Wirtschaftsausschuss
20. Wahlperiode

Deutscher Bundestag

Ausschussdrucksache 20(9)252

8. Mai 2023

Prof. Mariana Mazzucato (PhD)
University College London (UCL)
Great Britain

Stellungnahme

Öffentliche Anhörung

zu den Vorlagen

a) Antrag der Fraktion der CDU/CSU

Eine europäische Antwort auf das US-Gesetz zur Inflationsbekämpfung geben – Standort Europa stärken, transatlantische Partnerschaft ausbauen

BT-Drucksache 20/5352

b) Antrag der Abgeordneten Christian Leye, Alexander Ulrich, Dr. Gesine Lötzsch, weiterer Abgeordneter und der Fraktion DIE LINKE.

Deindustrialisierung verhindern – Aktive Industriepolitik für Klima und Beschäftigung als robuste Antwort auf das US-Gesetz zur Bekämpfung der Inflation

BT-Drucksache 20/6545

c) **Mitteilung der Kommission an das Europäische Parlament, den Europäischen Rat, den Rat, den Europäischen Wirtschafts- und Sozialausschuss und den Ausschuss der Regionen**
Ein Industrieplan zum Grünen Deal für das klimaneutrale Zeitalter

KOM(2023)62 endg.; Ratsdok.-Nr. 5933/23

am 10. Mai 2023

10 May 2023

Statement for the German Bundestag's Economic Affairs Committee public hearing on a "European Response to the Inflation Reduction Act"

by Professor Mariana Mazzucato

The world is facing immense challenges around climate change, health inequities, and digital disruption. The question of our time is how to transform these challenges into opportunities for the public and private sectors to invest, innovate, and collaborate like they have never done before. In doing so, it will be critical to ensure that this economic activity leads to inclusive and sustainable growth with the rewards being shared equitably between all economic actors. In this statement for the German Bundestag's Economic Affairs Committee, I argue that Europe has an opportunity to generate investment- and innovation-led growth if it (1) invests ambitiously and builds up government capacity, (2) directs investments towards its biggest challenges, (3) adopts a new industrial strategy that is mission oriented, (4) builds dynamic public private partnerships, (5) creates alignment between EU Member States, and (6) finds areas for strategic alignment and cooperation with the US.

Industrial policy is back, and the United States and China are investing heavily to strategically position themselves as leaders in the green transition. The Biden Administration in the US has pumped more than $2 trillion in the country's economy since coming into office in 2021: $1.2 trillion through the Bipartisan Infrastructure Bill, $280 billion through the Chips and Science Act, and $579 billion through the Inflation Reduction Act. Meanwhile, in 2019 China invested about 1.73% of its GDP into its industrial policy, amounting to $407 billion. Additionally, we are seeing the development of *a new type of* industrial policy globally, one that is more ambitious in its efforts to direct public and private investment and innovation towards clear objectives, and more purposeful in sharing the benefits that result from economic activity.

This is a unique opportunity for Europe to get its own industrial strategy right. The European Commission's Green Deal Industrial Plan, announced in January 2023, makes an important start, but it has two critical shortcomings: it does not raise any new European funds, and it limits itself to the use of subsidies as tools for investment. The Next Generation EU (NextGenEU) programme, on the other hand, is an example of European ambition and purpose, having set clear and enforceable priorities around green and digital investment. If Europe wants to strengthen its strategic autonomy and generate inclusive and sustainable growth, then the European Commission and Member State should be as ambitious as the NextGenEU programme, bring missions to the heart of the European Commission and the Green Deal Industrial Plan, and make investments that create new markets and increase long-term industrial competitiveness.

Recommendation 1: Invest more ambitiously and build capacity rather than going back to austerity. There is a risk that Europe will once again fall into the trap of austerity. On 25 April, Christian Lindner, Germany's Minister of Finance urged the European Commission to reduce deficits and debt rations, arguing that "We need clear fiscal policy rules, ensuring sound public finances within the EU, and we have to improve their enforcement." We have heard this before – following the 2008 Financial Crisis – and it led to the hollowing out of the public sector, economic stagnation, and widening inequalities across Europe. Tackling Europe's challenges requires *investment-led* growth and competent public administrations. The European Commission and Member States must raise more money to complement existing initiatives such as NextGenEU and REPowerEU and match the ambitions of the US and China, while investing more ambitiously in its own capacity and capabilities.

Recommendation 2: Direct investment towards Europe's biggest challenges to increase long-term competitiveness. Growth has a rate *as well as* a direction. When public investment is done strategically, it can create new markets, crowd in private sector investment, and increase long-term competitiveness. The creation of Germany's green steel sector offers a good example. Guided by the country's high-level mission for a carbon-neutral energy transition – the *Energiewende* – Germany's public bank, the KfW introduced a Green Loans Programme for heavy industry. To qualify for the KfW's low-interest loans, steel manufacturers must (1) comply with zero- or low-carbon processes, (2) provide proof of compliance, and (3) engage a 3-stage verification process. In doing so, it created a new market for CO2-efficient steel. Benefiting from its first mover advantage and increasing returns to innovation, the German steel sector has remained globally competitive.

