Abstract Since the global economic and financial crisis, industrial policy has enjoyed a stunning revival. In the face of the structural imbalances in the European Union, different sides have proposed industrial policy as a way to overcome the crisis and to reduce unequal development. Left forces elaborated concepts of ‘progressive’ industrial policy, mainly with a post-Keynesian orientation. However, does this orientation make industrial policy genuinely progressive? After introducing the key rationales and proposals, this paper makes three specific contributions to the lively current debate on progressive industrial policy: (1) adding the dimension of politics, power relations and hegemony to the discussion of progressive industrial policy; (2) starting the process of substantiating buzzwords of the current debate, such as ecological sustainability, labour and democratic participation, and gender-sensitivity and (3) taking into account the question of core-periphery relations within the EU and what can be learned from debates on the Global South. We conclude that progressive industrial policy may constitute a remedy for Europe, but that the development of a genuinely progressive industrial policy on a regional scale faces multiple difficulties. In many respects, the national and sub-regional level still seems to leave more room for manoeuvre than on the EU level.

Keywords progressive industrial policy, Euro crisis, uneven European development, Collective Self-Reliance, social-ecological transformation

1. The resurgence of industrial policy

Industrial policy has experienced a stunning resurgence in public debate over the past 10 years (Warwick 2013, Rodrik 2008, Plank/Staritz 2013), and
was promoted to the top of the EU agenda (European Commission 2014a, 2017a, Ambroziak 2017). Industrial policy played a pivotal role in post-war economic and development policy and has continued to do so, albeit less visibly, and with a different focus, in most countries of the Global North and in the so-called Newly Industrialized Countries in the Global South. However, with the rise of neoliberalism, industrial policy was vigorously ostracised from public discourse in most countries of the Global North, and effectively banned in many parts of the Global South under structural adjustment and Washington Consensus policies. From the neoliberal perspective, industrial policy became synonymous with discretionary, proactive, interventionist, partly even ‘proto-socialist’ economic policy, which ‘distorts’ efficient and self-regulating market allocation, making it highly prone to ‘government failure’ (Stiglitz et al. 2013: 6).

Probably the most important reason for the remarkable resurgence of industrial policy is the experience of the economic crisis (Warwick 2013: 10f.): Overall, highly financialised economies were hit harder by the crisis than economies with a strong industrial base (Becker/Jäger 2010, Rehfeld/Dankbaar 2015: 496). Whereas in the EU in the 2000s, for instance, the real estate and financialisation-based ‘Spanish Model’ with its high growth rates (López Hernández/Rodriguez 2010) had been considered as a role model, as opposed to Germany, reckoned to be the ‘sick man of Europe’ in the 1990s, the exact opposite perception prevails now. Along these lines, while the desirability of visions such as that of a ‘postindustrial society’ have been increasingly called into question, recent studies re-emphasise long-held, but temporarily ousted, arguments that the industrial sector is both more innovative and provides on average higher wages than in the often-precarious service sectors (Rehfeld/Dankbaar 2015: 497). Moreover, in light of the search for a new capitalist development model, the industrial sector is perceived as a potential source for growth and employment in face of widespread economic stagnation (Warwick 2013: 7), prompting the European Commission to actively aim at increasing the industrial sector’s share of GDP in the EU from 15 to 20%. At the same time, growing world market competition from China and other emerging economies has led to a rethinking of the significance of retaining industrial capacities in the European core economies (Warwick 2013: 7). Finally, yet importantly, the industrial policy has resurfaced as a transition policy towards sustain-
ability, such as in the German ‘Energiewende’ strategy (i.e. the ‘turn’ towards renewable energies) (Rehfeld/Dankbaar 2015: 494).

Against this background, a great number of works have been published on the revival of industrial policy. In some of them, a call for ‘progressive’ industrial policy has been put forward and actively supported by various left-wing organisations and think tanks. A particular concern for these contributions are industrial policy strategies that aim to overcome economic asymmetries and uneven development in Europe. However, this call for progressive industrial policy may at the same time be surprising, as industrial policy has been met with various reservations by the Left. For one thing, industrial policy has been considered unfit to address the ecological crisis, as this would require not ‘more’, but ‘less’ industry (Thie 2013). It has also been doubted that industrial policy could – in the current context of rapid technological innovation and digitalisation – still contribute to significantly increase full-time employment opportunities in the manufacturing sector. Moreover, from a feminist perspective, industrial policy might be associated with the goal of maintaining and expanding Fordist-type, male-breadwinner employment relations in the industrial sector while disregarding female workers in the service and care sector.

Yet, in our view, these reservations tend to misinterpret the scope and function of industrial policy and the manufacturing sector as such. Indeed, industrial policy is not synonymous with (re-)industrialisation, i.e. an expansion of the manufacturing sector per se. Rather, it refers to policies intentionally aiming to promote structural change in the manufacturing sector. Instead of obstructing strategies to address the ecological crisis, an industrial policy which promotes a profound structural change of the manufacturing sector is indispensable for any meaningful social-ecological transformation that seriously tackles currently unsustainable forms of production. Secondly, any progressive policy which aims at expanding and improving public social infrastructure (such as in the health and care sector and also in the area of public transport) needs to channel resources from other sectors into these areas. As a result, if an industrial policy is gender-sensitive (see below), upgrading social and care service on the one hand and fostering industrial development on the other hand are not mutually exclusive, but rather support each other. Most importantly, however, industrial policy arguably provides the crucial instruments to overcome import
dependencies, which lie at the heart of both global inequality and the prevailing economic asymmetries between core and periphery in Europe.

Thus, the emerging debate on ‘progressive industrial policy’ in Europe is highly important. However, our impression is that the notion ‘progressive’ has generally been poorly defined. As a result, a range of different approaches use the tag ‘progressive’. Therefore, this paper addresses the question: What makes industrial policy actually progressive? After introducing the key rationales and proposals in the lively current debate on progressive industrial policy, we attempt to make three specific contributions: (1) adding the dimension of politics, power relations and hegemony to the discussion of progressive industrial policy (section 3); (2) starting to fill out buzzwords in the current debate, including terms such as ecological sustainability, labour and democratic participation and gender-sensitivity with content (section 4); and (3) taking into account the question of core-periphery relations within the EU and what can be learned from debates on the Global South, for example, regarding strategic protectionism and peripheral cooperation (section 5). Thereby, we also problematise the trade-offs which might arise out of (possibly) conflicting objectives, particularly between job creation through industrial growth vs. social-ecological transformation, as well as between reducing dependencies in core-periphery relations on the one hand vs. technological catch-up on the other.

