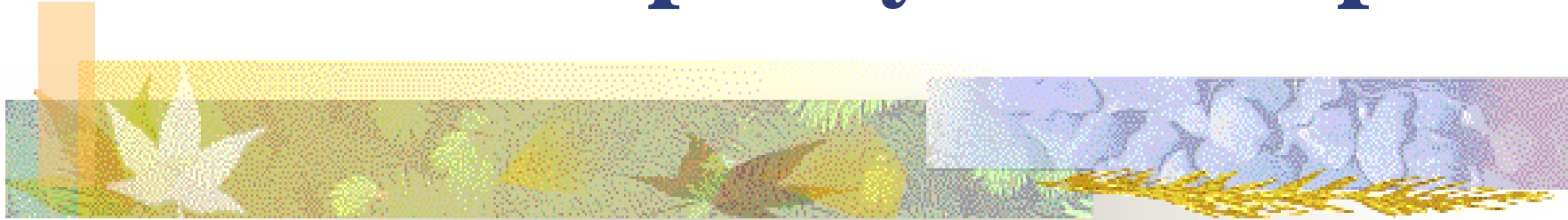


# The space for an industrial policy in Europe



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*WIIW Vienna, 22 September 2016*



# Papers on industrial policy

- Pianta, Lucchese, Nascia, **What is to be produced? The making of a new industrial policy in Europe**. Report for the Rosa Luxemburg Stiftung, 2016  
[http://www.rosalux.eu/fileadmin/user\\_upload/Publications/What-is-to-be-produced-2016.pdf](http://www.rosalux.eu/fileadmin/user_upload/Publications/What-is-to-be-produced-2016.pdf)
- Lucchese, Nascia, Pianta, Industrial policy and technology in Italy, Special issue, **Economia e Politica industriale**, 43, 3, 2016
- Pianta, 2014, An industrial policy for Europe. **Seoul Journal of Economics**, 27, 3, 2014.
- La Placa, M., Nascia, L., Pianta, M., 2016, **RIO country report, Italy 2015**, JRC Science and Policy Report, European Commission, JRC-IPTS
- Pianta et al. (2015). *Special issue of Intereconomics*, 50(3)



# Why and how?

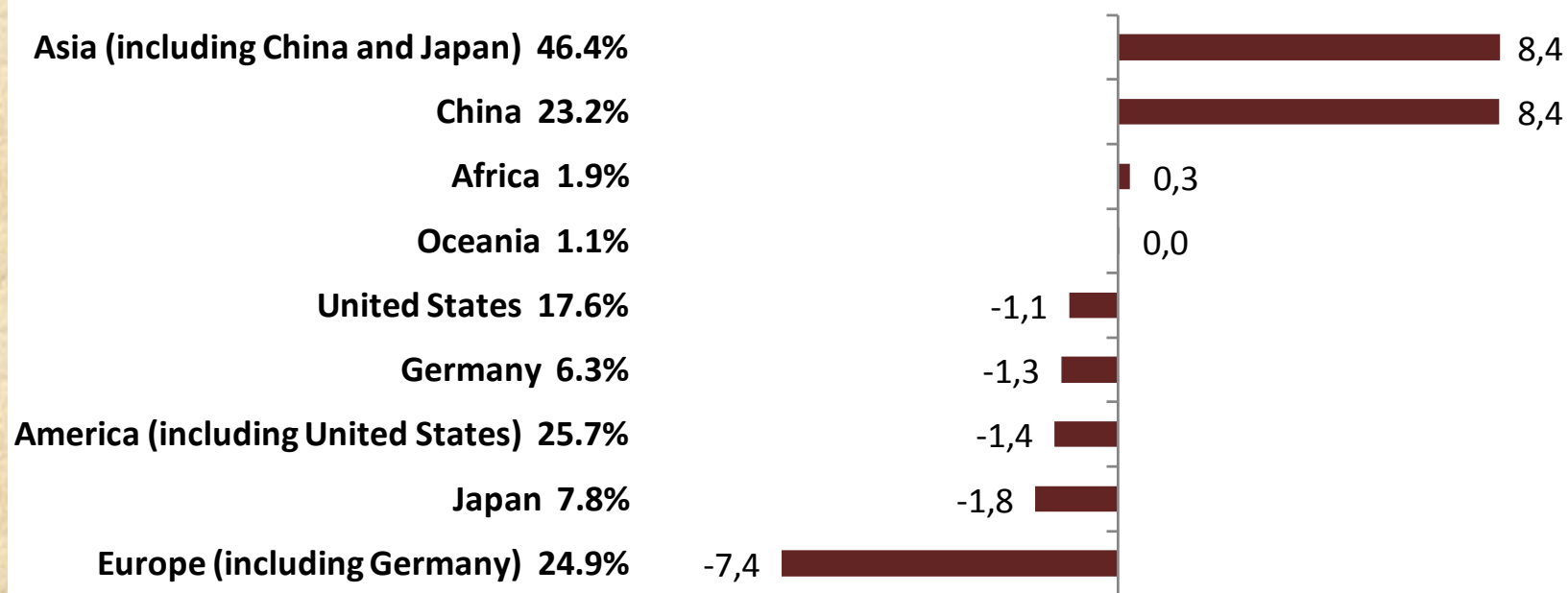
- The effects of the 2008 crisis: divergence in Europe
- The re-emergence of industrial policy in Europe: debate, current actions, policy tools
- A proposal for industrial policy in Europe



# 1. A diverging Europe

- The impact of the crisis
- Core-periphery divergence
- Demand: domestic and export
- Technology
- Productivity, jobs and skills

**Figure 1. World Manufacturing Value Added shares in 2013 and change in percentage points from 2008 to 2013.**

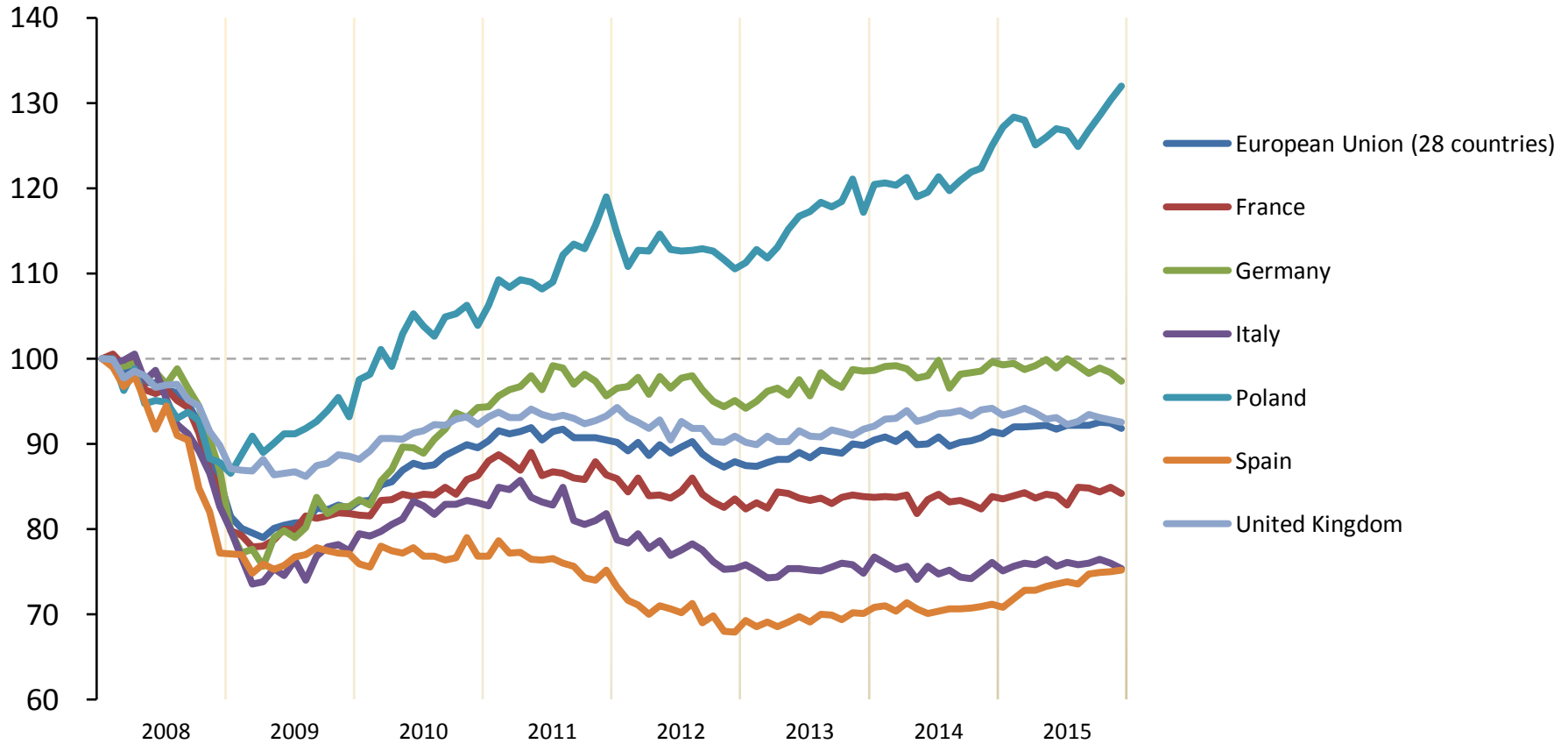


Note: Annual data, US dollars at current prices and current exchange rates in millions.

