

Overture de ‘The New European Industrial Strategy: Institutions and Governance’*

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Abstract

Since the financial and economic global crisis of 2007-2008, western industrialized countries experienced a return to stronger state interventions in the business, which are considered as the most important answer to the new rules of global competition and oversize economy.

After forty years of tendencies towards the second way of seeing the function of the State in the economy, both the financial crisis of 2007-2008 and the pandemic of 2020 have rediscovered the thaumaturgical value of the Keynesian approach, which is adopted in all Western countries, with impressive support plans for the real economy

The transition period towards a great structural change through the new European strategy based on developmental industrial policies needs a complex and multilevel European governance, based on the construction of a coherent inter-institutional governance of the public governmental filière. In particular, regions and cities can compete in global markets for attracting investments, tourists or residents through appropriate place marketing policies.

Keywords: European Industrial Strategy; European Territorial Strategy; Institutions; Governance; State; Market; Territory; Global Markets

1. Overture

Across Europe, businesses and policy makers are now worried about the future industries dominated by U.S. and Chinese companies.

Since the financial and economic global crisis of 2007-2008, western industrialized countries experienced a return to stronger state interventions in the business. States, which had previously been reluctant to intervene, implemented intervenes for individual companies or industrial measures for whole sectors.

Since the ‘80s, European industries are declining for the following main reasons:

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- Impact of industry dynamics on profitability.
- Excess of production capacity (Brondoni, 2014; Brondoni, 2008).
- Demand stagnation.
- Demography, with a growing trend of urban population.
- Market fragmentation and lack of a unique regulation.

The financial crisis of 2007-2008 has driven Asian countries to double down on the tradition of state intervention, has fueled extraordinary growth, and has produced global industries such as electronics manufacturing in South Korea and Japan, and China (Brondoni, 2020).

Moreover, the pandemic has driven Asian countries to double down on the tradition of state intervention. The specific causes of the coronavirus global recession, however, impose a radical and targeted solution. Governments should enter in key-sectors and cover directly wages and maintenance costs for critical businesses facing shutdown.

Western industrialized countries are experiencing a return to stronger state interventions in the business, which are considered as the most important answer to the new rules of global competition and oversize economy (Brondoni, 2019a; 2019b).

The changes reflect a fundamental philosophical shift away from the market-oriented consensus dominant in the West since around 1980, which emphasized a reduction in state support for businesses, the removal of regulations impeding competition, and trade liberalization.

Asian countries are heavily investing in the state-centric model. Western Governments are imitating their Asian rivals and moving away from the free-market doctrine that defined their economic thinking for decades, instead embracing greater state control of business activity. The specific causes of the coronavirus global recession, however, impose a radical and targeted solution. Governments should enter in key-sectors and cover directly wage and maintenance costs for critical businesses facing shutdown.

2. The New European Industrial Strategy

This is the second issue of Symphonya. Emerging Issues in Management devoted to the webinar *A New European Industrial Strategy and the European Recovery Program after the Covid-19 Crisis* held on 8 July 2020 and it will present a selection of papers, which deal with institutions and governance.

Covid-19 revealed some contradictions in the globalization process and in the global value chain's (GVC) organization which pushed the national economies in Europe towards apparent international competitiveness and export-led model, but creating really only internal (within European countries) competitiveness and neo-mercantilist behavior in some countries bringing to export surplus in stronger economies instead than pushing internal demand.

We need to remember almost 90% of total European production is devoted to internal European market (only two European countries show a large share of extra-European exports) (Garofoli, 2017) so the demand problem in the crisis is especially the lack of internal (European) demand. The most part of the so-called national exports in Europe should be devoted to the European market and should be considered like inter-regional trading. This means the export surplus (not expended)

is just a backwash or drain of resources from the economic system because it is excluded from the internal economic circuit; it is then possible to state it is at the origin of the economic crisis. This explains, then, why the European production should be oriented with priority to the basic needs of European citizens, through a great expansion of internal demand (Garofoli, 2017; Cappellin et al., 2018).

The diffused (in all European countries) social and economic crisis asks for a quick European recovery. This explains the necessity of a great transformation of the European economic structure in the direction of basic needs of European citizens through economic policies, which support both the demand and the supply of these strategic goods and services. This will create the internal coherence of the income production cycle, starting from a large amount of investments, which will increase employment and income to rise both public and consumers' demand in Europe.

We need to think about a structural transformation of the economic structure in Europe and this should be the objective not only of the Green New Deal but also even of the Next Generation European Union Program. We need to go back to the so-called Social Europe model, leaving the competitive (and market oriented) model of the last 30 years.

The transition period towards a great structural change through the new European strategy based on developmental industrial policies needs a complex and multilevel European governance, based on the construction of a coherent inter-institutional governance of the public governmental *filière*. The main ideas and the general objectives of the restructuring process should be introduced at European and national level. By contrast, the best part of decision-making and investment projects should be promoted and designed in territories and regions, even to guarantee not only the responsibility and participation of economic and social actors, but also even the territorial and communities' autonomy.

The new European Industrial Strategy is then in line with some critical or emerging positions in the social and economic debate, especially with endogenous development theory (and place-based development), sustainable development and foundational economy approach. Foundational economy is based on "everyday economy" and on basic goods and services, which include utilities, some traditional private corporate activities, food processing, housing, health, education. In fact, welfare and social care and other public services cover roughly the 40 per cent of the workforce and at least 30 per cent of the household expenditure. These activities exist because people exist. Another economy exists and it is oriented then to "left behind people" (which asks for great social innovation) instead than to advance sectors (The Foundational Economy Collective, 2018).

