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european network for alternative thinking  
and political dialogue

## Discussion Paper No. 3

# From Industrial Policy to a European Productive Reconstruction

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The discussion of a productive reconstruction of Europe's economy goes beyond the development of a European industrial policy. It embraces also the relationship with the environmental challenge and the re-invention of democratic forms of workers' participation in the development of their craft and companies. At any rate it is substantial for finding an exit of the lingering crisis of European integration.

This working paper aims at putting on the table a single document providing the reader with a synthetic overview of the current positions and key documents which may present an informed view about what is at stake in the political and intellectual debates concerning industrial policy and productive reconstruction.

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## 1. Introduction

*transform! europe* aims to fulfil its role as a European political foundation by tackling central questions set up in its annual projects. In this case, its major project “Crises in Europe” aims to deal with the epochal and polymorphic transformations that the crises of capitalism are bringing to the European integration project. To that purpose, *transform!* decided to create a network of economists to debate the consequences of the economic crisis and suggest alternatives to the existing policies developed by the European Union. This network was developed in the framework of the *AKADEMIA*-network where researchers from various backgrounds and affiliations cooperate. A first meeting took place in Paris in April 2013 and chose as one of the major questions to study the challenges of a new type of European productive reconstruction. The question of productive reconstruction included, at its core, the development of a European industrial policy, but it goes beyond it. The current effects of the crisis deserve a much more sophisticated approach enabling us to deal with two challenges: the relationship with the environmental challenge and the re-invention of democratic forms of workers’ participation in the development of their craft and companies.

This working paper aims at putting on the table a single document providing the reader with a synthetic overview of the current positions and key documents which may present an informed view about what is at stake in the political and intellectual debates concerning industrial policy and productive reconstruction. The most fundamental challenge is solving the structural question of unemployment whereas at the same time finding a long-term sustainability for the economic structure of the European Union and, in particular, of the Euro zone. The first section will focus on the current state of the political debate at the EU level in relationship to a future European industrial policy departing from the position of European institutions. Then, we will analyse in which way progressive European actors are conceptualising and putting forward specific alternatives in this debate. Last, but not least, we will try to bring together the proposals suggested and dilemmas perceived by our network of economists and those we are in dialogue with or whose work we believe is worth considering, in particular those coming from the recently created *European Progressive Economist Network* (Euro-Pen) of which *transform! europe* is founding member.

## 2. Is There a Space for Industrial Policy in the European Union?

A preliminary caveat is to understand that the concept of industrial policy we are using here is not an ideal model but a descriptive concept. Indeed, there are many different national and political models of state intervention in productive sectors and their tools, efficiency or impact are very diverse and variable. An adequate recent conceptualisation conceives it as follows: the bundle of actions decided by the state implying a transfer of resources with the aim of reaching predetermined objectives in terms of competitiveness or to protect some national interests considered as strategic.<sup>1</sup>

Let us say it from the outset. Yes, there has always been in the European Union a space for industrial policy considered as the public intervention in the productive economy at a national level, accompanied by concurrent action at the supranational level. Furthermore, the original Treaty of Paris which founded the European integration process was nothing but an international agreement to organise and control politically the strategic sectors of steel and coal. The *Coal and Steel Community* aimed at peacefully solving the historical Franco-German struggle for scarce coal and cheaper steel. An additional aim was to control the hidden power of the International Steel Cartel where private trusts arranged prices and amounts of production according to their respective interests, not those of their nation-states. This was an example of vertical integration and supranational intervention in the economy with an institutionalised neo-corporative participation, which has survived throughout the 50 years of its duration, and was “de facto” concluded in 2001 with the creation of *Arcelor*, a world champion partially controlled by EU members.

The Treaties of Rome also offered large possibilities for policies dedicated to a sector-level. One of the treaties, the *Euratom Treaty*, unsuccessfully aimed at developing a Europe of atomic energy whereas the *Treaty of the European Community* developed various sectoral policies for agriculture and transportation, which were considered two central sectors for integration. Whereas the common agricultural policy configured itself as a successful central policy in EU history, the second one turned out a long-time failure due to resistances on behalf of nation-states. There has always been a controversy on the fact that the EEC Treaty did not have a specific chapter on “industrial policy” but only on “competition policy” which curtailed the possibilities not just of national but also of supranational industrial policies. This is a

