



What Kind of Industrial Policy: Progressive or Hamiltonian?

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Progressives want to replace neoliberalism with green-equity-focused industrial policy, which would make America poorer and weaker. Washington should instead adopt a Hamiltonian agenda to win the global competition for advanced industry leadership, especially versus China.

KEY TAKEAWAYS

- The long-prevailing neoliberal economic and trade doctrine is rightly under attack given its significant failures and poor fit for the current era, wherein technology competition with China is the central economic issue facing the nation.
- Progressives want to use that opening to install a new doctrine that can be termed “green equity” industrial policy to transform how Americans live and work.
- Progressive green equity industrial policy rejects growth in favor of redistribution, globalization in favor of autarkic nationalism, and large corporations for small business. It also ignores or even rejects the China challenge.
- Adopting the green equity framework would be abandoning one failed doctrine for another. Policymakers should reject that approach because it would produce poorer, weaker America.
- Washington should instead adopt “Hamiltonianism,” which decouples industrial policy from social policy to focus squarely on aligning business interests with the national competitive interest in winning the global race for advanced industry leadership.

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INTRODUCTION

The dominant neoliberal economic creed that free markets, especially financial markets, are primary—if not sacred—is slowly losing its grip on America’s collective thinking. An array of avoidable and catastrophic failures, not the least being the post-2000 hollowing out of U.S. manufacturing and the 2009 financial crisis, have presented serious challenges to the neoliberal paradigm. While many on the Right and center continue a rear-guard action to defend neoliberal economic and trade theory, they are likely fighting a losing battle. And by not uniting around Hamiltonianism, they are ceding ground to progressives’ mission of a fundamental, negative transformation of the nation.

There are three main contenders to replace neoliberalism (see table 1). The most dominant is the “new progressivism” in which small, local firms are predominant, worker interests trump all (including productivity), America withdraws from the global economy, and all policies are focused on “green equity”: vastly increased expenditures focused on redistribution (e.g., college debt forgiveness, free daycare, etc.) and a America reengineered away from the fossil fuel age (e.g., public transit instead of cars, rail instead of planes, urban instead of suburban, vegan instead of meat, decentralized energy instead of centralized, etc.). This neoliberal alternative vision is now embraced by not only progressives, but also many one-time moderates. For example, former Clinton administration officials Gene Sperling and Brad DeLong have jumped into these progressive waters headfirst, putting redistribution first and growth a distant second, at best.¹

Unfortunately, embracing green equity industrial policy alternative means replacing one failed doctrine for another. This cannot be the answer, unless policymakers want a completely different, relatively poorer and weaker America.

A second alternative to neoliberalism is “conservative populism” fostered by a small but growing number of Republicans.² These conservatives rightly talk about putting America first and ensuring a fair deal for American workers through such steps as limiting low-skill immigration (especially illegal immigration), reducing the financialization of the economy, and crafting policies to ensure U.S. advanced industry strength. However, this camp’s often excessive anticorporate and antiglobalization sentiment, coupled with an embrace of certain unaffordable spending and tax incentives to address social issues means that, while it is on the right track, conservative populism is also not the answer.³

America needs an alternative that does not throw the neoliberal baby out with the bathwater and also addresses the structural and systemic failures of free-market neoliberalism, especially when it comes to global competitiveness. This alternative needs to embrace large corporations as engines of progress and prosperity while also ensuring that they focus on net-present value creation (not short-term profit-taking and the enrichment of financial elites) and meeting goals that are aligned with state goals, especially greater industrial competitiveness. There are a number of terms for this approach: “national developmentalism,” competitiveness-focused industrial strategy, and Hamiltonianism (named after America’s first proponent of real industrial policy, Alexander Hamilton).⁴ (This report refers to competitiveness-based industrial policy as “Hamiltonianism.”)

Progressive industrial policy works against solving America’s competitiveness challenge because it is grounded in an animus toward corporations and globalization and seeks to promote social goals at the expense of competitiveness goals.

