



Golden growth

**Reflections inspired by the WB report
Daniel Mouqué, Evaluation unit**

"Golden growth"?

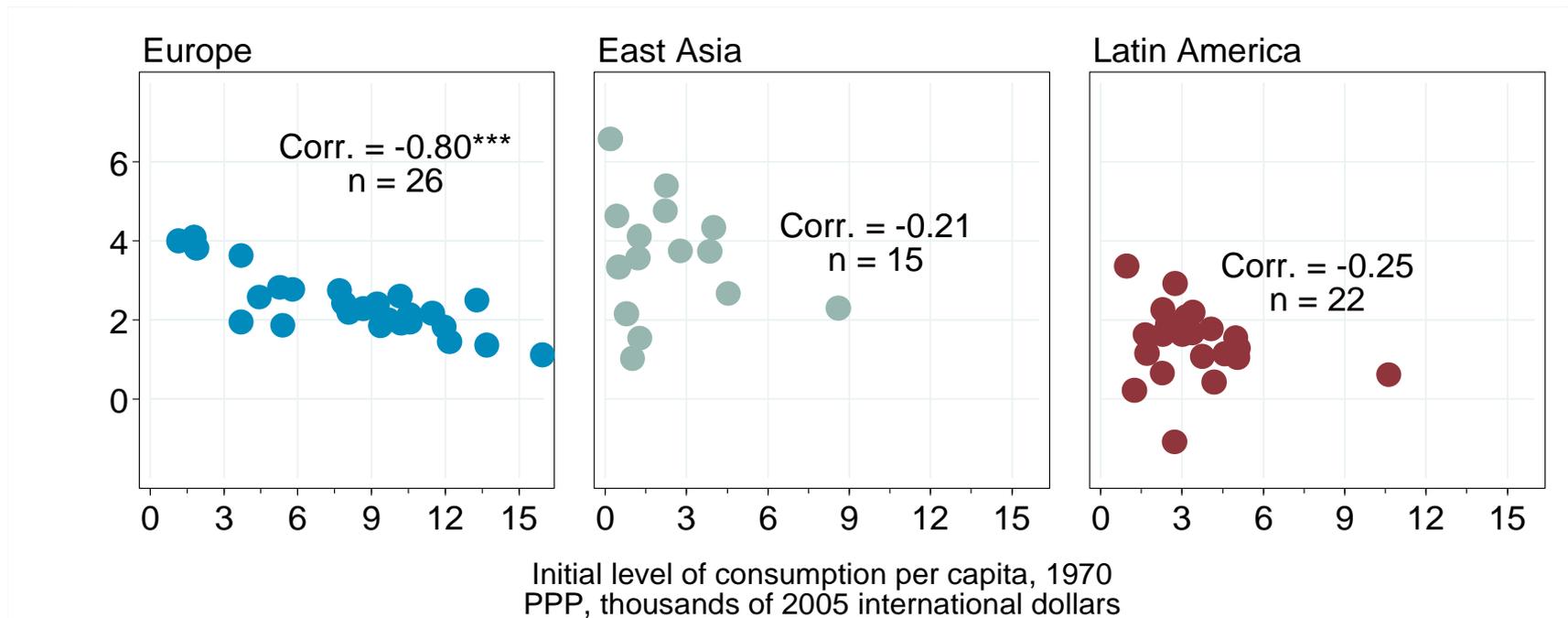
- **Europe as "Convergence machine"**
- **Suggested improvements to "Brand Europe" (enterprise & innovation)**
- **Europe as "Lifestyle superpower"**
- **(Green growth)**



The convergence machine

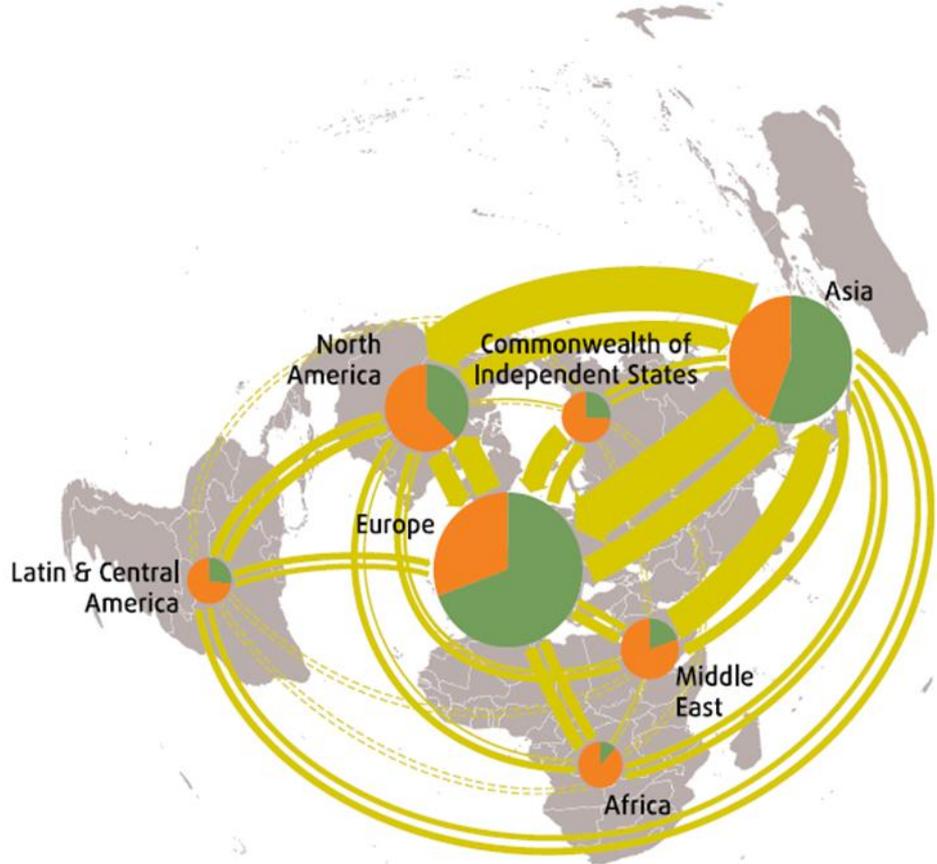
And the contribution of cohesion policy

The convergence machine – rapid convergence in Europe, not much elsewhere

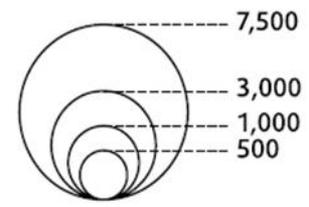


Source: World Bank staff calculations based on Heston et. al. (2011)

