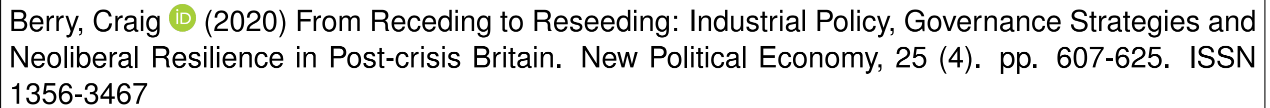
Manchester Metropolitan University

e-space

Manchester Metropolitan University's Research Repository

Please cite the Published Version



Berry, Craig (2020) From Receding to Reseeding: Industrial Policy, Governance Strategies and Neoliberal Resilience in Post-crisis Britain. New Political Economy, 25 (4). pp. 607-625. ISSN 1356-3467

DOI: https://doi.org/10.1080/13563467.2019.1625316

Publisher: Taylor & Francis (Routledge)

Version: Published Version

Downloaded from: https://e-space.mmu.ac.uk/623063/

Usage rights: BY-NC-ND Creative Commons: Attribution-Noncommercial-No Derivative Works 4.0

Additional Information: This is an Open Access article published in New Political Economy published by Taylor & Francis, copyright The Author(s).

Enquiries:
If you have questions about this document, contact openresearch@mmu.ac.uk. Please include the URL of the record in e-space. If you believe that your, or a third party's rights have been compromised through this document please see our Take Down policy (available from https://www.mmu.ac.uk/library/using-the-library/policies-and-guidelines)

New Political Economy

ISSN: 1356-3467 (Print) 1469-9923 (Online) Journal homepage: https://www.tandfonline.com/loi/cnpe20

Routledge
Taylor & Francis Group

From Receding to Reseeding: Industrial Policy, Governance Strategies and Neoliberal Resilience in Post-crisis Britain

Craig Berry

To cite this article: Craig Berry (2019): From Receding to Reseeding: Industrial Policy, Governance Strategies and Neoliberal Resilience in Post-crisis Britain, New Political Economy, DOI: 10.1080/13563467.2019.1625316

To link to this article: https://doi.org/10.1080/13563467.2019.1625316

Published online: 05 Jun 2019.

Submit your article to this journal

View Crossmark data

Full Terms & Conditions of access and use can be found at
https://www.tandfonline.com/action/journalInformation?journalCode=cnpe20

NEW POLITICAL ECONOMY
https://doi.org/10.1080/13563467.2019.1625316

From Receding to Reseeding: Industrial Policy, Governance Strategies and Neoliberal Resilience in Post-crisis Britain

Craig Berry

Department of Economics, Policy and International Business, Manchester Metropolitan University, Manchester, UK

ABSTRACT
Industrial policy has been on the agenda of British policy elites since the 2008 financial crisis, particularly since Theresa May became Prime Minister in 2016. This has been seen as a challenge to pre-crisis norms of economic governance associated with neoliberalism. This article explores key aspects of industrial policy development in post-crisis Britain – new forms of vertical support for industry, local government reform, and the public financing of private sector R&D – in order to sketch a new understanding of political and ideological change. It focuses on the institutional mechanisms through which industrial strategy will ostensibly be implemented, including subnational and private spheres of governance. The article argues that recent industrial policy developments do not represent the receding of neoliberalism, but rather have provided opportunities for the reseeding of neoliberal norms in British economic statecraft. The strategy has reinforced forms of state machinery through which pre-crisis elite practice can be maintained and legitimated. By demonstrating that the apparent revival of state intervention in the wake of capitalist crises must not be assumed automatically to challenge pre-crisis economic orders, and highlighting the crucial role of exigent political circumstances, the article makes an important contribution to the literature on neoliberal resilience.