The field of industrial policy is where many of these differences will be fought. The progressive Left (and its moderate allies) has advanced its own version of industrial policy, one designed to achieve long-held progressive goals: significant redistributing income, limiting and shrinking large corporations, retreating from globalization, preserving the regulatory state, and changing the way Americans live (less driving and suburbanization). This is why the CHIPS (Creating Helpful Incentives to Produce Semiconductors) Act contains so many noncompetitiveness features (e.g., limits on investing in China, limits on stock options, limits on share of fab funding, requirements for day care centers, etc.) because it reflects a melding of Hamiltonian industrial policy with Progressive industrial policy.

But winning the global competitiveness race is noticeably absent from the Left’s rhetoric and plans.⁵ As such, progressive industrial policy works against solving America’s competitiveness challenge because it is grounded in an animus toward corporations and globalization and seeks to promote social goals at the expense of competitiveness goals.

In contrast, a diverse array of proponents on the Right, center, and Left advocate for a Hamiltonian industrial policy focused on strengthening America’s economic and technological power, especially against China. The challenge to America’s advanced industrial economy in

regard to global competition, especially with China, is severe, and Hamiltonianism provides the only effective answer.

To be sure, there are areas of complementarity between green equity and Hamiltonian industrial policies, and certain elected officials, such as Representative Ro Khanna (D-CA), have worked to bridge the two.⁶ For example, a higher minimum wage, more funding for applied research, and a reasonable, but not exclusive, focus on clean energy industries would hopefully find support from both progressives and Hamiltonians. But many areas, such as breaking up and increasing taxes on large traded-sector corporations and big increases in social spending, would not.

Table 1: Main aspects of Neoliberalism, progressive industrial policy, and Hamiltonianism

Consideration	Neoliberal	Progressive	Hamiltonian
Overarching Goal	Allocation efficiency	Climate and equity	Advanced industry competitiveness
View of Large Corporations	Neutral	Opposed	Cautious embrace (align with state goals)
Role of Government	Limited	Large and substitute for markets	Moderate and supportive of firms and markets
Sector Focus	None	Service sectors employing more women and minorities	Advanced industry traded sectors
View of Financial Sector	Supportive	Opposed	Skeptical
Budget and Debt	Balance the budget at all costs	Spend, spend, spend (modern monetary theory)	Reduce debt but increase competitiveness spending
Intellectual Property	Strong	Weak	Strong
Clean Energy and Climate	Limited focus	Principal focus	Part of, but not dominant focus
Concern With China	Minimal	Supportive of China	Sees China as key challenge
Trade and Globalization	Free trade, even if one-sided	Autarky and protection	Free trade with nations that play by the rules; limits on trade with mercantilists

Consideration	Neoliberal	Progressive	Hamiltonian
Innovation and Automation	Useful, but not central	Skeptical, if not opposed	Full-throated support
Support for Government R&D	Only basic research	For social policy goals	Applied research for competitiveness goals

This report analyzes progressive industrial policy and, in particular, demonstrates why embracing progressives’ advice would lead to diminished U.S. competitiveness and reduced growth in living standards and worker well-being. It then sketches a Hamiltonian alternative.

WHAT IS INDUSTRIAL POLICY?

Robert Reich—someone who once supported a competitiveness-based industrial policy but now embraces a green equity based one—once wrote that “industrial policy is one of those issues that have gone from relative obscurity to near meaninglessness without any intervening period of coherence.”⁷

Perhaps. But “near meaninglessness” stems from the fact that, at most, basic level “industrial policy” refers to any policy explicitly focused on one or more specific industries. Using this definition, policies to foster better and more affordable childcare is industrial policy, since, after all, childcare is an industry. Clean energy policy is industrial policy. President Biden’s Cancer Moonshot is industrial policy. Republican policies to spur more oil drilling is industrial policy.

Because industrial policy can mean so much, neoliberals love to tar it by asserting it will be implemented by incompetent GS12 bureaucrats picking firms backed by crony capitalists. It makes for good copy, but it’s akin to saying that market economies are ungoverned pits of chaos. Sometimes they are (think FTX crypto). But mostly they are not. Sometimes industrial policy makes mistakes, but mostly, if Hamiltonian-based, it does not.

