

PROGRESSIVE INDUSTRIAL POLICY – A REMEDY FOR EUROPE?

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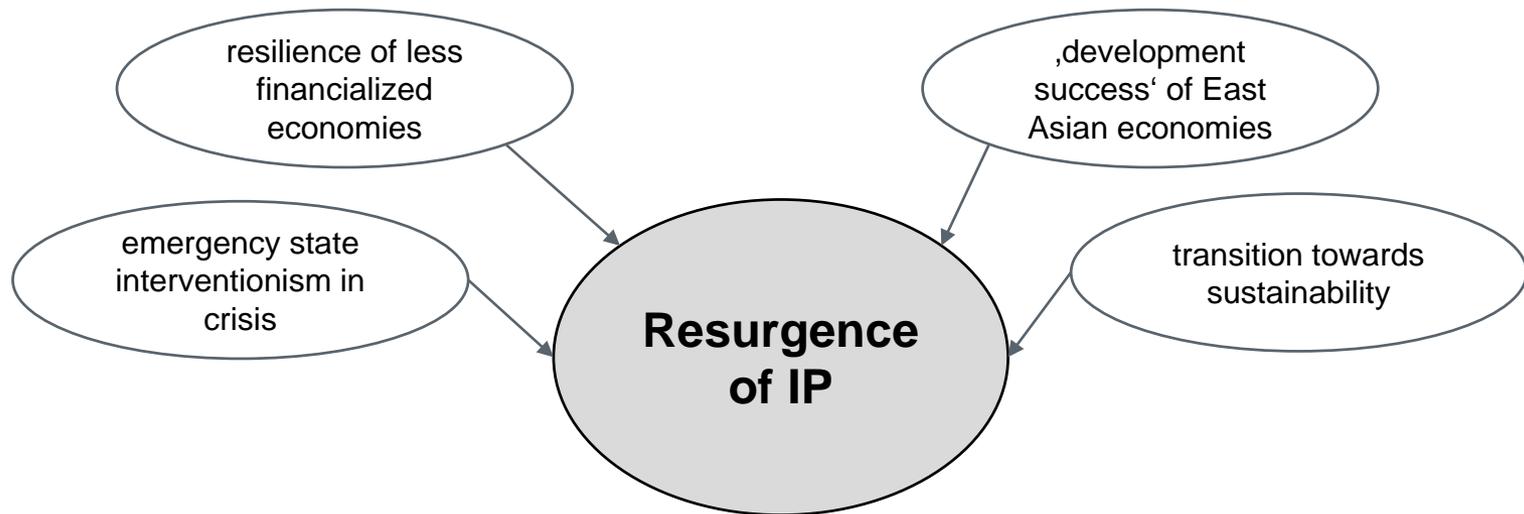
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CONTENT

- The Resurgence of Industrial Policy
- What is Progressive Industrial Policy?
 - The Politics of Industrial Policy
 - Crosscutting Issues
 - World Market Integration and Politics of Scale
- Conclusions

RESURGENCE OF INDUSTRIAL POLICY



RESURGENCE OF INDUSTRIAL POLICY

Two pivotal discussions for revitalization of IP in (post-)crisis era:

1. Avoiding ,government failure‘ (D. Rodrik)

- From ,why‘ to ,how‘ of IP: ,embedded autonomy‘ and ,letting losers go‘ (instead of picking winners)

2. Following (instead of defying) comparative advantage (J. Lin)

- Emulating industrialized economies prone to failure due to ,natural disadvantage in heavy manufacturing‘ of developing countries

