EAEPE Symposium 2016:
The role of industrial policy in European re-industrialisation

Industrial policy scope in the knowledge economy: embeddedness and flight of industry

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Industry is not what it used to be

- more factors affect competitiveness, not just labour and capital cost
- changes in the topology (division of labor) of value creation in modern industry
- shift in the employment mix:
  - 30-55% of jobs in manufacturing in service-type activities (MGI 2012)
- new global players and arenas

Change of scope of industrial policy

"*from a traditional approach based largely on product market interventions (production subsidies, state ownership, tariff protection),*

through market failure-correcting taxes and subsidies operating mainly on factor markets (R&D incentives, training subsidies, investment allowances, help with access to finance)

to a focus on interventions that help build systems, create networks, develop institutions and align strategic priorities"

(Warwick, 2013, p. 4)

The danger of flight

- Start-ups
  - Access to capital
  - Access to talent
  - Jacobian and Schumpeterian economies
  - …
- “Old-style” production facilities
  - MNCs strategies: operations strategy (agility & flexibility) supply chain resilience,
  - Internationalization of SMEs and national champions

Embeddedness

- Innovation are socially embedded
  - Clusters, innovation systems/ecosystems, 3/4/5-helix etc
- How much can industry be embedded?
  - i.e. core manufacturing activities,
- What should policy aim at and support?

Innovation at the shop-floor

- production and logistics still remain important as enablers of strategy and value realization
- Innovation is not limited to R&D and product development or technology acquisition for production
- “Learning-after-doing”
- Supply chain learning interactions
- User-producer interactions (e.g. capital goods, ICT)

New scope, enriched perspective

- Aim
  - From production capacity

    to
  - technological, innovation and interaction capacity of production
  - source of innovation (not user)

- Treat production/manufacturing activities as a locus of innovation activity
- Support learning processes, not just production ones

New role for “shopfloor labor”

- From operating to creative role
  - producing knowledge not just goods
  - with increasing returns and so on
- Limitations:
  - Scarcity of talent
  - Organizational/business cultures
- Implications for policy?

Disruptors
(at preparadigmatic stage)

- 3d printing
  - “decentralization” of production
  - new networks of product-process technology paths

- Circular value chains
  - Potential for new “local” paths of interactive innovation
    - in product and raw material innovation
    - in processes and operation models

Thank you!