A necessarily brief remark on the definition of industrial policy: despite a variety of very broad understandings of industrial policy which are particularly prevalent in the Global North and define virtually any intentional, targeted economic policy as industrial policy, it seems more instructive to use a narrower definition of industrial policy here. This understanding is more common in the Global South and restricts the term to policies predominantly and intentionally aiming to promote structural change in the manufacturing sector.

2. What is progressive industrial policy in Europe?

The current debate on progressive industrial policy in Europe is shaped, on the one hand, by proposals from trade union organisations, particularly by proposals from the European Trade Union Confederation on industrial
policy (ETUC 2015, 2017) and the German Trade Union Confederation’s call for a “Marshall Plan for Europe” (DGB 2012). On the other hand, various publications by other left-wing organisations and think tanks, such as the Rosa Luxemburg Foundation, Euromemo or transform! have been explicitly calling for “alternative” (transform!europe 2015), “left” (Gauthier/Benatouil 2014, see also Ramírez/Benatouil 2014) or “progressive” industrial policy (Pianta et al. 2016; Rosa Luxemburg Foundation 2017) for the European Union. In these interventions and proposals, industrial policy is generally considered – if understood, designed and implemented in a progressive way – as a powerful and promising economic policy alternative to the dominant austerity-driven crisis management, capable of rebalancing the prevailing imbalances within the EU and the Eurozone as well as of reducing the weight of the financial sector vis-à-vis the so called real economy (ETUC 2017: 3, Benatouil 2017: 23).

An EU-wide investment plan, financed by institutions such as the European Investment Bank (EIB) and the EU Structural Funds, forms the cornerstone of a progressive industrial policy agenda in many proposals (Gauthier/Benatouil 2014: 5f.; transform!europe 2015). So far, these proposals do not significantly go beyond the already existing Juncker Plan and the EU Commission’s proposals, only insofar as they call for the allocation of more resources to the industrialisation programme, lower interest rates for long-term investment and/or a better coordination with national programmes (Troost 2017, DGB 2012).

A more significant point of departure from the existing European investment strategy is, first, the call for investment in ‘green’ production, which figures prominently in the current debate on progressive industrial policy. This includes investment in energy-efficiency and renewable energies (particularly transmission and distribution networks) (DGB 2012), as well as the “setting up of a European value chain for e-mobility” to promote European industrial leadership and European champions in these (and other) sectors (ETUC 2017: 4, see also Diem25 n.d.: 9), and even calls for a re-localisation of production (Benatouil 2017: 22).

Secondly, many proposals advocate a European investment strategy with the explicit goal of reducing imbalances between different regions and countries in Europe, i.e. “to strengthen productivity growth through strategic industrial policies in the countries of the EU periphery” in an attempt
to “rebuild productive capacity and to improve the competitiveness of the deficit countries” (Euromemo 2017: 13). Although not explicitly spelled out in most proposals, this would require the fostering of new industrial capacities, the diversification of production, and the establishment of inter-sectoral and inter-industrial linkages, particularly in the de-industrialised Southern European periphery (cf. Whitfield et al. 2015: 5).

Thirdly, many proposals point to the crucial role played by labour in industrial policy. This does not only include an emphasis on the significance of pay rises as a demand factor in industrial policy or calls for a stricter protection of the EU Single Market against so-called dumping methods (ETUC 2017). It also refers to job preservation and workers’ participation in the transition towards ‘green’ production and digitalisation (ETUC 2017: 3, see also ETUC 2011, Benatouil 2017: 22). These proposals call for the combination of workers’ participation with a ‘democratic’ industrial policy, i.e. an industrial policy where strategic decisions are made based on “democratic consulting” (Benatouil 2017: 21).

In the context of this ongoing debate, the most comprehensive and detailed proposal so far for progressive industrial policy in Europe was put forward by Pianta et al. (2016) in their study *What is to be produced – The Making of a New Industrial Policy for Europe* for the Rosa Luxemburg Foundation. Pianta et al. (2016: 25ff.) present a decalogue for progressive industrial policy, which encompasses: 1) static efficiency (optimal use of the available resources); 2) dynamic efficiency (establishment of new sectors with the favoured growth potential); 3) democracy and power diffusion; 4) the design of appropriate technologies; 5) restriction of the role of the financial sector; 6) disarmament; 7) support of employment; 8) improvement of ecological sustainability; 9) fair distribution of the benefits; and 10) balancing unequal regional development in Europe.

The underlying policy rationale is to increase demand and to advance structural change of economy and society in order to achieve the ecological transition, to reach a balance between public and private activities, and to foster European cohesion. Pianta et al. propose that activities in the fields of environment and energy, knowledge and information and computer technologies (ICTs), as well as in health and welfare, should be prioritised. For this purpose, they suggest traditional tools of industrial policy, mainly based on strong state activity. Publicly owned or controlled enterprises and
organisations play a key role, while state institutions fund the industrial policy projects. Along these lines, public R&D complements the public support of dynamic firms as well as public procurement programmes, and the creation of an appropriate institutional context is pivotal (Pianta et al. 2016: 28ff.).

Many of these suggestions are very valuable. Still, we think that the presented proposals and concepts have weaknesses regarding three main points: 1) They neglect questions of hegemony and balance of forces which shape and sustain industrial policies; 2) the role of labour, as well as the exact scope and processes of social-ecological transformation and democratic inclusion are not defined – gender sensitivity in particular is hardly ever mentioned; and, lastly, 3) the question of how to treat (unequal) world and regional market integration and the inner-European dependency relations (selective delinking? peripheral cooperation?) is either omitted or inadequately accounted for. In the remaining article, we will discuss each of these points in detail.

