Getting Fitter

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Why to Get Fit: Lack of Growth in the Old World

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......but not elsewhere

Real GDP

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Why to Get Fit: Youth Unemployment

Youth Unemployment Rate in OECD countries, from December 2007 to March 2012

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Why to Get Fit: Dual Labor Market

Proportion of Workers in Temporary Jobs by Age, 2008

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Why to Get Fit: Aging

Share of Elderly (60+) in the Population, 2000 and 2050

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Why to Get Fit? To Survive!

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Where to Get Fit: Competitiveness

The World Competitiveness Scoreboard presents the 2012 overall rankings for the 59 economies covered by the WCT. The economies are ranked from the most to the least competitive and the results from the previous year's scoreboard (2011) are shown in brackets. The Scores shown to the left are actually indices (0 to 100) generated for the unique purpose of constructing charts and graphics.

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Where to Get Fit: Education

Performance in mathematics

OECD (2007), PISA 2006 – Science Competencies for Tomorrow’s World, Table 6.1c
How to Get Fit: Liberalize Product Market

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How to Get Fit: Reform Labor Market

Employment Protection Legislation for Temporary Workers, 1985-2008

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How to Get Fit: Reform Labor Market

Employment Protection Legislation for Regular Workers, 1985-2008

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How to Get Fit: Reform Pension System

Effective Retirement Age in OECD countries, 1970-2012

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Why Not Getting Fitter?

- Entrenched interests
- Political Constraints and Electoral Incentives
- The Juncker Curse: We all know what to do, we just do not know how to get re-elected after we have done it.
Road 1: Exploit Economic and Financial Crises

- Crises provide public available, widely spread information about the cost of existing inefficient policies.

- Crises create a sense of urgency to react, and can build the momentum for adopting courageous (electorally costly) policy measures.

- Crises may also hinder reforms: no more harm in tough times; no cash for compensatory packages for losers.

Past experience suggests that crises led to privatizations of (energy and telecommunication) state-owned enterprises to get cash, and (air transport and postal services) liberalizations to enhance efficiency.

Crises (long-term unemployment rates) were associated with a reduction in regulations for temporary contracts and pension reform measures to reduce early retirement.

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Road 2: Provide credible information about costs and benefits from reforming

- Crucial in the product market, to assess the uncertain redistributive effects of the reform measures, and in pension reforms, to evaluate the future cost of aging.

- For educational reforms, crisis and release of information may actually coincide. Urgency to improve the quality of the schooling system may come from the release of credible reports on disappointing educational outcomes, such as the PISA results in 2000 for Denmark and Germany.
Road 3: Anchoring to external agreements
(European Single Market, the Euro)

- the EU Single Market Programme forced product market deregulation (air transport, road freight, telecommunications and, to some extent, gas).

- the introduction of the Euro had a significant, positive effect on the speed of adoption of structural reforms in the product market.

- This political strategy of blame avoidance has largely been used in the last two decades by European countries to reduce the electoral costs of reforming, but it may backfire!
Road 4: Packaging reforms properly.

- Sequencing of reform measures in product markets: corporatize monopolistic firms before liberalizing.

- Trickle down effects: by liberalizing product markets first, in order to reduce economic rents and thus to minimize the resistance to labour-market reforms, before moving to deregulating labour markets.

- Compensatory strategies in the labour market: flexicurity, that is, less EPL and more unemployment benefit.

- Reforms of the educational system need the support of the teachers.
Easy Way to Get Fit?

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