

European Social Observatory deliverable

The Lisbon Strategy, Europe 2020 and the crisis in between



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Abstract

This paper provides a brief overview of the Lisbon strategy, its political and economic rationale, and its main advancements and limits. This is instrumental for asking some analytical and political questions on the post-Lisbon phase and the launch and implementation of the Europe 2020 strategy. The present contribution is organized in three parts. The first part summarises the politico-economic reasoning at the base of the Strategy and the expected improvement of the EU governance (in terms of participation and learning capacities). Expectations advanced by policymakers and experts at that time will be analysed.

The second part of the paper will focus on the most recent economic and financial crisis. This is conceived as the sum of the global challenges the EU is facing and the Lisbon Strategy was supposed to deal with.

In the third part, the paper will then summarise “shadows” and “lights” of the Lisbon Strategy. Some open questions on the design of the new Europe 2020 Strategy will be proposed. The reference will be to two broad tensions that seem to require more political and analytical attention. The first tension has to do with the reform of the European social model and the potential tension between different economic and social priorities; the second is related to the governance proposed by the Lisbon strategy to improve participation of stakeholders on the one hand, and to shape cognitive and normative maps on the other. The key findings in assessing the Lisbon project will be summarized through **seven critical points** to deal with in order to understand the potential of the EU 2020 Strategy that is going to be launched.

Introduction

The Lisbon strategy launched in 2000 has represented a twofold ambitious goal for the European Union (EU): to transform the European economy of the 21st century (and make it the most competitive knowledge-based economy in the world) and to innovate EU governance through new forms of interaction between national practices and European objectives.

Since then, a lively multi-disciplinary debate has developed since the early 2000s amidst much controversy between scholars and experts. The present paper provides a brief review of the literature developed so far in the EU and abroad on the Lisbon Strategy and its effects. The reference is to the most recent academic literature and contributions from research institutes and think tanks⁽¹⁾. In the following the focus is on two main questions: the political and economic rationale of the strategy, and its governance (the use of participation to increase EU democratic legitimacy and the cognitive potential of the strategy through learning dynamics).

Section one aims at looking at the normative political and economic foundations of the Strategy launched in Lisbon. Section two sheds light on the major traits of the ongoing economic and financial crisis that has hit Europe in the last three years. Such economic downturn has represented a huge challenge to the EU integration project and the governance of economic and social policy. We will focus on the main traits of the crisis and its connection with more long-lasting socio-economic issues the Lisbon Strategy was supposed to face. Section three refers to the key insights in the scientific debate on the main tensions and limits of the Lisbon Strategy and the options for the improvement of the EU socio-economic governance through the new EU 2020 Strategy. Seven critical points (along two main dimensions – the political economic foundation of the Lisbon Strategy and its governance) will be proposed for further reflection. Section four concludes.

1. The Lisbon strategy: logics and promises

When the Lisbon strategy came into existence many academic and political commentators viewed the Lisbon agenda and its related governance tools as a promising step to improve EU socio-economic performance while also legitimising European integration (Natali, 2009). The strategy was widely interpreted to be a ‘fundamental transformation’ of the EU project in economic, social and environmental dimensions (Tucker 2003; Zeitlin 2008).

1 While other research contributions provided by the European social observatory have been focused on the institutional and political debate on the launch of the EU 2020 Strategy, here the reference is to the more academic and scientific debate. Recent contributions from a number of think tanks (Notre Europe, European Policy Centre, Brueghel, and the Centre for European Reform) are summarised.

The Lisbon strategy represented a comprehensive attempt to transform European economies and increase their competitiveness in a global economic environment. In other words, it represented the (proposed) answer to long-lasting EU socio-economic problems (unemployment, productivity stagnation and weak macroeconomic performance) as well as to the new emerging challenges at the end of the last century (population ageing, fast technological innovation, growing financial and economic globalisation) (Sapir 2004; Rodriguez 2002).

1.1 The economic and political rationale of the Strategy

The conclusions of the Lisbon Summit of 2000 were based on the assumption that EU economic models needed to change to be competitive in the global economy. Such an assumption was based on a critical understanding of the EU development trajectory since the 1970s: European problems in productivity and innovation (and the increased gap with US dynamism) were largely interpreted to be the result of economic and social rigidities (Padoan and Mariani 2006). Economic researchers have interpreted the European 'malaise' in terms of the high degree of public regulation, the dominant role of protected oligopolies and the rigidity which especially distinguishes the European from the US labour market (Gruner 2002). The model implemented after World War II (with limited product market competition, alongside capital accumulation and high levels of social spending) became inadequate to deal with new challenges (Alesina and Giavazzi 2006; Heckman 2002).

In the words of Begg (2008), a systematic lack of competitiveness was made evident by the deteriorating economic performances, persistent unemployment and delay in developing knowledge-intensive sectors. To remedy the European shortcomings some key reforms had to be implemented. From a micro-economic perspective, structural reforms had to be introduced to boost productivity and employment rates. More investment on information technologies, fewer obstacles to the freedom of services provision and the liberalisation of transport and energy markets were some of the innovations to be introduced (Daveri 2002; Jorgenson 2003). In order to achieve the objective of a competitive and dynamic economy Europe had to achieve results in reforming social and environmental policies (Begg et al. 2007).

