# Industrial Policy, Place and Democracy

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**Abstract**
Industrial policy is a potential vehicle for more participative and democratic forms of policy formation. But in Britain an ademocratic policy culture is transforming into an undemocratic one. This paper explores the roots of this in successive major sea changes in the industrial policy climate of Western Europe, where non-discriminatory and aspatial policy stances are now giving way under pressure to openly discriminatory policies aimed at favoured industries or locations. The British case is contrasted with France, Germany and Italy, and their variety of responses. It is proposed that an extended notion of 'place' offers a basis for social dialogue.

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Place, industrial policy, democracy, neoliberalism, Britain, EU member states

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## Introduction

With industrial strategy once again firmly 'back on the agenda' of policy makers in Western economies, it is important to pause and ask the most basic question: *what is industrial policy for?* The answer that springs forth in this current phase of interest is that the goal of industrial policy is to lift economic performance as measured by quantifiable growth indicators, such as labour productivity, employment, and shares in trade. In Western Europe at least, sustainability is now another prominent objective, albeit one promoted as the companion of growth rather than its potentially stringent challenger. While there is much in these ambitions and challenges for social scientists to contend with, an important dimension to past industrial policy debates has so far received an inadequate voice in the present one. The aim of this paper is to address the emerging imbalance by urging social scientists to think more broadly about their role than they are currently being invited to do in the terms of reference being set out by governments looking to industrial policy as a means of promoting economic growth. In asking what industrial policy is for, thought should also be given as to whether enhancing participation by populations in democratic decision making, through a more distributed set of decision rights, is a desirable goal of policy.

The other elements in industrial policy may well then differ depending on which voices are counted as relevant in deciding aims. Hence the distribution of decision rights – *which* people count – is at least as much about what these other goals for policy are as about how, where and when they are pursued. This paper is therefore not concerned with laying down a normative approach towards better delivery of prior objectives, but rather with the social processes of inclusion or exclusion which decide *what* these objectives are. Similarly, it is not proposed that thinking about social participation in policy design offers a magic formula that will banish all tensions from economy and society. To give one important example, it is clearly not the case that evolving a more broadly distributed set of decision rights for deciding policy can be relied upon to solve tensions between (say) growth and sustainability. What is proposed rather is that if hard choices are to be made, then in deciding what these choices are, and how they should be decided, inclusive processes of decision making may be pertinent to questions of social equity and social stability.

The approach taken in this paper is twofold. To begin with, it explores the two most recent sea changes in the industrial policy landscape of the European Union (EU), looked at from the vantage point of popular participation in questions relating to industry. The first of these concerns developments that coalesced throughout the 1990s in the course of economic integration. These were marked by a predilection for generally defined policy intended for industry 'as a whole', and as such avowedly non-discriminatory in approach towards different sectors and firms. It is argued that this first development, homocentric with what some identify as neoliberalism, was consistent with an essentially *ademocratic* economic philosophy which by construction left no public space for debates around the width or narrowness of popular participation in economic decisions. The second, gathering momentum since the fallouts of the financial crisis of 2008, has seen the re-assertion of industrial policy as a means of discriminating between sectors and firms. However, rather than heralding an immediate re-awakening of public policy debate on questions of participation and democracy, this new phase is more easily criticised for its *undemocratic* qualities. It is suggested that understanding these developments, and their cross-connections, is an essential part of understanding the terrain upon which Europe's industrial policy debates now stand.

Since it would be neither possible nor anything other than a presumption to attempt to set out the details of 'how' democratisation should be done, the next plank in this paper is to propose that exploring metaphors around *place* offers one way of evolving shared or common frames of reference that can facilitate progress in this area. Although there have been major past traditions of international collaboration and debate around questions of social participation and inclusion in industrial policy formulation in Europe, it is also true that these have struggled with differences in national institutions and cultural expectations. It is the contention of this paper that a dialogue around an extended notion of place offers at the least the potential for the development of a new notation or vocabulary to help circumvent these. Similarly, it offers the potential for encompassing in a coherent way a wider range of human interests and constituents than have traditionally been within the purview of industrial policy, which has traditionally skewed towards particular manufacturing interests and (more latterly) the bigger cities.

Constraints of space limit the discussion in this paper to (some) Western European experience, focusing on the most relevant sea changes in the contours of EU-wide policy. The implications for the particular trajectories of national cases are principally illustrated for the mirroring example of Britain, but with discussion also of the pressures on, and industrial policy responses of, France, Germany, and Italy. That there really is a need for urgency in extending the exploration of democracy and place into the industrial policy arena can be understood by reference to recent contributions on the conjunctures of globalisation and ensuing economic, political, social, cultural and environmental problems and instabilities (Martin et al 2018), and the rise of populism (see, for example, Rodriguez-Pose 2018). The seemingly spontaneous flaring up of the *Gilets Jaunes* movement in France and President Macron's subsequent efforts to quell these protests by means of a *Grande Debate* – attempting a controlled form of direct policy consultation – is another case in point.

## Sea changes in the EU industrial policy climate

It is useful to begin with changes in the official policy stance of the EU considered purely on its own terms. The particular national case of Britain is also introduced in this section, because in many respects it is an exemplary one from the viewpoint of mirrored national developments. Of prime importance at both levels is the distinction between a policy approach which formally eschews discrimination between sectors or firms, and one which accepts discrimination. The section which follows this one will next consider the implications of these changes for the width or narrowness of social participation in processes of policy selection and design.

### *To horizontalism and beyond: the view from Brussels*

By recent convention the industrial policy literature refers to a horizontal policy framework when denoting measures intended to apply across all or many business sectors. Practically by definition, an avowedly horizontal industrial policy is also a *non-discriminatory* one. The first 'explicit recognition' of an agreed industrial policy position by the European Commission (EC) in fact came as late as 1990 and favoured horizontal policy design, described in terms of establishing 'favourable framework conditions' rather than 'sector specific approaches' (Lawton 1999: 12). By this means, a clear signal was given to member states to eschew efforts to shape the structure of their national economies by means of discriminatory policies favouring some industries over others. Seen against the backdrop of past multiple histories of sectoral intervention in Western Europe, this move both reflected and heralded the first of the two sea-changes alluded to in the introduction.

A subsequent competitiveness White Paper published by the Commission (CEC 1994) built on this to package horizontalism as the new European industrial policy approach. Contrary to some interpretations, this is best understood as a desire to further promote non-discriminatory policy stances amongst EU member states towards firms operating inside the single market, while restraining independent industrial ambitions that could interfere with the harmonisation of business rules and progress towards European economic integration.[1] The new policy zeitgeist was anticipated by Porter (1990) thus: 'policy must shift to much more indirect forms of government assistance designed to support efforts by *any* industry to upgrade its demand conditions, human resources and scientific expertise … [to] the development of particular skills or technologies that are important to upgrading in a *substantial number of industries*' (ibid: 675; original emphasis).

