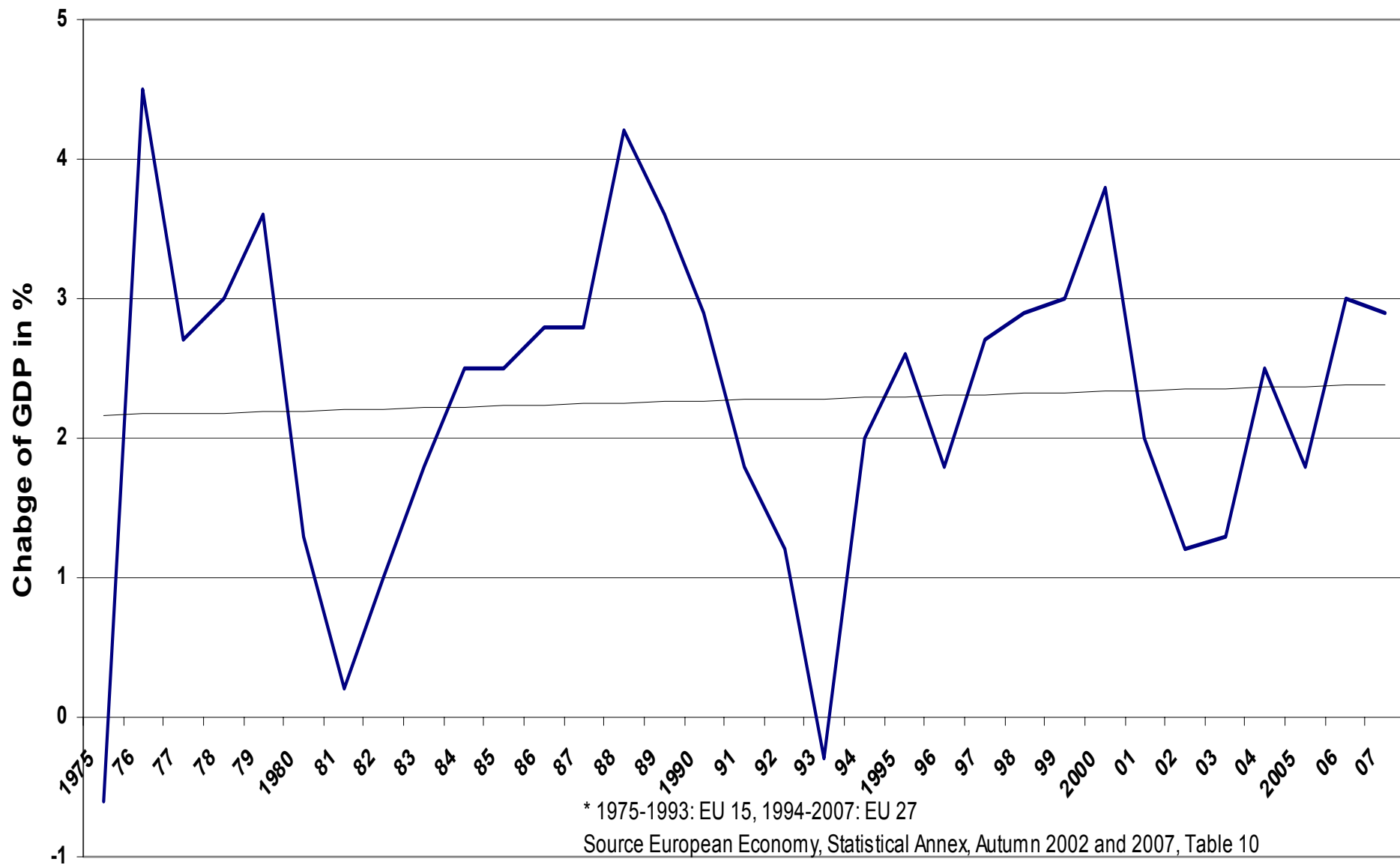
Wage share in the EU*, 1975-2007