Economic reasoning was also at the basis of the perceived need for more economic coordination (Collignon 2003, 2008). In line with Pisani-Ferry and Sapir (2006) two types of reasoning justify embarking on EU economic coordination. Firstly, interdependence may render independent decision making undesirable. Spillover effects of national decisions may be active in the policy areas where benefits are not confined to the country where decisions are taken (e.g. research and development), and in policy domains where complementarities exist (as is the case of product market and employment policies). Secondly, policy-makers may learn from each other. Policy learning may be improved through cross-country comparison and benchmarking. And common

programmes may represent a reform lever for national policy-makers through a shared understanding of the needed reforms (Dyson 2000).

In parallel with the economic literature, political scientists have developed their own contribution to the debate on the normative foundation of the strategy (Ferrera et al. 2000). In particular, the key target of much research effort has been the European social model, its reform and the contribution it could make to the broader revamping of economic growth. As argued by Rodriguez (2002) – one of the architects of the Lisbon agenda – the emphasis on this new EU strategy was political more than economic. While the need to ensure peace within the EU borders was taken for granted by new generations, a more ‘forward-looking’ approach to socio-economic development had to be stressed. The new impetus for European integration had to be based on sustaining EU citizens’ living conditions, making Europe a key player in globalisation and on the improvement of the EU institutions’ legitimacy. The political perspective has thus added a more complex reading to the economic literature introduced above. And broader objectives were consistent with more complex instruments to achieve them: structural reforms had to be paralleled by a new focus on multilateralism and democratic deepening for new Member States (Rodriguez 2006: 350). The launch of the Lisbon project was thus interpreted to be the consequence of a more complex set of variables. Not just economic stagnation and long-term labour market inefficiencies (in line with a functionalist perspective), but a broader set of socio-economic, political and institutional dynamics had to be analysed (Borras and Jacobsson 2004; Zeitlin and Pochet 2005).

1.2 The Lisbon strategy as a new ‘participatory’ governance

While the strategy was based on a set of policy tools including regulation, social dialogue and structural funds, the new modes of governance have attracted much of the scientific debate.² Terms such as ‘soft law’, experimental governance, post- and self-regulation have been widely used to characterise the open method of coordination (OMC) – that is, the new governing instrument agreed on at the extraordinary European Council of March 2000 (Citi and Rhodes 2007; Falkner et al. 2005).

Much of the literature has focused on the innovative aspects of such a mode of governance and the potential implications for the future of the EU project. As stressed by some scholars (see Heritier 2002; Smismans 2004) there was a widespread agreement among political scientists, international relations theorists and lawyers that the OMC represented an important change for EU policy-making. In line with Scott and Trubek (2002), the OMC was characterised by experimentation and knowledge creation, flexibility and revisability of normative and policy

2 Zeitlin (2007a: 3) rightly argued that ‘the OMC was never intended to serve as the sole governance instrument for the Lisbon Strategy, but was always supposed to be combined with the full set of EU policy tools, including legislation, social dialogue, Community action programmes, and the structural funds.

standards, and diversity and decentralisation of policy-making. Increased participation by a wide range of levels of government and civil society (and stakeholders in general) was interpreted as a precondition to the development of a truly deliberative process (de la Porte and Nanz 2004; Hartwig and Meyer 2002).

Instruments of soft law (i.e. guidance, circulars and contractual rules) have been assumed to be effective in shaping the behaviour of those to whom they are directed without the use of formal law. In the case of the EU, this has been assumed to represent a promising instrument to face up to common European challenges while at the same time respecting national diversity and sovereignty (Hemerijck and Berghman 2004) and to use the diversity of national policies as a resource to find solutions to 'intractable problems' (Trubek and Trubek 2005: 87).

Contributions from sociologists of law and legal scholars have then focused on participation (see also Natali and de la Porte, 2009). Social partners in the EU and national arenas have been encouraged to participate in all stages of the process and have been in particular called upon to take an active role in the elaboration of national reports and of common guidelines (Magnetite 2001; Telò 2002). Among lawyers and European integration scholars, theories of deliberative democracy have been influential in early debates on governance and democracy in the EU process. As stressed by de la Porte and Nanz (2004) in line with deliberative supranationalism and the output legitimacy perspective, political deliberation was designed to foster mutual learning among experts; here the focus was on the role of committees of experts (Jacobsson 2004). According to the 'input legitimacy' perspective, the Lisbon strategy was related to the concrete implementation of the principles of participation, transparency and openness. In this case the reference is to the theory of directly deliberative polyarchy that stresses the importance of the participation of different citizens in a bottom-up logic (Sabel and Zeitlin 2007).

For political scientists and sociologists, the Lisbon strategy thus represents the source of new forms of multi-level governance (Radaelli 2003; Tucker 2003). Tools that are active in this governance are: the exchange of information among policy-makers; learning from each other's experience, practices and intentions; national ownership and the exertion of peer pressure to galvanise governments into taking appropriate policy action (Ioannou et al. 2008: 13).