The reality is industrial policy, like all areas of policy, can be implemented in a variety of ways for a variety of goals. As discussed ahead, Hamiltonian industrial policy seeks to support, not supplant, private sector actors in their global competitiveness battles, and does not pick individual firms or narrow technologies.

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Green equity progressive industrial policy, in contrast, is about achieving an array of social policy goals by using government to change industry. As the term “industrial policy” has gained increased legitimacy, a wide array of progressive organizations have sought to hijack the term to achieve their own progressive ends. They want to move beyond the liberal post-New Deal consensus in which the government, through tax, spending, and regulation, helps advance social goals. That is no longer enough: They seek to use government to facilitate companies implementing their green equity policies. As one progressive author has noted, “On the left, the

visions [of industrial policy] today focus on how to transition to an egalitarian post-carbon social democracy.”⁸

Hamiltonian and progressive industrial policy share a number of key aspects. Both reject the notion that markets alone, or even principally, optimize desired goals. Both see financialization of the economy as having gone too far and seek policies to shrink the size and role of the sector. Both advocate for a stronger role for government. Both question unfettered globalization—although, unlike progressive industrial policy, Hamiltonian policy does not seek autarky but rather less integration with systemic mercantilists such as China.

It is these similarities that lead many free-market advocates to reject Hamiltonianism, as they see it as a slippery slope to progressive industrial policy—which could be the case if one believes that policymakers are only capable of the most black and white thinking: “markets vs. government!” But that kind of thinking inevitably leads to suboptimal results: either progressive industrial policy or flawed free-market economics.

While progressive and Hamiltonian industrial policy share some aspects, they differ significantly in others. Most importantly, they differ on the key goal of industrial policy. Progressives want to use industrial policy to achieve green equity: a transformation of economic and social systems into something unrecognizable from the American tradition. Hamiltonians want to use it to ensure that the United States stays the strongest nation on earth economically, technologically, and militarily.

As neoliberal economics continues to lose ground, the central question for America’s future is which doctrine will replace it. If it is progressive green equity industrial policy, America’s per capita GDP growth, global competitiveness, and national security strength will suffer.

Progressives also reject large corporations as being a barrier to the achievement of their vision of green equity. Hamiltonians embrace large corporations as being vital to achievement of their vision of competitiveness. And progressives largely see technology (with the exception of renewable energy technology) as a threat to their vision (it kills jobs, hurts privacy, destroys the planet, etc.). Hamiltonians see rapid and expansive technological innovation as central to the achievement of their vision.

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The rest of this report examines the key aspects of progressive industrial policy.

PROGRESSIVE INDUSTRIAL POLICY IS ANTICORPORATE

Progressive green equity industrial policy is anticorporate. Progressives want to use industrial policy to radically restructure industries—in most cases to downsize large corporations—and if that is not possible, to heavily regulate their operations. In the report “Industrial Policy and Planning,” Roosevelt Institute scholar Todd Tucker has written that:

a policy like Medicare for All would be a kind of reverse industrial policy, by radically shrinking the role and power of the private medical insurance industry.

This policy would not only resolve a pressing social problem (under coverage in the private markets), but it would also solve a political one—by eliminating a well-resourced industry that can be counted on to oppose reform.⁹

Tucker may not have intended to be as transparent as this, as he revealed the green equity industrial policy's true endgame: dramatically reducing the role of corporations in the U.S. economy and politics.

This animus toward large corporations in part explains why some progressives oppose Hamiltonian policies, especially the CHIPS Act, as its cardinal sin is to provide subsidies to large, sometimes profitable firms.¹⁰ It is why they want industrial policy to privilege small firms, as small businesses, especially women- and minority-owned ones, are victims of large corporations. While neoliberals decry Hamiltonianism because it violates the sanctity of “free markets,” progressives oppose it because it helps certain corporations.¹¹

There are at least two major problems with progressives’ “small is beautiful” goal. First, it’s not technologically or economically feasible. Local worker co-ops are not going to design and build the successor to the Boeing 787. Only Boeing, Airbus, or China’s massively subsidized COMAC can do that. And if it’s not Boeing, U.S. jobs, industrial strength, and the trade deficit will be the victims.

