
Industrial Policy and Sustainable Structural Change. Discussing sectoral priorities in the US.

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Abstract

Environmental issues and the need to offer solutions to the economic crisis have stimulated in recent years a new demand for public policies – and in particular for *industrial policies* (IP) – able to combine economic growth with environmental sustainability. However, the framework in which public action is defined and implemented appears extremely complex. While several economic and environmental issues could suggest an active role of the governments, industrial policy risks to be extremely ineffective and inefficient due to what the academic literature has indentify as *government failures*. In this context the debate refers to the relationship between policy-makers and the targets of industrial policies, that opens at least two kind of problems. On the one hand, the government is described as potentially vulnerable to the pressures of the most influential groups of the society or *rent-seekers*. In this case, industrial policy fails when it sacrifices a more general notion of *public interest* in favor of responding to the interests of particular groups (such as particular territories, industries, clusters, companies, etc.), just because they are able to better organize their lobbying activity, or to offer greater political consensus in time of elections. On the other hand, industrial policy could meet important problems related to the lack of *information* on targets to be promoted and tools to be used for achieving the desired goals. For instance, what are the sectors that will be able to respond to the national interest in the future? Different political priorities could be inconsistent with each other. And this is the case in point of economic and environmental priorities, that often appear to conflict with one another, showing the existence of potential trade-offs.

This paper examines the political economy of sustainable structural change in the US and proposes a methodological framework to analyses sectoral priorities of industrial policy. Specifically, by focusing on the analysis of the US manufacturing system, the main objective of the work is to propose a methodology for "mapping" the economic and environmental performance of the sectors in order to improve the process of identifying greening and industrial policy targets. By using this case study, we elaborate a way to classify the sectors according to their ability to pursue different objectives and to identify the cases where trade-offs are present. The contribute of the paper to the existing literature is twofold. On the one side the work provides a methodology to make explicit different political priorities (e.g. economic *vs.* environmental) in policy-making processes, increasing political transparency. On the other side, the analysis aims at mitigating the information problems by showing, given explicit political goals, which sectors are promising industrial policy targets on the bases of the performances they achieve. In this way the methodology is useful in proving support for the

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definition and implementation of selective industrial policies, taking into account the specific characteristics of the targets.

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