3. Social relations of forces and hegemony – The politics of industrial policy

Probably one of the most decisive deficits in the current debate on progressive industrial policy is the lack of sensitivity to the politics of industrial policy. For instance, while Pianta et al. (2016: 25) critically discuss “opaque connections between economic and political power” which reduce “democratic spaces”, and point to the importance of the balance of power, they do not specifically address the question of how various fractions of capital (and labour) struggle to assert their respective interests through industrial policy strategies carried out by the state and embedded into relations of hegemony. Thus, many of the proposals advanced in the debate on progressive industrial policy are indeed highly important, but these proposals will remain ultimately ineffective if they are conceived in a vacuum outside of social relations of forces and hegemony, as Whitfield et al. (2015) and Raza et al. (2016) in particular convincingly argued.

As much as industrial policy is a question of economics, it is also a question of politics and specific constellations of class compromise – particu-
larly in the case of progressive industrial policy, which aims at profound structural transformations of the economy and thus necessarily triggers conflicts between social classes and different factions of capital (Raza et al. 2016: 4). As a rule of thumb, “the more targeted the policy is and therefore the easier it is to identify the winners and the losers, the more immediate conflict it is likely to provoke” (Chang/Andreoni 2016: 28). Therefore, for progressive industrial policy to be more than an idealistic ‘wish list’, it has to take into account three pivotal, necessarily rather abstract – because highly variegated across specific contexts – aspects, which comprise the politics of industrial policy.

First, the given production system of an economy (country or region) and its international embeddedness implies (though not entirely determines) a specific configuration of societal interests and capital fractions (Raza et al. 2016). Accordingly, various fractions of capital can be differentiated according to their base of income (industry, finance, trade…) and according to their degree of internationalisation and dependence on foreign capital (Poulantzas 1978[1974], Sablowski 2010a). Through employment relations, the fractionation of capital corresponds with a fractionation of labour. Thus, different economic structures predispose different political alliances, which either endorse or oppose industrial policy in its general or specific forms. For instance, in an economy predominantly based on the extraction and export of natural resources, the economically dominant capital factions will either seek to block industrial policy which changes the economic structure and subsequently diminishes their economic power altogether, or they will push in the direction of an extraction-based industrial policy and industrialisation (such as oil refineries).

Secondly, the state as the driving force is not an independent social institution outside of the broader societal relations of forces but, as Poulantzas famously argued, a specific material “condensation of a relationship of forces between classes and class fractions” (2000[1978]: 132). This core tenet of materialist state theory implies that industrial policy is neither determined by the self-interest of politicians or civil servants, as argued by neoliberal critics of industrial policy, nor by a Weberian rational-legal bureaucratic rule, such as in the Development State literature (Whitfield et al. 2015: 7, Evans 1995). Rather, the state, as the strategic, highly selective terrain for the formulation and implementation of industrial policy,
condenses the relation of forces between various economic and political forces, such as capital fractions, fractions of labour, political parties, civil society actors (social movements, faith-based institutions, media, NGOs), and the state bureaucracy and international organisations and donors (such as the IMF) (Raza et al. 2016: 6).

Based on a materialist state-theoretical approach to industrial policy, two decisive strategic questions arise: first, which alliances between key social actors and stakeholders are both congruent and strong enough to support progressive industrial policy? And, secondly, how can the selectivity of the state be altered so that industrial policy bodies are capable of withstanding and mediating the severe social conflicts which inevitably arise (Chang/Andreoni 2016: 28ff.)? Currently, such a progressive alliance would need to be forged by trade unions, Left parties and NGOs, social movements, and even partially capital in specific branches of industry. However, the notion that the state is a material condensation of a relationship of forces does not imply that industrial policy is merely a reflection of the existing social relations of forces. While these relations set up a corridor for options, progressive industrial policy can be pivotal in successively changing the relations of forces through targeted interventions which, for instance, weaken the basis of accumulation of individual capital fractions and change the overall economic incentive and ownership structure. To this end, at least, specific state apparatuses which carry out these industrial policy interventions need to attain and defend, as Peter Evans (1995) famously argued, “embedded autonomy”. This means that they dispose over in-depth knowledge of industrial sectors and production but are not prone to being captured by specific capital fractions and clientelistic networks, thus forming so called “pockets of efficiency” within the state1.

Lastly and thirdly, however, the effectiveness and success of progressive industrial policy is not just a question of ‘pockets of efficiency’ (although they might be an important entry point) or ‘political settlements’ between ruling elites, as argued by the Political Survival of Ruling Elites approach (Khan 2010). Rather, it is ultimately a question of societal hegemony, i.e. broadly shared norms, values, attitudes and ideas, underpinned by a broad material compromise, which sustains a specific model of economic development2 (Opratko 2014, Raza et al. 2016: 8). Broad societal and ultimately
hegemonic support for industrial policy strategies which aim at far-reaching transformations is, in turn, a crucial precondition for an industrial policy which is coherent with other components of economic policy. The importance of coherence in industrial policy has been particularly stressed in institutionalist approaches, emphasising that industrial policy targets need to be consistent with a variety of other fields, such as education policies, exchange rate policies, monetary policy, trade policies, interest rate policy, infrastructure policies, energy policy, technology policies, financial policies (particularly de-financialisation), as well as policies aiming at care relations and service sectors related to industrial production (Chang/Grabel 2004: 74f.; Cimoli et al. 2008: 10; Pianta et al. 2016: 73). Moreover, redistributive policies need to make sure that industrial policy, mostly supply-side focused, is sustained by an adequate and corresponding development of effective demand (Chang/Andreoni 2016: 25ff.).

On the regional level, such as in the European context, the set of actors becomes even more complex, and power relations shift towards actors who can organise their interests across borders. Bob Jessop (2012: 5f.) argues that social struggles characterise region building. In this process, different groups try to push their preferred strategy in the regional integration project (according to their own interests). This finds expression on the institutional level. Regional integration typically leads to the establishment of a new level of decision making which surpasses the nation states. While intergovernmental bodies are still composed of national government representatives, supranational ones – such as the European Commission – have no direct link to them. The institutional structures of regional integration projects – and specifically the weight of supranational structures and actors in relation to national and intergovernmental bodies and actors – are highly relevant for the relation of forces between different classes and class fractions. For example, a bias towards executive bodies facilitates the exercise of influence through lobby groups, compared to democratically elected representatives. In general terms, the political influence of labour organisations is in an inferior position compared to (export-oriented and financial) capital groups, which seek to promote their favoured accumulation strategy in the region (Becker 2006: 12ff.; 23). The EU represents a particularly advanced expression of these processes of transnationalisation and internationalisation that alter the overall selectivity of the state in favour
of capital (cf. Sandbeck/Schneider 2014). Along these lines, the EU has been theorised as a “second order condensation of societal power relations” (Bieling /Brand 2015: 193), i.e. a supranational layer of condensation shaped by national as well as supra- and transnational forces which rebounds on the first order condensation on the national terrain of EU member states. As a result, policy space for progressive alternatives is severely restricted, not only economically, but also politically and legally, especially in countries of the European periphery (see also section 5).

