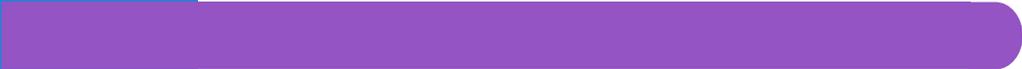




**Sector-targeting policies for national  
competitiveness: exploring democratic  
tensions with 'place'**

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# introduction

- what are the goals of industrial policy (IP) formulation:
  - should these include decision rights and democracy?
- how is this theme explored?
- industrial policy developments before and after 2008:
  - Britain and the EC\*
- policy and democracy before and after 2008
- are the challenges too big to think about?
  - Britain, France, Germany, Italy

\* this paper is not about Brexit, although Brexit crops up

# what are the goals of industrial policy (IP) formulation?

- the goals of industrial policy are traditionally cast around quantifiable economic outcomes: growth, productivity, employment, trade
- productivity growth has emerged as a major new concern
- with some (but not a lot) of thought about sustainability
- these are major themes: but should social scientists also be giving thought to how decision rights in the economy are distributed – *to the practical question of the practice of democracy?*
- posing this question is the subject matter of this paper

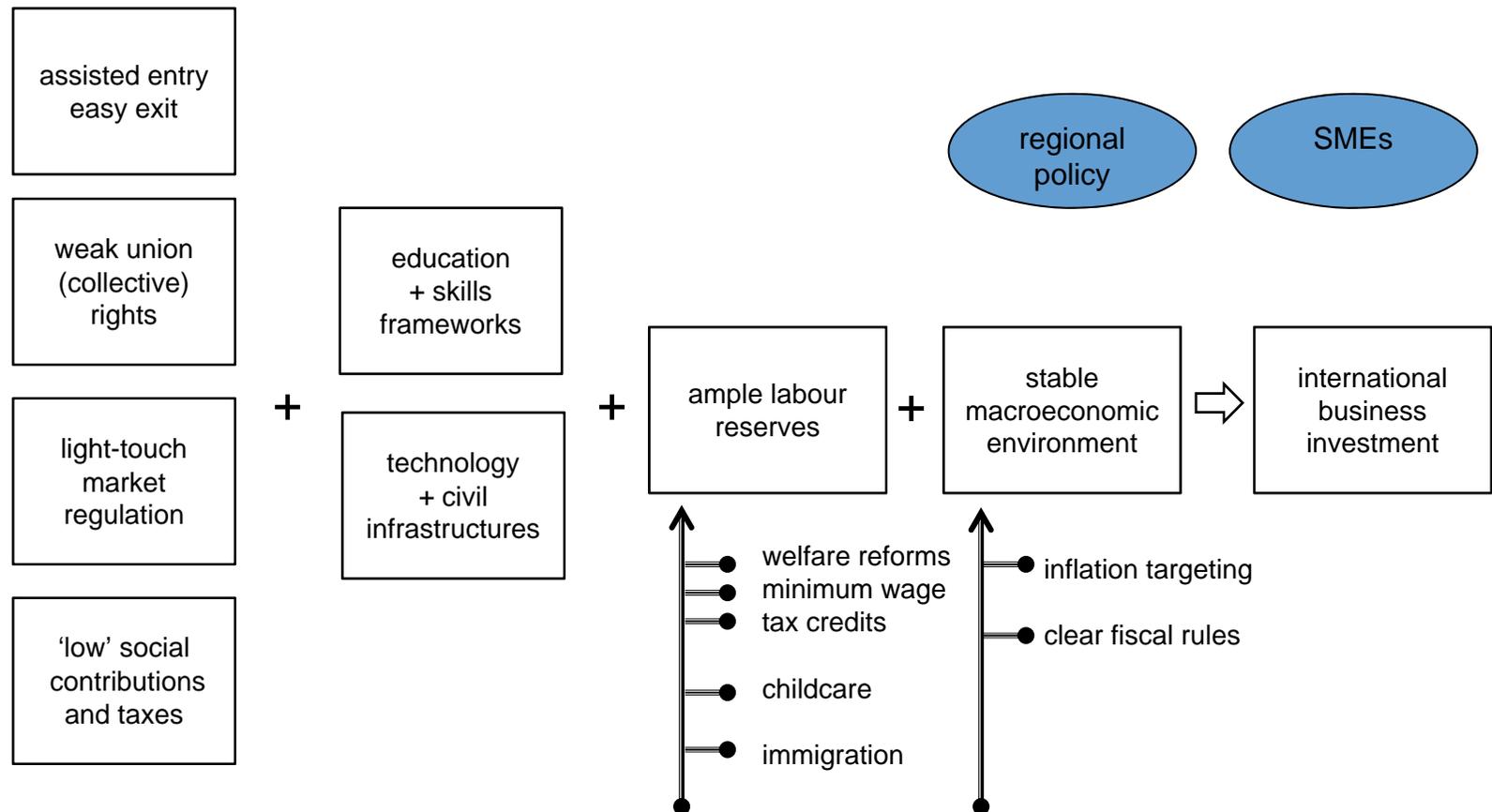
# how is this theme explored?

