9.

Compétitivité : une question d'horizon ?

Le débat sur la compétitivité a rebondi l'automne dernier en France, avec le rapport Gallois, mais il se pose également avec acuité dans les pays européens en crise, aux États-Unis et au Japon.

La compétitivité soulève d'emblée un problème d'arbitrage entre court terme et long terme. Par exemple, on sait qu'une dévaluation fiscale accroît à court terme la compétitivité/prix des entreprises, mais non à long terme, la hausse des salaires ayant tendance à annuler progressivement la réduction des coûts.

À long terme, la politique de compétitivité se confond avec la politique de productivité et d'innovation. Toutes ces politiques sont longues à mettre en œuvre et mettent du temps à donner des fruits.

L'articulation entre les politiques de compétitivité de court terme et de long terme pose un problème d'affectation des moyens publics. Mais cet arbitrage ne saurait être réduit à cette contrainte de financement : soutenir les marges des entreprises à court terme permet de préparer l'avenir en améliorant leurs capacités à investir dans la productivité et l'innovation.

Contribution du Cercle des économistes

Agnès Bénassy-Quéré

Témoignages

Claudia Buch • Jean-Luc Placet • Maurizio Borletti • Jaime Garcia-Legaz Ponce
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Modérateur

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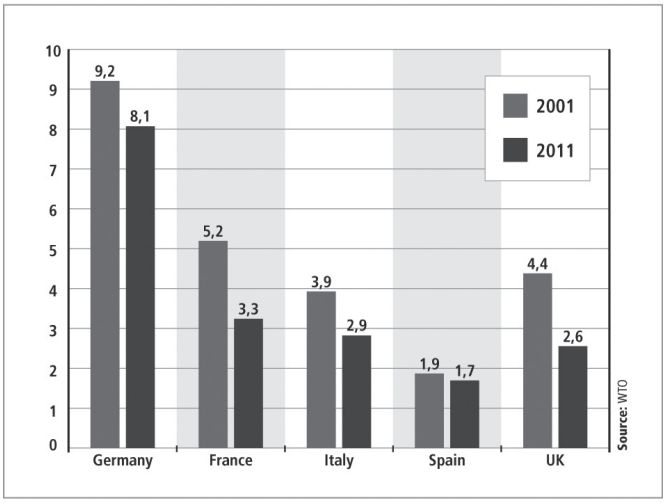
Lost in Competitiveness

Agnès Bénassy-Quéré

From 2001 to 2011, French firms lost almost 2 percentage points of market share on the global market. Although market shares should not be considered the final objective of economic policy, especially since the rise of emerging countries mechanically lowers the market shares of OECD ones, such marked retrenchment is worrisome especially compared to other countries of the euro area (Figure 1). This poor performance reflects a weakening ability of French firms to provide adequate goods at an adequate price. It is much more meaningful than the trade deficit, which heavily depends on the strength of domestic demand.

1. Global merchandise market shares, 2001 and 2011, in %



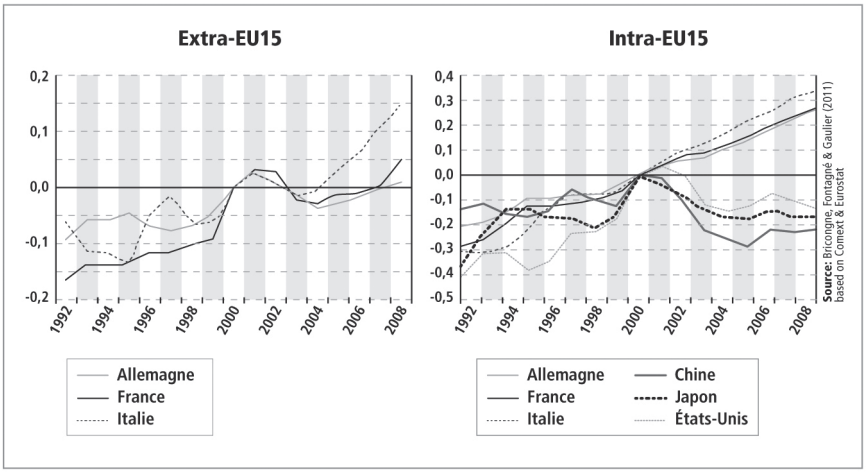
The potential causes of French poor performance on export markets can be classified into two categories:

