

## **Renewing Europe:**

### **For a common social and ecological industrial policy in Europe**

Europe remains in a state of crisis. Since the great crisis of 2007, sluggish economic growth has caused the loss of millions of jobs, growing private and public indebtedness, increasing inequality in the distribution of income and wealth within member countries and growing differences in the levels of development between member states. The crisis has already impacted politics and party formation: parties with a nationalist and anti-European agenda are gaining support. In the United Kingdom the right-wing populist UKIP is building up pressure for the country to leave the EU. With the exception of Germany, the countries of the Euro area are increasingly marginalized in terms of industrial development and economic growth. The adverse economic developments in Europe and the Euro area along with the considerable risk of a recessionary turn increasingly call the project of the European Union in question. The neo-liberal structural reforms – deregulation of the labor market and further cuts to the welfare state – further enhance the tendencies towards stagnation and an intensification of social conflict. They offer no adequate response to the urgent ecological challenges at hand.

The European countries have lost significant shares of global value creation and trade. This results in frighteningly high levels of unemployment in the European economic and currency area. The global power shift is also reflected in the devaluation and deterioration of public infrastructure and private capital stocks, and in the volume of direct investment inventories. Foreign investments serve strategic purposes of market penetration even though the lion's share of investments is still facilitated in domestic markets. It is high time to capitalize the idle development potentials of the European common market. This calls for a political change of course and a radical break with the neo-liberal structural reforms.

### **A political shift towards investments in infrastructure, sustainable production and the creation of decent employment opportunities is urgently necessary!**

But European policy is stalling. The heads of government have blockaded the EU budget negotiations: the United Kingdom, most of all, refuses an expansion of the financial resources of the 2015 budget. Germany obstructs the utilization of unused billions of Euros in the ESM rescue fund. Thus the scope for funding overdue investments and vigorous measures against mass unemployment is further reduced.

Despite these adverse conditions, the EU Commission must follow up on its promise to boost economic growth and strengthen manufacturing. The disparities in income and wealth must be confronted, and a new quality of regulation introduced. Public investments in the European economic area could reduce existing disparities and implement new economic structures. The crisis in Europe must be overcome in a socially and ecologically sustainable way. This necessitates that all member countries be better integrated into the "production network Europe", and that industrial networks in Europe be expanded and calibrated towards new developmental trajectories. An EU-wide industrial policy could reduce the disparities between the countries and regions of the EU by focusing its initiatives on economically challenged regions. Manufacturing production in the EU is accounted for by Germany (30 per cent), and Italy, France, Spain and the United Kingdom (roughly 40 per cent altogether). The remaining 30 per cent are shared by the other 23 EU member countries.

The current situation highlights the incapacity of political leaders to organize an economic development that secures the sustenance of the population's majority through decent jobs and sufficient social transfer payments.

We witness the neo-liberal ravages every day: unemployment in Europe reaches ever new record highs, youth unemployment deprives a whole generation in the crisis countries of a dignified future. According to recent figures, 5.1 million people under the age of 25 in

the European Union are unemployed. The highest levels are found in Spain (53.5 per cent), Greece (49.8 per cent), Croatia (45.5 per cent) and Italy (43.9 per cent). More than a quarter of Europe's population – 125 million people – live in or at risk of poverty. Not even half of the people work under an unlimited, union wage agreed contracts. Precariousness eats into our societies.

This leads to growing and legitimate social discontent. But in the crisis, resistance also grows: In Greece, Syriza's electoral success has opened a window of opportunity for the politico-economic renewal of the country, and also of the entire Euro area.

The responses to the crisis by the Troika of the European Central Bank, the EU Commission and the International Monetary Fund, through their exclusive emphasis on austerity and currency stability have not solved but exacerbated the rampant social and economic problems.

The debt crisis of the affected states has economic and political causes and is not the result of irresponsible government spending or tax policies. This can be seen in the development of total public debt which skyrocketed after 2008, particularly due to the bank rescue operations. It follows that the debt crisis can only be resolved through an improvement of economic foundations and a fundamental political change of course. Monetary and financial policies alone will not suffice to overcome the crisis.

The economies of the EU have been subjected to a long-term trend of de-industrialization that has – in some areas dramatically – been reinforced by the current crisis. Because of this, Greece and other countries have suffered the disintegration of industrial value chains and the complete demise of industries and production networks. The contraction of manufacturing diminishes the foundations of value creation, destroys skilled jobs and creates growing dependence on imports. The promised rewards of an expanding service sector and the liberalization of the financial sector have not materialized.

In order to break this fatal tendency, which has been observable for some time, monetary policy needs to be supplemented by a financial policy that boosts demand. Only if public investments and consumer demand are strengthened can a re-vitalization of the economy be expected, and monetary policy retains its efficacy. Such an upswing could be supported by a growth in wages that would push the inflation rate back in the direction of price stability. The European Central Bank tries to counteract the deflationary movement with its expansionary monetary policy.

