

La politica industriale in Europa e in Italia: come realizzarla?



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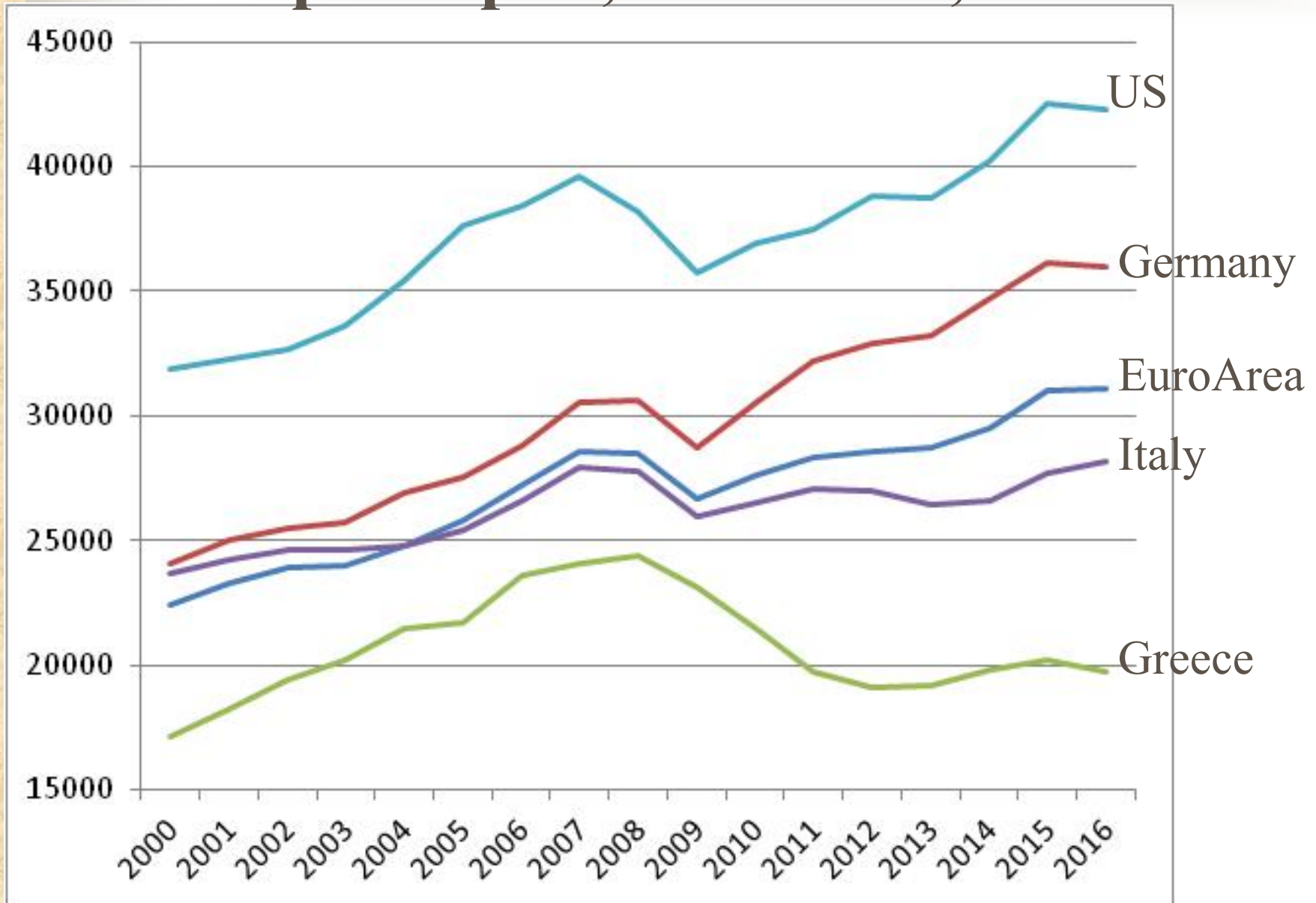
Una politica per il dopo-crisi

- Gli effetti della crisi e la necessità di ricostruire le capacità produttive
- Il quadro europeo
- La non-politica industriale italiana
- Come disegnare e realizzare una nuova politica industriale

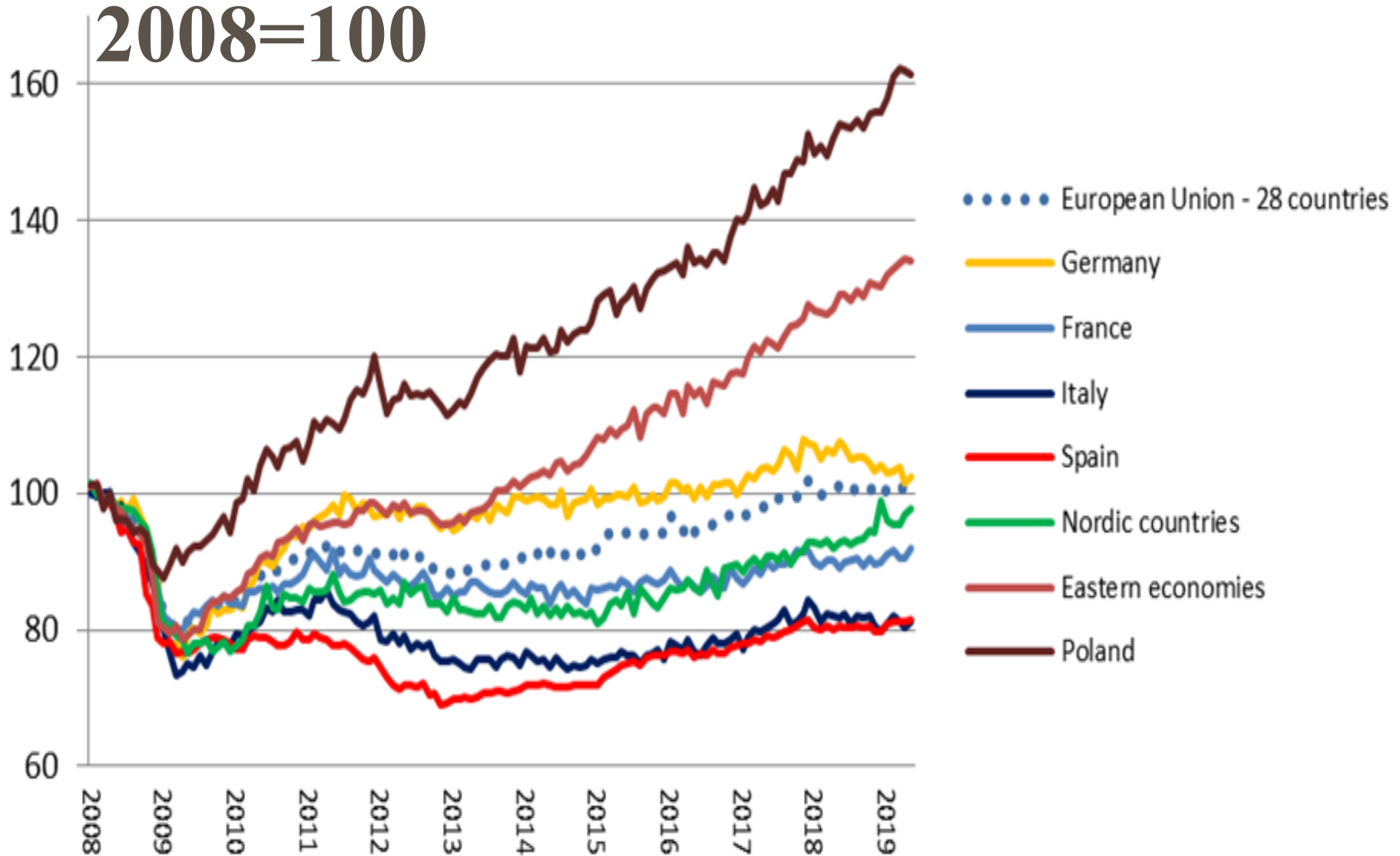
Nascia, Pianta, La Placa, RIO country report: Italy 2017, JRC European Commission 2018

