

The Hidden Treasures Conference, Brussels, September 12, 2019

Introduction by Donald Kalff

This project started years ago when I first realized how well Europe is doing in many respects but also economically in comparison with other trading blocs including the US. This runs counter the view held by most politicians and policy makers.

How do the EU and the US measure up, in a few words:

GNP growth in the EU is lower than in the US but looking at GNP per capita changes the picture significantly. Differences in bookkeeping conventions and treatment of inflation in the national accounts close the gap further. Europe is highly competitive on world markets both as a buyer and as a seller and, most importantly growth is achieved at much lower social and environmental cost, which tells you a lot about efficiency of our economies.

Moreover, the perception of a superior US economy is heavily skewed by the dominance of a limited number of very large and highly visible marketers of consumer services. In short, the FAANG's. Nobody is paying attention to the much larger business to business markets where many European companies excel.

As a matter of fact, the US should be far, far ahead of the EU if one takes its extraordinary array of competitive advantages into account.

To mention a few

A large fully integrated market, ideal for the exploitation of network effects, one legal system, one fiscal system, far fewer regulators, deep capital markets, the most sophisticated service industries, home to the top universities,

Of course, you noticed immediately that this list doubles as an overview of EU disadvantages.

How can this be? How can the EU do so well under those circumstances? One logical way out is to assume that the US finds it difficult to capitalize on its competitive advantages. An interesting route to explore but that is for another day. The other route is to postulate that Europe must have competitive advantages. that up till now have not been recognized as such. There must be dark matter, otherwise the universe cannot be understood.

My tentative answer to the question came in the form of a few articles exploring ten concealed European competitive advantages. This would have been the end of the affair had it not been for Karel Lannoo, and Andrea Renda who saw merit in the approach.

Over the past year CEPS has done a great job testing the propositions and to putting them on a more solid theoretical and empirical footing, substantial original work was added, and we worked hard on our recommendations. In this process numerous informal conversations with the Commission, with scholars and private sector representatives proved to very helpful.

This book is an interim result and we hope that this conference will help to shape a program that Andrea and I launch today, The Hidden Treasures Program, that we intend to roll out over the next three years.

There is no doubt that we are committed to a risky venture,

We take on the many that have an apparent interest in putting Europe down, including many Europeans. We provide counterweight to financial markets and their prejudices and distance ourselves from the shareholder enterprise model, until recently the holy grail of capitalism. We also introduce a new form of policy development by focusing on enforcing what is already strong and not what is weak, the latter requiring far more resources with a far more uncertain outcome. Some will take issue with our emphasis on European values and shoring up the institutions that embody these values.

Yet we are hopeful because our recommendations are very much in line with the priorities of the new Commission as our recommendations seek to improve the conditions for sustainable economic growth in the digital age.

There is even the odd chance that we steel the resolve of the Brexit negotiators, by debunking the notion that Brexit has only disadvantages.