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PAPER

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Towards Europe's Productive Transformation – an Emergency

For an Alternative Industrial Policy

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The Project

Issues revolving around an alternative European industrial policy and a productive transformation addressing social needs and ecological imperatives are at the core of the work carried out by the Transform! Economists Working Group (TEWG). This Working Paper intends to present a contribution for a new model of development for Europe. It is largely based on two workshops that gathered economists, trade unionists and historians: the first one was held at the Sapienza University of Rome in September 2014 and the second one took place in Paris in December 2014. The TEWG also benefited from the fruitful discussions of the 2014 EuroMemo Annual Conference, from a workshop held by the Brussels office of the Rosa Luxemburg Foundation in October 2014, as well as from the national convention on industry organised by the French Communist Party in November 2014 and the appeal “Renewing Europe – For a Common Social and Ecological Industrial Policy” initiated by the Member of Bundestag Axel Troost¹.”

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The first section of this working paper will explore the European Commission's response to overcome stagnation – the Jobs, Growth and Investment Package, also known as Juncker Plan –, as well as the role played by industry in European integration. The second section aims at presenting the key elements for a transformative industrial policy strategy. The third section will elaborate on the underlying objectives of the productive transformation. The fourth section will conclude the Working Paper by introducing its concrete guiding principles.

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¹ <http://www.transform-network.net/blog/blog-2015/news/detail/Blog/-7d87987063.html>

A way out of stagnation?

The severe crisis striking the European countries, and the EU as a whole, has not been resolved – with a structural tendency towards stagnation, even recession, and dramatic consequences on societies going so far as to take the form of a humanitarian crisis in Greece.

With a weak overall economic performance fuelling the deflationary spiral, an industrial production rate far below from that of the pre-crisis level, and a dramatically high average unemployment rate (11,5% in October 2014²), the Eurozone is much less well sheltered from an eventual further deterioration of the economic situation than other world regions. This should have pushed the European Commission to develop an ambitious crisis recovery programme.

A key factor of the sustainability of the crisis, as well as of the deepening of the asymmetries in Europe, is the continuous deindustrialisation that affects almost all EU countries, with the exception of Germany and its ‘satellites’. The exiting of the European continent from stagnation will require an audacious investment plan capable of addressing the economic, social, democratic and environmental challenges ahead – in other words, a productive and social transformation. Without a strong industry, deeply transformed in its ends and its means, Europe will be unable to emerge from the present crisis and will not undertake the economic, social, environmental, and ultimately political evolutions that are, today more than ever, urgently needed.

Austerity belongs to the problems preventing to exit from the crisis – not in any way to the solutions. In the countries where the Troika recipes have been implemented, one can see how dramatically harmful the nature of the « aids » is, leading to a sharp rise in unemployment, imbalances between social expenditures and tax revenues, public and private indebtedness, destruction of national industrial fabrics, as well as strong decline in GDP. Austerity also contributes to deepen inequalities within countries and between European regions, with dramatic

political consequences (divisions, conflicts, lack of prospects, nationalisms, populist and extreme right’s growing influence, etc.)

Can the Juncker Plan meet the first immediate needs for re-launching the real economy?

In spite of a political posturing that celebrates trade surpluses and slight improvements in GDP as “success stories” and proof of the hitherto crisis management’s efficiency, the whole of the European Union is stuck in a social and economic slump – with a growing internal polarisation. EU 28 GDP growth is reported to have progressed by an average of 1,3% from 2013 to 2014. Core EU countries reacted differently: Germany’s GDP grew by 1,3%, while France’s barely exceeded 0,3%. In the Southern periphery, one can also witness differences in pace and magnitude: Greece and Portugal have had rather positive GDP growth – respectively of 0,6% and 0,9% –, while Italy and Cyprus have been plunged in recession (respectively, -0,4% and -2,8%). These figures obscure the depth of the destruction of European South’s economies, social cohesions and industrial fabrics. The new European Commission promised to engage in Europe’s recovery, but the measures put on the table are far from delivering on the challenges the EU is confronted with.