narrow legalistic interpretation, which forgets that for more than half a century, and still today due to the crisis, there have been strong industrial policies developed by member states. Indeed, this has been possible within certain limits put by competition policy, which is not necessarily, as usually conceived, antagonistic with industrial policy. On the contrary, it is an instrument for shaping industrial structures as demonstrated by its proven capacity to counter private power combinations to create cartels and dominant positions through its control on mergers and acquisitions inside and outside the EU. Indeed, national industrial policies could be curtailed by state-aids regulations, even when this level of national autonomy has served multinational companies to use delocalisation as a tool for blackmailing regions, states and trade unions in order to obtain more public funding through state aids. Moreover, industrial policy could not be considered a magic recipe as it has at times also resulted in huge fiascos at national levels. On the European level, there have also been various sectors, including the automobile industry or shipbuilding, where there has at some point developed a de facto European industrial policy. But it is obvious that the rising hegemony of neo-liberal ideas oriented competition-policy in a clear direction of limiting national state intervention and countering supranational European policies. But this has been the result of the growing political hegemony of neo-liberalism in the Right and the Left, not of the essentially antagonistic role of competition policy to industrial policy. At the end of the day, competition policies are initiated by the European Commission, which is a political institution, and not by an autonomous technocratic agency or court, in spite of the last word that the European Court of Justice has in these matters. In any case, the regulations orienting competition policy are elaborated politically by European institutions and can be changed at any time, if there are alternative majorities and the neo-liberal consensus is broken.<sup>2</sup>

Coming to supranational industrial policies, the trend has been towards a clear rise of supranational intervention in the economy and not towards less intervention at the supranational level. The steady expansion of its legal basis in successive treaties is the clear sign of its increasing relevance and requirement by the European Union. Appearing for the first time in the Single European Act allowing for research and development EU policies plus horizontal policies, it was consecrated in a specific article (157) in the Treaty of Maastricht, which incorporated the possibility to carry vertical policies if there was an inter-institutional agreement for doing so.<sup>3</sup> This was maintained until the current article 173 on European industrial policies laid down in the Treaty of Lisbon. It is worth quoting in order to appreciate the current legal constraints to the development of a European industrial policy.

*“1. The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union’s*

*industry exist. For that purpose, in accordance with a system of open and competitive markets, their action shall be aimed at:*

- *speeding up the adjustment of industry to structural changes,*
- *encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings,*
- *encouraging an environment favourable to cooperation between undertakings,*
- *fostering better exploitation of the industrial potential of policies of innovation, research and technological development.*

*2. The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination, in particular initiatives aiming at the establishment of guidelines and indicators, the organisation of exchange of best practice, and the preparation of the necessary elements for periodic monitoring and evaluation. The European Parliament shall be kept fully informed.*

*3. The Union shall contribute to the achievement of the objectives set out in paragraph 1 through the policies and activities it pursues under other provisions of the Treaties. The European Parliament and the Council, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, may decide on specific measures in support of action taken in the Member States to achieve the objectives set out in paragraph 1, excluding any harmonisation of the laws and regulations of the Member States.*

*This Title shall not provide a basis for the introduction by the Union of any measure which could lead to a distortion of competition or contains tax provisions or provisions relating to the rights and interests of employed persons.”*

The limits are strong and reflect not just the pressure of neo-liberal hegemonic conceptions, but also the rejection by member states to be engaged in a process beyond a mere coordination of national policies without any constraint in their sovereignty, in particular in elements which are considered to be of national interest. If in the distant past, the major positive action by the Commission had been those of paragraph one, and in particular the last indent related to policies of research, technological development and innovation are those areas the EU has dedicated an increasing part of its budget to. The idea of going further in general, and not just tackling some sectors, came out clearly during the Lisbon Agenda of 2000 which already put forward the idea of an enhanced horizontal strategy for the manufacturing industry as instructed in paragraph 2 of the Treaty. It found a concrete sectoral manifestation in 2005 with a communication (COM (2005), 474 final) which demanded a more integrated ap-

proach for industrial policy in some concrete sectors: textiles, leather, shoes, furniture, printing, shipbuilding, steel, automobile and agro-food. Given that the Treaty of Lisbon followed the open method of coordination, little more was done than some benchmarking until the crisis arrived in 2008 with its disastrous consequences on EU industry.