Pianta-Lucchese-Nascia, The policy space for a novel industrial policy in Europe, 2019

GDP per capita, real terms, PPS EU28



Indice della produzione industriale, 2008=100



Index of production for manufacturing 2007=100 - 3 months moving averages

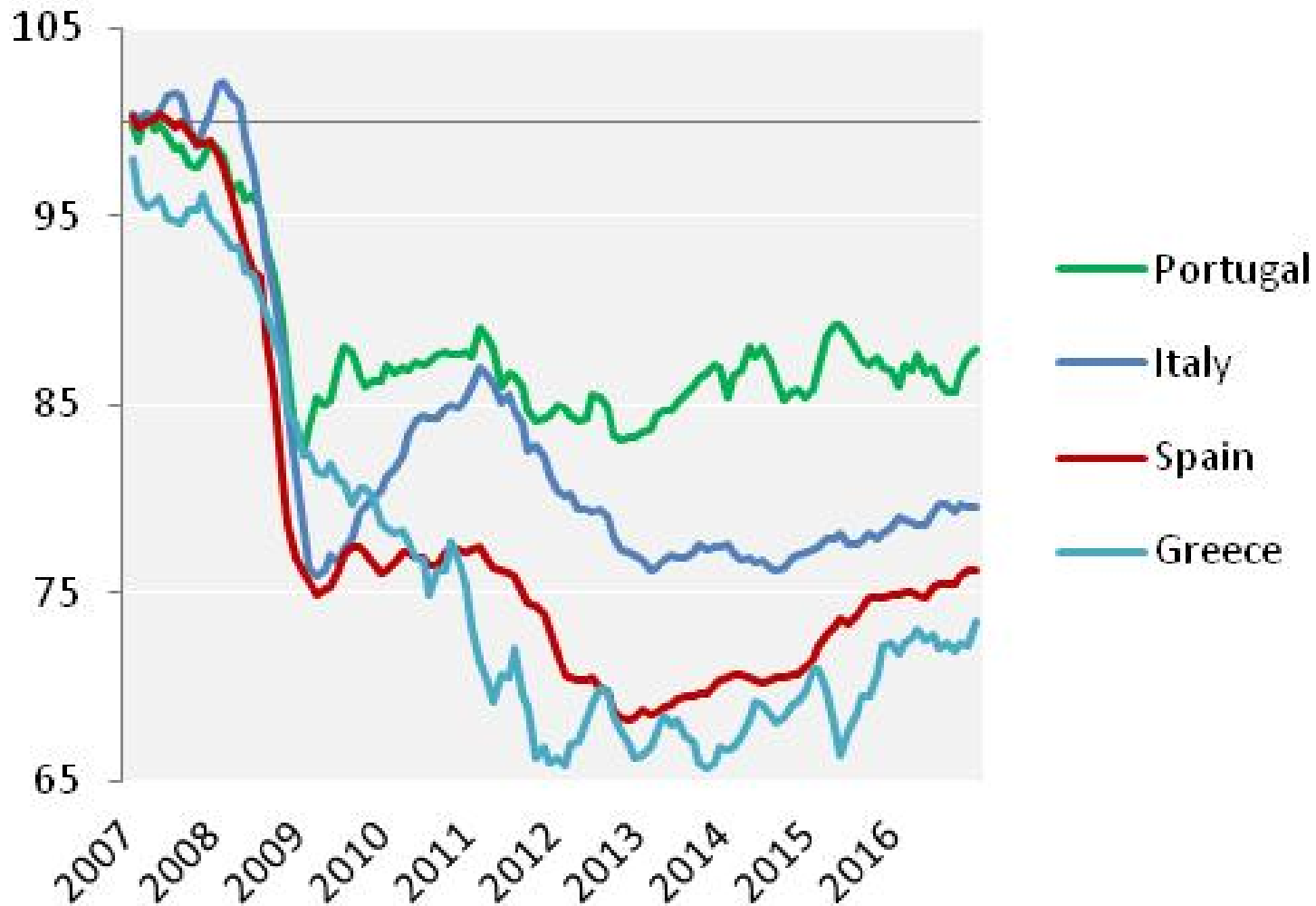
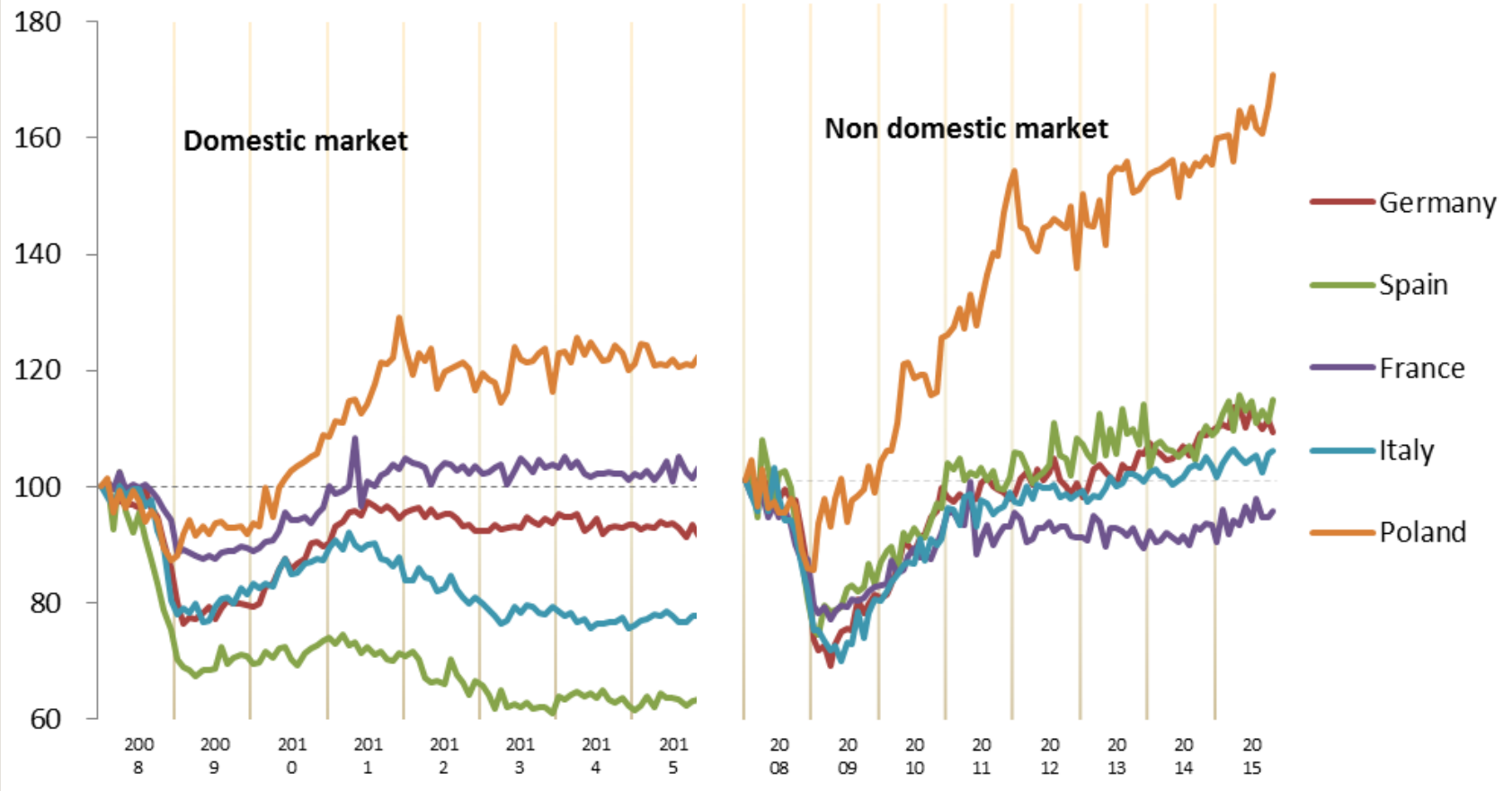


