Theoretical and Applied Economics
Volume XVII (2010), No. 12(553), pp. 57-76

Analysis of the Connections between EU Economic Growth and the Lisbon Strategy[*]

Marius-Corneliu MARINAŞ
Bucharest Academy of Economic Studies
marinasmarius@yahoo.fr

Abstract. *This research tries to offer an explanation for the motivation to implement the Lisbon Strategy, its main failures and its impact upon EU economic growth process. The Lisbon Strategy, which was adopted in 2000, should have resulted in the structural change of the European Union's economy until 2010, if taking into consideration the promotion of a sustainable economic growth, which could encourage the increase of employment and the provision of economic and social cohesion. Thus, the European economy should have get its dynamism back which it had before the oil shocks (when it had the "Thirty glorious years"), under the terms of the increase in competitiveness within a global economy and of the direction towards knowledge based economy.*

Keywords: economic growth; European social model; the Lisbon Strategy; the Northern sub-model.

JEL Codes: 011, P52.
REL Codes: 20B, 20F.

---

[*] Ideas in this article were presented at the Symposium „The global crisis and reconstruction of economics", 5-6 November 2010, Faculty of Economics, Bucharest Academy of Economic Studies.

The period 2000-2010 was characterized by the reversal of the trends recorded during the previous decade (especially at the end of the '90s), so that some objectives appeared after 10 years as extremely difficult to achieve by the European Union. The failure in achieving the settled targets through the Lisbon Strategy result from the heterogeneousness which exists among the economic and social structures of the economies which is currently composing the European Union, and this is the characteristic of an Europe with several changing speeds (according to Figure 1). The Northern sub-model is the one which adjusted to the new type of economic development even before adopting the Lisbon Strategy, so that these economies already fulfill a part of the objectives which have been settled for 2020. Among the other sub-models, the Anglo-Saxon one has the ingredients of a dynamic economy, in which the entrepreneurial initiative will be able to generate the faster economic change. However, the Great Britain's and Ireland's competitiveness can be negatively affected by the bursting increase of the public debt during the last 3-4 years, as a result of the significant increase of the public expenses both before 2008, and also as a reply to the economic crisis. The continental sub-model contributes by more than 50% to the GDP of the entire European Union, so that it decisively influences the evolution of the European model. The quite lower progresses recorded by this sub-model are caused by the weak harmonization of the economic objectives (employment, economic growth) and of the social ones (the rate of poverty, social inequities), especially in the case of France and Belgium. The other two sub-models – the Southern one and that of the new member countries (ECE) are recording close performances, as they are characterized by a lower (or unsustainable) economic dynamism and by higher social inequities. Even though at the moment when the Lisbon Strategy was adopted they were not part of EU, the new member countries had to adjust to the same standards of the new developing model. For this purpose, the object of the ECE sub-model is double: the structural change and the real convergence with the European model, under the terms in which it experiences a modernizing process itself.

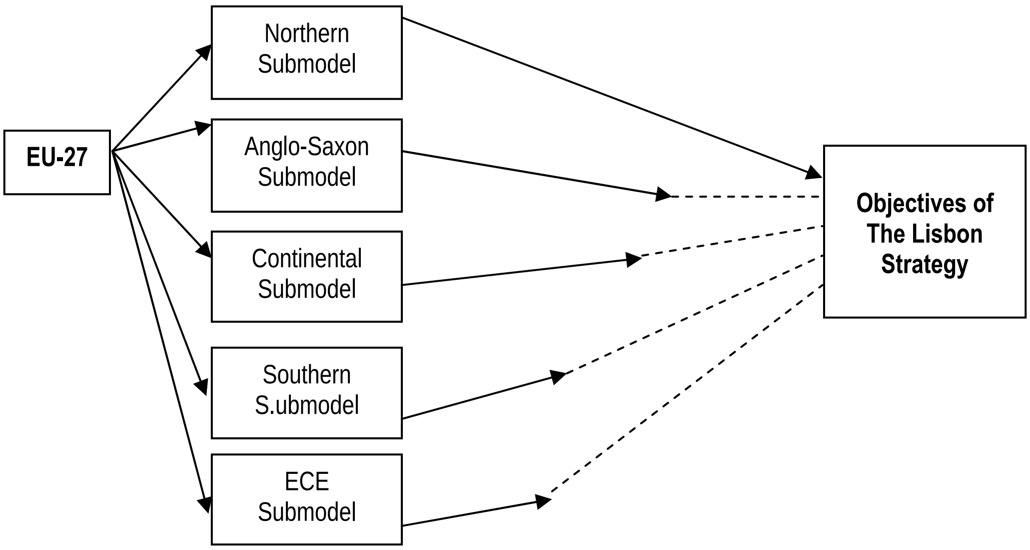

Figure 1. *A EU with several (changing) speeds – the explanation for the low performances of the Lisbon Strategy*

1. Modernising the welfare state in the European Union – argument to Lisbon Strategy adoption

Until the occurrence of the oil shocks (1973-1975), Europe was characterized by a synergic "magical triangle" between the economic growth, the macroeconomic stability and the welfare state. The high growth rates provided the stability of the economic system and of the social protection system, thus contributing to reducing the neo-liberal trade-off between the economic efficiency and the social equity, which is explained in Table 1. The "Magical triangle" began its decay starting with the mid '70s, as a result of the global technological and demographical changes. Their effects mirrored in slowing down the growth rate, in the increase of the macro-economical stability and in the raise of the operational costs of the welfare state. The table below presents a comparison between the main economic and social evolutions recorded during the *thirty glorious years* of EU and during the 25 years which preceded the elaboration of the Lisbon Strategy:

Table 1

Sustainability of welfare state in EU

Components of the "magical triangle" in EU	**Evolution of the European social model**	
	1945-1975	**1976-2000**
Economic growth	- the average rate of economic growth for the EU-15 countries was 4.6%, and that of the GDP per capita was 3.8%	- the average rates of economic growth were 2% between 1975 and 1985 and 2.5% between 1986 and 2000
Macro-economical stability	- the average inflation rate decreased up to the level of 4%, and this constituted a proof for the improvement of the macro-economical stability; - the employment rate increased and the unemployment rate decreased up to a level of 2%	- the average inflation rate came back to the previous level of the oil shocks beginning with 1987, and after 1994 it has never exceeded 3%; - the average unemployment rate recorded during the period 1975-2000 was approximately 10%
Welfare state	- the percentage of the public expenses in the GDP in countries such as Germany and France was approximately 32% in 1970; - the public debt was 17% of the GDP, almost four times lower than that recorded during the current period; - the percentage of the expenses with the social protection out of the GDP was approximately 14%, a level which is twice lower than the current level.	- the lowering of the economic growth rhythm and the increase of unemployment generated the degradation of the situation existing in the public finances; - the percentage of the public expenses increased up to 49% in 1985 and to a maximum of 51% in 1993, when the average budget deficit was 6% of the GDP; - the expenses for the social protection increased by seven percents during the period 1975-1985, reaching 21% of the GDP
The trade-off between equity and efficiency	*It decreased* The increase of the employment degree and the high economic growth resulted in the increase of the budget returns and in the decrease of the stress upon the welfare state.	*It occurred* In order to increase the budget revenues which are necessary for the functioning of the welfare state, the social contributions and the direct taxes increased, and this fact negatively affected the incentives for investments and for the increase of the employment degree.

Source: European Commission, Sapir Report (2004).

Based on the comparison made in the above table, we can assert that the European social model was sustainable until the oil shocks. After their occurrence, the social expenses increased, not as a result of the economy's favorable functioning, but of the increase in taxation and in the public debt. The objective of increasing the redistributed amounts was to reduce the social inequities, under the terms of the decrease in economic growth and of the increase in the unemployment rate. However, the favorable results appeared only in the ninth decade, when the inequities were lower than those recorded within the decade which preceded the oil shocks.

After 1975, the main challenge of the European model has been to get the social equity in line with the slowing down of the economic growth rhythm and with the constancy of a high employment rate. The European states have promoted the increase of the public expenses and this fact has had a double effect: on the one hand, the social security has been provided, and on the other hand a series of macro-economical imbalances have been recorded (the increase of the budget deficit and of the public debt). As the continuation of this evolution would have negatively affected the sustainability of the welfare state and even the functioning of the Euro zone, in 2000 the Community officials established the modernization of the European social system by adopting the Lisbon Strategy; EU was not giving up providing the social component for its citizens, but it suggested to obtain superior macro-economical efficiency.

The finality of this new economic and social model has been anticipated by the evolutions of the Northern states, which, although they are among the most competitive in the world, are super-developed providential states (if we consider the public budget as a share in the GDP, the amounts granted for social protection, etc.).

The figure below explains the motivation for reforming the European model, under the terms of the occurrence of the equity-efficiency trade-off before 2000. The EU countries which eliminated the vicious relations within the national economic system (those which are presented in Figure 2) have been the Northern and the Anglo-Saxon ones. Those two resemble especially in the reforms implemented on the labour market, but the difference between them is represented by the role of the state within the economy. The Anglo-Saxon countries promoted a residual role of the state, while the Northern economies maintained a universal social security, the latter ones having a decisive influence on the structure of the new European social model.

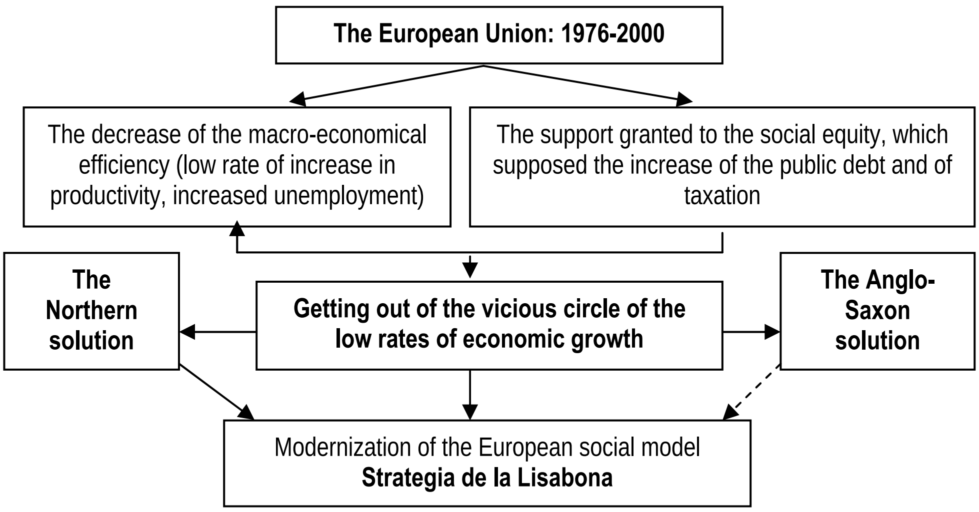

Figure 2. *The finality of the Lisbon Strategy*

2. The modernization of the welfare state in EU

The slowing down of the global economy starting from 1975, as well as the intensification of the European process of economic integration has emphasized the social inequities within the EU. That is the reason why the project of a "social Europe" occurred, this process being related to Jacques Delors's presidency (1985-1995), which established the provision of the social cohesion as the finality of the markets' integration. Thus, the European Union established limits for the American economic model as it proposed the completion of the aspects which are related to the efficiency with those which aim to reduce the inequities.