Second, on virtually every economic and social indicator, from wages to environmental protection, on average, big business is superior to small. Achieving progressive goals of good jobs with good benefits requires a healthy corporate sector.¹²

PROGRESSIVE INDUSTRIAL POLICY REJECTS GLOBALIZATION

Progressives have long opposed economic competition between jurisdictions, whether it was between U.S. states in the postwar period or between nations in the post-WTO (World Trade Organization) period. They understood that inter-regional constrain governments’ ability to impose taxes and regulations on traded-sector businesses. This is why many progressives simply deny that governments are in competition for geographically mobile capital, as when Cornell University Professor Robert Hockett wrote, “No state has to ‘compete’ for jobs. How servile is that?”¹³

For progressives, competition for economic activity is anathema because not only do such constraints limit the main source of revenue (corporate taxes) they seek to pay for their expansive social spending programs, but they also limit the extent to which the state can require corporations to be agents of the redistribution agenda. To be sure, no country can or should be a libertarian haven.¹⁴ There should be a baseline of tax and regulatory limits firms face all around the world, and especially in developed economies, but taxes and regulations that are too high often limit growth. Globalization makes the progressive goal of significantly elevating that baseline more difficult.

A related reason why progressive industrial policy drifts toward autarky is self-sufficiency makes government less susceptible to threats of corporate offshoring. If progressives can create an economy no longer dependent on globally traded multinationals, it will have eliminated a key barrier to achieving their policy aspirations. This is why prominent neo-Brandeisians such as Barry Lynn, Matt Stoller, and Federal Trade Commission (FTC) Chair Lina Khan rail against large

firms. It has little to do with excess market power (which has not increased over the last two decades).¹⁵ It has everything to do with creating an autarkic economy populated by a mix of government-owned companies (e.g., municipal-owned broadband, single-payer health insurance, postal banking, expanded Amtrak, National Institutes of Health (NIH)-led drug development and production, and federal armories instead of defense contractors) and small, locally owned businesses (ideally, worker-owned co-ops and women- and minority-owned family firms).¹⁶ Where large firms are still needed because of the realities of economies of scale (“mom and pops” can’t make jet aircraft) or where public ownership is not politically possible (e.g., aviation, freight railroad, broadband, Internet content), they want these firms to be heavily regulated. One European industrial policy manifesto argues for “public ownership or control of companies in key sectors facilitates benchmark-setting processes concerning high labour standards.”¹⁷

There are good reasons to take a fresh look at unfettered globalization. Indeed, neoliberals opened the gates for the progressive attack on globalization by turning a blind eye to Chinese distortion of globalization and not allowing currency manipulation to be actionable under global trade rules.

This desire to avoid competition is why progressive industrial policy advocates seek higher trade barriers not just domestically but also globally. Eder has written that “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.”¹⁸ Letting low-cost economies erect massive trade barriers would indeed reduce low-wage, low-cost competition, but at the cost of reduced U.S. exports and jobs. But progressives either deny those costs, claiming only that capitalists would suffer (a good thing) or, to the extent rich country workers suffer, the answer is welfare state redistribution such as a guaranteed minimum income.

To be sure, there are good reasons to take a fresh look at unfettered globalization. Neoliberals opened the gates for the progressive attack on globalization by turning a blind eye to Chinese distortion of globalization and not allowing currency manipulation to be actionable under global trade rules. Without these two factors—China systematically circumventing with impunity global trade rules and many nations manipulating their currency for comparative advantage—the outcomes of globalization for American workers would have been much more positive.

But abandoning globalization would come with increased costs, many of which would be borne most significantly by low-income households.

PROGRESSIVE INDUSTRIAL POLICY PUTS EQUITY FIRST

With the increased push for equity by progressives—a term for equal outcomes, not equal opportunity—no progressive industrial policy framing or strategy cannot put equity front and center.