Hence, such a form of governance is related to the aim of overcoming the lack of information resulting from increased complexity and interdependence of problems. New modes of coordination under scrutiny have thus been conceptualised as a cognitive instrument. Mutual learning has been signalled in much of the literature as an important feature (even the most important feature) of the issue-specific OMCs (Telò, 2002).

The strategy and its related OMCs operate theoretically in a more cooperative and participative spirit and with the use of different tools that should lead to policy change through learning. As stressed by de la Porte and Pochet (2005), many argued that the learning process could lead to changes consistent with national contexts (Knill and Lenschow 2003). The strategy and its individual parts (for instance the European Employment Strategy) have thus been analysed in terms of their cognitive effects (see Trubek and Mosher 2003; Trubek and Trubek 2005). The literature under scrutiny drew up a list of such mechanisms from the literature of organisational learning and deliberative democracy: the exchange of information among policy-makers; learning from each other's experience, practices and intentions; national ownership; and the exertion of peer pressure to galvanise governments into taking appropriate policy action (Ioannou et al. 2008). The Lisbon strategy approach is reinforced through quantitative benchmarks as the most powerful learning instrument. Technical committees were assumed to play a crucial role (Jacobsson and Vifell 2003).

2. Economic and financial crisis: a three-step process

The recent debate on the economic rationale of the Lisbon Strategy and the definition of the 'new' Europe 2020 project has been largely shaped by the huge financial, economic and then budgetary crisis affecting most advanced western economies (see Pochet, 2010). This section sheds light on the key aspects of the crisis and the most evident questions proposed by experts, scholars and policymakers on the coherence of the Lisbon policy agenda.

The crisis is summarised in line with the three major steps that have characterised its evolution. The crisis began mid 2007 with the drying up of liquidity in money markets until it took a turn for the worse, following the collapse of Lehman Brothers in 2008. This was followed by a broad economic recession that hit Europe in 2009. The last step had been represented by the Greek budgetary crisis and the consequent tensions in the EU.

2.1 Financial crisis in 2008

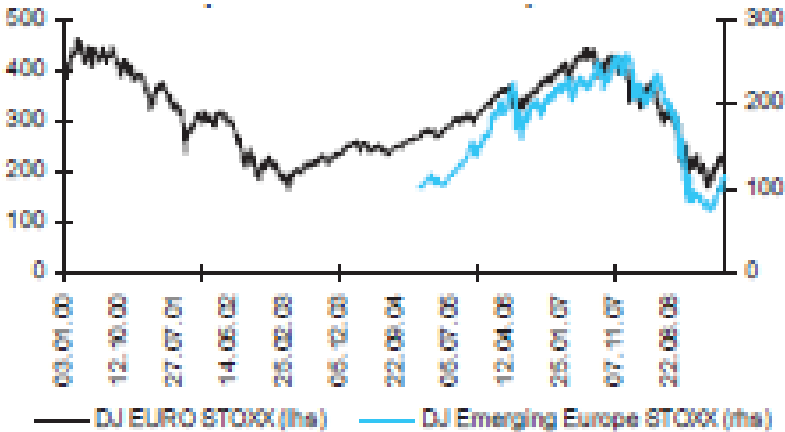
In its early stages, the crisis manifested itself as an acute liquidity shortage among financial institutions as they experienced ever stiffer market conditions for rolling over their short-term debt. The inter-bank market virtually closed and risk premiums on inter-bank loans soared. Banks faced a serious liquidity problem, as they experienced major difficulties to rollover their short-term debt. In this phase, concerns over the solvency of financial institutions were increasing, but a systemic collapse was deemed unlikely (CEC, 2009).

It was also widely believed that the European economy, unlike the US economy, would be largely immune to the financial turbulence. This belief was fed by perceptions that the real economy,

though slowing, was thriving on strong fundamentals such as rapid export growth and sound financial positions of households and businesses. This perception dramatically changed when a major investment banks defaulted in September 2008. Confidence collapsed, taking down major US and EU financial institutions.

European Commission estimated the losses to US banks to about USD 945 in April 2008 and up to USD 868 million in September 2008, respectively. This is at the lower end of predictions by RGE monitor in February the same year which saw losses in the rage of USD 1 to 2 billion. The April 2009 IMF Global Financial Stability Report puts loan and securities losses originated in Europe (euro area and UK) at USD 1193 billion and those originated in the United States at USD 2712 billion (CEC, 2009). The crisis thus began to feed onto itself, with banks forced to restrain credit, economic activity plummeting, loan books deteriorating, banks cutting down credit further, and so on. The downturn in asset markets snowballed rapidly across the world (Figure 1).

Figure 1. Trends in Stock Markets, 2000-09



Source, CEC 2009

Western governments did introduce emergency measures to prevent collapse of the financial system, while the debate about the regulation of financial markets revamped.³ As far as the Lisbon Strategy is concerned, it has been largely criticised for the weakness of the ‘better regulation’ approach to financial markets. The crisis is assumed to have been the result of a twin failure, namely regulation of the global financial market and excessive financial liquidity due to historically low interest rates (Quaglia, 2010; Natali, 2010).

3 As for the EU, in 2008, President Barroso set up the so-called Larosière Group to give advice on the future of European financial regulation. This high-level group has reported on its main goals for increasing financial market stability.

