The needs of the citizens
as the drivers of a "New European Industrial Strategy"[1]

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1. The Covid-19 crisis

The EU GDP will decrease by about 20-15% in 2020 (value estimated by me on the base of energy consumption in March in Italy) according to the length of the period of required social distancing, which will apply in the various countries in order to contrast the Covid-19 epidemic. In the EU area the PMI (purchasing Manager's Index) Markit survey index in March for the Services has been 24,4 and for Industry 44,5: value lower than 50 indicate a decrease (cfr. https://tradingeconomics.com/euro-area/services-pmi).

The EU economies are tightly interdependent. Therefore, they **have to expand their internal demand at the same time** in order to stimulate their respective exports. In particular, the other EU countries buy 59% of total German exports. Imports of specialised intermediate products are crucial for many German industrial productions. The EU countries need expansionary policies in Germany, as their exports to Germany represent 51% of their exports to the other EU countries. The value of German imports from other EU countries is lower than the German exports to other EU countries. An expansionary economic policy is **even more important for smaller countries**, such as Finland and Netherlands, which have traditionally supported orthodox austerity policies, as most of their productions are exported to the European market. Therefore, in order to **minimize "beggar-thy-neighbor"** problems Germany and the other EU countries should exit from the crisis together.

It is urgent in the next 100 days when the Coronavirus emergency will end, that **EU promotes a "Big Push"** (e.g. "balanced growth theory") or an emergency program, such as the Marshall Plan which united Europe after WW 2, in order to **rebuild the supply side** and also to **relaunch the aggregate demand**, by promoting large public investments programs and by stimulating the private consumption. It is crucial to **stimulate both the supply and the demand** in new innovative productions, to be created through **investments and innovation**.

A new economic policy of the EU should respond to **different priorities** according to the different phase of the Covid-19 crisis:

- a fast health recovery,
- the immediate fiscal support to unemployed workers,
- the need for liquidity to avoid firms closure and promote their debt restructuring,
- the recovery of the economy in a perspective of a medium term growth characterized by environment sustainability and production innovation.

2. The need for a change in European policies

The shock of Convid-19 on the global, national and subnational economies obliges a change in the traditional policy measures, pursued in the last 10 years, such as fiscal austerity at the national level, structural labour market reforms and ECB monetary expansion.

[1] A previous shorter draft of this study has been published in Italian on the on line review EyesReg, Vol.10, N.2, Marzo 2020 http://www.eyesreg.it/2020/dimensione-territoriale-e-bisogni-dei-cittadini-i-motori-di-una-nuova-strategia-industriale-europea/

We do not need exceptions to old rules, but rather to change obsolete rules and to **define new guidelines for the future common policies**. No financial aid should be given without **organizational restructuring or institutional changes** and that applies not only to the individual companies, but also to the funds to be given to the various countries and to the various EU old and new institutions.

A sustainable economic recovery requires to the change of the **past dogmatic "rules"** adopted in macroeconomic fiscal and monetary policies, which are inadequate to the new situation in Europe and the world economy, such as:
* public budget balance ("black zero"),
* veto to monetary financing of the public deficits ("no political accountability of the Central Bank").

These rules have proved to be pro-cyciclical or to increase disparities and economic crisis. Clearly, there is the need for a fiscal stimulus to compensate an external and internal shock, such as the Covid-19 epidemic, which **has decreased both the aggregate demand and the aggregate supply**. Fundamentally what the market is looking for is a very solid fiscal response. On thecontrary, if the main issue is businesses shutting down, then monetary policy from the central banks have limited efficacy, since interest rates do not stimulate investments in a crisis. The problem is instead to relaunch the market demand of the various service and industrial productions as soon as possible.

European Central Bank should finance fiscal expansion (or create directly personal income through "helicopter money") by **buying the "Projects bonds"** sold by the European Investment Bank and of Local and Regional Governments included within the various EU Cohesion Funds managed by the European Commission. Otherwise, **monetary financing of the public expenditure** can be done by buying new bonds or by buying already existing bonds (thus creating the space for the new bonds), if the money creation does stimulate the aggregate demand up to the limit of the aggregate supply, thus avoiding to create a too high inflation.