– a loss in price competitiveness;

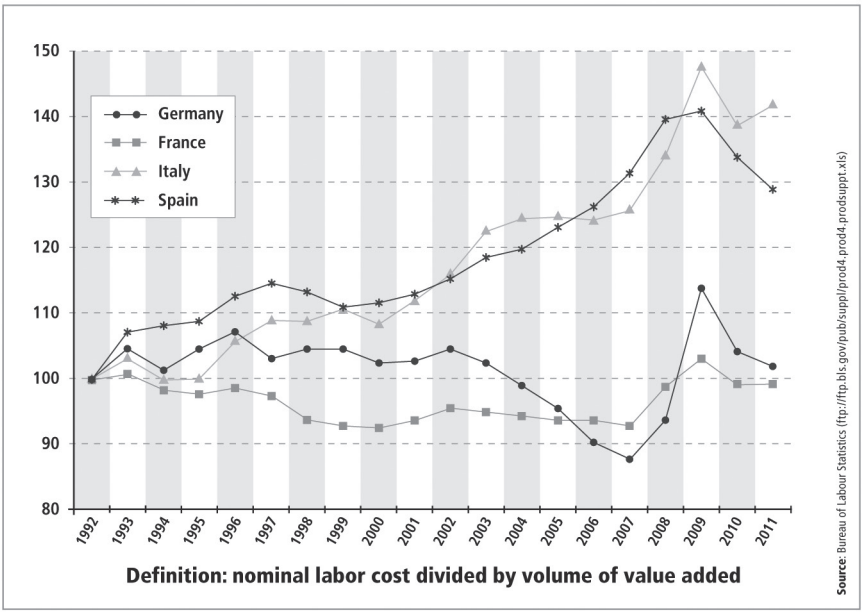
– a loss in non-price competitiveness.

Existing data points to the latter as a major explanation for the poor export performance of French firms over the last decade. Indeed, unit values of exports have evolved similarly in France as in Germany, both on the EU market and on non-EU ones, as evidenced in Figure 2.

2. Unit value of exports, in log (0 in 2000)

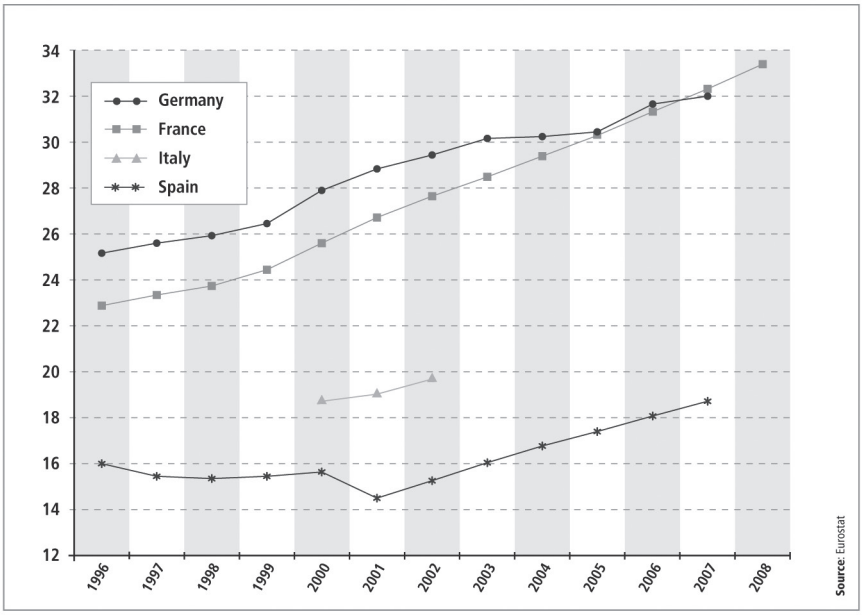


3. Unit labor costs in manufacturing, 100 in 1992



Likewise, unit labour costs in manufacturing have not diverged between France and Germany (Fig. 3). Even when labor costs are not corrected for productivity, it is hardly possible to argue that French manufacturing firms suffer from higher labor costs (Fig. 4).