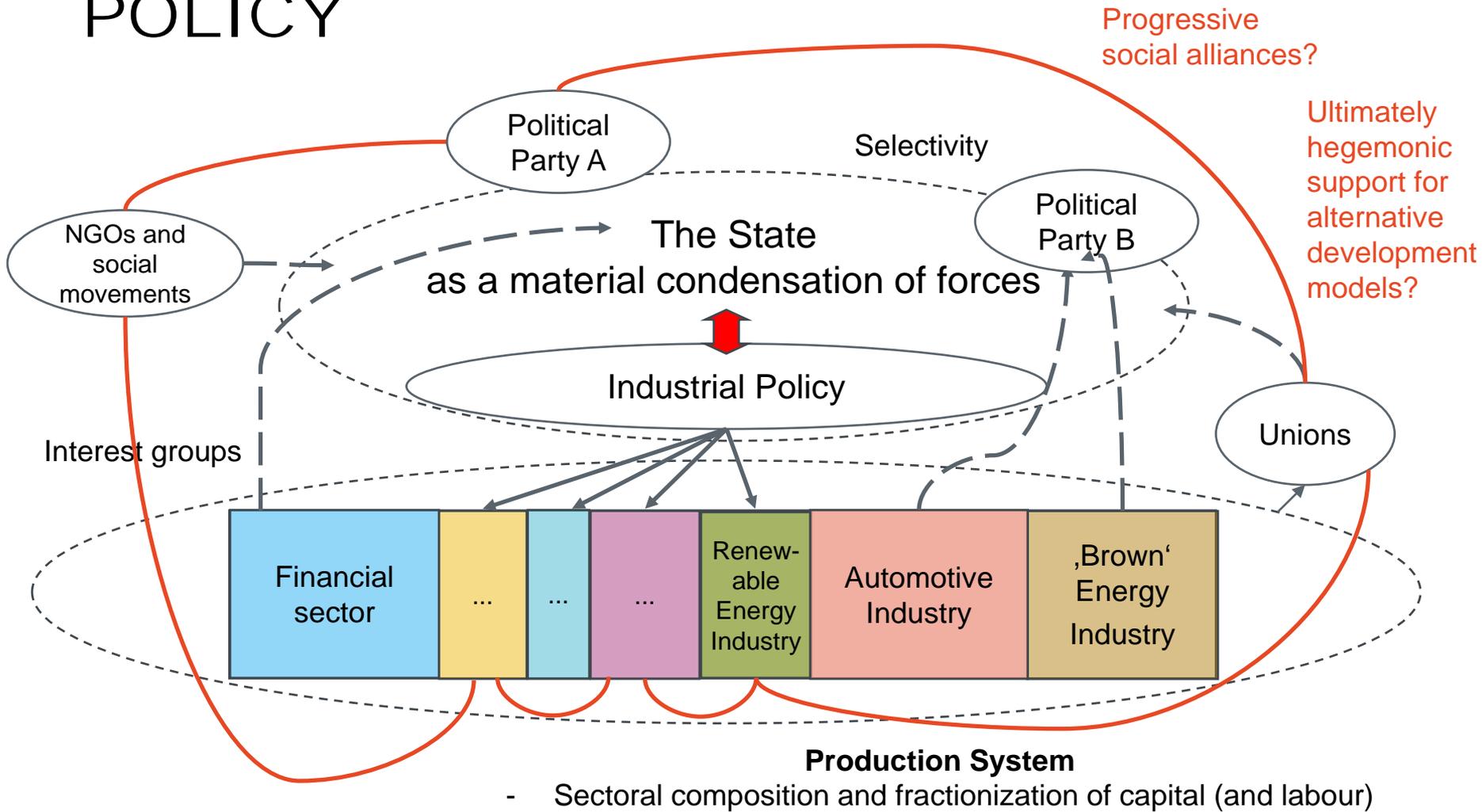
WHAT IS PROGRESSIVE INDUSTRIAL POLICY?

