CATTEDRA JEAN MONNET IN ECONOMIA INDUSTRIALE

UNIVERSITÀ DEGLI STUDI DI PARMA

COLBERT TODAY:

A EUROPEAN PERSPECTIVE

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Outline:

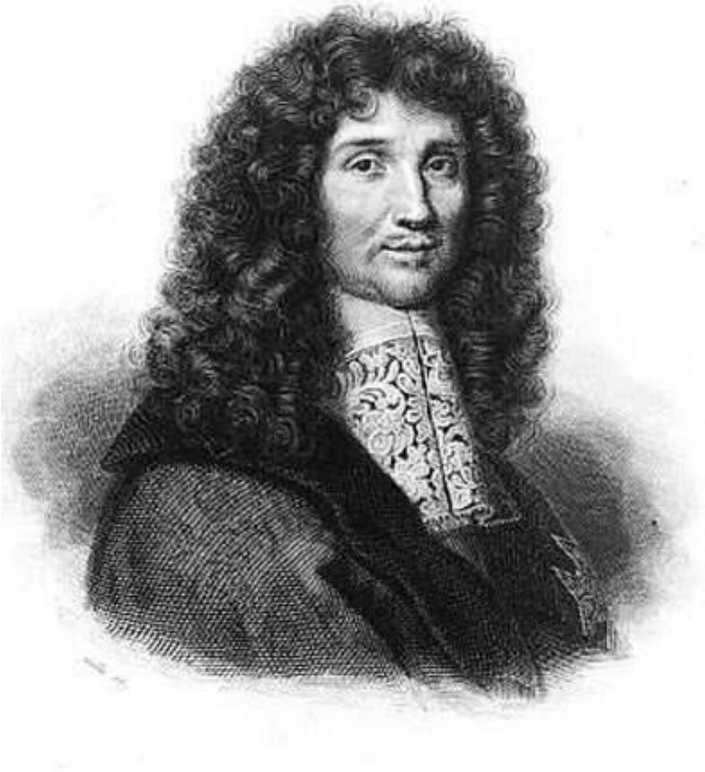
1) From Colbert and "Colbertism" to the present

2) The European economy: main achievements and challenges

3) The EU facing the crisis of 2008/2009: Five steps

4) Condemned to the Status Quo? Four ideas to begin with

5) "Colbert's Game": Drawing Some Threads Together



Once upon a time, Jean-Baptiste Colbert was the French Minister of Finance under the rule of King Louis XIV, and "Colbertisme" became the way of managing the economy:

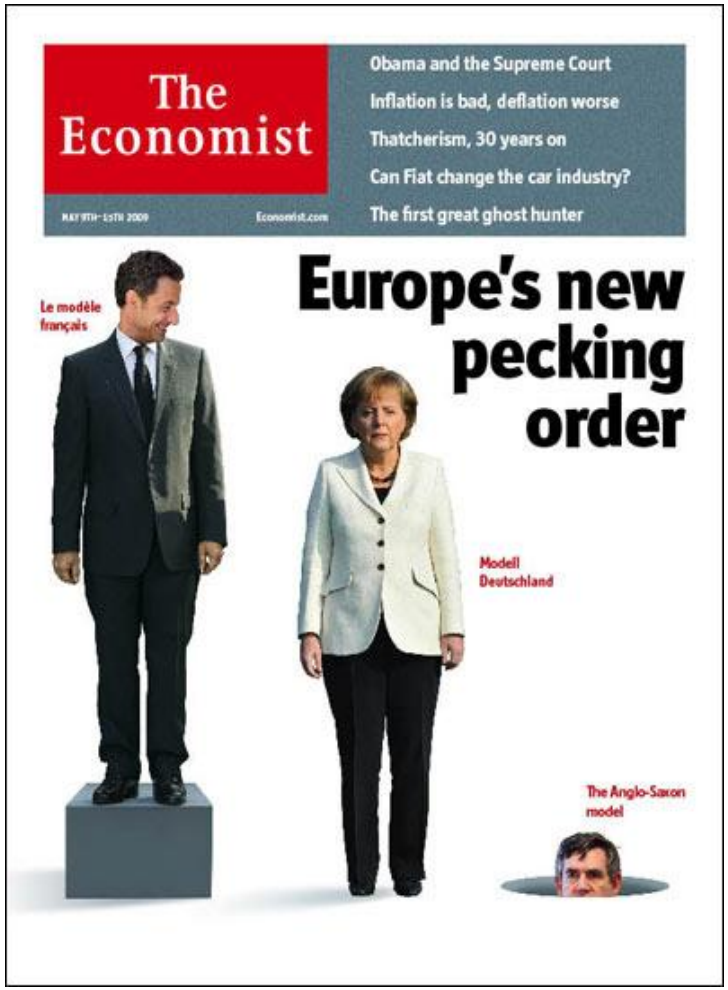
- Mercantilist doctrine;
- Encouragement of some export industries;
- Foundation of the "Manufacture royale";
- Protectionism

But over time, it got hard to implement such Colbert's "dirigiste" policies:

- First industrial revolution (since the end of 1700 onward)
- First wave of globalization (1870-1913)

Furthermore, the second wave of globalization (since the 1950s) and – especially - the process of European integration have created a true "level playing field".

