**Assessing the failures and successes of the Lisbon Strategy**

**Overview**

The quest for economic supremacy has been at the heart of the European integration process since its very inception. Tracing the historical origins of the economic progress agenda, Europe’s ambition to bolster its economy *vis-à-vis* its main competitors has traditionally rested on major projects, namely the foundation of the common market in the 1950s and 1960s, the Werner Plan in the 1970s, the Single European Market in the 1980s, and the Economic and Monetary Union in the 1990s (James 2012: 10). In March 2000, the European Council Summit in Lisbon marked yet another significant step in an attempt to offset the EU’s uninspiring economic performance. The so-called Lisbon Strategy set out to make the EU “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” by the end of the decade (European Council 2000). With emphasis on decentralized ‘soft law’ governance mechanism – Open Method of Coordination (OMC) – as a means of spreading the best practices, the implementation of the agenda relied heavily on voluntarism and peer pressure (Papadimitriou 2012: 2). However, since its launch, the scheme has been falling far short of expectations and came under a great deal of critical scrutiny, most notably from Sapir (2003) and Kok (2004), prompting a substantial revision of its ambitious targets halfway through its term in 2005 only to be struck by the emerging financial crisis in 2008.

This aim of this article is to assess the Lisbon Strategy in terms of its failures and successes. In order to gain a comprehensive understanding of the Lisbon Strategy, the essay identifies two distinct categories of failures. The first category involves output-oriented failures that centre on the Strategy’s performance in light of its goal quoted above. By examining the development in each individual sub-aim, the analysis posits non-fulfilment in every aspect of this overarching aim. I label this set of failures as *consequential*, as they constitute a direct outcome of the underlying category of *causal* failures. These relate to the way the Lisbon Strategy was pursued, allowing us to understand factors that induced the disappointing results of the project in the first place. In simple terms, whereas the first category demonstrates *how* the Lisbon Strategy culminated into a failure, the second one explains *why* this was the case. Finally, the essay acknowledges that the single positive, yet still dubious, development of the Lisbon Strategy lies in its capacity to encourage policy learning through partial Europeanization of policy problems.

**A) Consequential Failures**

***Failure to become the Most Competitive and Knowledge-Based Economy***

Of all the consequential failures of the Lisbon Strategy, perhaps the most visible one refers to the fact that it fell short in transforming the EU into “the most competitive economy and knowledge-based economy in the world”. In the last decade, the Member States failed to fulfil almost all the official targets set in 2000-2005, ensuing the EU’s continued economic backwardness in relation to its main competitors (Copeland 2012: 232). According to the World Economic Forum’s Lisbon Review 2010, the EU-27 lagged behind the US as well as the East Asian economic region in seven out of eight competitiveness indicators with only sustainable development being the exception (World Economic Forum 2010: 11). However, it is important to ascertain a considerable variation and disparity in performance across Member States, with some countries performing very well and others lagging behind. While the Nordic and Western European countries have consistently tended to stay on par with its international competitors, many of the post-2004 accession countries have demonstrated a high degree of economic backwardness. As such, some commentators maintain that the large-scale enlargement from 15 to 27 countries had a negative effect on the EU’s competitiveness, since the EU’s challenge became not only narrowing the developmental gap with the overseas, but also reducing the gap between the old and new members (Puślecki 2007: 5). On the other hand, it should be noted that even the ‘old’ EU-15 have remained behind the US and East Asia, mainly due to the poor performance of southern European countries, namely Portugal, Spain, Greece and Italy.

At the same time, the Lisbon Strategy did not succeed in terms of increasing the performance of innovation and research. In fact, the Lisbon Review 2010 identified the biggest gap between the EU and its competitors in this very area (World Economic Forum 2010: 11)! With regards to innovation, the Strategy implicitly assumed that combining national programmes for growth and jobs with the OMC would lead to a successful dynamism in the policy. As Edler (2012: 171-173) points out, the mode of coordination relied on a framework of common policy objectives and benchmarking activities, yet the Member States would still build their *own* national innovation strategies and define their *own* targets, rather than engage in producing a joint action. Following the critical account of the Kok Report, highlighting a little progress in the innovation policy, the Commission shifted its approach and established new larger initiatives at the EU level in order to bring the actors from Member States closer together. In particular, it demanded that the Member States embed Lisbon’s goals in their regional operational programmes and regularly provide accounts of progress in its governance. Furthermore, it consolidated and enlarged existing initiatives into the Competitiveness and Innovation Programme (CIP) in 2007, seeking to aid innovation activities of small and medium-sized enterprises (Edler 2012).

