G R E E N   G R O W T H - MIRAGE OR REALITY?
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Coming up with a visionary document in and about the European Union anybody runs the risk of being pushed to the corner by all sides. Some will call him idealist, other will call it empty talk, yet anothers will miss sectoral or group specific targets, still anothers will call any number - besdies page numbers - as arbitrary, academically unsound and void of implementation capacity. This has already been the case with the Europe 2020 document of the Commission published in late February 2010[2] and to be finalized by the June Council of the EU. Usual criticisms and counter-criticisms have already been voiced, and anybody studying e.g the information website *euractiv.com* can get a broad coverage in all official EU languages on the borderless debate.

This author, having observed the ups and downs of European integration for decades, tries to avoid both over- and underestimation of any joint policy document. For one, the Community has always been moving ahead in an incrementalist-gradualist manner, relying on a lerge degree of pragmatism, common sense and compromise politics. For this reason the EU has constanlty been lagging behind its own objectives and ideals, which is a feature of normelcy. On the other hand, quite unlike many other integrational groupings, the EU has indeed been quite successful in climbing up on the ladder of various layers of integration. While some of its competitors, like the eastern trade bloc Comecon collapsed, others, like ASEAN stagnate at limited trade policy liberalization, the EU has been singularly successful in deepening its dimensions of integration, from free trade in industrial gooods and a bit of joint support for agriculture towards a political union. The latter is certainly fragmentary, but the evolution to this direction is undoubted. The Lisbon Treaty, the EMU, the European Court of Justice and an ever larger number of common policies and cooperation fora all reflect the irreversibility of

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[2] EU Commission/2010/: *Europe 2020-A European Strategy for Smart, Sustainable and Inclusive Growth*.- 24 February, available on: www.europa.org and www.euractiv.com

the process of Europeanization in a variety of areas, from the political to social, economic and cultural alike. And for anyone moving it is just as well to have a point of orientation, a set of ideas to draft the possible trajectories for the future.

On the Used and Misuses of Strategies

Europe 2020 is an immdediate follow-up to the Lisbon Agenda, a similarly broadish strategy document adopted at the turn of the millennium. Without reiterating the bits and pieces/Rodrigues, ed,2009/ let us recall that the strategy was never meant to be an operational policy document. Both in its original and in its revised 2005 version it was an attempt to bridge the gap between considerations of global business competitiveness and broader social and environmental concerns, that have been manifestly gathering momentum in the set of preferences of the European electorate, as reflected in the annual Eurobarometer surveys/that are conducted in a standardized methodology across the EU/. For this reason it would be hard to subscribe to the frequent claims by policy-makers and journalists who consider the Agenda as a mere talk shop. If for no other reason, because of practical exigencies even firms, but also ministries, universities or regulatory agencies tend to have formal mission statements, describing their *raison d'étre.* While it is well taken, that there is no agreement in the EU about *finalité politique,* especially the series of unsuccessful referenda on the Reform Treaty has indicated: most of the electorate does not have a clear idea of what the EU is all about, why the institutions, procedures and the partial relegation of sovereignty to joint bodies.

It is to a large degree reassuring to observe that the Union comes out with a new strategy immediately upon the aftermath of a global financial crisis. The latter has had major repercussions on the global economy/Stiglitz,2009/ and has modified to a considerable degree the *modus operandi* of the European economic policies at the national and Community levels alike/Csaba,2009/. As can be seen from the cited and a number of other sources, those interventions- similarly to that of the *non-interventionism* of the preceding decade- has not followed any systematic economic logic, be that academic or practical. It followed to a large degree improvisations and panic reactions to the crisis, without any preliminary calculation of costs and limits, let alone elaborating strategies for withdrawal. Under this angle day do day improvisations often translate into policy lines, which as they are not really intended by anybody, nor are they condoned or accepted as sustainable.

In such a situation it is necessary, altough clearly insufficient to elaborate what the ECB and others recently term as an *exit strategy*, whic in nomrmative terms surely covers more than copying with immediate challenges like the Greek debt, and should ensure a return to rules-based fiscal policy. Recent evidence surveying theories and two centuries of empirical statistics/Reinhart-Rogoff, 2009/ indicate that public debt, especially if it grows exponentially, is not an innocent monetary phenomenon as subsumed by much of the mainstream modelling, new classical and new Keynesian alike. In reality debt, and by implication, deficits, are always and everywhere a threat. Thus, while allowing for the more flexible interpretation of the deficit criterion, the debt stock and especially its medium run evolution remains a major indicator of economic health of nations in the long run/Blanchard,2010/.