Source: UNCTAD, Economic Trends, National accounts.

**Figure 3. Index of production in manufacturing for EU28 and selected European economies, January 2008=100.**

Monthly data, seasonally adjusted and adjusted by working days.



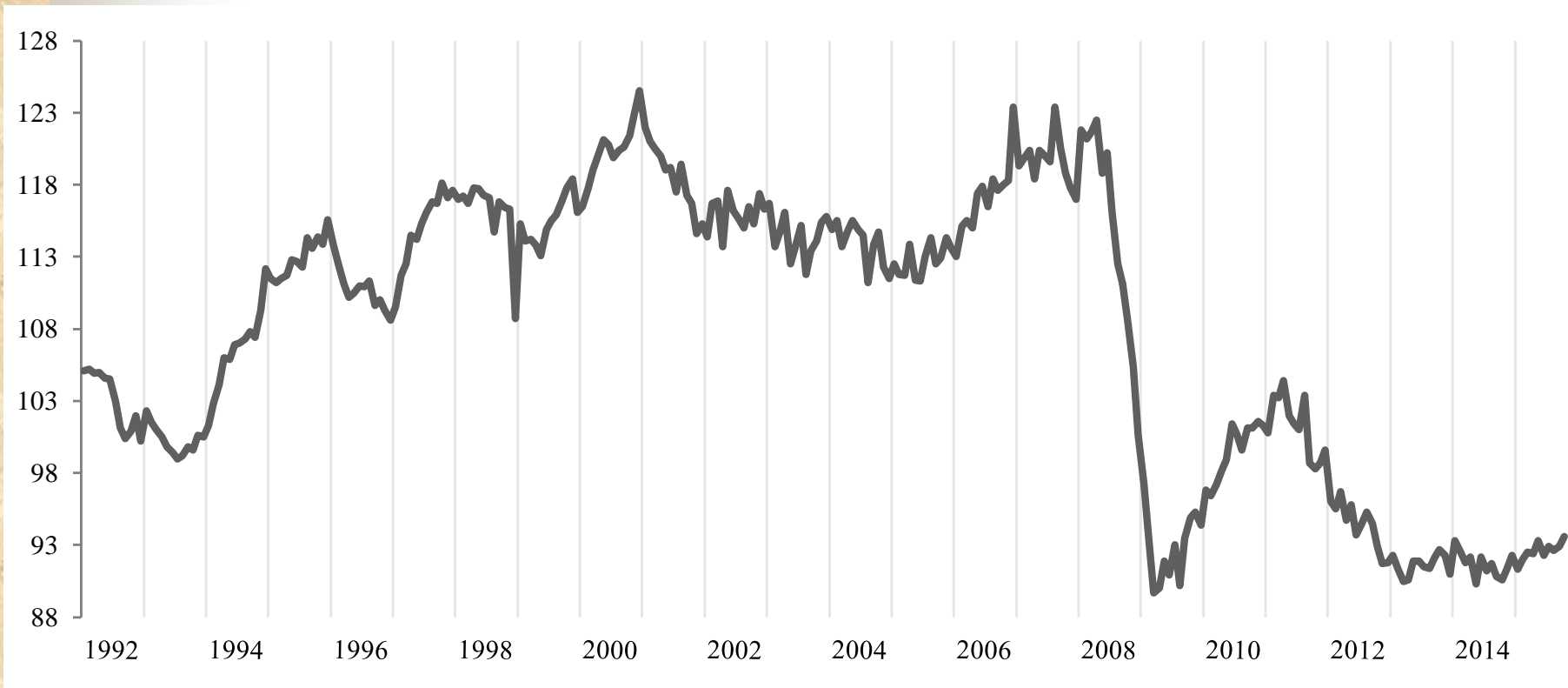
Source: Eurostat, Short-term business statistics, Industry.

Countries	Industrial Production - Manufacturing (Nace C)	Youth Unempl. rate (Less than 25 years)	Youth Unempl. rate (Less than 25 years)
	2015 volume index of production (annual data) 2008 = 100	Change in the % 2015-2008	% in 2015
Germany	102	-3.1	7.3
Austria*	102	1.8	10.3
Netherlands*	100	2.7	12.7
Poland	134	3.7	20.9
Ireland	145	7.3	20.6
Denmark	99	2.6	10.6
Finland	80	5.9	22.4
Sweden	82	0.2	20.4
France	89	6.1	25.1
United Kingdom*	97	1.9	16.9
Italy*	79	21.5	42.7
Portugal	92	10.4	32
Spain	80	23.8	48.3
Greece*	74	30.5	52.4

\*2014



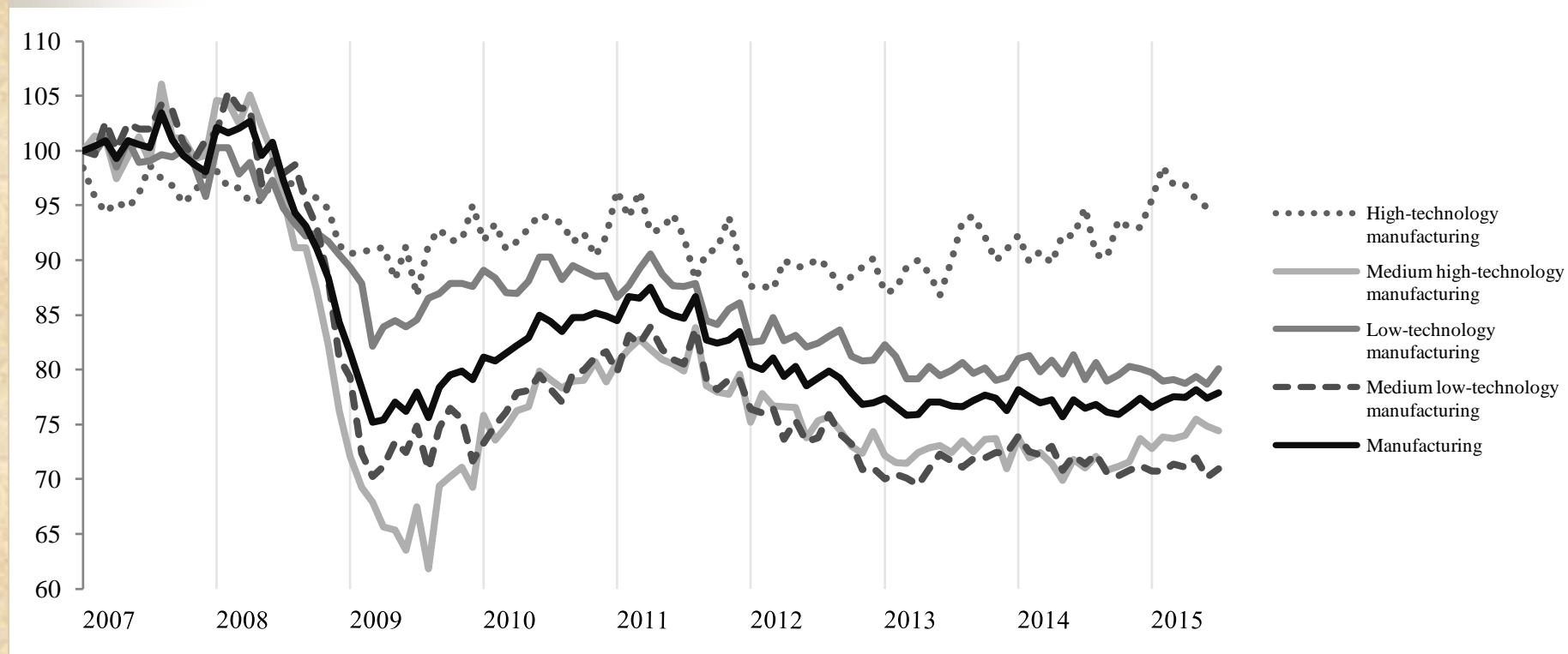
**Figure 1. Italy's production in industry, volume index of production**  
Monthly data, seasonally adjusted and adjusted by working days, 2010=100



Fonte: Istat, Indagine sulla Produzione Industriale (release October 2015).