However, since the financial crisis of 2008 the Commission's policy positioning has partially shifted to accommodate more specifically tailored policies to support sector goals. In this respect, Aiginger (2015) identifies three main stages in its policy thinking over the past three decades, beginning with the initial thrust just described towards horizontalist policy architectures (ibid: 370-372). More recently, a view has been taken that economies with a stronger pre-2008 manufacturing and trade performance have fared better since. For this reason, there has been a new concern for a more 'integrated' industrial policy, one nesting additional sector-targeting measures within a still broadly horizontal framework to support areas of European competitive strength: for example, in automotive, aerospace, aeronautics, and engineering more generally, together with chemicals and pharmaceuticals (ibid: 376-378). Finally, concerns about the status and location of energy-intensive industries, and pressures for 'greening', have encouraged revisions in policy framing (ibid).

In this way, sector-targeting has moved back up the EC prospectus. One immediate caveat that should be observed is that, as Cowling et al (1999: 19) note, the distinction between horizontal and sector-targeting approaches to industrial policy may well blur at the point of practical application. Policies initially conceived of in highly generic terms often acquire sector-specific content when implemented: for example, general skills or technology programmes, which perforce then become tailored to specific sector needs. Even before the crisis there was a growing recognition on the Commission's part that horizontalism still required adjustments to accommodate sector-level differences. Indeed, Aiginger and Sieber (2006: 579-582) identified a prospective shift into a 'matrix' formulation with horizontal and vertical (sectoral) elements. To this extent, the practical effect of the 2008 crisis, together with by now mounting sustainability concerns, may have been to add greater substance as well as impetus to a policy reformulation that was being considered anyway, vis-à-vis targeted sector-support. Another caveat is that there is a pragmatic case to be made that EU member states had in any case continued in varying degrees to practice forms of policy favouring particular sectors and firms. Examples of this are considered subsequently.

Nonetheless, the official shift away from a preferred strict horizontalism in questions of industrial policy, towards an openly conceded role for sector-targeting policies, represents a real and important change in the climate for industrial policy in the EU. Unlike a horizontal policy stance, sector-targeting implies by definition an intendedly *discriminatory* approach. While still subject to the conditionality that those policies intended to promote specific industries or sectors should not become a mere disguise for nationalism and the end of the single market project, this subsequent move reflects and heralds the second of the two sea changes in industrial policy.

*The policy apprehension of space*

What is of particular and related interest is that horizontalism invoked a conceptual apparatus which weakened, by neglect, sensitivity to problems of location. An obvious corollary of abstracting from sector specificities when designing policy is that no regard is given to how the firms making up these sectors distribute differently in space. In fact, a strictly horizontal conception of industrial policy, applied to any territorial space, is an aspatial construct insofar as this territory is concerned, because the abstractions made from specific sector features include disregard for where the firms comprising them locate, in terms of their investments and employment. Adhered to in a serious manner, locational factors can only emerge on the same footing as other 'adjustments' to tailor intendedly generic policies to unavoidably specific industry or sector features. By extension, how and where human populations locate is *not* a main industrial policy concern.

In this respect, another significant feature has been the emergence of placed-based development strategies in the context of EU-level discussions of responses to the 2008 crisis. In a report requested by the then European Commissioner for Regional Policy, Barca (2009) proposed an increase in the Community budget for place-based policy responses to tackle 'underutilisation of potential' and 'social exclusion' through 'external intervention and multilevel governance', with due regard to the significance of local conditions and knowledge in the places chosen (ibid: vii). A heavy emphasis was placed on sponsoring business productivity and innovation, by providing 'integrated bundles of public goods and services' to spur 'institutional change' (ibid: xi). Another point made very clearly in this document was the task of *re-legitimising* the EU: 'Tackling the inefficiency and exclusion traps that arise in Europe is a task for the EU because if it is not successfully performed the EU is blamed … solidarity at the Union level can be a strong cement' (ibid: xii). But while the report argued accordingly for a continuing 'framework role' for the EU, it also made clear that specific responsibilities as well as selection of cases should devolve down to regions where jurisdictional roles and responsibilities permit, as well as to national state level (ibid). The softening of pressure on EU member states not to use the levers of the state to discriminate in favour of selected sectors was thus accompanied by greater willingness to recognise regional roles for policy.

*Policy evolutions in Britain: mirrored developments*

As is well known, successive governments led by Margaret Thatcher in the 1980s rejected any role for government as an organiser or manager of industry. After frequent recourse to ad hoc policy lurches, made on a case by case basis, and amidst a gradually accelerating divestment of state holdings in industry as part of a wider privatisation process, a more settled approach emerged under successor governments in the 1990s.[2] In broad conformity with the trend of EC policy direction, a more or less consistently articulated and expressly horizontalist approach to policy fell into place. This gave prominence to the free play of 'competitive' market forces, not least to encourage inward foreign direct investment (FDI) for Britain's internationalised economy. It culminated in the policy tack of the first New Labour governments, led by Tony Blair from 1997. It is in this period that the horizontal policy architecture for Britain fell most clearly into place.

Drawing on Coates (2005) survey, figure 1 summarises this policy structure, and its intended outcome for international business investment. Assisted entry, underwritten by low exit costs, combined with weak collective rights for labour, light touch market regulation, and low social contributions were key elements. These were supported by the promise of supporting social and commercial infrastructures and (before 2008) a stable macroeconomic environment governed by transparent fiscal and monetary policy rules. The latter was focused on debt-income ratios and a commitment to borrow only to invest over the cycle, together with rules-based interest rate setting to target inflation based on its distance from a two percent target rate. Support was promised too for technologies in generally beneficial areas like communications and IT. Coates also highlights the prominence New Labour gave to workforce 'quality' and 'quantity' (ibid: 96). Skills and education programmes, including laudatory efforts on adult literacy and life-long learning schemes, targeted quality. Meanwhile, reforms on welfare, a new minimum wage plus (subsequently rescinded) tax credits for low earners, and investments in childcare, together with pressures to work on the long-term unemployed and single parents, helped secure quantity. From 2004, the accession of Poland and other East European countries to the EU became important to British policy on both fronts.

insert figure one here

What is of interest for present purposes is not so much the particular details of these elements in policy, as to how the policy architecture as a whole was now being conceived: horizontalist in inspiration, at least in the first instance, while conceding a policy role for the state. The approach was likewise notable for the subordinated position awarded Britain's sub-regions. The Thatcher era had previously seen government interest wither, and regional policy instruments dismantled. When Britain matched the European Commission by publishing its own competitiveness White Paper (HMG 1994), beyond praise for London's financial services sector and a comment on urban renewal, its regional analysis was nugatory. There was 'virtually no analysis of regional divergence and competitiveness and the constraint that regional inequality places on overall income levels and growth' (Oughton 2003: 18). New Labour did establish eight Regional Development Agencies (RDAs) in 1998 with a remit to promote regional development in England (Scotland, Wales and Northern Ireland being treated for regional development purposes as separate territories with their own governance), in co-operation with local government, business, and other stake-holding parties. However, in keeping with the dominant policy thrust these did not so much empower regions as facilitate delivery of external investment – not least through inward FDI – in traded services and manufacture.[3]