The “Jobs, Growth and Investment Package” – also known as Juncker Plan – was announced with great fanfare. Measures are to be taken to counter stagnation and to send positive signals to international investors, without taking much risk and – above all – without challenging budgetary austerity.

The objective of the plan is to **mobilize additional €315 bn of public and private investment** in the real economy over the next three years. The investments themselves being made in five years, this is at best 60 billion investments per year. It is only 3% of the €2,000 bn annual public and private investments made in the EU countries. This represents 0.4% of the annual EU GDP. By way of comparison, the USA invested the equivalent of 4% of its GDP in the aftermath of the financial crisis. It turns out that the plan aims at using

2 http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics

as less public money as possible, betting on unrealistic leveraging. Most of the seed money – €21 bn – will actually come from existing budgets and the European Investment Bank, and will be relocated into a new financial entity: the European Fund for Strategic Investment. No massive injection of fresh money is at sight. Starting from there, the European Commission claims to achieve a leverage ratio of 15 to turn this €21 bn into an investment of €315 bn.

The calculation used by the EC is based on a presumption that uses itself unproved hypotheses. However, the European Commissioner for Economic and Monetary Affairs Pierre Moscovici said that it should be “**new money, not necessarily fresh money – but new, additional money**”. Otherwise it would look like “a trick or recycling” and become a “flop”. Without a breach from the failed model of financialised capitalism, a radical renewal of productive activities that meets social needs and tackles the ecological challenge is precluded. It would take much more to move towards the recovery of Europe.

More and more voices are indeed being raised, calling for preliminary steps towards a change of course. It became obvious to the International Monetary Fund (IMF) that the consequences of austerity policies on global growth have been underestimated. In view of the sluggish global economy, the IMF – as well as the USA – called for a suspension of the consolidation course. It is against this background that Mario Draghi announced the ECB response to Eurozone deflation on the 22nd of January 2015: namely, a massive sovereign bonds purchase on the secondary market – also known as Quantitative Easing programme. But one could also say that this move is an attempt to circumvent the pressure exerted by democratic movements in Spain and in Greece, as well as by social mobilisation and the growing debate of ideas throughout Europe. Recent experiences led by the US, UK and Japanese central banks have yet showed that, without ambitious public investment programmes genuinely capable of creating good, quality jobs and mobilise private investment, such initiatives are doomed to fail. A massive buying of sovereign debt should occur if – and only if – the debt fosters potential for socially and environmentally responsible growth. In that case, the ECB should refrain from asking the EU countries to pay off interest on debt.

After having constantly opposed the very idea of Eurobonds, Germany had grudgingly accepted that the ECB purchased asset-backed securities – but under conditions that strictly limited the scope of this mechanism, by establishing the principle whereby 80% of the ECB purchases would be ensured through national central banks and solely concerning their own national debt. Therefore, only 20% of the risks would actually be shared between European partners. If this mechanism were to become permanent, it would be of little interest for Greece, since the country is a small shareholder of the ECB – which would provide it with very little liquidity.

A general modification of the current debt restriction is, however, not to be expected, since the political will does not exist; but a limited moratorium and an adjustment of the EU budget could open up a way out of this unsustainable situation. It is clear that monetary policy alone is unable to overcome the weaknesses of the real economy. In order to improve growth opportunities, new public investments are highly necessary – and could very well be financed if desired.

The European Commission pursues however an insufficient conception of the planning of social and economic structural change, and therefore of the value added produced by industry. With the Fiscal Compact, the European member states bounded themselves to rigorous budgetary policies and virtually balanced public budgets. Further cuts in national social protection systems, as well as in services of general interest, are preprogrammed. One thing is certain: rigorous cuts in essential economic and social sectors slow down further member states' development perspectives – and endanger the future of the people and the very idea of European integration. To enable economic development, employment, education and training, **much more public expenditures are necessary to fund a comprehensive programme for the future** (e.g. the DGB Marshall Plan for Europe). In that case, credit financing is inevitable, and appropriate – with lower interest rates.

