Developing Effective Lisbon Strategy Narratives

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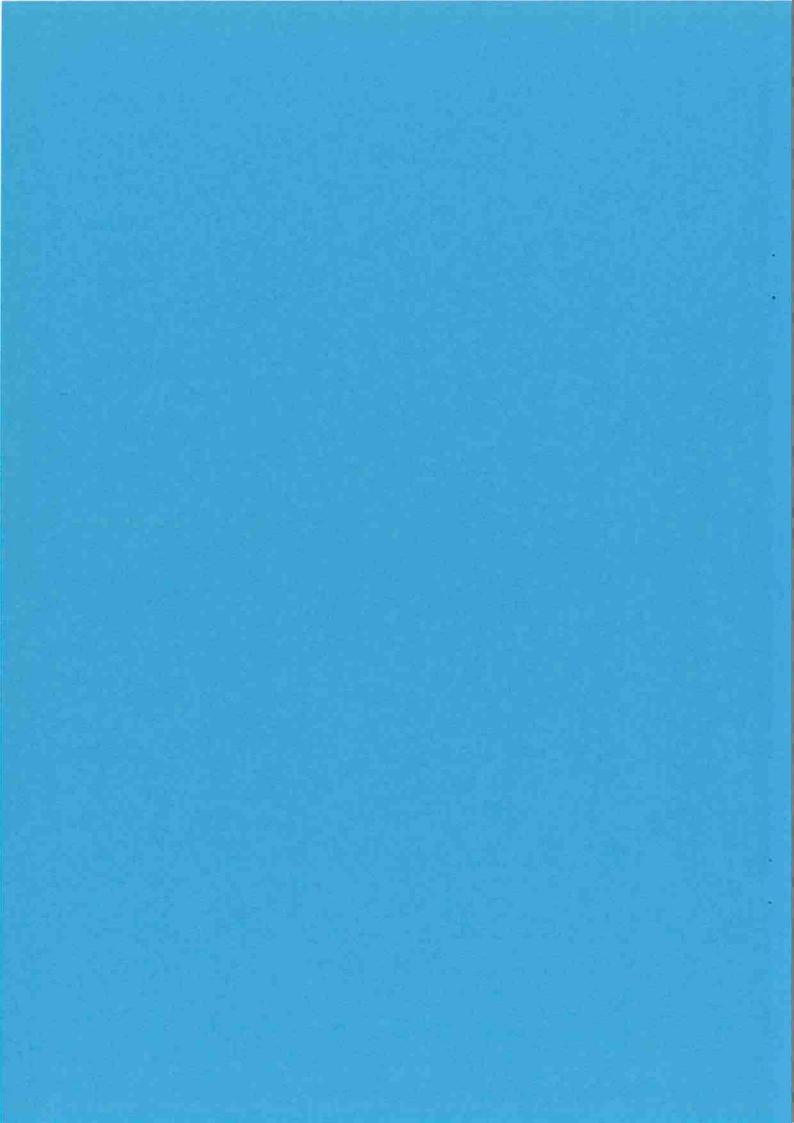**Joint Research Centre**

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DEVELOPING EFFECTIVE LISBON STRATEGY NARRATIVES

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Summary

'Lisbon' is the ambitious policy initiative launched by the EU for the first decade of the 21st century, in order to enhance Europe's leadership role in the world. Taking inspiration from a series of issue papers and briefs by EU leaders and thinkers to refocus the Lisbon strategy, we discuss the possible role of Lisbon 'narratives' to reinforce policy 'ownership' among EU citizens and to overcome the present impasse in important sectors of the political establishment. Theoretical and practical difficulties of a Lisbon strategy and narrative are discussed in the framework of complexity theory and of the specificities of the European Union. Methodological suggestions for plausible, salient, legitimate and viable narratives are offered.

