An industrial policy for post-austerity Europe

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Europe: recovery or depression?

GDP: EU28 +0.3% 1Q 2014 on 4Q 2013

- Germany and East grow
- Neth, Finl, 2 years of recession
- France and centre stagnant
- South Europe depression

Industrial production -0.3% March on Feb 2014

Industrial Production 2013/2008	
Germany	0,98
Austria	1,01
Poland	1,18
Netherlands	0,99
Ireland	0,99
France	0,89
United Kingdom	0,89
Sweden	0,89
Denmark	0,89
Finland	0,83
Italy	0,79
Portugal	0,88
Spain	0,76
Greece	0,73

The collapse of industrial production

- **From 2008, Italy lost almost a quarter of industrial production**;
- Spain Greece Portugal with major losses
- Fall also in the “centre” France, Finland, Denmark, Sweden
- **Major centre-periphery divide**
- Deeper imbalances
- Major danger for EU cohesion

Italy’s illusion of recovery

- Govt DEF:
- Forecasts **2014: +0,8%** then: 1,3 1,6, 1,8 1,9
- **Actual Q1 2014: -0.1%**

  Avg 1991-2013: 0,7%
- Forecasts DEF 2014-2018: tot +**7,4%** circa
- Boom 2003-2007: **6,5%** (1,3% per year)

Export boom?

Export 2013: 0,1%

Gen 2014 :- 1,5 export tot su Dic

Feb 2014 : - 2% su Gennaio extraUE

Forecasts DEF: 2014: +4%

2014-2018: tot +20,8%

Boom 2003-2007: 23% (4,6% per year)

Investment boom?

- 2008 :-3,7 2009: -11,7 2010:0,6
- 2011: -2,2 2012: -8,0 2013 -4,7
- Avg 1991-2013: -0,1%
- **Forecasts DEF 2014: +2%**
- **2014-2018: tot +16,2%**
- Boom 2003-2007: 7,2% (1,4% per year)

Can we end the depression?

Open debate:

- Progressive economy - IAGS
- DGB – ETUC
- EuroMemorandum
- Euro-pen

Another road for Europe?

- Euro-pen appeal
- **End austerity**
- **Control finance**
- **Expand jobs, reverse divergence**
- **Reduce inequality**
- **Expand democracy**

End austerity

- EU restrictive fiscal policies (Fiscal Compact, SGP etc) have to be reversed.
- Need for a coordinated economic strategy that allows Member states to follow the fiscal policy required to recover from the crisis.
- Without a strong stimulation of demand there is no way out of the current stagnation. Public investments for an ecological transition should play a major role

The need for a new European industrial policy

- Need for reconstructing industrial capacity in the periphery: **a European investment plan of 2% of EU GDP for 10 years**
- Need to orient structural change and organise investment in the "right" activities (coherent with EU2020)
- Need to provide jobs, in context of Keynesian, structural and tech'l unemployment

Policy debate

- Growing debate, EU, DGB, ETUC
- **Europe 2020** is missing ind pol: old view
- **Industrial Compact** not enough
- **Principles**: favour the evolution of knowledge, technologies and activities with learning, innovation, demand/productivity growth, that improve economy, soc, envir.
- **Selective ind pol is needed: markets fail**

5 reasons for a EU industrial policy

- **1. Macroeconomics**: a EU public investm. plan could provide demand, ending the depression
- **2. Structural**: adapt Europe's economic structure with rise of new, environm. sust, knowledge intensive, high skill/wage activities, e.g: a) the protection of the environment and renewable energy; b) the production of knowledge, applications of ICTs and web-based activities; c) health, welfare and caring.

5 reasons

- **3. More public, less private**: reverse privatisations, limit scope for markets, more public action at EU, national, local level for supporting competences, access to capital, organisation of markets, jobs, public goods.
- **4. Cohesion, reduced imbalances in the EU**

Centre-periphery divide in EU has to be avoided, spreading econ activ, investm,jobs etc.

5 reasons

- **5. Ecological Transformation**

  Making Europe sustainable means reducing use of non renewable resources/energy, protecting ecological systems, lowering CO2/other emissions, reducing waste, recycle, etc. Ind pol could provide envir. services, regulate priv. activit., including envir. taxation, incentives, procurement, new markets.

Ind pol can assure coherence of these actions

How? Institutions

- EU setting (variable geometry?)
- Exist inst: Struct funds, EIB may start, but need for **European Public Investment Bank, or European Industrial Agency**
- EU govts, EU Parliament may agree on guidelines and funding, EU Commission may implement spending mechanisms. Partners organisation at nat'l (strategy) and local level (implementation) decide on investm. spending, support to firms, projects, public activites

Funding

- EU level funds, coming from:
- Bonds (DGB proposals, wealth tax, FTT)
- Eurobonds/ECB loans to public bank
- EU-wide tax on corporations, replacing nat'l fiscal competition
- Funds could be given to public bodies /consortia/nonprofit/private org/firms with different conditions for: production of public goods, L/R strategic dev of new fields, new private market activities (diff. returns)

Governance is crucial

- *European Public Investment Bank/Agency* accountable to the EU Parliament, who appoints board with represent from business, research, trade unions, envir. civil society. No "revolving door" with private firms and banks Wide consultation for deciding specific targets and activities. Agreement with key players in govt, business, society. Transparency, monitoring evaluation. Fields have to fall within the areas outlined above.

Criteria of operation

- Explicit criteria/priorities/objectives
- E.g.: 75% of funds could go to “periphery” countries (Eastern and Southern Europe, plus Ireland); at least 50% of them should be devoted to the poorer regions of such countries; 25% could go to the poorer regions of the countries of the “centre”.

What next?

- Build/discuss lessons from current experiences:

Spread of solar/wind energy, Germany exiting nuclear power, green jobs, health sector, SME in new fields, organis of markets, web-based act.

- Need for a EU debate among economists, business, trade unions, civil society, policy makers on how ind pol can be implemented
- Need for a wide social/pol coalition supporting a **EU wide ind pol**. Nat'l contexts may not work