The **Juncker Plan** could be seen as a declaration of intention to fight stagnation. But risks are high that the plan would be another way to foster „business as usual“. First and foremost, an opportunity presents itself to stronger mobilise for another EU

rationale, and to discuss alternatives in the sense of a social-ecological structural change. Priorities and selection criteria for the announced investments and credits require public debates – and so do the corresponding guarantees, whose detour in the sphere of speculation makes impossible. The EU countries should come to an understanding regarding the framework of a minimum level of taxation and a financing for a long-term expansionary EU budget with an emphasis on the crisis countries' demands. An end must immediately be put to the different forms of fiscal dumping.

Simultaneously, a project for a profound reorientation - opening up prospects for emerging from the crisis – has to be developed. This assessment also applies to attempts at designing European industrial and investment policies.

It is clear that this objective will never be reached if the EU proceeds as planned. Without a radical rethink of the role of extreme financialisation in the lack of productive investments, an immediate end of austerity policies imposed at the national level, and a European solution for the restructuring of sovereign debts, the conditions for an ambitious recovery plan will not be met. Moreover, **if this plan does not address the growing “Core – Periphery” polarisation**, it will increase competition between member states for project financing – therefore failing to provide an alternative guiding European rationale.

Exiting from the crisis will require an audacious investment plan capable of addressing the economic, social, democratic and environmental challenges ahead – that is, a thorough productive and social transformation within the framework of climate change imperatives that only a strong industry supported by a massive public-financed stimulus package can enable.

The Left needs to advocate for a new model of development. The goal is not to re-establish capitalism on sounder grounds, but to transform the production model and the production relations – putting society at the heart of the planning and implementation of policies that concern it. It is about replacing competition with cooperation – and market regulation with democratic pluralism. Labour must be enhanced, which implies to start considering it for what it really is: the creator of wealth, and not a cost that can be adjusted. Climate change can no longer be ignored, which implies a

genuine energy transition that can only be effective outside of the framework of neoliberal capitalism.

The European Industrial Policy, a Policy “By Default”

The severity of the crisis has led the European Commission **to call for the “Industrial Renaissance of Europe”**, suggesting that industry should in future represent 20% of EU GDP, with technologies described as “enabling” at the core of this renaissance. These technologies are considered to be generic or cutting across sectors such as those regarding “intelligent” or bioprocessed materials. This post-Schumpeter vision that makes technological change the preferred means of emerging from the crisis, also applies to the measures aimed at favouring the mobility of highly qualified people and the laws on intellectual property. The fact that technological change cannot occur without at least matching some aspects of social change considered desirable has been ignored. There has been little attention to recognising the labour side, the competence of the wage earners and their mastery of industrial skills. Innovation and technological change are perceived as if they were autonomous or bodiless dynamisms. The human element is ignored, a constant in the European Commission's vision. This policy does not oppose but reinforces the so-called “structural” policies that aim at reducing labour costs and increase its flexibility.

The European Commission, for the last few decades, has turned its back on some policies undertaken in the 50s and 60s (Euratom, ECSC) and successful cooperation projects, such as Airbus. Strongly influenced by the neo-liberal theses, it now prefers to support a perspective of unregulated movement of goods and services rather than the development of productive activity. This perspective that prioritizes market over production has given rise to the thesis that real economic structures could be made to converge through currency. The economic and social structures of the European countries were supposed to converge by adopting convergence criteria borrowed exclusively from the financial and monetary sectors. None of the criteria selected at the time concerned the real economy (growth rate of neither the GDP nor of productivity – not to mention that of unemployment...) Presumed to be integrated by the market, Europe has long ignored

industry — the European Commission considered that the real economy's future lied in service activities. To all intents and purposes, the competitiveness replaced a much-needed industrial policy. Regarding support for industrial sectors, this was virtually forbidden or, at least, strongly restricted for those States that wanted to help activities that they considered strategic. European industrial policy thus became a policy “by default”, made up of so-called horizontal measures aiming to set up an environment considered to be favourable to the development of firms. These horizontal measures, not aimed at any specific activities, covered some policies regarding employment, help for research and innovation as well as some help for regional development and the restructuring of labour market areas in a state of crisis.

