

The Triple Challenge for Europe: Economic Development, Climate Change & Governance

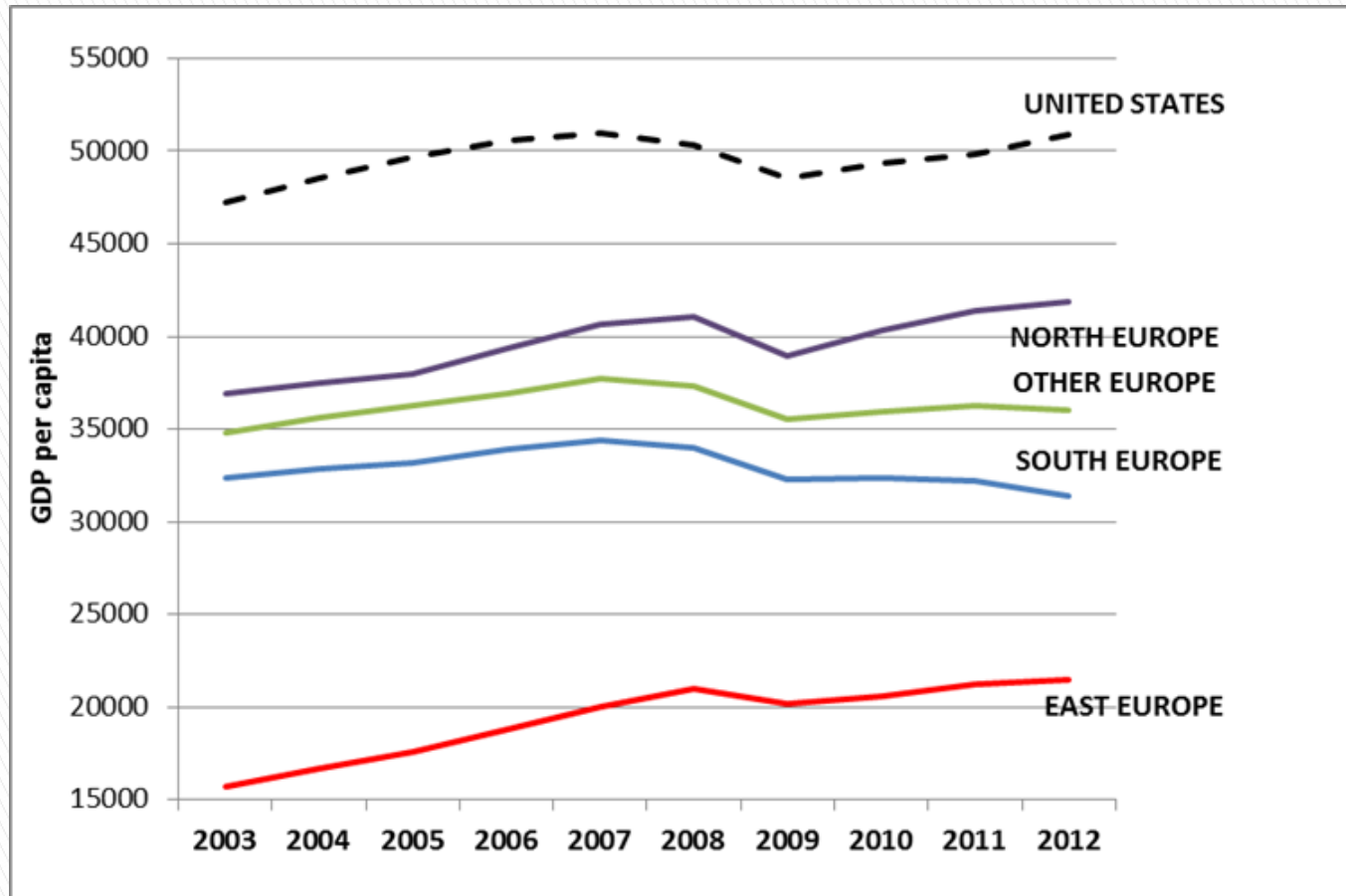
