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# Indicators for the internal market? An unfinished business

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# Indicators for the internal market? An unfinished business

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*Based on the talk given to the JRC event*

*'Scientific support to Internal Market' in*

*Brussels on 21 February 2013.*

## Summary

At the recent event 'Scientific support to Internal Market' organized by JRC in Brussels on 21 February 2013 and attended inter alia by Commissioner Michel Barnier, the Deputy Secretary-General of the OECD Yves Leterme, and the Chairman of the STOA panel António Correia de Campos, a discussion has taken place on the role of statistical indicators in the measuring of the Internal Market, for both analytic and communication purposes.

Presenting a JRC reflection note at this event I have argued that between the 'hard' transposition numbers offered by the Internal Market Scoreboard and the 'soft' surveys offered by the two yearly editions of the Consumer Market Scoreboard there is perhaps a space which could be populated if a harmonized measurement system could be designed. Such a system would ideally cover all functions which may be needed to put the internal market to the center stage of a policy discourse. This could range from the quantification of the 'quality of transpositions to the generation of meaningful data driven narratives on the benefits of the internal market. In the present short note we recall the main points of this argument.

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## 1. Introduction

The European Commission has in its Internal Market what was before the single currency its most ambitious project<sup>1</sup> and still is today together with the EURO the best incarnation of the founding fathers' ideals of a prosperous Europe. At the same time the European Commission prides itself for its evidence based policy approach<sup>2</sup> and has produced a vast system of indicators to describe its progress in various policies fields. The five benchmarks of the EU 2020<sup>3</sup> top this list of 'what counts'. Has the internal market policy its fair share of indicators?

Looking at the internal market one can make the point that

- The existing internal market measures are neither sufficient for analysis nor conducive to a coherent narrative.
- The EU countries are characterized by heterogeneous legal and normative environments and hence more study of the quality of implementation of internal market directives would be needed

According to Malcolm Harbour, Head of the European Parliament Committee on Internal Market and Consumer Protection, “[...] *too little policy analysis is carried out on single market issues. [...] this analysis is] surely essential if the potential gains in job creation, business start-ups, wealth generation and consumer choice are to be realised*”<sup>4</sup>. He also notes: “[...] *weak enforcement and compliance are the biggest obstacles to reaping its full benefits. [...] infringement procedures before the EU court are expensive, and thus] The focus must shift to nonlegislative instruments, by better cooperation between administrations and by empowering affected stakeholders (including consumers, citizens, enterprises and public authorities) to challenge administrations where their rights are being infringed.*”

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[http://ec.europa.eu/economy\\_finance/emu\\_history/documentation/chapter12/19880301en127eurochallenge92\\_a.pdf](http://ec.europa.eu/economy_finance/emu_history/documentation/chapter12/19880301en127eurochallenge92_a.pdf)

<sup>2</sup> [http://ec.europa.eu/smart-regulation/index\\_en.htm](http://ec.europa.eu/smart-regulation/index_en.htm)

<sup>3</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators)

<sup>4</sup> Malcolm Harbour's preface to the CEPS study: Enforcement in the EU single market, by Jacques Pelkmans and Anabela Correia De Brito, Centre for European Policy Studies

In fact while ‘*cooperation between administrations*’ and the ‘*empowering affected stakeholders [...] enterprises, and public authorities*’ is on a good foot (SOLVIT<sup>5</sup> and Internal Market Information System<sup>6</sup> are good examples) consumers and citizens are still scarcely empowered.

A JRC report<sup>7</sup> on the Consumer Empowerment Index, based on Eurobarometer data of the Commission, shows that the ideal “average consumer” is not “reasonably well-informed, observant and circumspect<sup>8</sup>” as the European consumer law assumes. Beyond the classic north south & east west variations in consumer empowerment, the report also points out surprising generational and gender disparities.

In our opinion the information derived from the consumer empowerment work is a good start and should be improved:

1. with an agreed definition of consumer empowerment and its components (totally lacking),
2. providing information on the institutional settings "empowering" consumers (e.g. knowing 3 organizations protecting consumers is a notable score when a country has 3 consumer organizations but is low when a country has 30 organizations.)
3. improving the questionnaire construction and data collection

Again in our opinion a major improvement would be to relate empowerment to markets with ad hoc data collections and studies (empowerment is important when one buys a house, car, insurance less important when buying apples).