4. Hourly cost of labor, industry (excl. Construction), in euros



In fact, the poor performance of French exports in the last decade may well come from… the non-traded goods sector. Figure 5 shows that in services sectors, there is a clear divergence of labor costs in France and in Germany, starting in 2000, hence before the Hartz reforms in Germany (2003-2005).

This divergence seems to have translated in a divergence of prices in the non-traded goods sectors (Fig. 6).

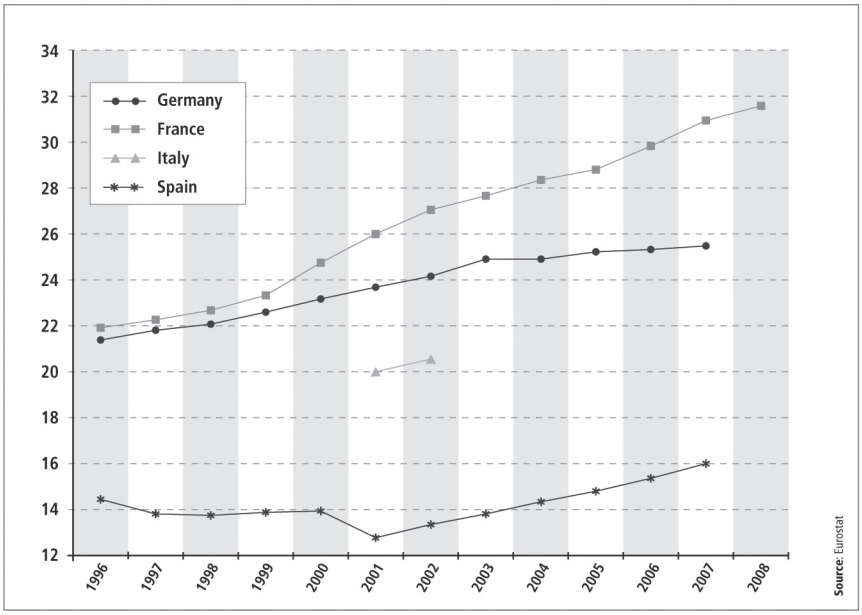
There are two alternative explanations for these features. In the first one, rising labor costs in services sectors fueled rising prices in non-traded goods. In the second one, the lack of liberalization of some non-traded goods sectors maintained a rent to be shared between labor and capital. In contrast, Germany liberalized these sectors, which put pressure on non-traded goods prices and wages in this country. OECD indicators of product market regulations in non-traded goods sectors tend to validate this second interpretation (Fig. 7).

The list of possible reforms in French non-traded goods sectors is well-known. Already in 1959, the Armand-Rueff report[1] pointed the excess of

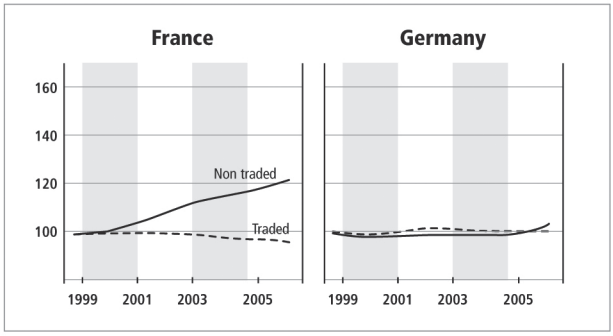
1. Louis Armand and Jacques Rueff (1959), *Rapport sur les obstacles à l'expansion économique*.

regulations as a major obstacle to growth. Fifty years later, the Attali report[2] identified housing, retail distribution and protected professions as major areas with a potential for deregulation. These inefficiencies weigh on the cost competitiveness of exporters through the cost of non-labor inputs. According to the newly-released OECD-WTO database on trade in value added, 55% of the value-added of French exports is made of services (Fig. 8).