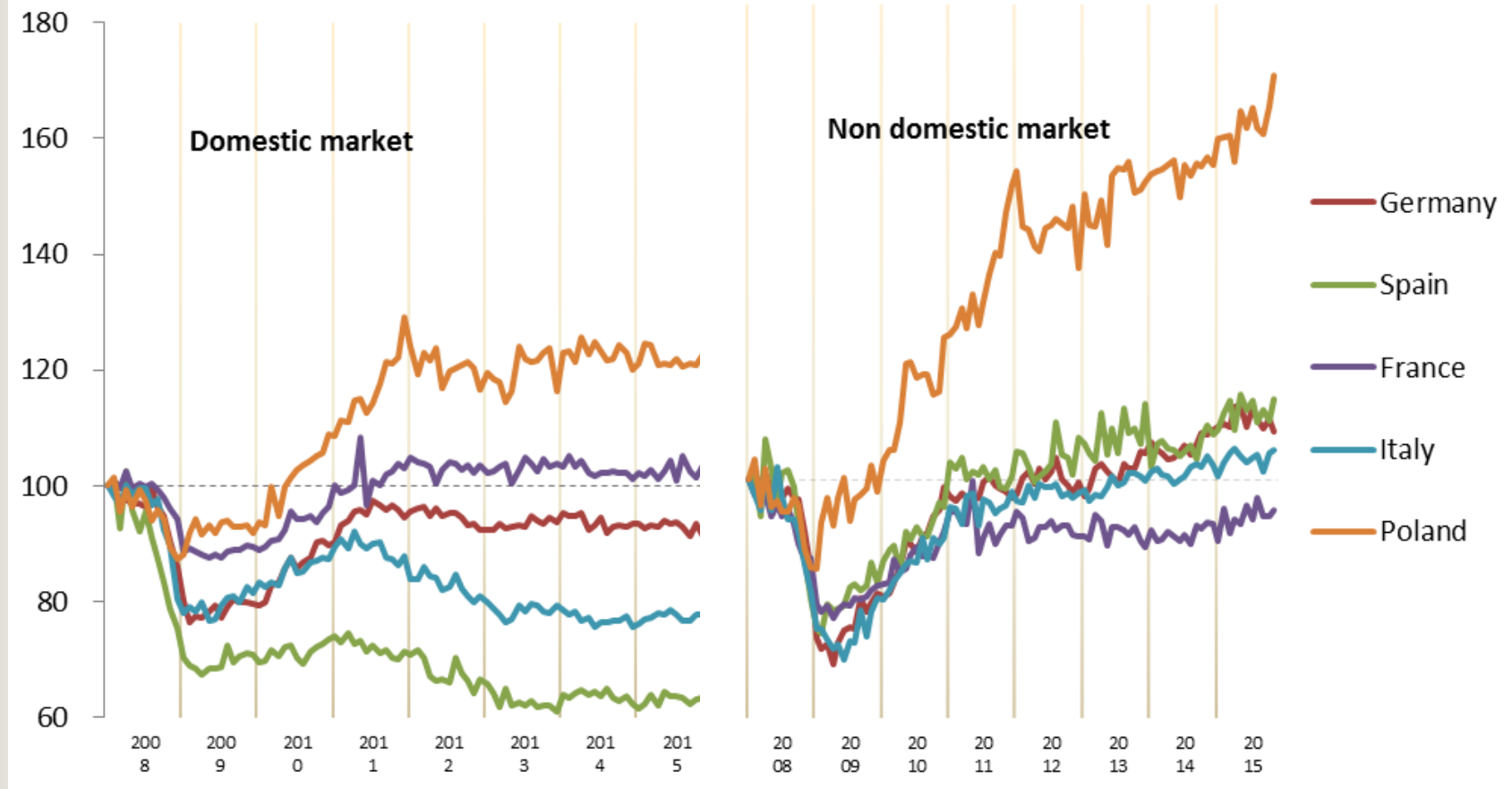
**Figure 3. Italy's production in industry, volume index of production by technology**  
Monthly data, seasonally adjusted and adjusted by working days, 2007=100



Fonte: Eurostat, Short-term business statistics, Industry.

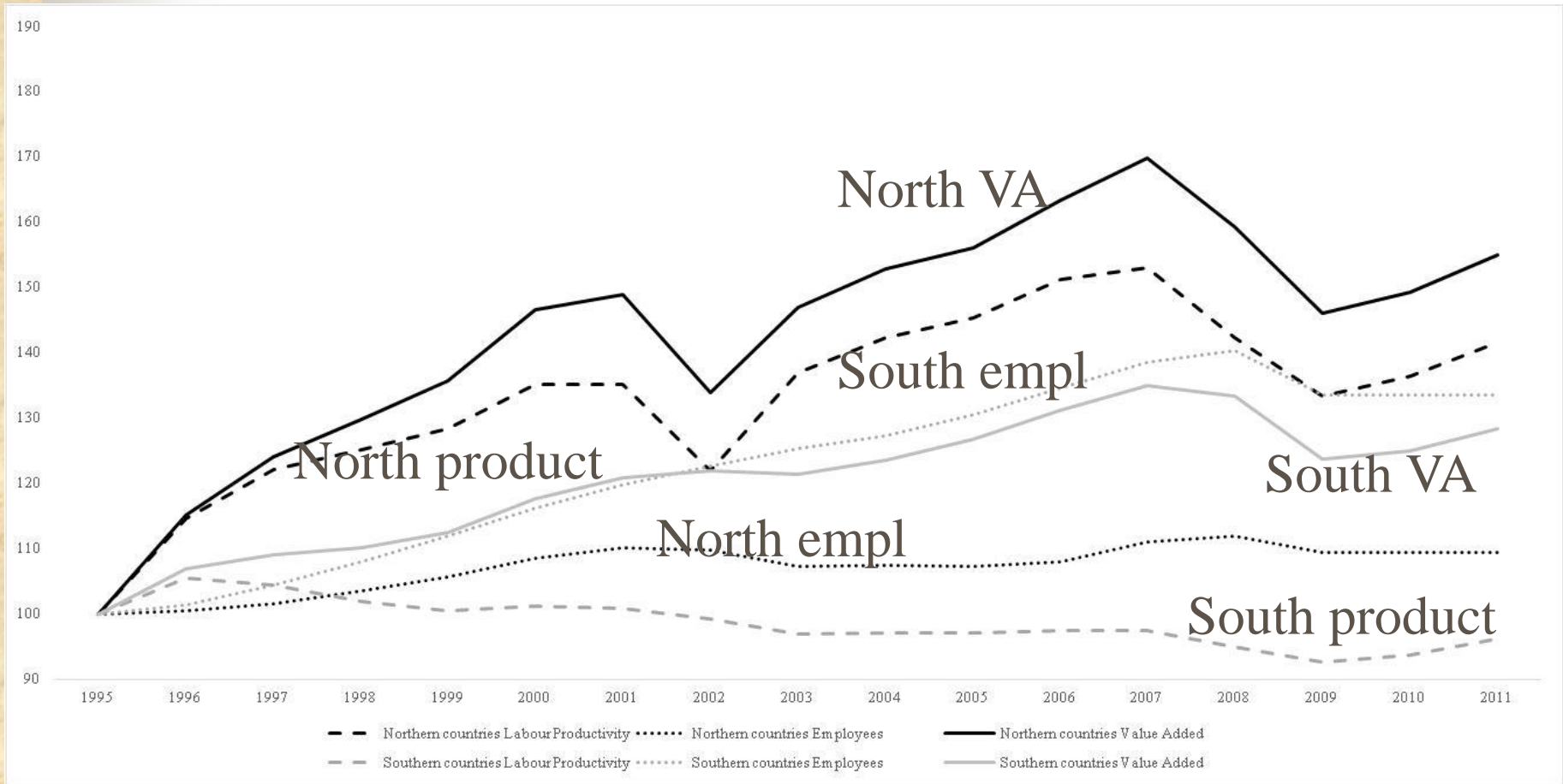
**Figure 4. Total turnover in manufacturing (domestic and non domestic market) for selected European economies, January 2008=100.**

Monthly data, seasonally adjusted and adjusted by working days.