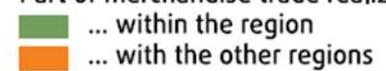
Europe: almost half the global goods trade



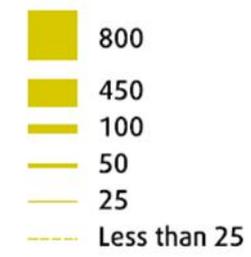
Total amount of merchandise trade (in billions US\$)



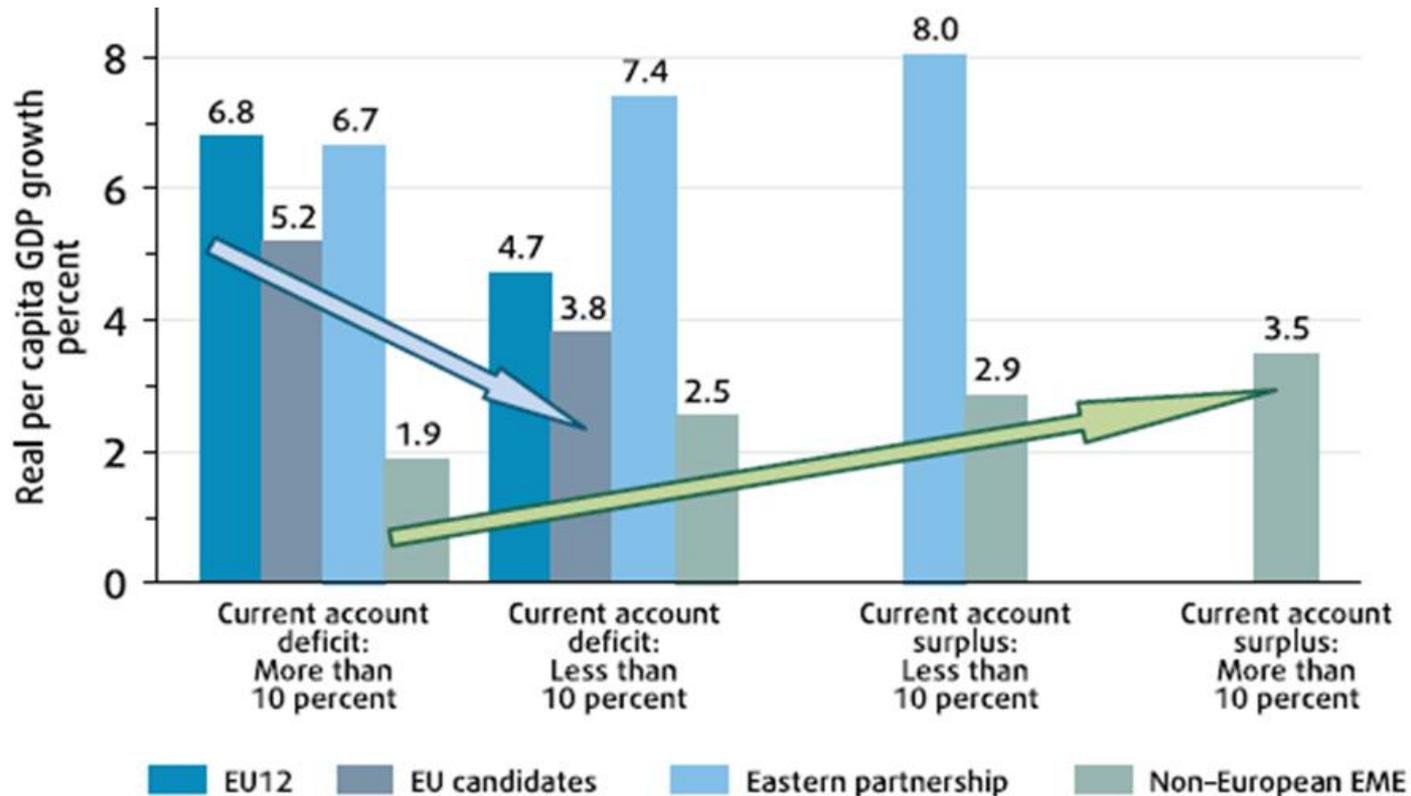
Part of merchandise trade realized...



Transregional merchandise trade flows (in billions US\$)