Liberalisation and Privatisation – the two classical trends in almost all Western economies during 1980s and 1990s – complete the big picture.



When the crash of September/October 2008 came and European Governments unveiled their (first) answers,

THE ECONOMIST wrote:

«Jean-Baptiste Colbert once again reigns in Paris»

(9th May 2009)

What was going on?

The crucial issue:

once the crisis is over thanks to the business cycle and stimulus packages, where will the boundary between the STATE and the MARKET lie?

For the EU:

there is not only the question of achieving the right balance between the public and private sectors of the economy,

but also that of re-establishing a suitable division of competencies between NATIONAL and SUPRANATIONAL levels of government.

The three successful ideas behind the EU as we know it:

- 1951-1992 Single Market
- 1989-1999 EMU/Euro
- 1993-2004 Eastern Enlargement

[The fourth was supposed to be the "Lisbon Strategy" (2000-2010), now "Europe 2020"]

All three have benefited from the use of 3 extremely sound and effective institutional mechanisms: Community method; Maastricht Treaty; Membership criteria.

Can we say that a certain «Monsieur Colbert» acted at a community level?

<u>REMARK</u>: "COLBERTISM":
- ✓**Control towards industrial sectors**
- ✓**Protectionist policies**

The importance of the EU in the world economy

Table 1

Table 1 – Overview of Major Economic Areas: *Structural Indicators*

2008	Unit	Euro Area	EU	US	Japan
Popolazione, Pil e lavoro					
Population	millions	328.0	498.7	304.5	127.8
Labour force participation rate	%	71.4	70.9	75.3	73.8
GDP (PPP)	EUR Trillions	9.3	13.0	12.3	3.7
GDP per capita (PPP)	EUR Thousands	28.2	26.1	40.3	28.8
Labour Productivity (PPP)	(euro area = 100)	100.0	91.5	132.6	91.2

Source: ECB

Table 1 – Overview of Major Economic Areas: *Structural Indicators*

2008	Unit	Euro Area	EU	US	Japan
Value added by economic activity					
Agricolture, fishing, foresty	% of total	1.8	1.8	1.3	1.4
Industry (incl. construction)	% of total	26.4	26.5	21.8	28.5
Services (incl. non-market services)	% of total	71.8	71.7	76.9	70.1
External					
Exports of goods and services	% of GDP	22.6	14.8	12.6	18.4
Imports of good and services	% of GDP	22.3	15.8	17.5	18.0
Current account balance	% of GDP	-1,5	-2.1	-4.9	3.2

Source: ECB

Things were rapidly changing: the emergence of the BRICs, and not only

Table 2

Table 2 – Europe and the World

	Population [2005] (% of world)	GDP at PPP [2005] (% of world)	GDP per Head [2005] (EU27=100)	Gdp Growth [1998-2007] (% per annum)
EU27	**7,6**	**20,4**	**100,0**	**2,4**
(Euro area)	(4,9)	(14,8)	(112,5)	(12,1)
Neighbours*	**10,9**	**8,5**	**29,1**	**4,2**
(Russia)	(2,3)	(2,6)	(42,1)	(5,4)
United States	**4,6**	**20,1**	**162,8**	**3,1**
Other advanced	**4,5**	**13,9**	**115,1**	**1,8**
(Japan)	(2,0)	(6,4)	(119,2)	(1,3)
Emerging economies**	**60,8**	**34,5**	**21,1**	**6,1**
(Cihna)	(20,7)	(15,4)	(27,7)	(9,1)
(India)	(17,3)	(6,0)	(12,9)	(6,6)
(Brazil)	(2,9)	(2,6)	(33,4)	(2,4)
Other developing***	**11,6**	**2,6**	**8,3**	**4,3**
World	100,0	100,0	37,2	4,1
G7 ****	11,4	41,2	134,6	2,4
BRICs *****	43,2	26,6	23,0	7,8

Source: BRUEGEL

What was Europe’s answer to the economic crisis?

Was it able to have the vision and the resources to develope a common response to the crisis?

Or did “nationalisms” prevail?

Did «Monsieur Colbert» – who in previous decades rarely (if ever) went to Brussels – “make his home”, so to speak, the EU capital?