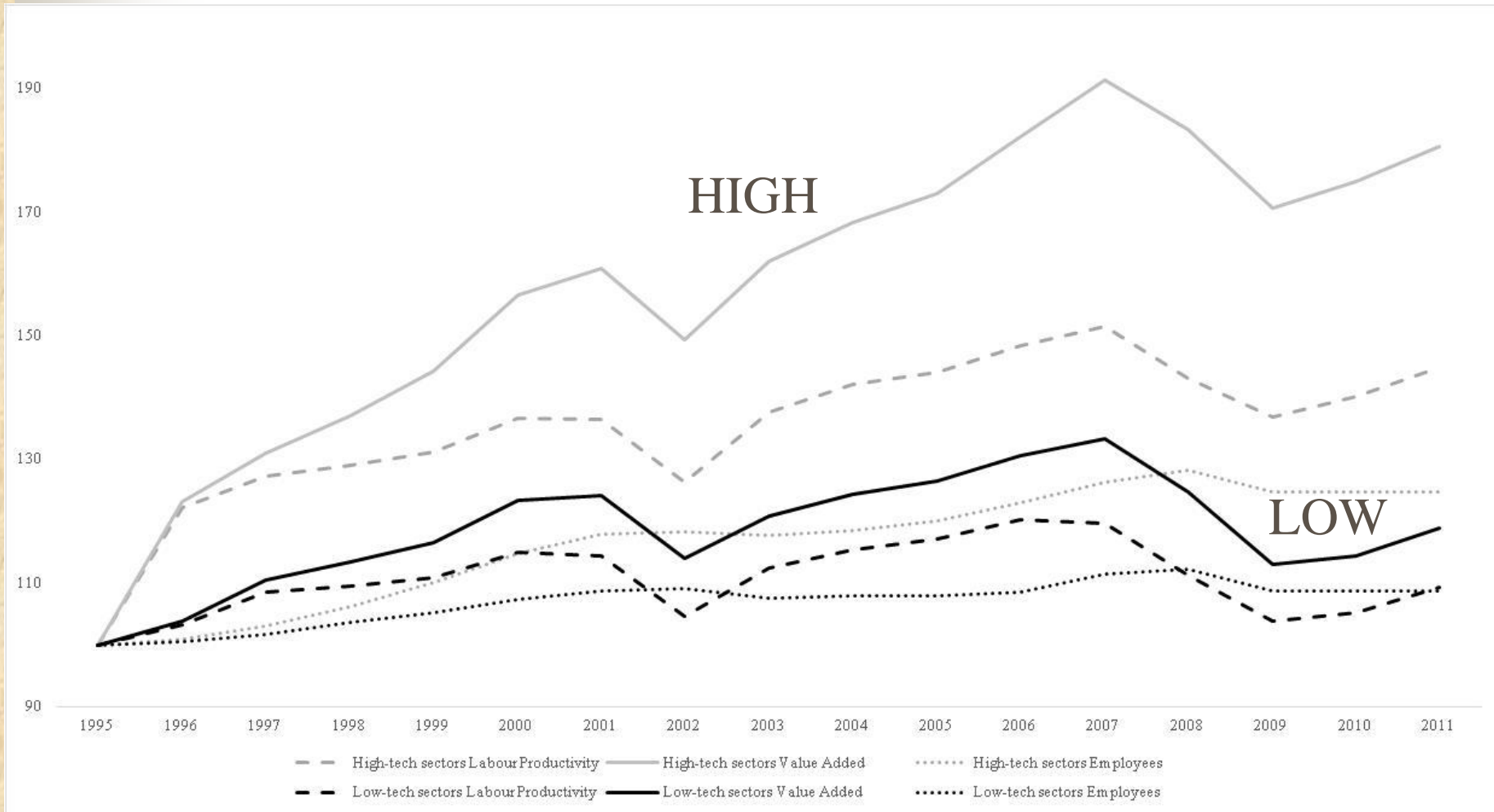


Source: Eurostat, Short-term business statistics, Industry.

# Value added, productivity and employment in North and South Europe



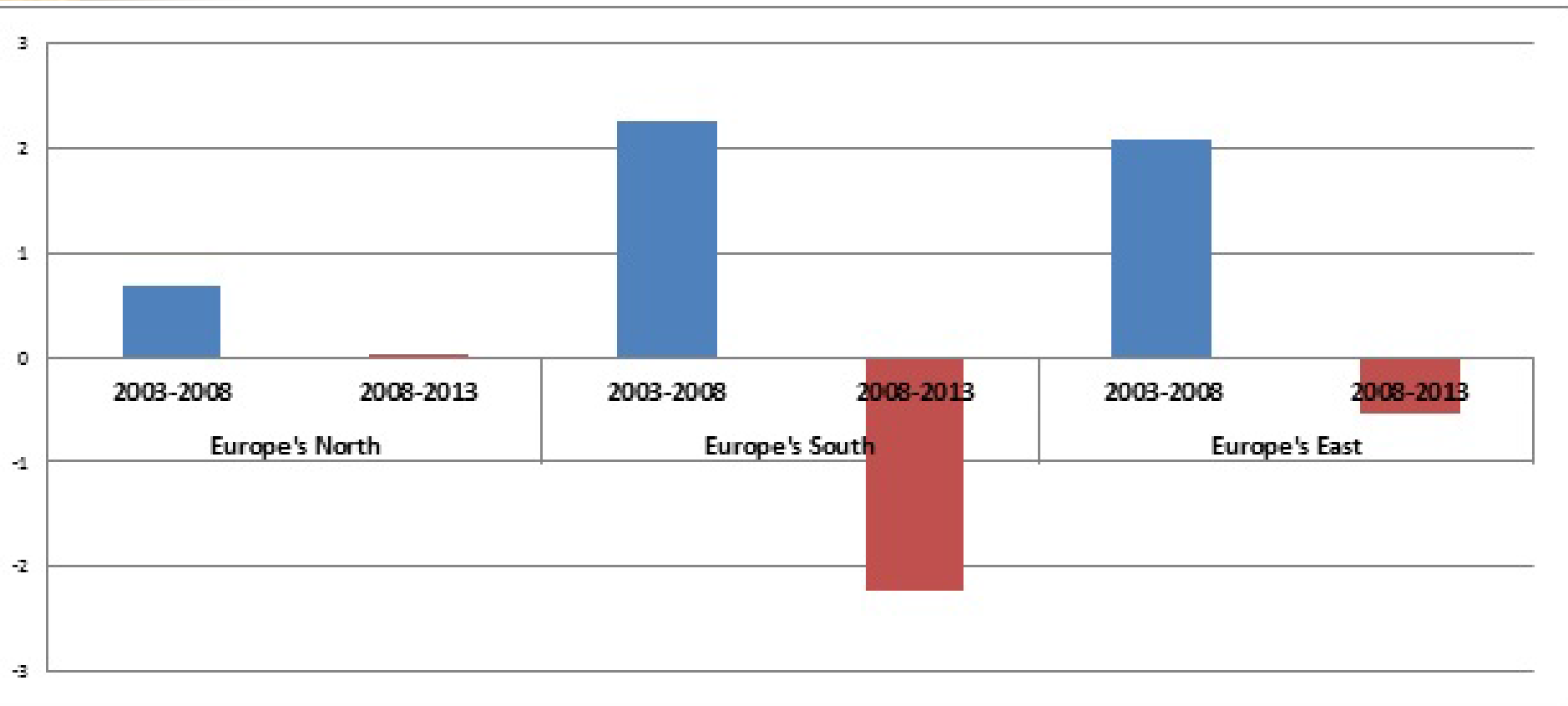
# Value added, productivity and employment in high and low tech industries



# Employment change in North, South, Eastern Europe

## Upswing and Downswing

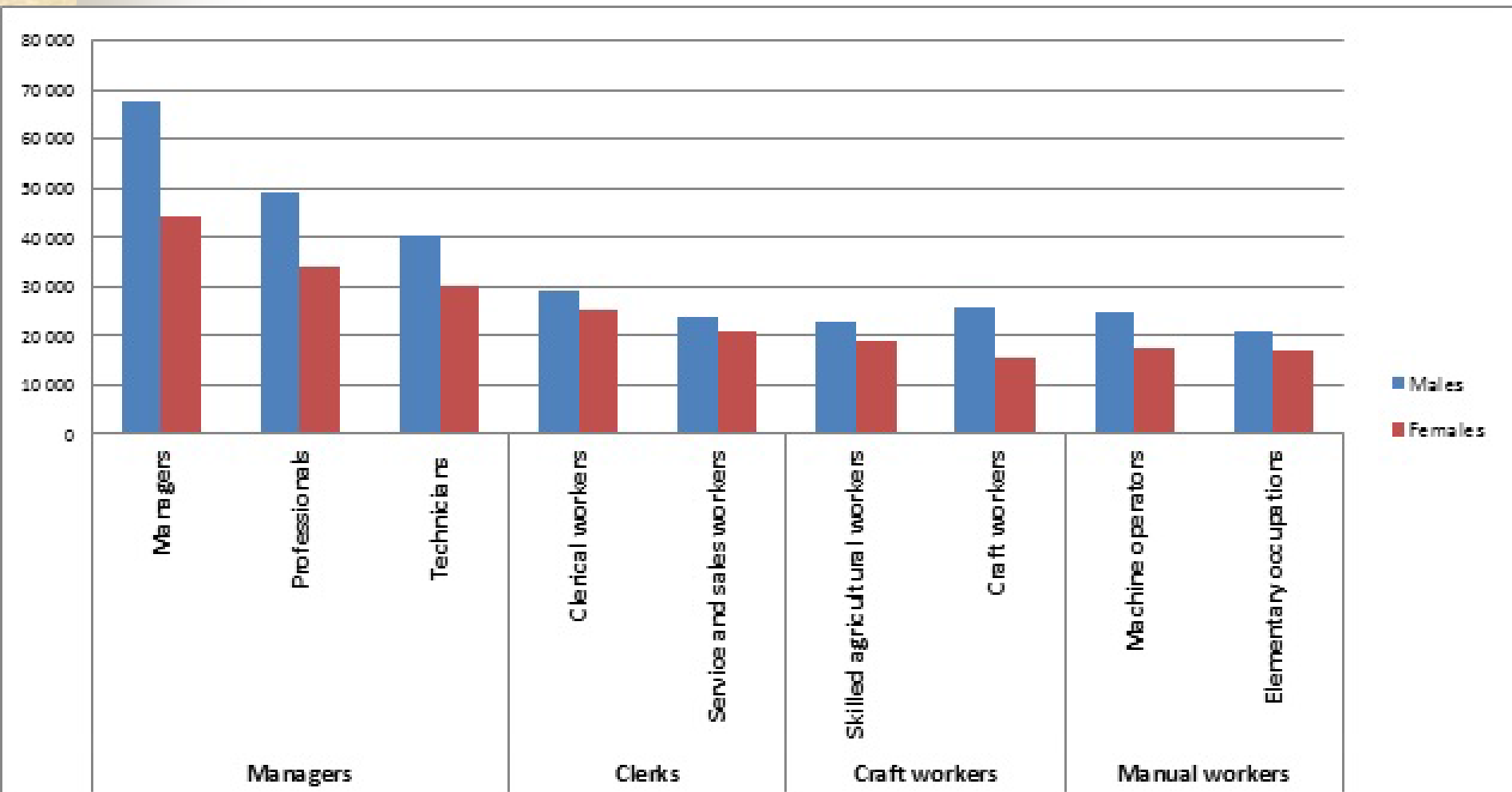
Annual rates of growth (2003-2008; 2008-2013)