In EU, financial flows help



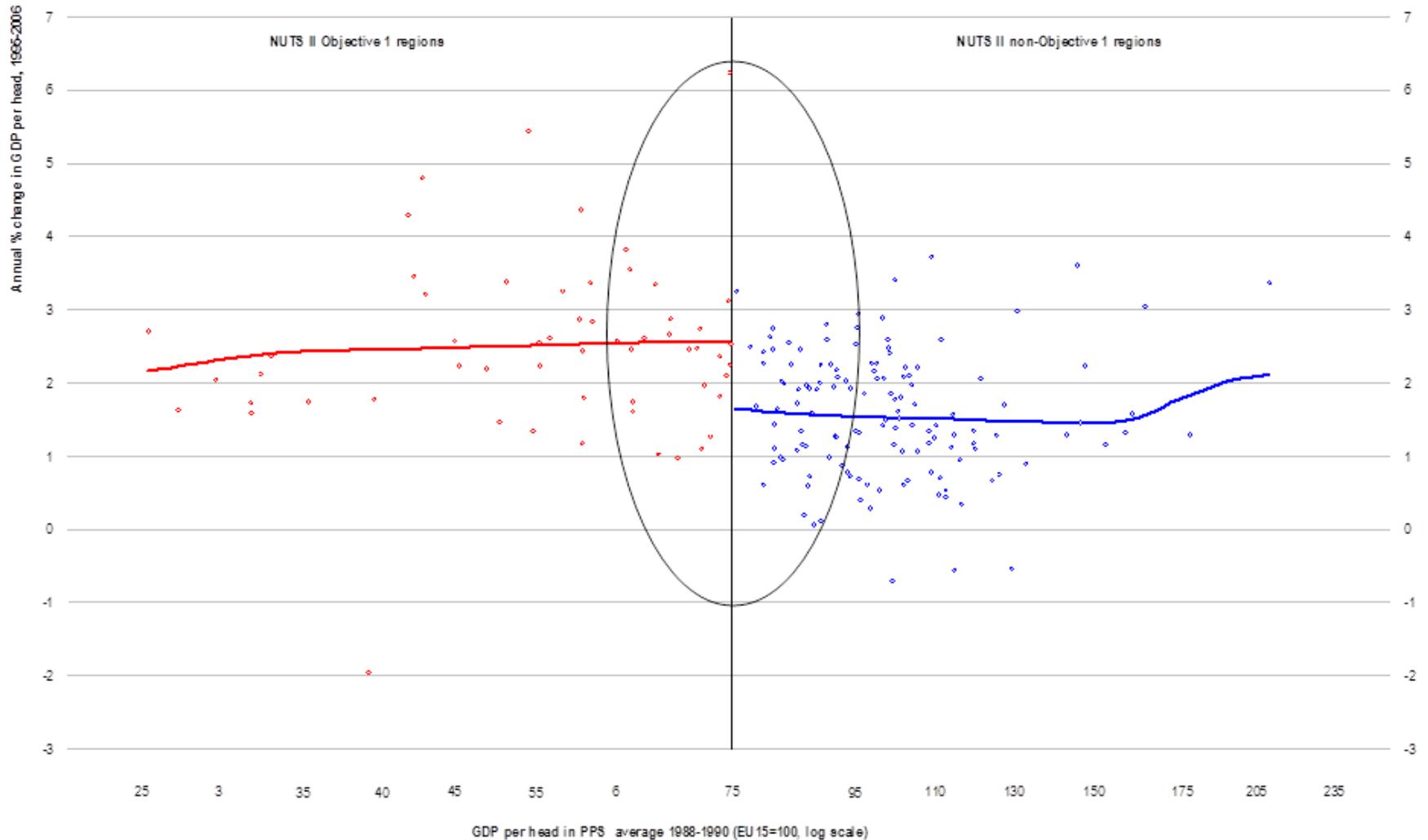
Note: Average growth rates calculated using 3 four-year periods in 1997–2008.
Source: World Bank Golden Growth report, based on IMF World Economic Outlook