The Policy Problem

The EU set itself a strategic goal, known as Lisbon Strategy, for the next decade: *"to become the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment"*. Yet this strategic goal does not seem within easy reach; as noted by a recent EC report [5], *"the Lisbon Strategy is very different from earlier Community initiatives such as the Internal Market and Economic and Monetary Union, which had more precisely defined targets and associated policies. One could make the argument that one of the reasons why the Lisbon Strategy has been little effective thus far is a lack of focus and clarity about the contents of the Lisbon agenda."* (European Commission, 2005, p. 4).

The European Commission, the official time-keeper of the process, has repeatedly sounded the alarm. A recent high level study, from the Wim Kok group, notes [9] *"The problem is, however, that the Lisbon strategy has become too broad to be understood as an interconnected narrative. Lisbon is about everything and thus about nothing. Everybody is responsible and thus no one. The end result of the strategy has sometimes been lost [...] An ambitious and broad reform agenda needs a clear narrative, in order to be able to communicate effectively about the need for it"*. So that everybody knows why it is being done and can see the validity of the need to implement sometimes painful reforms. So that everybody knows who is responsible".

The Kok group arrives at the conclusion that plausible and desirable narratives [2] must be focused on, and one such narrative, based on growth and jobs, is effectively put forward by President Barroso's Communication to the Spring European Council ([3] p. 4): *"We need a dynamic economy to fuel our wider social and environmental ambitions. This is why the*

renewed Lisbon Strategy focuses on growth and jobs." As admitted in the President Barroso's Communication, the <u>acceptance of such a narrative implies a substantial simplification of the original ambitious Lisbon Strategy</u> (p. 5).

This short summary of current political intentions leads to four key questions : Is a Lisbon[1] *narrative* possible? What is a *narrative* and what would it look like? Who would be the narrator? Are there narratives *opposing* Lisbon? In dealing with a key aspect of his proposal, i.e. the European Technology Initiatives ([3] p. 25) President Barroso further states: *"The Commission will identify criteria, themes and projects in close cooperation with the main stakeholders (Member States, research community, industry, and civil society) ... ".* Any simplification of complex policy issues (including this "simplified" Lisbon Strategy) can be successful and effective only if simplification is shared and accepted by all the relevant policy and social actors.

In the present document we will first discuss the dangers of simplifying complexity both in theory and in the specificities of the EU framework, and then we will propose an approach aimed at helping policy makers in making such operations of simplifications more effective.

Lisbon Strategy Narratives and the Issue of Simplifying Complexity

Real world processes are *complex*. This obvious observation has important implications on how policy issues are represented and decision-making is framed. Any representation (verbal, such as a narrative might be, or mathematical) of a complex system reflects only a sub-set of the possible representations of it. In human systems, the <u>representation of a given *policy problem*</u> necessarily reflects perceptions, values and interests of those structuring the problem. Moreover, the existence of <u>different levels and scales</u> at which a hierarchical system can be analyzed implies the unavoidable existence of non-equivalent descriptions of it [7]. One should note that the representation of a real-world system depends on very strong pre-analytic assumptions about (1) the <u>purpose</u> of this construction, e.g. to evaluate sustainability, economic growth or social cohesion, (2) the <u>scale</u> of analysis, e.g. a region inside a Country, an individual Country or the whole European Union and (3) the set of <u>dimensions, objectives and criteria</u> used for the evaluation process.

Hence *any* approach to representation implies a pre-analytical selection of a set of relevant attributes for characterizing the investigated state of affairs, the set of relevant causal links to be simulated, and then the individuation of the appropriate proxy variables and measurement schemes. A <u>reductionist</u> approach for building a descriptive model can be defined as the use of just <u>one measurable indicator</u> (e.g. GDP), <u>one dimension</u> (e.g. economic), <u>one scale of analysis</u> (e.g. the European Union), <u>one objective</u> (e.g. the maximisation of economic efficiency) and <u>one time horizon</u> (the year 2010).