- the paper is organised in sections as follows:
- comparing developments in the EU with (pre-Brexit) Britain:
  - how horizontalism emerged
  - why sector-targeting then re-emerged
  - with a supporting position for 'place'
- comparing the same from the democratic viewpoint
  - where neoliberalism swept the field
  - why it is beginning to crack
  - a 'place' for democracy
- asking whether the challenges are too big to think about?

## developments before and after 2008: Britain and the EC

- the founding treaties of the European Communities do not reference industrial policy – ‘explicit recognition’ comes in 1990 (Lawton 1999)
- a preference for ‘framework conditions’ over sector targeting sees **horizontalism** take hold – EC competitiveness White Paper (1994) confirms
- a horizontal policy framework targets ‘industry as a whole’
- a mirroring development in Britain sees a new model policy for business under New Labour (1997):

# figure A: a new model horizontalist policy package for business – pre-2008 Britain



# developments before and after 2008: Britain and the EC

- **AFTER** 2008
  - the EC condones a switch-back to **sector-targeting** for strategic industries: automotive, aerospace, engineering, chemicals, pharmaceuticals etc.
  - and Britain mirrors: see next slide
  - Barca (2009: vii) argues that a greater share of the Community budget should be allocated to place-based policy responses:  
**'place-based policy is a long term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion'**
  - Britain (eventually) mirrors e.g. HMG (2017) *New Industrial Strategy*

# figure B: the return to sector targeting in Britain – an example

**pharmaceuticals**  
**motor vehicles and parts**  
**aerospace**  
electronics  
computers  
chemicals (excl. pharmaceuticals)  
machinery and equipment  
R&D services  
fuels  
utilities  
**food, beverages & tobacco**  
computer services  
precision instruments  
other transport equipment  
electrical machinery  
basic metals  
telecommunications services  
non-metallic minerals  
**agriculture**  
fabricated metal products

Source: HMG (2012)  
*Industrial Strategy:  
UK Sector Analysis*

social rate of return  
high: large spillover



social rate of return  
low: small spillover

- focused on growth achievable by future export drives
- competitive advantages linked to technology, including 'greener' technologies
- value added capture a key stated policy priority
- + a clear economic gain from each £ spent

# policy and democracy: before and after 2008

- Looking at the same developments from the viewpoint of the width and depth of social participation in policy formulation and implementation:
  - horizontalism and social market neoliberalism are homologous:
    - (i) there is a role for state / para-state / supra-state institutions
      - e.g. human capital, social capital, limited redistribution, regulation etc
      - Gamble (2009) finds that policy stances criticised as neoliberal most typically belong to this strand of neoliberalism
      - consistent with *German ordoliberalism / die soziale Marktwirtschaft*
      - consistent with New Labour business policy
    - (ii) but both distance democracy from the market:
      - Gamble (2009: 88) '**the observed trend ... for more and more decisions to be transferred from the control of elected politicians**'

# policy and democracy: before and after 2008

- Continuing this theme:
  - the democratic implications of sector-targeting are ambiguous:
    - (i) there is a potential for greater width and depth of participation in decisions hence more scope for practical democracy
    - (ii) there is a risk (or even likelihood) of hidden or only partially disclosed private influence activities
    - (iii) and there is the **paradox of neoliberalism**:
      - civil servants / politicians no longer believe in intervention
      - civil servants / politicians are schooled to 'trust' the market
      - consequently important policy detail decisions are simply outsourced to private business interests to decide
      - **anathema to social market neoliberalism, but not democratic either**