This perspective needs a restructuring of the relationships between central state (more and more oriented in setting a broad vision and a planning capability) and local and regional governments. Local and regional government need to be reinvented, empowered and re-skilled as appropriate to develop textured and context-specific understandings of the foundational economy and to share intelligence about how to deal with common problems (Bentham et al., 2013).

This kind of interventions is crucial even to create a culture of the territorial governance and the mobilization of local and regional resources (both public and private), including financial resources using specific carriers and platforms, to solve directly existing problems. There is a lot to do with public and PPP (private and public partnership) investments in Europe and this needs a strong cooperation in the

institutional *filière*, because territorial and regional projects should be promoted and implemented with the involvement of their stakeholders. This should promote the bottom-up initiatives and the innovation and design approach of social and economic actors in all the European regions, even reinforcing the culture and process of co-design territorial projects, involving regional and national institutions in the accompanying of development projects.

Planning is the capability of the State to design suitable goals and the negotiation's capability between public and private actors to fulfill the decided goals in partnership. This means capability to deal with investment projects starting from the engineering until the execution and control.

Innovative manufacturing production will be organized on new skills and competencies linked with production process. The agglomeration of new skills and competencies will attract firms, which are looking for innovative capacities and appropriate research facilities, like hubs of knowledge creation, consisting in dense networks of universities, research centres and education & training institutions. Regional governments have an important role to play in attracting and developing skills and technical competencies, ensuring a good living environment and institutional density (Bianchi & Labory, 2020).

A multilevel governance should comprise complementary actions at regional and higher levels of government (national and European): regions can adopt industrial policies to favour particular development paths; national and supranational levels have a role especially in levelling the playing field and mitigating the tendencies for monopolization (against the market power's abuse) (Bianchi & Labory, 2020).

On this respect it is possible to introduce the concept of *experimental governance*, which represents forms of co-governance, in which the officers of the state and the members of civil society work in concert (overcoming the traditional division of labour between experts and government officials), helping to re-design policy and re-creating trust in the public realm. Local actors have to learn from works and not elsewhere, and from pertinent experience in other domains (Morgan & Sabel, 2020).

The capability to organize the basic conditions for the creation of a bridge between policy makers and citizens to support their participation to the development projects should be a great commitment for a part of social scholars who are looking for the reduction of this traditional gap.

3. State, Market and Territory. The Different Roles

The 2020 pandemic has re-proposed to the international community the problem of the State's role in the economy of countries and globally. This is the age-old dilemma between the entrepreneur state and the arbitrator state. In the first case, which takes its cue from the European model of the Social Market Economy, the State plays an influential role in economic evolution also at the industrial and production level and implements Keynesian policies, which in the event of recessions become highly expansive both as a policy fiscal and monetary and industrial policies. In the second case (which refers to the Anglo-Saxon free market approaches and to the self-regulation competition), the State must only be an impartial arbiter, which guarantees that market forces take place, and therefore ensures that there are no abuses of market power, such as monopolies or oligopolies. Hence, the need for public intervention

only with antitrust policies to guarantee free competition and punish distorted behavior with sanctions and prohibitions.

After forty years with a neutral function of the State in the economy, both the financial crisis of 2007-2008 and the pandemic of 2020 have rediscovered the thaumaturgical value of the Keynesian approach, which was adopted in all Western countries, with impressive support plans for the real economy, such as the Next Generation of the European Union.

In the area of regional sciences, the decisive role of institutions had re-emerged even before the Coronavirus crisis. The neo-institutional approach has highlighted how institutions represent an important factor in national and regional development, because their quality and density promote the efficiency of production systems and cooperation between economic and social actors (Acemoglu & Robinson, 2012; Rodrigues-Pose, 2013).

The real change of theoretical perspective in recent years is that of the transition from the “antagonistic” competitiveness model to that of sustainable development. With the emphasis on sustainability, development models have spread that are not only aimed at increasing the purchasing power of citizens or the income produced, but also take into account the social and environmental aspects that contribute to determining the level of well-being of individuals on a local scale

This context also includes the approaches connected to the concepts of resilience, which originate from the attribution of great centrality to the issue of risk mitigation in territorial governance plans (Rizzi et al., 2018a; Cantoni et al., 2019). At the basis of this line of research is the idea that sustainable development must necessarily pass from improving the reaction capacity of territorial systems to disturbing events. Sustainable development therefore requires the co-evolution of economic, social and environmental dimensions, aiming at the balance of these different dimensions, without accentuating one to the detriment of others (Brondoni, 2018; Rizzi et al., 2015).

The paradigm shift concerns a greater emphasis on more balanced and multidimensional determinants of development. And the replacement of collective objectives, from purely economic dimensions (growth of Gross Domestic Product, growth of employment) or social pillars (greater distributive equality, containment of poverty) or environmental elements (defense of biodiversity, reduction of waste, promotion of renewable energies) with new indicators of overall well-being, such as life satisfaction or subjective happiness (Graziano et al., 2019).

In terms of territorial policies, the most important changes are of a procedural nature, proposing a new vision of bottom-up planning that affects all levels, from the local one to the European Union. Cities and local systems present themselves today as “laboratories” that can experiment new ways for sustainable growth, which integrate exogenous and endogenous development, technology and sociality.

In particular, regions and cities can compete in global markets for attracting investments, tourists or residents through appropriate place marketing policies, as well as the “new urban economies” that can consolidate development when external factors present sudden slowdowns as in the global crisis of 2008. These new urban development spaces are linked to emerging sectors that respond to the internal demand for “common goods” of cities and to the new needs of citizens (Rizzi et al., 2018b). In fact, if the government defines and implements policies and incentives, companies produce goods and services, universities offer education, innovation and research, civil society has the task of legitimizing policies for the internal market,

orienting them and defining their priorities and feasible solutions of implementation in a sustainable way.

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