This should be considered as an important result, since it makes it possible to perceive, represent, quantify and simulate the implications of a given mechanism of causality, which is considered relevant for the analysis. The price of this achievement, however, is the forced neglect of other mechanisms of causality that would require either a different selection of attributes (e.g. if the purpose were the preservation of a specific European model) or a

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[1] Following a general practice, we use Lisbon for the set of objectives consolidated through the various councils of Lisbon, Barcelona, Gothenburg, Stockholm, ...

different time horizon (e.g. if a different trade off between present versus future generations were adopted). In turn, this neglect may impair effective communication.

A consequence coming from these brief considerations is that all models are wrong (in their full descriptive meaning) but some of them are useful (whenever they provide a pertinent analysis within the pre-analytic assumptions chosen). The validity of a model depends on the consistency of this model with the narrative one wants to tell, that is the subjective assumptions used. Let's imagine that we want to deal with the issue of job creation or preservation. What is then a pertinent selection of relevant attributes (how to define what job means in different contexts, and what are the relevant attributes to characterize such a concept for different typologies of social actors?), analysis of a relevant causal link (what is preserving or threatening existing jobs?), the selection of variables and proxies (how can we measure changes in jobs; what is the relative "observable quality" of the system which can be associated with it?). As soon as we enter these basic epistemological considerations, we find out that the quality of any analysis based on models, indicators and quantitative analysis relies on: (1) the consistency of the selected models and indicators with the narrative one wants to tell (are the selected models addressing properly the perspective and the perceived causality link associated with the selected policy?). (2) the consistency of the selected narratives with the legitimate but contrasting perspectives of various stakeholders. (3) the reliability and robustness of available data and model used to explore the implications of the adoption of a given narrative.

Further questions need to be answered: who chooses the narrative? Who would tell it, how and to whom? How can we evaluate consistency between models used and narratives chosen [4]? Let's use these concepts for interpreting the Lisbon strategy (dynamic, competitive knowledge based economy, sustainable economic growth, more and better jobs, greater social cohesion, and respect for the environment).

A first consideration that can be made is that the Lisbon strategy is a *multidimensional* concept, composed by a set of various objectives, unfortunately as mathematical theories and our everyday life both teach us, it is generally impossible to maximise different objectives at the same time [10]. Compromise solutions must be found.

Let's briefly examine some examples. The Lisbon strategy takes explicitly into account environmental sustainability too. The Kok report hypothesizes economic-environmental win-win strategies based on eco-efficiency. Unfortunately, the Jevon's paradox teaches us that an increase in efficiency in using a resource leads, in the medium to long term, to an increased consumption of that resource (rather than a decrease). This is a classic example of the co-existence of opposite causal links emerging when considering the same process at different (spatial, temporal) scales. Trade-offs also emerge when considering different attributes of performance or when adopting different disciplinary analyses. Sustainability literature clearly emphasizes that environmental preservation has an economic cost and economic growth has an environmental cost, no escapes from this conflict exists.

Since the classical work of the Nobel prize winner J. Tinbergen on economic policy, it is well known that the compatibility between monetary stability and job creation can hardly be established. In the USA, to avoid unpleasant surprises deriving from monetary policies, the Federal Reserve Bank has both monetary stability and employment in its institutional objectives. In the EU, the European Central Bank deals with monetary stability only, thus systematically ignoring consequences on employment.

The time horizon conflict is also a fundamental one. For example, job creation can be successfully increased <u>in the short term</u>, by a slowdown of the rate of technological progress. As noted by the Kok report [9], this is exactly what has recently happened inside the European Union. But in <u>a longer time horizon</u>, this strategy may easily cause the collapse of the economy given that non-specialised low productivity jobs can easily be substituted by lower wage labour in other parts of the world.. Thus, in the short term technological progress and job creation are conflicting objectives but they might be compatible in the long period if a right <u>balance</u> (i.e. compromise) between <u>flexibility</u> and <u>employment security</u> is found.

The Difficulties of Making Lisbon Strategy Narratives Effective Inside the EU Framework

To summarise the previous discussion, we could state that the implementation of the Lisbon strategy implies to develop narratives which attempts to answer the following kind of questions:

- What are the dimensions and objectives to be taken into account?
- Whose interests are to be represented?
- Which time horizon has to be considered?
- At what cost?