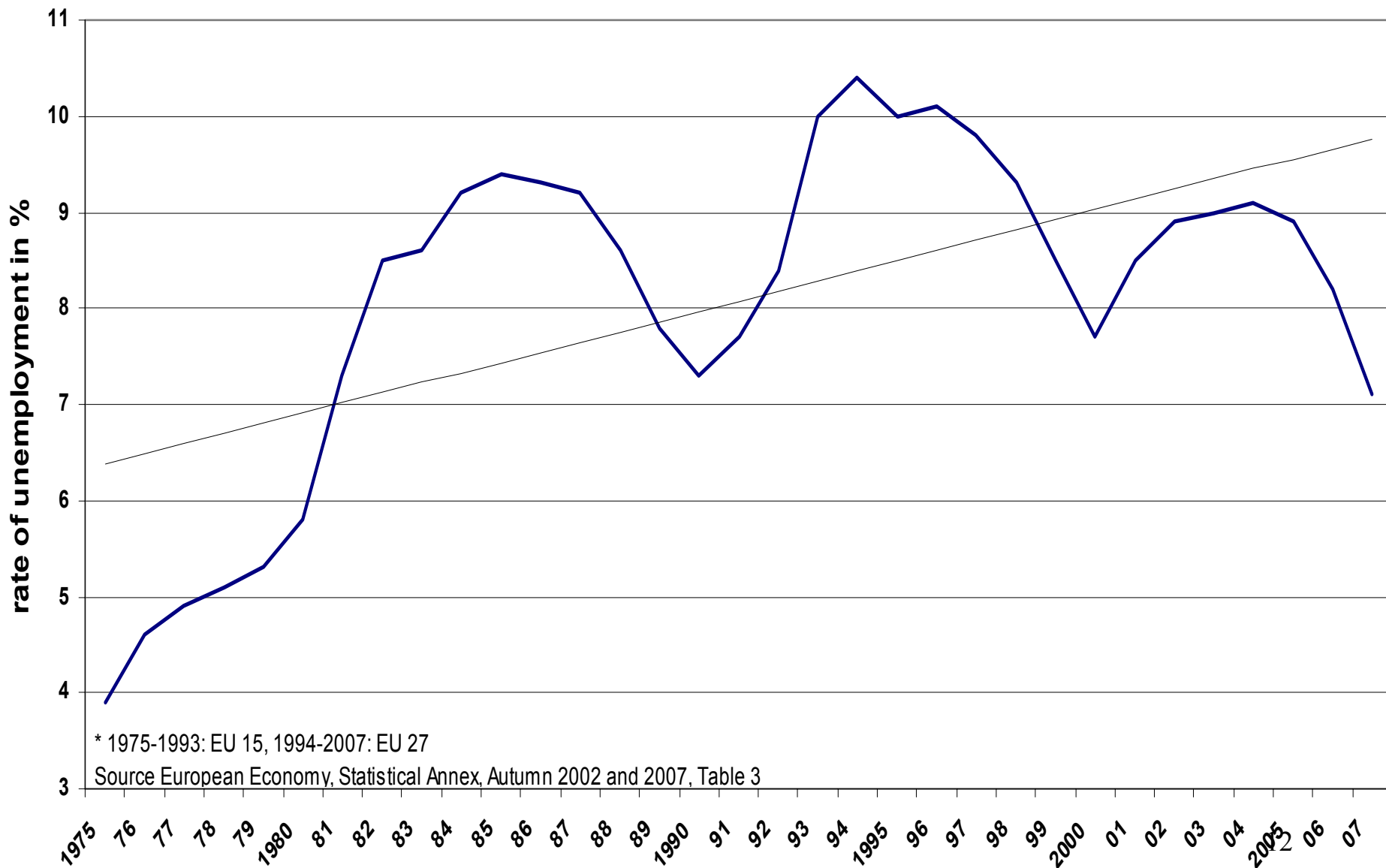
Shares of profits and investments in the EU*, 1975-2007