- **„Spatialization of IP“**: relevance also of supra-/subnational scale
- Different left-wing organisations started to write about **„alternative“** or **„progressive“ IP in the EU** (e.g. *transform!europe*, publications by Rosa-Luxemburg-Foundation)
- **EU-wide investment plan** to increase demand, financed by EU institutions
- **Strong role of the state** (subsidies for R&D, state-owned enterprises, public procurement) → valuable suggestions

BUT neglects:

- questions of **hegemony** and **balance of forces**
- treatment of **cross-cutting issues** (sustainability, decent work,...)
- options to **reduce dependency** (core-periphery) relations

THE POLITICS OF INDUSTRIAL POLICY



CROSS-CUTTING ISSUES: SOCIO-ECOLOGICAL TRANSFORMATION

„Green“ Industrial Policy

- Green Economy and Bio-Economy as new fields of investment and growth



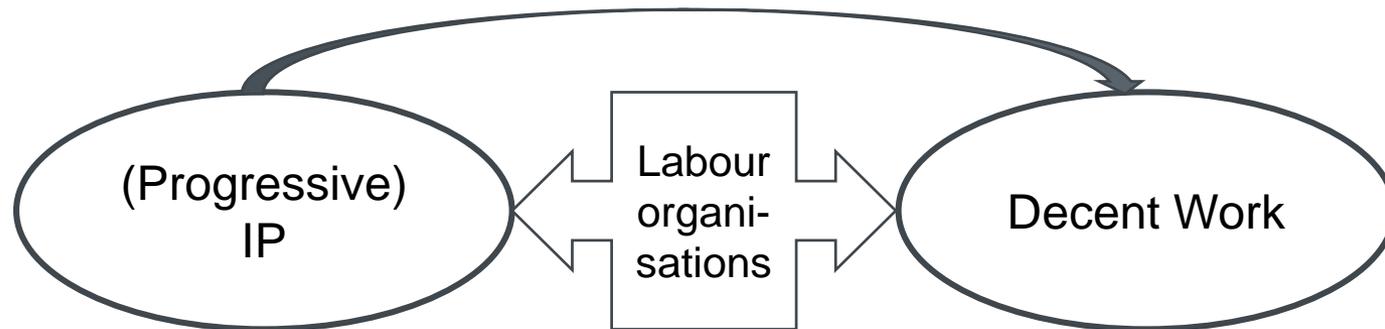
IP for Socio-Ecological Transformation

Not just promotion of new industries but:

- Disruption of existing industrial pathways
- Conversion of „brown“ industries

→ Participation of workers, retraining and redeployment

CROSSCUTTING ISSUES – ROLE OF TRADE UNIONS AND DECENT WORK



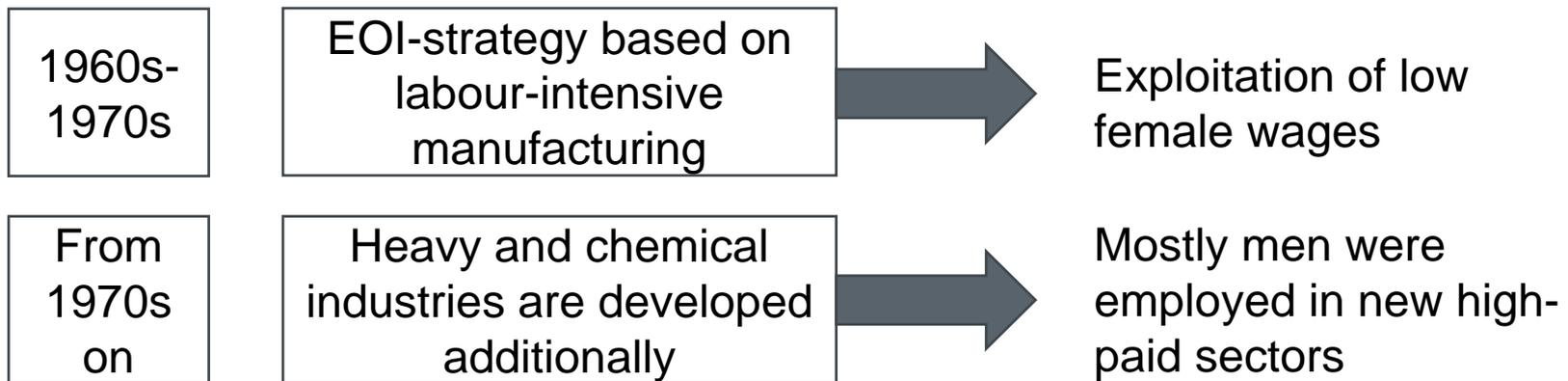
- Trade unions originated (and still anchored) in manufacturing sector
- Role of employment in IP often neglected (e.g. Nübler 2011 for ILO)
- Austrian Chamber of Labour and ATUC (2015: 7) argue that IP shall contribute to superordinate goal of high-quality and well-paid jobs