As for the area of research policy, the EU laid out a strong integration dynamics through devising the concept of European Research Area (ERA) already in 2000. In essence, the main rationale of ERA approach was to fundamentally shift the scattered landscape of research that existed in Europe prior to the launch of the Lisbon Strategy. In other words, the ERA aimed at developing a holistic framework of shared governance, which would promote a tighter co-ordination among national research policies. To commit national policies to EU goals, the concept set out a range of common indicators, most notably the ambitious goal of spending at least 3 per cent of GDP on research and development (R&D) by the end 2010 (Edler 2012). In contrast to policy-makers in the innovation area, policy-makers in the research area also managed to establish five high-level expert groups with the aim of exchanging ideas about national practices and co-developing indicator systems (Caracostas 2003: 52). To further broaden the co-ordination arena, the Commission introduced networking of national funding programmes and initiated the so-called ‘technology platforms’. All in all, the OMC succeeded in promoting a neo-functional governance dynamics, whereby not only the administrative, but also societal elites (scientists, industry representatives, and funding managers) started to engage on a trans-national level (Edler 2012).

However, despite some structural progress in research and (to a lesser extent) innovation, Lisbon’s Strategy overall tangible performance in these areas ended up as a failure. The overall spending on R&D had improved only slightly from 1.8 per cent in 2000 to an estimated 2.0 per cent in 2010 on average across the EU-27! This debacle is even more remarkable taking into account that the Strategy emphasised the “significant role played by R&D in generating economic growth, employment and social cohesion” (European Council 2000). Yet again, it must be stressed that the scores among the Member States vary to a significant degree. Nonetheless, only the three Nordic countries – Denmark, Finland and Sweden – exceeded the 3 per cent mark by the end of 2010 (Eurostat 2012). The story of innovation is also disappointing; according to Innovation Union Scoreboard 2010, the US and Japan have held a stable lead over the EU-27 over the decade. Similarly, only the Nordic countries accompanied by Germany are able to match the scores of the two major international competitors (Innovation Union 2010: 14-16).

***Failure to achieve sustainable growth with more and better jobs and greater social cohesion***

The Lisbon Strategy declared that applying ‘appropriate macro-economic policy mix’ would be the key to achieve a sustainable growth in the EU. However, the fiscal part of the mix has been highly criticized, as the budget policy regulated by the Stability and Growth Pact (SGP) has not been respected by Member States. The improper implementation of SGP resulted in a gradual increase of an annual average deficit of Member States from 1.3 per cent of GDP in 2001 to 2.6 per cent of GDP in 2004 (Eurostat 2005). As a result of higher deficits, the equilibrium interest rates soared, impeding an investment and growth (Collignon 2008: 92). The post-2007 financial crisis further revealed the serious weaknesses within European economic policy coordination. As Dyson and Quaglia (2012: 200) state, countries that had been considered to be sustainable such as Ireland and Spain, were shown to be unsustainable, because they relied almost exclusively on consumer indebtedness and asset price bubbles in financial and property markets. In 2012, Greece, Italy and Portugal also suffered from weak competitiveness, large account deficits and unsustainable fiscal positions as measured in sovereign debt (Dyson and Quaglia 2012: 201). Ultimately, even the Commission conceded the failure of Lisbon Strategy to prevent the crisis and bring about sustainable growth. As it stated: “GDP fell by 4% in 2009… Public finances are in tatters, with deficits now reaching 7% of GDP and debt levels having increased by 20 percentage points” (European Commission 2010: 2).