## 2. Measuring the Internal Market

The major monitoring tool of the situation of the internal market is surely the Internal Market Scoreboard – a ‘counter’ of transpositions in Member States. According to a recent study<sup>9</sup> from the EU Parliament the internal market scoreboard

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<sup>5</sup> [http://ec.europa.eu/solvit/site/index\\_en.htm](http://ec.europa.eu/solvit/site/index_en.htm)

<sup>6</sup> [http://ec.europa.eu/internal\\_market/scoreboard/performance\\_by\\_governance\\_tool/internal\\_market\\_information\\_system/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/internal_market_information_system/index_en.htm)

<sup>7</sup> The consumer Empowerment Index, M. Nardo, et al., EUR 24791 EN, 2011.

<sup>8</sup> The wording is borrowed from the EC directive on unfair commercial practices.

<sup>9</sup> IMPROVING THE INTERNAL MARKET SCOREBOARD AND THE CONSUMER MARKETS SCOREBOARD, David O’Keeffe et al., EU Parliament report for IMCO, 2008.

- Monitors internal market law rather than internal market
- Does not target citizens
- Should give ideas about costs incurred
- Should offer more sector specific info

This scoreboard is very good at his task of naming and shaming public administrations, but less so to attract citizens' interest. A common criticism is that being a ratio of transposition deficit versus total number of directives since 1957, the measure offers a false signal of improvement simply due to the growth of the denominator. The same report notes: "*A general remark from the experts is that more attention should be paid to indicators related to the quality of transposition of legislation. [...] a related weakness in the Scoreboard is that it accords the same weight to the transposition of crucial Directives for the Internal Market, such as the Services Directive, as to less important Directives.*"

The call for using statistical information to name, shame and fame Member States has a long story rooted in the open method of coordination, which was debated in the Kok report<sup>10</sup> of 2004, and more recently in Monti's report of 2010<sup>11</sup>. In this latter report, one can read that '*the Internal Market Scoreboard has proved to be a very effective tool to ensure transparency and leverage peer pressure. It should be expanded. Once measures are notified, conformity analysis by the Commission is a critical task. Unfortunately, today conformity checks are an administrative nightmare.*'

Also as a reply to these expectations the European Commission has developed Consumer market scoreboards. Till 2012 these scoreboard appeared in two editions, spring and fall. The spring edition monitors Member States' consumer conditions (enforcement, awareness, complaints, problems, redress), integration of the single market and the development of e-commerce.

The autumn edition ranks about 50 consumer markets in terms of comparability of offers, trust in retailers, problems, complaints, satisfaction, switching, pricing and safety.

Both surveys are based on Eurobarometer. Referring again to the EU parliament study<sup>9</sup> the main problems with these measures relate to interpretation, such as e.g.:

- Dutch people complain a lot and Greek people don't; what does it mean?

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<sup>10</sup> Kok, W.: 2004, The High Level Group on Lisbon Strategy (chaired by Wim Kok) (2004) –Facing the Challenge, European Communities, Luxembourg.

<sup>11</sup> [http://ec.europa.eu/bepa/pdf/monti\\_report\\_final\\_10\\_05\\_2010\\_en.pdf](http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf)

- Cross border purchases: a success or a failure on the internal market?

The comparability across different norms and cultures is a problem here. Additionally, personal care and culture and entertainment are top in the fall scoreboard; is this because they correspond to pleasant activities when compared to mortgages, loans, and banking? How much are perceptions influenced by price shock? By the business cycle? The scoreboard confirms the bad perception associated to the mobile phone services, on which the EC had to operate with a regulation termed ‘draconian’ in a recent CEPS brief<sup>12</sup>. We have argued at the beginning of this short note that the EC lacks analytic tools to investigate internal market issues. An indirect proof of this is that in a recent report<sup>13</sup> the EC uses the World Bank’s Doing Business Indicator<sup>14</sup> and the OECD’s Product Market Regulation Index<sup>15</sup> to assess the impact of internal market.

### 3. Heterogeneities of norms and values

What complicates enormously the issue of measuring internal market performance is that EU countries are characterized by very heterogeneous legal and normative environments. To make a simple example, the Corruption Perceptions Index (CPI) of Transparency International, and NGO, uses 13 sources to rank 176 countries, including the all 27 EU countries. The CPI (Figure 1) shows that two countries (Finland and Denmark) top the league, while Greece ranks between India and Columbia and Italy or Bulgaria are sandwiched between South Africa and Zambia.