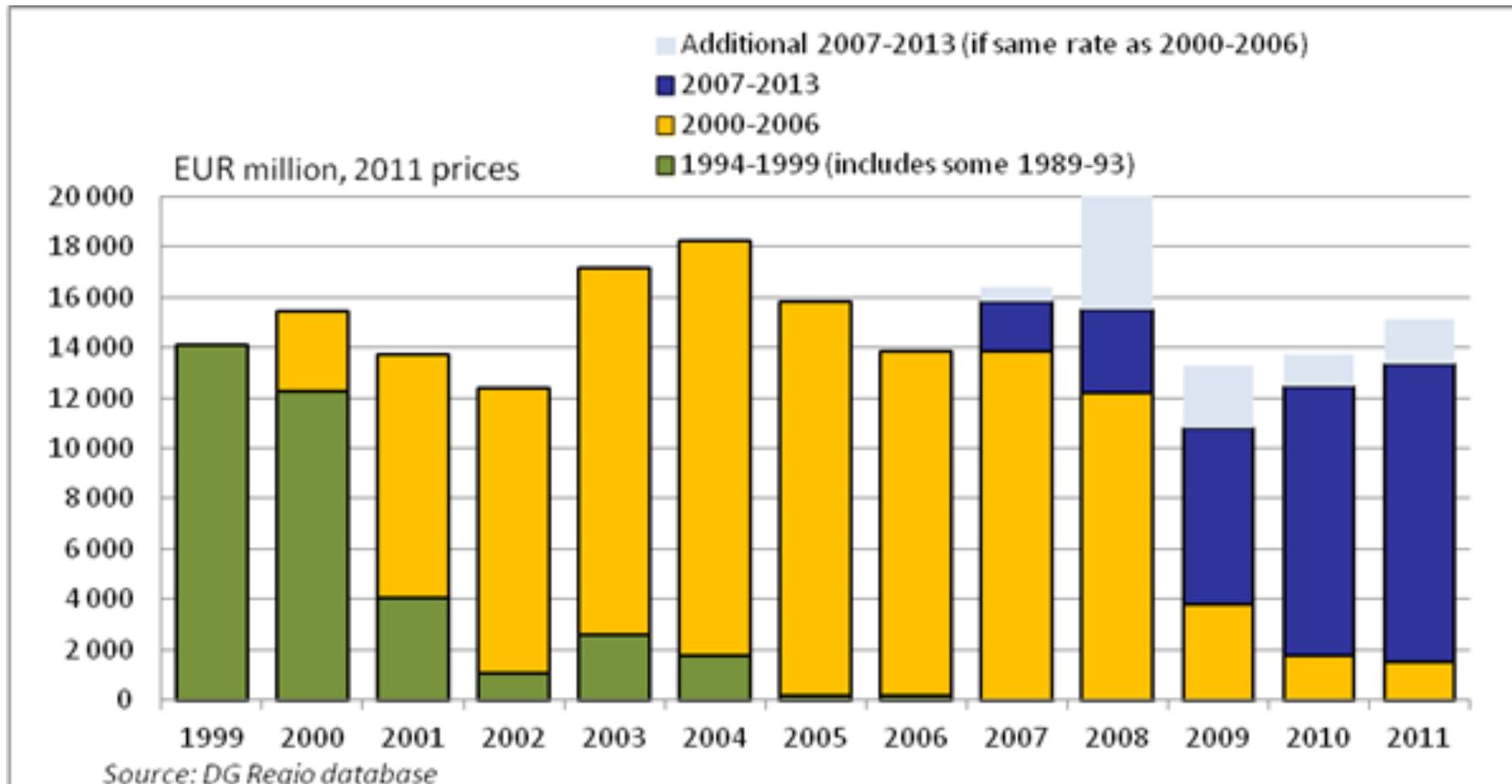
European
Commission

A clear gap between the growth rates of Objective 1 and other regions, 1995-

2006



An automatic stabiliser... potentially



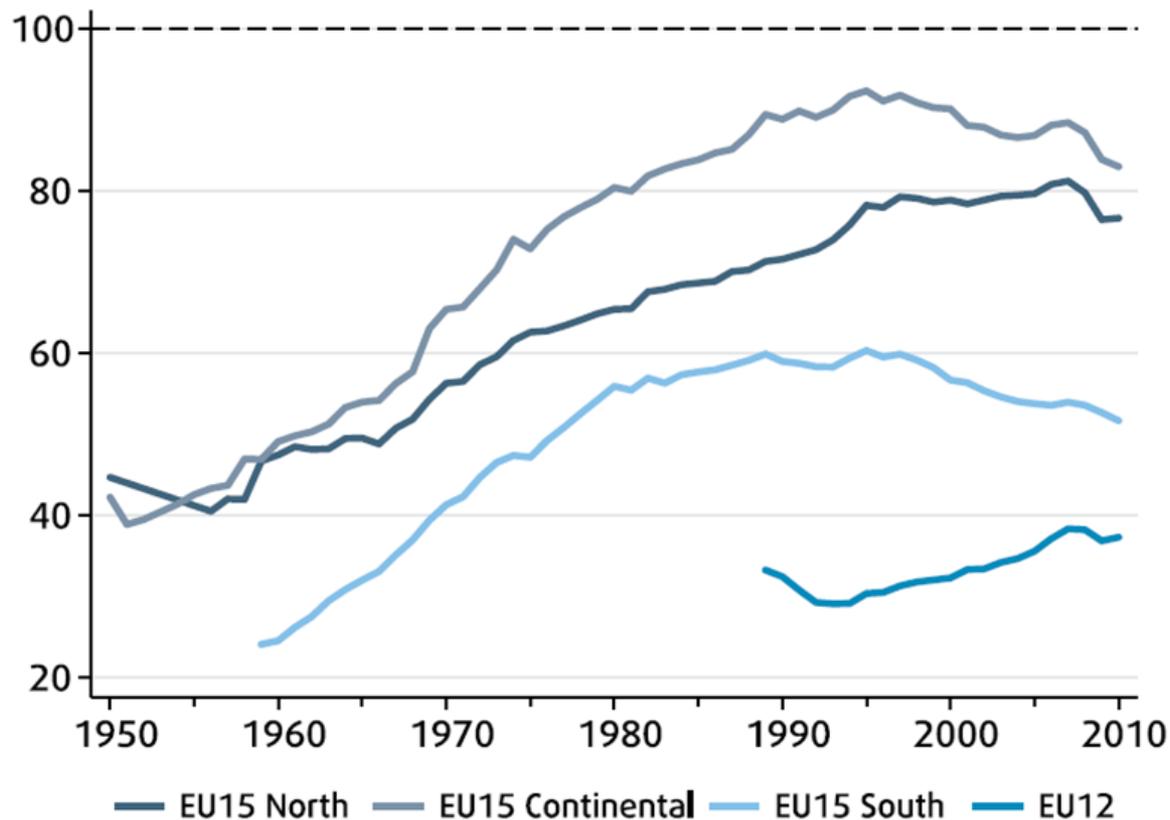
Lessons for Cohesion Policy and regional strategies

- **Reminder: trade & investment flows are senior partner in convergence**
- **This means going with the grain of these flows (eg invest in future, not lame ducks)**
- **Also, realism in strategy (no white elephants)**
- **Keep on track in difficult economic times (the automatic stabiliser)**



Enterprise & productivity

A tale of two productivity gaps



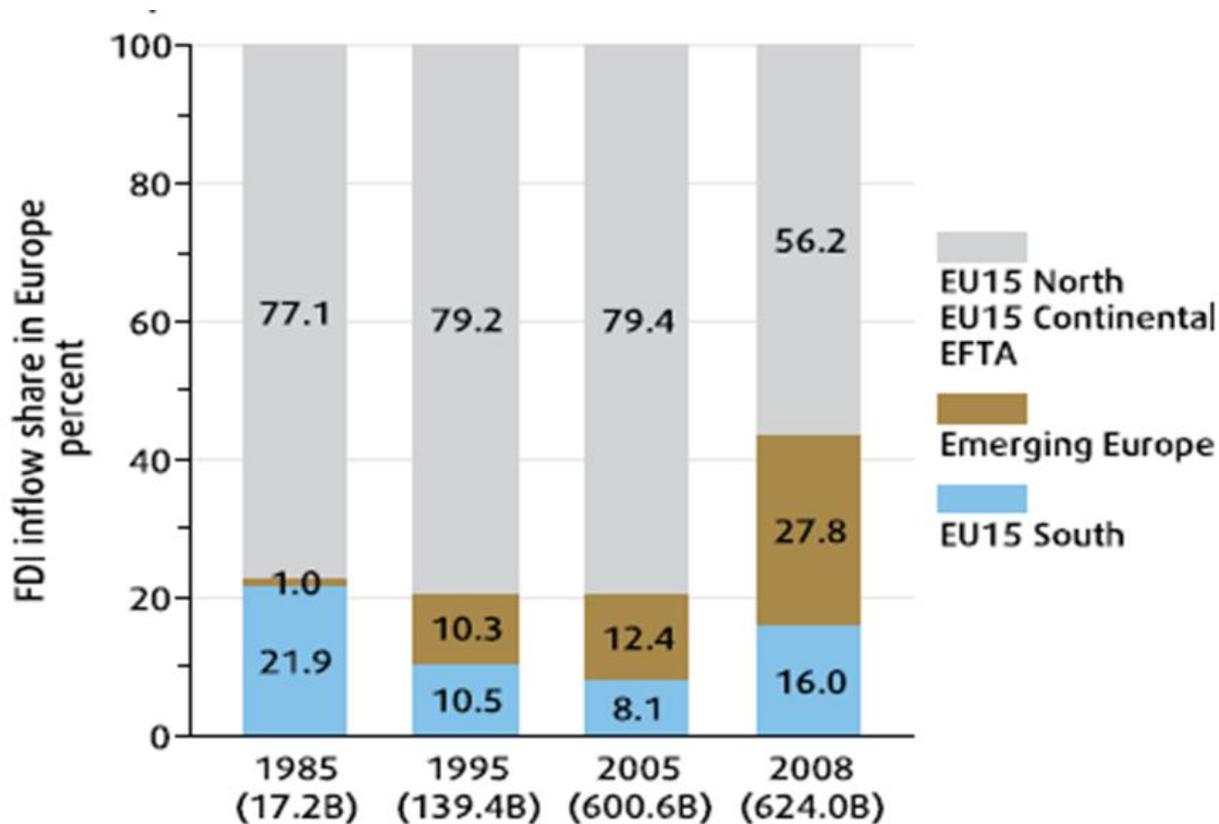
Note: EU15 North = Denmark, Finland, Sweden, and the United Kingdom;