5. Hourly cost of labor, services (excl. public administration), in euros

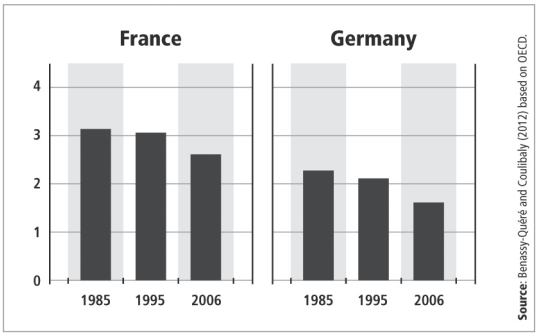


6. Traded vs non-traded goods prices, 100 in 1999

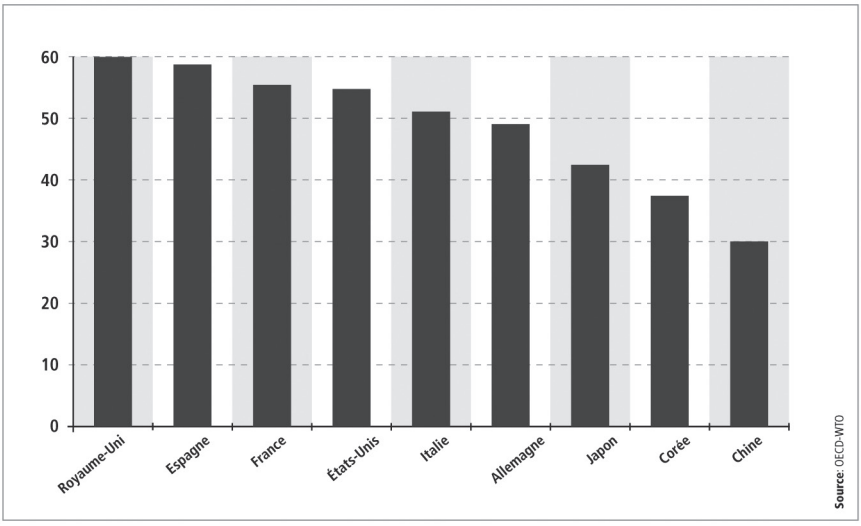


2 Jacques Attali (2008), *Rapport de la Commission pour la libération de la croissance française*

7. product market regulations in non-traded goods sectors



8. Share of services in the value added of exports (in %)



We can then conclude that part of the competitiveness problem of the French economy paradoxically lies in the shaded sectors. The good news is that there is room for maneuver in this area, although the political economy of deregulation is tricky. The bad news is that reforming goods market is espacially difficult from a political economy viewpoint.

External Competitiveness and the Role of the Financial System

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▶ The issue

Nowadays, issues related to the improvement of "external competitiveness" rank highly on the policy agenda. There is a considerable degree of confusion however, what exactly the term means and how policymakers may affect "competitiveness". The degree of confusion has different levels. The concept of (price) competitiveness originally applies to firms, but it is increasingly used also to describe the economic state of entire countries. Also, different indicators are being used to assess the degree of competitiveness, and each of these may lead to different conclusions. Despite these conceptual difficulties, the European Commission has recently proposed to introduce Convergence and Competitiveness Instruments to incentivize structural reforms. In this note, we discuss different measurement concepts related to competitiveness and focus in particular on the impact of the financial sector on competitiveness. We will show that the financial sector plays a crucial role in determining at least an important aspect, namely the performance of firms.

▶ Micro and Macroeconomic Dimensions of Competitiveness

Competitiveness can be defined along the macro and the micro-economic dimension (di Mauro and Forster 2011). At the macro level, competitiveness

focuses on the aggregate price or cost dimension as well as on specialization patterns across industries and during the past decade across the value chain. At the micro-level, competitiveness relates to firm-level performance within and across sectors.

