

Innovation and Economic Growth: From Lisbon Strategy to Europe 2020

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Moving towards 2020

- Europe 2020: 10-year strategy that aims at "smart, sustainable, inclusive growth" with greater coordination of national and European policy.
- Lisbon Strategy: In 2000 the target was 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", by 2010.
- Valuable Lesson: What did go wrong with the Lisbon agenda?
- Main targets for 2020:
 - ❑ 75% of the 20-64 year-olds to be employed
 - ❑ 3% of EU GDP to be invested in R&D
 - ❑ Fighting poverty and social inclusion
 - ❑ Specific National targets
 - ❑ ...

The failure of the Lisbon Strategy

<i>EU 27 - key figures</i>	2000 (initial value) (%)	2010 (%)	Target 2010 (%)	Gap (percentage points)
Average GDP growth rate	3.90	1.62	3.00	-1.38
Overall employment rate	62.20	64.10	70.00	-5.90
Female employment rate	53.70	58.20	60.00	-1.80
Employment rate for older workers (55 - 64)	36.90	46.30	50.00	-3.70
R & D spending of GDP	1.86	2.00	3.00	-1.00
People at risk of poverty after social transfers (% of total population)	16.4 (2005)	16.40	-	-
Electricity generated from renewable sources	13.60	18.2 (2009)	22.00	-3.80

Source: Eurostat, available at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/structural>

What did go wrong?

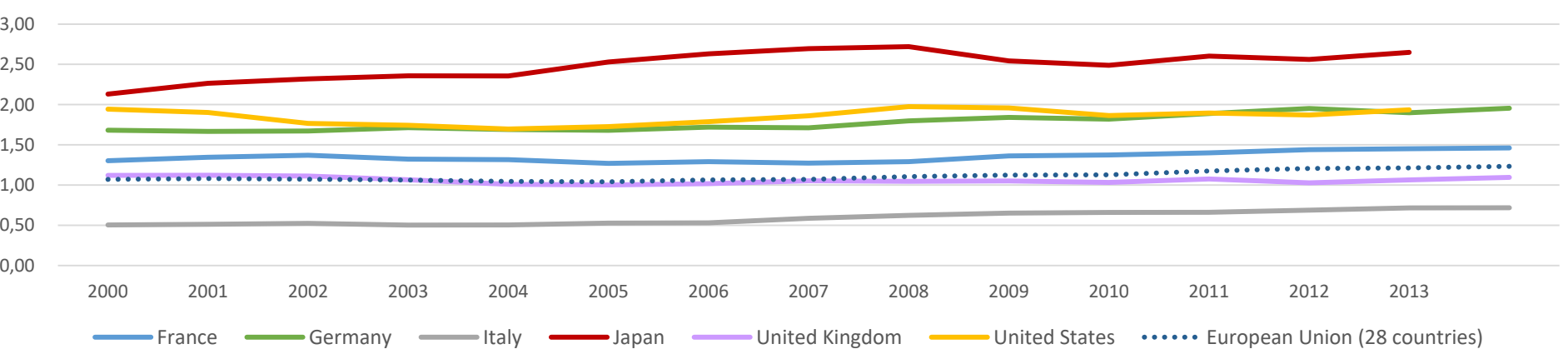
- Many reasons were identified by the midterm evaluation (Kok-report, 2004) and the Sapir (2003) report:
 - ❑ Agenda was overloaded and very ambitious
 - ❑ No account was taken of the different initial bases and capabilities of the Member States to meet them
 - ❑ Different policy priorities
 - ❑ Lack of determined political action by the European institutions and the Member States
 - ❑ Poor Coordination across Member States
 - ❑ Conflicting and shifting priorities
 - ❑ External factors in a globalized world (US stock market bubble)
 - ❑ Slow rate of ICT diffusion
- Pisany-Ferry (2005):
 - ❑ Lack of incentives, in terms of positive cross-border externalities and pressure from voters with regard to coordination among Member States (poor “supply-side reforms”)
 - ❑ Public did not receive adequate information about the potential gains from structural reforms
- Financial Crisis

Lessons for Europe 2020

- Governance must be improved in order implementation to be more effective
- National targets can add transparency and improve incentives
- More enhanced role for European Parliament and Civil Society
- Crisis led to more coordination and surveillance (and frictions too!)