However, the **sustainability of the government debt in the various countries** depends on a government plan of the growth of the productions of the different sectors and regions and not only on an agreement in the UE on the common financing (EMS or Eurobonds or ECB).

Moreover, the national Governments should **increase the EU common budget**, in order to finance common programs. A percentage of VAT could be reserved to EU institutions. Moreover, the aggregate demand could be increased if all States will jointly reduce VAT by 1-3%, especially in those goods and services which are mostly needed such as health and education and environment.

The international financial market is full of liquidity created by the increase of the central banks budget. Thus, the private debts (household, non financial companies and financial organizations) are greater than public debts by States. The interest rates of Italian public bonds have been till recently even lower than those on US treasury bonds. Thus, **the problem for financing higher public debt does not exists** in the actual situation as enormous financial funds are looking for no-negative financial assets. Moreover, it should be acknowledged that the **public debt is almost by definition "investment grade**" as individual States have legal fiscal powers which private companies do not have and very seldom do a bankruptcy, differently from the many companies, which have sold enormous amount of "high yield" bonds and could go bankrupt if the interest rates increase and the demand of their products decrease.

The real problem is the productive use of capital and to insure that funds are allocated to modern productions which will **increase the GDP** and thus increase the denominator of the Debt/GDP ratio. **That is the mission of a modern European Industrial Strategy**, which is lacking in Europe together with a change of toward pro-growth EU fiscal and monetary policies.

For example, it would be possible to **create a regional or local investment fund** for increasing the investment by the local public utilities services, financed through municipal bonds and by allowing the local investors to have a discounts on their local taxes. In particular, the lack of suitable large scale projects at the national and European level obliges to remove national and European funding constraints to the **many smaller projects existing at the local level**.

New rules should be defined in order to promote the complementarity between monetary and fiscal policies. Thus:

- **the current external balance** must be balanced, and macro-economic policies should increase or decrease internal public and private aggregate demand according to the potential of the internal production capacity,
- **the mandate of the ECB** should be more clearly defined by the EU political institutions and include the following policy objectives:
  * not too low – not too high inflation rate,
  * equality of the long-term national interest rates (arbitrage between countries),
  * stable euro exchange rate,
  * higher growth rate of GDP,
  * lower unemployment rate,
  * financial stability of banks and companies.

3. The unbalanced structure of the European economy

A new economic strategy at the EU scale should tackle **two intertwined crises**:

- **collapse of consumption and productions** especially in travel and leisure industry and many service productions (e.g. South EU),
- **dysfunctional equity and bond markets**, which have created a financial bubble of stocks prices and an unsustainable large debt by the large corporations (e.g. North EU).

That requires new macroeconomic and also new microeconomic economic policies, such as:

- **fiscal transfers and loans** to consumers and to companies, in order to relaunch the internal aggregate demand and
- **new EU common regulations of the equity bonds markets: i.e.** buy-back, fiscal elusion and stock options, which have distorted the allocation of capital and labour by the companies and decreased growth and increased social disparities.

A new economic policy in the EU should consider only monetary and fiscal issues but also structural issues, which cannot be solved with the abstract neoclassical or neoliberal paradigm of higher price flexibility in the labour markets (i.e. “structural reforms”).

A new European Industrial Strategy is needed that aims to a recovery of GDP, promotes interregional cohesion, decreases income disparities and improves the quality of life of European citizens, through investments and innovations, that respond to the new needs by European citizens.

These new economic policies certainly **represent a "European added value"** and will contribute to **create common solidarity, stimulate common trust, contribute to a sense of common belonging** or European identity and will also **strengthen European institutions.**

There is a wide consensus in Europe that the following **common problems** indicate the need for a revision of current economic policies in the European Union,

• a GDP growth lower than that of the major world areas,
• a very low Inflation, below the 2% target,
• the unemployment rate differs from country to country in Europe but on average is higher than in the other large global areas and in the USA, in particular,

• a persistent high current surplus, which indicates an imbalance between supply and demand or between savings and investments and leads to a continuous outflow of financial resources to the outside.

In fact, the **disparities between countries, regions, companies and people** in the European Union have increased due to the macroeconomic low growth. Policies of austerity have led the European countries to a race towards the bottom and that has widened the social gap of territorial inequalities between countries.

