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Perspectives on industrial policies in Italy and in Europe: a forum

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Perspectives on industrial policy in Italy and in Europe: A forum

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A wide-ranging rethinking is now under way in Europe on the responsibilities of governments in economic affairs and, in particular, on the need for action in shaping new technologies and industrial structure. The 2008 crisis and the long stagnation that has followed has shown the inability of current policies to lead to a sustained recovery, the failure of private investment to identify growth opportunities even in a context of interest rates close to zero, and the deepening divide that is emerging between the strong German-centred industrial ‘core’ and the weakening ‘periphery’ of Southern and Eastern Europe.

Southern European countries have suffered the heaviest effects of the economic crisis; Italy is a major case of a country with a historically important industrial capacity that has experienced a long-term decline and has been dramatically hit by the depression. In this issue *Economia and Politica Industriale* introduces for the first time the format of a Forum on a relevant topic, i.e. industrial policies as a means to enhance competitiveness and find a way out from one of the deepest crises in recent history. The discussion moves from a close-up on the Italian case, , and offers an important set of contributions on industrial decline and industrial policies in this as well as in other European countries.

The article by Matteo Lucchese, Leopoldo Nascia and Mario Pianta provides an in depth analysis of the Italian case and of the role that industrial policy has played in the rise of the country’s economic strength, especially in high technology activities. It shows that in the last twenty years the policies of market liberalisation, the demise of public enterprises and privatisations and the retreat of public intervention have not unleashed entrepreneurial growth but rather have opened up a long term decline of the country’s technological activities, productivity performances, and economic growth. They provide a detailed analysis of current industrial policy tools – that emphasise ‘horizontal’ measures – highlighting their fragmentation and lack of effectiveness. The authors propose a new active role of public action for supporting technological and economic activities that could drive a new phase of Italy’s progress.

The eleven contributions that follow take Italy as a starting point for a broader debate on the ongoing transformations of industries and on policy alternatives. The way industrial policy should be approached and designed is discussed by Giovanni Dosi, who provides a sharp argument on the rationale for industrial policy, including technology policies, ambitious “mission oriented” programs, and direct State intervention. Beng Aake Lundvall, argues for supporting an economic transformation based on knowledge-intensive activities, that should provide, *inter alia*, new learning opportunities to low-skilled workers. Science and innovation policies are examined by

Patrick Llerena as a necessary background for industrial policy, assessing Europe's experience in these fields.

With specific reference to the Italian case, Giovanni Dosi also discusses the country's decline and the mistakes of Italy's recent policies, which have led to the demise of a direct role of the State in the economy and to exit from high-tech industries. Dario Guarascio and Annamaria Simonazzi focus on the North-South divide within Italy and on the impact that labour market flexibility has had on economic performances. Harald Gruber offers an analysis of Italy's weakness and derives more cautious policy implications in the context of EU compatibilities.

Other articles compare Italy to other European countries, opening up a lively debate on the directions for national and European industrial policies. David Audretsch and Erik Lehmann adopt a more traditional interpretation of the problems of the weaker economies in Europe, but agree on the criticism on policies that merely rely on the removal of obstacles to market forces within the EU.

Drawing inspiration from the German experience, they argue for policies at the subnational level that should favor the development of 'sunrise' sectors and regions that are able to compete in global markets. Philippe Mustar offers an overview of the case of France with the evolution of its industrial policies. Manuel Mira Godinho and Ricardo Paes Mamede provide evidence on the case of Portugal and its weak industrial base. The importance of the regional dimension is also emphasised by Philippe Laredo, with references to the French case.

The emphasis on the need to increase the knowledge content of production as a means to increase the competitiveness of European economies is a common thread connecting most contributions in this issue. From this perspective, Cristiano Antonelli argues that manufacturing decline should be thought of as part of a structural change process that, if enabled by appropriate policies, will eventually lead towards a knowledge-based economy. Finally, Enzo Rullani, Claudio Cozza and Antonello Zanfei reflect on the challenges associated to the transition towards a knowledge based economy and discuss the systemic innovations that require an active role of government action.

The twelve contributions of this Forum provide a range of facts, interpretations and policy views that we hope can inform a much needed rethinking of the policy agenda of European countries and Europe as a whole.