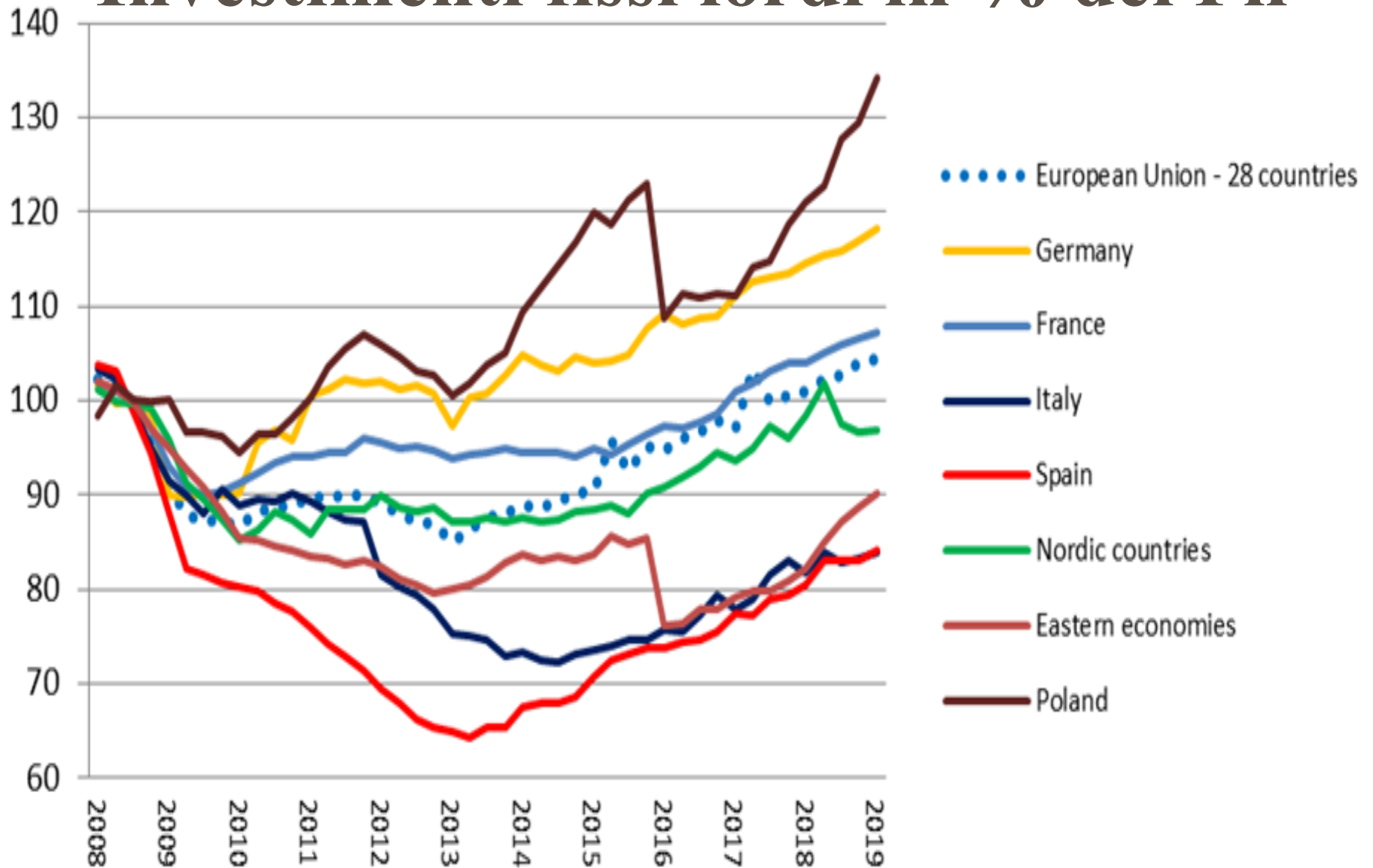
Figure 4. Total turnover in manufacturing (domestic and non domestic market) for selected European economies, January 2008=100.

Monthly data, seasonally adjusted and adjusted by working days.



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

Investimenti fissi lordi in % del Pil





The case for industrial policy

- Chang (1994), Hausmann and Rodrik (2003), Rodrik (2008), Wade (2012), Andreoni (2016), Andreoni and Chang (2018)
- Greenwald and Stiglitz (2013); Cimoli, Dosi and Stiglitz (2009), Stiglitz and Lin Yifu (2013)
- Aghion et al. 2011, 2012, WIIW 2013;
- WIFO, Reinstaller et al. 2013; Aiginger, 2014.
- Mazzucato 2013
- Celi, Ginzburg, Guarascio, Simonazzi 2018
- Pianta 2010, 2013, Pianta et al. 2016, 2019



What is a novel industrial policy?

- Need for reconstructing economic capabilities, reduce divergence: **a novel industrial policy** not focused on ‘industries’ or manufacturing, but on key dynamic areas of economic activity, linking knowledge, R&D, innovation, production, high wage jobs, high quality growth, links with non-economic goals of society



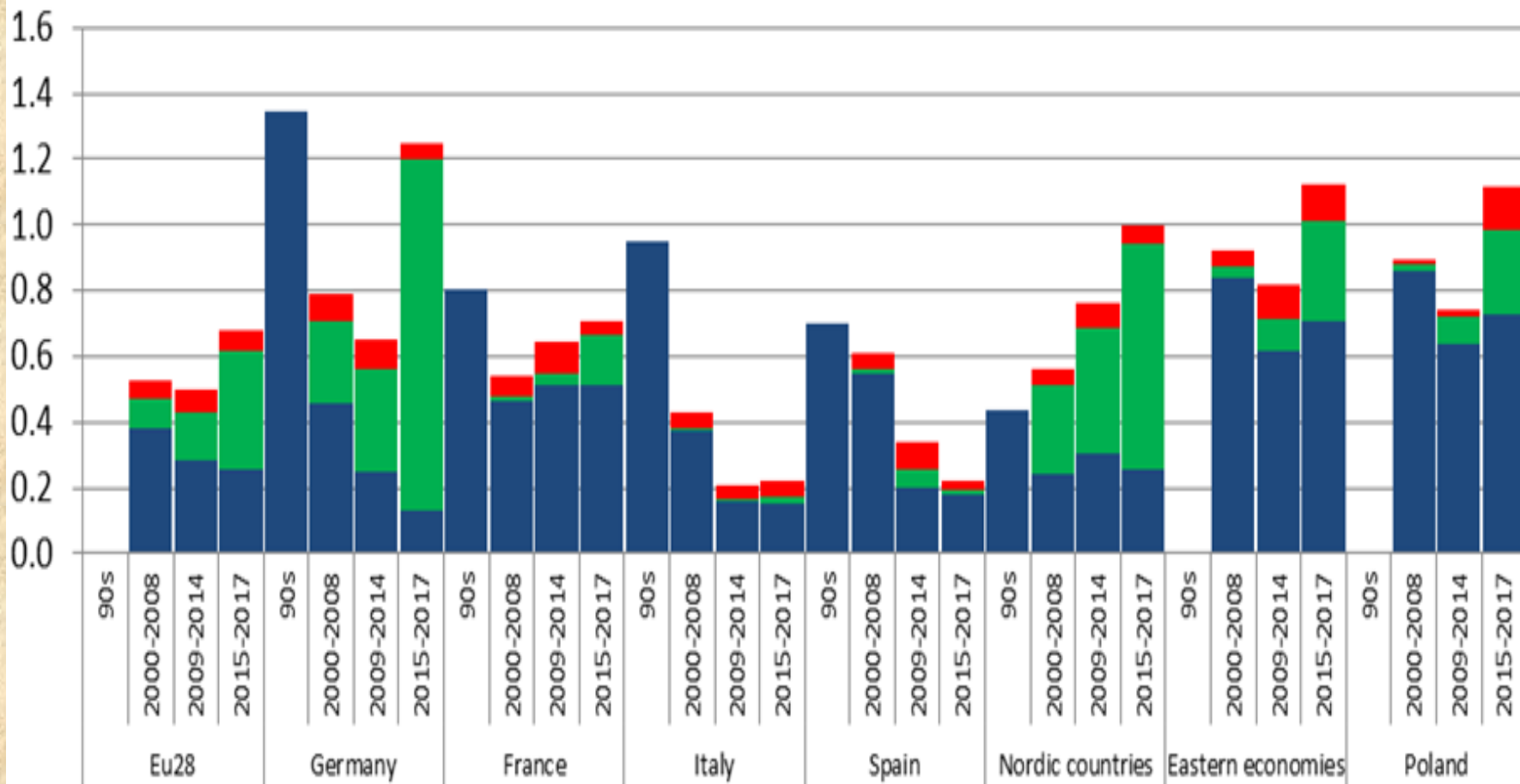
Che cosa fa/non fa l'Europa?