The causes of the current stagnation of the European economy are:
1) the **insufficient domestic demand** (consumption and investments, private and public) and the excessive surplus of the current balance with foreign countries,
2) the **lack of a "European industrial strategy"** in the medium term, which could lead the investments of private companies, also through public investments, towards new strategic productions, for greater growth and environmental quality,

4. A new industrial strategy is a different from old industrial policies

Industrial policy models have seen a continuous evolution over the last 60 years, as the result of the evolution of technologies, of the patterns of consumer demand and the changes of the production specialization, as that has continuously changed the problems and policy priorities of a modern industrial system. We may identify these **different approaches to industrial policy**:
a) public aid policy and fiscal and financial incentives to companies,
b) competition policy,
c) vertical policies for the individual sectors and supply chains,
d) horizontal policies on the external factors for the competitiveness of companies,
e) policies for the large strategic companies (national champions) and for the SMEs,
f) policies for the national / regional innovation systems (NIS / RIS),
g) policies for industrial districts and for companies networks,
h) policies for the competence centres and innovation poles,
i) policies of "smart specializations" and intangible investments,
j) quadruple helix between companies, universities, institutions, citizens,
k) fiscal incentives of the demand by private final users or by private companies,
l) public programs/projects stimulating the demand to specific productions.

Important organizational changes have occurred both within the companies and in the relationships between the various industrial and service sectors. The long term evolution of the European production system indicates the **following models of company organization:**
• the **large Fordist** companies (60s and 70s),
• the **flexible specialization** model of SMEs (70s-80s),
• the **outsourcing** process of industrial production (80s-90s),
• the creation of **new productions based on knowledge and creativity**, that require interactive learning processes and the close interaction (also through new communication technologies) between companies (2000s),
• the increasing dependence of the growth of the industrial and service companies and productions on the **emerging needs and on the new qualified demand by the final and intermediate consumers** (2000s).

Modern industry is similar to services, as it creates “value” through the relationships with its clients and its suppliers and it is servicing them and providing a response to the user’s needs either with a physical good or with a routine service or also by providing specialized advice and new knowledge aimed at solving new problems of both the clients and the intermediate suppliers.

Moreover, in a broader or macroeconomic perspective, the world of production is increasingly linked to the **satisfaction of societal and environmental priorities.** In the future, the supply/productions and the demand/needs will increasingly interact according to **a "circular model",** where it is possible to distinguish the following phases:

- the development of new citizens' needs and the emerging of specialised users' knowledge (user innovation),
- the development of new knowledge by the producers and the creation of new productions (productivity increase),
- the impact by the new productions on the workers' incomes, on the environment and on the quality of life of citizens (external impact),
- the increasing interaction between the users and the producers through processes of interactive learning, leading to a change in the needs and demands by the consumers as also in the competencies and the aims of the companies (interactive learning),
- the creation of new forms of production and consumption (user experience).

5. A new European Industrial Strategy

A new European Industrial Strategy should aim to kick start an economic recovery process through investments and innovations, a decrease interregional income disparities and an improvement of the quality of life and environment, that responds to the new needs by EU citizens.

The EU should focus its actions not only on **the "single market" of goods and capitals** and on the **financial stability of public budgets or of the largest banks**, but also on enhancing the **creation of those "common goods" at the European level**, such as a common interdependent medium term economic growth and those goods and services, which are shared by all citizens or determine their well-being, e.g. health, education, culture, knowledge, innovation, environment, free time, decrease of income and social disparities, and greater participation in decision making and a common economic and political role in the world.

The European economy should avoid the so called **"middle income trap"** and it needs a **"big push" of private and public investments** aiming to create the "bases" for a new phase of "industrialization". That requires infrastructures, qualified services and skilled workforce. As in the post-war reconstruction phase, which led to the "economic miracle" of the early 1960s, the European economy now needs to and it should aim at becoming **a modern knowledge society**. That needs major investments in:

- production **infrastructures** (material, immaterial and ICT),
- qualified **services** (education, health, consulting, finance, public administration),
- a workforce with high **skills**,
- a high quality natural, social, cultural and urban **environmen**t.