The EU's answer (or non-answer) to the crisis, could be summarized by the following five steps:

- the Paris Summit of early October 2008 between the four key EU Member States (G, F, I, UK) and, around the same time, the interest rate reduction made by the ECB in Frankfurt;

- the progressively developing "national approach" to the handling of the financial crisis, even if this was partially counterbalanced by several decisions taken by Ecofin (>>>the BANKS problem);

- the European Economic Recovery Plan approved at the end of November 2008 by the European Commission in Brussels (>>>200 billion Euro equal to 1.5% of EU Gdp, but the large share of it comes from national budgets);

- the two Communications issued by the European Commission (13 October and 5 December) on "State Aid" to banking system;

- the participation of the four key european players at the first two G20 meetings in Washington (mid-November 2008) and in London (2 April 2009) (>>>FSF/FSB).

Table 3 – G-20 Countries: Estimated Cost of Discretionary Measures
(*in percent of GDP, relative to 2007 baseline*)

	2008	2009	2010
Argentina	0.0	1.5	…
Australia	1.2	2.5	2.1
Brazil	0.0	0.6	0.5
Canada	0.0	1.9	1.7
China	0.4	3.1	2.7
France	0.0	0.7	0.8
Germany	0.0	1.6	2.0
Italy	0.0	0.2	0.1
Japan	0.3	2.4	1.8
Korea	1.1	3.7	1.2

Table 3 – G-20 Countries: Estimated Cost of Discretionary Measures
(*in percent of GDP, relative to 2007 baseline*)

	2008	2009	2010
Mexico	0.0	1.5	…
Russia	0.0	4.1	1.3
Saudi Arabia	2.4	3.3	3.5
South Africa	2.3	3.0	2.1
Spain	1.9	2.3	…
Turkey	0.0	0.8	0.3
UK	0.2	1.5	0.0
US	1.1	2.0	1.8
Total (PPP-weighted average)	0.6	2.0	1.5

Source: IMF

Condemned to the Status Quo? (1/2)

Four Points to begin with:

1) the EU (Euro Area) has neither a common economic policy, nor a pan-European financial supervisory authority;

2) in addition, in the EU there is no an integrated and consistent "Foreign economic policy": two main areas: Energy supply and Immigration (Bruegel, 'Fragmented Power', Dec. 2007);

Condemned to Status Quo? (2/2)

3) the EU budget is not aimed at growth ("Sapir Report", Brussels, July 2003): over 40% of resources went (and still goes) to CAP, while only 1/10 of this goes to RRD:

Three new funds:
[i] Growth Fund (0.45 of the EU budget)
[ii] Convergence Fund (0.35)
[iii] Restructuring Fund (0.25)

4) the creation of TENs identified by the Jacques Delors' "White Paper on Growth, Competitiveness, Employment" of 1993 (transport, Ict, etc.) to be financed by Eurobonds.

Bearing in mind these stories…

… and going back to our question:

Where will be (is) the boundary between the STATE and the MARKET?

Were does the pendulum swing? Toward the State or the Market?

Where will the pendulum stop?

We might apply a sort of “rule of reason” to public policies as a whole in the aftermath of the great crash.

Three main areas of Public policy:

1) Fiscal stimulus packages: IMF estimates on average public debt in the G-20 countries will reach 110% of the GDP by 2014 (or 140% in worst-case scenario)

2) Monetary policy: increasingly accomodating

>>>All in all, «Remember the Keynesian synthesis» - as Nobel Laureate Paul Krugman pointed out in his book: The Return of Economic Depression and the Crisis of 2008 [2009]

3) Fixing the rules of the game: favourable results for the market economy: NO to any kind of protectionism + FSF/FSB + Global Legal Standards + De Larosière Report -- even if there is no full-fledged vigilance at supranational level on financial markets/players

“Colbert’s Game”: Putting Some Threads Together

“The Life and Work of Monsieur Colbert during the … 2008 Crisis”

If we pose to ourselves this curious inquiry we will discover that:

- The emphasis placed by the G-20 on the opening up of the markets is a NO to “Colbertism” (i.e., protectionism)

- The new EU Industrial policy, with its emphasis on R&D and Innovation, means –to a certain degree- a YES to “Colbertism” (i.e., economic restructuring of sectors/businesses)

- In the same vein, there is a YES to “Colbertism” in the idea of planning, financing and building Trans-European Networks (TENs)

Summing up (1/2)

Macroeconomic stabilisation: huge amount of money has been pumped into the economy by European countries.

>>> “The new Saviour State”, Giulio Napolitano called it.

In so doing, the question becomes:

How much of the “new Saviour State” is taking shape in Brussels?
And how much will remain anchored in the national Capitals?

Summing up (2/2)

The EU is doing its best – at the supranational level - on two major areas:

- Competition policy;
- Commercial policy

But the EU needs to strengthen/reinforce, at least, two other areas:

- Macroeconomic coordination
- Technology policy.

Is this the time to shifting from the "new Saviour State" to the "new Saviour Union"? Maybe.
Maybe that we should call it "new Colbertism"…

Thank you for your attention!

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