Since the beginning of the 2000s, **the Lisbon Agenda** has developed a perspective in which European industrial policy is to be conceived. Europe is thus supposed to become the most competitive area of the world by committing itself to the knowledge economy. However, the switch toward financial market capitalism hinders the long-term investments needed in the areas of production, education, training and research. The perspective adopted in the “Europe 2020” program has evolved – the stress being now put on “the activities of the future”. Six sectors are put forwards as very innovative: automotive, aeronautics, engineering, space, chemicals and pharmaceutical industries. But without a radical change of course, the objectives set by the European Commission will remain wishful thinking.

Key elements for a transformative industrial policy strategy

Europe needs a thorough productive transformation, based on new underlying objectives, new guiding principles and concrete steps for the short, mid and long term. The aim of this paper is to lay the foundations of an EU-wide industrial and investment policy aiming at Europe's productive transformation.

A **Left industrial and investment policy for Europe** is well understood as a tool whose priorities would be to create good, quality jobs, and to make up for the dramatic polarisation within the Euro area deepened by years of irresponsible crisis management. It should aim at taking advantage of the potentials and complementarities of national and regional productive structures in Europe – avoiding, in particular, the imbalances connected to terms of trade and the effects of polarisation. This can be achieved through the creation of a EU-wide cooperation hub replacing current competitiveness-led policies that fuel competition between “European partners”. Activities with high social usefulness and low negative externalities are the cornerstones of an alternative European industrial policy, which –

together with investment in education training and research – could pave the way for a thorough democratic alternative in Europe. The European dimension of the industrial renewal is crucial. The free and fair competition dogma that has prevailed for the past 25 years must come to an end. Productive resources are not best allocated through free and fair competition: this assumption is contradicted by the facts. It is in its name that the European Commission banned structural cooperation projects, considered to distort competition. Overcoming this dogma is a precondition for progressive change. Only then, a radical productive transformation can be fostered and implemented, having at its core three inseparable and complementary pillars – the social pillar, the democratic pillar and the ecological pillar – that will form a new model of development.

Our proposals target a **radical change in direction**, addressing both national policies and EU level.

Given what is currently at stake (social and ecological transition, energy efficiency, further globalisation and financialisation of the economy, etc.), but also due to the important backwardness with

regard to investment – and this also applies to Germany –, no country can face these challenges alone. That is why, with regard to industrial policy, **the EU cannot be the sole or even the key player to build up “productive systems”**. It must work hand in hand with national governments and regional entities. Reconstruction strategies must be designed collectively, between European institutions and partners/driving forces of concerned countries. A real European industrial policy can represent a genuine alternative to the current pseudo industrial policy only if it is drawn up in the perspective of a new model of development. International trade agreements, such as the Transatlantic Trade and Investment Partnership (TTIP), would compromise any effort of reconstruction. The TTIP intends to implement a comprehensive set of regulatory rules between the world economy’s two biggest trading blocs: the EU and the USA. If proclaimed into force, a wide range of sectors will be affected (product and technical standards, agriculture, services, intellectual property, etc.), and the investor-state dispute settlement (ISDS) mechanism will ensure the primacy of investor rights over citizens’ needs. The state of the crisis (in Europe and in the world), its causes and its consequences, together with contemporary issues (energy, ecological transformation, research etc.) require today political interventions of a new scope. Public capacity to act must be restored. Both the EU and the states must give themselves the means, the leverages, to become strategists. The TTIP would hinder any attempt of profound social transformation.

The unions elaborated **different projects to overcome the crisis** (e.g. DGB, ETUC). Alexis Tsipras is promoting a ‘European New Deal’. International alliances through the development of a plan for pro-

ductive reconstruction (PPR) are necessary. New alliances will be based on reciprocity and solidarity of the people, and not in constant competition and wage and currency dumping.

A plan for productive reconstruction must be based on a massive stimulus package, in which public investments would play a central role – see the DGB’s “Marshall Plan for Europe”, the ETUC “New Path for Europe” or the IndustriAll’s “Manifesto to put the Industry Back to Work”. **A policy change breaking with the current rationale is necessary**. It is not a regular investment program that is necessary, but a program with new dimensions. Considering the great urgency – including that of politics, with the progression of far right political forces –, the mobilisation of European funds and public investments would have a positive spill over effect on private ones and would therefore help boost real economy. A Plan for Reconstruction, Innovation and Ecological Transition requires **investments whose overall aim is not financial profitability**. The ECB alone cannot solve the Eurozone’s problems. That is why a Mix composed of monetary policy (ECB), a European investment fund, a more expansionary fiscal policy for the EU and the member states, as well as structural policies is necessary.