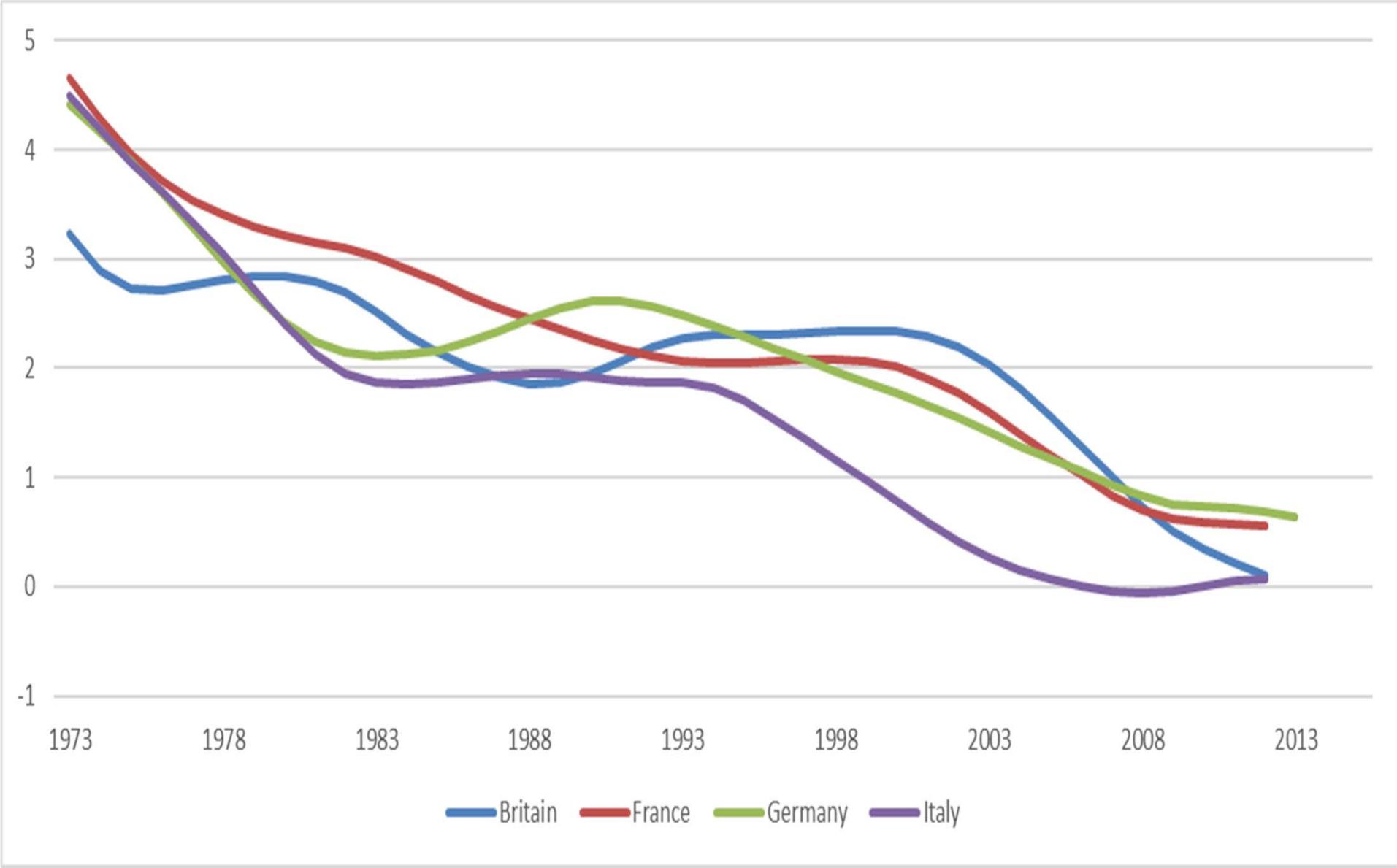
# policy and democracy: before and after 2008

- and finally:
  - the democratic implications of 'place-based' policy is promising
  - provided democratic and pluralist pressures replace central auditing (e.g. Barca (2009) advocates continued EU-level control and audits)
  - and 'place' is interpreted in a broader sense to include more than spatially contiguous populations
    - e.g. rural communities
    - shared but spatially dispersed community interests
- all industrial policy outside of the narrowest neoliberalism will include horizontal, sectoral and regional or local elements: the task for social scientists is to explore ways to increase participation with a sensitivity to the 'place' occupied by the participants – their different interests, vulnerabilities, etc.

# are the challenges too big to think about: Britain, France, Germany, Italy

- the final section opens by considering:
  - (a) Alexis de Tocqueville on *Democracy in America*
    - democracy is a practice that needs lots of practice
  - (b) the Rodrik 'trilemma'
    - there is a globalisation paradox
- the difficulties facing general prospects in the EU are noted
  - continuing neoliberalism in macroeconomic management
  - **generalised labour productivity growth decline**: see next slide
- and a comparison of Britain with France, Germany and Italy
- the paper concludes: email to get a copy of the first draft

# Figure C: trend labour productivity growth



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