State aid and tax rules

- Cuts in state aids
- New patterns in public funding: R&D, environment
- No consideration of favourable tax treatment by states: major 'distortion of competition' that is ignored by the European Commission. In fact, for some countries a favourable tax policy has been an effective tool for implementing a national industrial policy.

Aiuti di stato in % del Pil

- Research and development including innovation
- Environmental protection and energy saving





EU Investment plan

- 2014: ‘Juncker Investment Plan’
- 2015 European Fund for Strategic Investments in EIB, aim of 315 bn investm. by 2018 - the target being expanded to 500 bn by 2020;
- 21 billion original EU funds plus leverage
- ‘Independent Evaluation of the EFSI Regulation’: mid-2015 to May 2018, EFSI financing for 57.5 billion has facilitated 287.4 billion of investment with funds from private funds and public banks



Invest EU 2018

- InvestEU 2021-2027: aim of 650 bn investment in seven years, from 15.2 bn EU funds
- SMEs, R&I, infrastr., social investm (based on report of Promotional Banks on social infrastructure: gap of 170 billion per year in education, health and affordable housing)



InvestEU and its limits

- Break with past view that markets (and finance) know best
- Address EU's investment gap, limited macroeconomic effect, financial criteria only
- Tapping into large private/institutional financial resources looking for low risk/return
- Lack of ECB role
- Includes social investment, no productive invest
- No vision of convergence, sustainability



Limits

- Usual problematic fields of investm: energy, infrastr, steel, etc. No climate considerations
- no financing of innovative start-ups and early stage growth SMEs.
- High concentrations, France, Italy and Spain, accounted for the 44.5 per cent of total investment.
- gap in infrastructure investments, which remain 20 per cent below pre-crisis level



Una politica industriale-ambientale?

- In July 2019, the new president of the EU Commission Ursula von der Leyen has announced a ‘Green New Deal’, the setting up of a ‘Sustainable Europe Investment Plan’ and a ‘Just Transition Fund’ to support affected regions, the partial transformation of the European Investment Bank into a Climate Bank 1 trillion euros investments over the next decade



Una politica militare-industriale?

- In EU MFF military research and production European become a new priority
- The Defence Research Programme will receive 500 million euros per year for weapons research; the European Defence Industrial Development Programme 1 billion euros per year for technological projects related to arms acquisitions (additional funding from states)

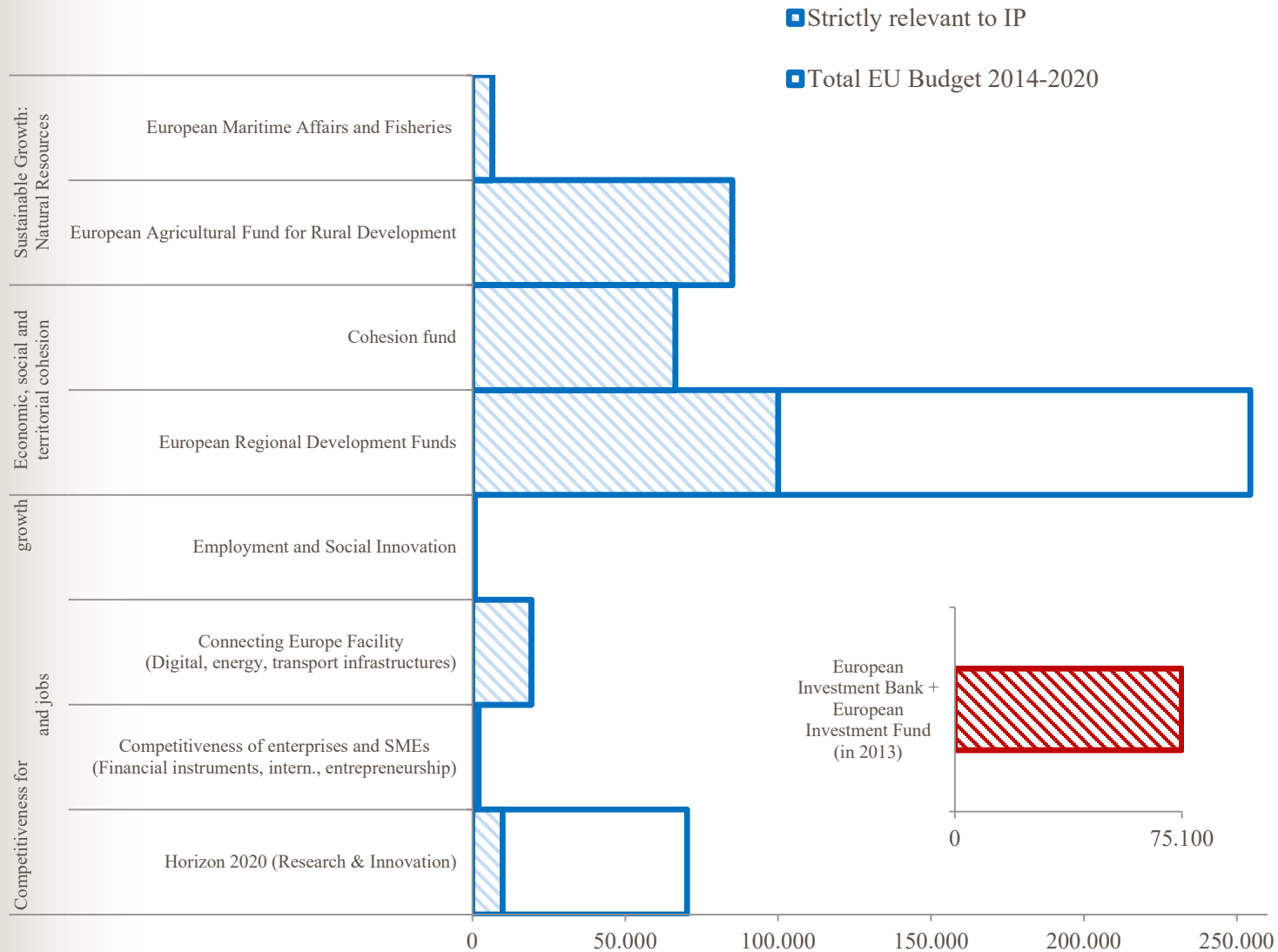


What is not being done

- No vision of how a sustainable economy may emerge in Europe
- No vision of how a digital economy may emerge in Europe
- No challenge to the global monopolies of Google, Apples, Facebook, Amazon (and the Chinese parallels): Europe is out of the game
- Industry 4.0 is a short-sighted application of digitalisation for lower costs, greater corporate control

Europe's industrial policy

EU Financial Framework 2014-2020, Total budget (million, 2011 prices)





Le debolezze storiche dell'Italia

- bassa tecnologia, R&S, deboli istituzioni di ricerca
- specializzazione produttiva in settori maturi,
- debolezza delle grandi imprese,
- mancata presenza in aree tecnologiche nuove
- acquisizioni da multinazionali straniere
- difficoltà nel finanziamento dell'innovazione,
- modesta percentuale di laureati su forza lavoro
- forte polarizzazione territoriale