Economic growth in the EU*, 1975-2007



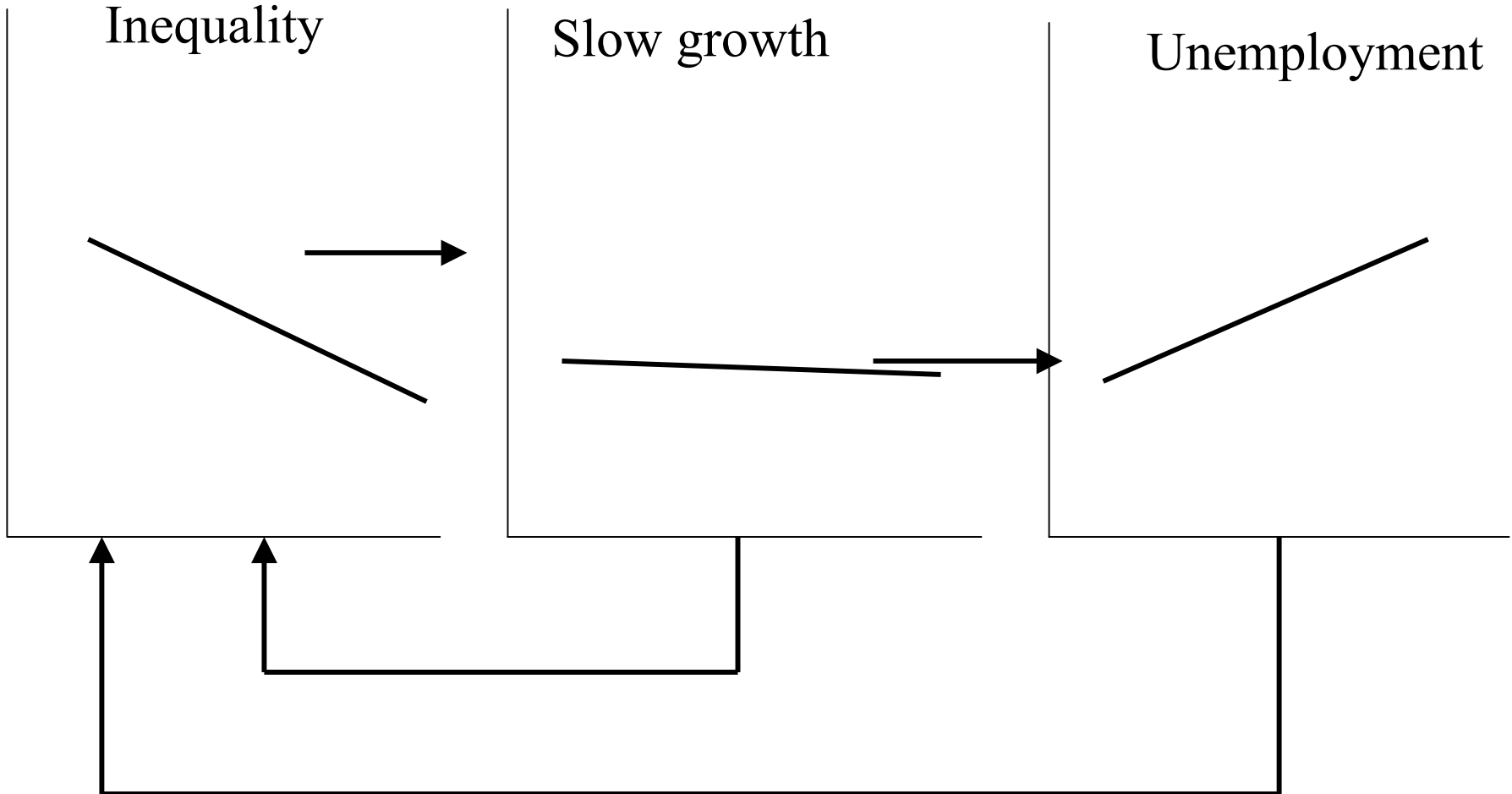
Unemployment in the EU*, 1975-2007