Since the Treaty of Maastricht (1992) and the Treaty of Amsterdam (1997), the European social model integrated certain neo-classical perspectives, of the workfare type, such as the promotion, to a greater extent, of the policies for stimulating the aggregate offer, the flexibility of the labour market, the decrease of the costs with labour and the acceptance of the insecurity related to jobs in order to increase the employment degree. Thus, the objectives of improving the living standard and of improving the working conditions gradually depended on promoting active policies on the labour market, which allow the increase of the employment rate in the European Union.

According to the Lisbon Strategy (2000), the European social model assumed the transition to another development model, namely from a national Keynesian welfare state towards a national Schumpeterian state of increasing the welfare by means of providing access to the labour market (workfare state). This new economic system is characterized by the stimulation of innovations, by the flexibility of the labour market and by the economic competitiveness; within this one, the promotion of certain measures of social policy which do not generate macro-economical imbalances.

The distinction between the two categories of economy can also be apprehended through the state's attitude towards the persons' problems/risks. Thus, in a national *welfare* state, the state provides the resources which guarantee financial security and stability to persons, while in a national "workfare" state, the state provides the persons with the necessary instruments so that they could face the risk. The term which represents the best definition of this new development model is *flexicurity*, which results from the combination between the concepts of flexibility of the labour market and of social security.

Encountering a series of risks to attenuate its specificity, EU may achieve both the increase of productivity and also the increase of employment rate, without compromising its social dimension. The existing trade-off between the macro-economical efficiency and the long-term sustainability of the national welfare systems can be avoided by the European modernized social model.

Aiginger (2008) considered that this is not a barrier against the increase of competitiveness if it is reformed towards the economic growth, towards the improvement of the incentives and towards the training of the labour force. The Scandinavian countries, which are lately characterized by economic growth, by full employment, by a universal system of social protection and by the decrease of revenues' inequities, proved that all these objectives do not exclude each other as it happens in the Anglo-Saxon approach of the economy's functioning. Under the terms of establishing targets which are similar to those which have already been a reality in the Northern economies by EU, according to the Lisbon Strategy, their characteristics should constitute the elements of the European modernized social model (Aiginger, 2006):

- *the social system remains inclusive*, but some of the expenses for the social protection will be conditioned (for example, by the active search for a job);
- *the taxation is maintained relatively high*, but it has to be correlated with the level of the budget expenses, in order to achieve budget surpluses on a medium term; moreover, certain tax facilities will be granted to those which have lower incomes;
- *the job's security is replaced by the employment security*, and this measure will be implemented by means of active policies on the labour market; the public services and the private agencies will get involved in the workers‘ training/re-qualification;
- the flexibility of the labour will be encouraged, and the social benefits will also be conditioned by the nature of the labour contract;
- the implementation of new technologies constitutes a pre-condition for the functioning of the welfare state;
- the Government and the public authorities play a pro-active role in promoting innovation, efficiency, structural changes, improvement of qualifications and permanent training; moreover, the state provides an important part of the resources necessary for the functioning of the education and health systems.

The European modernized social model will be more flexible in relation to the global economic changes and it will provide both competitiveness and also social justice, as the Northern countries did. Under these terms, the trade-off between efficiency and social equity which characterized the old social model will be replaced by a set of synergic relations between the two concepts. On the one hand, certain social protection plans (which do not induce the improvement of the economic incentives) would help in giving an impulse to the economic growth process. On the other hand, the implementation of new technologies and getting the relationship education – research – entrepreneurship – innovation in line will generate the dependence of the public social system and the focus of some superior budget resources for those who are extremely socially vulnerable. The virtuous interdependencies between the macro-economical efficiency and the social equity are observed in Figure 3.