The European Commissioner for Industry, the Italian conservative Antonio Tajani, launched the first action plan to put industrial competitiveness and the development of an adequate industrial basis to compete in global markets in the framework of Europe 2020, which is the successor of the Lisbon Strategy (Communication 28 October 2010. An integrated industrial policy for the globalisation Era: Putting Competitiveness and Sustainability at Centre Stage). In this case it combines horizontal policies with a selective approach in broader sectors beyond industry: the space industry, sustainable mobility, health care and agro-industry. This was reviewed in the 2012 communication “A stronger European industry for growth and economic recovery” – which targeted 6 innovation sectors: manufacturing technologies for clean production; key enabling technologies; bio-based products; industrial and construction policy and raw materials; clean vehicles and vessels; and smart grids. More recently, in January 2014, the European Commission adopted a new communication, which laid the foundations “For a European Industrial Renaissance”.

Such an upsurge of activism by the European Commission does not change the fundamental question that any concrete action needs to coordinate at the European level not only its own various instruments (competition, trade, internal market, etc), but also those of various member states, which have seen an upsurge since the crisis in various instruments and styles. There should be no doubt that the crisis has opened a window of opportunity to develop a European industrial policy which could go further than in the past. In this sense, the thrust does not mainly come from the Council of the EU where member states still aim to retain control over their national policies in spite of their more or less developed coherence or effectiveness. At this stage the major impetus is now coming from the European Parliament, which for the first time in many years has approved by a large majority (385 for, 100 against and 60 abstentions) a report issued at its own initiative to favour a European industrial policy. Elaborated by the German co-chair of the European Green Party, Reinhard Bütikofer, the *Renaissance of Industry for a Sustainable Europe* (RISE) strategy represents the dominant position of the current and, most likely, future majority of the parliament. In our view this is the point of departure for analysing which ones the major possible policy-measures in the framework of the current process of European integration would be. In other words, the Communication of the Commission of 2014 and the EP’s *RISE report* were elaborated in parallel and given the debates in the parliament both are broadly in the same direction and are the kind of industrial

policies which are likely to be developed in the next five years considering no foreseeable change in the European Treaties. Moreover the *RISE report* found the support of the ETUC and *IndustriAll*, which represent European workers, including the criticism addressed to the European Commission for not considering actions for tackling restructuring or social and wage dumping in Europe. We should also remember that the right-wing Commissioner Antonio Tajani for Industry and Entrepreneurship has been hosted by the FEPS journal and that he declared on 25 March that the socialist candidate to President of the European Commission, Martin Schultz, was fully backing this strategy of re-industrialisation.<sup>4</sup> Indeed the fact that the European Council of 20 and 21 March approved and supported this document makes clear that there is now a new policy consensus.

What are the major components of the consensus? We consider that the key element of the consensus can be found in the recent document of conclusions in the European Council as it retains the parts of the communication which are politically acceptable for all member states, narrowing down the richer debate and criticisms of the *RISE report*. To a large extent it builds on the previous neo-liberal approach based on the concept of competitiveness but adding elements of industrial policy. The basic elements of this approach are clearly stated in privileging the existence of a regulatory environment which would enhance investments, innovation and the re-shoring of manufacturing jobs. The deepening of the internal market, in particular in the digital economy and networks, as a means to foster entrepreneurship and small and middle enterprises also brings the seal of the *Europe 2020*-strategy whose core concept is not just the knowledge-economy but smart growth based on innovative technologies and specialization. These include clean and key enabling technologies such as batteries for electro-mobility, intelligent materials, high performance production and industrial bio-processes. These neo-Schumpeterian elements are furthered by the consideration of protecting patents and intellectual property and developing a skilled workforce based on training in the sciences of technology, engineering and mathematics through a promotion of mobility, education and vocational training using the existing EU programs. However, they cannot hide that they are basically embedded into a neo-liberal approach which require market access in international trade and an investment agenda for a level playing field in third markets, which in the context of Free-Trade Agreements with G7 countries can only be regarded as an invitation to avoid a selective neo-protectionism of neo-infant industries.

It might be that the only real advance in a progressive sense is the request for a clear accommodating role of competition policy towards national and European investments like a general block exemption extended to *European Structural and Investment Funds* (ESIF).<sup>5</sup> It is here where lies the new funding as it puts in 2014-2020 100 billion Euros of the



ESIF available for regions to support industries and SMEs in the 6 areas already identified as strategic. This greater emphasis in regional development strategies is complemented by a traditional green capitalist strategy, namely, enhancing access to cheaper energy and raw materials following patrons of energy efficiency and climate change. It is not by mere coincidence that the European Commission linked the three questions in simultaneous communications in the beginning of 2014 with a clear support of the European Parliament in this point. The most critical question is directly related to the clear absence of a dedicated attention to Southern European countries for which the parliament requested a particular attention centering upon infrastructural investments in rail, energy and ICT.<sup>6</sup>

In a nutshell, if the European Commission is trying to move into the direction of industrial policy, and not just of competitiveness, the European Council is putting a break whereas the European Parliament requests for more industrial policy with a clearer agenda against social dumping and in favour of employee participations on the basis that the question is not re-industrialising but rather following a new industrial revolution of “smart industrialization”. In the face of this inter-institutional consensus, it is fundamental to consider how progressive forces have approached these questions.

