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Book Review:

Franco Mosconi. The New European Industrial Policy: Global Competitiveness and the Manufacturing Renaissance.[1]

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Abstract

This article provides a review of the book The New European Industrial Policy: Global Competitiveness and the Manufacturing Renaissance by Franco Mosconi. In this book, the author attempts to shed light on the future of the European Union (EU), which is one of the leading actors of the world economy and politics; in this context, he focuses on developing a new industrial policy for Europe and he makes observations and gives suggestions to create this new industrial policy.

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1. Introduction

This book, titled The New European Industrial Policy: Global Competitiveness and the Manufacturing Renaissance, was written by Franco Mosconi, one of the leading names in his field, and published by Routledge in New York in 2015. European industrial policy, SMEs, industrial districts and clusters, and the Emilian Model are the areas of expertise of Prof. Mosconi, who is an applied economist.

It is seen that many civilizations were established throughout history. Many factors played a role both in the foundations and advancements of these civilizations, in their changes and transformations. The geography where civilizations were established, the opportunities and limitations of that geography, infectious diseases, mankind's curiosity to explore and desire to gain power, technological changes, and countless factors (Diamond, 2005; Acemoğlu and Robinson, 2019) have profoundly affected economic, political, and social structures. Collapsing systems have been replaced by newly emerging economic, political, and social structures. Right now, we are witnessing the formation of a brand new order through the new technological revolution.

This book, consisting of five chapters, emphasizes that, in the face of the change and transformation mentioned above, Europe needs a new industrial policy in order not to lag behind its competitors in the future world economy and politics.

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2. Technological Progress, Industrial Policies, and the EU's Potential

The first chapter of the book titled "The new European industrial policy: an overview" presents the readers with an outline of the "new" European industrial policy. The basic structure of the European industrial policy is explained utilizing various documents and records concerning the period 2002-2012, that is, the first decade of the 21st century. A theoretical background is established for the subject of the book by including the opinions of many prominent academicians, especially Alexis Jacquemin and Dani Rodrik. Within this context, this chapter discusses the reconstruction of the new industrial policy by the European Commission and the sources of this policy, the concept of manufacturing renaissance and concordantly the innovation landscape and technology policy in Europe; and presents a preliminary assessment for the detailed analyses, inferences, and suggestions made in other parts of the book. The European industrial policy is similar to a triangle. The two sides of this triangle are trade policy and competition policy, and the third side is technology policy. In the last decade of the 20th century, financial markets, liberalization, and privatization tendencies prevailed. Historically, competition policy and industrial policy developed together, but after the 1980s, competition policy was generally accepted as an integration tool. With the author's own words, in the same period, industrial policy was ‘suspended’. Thanks to the two strong sides of the triangle, i.e. trade policy and competition policy, there were also substantial accomplishments by the EU in this period. These are the Single Market, the convergence to Maastricht Treaty and the birth of the Euro, and the enlargement towards the East. Although technological innovation is the driving force of industrial policy, industrial policies remained in the background compared to the other two sides of the triangle, as they were seen as passé. The solution to the problem of growth was sought within the market forces. In the new century started, there is a consensus across the Union on a "new" and "strategic" interaction between the state and the market. This can be expressed as the rebirth of the manufacturing industry and industrial policy. The author defines this process, which is going on, as ‘manufacturing renaissance’. The time is ripe for the reevaluation and reinforcement of this double-concept binomial. While creating a new European industry policy, the three main achievements of the EU, thanks to trade policy and competition policy, should not be put at risk. Here, due attention should be paid to reinforce also the third side, i.e. the technological policy, without weakening the other two sides that were already reinforced. Today's changing circumstances, the EU-equivalent global economies, and the competition created by the other new emerging economies impose this requirement. In the changing and increasingly competitive new global conjuncture, the EU cannot content itself only with its competition policy. Competition policy alone is not sufficient for development. The EU must achieve the ability to speak with 'one voice' which it managed to form on the other two sides of the triangle, for the third side. In this sense, the third side must be developed at the pan-European level. In this respect, it is at the core of the new industrial policy that the EU should attach importance not only to competition policy and trade policy but also to technology policy based on R&D, innovation, human capital, and knowledge-based technology.