Although in this respect no two member states have been identical, the purpose of this example is to illustrate how the changing contours of EU-wide policy can be seen mirrored in developments on a national plane, taking Britain as an exemplary case in point. After the financial crisis of 2008 eviscerated the macroeconomic model this mirroring continued, with the same movement towards explicit sectoral policies overlaid with new environmental imperatives. Indeed, the most immediate response was a low carbon industrial strategy (HMG 2009), which identified industrial policy with commercial exploitation of low carbon technologies. This simultaneously highlighted the importance of regional factors by identifying Low Carbon Economic Areas (LCEAs) as focal locations for sectoral policy support: these included marine technology in the South-West of England, ultra-low carbon vehicles in the North-East and advanced automotive engineering in the Midlands, and construction in the Greater Manchester area. Another significant and eponymously subtitled policy document, 'Industrial Strategy: UK Sector Analysis' (HMG 2012), confirmed aerospace, automotive, and pharmaceuticals as strategic national sectors. The combined weight of relative manufacturing collapse (absolute manufacturing output being less in 2009 than when Britain joined what is now the EU in 1973: see Griffiths and Wall 2012: 4), together with growing recognition of environmental pressures on energy intensive industries (EIIs) [4], underpinned British recognition of an express case for selected sector targeting and tailored policy support.

However, signalling on regional and local policy has been more mixed. The first post-New Labour government, a Conservative-dominated coalition taking office in 2010, promptly replaced the RDAs established by Labour with a larger number of Local Enterprise Partnerships (LEPs), whose remit was (and is) to bring local government, business, and other parties together on a more localised plane. But lacking scale, resources and experience, concern was expressed that this in fact amounted to de-facto re-centralisation, losing regional agencies that could have been redeployed to mediate between national government and genuinely localised activities. Although using the language of place-based approaches the coalition's approach to 'localism' was thus criticised for failing to take 'place' seriously enough (Hildreth and Bailey, 2013). Consistent with this, when the so-called Heseltine Report (2012), commissioned by then Prime Minister David Cameron, called for a £49bn transfer via a new 'Single Local Growth Fund', as part of a programme of devolved growth management, the Treasury massively downscaled the sum.

The same coalition government subsequently announced a City Deal initiative. Ostensibly based on a critique of New Labour 'top down' and 'command state' centralism, and intended to devolve 'powers, responsibilities and resources' in relation to urban infrastructures, this initiative was similarly launched in a national political and economic context dominated by the fiscal consolidation priorities of central government (O'Brien and Pike 2018: 12). Critics since have argued that what happened in practice was that 'national government actors' used a protracted process of negotiations to 'compel local actors', 'shaping and channelling their behaviours in centrally orchestrated directions' (ibid: 17), subverting a place-based approach. While a place-based approach to cities and regions is promised in the most recent major industrial policy launch – 'Industrial Strategy: Building a Britain fit for the future' (HMG 2017) – quite how far this represents a substantive break from the past is similarly open to question: see RSA (2017), for example.

## Accounting for a dearth of democracy

Turning to how these changes relate to the key question of social participation in policy, the chronological progression from a generic and horizontal policy stance towards industry 'as a whole', to the subsequent re-emergence of more specifically targeted forms of intervention is integral to understanding the present situation. We now propose that pressures on EU member state to develop the principle of policy non-discrimination between sectors and firms conduced to the formation of an essentially ademocratic industrial policy culture. Further to this, we argue that the ademocratic policy culture thus fostered helps explain why the re-emergence of more targeted forms of intervention has not been matched by sensitivities to inclusive policy making. In the particular case of Britain, so far considered as a mirroring illustration, this must also be understood in the context of a national policy culture which has in any case been hierarchical and London-centric, and as such not readily given to thinking in participative terms (Hildreth and Bailey 2013).

*Horizontalism and ademocratic policy cultures*

The structural limits placed on social participation in industrial policy by a thoroughgoing adherence to horizontalism in policy design are almost self-evident. This is because two very pressing issues for the populations affected by industrial policy are abstracted from. The first is *where* people live; it has already been pointed out that abstracting from what makes industries specific, at the point where policies for business are (generically and aspatially) conceived, dulls sensitivities to location. The second is *what* people work at; by extension, there is no interest in the working experience of people, because much of the experience of work, and what people know as a result, is to a great extent rooted in the specific character and locales of those same industries. Any conception of social participation in an approach to industrial policy which by construction allows no particular regard for where people live and what they work at must be a tepid one.

The same problem could be broached by considering the critique of neoliberalism. This, of course, is a phrase which fails to adhere to any single definition or consistent usage. However, in a careful survey of the discourse, Gamble (2009) distinguishes three broad strands. In addition to 'market fundamentalist' and 'market anarchy' strands, in which the state either works to simply eliminate obstacles to market forces or is invited inter alia to vacate the scene altogether, there is also social market neoliberalism. In this case, markets are regarded as broadly efficient and awarded something like primacy in matters of economic organisation (assuming a private ownership economy which is marked by competition between profit seeking firms). But an important role is also given to state or para-state institutions in areas like skills (human capital), infrastructures (social capital), social welfare (limited redistribution) and the environment (ibid: 70-72). Gamble finds, as an empirical point, that the policy stances *most frequently* described by critics as 'neoliberal' conform in practice to a variant of the last strand; in other words, to social market neoliberalism. An important element in the critique of this strand of neoliberalism is what Gamble describes as a propensity towards 'depoliticization' of the economy. In democracies, this means distancing economic decisions from electorates by transferring control to unelected officials, cases in point being independence for central banks like the ECB or (since 1997) the Bank of England in Britain (ibid: 88).

However, from the viewpoint of 'distancing' electorates from economic decisions, the industrial policy directives of the European Commission from 1990 and before 2008, favouring 'framework conditions' for business over sectoral interventions, could similarly be construed as depoliticizing because they remove the most obvious reason for public consultation. The question, of *which* industries to support, as well as why and how they should be supported, simply disappears. Lacking any formal principles of policy selection beyond the most generic, social inclusion in policy formation retain little space for impressing itself upon policy makers. Differently put, where the needs of industry are conceived in the first instance in highly generic terms, the implied discounting by policy makers of popular experience based on location and work is consistent with a cultural shift towards a less democratic conception of policy, distancing policy makers from a sense of the value of people having a say in the details of policies which affect them.

Consider the illustrative case of pre-2008 Britain. Key types of policy which Gamble describes as most characteristic of social market neoliberalism, like state support for social investment programmes in human capital and infrastructures, appear prominently in the policy array displayed in figure 1. A non-discriminatory stance towards different sectors and firms is both accompanied and complemented by a non-discretionary stance towards rules for macro-economic management, jointly vitiating any role for public consultation or social inclusion in determining policy. Each has the consequence of distancing the reasons for policy from social participation in deciding policy. In considering this, the key issue is the overall *style* of policy, and what this style entails. Because markets are treated as essentially sufficient governance mechanisms for economic decisions once appropriately supported, strict horizontalism and social market neoliberalism can be represented – as in figure 2 – as substantially homologous entities when applied to industrial policy.