This means not only advocating for policies that have race, gender, and sexual orientation at the center, but deprecating policies that do not. Progressives now use race and gender as a way to demonize Hamiltonian policy, claiming it is a tool of the patriarchy and, even worse, helps white working-class males who likely voted for Trump. As Tucker has written, “The way many pundits and policymakers talk about industry and competitiveness is often trapped in the hypermasculine image of men (usually white) building things with their hands.”¹⁹ Two progressive advocates

recently criticized Michael Lind and me for seeking a Hamiltonian industrial policy to enable “the return of the patriarchal, single wage-earning household.”²⁰ Our sin presumably was wanting to have an economy with higher wages and greater industrial competitiveness.

Bizarrely, some free-trade opponents of industrial policy—worried that if manufacturing is seen as important, support for absolute unfettered free trade will dip—also invoke race.²¹ Neoliberal Adam Posen, president of the Peterson Institute, claims that manufacturing is predominantly white, so any manufacturing-focused policy is racist.²² The reality is Black and Hispanic representation in U.S. manufacturing nearly matches their representation in the overall U.S. economy.

Similarly, progressives want an industrial policy that prioritizes women while decrying Hamiltonianism for not doing that. One European article states that “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.”²³

It is true that there is a higher share of men working in advanced industries, and for progressives, that is enough to disqualify Hamiltonianism. That is also why they want to prioritize service sectors with higher shares of female workers. As Tucker has noted, “Work in the service sector is disproportionately female.”²⁴ As progressives prioritize women over men—or at least white men, including white working-class men—their industrial policy becomes predominantly a gender and race agenda, not an agenda to help all Americans prosper and the country to be strong.

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Likewise, this prioritization of non-whites and women of all races is why progressive industrial policy focuses on many low-wage service sectors wherein racial minorities and women are overrepresented. Tucker agrees, writing that “some of the sectors that Trump focused the most energy on—such as steel—disproportionately employ white workers, while relatively ignored sectors like care, restaurants, and retail disproportionately employ women and workers of color.”²⁵ He went on to note that “any industrial policy regime worth its salt would spend at least half of its energies on the service sector.” For him, “an industrial policy and plan that fosters equity and inclusion would extend some of the logic of ‘targeted universalism’ whereby industries would be selected for favorable government treatment based in part on their current and historic employment of women and people of color.”²⁶

The Roosevelt Institute’s industrial policy would focus on sectors such as barber shops (where Blacks account for 31 percent of employment), landscaping services (where Hispanics account for 44 percent of workers), and nail salons (where Asians account for 47 percent of workers). Tucker has affirmed that “industrial policy and planning that focuses only on manufacturing reinforces sexism and racism.”²⁷

This kind of equity-focused industrial policy dismisses America’s competition with other nations, especially China, and would allow the massive trade deficit to increase even more and America’s technological leadership to decay even more, all in the service of “equity.” Yet, the lion’s share

of service sectors, with the exception of some such as software and information services, are not internationally traded and therefore cannot be lost to foreign competition—Americans are not going to go to Mexico to get their nails done. These sectors do not need an industrial policy. As Michael Lind and I have argued, it makes no sense to spend scarce federal dollars to subsidize wage in low-wage domestic-serving industries. The best way to improve jobs in these industries is to significantly raise the federal minimum wage, support state-chartered industry boards to boost productivity and wages, and encourage consolidation so that these industries stop being dominated by small, low-productivity, low-wage firms.²⁸ That is the only way to ensure better jobs for all workers in these sectors, regardless of race or gender—not the unsustainable federal subsidies progressives seek.

PROGRESSIVE INDUSTRIAL POLICY SEEKS SIGNIFICANT ECONOMIC REDISTRIBUTION

Economic redistribution, rather than growth, has become the central animating economic goal of progressives. In part, this is because they believe, wrongly, that growth no longer benefits working Americans—and a redistribution agenda helps them achieve their broader overriding agenda of dismantling American capitalism in favor something much different.²⁹

There should be no question that there is too much income and wealth inequality and that 50 years of conservative neoliberal policies have exacerbated the problem. But rather than advocate principally for measures such as a higher minimum wage, higher taxes on wealthy individuals, or shrinking the part of the finance sector that is largely casino-like, they want to use industrial policy to provide lower-priced (not lower-cost) goods and services to low- and moderate-income Americans.