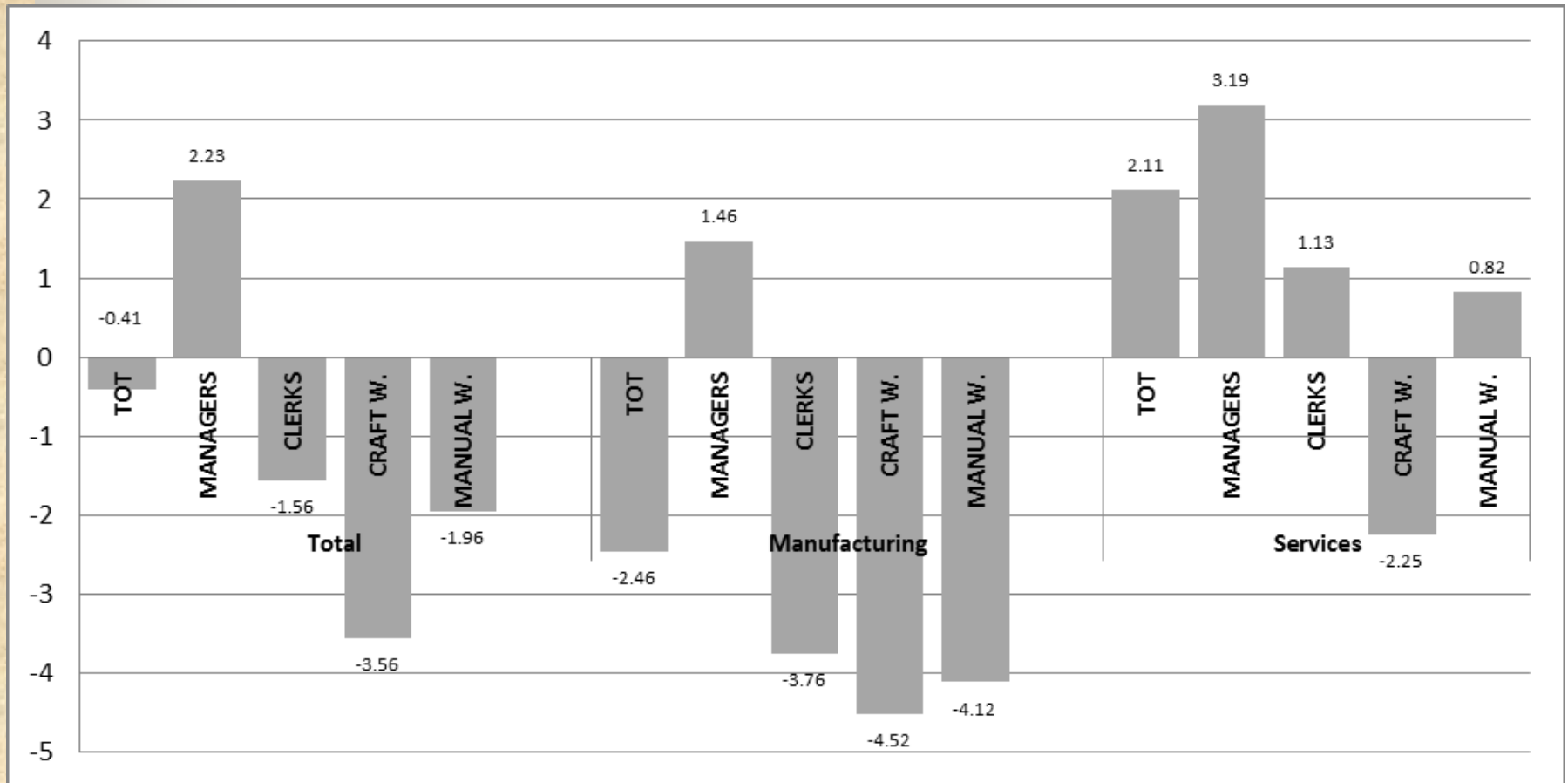
## Our Four ISCO professional groups and ISCED categories

PROFESSIONAL GROUPS	ISCO 1 Digit	ISCED
<b>MANAGERS</b>	Managers, Senior officials and legislators	3 + 4
	Professionals	4
	Technicians and associate professionals	3
<b>CLERKS</b>	Clerks	2
	Service and sales workers	2
<b>CRAFT WORKERS</b>	Skilled agricultural and fishery workers	2
	Craft and related trade workers	2
<b>MANUAL WORKERS</b>	Plant and machine operators and assemblers	2
	Elementary occupations	1

## Annual earnings of professional groups in EU 28 (Euros 2010)



**Figure 1. Rate of change of employment by professional groups, 1999-2011**  
 Average annual rates of change, manufacturing and services, five major EU countries

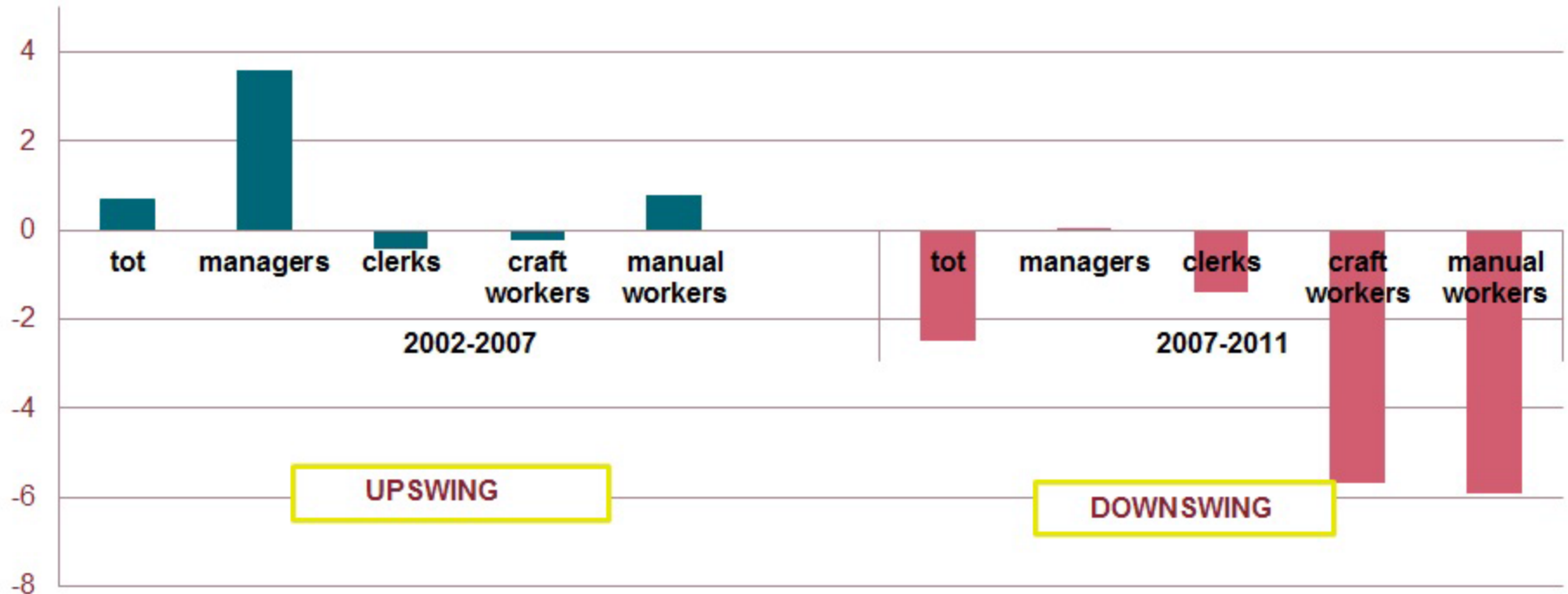


Source: LFS, own elaboration.



