

CLEANER, BETTER, MORE RESILIENT

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CLEANER, BETTER, MORE RESILIENT

A debate on the necessary economic transformations
in Germany and Europe



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Content

Foreword by the editors.....9

I. The world after the crises:

Corona, the war in Ukraine and the economic aftermath.....13

Olaf Scholz

A programme for the future: moving into the post-Corona era.....15

Sigmar Gabriel

A new dialectic of the world.....18

Matthias Machnig

The political Zeitenwende is also an economic Zeitenwende –

Germany and Europe now need an economic and social resilience strategy.....23

Michael Vassiliadis

How much fracture can transformation tolerate?.....28

Achim Post

Zeitenwende in and for Europe –

with strong cohesion and strong investments in the future.....33

Stefan Mair

The Zeitenwende in Foreign Policy and the German Business Model.....37

II. Shaping and using technological change.....41

Wissenschaftlicher Beirat des Wirtschaftsforums der SPD e. V.

Challenges of the economic Zeitenwende –

A future with prosperity, resilience and sustainability will not come by itself.....43

Matthias Machnig

The Pioneering State: Why we now need “Concerted Action for the Future”48

Frank Wilhelmy

Economic literacy is a narrative in flux – growth and prosperity are being rewritten.....54

Siemtje Möller / Dirk Wiese	
For a Social Democratic Decade of Progress.....59	
Bernd Westphal	
"Security through change"63	
 III. The impacts on society and the working world.....65	
Hubertus Heil	
Value, dignity and change: work in a post-Corona world.....67	
Frank Werneke	
Upgrade services!.....72	
Jürgen Kerner	
Steps towards an eco-social industrial society – a challenge for trade unions.....76	
Dierk Hirschel	
Shaping progress.....80	
Thorben Albrecht / Ralf Rukwid	
To remain a player among industrialised nations, Germany needs a targeted subsidy policy.....87	
 IV. Politics as the shaper of change.....91	
Svenja Schulze	
Making the transformation a success: for a shaping industrial policy.....93	
Stephan Weil	
The transformation of the automotive industry.....97	
Claudia Kemfert / Martin Gornig	
Digital and climate-neutral industry: investment alliance required.....101	
Jan Schnellenbach / Nils Heisterhagen	
Hydrogen: gamechanger of the 21st century.....104	
Norbert Walter-Borjans	
Social Democratic Tax Policy in Times of Change.....108	
Rafael Laguna de la Vera	
Innovation and Entrepreneurship: Fancy the Future.....113	

Brigitte Zypries	
Why collaboration between established industry and start-ups is so important.....	117
Philipp Schlüter	
Saying “yes, we can” to industrial production.....	122
Jens Südekum	
An industrial strategy must be an investment strategy.....	126
Gustav Horn	
The dawn of a new industrial policy.....	131
Nils Heisterhagen	
An Entrepreneurial State as the Only Way Forward – The Example of Climate Policy.....	135
Florian Bieberbach	
Digital public services – Europe’s opportunity in digitalisation?.....	140
V. Europe’s contributions and its role.....	145
Reiner Hoffmann	
Building blocks of a sustainable EU economic policy.....	147
Achim Post	
Investment in Europe is Germany’s best programme for the future.....	151
About the Authors and Editors.....	157

Foreword by the editors

Europe is facing enormous political, economic and technological challenges. The day of the invasion of Ukraine, 24 February 2022, will go down in European history as a turning point. Europe has not been free of armed conflict since 1945, but this is the first time that one state has invaded another in violation of international law. Geopolitically, however, the tensions between the USA and China will continue to increase. The conflict regarding political, economic, but also technological leadership will continue. Economic and technological dependencies threaten to grow, and this can significantly affect Europe's political weight and sovereignty. Europe's technological sovereignty is already lacking in some sectors. The degree of dependence on foreign countries is enormous. Resilience has thus become the keyword of the hour.