Progressive industrial policy for good jobs is not based on increased productivity, but rather on wage and benefit subsidies, either from government or corporations. In fact, increased automation and productivity are usually decried as antiworker.

Indeed, some progressives critique Hamiltonian industrial policy because they claim it will not do anything for income equity (their top goal).³⁰ It is why they promote subsidies for lower-wage, human services industries such as day care.³¹ But it is largely about subsidies, not restructuring the industry. A real industrial policy for the sector would mean rethinking regulation, exploring how technology might play a role, and encouraging any economies of scale that might be attainable. But no, for them, a day care industrial policy means increased subsidies for people to spend on institutionalized childcare with higher-paid childcare workers.

Moreover, their industrial policy for good jobs is not based on increased productivity, but rather on wage and benefit subsidies, either from government or corporations. In fact, increased automation and productivity are usually decried as antiworker. In an article for the Center for American Progress's series on competitiveness, Mark Levinson argued, "Our national policy goal should be to convert every human service job to a good job that pays a living wage with good benefits."³² Tucker has argued for a "federal policy to move qualified workers into childcare services, improve quality, or subsidize the construction or renovation of buildings for childcare."³³ But without boosting the productivity of these sectors, the only way to achieve such

a goal is through vastly increased government spending or tax expenditures, something that is unlikely given the massive budget deficit and unsustainable entitlement spending.

There is no reason for a care sector industrial policy; it's not a traded sector America can lose to China. And to the extent there are challenges in the care sector—and there certainly are—they stem from the demand side: Not enough consumers can afford quality care. Few upper-income Americans experience problems interacting with the care sector. If there is a democratic political will for increasing what more Americans can spend on childcare, the rational solution is some kind of refundable tax credit that would cover home childcare as well as institutional care. And, ultimately, higher productivity across the economy would make the care sector more affordable for more Americans.

Finally, the focus on redistribution is also why a core component of progressive industrial policy is to weaken intellectual property rights. For example, progressive economist Dean Baker dismisses the need for and benefits of Hamiltonian industrial policy, arguing instead that any industry policy should be grounded in dramatically weakened intellectual property rights for companies.³⁴ In progressives' view, this is how to make everything from drugs to entertainment more affordable. The reality is a weak intellectual property regime will harm U.S. industrial competitiveness.

GREEN INDUSTRIAL POLICY AS A MEANS OF SOCIETAL MAKEOVER

Most progressive industrial policy proposals put fighting climate change, ideally while also advancing equity, front and center. Tucker has argued, “With the US and humanity as a whole facing profound existential challenges from the climate crisis, any industrial policy should prioritize decarbonization.”³⁵ For progressives, “all economic policy is climate policy.”³⁶

But this is not as it seems. Their goal is not really about supporting innovation so that unsubsidized low-fossil fuel energy costs less than fossil fuel energy, and hence is voluntarily adopted throughout the world through market forces; it is about using climate as a way to advance significant societal change.

As several progressives have written, “The [Inflation Reduction Act] also marks a radical shift in federal-level climate policy. It tries to combine climate change policy (slowing down global warming) with industrial policy (building up U.S. manufacturing). If the new provisions work as the bill's designers hope, the IRA may have transformative political consequences.”³⁷

Indeed, climate activist Greta Thunberg has said what many progressives think, that “saving the climate means changing how we live.”³⁸

Progressives mean two things. First, they want to transform the U.S. energy industry away from centralized sources (large coal, natural gas-fired and nuclear electric generation) to decentralized ones (e.g., rooftop solar) and away from an energy-abundant economy in which most Americans drive cars alone and live in single-family houses on quarter acre lots into an energy scarce one wherein most Americans take transit and live in apartment buildings. For example, the organization Climate and Community rejects vehicle electrification as the solution to climate and instead wants government to focus on “reducing dependence on private vehicles, densifying low-density suburbs while allowing more people to live in existing high-density urban space.”³⁹

This is why these same progressives oppose clean energy technologies such as nuclear power and carbon capture and storage, as both technologies do not require changing American living patterns. Nuclear is centralized and often run by corporations. Carbon capture lets the world keep using oil (albeit without carbon pollution), something that is anathema to most progressives. It should be a clue when the Roosevelt institute argues that solving climate change requires “massive reorganization of economic activity.”⁴⁰ And as some progressive scholars have written, “Considering this inherent impossibility of ‘sustainable growth’, progressive industrial policy must therefore aim at a profound social-ecological transformation, which needs to be more profound and disruptive than a gradual transition into a so-called ‘Green Economy’.”⁴¹

Progressives’ goal is not really about supporting innovation so that unsubsidized low-fossil fuel energy costs less than fossil fuel energy, and hence is voluntarily adopted throughout the world through market forces; it is about using climate as a way to advance significant societal change.

