European Regional Science Association
57th Congress
Groningen, The Netherlands 29 August -1 September 2017
S34 Special session
"A new industrial and regional policy for European growth and integration"

The recovery of investments and of internal demand in Europe and the development of a new industrial and regional policy

Riccardo Cappellin
University of Rome "Tor Vergata"
cappellin@economia.uniroma2.it

Final draft 1st September 2017:
https://uniroma2.academia.edu/RiccardoCappellin

Abstract

The current slow growth of the European economy is due to (a) the decline in investment, (b) the absence of a medium-term strategy and (c) the inadequacy of existing legal instruments, which do not facilitate the cooperation between the various private and public actors .

The European economic recovery and the thrust in the future of a stronger European integration must start from a "new industrial and regional policy", centred on a major European program for innovative investment. This investment program should start from the territory and be focused on the network of the hundreds of European cities and regions of different sizes, where businesses operate and citizens live.

Investments should be promoted through a "new industrial and regional policy", which stimulates the creation of new knowledge, the thrust in the future, the willingness to undertake by the enterprises and which promotes the development of innovation and knowledge networks between the various actors in the various national, regional and local innovation systems.

A new European industrial and regional policy should be based on a botton-up collaboration between local, national and EU institutions. Is necessary to strengthen the intermediate institutions (such as: PPP and various no profit associations), adopt modern forms of multi-level governance between European and national and regional/local institutions, ensuring greater decentralization of policy decisions and strengthen the planning capacities of the public institutions and their capabilities in providing new, better quality and more efficient public services.

The proposals of the Discussion Group "Growth, Investments and Territory" are illustrated in the three e-books published in the website: http://economia.uniroma2.it/dmd/crescita-investimenti-e-territorio read by more than 17.000 people. The last book has been downloaded (until August 2017) by more than 1.500 readers.

JEL Codes: L5, F5, F6, R1
Keywords: European integration, industrial economics and policies, regional economics and policies, innovation, investment, macroeconomic theory and policies

1. THE **FAILURE** OF THE EUROPEAN MACROECONOMIC POLICIES

The current slow growth of the European economy is due to:
a) the decline in investment,
b) the absence of a medium-term strategy and
c) the inadequacy of existing legal instruments, which do not facilitate the cooperation between the various private and public actors.

The European economic recovery and the trust in the future of a stronger European integration must start from a "new industrial and regional policy", centred on a major European program for innovative investment.

This investment program should start from the territory and be focused on the network of the hundreds of European cities and regions of different sizes, where businesses operate and citizens live.

According to the OECD Economic Outlook 2017, the growth rate in Euro Area is very slow and less than World and OECD average and than the US at least since 2004. According to the EU winter 2017 forecast the share of the current account balance on the GDP in 2017 will be 8,3% in Germany and 2,4% in Italy, while it is negative in US and UK and in the countries which have indicated the highest GDP growth. As it is well known, that indicates that the slow growth of the internal demand implies a large export of capital and investments abroad. In particular, the high positive balance of trade is the result of the slow growth of internal investment much more than by low public expenditure.

A modest pick up in global growth is projected

OECD area, unless noted otherwise

	Average 2004-2013	2014	2015	2016	2017	2018	2016 Q4	2017 Q4	2018 Q4
		Per cent							
Real GDP growth[1]									
World[2,7]	3.9	3.4	3.1	3.0	3.5	3.6	3.3	3.5	3.7
OECD[2,7]	1.6	2.0	2.2	1.8	2.1	2.1	2.0	1.9	2.2
United States	1.6	2.4	2.6	1.6	2.1	2.4	2.0	2.1	2.5
Euro area[7]	0.8	1.2	1.5	1.7	1.8	1.8	1.8	1.9	1.7
Japan	0.8	0.3	1.1	1.0	1.4	1.0	1.7	1.3	1.0
Non-OECD[2]	6.6	4.6	3.9	4.1	4.6	4.8	4.4	4.8	4.9
China	10.3	7.3	6.9	6.7	6.6	6.4	6.7	6.5	6.3
Output gap[3]	-0.6	-2.1	-1.6	-1.4	-0.8	-0.3			
Unemployment rate[4]	7.1	7.4	6.8	6.3	6.0	5.8	6.2	5.9	5.7
Inflation[1,5]	2.0	1.6	0.8	1.1	2.3	2.2	1.4	2.3	2.3
Fiscal balance[6]	-4.6	-3.5	-2.9	-3.0	-2.8	-2.7			
World real trade growth[1]	5.4	3.7	2.7	2.4	4.6	3.8	3.3	3.6	4.3

1. Percentage changes; last three columns show the increase over a year earlier.
2. Moving nominal GDP weights, using purchasing power parities.
3. Per cent of potential GDP.
4. Per cent of labour force.
5. Private consumption deflator.
6. Per cent of GDP.
7. With growth in Ireland in 2015 computed using gross value added at constant prices excluding foreign-owned multinational enterprise dominated sectors.

Source: OECD Economic Outlook 101 database.

The failure by the European policies in achieving the well known policy objectives of an inflation rate near to 2%, full employment and an higher GDP growth is the cause of an increasing dissatisfaction by the European citizens and of increasing social and political tensions within and between individual countries.

Therefore, the austerity policy imposed by the European Institutions has depressed the internal demand and led to a surplus of balance of trade of the European Union and to the increase of investment abroad instead than in the internal economy.

That has led to a revaluation of the Euro and to an increase of imports and to a decrease of the market demand for the companies selling in the internal market, such many industrial SMEs.

Moreover, the austerity policies have decreased the share of public investment with respect to the public current expenditure and to the GDP and that has been especially severe in the case of the local governments.

The increased value of the euro decreases the inflation rate and that justify the continuation of the expansionary monetary policies of the ECB.

Quantitative easing policies and some of the lowest interest rates in history have pushed up the prices of global stocks, bonds and real asset and have created bubble conditions.

The balance sheet of the ECB has constantly increased as also the value of the public and private debt in Europe, which is fast approaching 300 per cent of global gross domestic product,

The stock of Non Performing Loans in the EU banking sectors was around €1.0 trillion at end-2016, and it has been decreasing not because of the recovery of the firms, but because they have been sold to speculative financial intermediaries, which want to sell the real guarantees of the firms after their bankruptcy.

Quantitative easing and some of the lowest interest rates in history have pushed up global stock and bond markets and the real asset prices and have created bubble conditions.

Cheap money makes big companies look more profitable: it cuts the cost of their debt and encourages the mergers and acquisitions. It encourages share buybacks, which cuts the quantity of shares in issue and pushes up the prices of those remaining. Companies can increase dividends. House prices in financial centres have soared.

Moreover, the inflation rate is very low due also to the neoliberal labour market policies, which have decreased the bargaining power of workers and trade unions and led to the growth of cheap temporary jobs and to an increase of companies' profits.

Thus, the problem is not the low rate of inflation per se, but rather the increasing power of finance with respect to the real economy.

Only people who already hold assets gain from price rises. A very loose monetary policy has made the well-off even better off.

The increasing centralization of political power in the national governments and in the European Union has decreased the power of the citizens and has led to the increase of the euroscepticism in Europe and also to the Brexit.

Disparities have increased both between the rich and the poor within each country and between the countries of central Europe and of South Europe.

The capital costs are different in the various European countries and that clearly contradicts the principle of competition and the essential characteristics of a "single market" for capital. In fact, lower interest rates in Germany are equivalent to a form of financial dumping for German companies with respect to the companies in other European countries and it has determined the increase of the negative trade balance of these European countries with Germany.

Therefore, while there is a weak recovery of the GDP, the real unbalances existing within the national economies of the EU are still persisting, such as:

- high unemployment,
- high prices and scarcity of affordable housing,
- scarcity of resources for the increasing demand of health and education services,
- lack of infrastructure and traffic congestion,
- slow innovation and productivity increases.

Any change in the economic situation of Europe comes from policy changes in the USA and the national governments have totally abdicated any policy to the central banks. The neoliberal policies of Merkel and Macron are not sufficient and for the future there is the need for a new strategy in Europe.