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*From ademocratic to undemocratic*

However, while processes leading to the break-up of this kind of unified vision for economic and industrial policy are now well underway, it is not axiomatic that the re-emergence of more discriminatory policy stances will be accompanied by more democratic stances. Whether in the form of a renewed interest in sectoral industrial policy, or in policy interventions at the level of cities or regions, the *potential* which exists for redressing a previous closing down of the scope for popular participation in industrial policy formation may not be realised in practice. Indeed, it would not be at all surprising if an ademocratic policy culture segued into an undemocratic one.

Consider once more the case of Britain, this time from 2008. Beginning with the switch-back to sector targeting, one obvious problem is the criteria by which targeted industries are selected. Figure 3 presents the industry ranking selected in HMG (2012), the eponymous sector strategy document previously described for Britain; as previously noted, aerospace, automotive and pharmaceuticals emerged in pole position as strategic sectors. The document itself justified these selections partly on the basis of claimed returns to 'the economy' for state support for R&D, as well as an assessment of export potentials in a growing world economy. However, there was no public debate either on which industries should be selected, or on their conditions of support. For example, the population at large might well agree that pharmaceuticals, which along with bio-tech and med-tech accounts for the important life sciences sector, should be supported by industrial policy; but an open and inclusive debate might also insist on other sector-specific priorities, like the pricing of pharmaceutical products or returns – pace Mazzucato (2015) – on public moneys thus invested.

Moreover, even a little familiarity with the practices of the British state is sufficient to suggest that these are examples par excellence of sectors that had in any case continued to enjoy privileges: via defence budgets and tacit R&D support, for aerospace; via NHS budgets and tacit R&D support, for pharmaceuticals; via a tax system that has, over a period of decades, swelled the business fleet subsector, to support new car registrations; etc. It was noted in the previous section that despite the official European policy shift towards horizontalism in the 1990s, abjuring targeted support for favoured sectors, degrees of national sectoral favouritism certainly persisted. However, de facto continuities in state-business relations for privileged sectors, through a period in which such relations were officially denied, does not alter the basic argument. It would merely mean that the overlay of a horizontalist policy perspective, which by construction distances the populations impacted by policy from participating in deciding policy, concealed subterranean privileges. An ademocratic overlay which masks other practices still keeps these practices from open debate. One outcome is that other industries, like food-processing (mid-way in figure 3), or agriculture (bottom) have been implicitly deselected as strategic for industrial policy, without any public discussion of a range of important social issues ranging from food-chains to bio-ethics to the environment.

insert figure 3 around here

A similar deficit of democracy has already been noted in Britain's City Deal initiatives, with central government fiscal priorities over-riding local priorities despite ostensible devolution of powers, and similarly in the unwillingness of the national Treasury to more generously fund local structures. Although the Cities and Local Government Devolution Act of 2016 introduced directly elected mayors alongside devolved powers relating to areas like transport, housing, planning and policing, the 'deals' can still be criticised as local assemblages of choices from a Treasury-approved menu, with little real impetus towards democratic renewal, while the decision on where to institute the new role of metro-mayor has itself been centralised (Tomaney 2016). A more prominent role for business elites, than for ordinary citizens, has been observed. However, if engagement by state policy makers that fails to go beyond commercially privileged parties is hardly evidence of a significant widening of social participation in policy decisions, the crumbling of what at least was the façade of neoliberalism still carries within it the potential for more radical changes.

## Social dialogue through an extended notion of place

To this point the analysis is concerned with setting out the changing terrain upon which industrial policy debate in Western Europe now stands, as this applies to the important social question of how the content of industrial policy is decided. It is argued that an essentially ademocratic policy approach, perhaps concealing other forms of ongoing connectedness between states and industries, is at risk of transforming into a de facto system of privileges, without any accompanying and inclusive processes of public policy debate. This has been illustrated so far for the particular instance of Britain, chosen as a mirroring case. In this section, the discussion is extended to Western Europe's other large economies, all founding members of the EU. It is neither intended nor possible to consider these cases in depth. But even a brief consideration, taken in the round, is relevant to spurring interest in questions relating to participative industrial policy.

As a preliminary to this it must be acknowledged that there have been past difficulties in developing a comparative dialogue on this complex question. Even where there are important shared experiences, there is still the reality of nationally-specific cultural expectations and institutions. However, one way of broaching this is to think more broadly about the conceptualisation of 'place', which has re-emerged as a potent way of connecting policy to regional concerns. The original spur to the latest wave of interest in place has already been described. But it is perhaps relevant to emphasise that the initial impetus provided by Barca (2009) had as its intended domain the relevance of place-based policy to all parts of the EU. In addition to familiar problems like balancing regional strengths with strategies for diversification, and engaging local groups with external agencies (see, for example, McCann and Ortega-Argilés 2015; Bailey et al 2015), place-based perspectives also typically emphasise the multiplicity of actors to be engaged. These could include: local or regional government bodies, local business networks, local universities and research institutions, and so forth. They frequently invoke 'bottom up' participation. As a framing device, 'place' thus lends itself naturally to the language of inclusivity. Experienced commentators on policies for cities and regions have also found within it the scope for a binding theme, capable of integrating the disparate elements which are relevant to industrial policy. For example, and notwithstanding that experiments with devolved policy making in Britain to date can be criticised for falling well-short of genuinely place-based initiatives, Martin et al (2017) have argued that Britain's industrial strategy should adopt 'place' as its 'overarching and integrating theme', rather than its final pillar (ibid: 2). This is in line with other writers. That there is otherwise a 'missing space', a phrase deployed by Hildreth and Bailey (2014) when calling for a more genuinely innovative approach with mediating tiers to bring 'place' and 'sectors' together, is suggestive.

In considering this, an observation that can be added is that place, viewed as a metaphor, also invites a wider spatial sensitivity than cities and regions alone. In the policy literature aiming at cities or regions, place focuses on spatial contiguity of working populations. However, one of the most original contributions to recent policy debate highlights by contrast the importance of foundation industries which exist anywhere significant populations are found (Bowman et al 2012; Bowman et al 2014; Foundational Economy Collective 2018). A principle function of the 'foundational' is in fact to *connect* the different spaces where people live, by agency of the public and private providers concerned with roads, tracks, pipes, wires, cables, conduits and grids. A concern with the mundane and prosaic, and the fabric of everyday life, elevates social services like food chains and food retail which are essential because they are needed *everywhere*. While recognition of the foundational economy approach as an incipient effort 'to find new measures of local and regional development' (Pike et al 2017: 54) has been relatively quick, extending the metaphor of place to these industries also requires thinking on a different spatial plane. But since this seems a straightforward enough extension in principle, 'place' recommends itself as a notation that is translatable across cultures, naturally inclusive, and can draw disparate threads together.