Stuart, Gunderson, and Peterson wrote, “While climate movements face significant opposition, they continue to grow and create a stronger trajectory for deep social change.”⁴² In other words, break up or otherwise shrink large industrial corporations, change where and how people live, and support negative gross domestic product (GDP) growth (“degrowth”). They went on to write that “industrial policy interventions need to go hand in hand with complementary structural policies (regarding energy infrastructure, transport systems and settlement patterns).”⁴³ In other words, no more centralized private utilities, vastly fewer freeways and cars, and an end to suburbia. As one progressive argued, “One of the biggest opportunities to meet this crisis is to dramatically rethink the way we get around and the way we build our cities.”⁴⁴ In other words, vastly fewer cars and single-family homes. Stuart, Gunderson, and Peterson acknowledged that workers in affected industries—oil and gas, utilities, heavy manufacturing—are likely to resist this but also suffer from false consciousness and should be bought off with “welfare state benefits” and “less alienating forms of work” (perhaps as daycare or nail salon workers).⁴⁵

Thankfully, solving climate change does not entail such massive reorganization, because if it did, we would never solve it, as the world’s population, especially low-income individuals, will not tolerate such reorganization and reduction in living standards. The solution to climate depends on faster technological innovation so we can do what we do now and massively more of it, but on a vastly cleaner basis.

Second, progressives know that their claim of reindustrialization is a powerful argument for green industrial policy. But if the United States is to have a revitalized industrial sector large enough to enable the United States to run a trade surplus, it will need much more than a modestly, or even significantly, larger clean energy sector; the sector is simply not big enough to power U.S. manufacturing renewal.

Democratically Decided Industrial Policy

Progressives call for a particular form of industrial policy: democratically decided industrial policy. Tucker has written, “Industrial policy and planning can play an important role in changing the distribution of power between firms, between labor and capital, and ultimately in our democracy itself.”⁴⁶

This catchphrase sounds like “mom and apple pie”: Who can be against it? But they don’t mean democratically decided as in Congress decides. They mean democratically in that workers and activists decide. For them, if no community wants a new factory to make computer chips, that’s fine as long as it was democratically decided. If workers such as a longshoreman union reject productivity-enhancing automation technology, that’s fine as long as they choose themselves. Eder and Schneider wrote that any industrial policy aid to firms “should be premised on workers’ self-determination”—in other words, worker control of firms.⁴⁷

A world in which the local and individual trump the national and collective is an America in decline. Any effective industrial policy has to reflect national, not parochial, and local interests. This is not to say that industrial policy decisions should not prioritize firms that are unionized and pay their workers more than other firms. But ultimately, industrial policy decisions need to reflect the overall national interest, not localized and particular interests, no matter how noble the latter are made out to be. And to be clear, corporate interests are not always aligned with national and societal interests either. But neither a system that prioritizes corporate interests nor one that favors individual interests serves the national interest.

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Where’s “China”?

What is perhaps most striking about these progressive proposals is the almost complete lack of concern with China. It’s as if China doesn’t exist and that the fate of the U.S. economy and industry structure is completely in domestic hands.

The principal behind the purging of the Chinese competitive threat from their narrative and proposals is including it would require a fundamental shift away from progressive proposals designed to advance equity, restructure American society, and break up and strictly regulate corporations.