From the above considerations it follows, that returning to sound public finances is a must already in the medium run. The financial turmoil at the time of completing this piece indicates, once again, that global private markets are unlikely to finance just any size/dynamics of public debts, thus public authorieties need to beware. However, experiences of the 1990s indiccate, that this is not the whole story. Similarly to that decade unemployment may be a lasting bedfellow of recovery, even if fiscal policies are sound. *Jobless growth*, which is a cyclical phenomenon in the USA, can indeed return to much of continetal Europe, old and new. Therefore the calls for broader policy objectives, that go beyond common sense solid economic practices are indeed topical and well established.

By the same token it is a welcome development that the Europe 2020 strategy strengthens the idea of surveillance over the behavior of the member states. However, it is important to make some reservations.

a/ The surveillance issue comes up at a time when decision-makers are not very deeply concerned by the long range issues we analyze, but are under the panic reaction of markets on Greek debt crisis and default threat[3]. For this reason their enthusiasm and committment is less then credible, especially for sunnier days.

b/ Non-compliance has not started with Greece, nor by the eastward enlargement of the EU. The credibility loophole, that originates with the exemption of France and Germany from the stipulations of the Stability and Growth pact are yet to be remedied, by procedural and substantive action.

c/ Reporting, especially on public finance, was thought to have been thoroughly covered by Eurostat and Ecofin reporting and controlling practices. The repeated and recurring mishaps in Greece indicate that the system in reality works much less efficiently, than it looks on paper and is sold in textbooks and official communication.

d/ A number of suggestions were made, already in the context of the Stability and Growth Pact revision of 2005, to enhance the technocratic nature of surveillance, enhance the credibility and reliability of basic underlying data, and cross check forecasts qhich often serve immediate political purposes. Most of those suggestions, in theoretical and practical terms, are still valid.

However, as could be shown then/Csaba,2007,chapter8/ it was not lack of cognitive power, but insufficient political will to countervail and limit immediate politickling and interference by governments in the procedures, that curtailed those propositions from implementation. Even if we think of simple procedural options, such as outsourcing some of the data or decision to independent bodies, as European Court of Auditors or even Eurostat, resistance is likely to mount. No improvement is realistic without those changes though.

[3] EU ministers agree to 750 be euro package to save currency.*BBC World News,* 10 May,2010/downloaded the same day.

Jobs and Growth: Are They Alternatives?

It was one of the contestable pieces of the Lisbon Agenda that it put, in its original versions, growth ahead of jobs. Reflecting the general thinking and social mood of the period it has put, at the end of the day, the cart before the horse. For this reason the 2005 revision was a step in the right direction. However, in the contemporary debate many authors, and not only from the green camp, consider that growth is no longer an option, or at least should not be a priority. Greening the economy and creating jobs is on the agenda.

At times of soaring unemployment it goes without saying that growth is the only way to create jobs in a sustainable manner. Recurring attempts by the Frech and other governments to limit working hours and redistribute jobs proved to be a dead end, since neither the number nor the distribution of jobs is a given that only needs to be calculated. In reality none of the two can be calculated *ex ante*, as they evolve as an interplay of a number of factors, including ones usually outside the scope of conventional economic analysis, such as societal values, quality of education, health conditions and quality of the regulatory environment as well as long run perspectives of lifestyles by masses of individuals. Especially perceptional issues seem to rank high on this agenda.

For this reason the task to enhance the labor market participation rate from 69 to 75 per cent by the end of the decade is ambitious indeed. But anybody having worked on pensions would immediately recall: this is a must to address the multiple challenges of an ageing society/Botos,2008/.

There are two basic ways one may approach this goal. First, if we look at the formal level, the Community has little if any immediate competences over labor markets. Regulation of those as well as the educational systems and most of the social transfers also remain firmly in the hand of national authorities. In turn, not only in legal terms, but also in terms of factors forming supply and demand, national arrangements dominate the integrational ones. EU level talk on those therefore remains at most at the level of declaration of goodwill.

In a more complex approach we take it for granted that the process of Europeanization is more subtle and interactive than the formalistic-legalistic top-down approaches would have it. The EU has in its long history, often seen the bottom-up evolution of policies in a number of areas, from energy to the environment. Those reflect changes in perceptions and priorities of the electorate, which in turn is a fully legitimate way of elaborating new and new areas of cooperation. Under this second angle social Europe implies an ever closer intertwining of markets in general and labor markets in particular. In so doing it is rather straightforward to expect a fair degree of imitation and spontaneous adaptation, learning by doing and thereby a degree of convergence in the areas which look to be entirely in the hands of national regulators[4]. The rulings of the European Court of Justice as well as the broad pan-European discourse over lifestyles, over work-family balance, gender issues and the like inevitably shape the arrangements, first in indirect and later in a more immediate manner. The more pressing we consider the fiscal burden of welfare arrangements, that enjoy a very high approval rate across EU states, the more inevitable it becomes to induce an ever larger part of our fellow citizens to be engaged in much longer working lives than it was percieved normal say two decades ago. Also in terms of social integration and in curbing health expenditures lengthening active lives was shown by countless analyses to be the way ahead of humnane and sustainable solutions[5].