A strengthening of consumer demand across Europe can accomplish the transition to a socially and ecologically sustainable structural policy.

Europe needs a renewal of its industrial base and a new social division of labor. Drawing on modern technologies (Industry 4.0) and value chains that promise to remain viable in the future, a socio-ecological structural change must be carried out Europe-wide which overcomes present levels unemployment and provides decent working conditions especially for the young generation. In southern Europe especially, this new division of labor is debated as productive reconstruction and transformation. This can to some extent build on existing economic traditions and structures.

Since 2008, industrial production has declined in most of Europe and the continent has been further polarized. Apart from Poland where manufacturing output in 2013 had grown by 18 per cent against 2008, industrial production has reached its pre-crisis levels only in Germany, Austria, the Netherlands and Ireland.

Against this background, the EU Commission set its goal to raise the manufacturing sector's share in total value creation back to 20 per cent. The EU Commission's President

Juncker presented an investment program that is meant to contribute to the solution of the crisis by prompting 315 billion Euros worth of investment with public aid. The lion's share of the money is to come from private investors but the eligibility criteria for projects have not as yet been disclosed. The European Trade Union Confederation (ETUC) which had previously presented its own reconstruction plan, is skeptical. Even if the projected sum can be raised, it would offset only 40 per cent of the decline in investment since the start of the crisis. The ETUC therefore considers twice the volume of additional investments per year – and not only until 2017 but 2020 – necessary.

The list of projects to be subsidized that the member states have submitted to Brussels raises doubts. Neither the ecological nor the social or European dimension seem to have been taken into account in the selection of projects. Economic and national egotism dominates. Nine billion are requested for highways, three billion for Frankfurt Airport but no money for railways and hardly any for intermodal transportation networks.

Given the economic and social risks currently at stake, the political initiatives of the EU Commission are wholly inadequate. The Juncker Plan does not address the causes of the sluggishness of investment activities and it fails to initiate a change in economic policy.

What is needed is a policy that actively stimulates re-industrialization, and a public investment policy that stops and reverses the deterioration of public infrastructure which is a problem in many EU countries. With funding to the tune of 2 per cent of the EU's GDP, as European trade union federations suggest as well, such a policy would give an impulse that could propel economic development out of stagnation.

A new EU-wide industrial policy could reverse the massive privatizations of the past decades. The new activities could directly produce public goods such as knowledge, environmental protection, quality of life, social integration and territorial cohesion.

A new EU-wide industrial policy can become a crucial instrument for tackling Europe's ecological transformation, reducing the consumption of non-renewable resources, developing renewable energy sources and energy efficiency, protecting eco-systems, landscapes and biodiversity, reducing carbon dioxide and other greenhouse gas emissions as well as waste, expanding recycling and counteracting recent agri-business strategies such as land- and fish-grabbing. A combination is needed of direct public action, the provision of environmental services, and appropriate regulation of private activities, including environmental taxation, incentives, public procurement and the regulation of new markets.

A European investment package could bring about the cessation of austerity policies in Europe. This political reversal means a gradual emergence from stagnation and in most member countries a gradual reduction of the enormously high levels of unemployment.

Barring a clear change of course towards active intervention in order to foster manufacturing and economic activity generally, the European Union is threatened with the continuation of a development that jeopardizes social cohesion, further undermines the EU's public perception and, in the long run, puts its own cohesion at risk. The European Union is called upon to tackle the crisis that afflicts it and its member countries, actively and in the interest of the majority of the people.

Necessary preconditions of a progressive industrial and economic policy whose criteria and priorities must be publicly debated are:

- An end to austerity which has the most devastating social consequences in the economically weakened countries and which offers no solution to the debt crisis

- An end to privatizations which are most radically implemented in the crisis countries, entail further job cuts and in the long run undermine governments' capacity to act

Essential elements and objectives of a progressive European industrial policy must be:

- Strengthening manufacturing EU-wide and not only in the traditional industrial centers
- Reducing intra-European disparities, including trade imbalances. These have led to the current crisis and prevent its solution
- Democratizing decision-making at the micro- and macro-economic level. The concerned stake-holders at the shop-floor, regional and national level need to included much more than in the past in designing and implementing EU initiatives
- Creating new jobs with unlimited contracts and wages that afford an independent life free of poverty
- Enhancing the status and value of labor through comprehensive, on-going qualification programs and job opportunities for youth, many of whom are highly skilled
- Ecological sustainability, especially in the areas of energy and resource efficiency
- Development of research programs and technologies (Industry 4.0) that foster a productive transformation in Europe independently of the requirement of financial profitability
- Provision of loans and mobilization of investments that facilitate a sustainable productive reconstruction at the European, national and regional level.

**Europe must regain the trust of its citizens, instead of acquiescing stagnation, unemployment and the loss of prospects, especially for young people.**