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978-1-316-63639-8 — Economics without Borders

Edited by Laszlo Matyas , Richard Blundell , Estelle Cantillon , Barbara Chizzolini , Marc Ivaldi , Wolfgang

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Frontmatter

[More Information](#)

Economics without Borders

If treated as a single economy, the European Union is the largest in the world, with an estimated GDP of over 14 trillion euros. Despite its size, European economic policy has often lagged behind the rest of the world in its ability to generate growth and innovation. Much of the European economic research itself often trails behind that of the United States, which sets much of the agenda in mainstream economics.

This book, also available as open access, bridges the gap between economic research and policy-making by presenting overviews of twelve key areas for future economic policy and research. Written for the economists and policy-makers working within European institutions, it uses comprehensive surveys by Europe's leading scholars in economics and European policy to demonstrate how economic research can contribute to good policy decisions, and vice versa, demonstrating how economics research can be motivated and made relevant by hot policy questions.

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Economic Research for European Policy Challenges

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University Printing House, Cambridge CB2 8BS, United Kingdom

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9781316636398

<http://dx.doi.org/10.1017/9781316636404>

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When citing this work, please include a reference to the DOI 10.1017/9781316636404

First published 2017

A catalogue record for this publication is available from the British Library.

ISBN 978-1-107-18515-9 Hardback

ISBN 978-1-316-63639-8 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party Internet Web sites referred to in this publication and does not guarantee that any content on such Web sites is, or will remain, accurate or appropriate.

Leininger , Ramon Marimon , Frode Steen
Frontmatter
[More Information](#)

Contents

<i>List of Figures</i>	<i>page</i> xv
<i>List of Tables</i>	xvii
<i>Foreword</i>	xix
<i>Contributors</i>	xxiii
 Introduction	 1
RICHARD BLUNDELL, ESTELLE CANTILLON, BARBARA CHIZZOLINI, MARC IVALDI, WOLFGANG LEININGER, RAMON MARIMON, LASZLO MATYAS AND FRODE STEEN	
The COEURE Project	2
Advances in Economic Research: Foundations for European Policies	2
About the Chapters	4
The Relevance of Data and Methods	23
Acknowledgements	28
Notes	28
 1 Innovation and Growth: The Schumpeterian Perspective	 29
PHILIPPE AGHION AND UFUK AKCIGIT	
1.1 Introduction	29
1.2 Looking for Growth Paradigms to Think about Growth Policy	30
1.2.1 The Neoclassical Growth Model	31
1.2.2 The AK Model	31
1.2.3 The Product-Variety Model	32
1.2.4 The Schumpeterian Model	33
1.3 Some Main Applications and Extensions of Schumpeterian Growth Theory	35
1.3.1 Growth Meets IO	35
1.3.2 Schumpeterian Growth and Firm Dynamics	37
1.3.3 Growth Meets Development: Appropriate Institutions	38
1.3.4 Growth Meets Development: Firm Dynamics in Developing Countries	40
1.3.5 Growth and Unemployment	42
1.4 Enhancing Productivity Growth in Advanced Countries	43
1.4.1 Pillars of Innovation-Led Growth	43
1.4.2 Competition Policy against Industrial Policy	45
	v

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

vi

Contents

1.4.3	Reforming the State	47
1.4.4	Macroeconomic Policy	48
1.4.5	Innovation, Inequality, and Social Mobility: Making Growth Inclusive	48
1.5	Technological Waves and the Debate on Secular Stagnation	51
1.5.1	The Debate	51
1.5.2	Historical Wave Patterns	52
1.6	Schumpeterian Insights into R&D Policy	54
1.6.1	R&D Policies and Firm Selection	55
1.6.2	Basic versus Applied R&D	56
1.7	The Role of Freedom and Openness in the Innovation Process	59
1.7.1	The ADS Framework and the Role of Academic Freedom	59
1.7.2	Freedom and Openness	61
1.7.3	Evidence on the Limits of IP and the Role of Openness and Freedom	61
1.8	Towards a New Growth Pact in Europe	62
1.8.1	Structural Reforms and the Role of Structural Funds	62
1.8.2	Rethinking Industrial Policy in the EU	64
1.8.3	More Flexible Macroeconomic Policies at EU Level	65
1.9	Conclusion	66
	Acknowledgements	67
	Notes	67
	References	69
2	European Union Dual Labour Markets: Consequences and Potential Reforms	73
	JUAN J. DOLADO	
2.1	Introduction	73
2.2	The Emergence of Dual Labour Markets in Europe	74
2.3	Temporary Contracts: Stepping Stones or Dead Ends?	77
2.4	Dual Labour Markets Before and After the Great Recession	80
2.5	Lessons from Spain	84
2.6	Dual Labour Markets and Youth Unemployment	88
2.7	How to Dismantle Dual Employment Protection Legislation	91
2.7.1	Recent EPL Reforms	91
2.7.2	Single/Unified Contracts in Theory	93
2.7.3	Single/Unified Contracts in Practice	100
2.8	Conclusions	104
	Acknowledgements	105
	Appendix	105
	Notes	108
	References	109
3	Population, Migration, Ageing and Health: A Survey	113
	CHRISTIAN DUSTMANN, GIOVANNI FACCHINI AND CORA SIGNOROTTO	
3.1	Introduction	113
3.2	Main Stylized Facts	114
3.3	Migration and Demographic Developments	117
3.3.1	The Selection Hypothesis	120

