MAPPING COMPETITIVENESS
in EUROPE: A quest for new meaures

Gábor Békés

Hungarian Academy of Sciences, Central European University & CEPR

Banque de France, Paris, 16 December 2015

„Compétitivité française : nouveaux enjeux, nouvelles mesures"

This presentation

- Discuss research into new measures of European competitiveness

- Organised around the definition of a competitive economy as one "*in which institutional and macroeconomic conditions allow productive firms to thrive and in turn, the development of these firms supports the expansion of employment, investment and trade*" (Mario Draghi)

- Topics
  - Brief presentation of the *MAPCOMPETE* project
  - Introducing the new *Altomonte – Békés Blueprint*
  - Some emerging views on measurement

I. THE PROJECT MAPCOMPETE

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Motivation for Mapcompete

- **Competitiveness** is a key objective of national and European economic policies

- It is firms, rather than countries that **compete globally**

- Large number of competitiveness reports with many different concepts and indicators
  - No general consensus about how to measure competitiveness

- Toolbox for policy-makers outdated
  - Especially at EU level

- No global or even European harmonized data for an assessment of different aspects of competitiveness
  - Particularly for micro-data

The Mapcompete project

- The aim of the MAPCOMPETE project was to help fill this gap by **providing inputs for a thorough assessment** of competitiveness indicators and the potential development of new ones.

  - Comprehensively map data availability and accessibility in the European Union

  - Provide a critical overview of new analytical methods and new data sources as they became available to researchers

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DataMap & Webtool

Data Map

- Produced on the basis of a database that will allow researchers and stakeholders to assess the availability and computability of indicators of competitiveness within and across countries

Web tool

- Access meta data information online
- Open to public as of today
- Will be introduced today

INFO: http://webtool.mapcompete.eu/wp-content/uploads/2014/04/Mapcompete-MetaWebtool-manual.pdf

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DataMap & Webtool

It is possible to select more than one option just by keeping CTRL pressed.

HOW TO USE WEBTOOL

Country

Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia

select all   select none

Concept

EU regional indexes and infrastructure
Firm dynamics
Global Value Chains (GVC)
Innovation activity, all firms
Innovation activity, SMEs
Intangible assets and financial activity
International activities
Labour force

select all   select none

Data aggregation

Country
Sector
Regional
Bottom-up
Bottom-up regional

select all   select none

Indicator

Current account balance
Dispersion of firms
Domestic credit provided by banking sector
Domestic credit to private sector
Effective corporate tax rate
Employment protection
Employment rate
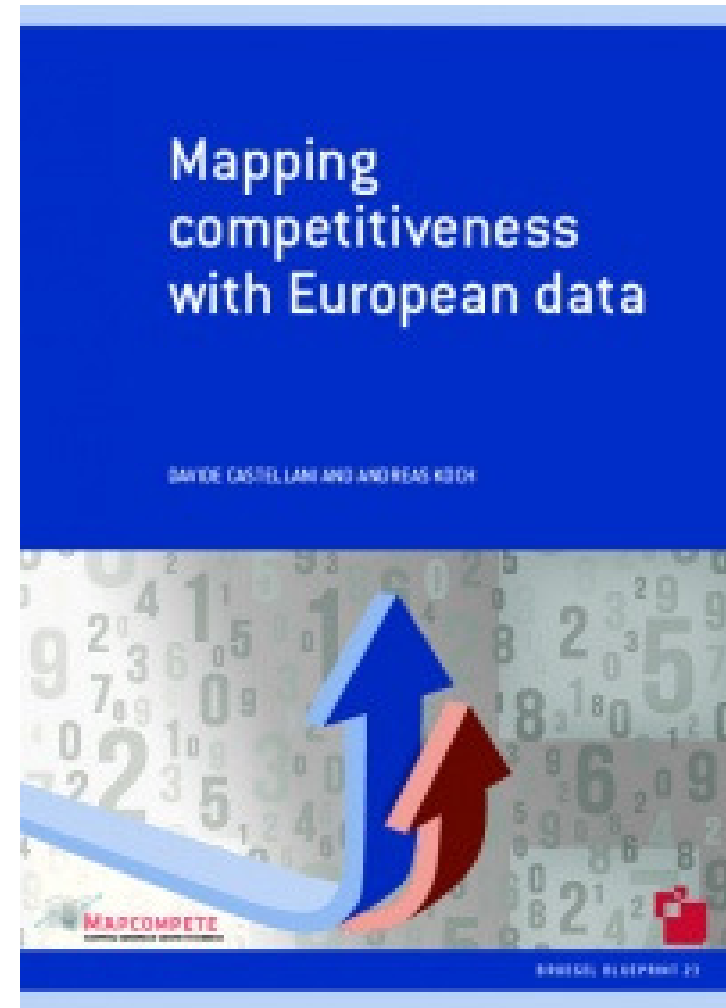Employment shifts between sectors

select all   select none

clear filter   FILTER

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Blueprint on Data

Davide Castellani and Andreas Koch
Bruegel, 2015 March

- Availability of official statistics for measuring competitiveness
- Macro and micro (bottom-up) indicators
- Computability and accessibility of (micro) data
- Cross-country (micro) data matching
- Discussion of methods and problems

Mapping competitiveness with European data

DAVIDE CASTELLANI AND ANDREAS KOCH

II. ALTOMONTE-BÉKÉS BLUEPRINT

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A book about new thinking about competitiveness

Bruegel Blueprint Series

- *In press*
- *PDF available on request*
- *Edited volume with six contributions*

Measuring competitiveness in Europe: resource allocation, granularity and trade

CARLO ALTOMONTE AND GÁBOR BÉKÉS, EDITORS

BRUEGEL BLUEPRINT 24

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Blueprint themes

Competitiveness measurement topics:

- **Granularity** -- analysis of firm-level characteristics, highlighting the role of a small number of highly-productive firms

- **Reallocation** -- interplay of firms' behaviour with structural economic factors

- **Globalized production** -- Value chains and groups – internationalization and fragmentation of production

- **Non-price competitiveness** -- such as quality

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1. Granularity – the point

- Economic activities
  - Driven by a few selected outstanding individuals or companies that play a dominant role in regional and national economic performance

- Thinking about "average" firm is not enough
  - Top 10% firms are about twice as productive as bottom 10% firms (ceteris paribus these firms make twice as much output)
  - These within-industry differences are way larger than the difference across industries
  - Persistent result across countries, industries, measures

1. Granularity - Blueprint

„The importance of micro data in assessing aggregate outcomes" **by Barba Navaretti, Bugamelli, Forlani, Ottaviano**

- Features of how firm size (employment, sales) or productivity is distributed in the economy
- Correlates with measures of success in global markets
- A competitiveness indicator

„Micro-founded measurement of regional competitiveness in Europe" **by Békés and Ottaviano**

- The role of large firms in regions matter even more
- Regional indicators greatly affected by granularity

2. Resource allocation – the point

- A significant part of the differences in productivity between countries can be accounted for the **differences in allocative efficiency**

- Lagging performance: some technology or policy-induced frictions in capital/labour markets **might prevent** productive inputs from flowing into the firms that would use them in the most productive way

- **Removing these frictions** thus provides a potential new channel for boosting aggregate productivity

2. Resource allocation – the Blueprint

„Resource misallocation and aggregate outcomes: towards better assessment of competitiveness" **by Fontagné, Santoni, Tomasi**

- Misallocation - departure from an efficient use of the labour input, increasing over the 2000s in France
- Negative correlation between resource misallocation and the trade performance of some manufacturing sectors

„Centralisation of wage bargaining and firms' adjustment to the Great Recession: a micro-based analysis" **by di Mauro ,Ronchi**

- Show that wage-bargaining institutions affect how shocks are distributed by firms to their economy

3. Globalized production – the point

- **Internationalization activities are key** to understand firm performance

- Emergence of global value chains (GVCs) -- **fragmentation** of production activities & **the international dispersion** of tasks -- influence deeply firms' competitive strategies

- **These features affect**

  - What measures to develop

  - What data to use

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3. Globalized production – the Blueprint

„Global value chains and GDP growth in the post-crisis context" **by Altomonte, Colantone, Zaurino**

- GVC induced trade in (mostly) intermediaries has become very important

  - It behaves differently - dropped sharply in 2009
  - Adjustment process differs as well
  - GVC reaction to shocks will affect trade cycles beyond consumer demand

- For firms, selling to multinationals at home or the ability to build up a chain of suppliers is an equally important and policy relevant channel

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3. Globalized production +1

- There is **broad, robust, and strong correlation** between firms' internationalisation and innovation activities

- Policy shall focus on **capacity building**

- Positioning internationalisation and innovation policies 'under one roof' at both the national and EU levels, would be welcome

Altomonte, C., Aquilante, T., G. Békés and Ottaviano G.I.P. (2013). "Internationalization and Innovation of Firms: Evidence and Policy", Economic Policy, Volume 28

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4. Non-price competitivenes

- New evidence on **the importance of non-price factors** in driving exports

  - The standard price (cost) competitiveness argument – low production cost = more competitive the firm/industry
  - About 1/3 of variation in performance (e.g. exports) rest being dependent on competitiveness-enhancing channels that are alternatives to cost reductions

Blueprint
„In search of lost market share: the French case" by Maria Bas, Lionel Fontagné, Philippe Martin and Thierry Mayer

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What we learnt for better measurement

- Getting **comparable data is crucial**

  • EU-wide effort needed, not-project based
  • Allow regular updates
  • Likely a mix of survey and official data + organization

- Measures should **be comparable at industry, country, regional**

- Some **new measures are emerging**

  • Non-price, quality
  • International market performance

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Example: Regional trade performance (xEU)

- [524.3,42421]
- [181,524.3]
- [51,181]
- [0,51]
- No data
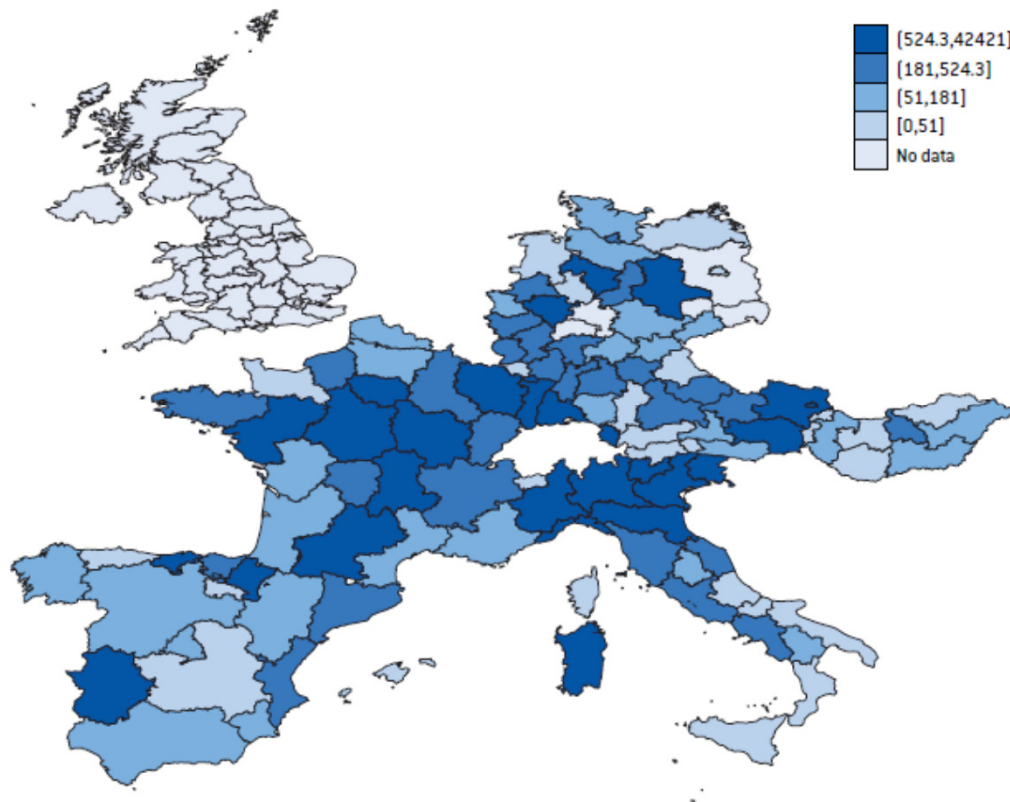
- New measure: **Index of exports to outside of Europe**

  - Straightforward
  - Comparable
  - But hard to calculate

- Here: using EFIGE survey as an illustration

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What we learnt for better measurement

- Macro/aggregate data → micro/firm level data
- Average → details of economy, distributions
- Policy to boost on *average* → reallocation key
- Unit labour cost → productivity, internationalization
- Firms → groups, GVC (what role a firm plays is crucial)
- Measures at country → EU wide comparable measures
- National data + EU collection → EU level micro data

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