The "New European Industrial Strategy" should be addressed to the **new needs for a better wellbeing** of the European citizens and should promote a sustainable environment in the various regions and countries in Europe.

A new industrial strategy should aim:

- **on the supply side**: to create new innovative productions that diversify the European production system,
- **on the demand side**: to stimulate consumer demand for new industrial productions and innovative services.

In particular, a new industrial strategy should not only expand the supply capacity of companies by **reducing costs and increasing productivity**, but it should also stimulate the **consumer demand** for new products and services, that create **new markets** and can drive the **investment effort** by the companies, **diversifying** the European and national production systems.

Moreover, the development of new productions requires more **knowledge, interactive learning and creativity** or a close interaction (also through new communication technologies) between the companies and between these latter and the emerging demand by end and intermediate and increasingly qualified users and consumers

In fact, a new industrial strategy should **stimulate innovation** both in businesses and in citizen's consumption or it should both raise new innovative and sustainable productions and stimulate the domestic demand of these productions.

Thus, modern industrial strategy should work on the **key relations and networks** existing between:

- the various **producers**,
- the **producers** and the **consumers**,
- the various **consumers**,
- the various economic **stakeholders** (i.e. "quadruple helix"model),
- the various European **regions and countries**,
- the economy and the **natural environment and the territory**.

6. The local and sectoral dimension of the crisis

The shock of Covid19 has a **very different impact on the various local communities, on the various tertiary and industrial productions and on the various companies.** Then, stimulus measures should be **"specific"** and should be taken on the demand and supply of individual production

It is important to focus policies on the internal demand to promote recovery. **The Covid-19 crisis has concentrated on services and the less protected occupations**, which depend on the demand of consumer and social distancing measures. Therefore, **a new European industrial strategy should first focus investment-innovation on cities - tourism**.

Even in China after Covid-19 epidemic the greatest unemployment is concentrated in cities (Bloomberg 4/3). Thus, **improving the quality of life in cities** is the opportunity to **create new jobs and new businesses** in innovative production / supply chains **in services and industry.**

In fact, social distancing has determined millions of jobs to be lost in service activities, which require tight user-producer co-production and interaction. Recovery of services and tourism and the enhancing of innovation and investment are complementary, since **services should reduce the technological gap with respect to industrial productions.** An EU program should focus on local government, on loans to local investment by the European Investment Bank and commercial bank and in particular on **cities, as the key strategic spatial framework of the economic policies.** From an institutional perspective, the revitalization of services and tourism in cities depends on Mayors and Regions with the help of national and European institutions.

A new industrial strategy should be oriented to citizens and the territory and it should be decided:

a) **with the people as workers**, who have increasingly higher skills and want to realize their personality at work,
b) **for the people as consumers**, who need increasingly complex and want to realize their personality in their free time,
c) **with the people as citizens**, who have common values and a common identity and participate in collective decision-making processes in a given territory, country and European institutions.

These three different roles of people in a modern economy indicate that the new industrial policy can't be only addressed to the companies and should have as the only objective the increase of production supply, while it should also consider the demand or the needs of the citizens.

In particular, a new industrial strategy should increase **individual and public consumption**, **private and public investments** in education, research, culture and public health. It should also increase affordable and social housing and investments in efficient regional transport networks.

Therefore, the European Union should launch a selected number of **strategic investment programs** in the following new productions, which determine the citizen's wellbeing. In fact, the new strategic productions are not those which are export led and supply driven, but those those which are "demand oriented" and "metropolitan":

- health and social services;
- education at the different level and continuous education on the job;
- small local trade;
- agriculture, food processing and catering;
- remote working, mobility and logistics;
- new 5g networks;
- culture, sport, leisure and media;
- tourism and travel;
- environment, energy saving and spatial planning;
- housing and construction;
- credit to SMEs;
- innovation.

A New European Industrial Strategy should promote a greater growth of all regions and of modern high quality productions and it should also aim to a better **environmental quality and wellbeing** of the citizens in the territory and especially in the urban areas. In fact, the quality of life of the European citizens represents the **crucial "common good" at the European level** and it also as a tool for the creation of new productions and occupations.