KEYWORDS
economic policy; ideology; industrial policy; institutions; neoliberalism

This article explores the formation and implementation of industrial policy in post-crisis Britain, in order to explore the evolution of neoliberal economic statecraft following episodes in which neoliberalism's legitimacy has seemingly been challenged. A renewed interest among policy-makers in industrial policy has been evident since the financial crisis of 2008. The Conservative-Liberal Democrat coalition government formed in 2010 also ostensibly pursued a more expansive industrial policy agenda. However, it was the ascent of Theresa May to the premiership in 2016 after the Brexit referendum (initially inheriting the small parliamentary majority the Conservatives had won in 2015, before leading a minority government after the 2017 'snap' election) that gave most impetus to the development of an 'industrial strategy'. May oversaw the establishment of the Department of Business, Energy and Industrial Strategy (BEIS), and the publication of a landmark white paper on industrial strategy in 2017 (BEIS 2017c). She both explicitly and implicitly endorsed industrial strategy upon taking office, and during the 2017 election campaign, as part of building 'an economy that works everyone' in the wake of the Brexit vote (May 2016b, 2016c, Conservative Party 2017).

Industrial policy is understood here as policy interventions which 'stimulate economic activities and promote structural change' (Rodrik 2009: 2). The distinction between the horizontal and vertical industrial policy is often employed, with the former focused on supporting the private sector as a

CONTACT Craig Berry c.berry@mmu.ac.uk https://www.linkedin.com/in/craig-berry-7402853a/ Department of Economics, Policy and International Business, Manchester Metropolitan University, All Saints Campus, Oxford Road, Manchester M15 6BH, UK
© 2019 Informa UK Limited, trading as Taylor & Francis Group

whole, and the latter on particular industries or firms. A horizontal approach has tended to prevail in the UK, although a vertical or 'targeted' approach focused on capital-intense manufacturing industries, which drive productivity improvements and are integral to domestic export bases (see Chang 2009), tends to characterise industrial policy in most countries. Recent developments in the UK strongly suggest the addition of (further) vertical interventions to complement a predominantly horizontal approach.

In signifying the legitimacy of the state intervening in the market in order to steer economic processes, industrial policy is often understood as a disavowal of economic governance norms associated with neoliberal ideology. The emergence of an industrial strategy in Britain sits somewhere awkwardly therefore alongside a political economy literature which emphasises continuities in economic policy practice, and the ways in which even novel policy instruments have served to restore a neoliberal growth model challenged by the events of 2008 and their aftermath (Hay 2013, Berry and Hay 2016, Lavery 2019). This article, and the example of industrial policy, offers a subtle variation on this latter argument. While it would be too crude to describe Britain's industrial policy renaissance – particularly May's post-Brexit industrial strategy – as a neoliberal agenda, nor does it straightforwardly represent a *receding* of neoliberalism's influence over economic policy. Instead, in seeking to build upon pre- and post-crisis policy practice, the May government's industrial strategy agenda offered opportunities for the *reseeding* of neoliberalism in Britain's economic policy architecture even while its legitimacy was challenged rhetorically.

The article surveys[1] recent industrial policy developments in Britain, in historical context, to elucidate this argument, focusing in particular on the institutional mechanisms through which an industrial strategy will be developed and operationalised, and over which, crucially, Theresa May as Prime Minister was not in complete control. Accordingly, this analysis contributes to the growing literature on the evolution of neoliberal resilience (see Schmidt and Thatcher 2014b), and related literatures on neoliberal varieties (see Ban 2016, Carstensen and Matthijs 2018) and the neoliberal state (Weiss 2012, Schmidt and Woll 2014) – arguing that the role of both context-specific institutional processes and political contingency has been under-emphasised in accounts of neoliberalism's resilience.

The article discusses British industrial policy development across three of the main domains through which an industrial policy agenda may be enacted: support for particular firms or industries, new industrial policy powers for local and regional authorities, and support for R&D. The nature of policies within the first domain denote the extent to which policy-makers rely upon the economy's incumbent firms, and their business models, to deliver strategic objectives. Approaches within the second domain will denote prevailing ideas about the appropriate scope for state intervention at various scales. And interventions chosen within the third domain denote understandings of how state and market should interact across different stages of capitalist innovation. Each of these domains were prominent within the May government's industrial strategy, as well as, to a variable extent, having featured in industrial policy development in Britain since 2008. Focusing on these domains also enables the article to demonstrate the abiding influence of HM Treasury on all facets of economic policy, notwithstanding the establishment of BEIS. The article begins by elucidating neoliberalism and its apparent resilience, situating the analysis of British industrial policy in relation to the existing literature in this regard.