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<sup>12</sup> CEPS Policy Brief No. 231/January 2011, Single eComms market? No such thing..., Jacques Pelkmans and Andrea Renda

<sup>13</sup> Josefina Monteagudo, Aleksander Rutkowski, Dimitri Lorenzani, The economic impact of the Services Directive, ECFIN Economic Papers 456, June 2012

<sup>14</sup> <http://www.doingbusiness.org/>

<sup>15</sup> <http://www.oecd.org/eco/reform/indicatorsofproductmarketregulationpmr.htm>

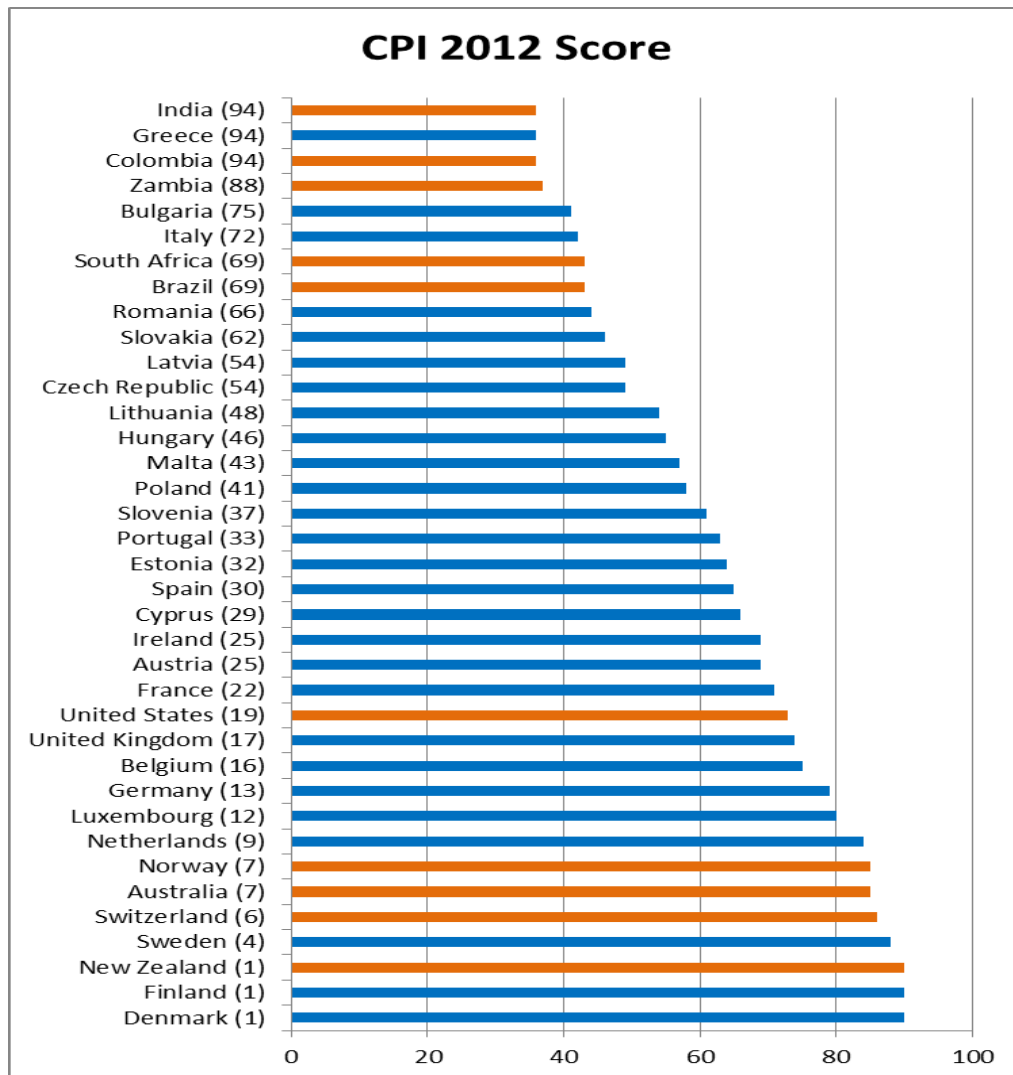
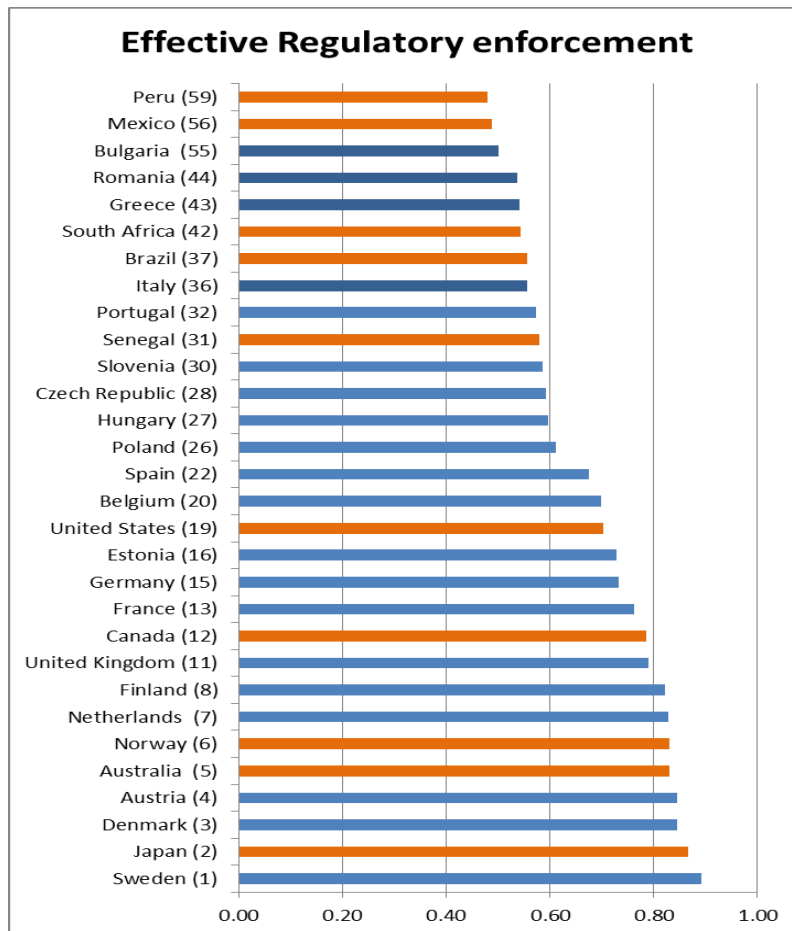