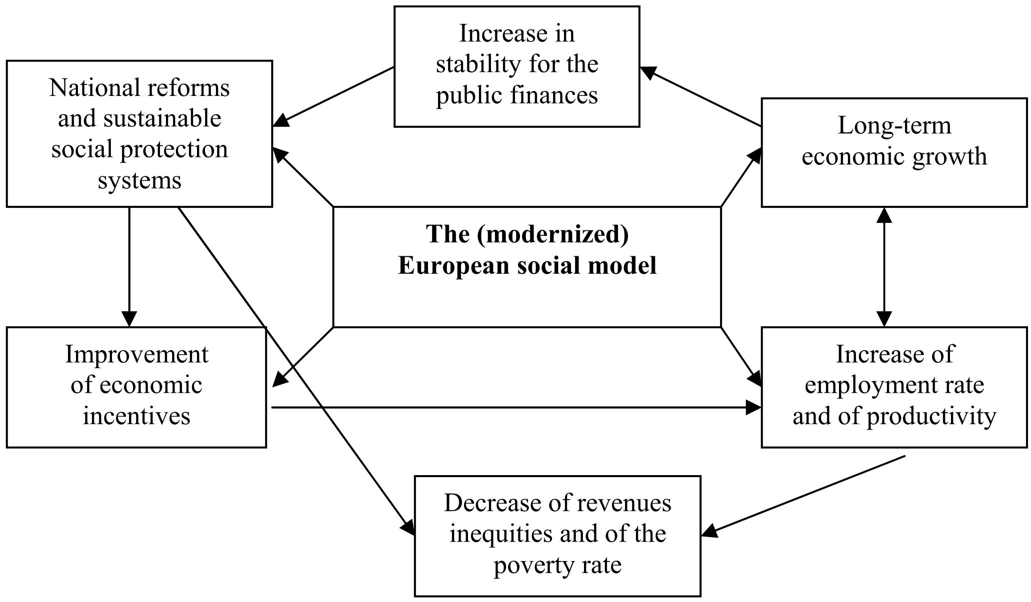

Figure 3. *Objectives of the (modernized) European social model*

3. Which were the failures of the Lisbon Strategy?

From a structural point of view, the Lisbon Strategy was not wrong, as it included the mechanism which allowed the structural change and the modernization of the European economy. However, this strategy has a few shortcomings, slips, quite opposite objectives, a weak national implementation and results which have been much under the initial expectations, which we will introduce within the following ten arguments:

1. The Lisbon Strategy was not realistic with reference to the rhythm of the economic growth in the European Union. Moreover, it did not take into consideration the duration of a business cycle, but only of the economic expansion stage.

The strategy settled the target of a 3% medium rhythm of economic growth in EU, although the average rate of the real GDP increase was only 2.11%. The 3% level was recorded during the period 1997-1999 only, when an economic expansion (economic growth over its potential) was recorded in most of the EU-15 countries. The European Community officials supposed that the economic growth process from the period 2000-2010 will follow the increasing trend recorded during the previous 3-4 years, although such analyses take into consideration the trend during the period of a business cycle at least (approximately 7-8 years). The rate of the potential economic growth (namely the trend of the real GDP) was 2.4% between 1997-1999 years (according to the Hodrick-Prescott filter), versus to 2.1% during the period 1993-1999.

2. The Lisbon Strategy tried to copy a part of the American model's values (Kok, 2004), wishing to recover the output gap between them.

Values such as the labour flexibility, workfare, entrepreneurial initiative, liberalization, deregulation, etc. represent defining characteristics of the American economy, and their application in some European welfare states did not have the anticipated results. There has been noticed that the economies belonging to the Northern and Anglo-Saxon sub-models have adjusted faster to a model of economy and of society which includes the previously mentioned values.

3. The reforms of the Lisbon Strategy aimed to a too great number of fields to be rapidly and coherently implemented by the member states. That is the reason why the progresses in adopting the strategy's coordinates have been extremely low in the countries belonging to the Southern and in the new member countries (ECE) sub-models.

The strategy's objective, among others, was to reform the social security system, namely to provide sustainability and increase of employment, and also to increase the expenses for education-research-development, in order to create a knowledge-based economy. Moreover, it provides the liberalization of the industrial market in the network, of the service market, to promote social inclusion and the decrease of the gaps between incomes.

4. The Lisbon Strategy seemed rather an elitist process, the European citizens support being absent in the promoted reforms.

The reforms taken on the labour market (e.g. flexicurity, extending the active life), in the social security (e.g. conditioning the unemployment assistance, increasing the retiring age, increasing the contributing period), in opening the utilities markets (power supply, gas, telecommunications, transports) are accompanied by social costs, at least on a short time, so that a hostility of the European unions occurred in some cases when applying these reforms.

5. A domestic/communitarian financing has not been sufficiently provided for the adoption of certain reforms aimed to by the Lisbon Strategy. Moreover, its coordination with the fiscal policies' coordination instrument lacked – The Stability and Growth Pact (SGP).

The relations between the Lisbon Strategy and other EU instruments and/or strategies, such as The Stability and Growth Pact, the Sustainable Development Strategy or the Social Agenda have not been sufficiently strong, so that, rather than mutually consolidating, some of the strategies operated in an isolate manner. SGP and The Lisbon Strategy represent two separate pylons of the European model, which though should be integrated, for at least two reasons; the proposed reforms could be accelerated (if the available budget resources existed), and, by their means, the public finances' sustainability and quality would get increased. The countries which are characterized by a less fiscal margin of maneuver (excessive budget deficit, economic recession, high balance of the public debt) granted less budget resources for economy's adjustment to a knowledge-based one (expenses for education, research, public investments, etc.). According to the Lisbon Strategy's assessment made by the European Commission in 2010, *the macroeconomic unbalances and the competitiveness problems represented the origin of the economic crisis and they have not been properly approached within the process of surveying the member states' economies, which have been performed through the Stability and Growth Pact and through the Lisbon Strategy, as the two mechanisms tend to operate in parallel, rather than to mutually complete each other*. As for the communitarian contribution, there has been an adjustment to the cohesion policy towards the Lisbon Strategy's objectives, but less than 5% of the funds have been granted for financing the research-development activity when referring to the European companies.

6. Some of the Lisbon Strategy's objectives are opposite, at least for a period of 1-2 years, and the strategy settled too many targets.