There is a second reason for the absence of China, and that is the progressives’ privileging of global worker welfare over American welfare. For many U.S. progressives today, the goal is to support the improvement of lives of workers internationally, especially in less-developed nations, even if that comes at the expense of America. Case in point, when asked whether they prioritize the interests of the American republic, including corporations, or the interests of workers around the world, progressives such as Dean Baker and Thea Lee sided with the latter.⁴⁸ A competitiveness-based industrial policy would mean pushing for more growth in advanced industries at the expense of China and other nations, something that is anathema to progressives.

The Risks of a Progressive Industrial Policy

There are two key risks to embracing a progressive industrial policy. The first is that their agenda (e.g., an industrial policy for human service industries) will do nothing to spur U.S. global competitiveness. In fact, to the extent that their agenda seeks to heavily regulate, tax, or break up large corporations in traded-sector industries, it will damage U.S. competitiveness.

The second risk is progressives will poison the political well for a competitiveness-based industrial policy. When most centrists, labor-oriented liberals, and conservatives read a statement

such as this from Felecia Wong, president of the progressive Roosevelt Institute: “[E]conomic transformers’ view the state as having a necessary, appropriate, and central role to play in deciding which industries rise and fall, how industries are structured, and how they produce the goods and services our economy and citizens need,” many would recoil in response to such a state-directed, heavy-handed approach.⁴⁹ If this is what industrial policy is, most would think we shouldn’t want anything to do with it.

And this is a realistic fear. To the extent advocates support competitiveness-based industrial policy, they make it easier for progressive industrial policy to gain traction because, after all, for some, industrial policy is industrial policy.

The solution is not to retreat to backward-looking and ineffective free-market economics; it is for moderates and pragmatists from all political stripes to align around a Hamiltonian industrial policy. The reality is if neoliberals continue to support neo-classically inspired laissez-faire economics and trade policy and oppose all industrial policy (progressive or competitiveness-based), they splinter the opposition to progressive industrial policy and limit support for Hamiltonianism. But such a new fusion, while needed, is in all likelihood a pipe dream given the deep, ideological commitment to free-market economics by so many on the Right.

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WHAT DOES A REAL INDUSTRIAL POLICY LOOK LIKE?

This is not the place to articulate what a U.S. competitiveness-based industry policy should look like; the Information Technology and Innovation Foundation (ITIF) has done that in many other places.⁵⁰ However, it is worth pointing out six key ways it differs from progressive industrial policy.

1. It focuses first and foremost on staying ahead of China in advanced industries, especially ones that enable national power. A competitiveness-based policy should be focused on winning the competition with China on key industries. The CHIPS Act was a first step in that process, but much more is needed.
2. It doesn’t focus on the trade deficit per se but on advanced sectors. The U.S. economy could evolve into one that largely exports food and minerals and tourism services. That would be a dramatically weakened economy globally. America needs to regain and advance its leads in a wide array of advanced industries.
3. It recognizes that helping large, profitable multinational corporations is required. It is a pipe dream to believe that America can win the advanced industry competition with China without large corporations. Absent massive U.S. government subsidies along the lines China provides to its firms, American firms cannot win the competition with scale.
4. While some clean energy industries should be part of a national industrial policy, any effective policy must include a broader array of traded, advanced sectors. The energy

sector, even if broadly defined, is not large enough to power needed U.S. exports or help the United States stay ahead of China in a wide array of key dual-use technologies.

5. A national industrial policy should be democratic in the sense of being both shaped and funded by Congress. But it should not be democratic in the sense of giving veto power to every affected interest.
6. A national industrial policy should consider income, race, and gender issues, but not be determined by them. The major goal should be winning the competition with China. If those goals can be reached while also achieving social policy goals, all to the good. But the goal of winning global advanced industry competition should not be subordinated to social policy goals when designing and implementing industrial policies.

CONCLUSION

Progressives have hijacked the term “industrial policy” as a way to advance their redistributionist goals. Policymakers should understand that a competitiveness-based industrial policy is vastly different from progressive industrial policy and embrace the latter.

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About ITIF

The Information Technology and Innovation Foundation (ITIF) is an independent, nonprofit, nonpartisan research and educational institute focusing on the intersection of technological innovation and public policy. Recognized by its peers in the think tank community as the global center of excellence for science and technology policy, ITIF's mission is to formulate and promote policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress. For more information, visit us at itif.org.

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