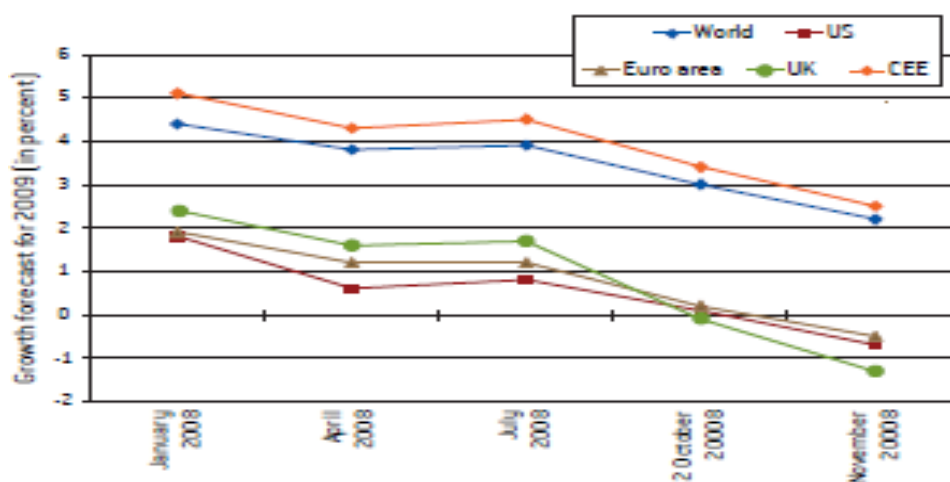
2.2 Economic recession in 2009

From then onward the EU economy entered the steepest downturn on record since the 1930s. The transmission of financial distress to the real economy evolved at record speed, with credit restraint and sagging confidence hitting business investment and household demand, notably for consumer durables and housing. The cross-border transmission was also extremely rapid, due to the tight connections within the financial system itself and also the strongly integrated supply chains in global product markets (CEC, 2009: 27).

The drop in financial wealth, across the-board deleveraging, credit rationing and the rise in the prices of capital and debt, as well as the drop in demand worldwide, came together to make a severe recession. As put it in Figure 2, potential growth decreased across western countries.

Negative growth was particularly severe in the US, but Europe was hit too (Pisani-Ferry et al 2008). Economic activity has been affected by the crisis, also potential output (the level of output consistent with full utilisation of the available production factors labour, capital and technology) has been affected, and this has had major implications for the longer-term growth. New risks have emerged and have made many economists fear that it may still weigh on economic performance for some time to come, and that a recovery will only be in sight after a protracted period of time (CEC, 2009).

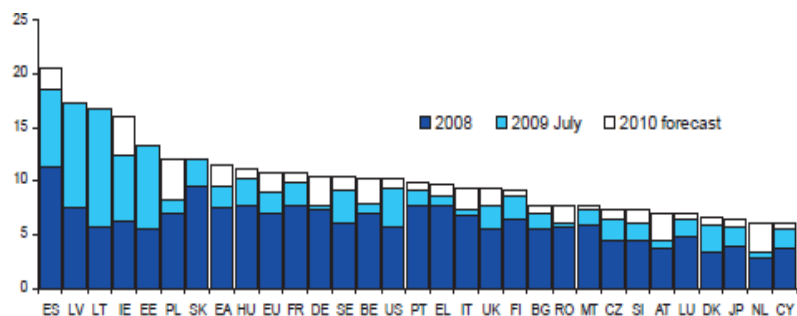
Figure 2. Potential GDP Growth in the EU and other areas (2008)



Source, Pisani-Ferri et al (2008)

Labour markets in the EU started to weaken considerably in the second half of 2008, deteriorating further in the course of 2009. The EU unemployment rate has soared by more than 2 percentage points, and a further sharp increase is likely in the quarters ahead. The employment adjustment to the decline in economic activity is as yet far from complete, and more pronounced labour-shedding will occur as labour hoarding gradually unwinds. In the second quarter of 2009 the unemployment rate had increased by 2.2 percentage points.

Figure 3. Unemployment rates in the EU, 2008-10



Source, CEC 2009.

Progress made since 2005 in bringing the unemployment rate down all but wiped out in about a year (CEC, 2009: 36). A major challenge stems from the risk that unemployment may not easily revert to pre-crisis levels once the recovery sets in. And this could threaten the European welfare states, which are already strained by ageing populations.

The condition of the European economy prevailing in this crisis corresponds almost exactly to the textbook case for a budgetary stimulus. In such conditions where the propensity of private agents to spend experiences a sudden and dramatic drop, budgetary policy must step in to boost aggregate demand. Keynesian policy has been perceived as necessary to deal with the downturn (Pisani-Ferry et al, 2008).