The implementation of a progressive policy programme in the EU would consequently require the strengthening of labour interests relative to capital interests on the European level. Therefore, trade unions would need to become key players as mediating organisations, because “industrial policy could (…) only be progressive as long as it allows and contributes to labour empowerment” (Durand 2017: 11). Durand (2017: 10) argues – referring to the Global South – that even well-designed progressive industrial policy programmes are prone to fail if labour autonomy is not sufficiently developed, because this is a necessary precondition to pressure the capital side. We argue that this also holds for the European Union. However, a further problem in this context relates to the highly diverse picture of labour organisations, whose relations reflect, inter alia, the centre-periphery relations in Europe. In reference to Schmalz and Dörre (2014), those differences could be analysed according to the diverging institutional, organisational, structural and associative power of particular trade unions in the bigger set of European industrial relations. However, due to the lack of space, we cannot provide such an analysis here. We will therefore focus on the most important basis for the implementation of progressive industrial policy at the EU level: the creation of transnational solidarity.

While successful European transnational solidarity practices have sporadically surged (Bieler 2014), Las Heras (2015, 2018) discusses several problems related to their emergence, of which the “predominance of national and local micro-corporatist interests in opposition to a cross-country solidaristic ‘European identity’” is specifically relevant (Las Heras 2015: 101f.). Particularly in European core countries, such as Germany and Austria, cross-class alliances in the form of corporatist arrangements manage to push so called national interests at the expense of workers’ solidarity along the value chain. As Becker et al. (2015: 92) highlight, there
was, particularly in the wake of the recent global financial and economic crisis, no basis for efficient Europe-wide labour action, for example, against the implementation of austerity measures in Greece. Arguably, progressive industrial policy on a European level would require active productive reconstruction and transformation in the Southern, Eastern and South-Eastern European peripheries in different forms (see for this, Landesmann/Stöllinger 2018). However, such policy reforms, particularly the establishment of sizeable transfer mechanisms, are rather unlikely if those who account for the bulk of tax revenues under current distribution settings, i.e. workers from the core countries, do not support them. Still, we agree with Bieler (2014: 122) who defends a dialectical, not deterministic approach towards transnational solidarity: “Whether different labour movements engage in relations of transnational solidarity is not pre-determined by the structuring conditions of the capitalist social relations of production, but ultimately depends on the outcome of class struggle.” Trade unions could act as drivers and mediators of strategies of industrial conversion, but in order to do so they would need to overcome obstacles to the transnational coordination of their actions, as well as to start to organise effective public campaigns promoting alternatives to austerity (Schmalz/Dörre 2014: 234).

4. Crosscutting issues: ecological sustainability, democratic participation, labour issues, and gender-sensitivity

Several crosscutting issues are at the core of progressive industrial policy: (i) ecological sustainability, (ii) democratic participation, (iii) labour issues and (iv) gender-sensitivity. However, it is far from clear in the current debate what these buzzwords precisely mean.

(i) As mentioned above, one of the reasons for the comeback of industrial policy is the rising awareness that a fundamental structural transformation, particularly of the industrial sector, is required in order to tackle the looming ecological crisis (Rehfeld/Dankbaar 2015: 494). Along these lines, the notion of ‘green’ industrial policy has even made its way into the mainstream debate (see f.i. Rodrik 2014, SGIP 2016). In which way, then, is ecological sustainability a defining principle of progressive industrial policy as opposed to conventional approaches?
In many instances, ‘green’ industrial policy refers to strategies to foster ‘green growth’ and to build a ‘green competitive advantage’, i.e. to establish lead sectors in sustainable technology in world market competition (Rodrik 2014: 473, Europe 2020 (2010): 12). In this sense, ‘green’ industrial policy can be regarded as part of the ‘Green Economy’ debate (Brand/Wissen 2014) that promises “techno-scientific solutions” (Butzko/Hinterberger 2017: 28): electric mobility, agro-fuels and other renewable energy sources are promoted as new promising fields for capital accumulation and economic growth in light of an increasingly stagnant global capitalism. Against this background, the mainstream understanding of ‘green’ industrial policy aims at correcting ‘market failures’ which inhibit the full potential of the ‘Green Economy’, such as R&D externalities, particularly concerning ‘green’ technologies, or the inadequate representation of ‘ecological costs’ in market-generated prices and incentives identified in the neoclassical ecological economics debate (Rodrik 2014: 470f., SGIP 2016: 15f., Lütkenhorst et al. 2014: 10ff., Binder et al. 2001). The entire promise of reconciling growth with sustainability rests, however, on an ultimately flawed ‘fantasy of dematerialisation’, i.e. the assumption that economic growth, particularly in the manufacturing sector, can be decoupled from material resource use. While a relative decoupling through more efficient technology is of course possible and, indeed, desirable, an absolute decoupling is arguably impossible in face of the exponential nature of growth and the ineluctable materiality of production3 as well as so called rebound-effects4 (Jackson 2009).