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

Contents	vii
3.3.2 The Adaptation Hypothesis	121
3.3.3 The Disruption Hypothesis	123
3.4 Permanent versus Temporary Migration	124
3.4.1 Why Do Migrants Return?	125
3.4.2 Who Are the Return Migrants?	126
3.5 The Fiscal Effect of Immigration	128
3.5.1 Static Frameworks	129
3.5.2 Dynamic Models	130
3.6 Migration and Skill Shortages	132
3.7 International Migration and the Health Care Sector	136
3.7.1 International Migration of Health Care Professionals	136
3.7.2 International Migration of Old Age Carers	139
3.7.3 Immigrants' Demand for Health Care	141
3.8 The Floridization of Europe: Old Age North–South Migration	143
3.8.1 Determinants of Old Age Migration	144
3.8.2 Effects on Host Country Economy	145
3.9 Conclusions	146
Acknowledgements	147
Appendix	147
Notes	148
References	149
4 Education Systems: Assignment, Admissions, Accountability and Autonomy	159
SIMON BURGESS	
4.1 Introduction	159
4.1.1 What Can Economics Contribute to the Study of Education?	161
4.2 The Aims of Education: Rates of Return, Inequality and Social Mobility	161
4.3 Education Systems: Assignment, Admissions, Accountability and Autonomy	164
4.3.1 Assignment Mechanisms	164
4.3.2 Accountability, Autonomy and Regulation	175
4.3.3 Education Market Structure: Policy Summary	185
Acknowledgements	185
Notes	186
References	186
5 Competition and Regulation in Markets for Goods and Services: A Survey with Emphasis on Digital Markets	194
NIKOLAOS VETTAS	
5.1 Introduction	194
5.2 A View on Competition Policy Developments in Europe	199
5.2.1 Competition Policy: The General Context	199
5.2.2 Digital Trade and Online Markets	200
5.2.3 Some Recent Competition Cases	203
5.2.4 Online Travel Agencies and MFNs	207
5.2.5 The Digital Single Market Initiative	208
5.2.6 Distinguishing Features of Digital Markets	209

Cambridge University Press

978-1-316-63639-8 — Economics without Borders

Edited by Laszlo Matyas , Richard Blundell , Estelle Cantillon , Barbara Chizzolini , Marc Ivaldi , Wolfgang