A shift in European economic policies is needed. First, policies must not only aim to the objective of the financial stability of public budget and banks. While, there is the need to focus more on medium and long term objectives, such as:

- GDP growth,
- inflation rate,
- full employment,
- productivity growth,
- investments,
- balance of trade,
- Euro stability,
- quality of life and
- environmental sustainability.

Secondly, the European common policies should aim to promote peaceful relations between member countries, reinforce the sense of common belonging, hinder exit from the EU by member countries and promote a consensus on new programs in areas of common interest.

2. THE NEOLIBERAL IDEOLOGY AND THE NEW NEEDS BY THE CITIZENS

The neo-liberal ideology prevails in the media and public policies. In fact, the neo-liberal thinking only considers the supply-side of the economy. Technological progress is considered as exogenous and automatic and the firms and the public policies must only adapt and accompany exogenous technological change. Moreover, according to a the neo-liberal perspective, production innovation is exclusively determined by the companies, while it may be hindered by their outside context or internally by their employees.

Instead, according to an evolutionary and neo-Schumpeterian approach, technological progress is the result of the national and local “innovation system” and of the dynamic interdependence between the strategies of the various actors in the economy. In fact, innovation is the result of the collective action of companies collaborating with each other and with other actors in the local and national production and innovation system.

Instead, according to an evolutionary and neo-Schumpeterian approach, technological progress is the result of the national and local “innovation system” and of the dynamic interdependence between the strategies of the various actors in the economy. In fact, innovation is the result of the collective action of companies collaborating with each other and with other actors in the local and national production and innovation system.

According to a different perspective, the problem in Europe is not the resistances to change, but the lack of external drivers that may induce companies to change. The growth emerges from the need for a common effort to initiate innovations, which are not individual but collective innovations and which require a joint effort of various actors.

Thus, there is the need to intervene not only on the supply side of the economy according to the traditional neo-classical and marginalist approach and to focus more on the demand side. Selective taxes and regulations and large joint investment strategies are needed, in order to promote the growth of the internal demand.

According to this new heterodox approach, there is the need to intervene not only on the supply side of the economy according to the traditional neo-classical and marginalist approach and to focus more on the demand side, not only according to the traditional Keynesian expansion of public expenditure, but also looking to the private demand in the individual markets and sectors. Selective taxes and regulations and large joint investment strategies are needed, in order to promote the growth of the internal demand.

The answer to the needs of citizens is also a driver of development. It is important to look not only at the changes in supply or technology, but also at the changes in the demand or at the new needs of citizens. In fact, the development of the economy and the increasing levels of income and education of citizens lead to the increase of the need for modern services not only for the individual use but also for collective use by groups of citizens. These goods or services are defined by economic theory such as public goods, common goods, club goods or relational goods. Such are the needs of housing, leisure and culture, economic growth and employment, training and health, and environmental sustainability, which require a common action by the public institutions. But collective needs are also those of political participation, social solidarity towards the weaker, justice and the fight against corruption and security. Finally, citizens need also a prospect of future economic progress and a balance between a strong collective identity and freedom for different behaviour.

In general, a new approach to national and local economic policies can be inspired by the principles and concepts outlined by the recent evolution of technical, scientific, economic-social and legal-political thinking, such as:

a) innovation as a structural change and as an interactive or collective learning process,
b) political participation, organizational / institutional decentralization and citizen responsibility,
c) evolution of collective and common needs,
d) sense of community and collective identity on the urban, national and European scale ,
e) solidarity and cooperation at the international, interregional an the territorial scale.

These values have ancient traditions in the Western thought and show that the neo-liberal paradigm has become obsolete.

3. A NEW MODEL OF GROWTH AND THE SCOPE OF INDUSTRIAL POLICIES

In particular, after the financial crisis, the economic scenario has changed and there is the need for a change in the economic policy model prevailing in the past within Western economies and in the European Union.

A new innovation wave seems to explain the difference between “disrupters” (for example Amazon) and traditional companies (for example Walmart) and that guides a new development phase in developed countries and worldwide.

The nature of technological change seems to consist not only in process innovations that aim to reduce labour, but also in the launch of product innovations or new innovative productions, that replace existing productions and therefore create new businesses or insure the diversification of existing business.

Secondly, there is a transformation of industrial capitalism into financial capitalism and that has led enterprises to reduce the productive investment and to focus mainly on cost reduction and short-term goals.

The policy proposals illustrated in the three e-books of the Discussion Group “Growth, Investment and Territory” (http://economia.uniroma2.it/dmd/crescita-investimenti-e-territorio) indicate the need for a new economic, industrial and regional policy, which must start from the expansion of the internal demand within the European Union, aiming to satisfy the needs of the citizens and to develop new domestic production capacities, tangible and intangible investments and new skills and knowledge.

The goal of full employment requires the creation of new products and new businesses, which are driven by the aim to meet the new needs of the citizens in the territory.

European economic policies should boost investment and innovation not only because they increase productivity and economic growth and create new qualified jobs, but also because they are needed for creating those productive capacities, infrastructure and services, which allow to respond to the increasing needs by the European citizens in the following five fields:

1) to build new types of **housing** other than those existing for a population with demographic characteristics that are always new,
2) to facilitate the **mobility** of people's flows, private and public transport and information, which are the main feature of a modern metropolis and a city-region organized as a network of cities of different dimensions linked by the regional rail network and other infrastructures,
3) to create **new centres and public spaces for the culture and leisure** of the citizens and young people in particular,
4) to ensure the development of **universities and hospitals**, which are crucial for a thriving city and for the quality of life, and should not be decentralized at dozens of miles away in peripheral areas,
5) to develop **urban parks**, create a network of **waterways** and ensure the use of modern technologies for **energy saving** in the different constructions.

Private and public investment in these five sectors will create new productive activities and jobs (in services and industry) that will attract human resources of young and skilled workers and will make the urban areas more and more dynamic and attractive.

In particular, new productions are not only manufacturing products, but may also consists in the construction of infrastructure and in the provision of private and public services, such as those that meet the needs of housing, mobility, culture and leisure, health, higher education, energy saving and environment and territorial quality. These services will also drive the creation of new manufacturing productions, which in the future may diversify the European export base.

Without these new productions, it is not possible to promote new “smart specializations” in the regional and metropolitan production system and its reconversion towards new innovative productions, which will add or complement the existing ones and will create new qualified employment.

European institutions should enhance investment in these five fields, as they may also contribute to an increase in the common European identity and the sense of common belonging by the various countries.

The focus of investment within cities and in the selected fields of housing, mobility, culture and leisure, health and education, environmental sustainability and related manufacturing productions has a strategic relevance since all these five fields of investment are coherent with the concept of the "European social/cultural model”.

In particular, faced with the inability to stimulate growth through the "orthodox" top-down macroeconomic policies, trough the austerity of public budgets or the cost decreasing restructuring of private companies, it seems indispensable to promote growth in the European economy according to a bottom-up approach starting from the individual cities.