### 3. Which Are the Policies Suggested by Progressive Forces?

Discordant voices are calling – however timidly – for a change of course. For example Mario Pianta, coordinator of the Euro-PEN network and Professor of economic policy at the University of Urbino, argues in favour of a pan-European industrial policy financed by a large public investment plan that could ensure a sustainable exit from the crisis and tackle the issue of ecological transition at the same time<sup>7</sup>. This assessment is at the core of all pro-European progressive proposals for an EU-wide socio-ecological industrial policy. This section will be the occasion to explore positions that reflect the diversity of this tendency – from the *European Economists for an Alternative Economic Policy in Europe* network (the *EuroMemo Group*) to the *European Trade Union Confederation* (ETUC), and from the social-democratic *Foundation for Progressive European Studies* (FEPS) to the *European Green Foundation* (EGF). We will examine their proposals, highlight the demands they have in common, and identify their areas of divergence.

#### Common Grounds for a Progressive European Industrial Policy

##### *Cooperation rather than competition*

The crisis management’s orientation that has been chosen by both the EU countries and the EC – leaving aside the

European Parliament (EP) most of the time – was barely discussed, in the sense of a political debate on the different directions that such an orientation could take. The TINA mantra was used as an irrefutable argument to justify that the roots of the crisis were to be found in a much-too-high sovereign debt and that, therefore, cuts were to be made to rescue suffocating national economies. The second component of the crisis management pushed for a global improvement of “competitiveness” through internal devaluations – namely lowering labour costs, thus focusing mainly on price competitiveness and leaving aside innovations. Although social-democrats were taking part in numerous governments across Europe, a fairly broad consensus was reached on implementing “structural reforms” as the best way to overcome the EU crisis. That recipe did not really prove to be successful, to say the least. In face of such a massive failure, the consensus started to crack. The refusal of an ever-lasting competitiveness strategy within Europe is the glue that binds today’s progressive forces despite their diversity and the starting point of a u-turn that could take the form of a European social-ecological industrial policy. It is becoming more and more widely accepted that the current strategy exacerbates national tensions, and sharpens divides between the “core” and the “periphery” of the EU. The idea that cooperation – rather than competition – must organize EU countries is the corner stone of a progressive way out of the crisis *via* a European industrial policy meeting the challenges of the welfare state’s survival and the tremendous rise of unemployment, as well as climate change and energy efficiency. It is worth mentioning that the majority trend within the European Greens is now leaning towards “a different kind of industrialization (...) to take on the environmental challenge and deliver a new prosperity for Europe.”<sup>8</sup>

##### *A massive EU-wide investment plan*

That being said, an alternative exit from the crisis requires a substantial increase in demand that could only be provided in the form of an EU-wide investment plan<sup>9</sup>. There seems to be an agreement among the progressive forces upon the proposals set out in the Confederation of German Trade Unions’ (*Deutscher Gewerkschaftsbund – DGB*) Marshall Plan for Europe<sup>10</sup> and widely incorporated into the ETUC’s plan for investment, sustainable growth and quality jobs<sup>11</sup>. The focus on competition at the core of the current crisis management has done nothing but deepening the divides within the EU. A large public investment plan is well understood as a tool to bring about the much-needed greater cohesion and to contribute to reducing internal EU disparities. In order to really give the EU the opportunity to meet the social and ecological challenges ahead, the ETUC recommends to “invest 2% of EU GDP per year over a 10-year period”<sup>12</sup> in energy efficiency – decrease in energy consumption to lower energy dependency and in greenhouse gas emissions –, in sustainable industries through a massive support of research

and development, and in public services – whose function must not be forgotten in the completion of the ecological transition and whose quality must be improved. These investments, if they are comprehensively used to design a progressive European industrial policy, are the key to the creation of quality, sustainable jobs. This raises the question of the polluting sectors' workers. If everyone expresses wishes not to leave any workers behind, more and more social partners across Europe have made it their duty to further address this issue and want therefore to “*be involved at all stages*”<sup>13</sup> of the ecological transition.