Firstly, the strategy aims to a higher integration of the markets, by means of liberalizing the services, the knowledge, and this will also result in intensifying the community competition, and also in stimulating the innovation activity. However, Schumpeter demonstrated that there is not a linear relation between competition and innovation, but a concave one, in other words, the innovation capacity of the companies is lower for a low/high degree of economic integration and it is higher for a medium integration of the markets. Secondly, the strategy aims both to the increase of the employment degree, and also to the increase of labour productivity, which is considered to be the main resource of welfare increase. However, on a short term, the increase of the workers' number, which is not accompanied by a capital accumulation process, will determine the decrease of labour productivity. There have been short-term estimations that a 1% increase of the employment rate determines the 0.1-0.4% decrease of labour productivity. Thirdly, the strategy aims both to intensify the liberalization of the markets, and also the increase of the employment rate. According to OECD (2000), the reforms made on the goods markets generate a decrease of the workers' number for a period of 1-2 years. Fourthly, the strategy's purpose is both to make structural reforms, and also a higher rhythm for the economic growth. However, the strategy mostly influences the potential GDP, and the positive effects upon the economic growth will not immediately appear. For example, there will not be an immediate impact of the budget purchases for education, for research-development upon the economic growth. For this purpose, the Lisbon Strategy does not represent a solution for minimizing the effects induced by the economic crisis for at least two reasons: the reforms will be applied on a longer term, and their positive effects have not been felt in many of the EU member countries yet (except the Northern ones).

7. The strategy was elaborated when the heterogeneousness among the EU member countries was quite lower than that recorded after the 2004, respectively 2007 expansions. Even though, it was considered to be a remedy for all economies, irrespective of their structural characteristics or of their development level.

For example, there was a question about the opportunity of some criteria which are related to the adjustment towards a knowledge-based economy for the economies which are far from the current technological border line, such as those belonging to the ECE countries sub-model. Thus, the 3% of the GDP criteria has been settled for the research-development expenses both for the Northern countries (which, prior to the strategy, adjusted to an innovative economy), and also for Romania and Bulgaria, these economies hardly making the transition to an investment-based economy and which can develop not by means of innovations related to new technologies, but by means of imitating the existing ones. Moreover, an economy which is characterized by a quite higher share of the industrial sector will spend more for research-development than an economy which is highly specialized in the sector of services. Moreover, the level recorded by the member states has not taken into consideration indicators such as employment, research, social inequities, etc. when elaborating the strategy in 2000. The settlement of certain target is not relevant, as long as there are several economic and social sub-models; each of them will try to adjust and not to imitate the main reform directions which have been settled.

8. There was not a clear separating line of the domestic/communitarian responsibilities when speaking about the implementation of the guiding lines of the Strategy, which is both a political project and also a project which involves the European society. Moreover, the open coordination method was considered to be a "too weak" instrument for the achievement of the national reforms program.

Theoretically, the reforms regarded by the Lisbon Strategy in the field of the labour market, of the social security, of the markets integration generate externalities especially for the countries included in the Euro Zone. The greater extent to which they will be achieved by the member states, the more increased the flexibility of the Euro Zone will be, and this will improve its capacity to diminish some structural shocks. As a consequence, the presence of externalities should suppose the coordination of the community policies included in the strategy, and also the involvement of each member state, under the terms in which they play the main act in the settlement of the social measures and of the functionality of the labour market. The strategy is based on the assumption that the member states will voluntarily wish to promote the same structural reforms and that each of them is willing to learn form the experience of other countries.

At the moment when the strategy was elaborated, there was not a clear distribution of responsibilities between the community and the national levels, so that the reform directions could not be acquired by the member states. Only after the first assessment of the Lisbon Strategy from 2005, the elaboration of the National Reform Plans (NRP) has been settled, and this involved a higher responsibility of the national economies. However, there is a quite low pressure for reforms from EU, and it is practiced through the Open coordination method, its role being rather to make an exchange of the good practices among the member states. According to the European Commission (2010), *the NPR approach is considerably different among the member states, with ambitious and coherent reform programs for some of the countries, versus ambiguous and predominantly descriptive reform programs in other states which have not had the support of the national (and regional) governments and parliaments*.

9. The reason for the elaboration of this strategy was to support the European economy in order to eliminate the economic gaps between Europe and USA. However, the most important challenges are coming from the economies with the highest rhythm of economic growth (China and India).

Their competitiveness is not only the result of practicing lower costs for labour, but also to increase the research-development capacities, and this may determine the loss of certain markets for the European products. The strategy gave a very low importance to the role of commerce and of direct foreign investments in a globalized economy.

10. The review/re-launches of the Lisbon Strategy have been rather superficial, being limited only to the decrease in number of the structural indicators which have been used for benchmarking. Even though it was obvious that EU would not fulfill the proposed objectives since the half of the decade, the initial strategy has only superficially changed (restating the objectives), and this affected its credibility.

4. What was the evolution of the economic growth rate during the period 2000-2010?

The appreciation of the results obtained after implementing the strategy is a paradox: on the one hand, the economists consider that it constitutes a great failure of the European model, under the terms of EU being far from the objectives settled for ten years, and on the other hand, the sociologists and specialist in political sciences consider it to be successful, as it established the *transformation of the European society, a process which is not limited to the decade started in 2000*. The economists are focused on the strategy's inputs and results. They can notice that the European economy has been a disappointment with reference to the rhythm of economic growth, to the capacity to recover the gaps between Europe and USA, to the ability to change into an innovative and flexible economy or to the capacity to reform the social security systems in order to increase the sustainability of the welfare state. Moreover, there is a divergence in respect with the national mechanism for implementing the Lisbon Strategy. A decade is considered to represent a long period of time for economists, while for the researchers of the technological and institutional changes it represents the beginning of a process with trials and errors. According to the European Commission (2010), the Lisbon Strategy has *opened new horizons by promoting common actions in order to approach EU's long-term key-challenges*.