As “inclusive” we perceive the development, not in terms of accounting (e.g. not simply as an increase in GDP,) or a “development” that will only benefit the richest strata of society and capital. In contrast, our strategic objective is a development that will involve the whole society, so that it has material effects on the living conditions of workers and the poorer income groups. Development should not exclude – as it is the case with the neoliberal model – but should encompass.

The Underlying Objectives of the Productive Transformation

Enhancement of labour: The orthodox dogma-led discourse on competitiveness keeps considering labour as a cost, and never as the source of real wealth creation. A new model of development guided by progressive principles will give labour the central role it deserves. It is, above all, the contribution of workers' skills and experiences that will impulse the radical changes the industry needs. Starting from the premise that working people will be the core of a Plan for Productive Reconstruction, tackling unemployment is top priority. Especially if combined with the fact that unemployment has such qualities (namely in the youth) that leads to the migration of ten of thousands of young people in Southern Europe with high levels of education and skills, it is understood that future growth potentials are further reduced. For these reasons, absorbing unutilised labour and tackling unemployment rank first on the objectives. The strengthening of the industrial sector and the rebalance between economic sectors would allow for increasing wages (generally higher in the industry than in the services). To absorb unemployment, the focus should clearly be on labour-intensive industries. The high level of skills of the youth in countries such as Greece - due to the quality of university education, which, despite underfunding and degradation, continues to produce graduates with a high level of knowledge – is an advantage.

The democratisation of the economy must be a core element of any transformative industrial policy. Restoration of the public capacity to act needs more efficient cooperation between different administrative levels, but also direct participation of citizens and workers. This means first of all that there must be a specific plan drawn from specific institutions, which will have the responsibility to design, apply and inspect it. These institutions must be transparent, democratic and accountable for their choices, so as to ensure social participation. Strategic decisions must be carefully chosen on the basis of democratic consulting, taking other social interests in consideration as the voices of the

workers, the unions, local authorities, especially when it comes to the selection of productive activities that could be granted public help. Democratic decision-making will be especially needed in the re-localisation of productive activities and the development of short supply chains, in defining what balanced development will mean in the territories. The decision on the very nature of the investments must be a collective one. Global employee's councils should allow for substantial democratic intervention in corporate strategies. Nationalisations do not necessarily challenge neoliberal capitalism or adequately address social needs. Public ownership must be rethought in a way that would make it a step towards social ownership of common goods - and the achievement of economic democracy. New technologies of information and communication must be socially accompanied and controlled, so that it can lead to social progress and human capacity development – not to a massive burst of unemployment and attacks on intellectual labour.

Tackling the ecological emergency with – not against – the industry. Industry can count on human and technological capacities, as well as on research, to produce goods and services while preserving the environment. One of the key is to deliver on energy efficiency. A new conception of industry belongs to the solutions of the ecological challenges. There seems to be a basic agreement among unions, as shown by the ETUC's "new path for Europe" which recommends to invest 2% of EU GDP per year over a 10-year period in energy efficiency – with decrease in greenhouse gas emissions and in energy consumption to lower energy dependency, investment in sustainable industries through a massive support of research and development, as well as in public services whose function must not be forgotten in the completion of the ecological transition and whose quality must be improved. The enhancement of public services and their role in providing common goods to which all have access must be incorporated in the plan for productive reconstruction, since they play an ever-greater role

in the industrial production – whether in energy, transport, health, and administrative sectors. The barren services/industries opposition must be overcome, hence contributing to paving the way for a new model of development.