Considering this inherent impossibility of ‘sustainable growth’, progressive industrial policy must therefore aim at a profound social-ecological transformation (Butzko/Hinterberger 2017), which needs to be more profound and disruptive than a gradual transition into a so-called ‘Green Economy’. As Ulrich Brand (2016) argues, however, the term ‘transformation’ itself is highly blurry and builds the conceptual foundation of a new ‘critical orthodoxy’ which acknowledges the severity of the ecological crisis and the need for comprehensive transformation (see for example IPCC 2014: 3), without, however, adequately taking into account the “structural obstacles to far-reaching transformation processes” such as “the ongoing expansion of the production and consumption of unsustainable commodities” and “a focus on economic growth at almost any cost” (Brand 2016: 3).
In terms of industrial policy, these structural obstacles particularly include the difficulties of restructuring so-called ‘brown’ industries such as the automotive industry, and of disempowering the well-entrenched capital fractions behind them. Along these lines, while some of the instruments discussed under ‘green’ industrial policy are, of course, relevant for progressive industrial policy in order to promote sustainable technologies and associated patterns of industrial production, at least as important for progressive industrial policy are strategies to disrupt existing pathways of industrial production and associated norms of consumption (Lütkenhorst et al. 2014, Sablowski 2010b). These industrial policy interventions need to go hand in hand with complementary structural policies (regarding energy infrastructure, transport systems and settlement patterns). A particular challenge for progressive industrial policy is that such a profound restructuring not only devalues extensive amounts of capital already invested into existing paths of industrial production, but also endangers employment in a variety of sectors and therefore potentially provokes resistance by workers and trade unions. What is crucial, therefore, are comprehensive strategies of industrial conversion (Candeias 2011, Röttger 2011, Blöcker 2014). These need to include social compensation for workers, programmes of retraining and redeployment, welfare state and unemployment benefits, as well as an improvement of qualitative components of living standard, such as work time reduction, biographical security and less alienating forms of work (Chang/Andreoni 2016: 32).

(ii) The call for ‘democratic’ industrial policy in the debate on progressive industrial policy is at least as vague as the call for an ecological dimension. Indeed, Pianta et al. (2016: 25) argue in favour of “the use of public action for opening up new spaces for democratic practices in the deliberation of common priorities, decision making processes and in action aimed at reshaping economic activities”. Furthermore, they state that “democratic participation, representation and power diffusion” should become basic principles for the governance of institutions responsible for industrial policy, as well as for the elaboration and implementation of such a policy. However, they do not specify further which shape this could take. In this regard, the emerging discussion about progressive industrial policy could benefit from the rich debates about economic democracy (Demirović 2007, Vilmar/Sattler 1978). While Holcombe (2011: 3)
argues that industrial policy favours capital interests whereas economic democracy has a bias towards the working class, we do not necessarily see these as opposites. However, progressive industrial policy would not only have to promote economic democracy at company level, for instance by making targeted support for specific industries conditional upon the introduction and expansion of micro-level democratic elements, such as co- and workers’ self-determination (Hirschel/Schulten 2011). For industrial policy to be truly democratic, the meso-economic design of industrial policy itself would have to be designed democratically. This would, of course, require a complex process of priority determination, as was, for instance, already envisioned and discussed in depth in the debate on democratic investment planning and investment control in the 1970s (Zinn 1976).

(iii) In recent years, trade unions and other labour organisations have increasingly emphasised the potential of industrial policy to create jobs and to foster favourable working conditions (AK/ÖGB 2015; ETUC 2015; ITUC 2016; Nübler 2011). Considering that the labour movement has its roots in different branches of industrial production, and that, in many European countries, trade unions are still anchored there, this is not astonishing (Schmalz/Dörre 2014: 218). However, the neoliberal tide, as well as the decline of employees in manufacturing due to technological progress and offshoring, have weakened their influence in Europe (Frege/Kelly 2008: 181; Nachtwey 2017). Curiously, trade unions have shown signs of revitalisation in the wake of the recent economic and financial crisis (see, for example, Schmalz/Dörre 2014). Due to this recent recovery and their strong presence in different industry branches, they are in a suitable position to influence industrial policy elaboration and implementation according to labour interests. In addition, other labour organisations, such as the International Labour Organisation (ILO), are engaged in the topic. In a report for ILO, Nübler (2011: 20ff.) criticised that the role of employment was barely discussed in conceptions of industrial policy. Furthermore, Nübler pointed to empirical research, which concluded that labour market institutions – such as trade unions – played an important role in the creation of sound working conditions. Along similar lines, a position paper of the Austrian Chamber of Labour and the Austrian Trade Union Confederation (2015: 7) claimed that industrial policy should contribute to
the overriding goal of high-quality and well-paid jobs based on a sustainable mode of production.

In this context, one major goal of progressive industrial policy needs to be the preservation or creation of jobs. However, even an ambitious progressive industrial policy would nowadays not be able to provide full time jobs for all unemployed and underemployed people in Europe. Moreover, considering ecological constraints, progressive industrial policy would need to carefully select the branches of industry in which it strives for the promotion of employment opportunities through industrial growth. At the same time, it would need to determine others which should fade out of production (congruent with the objective of social-ecological transformation). Clearly, this is where labour and ecological issues potentially collide. Therefore, we need trade unions as mediating actors, which ensure that workers are not left behind. In this respect, it would be reasonable to include the goal of worktime reduction in manufacturing (as well as in the economy as a whole) in the debate on progressive industrial policy.

Furthermore, progressive industrial policy should aspire to the improvement of working conditions. However, research showed that different forms of economic upgrading, to which industrial policy often aims, do not automatically imply social upgrading for the workers (Barrientos 2011: 323f.). This accounts for other industrial policy measures, too. In our view, the promotion of public ownership of the means of production – besides the support of cooperatives – as suggested by Pianta et al. (2016: 31f.; 79f.), is crucial in this context. More specifically, and going beyond Pianta et al., we argue that the public ownership or control of companies in key sectors facilitates benchmark-setting processes concerning high labour standards. Moreover, the accomplishment of best practice guidelines concerning working conditions should become a precondition for the eligibility for support through industrial policy programmes. However, public ownership also becomes very relevant when we talk about the distribution of the benefits of industrial policy. As Pianta et al. (2016: 79f.) argue, a big share of public ownership prevents the general public from financing structural change while the profits remain in just a few hands.