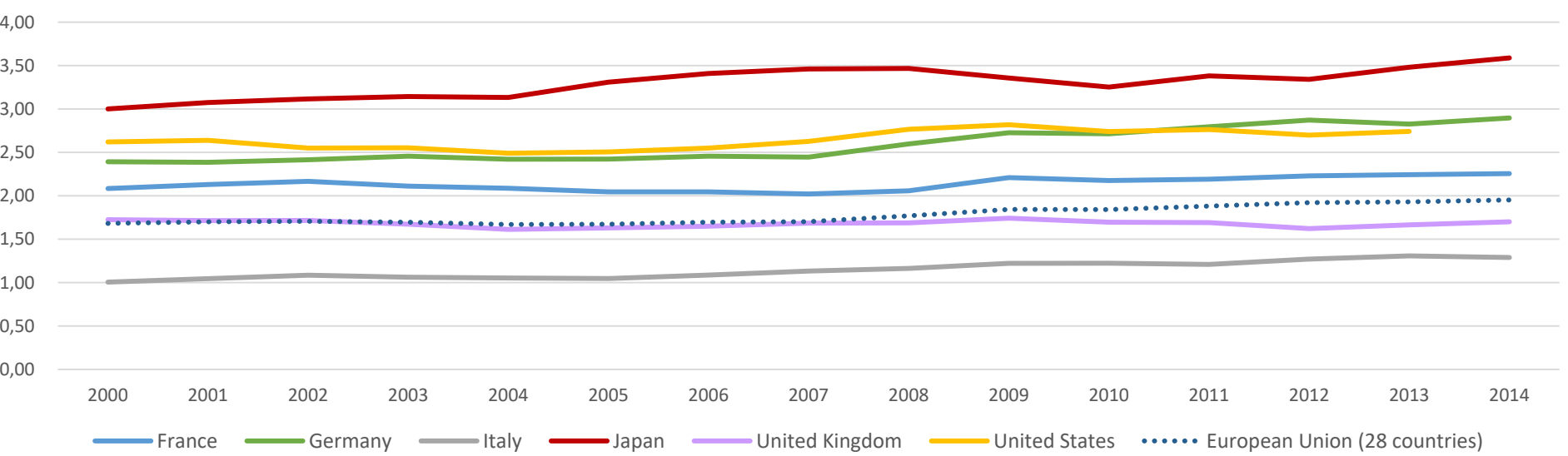
Innovation and the ambitious Europe 2020 target

Business Enterprise R&D expenditure, as % of GDP



Gross Domestic Expenditures on R&D (GERD)

