real-world economics review, issue no. 111
subscribe for free

Industrial strategy, winners and losers in the twenty-first century

Industrial Policy for the United States: Winning the Competition for Good Jobs and High-Value Industries. By Marc Fasteau and Ian Fletcher. Cambridge University Press. 2024. 812pp. Hbk. ISBN 978-1-009-24307-0. £39.99 or $47.76

Jamie Morgan
[Leeds Beckett University]

This massive book has a simple message, most countries with successful economies that serve their populations have some form of industrial policy that extends also to management of its conditions of international trade, the US has neglected industrial policy after WWII, especially in the period from 1974, and has subsequently suffered because of this. All this being so, the US ought to implement a "coherent and comprehensive industrial policy". To be clear, the authors are not advocating policies that reduce to chaotic indiscriminate implementation of tariffs according to some dubious rationale along the lines of 2025.[1] This is not President Trump's brand of America First – the authors are affiliated to the Coalition for a Prosperous America, an organization with diverse membership and support.[2] The underlying thesis is, however, that there is a competition to dominate the technologies of the future that the US is in danger of losing (to the detriment also of its security) and the argument is self-consciously protectionist within a narrative structure that recognises great swathes of the American population have been ill-served as workers and communities by policies that have led to deindustrialisation, massive trade deficits in goods (not compensated for by a trade surplus in services), failing infrastructure and very different experiences of income growth and wealth accumulation. The authors identify three pillars of industrial policy:

1. Support for "advantageous industries" – backed by an overview that suggests there are limits to what free markets can deliver, that institution building is extremely important, government has a vital role to play and that innovation and commercialisation occur within an ecosystem rather than in one isolated firm. Notably, the US should fund basic and applied R&D at a percentage of GDP equal to or higher than rivals and it should support innovation through all of the steps from basic science to production at scale.[3]
2. Strategic protectionism – targeted tariffs to protect specific high value industries, notably capital goods that produce other goods, products that have advanced military uses or public health dependencies, products with general uses within multiple economic sectors which potentially underpin large parts of the economy – semiconductors, processors etc. – and (especially) advanced manufacturing products. Tariffs are matched by pressure to open

[1] See: https://www.congress.gov/crs_external_products/R/PDF/R48549/R48549.9.pdf.

[2] Visit: https://prosperousamerica.org/ The book does try to provide a balanced view of Trump's first term, see pp. 355-364.

[3] This last sentence comes from a summary in the recommendations section p. 597.

foreign markets to US export of some of these products combined with policies to deny "economic and geopolitical adversaries key technologies".

3. Exchange rate management to achieve a more balanced trade position in goods – essentially use of capital controls and interventions to devalue the dollar in order to drive up export of goods and drive down imports, combined with countermeasures to deter other countries from dumping in the US market.

The book is split into six parts and thirty chapters followed by a short "Recommendations" chapter. Part I discusses free market economic theory and its mismatch with the practice of effective economies. Part II provides a series of selected case studies of countries that have some version of industrial policy in order to identify what has worked and what hasn't – Japan, South Korea, China, Germany, India, Argentina etc. Part III takes a step back to consider the origins of industrial policy and its history in the US from 1750 to the present period (noting also that while the US has neglected formal industrial policy in the Post WWII era, it has had some elements of industrial policies during that time). Part IV develops a toolkit of policies and issue-areas for government support of and role in innovation, and ends on the need to reassess the patent system. Part V provides some industry focused case studies (cars, semiconductors, robotics and nanotechnology) and Part VI some case studies of geographic clustering and its network effects.
The following provides a flavour of the argument:

> *… fairly open trade, is a good thing.* No valid analysis supports autarky, knee-jerk protectionism, or crude protectionism that aims at nothing more than short-term retention of existing jobs. But 100 percent free trade with 100 percent of the world 100 percent of the time – even if this were possible – is not optimal. Free trade, like free markets in other areas of the economy, should be just one strand of policy, employed as a strategic choice, not a blanket ideological commitment… [this book] *shows that economic development is path-dependent, that what industries a nation can have tomorrow largely depends on what industry it has today, and that industrial policy interventions by government can push economies onto different paths, some better than others* (Fasteau and Fletcher 2024: 74 and 77)