<u>It is fairly safe to say that a Lisbon narrative does not exists at present</u>, or if it does, it is too feeble to be heard by the citizen as wished by the Kok Report and the President Barroso Communication.

Several factors may have concurred to this impasse:

- Neglect of inconsistencies and trade offs as already mentioned.
- The lack of a truly "Mr. Lisbon" capable of effectively pushing for the implementation of the relative agenda (notwithstanding the broad mandate of the present 'competitiveness' Commissioner). The sectoral nature of the decision process within EU institutions makes such an implementation more laborious. There is a labour council, and environmental council, a competitiveness council and so on. As we have already discussed, the simultaneous achievement of all their objectives is impossible. A long negotiation process is then necessary.
- There is further an issue of legitimacy over legacy. For example, the EU maintains a regime of agricultural subsidies, whereby 40% of the EU budget goes to subsidy for agriculture. While the recent Commission proposal for a doubling of the EU funded research in the 7th framework programme is a step in the right direction, shouldn't the revolution start at home, e.g. with a more drastic reorientation of the EU budget [12]? The EU has so far chosen legacy over legitimacy. Similar consideration could be developed with other pivotal pieces of EU legislation ostracised or drastically diluted by some MS or by the same Commission forced to retreat in a defensive position. The current difficulties over the Services directive are another case in a point.
- Lisbon strategy implies longer time horizon than the one normally used on the market and a European scale of analysis (the Kok report clearly states that no single Country can implement the Lisbon strategy alone). Politicians of the various member States tend to have a shorter time horizon (often 4-5 years according to the electoral system). Thus government *failures* exist. For this reason the evaluation of the possible narratives and corresponding policies should be done by considering the whole *"civil society"* (and ethical concerns on *future generations*) and not only policy- (or worse decision-) makers. Increasing the 'ownership' of the Lisbon

process is indeed one of the recommendations of the Kok report, though <u>a recipe is wanted</u>. This problem is acutely illustrated by the contrast of the behaviour of major EU politician on the ratification of the EU Constitution (a short term objective) versus the behaviour of the same figures toward major pieces of Lisbon legislation (whose benefit is of a long term nature) [13].

- The rigidity of the EU's "institutional balance" based on a complex web of institutions with overlapping jurisdictions [1].
- "Please-all" narratives are difficult. Narratives are in all likelihood geographically dependent. New and acceding member states will need altogether different (and compelling) stories to become Lisbon engines. The process is reflexive, as new member states tend to push for those changes (e.g. in labour markets) that, while universally believed to be positive in the long run, may entail losers in the short run [5].

The difficulty to communicate Lisbon is also highlighted by the existence of widespread anti-Lisbon narratives. These are much easier to build, as they can target just one dimension of the problem and use it to damn the EU process as a whole. The stability pact 'strangles' the EU economies, EU regulations are a systemic hindrance to business, the Services directive fosters 'social dumping' and so on. That these narratives are condemned by large sectors of the EU elites makes little difference on the results, as the recent EU elections have shown. The struggle to build an effective Lisbon narrative will be an asymmetric one.

A proper evaluation of different possible narratives needs to deal with a plurality of legitimate values and interests existing in society and integrate the whole in a salient, plausible, legitimate and viable story.

The difficulty of building these narratives, and the weight of institutional constraints, are evident in the Wim Kok report. We are not told how the ownership of the Lisbon process could be increased, nor how the communication strategy of the European Commission could become *'clear and vigorous'*. The EC should *'name, shame and fame'* member countries when they fail or succeed to deliver on the Lisbon process, and yet *'repeat offenders know who they are' [sic]*. Note that within the same Commission the 'name and shame' approach seems to lose strength instead of gaining it. A 'Lisbon' scoreboards ends up being developed by a think-tank instead than from the Commission itself [13]. As this brief discussion has hinted, Lisbon needs to be analysed in terms of narratives. This is not to say that models or indicators are useless, but that <u>their use derives from their being put into context and verified with different social actors for their saliency, credibility and relevance</u>. This calls for the development and testing of the entailed narratives.

