

Provisional appraisal of future EU strategy at the economic summit: only a few countries will score well

Bertelsmann Stiftung: Lisbon and Maastricht objectives must be jointly observed

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Many countries are only just starting to take action -- a proper EU control mechanism is needed. Sustainable fiscal policy and economic growth are not mutually exclusive but can complement one another. Over the last few years the EU has made some progress but most EU countries still have some way to go to reach the level of long-term budget policy stability and dynamic economic growth shown by the USA or Canada. This is the conclusion of a study by the German Foundation Bertelsmann Stiftung which examines the prospects of success for 30 OECD and EU countries. In order to develop the so-called LiMa benchmark, this is the first study that has looked at the interaction between the criteria on the Lisbon agenda and the Maastricht criteria and, in particular, has evaluated the long-term future perspectives as well as the status quo for the individual countries.

The study shows that the Northern European welfare states and the Anglo-Saxon-type economies are in the best position to satisfy the European norms. By contrast, the Continental European and Mediterranean economic systems show considerable deficits in terms of satisfying the agreed criteria. Eurozone member countries also score lower than the EU average.

Today for example, apart from Luxembourg only Sweden, Finland and Denmark can match the performance of the USA, Norway, Switzerland or Canada. Many indicators reveal considerable deviations and deficits for the other EU countries in some cases. Countries such as the UK, Ireland, the Netherlands and the Baltic and Iberian states are able to demonstrate a convincing and sustainable financial policy, while most of the Continental European countries are experiencing problems in this area, in some cases massive problems. These include Germany and France and most of the Eastern European accession states. At the same time, however, they vary in terms of their growth potential.

For example, Germany or Belgium are above the EU average and have comparatively positive perspectives like the Japanese economy. Meanwhile, Greece and Italy are a long way behind the other countries in terms of future perspectives for financial and economic growth policy.

"This means that our study indirectly confirms current findings in the discussions concerning a European economic and social security model," concludes Joachim Fritz-Vannahme, Head of the Europe Project for the Bertelsmann Stiftung. "The study appears to show that the Northern welfare states, which have a tax-based social security system and offer many more ways of earning a living, are in the best position to meet the challenges of globalisation and the EU objectives." The study also reveals a similar level of success for Anglo-Saxon-type economies, such as the UK, Ireland, but also the USA or Canada, which have a lower tax burden, less employment market regulation and very focused social policy programmes. Fritz-Vannahme: "Generally speaking, we feel there is great potential for growth for the Central European conservative models as seen in France, Germany or Belgium, which are dominated by the social security system and have a high employment load factor, but they have not yet proven that they can be successful. Above all, these countries still have to secure fiscal sustainability." "On the other hand, the Mediterranean economic and social model with a basic welfare state system is no longer viable, particularly if the necessary structural reforms are not in place, which is obviously the case in Italy."

According to the Bertelsmann Stiftung, one of the most important findings of this comparative study is that the two "Lisbon" and "Maastricht" objectives are clearly not mutually exclusive but complement each other in a synergetic way. "Countries that pursue both objectives with the same priority will be more successful in the medium-term than those who put the weighting on one side only. This again confirms the conclusions of the International Business Site Ranking published by the Bertelsmann Stiftung."

At the same time, however, Joachim Fritz-Vannahme feels that the European policy lacks a proper mechanism of sanction and incentives: "Neither the convergence criteria required for monetary union nor the ERM sanctions within the Eurozone are effective instruments for boosting the performance of the respective economies. Despite a wide range of improvements over the last few years, the European programmes have lacked political commitment and enforceability." For this reason, the EU Commission needs to be strengthened in order to clearly show the deficits and success factors in the respective member states and at the same time to provide effective sanctions for these. Furthermore, the audit of the EU finances in 2008/09 could be used to provide

resources for implementing the Lisbon strategy at both national and European level.

The LiMa Benchmark Study by the Bertelsmann Stiftung, which was developed in cooperation with the Centre for European Economic Research (ZEW), is the first study to examine how the EU member states perform in the pursuit of this dual objective and in comparison with other OECD countries. The study focuses on the growth dimension of the Lisbon objective and on the sustainability of the fiscal policy. The findings concerning the determinants of potential growth and a sustainable fiscal policy were used to develop quantitative indicators to ascertain to what extent the objectives can be achieved in each case.

For further information on the Internet visit:
www.bertelsmann-foundation.org.

A summary of the LiMa Study and all collected data are available for download at:

www.bertelsmann-stiftung.de/cps/rde/xchg/bst_en/hs.xsl/306.htm
(http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst_en/hs.xsl/306.htm)

To see the current International Business Site Ranking by the Bertelsmann Stiftung 2007 visit:

www.bertelsmann-stiftung.de/cps/rde/xchg/bst_en/hs.xsl/17983.htm
(http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst_en/hs.xsl/17983.htm)

Downloads

[LiMa Benchmark - A performance analysis of EU member states in the light of the Lisbon and Maastricht goal systems \(795 KB\)](#)

[The Stony Path to the Strongest Economy: The LiMa Benchmark - Conclusions \(734 KB\)](#)