While the authors draw heavily on Erik Reinert for their general orientation and acknowledge in an endnote to Chapter 2 his help in writing the book (Fasteau and Fletcher 2024:621), the book's idea of clusters and networks has a long tradition dating back to Book IV of Alfred Marshall's *Principles of Economics,* first published in 1890 and revised through to an eight edition in 1920. Marshall introduced the notion of industrial organization and attendant concepts and his work provided the inspiration for work on industrial districts and the Italian "new view" as well as economic geography (see Marshall 1959 [1890/1920]; Arena and Quéré 2003; Raffaelli, Becattini and Dardi 2006). In terms of ideas of the state more broadly, *Industrial Policy for the United States* also resonates to some degree with work such as Mariana Mazzucato's *The Entrepreneurial State*, which makes the case that the role of the state is not restricted to correcting "market failures" and that if one moves beyond unrealistic models of ideal economies, great swathes of what we think of as private economic success stories have depended to some degree on state intervention and support – including in the US (see Mazzucato 2018: Chapter 4). Writing in 2013 (albeit revised in 2015), well before the first Trump administration started to disrupt trade and Biden started to rehabilitate the idea of industrial strategy, she concludes:

> We live in an era in which the state is being cut back. Public services are being outsourced. State budgets are being slashed and fear rather than courage is determining national strategies. Much of this change is being done in the name of

> rendering markets more competitive, more dynamic. This book is an open call to change the way we talk about the State, its role in the economy and the images and ideas we use to describe the role. (Mazzucato 2018: 213)

Mazzucato perhaps tracks more to the left than Fasteau and Fletcher and, as far as I am aware, there is no equivalent in her earlier work of "a different international legal structure will eventually be adopted and that in the meantime, US policy should not be constrained by the one that now exists…" (Fasteau and Fletcher 2024: 75).

Comments: the view from where?

To many Americans this book will read as the common sense they have been waiting for. It is clear, programmatic and well-considered. I would recommend it to anyone with an interest in the intelligent side of the argument for protectionism in the US today. That said, while it is usually not reasonable to take a book to task for what it is not about rather than what it is, it seems worth noting that *Industrial Policy for the United States* probably reads rather differently depending on where you live in the world. From the outside Pax Americana has never been a system of fair trade nor has it ever really been free trade, it has been the idea of markets when that idea suited. As such the concerns that underpin *Industrial Policy for the United States* are liable to be seen quite differently elsewhere in terms of power relationships, consequences and ultimate concerns. Moreover, the problems experienced in the US, which the book looks to address, are as much about rebalancing power inside of the US as they are about meeting competition from other countries.

The view from the outside is very much of the US as global power that devised and benefited from the systems that have existed over the last eighty years.[4] Post WWII, the US has been the main, though by no means sole, architect of and influence on the international organizations that have overseen global finance and trade – the IMF, World Bank and World Trade Organization – and the Federal Reserve has become the apex central bank. Since Bretton Woods, the US dollar has been the global reserve currency, within what came to be known as the Triffin dilemma, and though some of the mechanics of the role of the dollar have changed over the years, the dominance of the dollar has not changed much and that dominance has brought various advantages to the US (not least the Treasury).[5] Moreover, it was US corporations that mainly led the way in creating a system of least cost offshored manufacture and regional assembly in long supply chains, it was US commercial and investment banks that developed the systems and instruments that have dominated credit creation and financial flows and it has been US hedge funds that have seized the role of piranha that feed on the vulnerabilities of countries, corporations and capital markets everywhere.

Getting a grip on transnational corporations, financialization, plutocracy and kleptocracy are at least as urgent, as facing down China, if you happen to be American and to be fair to the authors there is a sense of this at various times in the book – notably Chapter 17. Still, this is very much a US-centric book about US concerns with an inside and an outside. I'm sure that will seem a positive to most

[4] There are, as such, very different foci of concerns. See, for example, Hickel (2017); Hickel, Sullivan and Zoomkawala (2021); Ingham (2025).

[5] It is true, however, that there are currently more discussions of and signs of challenge to the role of the dollar than has been typical in previous years. For example: https://positivemoney.org/uk-global/update/dollar-dominance-the-future/

Americans and can only help the books plausibility and domestic sales. But the US is not just any other country… It cannot really have a domestic only set of policies.