While the arrival of the crisis in 2008 signified a remarkable backlash for progress towards the Lisbon aims, even before the crisis most of the Lisbon benchmarks were missed by wide margins. The area of employment, which gained a primary status after the Strategy’s relaunch in 2005, was no exception. Drawing up new Employment Guidelines, the Lisbon Strategy intended to increase a total employment rate to 70 per cent, female employment rates to 60 per cent, and the employment rate of older workers (aged 55 to 64) to 50 per cent (Vural 2011: 13). At first glance, the results seemed encouraging; between 2000 and 2008, the total rate grew in all Member States with the exception of Portugal and Romania. Even though the total rate rose by close to four percentage points in this period, reaching 65.9 per cent in 2008, the target has still remained far from being achieved. The rate of female employment in the EU-27 increased rapidly from 53.7 per cent in 2000 to 59.1 per cent in 2008 – almost reaching the set target. The most substantial progress has been made among the category of workers aged 55 to 64, where the employment rate rose from 36.9 per cent in 2000 to 45.6 per cent in 2008. Yet again, the desired target of 50 per cent was not met. In aggregate, there has been an improvement in performance of the EU labour market, but the nature of this improvement has been modest at best. The crisis should not be blamed for this failure, as it safe to claim that two-thirds of the Member States would come nowhere near reaching their targets even in the absence of the crisis (Tilford and Whyte 2010: 68-70).

Finally, the social dimension of the Lisbon Strategy, was framed in terms of increasing social cohesion. The long-term aim was to draw up guidelines for social protection at the transnational level, which would be implemented in the same manner as the Employment Guidelines. This strategy would involve setting objectives that are ambitious and realistic, using clear indicators, ensuring flexibility for the Member States to be able to implement their respective policies, and closer cooperation based on the exchange of experience (de La Porte, Pochet and Room 2001: 297). However, this programme was not even slightly realized, as the Member States opposed any intrusion of the EU into their domestic arrangements and concurrently there was no commitment device to sanction them for non-compliance. The main difficulty for agreeing on common direction was that Member States had different conceptions and mechanisms of the welfare state, with their national social protection systems being embedded within particular institutional structures (de La Porte, Pochet and Room 2001: 297). The reluctance towards coordination of the social agenda was officially recognized in the Nice Treaty, whereby Member States stipulated that the EU policies ‘shall not affect the right of Member States to define the fundamental principles of their social security systems’ (Article 144). Additionally, the redesigning of the Lisbon Strategy midway through the decade to focus exclusively on growth and jobs marginalized the developments in the area of social cohesion even further (Daly 2012: 90). As a result, the field remained sidelined up until the end of the decade with no collective objectives, no guidelines, no recommendations and no peer-reviews being configured.

**B) Causal Failures**

***Weak governance structure***

The analysis of the consequential problems presented above suggests that one of the main causes for failure was the weak and ineffective governance structure represented by the OMC. The rationale for selecting the ‘soft’ mode of governance over a centralized supranational method came out of recognition that the potentially affected policy areas are too sensitive for exposure to EU scrutiny (Scharpf 2002: 650-651). The aim of the OMC was then to find a middle ground between policy diversity and policy convergence by establishing a cognitive arena as a means for spreading the best practice, while still allowing Member States to maintain their own structural arrangements. Hence, there existed no institutional leadership to monitor progress and stimulate engagement (Copeland 2012: 235). Rather, the implementation of Strategy’s goals essentially depended on voluntarism and political support. At the same time, there was no effective system of control mechanism to issue rulings or sanctions in order to enforce compliance (Borrás and Radaelli 2010: 32). The peer pressure system was not living up to the purpose of control mechanism simply because Member States were not willing to name and shame their peers in fear to make themselves enemies. Logically, the incentive to engage in peer pressure is low as the overall agenda encompasses multiple policy areas. In other words, naming and shaming by a Member State in a policy area where it has progressed rapidly contains a danger of being named and shamed by other Member States in a policy area where it has progressed slowly (Collignon et al. 2005: 9). It thus seems almost impudent for a Member State to assume the disciplinary role if it itself exhibits inadequacies across multiple policy areas. Given the inability of the Member States to pool sovereignty and allow supranational institutions to oversee the implementation, it is perhaps of little surprise that achieving the benchmarks has been problematic (Copeland 2012: 235).