## Employment by professional groups

Average annual growth rate. Percentage change (DE, FR, IT, ES, UK)



**Expansions** are polarising, mostly in services

**Contractions** are reducing polarisation mostly in manufacturing due to huge losses of lowest skills.



## 2. The policy space in Europe

- Principles and rationale of an industrial policy
- Activities that could be targeted by a progressive industrial policy
- What is the EU context
- Tools for a progressive industrial policy



# 5 reasons for a new 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 privatisation, 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*



# What Europe does

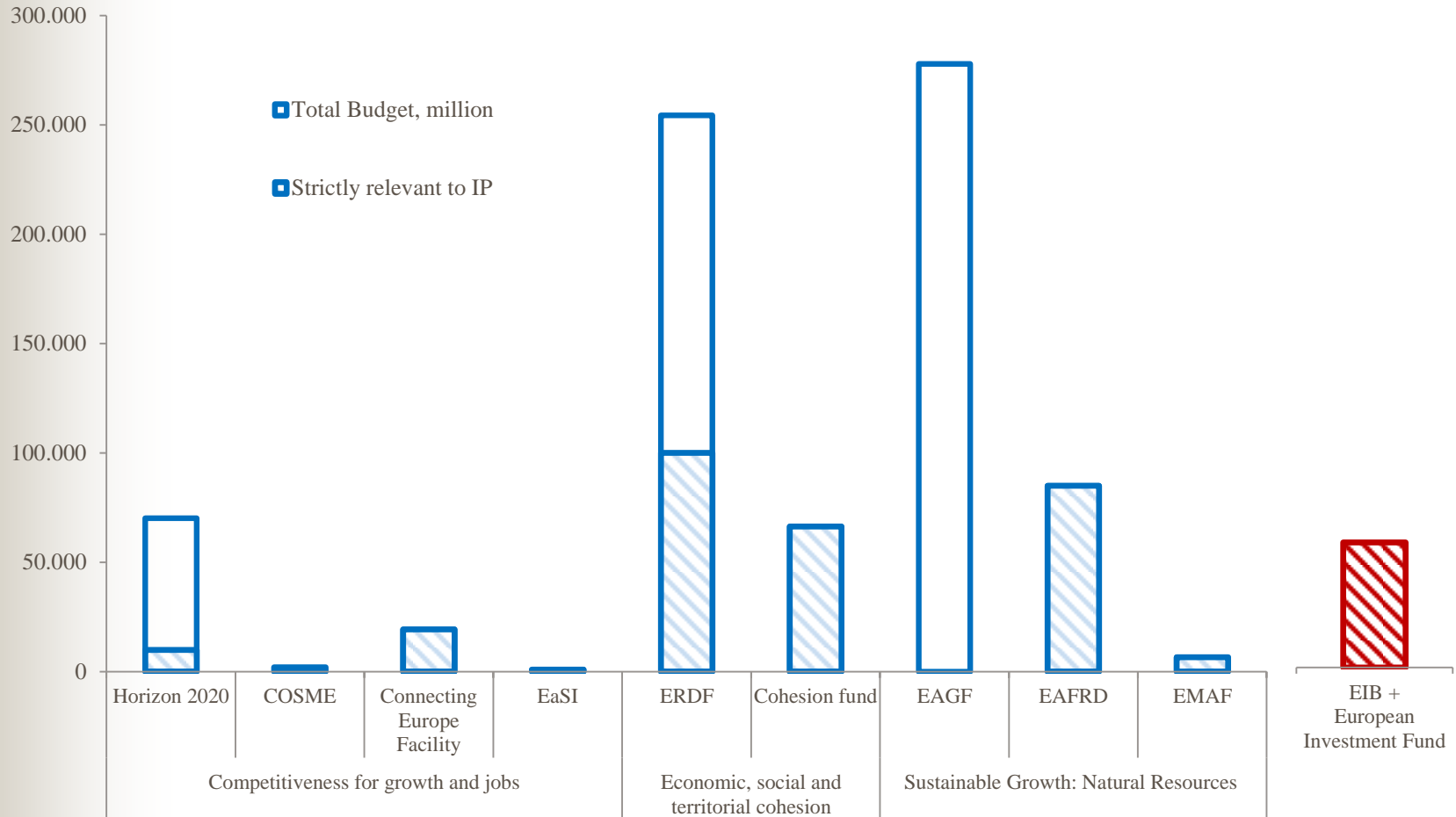
- Europe2020
- Structural Funds and cohesion policy
- *Flagship initiative* “An integrated industrial policy for the globalisation era”, ‘Smart specialisations’
- Environmental actions and the Energy Union
- the European Investment Bank
- The European Fund for Strategic Investment and EIF
- Policies for attracting foreign investment



# Problems and prospects

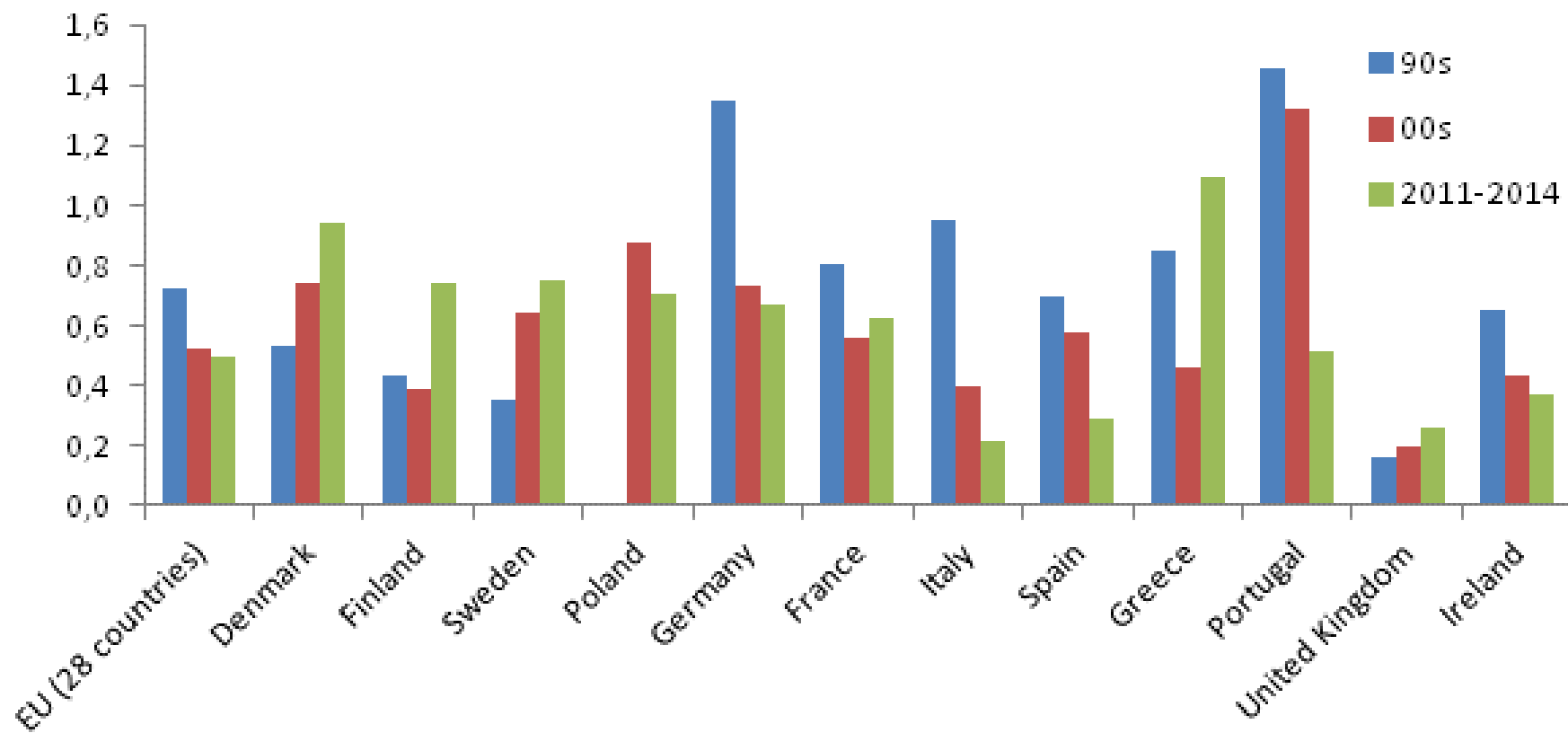
- State aid limits, Single Market for services, TISA and TTIP
- European fiscal rules and plans for investment
- The Five Presidents' Report and industrial policy
- Industry 4.0