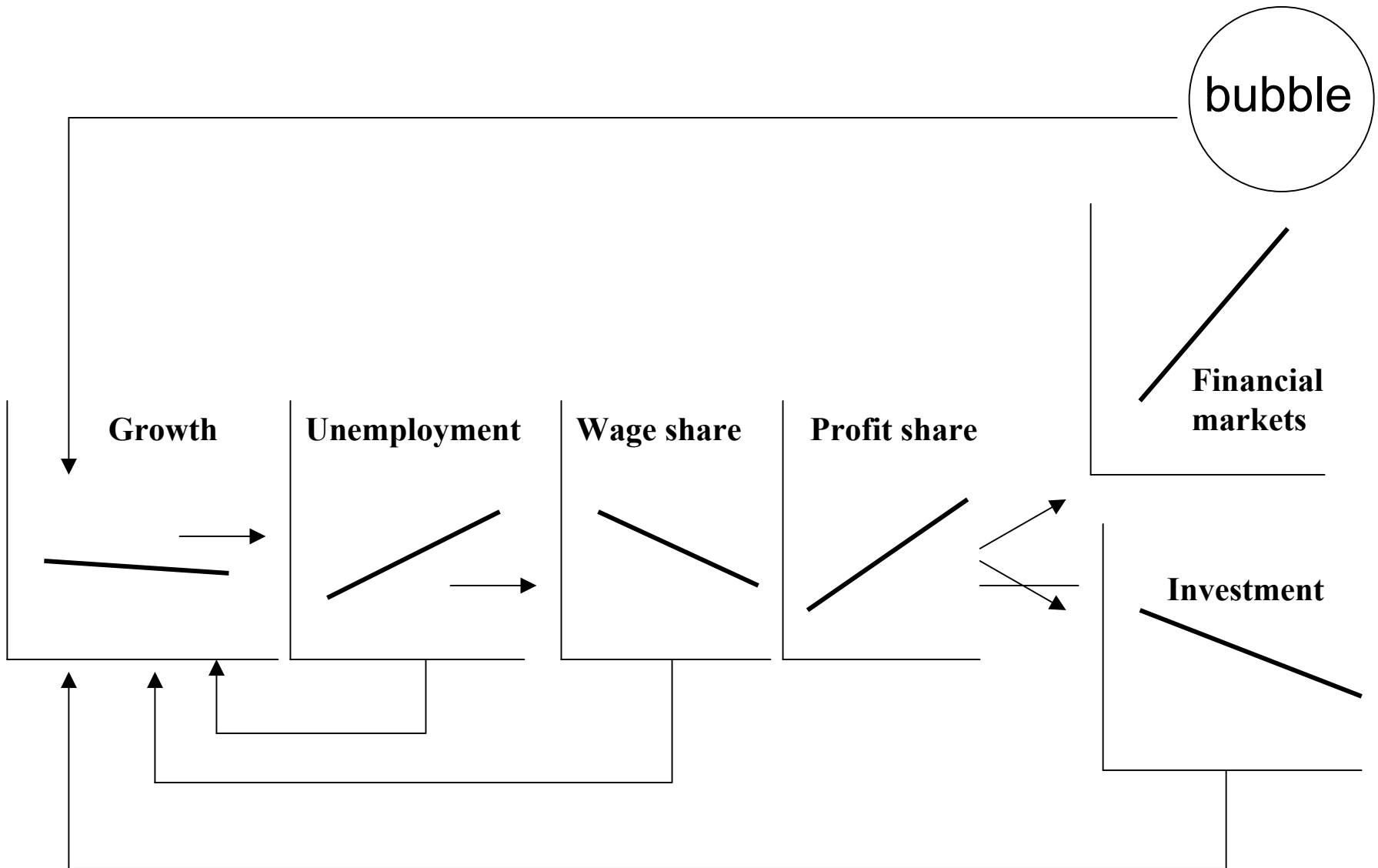
* 1975-1993: EU 15, 1994-2007: EU 27

Source European Economy, Statistical Annex, Autumn 