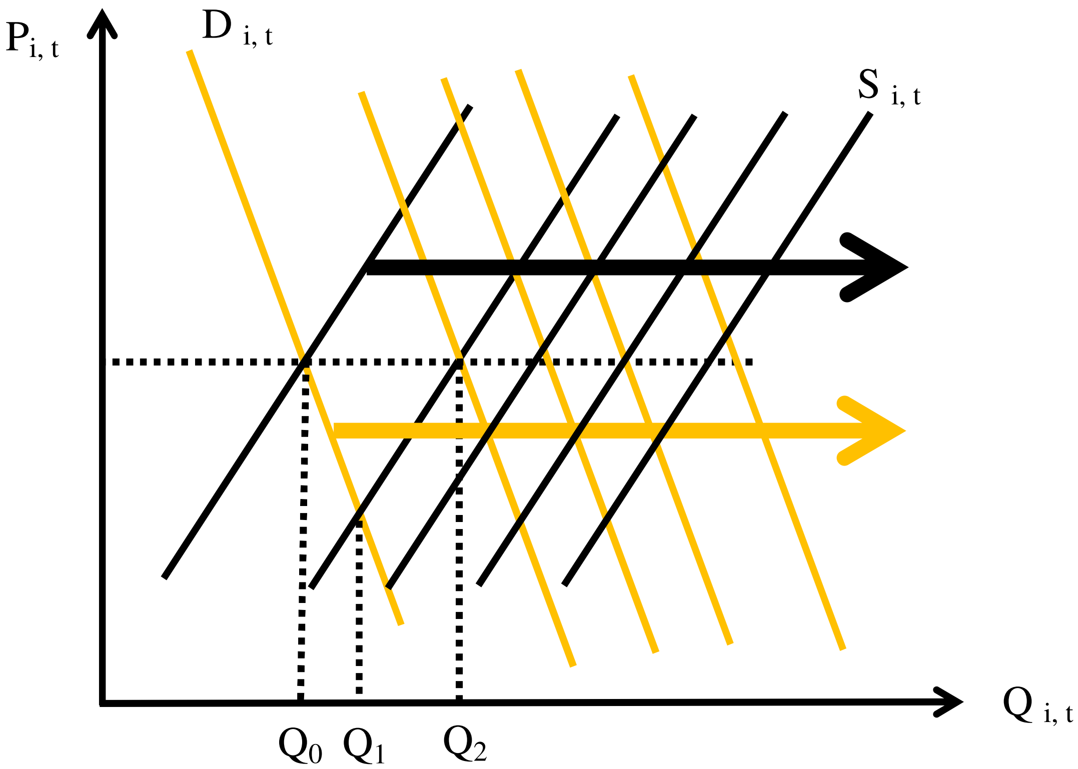


Figure 1 – The aggregate demand and supply in a neo-Schumpeterian model

Cities are the area where most of the nation's population is concentrated, as also the cultural institutions, the universities, the material and intangible infrastructures, the industrial production capacity, the most important financial institutions and especially the market demand for consumption and investment of millions of people.

Cities need to be the focus of a new policy for European growth that will support the domestic demand, through increased consumption and investment. Medium and large European cities have the potential to be the driving force of a new phase of economic development in the regional and national economies.

Investment must focus on urban centres, which represent the geographic, economic and cultural nodes of the European economy and can be a great laboratory for the development of new emerging products, services and jobs.

Therefore, the keywords in a new industrial and regional policy are:

- innovation,
- investment,
- cities and
- development of the internal market in the EU,

rather than

- international competitiveness,
- cost reduction and
- the restructuring of firms through labour lay-off.

Therefore, the keywords in a new industrial and regional policy are innovation, investment, cities and the development of the internal market in the EU, rather than international competitiveness, cost reduction and the restructuring of firms through labour lay-off.

A neo-liberal logic aims only to expand the supply side and it believes that the problem of the demand does not exist, since the demand is perfectly elastic due to the international openness. However, if the aggregate demand is rigid a shift of the supply only leads to a decrease of prices and to a very little increase of production.

Therefore, there is the need of a shift of the demand and industrial and regional policies are needed because they can increase both the demand and the supply. The shifts to the right both of the aggregate supply and of the demand lead to an increase of the GDP and employment, as indicated in the figure above.

Growth can't start unless there is a intervention on both the supply and the demand side by launching large, state-coordinated investment projects aimed at meeting the demand and the needs of citizens, and in particular at improving the quality of life of people in the various areas and regions of the European territory.

Growth can't start unless there is a policy intervention on both the supply and the demand side by launching large, state-coordinated investment projects aimed at meeting the demand and the needs of citizens, and in particular at improving the quality of life of people in the various areas and regions of the European territory.

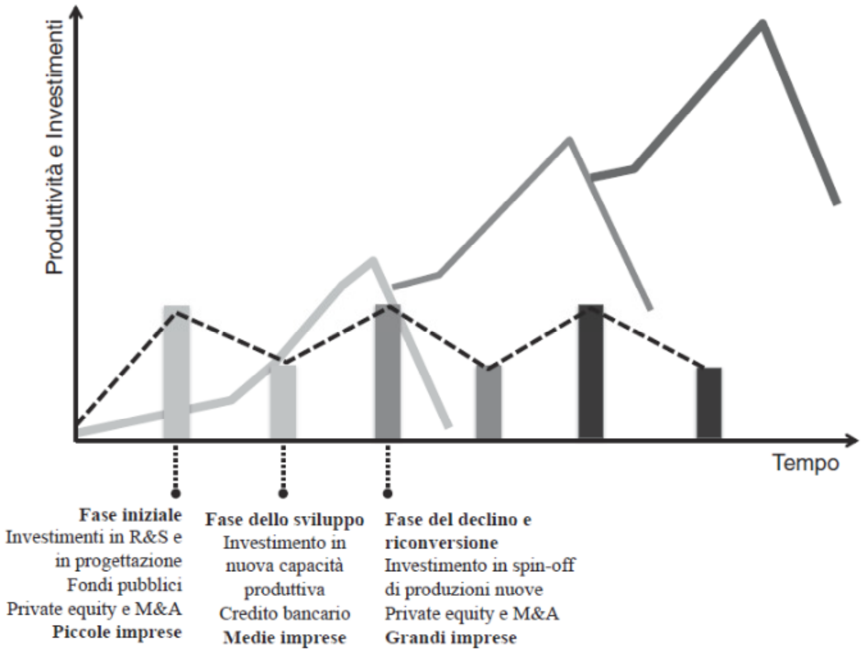
Moreover, according to a Schumpeterian approach, industrial and regional policies should aim to stimulate a change of the internal structure of the economy, through the shifts of resources from less productive to more productive sectors and the shifts of the demand from traditional to new forms of final consumption and intermediate uses.

These structural changes, in the structure of the supply and of the demand, can be interpreted according to the paradigm of the Schumpeter's "creative destruction", as indicated in the following figure of various succeeding production life cycles. On the contrary, the traditional macroeconomic models miss the possibility to consider the impact of structural change and innovation, as they focus only on the aggregate data.

Innovation and investment are especially important in the first phase of the production life cycle, while the last phase of the production life cycle indicates not investments but rather disinvestments by declining companies and productions. Companies entering in this phase should be stimulated by industrial and regional policies to choose other "smart specializations". In fact, the low level of fixed investments in the European economy is explained by the slow process of diversification into new sectors and productions and by the need to decrease the share of the production capacity in the traditional and outdated productions.

The European Commission has recognised that investment is the number one priority, but it does not indicate neither what types of investments (public or private, industrial or services sectors, for process or product innovation, ecc.) nor where in the European territory (North or South Europe, rural or urban areas, etc.) to invest, nor the appropriate instruments (credit or tax incentives, public subsidies, etc.) which may lead firms and institutions to increase investments.

Figura 1 – Il ciclo di vita delle produzioni, il livello della produttività e gli investimenti



Fonte: Elaborazione dell'autore

Thus, the aim of boosting investment appears to be in reality a secondary priority for the EU Commission with respect to the other two policy priorities, such as: "structural reforms" and "fiscal austerity".

Clearly industrial and regional policies have been marginalized in the recent EU policies, since the EU institutions have adopted almost exclusively the neo-liberal paradigm (Washington consensus or Maastricht treaty), although sixty years ago the Treaty of Rome was based on a completely different and much wider cultural and political perspective. The "common market" alone is not able to give an answer to the problem of GDP growth and to the other objectives indicated above.