As “sustainable” development we perceive a development that would result from a plan for productive reconstruction, which would not be fictional and which would not rest upon cyclical, but structural factors that should be formed within the society and economy. That is, it will have long-term characteristics and it will not depend on international economic fluctuations to a large extent. However, the sustainability of development is directly connected to its relationship with the natural environment and the natural resources. Thus, we must ensure that each process is not creating environmental costs or deplete natural resources. Environmental costs cannot be another element of the total cost, but a key limitation for any productive activity. We are not in a position, even in a time of crisis, to sacrifice environmental protection at the altar of development. Instead, we should promote forms of reduction that will not only protect the nature, but will also foster energy efficiency, reduce pollution, use renewable energy, respect the local cultural environment. The climate emergency requires an in-depth transformation of both the production and consumption models. The shift towards a new model of development will require an improvement of civic-minded attitudes and of collective skills. The rather successful example of organic farming shows that this objective is not out of reach, and allows for shorter supply circuits and proximity.

Re-localising productive activities as a precondition for the ecological transition. It is not about reducing the social and fiscal charges, lowering the costs of fuel and power or benefiting from infrastructures paid by local authorities. The way it is currently being done sets workers – but also territories – into a situation of generalised competition. This firms/territories relationship is not sustainable, and prevents the implementation of a new model of development by applying the same logic than that of the markets and of finance. As a result, externalisations and subcontracting have skyrocketed for the last three decades. No firm can possess all the skills that it needs for its development, and each firm depends on the system it has created around it

– its “network”. This network of interdependences, though based on market competition, can lay the basis for another type of cooperation binding together the different levels where firms operate, from the local one to the European one.

Regulating finance to reduce drastically its grip over the real economy. Decades of triumphant neoliberalism have allowed shareholders to gain considerable influence to the detriment of wages and productive investment. The extreme volatility of finance makes the return on such investment much less profitable, hence paving the way for the destruction of numerous industrial sectors and a concentration of competitive industrial fabrics in core EU countries’ most dynamic regions. It is therefore highly necessary to set up a coherent body of efficient mechanisms for slowing finance down, which would include a tax on financial transaction, the ban of high frequency rates trading and the strict separation of deposit bank from merchant banking activities.

Particular financial circuits – away from financial markets – should provide EU countries with means for productive activities. Private lending has collapsed in several countries (Spain, Slovenia, Greece, Portugal, Ireland, Malta, Latvia, Italy) ; re-launching loans and solving the crisis of their respective banking sector is a precondition for any industrial policy. At the European level, the ECB could undertake investment programs together with the EIB. Public aids require a national and regional control.

Fiscal Policy: it must be efficient and fair to the extent of allowing an employment and productive investment policy, promoting productive investment through the weakening and taxation of shares, giving the possibility to public entities to influence firms’ economic, social and ecological choices. Fiscal dumping in Europe between territories, regions, countries, tax havens and free trade zones must be eradicated – which implies a common development, a reduction in asymmetries, as well as a more stringent regulation. The fiscal policy must also be readjusted to meet the overall objective of social justice, through tax relief for the working class and the weakened middle class, as well as tax increase for the wealthier sections of society. A fiscal reform having these principles at its core would be a shift towards more democracy and social peace. At the

international level, a Tobin tax would be of crucial importance to discourage high frequency trading.

Privatisations – with at their core the idea that markets know best how and where to allocate funds – have proven to be economically ineffective and socially harmful. They increase finance power, deprive public authorities of their political influence, decrease public tax revenue and increase expenditures – bad experiences of private-public

partnerships, with high extra costs at the expense of public finances, as observed by numerous Courts of Auditors throughout Europe. The extent and nature of the debt problem must be defined; this requires for each state to undertake an analysis of its sovereign debt, focussing of what has caused the debt and whether any part of it is illegitimate, illegal, odious or unsustainable.

Guiding Principles of the Productive Transformation

Ending austerity and providing the sovereign debt problems with a European solution. The pursuit of austerity remains one of Juncker Plan's biggest loopholes. While pretending to kick-start EU growth, the European Commission keeps fostering cuts in national public expenditures. Austerity belongs to the problems preventing to exit from the crisis – not in any way to the solutions. In the most affected countries, one can see how dramatically harmful the nature of the « aids » is, leading to a sharp rise in unemployment, imbalances between social expenditures and tax revenues, public and private indebtedness, as well as declines in GDP. Besides, a European response to the sovereign debt problems must be found for countries under high pressure, such as Greece, in a way that would foster economic and social development, rather than nip it in the bud – that is, by writing off the larger part of the public debt which is unsustainable and by setting up a moratorium for the repayment of the remaining part with a development clause.