How to Create Effective Narratives for the Implementation of Lisbon Strategy

The need for a clear interconnected narrative able to be communicated effectively to the European citizens in the most transparent way is now well recognized. Emphasis has been put on the fact that responsibility of decisions should be clear. The Kok report states that "*citizens have not been sufficiently associated with the process, so that pressure on governments has been less than it should and could have been. ... Transparency about the progress achieved is the key to involving those stakeholders ...* ".

An increase in <u>ownership</u> of the Lisbon process is needed, for which *"simplification is vital"*, however a question arises: how do we simplify the complexity of the issue keeping, at the same time, all of its characteristic features?

Sometimes a policy option seems optimal simply because some relevant social actors or problem dimensions are not been included. A plurality of narratives can be developed only by considering a plurality of diverse narrators.

One should note that since policy-makers search for legitimacy of the decisions taken, it is extremely important (as rightly pointed out in the Kok report and in President Barroso Communication [3]) that public participation or scientific studies do not become instruments of political de-responsibility. The deontological principles of the scientific team and policy-makers are essential for assuring the quality of the evaluation process. Social participation does not imply that scientists and decision-makers have no <u>responsibility</u> of policy actions defended and eventually taken. For this reason, we would support a methodological approach to select a defensible narrative by means of a transparent process involving a plurality of social actors and able to be communicated to all European citizens effectively.

Possible (though not exclusive) ingredients of this approach which need to be investigated, would be:
- Multi-Scale integrated analysis
- Participative techniques
- Social multi-criteria evaluation
- Sensitivity analysis techniques

Multi scale integrated analysis [7]. As said, all models are wrong, some are useful. However, being wrong is not the worst case scenario for a model. <u>For a model there is a worse situation: to be based on an irrelevant narrative</u>. In this case, it will never be patched, adjusted and calibrated to become more useful. The model will remain useless and misleading forever. A first step to avoid this is to characterise and contextualise the performance of socio-economic systems across levels and scales (e.g. regional, national, international level), or lower subsystems, (e.g. technical characteristics of various economic sectors).

Participative techniques [4,8]. The pitfalls of a pure technocratic approach can be overcome by applying different methods of social research. This can be done in the form of discussion groups of relevant social actors, who can be identified by means of, e.g. institutional analysis, performed mainly on historical, legislative and administrative documents. Discussion groups can be based on "focus groups", which are small group interviews moderated by a trained professional whose main objectives should be to promote interaction and discussion. These provide context for getting insight onto people's desires and possibly to develop a set of policy options and evaluation criteria. Another type of participatory technique that may be used is surveys (using questionnaires) to gather representative results, whereas in-depth interviews may be used when group discussion are not important and particularly when specific subjects are to be thoroughly individually explored. Information and Communication Technologies (ICT) may play a fundamental role here. <u>They could be put to use in a e-Democracy context to elicit and map narratives</u>.

Social multi-criteria evaluation [10]. In empirical evaluations of public policies and public provided goods, social multi-criteria evaluation is an effective policy tool since it allows taking into account a wide range of assessment criteria and not simply profit maximisation,

as a private economic agent would do. Social multi-criteria evaluation supplies a powerful framework since it accomplishes the goals of being inter/multi-disciplinary (with respect to the research team), participatory (with respect to social actors) and transparent (since all criteria are presented in their original form without any transformations in money, energy or whatever common measurement rod).