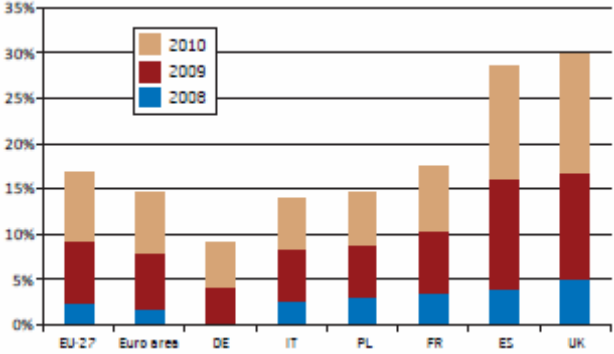
The decline in potential growth due to the crisis has added further pressure on public finances, and contingent liabilities related to financial rescues and interventions in other areas add further risks. Part of the improvement of fiscal positions in recent years was associated inter alia with growth of tax rich activity in housing and construction markets. The unwinding of these windfalls in the wake of the crisis, along with the fiscal stimulus adopted by EU governments as part of the EU strategy for coordinated action, has weighted heavily on the fiscal challenges even before the budgetary cost of ageing kicks in (CEC, 2009).

2.3 Growing tensions in the Eurozone in 2010

The resulting surge in budget deficits has been unprecedented in the EU. As a consequence, the IMF (2009a) projects an increase in the average debt-to-GDP ratio in the euro area of 30 percentage points, to reach 90percent of GDP by 2014. This average disguises substantial increases for some member states. Part of the budgetary deterioration is cyclical, but part is permanent. In the years following a shock, growth rates often recover to the pre-crisis pace but the

loss in output level typically remains permanent, implying a corresponding lasting shortfall in public revenues (Von Hagen et al 2009).

Figure 4. Increased Deficit (% GDP) in the EU, 2008-10



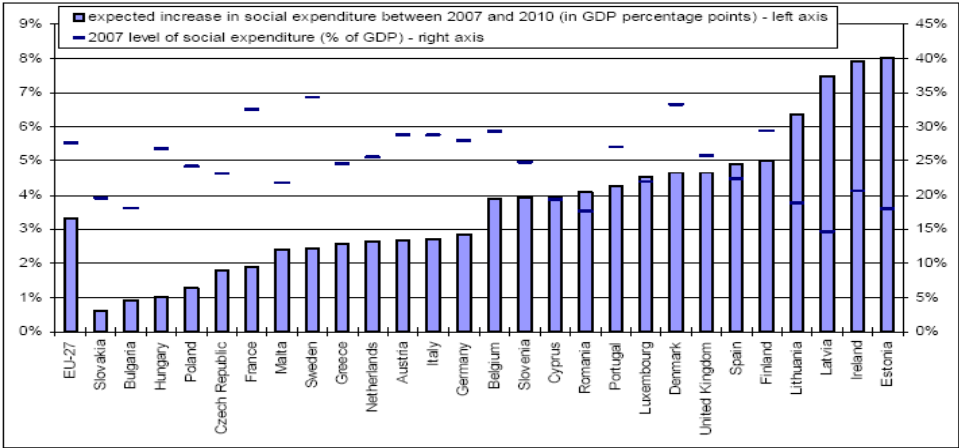
Source, Von Hagen et al 2009

More in particular, social protection schemes have been heavily used to confront the initial social consequences of the recession. EU countries have thus increased public social spending to limit the effects of the financial crisis on individuals and families (Natali, 2010).

According to the Commission’s autumn economic forecast, as a result of automatic stabilisers and discretionary measures to enhance social benefits, social expenditure in the EU is expected to increase by 3.2 percentage points of GDP between 2007 and 2010 (Figure 5).

Global capital markets were first to sound the alarm about the situation in several euro area countries: for several months, spreads on bond and credit default swap markets signalled diminishing investor confidence.

Figure 5 Expected increase in social expenditures between 2007 and 2010



Source, EPC (2009)

Greece has represented a special case: no other euro-area country exhibits a similar combination of budgetary misreporting and misbehaviour (Marzinotto et al, 2010). Throughout the 2000s, the country has been running an expansionary budgetary policy while attempting to hide it. The problem it poses is therefore primarily one of enforcement of the existing provisions of the Treaty and the Stability and Growth Pact (SGP). This is not to deny that Greece has a competitiveness problem too. But its first-order problems are budgetary.

Yet, other EU countries have suffered increased budgetary tensions. This fiscal stimulus is estimated to amount to up to 2% of GDP on average in the EU for the period 2009-2010. With the rise in the fiscal deficit over that period estimated to average about 5% of GDP, the induced budgetary developments thus amount to around 3%. Part of this induced fiscal expansion is likely to be permanent (CEC, 2009).

The tensions mentioned above have originated some questions on the reform agenda proposed by the Lisbon strategy and its own governance of economic and social matters. As for the former, before the crisis there was a strong belief in the EU that budgetary discipline was the 'mother of all policies'. Accordingly, budgetary surveillance was deemed sufficient to prevent instability. The implicit assumption was that the private sector is inherently stable. The dangers of such neglect started to become apparent at the beginning of the crisis, as emphasised in the European Commission report on the first ten years of the euro (CEC, 2008). These dangers have since become obvious. Further criticism has focused on the economic and budgetary coordination in the Euro zone through the Stability and Growth Pact and especially the Broad Economic Policy Guidelines. Both mechanisms for crisis prevention and management have been at the core of the political debate.