### *Designing a progressive European industrial policy*

Carrying out such a major economic, political and ideological change will require time. But for the EU countries struck the hardest by the crisis, time is a luxury. Existing institutions with a reinforced role could be integrated in the new industrial policy – e.g. Structural Funds and the *European Investment Bank (EIB)*<sup>14</sup> –, pending the setting up of a true European Industrial Agency<sup>15</sup>. After decades of triumphant neo-liberalism relegating it to the margins of economic activities, the state as a major stakeholder is back on track. All the progressive forces acknowledge its role in both the design and the articulation of a European industrial policy. Without any doubt, it is clear to them that the EU countries must be involved in the decision-making processes and will be privileged partners between the European level and the territories where the decisions will actually be implemented. But, as Charlotte Billingham and Giovanni Cozzi put it, the European paradox according to which “what is given with one hand is taken away with the other” prevents the state to regain its strengths to meet the challenges of our time – in other words: the support given by the EC in expenditures for education, research and development through the *Horizon 2020* strategy will merely be empty words if the fiscal compact, together with austerity policies, remain intact.<sup>16</sup> This is where the consensus of the progressive forces can possibly break. If all of them wish to give back to the state a central role, the room to manoeuvre in such a renewed role depends on their standpoint regarding the degrees of austerity one can tolerate ... or even recommend.

### **Debated Issues: Obstacles to a Unitary Progressive Solution?**

#### *Financialized capitalism, reality to deal with or barrier to productive reconstruction?*

A quick look back in time and the scope of the financialization issue becomes crystal clear. Originally thought of as a means to provide investment funding – thus contributing to innovation, growth and employment –, the stock market has become less and less connected to the real economy. This was the result of a massive liberalization of the financial system and a complete privatization of the banks. “By taxing

capital gains at low rates (and often not at all), the tax code favours replacing equity with debt. The effect is to make asset-price inflation the quickest mode of wealth creation.”<sup>17</sup> Taking that into account, why should the banks finance industries, when they can have a much better – and faster – return for their investments buying and reselling extremely profitable assets? The design of a social-ecological industrial policy has no choice but to tackle the high degree of financialization of companies, preventing them to invest in the real economy. The issue of capital taxation should be openly debated, as it is at the core of any major change in the production system. To the *EuroMemo Group*, it is even considered as the most pressing need. Otherwise, appetite for short-term profits will always prevail on long-term productive investment for a sustainable growth. “If decisions are left to the big economic players, the aftermath of the crisis is likely to be marked by a permanent loss of productive capacity and jobs.”<sup>18</sup> This assessment is shared by the ETUC that, without firmly condemning the abuses of the financial sector, wishes to see it reduced to its function of serving the real economy. If the dominant streams within the Greens and the Social Democrats acknowledge the role played by the financial sector in the outbreak of the crisis, and call publicly for more regulation, they do not make the high degree of financialization at the firm level their central priority. They refuse to address the very idea of a tougher taxation of capital in order to foster productive investments rather than a short-term profitable financial speculation.

### *A Bottom-Up Perspective or Top-Down Planning for the European Industrial Policy?*

The modalities of both the conception and the elaboration of a socio-ecological European industrial policy are subject to debate. Which sectors must be chosen to generate sustainable growth, and according to which criteria? How and where to allocate funds, and in what proportions? Which actors must be involved in these decision-making processes? As mentioned above, all the progressive forces consider the *state* as a major stakeholder to articulate future EU recommendations and territorial needs. But for those leaning the most towards a radical change, a mere Europeanization of the *Colbertist* approach for an EU-wide industrial policy – extending the failures of the French top-down approach (e.g. heavy bureaucracy, troubled relations between economic and political powers, etc.) – cannot meet the social, ecological and democratic challenges. States, however necessary they might be, must therefore be counterbalanced. The ETUC, in its “*New Path for Europe*”, proposed to involve social partners at every step of the way. This would be a first stone laid towards a concrete democratization of the economic sector. The *EuroMemo Group* wants to go further down this road: “Decisions on the future of the industrial structure in Europe have to be brought back into the public domain” to take into account “different social interests”, as well as “civil society

and trade union voices”.<sup>19</sup> In other words, the real challenge faced by the progressive trends is to make sure that the European industrial policy on the making won't miss the opportunity to leave behind a top-down planning approach in favour of a democratic bottom-up perspective. The Social Democrats and, to a lesser extent, the Greens have not truly taken up the issue yet.