Big challenges (selection):

1. Tension between job preservation and fading out of industries
2. Balancing role of trade unions in IP decision-making process

CROSSCUTTING ISSUES – GENDER-SENSITIVITY

- **Sex** and **gender** barely play a role in design and evaluation of IP
- Kim and Lee on **South Korean experience** from a gender perspective (2011: 57-69):



- Women's relative pay and status worsened during the 1970s, big gender pay gap persisted during 1980s and 1990s
- BUT employment provided women with material basis which led to engagement in social movements and empowerment
- This evidence should be considered seriously!

WORLD MARKET INTEGRATION AND POLITICS OF SCALE

What are appropriate degrees of world market integration and internationalisation?

- Dominant IP approaches do not question hierarchical international division of labour and inner-European industrial division of labour
 - Asymmetric distribution of comparative advantages problematic
 - Industrial upgrading as a „zero-sum game“
- Progressive approaches recognise asymmetries between centre(s) and peripheries in the EU, but do not discuss the latter's insertion in the production systems of the dominant economies

WORLD MARKET INTEGRATION AND POLITICS OF SCALE

Our thesis: **selective dis-integration from dominant production systems** through import substitution **and re-integration into alternative forms of industrial cooperation** between (semi-)peripheral economies **are indispensable for a productive reconstruction** which effectively challenges uneven development and asymmetric industrial divisions of labour