2002 and 2007, Table 3

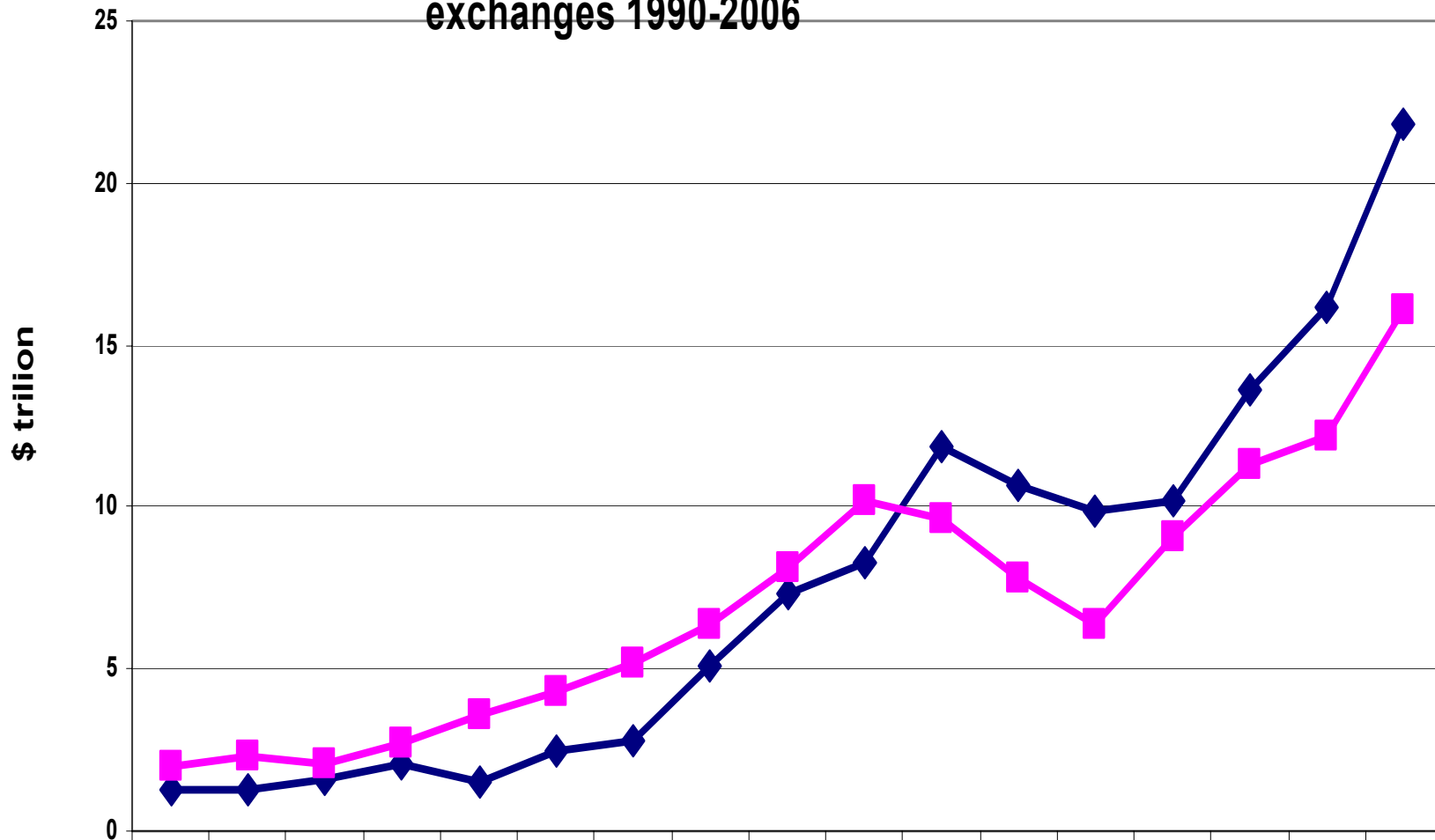
Vicious circle: inequality, slow growth, high unemployment