#### *European Protectionism or Global Free Trade?*

The international context cannot be ignored in the conception of alternatives to generalized austerity and competition. If adopted as such, the *Transatlantic Trade and Investment Partnership* (TTIP) will have a tremendous effect on the very possibility to achieve a socio-ecological European industrial policy. Although the negotiations between the European Commission and the US delegation are kept under wraps, leaks and experiences from previous trade agreements led to the conclusion that both environmental and social norms will be dramatically adjusted downwards. By way of example, the EC itself stated that the TTIP will challenge the EU's own emission reduction commitments under the Kyoto Protocol<sup>20</sup>. Not to mention the great harm that will cause the investor-to-state dispute settlement (ISDS), since it “allows corporations to question the sovereign right to regulate based on their own commercial interests”.<sup>21</sup> Under these conditions, necessary social and environmental improvements will be even harder to implement. One could have expected the formation of a European unitary front gathering all the progressive forces to stand up against the transatlantic treaty. If the groups of the GUE/NGL and the Greens/EFA called to vote against the trade and investment agreement negotiations with the US, the social-democrat group approved them.<sup>22</sup> As it is recalled in the *EuroMemorandum 2014*, “the way out of the crisis will depend on the forces that will determine the reshaping of the economy that will take place”.<sup>23</sup> The battle for the hegemony within the so-called progressive camp in order to push for an EU-wide productive reconstruction at the level of the social, environmental and democratic challenges at stake is more crucial than ever.

#### **4. Alternatives and Dilemmas for Constructive Reproduction**

As we have seen before, the change in the policy consensus from the competitiveness to the industrial policy approach is going smoothly, but firmly. In our view the challenge for the alternative Left is to suggest proposals and debates that could be central in this debate beyond various shortcomings of the above quoted approaches to industrial policies. The first is to avoid falling into the trap of green capitalism which is already a vain attempt of financialised capitalism to exit from its crisis without really transforming itself into productive investments. The second is to believe that it is possible to carry out a new industrial revolution

without using public services, participatory planning and state-owned companies. The third element is to consider that only the direct involvement of workers and local communities in current industries will serve to upgrade them in quality or potential value. In other words, it is not running after a new industrial revolution with two neo-liberal legs (single market and de-regulation) plus two progressive arms (one neo-Schumpeterian and the other green new deal) that we will manage to solve what is considered to be the major problem of the European economy: the lack of a project of productive reconstruction which will allow territories, particularly in Southern Europe, to develop within the existing European economy under the same currency. It seems obvious that not all of them, and least the poorest territory, will manage to specialise in smart growth in the long-run and that if we leave all solutions to mobile transnational capital fed with public European funds, the solution for current mass unemployment is not going to come about in the long-run.

Let's come to the concrete measures and dilemmas that the alternative Left has to confront in this respect. The first question is systemic and relates to the question of whether the idea should be fully accepted that we are in the midst of a new industrial revolution towards smart growth. This implies that there are old industries that should not be strategically supported, whereas European funds have to be circulated towards new industries with long-term objectives, which have to be developed to fully enter into the knowledge-based economy. Alternatively this may appear only as an excuse to avoid intervening in the on-going industrial restructuring, as in the steel industry, pretending that Europe does not also need a traditional industrial base which is necessary for autonomy from external supply in order to avoid tight global dependence like in the case of steel or energy. It goes without saying that the more the EU will go into free-trade agreements including investments like the one in negotiations with the US, the more traditional industries will be submitted to the current competition in social and labour dumping with other territories and the more interdependent or integrated the EU will be with territories lacking supranational economic instruments to balance or compensate the negative effects of purely economic integration.

The second dilemma is related to the question of which productive investments have to be carried out to balance the destructive forces of finance-led capitalism and within which economic structure this is to be done. There is unanimity that there should be a supranational investment fund which would compensate for the active de-industrialisation at work affecting Southern European economies as a result of the social and wage dumping pushed forward by Germany through the internalisation of its central European hinterland within its industrial supply chains and the decisive trend towards an internal devaluation of its workforce. The German positive trade balance with the South will only be aggravated within the Euro area if there is no a quick alterna-



tive to the neo-mercantilist “investment shock” recently adopted by the French social-liberal government. It is obvious that such a strategy is doomed to fail if, like in France, the race to the bottom implies distributing, in an unconditional manner, general reductions of taxes for companies. Who will guarantee that such reduction of the fiscal capacity of the state to reallocate financial investments will go towards new sectors or companies that do not privilege growing return on investments or investments outside the European Union? This will only accelerate the trend towards externalising outside Europe not just industrial jobs but also high-quality jobs depending on industry.