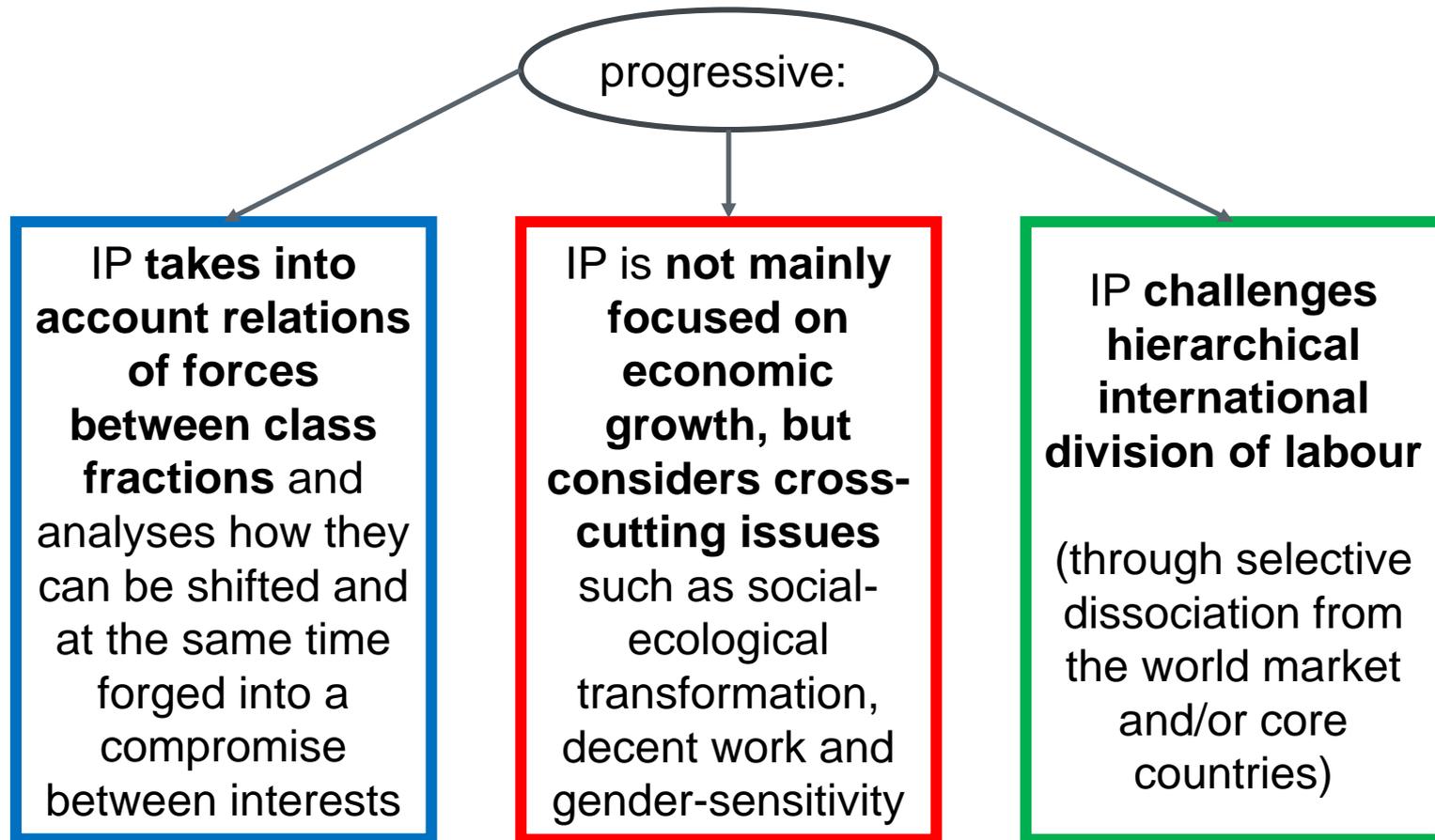
- Assumption promoted by Latin American structuralism (1950s/1960s)
- Further developed in the framework of „Collective Self-Reliance“ by representatives of the Non-Aligned movement and by dependency theorists

WORLD MARKET INTEGRATION AND POLITICS OF SCALE

- Regional or (in the EU) sub-regional cooperation in the framework of **CSR could create a balance between diversification on the national level and regionalisation of industrial capacities**
- CSR-projects integrated only by economically weaker countries face many problems; if **dominant economies** form part, too, they would need to **actively support re-industrialisation in periphery (IP)**
- **New capital-labour-consensus** and the **right** for weaker EU-economies **to introduce protectionist measures** would be required:
→ **Progressive IP in EU currently less likely than on national level**

CONCLUSIONS

- IP must address three issues in order to be



NOW IT'S TIME FOR DISCUSSION!

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FROM MAINSTREAM TO MARGINS...

Earliest form of IP

- Infant industry protection (List, Hamilton)

Apex of IP

- Big-Push-approach
- nationalization of key industries
- selective credit policy
- indicative planning

Marginalisation of IP

- ‚horizontal‘ IP which does not interfere with market competition and price signals
- ‚government failure‘: inability to pick winners and prone to corruption
- Correction of ‚market failures‘: R&D externalities, anti-trust-legislation