Recommendation 3: Develop a new industrial strategy that is mission oriented. The fundamental idea of a mission-oriented approach is to transform broad challenges into concrete goals that require different sectors to work together, be it on eliminating the digital divide, building net zero regions, or ensuring our health systems are better prepared for the next pandemic. This is different from a narrow, sector-based industrial or economic policy. To tackle the grand challenges of our time we need collaboration across government departments, sectors, and supply chains. As with the Apollo mission and moon landing, which required not only innovation in aerospace but also in nutrition, materials, electronics and software, challenges such as climate change are not only about renewable energy but a whole range of other sectors. Mission-oriented policies are not about picking winners – a critique often launched at industrial policy – but about picking the willing economic actors to tackle shared challenges. The European Commission already has considerable experience with the mission-oriented approach, having adopted it as a key part of its €100 billion Horizon Europe programme, which now has five missions around adaptation to climate change, cancer, clean oceans, climate-neutral cities, and soil health. Missions could also be brought to the heart of the European Green Deal Industrial Plan to help organise its programmes around clear and ambitious objectives.

Recommendation 4: Build dynamic public-private partnerships by leveraging tools like conditionalities to direct subsidies and other public investment towards the just, green transition. Conditionalities can be used to (1) increase access to goods and services, (2) direct investment towards climate-friendly goals, (3) profit-share with a wider range of stakeholders, and (4) reinvest in productive business activities, such as R&D and worker training. For example, the US Department of Commerce has embedded clear conditionalities in the CHIPS Act focused on limiting share buybacks, ensuring worker training, and making water and energy use more efficient. Beyond subsidies, there is an opportunity for the European Commission and Member States to make strategic direct investments, including through bailouts, loans, or joint-procurement, consciously directing them into early-phase projects and infrastructure to ensure that the right markets are created to secure strategic resources, generate inclusive and sustainable growth, and tackle the region's societal and environmental challenges. For example, to gain access to the French government's €4 billion bailout, Air France had to agree to three environmental conditions around efficiency (improve efficiency by 50% by 2030 compared to 2005, measured in CO2 per passenger km), emission reduction (reduce 50% of emissions from domestic flights by 2024) and a fuel mandate (minimum 2% alternative fuels in 2025, starting from 0% as in 2021). In this context, applying conditionalities to public funding is about more than just directing and mobilising investment – it is about redesigning the contractual relationship between the public and private sectors, and it is about designing a new social contract where all economic actors share in the risks and rewards of economic activity.

Recommendation 5: Create more alignment between European Member States, both in terms of investment and institutional structure. The European Commission and European Parliament have several frameworks at their disposal to coordinate investment with Member States, including the European Semester and the Recovery and Resilience Facility. However, there are opportunities to bring other EU financial institutions, such as the European Investment Bank (EIB), European Investment Fund (EIF), and the European Bank for Reconstruction and Development (EBRD), into alignment with Europe's industrial strategy. A set of ambitious missions could help to strategically coordinate these financial institutions and their investments. Furthermore, more institutional symmetries between countries can also help. For example, having an ambitious public bank like the KfW in other Member States with similar mandates can standardize their efforts and make it easier for European bodies to distribute finance between EU countries.

Recommendation 6: Find areas for alignment and cooperation with the US. A European clash with the Biden administration would not be productive. It could lead to a green subsidy-driven race to the bottom, focused on de-risking the private sector to reactively attract investment, rather than making meaningful public investment with conditionalities attached. Looking at it another way, the IRA has opened a big green energy market in the US for European business to invest in. Europe can do the same to attract more investment. This would also require greater alignment on regulatory environments and evaluation methodologies between Europe and the US. For example, the Global Arrangement on Sustainable Steel and Aluminium attempts to create a sectoral trade arrangement for resources critical to the green transition, but a lack of standardized taxonomies can lead to trade asymmetries. To be sure, the global green transition will create opportunities for trade and cooperation. The international competitiveness of Denmark's wind energy industry is a case in point. Denmark exported DKK 122.6 billion (about $18 billion) worth of energy technology and services in 2019, of which 72 percent was green, while Danish turbine manufacturer Vestas supplied 18 percent of wind turbines globally in 2019, making it the biggest supplier in the world, notably fuelling China's own green transition.

The bottom line is that industrial policy is back, and now is the opportunity to get it right. Rather than kicking off a transatlantic industrial policy race to the bottom, the European Commission and Member States can develop a set of mission-oriented industrial strategies that shape and create the markets of tomorrow. If Europe is serious about safeguarding its strategic autonomy, then it is time to move beyond its austerity mindset and invest with ambition and purpose.