Moreover, the two instruments of monetary and fiscal policy can't achieve too many goals, as the number of policy instruments should be equal to the number of policy goals. Therefore, according to a rational division of tasks, while monetary policy should aim to financial stability and fiscal policies to a fair distribution, the industrial and regional policies should aim to sustainable economic growth. A modern industrial and regional strategy aimed at increasing the anaemic growth rate in the European Union should be able to respond to the following critical questions:

a) what or what investments to promote:
for example: promoting systemic innovation, greater productivity in the production system, investment, creation and attraction of new businesses in new sectors, growth of existing small and medium-sized enterprises, re-launching of domestic demand, integration or sharing of individual technologies, creation of new services that meet the emerging needs of the citizens in the new "lead markets": a) housing, b) mobility, c) culture and leisure, d) health and education, e) environment and energy d) new related industrial productions in the same production chains;

b) when or the timeframe of the strategy and its operational targets:
for example: adopt a medium to long-term strategy perspective, an evolutionary or experimental method, coordinate each other the individual phases of designing, implementing and managing investment projects (as indicated below).

c) where or the location of investments in the territory:
for example: to focus investments in urban areas that represent the geographical, economic and cultural nodes of the Italian and European economies, railways and other networks of the transport network, promote mobility, openness and interconnection between the different areas of the city and between the different urban centres of the regional territory.

The focus of investment in cities and in the selected field of housing, mobility, culture and leisure, health and education, environmental sustainability and related manufacturing productions has a strategic relevance since:

a) from the point of view of the economic development and environmental quality of the city,
• it allows not only an increase in GDP but also an improvement in the quality of life of citizens;
• it produces essential public goods that can also be used by people with lower income and who do not have the resources to access overly expensive alternative private services;
• it responds to higher quality needs increasingly demanded by a wide range of consumers who have adequate income, high education and also more free time;
• it promotes social and cultural relations among citizens and the sense of integration and belonging.
allow the use of modern technologies as well as the relaunch of the construction sector and many different traditional productions;
• it promotes knowledge and innovation, such as investment in universities and research;
• it exploits the existing engineering and management skills existing in the European cities;
• it enables the employment of a large number of qualified workforce and, in particular, of young graduates,

b) from the macroeconomic point of view,
• it involves large investments, which would have an important effect on aggregate demand growth;
• it may stimulate the development of modern financial institutions specialized in project financing;
• it may lead to replace individual and non-essential consumptions and reduce the import of related traditional consumer goods, with the consumption of superior and innovative goods and services which can be developed for the domestic market, but can in future be exported and thus diversify the export base of the economy towards innovative productions.

A new business model by the private companies

The recovery of private investments depends on industrial and regional policies, since the investment propensity by the companies depends on a greater certainty of the medium and long term perspective or on the existence of a new growth strategy shared by the various stakeholders in the national and regional production system.

The "New Industrial and Regional Policy" has also a political or organizational dimension and it must stimulate the entrepreneurship capabilities of the companies, the creation of new knowledge, the confidence in the future, the will to undertake by the enterprises and promote the development of innovation networks and knowledge between the various actors which belong to the various innovation national, regional and local systems. In fact, innovation is the result of a collective effort of all the actors who are part of the local, national and European innovation system and it is based on the openness by the companies to collaboration and if necessary to the mergers with other companies.

Companies must have the courage to diversify their productions away from traditional goods and services and to start to make material and immaterial investments in new productions. In fact, industrial and service companies invest too little not only in fixed investments (i.e. machinery and equipment) but especially in "intellectual capital" or in new qualified human resources, in research and design or in the planning of new business, in close cooperation with universities and professional services.

The growth of international trade and of the internal market

Structural imbalances in world trade with countries, such as China, Germany and until recently also the OPEC countries, that continue to increase their foreign currency reserves and financial investments in other countries, are the source of financial instability and require that these countries implement a transition from a growth pattern driven by the imports of the other countries (“beggar my neighbour”) to a model driven by their domestic demand.

Moreover, large trade surpluses correspond to large companies' profits in the exporting countries, but also to a lesser welfare of the citizens in the same countries, which could instead increase their domestic consumption and investment. In particular, it seems absurd that there are trade surpluses in countries with high rates of unemployment and low growth, such as Italy, where a recovery of private domestic demand and an increase of (efficient) public investment would be needed.

Taxation of imports or self-containment of exports through bilateral agreements and, above all, the reorientation of both domestic demand and domestic production in the countries with a positive (negative) trade balance may be preferable to a revaluation (devaluation) of the exchange rates of the exporting(importing) countries, which would have adverse effects also on the world financial markets and on many different sectors in many countries.

According to a different unorthodox policy paradigm, the problem is not to hinder imports or replace imports with domestic productions, but rather to create a new domestic demand and to expand a new domestic production in order to meet this new demand, while these new products can later also be directed to export. This different policy approach is not proposing an import substitution strategy, but a strategy aiming at creating new domestic markets (“lead markets”) for new productions.

Moreover, acquisitions by foreign companies are only useful if they increase employment and know-how, and if they lead to more productive integration of small and medium-sized enterprises in internationally competitive production chains. They must not aim only at industrial restructuring and employment cuts. Neither they should aim only to gaining market share and to inhibit local companies' to growth abroad, forcing them to play a secondary role within a multinational group. Capital must be free to move internationally, but it must not destroy existing national productions, and it must create new jobs that local businesses alone would not be able to create and increase their export markets by integrating the local companies into new international supply chains.

The deflationary impact of neoliberal labour policies

The so-called "structural reforms" or the liberalization of the labour market have aimed to decrease production costs, in order to increase the external competitiveness, and have been equivalent to an internal devaluation policy, which has depressed both wages and inflation rates. They are the key reason of the long standing very low inflation rates in the European Union: well below the 2% target and that has made even more critical the burden of public debt, expressed in monetary terms, as a share on GDP.

Reducing wages has also reduced domestic demand and the benefits in terms of lower costs for the exporting firms have been offset by the negative impact for the large part of businesses in terms of lower sales in the domestic market.

Wage reduction has also led to the growth of temporary jobs, which are less costly for businesses. In fact, the labour productivity has decreased, as the ratio between a substantially constant GDP and an increased employment has declined. On the contrary, productivity is crucial for long term GDP per capita growth and also for international competitiveness.

Finally, the distribution of various government bonuses or public subsidies in order to reduce the labour cost of firms have only led to an increase in profits and investment in financial assets by the companies and to an increase of income disparities between the workers and the managers, and last but not least, to lower incentives for companies to reconvert their productions and to undertake those fixed and immaterial investments that are needed for process and product innovations, without which neither productivity nor wages and GDP can increase in the long run.

The lack of development of modern financial intermediaries

The European monetary policy did not deal with the mechanism of transmission from money supply, to bank credit to companies and to gross fixed capital formation. The proposal for European safe bonds and European project bonds linked to infrastructure investments monitored by the European Investment Bank and by the European Regional Policy could be helpful in guiding the transformation of the supply of money into gross fixed capital formation.

The European Central Bank has not helped the development of new financial intermediaries that could compete with large commercial banks. The non-performing loans have increased in Europe to a value of one thousand bln. Instead, credit policy should follow an industrial strategy and support not only the few more dynamic companies, but also the many crisis companies, where the banks have a key responsibility to avoid a default of the firms and to promote their turnaround whenever possible. Thus, the aim to sell the real collaterals linked to NPLs could be given a lower priority with respect to promote M&A and the integration within the various production chains between the crises firms and those firms with greater growth opportunities.

The lack of appropriate fiscal policies

The tax burden is higher on incomes from productive activities than on financial assets and that distorts the allocation of investment toward financial assets rather than on the creation of new production capacities. The decrease of the social contributions by all businesses, even those that accumulate cash reserves, is a waste of public funds, while it would be necessary to direct public funds to support investments in technology and new productions in the companies willing to growth. Lower taxation should favour the development of new sectors, such as not only electric cars and renewable energies, but also the investments in urban renewal. It seems appropriate to reward with a reduction in capital gains tax the companies investing in new technologies and plants, rather than those companies, which do not invest and prefer to keep their profits in cash or in financial assets.

4. THE VALUES IN PUBLIC GOVERNANCE AND THE ROLE OF REGIONS

However, it is not enough to define an intelligent, innovative and operational strategy, but it is also necessary to promote the political will or the consensus among the different actors and citizens in general. This depends on their internal motivations and their crucial or most felt values, which can be the basis of their actions and which make it possible to reach a common agreement. To this end, it seems useful to interpret in a modern perspective the well-known "republican values" of: freedom, equality and fraternity. Indeed, these values have very clear implications in the policies and projects of public institutions.