The value of this can be readily illustrated for the case of France, when compared to Britain. Like Britain, prior to 2008 the French policy towards industry was officially horizontal, albeit with differences in context. The French national economy retained significantly more tranches of domestic industrial ownership, and its policy disposition was more tolerant than supportive of foreign owned firms. However, France did undertake mass privatisations from the 1990s onwards, in major areas like transport, energy, aerospace and communications, accompanied by abandonment of earlier *dirigiste* enthusiasm for state-sponsored industrial reconstructions, and amounting to a 'doctrine of resolute disengagement of the State' (Bertrand and Gauron 2015: 25). Like Britain, the 2008 crisis has seen some efforts to rethink policy. A summit (a *Conférence Nationale de l'industrie*) was convened in 2009 to bring state, industrialists and trade unions together to consider and formulate responses. This led to the recommendation of a 'coordinated approach' to value-chains, including scrutiny of national outsourcing, and the launch of *grand projects*, such as ‘vehicles of the future’ (the recent policy launch in Britain of four ‘grand challenges’ has all the hallmarks of a tribute to earlier French styling), followed by the formation of twelve strategic committees for different sections of industry (ibid: 38).

However, recent events have brought another aspect of the whole question of French policy to the foreground. The *Gilets Jaunes* movement staged its first mass demonstrations in November 2018, sparked initially by a new diesel and petrol tax announced by the Macron government as part of a drive towards green energy, but morphing quickly into more general protests. The geography of the protests, distinguishing the metropolitan elites which dominate the cultural and economic centres of the larger French cities from the different France which exists in its ‘peripheral’ towns and rural areas [5], is a new topic not only for current affairs but for future academic research. The French President has responded to events with a mix of policy concessions and deferrals, together with a large scale exercise in managed public consultation, the *Grande Debate*. If this belated effort illustrates the importance for social scientists to look at the processes by which the populations affected by policies are included or excluded from their formation, the particular geographies so far revealed in the pattern of the French protests highlights the importance of place.

By contrast with Britain and France, the German case is interesting because it is largely unmoved from the formal principles of horizontalism. It is perhaps worth recalling here that the philosophies of *ordoliberalism* and *die soziale Marktwirtschaft*, originating in pre-WW2 Germany with Walter Eucken and the Frieburg School, and the likes of Alexander Rüstow, remain the official doctrines of Christian Democrats. Consistent with this, Aiginger (2015: 370-372) credits Germany as having been the main force pushing the European Commission towards a horizontalist industrial policy doctrine in the first place.[6] Indeed, if there were concerns before 2008 in Germany it was that its manufacturing industries were viewed in some quarters as *too* big, and evidence of the relative underdevelopment of service, financial and ‘creative / cultural’ industries (Gerlach and Zieglar 2015: 60).

Even so, it still surprises that the first German national industrial strategy document published in 2010, in response to the crisis of 2008, not only chose ‘framework’ areas as its positive focal point but *warned against* state industrial intervention: ‘leave the development, manufacture and marketing of future consumer and capital goods, as well as the development of new production technologies … to the “invisible hand” … the state should therefore stay out of market processes as far as possible' (BMWi 2010: 32; cited by Gerlach and Zieglar 2015: 72). Subsequently, there has been more interest in industrial policy, flagging up the importance of cross-sectoral innovations in areas associated with the 'industry 4.0' project and electro-mobility, but still at an arms-length from the state, and cast around venture capital, resources, and trade (ibid: 73). At the time of writing, and acting in tandem with France, Germany has just announced that it will seek revisions to EU competition rules to permit mergers which form industrial 'European' champions.

Of the large economy cases, Italy is in many ways the most complex. Before 2008, labour market de-regulation and privatisation did inform policy debate. Moreover, in the same way that German policy makers worried that manufacture was too big, policy elites, in an economy famed internationally for its industrial districts, worried that part of Italy's difficulties stemmed from its smaller and medium sized firms (Simonazzi 2015: 146-151). Since 2008, critics of 'restructuring' since have focused on points like depressed domestic demand through low wage growth; threats to industrial districts from the off-shoring of jobs and globalisation of value-chains; and the widening North-South divide, where divergence is blamed both on the crisis and on the Euro (ibid). Taken as a whole, the difficulty in appraising Italy is guessing the directions in which it will next turn. Contending political alternatives to the pre-crisis polity now compete for public space, with a plethora of competing viewpoints in contest, ranging through laissez faire, neoliberalism, a return to 'corporatism', and a desire to revitalise industrial districts and networks.

What each case has in common is a shared policy context inside the EU, over long and relevant periods. None of these 'national' cases can be fully understood in isolation either from this fact or from each other, because of the degree of integration achieved up to this point – a point which extends similarly to Britain, notwithstanding the angsts of Brexit. In the French case, where accusations of a system of privileges are now in open debate, the progress from reactions to a fossil-fuel tax by car dependent populations to a broader challenge to a dominant policy culture illustrates how inclusivity in policy formation can suddenly seem very relevant to questions of social stability and social equity. Indeed, in the Italian case, where government support in some quarters for the *Gilets Jaunes* movement in France is currently undermining diplomatic relations between the two countries in an unprecedented way, there is certainly the potential for developments that could destabilise the wider region. While in Germany an existing approach to policy remains broadly intact, the pressures there are also quite considerable, as further noted below. Not only is it clear that there is scope for place-engaged involvement by social scientists on the subject of practical democracy in relation to policies for industry, but that the practical case is pressing.

## Industrial policy for re-democratisation?

The question posed in the introduction to this paper is whether industrial policy should be about more than material production, and whether developing participative rights and democratic practices in policy formulation should itself be an aim of policy. Clearly, democratisation has contested meanings that lie well beyond this paper's scope to explore. However, if the word is used as a signifier of efforts to engage expanded cross-sections of the population(s) affected by industrial policy in policy design and delivery, then the issues raised in this paper are relevant to questions of democracy. Because the particular context for the sea changes in industrial policy chosen in this paper is the policies of the EU, and since the national cases used are drawn from its larger member-states, it is useful in this closing section to step back for a broader view.

*Rodrik's trilemma and democracy as practice*

Posing industrial policy in terms of what this implies for the practical scope of practiced democracy is not in itself an innovation. Consider Rodrik's (2011) globalisation paradox. This argues that 'hyperglobalisation', implicitly defined as a strong impetus towards international freedom of trade in goods and services and free capital flows, is not reconcilable with democracy when the nation state resides as its primary locus. National state institutions are assumed to be effective in reducing the transactions costs of doing business domestically but to create transactions costs for businesses on the international plane (due to differences in currencies, legal systems, regulatory standards, and so forth). National state institutions are thus 'indispensable' for nationally-defined markets, but 'the main obstacle' for global markets (ibid: 22). This poses a trilemma:

(a) Hyperglobalisation plus a nation state which orients its institutions and policies towards the needs of international business, at the expense of democracy.

(b) Hyperglobalisation plus democracy channelled into supra-national institutions that operate on the international plane, at the expense of the nation state.

(c) Democracy plus the nation state at the expense of hyperglobalisation.