Since liberalization of labor markets is by definition a basically national job, whose progress took only a snail's pace in most continental countries, moreover that the employment losses triggered by the financial crises may well sustain for long time, it is certainly not trivial if, and to what degree, the propensity of firms to apply labor saving technologies can be countered. Moreover nontraditional forms of employment often emerge in the EU- unlike in the USA- only if active support by public authorities in the form of tax reliefs, benefits or prescriptions promote their spread. The thick web of

[4] For a comparative analysis cf Bruno-Rovelli/2010/.
[5] Cf the Forum discussion on flexicurity in: *Interconomics,* no2/2008.

regulations and stagnant domestic markets limit the growth potential of small business, which could be one of the major source of job creation. But the difficulties of startups are well known though, but hardly remedied by the changes of the past few years. Thus the drift between frontrunners like Denmark and laggards like Spain is likely to sustain.

It is perhaps of great imprtance for us to underscore the fundamantal difference between the idea of greening growth and halting growth. While environmentalists tend to call for the latter, the EU 2020 document considers sustainable development more in line with the traditional thinking in economics, where the continuous expansion- and equitable distribution- of wealth is axiomatic. The more we believe in the relevance of overcoming world poverty/Collier,2007/, exacerbated by the financial crisis, thus - with over 1.4 by persons living below 1 dollar per day- the less we can put up with any version of zero growth.

Moreover, as the strategy also elaborates in some detail, growth nowadays no longer equals to quantitative expansion of industry and destructiuon of the natural environment. On the contrary, reliance on computer-based technologies and finance, introducing environmentally friendly services have already developed into major industries in Scandinavia and elswhere. For this reason it is entirely feasible to expand wealth without expanding energy needs, or even diminishing those. In the case of new member states the reserves for the latter are particularly considerable, since a unit of GDP is still produced with an input of about twice as much energy as in the advanced western countries.

Smart Growth Is a Must By Now

The preceding ideas have already foreshadowed the imminent need to change the traditional pattern of production and consumption wit its wasteful and environmentally deleterious features. The position of the EU, adopted at the Copenhagen Global Climate Summit in December 2009 has already foreshadowed that the Community has no other option of avoiding its relegation to global irrelevance than acting as a pioneer in terms of a new, environmentally sustainable model of economic advancement. With the eastward enlargement the need for convergence has come back to the mainstage of policy-making, without however compromising its longstanding committment to environmental sustainability.

The only way of getting both ends meet is the implementation of the new type of growth, based on innovation. The latter- contrary to the conventional neoclassical simplifications- can and should not be restrained to technological progress. Innovations in the organization of work, for instance/Makó et al,2008/ can and often do, play an even more important role in bringing about more wealth creation and better consumer satisfaction, without requiring major investments, and certainly without burdening the biosphere of our globe. Meeting the third headline objective of cutting greenhouse emmissions by 20 per cent is thus both attainable and integral to the entire meaning of the new strategy.

Let us be clear: the volatility of commodity, goods, food and financial markets in the 2007-2010 period have clearly indicated, yet again, the limitation of any growth pattern in Europe that would be a sheer replication or a mildly modified second edition of the traditional factor intensive pattern. With that avenue closed, smart growth, i.e the path based on innovation of organization, of social networks, as well as R+D intensive specialization remain the only game in town.

Let us add: while the Europe 2020 headline goal of spending 3 per cent of GDP, a replication of the 2000 Barcelona target, is somewhat formal and bureaucratic, it does contain a message of the need to do more/and perhaps talk less/ in terms of research and its application. In so doing involvement of businesses, both in terms of funding and in terms of applications, has become particularly relevant for countries where this lag is the biggest, namely the new member states and the southern cone of the EU, where the corporate-university linkageas are perhaps the weakest.

It is important for us to recall: in this area reliance on the big EU funded mega projects always tended to be an exception rather than the rule. Furthermore the questionable economic efficiency of those, from the Ariane space project to the limited success of the framework programs in terms of any conventional indicators of research output analysis, be those patents in the sciences, or the number of independent citations in the social sciences. This sad outcome caution against our seeing the return of the old big push approach as the promise for the future. Instead the reliance of a larger number of nationally funded or regionally organized smaller projects, initiated locally and often by industry, may be the lightposts for the future ahead.