The request for a European public investment plan for socio-ecological reconstruction is a good idea, provided that it is coupled with the direct involvement of the public sector and strategic companies partly owned by the state. These companies are the only ones which could guarantee that new employment will be created by urgently tackling new needs with the production of public goods which are fundamental for development: This includes supporting local knowledge with the potential to create new productive activities. This directly implies selecting these sectors that could be supported in the long-run but with short-term effects in terms of employment. The *EuroMemorandum* suggests four kinds of activities worth considering. We believe that they should be given an increasing weight as their capacity to generate employment of quality is different and the return on jobs will be higher to tackle the urgent situation:

- a) Health, welfare and caring activities.
- b) The support of initiatives of socially and ecologically sustainable solutions to foods, mobility, construction, energy, water and waste problems.
- c) The production and dissemination of knowledge applications of ICTs and web-based activities.
- d) The protection of the environment and the promotion of renewable energy.

Coming to the question of governance, it is obvious that in certain cases it will be necessary that publicly controlled companies in some sectors are present, in particular in those where there is oligopolistic domination like in some public services related to water or transportation such as railways. This requires also a clear step towards the creation of European public firms like the ones already existing in the aeronautic sector (EADS). The extent of the control does not imply the ownership of 100 % of the company but the existence of at least a representative of the states in its administration board together with the representatives of the workers. It is clear that companies which will benefit from European state investments should allow for this in their governance. The absence of an overview upon the decisions and internal data of strategic companies often prevents the capacity to intervene in some sectors as the states in Europe have lost administrative capacity to check the fundamental data provided by large oligopolies in terms of their internal costs

and transactions, in particular intra-firm trade, when dealing with multinational companies. This is very similar to what is taking place in France in the French multinational of the automobile sector PSA or is already happening in *Volkswagen*. The difference here is that various states or even various representatives of European interests will be present in the board of the companies and keep informed the public authorities and the citizens about the use of their taxes.

This question of the governance of a potential European public sector organised through European networks articulated in existing institutions like the European Social and Economic Committee of the EU or the Committee of Regions brings us to the European actor in charge of coordinating industrial planning at the European level. There are two possibilities on the table: either requesting the creation of a new European Industrial Agency like others which already exist; or the transformation of the statutes of the European Investment Bank, which is already in charge of doing some of this work as financial arm of the European Union in the productive economy. This is an old dilemma also in national settings: creating a planning authority or a public investment bank? The difference is important as a public investment bank has to evolve in the turbulent waters of finance but with the advantages of being able to multiply its investment potential and representing a long-term project. In the current situation of growing concern over industrial policy it is likely that both paths could be explored keeping the agency also as coordinator of the agencies which already exist at national and regional levels in various countries in such a way that there is a technical-economic institution which also incorporates European social actors in a democratic and accountable way into existing European institutions.

The fourth decisive question is related to the way of financing such investments. It is obvious that it seems quite unlikely for us to do so by relying exclusively on increasing the current contribution of member states even if this were possible via their contributions to the European Investment Bank, which has been the solution found to satisfy the French social-liberal request to accept the Fiscal Compact. Therefore the question of European public taxation will be the other obvious solution. This taxation will be brought about by using the Financial Transaction Tax. As often it is important to devise fiscal instruments at the European level, even at a limited scale, because in a first step its mere existence could potentially open the way, under better political conditions, to its extension or modulation in a redistributive manner between territories. In a more ambitious manner and following the scandal of fiscal dumping by major multinationals in European countries, it might be possible to explore the possibility of an EU-wide tax on multinational corporations operating in the European Union. The money resulting from this tax will be reallocated to territories by the European Industrial Agency and administered in cooperation with



the EIB which will play its role of European Public Investment Bank supporting the activities already discussed.

These are just some of the dilemmas and potential solutions that the network of economists associated with *transform! europe* has been discussing and proposing. Indeed, this working paper just aims at being an element for the debate between them and also an instrument informing the European Left on some of the viable alternatives manoeuvring the existing European Union out of its social and economic crisis. The European elections are a moment in which these discussions could crystallise in the public debate but the overview of the evolution of the EU debate on industrial policies and the positions of European progressive think tanks and foundations clearly demonstrates that there is an opportunity for the alternative Left to introduce elements of long-term solution on the lines which it has for a long time been advocating. It is obvious that the request for a European industrial policy might be the starting point to break the TINA consensus on austerity by using these trans-partisan

convergences to create a European pact of productive forces. A condition for influencing the debate of ideas is to fully present credible and feasible alternatives in the current state of European integration but without losing sight that without a horizon of socialist and ecological productive reconstruction and transformation of the European Union there will be no future for the European project in the eyes of increasingly sceptical citizens and workers.