The great value of this model is that it meets the assumptions of a project like the European single market on something like its own terms. Although not quite 'hyperglobalisation' as such, because of the bordered jurisdiction of the EU, much of the literature on the benefits of a single European market and currency is transactions cost oriented. This is also a standard against which the economic efficacy of institutions is gauged in Rodrik's model. The gradual transfer of sovereignty in economic matters from member states to the organs of the EU, together with efforts to construct a meaningful European Parliament, can be related to (b); and the weakness of this institution as a democratic body could in turn help illuminate some of the tensions which exist in Europe.

A point repeatedly made is that markets need institutions to support them – 'markets are most developed and most effective in generating wealth when they are backed by solid government institutions' (ibid: 16). This is similarly consistent with EC directives to member-states to establish favourable framework conditions for business. The level of abstraction in Rodrik's analysis does mean that the principle democratic tension which the model highlights, for a case like European economic integration, is incompatibility between different unitary national preferences: 'there are too many differences among nation states … for their needs and preferences to be accommodated within common rules and institutions' (ibid: xix). Applied to the EU, problems follow because Britain, say, cannot agree with France, which disagrees with Germany, and so forth. Once disagreement is admitted within as well as between nation states, the political economy naturally looks more complicated: witness past divisions within Britain between trade union and other factions over European working time directives, or current fissures over 'Brexit'. But read on the level intended, to the point being made, this is a valuable and original contribution.

However, it is possible to develop a further layer of perspective on the democratic tensions arising in the context of the European single market project, by noting how a social market neoliberal model, homologous with a horizontalist perspective on industry, distances democracy. If Britain, for example, had never joined the EU, but had evolved nonetheless a policy system that was depoliticising in the sense of Gamble, and was grounded in the same avowedly horizontal approach to policies towards industry, then the ademocratic policy culture thus incubated could still be expected to induce democratic stresses *inside* the 'independent' nation. This would be true even without the added factor of suspicions about continued subterranean relationships between states and favoured industries in a formal context officially denying such relationships. The quality of the democracy would still be an enfeebled one liable to generate tensions, especially once economic issues other than transactions costs in markets, as well as different societal interests, are recognised. Put a little differently, the 'democratic' content of option (c) must still depend on the policy model. Conversely, a question to be asked is whether 'Europe', with a different kind of policy stance, could have evolved in way that did not preclude, or even facilitated, democratic processes.

While this looks more difficult as a live prospect today than it did thirty years ago, it is not for this reason a question to be avoided in the context of the new interest in industrial policy. Concerns about democratic deficits, and appropriate models for a democratic and participative industrial policy, were in fact one of the founding preoccupations of the European Network on Industrial Policy (EUNIP), which was very much active in the 1990s. Much encouraged by the thesis of Piore and Sabel (1984) that policy interventions at appropriate historical junctures can critically shape the developmental trajectories of capitalism, an early preoccupation was with policies for local and regional clusters and networks, envisaged as vehicles for democratisation as well as material development. It was assumed that the model for 'Europe' that could work would be a 'Europe of the regions', to protect diversity and give free scope to participative industrial policy models. Cowling and Sugden (1994), Sugden et al (1994) and Devine et al (1996) give a flavour of some of this debate. Industrial policy was therefore broached as a vehicle for democracy, devolution and co-operation, as well as production. Redolent of De Tocqueville (2003 [1835]), who contrasted democracy with hierarchical dependencies and saw it as a practical thing requiring daily practice, another element was to parse the potentials of technological and organisational change for delivering democratic practices on the ground.

In considering all of this from the viewpoint of the present situation, the conjunctures noted in the introduction to this paper, and as identified in Martin et al (2018), are difficult. It is increasingly clear that hourly labour productivity growth, the main determinant of rates of growth of per capita incomes (on which for Britain and France see ibid: 8), has been in secular decline across Western Europe. Figure 4 shows OECD data for Britain, France, Germany and Italy, over a more than forty year period, which uses a filtering technique to separate trend-lines from short term cyclical fluctuations. The secular decline has occurred in all four cases despite different rates of deindustrialisation. Germany, followed by Italy, still has a substantially larger manufacturing base than either Britain or France, whose manufacturing-share declines have more or less paralleled each other. The values of the national Gini coefficient are superimposed. Inequality in Britain, measured on this index, is comparably high with Italy, but like Germany also markedly greater in the later part of the period. To add to a socially volatile mix, figure 5 shows national $CO_2$ emissions for the same four countries, as well as emissions worldwide. Because of the particular types of its industries, as well as their absolute size, Germany faces the most considerable pressures here, but the threat of global eco-austerities now looms large as an increasingly real threat to all.

insert figures 4 and 5 around here

Returning to the tensions identified by Rodrik's trilemma, it is an understatement to say that there is evidence of these tensions in the political uncertainties now contorting Europe. The management of the Eurozone, now the single most emblematic feature of the quest to eliminate transactions costs in the context of European economic integration and the single market project, retains its potential as a source of major political fissures within France, Germany and Italy, hitherto the bedrock countries of the EU. The non-Euro member state of Britain may (perhaps) soon leave the EU. In Britain and Germany policy elites remain seemingly enamoured of de-regulated product and labour markets; in France a similar disposition amongst policy elites may now be undergoing a partial revision, albeit one driven by street protests rather than intellectual conversions. In Britain and France there have been parallel shifts in opinion towards openly interventionist industrial policy stances, while in Germany adherence to a formal horizontalism in industrial policy continues. By contrast with all three, in Italy, whose situation is highly fluid, a plethora of alternative if frequently inconsistent policy agendas are competing for space. What all share in common is a growing sense of social fragmentation around what is or is not a desirable way forward for the populations in each.

## Conclusion

There have been visible shifts as well as stresses in the conduct of industrial policy across the European Union, in terms of what is condoned by the European Commission, and in what is observed in countries like Britain as well as (currently) more committed EU-member states like France, Germany and Italy, albeit to varying degrees and from different vantage points. At the same time, since now 'back on the agenda', the upsurge in interest on the part of governments and other bodies is calling forth a similar re-awakening of interest in industrial policy amongst academics in the social sciences. The agendas being set down by the former naturally incline towards production and trade metrics. But there are other issues too that social scientists, both by professional inclination and professional training, have an opportunity to explore in the context of how and why industrial policies are created as policies. A theme which was historically prominent in industrial policy debate – i.e. how to evolve more democratic practices for industrial policy decision making and implementation, to include those parts of the populations affected by the policy – is at risk of being submerged in the urgency of the preoccupation with industrial growth. But this is at least as urgent a topic today as it was before the first shock of the crisis in 2008. The recommendation in this paper, looking at the progression through strict horizontalism in policy, to selective sector-targeting, to place-based formulations, is that the last is an appropriate starting point for rethinking 'what is industrial policy for?' and why democratising approaches may be pertinent.

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**Endnotes**

[1] Krugman (1994) famously criticised European ideas about 'competitiveness' as a 'dangerous obsession' that would undermine confidence in trade, but in reality what was principally entailed were efforts by the European Commission to create a level playing field for competition inside the single market.

