

Industrial policy is back on the agenda – and it's never been needed more than it is now

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Trade tensions – and possible deals – are high on the political agenda in [Europe](#), the [United States](#) and [China](#). Perhaps that's one reason why governments seem keen to get more involved in guiding their economies by targeting particular technologies and industries – using what's known as "[industrial policy](#)".

China has launched its [2025 programme](#) to gear up its industrial base for the next decade. Both the UK and the [EU](#) have recently unveiled industrial strategies designed to promote innovation and growth. This can involve government working collaboratively with business to discover knowledge and identify opportunities and challenges.

The UK government has always intervened to some extent in industry – famously "[before breakfast, lunch, tea and dinner](#)" in the words of former UK trade and industry secretary Michael Heseltine.

But the [current approach](#) in Britain still appears to suggest something of a shift in thinking. The question is whether we'll see an improvement in policy design and implementation. On that, there are hopes that things may be different this time round.

We should recall that industrial policy in the UK fell out of favour back in the 1970s, when the [government was accused](#) of “picking winners” and supporting so-called “lame-duck” corporations. (Although some of those ducks included British Aerospace and Rolls Royce – now both highly successful companies.)

But after years of de-industrialisation – and a decade on from the [global financial crisis](#) – questions still arise as to whether the UK needs rebalancing. And, if so, how? This is what brings industrial policy back on the agenda.

For example, the UK has the [widest regional income and productivity disparities](#) in northern Europe. Some might say that growing regional disparity is a root cause of [increasing populist politics](#), which is especially prevalent in declining regions.

These spatial imbalances and the neglect of manufacturing (which is a big driver of productivity growth) have also slowed the UK’s national economic performance. British productivity falls well below that of other leading European nations such as [Germany and France](#).

Neglect aside, manufacturing is vitally important to a nation’s economic strength. In the UK, [advanced manufacturing](#) capital-intensive industries such as aerospace, chemicals and energy generation provide highly skilled jobs and support supplier industries. Also, manufacturing sectors are especially important to the country’s regional hinterland, where they are key sources of innovation and growth.

So how can industrial policy revitalise manufacturing and promote inclusive and more balanced growth today? This question is especially topical given the scale of ongoing technological change.

New technologies such as artificial intelligence, machine learning, and automation – coming together in what is termed “[Industry 4.0](#)” – present big challenges and opportunities for industry. There are calls for a [transformative industrial policy](#) tackling issues such as skills, infrastructure, business access to new technologies, rebuilding of localised supply chains and much more.

So in contrast with the past, today's industrial policy can play a key role in shaping the process of industrial transformation. Instead of picking winners, today's industrial policy can focus upon building a stable of potentially successful innovative organisations.

Innovation at the heart of industry

A regional approach is essential to do this, however. It is often at a regional level that existing specialisms and capabilities are more apparent and have a better chance of connecting with emergent technologies in new ways. In that regard, industrial policy needs to bring together sectors, technologies and place in a genuinely "place-based" approach.

The Italian region of Emilia Romagna has long used this tactic to develop new specialisms, opening up markets in sectors including tiles, clothing, shoes, culinary machinery and its celebrated [machine packaging industry](#).

In the US, a federal initiative which invests in new technology, the [National Network of Manufacturing Institutes \(NNMI\)](#), is trying to link technological development and industrial capacity with the aim of creating new jobs and innovations.

Likewise, well designed public-private collaborations can identify and support skills packages which can be tailored to circumstances in response to industry needs. Denmark's [flexicurity model](#) protects workers from job losses during periods of technological change by using unemployment insurance-linked funds to sustain continuous learning. In so doing, it helps to avoid job loss and boosts worker retraining.

In the UK, a new "[Made Smarter](#)" programme is currently being piloted in the North West. Its purpose is to test the most effective ways to engage with manufacturers to encourage them to adopt new technologies.

Although the Made Smarter programme is a promising initiative, there is a concern with the UK government's commitment and the lack of scale. Beyond the pilot, there is only £121m for the UK as a whole for business to adopt new digital technologies. This isn't going to go very

far – and doesn't compensate for the government's [scrapping of the Manufacturing Advisory Service](#) a few years ago, which was a major policy blunder.

Critically, industrial policy can and should deal with the challenge of climate change. It can promote the development of [renewable energy technologies](#), through appropriate research and development grants and loans.

In short, industrial policy is back on the agenda – where it belongs. This time round, it should aim to build on existing expertise and capabilities and link them with radical new technologies. In doing so, it can help people, businesses, and places achieve their full potential.

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