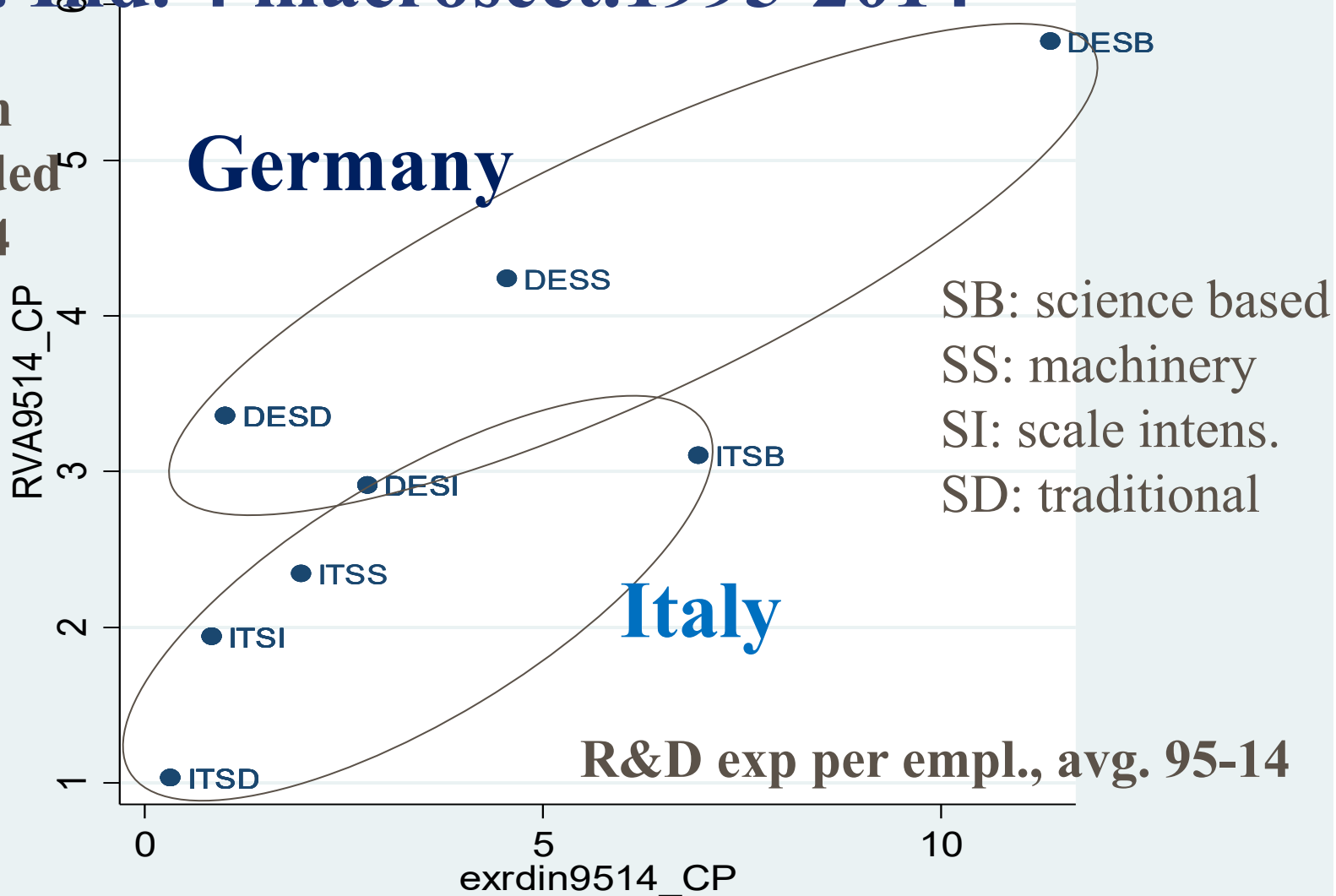
L'Italia: arretramento, non-politica

- Abbandono delle politiche industriali
- Arretramento in R&D, tech, produzione, salari verso la Germania
- Crisi diffuse
- Riscoperta
- Iniziative frammentarie
- Vuoto di strategia, priorità, strumenti

R&D and Value added growth

Manif. Ind. 4 macrosect. 1995-2014

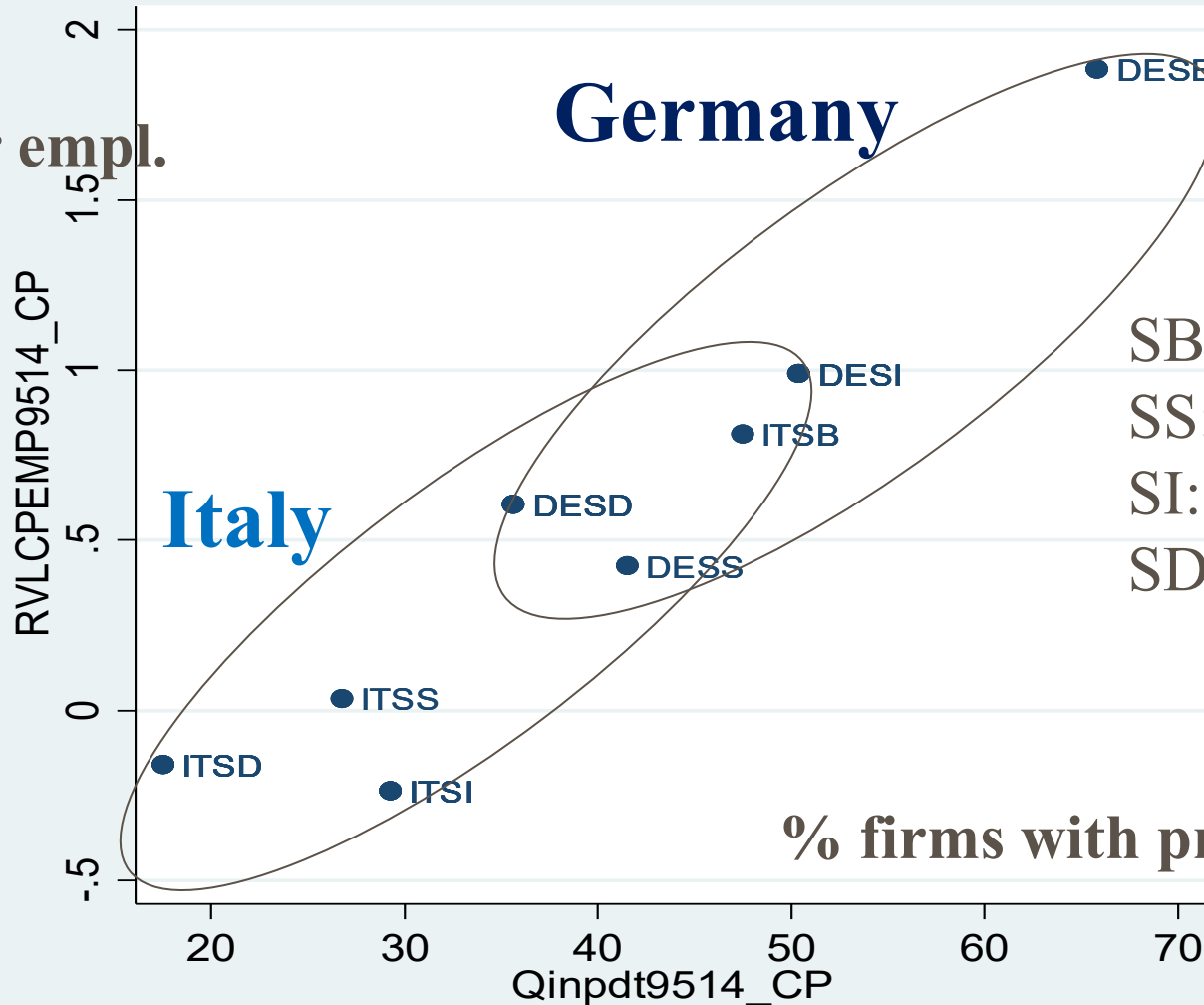
Change in
Value added
1995-2014



Product innov. and wage growth

Manif. Ind., 4 macrosect. 1995-2014

Change in
Wages per empl.
1995-2014



SB: science based
SS: machinery
SI: scale intens.
SD: traditional

% firms with product innov.



