

## **PREFACE**

### **From Rome to Lisbon and beyond**

Since the signing of the Treaty of Rome in the 1950s, European integration has made tremendous progress. To a substantial degree, the very basis of our prosperity today is related to the fact that in Europe we have established a market of almost 400 million people. This year the European Union will experience its largest extension ever by the accession of 10 new member states, with another 100 million of citizens. And indeed progress is not limited to the economic domain. In virtually every area of policy making – from environmental protection to social cohesion – the European union plays an important and valuable role in the life of its citizens.

Although these achievements should certainly not be underestimated, the road ahead for Europe involves numerous challenges. As to sustainable economic growth, these challenges have been formulated in Lisbon in 2000, with the objective of making Europe the most competitive economy by 2010. Five years later, this goal has not come any closer. On the contrary, whereas during the second half of the 1990s, on the other side of the Atlantic, the U.S. has experienced an impressive upsurge in economic growth, Europe has been falling behind.

Several factors account for this disappointing European track record in recent years. In part, the difference is due to the better usage of labour supply in the U.S., compared to European standards. That in itself may be connected to different choices we make in Europe regarding our welfare states and social security provisions. But in my view, one of the main causes of the European inability to boost economic growth is its lack of dynamism and innovative activity. The main symptom of this is Europe's lagging productivity growth as compared to the U.S. The awareness of this phenomenon is growing, in member states, in the European Commission and not least in the Competitiveness Council. If Europe wants to safeguard its capacity for sustainable growth in the future, then the role of this Council in finding ways to foster productivity will necessarily be crucial to improve the European record.

This book, which was published on the initiative of the Dutch Ministry of Economic Affairs, intends to contribute to the understanding of the sources of productivity growth and the remedies to enhance this. In the Netherlands, as well as in other OECD countries, productivity growth is now firmly entrenched on the

economic policy agenda. I very much hope that this book will contribute to finding a productive way ahead in Europe, which will lead us from Rome to Lisbon and beyond.

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