(iv) Finally, yet importantly, if we ask who benefits from industrial policy, it is crucial to introduce a gender dimension to our analysis. Macro and meso-economic policies are often perceived as being ‘gender-neutral’.
This also accounts for industrial policy, the most prominent advocates of which (Chang 2013, Cimoli et al. 2008, Rodrik 2008; 2014, Stiglitz et al. 2013) do not discuss gender relations in manufacturing. Likewise, the current debate in the European Left on progressive industrial policy does not dedicate much attention to this topic. However, for the design of progressive industrial policy, it is important to bear in mind that industrial policy measures affect women and men differently, due to a variety of reasons. The most obvious reason lies in the distribution of the male and female labour force in the European Union across sectors. In 2015, according to the International Labour Organization (2017), 77% of employees in manufacturing were male. This share has barely changed since 2000, when it was 75%. However, the share of female entrepreneurs in manufacturing reached in 2012 only 20%, as reported by the European Commission (2014b: 96). Thus, positive and negative effects of strategic industrial policy directly affect far more men than women. Furthermore, the membership composition of industrial trade unions, which still tend to be mainly comprised of male, white, full time workers (Bieler 2014: 123), could exacerbate the inclusion of the gender dimension in industrial policy formulation.

However, exclusively setting the aim of increasing the female share of employees in manufacturing provides no solution on its own. This is due to the processes of devaluation – expressed, *inter alia*, in decreasing wages and prestige – which researchers have discovered to set in when industries feminise (Aulenbacher 2010: 150). Furthermore, technological conditions of production are drivers of (de-)feminisation (Tejani and Milberg 2016: 31ff.; 45f.). For instance, technological upgrading within labour-intensive industries – that is, the technical rationalisation of the production process – was in most countries around the world the driver of defeminisation in manufacturing (Kucera/Tejani 2014: 570; 578f.). Apparently, employers preferred male workers for technologically more sophisticated jobs. Tejani and Milberg (2016: 45f.) assume this is due to gender norms, which designate men as being more apt for such jobs. However, they add that women might also lack on-the-job training and/or the necessary skills (partially due to pre-market discrimination in education). In Europe, these findings deserve special attention in regard to increasing digitalisation and the evolution of Industry 4.0.
In the light of those findings, the call for ‘gender-sensitive’ industrial policy has intensified (ITUC 2016: 2; Seguino et al. 2010: 15; UNIDO 2015: 6). Nevertheless, concrete suggestions appear rather disappointing considering the current state of research. Seguino et al. (2010: 15) suggest the stimulation of productivity growth in female-dominated industries, the promotion of strategic industries, which can provide good wage opportunities for male and female workers, and the encouragement of full employment through demand-side management policies. We argue, however, that those initiatives are not sufficient in view of the dynamics described above. Additional measures could prescribe that firms or branches only qualify for support through industrial policy under certain circumstances (as it is the case with ecological standards). Such criteria could encompass a low/decreasing gender wage gap on the firm or industry level, a trend to feminisation or – at least – a stable share of female workers on the branch level, the requirement of a specific share of women in leading positions on the firm level, the provision of childcare facilities in the firm, and so on.

However, several obstacles complicate the implementation of such measures. For example, it is striking that it is usually easier for transnational corporations to comply with such requirements due to their size and available budget than for small and medium enterprises. Moreover, the enforcement of feminisation would lead to the displacement of male workers in the context of a stagnating or shrinking manufacturing sector, which would further undermine the emergence of workers’ solidarity. Arguably, progressive industrial policy should not aggravate conflicts between different groups of workers. Therefore, such policy would require the call for wage equality across sectors so that non-manufacturing jobs become more attractive. Furthermore, it would be crucial to coordinate (gender-sensitive) industrial policy with other policies in the framework of a broader development strategy, which also considers the reproductive sphere, particularly, the care economy.
5. World and regional market integration

While all cross-cutting issues have in common the fact that they are undertheorised and highly-controversial, an arguably even larger blind spot concerns the analysis of core-periphery dependency relations inside Europe and strategies to reduce and eventually overcome them. While the industrial policy literature has frequently problematised the subordinated integration of peripheral regions of the Global South into the capitalist world market along industrial value chains (e.g. Barrientos et al., Gereffi and Rossi 2011; Chang/Andreoni 2016: 42ff.), this has rarely been the case for the European Union. Interestingly, also in left-wing publications, the current debate does not mainly revolve around the highly delicate question of appropriate degrees of the regional and international insertion of the European periphery. Progressive approaches to industrial policy, such as Pianta et al. (2016), do indeed problematise the divergence between centre and periphery in the EU, and advocate EU Structural Funds and cohesion policy. However, they do not challenge as such the integration process of peripheral European economies into the orbit of the dominant production systems of core countries (particularly Germany and, to a lesser extent, France).

Becker et al. (2015: 85ff.) problematise this integration process and point to three major phases of de-industrialisation for the Southern European periphery: First, the establishment of the European Single Market in 1993 intensified the asymmetric relations in the European Union. On the one hand, the subordinate integration of the Southern periphery into the European division of labour reduced the economic links between the peripheral economies and has since increasingly led to an economic orientation towards the core. On the other, the liberalisation of cross-border movement of goods, services, workforce and capital in the EU eroded the weaker industrial production systems, particularly in the Southern Periphery (see also Schneider 2017: 27ff.; Secchi 1982). Moreover, the introduction of the Single Market simultaneously restricted the room for manoeuvre for industrial policy, especially via EU competition policy (Buch-Hansen/Wigger 2011; Landesmann/Stöllinger 2018: 27-28). This led to a partial deindustrialisation of those countries (Becker et al. 2015: 87). In a second stage, the introduction of the Euro brought devastating effects
for the Southern periphery. The common currency deprived them of the option to use monetary policy (devaluation) to increase their competitiveness, which led to a further decline of industrial capacities. The third phase started with the economic and financial crisis, which significantly decreased industrial production in these countries even further. Compared to the pre-crisis level (2007), industrial production had only reached 77.7% in Spain, 78.1% in Greece and 83.8% in Portugal by 2017 (Sablowski et al. 2018). This asymmetric economic integration has deeply transformed the class relations in the core as well as in the periphery. While it strengthened export-oriented capital fractions in the core countries and – through corporatist arrangements – also labour in these sectors, Otto Holman (1996) has shown that this process was supported and actively pursued by transnationally oriented fractions of capital in the peripheries, especially those of finance capital. Through FDI, fractions of labour in the periphery have also benefitted from European economic integration, even though regional integration has in general led to an erosion of industrial production capacities in these countries.