EU15 Continental = Austria, Belgium, France, Germany, and the Netherlands;

EU15 South = Greece, Italy, Portugal, and Spain.

Source: World Bank staff calculations based on Conference Board 2011

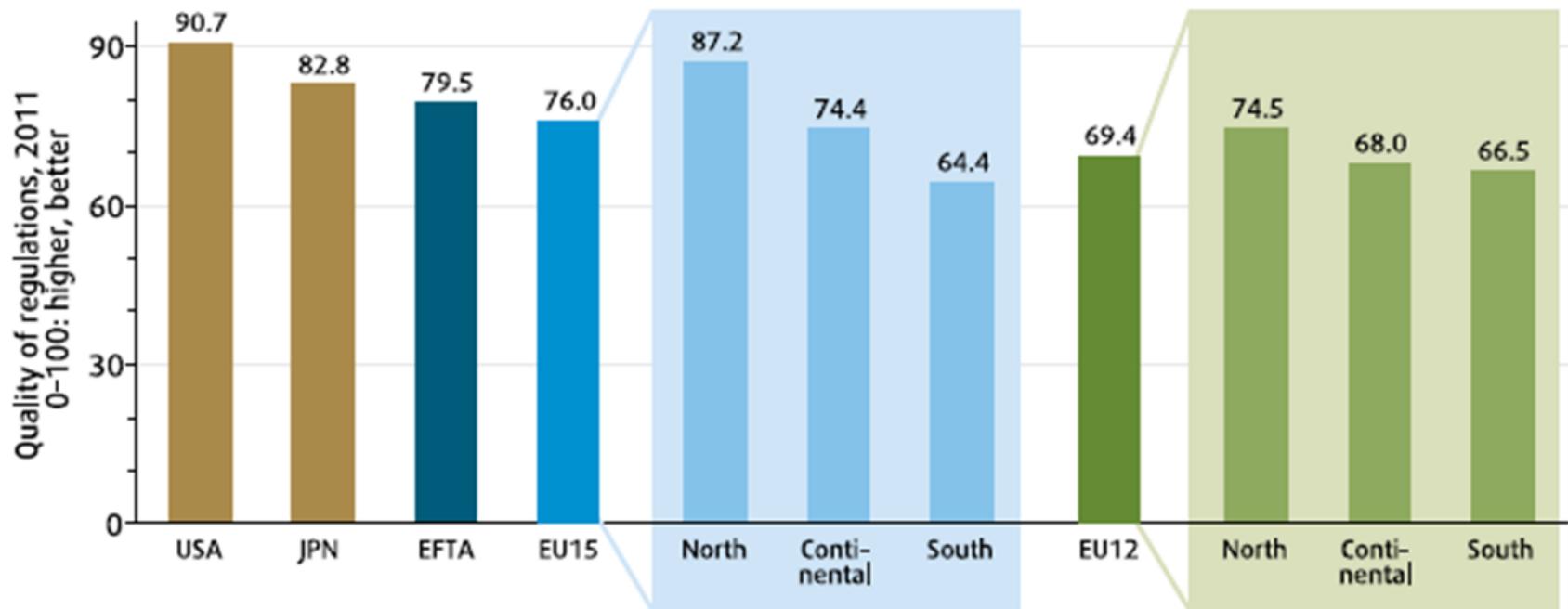
FDI turns eastwards



Note: The numbers in parentheses are the amount of inflows expressed in billions of US dollars.

Source: World Bank staff calculations based on UNCTAD (2010);

Link to ease of doing business



Note: Averages computed using principal component analysis. EU15 = DK, FIN, IRL, SV, UK (North); AUS, BE, FR, DE, LUX and NL (Continental); Greece, IT, POR, ES (South). EU12 comprises EE, LT and LV (North); CZ, HU, PL, SK and SL (Continental); and BU, CY and RO (South).

Source: World Bank staff calculations, based on Doing Business 2012

WB also notes a couple of studies

- **The main critical factors attracting FDI into the East are good business regulation and decent infrastructure (not grants)**
- **Poor quality of SME management in many EU countries, especially South**

Link to our evaluation evidence

- **Effectiveness of enterprise support depends on business environment**
- **Financial support most effective for SMEs – attract large enterprises by good business environment**
- **Less intense support (including financial engineering) more cost effective**
- **Indirect support (eg business advice, mentoring) at least as good as money**



Innovation

EU vs US innovation icons

Audi	Apple and Amazon
"Ollie": old firm, less innovation intensive sector	"Yollies": young firms, innovation intensive sectors
Evolution: stable markets, slow persistent productivity growth	Revolution: growing markets, new products, fast productivity growth
R&D driven by large scale spending	Innovation driven by ideas