Freedom implies the aspiration of the citizens to realize the abilities both in work and in the free time. That is not always insured to the young people with high professional qualifications, to the immigrants and to the elderly, who represent a Increasing share of the resident population. Freedom means thus enhancing human capital, skills and intelligence, which are the key resource for future economic and social growth, and that requires that public policies aim to create more work of better quality.

Equality implies the aspiration to better standards of living for every citizen, even those with lower incomes, and hence the promotion of the supply of public goods ("common goods" and "relational" goods) that meet the new common needs of the citizens, and not only of "private" goods and services for individual use. It is also important to develop the sharing economy of goods and services of collective importance available to all citizens, with the aim of reducing inequalities and social inequalities. Equality means the need to move down the power of political decision-making and a greater democracy or to assure to everyone's the participation in political decisions, which now see the privilege of a financial-political establishment (oligarchy / ruling class).

Collaboration or fraternity implies the aspiration to develop the sense of civic identity and the sense of common belonging, and hence cooperation not only between individuals and citizens, but also among the various stakeholders (stakeholder), such as the world of business and workers, the community of experts and the research centres. It is also necessary to promote closer cooperation between producers and consumers, as their interaction is indispensable for new productions and new patterns of consumption emerge. In this perspective, it is necessary to promote the role of associations and intermediate institutions (social capital), trust among citizens (people), and also the sense of personal security, respect for laws, public order, trust of citizens in the institutions, honesty and transparency of procedures, as without a common trust it is impossible to promote citizen's consensus on ambitious common actions.

A new European industrial and regional policy should be based on a botton-up collaboration between local, national and EU institutions. Is necessary to strengthen the intermediate institutions (such as: PPP and various no profit associations), adopt modern forms of multi-level governance between European and national and regional/local institutions, ensuring greater decentralization of policy decisions and strengthen the planning capacities of the public institutions and their capabilities in providing new, better quality and more efficient public services.

A greater regional political autonomy is needed in order to rebalance the relative power of local institutions with respect to the powers of national and European institutions.

In fact, the collaboration between the various local and regional actors promotes mutual trust, identity and sense of collective belonging among the citizens, and these are crucial factors for a joint action aiming to promote the economic development and the quality of life in the city and in the region .

National and European policies are constrained in the scheme of liberalism and there has not been a national strategy for years at national and European level, while assisting in the creation of new private monopolies or oligopolies and business collusions between few financial groups. Fixed and intangible investments in innovation and vocational training have dropped enormously and strategic sectors are now controlled by foreign companies.

In particular, regional policy does not have to focus on specific production sectors different from the sectors reserved for national institutions, but it should focus on promoting investment and innovation, since investment and innovations require different actions from region to region.

The ineffectiveness of the central government's economic policies and the lack of initiative of the central government in many areas, which are crucial to the citizens, are the reason why, on the basis of a subsidiarity principle, it is necessary to increase political power and accountability regional governments and local governments.

Regional autonomy has to be reinforced because:

1) in a modern economy, opportunities and investment capacities depend on the productive resources available in the territory;
2) the new and increasingly complex needs of citizens require new products and services, which are often known only at a local or decentralized level, and
3) the increasing levels of culture and income require greater citizen participation in policy decisions, and that requires greater decentralization or self-government at regional and local level.

Therefore, areas of intervention that require greater regional autonomy are not only those of the health and territorial planning, but also those of the investment and innovation policies by local institutions and companies, the investments of national and foreign companies, the banks for medium-term investment, the public works policies and the sector private construction, regional rail transports and local public transport, higher education and university research, labour and training policies, tourism and leisure, cultural heritage and energy saving.

National and European policies have adopted the "ordo-liberal" scheme of budgetary rules (balanced budget) and a short term accounting of the public expenditures and revenues. Public institutions do not have a medium term perspective.

The ratio between local public finances and national public finances has decreased, thus depriving citizens of public investments and essential collective services. That has led to an increase of the current public expenditure, which is under the control of the national bureaucracy and of European technocrats and to an increase of the financial transfers to specific private companies and to the most diverse pressure groups for electoral purposes.

Instead, increased regional autonomy that raises growth is indispensable in solving the public budget problem by promoting a greater economic growth, which would reduce the debt / GDP ratio and generate organic revenue growth. It is not true that the development of the economy requires "less public spending and less taxation" or "taxing everyone, rich and poor, to the same extent", while it is true that public spending and taxation must be geared towards development.

On the contrary, a greater regional political autonomy means that citizens and regions need to be left free to increase taxes, in order to finance specific investments and services, which have been considered necessary through a referendum or democratic participation.

Not only does the principle of “subsidiarity” entails regional decentralization of the financing of activities that must be managed at regional level, but it entails also the principle of self-government and fiscal responsibility.

Individual regions must be able to decide autonomously on an increase in tax revenue finalised to finance additional activities not provided by the national government. This principle of “additionality” is similar to the principle of “reinforced integration” in the European Union, as some countries can independently finance specific activities, that other countries refuse to finance, as they do not consider them as necessary.

5. THE DEEPENING OF THE EUROPEAN INTEGRATION

Historically, the process of European integration has aimed, first of all, at preventing the resurgence of nationalism and at avoiding conflicts and wars between European countries. Only in order to reach this fundamental objective, European Union has also aimed at creating a single large market, which could allow achieving economies of scale in traditional industrial productions and develop international trade between the various countries.

Now, at a time characterized by the actual global economic crisis and by a post-industrial development phase, which may be defined as that of the new post-industrial “knowledge and service economy”, it is crucial that the EU aims to enhance its common political and cultural identity, as the basis for a further institutional integration.

In fact, a modern knowledge and service economy can’t develop in Europe without a common system of rules and institutions, since knowledge and services do not develop mainly through the competition on free markets, but they especially require appropriate public regulations and various forms strategic alliances between the various private stakeholders and between the service firms and the increasing conscious citizens and consumers. These public regulations and forms of collaborations are not possible without a stronger sense of belonging and reciprocal trust. Thus, the cultural/institutional dimension of the process of European integration becomes increasingly important with respect to the trade and financial dimension.

In particular, the enhancement of a common identity at a European level would promote a greater sense of common belonging and could oppose the current process of fragmentation of the European Union and the lack of trust, which has lead to the Brexit and to the decreasing popularity of the Euro and of the European Union among the European citizens.

In particular, there is the need to enhance those modern productions, that may best meet widely shared values in Europe and enhance the European cultural identity, such as:

- environmental sustainability,
- protection of territory against natural disasters,
- social justice, security,
- quality of the work, enhancement of the individual skills,
- quality of leisure time and well-being,
- culture and education of young people,
- new products and services that meet the new needs of a population with increasing levels of culture.

In fact, the two problems of European integration and economic growth are linked between them. The enhancement of the European identity requires investing in culture, education, in the historical and cultural heritage, in social services and in a more equitable distribution of income and wealth. The rediscovery of common values among the citizens of Europe can be the driving force for a long-term joint effort, which stimulates joint investments and also economic growth in the various countries.

Therefore, a greater future orientation of European Institutions and the reinforcement of the common European cultural identity or a stronger European economic growth and political integration are closely linked to a new industrial and regional policy, focusing on the recovery of investments, as it has been indicated above.

In conclusion, an European industrial and regional policies can increase the growth and productivity of the economy by:

- promoting the reconversion from traditional low tech sectors to new high productivity productions, This requires first of all investing in project design and creativity or enhancing the “intelligence” and the contribution of the world of experts and universities at the local, national and European level.
- increasing both the demand and the supply of the new manufacturing and service productions, such as those which aim at responding to the need for a better quality of life for citizens with respect to: a) housing, b) mobility, c) leisure and culture, d) health and education, and e) environmental quality.
- promoting the joint action of private and public actors, also through institutional innovations that ensure a greater sense of belonging and therefore greater public participation in public decision-making as well as effective and transparent institutional and private-public collaboration.

