Description of the book’s contents

The complexity of the current crisis, involving economic, financial and political distress, has drawn renewed attention to the persistence of substantial differences in development and social progress within the Euro area. The specific case of countries located in the Southern periphery region (Greece, Portugal, Spain and Italy) has come to the center stage, due to the harsh economic conditions that, with differences in degree, all these countries have experienced in the recent past.

After a few decades of convergence to the European core, southern European economies faced increasing growth difficulties since the turn of the century, which materialized in a situation of economic stagnation prior to the outbreak of the financial crisis in 2008. In the aftermath of the American subprime credit bubble, these countries’ persistent fiscal imbalances raised doubts on their capabilities of sustaining public finances, with the financial crisis developing and gaining momentum due to the fragilities presented in the economy. With differences in the degree of severity, all of these countries have since then been forced by financial markets to introduce strong fiscal tightening programs in order to achieve fiscal consolidation, which have been reflected in recession and rising unemployment.

While the adjustment of public and private balance sheets has been at the forefront of strategy to address the crisis in the periphery of the euro zone, finding a sustainable path out of the present crisis requires addressing the challenges of productivity growth and competitiveness in the long term – the root causes of the undergoing problems. This book aims at providing a comprehensive analysis on these matters, taking into account the inter-related features of economic and financial distress within the current institutional frame, and by discussing the opportunity and relevance of introducing pro-active structural reforms. In the context of the (nationally driven or externally determined) austerity adjustment programs that are being put in place in southern euro area countries, the answer to such long-run challenges has been focused on the changes in the regulation of labor and product markets, which aim to increase the flexibility and cost-competitiveness of the overall economy. It is our purpose to discuss to what extent these changes, which constitute the
prevailing strategies to overcome the crisis, can or should benefit from a greater focus on policies designed to foster structural changes in these economies. More precisely, attention is given to a number of factors that lie on the basis of the economic backwardness and the erosion in international competitiveness: the limited capability for change in the southern periphery, visible in the maintenance of a low-skill and low-tech bias in the productive structure and, more recently, in an overall tendency of premature deindustrialization, with manufacturing being “replaced” by low value-added activities in services; a relevant mismatch between labor market needs and the supply of skills conveyed by the education system; the strong relevance of small and medium sized firms, which face greater difficulties to finance their growth opportunities; low innovation records and low investment shares in GDP, with a strong relevance of “infrastructure”, rather than productive investment.

The structure of the book reflects these concerns, providing an assessment of the multidimensionality of the current crisis and discussing the ways to overcome it, based on a more active strategy to successfully restart growth in the southern European periphery. Part I is thus dedicated to the challenges posed by the co-participation in the euro zone by countries with very different productive, social, and institutional structures. The coordination problems stemming from the increasing integration in monetary and financial issues, whereas economic union lagged behind are approached, taking into account the experiences of southern European countries after joining the European and Monetary Union (EMU). The second part addresses the root causes of the competitiveness problems faced by these countries, analyzing the role played by economic structure, technology, innovation and skills. Part III is dedicated to the discussion of the space of possibilities, opportunity, and (potential) relevance of industrial policies (understood as policies designed to foster structural change) for addressing the challenges faced by the countries in the periphery of the euro zone. Taking into account the current situations of Greece, Portugal, Italy and Spain, an analysis is made of the need to embrace a new strategy of long-term growth, which focuses on productivity increases, the restructuring of the industrial base and the enlargement of the technology and skill base. Such a discussion will (hopefully) contribute to the design of policies aimed at addressing and solving the longer term, structural growth weaknesses, without which fiscal consolidation plans are doomed to fail.
List of Contents (provisory)

Chapter 1: Introduction
By the editors

PART I – THE CONTEXT: EMU, CONVERGENCE, AUSTERITY

Chapter 2: The Euro does not imply productive convergence. An analysis of the crisis and of the ways to overcome it
By Robert Boyer (CEPREMAP e CNRS)

Chapter 3: Convergence and Imbalances in the EMU
By Fernando Teixeira dos Santos (CEF.UP, Faculdade de Economia, Universidade do Porto)

Chapter 4: The Lisbon Strategy, EUROPE 2020 and the Euro-crisis
By Bengt-Åke Lundvall (Aalborg University) and Edward Lorenz (University of Nice Sophia-Antipolis)

PART II – STRUCTURAL CHANGE AND COMPETITIVENESS IN THE EUROPEAN PERIPHERY

Chapter 5: Comparative advantages and structural transformation: the cases of Greece, Italy, Portugal, and Spain
By Miguel Lebre de Freitas (Universidade de Aveiro)

Chapter 6: National adaptive advantages: The role of ‘soft innovation’ in the European Periphery
By Sandro Mendonça (ISCTE-IUL and SPRU)

Chapter 7: Structural and technology change in the European periphery: the case of Portugal
By Argentino Pessoa (U.Porto e CEF.UP)

Chapter 8: Learning, exporting and firm productivity: evidence from manufacturing and services firms
By Carlos Carreira (U.Coimbra, GEMF)
Chapter 9: Human capital and growth in a services economy

By Marta Simões and Adelaide Duarte (U.Coimbra, GEMF)

Chapter 10: We’ll still be here in the long run - austerity and the Portuguese growth hypothesis

By Miguel St Aubyn (ISEG, Universidade Técnica de Lisboa)

PART III: POLICY ISSUES

Chapter 11: Industrial policy in times of crisis. The case of Greece

By Tassos Giannitsis (University of Athens) and Ioanna Kastelli (Laboratory of Industrial and Energy Economics (LIEE), National Technical University of Athens)

Chapter 12: Industrial Policy in Italy: history, results and future challenges

By Michele Di Maio (Department of Economic Studies, University of Naples "Parthenope", Naples, Italy)

Chapter 13: Assessment and challenges of industrial policies in Portugal

By Manuel Mira Godinho (ISEG, Universidade Técnica de Lisboa), Ricardo Mamede (ISCTE-IUL and Dinâmia), and Vitor Corado Simões (ISEG, Universidade Técnica de Lisboa)

Chapter 14: The industrial sector of Spain in search of a new policy

By José Molero and Inés Granda (Universidad Complutense de Madrid)

Chapter 15: Conclusions

By the editors

Important note: The titles and order of the chapters are provisory. The definitive list of contents will be communicated after the workshop involving the editors and all the contributing authors (to be held on 14 September, in Porto, Portugal).