Cost or price competitiveness is usually measured using the **real (effective) exchange rate (REER)** Q_t. The REER compares the price of a foreign bundle of goods P_t^* (measured in foreign currency) converted to the domestic currency E_t relative to the price of the domestic bundle of goods P_t (measured in domestic currency) and therefore yields the amount of domestic goods that are necessary to trade for one bundle of foreign goods. As a result, the REER in a two country-world is just the terms of trade between domestic and foreign goods:

$$Q_t = \frac{E_t \ P_t^*}{P_t}$$

or in log terms:

$$q_t = \log Q_t = \log E_t \ + \log P_t^* - \log P_t \ = e_t + p_t^* - p_t$$

The REER is usually deflated using a wide array of price indices like the consumer price index, producer price index, unit labor costs, or export cost. In a multi-country world, the REER is derived by using trade shares as weights to aggregate the respective bilateral real exchange rates. To simplify the exposition, we consider the REER within the Euro area between member countries that allows us to fix the nominal exchange rate and drop the term e_t.

Consequently, changes in the REER reflect relative changes in the domestic and foreign price level. When the price of domestic prices rises faster compared to the price of foreign goods, the currency would appreciate in real terms. This would also mean that less domestic goods need to be exported to import one bundle of foreign goods. In contrast to that, a real depreciation would result if the price of domestic goods increases by more than the observed increase of foreign goods. But this would also mean that more domestic goods need to be exported to import one bundle of foreign goods. With a real depreciation, the trade value of domestic goods is reduced while the trade value is increased with a real appreciation.

However, using this definition of the REER neglects the fact that a major share of the price level in a country is not determined on international markets for tradable goods but on national markets for non-tradable goods (or non-tradable in the sense that international transport cost are prohibitively high). Assuming that in the home (foreign) country the share α_t (α_t^*) in the price index denotes non-tradable goods while the remaining share is tradable internationally, the nationally price level represents the

weighted average price of tradables goods p_t^{T*} and p_t^T and non-tradables, p_t^{NT*} and p_t^{NT}. The REER can then be decomposed in the different prices that impact its evolution over time:

$$q_t = p_t^{T*} - p_t^T + \alpha_t^*(p_t^{NT*} - p_t^{T*}) - \alpha_t\ (p_t^{NT} - p_t^T).$$

Besides the relative price of internationally traded goods $p_t^{T*} - p_t^T$ the internal relative price of tradables and non-tradables plays a crucial role in determining the REER.

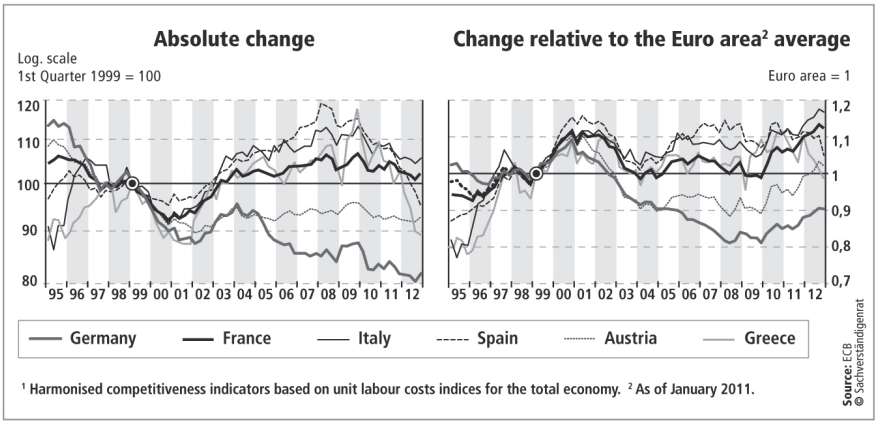
As both prices of tradable goods and of non-tradable goods are determined on goods markets, any factor that influences demand or supply conditions on these markets also impacts equilibrium prices and consequently the REER. Yet, although the current policy debates centers around the price or cost competitiveness of countries, it is not clear at first sight what the REER alone will tell us about price competitiveness. Consider a fall in the global demand for German cars that may also depress German car prices. Accordingly, this would most likely result in a depreciation of German REER –very likely identified as an increased competitiveness by some policy makers– even though the underlying cause of the depreciated German REER is not associated with an increase in competitiveness of German car manufacturers. The reverse also holds true if one considers the case of a spectacular increase in the global demand of German cars that may lead to an increase in the price of German cars and consequently an appreciation of the German REER – a loss in competitiveness – even though competitiveness may have increased as reflected in the increased global demand for German cars.

