**Perspective**
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# Industrial Policy: An Overview

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## Perspective

A country's industrial policy (IP) or industrial strategy is its official strategic endeavour to stimulate the development and growth of all or a portion of the economy, which is frequently centred on all or a portion of the manufacturing sector. The government implements policies "aimed at strengthening domestic enterprises' competitiveness and skills and encouraging structural transformation." The infrastructure of a country (including transportation, telecommunications, and the energy industry) is a major facilitator of the wider economy and hence frequently plays a key part in IP [1]. Industrial policies are interventionist measures that are common in countries with a mixed economy. Many industrial policies have components in common with other sorts of interventionist tactics, such as trade policy [2]. Industrial policy is typically considered as distinct from wider macroeconomic policies such as credit tightening and capital gains taxation. Subsidies to export industries are traditional instances of industrial strategy, as is import-substitution-industrialization (ISI), in which trade obstacles are temporarily imposed on select vital sectors, such as manufacturing. Certain industries are given time to develop (learning by doing) and upgrade by selectively safeguarding them [3-6]. Once the selected industries are competitive enough, these restrictions are abolished in order to expose them to the international market. The classic justifications for industrial strategies date back to the 18th century. The 1791 Report on the Subject of Manufactures of US economist and politician Alexander Hamilton, as well as the work of German economist Friedrich List, featured prominent early arguments in support of selective protection of industries. List's views on free trade ran directly counter to Adam Smith's, who stated in The Wealth of Nations that "the most advantageous method in which a landed nation can raise up artificers, manufacturers, and merchants of its own is to grant the most perfect freedom of trade to the artificers, manufacturers, and merchants of all other nations." List's and others' views were later taken up by early development economists such as Albert Hirschman and Alexander Gerschenkron, who advocated for the selective promotion of crucial industries in overcoming economic backwardness [7-9]. In the United States, the connection between government and industry has never been easy, and the labels used to categorise these interactions at various eras are frequently confusing, if not untrue. For example, in the early nineteenth century, "it is pretty evident that the laissez faire moniker is an incorrect one." [Neutrality is contested] In the United States, the Jimmy Carter administration clearly proposed an industrial policy for the first time in August 1980, however it was later undermined with the election of Ronald Reagan the following year. Historically, most industrialised countries, notably the United Kingdom, the United States, Germany, and France, have interfered heavily in their domestic economies through industrial policies. Following on from these early examples are interventionist ISI methods implemented in Latin American countries such as Brazil, Mexico, and Argentina. More recently, the rapid rise of East Asian economies, sometimes known as newly industrialised countries (NICs), has been linked to aggressive industrial policies that deliberately favoured manufacturing while also facilitating knowledge transfer and industrial upgrading. The success of these state-directed industrialisation tactics is frequently credited to developing states and strong bureaucracies like Japan's MITI. According to Princeton's Atul Kohli, the reason Japanese colonies like South Korea developed so quickly and successfully was because Japan exported to its colonies the same centralised state development model that it had employed to create itself. South Korea's development can be explained precisely by the fact that it followed similar industrial policies implemented by the United Kingdom, the United States, and Germany, and South Korea adopted Export-Oriented Industrialization (EOI) policy from 1964 based on its own decision, in contrast to the Import Substitution Industrialization (ISI) policy touted by international aid organisations and experts at the time. Many of these domestic policy options, however, are today viewed as harmful to free trade and are thus restricted by various international accords such as WTO TRIMs or TRIPS. Instead, the current emphasis in industrial strategy has turned to the promotion of local company clusters and integration into global value chains. During the Reagan administration, an economic development project known as Project Socrates was launched to address the United States' declining capacity to compete in global markets. Michael Sekora's Project Socrates resulted in a computer-based competitive strategy framework that was made available to private industry and all other public and private entities that influence economic growth, competitiveness, and trade policy. Socrates' primary goal was to use modern technology to enable US business institutions and government agencies to collaborate in the development and implementation of competitive strategies without infringing existing laws or undermining the spirit of the "free market." President Reagan was pleased that the Socrates method achieved this goal. Socrates would provide "voluntary" but "systematic" coordination of resources across multiple "economic system" institutions, including industry clusters, financial service organisations, university research facilities, and government economic planning agencies, using advances in innovation age technology [10]. While one US President and the Socrates team believed that technology made it virtually possible for both to exist concurrently, the controversy over industrial policy vs. free market remained, as Socrates was branded as industrial policy and de-funded later during the George H. W. Bush administration. Following the 2007–08 Financial Crisis, numerous nations around the world, including the United States, United Kingdom, Australia, Japan, and the majority of European Union countries, enacted industry laws. However, modern industry strategy often recognises globalisation as a given and concentrates on the growth of emerging businesses rather than the collapse of existing industries. It frequently entails the government collaborating with industry to address difficulties and possibilities. China is an example of a country in which the central and subnational governments are involved in practically all economic sectors and operations.

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