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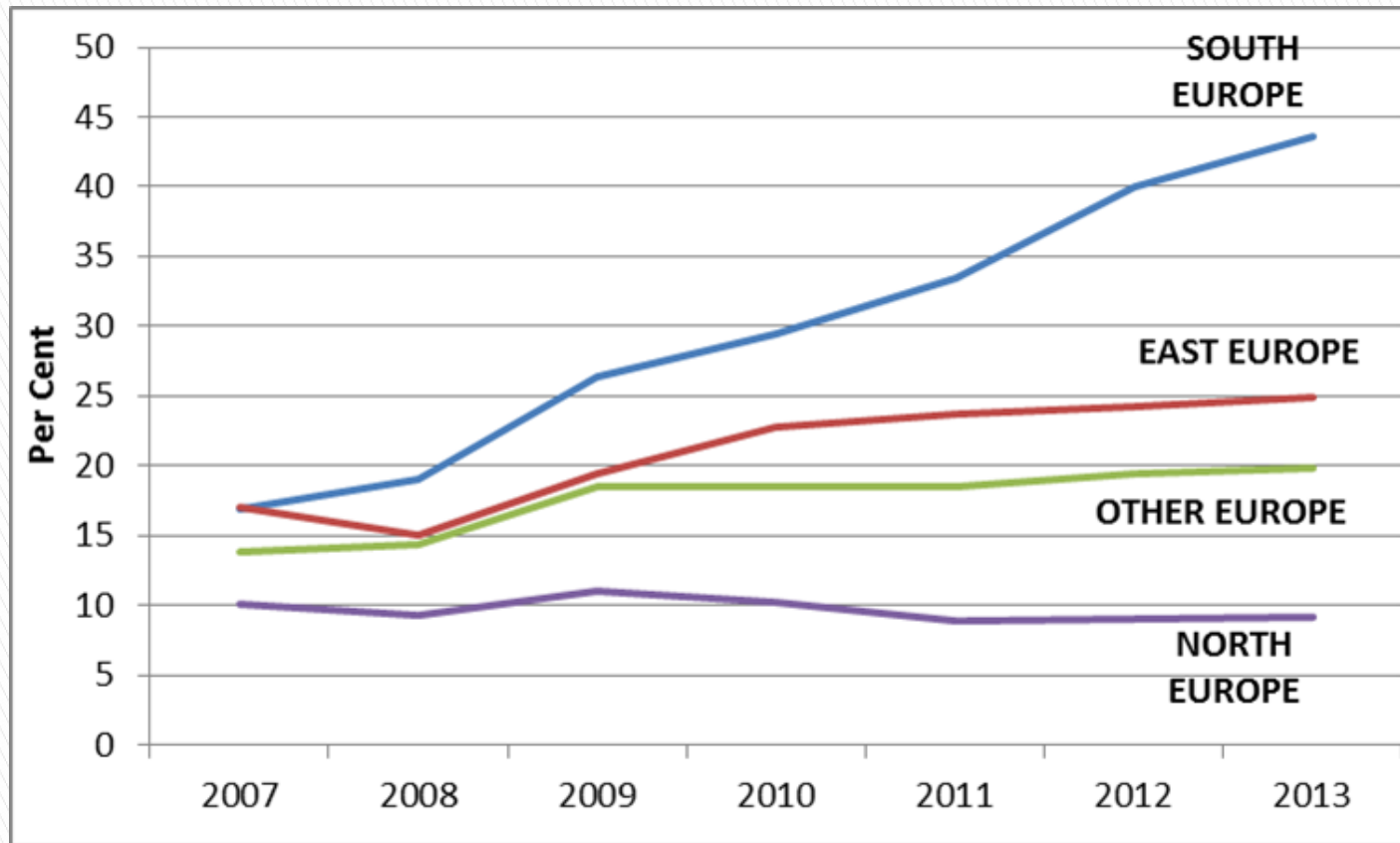
The European Stagnation: GDP per capita, US and Europe 2013–2012