In fact, economic policies should recognise the existence and the importance of "common goods" at a European scale, such as the cultural heritage, knowledge, culture, the quality of the urban settlements and of the natural environment. These goods can be shared by all European citizens and imply the existence of external economies both in production and in consumption, as it is typical of the concept or "relational goods" or also of the "sharing economy" of a "circular economy".

On the other hand, a better environmental quality and a better quality life of the citizens, **represent a driver for the creation of new productions and occupations** and promote a diversification towards modern industrial activities.

Since the quality of the people's life depends on a well-preserved natural and urban environment, the territory, the urban areas and the networks of medium and small cities represent the **priority spatial framework for the New European Industrial Strategy**,.

7. The new purpose of companies: share-holders vs stake-holders value

A new European industrial strategy should promote the innovation in **high tech companies** ("unicorns") and the reconversion of **large strategic companies** (national champions), but also promote the recapitalization of **small and medium size companies** in industry and services, in order to diversify their traditional productions and improve their networking with other companies at the local and the European scale,

A new European industrial strategy should **reorient the financial industry** and large corporations to use corporate profits in capital spending rather in **buybacks and dividends** and limit **short term speculative financial transactions**. This would be beneficial for the companies themselves over the long term and even for "**value creation**" and the increase of the stock markets.

A new European industrial strategy should promote the **education and skills, hiring and retaining of qualified workers**, raise wages (also by adopting a minimum wage), create effective job opportunities and decrease the emigration of young people, reduce working hours and insure more free time to workers according to their age and gender and specific needs and increase the time devoted by workers to collaborative creative work aimed at innovation in partnership with schools and universities,

A New European Industrial Strategy should promote the companies to **adopt a broader sense of purpose against short-termism**, considering both social and environmental outcomes and not only the financial outcomes and profits. Therefore, companies should be committed to take concrete actions, which meet the needs of all stakeholders: customers, employees, suppliers, local communities, not just the shareholders.

Companies should **shift their growth strategies to the internal demand within Europe** and take into account the important opportunities represented by a focus on a Green New Deal and on the increasing needs for a better quality of life by the citizens and the consumers.

Companies can't increase their production by claiming fiscal subsidies or by reducing labour costs or by decentralising productions abroad, while they should **identify the new demand of their productions within Europe** and should invest in the expansion of the required **internal production capacity within the EU.**

In particular, companies should first **stimulate the demand of their productions** not only with lower prices but also with material and immaterial investments, which develop their internal production capabilities, leading to an **improved quality of the existing products and services** and the **creation of new productions** better suited to the **evolving consumer needs**.

Companies can't succeed alone without the support of the industrial and service suppliers and also their best clients, the workers, the local bank and financial institutions, the local infrastructures and services and also the civil society within the local territory. Therefore, they should develop the **collaborations with the various external stakeholders**, such as the trade unions, the local institutions, the schools and universities, the bank and professional services and the local public utilities.

In fact, even when innovation capabilities are internally present, the growth of new large "unicorns" or the small "start-ups" is limited not by the lack of finance, but by **a not favourable external environment** and by **a too limited local demand** for the new productions.

In conclusion, a new modern industrial strategy must take into account the **interactions between four types of actors** wihin a modern industrial system:
- **companies,**
- **workers,**
- **the community of citizens, who are also consumers and savers,**
- **the territory, the city networks and the natural environment.**

8. The regulation of equity market and the role of private companies

The problem of economic policies is not to sustain the resilience of the economic system to the Covid-19 emergency, but rather **to look ahead and promote a quick start of the old and new productions**. Reimbursing businesses for losses incurred avoids business closures but does not ensure any revenue for the future. It all depends on the recovery of business sales. Government measures should **focus on promoting a recovery of the market demand for the companies**. That could be helped by reducing VAT by some % across Europe and by monetary financing of these tax expenditures by the ECB.

A European Industrial Strategy should focus on the **regulation of the equity and bond markets** and limit the power or the abuses of very large corporations, and not only on the **regulation of the banks**, as after the past 2007/08 financial crisis. Large oligopolist corporations, such as FAANG, should be constrained to do their job: i.e. work for "new real productions", and buy backs and stock options should be regulated by Governments to avoid to destabilize financial markets and **destroy private saving and wealth.**

New policy measures should be adopted at the local level and at the national and sectoral level and clearly at the European macroeconomic level. Tax stimuli must have **medium-term growth objectives** and not just financial stability of banks and businesses.