Figure 1. Corruption Perceptions Index (Transparency International, <http://www.transparency.org/research/cpi>)





**Figure 2. 6th dimension of the Rule of Law Index, <http://worldjusticeproject.org/rule-of-law-index>**

A similar conclusion can be reached if one looks at Regulatory Enforcement as measured by the Rule of Law Index, produced by the World Justice Project, another NGO. Even here (Figure 2) an EU country tops the league (Sweden), and another group of EU countries ranks below Senegal. One might object to these measures but the picture of heterogeneity does not change much if one looks at sub-dimensions from other studies, such as the World Bank’s Doing Business or the World Economic Forum’s Global Competitiveness Index.

All this would suggest that a possible study on the quality of transposition of EU directives in the EU would likewise reveal considerable differences in performance.

The missing narrative on the internal market at the level of the citizenry has also been mentioned in this brief. An example could be taken from the internal market scoreboard: who among our readers knows who is the EU laggard in the transposition of directive in 2013? And in 2012? Don’t be too concerned if you don’t. Italy was very bad in 2012, but the Italian author of this

note cannot recall ever reading of this in an Italian newspaper. Belgium now lags. Is this echoed in the press of that country?

#### 4. Conclusions

If one thinks that evidence based policy also serves an important advocacy function (I measure something, hence it is important, following Lord Kelvin's old say) the scarce quantity and quality of evidence based advocacy in support to the single market is surprising. For the sake of the argument one could go as far as to say that the OECD – inspired by general – non EU specific - economic liberalisms – has done more to measure internal market 'facts' than the EC, see e.g. the OECD Product Market Regulation Index<sup>15</sup>, and of the work of the OECD on the quality of regulatory reform<sup>16</sup>, to mention just two areas of clear relation to the functioning of a truly integrated internal market.

And still there is a potential 'market' for these measures; think of the impact of the Doing Business indicators of the World Bank – often in televised debate one hears mention of World Bank measures (such as time to set a litigation, time to obtain permit to build a storehouse). Where is a corresponding measure from the EC? Where are the indicators, where are the programs to measure on the field using rigorous econometric tools the benefits from the internal market?

The European Commission Single Market Act II (October 2012<sup>17</sup>) identifies twelve levers to boost growth and strengthen confidence, ranging from venture capital legislation to directives for the positing of workers. A humble proposal would be to complement this with a thirteenth measure: building an integrated measurement system, inclusive of sector specific indicators of the quality of transposition and of the functioning of the market, combining soft (e.g. survey based) with hard (e.g. EU statistical offices') information. It will be hard to achieve a single market for services without the EU citizens on board. Powerful evidence based narratives supported by good statistical measures and good analytic work are a possibility which should not be left untried.

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<sup>16</sup> <http://www.oecd.org/regreform/>

<sup>17</sup> [http://ec.europa.eu/internal\\_market/smact/docs/single-market-act2\\_en.pdf](http://ec.europa.eu/internal_market/smact/docs/single-market-act2_en.pdf)

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