Lessons from Google

An idea born in a university

Good business-university links: a key advantage of US, benefit both parties

Rapidly found small-scale venture capital

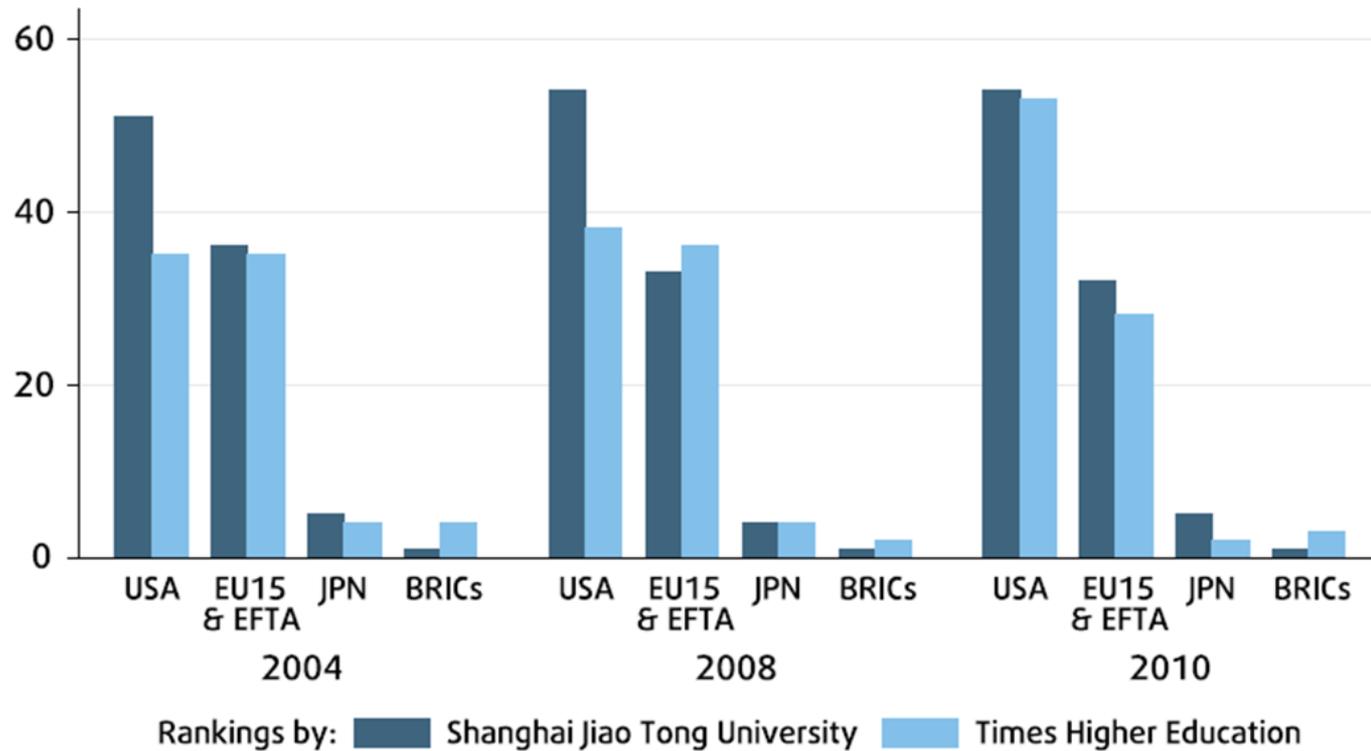
Europe has much thinner VC markets

Grew in a fertile business environment

Tax, employment law etc

Europe's universities falling behind

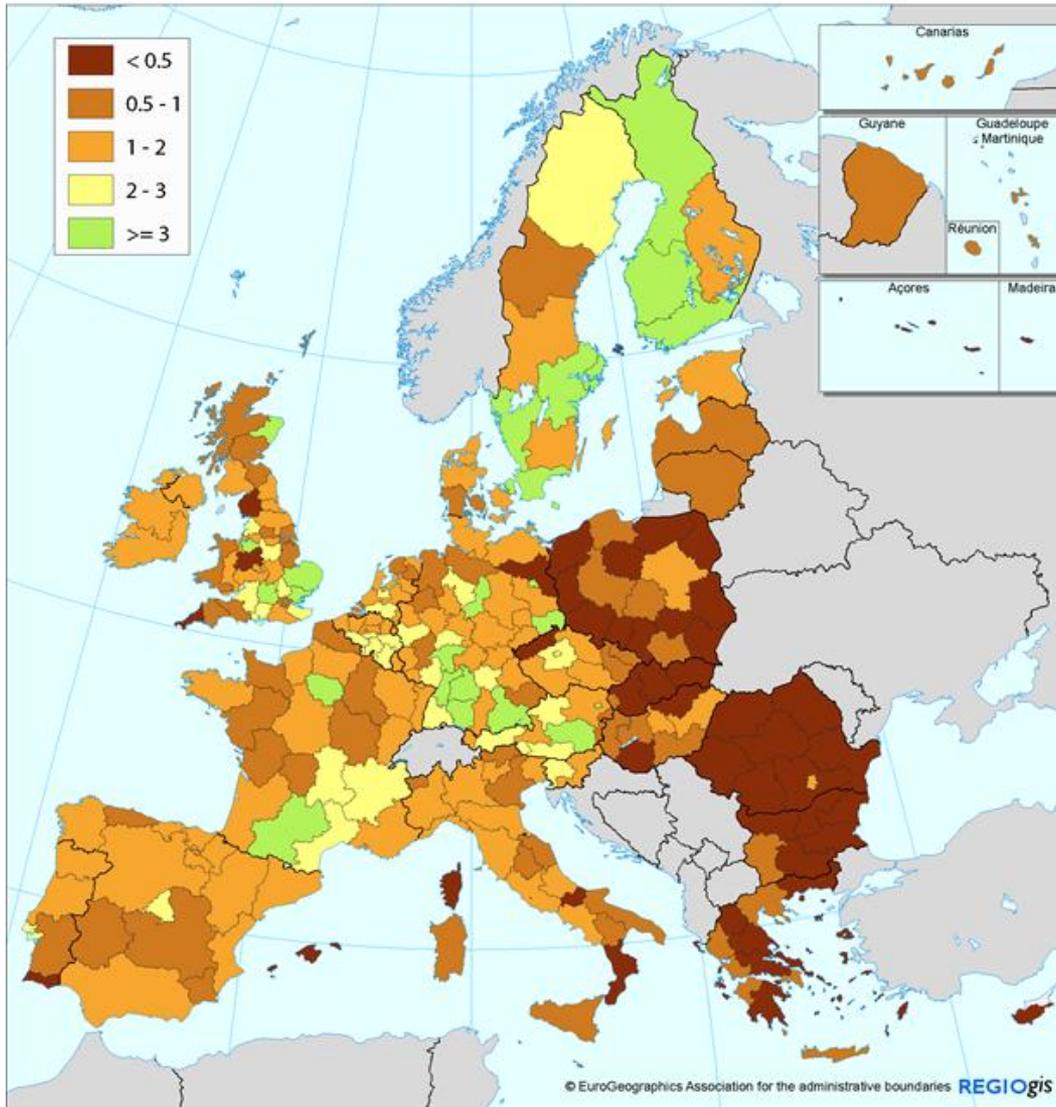
The World's top 100 universities



Source: International Institute for Applied Systems Analysis and Vienna Institute of Demography