EIB and Caisse de Depots / KfW / CDP could buy with ECB lended money the shares of **strategic European companies** at sell off prices, before they will be bought by foreign speculative funds. These companies or shares will be sold later as Obama did with **TARP** (GM, Ford e Chrysler).

Companies that had cut costs and jobs and went into increasing debt to buy their shares, instead of making innovations and investments, as they thought they were earning enough to repay the loans. In so doing, they did instead burn the value of their speculative investments when the stock exchanges collapsed. Now they have to pay the debts with lower revenues and they will go bankrupt for financial reasons. These companies should not be saved, but bought by the public. It is important to limit the buy backs or shares and the power to distribute stock options to managers. On the contrary, any public aid should depend on pay cuts to the managers.

9. The need for a large European Investment program

This new company strategy is coherent with a change of macroeconomic policies, since **Europe should spend more internally and decrease the internal saving** of private companies leading to the **external current surplus and the export of financial funds**.

The European Union must use not only monetary policy or public budget policy, but also **a third instrument of economic policy, which we may call "A New European Industrial Strategy",** aimed to orient the investments of private companies, also through public investments, towards new strategic productions.

A new "European Industrial Strategy" should promote a large program of private and public investment at the European scale aiming to increase the European internal demand (by approximately **500 billion euro every year equal to the actual surplus of the external current balance**, and it should be capable to decrease the difference between the higher internal production and the lower internal demand.

This large European Investment Plan should be **oriented to the extraordinary maintenance of the environment and of the territory** and for **improving the social and economic infrastructures.** It should increase **fixed investments and also immaterial investments** in human resources, knowledge, creativity, product design, R&D, innovation in new forms of labour organization and aim to **increase the well-being of the European citizens** and to prevent the damages of **"natural" disasters** (earthquakes and great floods related to climate change).

"A New European Industrial Strategy" should be **different from the traditional industrial policies,** which are based on fiscal incentives and on the enforcing competition rules. On the contrary, it should **integrate the instruments of many public policies**, such as: investment and innovation, industrial, regional, urban, fiscal, banking and corporate finance, environmental, labour, research and education, culture and tourism, transportation and infrastructure, health, food and agriculture, which require a multilevel governance approach and new European and national regulations. In particular, these various policy instruments should be integrated in the framework of **specific strategic programs at the European and national scale**.

10. The existence of reciprocal constraints and of common opportunities

Public support aiming to increase the productivity of the supply side of a country may distort the competition in the respective national market and also in the foreign markets with respect to the productions made in other countries. Thus, **the European Union should aim to promote similar industrial policy measures in all countries, especially in the field of innovation.**

If public support in a specific country aims to increase the demand for new modern productions by consumers and intermediate users within a specific country, clearly it would benefit the creation of new productions and employment in that specific country. Although these policies will be financed by the national taxpayers, they would benefit not only national companies but also the companies producing and creating employment **in other countries**, **without the corresponding contribution of their respective taxpayers.**

On the other hand, taxes aiming to decrease forms of "negative" consumption, such as in the case of those goods which create pollution damaging the environment, would lead to a negative effect on the production of the companies within the same country, thus decreasing their growth prospects with respect to the companies producing in other countries, where those taxes have not been introduced.

Moreover, a modern economy based on new knowledge and innovation indicates **the role of information asymmetries** and a New European Industrial Strategy should aim to promote a coordination of industrial policies **stimulating the sharing of experiences, the investment in research, the positive imitation of best practices and the launching of new experimental projects**.

