INDUSTRIAL POLICY: LEADING THE GREEN AND DIGITAL TRANSITIONS (MG203)

Course duration: 54 hours lecture and class time (Over three weeks)

Summer School Programme Area: Business and Management

LSE Teaching Department: Department of Management

Lead Faculty: Dr Vassilis Monastiriotis and Dr Bob Hancké (European Institute)

Pre-requisites: A university level introductory course in a social science subject such as economics, business, management, European studies, political science, or international relations.

Introduction:

Business needs government to harness local comparative advantages and national competitiveness; and governments need business to create wealth, jobs, and economic prosperity. This course examines, under this prism, novel industrial policy initiatives in Europe and beyond, in response to the green and digital transitions and the supply chain disruptions since the Covid lockdowns.

General overview:

Following a long period of deregulation and market liberalisation, the recent crises (COVID, supply chain disruptions) and continuing global challenges (automation, climate, energy transition) have led to the realisation that markets and businesses need the assistance of the state to meet their social and economic goals. In this course, we examine analytically and empirically the industrial and related policies to achieve these aims in the European context.

The relationship between states and markets and the market failures that justify government intervention and market regulation are the foundations of this approach. The course then examines the particular modes of regulation in Europe and the industrial structures and 'varieties' of capitalism found across the EU.

The balance of the course debates ideas on the role, objectives and instruments of industrial policy; on the role of industrial policy in the EU in the past and across policy areas; on the recent re-emergence of an industrial policy discourse in the EU and beyond; and on the re-emergence of 'new industrial policy' initiatives across countries in Europe – from Britain's new "Industrial Strategy" to Germany's "Modern Industrial Policy", to Hungary's model of maintaining national influence in key industries.

Combining an accessible treatment of theory with an applied focus, the course offers an excellent introduction to some of the key policy questions concerning the management of economic growth today. We will discuss the main frameworks for industrial policy, compare and evaluate recent strategies in the EU and other advanced capitalist democracies, and the articulation of industrial policies with other policy areas.

Lectures, seminars and other exercises, will allow students to explore real-world cases of industrial policy, both at the macro (national industrial strategies) and at the micro levels (specific sectoral interventions). We will analyse and compare the national industrial strategies of France (2), Germany (2) and the UK (2); and work on case studies such as the Franco-German car battery initiative and the UK Cell and Gene Therapy Catapult. Attention will also be directed to the EU 'Strategic Autonomy' policy discussions and the EU's strategy for the 'twin' transitions, from its inception to its current state of the art.

The course consists of 36 hours of lectures and 18 hours of classes. You should expect the course (lectures as well as classes) to be interactive, so come prepared to participate.

Specific topics covered:

Government, business and markets: Theory of markets and states; Market failures and market correction; Market regulation; Collective action and agency capture; Systems of production

Global challenges and the changing economic space: Comparative advantages and specialisations in the EU; Global value chains and supply chain disruptions; Automation, teleworking and the challenges of climate change

Industrial Policy – theory: Old industrial policy; new concepts and New Industrial Policy; First-order conditions for a successful industrial policy; Missions for growth; Economic patriotism

Industrial Policy – practice in the EU: EU policies on innovation, competition and development; Industrial renaissance and investment; National industrial policies from the 1970s to the present; Varieties of industrial policy

Strategic management of the future: The twin transitions; Next Generation EU; Energy dependency and decarbonisation; Intelligent automation and the future of work; Managing globalisation.

Course outcomes:

The course will help you develop

- concrete knowledge and understanding of the state-market relationship, the failures that necessitate market-correction and regulation by governments, and the challenges that emerge in relation to this;
- knowledge and appreciation of the challenges posed by climate change and the main disruptions associated to automation and digitalisation
- in-depth understanding of the historical evolution of industrial policy approaches and of the key concepts underpinning contemporary industrial policy in advanced capitalist democracies
- all-around knowledge of the range of policies applied in the EU to enhance economic potentials and performance (allocation, development, and convergence policies); and
- an understanding of the systemic variation in the economic structures of the economies of different European countries and the governance models that these link to.

By the end of this course, you will be able to

- demonstrate an in-depth, critical understanding of the scope and challenges of market regulation and the design of investment and industrial policies

- differentiate between types of regulation, models of state intervention and approaches to industrial policy
- discuss and evaluate key policy initiatives in the EU and its member states concerning market regulation and the management of the challenges of climate change and digitalisation (green and digital transition).

Assessment:

There will be a formative assessment and two summative assessments. The formative assessment is a short essay of about 750-800 words, due on Monday of week 2 at 10am. This assessment will not count towards the final grade. The first summative assessment (counting for 25% of the final grade) is an essay of about 1500 words, due on Friday of week 2. The final assessment (75% of the final grade) is an examination which takes place on the last day of the summer school (Friday of week 3). The precise time and location of the exam will be circulated during the programme.

Reading list (Core readings only):

- Terzi A., Singh A. and Sherwood M. (2022), Industrial Policy for the 21st Century: Lessons from the Past, European Economy Discussion Paper No157.
- Mosconi F. (2015), *The New European Industrial Policy: Global Competitiveness and the Manufacturing Renaissance*, Routledge.
- Guay T. (2014), *The Business Environment of Europe Firms, Governments, and Institutions*, Cambridge University Press.
- Ambroziak A. (ed) (2017), *The New Industrial Policy of the European Union*, Springer.
- Pilati M. (2021), National Recovery and Resilience Plans: Empowering the green and digital transitions?, EPC Discussion Paper April 2021 [Policy Paper]

Teaching Schedule:

Week 1

1. Introduction: markets and states
2. Market failures, government intervention and regulation
3. Endogenous regulation: systems of production
4. The state as manager of the economy: old industrial policy
5. The state as facilitator: from deregulation to New Industrial Policy

Week 2

1. First-order conditions for successful IP: cases from the past
2. The European economy/ies and the global challenges post-COVID
3. The EU as regulatory state: policies on competition and development
4. The EU as entrepreneurial state: policies on innovation and smart specialisation

Week 3

1. New industrial policy in the EU – investment policies and industrial renaissance
2. New industrial policies in member states – successful transitions or economic patriotism?
3. NextGenEU and the twin transitions – leading the green and digital agenda

Credit Transfer: If you are hoping to earn credit by taking this course, please ensure that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three or four credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk