

## Workshop

# Supply vs. Demand Policy: Which Crisis Exit Strategy for the EU and France?

Friday, December 12th 2014

France Stratégie - 18, rue de Martignac - 75007 Paris

PROGRAM

## The context

As the US seem to more and more strengthen their recovery from the financial crisis, the same economic turmoil has left a much more durable mark on potential output in Europe. The euro area is still especially far from its 2008Q1 GDP levels. The hardening of financial conditions induces the deleveraging of the private sector, which increases unemployment, provides incentive for more adjustment, and finally widens macroeconomic uncertainty. Meanwhile, investment lags behind, which forbids any real productivity growth or strengthening of demand. The more or less structural nature of this phenomenon is open to question.

In this context, supply policies are usually thought of as the best remedy to foster private investment, as long as they do not (too much) hamper demand in the short run, as well as human capital and the environment in the long run. But very low inflation prospects and the simultaneous fiscal consolidation plans of many European countries have made the use of this essential instrument more difficult and painful. Potential win-win combinations of supply policies without adverse demand side effects should be weighed in and carefully evaluated in terms of their potential effect on overall productivity gains (The Juncker Investment Plan).

Demand policies on the other side, are aimed at reducing the output gap in the short run. But they could also show the long term commitment of EU countries to prepare the union for a new growth regime (a common objective with supply side policies). They thus also deserve a careful analysis. The possibility for a combination of this kind of policy with the continuation of fiscal consolidation has to be evaluated, as well as the best sectors or regions to be targeted to reach the maximum multiplier effect.

In brief, if investment could be the key to a European recovery, either through supply side or demand side policies, it is only provided it can strengthen potential output and reduce the output gaps between member countries, which means tackling the specifics of its origins (financial vehicle), its use (specific sectors or economic agents), and most likely spillover effects (depending on the targeted geographical areas). The specific role of France in this context has to be enlightened (energy transition, banking reform, education).

Finally this workshop aims at giving a clear-cut and accurate picture of the European and French economic situations. Do respectively the Euro Area and France lack supply or demand? Does France and its main Euro area economic partners show a lack of competitiveness compared to Germany? Why? It will finally open the discussions on the current policy solutions, defined both at country and European levels, considered to boost short and long term European economic growth.

13:00-14:00 Lunch Buffet

14:00-14:15 Introduction :

**Jean Pisani-Ferry**, French government's Commissioner-General for Policy Planning and professor at the Hertie School of Governance

**Xavier Ragot**, President of the French Economic Observatory (Observatoire français des conjonctures économiques, OFCE)

14:15-16:00 Session I: **Does Europe lack supply and/ or demand? Which growth enhancing policies?**

**Moderator: Jean Pisani-Ferry**

**Speakers:**

14:15-14:30

**Maarten Verwey**, Deputy Director-General for Economic and Financial Affairs (ECFIN), European Commission,

**The Eurozone situation, risks and challenges**

14:30-14:45

**Fabien Dell**, Economic adviser to the Commissioner Pierre Moscovici, Economic and Financial Affairs, Taxation and Customs, European Commission

**The state of European economies. Is the crisis over?**

14:45-15:00

**Xavier Ragot**, President of the French Economic Observatory (Observatoire français des conjonctures économiques, OFCE)

**Analysis of the European economic situation. Presentation of IAGs reports, focus on European economic stagnation and policy recommendations**

15:00-15:15

**Henrik Enderlein**, Director of the Jacques Delors Institut - Berlin and Professor of Political Economy at the Hertie School of Governance

**Main conclusions and policy recommendations of the Pisani- Enderlein report to ministers S. Gabriel and E. Macron**

15:30-16:00 Debate

16:00-18:00 Session II: **How to foster short term and long term French economic growth? Geographical needs and financial vehicles at hand in France: what are the options?**

**Moderator: Xavier Timbeau**, Director, French Economic Observatory (Observatoire français des conjonctures économiques, OFCE)

**Speakers:**

16:00-16:15

**Éric Heyer**, Deputy Director of the Analysis and Forecasting Department (OFCE)

**The demand issues in France**

16:15-16:30

**Gilbert Cette**, , Director of Microeconomic and Structural Analysis, Banque de France, Professor of Economics, Faculté de Sciences économiques - Université d'Aix-Marseille

**The supply issues in France**

16:30-16:45

**Alain de Serres**, Head of Structural Surveillance Division, Economics Department, OECD *Structural policies in the EU*

**Structural reforms for growth in France**

16:45-17:00

**Pierre Douillard**, Researcher, France Stratégie

**How and where to invest in France: public vs private investments, sector and geographical needs, financial vehicles. How effective and relevant is the distinction between demand and supply issues?**

17:00-17:45 Debate

17:45-18:00 Conclusion :

To be shared between **Xavier Ragot** (OFCE) and **Jean Pisani-Ferry** (France Stratégie)

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