The REER will also be influenced by domestic factors as, e.g., demographic change that may stipulate an increased demand for mostly non-tradable goods as health care, nursing and other services. This may lead to a shift in relative demand towards non-tradable goods and services that will consequently lead to a change in relative prices of non-tradable goods that is necessary to draw resources from the tradable sector to the non-tradable sector to meet increased demand. This will also lead to an appreciation of the domestic REER which most likely should not be considered a loss in competitiveness. Besides these direct demand issues domestic institutions on product or factor markets –most prominently the institutions on the labour market– directly affect the REER.

A major issue when applying the concept of the REER is to choose an appropriate price index. Using different price indices may change the pattern of the REER over time and across countries. Within the Euro Area, the exchange rate is fixed and the REER between member countries is driven only by the respective price level. The ordering of countries depends

on the price index used[1]. In Spain, for instance, the index using Unit Cost Labour shows a strong depreciation beginning in the year 2010 while the other indicators (such as GFP-Deflator, Producer Price Index or Export Price index) are relatively flat. The base period used to calculate the REER matters as well. Using 1995 as the base period shows that, in the 1990s, Germany may have had a price or cost competitiveness misalignment that was just corrected after entering the currency union.

Competitiveness indicators[1]



[1] Harmonised competitiveness indicators based on unit labour costs indices for the total economy. [2] As of January 2011.

All these indicators are relatively uninformative, however, when it comes to the measurement of firm-level performance or, for that matter, firm-level competitiveness. We know from both the theoretical and empirical studies in the international trade literature that internationally competing firms are highly heterogeneous (cf., Redding 2011) for a recent overview of the different strands of the theoretical research with a brief sketch of the empirical literature and Wagner (2011) for a comprehensive overview of the empirical research). More productive firms can shoulder the fixed and variables costs that are associated with activities on foreign markets more easily than their less productive counterparts, hence the more productive firms are more likely to be also serving markets abroad. This type of firm-level heterogeneity is not detected in the aggregated indicators of price or wage competitiveness discussed above. At the same time, the sorting of the more productive firms into foreign markets has implications for aggregate economic indicators. More specifically, the liberalization of foreign trade (i.e. the lowering of barriers to the entry into foreign markets as well as of trade costs) can have a positive impact on aggregate productivity.

1. Graphics showing the evolution of four different prices indices can be find in the complete version of this article on the website: www.lecercledeseconomistes.asso.fr

If firm-level productivity is so important, the immediate question arises as to what drives productivity. Do firms become exporters because they are productivity – or may exporting and learning on foreign markets drive innovation and thus productivity? And what is the role played by financial institutions for innovation and productivity in the real economy?