Europe: From growth & convergence to stagnation & divergence, with parts of Europe falling behind economically.

Why should we care?

Youth Unemployment (20–24 years)

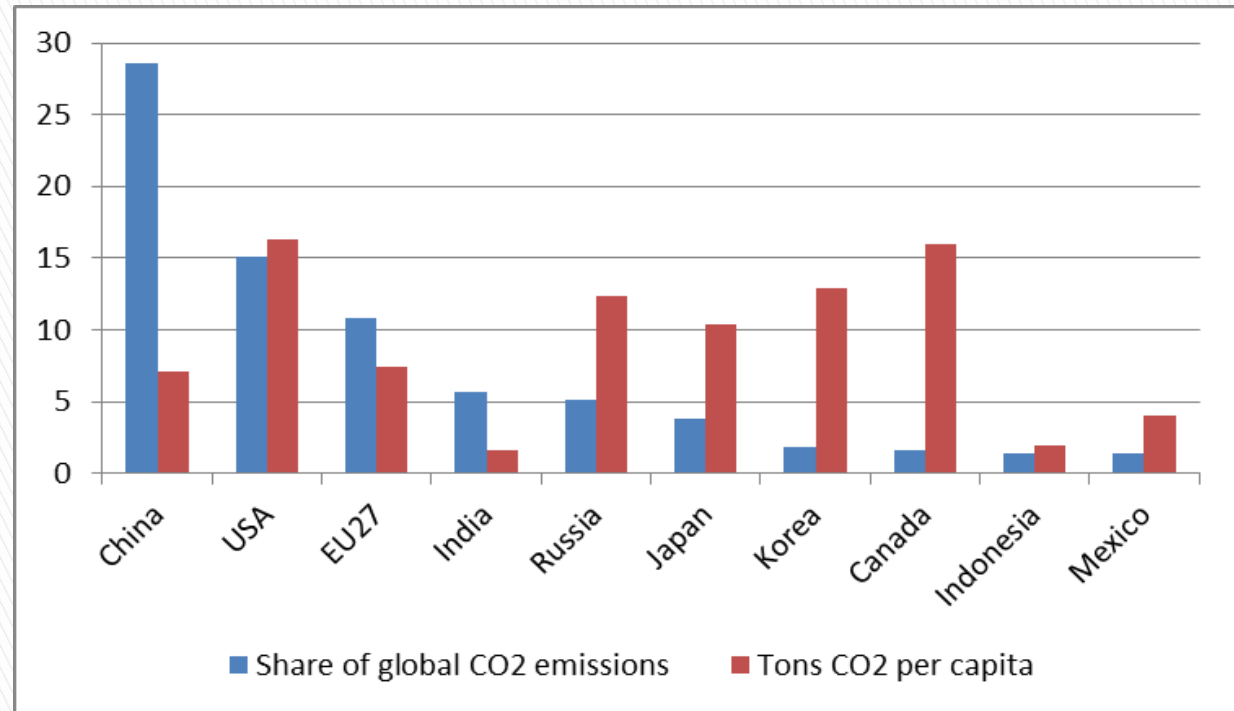


**Social cohesion – a goal of the past?
Consequences?**

Causes and Consequences of the European Stagnation

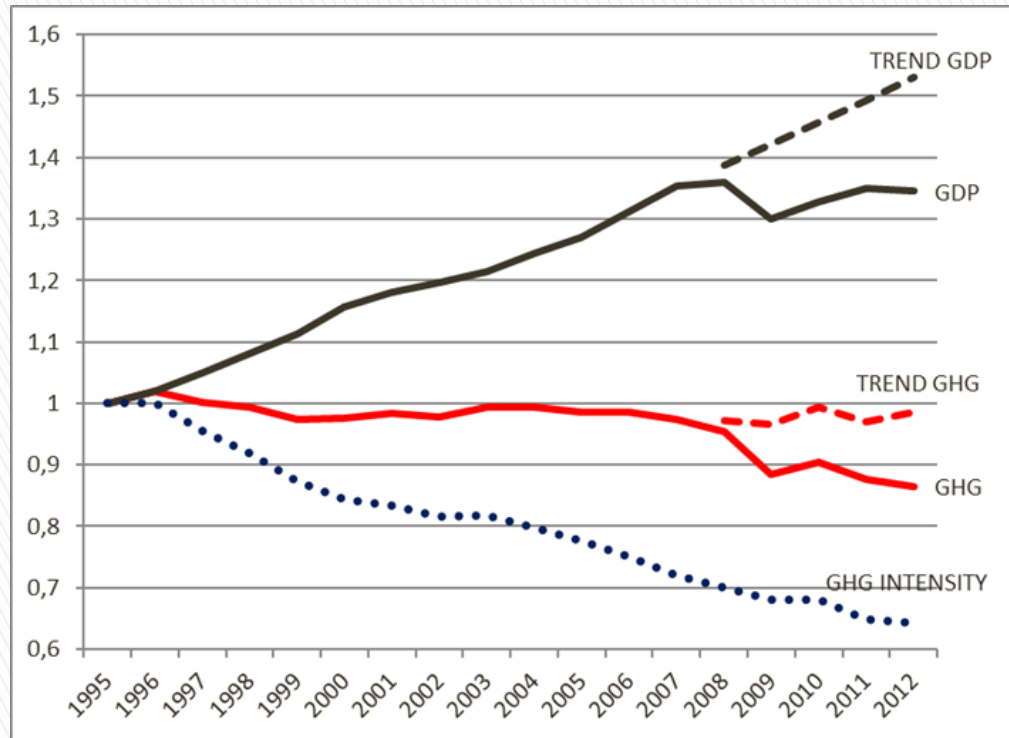
- ▶ *related to:*
- ▶ – **different capacities** for dealing with globalization (South lagging, North adapting)
- ▶ – **asymmetric effects of European integration** (East benefitted a lot before 2008, North some, South very little)
- ▶ – the **Euro** – lacking necessary **policy coordination**, supporting spread of German-type **austerity policies**
- ▶ *resulting in:*
- ▶ Convergence turned **divergence**, growth turned **stagnation**, **unemployment** soaring
- ▶ Growth necessary but