Total expenditure on R&D, 2008

% of regional GDP



Source: Eurostat,
calculations DG Regio

Link to our evaluation evidence

- **Crucial role for public money in providing this public good (CZ and DE studies for DG Regio)**
- **Cost effectiveness of venture capital support, esp. as complement (not substitute) for private mkt**
- **Case studies do indeed suggest gains for both business and university in collaboration... and that money often necessary to bring them together**

The lifestyle superpower

(and its costs...)

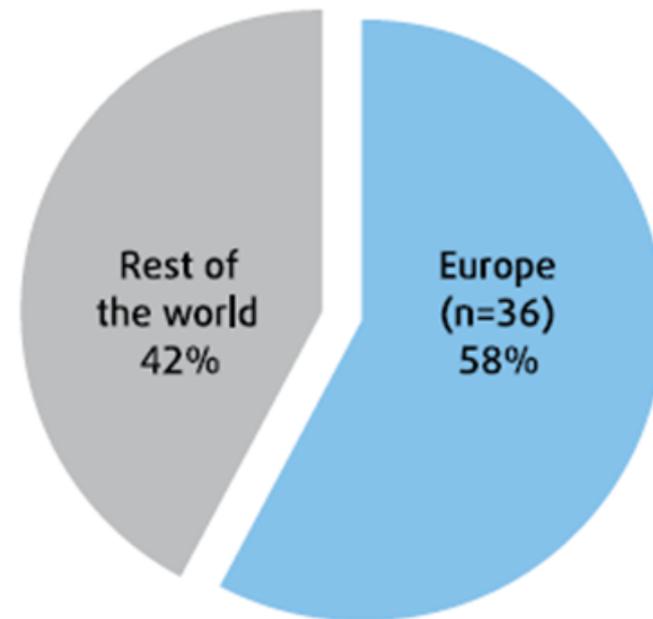


Government expenditure percentage of world total

Military
2010



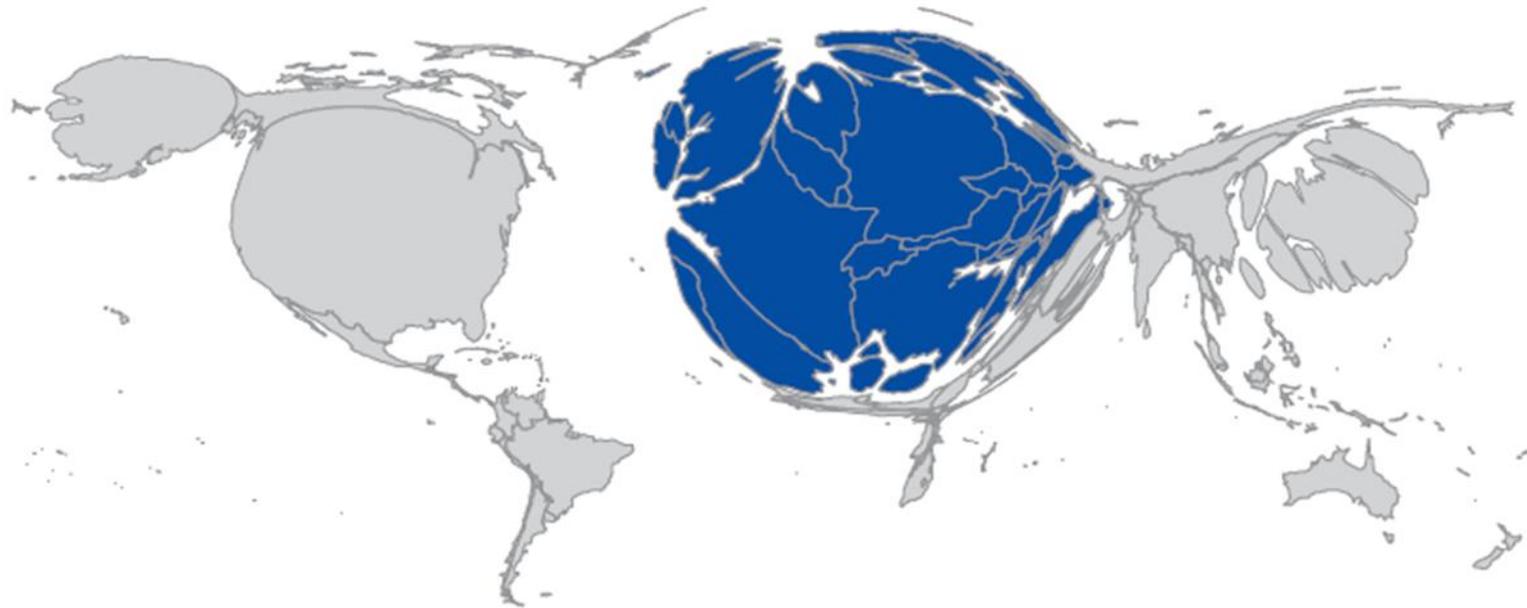
Social protection (n=96)
2004-09



Sources: World Bank Golden Growth report, based on Stockholm International Peace Research Institute (2011), IMF Government Finance Statistics, World Bank World Development Indicators, and Weigand and Grosh (2008).