The second chapter of the book is presented under the title The new European oligopoly: the role of the 'European Champions'. This chapter describes the European big players and the vital role they play in the future of the EU in the face of the technological revolution that has occurred since the early 21st century, and the changing global balance. In this regard, primarily, the change and transformation are discussed, which is currently happening on the playing field of these big European players and will continue in the future. Finally, a new taxonomy developed by the author regarding European companies in this global change and transformation environment is described. Within the framework of this taxonomy, success stories of some important companies are told as case studies. European integration process began in three main steps: the European Coal and Steel Community in 1951, the Single Market in 1986 and the Maastricht Treaty in 1992, and the Eastern Enlargement in 2004 after the fall of the Berlin Wall. The last step enabled the Single Market to expand further. In addition to these developments experienced by the EU in itself, new changes and transformations started to occur in the global system as well. In addition to the EU's equal competitors such as the USA, Japan, and G7, some emerging or developing countries generally located in Asia, such as Russia and China, started to create new competition for the EU. That being the case, the EU faced two main problems. One of them was the gap arising between the USA and the EU in terms of GDP depending upon efficiency, and the other one was that emerging economies substantially exceeded the economic performance of the euro area. Not all member states of the EU (the Eurozone) are at the same level. As well as in their macroeconomic management, there are differences in the countries' microeconomic aspects such as their industrial structures and the firms' behavior. However, even though the role of SMEs is not denied in terms of all the European economies, the emphasis is placed on major European enterprises in this part of the book. Certain factors have been influential in changing the 'level playing field' for European companies for more than the last decade of the new century: which are the increased pressure on profit margins brought by the Eastern Enlargement of the EU along with the opportunities and challenges; globalization and revolutionary developments in the ICT (information and communication technologies); and finally, global competitive pressure created by new emerging economies. The impacts of these three

developments on the European industry are enormous and multifaceted. These changes created the 'pro-competitive effect' in the EU and boosted the mergers and acquisitions (M&A) trends of European companies, inciting the necessity for industrial restructuring. Although the 2008 economic crisis slowed down these changes, globalization and technological progress did not pause, but on the contrary, with the crisis in question, it raised new awareness about how important manufacturing is for real economic growth in the Western world. All these developments reduced the importance of national champions and national economic performance, initiating the age of the 'European Champions'. This situation is expressed as the trend towards 'the Europeanization' of Europe's largest companies. According to the taxonomy developed by the author, European companies are divided into two groups: The large companies called 'Type I' European Champions had the opportunity to spread to the Central and Eastern European countries by benefiting from the Single Market provided by the European Union thanks to the monetary union and subsequent Eastern Enlargement. Given the technological inadequacy of the EU versus the USA, the European Champions should be involved in the 'New' European Industrial Policy with public and private sector cooperation, at the supranational level. Shaped by The Single Market and particularly mergers and acquisitions (M&A), 'Type II' Champions that will create the future European Champions operate on a wide spectrum. As a result of the cross-border M&A waves powerfully experienced in the last decade of the new century, these companies demonstrated high performance in the ICT and health-related industries characterized by high R&D intensity. In the new industrial policy of Europe, the role of these large enterprises should be investing more in technology and innovation-based manufacturing in particular. The EU is still far behind the USA in these areas. The 'New' European Industrial Policy is an integrated approach that incorporates both horizontal integration and vertical applications. Another issue that should not be neglected in this new policy is SMEs. SMEs are the backbone of the European industry and have a close relationship with these big European players. SMEs can easily use many innovations that emerged with the technology revolution, in the production. In this regard, SMEs will be able to get significant opportunities from the new industrial revolution. Thus, SMEs can be considered as an important element of the 'New' European Industrial Policy.

The third chapter of the book entitled Industrial policy and 'models of capitalism' attempts to make an in-depth analysis of the EU's industrial specializations. Within this context, different models of capitalism observed in continental Europe are discussed. It is examined whether a separation or a convergence occurs among these different models over time. Ultimately, there is an attempt to reveal the path "towards a genuinely 'European' model of capitalism". Before the fall of the Berlin Wall, there were two different economic structures based on capitalism and socialism: free-market economies and planned economies. The years 1989-1990 represent a real milestone from this perspective; and capitalism remained as the sole system at that time. There were two basic models of capitalism in the Union: In Germany, the Rhine Model, which was based on establishing a robust industrial base; and in Great Britain, the Anglo-Saxon Model, which was based on the financial sector. In the late 20th century and early 21st century, the Anglo-Saxon model dominated with the influence of the New Economy. However, developments at the beginning of the new century led to changes in both capitalism models. Nowadays, industrial policies have started to be added to the agenda again in both developed and developing countries (Yülek, 2018). Corporate scandals in 2001-2002 and the 2008 economic crisis deeply unsettled the Anglo-Saxon Model. Developments in the past few decades have reincreased the interest in the revival of manufacturing and a new industrial policy, on both sides of the Atlantic. Within this context, when looking at the models of capitalism in Europe, the Rhine model is based on a large industrial capacity and an aggressive marketing approach. This size means both quantitative and qualitative features and manifests itself in every branch of the manufacturing industry, at all levels of technology. The factors that lie behind this dynamism are the production techniques focused on quality production, training activities (especially the vocational education), and the active role the Rhine governments play in advancing civil R&D projects. Notwithstanding, the Rhine economies still lag behind the USA. The performance of the EU sectors, when compared with the same sectors in the world, is slightly better in many sectors. However, it is below the world average in some R&D-intensive sectors. This situation does not have to be continuous. The author explains the industrial specialization tendency of countries through the concept of 'comparative institutional advantage'. In the context of industrial specialization, the institutional framework of liberal market economies supports radical innovation (e.g. in the USA, medical engineering, biotechnology, semiconductors, telecommunication, etc.), and the institutional framework of coordinated market economies supports incremental innovation (e.g. in Germany, transport, consumer durables, machine tools, etc.). The competitiveness of Europe's manufacturing industry on the international level is particularly due to Germany and the Rhine Model. The state-market-civil society relationship is the same in all types of the capitalist system. It can only differentiate historically and geographically. The government ideologies might alternate, or doctrines might evolve. According to the author, "the idea of a self-adjusting market is a utopia". In the period between the fall of the Berlin Wall and the 2008 economic crisis, the main economic actor was the market. In the 1990s, industrial policy remained in the background. The state and the market have