Industrial policies, differently from monetary and budget policies, should be **designed and implemented according a "bottom-up" approach within the various regions and urban areas** of the European Union. However, these policies also require to be **jointly promoted and coordinated at the national and the European scale** through various strategic programs (i.e. a "New European Industrial Strategy") having a medium term and not a short term perspective, such as it is typical of the traditional monetary and public budget policies. **No country can act independently without determining positive or negative external effects (spillovers) for other countries.**

In particular, a "New European Industrial Strategy" should, **first, concentrate the policy interventions in selected specific urban and non-urban problem areas** in the European territory. **Secondly,** it should foster a higher economic growth of the EU by promoting, both at the European and national scale, **a selective number of new strategic and innovative productions**, which should be highly integrated among them, within the specific regions and local areas of priority intervention. **Thirdly**, it should also differentiate the investment strategies and policy instruments according to the **type of companies**, in order to promote the creation and growth of **new high tech companies** ("unicorn"), the horizontal diversification and internationalization of the **large strategic national champions**, the needed greater vertical integration of the dynamic **medium size and small companies** and the industrial restructuring of the **many problematic companies** and their respective local areas.

In fact, the operational planning of the interventions of the "New European Industrial Strategy" must **take into account three dimensions**, which are strictly interdependent: **the territorial or local dimension, the technological / sectoral dimension and the financial and the different type of company dimension.** The procedures for planning interventions in Europe on a regional or local scale are well defined in the regulations and experiences of European regional policy, which for example include the innovative model of "smart specializations". Instead, **there are not experiences in defining at the European level for strategic programs focused on specific technological choices or on strategic priority sectors** required for a sectoral diversification of the various national and regional economies, envisaged in the previous point. Eventually, the so called "New Green Deal" may be an example of these strategic programs. In addition, there is the need to **define, at European and national scale, the institutional and organizational instruments** indispensable for the planning and financing innovative investments by the companies, by taking into account their different dimensions, technological levels and market types of outlet and also the need to promote forms of cooperation between the companies, such as networks, supply chains or business clusters. Clearly, the methodology of the so called Juncker's Plan has proved to be highly inadequate.

11. The role of institutions and of a stronger European identity

The European economic policies must be inspired first by **the well-known three "republican principles" individual freedom, equality and fraternity of collaboration**, which are the cornerstones of the political divides in Europe. However, it should be guided also by the following "new principles" which are indicated by the recent evolution of the economic and social theories, during the last thirty years, such as:

a) "new needs", as indicated by the evolution of the individual and collective needs by the citizens, the users, the consumers and the workers,
b) "innovation", as indicated by the structural change and the processes of interactive learning, not only for technological but also social and institutional innovation,
c) "common goods", as indicated by the increasing importance of goods and services to be shared, on the basis of trust and solidarity, by various individuals in the framework of different communities, at a local scale but also at a national and even at the European level,
d) "common European identity", as indicated by the sense of common belonging, based on shared values and the respect of common rules and the reciprocal trust, which are crucial for the collaboration at the European scale,
e) "citizen's participation", as indicated by the general call in Europe for greater possibility of participation by the citizens in the strategic decisions, and the need for organizational / institutional decentralization not only in the public institutions but also in the private companies.
f) "focus on environment, territory and cities", as indicated by the fact that small and intermediate urban centres are the symbols of the European common culture and identity, which unite the various countries, since these urban centres characterize the very disperse settlements pattern in Europe, have their origin in antique and even prehistoric times and are the environment, which support the quality of life of the vast majority of the European citizens and the production of most industrial and service companies, differently from other world regions, where the population has increasingly concentrated in large metropolitan areas.

In fact, a New European Industrial Strategy, that raises GDP growth and improves the quality of life of European citizens, with investments and innovations, with "more and better jobs", also contributes to **improve the social conditions** and to **create a common identity**, thus stimulating common trust, **cooperation at the European scale** and strengthening European institutions. Thus, **a European industrial strategy,** that promotes economic growth and a better quality of life in the different areas of the European Union, certainly **represents a "European added value**" with respect to the limits of the current European and national economic, monetary and fiscal policies.

Coronavirus crisis requires greater local/national cohesion and European co-operation and, as after World War II, we need to promote **democratic decisions and institutional reforms and abandon technocratic dirigisme** in the EU institutions. That requires to create a large EU common public budget and to include in the mandate of the ECB common growth and interregional cohesion and not only financial stability.