References

The proposals of the Discussion Group "Growth, Investments and Territory" are illustrated in the three e-books published in the website: http://economia.uniroma2.it/dmd/crescita-investimenti-e-territorio read by more than 17.000 people. The last book has been downloaded (until June 2017) by more than 1.300 readers.

Cappellin R., Baravelli M., Bellandi M., Camagni R., Capasso S., Ciciotti E., Marelli E. (2017), eds., **Investimenti, innovazione e nuove strategie di impresa: quale ruolo per la nuova politica industriale e regionale?** Milano: Egea.
Contributions by: Gaetano Aiello, Maurizio Baravelli, Raffaele Barberio, Elisa Barbieri, Leonardo Becchetti, Marco Bellandi, Luca Beltrami Gadola, Patrizio Bianchi, Ruggiero Borgia, Angela Botticini, Giampio Bracchi, Alberto Bramanti, Antonio Calabrò, Salvatore Capasso, Riccardo Cappellin, Aldo Cavadini, Enrico Ciciotti, Cosmo Colonna, Enrico Conti, Augusto Cusinato, Gregorio De Felice, Carlo De Vito, Alfredo Del Monte, Marco Di Tommaso, Claudia Ferretti, Fiorenzo Ferlaino, Maurizio Franzini, Gioacchino Garofoli, Lorenzo Giussani, Giorgio Goggi, Giuseppe Gori, Fabrizio Guelpa, Donato Iacobucci, Patrizia Lattarulo, Giuseppe Longhi, Enrico Marelli, Fabio Mazzola, Pietro Modiano, Loris Nadotti, Attilio Pasetto, Guido Pellegrini, Carlo Antonio Pescetti, Luciano Pilotti, Francesca Rota, Zeno Rotondi, Enzo Rullani, Lanfranco Senn, Marcello Signorelli, Francesco Silva, Giampaolo Vitali.

Cappellin R., Baravelli M., Bellandi M., Camagni R., Ciciotti E., Marelli E, (2015), eds., **Investimenti, innovazione e città: una nuova politica industriale per la crescita**. Milano, Egea.
Contributions by: Maurizio Baravelli, Raffaele Barberio, Massimo Battaglia, Marco Bellandi, Luca Beltrami Gadola, Alberto Bramanti, Giampio Bracchi, Aurelio Bruzzo, Roberto Camagni, Riccardo Cappellin, Salvatore Capasso, Enrico Ciciotti, Innocenzo Cipolletta, Vittorio Coda, Fulvio Coltorti, Cosmo Colonna, Giancarlo Corò, Augusto Cusinato, Marco Di Tommaso, Giuseppe Farina, Fiorenzo Ferlaino, Marco Frey, Gioacchino Garofoli, Anna Gervasoni, Maria Letizia Giorgetti, Giorgio Goggi, Giuseppe Gori, Fabrizio Guelpa, Maurizio Laini, Patrizia Lattarulo, Giuseppe Longhi, Enrico Marelli, Sergio Mariotti, Fabio Mazzola, Marco Mutinelli, Luigi Orsenigo, Attilio Pasetto, Gabriele Pasqui, Guido Pellegrini, Luciano Pilotti, Maria Prezioso, Edoardo Reviglio, Zeno Rotondi, Enzo Rullani, Franco Sacchi, Riccardo Sanna, Gaetano Sateriale, Francesco Silva, Alessandro Sterlacchini, Marco Vitale, Giampaolo Vitali

Cappellin R., Marelli E., Rullani E., Sterlacchini A. (2014), eds,**Crescita, investimenti e territorio: il ruolo delle politiche industriali e regionali,** Website "Scienze Regionali", eBook 2014.1
Contributions by: Leonardo Becchetti, Marco Bellandi, Patrizio Bianchi, Andrea Bollino, Roberto Camagni, Roberta Capello, Riccardo Cappellin, Stefano Casini Benvenuti, Enrico Ciciotti, Romeo Danielis, Alfredo Del Monte, Sergio Destefanis, Marco Frey, Sandrine Labory, Enrico Marelli, Marco Mutinelli, Alessandro Petretto, Francesco Prota, Enzo Rullani, Alessandro Sterlacchini, Gianfranco Viesti.

Table 51: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 1998-2018) 1.2.2017

	5-year averages						Winter 2017 forecast			*Autumn 2016 forecast*		
	1998-02	2003-07	2008-12	2013	2014	2015	2016	2017	2018	*2016*	*2017*	*2018*
Belgium	4.6	4.2	1.5	1.0	-0.4	0.2	**1.0**	**1.3**	**1.4**	*0.5*	*0.7*	*0.7*
Germany	-0.5	4.6	6.0	6.8	7.5	8.4	**8.7**	**8.3**	**8.0**	*8.9*	*8.6*	*8.4*
Estonia	-7.5	-11.5	2.1	2.4	2.1	4.2	**2.0**	**1.9**	**1.6**	*3.2*	*3.1*	*3.0*
Ireland	1.1	-2.8	-3.2	1.6	-1.8	9.7	**10.0**	**9.9**	**9.7**	*8.2*	*8.0*	*7.7*
Greece	-6.5	-9.8	-9.2	0.2	-0.6	2.1	**1.3**	**1.1**	**1.2**	*1.9*	*2.1*	*2.1*
Spain	-2.3	-6.4	-3.8	2.1	1.5	2.0	**2.5**	**2.2**	**2.0**	*2.6*	*2.4*	*2.4*
France	1.9	-0.2	-2.0	-2.8	-3.2	-2.0	**-2.1**	**-2.4**	**-2.4**	*-1.8*	*-2.1*	*-2.3*
Italy	0.5	-0.9	-2.2	1.0	2.1	1.8	**2.9**	**2.4**	**1.9**	*2.9*	*2.7*	*2.3*
Cyprus	-1.4	-15.2	-8.6	-3.5	-3.5	-2.7	**-1.3**	**-1.8**	**-1.9**	*-2.5*	*-2.9*	*-3.1*
Latvia	-7.8	-14.1	0.3	0.4	1.2	2.0	**1.8**	**-0.3**	**-0.8**	*2.0*	*1.0*	*0.2*
Lithuania	-7.6	-8.1	0.0	4.5	6.5	0.8	**-0.5**	**-1.3**	**-0.8**	*1.2*	*0.5*	*1.1*
Luxembourg		9.8	6.0	3.8	2.9	4.1	**5.8**	**5.5**	**6.4**	*6.1*	*6.1*	*6.4*
Malta	-4.1	-2.8	-0.8	4.9	11.2	7.0	**6.7**	**6.9**	**7.4**	*3.7*	*3.4*	*5.2*
Netherlands	5.1	7.6	7.3	10.0	8.4	3.5	**7.7**	**7.2**	**7.0**	*8.1*	*7.8*	*7.6*
Austria	-0.8	2.1	2.5	1.5	2.4	2.0	**2.3**	**2.0**	**2.3**	*2.7*	*2.7*	*2.8*
Portugal	-7.5	-7.9	-6.7	2.3	1.0	0.8	**1.3**	**1.5**	**1.7**	*1.6*	*2.0*	*2.3*
Slovenia	-2.3	-2.7	-0.3	4.1	6.6	6.4	**6.5**	**5.8**	**5.5**	*7.7*	*7.5*	*7.1*
Slovakia	-6.6	-7.0	-2.7	3.1	1.6	2.2	**1.1**	**1.5**	**1.8**	*0.3*	*0.3*	*0.8*
Finland	7.1	4.5	0.7	-1.8	-1.2	-0.7	**-0.4**	**-0.4**	**-0.4**	*-0.7*	*-0.6*	*-0.4*
Euro area		0.6	0.6	2.6	2.6	3.2	**3.8**	**3.5**	**3.3**	*3.9*	*3.7*	*3.5*
Euro area, adjusted[2]		0.2	0.3	2.3	2.4	2.8	**3.5**	**3.2**	**3.0**	*3.7*	*3.5*	*3.3*
Bulgaria	-2.3	-12.7	-5.5	2.3	2.2	-1.5	**0.9**	**-0.1**	**-0.6**	*0.3*	*-0.5*	*-0.8*
Czech Republic	-3.0	-3.8	-2.6	1.1	0.5	1.9	**1.5**	**1.2**	**1.2**	*1.2*	*1.2*	*1.2*
Denmark	2.7	3.4	5.2	7.7	8.7	8.8	**6.9**	**6.7**	**6.7**	*6.7*	*6.4*	*6.3*
Croatia	-3.5	-5.9	-2.9	1.6	1.1	5.5	**3.8**	**2.9**	**2.4**	*3.9*	*3.5*	*3.1*
Hungary	-6.8	-7.9	1.0	7.4	5.8	7.8	**7.0**	**6.5**	**6.6**	*6.9*	*6.1*	*7.7*
Poland	-3.7	-3.9	-3.1	1.5	0.3	2.4	**2.1**	**1.7**	**1.7**	*2.3*	*2.1*	*2.1*
Romania	-4.1	-8.6	-5.3	1.5	2.5	1.8	**-1.5**	**-1.5**	**-1.3**	*-0.8*	*-0.5*	*-0.6*
Sweden	4.5	7.5	6.4	4.9	4.7	4.5	**4.5**	**4.5**	**4.6**	*4.6*	*4.5*	*4.6*
United Kingdom	-1.8	-1.9	-2.9	-4.4	-4.7	-4.3	**-5.1**	**-4.9**	**-4.0**	*-5.6*	*-5.0*	*-3.4*
EU		0.1	0.1	1.7	1.5	2.0	**2.3**	**2.2**	**2.2**	*2.4*	*2.4*	*2.5*
EU, adjusted[2]		-0.6	-0.4	1.3	1.1	1.1	**1.5**	**1.4**	**1.4**	*1.7*	*1.8*	*1.9*
USA	-2.8	-4.8	-3.6	-2.7	-2.1	-2.2	**-2.5**	**-3.0**	**-3.5**	*-2.5*	*-2.6*	*-2.7*
Japan	2.3	3.7	2.5	0.7	0.7	3.1	**3.8**	**4.0**	**4.1**	*3.7*	*3.6*	*3.7*