It is, therefore, notable that the book has little to say about geopolitical context and the future, despite its many interesting case studies and command of material from multiple countries. It is more or less a given that there is competition and it is important the US comes out on top and there isn't really a strong sense of the US's role as hegemon and what difference industrial policy might make to America's place in the world and the nature of any subsequent new world – deglobalized (?), fragmentary (?), multipolar (?), one with respect for fair international organizations and rules (?) etc.[6] The dynamics of competition with China, for example, is a massive geostrategic issue that overflows economic considerations. US self-sufficiency in some technologies is feasible but denying those technologies to China is probably not. Moreover, given the current climate emergency, shouldn't technology transfer be a first principle for climate significant technologies? And who exactly is going to win the future if all countries persist with forms of economies that are resource hungry, extractive and waste creating, given that climate change is just one urgent problem among many created by ever-expanding industrial consumer economies? Industrial policy is not solving that problem if its main focus is technology development, protection and growth rather than drivers of economic activity.[7] The US has one of the highest levels of GHG emissions per capita, energy use per person and material footprint of any country and no country will be prosperous and safe on a climate hostile planet (see also appended figures).[8]

Figure 6: Global attribution map of extreme weather events to climate change.

Source: ***Carbon Brief Mapped: How climate change affects extreme weather around the world*** *(carbonbrief.org)*

In the end then, though *Industrial Policy for the United States* has many insightful things to say about the nature of trade and the fallacies of economic theory of free trade (for example, the flaws of

[6] On hegemonic stability and previous concerns regarding the decline of the US see Gills and Patomäki (2017).

[7] See, for example, Bärnthaler, Mang and Hickel (2025); Hauge and Hickel (2025); Spash (2024).

[8] Figure 6 comes from the Institute and Faculty of Actuaries, *Clime Scorpion* report but originates with Carbon Brief (Trust et al 2024). Visit: https://interactive.carbonbrief.org/attribution-studies/index.html

comparative advantage pp. 60-67), this book is more of a how to succeed in a status quo world that might not exist, for a country that can expect to set and repudiate rules and has the scale and resources to be self-sufficient in some sectors and this is reflected in its final chapter of recommendations. This chapter contains an interesting set of general guidelines and specific interventions rather than the more reflexive concerns usually expressed in conclusions. This is not to suggest the argument lacks detail, nuance or credibility, rather it is to note it is an itemised clearly stated to do list. Whether readers elsewhere are receptive to the message may in the end be beside the point for the authors and the intended readers, but maybe not – the authors are careful to emphasise that friends and enemies are treated differently. In the meantime, if looking for an economic strategy to "take back US home markets" and, inter alia, to address the travails of fly over states and the rustbelt, then this book is a good place to start (see also appended figures).[9]

References

Arena, R. and M. Quéré (eds.). 2003. *The Economics of Alfred Marshall: Revisiting Marshall's Legacy*. New York: Palgrave Macmillan.

Bärnthaler, R. Mang, S. and J. Hickel. 2025. "Toward a post-growth industrial policy for Europe: navigating emerging tensions and long-term goals." *Globalizations*, 1–25. https://doi.org/10.1080/14747731.2025.2501821

Gills, B. and H. Patomäki. 2017. "Trumponomics and the "post-hegemonic" world." *Real-World Economics Review*, 79: 91-107.

Hauge, J. and J. Hickel. 2025. "A progressive framework for green industrial policy." *New Political Economy*, 1–18. https://doi.org/10.1080/13563467.2025.2506655

Hickel, J. 2017. "Is global inequality getting better or worse? A critique of the World Bank's convergence narrative." *Third World Quarterly*, 38(10): 2208-2222.

Hickel, J. Sullivan, D. and H. Zoomkawala. 2021. "Plunder in the Post-Colonial Era: Quantifying Drain from the Global South Through Unequal Exchange, 1960–2018." *New Political Economy*, 26(6): 1030-1047.

Ingham, G. 2025. "What is to be done? Review article of Busting the Bankers' Club: Finance for the Rest of Us (2024) by Gerald Epstein and The Bailout State: Why Governments Rescue Banks, Not People (2025) by Martijn Konings." *Contributions to Political Economy*, 44(1): 88–107.

Marshall, A. 1959 [1890/1920]. *Principles of Economics: An Introductory Volume*. London: MacMillan & Co, 8th edition.