Industrial Policy and Neoliberal Resilience

This section locates the article's analysis in relation to current debates about the nature and evolution of neoliberalism. Defining neoliberalism is a complex task, but a necessary one. Following William Davies (2014), it is understood as a foundational set of norms which privilege private and profit-seeking economic activity as the key source of well-being, centred on an individualist epistemology which delegitimises collectivist mechanisms for the pursuit of public goods. As such, if industrial policy validates forms of state intervention focused on reshaping the private economy, does the UK's move towards industrial strategy represent a disavowal of neoliberalism? In maintaining that

the private economic sphere, populated by profit-seeking firms interacting competitively, is best placed to determine how wealth should be produced and distributed and, accordingly, societal welfare pursued, neoliberalism is clearly inconsistent with the notion that the state may play a purposeful role in shaping capitalist development. However, there is a diverse and growing literature on the vital role that state power plays (in Britain and elsewhere) in supporting neoliberalism (Weiss, 2012, Davies, 2014, Mirowski, 2014, Schmidt and Woll, 2014). The state is essential to the architecture within which private economic activity operates, and has intervened in novel and significant ways since the crisis to sustain a British growth model associated with neoliberalism (Hay 2013, Berry 2016a, Lavery, 2019). Yet neoliberal statecraft invariably involves self-imposed limits on the state's ability to reorient privately determined business models.

Cornel Ban's work is instructive in this regard. Influenced by Karl Polanyi, Ban posits a distinction between 'embedded' and 'disembedded' neoliberalism, with the difference related primarily to the extent to which the states acts 'to buffer the broader society against the dislocations produced by market competition and its associated structures of power and privilege' (Ban 2016, p. 3–4). However, the applicability of this understanding to industrial policy is not straightforward. The use of public policy and public resources to support and protect national industries, or enable national economies as a whole to adapt to international trends, could be defined as a form of 'buffering', embedding the pursuit of public goods within the private economic organisation. But what if the state itself embodies neoliberal norms, geared towards only submissive form of interventionism, and indeed encompassing opportunities for private economic actors to influence or capture the key institutional mechanisms through which intervention is operationalised? The following sections of this article seek to determine empirically where the balance lies.

Ban's work draws upon distinct but overlapping literatures on neoliberal variation and resilience. For Ban, variation occurs as an abstract form of neoliberalism (promoted in part by international institutions) interacts with extant national conditions (including dominant ideas). Yet neoliberalism also varies – over time – within a single, domestic context. Carstensen and Matthijs (2018) have argued that there exist varieties of neoliberalism in recent economic statecraft in Britain, as policy elites have reframed a neoliberal understanding of the economy in line with their own specific priorities within (radically) different macroeconomic contexts. The question now is whether May is pursuing a new neoliberal variety, via industrial strategy. This article suggests that this is the case – but this does not necessarily mean May offers a neoliberal understanding of industrial policy. Reversing Ban's logic, it may be that an extant commitment to neoliberalism within the wider political and institutional landscape in the UK means the industrial policy is neoliberalised in practice, even if intended as a (partial) challenge to neoliberal statecraft.

Neoliberal variation is, essentially, a dimension of neoliberalism's resilience through adaptation. Vivien A. Schmidt and Thatcher (2014a) argue that neoliberalism's resilience is enabled by its generality, diversity and mutability in applying its core principles. They identify three main mechanisms of adaptation. Firstly, metamorphosis, as '[c]onstantly shifting policy ideas not only allow neoliberalism to grow, develop, and spread but also permit its relabelling so that past ideas return in new (dis)-guises'. Secondly, absorption, as neoliberalism's 'loose and flexible framework may develop by absorbing other ideas, changing labels, and extending its scope'. Thirdly, hybridisation, in which neoliberal ideas are 'married' to 'ideational competitors' in order to produce new policy agendas (Schmidt and Thatcher 2014a, p. 28; see also Schmidt and Thatcher 2014b, Schmidt 2016).