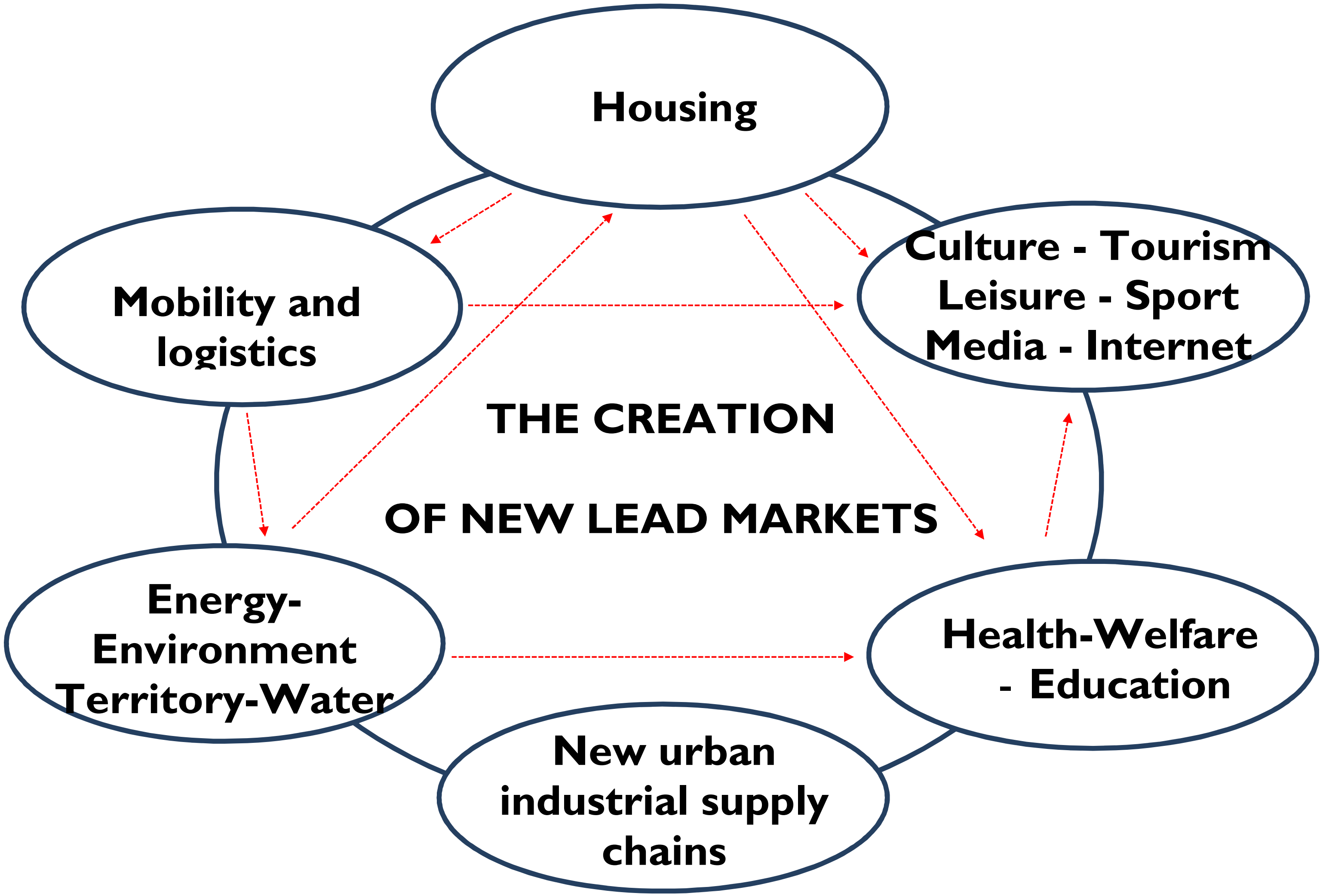
[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 9: Total investment, volume (percentage change on preceding year, 1998-2018) 1.2.2017