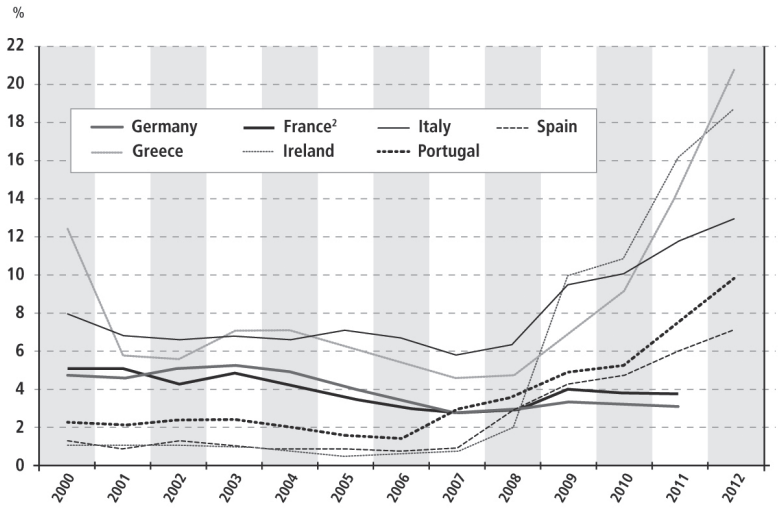
The Role of the Financial Sector

The previous discussion suggests that the financial sector affects both, micro and macroeconomic dimensions of competitiveness. At the macro-level, the financial sector matters because credit market bubbles translates into distortions of relatively prices. Excessive lending in, say, the real estate sector, drives up wages, prices for non-tradables, and thus translates into real exchange rate appreciation. At the micro-level, the role of the financial sector for the reallocation of resources across firms and sectors is well documented for France (Bertrand, Schoar und Thesmar 2007), for Italy (Guiso, Sapienza, and Zingales 2004), or for the US (Jayaratne and Strahan 1996, Black and Strahan 2002, or Cetorelli and Strahan 2006). Hence, a dysfunctional financial sector cannot fulfill its fundamental role of screening and sorting loan applicants and thus stimulating productivity-enhancing investments. This impedes the necessary structural change and the reallocation of (financial) resources from shrinking to growing sectors.

This is, roughly speaking, the situation many crises countries in Europe are facing. They both have to correct excessive real exchange rate appreciation of the past and have to restore the functioning of the financial system, notably the banking system. Banks are burdened with non-performing loans, as can be seen in the graph below. Yet, banks that are encumbered by non-performing loans cannot adequately support the necessary structural adjustments in the real economy. The threat is a Japanese scenario in which for many years unsolved problems in the banking sector impede both investments and growth (German Council of Economic Experts, 2012a). Legacy assets are a problem not only because of their level but also because of uncertainty surrounding the valuation of banks' assets during the crisis. Weak and hesitant national supervisors have created significant uncertainty about the true valuation of banks' assets, thus impeding banks' access to external finance as tools for ex post risk-sharing. Many banks in the crisis countries have lost access to international financial markets, and countries have experienced a sudden stop and reversal of international capital flows.

In this context, current reforms of the European financial architecture, notably the Banking Union, plays a key role. In principle, the Banking Union rests on three pillars: a common supervisory mechanism, a common resolution scheme, and a (fiscal) financing mechanism. If implemented correctly (Buch, Körner and Weigert, 2013; German Council of Economic Experts, 2012)

Banks' non-performing loans in selected countries[1] as a ratio of gross loans



[1] The definition of non-performing loans differs from one country to the next. For this reason it is harder to compare figures between countries than within a single country over time. [2] For the year 2011, status: as at Q2.

Source: IMF

the Banking Union has the potential of facilitating the restructuring of the European banking sectors, to enable the banks remaining in the market to assume their function for the economy, and to strengthen the supply-side of credit markets. Other measures that are currently considered to counteract a potential credit crunch in the crises countries such as subsidized lending to SMEs which do not tackle the root of the problems in the banking sector are likely to be ineffective or even aggravate the mis-allocation of resources.

Les marges de manœuvre de la compétitivité

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Fédération SYNTEC

Il n'y a pas de fatalité en matière de compétitivité. Je pense qu'il y a énormément de marge de manœuvre pour les entreprises lorsqu'on prend en compte le court terme et le moyen terme, la compétitivité coût et hors coût. Qui dit compétitivité, du point de vue de l'entreprise, devrait plutôt parler d'une combinatoire entre ces quatre éléments.

▶ Les entreprises ont des marges de manœuvre

Le macro, le CICE, l'intervention du financement des entreprises, etc. sont des éléments de moyen et de long terme. Quand on est un expert, on privilégie ces approches macro, globales, celles sur lesquelles les pouvoirs publics ont la main.