3. The Lisbon strategy ten years on: a more complex understanding

The implementation of the Lisbon Strategy has led to varied readings from the literature. In the following we briefly summarise the main critical viewpoints on the Strategy in the light of the recent economic crisis mentioned above. We organise these open questions along three main dimensions: the political and economic foundations of the Lisbon Strategy; and its governance. Much of the economic literature has assessed the Lisbon strategy, its first implementation and revision (Mundschenk et al. 2007; Hishow, 2005). Some contributions have stressed that the strategy has suffered from key shortcomings (Collignon 2008; Mabbett and Schelkle 2007).

The following summarises the most evident tensions in the Lisbon Strategy in 7 points: some have to do with the political and economic foundation of the Strategy; others refer to its governance (see Box 1).

Box 1. Open questions on the efficacy of the Lisbon strategy

The Political-economic rationale of the Lisbon Strategy

- I) The wrong policy agenda?
- II) Tensions between Budgetary Stability and Structural Reforms
- III) A more central understanding of social and employment policy?

The Lisbon strategy and its governance

- IV) Weak economic policy institutions?
- V) A Limited participation of stakeholders?
- VI) A more encouraging assessment of learning
- VII) Some influence on national policymaking

Some of these tensions are related to the critical understanding of the limits the Strategy has proved to have. Others are based on a more encouraging reading of its implementation and influence on member states' reforms and performance. All these points represent an interesting starting point for the reflection on the new Europe 2020 strategy.

3.1 Questioning the political-economic rationale of the Lisbon agenda

I) The 'wrong' policy agenda?

On the one hand, the supposed superiority of the liberal model implemented in US has been questioned on the basis of evidence from different productive sectors (see European Commission 2008). Economic analysis should focus on single sectors (industry, service) rather than on broad economic models. And this revised focus may be used to provide evidence of a more complex economic dynamics. On the other hand, scholars have questioned the belief that deregulation and flexibility (in labour markets) is the right path for more economic growth (Alary et al. 2006).

The Lisbon reform package did not represent a programme to 'recalibrate' the European social model and that of continental European countries in particular. By contrast, it was an economic project to destabilise it. Much of the delay in the reform process and the tensions over its implementation could thus be understood in terms of an ongoing tension between the Lisbon ideology and the socio-economic compromise of many EU members.

A more institutional and historical approach to the risks for the future of EU integration (with evident links with the Lisbon agenda) seems to converge towards the same insights (Hopner and Schafer

2007). For these authors, European economic integration has entered a new, post-Ricardian phase in which it systematically clashes with national varieties of capitalism (Schmidt 2002). Rather than enhancing competition that builds on existing comparative (institutional) advantages, the EU project is propelling convergence. Integration attempts affect liberal market capitalism and organised capitalism differently and result in a 'clash of capitalisms'. Convergence may thus lead to one of two different scenarios. The first is that convergence alters the way in which continental European economies operate. The second is that political resistance in the organised economies leads to a crisis of political integration.

The EU has moved beyond the stage of technical harmonisation or purely regulatory policies. Boundary redrawing deeply affects the Member States' ability to govern the economy, and governments are unable to control further integration (Ferrera 2008). If this is the case, the indirect legitimacy of European institutions seems an insufficient democratic basis for economic liberalisation (ibid. 23-24). In the words of Majone (2005), 'integration by stealth' has reached its limits, in that EU strategies are increasingly in conflict with national socio-economic institutions. The modified Lisbon process is thus interpreted as a source of political opposition and disaffection against the EU.

II) Tensions between Budgetary Stability and Structural Reforms

A more direct and precise analysis of the overall Lisbon philosophy has been provided by Mabbett and Schelkle (2007) (see also Gruner 2002). The authors have stressed the potential contradiction within the Lisbon and EMU projects and have shed light on the 'conflicting political economy' of the EU's simultaneous agenda (ibid.: 83). While for the literature that most embraced the Lisbon strategy, fiscal austerity had to contribute to the reform of social and employment policies (see Rodriguez 2002), Mabbett and Schelkle agree with the opposite reading: fiscal consolidation is not expected to help structural reforms but to lead to more tensions. Reform's losers should be compensated for their losses, but austerity limits the room for that. In such a context, the Lisbon agenda may get a 'double whammy' from simultaneous fiscal consolidation and welfare reforms: austerity may limit political consensus for reforms, and may lead interest groups to ask for compensations that obstruct the Lisbon goals. The authors conclude by challenging the political economy of Lisbon (both Lisbon 1 and 2) and EMU and stressing the potential contradiction between structural reforms and fiscal stabilisation.

The most recent crisis has largely reinforced such a critical reading: Pochet (2010) has stressed the persistent tensions (if not contradiction) between the different aims of the Strategy: especially between the Stability and Growth Pact and the fight against poverty.

III) A more central understanding of social and employment policy?

Political scientists and lawyers have shared a less critical reading of the Lisbon strategy and its influence on both European and national policy-making, and policies (Wisnia-Weill 2006). Goetschy (2008) for instance has stressed the Lisbon strategy's influence on the EU's role in social policies. The strategy has been assumed to have contributed to 'enlarge EU employment and social agenda on matters of national priority' (ibid: 222). And it has been argued that the broader EU agenda with explicit interaction between economic, social and environmental policies could help to overcome traditional fragmentation in European policy-making (see Zeitlin 2008). Others have stressed the revised political equilibrium at the base of the strategy and the progressive shift of the original compromise between social democracy, liberalism and 'Third Way' towards a more right-centred approach (see Pochet 2006).