	5-year averages						Winter 2017 forecast			*Autumn 2016 forecast*		
	1998-02	2003-07	2008-12	2013	2014	2015	2016	2017	2018	*2016*	*2017*	*2018*
Belgium	1.5	4.6	-0.3	-1.5	5.1	2.4	**2.3**	**2.3**	**2.9**	*3.3*	*2.9*	*2.9*
Germany	0.4	2.2	0.5	-1.1	3.4	1.7	**2.5**	**2.1**	**2.5**	*2.5*	*1.9*	*2.9*
Estonia	10.7	14.2	-4.1	-2.8	-8.1	-3.3	**-2.2**	**4.4**	**4.7**	*3.2*	*5.3*	*4.8*
Ireland	8.7	8.2	-6.3	-5.7	18.3	32.9	**5.0**	**6.4**	**5.0**	*16.0*	*6.8*	*5.0*
Greece	7.3	7.6	-17.1	-8.4	-4.6	-0.2	**4.0**	**12.0**	**14.2**	*4.0*	*13.7*	*14.2*
Spain	7.5	6.3	-8.4	-3.4	3.8	6.0	**3.7**	**3.4**	**3.8**	*4.2*	*3.6*	*3.8*
France	4.4	3.5	-0.9	-0.8	-0.3	1.0	**2.8**	**3.1**	**4.1**	*2.9*	*3.2*	*4.2*
Italy	4.4	1.6	-5.0	-6.6	-3.0	1.3	**1.9**	**2.4**	**3.1**	*2.1*	*2.6*	*3.2*
Cyprus	1.6	8.1	-8.6	-12.9	-17.5	12.0	**8.3**	**7.4**	**6.3**	*9.1*	*8.3*	*6.4*
Latvia	16.1	19.2	-7.2	-6.0	0.1	2.8	**-22.0**	**13.0**	**4.9**	*-6.5*	*5.5*	*4.2*
Lithuania	5.9	16.6	-6.8	8.3	3.7	4.7	**-1.2**	**6.0**	**3.0**	*-0.9*	*6.0*	*3.0*
Luxembourg	6.6	5.3	2.4	-2.1	6.0	1.0	**1.9**	**4.2**	**2.7**	*5.3*	*3.6*	*3.0*
Malta	-2.1	11.1	-3.0	-1.7	8.8	49.8	**-2.0**	**2.0**	**3.1**	*4.0*	*5.0*	*-4.0*
Netherlands	2.7	3.0	-2.6	-4.3	2.3	9.9	**6.4**	**4.0**	**3.5**	*6.9*	*4.4*	*3.2*
Austria	1.2	2.1	-0.1	2.2	-0.9	0.7	**3.6**	**2.4**	**2.0**	*3.1*	*2.3*	*1.7*
Portugal	3.8	-1.0	-7.7	-5.1	2.3	4.5	**-1.5**	**3.8**	**4.2**	*-1.4*	*3.7*	*4.1*
Slovenia	5.1	7.3	-8.9	3.2	1.4	1.0	**-4.5**	**5.3**	**6.4**	*-3.9*	*5.3*	*6.4*
Slovakia	-1.2	7.0	-1.9	-0.9	1.2	16.9	**-7.3**	**2.1**	**5.4**	*-0.9*	*4.9*	*4.3*
Finland	3.9	4.4	-2.0	-4.9	-2.6	1.1	**3.4**	**2.0**	**2.5**	*4.3*	*3.0*	*2.6*
Euro area	3.3	3.4	-2.9	-2.5	1.4	3.2	**2.8**	**2.9**	**3.4**	*3.3*	*3.1*	*3.5*
Bulgaria	18.2	15.8	-4.3	0.3	3.4	2.7	**-0.5**	**3.2**	**3.6**	*-0.8*	*3.2*	*3.6*
Czech Republic	2.4	6.2	-1.8	-2.5	3.9	9.0	**-1.6**	**2.5**	**3.3**	*-2.8*	*2.5*	*3.3*
Denmark	2.3	5.0	-3.6	2.7	3.5	2.5	**3.7**	**3.0**	**3.6**	*1.0*	*3.2*	*3.6*
Croatia	3.0	9.8	-5.7	1.4	-2.8	1.6	**4.2**	**5.2**	**5.8**	*4.8*	*6.1*	*5.3*
Hungary	7.1	3.4	-4.3	9.8	9.9	1.9	**-9.6**	**10.0**	**5.0**	*-8.2*	*5.9*	*3.0*
Poland	0.9	10.0	2.5	-1.1	10.0	6.1	**-5.5**	**2.7**	**5.3**	*-1.5*	*3.7*	*4.9*
Romania	3.4	20.4	-5.6	-5.4	3.2	8.3	**5.5**	**6.2**	**6.3**	*6.3*	*6.4*	*6.5*
Sweden	4.2	6.1	-0.5	0.6	5.5	7.0	**6.6**	**3.5**	**2.9**	*6.6*	*3.5*	*2.9*
United Kingdom	3.1	3.5	-2.8	3.2	6.7	3.4	**1.0**	**1.6**	**0.2**	*1.3*	*-2.2*	*-0.9*
EU	3.2	3.9	-2.8	-1.5	2.6	3.6	**2.3**	**2.9**	**3.1**	*2.8*	*2.5*	*3.1*
USA	4.2	3.2	-1.6	3.0	4.2	3.7	**0.8**	**3.3**	**3.0**	*1.0*	*2.1*	*2.1*
Japan	-2.3	0.2	-2.1	4.9	2.9	0.1	**1.0**	**2.3**	**0.0**	*0.7*	*1.9*	*-0.3*

Figure 3 – The development of new "lead markets" for the diversification of the national economy



Innovation and investments are the strategic policy instruments

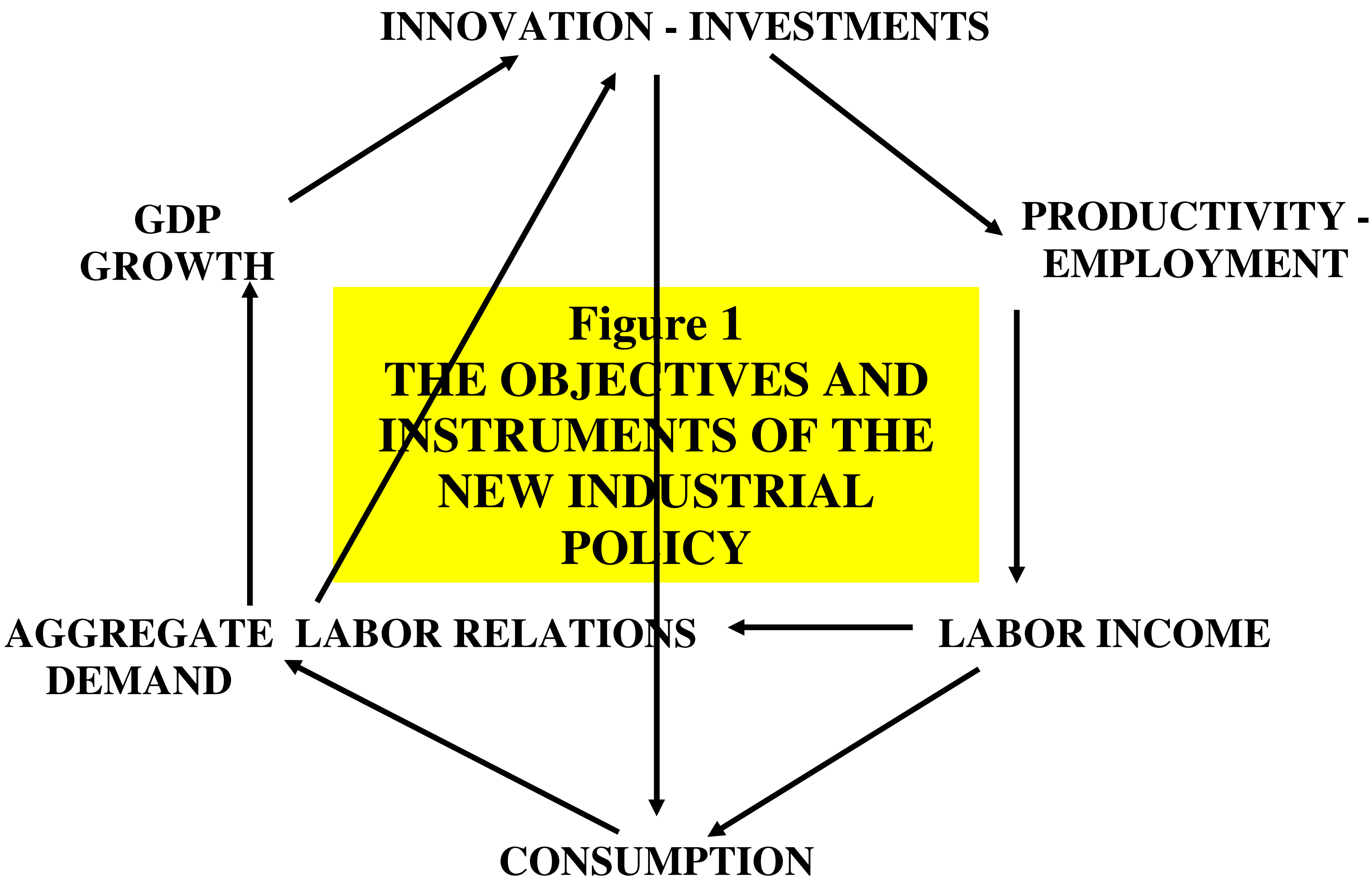


Figure 1
THE OBJECTIVES AND INSTRUMENTS OF THE NEW INDUSTRIAL POLICY

The Discussion Group "Growth, Investment and Territory"

http://economia.uniroma2.it/dmd/crescita-investimenti-e-territorio

is an independent think-tank which aims to define the guidelines for a "new industrial and regional policy"

Major industrial and service companies

Universities and Research

Trade unions

MORE THAN 50 ECONOMIC AND TERRITORIAL EXPERTS

Major banks and financial institutions

National, regional and municipal public administration

1