Europe: The third largest emitter of greenhouse gases (after US/China)



Global (European) emissions have to be reduced to a negligible level by 2100 to keep global warming within the 2% target. Are we on the path towards sustainability?

Recent decline in European GHG emissions reflects the stagnation



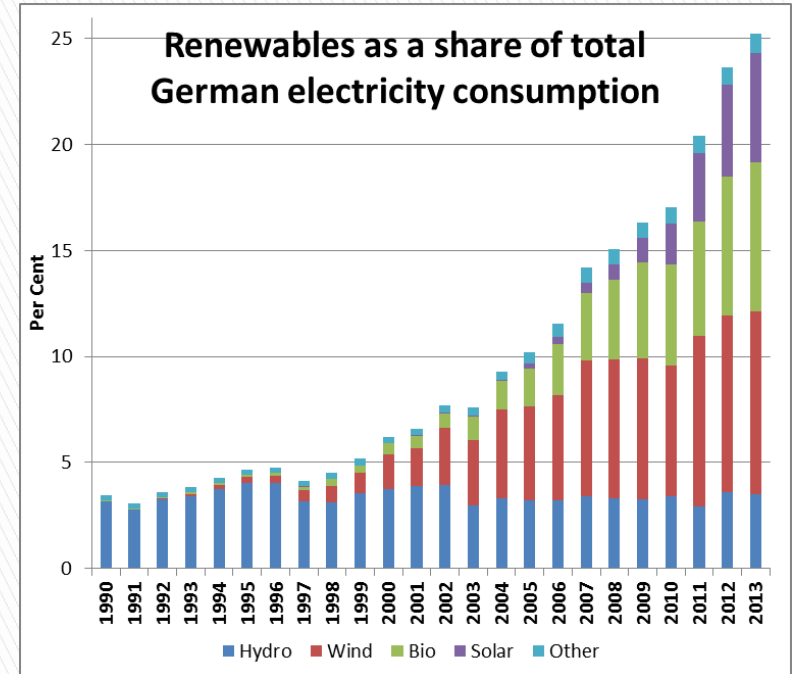
GDP growth , GHG emissions and GHG intensity
EU28, 1995-2012

To reach 2100 goals, emissions must decline 3,6 % per year. This means that the GHG intensity must decline **twice as fast** as it currently does (or **GDP must shrink** every year from now on).

Are climate goals in direct contradiction with economic recovery/combating employment?