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

viii

Contents

5.3	Approaches in Industrial Organization	210
5.3.1	Pricing	211
5.3.2	Vertical Relations	213
5.4	Recent Research on Competition Issues Related to Digital Markets	216
5.5	Challenges for Research on Competition Issues in Digital Markets	223
5.6	Conclusion	227
	Acknowledgements	228
	Notes	228
	References	232
6	Winners and Losers of Globalization: Sixteen Challenges for Measurement and Theory	238
	CECÍLIA HORNOK AND MIKLÓS KOREN	
6.1	Introduction	238
6.2	Advances in Measurement and Data Challenges	240
6.2.1	Recent Advances in Measuring the Causes and Effects of Globalization	240
6.2.2	Data Challenges	245
6.3	Insights from Theories of Globalization	247
6.3.1	Broad Lessons about the Causes and Effects of Globalization	247
6.3.2	Insights for Policy	256
6.3.3	Open Questions	257
6.4	Conclusion	263
	Acknowledgements	263
	Notes	264
	References	264
7	Economic Approaches to Energy, Environment and Sustainability	274
	PAUL EKINS, PAUL DRUMMOND AND JIM WATSON	
7.1	Introduction	274
7.2	Economic Approaches to the Environment	275
7.2.1	Environmental and Resource Economics	275
7.2.2	Ecological Economics	276
7.2.3	Institutional, Evolutionary, and Behavioural Economics	277
7.3	Sustainability and Sustainable Development	278
7.3.1	Sustainable Development	278
7.3.2	Environmental Sustainability	283
7.3.3	Measurement and Indicators of Sustainable Development and Sustainability	289
7.4	The Energy System and Climate Change Mitigation	292
7.4.1	Energy Security	292
7.4.2	Reducing CO ₂ Emissions	295
7.4.3	Financial Requirements and Affordability	295
7.5	Policies for Energy, Climate Change Mitigation and a Green Economy	298
7.5.1	Standards and Engagement	299
7.5.2	Information	299
7.5.3	Markets and Pricing	300

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

Contents	ix
7.5.4 Strategic Investment	302
7.5.5 EU Energy and Climate Change Policy: Lessons and Priorities for Research	305
7.6 The Science-Policy Interface	309
7.7 Conclusions and Research Priorities	312
Notes	316
References	316
8 Regional Disparities and Efficient Transport Policies	324
STEF PROOST AND JACQUES-FRANÇOIS THISSE	
8.1 Introduction	324
8.2 What Is Spatial Economics About?	325
8.2.1 Location Does Matter	326
8.2.2 Moving Goods and People is Still Costly	327
8.3 The Drivers of Regional Agglomeration	330
8.3.1 The Home-Market Effect	332
8.3.2 Agglomeration Economies and the Emergence of Asymmetric Clusters	339
8.3.3 The Core-Periphery Structure	340
8.3.4 Input-Output Linkages and the Bell-Shaped Curve of Spatial Development	343
8.3.5 Communication Costs and the Relocation of Plants	345
8.4 Does the Market Yield Over or Under-agglomeration?	346
8.4.1 Does the Home-Market Effect Generate Excessive Agglomeration?	346
8.4.2 Is the Core-Periphery Structure Inefficient?	347
8.5 Do EU Interregional Transport Investment Policies Fulfil their Role?	348
8.5.1 Assessing Transport Investments Using Econometric Models	350
8.5.2 Assessing Transport Investments Using Model Simulations	351
8.5.3 Assessing Transport Investments Using Case Studies	353
8.6 Is the EU Moving to a Better Utilization of Its Existing Transport Policy?	355
8.6.1 Competition on Diesel Fuel Taxes Leads EU Countries to Revise Their Pricing of Road Freight	355
8.6.2 Europe Does Not Make the Best Use of Its Rail and Air Transport System	356
8.7 What Have We Learnt?	357
Acknowledgements	360
Notes	360
References	361
9 Skilled Cities and Efficient Urban Transport	366
STEF PROOST AND JACQUES-FRANÇOIS THISSE	
9.1 Introduction	366
9.2 Agglomeration Economies	368
9.2.1 The Nature and Magnitude of Agglomeration Economies	371
9.2.2 Cities as Consumption Centres	375

Cambridge University Press

978-1-316-63639-8 — Economics without Borders

Edited by Laszlo Matyas , Richard Blundell , Estelle Cantillon , Barbara Chizzolini , Marc Ivaldi , Wolfgang

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

x

Contents

9.3	The Trade-Off between Commuting and Housing Costs	376
9.3.1	The Monocentric City Model	377
9.3.2	Why Do Employment Centres Emerge?	379
9.3.3	Land Capitalisation and Housing	380
9.3.4	Residential Segregation	382
9.4	More Cities or Bigger Cities?	384
9.5	The Organization of Metropolitan Areas	387
9.6	Managing Traffic and Congestion	388
9.6.1	External Costs of Urban Transport	390
9.6.2	The Difficult Road to First-Best Pricing of Congestion	391
9.6.3	The Patchwork of Policy Instruments	394
9.6.4	Public Transport Pricing	396
9.7	The Benefits of New Transport Infrastructure	398
9.7.1	Does New Infrastructure Reduce Congestion?	398
9.7.2	The Wider Benefits of Urban Transport Projects and New Developments in Assessment Methods	399
9.8	Where Do We Stand?	401
	Acknowledgements	403
	Notes	403
	References	403
10	Fiscal and Monetary Policies after the Crises	409
	CHARLES BRENDON AND GIANCARLO CORSETTI	
10.1	Introduction	409
10.2	The Pre-Crisis Consensus, and Heterogeneity	411
10.3	The Context and Challenges Posed by the Crisis	413
10.3.1	Headline Macroeconomic Trends	414
10.3.2	Market Impairment and the Transmission of Stabilization Policy	416
10.3.3	The Zero Bound on Nominal Interest Rates	417
10.4	The Zero Lower Bound: Implications for Stabilization Policy	418
10.4.1	Savings Decisions and Nominal Interest Rates	419
10.4.2	Shocks to the 'Natural' Rate of Interest	420
10.4.3	Forward Guidance as a Solution?	422
10.4.4	Fiscal Stimulus as a Solution?	425
10.4.5	Central Bank Asset Purchases as a Solution?	433
10.4.6	The Benefits and Risks of Structural Reform	439
10.4.7	Empirical Evidence on the 'Expectations Channel'	440
10.5	Policies and Diagnoses of the Crisis	442
10.5.1	What Causes 'Savings Shocks'?	442
10.5.2	The Possibility of Secular Stagnation	445
10.5.3	Dynamic Interactions through the Labour Market	448
10.5.4	Deflation Traps, Self-Fulfilling Dynamics and Equilibrium Selection	450
10.6	Risk Sharing and Fiscal Policy in a Monetary Union	455
10.6.1	Imbalances and Imperfect Risk Sharing	456
10.6.2	Complete Markets are not a Substitute for Risk Sharing via Transfers	457
10.6.3	Fiscal Devaluation	458

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

Contents	xi
10.7 Conclusions	459
Acknowledgements	460
Notes	461
References	464
11 Financial Regulation in Europe: Foundations and Challenges	470
THORSTEN BECK, ELENA CARLETTI AND ITAY GOLDSTEIN	
11.1 Introduction	470
11.2 Recent Financial Reforms in Europe	472
11.2.1 Capital Requirements	473
11.2.2 Liquidity Requirements	474
11.2.3 Resolution Framework and Bail-In Instruments	475
11.2.4 Banking Union	476
11.2.5 Activity Restrictions and Other Reforms	478
11.3 Microfoundations for Financial Reforms	479
11.3.1 Basic Failures in the Financial System	479
11.3.2 Mapping between Basic Failures and the Reforms Enacted in Europe	488
11.4 Moving beyond Banks and Traditional Activities: The Regulatory Perimeter	492
11.4.1 The Regulatory Perimeter	492
11.4.2 Financial Innovation	495
11.4.3 Complexity	498
11.5 Special Issues in Europe and How they Affect Future Regulation	499
11.5.1 Crisis Resolution and Macro-Management in a Monetary Union	500
11.5.2 Financial Structure: Does Europe Suffer from a Bank Bias?	501
11.6 Summary, Policy Lessons and Directions for Future Research	502
Acknowledgements	505
Notes	505
References	505
12 Inequality and Welfare: Is Europe Special?	511
ALAIN TRANNOY	
12.1 Introduction	511
12.2 Inequality and Welfare: Two Interconnected Notions	513
12.2.1 Inequality	513
12.2.2 Welfare	515
12.2.3 Aggregating Welfare	517
12.2.4 The Relationship between Inequality and Welfare	518
12.2.5 Two Assumptions about Individual Welfare	519
12.3 Normative and Positive Issues Involving Several Sciences	523
12.3.1 Political Philosophy	524
12.3.2 History	525
12.3.3 Sociology and Political Science	527
12.3.4 Psychology	530
12.3.5 Neurosciences: Happiness in the Twenty-First Century	530

Cambridge University Press

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Edited by Laszlo Matyas , Richard Blundell , Estelle Cantillon , Barbara Chizzolini , Marc Ivaldi , Wolfgang