Or les enjeux de l'entreprise sont (aussi) à court terme, et dans les faits, beaucoup n'attendent pas pour agir sur ce qui est à leur main : la compétitivité coûts, mais aussi, et peut-être surtout, hors coûts. La compétitivité hors coûts n'est pas un concept « mou » : ce sont des actions très concrètes pour poser les bases d'organisation plus agiles et plus innovantes. On parle ici de dynamiques managériales, de projets collaboratifs, de transparence et de partage, de responsabilité et d'autonomie. Mais on parle aussi d'organisation, de systèmes, de réseaux, etc.

Évidemment ce sont rarement là des leviers d'action à court terme. Mais ce qui est très intéressant, c'est de constater qu'agir à moyen ou long terme peut parfois payer à court terme. Par exemple aux États-Unis, Jean-Dominique Senard, président de Michelin, a réussi en 2009 un mélange

de réduction brutale des coûts sans licencier, en réduisant les salaires et en mettant en place des formations. Un an plus tard, retournement de la conjoncture et adhésion complète du corps social qui s'était trouvé bien traité. Donc toujours cette notion court terme, moyen terme, coûts et hors coûts. Et quel en est ici l'enjeu ? La confiance. Difficile à construire, mais très puissante une fois en place.

▶ L'enjeu du dialogue social

On en vient très vite alors au dialogue social. En France, il est conçu comme une contrainte abominable. Pas du tout ! Il peut être une opportunité. De ce point de vue, le MEDEF et certaines organisations syndicales ont joué un rôle positif en passant l'Accord National Interprofessionnel du 11 janvier 2013, qui montrait que le fait de développer un dialogue social, un échange d'informations notamment économiques, ne comportait aucun risque, aucune menace, mais permettait au contraire de tenir un discours économique cohérent sur les économies de court terme et de moyen terme, sur ce que l'on peut faire dans le coût et le hors coût, sur les méthodes de travail et l'apprentissage, sur l'augmentation de valeur – tout ceci pour le plus grand bénéfice de la confiance.

Il me semble que c'est là un des éléments les plus riches d'avenir à côté des enjeux politiques et macroéconomiques mondiaux et européens. Les chefs d'entreprises doivent le prendre en compte pour donner un support, un climat, un substrat favorables à des recherches tous azimuts de compétitivité. Et l'on notera d'ailleurs que c'est déjà aujourd'hui une réalité : dans de très nombreuses PME par exemple il existe un dialogue social ouvert et de proximité, un partage sans tabou des réalités de l'entreprise.

Il y a encore un autre levier, qui lui relève de l'État – cela dit alors que Dieu sait que je ne suis pas un fanatique de l'administration. Oui, l'État a un rôle – à condition de ne pas chercher à jouer celui des chefs d'entreprise. On ne peut motiver personne, mais on peut mettre les gens dans des conditions qui les motivent, et c'est précisément le rôle de l'État que d'établir un environnement politique et institutionnel propice, des règles du jeu pour empêcher les débordements, afin que les chefs d'entreprises jouent leur rôle et prennent des décisions court terme et moyen terme, coûts et hors coûts favorables à l'entreprise.

Le rôle de l'État réside, comme le faisait l'État Suédois à une certaine époque, dans cette mise en condition et non dans l'interventionnisme colbertiste. Ces vingt dernières années, on a eu l'impression d'avoir à choisir entre Colbert et le je-m'en-foutisme. Mais aujourd'hui, l'État a un rôle à jouer tout à fait important.

▶ Il n'y a pas de fatalité mais des opportunités

Dans cette affaire de compétitivité, je me veux extrêmement positif. Ce n'est pas le moment de pleurer, mais de rassembler les forces des uns et des autres pour y arriver. Si j'ai un conseil à adresser à mes collègues chefs d'entreprise, c'est bien de passer autant de temps à faire de la stratégie qu'à réfléchir à la mise en œuvre de cette stratégie. Dans nos sociétés économiques sophistiquées, au coût du travail très élevé, aux banques incompétentes, aux politiques insensées, etc., c'est dans le respect des hommes, dans leur association, le partage des informations, l'anticipation collective, c'est-à-dire dans la mise en œuvre de votre stratégie que vous ferez la différence.