Re-launching industry requires a **comprehensive and consistent approach in terms of “productive systems”, as well as a clear set of priorities and an integrated set of policies** fitting into a new model of development. The basic unit of any industrial policy is inter-relation, since industry is a system and not a collection of actors. It is the intensity/density of relations between the actors of the “productive system” that conditions the efficiency of the whole, which is clearly more than the sum of individual performances of each. Networks of production and

exchange of knowledge must include firms, intermediate suppliers, universities and local authorities. In the end, even larger companies will be less inclined to dislocate production if they are well embedded in a stable and beneficial regional network. Education, research and health systems, quality of networks and infrastructures, energy costs... All these are decisive factors for a new model of development going beyond neoliberal capitalism.

The nature of the strategic options, the priorities, their underlying principles – for whom, according to which criteria, values and orientations, what strategic industries, what « planning tools », what institutions, which use of already existing institutions? – will have to be widely discussed and debated. Shaping projects and strategies implies a joint action at every decisional levels (bottom and up), which can be achieved through new forms of economic democracy involving civil society, state and economic actors, together with unionists, social activists, local authorities, experts. This would be a major step in reversing the current logic's trend, providing new conditions for social change and opening up prospects for a productive transformation. The Left must address the questions related to this methodology as accurately as possible, since all other industrial policy approaches from across the political spectrum neglect this highly important challenge in terms of democracy.

A modern Industrial and Investment Policy should

- Galvanise the existing productive activities

- Identify new potentialities
- Define the cornerstones meeting fundamental modern needs (quality alimentation, health, mobility, housing, energy, ecological transition...)
- Value and enhance individual and collective skills, as well as democracy

An institutional framework for technology policy and innovation is required. The dogmatic commitment of governments to enhance competitiveness through the compression of wage costs, and ensuring profitability of the private sector through the interweaving with the public sector, result to the systematic disregard for adopting such a framework that puts innovation in the heart of production. This framework must be based on European cooperation and democracy

The involvement of organised society in the design, implementation and monitoring of this plan is a key component of the plan for productive reconstruction. Popular participation and social control through local communities, upgrading the role of workers and trade unions in decision-making and control of business through improving various social and local collectives are necessary to give a “comprehensive” meaning to the concept of development that concerns the whole society and not just the privileged. Referenda, permanent audit committees, public consultation, workers’ councils are institutions that should be strengthened in an effort to cultivate a “new ethos” which will promote the values of solidarity, community and dignity as opposed to the market values of neoliberalism.

Promoting the social economy in the form of self-managed and productive cooperatives is an important programmatic aspect. International experience has shown that production units in the form of self-managed enterprises and production cooperatives may, when run under a friendly institutional framework, be more efficient. The product is distributed much more evenly than in the private sector, absorbing unutilised labour and capital resources. On the other hand, the production of values on the ideological level questions the organisation of production and the core of capitalism.

Planned self-management is a methodology for the exercise of public policy where society is actively involved in the determination and evaluation of social needs. At the same time, it is a process of

education in participation and a way of selecting the criteria by which to choose the reinforcement of the public, the private and the social pillar of the economy – depending on the sector, the participating subjects and the synergies with other sectors. This method does not only involve ideas and values, but practices, tools and institutions that ensure strategic breaches with the current system – and in that sense constitutes constant processes of innovation. In a **mixed economy**, where synergies and conflicts between the private and the social will coexist, the political decisions that will drive the process of transformation and make it meaningful must create terms and spaces of cooperation at the expense of competition.

As long-term investment program, if Europe’s productive transformation is to be used to fight recession and to promote the energy transition, we must consider a complete transformation of most energy systems and of their relationship with industry. The cost of the projects to be undertaken represents, according to the UN Environment Program, about 3% of the European GDP for a duration of ten years (€350 to 400 billions a year). This would include the programmes required to cut by a factor of four the release of greenhouse effect gases (estimated by the EU at 1.5% of GDP). This is well above what the Juncker Plan intends to provide. It must also be noted that achieving this goal in Europe will require ending the social and fiscal competition between states and to develop a balanced form of industrial development on all territories. In financial terms, it will be necessary to apply a new monetary policy and budgetary tools. Public financing will thus combine monetary creation and the mobilisation of savings.