# Europe's industrial policy

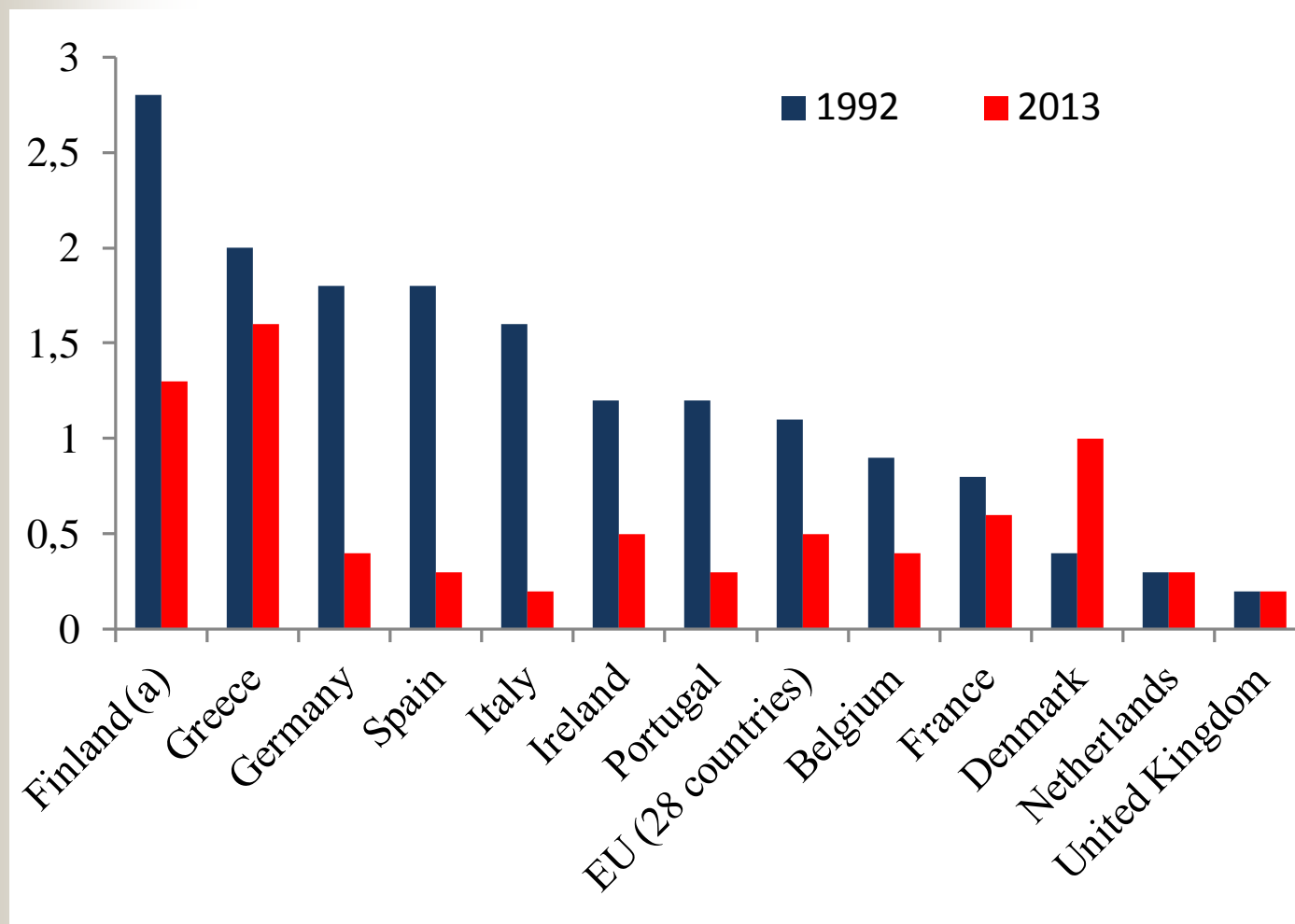




## State aid



**Figure 5. Non-crisis state aid as a percentage of GDP in European countries**  
State aid data excludes railways

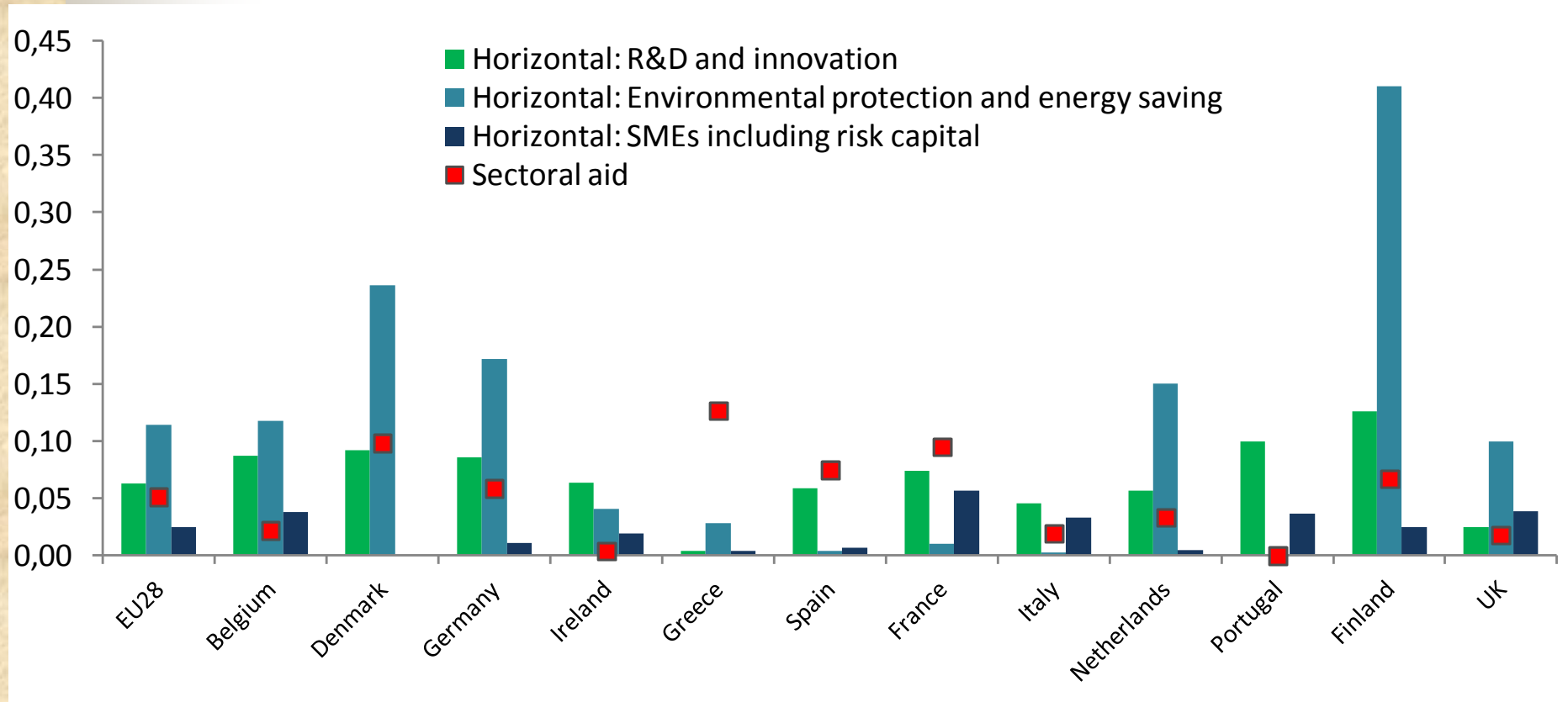


(a) For Finland 1995, 2013.

Fonte: State Aid Scoreboard 2014, DG Competition.