The Ukraine crisis has fundamentally and definitively demonstrated the vulnerability of the European economic model (and especially the German export model) and revealed the dependence on individual countries for raw materials as well as for some intermediate products (e.g. computer chips). In recent decades, Europe has placed its full trust in globalisation and rule-based free world trade, where raw materials and intermediate products could be imported cheaply at any time. This phase of globalisation is long gone – at the latest now. At the same time, in the 2020s, Europe's economy is facing probably the most profound, comprehensive and rapid change since the beginning of industrialisation. Digitalisation, decarbonisation, demographics and the strengthening of the resilience of modern societies will be the main drivers.

In the next 10 years and beyond, enormous efforts will be needed to manage the political, ecological and economic transformation. Economic-technological sovereignty and strength will become an increasingly important factor – not to mention the significance for growth and competitiveness. But it is precisely in many technological areas of this transformation that Europe's states have considerable weaknesses. In key future fields such as cloud technology, digital infrastructures and services, AI, quantum computing, chip production, software development, battery cell technology, etc.,

Europe is not only not a leader, but is increasingly becoming technologically and politically dependent, despite the fact that it has companies with a promising future and a first-class research infrastructure. On the investment side, Europe has neither companies with a market capitalisation like Google, Amazon or Tesla and the associated investment opportunities, nor a venture capital and private equity market that enables highly scaled future investments, or, as in the case of China, a strategic long-term technology and industrial policy that is financed and developed with the help of state-owned enterprises and state banks.

The task for Europe's policymakers

We are facing a decade of constant change. The turning point is a geopolitical and economic one, especially for Europe, with major implications for supply chains, trade relations, but also civil society cooperation. In fact, a third – economic – transformation is taking place alongside the digital and climate transformations. However, a system in which three largely independent transformation processes take place simultaneously experiences eruptive moments again and again and even has to go through chaotic phases. Therefore, we must pursue the process of resilience very consistently. However, a resilience strategy is only possible in a broad consensus on industrial policy. Polyphonic and divergent interests must be integrated, also because they offer an opportunity in terms of resilience. This need for more cooperation will require a different form of politics. Politics must involve people much more than before, include them in decisions. Political decision-makers must make their decisions recognisable as the result of consultations with experts, but also with those affected.

But it is also about a new interplay between the market, companies and the state. The market and companies will not manage this task alone. The state must take on a pioneering role in key technological transformation areas; what is needed is an entrepreneurial state (Mariana Mazzucato) in close cooperation with companies and research institutions. Only in this way will it be possible to regain lost ground and master future challenges, because Europe (and Germany) have already lost strategic sovereignty in key areas over the past years.

The necessary climate policy turnaround can also only succeed through a new and intelligent interplay of investment measures, intelligent market introduction programmes and technological innovations, combined with

an enabling regulatory framework. To this end, policymakers must make key decisions on the direction to be taken. In any case, the market and research alone will not organise the climate policy turnaround by themselves. The market alone will not eliminate these deficits. In any case, the state must play an active role in the aforementioned areas, it must not only initiate the far-reaching economic-technological structural change through targeted investments in the future and a corresponding industrial policy within the framework of a “mixed economy”, but it must also advance it. This requires new economic thinking, but also new economic-financial instruments and investment- and innovation-oriented regulation. There is no future in perpetuating the status quo. The countries of Europe must be modernised. Or prosperity and development will take place in other regions of the world in the future. Such a transformation must be aware of the conflicting goals and define a transformation framework that strengthens competitiveness, secures employment and opens up new opportunities for new business models and new forms of employment.

We hope that this volume can provide ideas for an economic transformation. The book contains texts by prominent social democratic politicians and German experts. The texts are taken from the two books “Transformomics” and “Postconomics”, which were published in German language in August 2022 and May 2021 and were edited by the Wirtschaftsforum der SPD e. V. The texts printed here reflect important elements of the current economic, industrial and technological policy debate in German social democracy, the German trade union movement as well as in leading German academic institutions. They shed light on the diversity and complexity of the upcoming tasks of change and thus combine present analysis, future expectations and agenda necessities. With the publication of these texts in English, the editors want to contribute to a broader European debate among progressive political and social forces in Europe on the upcoming tasks for the future. Not everything can remain the way it is and nothing must remain the way it is. This is even more important after what happened in Ukraine. Instead: change is necessary. We hope that this publication can provide ideas for an economic turnaround. We would like to thank all the authors for their co-operation and the inspiring texts.