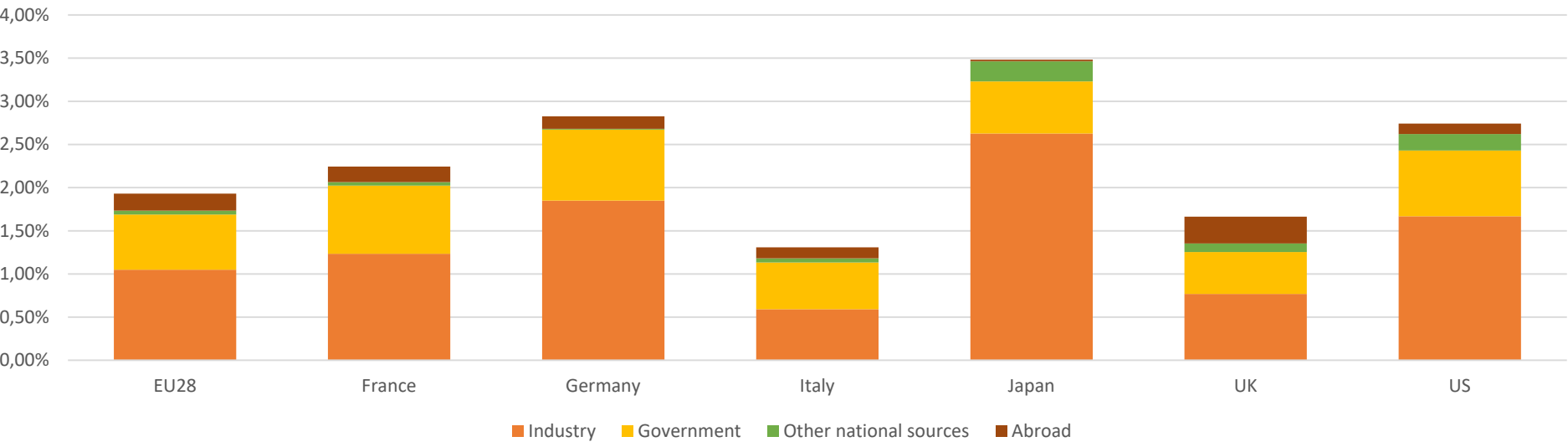
Source: OECD.stat



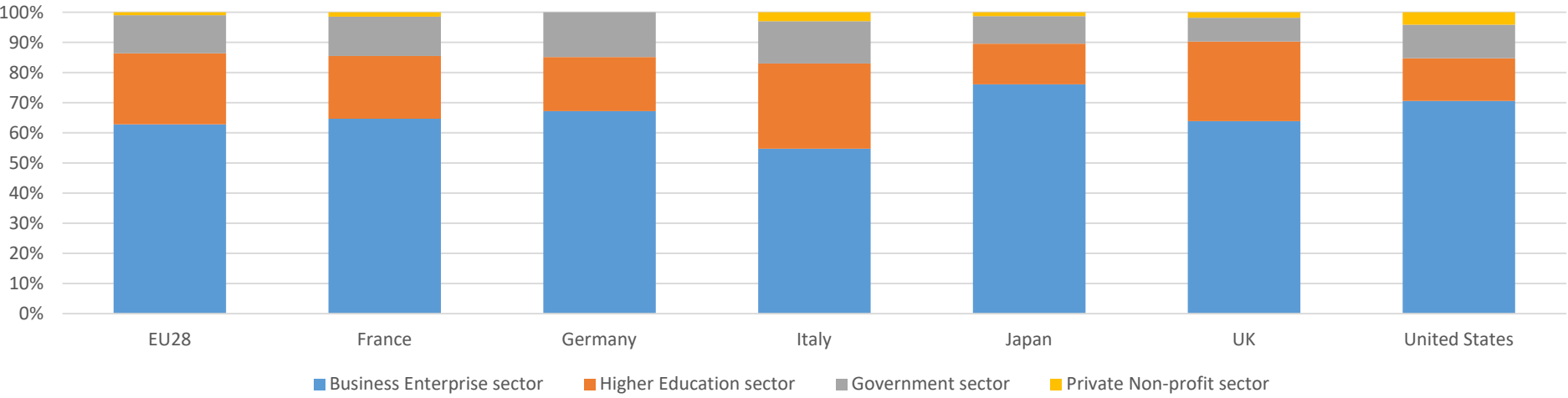
Decomposition of R&D Expenditures

GERD financed by the different sources (2013), as % of GDP

Source: OECD.stat