Naturally, the gaps between the Lisbon Strategy's objectives and the achievements will be easily interpreted as representing a consequence of the fact that the targets have been wrong/improper or that they were no properly followed by the member states. As a consequence, all the economic and social evolutions recorded within EU will be considered to be the result of the strategy's (non)-implementation, although, in most of the fields, the changes suppose a much longer period of time. Thus, for the sub-models in which the reforms for the labour market, for the social security and for the adjustment to a knowledge-based economy have not been significant, the strategy will be considered not to have had the anticipated effects.

However, not all the evolutions recorded in the EU member countries during the period 2000-2009 should be interpreted in relation to the Lisbon Strategy. For example, the new member countries, Ireland and Greece, achieved an average rate of economic growth which exceeds 3% (the target level settled in 2000), under the terms in which it was not due to the economy's modernization according to that reforms agenda. As a consequence, obtaining a higher rate of economic growth during the period 2000-2009 does not constitute the effect of the strategy's implementation. It is possible for the sources of the economic growth to be those existing in the field of the aggregate demand and not those in the field of the aggregate offer, as the Lisbon Strategy has a direct influence upon them, and not immediate if speaking about time.

The European Union's economic growth during the period 2000-2009 was 18 percents lower than the target settled by the Lisbon Strategy.

The economic crisis lowered the potential of the European economy and it increased the gap between it and the objective settled in 2000.

The Lisbon Strategy settled the objective of achieving an average growth rhythm of 3% during the decade started in 2000, and this should have generated a real GDP which was 34.4% higher in 2009, if compared to 1999. However, during the analyzed period, EU-27 recorded a total increase of the real GDP of 16.4%, and the real GDP of the EU-15 countries increased by 15% only. Prior to the economic crisis, the gap from the settled target was of 6 percents in the case of the EU-27 and approximately 7 percents for EU-15, as it can be noticed in Figure 4, on the coordinate of which the real GDP index is represented (the base being 1999). If EU-27 had registered the same 2.3% average growth rhythm as during the period 2000-2007 (the broken line from the above chart), then the gap from the Lisbon target would have been 8 percents “only”. The economic crisis generated a decrease of the average growth rhythm from 2.3% until 2007 to 1.9% for the entire period 2000-2009.

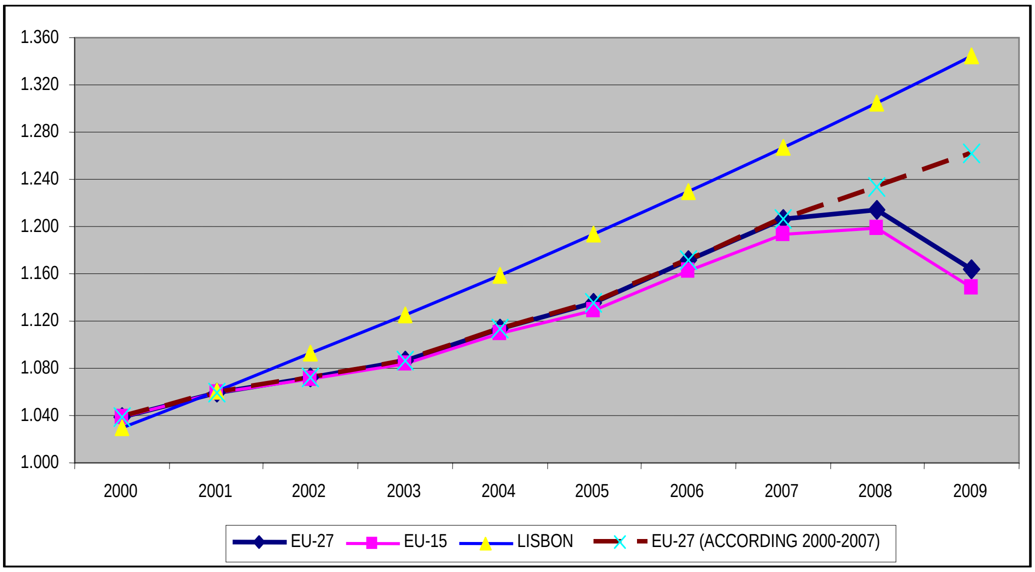

Figure 4. *The gap between objectives and achievements with reference to the EU economic growth*

The most part of the recorded gap is explained by the evolutions registered by Germany, France and Italy, which contributes with approximately a half to the EU-27 GDP. Under the terms of 0.8%, 1.5%, and respectively 0.5% average growth rates, the real GDP of the three economies increased less than the EU-27 average during the period 2000-2009. Among the EU-15 countries, only Finland, Sweden, Ireland, Spain and Greece recorded an average annual growth rhythm of at least 2%, while the sub-model consisting of the ECE countries recorded an accumulate increase of the real GDP by three times higher than in the case of the EU-15 member economies. However, their impact upon the European average is very low, under the terms of an 8% contribution of the ECE countries to the EU-27 total GDP. In Figure 5, we can notice that the sub-models which are characterized by higher progresses with reference to the adoption of the Lisbon Strategy's reforms – research-development, information society, network industries, and services liberalization – recorded similar or inferior rhythms as those of the sub-models in which the reforms are only at the beginning. According to the World Economic Forum (2009), the Northern sub-model (with all its four countries), the Continental sub-model (especially Austria and Germany) and the Anglo-Saxon sub-model, in this very order, changed the most, both from a structural and from a social point of view with reference to the objectives settled in the strategy. Instead, the economies belonging to the Southern sub-model (especially Greece and Italy) and to the ECE sub-model (especially Bulgaria, Romania and Poland) are characterized by a low transition towards the new developing model.