Our following arguments, for several reasons, focus specifically on the Southern European periphery. First, they are the longest members of all peripheral EU countries. Second, they have no socialist legacy like the Central and Eastern European Countries (CEE), which included a specific type of industrial development during socialism and a peculiar transition to capitalism. Lastly, the problems connected to deindustrialisation are currently most pressing in the South of Europe: Simonazzi et al. (2013) and Landesmann and Stöllinger (2018: 19-23) show that, while the Viségrad countries in particular constitute the lower tiers of supply chains stretching to the production systems of the core countries (especially Germany), the Southern periphery is increasingly marginalised within European economic relations. Hence, how can progressive industrial policy contribute to change the peripheral status of Southern European countries?

Considering the current situation, we identify two potential ways to overcome the imbalances on the European level in a progressive way. The first one would be a comprehensive European solution in the form of a transfer union. Several post-Keynesian scholars and activists have already raised this proposal (see section 1 of this paper). The support of
the Southern periphery would consist of significant transfer payments to support structural change of their economies towards partial re-industrialisation. Strategic industrial policy would represent a key element of such a proposal. Crucially, this approach does not question the integration of peripheral economies into the Single Market and the world market as such, and, consequently, does not consider partial delinking from the core countries as a viable option, especially for smaller economies. In our view, there are two major problems associated with this. First, such a proposal would need the decisive support of the core countries (of capital and labour alike) to set up a transfer union. Currently, we see no indications that this is or will be the case, even in the long term (Schneider/Syrovatka 2017). Secondly, the prevailing dependency relations not only damaged the formerly existing industrial capacities in the past; they will also constrain future re-industrialisation strategies (Becker et al. 2015: 92), especially as industries are usually not competitive in the beginning, and need protection until they blossom (Chang/Andreoni 2016: 15). The European Single Market, however, impedes such strategic protectionism. Furthermore, the common currency restricts the room for manoeuvre of the periphery. Under such conditions, the countries of the Southern peripheries would find it at the very least difficult to develop new industries, even if transfer payments were significantly increased.

Bearing this in mind, we think it is crucial to dedicate more attention to the question of protectionism from a left perspective in order to formulate more far-reaching strategies (for the differences between left-wing and right-wing protectionism see Komlosy 2017). While the spread of neoliberalism discredited the use of trade barriers as a policy tool (around the world), right-wing forces in the United States and in the European Union have recently come back to the issue. In May 2017, the newly elected French president Macron introduced the topic of smart protectionism in public discourse (essentially directed against the growing Chinese influence in Europe; Chassany 2017). The Left, by contrast, has so far hesitated to start a discussion about the advantages and disadvantages of protectionist measures in Europe. In our view, however, this is indispensable. It would constitute a way of fundamentally reversing the central lines of the current debate on a ‘multi-speed’ Europe, which foresees that core and peripheries develop the European integration project at different paces.
While the integration model of a ‘multi-speed’ Europe currently discussed cannot represent a progressive alternative, it is already an informal reality in economic and political terms. Consequently, the crucial question is whether the ‘multi-speed’ concept can be converted into a progressive proposal by framing it in a new way. If the call for ‘multi-speed’ integration were to recognise the diverging levels of economic development in the European Union and allow the peripheries to ‘curb the pace’ of integration in order to protect their economies in strategic sectors, it could reduce the asymmetric relations and, thereby, mitigate the current crisis. Drawing on the language of the prominent concept of ‘pockets of efficiency’, this could take the form of ‘pockets of protectionism’ for peripheral economies within the Single European Market. However, this option would require a change in EU legislation – specifically regarding the rules of the Single Market – and, therefore, the support of the core countries.

The second proposal would therefore require us to go into a more radical direction, because it seeks to reduce dependency relations through different degrees of delinking from the core countries, accompanied by the reinforcement of links between the peripheral countries – for instance, among Southern European economies where progressive forces are currently significantly stronger than in the European core economies. Crucially, this proposal does not advocate a return to the nation-states and national development strategies. Rather, it advocates a different form of regional integration that aspires at overcoming dependency by creating new solidary relations of cooperation among the peripheral economies. Such an approach could be developed based on the controversial and wide-ranging debate concerning the relation between (semi-)decoupling from core countries or (sub)regions and industrial development, which took place during the 1960s and 1970s between different protagonists of the developing countries. Notwithstanding its various highly diverging positions, the debate converged on the overarching agreement that the attainment of a certain amount of independence from the core countries was necessary to overcome destructive dependency relations.

The key objective of their reflections at this time was to reach ‘self-reliant development’ on the national level, i.e. a development without reliance on other countries for basic needs goods, as well as ‘Collective Self-Reliance’ on the regional and interregional level. Representatives of
the Non-Aligned Movement (NAM 1976), Yugoslavian researchers and policy makers, as well as some scholars of the Latin American ‘dependency school’ and of the World System Theory referred to this concept. The first two groups sought to increase their country’s or region’s autonomy towards the core through the establishment of more intense relations with other countries at the same development level. This included, for instance, the advocacy of strategic protectionist measures, the implementation of common industrial policy measures, and the proposal to establish joint enterprises and technical cooperation. However, representatives of the second group (particularly from the dependency approach) such as Samir Amin, Johan Galtung and Dieter Senghaas, who were also in favour of South-South Cooperation, emphasised that only delinking from the world market (respectively, the core countries) would permit self-reliant development for peripheral countries (Amin 1981: 535; Fischer 2016; Galtung 1983: 47ff.; Kahn 1978: 23ff.).

While the persecution of ‘self-reliant development’ in terms of comprehensive delinking does not seem a viable strategy for any smaller peripheral country in the current stage of globalisation due to globalised or regionalised production structures (be it in Europe or outside), we think that the idea of a closer cooperation among the peripheral states merits some more attention. While regional or Collective Self-Reliance (CSR) has overwhelmingly remained a theoretical concept, establishing such links among peripheries in order to complement the relations with the core countries could be of crucial importance for European peripheries. In economic terms, a partial reconstruction of industrial capacities in the Southern European sub-region, supported through strategic protectionist measures, could become the goal. In political terms, a multi-vector orientation could allow for the maintenance of more flexible relations with different countries, also outside the EU.