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<sup>1</sup> Benjamin Coriat, "Politique industrielle", in: Les économistes atterrés, *Changer l'Europe*, Les Liens qui libèrent (Paris, 2013), p. 60. The author takes a different perspective than the one advocated here in the analysis of existing EU policies.

<sup>2</sup> On this point see Kiran Klaus Patel and Heike Schweitzer, *The historical foundations of the EU competition law* (Oxford, 2013), in particular Sigfrido M. Ramírez Pérez and Sebastian van de Scheur, *The evolution of the Law on articles 101 and 102 TFEU: Ordoliberalism and its Keynesian Challenge*, pp. 19-54.

<sup>3</sup> For a discussion and overview, Sigfrido M. Ramírez Pérez, "The European search for a new industrial policy (1970-1992)", in: Stefania Baroncelli, Carlo Spagnolo, Leila Simona Talani, *Back to Maastricht: Obstacles to Constitutional Reform within the EU Treaty (1991-2007)*, (Newcastle, 2008), pp. 303-325.

<sup>4</sup> Antonio Tajani, "A Strategy to Reindustrialize Europe", in: *Queries*, Autumn 2013, Issue 2, p. 55; Antonio Tajani, Speeches, *Un nuovo bilancio UE per il Rinascimento industriale Europeo*, Milan 25 March 2014.

<sup>5</sup> European Council, pp. 4-7. Conclusions of the European Council of 20-21 March 2014, Brussels 21 March 2014.

<sup>6</sup> EP, 2013/2006, Press release about the RISE report. Text adopted by Parliament, single reading, 15 January 2014.

<sup>7</sup> Mario Pianta, "An Industrial Policy for Europe", in: *Transform! Journal* 13 (2013), p. 75.

<sup>8</sup> Benoît Lechat, "From the Green Industrial Revolution to the Ecological Revolution", in: *European Green Journal* 6 (Oct. 2013).

<sup>9</sup> EuroMemorandum 2014, "Industrial Policy", Section 6, p. 55-61.  
<[http://www2.euromemorandum.eu/uploads/euromemorandum\\_2014.pdf](http://www2.euromemorandum.eu/uploads/euromemorandum_2014.pdf)>

<sup>10</sup> DGB, A Marshall Plan for Europe, Dec. 2012 <<http://www.dgb.de/themen/++co++985b632e-407e-11e2-b652-00188b4dc422>>

<sup>11</sup> ETUC, A New Path for Europe, Nov. 2013 <<http://www.etuc.org/documents/new-path-europe/>>

<sup>12</sup> ETUC, p. 2.

<sup>13</sup> ETUC, p. 3.

<sup>14</sup> Julien Mendoza, Stéphane Rouhier, "European Industrial Policy", FEPS, Brussels, June 2012, p. 14.

<sup>15</sup> EuroMemorandum 2014, p. 58.

<sup>16</sup> Charlotte Billingham, Giovanni Cozzi, "Is the State a Bureaucratic Monster?", in: *Queries*, FEPS, Autumn 2013, Issue 2, p. 34.

<sup>17</sup> Michael Hudson, *The Transition from Industrial Capitalism to a Financialized Bubble Economy*, Working Paper No. 627, Levy Economics Institute, Oct. 2010, p. 3.

<sup>18</sup> EuroMemorandum 2014, p. 56.

<sup>19</sup> EuroMemorandum 2014, p. 58.

<sup>20</sup> Impact Assessment Report on the future of EU-US trade relations, European Commission, 12 March 2013, section 5.8.1.

<sup>21</sup> Friends of the Earth Europe, *The TTIP of the Anti-Democracy Iceberg*, Oct. 2013, p. 2.  
<[http://www.foeeurope.org/sites/default/files/foee\\_factsheet\\_isds\\_oct13.pdf](http://www.foeeurope.org/sites/default/files/foee_factsheet_isds_oct13.pdf)>

<sup>22</sup> <<http://www.votewatch.eu/en/eu-trade-and-investment-agreement-negotiations-with-the-us-motion-for-resolution-vote-resolution-as-.html>>

<sup>23</sup> EuroMemorandum 2014, p. 55.