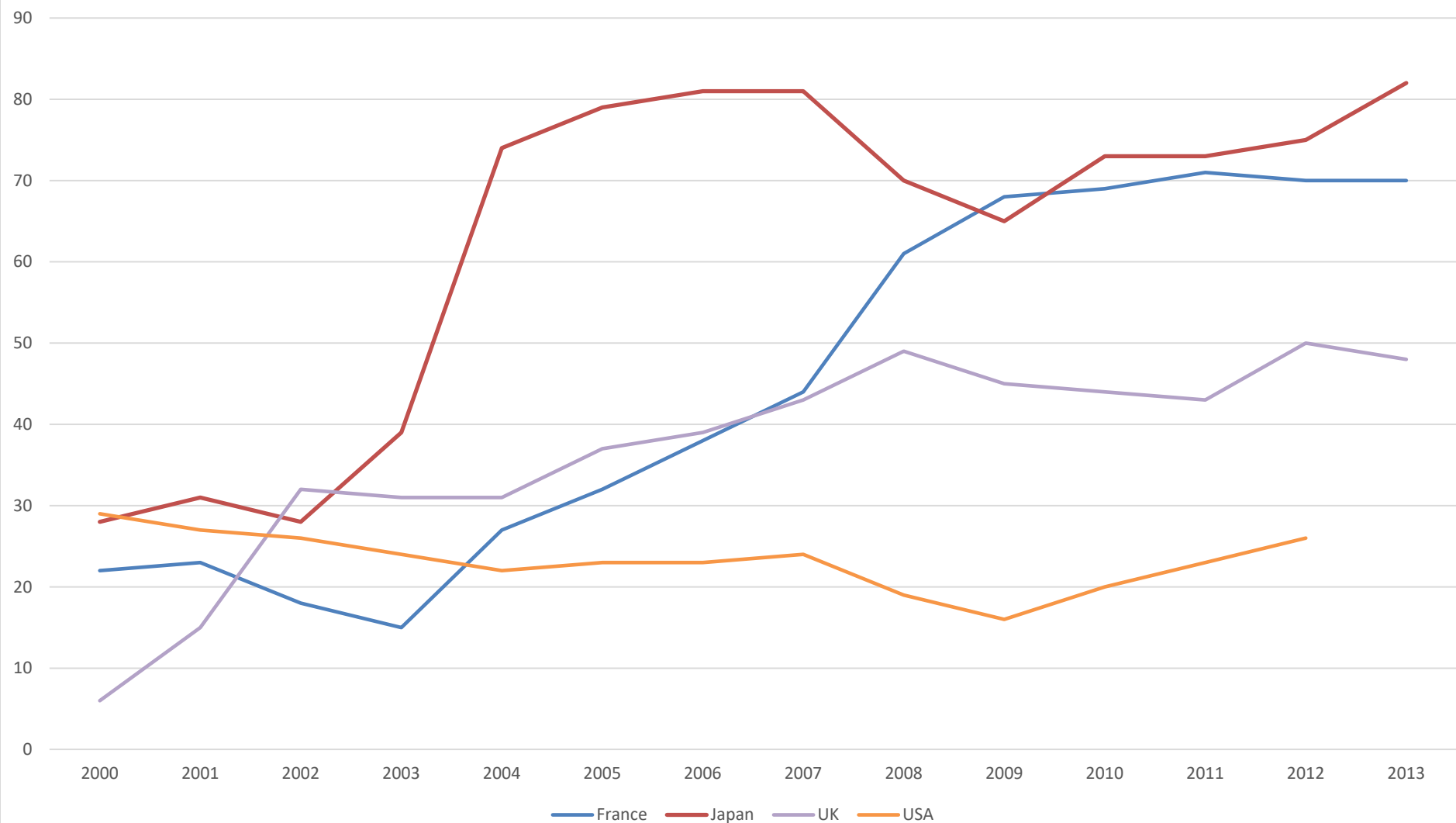
Distribution of GERD by the performing actor (2013)



Innovation and Tax incentives

Tax support as % of total (direct and tax) government support for business R&D (BERD)