This approach has several advantages over the current dynamics dominating EU integration. A partial re-regionalisation of production would perfectly harmonise with the goal of social-ecological transformation, because it shortens transportation routes (although it is also less efficient than using economies of scale). Successful productive reconstruction would also reduce the European peripheries’ vulnerability in global crises. Regional (or in Europe sub-regional) cooperation in the framework
of CSR could create a balance between diversification on the national level and the regionalisation of industrial capacities, which cannot be economically organised on a national scale (Becker et al. 2015: 91; 93). In Latin America, the regional integration projects of the Bolivarian Alliance for the Peoples of Our America (ALBA-TCP 2009) sought – without much success, however – to establish such production capacities based on the creation of new regional value chains (Eder 2016).

To be sure, CSR-inspired cooperation projects, which are composed exclusively of less developed countries, face many problems in practice which do not exist in other cases, such as the lack of technological capacities and financial limitations (Eder 2016: 106ff.). From this perspective, the integration with a dominant economy bears several advantages: it allows for technology transfer, support in the construction of industrial capacities, the coordination of research and development activities, and so on. This is also why we defend strategic protectionism instead of complete delinking. However, this would require that the dominant economy supports the less developed economies in setting up proper industrial production without concomitantly integrating them into the lower ranks of existing value chains to its own benefit. Arguably, this would necessitate labour mobilisation or at least the support of labour institutions from core countries for such a project (e.g. in the form of a solitary transfer union instead of currently dominant neo-mercantilist orientations in the core). At the same time, at least parts of the dominant capital fractions would need to support such a strategy. In practice, this would require building a new capital-labour-consensus to reach a more balanced development in Europe, which to us seems rather unlikely under current power relations.

However, as argued in section 2, the prevailing relations of forces and selectivities on the EU level foreclose such an option in the short and medium term. Moreover, if the peripheral economies are not allowed to protect themselves and to at least partially erect trade barriers for goods produced in stronger economies, catch-up development is rather unlikely (Becker et al. 2015: 93). Considering these severe problems, and recalling what we have discussed in chapter 2, it would arguably be easier to create progressive alliances on the national scale than on the supranational level to implement inter alia a progressive industrial policy. To be sure, such an
alliance would face severe resistance from transnationally oriented capital and potentially even fractions of labour in the periphery which have so far mostly benefitted from transnationalisation. Its success would therefore crucially depend on the support from the labour movement in the core. Nonetheless, by promoting the strategic use of FDI inflows and strategic protectionist measures for infant industry development, such an alliance on the national and – following the CSR approach – on the sub-regional level, could be the basis for a progressive industrial policy strategy which is ultimately more viable then the presently dominant call for progressive industrial policy on an EU-wide scale.

6. Concluding remarks

In this paper, we argued that industrial policy must address three key issues in order to be progressive. First, the successful formulation and implementation of an industrial policy programme not only requires an understanding of given economic structures. It also needs to focus on the question of which relations of forces between various class fractions correspond with specific economic models, how they express themselves in terms of hegemony as well as within the state, and how they can be shifted while at the same time forged into a compromise between diverging interests. In this regard, progressive industrial policy is not merely reformist but transformative. Second, progressive industrial policy should not (solely) be restricted to economic growth, but should consider questions of distribution, as well as crosscutting issues such as gender-sensitivity, social-ecological transformation and democratic participation. Lastly, and presumably most controversially, progressive industrial policy transcends the goal of deeper transnational market integration by means of the elimination of trade barriers and the fixation on regional and/or international competitiveness. It challenges the existing hierarchical division of labour by allowing the reconstruction of specific key sectors through strategic protectionism and selective dissociation from the core countries. This could be part of a progressive ‘multi-speed’ Europe, which concedes ‘pockets of protectionism’ to the peripheral economies.
The recent proposals by the European Union point into a very different direction (Wigger 2018). Instead of financing an industrial policy strategy to reduce economic imbalances and social inequality in Europe, the European parliament and the Council of the European Union released a “proposal for a regulation on establishing the European Defence Industrial Development Programme” (EDIDP) in June 2017 (European Commission 2017b). This relates to the “capability window” of the European Defence Fund, the launch of which the Commission announced in the same communication. All proposals are part of the European Defence Action Plan, a political project to revitalise the European integration process along new geopolitical ambitions to counteract looming disintegration tendencies in the EU. The EDIDP officially aims at increasing “competitiveness and innovative capacity of the EU defence industry, including cyber defence” (European Parliament 2017). While it does not fund the actual production of weapons and other military equipment, it heavily supports research and development in this area with a budget of 500 million to (up to) one billion Euro per year (European Commission 2017b: 6; European Parliament 2017).

In conclusion, the current debate on progressive industrial policy strategies in Europe is of crucial importance, but their prospects for implementation in the short and medium term are dire. However, in order to move beyond crucial, but merely defensive, struggles against industrial policy as an instrument to increasingly militarise the EU, it is pivotal to continue to develop and refine progressive concepts for industrial development (see also Wigger 2018: 11-13). To forge political alliance for their implementation will presumably be, as we have argued, easier inside individual nation states and on the sub-regional level, especially in light of the current influence of powerful capital groups on, and the specific selectivity of the EU level. In those alliances, the Left needs to spur the struggle for a more profound transformation of the production system along the lines outlined above. Difficult as this will be, such an alliance would be not only a desirable, but also a feasible strategy in the medium term to promote a progressive, social-ecological productive reconstruction which effectively challenges the looming rift between core and periphery in Europe.
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1 This is particularly crucial in the public banking sector. The Brazilian Development bank is commonly referred to as a prototypical example of such a ‘pocket of efficiency’ in the public banking sector (Evan 1995: 61).

2 For instance, a social-ecological conversion of the German automotive industry would be impossible without also challenging automobility on the level of everyday practices and symbolic meanings (such as the car as a symbol of status and freedom).

3 For instance, the electric car is often heralded as a sustainable alternative to the present form of mobility. Yet, while the energy used by electric cars might come from renewable sources, the finitude of resources necessary to build these cars, especially its batteries, make it impossible to envision a ‘sustainable’, i.e. resource neutral, growth of the electric car market.

4 The so-called rebound effect refers to the phenomenon that increases in efficiency make production cheaper, which ultimately encourages higher consumption.

5 Other parts of the Eastern periphery of the EU, the Baltic countries as well as Bulgaria and partly Romania, are more similar to the Southern periphery as they exhibit similar characteristics of de-industrialisation and passive financialisation (Becker 2012).

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Progressive Industrial Policy – A Remedy for Europe?


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