References

Deleidi, M. and Mazzucato, M. (2021), "Directed innovation policies and the supermultiplier: An empirical assessment of mission-oriented policies in the US economy." Research Policy, 50(2). https://doi.org/10.1016/j.respol.2020.104151

Kattel, R. and Mazzucato, M. (2018). "Mission-oriented innovation policy and dynamic capabilities in the public sector", Industrial and Corporate Change, 27 (5): 787801, https://doi.org/10.1093/icc/dty032 (WP version https://www.ucl.ac.uk/bartlett/publicpurpose/sites/public-purpose/files/iipp-wp-2018-05.pdf)

Macfarlane, L., Mazzucato, M. (2018) "State investment banks and patient finance: An international comparison", UCL Institute for Innovation and Public Purpose Working Paper, (IIPP WP 2018-01) https://www.ucl.ac.uk/bartlett/public-purpose/wp2018-01

Mazzucato, M, and Macfarlane, L. (2019) 'A mission-oriented framework for the Scottish National Investment Bank', IIPP WP 2019-02. https://www.ucl.ac.uk/bartlett/public-purpose/sites/publicpurpose/files/mission-oriented-framework-for-snib_final.pdf

Mazzucato, M. (2018) "Mission-Oriented Research & Innovation in the European Union: A problemsolving approach to fuel innovation-led growth". Report for the European Commission, ISBN 978-92-79-79918-1 https://publications.europa.eu/en/publication-detail/-/publication/5b2811d1-16be-11e8-925301aa75ed71a1/language-en

Mazzucato, M. (2019) "Governing Missions in the European Union", Report for the European Commission ISBN SBN 978-92-76-08744-1 https://ec.europa.eu/info/sites/default/files/research_and_innovation/contact/documents/ec_rtd_mazzucato-report-issue2_072019.pdf

Mazzucato, M. (2020). Mission-oriented public procurement: lessons from international examples. UCL Institute for Innovation and Public Purpose, Policy Report, (IIPP WP 2020-20) https://www.ucl.ac.uk/bartlett/public-purpose/publications/2020/dec/mission-oriented-publicprocurement-international-examples

Mazzucato, M. (2022). Rethinking the social contract between the state and business: A new approach to industrial strategy with conditionalities. UCL Institute for Innovation and Public Purpose, Working Paper Series (IIPP WP 2022-18). https://www.ucl.ac.uk/bartlett/public-purpose/wp2022-18

Mazzucato, M. (2022). Transformational change in Latin America and the Caribbean: a mission-oriented approach (LC/TS.2022/150), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC). https://www.cepal.org/en/publications/48299-transformational-change-latin-america-and-caribbean-mission-oriented-approach

Mazzucato, M. and Macfarlane, L. (2018) "Patient Finance for Innovation-Driven Growth". UCL Institute of Innovation and Public Purpose (IIPP Brief 01) https://www.ucl.ac.uk/bartlett/publicpurpose/sites/public-purpose/files/iipp-pb-01-patient-finance-13-06-18.pdf

Mazzucato, M., Carreras, M. and Mikheeva, O. (2023). Steering economic recovery in Europe: Lessons for governing the Recovery and Resilience Facility. Report for the European Parliament's Committee on Economic and Monetary Affairs. https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU(2023)699556

Mazzucato, M., Kattel, R., Algers, J. and Mikheeva, O. (2021). The Green Giant: New Industrial Strategy for Norway. UCL Institute for Innovation and Public Purpose, Policy report (PR 21/01). Available at: https://www.ucl.ac.uk/bartlett/public-purpose/pr21-01

Mazzucato, M., Kattel, R., Begovic, M. and Quaggiotto, G. (2021). 'COVID-19 and the Need for Dynamic State Capabilities: An International Comparison'. United Nations Development Programme and UCL Institute for Innovation and Public Purpose Working Paper. Available at: https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/54241_-_undp_wp-covid19_state_ressilience-v51.pdf

Professor Mariana Mazzucato – Biography

Mariana Mazzucato (PhD) is Professor in the Economics of Innovation and Public Value at University College London (UCL), where she is Founding Director of the UCL Institute for Innovation & Public Purpose (IIPP). She is winner of international prizes including the Grande Ufficiale Ordine al Merito della Repubblica Italiana in 2021, Italy's highest civilian honour, the 2020 John von Neumann Award, the 2019 All European Academies Madame de Staël Prize for Cultural Values, and 2018 Leontief Prize for Advancing the Frontiers of Economic Thought. She was named as one of the '3 most important thinkers about innovation' by The New Republic, one of the 50 most creative people in business in 2020 by Fast Company, and one of the 25 leaders shaping the future of capitalism by WIRED.

She is the author of four highly-acclaimed books: The Entrepreneurial State: Debunking Public vs. Private Sector Myths (2013), The Value of Everything: Making and Taking in the Global Economy (2018), Mission Economy: A Moonshot Guide to Changing Capitalism (2021), and most recently The Big Con: How the Consulting Industry Weakens our Businesses, Infantilizes our Governments and Warps our Economies (2023). She advises policymakers around the world on innovation-led inclusive and sustainable growth. Her current roles include being Chair of the World Health Organization's Council on the Economics of Health for All, Co-Chair of the Global Commission on the Economics of Water, a member of the South African President's Economic Advisory Council, the Scottish Government's Council of Economic Advisors, the European Space Agency's High-Level Advisory Group on Human and Robotic Space Exploration for Europe, and the United Nations High-level Advisory Board (HLAB) on Economic and Social Affairs, among others.