Quello che si sta facendo

- Horizontal policies: incentives to firms
- Industry 4.0, start ups
- Weak Regional/structural policies
- End of privatisations?
- Fragmentation
- Few resources
- Company crises, ad hoc approach
- Role of CDP?



Incentivi alle imprese

Incentivi all'R&S

Incentivi ai macchinari

Industria 4.0/ Impresa 4.0	2016	Firms	€2.3 billion in 2018 and around €4 billion in 2019-2020
Tax credit for the training activities	2019	Firms	€250m

Policy measure	Year	Target group	Value (€)
Start up Law 17 december 2012 n.221	2012	Firms, SMEs	NA
Investment compact law 2015 n.33 (Innovative SMEs, incubators, patent box)	2015	Firms, SMEs	NA
Smart&Start Italia	2017	Firms, SMEs	€95m in 2017 budget law
Contratti di sviluppo	2011	Firms	€1.1m in 2019, €41m in 2020 and €70.4m in 2021
New Fondo nazionale innovazione (public fund for VC)	2019	Firms	€1b
2019 Budget law (simplification and indirect incentives for VC and business angels)	2019	Firms, SMEs	
DL 69/2013 ‘New Sabatini Law’	2013	Firms, SMEs	€48m in 2019, €96m for each year until 2023 and €48m in 2024



Fondo innovazione e ruolo CDP

- 2019: 'Fondo Nazionale per l'Innovazione' (con 'Invitalia Ventures') gestito da Cassa Depositi e Prestiti, €1b per venture capital, start-ups in Artificial Intelligence, Blockchain, New Materials, Space, Healthcare, Environmental Industries, AgriTech/Foodtech, Mobility, Fintech, Design/Made in Italy, Social Impact.



R&S e innovazione

- R&S 2017 €23.8b, +2.7%, 1.38% del Pil Public R&D stagnant (+0.9% for public research organisations; +0.2% for universities), R&D by firms increased by 5.3%, due to more firms reporting R&D
- two thirds of R&S in concentrated in five Northern and Central Italian regions
- 2018 allocations for public R&D (GBOARD) €10.3b, compared to €8.8b of consolidated expenditure in 2017.



Politiche regionali su PMI, startup

- **Smart Specialisation Strategy e settori prioritari**
- 'Fondo Toscana Innovazione' 'Fondo Toscana Venture'.
- Trentino Sviluppo
- 'Fondo Ingenium' in Emilia e Sardegna
- Lazio Innova
- Friuli Fondo Sviluppo PMI



Le misure servono?

- **ISTAT on R&D tax credit:** in 2015 7,993 private businesses benefitted for around €590 million; the average per firm is less than €75,000. More R&D reporting firms.
- **ISTAT on superammortamento:** in 2016 191,000 firms (24.1%) received the benefit, with a reduction of the tax base of €1.72b. Larger firms have obtained the greater advantages; 43% of benefits gone to low tech services (car rentals, leasing 20% of all funds)



Una svolta per la politica industriale in Italia?

- Ripresa di azioni e risorse, ma non come politica industriale d'insieme per affrontare i problemi del paese
- Frammentazione e mancanza di selezione
- Misure troppo 'orizzontali' poco efficaci
- Manca una politica della domanda
- Mancano strumenti adeguati



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**



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

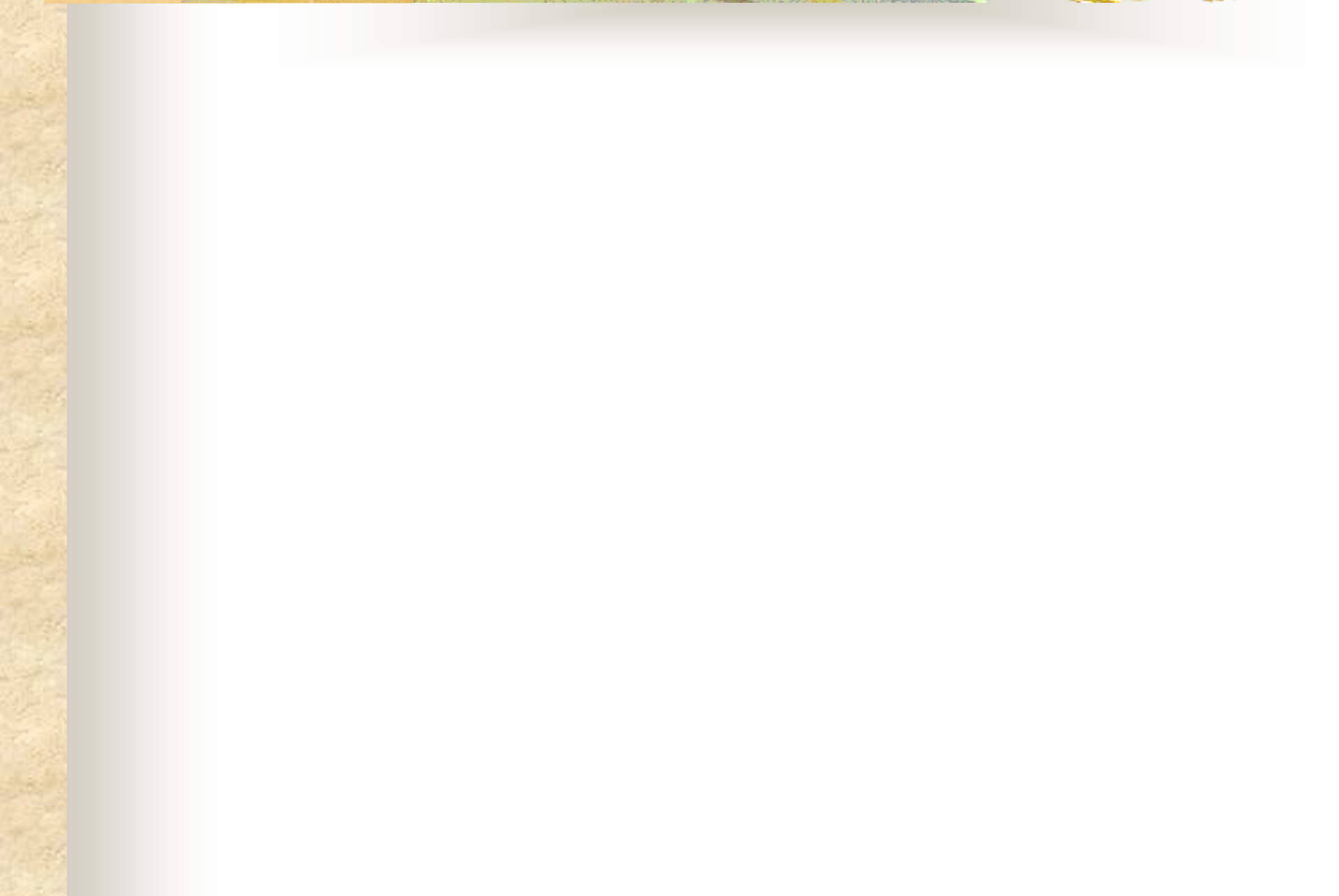
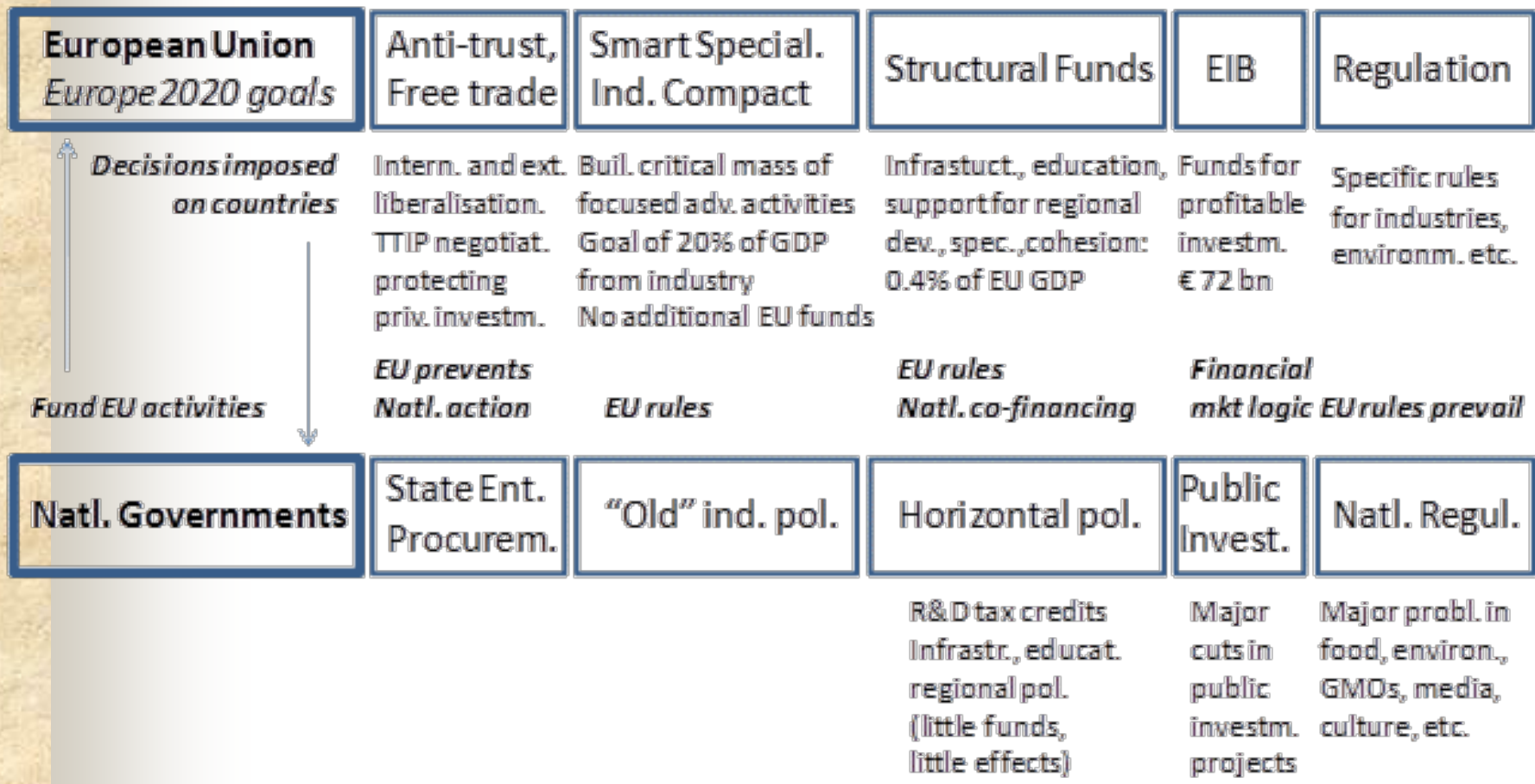