[2] Coffey and Thornley (2015) summarise these earlier developments, as part of an integrated survey of the evolution of British industrial policy since in relation to trade unions. They also emphasise the peculiar role which antipathy towards unions played in policy development.

[3] Reflecting a particularly strong national preoccupation in Britain with winning international business investment in the corporate sector, the SME sector was practically subsumed as an adjunct to the main part of policy, despite measures like upgraded advisory centres and a new ministerial post. For an example of empirically-led criticism of this subordinating approach, see Kitson et al (2003).

[4] Aluminium, steel, cement, ceramics, glass, paper making, and oil and chemicals were initially identified as key energy intensive industries, more recently joined by high carbon elements in the food chain.

[5] Guilluy and Debevoise (2019), translating into English a formulation arrived at some time before the *Gilets Jaunes* movement manifested, is currently dominating French discussion.

[6] Bertrand and Gauron (2015: 22) also cite British lobbying against state involvement with industry as an important factor that helped undermine older interventionist traditions within the EU.

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Figure 1:  British horizontal policy framework pre-2008

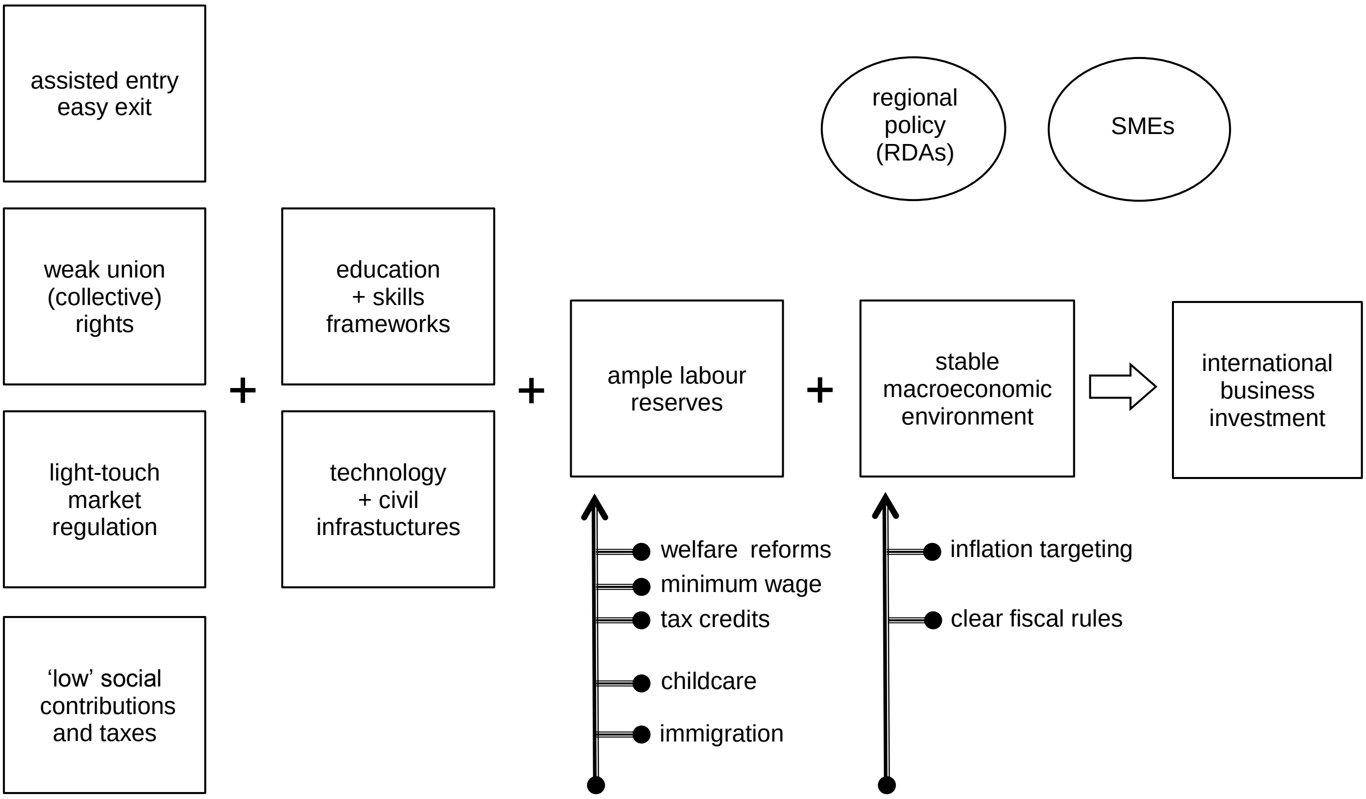


Figure 2: homologous entities for an ademocratic policy culture

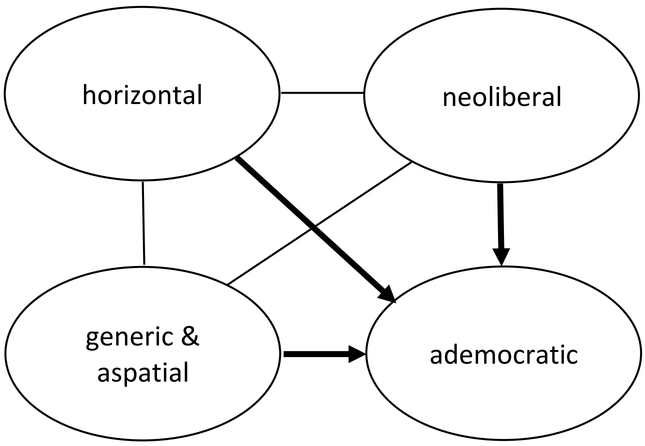
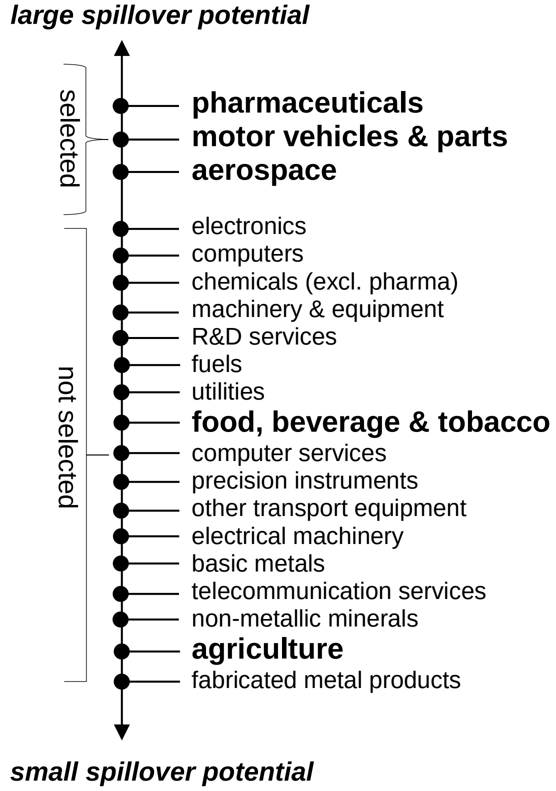
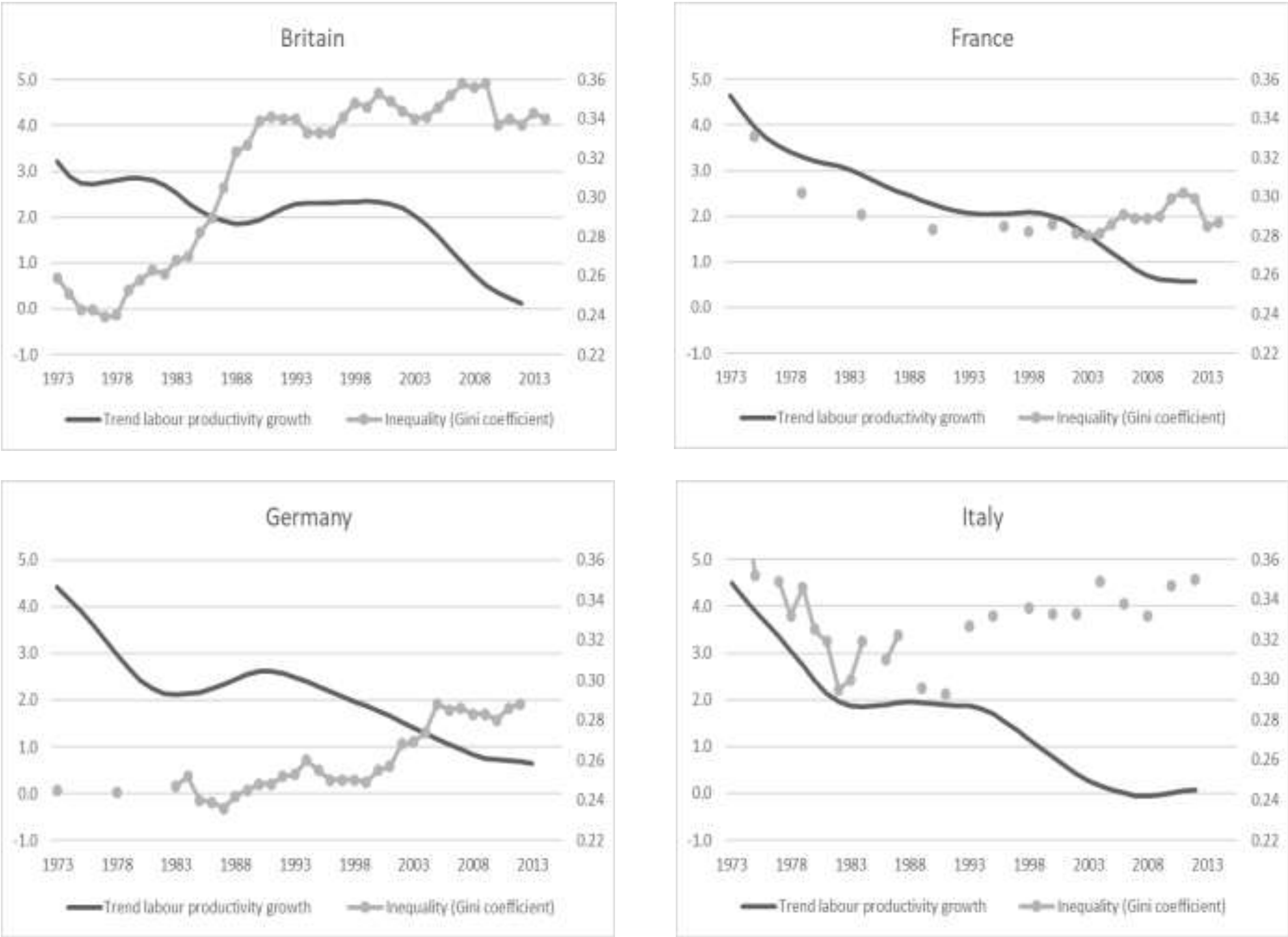


Figure 3: a British rank ordering of sectors by spillover potential



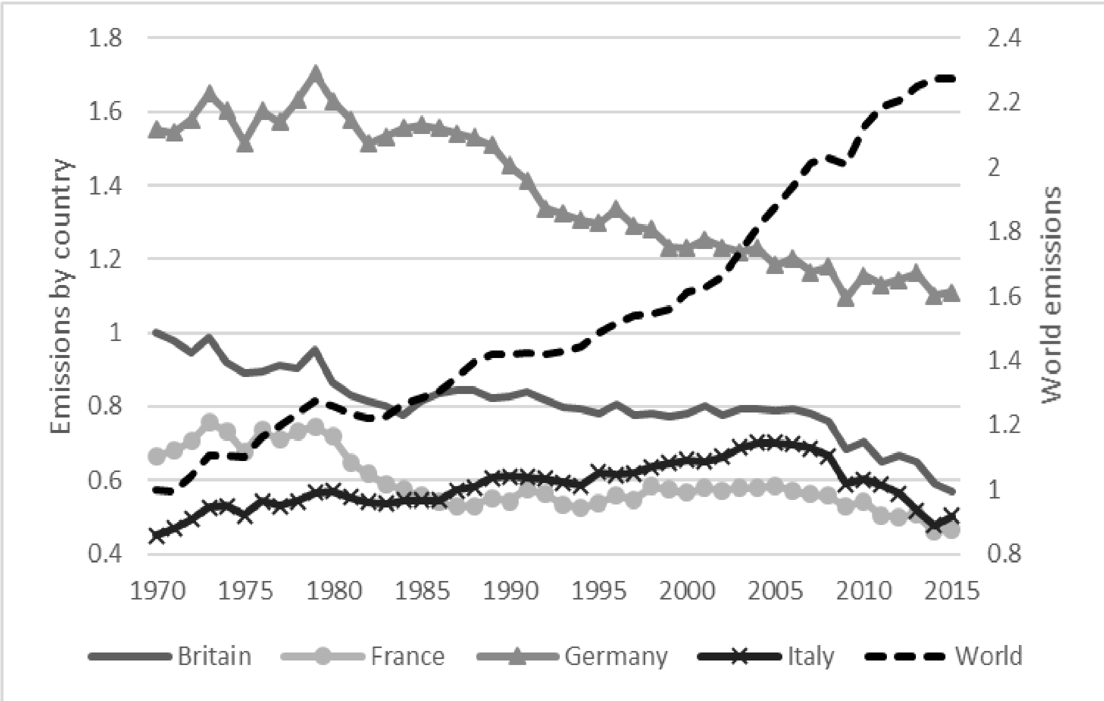

Source: based on HMG (2012: 28)

Figure 4: labour productivity growth trends and income inequalities




Data Sources: OECD Productivity Statistics Database 2016;
The Chartbook of Economic Inequality Database 2016

Figure 5: $CO_2$ emissions – European comparisons with the world




Data Source: European Commission Emissions Database for Global Atmospheric Research 2016