become dominant actors today. Civil Society has attained a place as an important non-profit actor in recent years; due to the fact that the classic State-Market binomial has failed to solve the economic problems. Therefore, there have been comprehensive debates over the convergence of different models of capitalism in Europe. According to the author, on the path "towards a genuinely 'European' model of capitalism", the technology policy must be supported and strengthened at the pan-European level in terms of responsibility. A consolidation of public-private cooperation must be provided for the development of 'general-purpose technologies'. SMEs, gathered in the industrial districts or clusters, will have a major complementary contribution to the development of this "New" European Industrial Policy. The author proposes a policy that is similar to 'selective industrial policy'. Accordingly, particular industries that can be called 'selective' are R&D-intensive, knowledge-based sectors today; because in today's world, the emphasis on the technology policy side of 'the triangle' is gradually increasing.

The fourth chapter of the book entitled Drawing the third side of the triangle: reshaping EU 'technology policy' focuses on the third side of the 'Triangle of Industrial Policy'. The emphasis is placed on the establishment of a complete and contemporary industrial policy for Europe. There are numerous studies and various reports prepared at the Union level towards the improvement of research and innovation. The main ones are the Delors White Paper of 1993 and the program named 'Horizon 2020: The EU Framework Programme for Research and Innovation' included within the European Commission report (2010). When concentrating on the third side of the triangle of European industrial policy, it is comprehended that Horizon 2020 is the largest EU research and innovation program ever. The 7 priority areas of the program that aims to protect and secure Europe's global competitiveness are as follows: health and well-being; food security; secure, clean, and efficient energy; smart, green and integrated transport; climate action; Europe in a changing world; secure societies. New technologies within the scope of this program can be listed as; frontier research; future and emerging technologies; World-class infrastructures (high-powered lasers, high-tech airplanes); key enabling and industrial technologies (ICT, advanced materials, biotechnology, and nanotechnologies). As stated by the author, the sources for growth for the EU economy are the key sectors based on research and innovation as health, food, renewable energies, environmental technologies, and transport. Again, according to the author, these priority areas undoubtedly make sense. However, within this framework, the budget of Horizon 2020 must be reorganized more effectively for success in these sectors. The funds in other budget items can be transferred to the Horizon 2020 budget. Considering that 40% of the Union's budget is still reserved for the Common Agricultural Policy, and an extremely small share of 4% is booked for R&D, the reallocation of the resources must not be neglected. European manufacturing has two primary characteristics. One of them is the high level of difference (fragmentation) among the member states, and the other is that national manufacturing systems are in good condition and large, though not on a global scale. Thus, European manufacturing has the opportunity to benefit from research and innovation at the pan-European level. It is observed that the EU industry, especially Germany, has a strong productive structure in terms of three indicators: the 'Global Competitiveness Index', 'Doing Business' and 'Foreign Direct Investment flows'. However, the indicators show that this size and soundness does not have to be limited to Germany. Europe's manufacturing infrastructure remained robust even after the 2008 crisis. According to the author, looking at the history of the European industry and industrial policy, the EU's manufacturing deserves "a genuinely European policy" at the supranational level, based on research and innovation; and it has the background and infrastructure to achieve this. The author thinks that what the EU's industrial policy needs most is the configuration of responsibilities and resources at the supranational level.