Figure 7. A summary of current main industrial policy actions in the EU





Key criteria

- Industrial policy should favour the evolution of knowledge, technologies and economic activities towards directions that improve economic performances, social conditions and environmental sustainability. It should favour activities and industries characterised by learning processes – by individuals and in organisations -, rapid technological change, scale and scope economies, and a strong growth of demand and productivity.



Traditional aims of industrial policy

Facing market failures and incomplete markets, public action can aim at:

- *achieving static efficiency*, domestic production and potential demand should meet;
- *achieving dynamic efficiency*, favouring the growth of national industries with strong learning and productivity growth, able to sustain international competitiveness and high wage permanent employment, institutions, complem.
- *addressing market failures* in natural monopoly



Policy tools 1

- state owned firms in strategic industries, key infrastructures and natural monopolies;
- subsidies to private firms, support for R&D and investment, infrastructures to make sure that a large share of the demand in growing industries was met by domestic producers;
- trade protection in infant industries and use of managed trade and negotiations to open selected export markets, in order to favour the growth of new industries;



Policy tools 2

- public procurement of high technology goods, providing an early demand pull to new industries (trains, telecommunications, military equipment, aerospace, biotechnology, health);
- institutions, forms of coordination, financing and public-private cooperation for favouring the development of new industries, organising new markets, setting standards and regulations;
- strengthening of national innovation systems,



Postwar Industrial Policy

- Rapid growth, catching up, imitation of frontier industrial technologies and organisations, low uncertainty
- Strong state intervention
- Public enterprises in key industries/services
- Public procurement
- Relatively closed economies, diversified industrial bases
- Success of Airbus



The decline of policies in the 1980s

- Neoliberal policies relying on markets for short term efficient decision on allocation of resources and long term investment in developing new activities
- Privatisation, deregulation, liberalisation aiming at efficiency gains
- Globalisation and single market in Europe: more openness and role of multinational corporations
- Uncertainty on technological change, ICT failures



Negative views on industrial policy

- ‘Markets are efficient’ view
- Horizontal actions only
- Distortion of competition argument
- Reduction of state role in the economy
- Inadequate information/capability of public actors, risk of inefficiency/corruption
- EU policies built on such views



Positive views

- Need to help economic structures evolve, diversify, upgrade (Hausmann, Rodrik)
- Market failure in R&D and radical innovation
- Role of public research in private innovation
- Role of public investment banks (Mazzucato)
- Investment gap (OECD, IMF)
- Environm. sustainability challenge
- **A novel integrated frame for these actions is missing**



Ind pol proposals in Europe

- Pianta, Lucchese, Nascia, **What is to be produced? The making of a new industrial policy in Europe.** Rosa Luxemburg Stiftung Report 2016
- Proposal to invest 2% of Europe's GDP (about EUR 260 billion) for a decade,
- greater national policy space with a 'golden rule' for public investment.
- reduce divergence, concentrate resources in weaker regions and weaker countries.