What is the essential or principal driver of this resilience? Schmidt and Thatcher place explanatory emphasis on neoliberalism as a set of 'background ideas' which are difficult to displace. Carstensen and Matthijs' (2018; see also Carstensen and Schmidt 2016) contribution to this literature, noted above, refers similarly to the 'ideational power' of neoliberalism. This encompasses the constraining power of background ideational processes, but also the persuasive power of particular ideas (and their advocates), and the institutional power over the proliferation of ideas. The current analysis is designed to help us to finesse our understanding of neoliberalism's resilience in this regard, especially in moments of political and economic crisis. The constraining and persuasive power of

neoliberal ideas (and neoliberals) over the nature and scope of industrial policy – and the weakness or incoherence of alternative approaches (Berry 2016a, p. 38–41) – is certainly relevant here, but this case would seem to demand more attention on Carstensen and Matthijs' third face of ideational power, that is, the institutional dimension. Neoliberal ideas about (or against) industrial policy are not present by default, but because they are embedded specifically among actors with positional advantages and/or indispensable capacities within policy-making and delivery institutions. Moreover, it is not simply that case that neoliberalism will have resisted ideational challengers – its advocates may indeed commandeer agendas such as 'industrial strategy', at least at the point of delivery, to renew an ideological mandate under threat. This suggests that neoliberalism's resilience, or otherwise, cannot simply be inferred from analysis focused on ideational contestation: the way in which the specific political and institutional anatomies of crises – or 'failures' (Best 2016) – create opportunities for discredited ideas to be 'reseeded' may be critical.

This possibility requires also a focus on the role of contingent political circumstances. Perhaps even more so than the ideas they host, institutional processes are subject to uncertainties as political actors devise strategies in pursuit of their objectives, and in response to new political conditions. Carstensen and Matthijs (2018) rightly question the emphasis placed on exogenous 'shocks' by Peter Hall's influential 'three orders of policy change' framework for mapping post-crisis paradigmatic change (see Hall 1993; see also Blyth 2013, Baker 2015, Berry 2016b). The link explicitly made by May between Brexit and industrial strategy allows for reflection on this issue. It might be that the 2016 Brexit vote, not the 2008 financial crisis, is the 'exogenous' shock that will enable a new industrial policy paradigm to emerge. Crucially, as noted above, this is how it has been narrated by May. At the same time, however, the actual implications of Brexit for governance are deeply ambivalent. In triggering a seemingly intractable *political* crisis, the Brexit vote has made it incredibly difficult for May to impose her own agenda on relevant institutions in a sustainable manner, even though Brexit appears to have ostensibly created opportunities for new policy ideas to emerge.

While the growing literatures on the evolution of neoliberal economic statecraft have not systematically considered British industrial policy, it is worth noting finally, and by way of further elucidating its empirical focus, that the current analysis contributes also to a growing inter-disciplinary literature on industrial policy in Britain and elsewhere (see Bailey *et al*. 2015, Berry 2018b; also a special issue of *Cambridge Journal of Regions, Economy and Society*, published in July 2019). The addition of a political economy perspective to this literature is paramount. The nature and operation of industrial policy have often been subject to analysis by political economists – but largely in relation to emerging economies, as the industrial policy is deemed constitutive of 'developmental' statism (see for example Evans 1995). The more recent inter-disciplinary literature has succeeded in demonstrating flaws or limitations of recent British industrial policies, set explicitly or implicitly against Rodrik's 'promoting structural change' definition, noted above. Yet the perspectives and objectives of the actual political actors that have contributed to policy development in this area have been under-investigated. Specifically, we must consider the possibility that policy elites may invoke industrial policy or industrial strategy – thereby claiming to promote structural change – as part of a governance strategy more focused in practice on *preserving* extant economic structures.