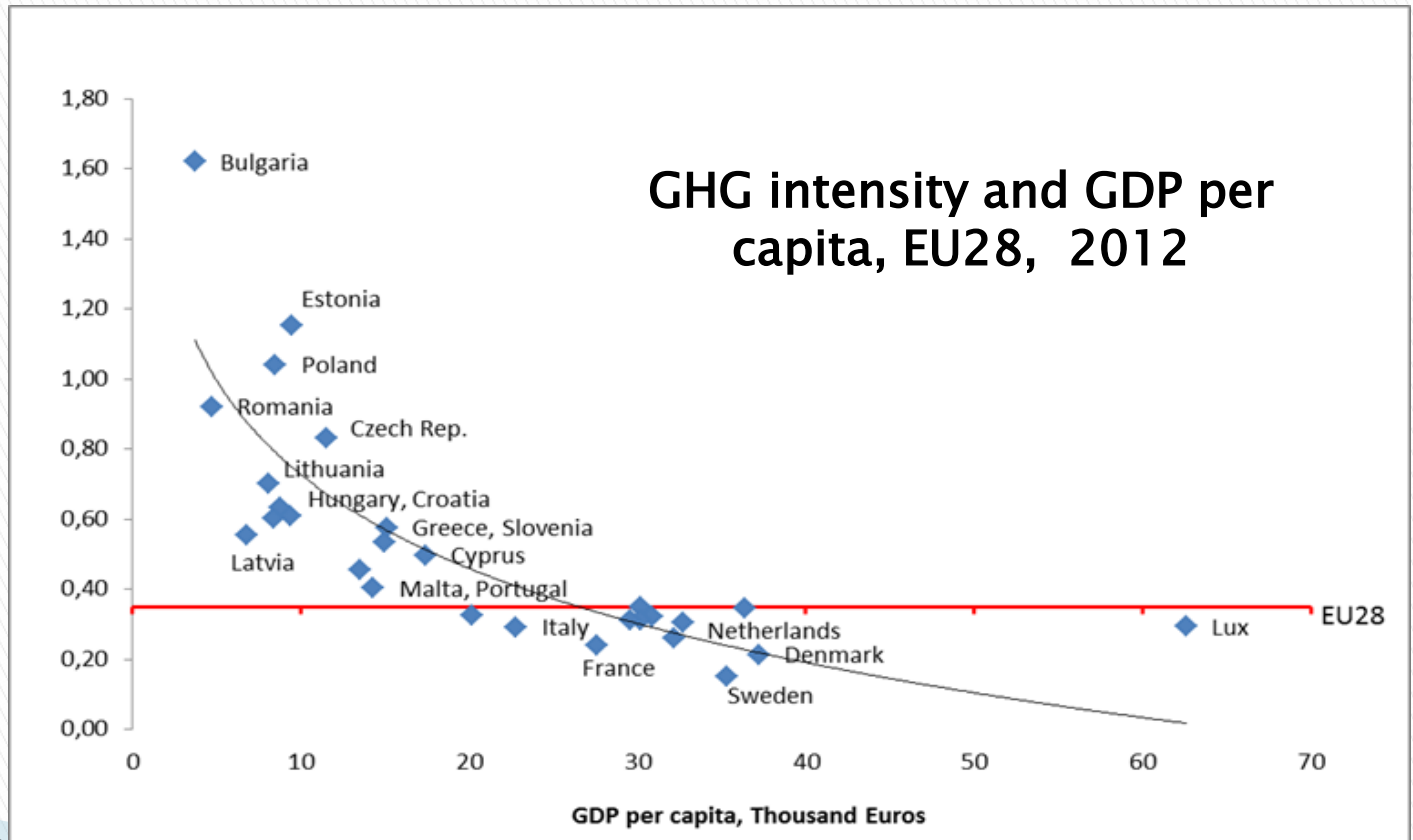
Innovation policy & the transformation to sustainability

- ▶ Is Europe doomed to **stagnation** (Robert Gordon)?
- ▶ Never have education-levels & R&D efforts been greater; large **potential** for change waiting to be **unleashed**...
- ▶ **Innovation policy**: not only about increasing R&D but using, learning and improving solutions to pressing problems
- ▶ Policies for **innovation and transformation** must go hand in hand
- ▶ **Innovation** – not only about technology – but also **policy & governance**



*Example: Germany's
"Energiewende" –
supporting
transformation, diffusion
and innovation*

The East and the South – the poorest areas in Europe – most in need of radical change towards sustainability



A program for sustainable growth

- ▶ Transition towards **sustainability** requires **substantial investments** in sustainable energy production/distribution, increased energy efficiency, public transport, infrastructure for cars driven by electricity and fuel cells etc.
- ▶ These needs most pronounced in **East & South** which are also the most depressed economically
- ▶ Required: A **program for sustainable growth in Europe**, with a particular focus on the poorer countries, targeting investments for reducing **GHG emissions**
- ▶ Delivering **growth – and jobs** – where it is most needed while speeding up **transformation, innovation and learning**

More: Fagerberg, Martin, Laestadius: The Triple Challenge for Europe, OUP, forthcoming 2015

OXFORD



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Economic Development,
Climate Change
and Governance

EDITED BY

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