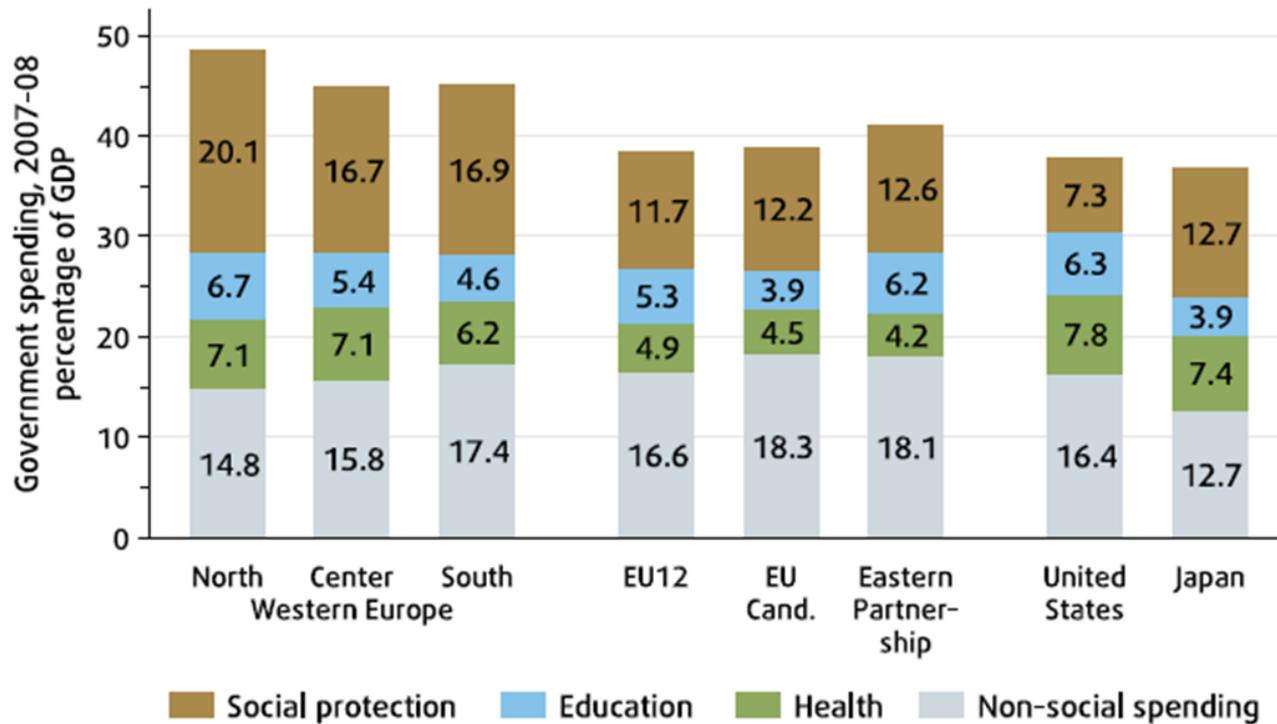
Big governments in Europe

Map resized by government spending in dollars, 2009



Source: World Bank staff, based on IMF Government Financial Statistics.

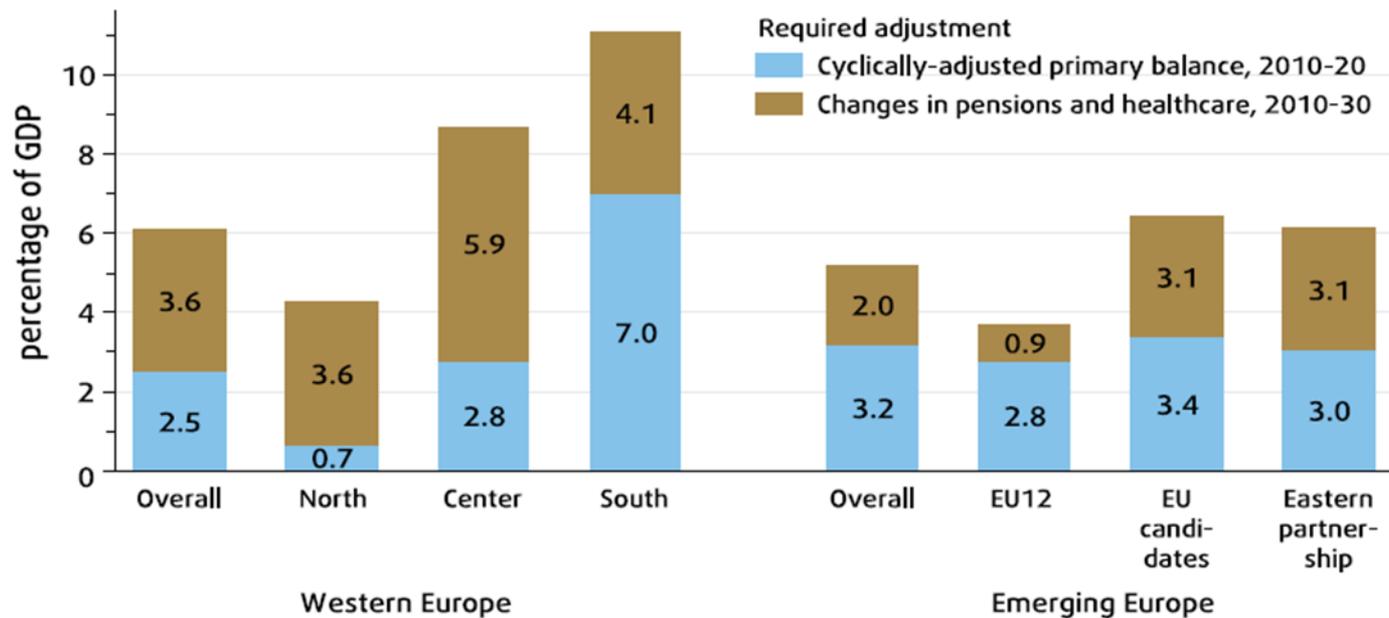
Social spending is the difference...



Note: "Social protection" includes benefits related to sickness and disability, old age, survivors, family and children, unemployment, and housing. Source: IMF Government Finance Statistics

... and it may not be sustainable

illustrative fiscal adjustment needs, 2010–30



Sources: World Bank, IMF, Institute of Structural Research (Poland)



For more information

InfoRegio:

ec.europa.eu/info/regio

RegioNetwork:

www.regionetwork2020.eu