Mazzucato, M. 2018. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. London: Penguin, revised with new foreword.

Raffaelli, T. Becattini, G. and M. Dardi. (eds.) 2006. *The Elgar Companion to Alfred Marshall*. Cheltenham: Edward Elgar.

Spash, C. 2024. *Foundations of Social Ecological Economics: The Fight for Revolutionary Change in Economic Thought*. Manchester: Manchester University Press.

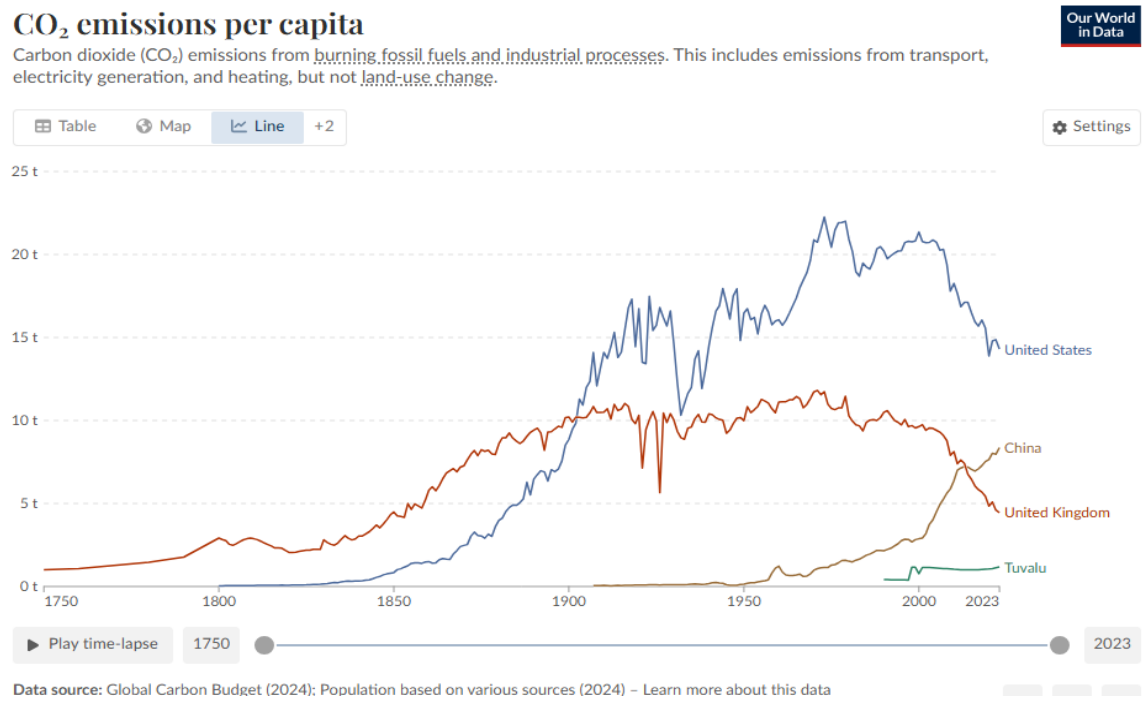
[9] Though here one might also argue that economic welfare would be improved by universal healthcare a stable welfare support system and also some sense of how to respond to the consequences of new technology for employment prospects. See also: https://www.deanbaker.net/ and https://www.epi.org/people/eileen-appelbaum/

Of course all this may be moot if something like the AI 2027 scenario is feasible: https://ai-2027.com/

Trust, S. Bettis, O. Saye, L. Bedenham, G. Lenton, T. Abrams, J. and L. Kemp. 2024. *Climate Scorpion – the sting is in the tail. Introducing planetary solvency*. The Institute and Faculty of Actuaries and University of Exeter. https://vle.actuaries.org.uk/pluginfile.php/153624/mod_resource/content/1/climate-scorpion.pdf

Appended[10]

Emissions per capita comparison:

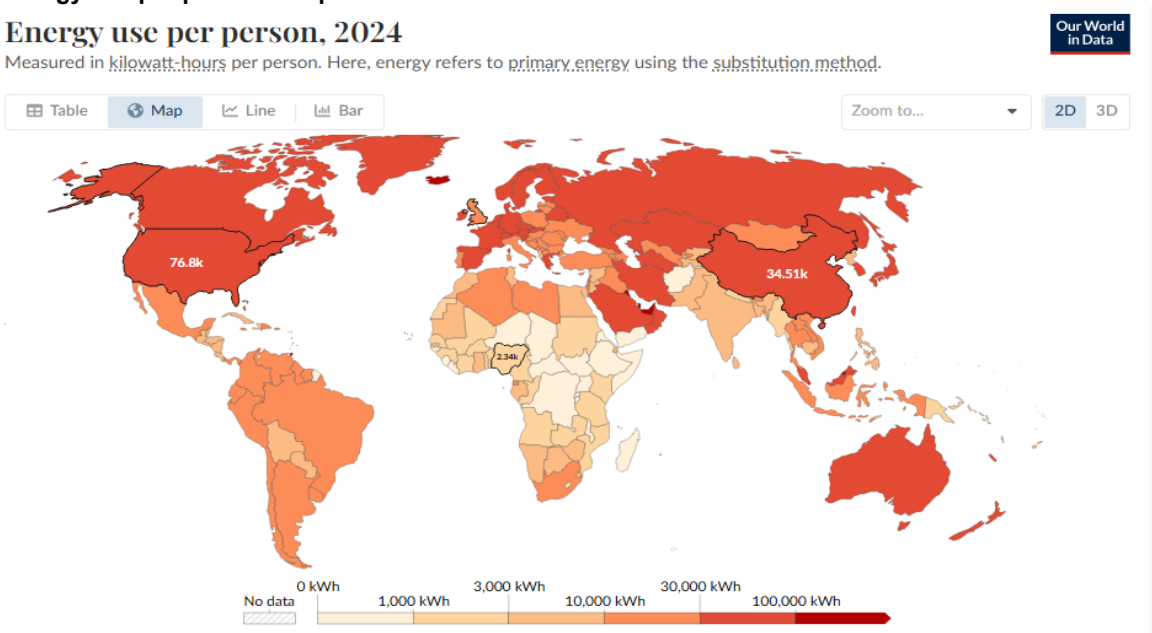


[10] For energy use see per person see: https://archive.ourworldindata.org/20250825-064920/grapher/per-capita-energy-use.html?mapSelect=GBR~USA~CHN~NGA

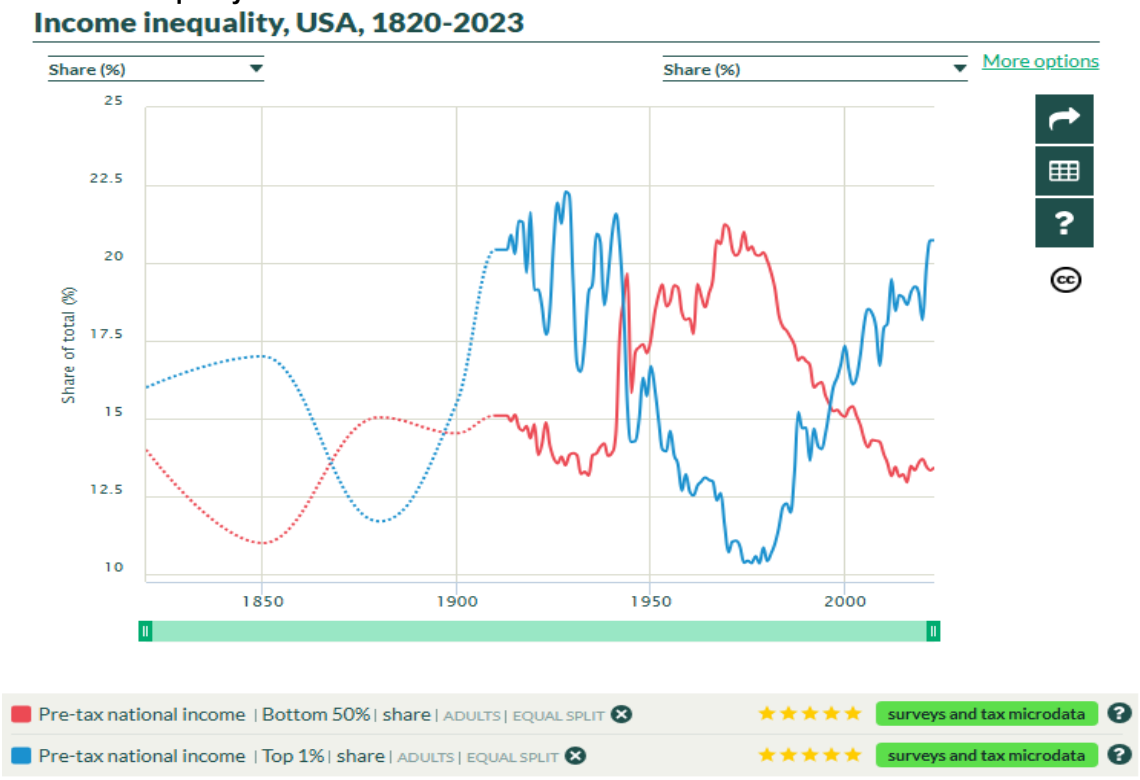
For emissions per capita visit: https://ourworldindata.org/grapher/co-emissions-per-capita?country=USA~GBR~CHN~TUV