Sensitivity analysis [11]. One has to note that policy evaluation is not a one-shot activity. On the contrary, it takes place as a learning process which is usually highly dynamic, so that judgements regarding the political relevance of items, alternatives or impacts may present sudden changes, hence requiring a policy analysis to be flexible and adaptive in nature. This is the reason why evaluation processes have a cyclic nature. By this is meant the possible adaptation of elements of the evaluation process due to continuous feedback loops among the various steps and consultations among the actors involved. In this framework, of course mathematical aggregation conventions play an important role, i.e. to assure that the rankings of policy options obtained are consistent and robust with the assumptions used along the structuring process.
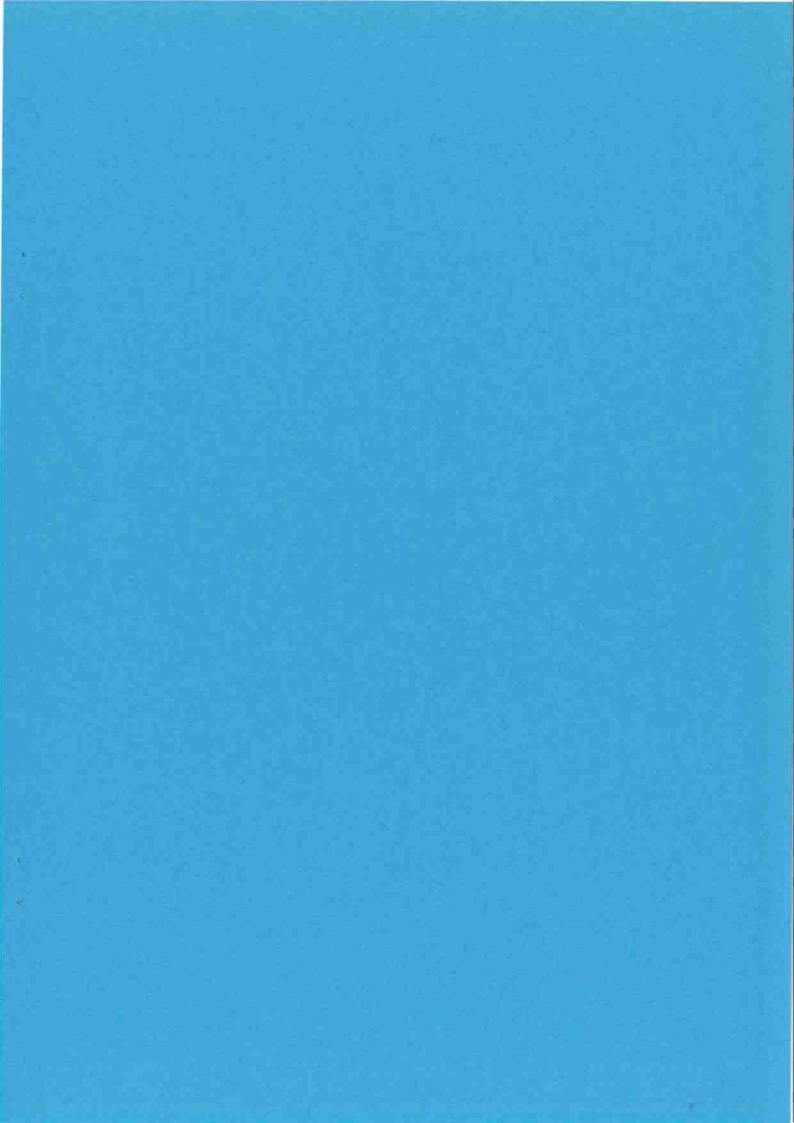
Conclusions

We do not know what mechanism the EU can put into place to investigate the avenues for research just mentioned. Both national and EU framework programme for research could in principle call in. Neither can the outcome, the convergence, the relevance, and the usability of such a process be easily anticipated. An optimistic close for this brief note is authors' hope-list of possible outcomes of the narrative building process:

- Identification and active involvement of the main social actors reflecting a plurality of preferences, values and interests, at different possible scales of analysis.

- Generation of a set of plausible narratives according to their technical consistency across different spatial and temporal scales, and according to actors' social perspectives.

- Evaluation of the various narratives and selection of one considered as the most desirable, according to the set of chosen indicators and to social preferences.

- Construction of a set of evaluation indicators considered technically relevant and socially acceptable.

- Corroboration of the results obtained through further participatory and robustness analysis exercises.

- Discussion on the policy implications for the EU of the selected narrative.

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