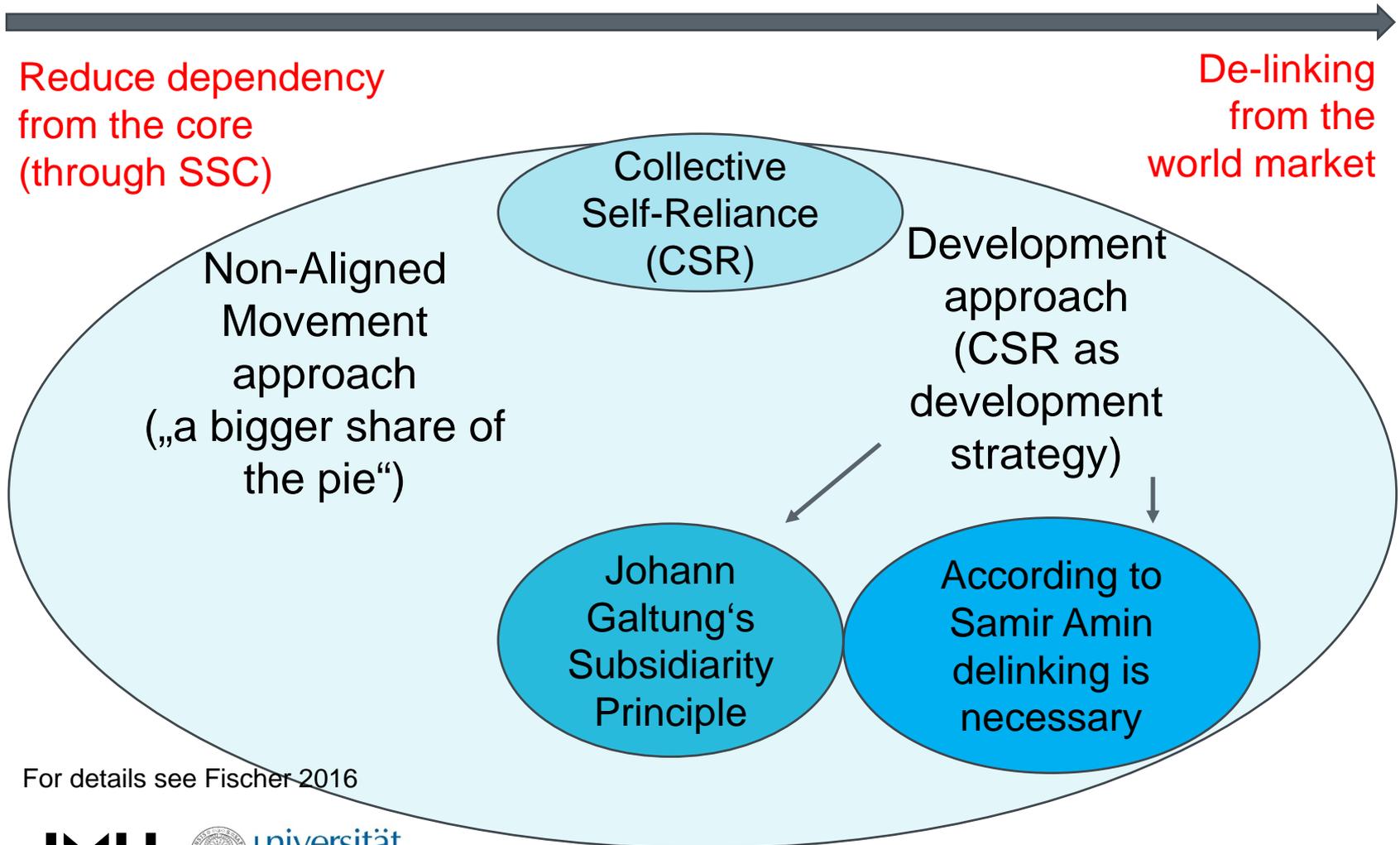
19th century

Post-WWII era

Neoliberal era

Nonetheless: New-Developmentalism, IP in East-Asian NICs, US-IP (Mazzucato), Systems of Innovation Approach

WORLD MARKET INTEGRATION AND POLITICS OF SCALE



For details see Fischer 2016