***Shifting priorities***

The second major problem in the pursuit of the Lisbon Strategy was the unstable nature of objectives set. The priorities of the Strategy fluctuated over time, most notably with the inclusion of environmental dimension at the Gothenburg European Council summit in 2001 and later with the re-launch of the whole programme in 2005 under the brand new label ‘Growth and Jobs’ (Bulmer 2012: 36). As Copeland (2012: 233) points out, the re-launch, in particular, meant that the Strategy changed its aim from one in which economic growth was to be balanced with social cohesion to one in which economic growth was to create social cohesion. This radical shift from centre-left to centre-right ideology became the source of much ambiguity, undermining the consistency of the Strategy’s long-term holistic perspective. Essentially, the disruption in the course did not suit a broader set of stakeholders such as social NGOs and trade unions. For instance, the European Trade Union Confederation (ETUC) detached itself from the Strategy’s direction, as it disagreed with “essential social and environmental objectives being sacrificed to short-term economic demands” (ETUC 2012). The disconnection of ETUC also reflected Strategy’s weakening ability to maintain support for momentum behind its direction at both governmental and societal levels (Copeland 2012: 233). This experience thus stands in stark contrast with the well-crafted coalition-building that came to be a key factor for the completion of the Single European Market project in 1992 (Copeland 2012: 234).

**C) Policy Learning: A Dubious Success?**

In spite of the widely held view that the Lisbon Strategy is a story of failure, a considerable bulk of literature tends to acknowledge some positive aspects of the programme. Perhaps the most prominent one relates to OMC’s capacity of promoting an environment for mutual learning and deliberative problem-solving. In simple terms, the argument goes that by means of new opportunity structures (peer reviews, supranational committees, national action plans), the OMC pushed Member States to exchange, compare, and eventually rethink their domestic policy paradigms in light of their relative performance (Lopéz-Santana 2006: 492; Zeitlin 2005a: 22). For Zeitlin (2005b: 470), the cross-national learning has been particularly evident through heuristic and capacity-building effects, especially in the areas of European Employment Strategy (EES). In heuristic terms, both OMC processes have enhanced mutual awareness of national policies contributing towards an increasing interest in learning from another. For example, when drafting the labour market reform in 2002, not only did the German government draw on other Member States’ national action plans, but also engaged in bilateral exchanges with like-minded countries such as Denmark, Italy and the UK on particular policy issues (Büchs and Friedrich 2005: 254). In terms of capacity-building, the EES process have contributed towards the development of a common set of European indicators as well as a creation of new data sources. (Zeitlin 2005b: 471).

However, most of the knowledge has been confined to the EU-level political or technical committees. For Copeland (2012: 230), the process of policy learning is essentially ‘Brussels talking to Brussels’, without compliance of the Member States. This point is echoed by Radaelli (2008: 248), who claims that the cognitive process manifests itself vividly *at the top*, yet there is limited evidence of learning *from the top* and almost no evidence of learning *from the bottom*. Furthermore, the effects of learning have varied across different policy areas. For instance, the already mentioned employment policy developed a strong cognitive framework, whereby Member States demonstrated a higher levels of engagement in peer reviewing than usual (see Heidenreich and Zeitlin 2009). By contrast, learning within the healthcare policy area has been rather scant, producing embryonic progress in terms of monitoring and target setting (Copeland 2012: 230). Given these frailties, the success of the OMC in promoting policy learning is dubious at best and remains open to question.

**Conclusion**:

The aim of this essay was to analyse the Lisbon Strategy in terms of its main failures and successes. In order to paint as full picture as possible, the essay evaluated two distinct categories of failures. First, it demonstrated how the Strategy failed in all key areas to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”. Second, the essay identified the weak mode of governance and the unstable nature of goals as two main causal factors for the Strategy’s inability to carry out its overarching aim. Finally, it was argued that a partial success of the Strategy lies in its capacity to encourage policy learning through partial Europeanization of policy problems. However, despite this rather minor positive development, the Lisbon Strategy is a more story of failure than of success.

In 2010, the EU launched a successive project of the Lisbon Strategy under the banner ‘Europe 2020’. Although it represents a more streamlined reform strategy, it does not mark a radical departure from its predecessor in terms of governance architecture. The key attributes of the OMC remain untouched: the Council is still in charge of monitoring progress within the individual policy areas, while other EU institutions and non-governmental actors stay very much on the margins. Furthermore, there is no intention for the publishing of league tables that would enhance the role of peer review. Finally, with a mid-term review, it is possible that the political priorities of the EU’s long-term commitment will shift once again (Copeland 2012: 237). Therefore, the crucial task for the new European reform strategy is to ensure that it will not represent a mere name change from its forerunner, but that there are tangible changes visible.

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