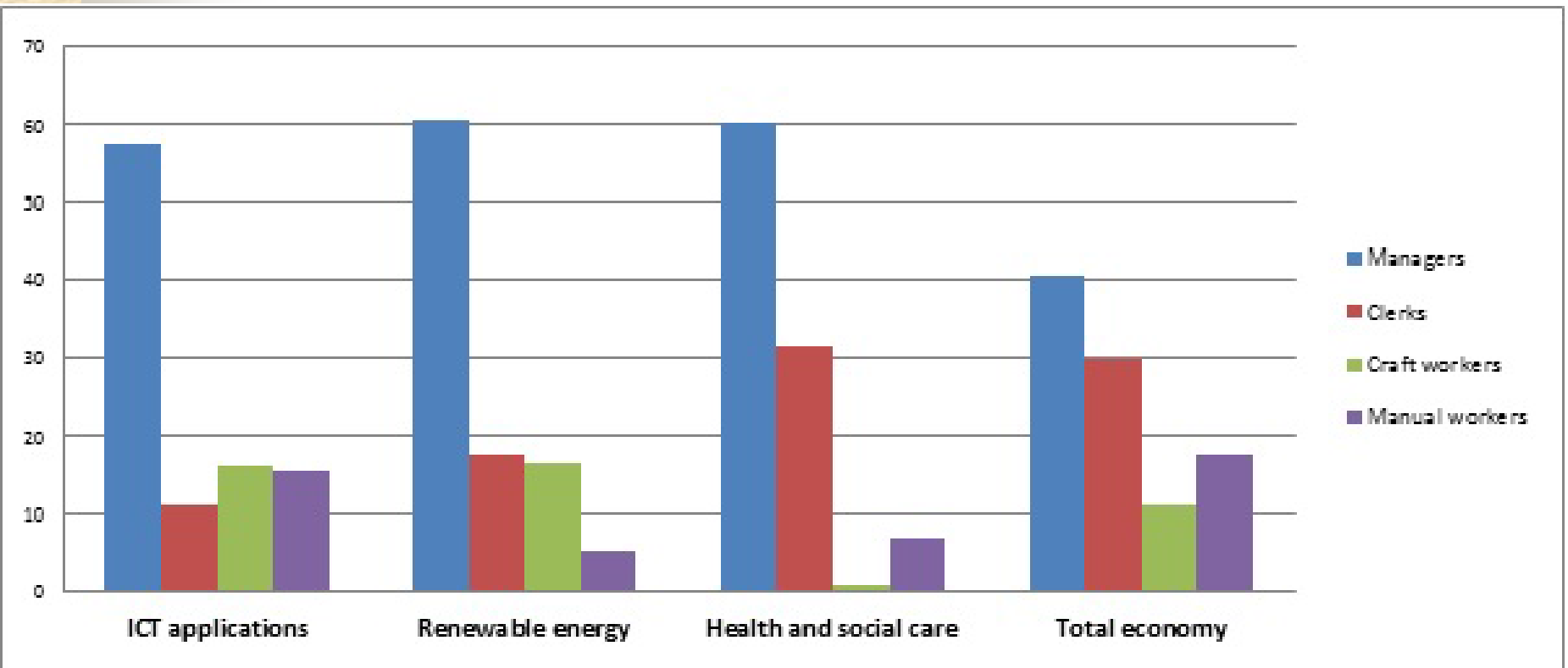


Funds

- 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

Skill structure in areas that could be targets of industrial policy

Germany, France, Italy, Spain, United Kingdom (2011)



Source: LFS, 2011. 2-digit NACE Rev.2 sectors
(Health and social care include both market and non-market activities)



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



Is there space for national policies?

- National and EU policy spaces should be expanded in parallel
- National policies are constrained by financial flows, integration in global production systems
- National policies can do little facing global digital monopolies
- National potential for environmental issues, public procurement, public services



EU and national policies

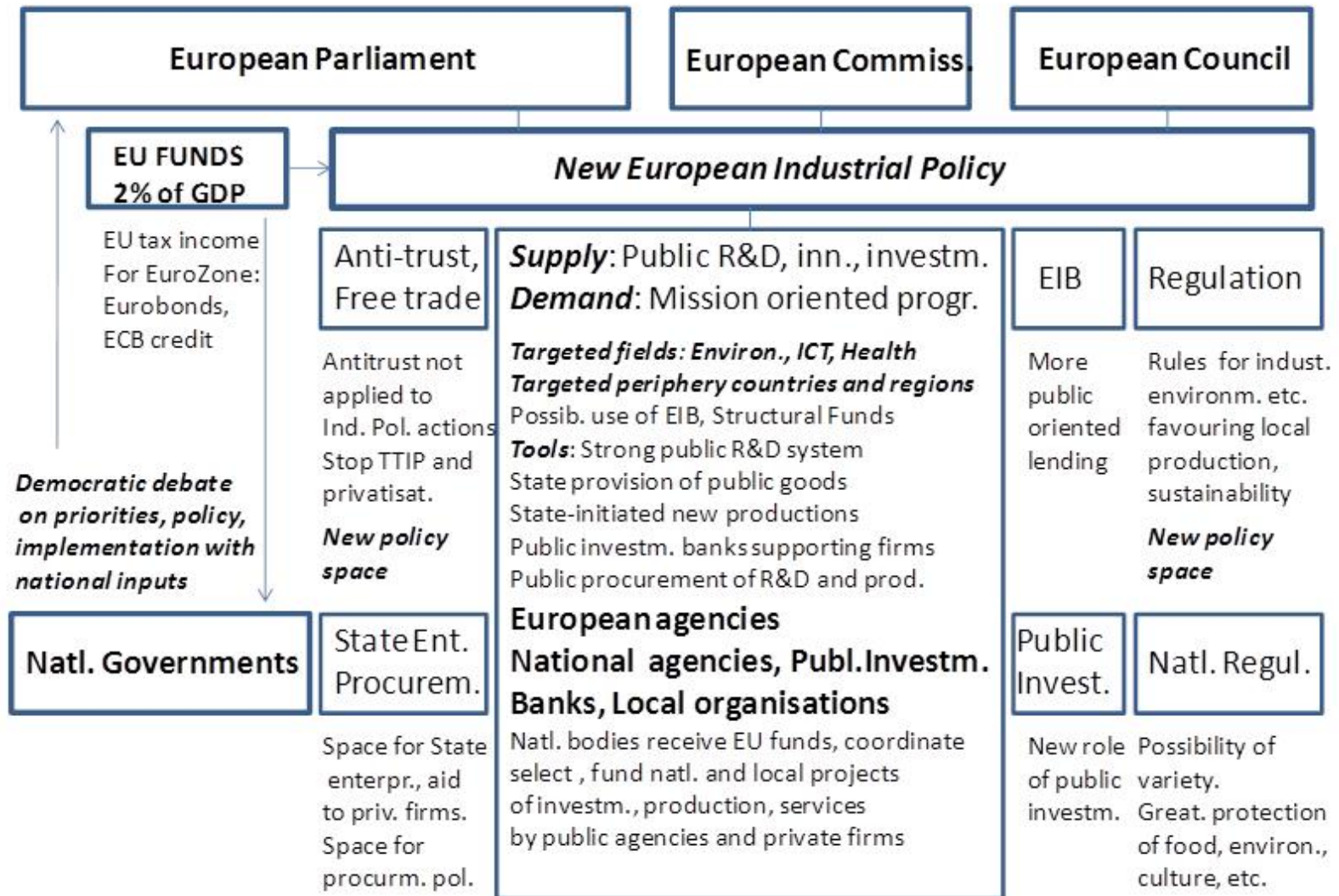
- EU changes that may help the national level: ‘golden rule’ on public investm, less fiscal austerity, more room for state aid and action, public services (health, water), nationalisations



The politics of industrial policy

- Need to assess **national contexts**: views and actions by governments, business, finance, unions, political and social forces
- Need to assess the potential for a joint **political strategy at the EU level**, and for national arena
- **Political problems: how the strategy has to be framed?** Who are the backers?
- **Implementation problems**: National public investment banks? Political strategy? Role of business, green econ, banks? Role of unions?

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





3. A new policy space?

- UN sustainability goals 2030
- Paris Climate commitments,
- **Investment** is now a major policy concern for governments
- G7-G20-OECD-IMF documents asking for more public and private investment and infrastructure
- In the EU: evolution of policies, Juncker Plan Industry 4.0
- Several proposals for new policies



G7 Academies of sciences

- Statement for G7 govts *New economic growth: the role of science, technology, innovation, infrastructure*, 2017.
- “Growing levels of public and private investments in science and technology are needed to address the challenges of sustainable and inclusive growth”



Importance of research

- “Public policies should recognize the key role that expenditure for the advancement and diffusion of knowledge, culture, higher education and innovation can play in supporting high quality socio-economic growth, and that these benefits outweigh many short-term concerns for balancing public finances”



Demands to G7 governments

- “i) expand investment and capabilities in science and pre-competitive technologies;
- ii) increase investment in infrastructures –
- iii) promote the development of capacities to design, engineer, produce and deliver products based on new science and technology;
- iv) promote open access to advances in science and technology, while preventing the emergence of monopolistic practices”.



The policy actions in Europe

- Europe2020, Structural Funds/cohesion
- *Flagship initiative* “An integrated industrial policy”, ‘Smart specialisations’
- Environmental actions and the Energy Union
- EFSI, EIF, role of European Investm Bank
- Industry 4.0, 2017 actions for digital economy
- Social infrastructure report by Public investm banks, 2018
- Horizon Europe and Mazzucato report on Mission-oriented, 2018