Consequences of rising profits and slow growth: explosion of financial markets

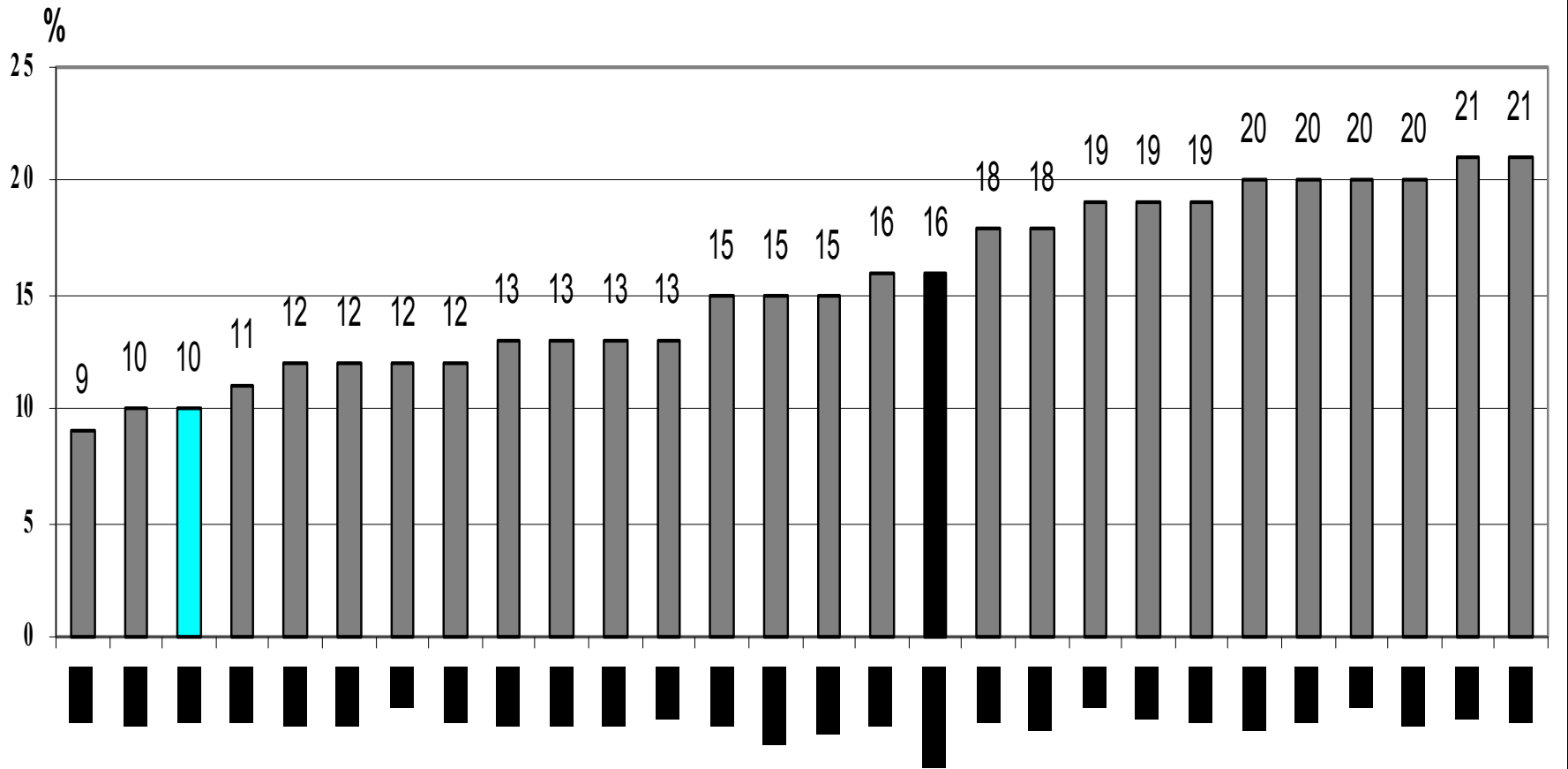


Market capitalization and volume of share trading on European stock exchanges 1990-2006



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
◆ Aktienhandel	1,3	1,3	1,6	2,1	1,5	2,5	2,8	5,1	7,3	8,3	11,9	10,7	9,9	10,2	13,6	16,2	21,8
■ Marktkapitalisierung	2,0	2,3	2,1	2,7	3,6	4,3	5,2	6,4	8,1	10,2	9,6	7,8	6,4	9,1	11,3	12,2	16,1

Poverty rates in the EU27, 2005



Poverty rates

	EU25	EU15	EU10	Maximum values	Minimum Values
total 2005	16	16	17	Poland, Lithuania (21) Ireland, Greece, Spain, Portugal (20)	Sweden (9) Czech Republic (10)
children (< 16) 2004/2005	20	20	22	Poland (29) Lithuania (27), Romania (25)	Sweden (8) Finland, Danmark (10)
adults (16-64) 2004/2005	15	15	15	Poland (20) Lithuania (19)	Sweden, Slovenia (9) Czech Republic (10)
female 2005	17	17	17	Ireland, Greece, Spain, Italy, Lithuanian, Portugal (21) Poland, Lettland (20)	Sweden (10) Czech Republic., Netherrlands, Slovenia (11)
male 2005	15	15	17	Poland (21) Lithuania, Portugal (20)	Sweden, Slovenia (9) Czech Republic (10)
elderly (> 65) 2005	19	20	8	Cyprus (51) Ireland (33), Spain (29)	Czech Republic, Netherlands (5) Hungary (6)

• Source: Eurostat-April 2007.

Perspectives for an alternative development pattern

- Common rules and standards for competition (including labour protection and tax legislation)
- A strong and democratic public sector
- Active macroeconomic (monetary and fiscal) policies for full employment, social cohesion and sustainability (including a higher EU budget)
- Social minimum standards with upward convergence (including European transfers for fighting poverty)
- Ecological Re-structuring (including concentration on renewable energy sources)
- Peaceful and development friendly international economic relations