To conclude, The Lisbon Strategy can be considered relevant for the economic growth of the already developed sub-models, while for the others the growth has been the result of other factors (the foreign capital inflow, the increase of the financial intermediation degree, the lower cost of the domestic factors of production). However, the occurrence of the economic crisis can increase the importance of assuming the strategy, under the terms in which it constitutes a way in which the economy can be structurally reformed, a way in which the sustainability of the public finances can be increased on a long term and a way in which the shocks can be diminished faster on a long term.

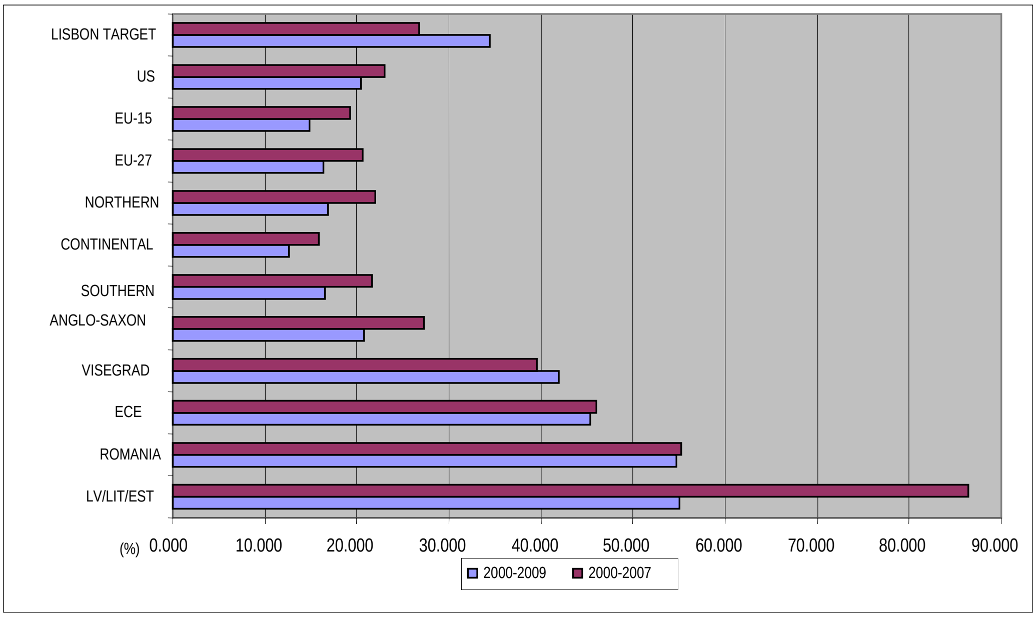

Figure 5. *The accumulated increase of the real GDP compared to 1999*

If we make a comparison between the accumulated increases of the GDP for the period prior to the crisis with the entire decade started in 2000, the result is that all the European sub-models (except the one which consists of the ECE countries) recorded at least 3 percents decreases, so that the real GDP recorded in 2009 reached the level from 2006 and form 2007 in most of the cases. The sub-model which adjusted the least after the crisis was the one of the new member countries, its average decrease being 0.61 percents. However, in its case, we may distinguish two groups of countries, with totally divergent evolutions with reference to their amplitude; on the one hand, the Visegrad group recorded a 2.48 percents increase in 2009, if compared to 2007, while the group of the Baltic States adjusted by 31.5 percents, after which it had recorded a 8.1% average growth rhythm during the period 2000-2007, i.e. the highest rhythm in the entire EU-27.

The decade 2000-2009 was an entire failure for Italy, of which real GDP from 2009 was equal to the one recorded at the end of 2001, and a success for Poland, the only European economy which avoided the economic recession. The economic crisis had an important negative impact upon the European economy, under the terms in which the real GDP from 2009 was equal to the one recorded in 2006. As a consequence, this decade was partially lost for most of the EU-27 economies, as it can be noticed in Figure 6.

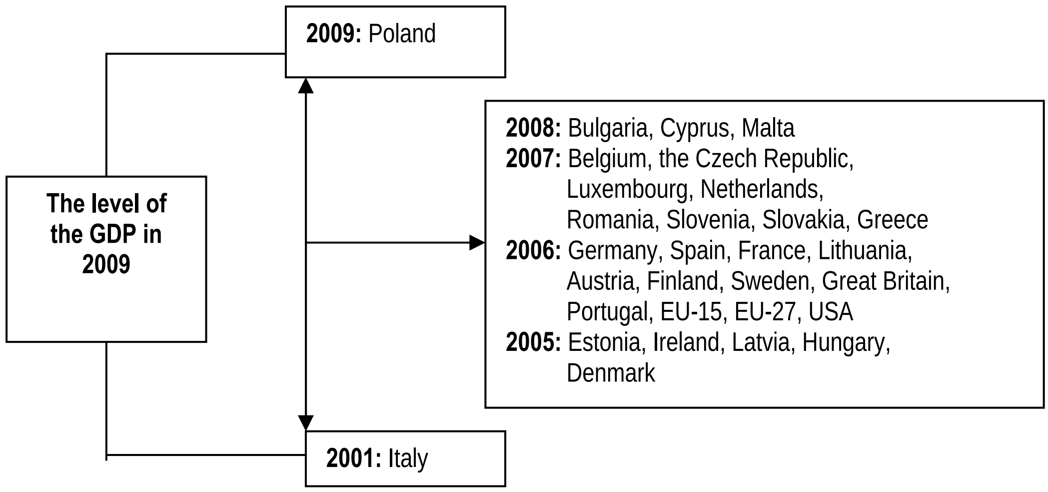

Figure 6. *A (partially) lost decade for the EU-27 countries*

The European economic down fall during the period 2008-2009 can be explained both depending on the stages of the business cycle and also depending on the trend's evolution (the potential GDP), based on de-seasoned quarterly and annually expressed data. Thus, the 3.6% decrease of the annual real GDP from the 4th quarter of 2009, if compared to the GDP related to the same quarter of 2007 was determined by the following:

- the decrease of the demand excess from the European economy, which existed at the end of 2007 (approximately 1.7%), under the terms in which it passed through an economic expansion period beginning with the 3rd quarter of 2005;
- the decrease of the potential GDP increase rhythm from an average level of 2.22%, recorded during the period 2000-2007, to an average value of 1.43% between 2000 and 2009 (as it can be noticed in Figure 7);
- the entrance in a recessionistic gap period, beginning with the 4th quarter of 2009, its value being –1.11% of the GDP only during the 4th quarter of 2008 and –2.26% during the 3rd quarter of 2009.

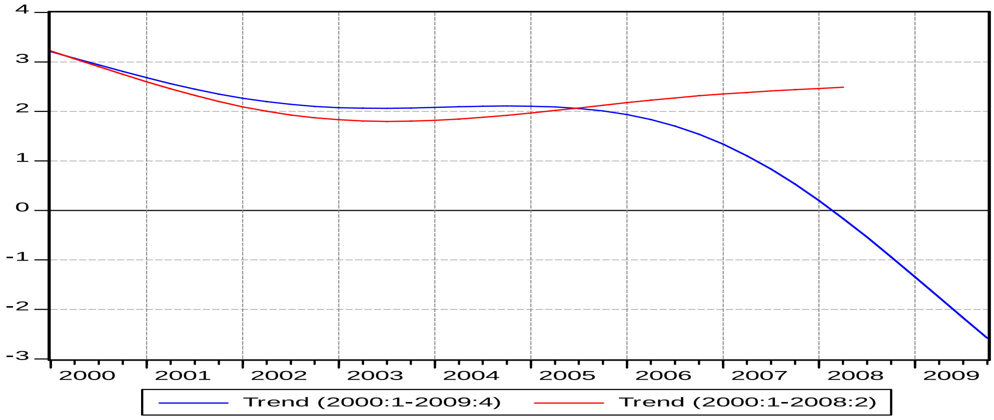

Figure 7. *The evolution of the real GDP trend of EU-27*

The trend's evolution during the period 2008-2009 confirms the fact that EU faces a structural and not temporary crisis, induced by the global financial and economic crisis, which determined an over 3% decrease of the GDP increase rhythm in two years only.

5. Conclusions

After the decade when the Lisbon Strategy has been implemented, we can assert that it has not generated the anticipated results with reference to employment, to structural reforms and to the economic growth rate. The economic crisis from the years 2008-2009 diminished the positive evolutions of the European economy recorded during the period 2005-2007 and it has generated the getting away from the target assumed for 2010. Generally, the economies which have mostly adjusted to the new economic development model (expected by the Lisbon Strategy) have not recorded the highest rates of economic growth, but they have been able to faster eliminate the effects of the economic crisis. Moreover, even though certain economies recorded high rates of economic growth before 2008, without any progresses in adopting the Lisbon targets, their absence blocks their sustainable economic re-launching.

Acknowledgment

This work was supported by CNCSIS-UEFISCSU, type PN II-RU, project No 78/03.08.2010. The title of the project is *Macroeconomic modeling of the relationships between the asymmetric shocks, convergence of business cycles and mechanisms of adjustment in the context of Romania's adhesion to the euro area* and the project manager is Marinaş Marius-Corneliu.

References

Aiginger, K. (2006a). *The European Socio-Economic Model*, in Giddens, A., Liddle, R., Diamond, P. (eds.), *Global Europe, Social Europe*, Polity Press, Cambridge

Aiginger, K., Guger, A., „The Ability to Adapt: Why it differs between the Scandinvican and Continental European model", *Intereconomics*, Vol. 41, nr. 1, 2006b

Aiginger, K. (2008). *Typologies of Social Models in Europe*, WIFO

Blanchard, O., „Is There a Viable European Social and Economic Model?", Massachusetts Institute of Technology, Department of Economics, *Working Paper* 06-21, 2006

Comisia Europeană (2007), *Towards Common Principles of Flexicurity: More and Better Jobs Through Flexibility and Security*, COM (2007) 359 final, Bruxelles

Giddens, A., „The World Does not Owe us a Living. The Future of the European Social Model", *Policy network paper*, 2005

Mathieu, C., Sterdyniak, H., Seguin, Th., „What future for social Europe?", Annex 6 – *EUROFRAME-EFN*, Autumn 2007 Report, OFCE

Sapir, A. (2004). *An agenda for a growing Europe. Making the EU economic system deliver*, Report of an independent high-level study group established on the initiative of the President of the European Commission, Bruxelles

Stein, K., „The Nordic welfare state in a European context: dealing with new economic and ideological challenges in the 1990s", *European Review,* Vol. 8, nr. 3, 2000

World Economic Forum (2009), *The Lisbon Review 2008. Measuring Europe's Progress in Reform*, Geneva, www.weforum.org

*** Baza de date Eurostat, 2010