Social Europe – But How?

As we have seen above growth is though a necessary but not a sufficient condition for generating employment and cohesion, which are known to be the basic constituents of the social dimension of sustainability. The latter is by no means less relevant than the conventionally discussed financial and evironmental sustainability, as the recurring violent racial clashes in a number of west European cities, from Paris to Amsterdam have amply and recurringly demonstrated. Therefore it is legitimate for the new strategy to focus on education and poverty reduction.This is in line with the broader approaches in economic sciences that have gained currency over the past few years, especially in terms of broadening the concept of growth to development. The latter is reflected i.a in the move awy from GDP-based approaches to HDI and other nonconventional measurements of well-being.

It is one ofthe most pertinent insights of those broader approaches that poverty can and should not be reduced to lack of income, as neoclassical approaches tend to have it. Poverty is, in line wth the classical work by Amartya Sen/1999/ is rigthly seen as lack of capabilities. In other words, no lasting improvement is feasible if it is based on transfers of various sorts. Tackling the fundamental problem of social exclusion, of lacking motivation, and of missing capabilities to learn new and socially relevant capabilities, such as computer literacy, command of foreign languages and obtaining social skills needed for labor market performance is feasible only if education is conceived in a fundamentally different way from how it used to be. Rather than following ideologically set objectives the mission of schools should be the provision of the above listed skills, that allow young people to be integrated in a competitive society.

Under this angle it is a welcome development, that the priority in Europe 2020 is no longer focusing on the best and brightest, but on the poorest performers, i.e the early school leavers. Four out of the seven flagship initiatives focus on the above listed areas. This may in turn help create a pool of qualified persons who aim and are able for life long learning, which is no longer a mere slogan in the contemporary society. The target of poverty reduction by 25 per cent is intimately related to the former, insofar as missing skills count as one of the major reasons for notorious lack of competitiveness.

Let us add: contrary to frequent calls from industrialists, economics of education does not support the exclusive focus on vocational training of teenagers, or on science education in the college and university levels. Perhaps the most important lacking skills of the marginal groups are perceptional and social in nature, in terms of cooperation, ability and willingness to tolerate a value system and discipline required by large scale organizations.

Critical Assessment

As could be seen of this brief summary of major features of the new strategy, it is to a large degree a continuation of the Lisbon Agenda. The good news in this respect is avoidance of the 'one size fits all' approach, often plaguing the bureaucratic interpretations of EU intitiatives. It is equally a plus that there is no attempt to enhance centralization of funds and decision making competences, thus taking due account of 'unity in diversity'. The continued reliance on national funding may sound sobering for the new member states, but is a reflection of the realities of the post-crisis period. It is equally good that we find no equivalent of the 127 detailed targets of the original Lisbon Agenda, since the new objectives are functional, over-arching and not least socially relevant.

Among the weak points it would be hard to overlook that environmental concerns continue to be relgated to a sectoral rather than a formative component. This is a problem insofar as this is the field where the EU may and should aspire for becoming a global leader, as appreciated by American authors as well/ Kelemen,2010/. Second, many of the quantitative targets look quite arbitrary, following political convenience than any academic standard. This holds for emission reduction just as much as the target for R+D spending or the objectives to limit the numbers of early school leavers. In reality even if 40 per cent of youngsters earn a diploma this is, on its own, no entry card to improved job market perfomance. As we have seen, employability may in some cases require even earlier leaving of regular schools- for vocational training or work- that later may be complemented by on the job and formal training. Likewise the quality of college and university output leaves a lot to be required, since several skills- including enterpreneurial ones- that would directly be ov avail to help employability do not figure in the current curricula. Overall, the social appreciation of work as a major activity is still low in many countries, and lavish transfer schemes contribute to this misperception.

Similarly to the Lisbon Agenda the Euro 2020 is weakest on the side of implementation. While we welcome the refrainment from bureaucratic, centralized command methods, still ruling in say the CAP and much of cohesion spending, declaring objectives without even hinting at means of attaining them is usually considered to be bad business practice. If for no other reason, because goals and means form a unity, which in an ideal case scenario work in a mutually supportive manner, via a series of trials and errors, and not least via mutual adjustments. Leaving all means in national hands is of course in line with the tenor of the day. But in the longer run these may well backfire .

As noted at the very outset, a mission statement, like Euro 2020, should not be mixed up with an operational policy document. It is vitally important to have an idea about where the Community is heading to, which are the frequently invoked European values in concrete terms. But leaving all implementation in the darkness is a danger even if visions return and crisis management will finally be replaced by strategic action for global growth. This is the only way for the EU to avoid being relegated into a second rank global player already during the current turbulent decade.

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