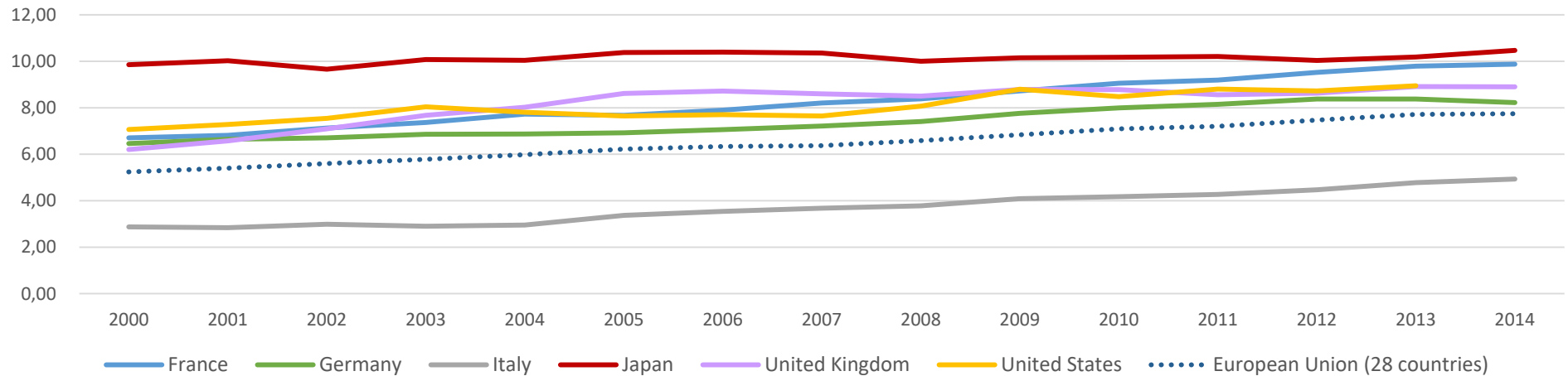
Source:OECD.stat



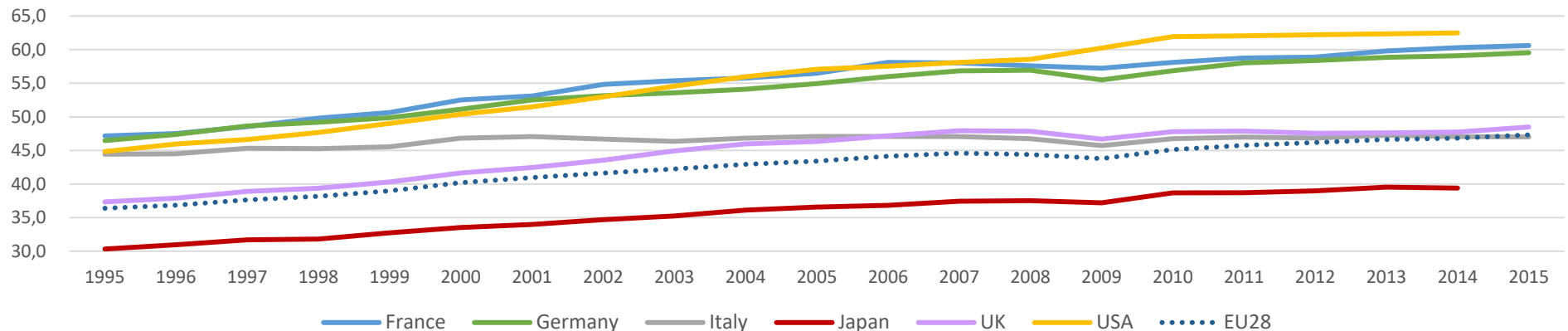
Human Capital, Research and Innovation

Total researchers per thousand total employment

Source:OECD.stat

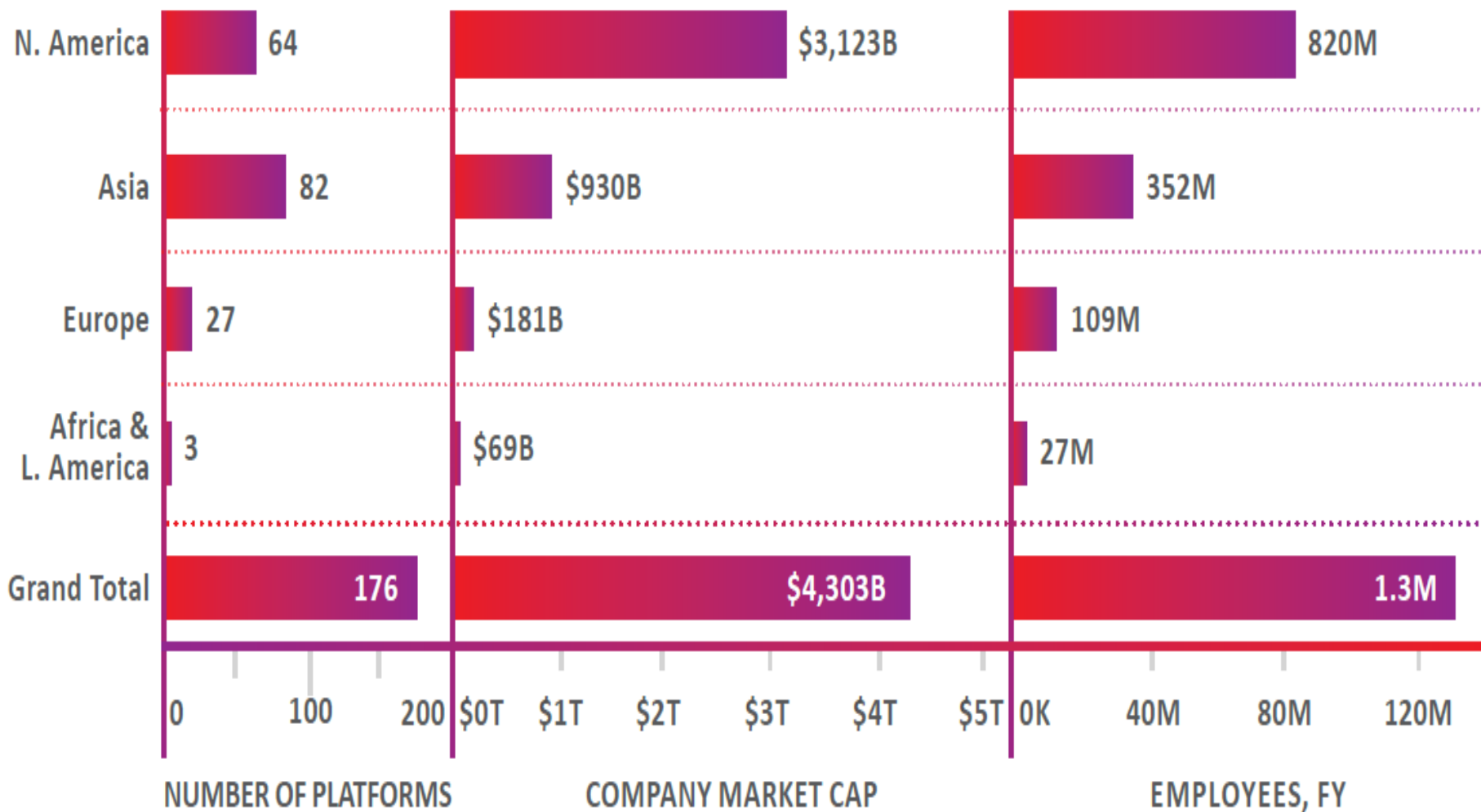


Real GDP per hour worked, PPPs adjusted



Digital Economy and Platforms: Where is Europe in the global map?

PLATFORM COMPANIES BY REGION



Investments in R&D: Look at the Micro-foundations!

- Competition and Innovation: An inverted-U relationship (see Aghion et. al. 2005)
- Financial constraints reveal the importance of the form of financing
 - Venture capital vs. debt financing
- Intellectual Property and ICT (see Bessen and Maskin 2009)
- Industrial and Competition policies: Complements or substitutes? (see Aghion et. al. 2015)
- Managerial incentives and competition (see Schmidt, 1997)
- The multidimensional market impact of disruptive technologies under different regulatory frameworks