For income and wealth inequality visit: https://wid.world/country/usa/

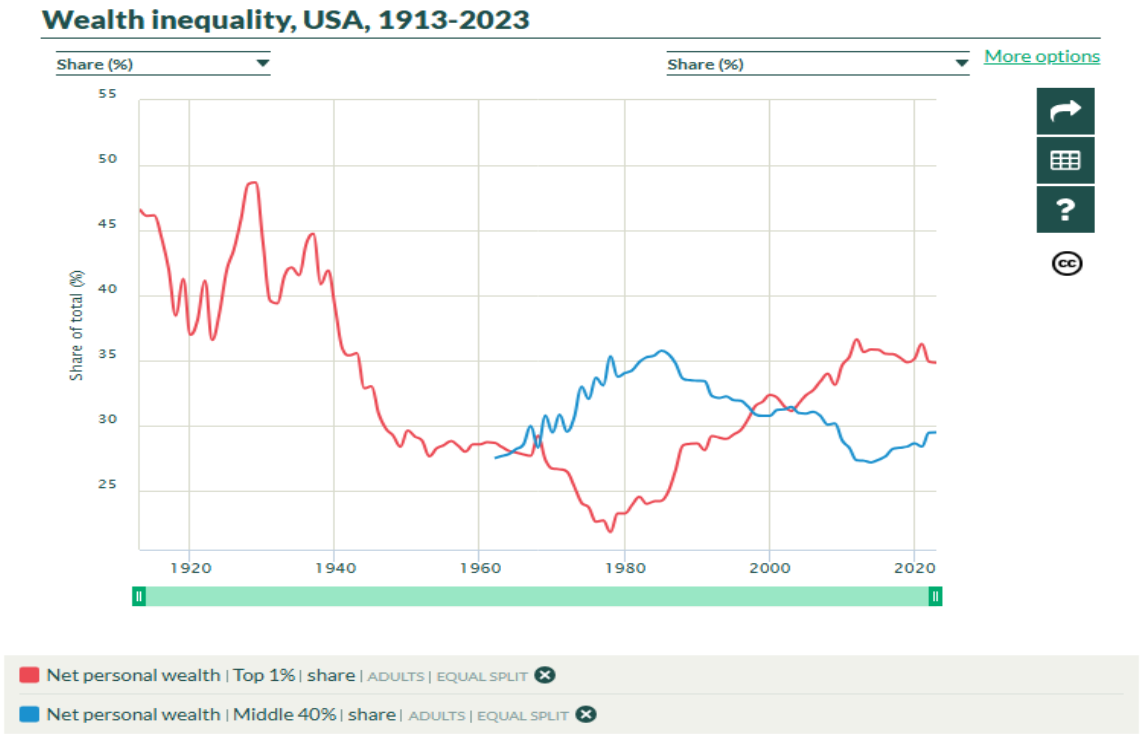
Energy use per person comparison:



US income inequality:



US wealth inequality:



Author contact: J.a.morgan@leedsbeckett.ac.uk

SUGGESTED CITATION:
Jamie Morgan, "Industrial strategy, winners and losers in the twenty-first century", *real-world economics review*, issue no. 111, October 2025, pp. 67-74, http://www.paecon.net/PAEReview/issue111/Morgan111

You may post and read comments on this paper at http://rwer.wordpress.com/comments-on-rwer-issue-no-111/