Reducing the core-periphery asymmetries. Competitiveness policies based solely on cuts in real wages have proven to be more than ineffective. They have fuelled imbalances and divides within the Economic and Monetary Union, with dramatic consequences on national industrial fabrics throughout Europe. Since 2008, the industrial output has sharply declined in most EU countries – therefore leading to a further polarisation. Apart from Poland, whose industrial production rate grew by 18% from 2008 to 2013, core EU countries managed – at best – to catch up with their pre-crisis level (as for Germany, Austria, the Netherlands, and the peripheral ex-

ception of Ireland). They benefited from a specific industrial relation system relying on property – and profits – centralisation through production externalisation. The huge majority of EU member states did not succeed in reverting the profound deindustrialisation trend. Regional and structural funds did not fulfil their initial purpose: namely, to bring lives' conditions closer or to help economically challenged countries developing sustainable economical structures. After almost seven years of crisis, the EU is more polarised and fractured than ever. Economic activities and political power tend to be concentrated in a centre that limited the damage on its industrial fabric, while a periphery has been disempowered by the Troika – politically, economically and socially. A recovery plan for Europe cannot ignore these growing asymmetries. The old “exporter centre / importer periphery” dichotomy must be overcome, periphery EU countries need major investment in their industrial and productive fabric, and core EU countries must actively foster their internal demand. The reconstruction of some value chains requires **differentiated regulations** regarding exchanges with the rest of the world and within the Eurozone in order to reduce the pressure exerted on the weakest. However, such a change of rationale will never see the light of day if free and fair competition is not replaced with cooperation. The overcoming of the strong asymmetry must become a major European goal, which implies a set of targeted interventions that will put an end to the very idea of *laissez-aller* in the allocation of financial resources.

Balancing the current account. The purpose of the productive reconstruction in the ‘periphery’ aims also at balancing the current account deficit and, more specifically, its component related to the trade balance. Balancing the current account can be achieved through the increase of exports developing sectors that have significant margins for the increase in export performance, provided that their comparative advantages will be exploited at satisfactory levels. Export growth will not be achieved through the reduction of labour cost as dictated by neoliberal dogmatism, but through the improvement of factors concerning the so-called structural competitiveness (in contrast to “price competitiveness”), such as the quality, standardisation, marketing, promotion, etc. It is also important to

reduce imports, with “import substitution” through domestic production.

An alternative conception must consider simultaneously a development strategy based on the enhancement of local or regional networks of production, distribution and consumption.

Export policy can no longer be the priority. Concretely, this means expanding and modernising public infrastructures; increasing the employment rate; creating good, quality jobs, especially for women, young people and older workers; enabling people of all ages to anticipate and manage changes through investments in skills, as well as in education and training; improving labour markets and social systems – so that a better production system can benefit to the whole of the EU. To be efficient, public authorities' interventions must be differentiated. Internal disparities have been sharpened by the austerity-led crisis management, and the structural differences regarding the industrial fabric (not only Core-Periphery, but also among Southern EU countries themselves) must be taken into consideration, so that useless and ineffective generalisations can be avoided. Two approaches can be distinguished in this regard: for countries with a solid industrial fabric (e.g. Germany), it is about giving impetus to social and ecological transformation; while in economically challenged regions, a strong support to SMEs weakened by years of pro-big business policies and the reconstruction fulfilling social and ecological objectives must be put at the top of the political agenda. In the countries most severely hit by the crisis, the needs are high for rebuilding the production capacities and the whole circuit of value chain. This must be done within countries, but also between countries and regions – having in mind their specific features. More than ever, Europe needs a new model of development capable of linking together alternative views on labour, nature, the meaning of productive activities, and the anchorage of productive activities – beyond their mere localisation – within territories. This can very well be put forward and discussed by political forces, trade unions or academics. But ultimately, it is the sovereign people's role to develop and implement it.