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STATE OF THE UNION

Meet the European Consumer

By ANN METTLER

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On a continent better known for its ideological divide between labor and capital, a new actor has made a star debut on the political stage: the European consumer.

Nowhere has the policy shift been more evident than in Brussels, where European Commission President José Manuel Barroso orchestrated a radical u-turn from an unabashed "pro-business" stance towards a "citizens' agenda." Mr. Barroso has called for a "Europe of results" and a "policy-driven agenda which addresses the expectations of EU citizens." This new approach has much better prospects of leading to economic success and job creation than the previous strategy.

For too long, political leaders of a "pro-business" conviction purported to stand up for growth and jobs, but in reality inflicted great harm. Given Europe's industrial legacy, "pro-business" too often translated into the protection of incumbents. In the absence of competitive pressures and basking in the comfort of powerful political connections, entire industries became tired, slow-moving dinosaurs. Instead of serving the rapidly changing needs of customers, an inward-looking, self-serving mentality emerged, coupled with an unhealthy dependence on political protection of "national champions."

New market entrants, on the other hand, faced discrimination and deeply distorted market conditions. Just consider these figures: While eight of the 25 largest U.S. companies did not exist yet in 1960, Europe's largest 25 companies were all founded before 1960. European companies grow at a snail's pace compared to their peers across the Atlantic. Whereas on the Continent the average business employs five people, in the U.S. that number stands at 19. Deprived of the dynamism and hunger of a thriving entrepreneurial class, Europe seemed caught in a vicious cycle. Political leaders, faced with what appeared for several years as an unstoppable rise in unemployment, advocated "pro-business" policies of protecting incumbents in an effort to "save jobs." But they learned the hard way that this policy neither saves jobs nor the companies that created them. In the end, consumers were left to foot the bill for keeping underperforming companies afloat and carry the social cost of high taxes and unemployment.

The new awareness of the shortcomings of Europe's traditional "pro-business" policies is leading to remarkable changes. In Italy, the centre-left government of Romano Prodi has made itself a champion of consumer interests. One of its first actions was to challenge so-called "protected professions," such as pharmacists, taxi drivers and notaries -- groups that for decades had a free pass to high charges and

protection from competition. In Germany, the competition authority recently published a list on its Internet site comparing gas prices across the country. The interest from consumers was so overwhelming that the server could not cope with the web traffic and the site had to be shut down for several hours. This kind of transparency, which empowers consumers, had hitherto been unthinkable.

At the European Commission, a flurry of consumer-oriented policy proposals has given the body new legitimacy. Starting last July with an immensely popular initiative to tackle disproportionately high roaming charges, the Commission has now put its sight on Europe's energy markets, vying to enforce greater competition among national incumbents to lower prices. And following the "bra war" in the summer of 2005, when the competition from cheap Chinese textiles pitted South European producers, who called for import quotas, against North European retailers and consumers -- the Commission is now scrutinizing its antidumping legislation. Given the profound changes in the global division of labor, it doesn't serve Europe's economy or its consumers to protect domestic T-shirt or loafer producers from their Chinese rivals.

Economic incumbents, though, will surely not idly watch their power and market share erode. Pointing to their large work forces, they will undoubtedly press even harder for political patronage. The only way for political leaders to withstand such pressures is by playing the consumer card. For too long, Europe has thought of consumers only in terms of protection. But it is dawning on politicians that that's not enough. A consumer also needs adequate information, political empowerment, transparent markets and, significantly, an awareness to demand choice and quality. Consumer issues need to be approached from a horizontal perspective, meaning that all pertinent policy departments must legislate and regulate first and foremost with the consumer in mind. A pledge to serve the common good by creating the competitive conditions that force producers to deliver the best possible product or service at the lowest possible price is a powerful political tool that has until now been underutilized. For Europe's society at large, the political discovery of the consumer is the best economic news of recent history.

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