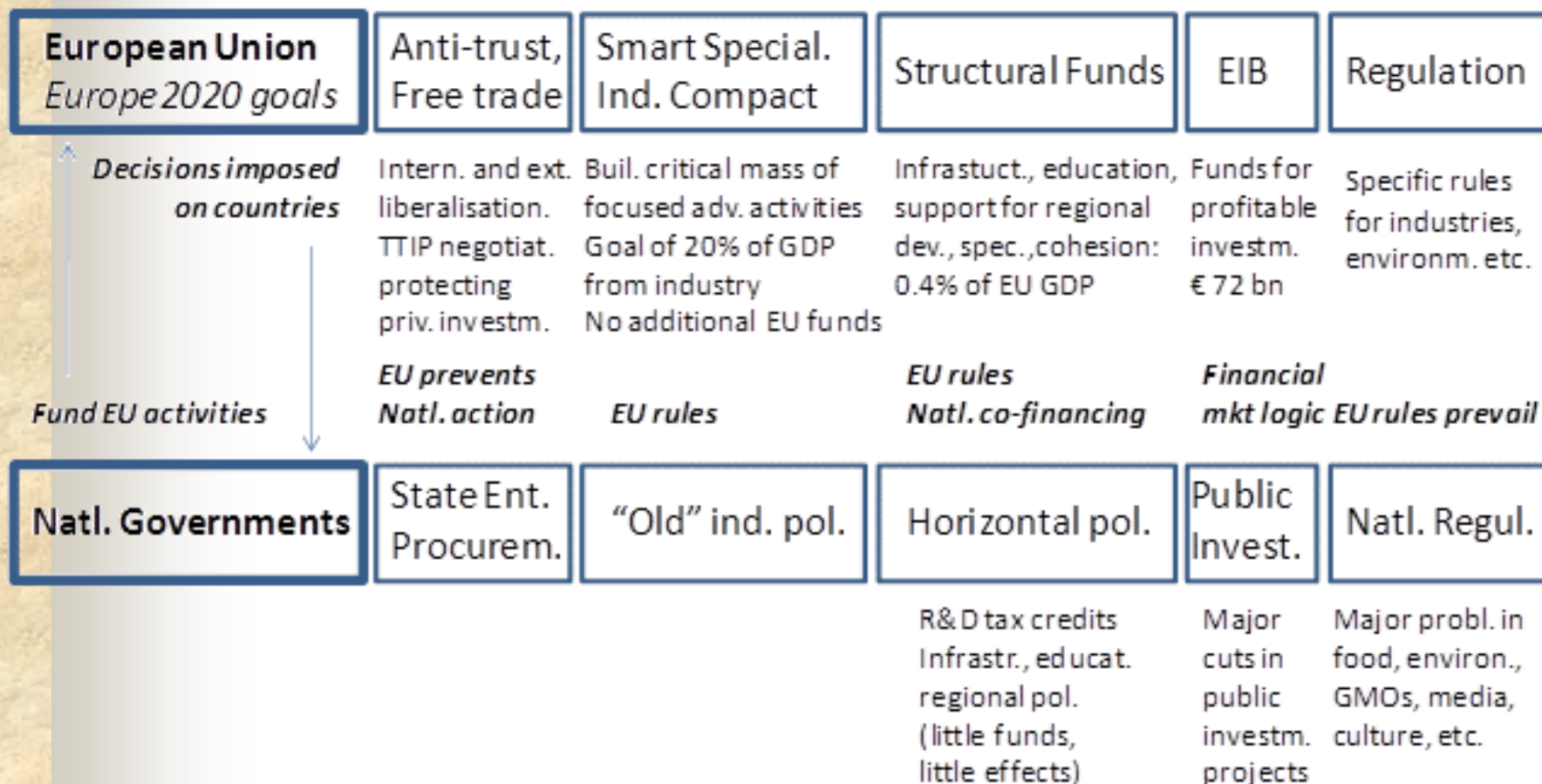


**Figure 6. Non-crisis state aid by type of aid as a percentage of GDP in European countries.**



Fonte: State Aid Scoreboard 2014, DG Competition.

**Figure 7. A summary of current main industrial policy actions in the EU**





# National experiences

- Privatisations
- Horizontal policies
- Regional/structural policies
- Fragmentation
- Few resources
- Crises, ad hoc approach
- Role of national public banks
- *Renewable energy policy in Germany*



# Juncker Plan

- **Industrial compact** and **Juncker Plan** start to acknowledge these problems
- No real EU priority and resources available
- 2 bn for **Juncker Plan** (should be 8bn + EIB + nat'l sources, then all turned into 315 bn)
- 1,300 projects costing a total of 2,000 billion:  
Potential and need for investment
- The role of the European Investment Bank
- The European Fund for Strategic Investment and EIF



## 3. A proposal for industrial policy in Europe

- Europe-wide industrial policy, key role of EP
- 2% of Europe's GDP (about EUR 260 billion) for a decade,
- greater national policy space with a 'golden rule' for public investment.
- reduce the divergence between Europe's centre and periphery, concentrate resources in weaker regions and weaker countries.



# Funds

- Role for the ECB,
- Long-term, high-risk public capital is needed to fund investment financial markets avoid
- Role of EIB, as in EFSI, but a Public Investment Bank would be needed





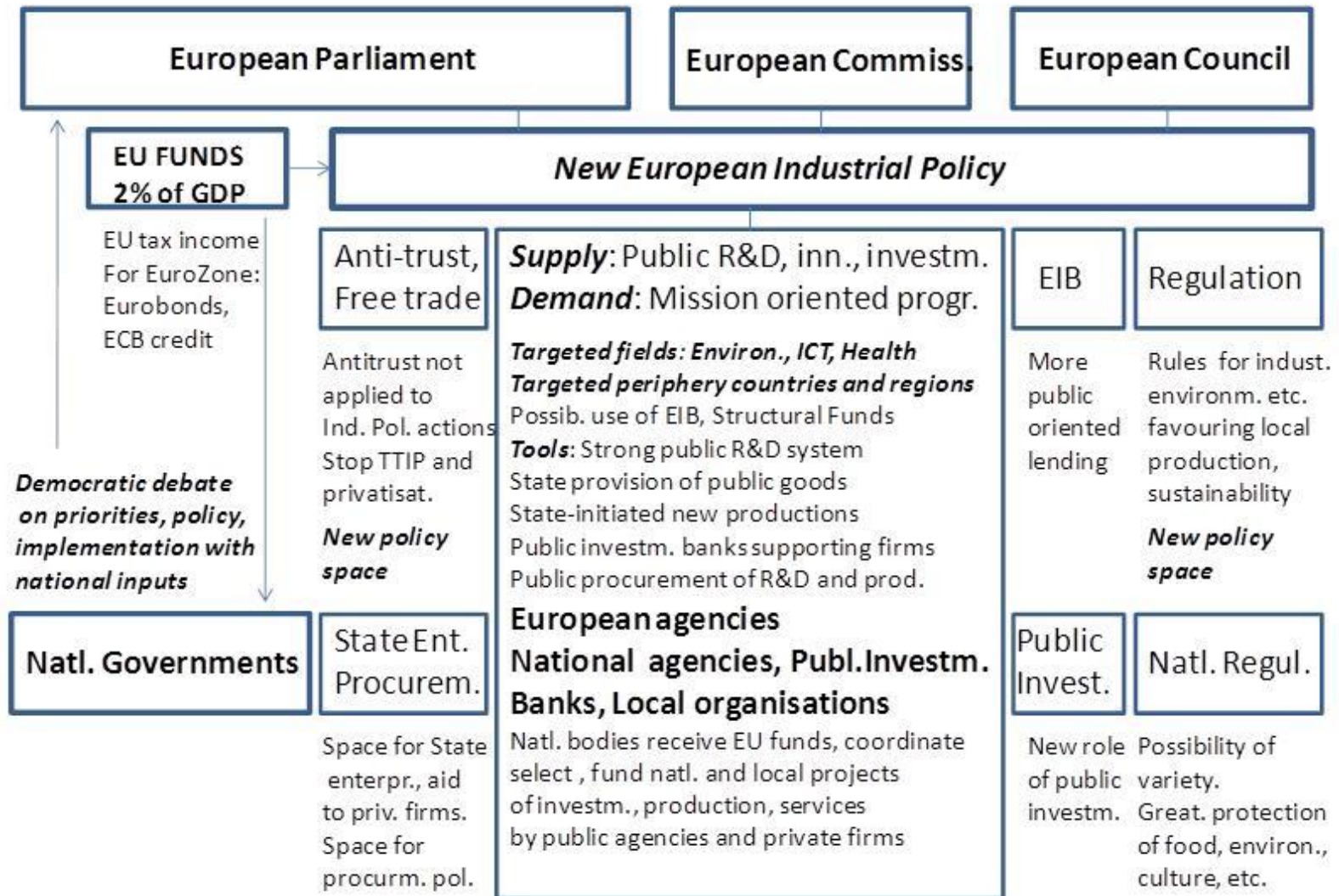
# Key fields to be targeted

- environmental sustainability;
- appropriate ICT applications;
- health and public services

(coherent with EU2020)

- innovative and efficient new economic activities employing high-skill, high-wage labour
- no focus on manufacturing alone, no focus on whole industries

Figure 8. A summary of the new European industrial policy proposed





# Tools

- Greater general support for R&D, education, horizontal actions
- Public investment programmes,
- Public procurement
- public enterprises,
- support of private firms,
- mission-oriented innovation programmes
- Link to environmental and other policies



# Implementation

- Implemented at the national and regional levels, with bottom-up efforts and democratic processes
- Reinventing the governance of public-interest economic activities, political and social consensus
- Need for new arrangements for the governance of public interest economic activities,
- Transparency, monitoring, avoid collusion, corruption, waste