The principle: **"no taxation without representation"** that was used as an anti-British slogan before the American Revolution, cab be applied within Europe between the various national States to **the design of common financial institutions**, such as the common EU budget, the various structural Funds of the EU Commission or the European Stability Mechanism or the European Central bank. Fiscal rules should be decided by the national and the EU Parliaments and not by technocratic Authorities.

At the local and regional level it is common the participation of the citizens and the sense of solidarity, while at the national level the often prevails the national closure of "sovereignism", populism, nationalism and separatism. Thus, the development of common institution and the sense of common European belonging depends on an increasing decentralization to the lowest possible level or at the local level of investment decisions. In fact, in all in Europe local communities share similar problems. On the contrary, technocratic centralism at the EU level has led to EU exit or to recurrent conflict between North-South Europe and East-West Europe.

12. The role of the scientific community

A modern dynamic or neo-Schumpeterian approach would be helpful in order to overcome the **traditional static orthodox approaches both in macroeconomic policies**, which aim to short term policy objectives, as also in the **current management models of private companies**, as this **short-termism**, seems to have led to **the actual stagnation of the European economy**, to the increase of internal economic disparities as also to the environmentally unsustainable pattern of economic growth.

The policy proposals of Group "Growth, Investments and Territory"[2] which are illustrated in this article have **two aims**: **a) a scientific purpose**, as they aim to develop the views of a modern neo-Schumpeterian or evolutionary economic approach different from the traditional neoliberal orthodoxy, **b) a political perspective,** as they aim to strengthen the trust and solidarity between the different European Countries and Regions through the launching of new economic policies and of important common investment programs oriented to the citizens and the territory.

These proposals have been developed during the last six years since 2014 through a series of six policy workshops and the editing of four e-books, organized by the Group "Growth, Investments and Territory". That collective work demonstrates that **the interpretation of the ongoing economic changes** in Europe and the proposal of new policies can be tightly connected to the **dissemination of new research results** and the interaction with the public opinion through publications, forums and working tables. On the other hand, **this interaction also stimulates the re-elaboration of the theoretical schemes of scientific research**. In fact, for a scientific think-tank or a research group, the relationship with the citizens and the institutions represents **a third mission in addition to those of research and teaching.**

In conclusion, the fundamental issue or obstacle in the design and adoption of a New European Industrial Strategy is **the inappropriate theoretical framework adopted by the policy makers** within the European and national institutions, rather than the conflicts, which are inevitable, between the specific different policy priorities in the various Countries. Thus, **it is time that policymakers change their orthodox neoliberal economic policy assumptions**, which appear obsolete due to the progress in the economic and territorial studies at least in last thirty years.

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[2] The Group "Growth, Investments and Territory" is active since 2014 and it has published 4 e-books and organized five Policy Workshops: http://economia.uniroma2.it/dmd/crescita-investimenti-e-territorio/ ; https://www.linkedin.com/groups/7451330/

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SYNTHESIS

Industrial policy models have seen a continuous evolution over the last 60 years, as the result of the evolution of technologies, of the patterns of consumer demand and of the changes in production specialization. In the future, the supply/productions and the demand/needs will increasingly interact according to a "circular model". A New European Industrial Strategy should promote a greater growth of all regions and of modern high quality productions and it should also aim to a better environmental quality and a better quality life of the citizens in the territory and especially in the urban areas. That also represents a driver for the creation of new productions and occupations and promote a diversification towards modern industrial activities. A New European Industrial Strategy should promote the companies to adopt a broader sense of purpose against short-termism, considering both social and environmental outcomes and not only the financial outcomes and profits. Therefore, companies should be committed to take concrete actions, which meet the needs of all stakeholders: customers, employees, suppliers, local communities, not just the shareholders. A new "European Industrial Strategy" should promote a large program of private and public investment at the European scale aiming to increase the European internal demand by approximately 500 billion euro every year equal to the actual surplus of the external current balance. In particular, the operational planning of the interventions of the “New European Industrial Strategy” must take into account three dimensions, which are strictly interdependent: the territorial or local dimension, the technological / sectoral dimension and the financial and by type of company dimension. Thus, a European industrial strategy that promotes economic growth and a better quality of life in the different areas of the European Union certainly represents a "European added value" with respect to the limits of the current European and national economic, monetary and fiscal policies.