Open questions have been recently asked on the need for a revision of the key issues at the core of the strategy. For the preparation of the new EU 2020 Strategy, and in a context of potential long-term employment crisis, some authors have stressed the problematic implementation of the 'flexicurity' principle in times of huge economic downturn. Theodoropoulou (2010) stresses 'flexicurity reforms should not be abandoned (...) however the focus must be on creating the conditions to provide employment security first, before resuming the push for greater flexibility'.

3.2 The Lisbon strategy and its governance

Another strand of the economic literature has seen the foundations of the strategy to be correct but has discovered major institutional shortcomings related to EU governance and to the OMC in particular. Such a research effort has been based on extensive empirical evidence of the economic performance of EU countries since 2000, the political functioning of the process at national and EU level and the key 'deliverables' of the process.

IV) Weak economic policy institutions ?

Scholars have firstly analysed the 'disappointing' economic and social performance of the EU since 2000. Comparing the post-Lisbon period with the previous decade an extensive literature has stressed that Europe has not become the 'most dynamic economy in the world': GDP growth in EU-15 and the euro area has been much lower than in the US; long-term productivity has been higher in the US than in the Europe; and while employment rates have improved, the labour market has become more flexible at the lower end (Collignon et al. 2005; Fitoussi and Le Cacheux 2005). Creel et al. (2008) follow a similar approach: the poor performance of the EU proves that the EU has not developed the coherent economic policy institutions to foster its potential growth. The EU thus lacks 'the real means of a proactive macro-structural policy mix (...) implementing structural

reforms without coherent macro-economic governance' appears to be an 'impossible task' (ibid.: 4; see also Hishow 2005; Pisani-Ferri and Sapir 2006).

Collignon (2008) has stressed that the objectives set in 2000 will not be met as a consequence of the weak focus on economic growth and the ineffective macroeconomic management: 'institutional realities and hard-nosed political considerations have often impeded the realisation of policies necessary to improve the EU's economic performance' (ibid.: 5).

The most recent Greek crisis has further contributed to the critical understanding of the Lisbon governance. This is firstly the case of the mechanisms implemented through the Stability and Growth Pact and its interaction with the economic and employment guidelines. The debate is focused on the crisis prevention on the one hand (need for enforcing existing provisions on auditing, stress-testing of budgetary policy and incentives for budget reforms and on crisis management on the other (e.g. financial assistance, loans, interplay between EU and IMF, etc.) (Marzinotto et al 2010).

Other contributions to the contemporary literature have then shed light on the problematic balance between the ministers of finance and social policy ministers (Pochet, 2010). And the issue is even more evident in the governance of the new EU 2020 strategy.

V) A Limited participation of stakeholders ?

The literature with a more political science and sociological angle has further developed the analysis of new modes of governance introduced through the Lisbon project. One of the key findings has been that individual parts of the Lisbon strategy have their own institutional dynamics and policy influence. As far as participation is concerned, in particular, recent research indicates that, in practice, participation in the whole strategy has proved to be uneven. As indicated above, the OMC was interpreted as a particularly participatory mode of governance that emphasises subsidiarity and as an example of democratic experimentalism (Smismans 2004, 2008; Kroger 2006, 2008; de la Porte and Nanz 2004).

The social partners and NGOs are involved to varying degrees in the OMCs (at national and supranational level). Although there is some methodological ambiguity, Tucker (2003) provided evidence (on the base of reports provided by research networks) that in general the social partners and other groups have not played a major part in the policy coordination process, but there are indications that this varies significantly across the OMCs and cross-nationally. In some coordination processes, for example the OMC on social inclusion, early indications stressed improvements in facilitating new forms of meaningful participation of civil society at the domestic level. This was

interpreted as a signal that the OMC ‘has partially matched the ambition of the Lisbon participatory governance’ (ibid: 20).

Yet, more in-depth analyses of single OMC processes have led to more sceptical understandings of the participatory dimension. In particular, much research has focused on two categories of actors: social partners and civil society organisations. Kroger (2008) has provided a comparative analysis of the participation of civil society and social partners’ representatives in EU policy-making and especially through new modes of governance in different policy fields (social policy, employment, consumer protection, environmental policy, etc) (see also Obradovic and Vizcaino 2007). Empirical evidence has shown the broad variety of access venues open at EU level: from informal meetings between EU officials and NGOs, to formal committee meetings with important differences between policies and competent DGs. But, in the words of Kroger (2008: 31), ‘access for civil society organisations to policy processes at EU level is poorly regulated and does not seem to be equally open to all in all instances (...) it does not fulfil the democratic norm of both liberal and deliberative democracy’.

For Smismans (2008), the EES to date has proved to be a ‘top-down’ approach with an inclusion of regional and local authorities in the implementation of employment guidelines. The OMC is a technocratic process involving national and EU civil servants in limited circles of experts.⁴

In the words of Kroger (2008), the overall assessment strongly questions normative democratic theories that have invested hope in participation. Consultative practices seem to do little to bridge the gap between the EU and its citizens. As argued by Kerber and Eckardt (2007), in most cases the national reports are prepared by a small circle of government officials in charge of EU affairs, for whom this is just another task to be performed for Brussels without receiving additional resources. In most OMCs the participation of social partners, local actors, civil society representatives, or even national parliaments, is weak or non-existent, despite the efforts of the Commission to increase their influence. In such a context, Lisbon 2 has not been assessed as a crucial advancement (Zeitlin 2007b).