The fifth and final chapter of the book, titled State and market in today's Europe: a journey across the EU and nation-states, discusses the following topics: the basic ideas behind the success story of Europe; the Union's response to the 2008 crisis; and whether the EU can adapt to this change and transformation since something has truly changed in the world of economics. Looking from a European perspective, four cohesive but different actors can be identified: State, Market, Member States, and Supranational Government. It is "an arduous task" to achieve balance among these actors, "but one that is indispensable for Europe" today. The Single Market, the Monetary Union and the Euro, and Eastern Enlargement are the three major European success stories. The author's answer to the question of 'whether the EU should give up the status quo' that made these success stories possible 'or is it doomed to stay in the status quo' is revealed in some determinations put forward by the author. According to the author, despite all these achievements, the EU still does not have a common economic policy and an integrated and consistent foreign economic policy. Looking at the allocation of the EU budget, it can be said that it does not actually focus on growth. It cannot take a common stance on issues such as the constant extension of the domestic market, the technological processes, energy, and the environment. For a stronger Single Market, the EU must establish a new policy. A supranationally-active new industrial policy, which is supported by the government, robust, competitive, and focused on the R&D-intensive strategic sectors, must be adopted. The author states that it is not possible to give a single definitive answer to the question of whether a strong nation-state as before or supranational organizations across the EU.

With the author's expression, now that "something has truly changed in the world of economics", then, "the spirit of the times must be taken into account". To throw off the chains of the status quo, the EU must show a determined political will, attach importance not only to macroeconomic but also to microeconomic policies. In this regard, it must introduce broader structural reforms for the 'New' European Industrial Policy. According to the author, the EU's policy at this point must not be a shift to 'protectionism' corresponding to 'Colbertism'. Unless it risks the achievements Europe acquired over many years, the author stands close to the idea of smart interventions; which are compatible with the competition policy; intended for supranational-level and 'knowledge-based' investments; supportive of the integrated horizontal-vertical approach with structural arrangements; and in favor of the private sector. The author argues that the rebirth of manufacturing and the new industrial policy prove his thesis that "something has truly changed in the world of economics".

In the Epilogue section, in addition to the brief summary about the whole book, a final observation is made by referring to the Prologue. Changes are occurring depending on the 'rebirth of manufacturing' and a new industrial policy, which are the main sources of real economic growth. Furthermore, although important politicians and prominent economists, who the author encountered during his journey throughout the book, defended essentially different views, today, they are all aware of the change and are working in the same direction. Therefore, as the author calls, a 'Time of Coincidence' is being experienced.

3. From Industrial Policy to Integrated Policies

With his book The New European Industrial Policy: Global Competitiveness and the Manufacturing Renaissance, the author has noticed the changes that occurred in the global economic policy along with the ongoing technological revolution, in the context of industrial policy; and he has enabled the reader to notice as well. In this regard, explaining the industrial policies of the EU comprehensively, he has put forward his findings and suggestions concerning the future of the EU in the new world order being established, before it is too late. The book approaches the subject matter from different perspectives with a comprehensive and holistic perspective; it is written with complete clarity of mind using plain language.

On the other hand, in the book, it is emphasized that technology policy should be brought to the fore to create a new European Industrial Policy. However, it should not be thought that industrial policy consists only of technology policy. In today's world of Industry 4.0, rapidly changing technology and industrial production methods will cause various problems. One of these problems that have begun to be discussed at the political and academic level is economic, and the other is social. Therefore, along with technology policies, policies towards these problems should also be included as an integral part of industrial policy. Here, what is meant by the economic problem is unemployment, which is already a serious issue of the EU. New ways should be sought for how technology and industrial policies can be a solution to the unemployment problem instead of deepening it. In terms of the social problem, certain policies should be established for psychological problems that rapid technological change will create on individuals and society, as stated by Alvin Toffler (1970) in his book Future Shock. Policies for these two problems should now be addressed together with industry and technology policies.

4. Conclusion

The book is a product of the author's long-term academic background. It is seen that the author's previous studies carried out on the subject of the book were supported and rewarded by various high-level institutions and organizations. Therefore, the book itself has a story just like the story it tries to convey to the reader. The book contains a rich theoretical background on the subject and numerous examples of real-world applications. The same rich content manifests itself also in the documents and data used by the author. For this reason, it is a highly reliable scientific work with the evidence it provides. The author presents remarkably clear hypotheses and proves his hypotheses with tangible data. With this book, the author adds a new taxonomy and new concepts to the economic literature. The author's suggestions have a solid and consistent theory and philosophy. In terms of these characteristics, the book makes original contributions in its field, in many respects. Considering all of these, the book has attained its place in the economic literature as an important source that researchers and students working on this subject and anyone interested in this topic will refer to.

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