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

xii

Contents

12.4	Europe's Inequality Pattern vis-à-vis the US	532
12.4.1	Inequality of Income	533
12.4.2	Forces behind the Increase in Gross-Income Inequality	535
12.4.3	Convergence Process in Europe	538
12.4.4	Inequality of Opportunity and Intergenerational Mobility	540
12.4.5	Attitudes to Inequality	545
12.4.6	Well-Being and the Size of the Welfare State	548
12.4.7	Partial Conclusion	550
12.5	Europe Is at the Forefront of Research on Many Topics	551
12.6	Data Are Improving but Remain Largely Incomplete when Looking at More Specific Issues	553
12.7	Inequality and Welfare as Transversal Issues	554
12.8	Cutting Edge Research Issues	555
12.9	Issues More Specific to Europe	557
12.10	Conclusion	558
	Acknowledgements	560
	Notes	560
	References	561
13	Developments in Data for Economic Research	568
	ROBERTO BARCELLAN, PETER BØEGH NIELSEN, CATERINA CALSAMIGLIA, COLIN CAMERER, ESTELLE CANTILLON, BRUNO CRÉPON, BRAM DE ROCK, LÁSZLÓ HALPERN, ARIE KAPTEYN, ASIM I. KHWAJA, GEORG KIRCHSTEIGER, VIGDIS KVALHEIM, JULIA LANE, MARKUS MOBIUS, LUKE SIBIETA, JOSEPH TRACY, FREDERIC UDINA, GUGLIELMO WEBER AND LISA WRIGHT	
13.1	Introduction	568
13.2	Organizing Access to Microdata	569
13.2.1	Legal and Technical Background	570
13.2.2	The Nordic Leadership	571
13.2.3	Improving Data Access: Two Case Studies	574
13.2.4	Concluding Remarks	577
13.3	Data Standards and Cross-Country Datasets	577
13.3.1	The Lessons of the Financial Crisis for the Data Environment	578
13.3.2	The G20 Data Gaps Initiative	579
13.3.3	Linking Existing Microdata	581
13.3.4	Towards a New Data Environment	584
13.4	Researcher-Generated Databases	585
13.4.1	Measurement and Experimentation in the Social Sciences Project	586
13.4.2	The UMETRICS Programme	587
13.4.3	The Survey of Health, Ageing and Retirement in Europe	588
13.4.4	Lessons from Successful Researcher-Led Databases	589
13.5	Data Generation in Controlled Environments	590
13.5.1	Laboratory Experiments	590
13.5.2	Randomized Control Trials	594

Cambridge University Press
978-1-316-63639-8 — Economics without Borders
Edited by Laszlo Matyas , Richard Blundell , Estelle Cantillon , Barbara Chizzolini , Marc Ivaldi , Wolfgang

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

Contents	xiii
13.6 The Changing Face of Public and Private-Sector Collaborations in Economic Research	598
13.6.1 New Private-Sector Collaborations in Economic Research	599
13.6.2 New Public-Sector Collaborations in Economic Research	601
13.6.3 Risks, Challenges and Outlook	603
13.7 Concluding Comments	605
Notes	606
References	608
14 Big Data in Economics: Evolution or Revolution?	612
CHRISTINE DE MOL, ERIC GAUTIER, DOMENICO GIANNONE, SENDHIL MULLAINATHAN, LUCREZIA REICHLIN, HERMAN VAN DIJK AND JEFFREY WOOLDRIDGE	
14.1 Introduction	612
14.2 The Curse of Dimensionality and Regularization	614
14.3 Policy Analysis and Causal Inference	619
14.4 Prediction	623
14.5 Computational Issues	625
14.6 Conclusions	627
Notes	628
References	628
Index	633

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

Figures

1.1 Entry effects near and far from the technological frontier	<i>page</i> 36
1.2 Long-term growth effects of \$1000 per person spending on education, US states	44
1.3 Average growth rate and proximity to the frontier for the bank-based (left) and market-based (right) countries	44
1.4 Evolution of the top 1 per cent income share and of the total patent per capita in the US	49
1.5 Evolution of the top 1 per cent income share and of the total patent per capita in Sweden	49
1.6 Delayed productivity growth waves in other countries	53
1.7 Productivity breaks: country-specific shocks (Sweden)	53
1.8 Productivity breaks: country-specific shocks (Japan)	54
2.1 Time trends in EPL for permanent and temporary jobs, 1990–2008	77
2.2 Probability of upgrading a TC to a PC	78
2.3 TFP in some OECD countries	79
2.4 Unit labour costs in some EU countries, 1970–2008	81
2.5 Fertility rates in OECD countries	83
2.6 Immigration inflows in some OECD countries (2000–2007)	84
2.7 Shifts in Beveridge curves in some EU countries	85
2.8 Share of temporary work in EU countries	86
2.9 Standard deviation of cyclical employment (Spain and US)	87
2.10 Share of temporary work in OECD countries	88
2.11 NEET rates in OECD countries	89
2.12 Ratio of youth to adult unemployment rates in EU countries	89
2.13 Severance pay in Spain	94
2.14 Severance pay in Spain (2008) and optimal SOEC	98
2.15 Job destruction rate during transition	99
2.16 Job finding rate during transition	99
2.17 Jobs Act Single Contract in Italy	102

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

xvi	Figures	
3.1	Working age population in the EU28 – past trends and projections	115
3.2	Past trends in total fertility rates, 1960–2012: selected EU countries	115
3.3	Life expectancy at birth in the EU28: past trends and projections	116
3.4	Health care and long-term care spending as percentage of GDP – EU28 projections	117
3.5	Net migration flows, 1965–2013	118
3.6	Estimated outmigration rates by host region	126
8.1	Geographical distribution of the GDP per capita per NUTS 3 region in the EU	330
9.1	The distribution of GDP per capita within EU countries	369
12.1	The two routes for aggregating welfares in a multidimensional setting	517
12.2	Comparing gains and losses around the status quo	521
12.3	Stylized trends in the economic literature about inequality	523
12.4	Stylized trends in the economics literature: comparison causality and equality	524
12.5	Estimated Gini coefficients and the Inequality Possibility Frontier	526
12.6	UK and US historical inequality extraction ratios	527
12.7	Republican–Democrat distance on Liberal–Conservative Dimension for the US House of Representatives, 1879–2012	529
12.8	Income inequality: Europe and the US	533
12.9	Wealth inequality: Europe and the US	535
12.10	The supply of college graduates and the US college/high school premium, 1963–2012	537
12.11	Convergence in Europe of the redistributive power of the state	539
12.12	The Great Gatsby curve: More inequality is associated with less intergenerational mobility	541
12.13	The decomposition of inequality of opportunity	542
12.14	Distribution of chances to get an annual earning (male) according to three different parental educations (primary, secondary and tertiary education)	543
12.15	College attendance rates vs parent income rank by cohort	545
12.16	Beliefs in the role of luck, effort and social injustice in bad economic outcomes	547
12.17	Hedonic and eudemonic well-being across Europe by country	549
13.1	Typical organization of micro data linking (MDL) projects	583
13.2	The rising use of nonpublicly available data in economic research	600

Leininger , Ramon Marimon , Frode Steen
Frontmatter
[More Information](#)

Tables

2.1	Chronology of EPL reforms in EU countries	<i>page</i> 76
2.2	Political support for transition to SOEC	100
3.1	Births to immigrant parents	119
3.2	Top 20 bottleneck vacancies in European countries	134
3.3	Foreign-trained (or foreign) nurses and doctors in selected OECD countries	137
6.1	Percentage equivalents of trade costs	254
9.1	External costs by order of magnitude	390
13.1	Accessibility of selected indicators of competitiveness across EU countries	572

Foreword

As the Chair of the Scientific Advisory Committee of the Cooperation on European Research in Economics (COEURE) project, I am pleased to present to the public this comprehensive and enlightening volume. The aim of the COEURE initiative is to take stock of current economics research and formulate an agenda for research funding in the field in Europe. From this point of view, the surveys collected in this book are written by top European economists who are intellectual leaders in their respective fields. These surveys identify both research areas that are particularly promising and their potential impact on policy in the European context.

European economics has made significant progress in recent decades. Before the late 1980s, European economics was very fragmented with very little interaction across national borders. Research was mostly published in national languages with very little communication and cross-country fertilization. However, a number of changes have taken place over the last 30 years. First of all, European-wide networks have started to develop. The European Economic Association was created in 1985 and has organized an annual Congress every year since then, partly in coordination with the Econometric Society. The Centre for Economic Policy Research (CEPR), founded by Richard Portes on the model of the US NBER, played a pioneering role in creating the first European-wide high-quality economic research network in Europe. It started selecting outstanding young researchers as Fellows and Affiliates, disseminating their work, organizing European-wide workshops and attracting some of the best US economists to them. Its emphasis on the policy relevance of research has been particularly important and has helped elevate the intellectual debate on all aspects of European integration. The most prominent economists of my generation acknowledge the key role played by the CEPR since the late 1980s and 1990s in internationalizing European economics. Several other cutting-edge European-wide networks have been created since. A good example is the Institute for the Study of Labor (IZA) in Bonn, led with great success by Klaus Zimmerman for the last 20 years. IZA has been very good at recruiting eminent young applied economists, partly because their horizon is not restricted to Europe.

Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

xx

Foreword

Another important factor that has played a key role in promoting high-quality research is funding not only by the European Commission under various Framework Programmes, but also through Marie Curie fellowships in various European universities. These initiatives from the Commission have helped fund high-quality research networks, as well as the mobility of academics across Europe. The Marie Curie program has been very useful, because it has improved the European job market for economists. Until very recently, and still to a very large extent, we have seen in Europe an inefficient model for recruiting young professors. Universities established barriers to entry, favoring the recruitment of inhouse PhDs. As we know, this usually fosters mediocrity. In most good US universities, departments choose not to recruit even their very best students, because they think that they must first earn recognition in the wider profession, not just in their home university. European economics departments have increasingly adopted this approach and are active on the international job market.

Finally, a major milestone in the progress of research funding in Europe has been the establishment of the European Research Council (ERC) grants. ERC grants are recognized as a signal of excellent research, helping to thereby disseminate clear and unbiased signals of quality. The key aspect to the success of the ERC is that projects are selected by panels of peer researchers, usually highly distinguished senior researchers. Academics are better able to judge the quality of research than nonacademics are. Another aspect of the ERC organization is also important. Panels are large enough in their composition to prevent collusive deals from being made ('I agree to fund the candidate you support if you support mine'). ERC grants are therefore changing the landscape of European research, and universities and departments without ERC grants can no longer pretend that they represent the best of European research.

Despite the huge progress made in the last decades in European economics, there are still many problems. Too much academic work is done in national languages, funding of research is mostly at the national level and European universities often resist external competition in recruitment. In many universities, there is still virtually no research. Promotion is by seniority with no incentives to engage in productive research. The ERC only funds the very best projects and its vocation is purely scientific, not policy-oriented, as it should be. However, there needs to be a European conversation on research funding. Additionally, policy-makers do not necessarily like the findings, especially those of economic research. This is why research projects need to be independent and not subject to forms of political censorship.

While economic research in Europe has addressed many of the key policy issues specific to Europe, there is limited access to data and little availability of good databases on many important issues that need to be investigated. Data are therefore badly needed in many areas, especially for issues that are

Cambridge University Press

978-1-316-63639-8 — Economics without Borders

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Frontmatter

[More Information](#)

Foreword

xxi

specific to Europe (like, for example, intra-European migration, regional trade and transport, the efficiency of European (co)financed infrastructure and development projects, or the indirect economic, social, or other effects of EU transfers in the receiving countries and so on). Europe needs to become a data powerhouse. This is particularly true for economic research where economists have developed sophisticated statistical tools that can better help guide policy.

The voice of the best European economists needs to be heard when it comes to how economics research should be funded. The volume presents not only the state of the art in particular domains of research, but also the various policy implications of this research, as well as the major research and policy questions that remain open. They give an idea of where European research stands with respect to the rest of the world and propose further avenues.

The Scientific Advisory Committee of COEURE that I have the honor to chair is composed of distinguished economists: Oriana Bandiera (London School of Economics), Richard Blundell (University College London), François Bourguignon (Paris School of Economics), Andreu Mas-Colell, Universitat Pompeu Fabra), Peter Neary (University of Oxford) and Marco Pagano (University of Naples Federico II). The Scientific Advisory Committee advises the executive Committee of COEURE as well as the authors of the reports for COEURE. Our focus is on the scientific quality of the work carried out.

European economics has made a lot of progress in the last decade, but it still faces many challenges. COEURE aims at helping to improve the effectiveness and quality of the funding of economic research at the European level. I am confident it will.

Gerard Roland

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and Professor of Political Science
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February 29, 2016*

Cambridge University Press

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Frontmatter

[More Information](#)

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Cambridge University Press

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Frontmatter

[More Information](#)

xxiv Contributors

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Frontmatter

[More Information](#)

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xxv

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Cambridge University Press

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Leininger , Ramon Marimon , Frode Steen

Frontmatter

[More Information](#)

xxvi *Contributors*

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