VI) A more encouraging assessment of learning

Political scientists have contributed to the more complex understanding of the causal nexus between the Lisbon project and national reforms introduced so far. As argued by Zeitlin (2005a; 2005b), the national influence and effectiveness of OMC processes is difficult to assess, not only because of their variety, complexity and relative newness, but also because of the methodological problems involved in assessing ‘the independent causal impact’ of an iterative policy-making

⁴ For a more positive assessment of participation through the Lisbon strategy see Zeitlin (2007a, 2007b).

process without legally binding sanctions. The integration of many policy fields, levels of governance and processes limits the use of traditional methods for assessing policy influence.

While economists have been sharply critical of the Lisbon strategy and have stressed its lack of efficacy, Zeitlin (2007b, 2008) has put forward a more optimistic reading, defining the cognitive impact of the strategy and the OMC governance in particular as a 'qualified success' (at least in some areas). For example, in social and employment policy the strategy is held to have helped to raise the importance of national social policy issues in many Member States, to change policy thinking and cognitive maps through the introduction in the national debate of EU concepts (social inclusion, gender mainstreaming, etc), and to redefine old concepts which have proved increasingly ineffective.

The same reading is shared by Tucker (2003), Jacobsson (2004) and de la Porte et al. (2009) as far as learning processes in technical committees are concerned. The activity of such bodies that support the activity of the Council has been interpreted as a lever to increase the potential for cognitive and normative convergence through benchmarking, information sharing and knowledge production.

For Zeitlin (2008) OMC processes have helped to raise the salience and ambition of national employment and social inclusion policies in many Member States. They have contributed to changes in national policy thinking by incorporating EU concepts and categories (such as activation, prevention, lifelong learning, gender mainstreaming and social inclusion) into domestic debates, exposing policy-makers to new approaches, and pressing them to reconsider long-established but increasingly counterproductive policies. These OMC processes have likewise contributed to changes in national policy agendas by adding new issues to domestic policy-making and raising their relative importance.

VII) Some influence on national policymaking

There is also evidence from both official reports and interviews that OMC instruments have contributed to changes in specific national policies. Yet, given the active role of Member States in shaping the development of OMC processes, their relationship to national policy-making should be understood as a two-way interaction rather than a one-way causal impact. Further positive influence concerns procedural shifts in governance and policy-making arrangements; mutual learning, based on the identification of common challenges and promising policy solutions at European level; statistical harmonisation and capacity building; and the stimulus to rethink established approaches and practices (ibid.: 5).⁵ In this context, Jacobsson and Vifell (2003) have

⁵ Interesting research has been developed on learning processes and the active role of non-governmental organisations, for the environmental policy see Bomberg (2007).

provided empirical evidence that OMCs have supported a more ‘consensus oriented process of policy-making’.

Other scholars (see Kerber and Eckardt 2007) have advanced some open questions. In particular, problems with incentives within the complex process of the OMC have still to be analysed. More detailed analysis is required to assess the interaction of its many participating agents, interest groups and institutions, both at the EU and the Member State level. An important object of future research should be the complex political bargaining processes that lead to common goals, assessment criteria and policy recommendations (ibid.: 241). Some contributions have focused on the risk of reducing learning opportunities as a consequence of the introduction (through Lisbon 2) of a more bilateral (between the Commission and each Member State) rather than multilateral dynamic in the process (Zeitlin 2008).

Concluding remarks

The Lisbon agenda has represented in many respects a decisive step in the EU approach to social and economic development. Yet, substantive and analytical questions still need to be dealt with to shed light on the present and on the future of European integration. And the recent financial and economic crisis has contributed to put them at the core of the scientific and political debate. There are open tensions (or trade-offs) that EU integration protagonists (and scholars) have to face in the near future.

Firstly, the tensions have to do with the political and economic foundation of the EU project, and the reform of the European social model in the global economy. The Lisbon project has represented a first attempt to find a new compromise through a broad strategy. Limits have been evident in its ability to adjust social cohesion and economic competitiveness; environmental policy and productive growth; fiscal stability and structural reforms. In that respect, the Lisbon strategy appears as a mechanical addition of different aims and goals rather than the solution to such trade-offs. Specific issues are related to the broad policy agenda; the tensions between budget, economic, employment and welfare reforms; and the need to focus more on social and labour market policy.

Secondly, the governance introduced through the Lisbon strategy is still in need for improvements. The aim of increasing participation and transparency seems far from being solved. EU democratic legitimacy has not significantly improved through the strategy, even if improvements in facilitating new forms of meaningful participation of civil society at the domestic level have been discerned. Individual parts of the process have shown different dynamics, with the social policy OMCs being the most successful. It is widely recognised that there have been advances in deliberation, sharing

of information, benchmarking and learning. But they seem far from having had major outcomes on national policies.

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