Sector Deals and the Private Sector

British industrial policy since 2008 has seen a gentle strengthening of vertical forms of intervention into particular industries. The clearest example of this in the 2017 white paper is the promotion of 'sector deals', that is, loosely-structured 'collaborative' partnerships between government and private sector bodies in a given industry (BEIS, 2017c, p. 192–3). However, the form taken by sector deals undermines the notion that the UK has developed a post-neoliberal industrial strategy; instead, vertical interventions are being inverted to reflect key neoliberal norms which were once reflected in the commitment to horizontalism. Specifically, they create space within the architecture of British industrial policy for the most powerful firms to shape policy and its delivery – an institutional

layer in addition to the space already afforded to favoured industries such as pharmaceuticals. Moreover, the traditional commitment to horizontalism remains evident within industrial policies emanating from the Treasury rather than BEIS, as part of the Treasury's ongoing management of British economic policy in general.

The Industrial Strategy's New Verticalism

A sector deal would typically involve commitments to invest in a new product, location and/or R&D activity by a handful of key firms, in return for reciprocal public sector support in the form of subsidy, tax relief, removing planning restrictions, infrastructural investment, etc. The May government's sector deals policy, and the most substantive of the actual deals now in place, built upon Labour and coalition government practice. The Labour government established more than twenty sector skills councils across a range of industries; these are employer-led bodies which managed skills investment by the Sector Skills Development Agency (SSDA; the SSDA was ultimately replaced by a looser federation of employer-led councils, underlining private sector leadership in skills provision). In 2009, Labour also established the Automotive Council for the automotive industry; the Council published an industrial strategy of its own in 2013, hinged around a coalition government commitment to R&D investment in propulsion technologies (Automotive Council and HM Government 2013). This was later supplemented by government investment in R&D for battery technology. The latest automotive sector deal adds further public investment in R&D, matched by council members, in driverless car technology, and a small amount of public money to train firms in how to support local supply chains (BEIS 2018). The food and drink industry (covering parts of agriculture, food production, retail, logistics and hospitality) now also has a sector council, endorsed in 2018 by the May government (DEFRA and BEIS 2018), with plans to secure a sector deal.

The sector deal for the so-called 'life sciences' industry has attracted a degree of critical attention (curiously, the deal was also preceded by a sector-specific industrial strategy, albeit in this case published only weeks before the wider industrial strategy white paper was published). Richard Jones (2017; see also Jones and Wilsdon 2018) has argued that the definition of the life sciences as an industry or sector (an imaginary which implies private sector organisation), privileges pharmaceutical firms at the expense of seeing drug development as part of wider healthcare provision. They will be the main beneficiaries of the new R&D investment highlighted by the deal, which also reinforces the government's commitment to improving housing and infrastructure in the Oxford-Milton Keynes-Cambridge 'corridor' where pharmaceutical firms are clustered. The House of Lords Science and Technology Committee (2018b) has amplified related concerns about the exclusion of the National Health Service (NHS) from the strategy and deal, which therefore both under-state the public sector's role in this part of the economy, and over-state the capacity of the NHS to drive and absorb innovation.

Large-scale public support for the life sciences industry arguably began under the Labour government, which sought to enhance tax relief for pharmaceutical firms, chiefly through the controversial 'patent box' which provides for a lower corporation tax rate on profits derived from intellectual property. The policy was not implemented until 2013, at a cost of more than £1 billion per year, by the coalition government (it is worth noting that the value of relief was also eroded by the coalition's cuts to corporation tax). The continuation of the patent box was endorsed by the life sciences industrial strategy but, as an already-existing measure, not included in the sector deal. The Institute for Fiscal Studies has found that the policy does not incentivise innovation, and that benefits accrue to the largest firms (it may also breach EU rules on tax competition) (Griffith and Miller 2011). Revealingly, the patent box is not mentioned in the industrial strategy white paper – it remains in favour at the Treasury, where it was first designed by a KPMG employee on secondment to the department (Rutter *et al*. 2017, p. 56). In 2009, Labour also established the Office for Life Sciences (OLS; a government agency whose work is shaped by its private sector 'stakeholders'), which published the first 'life sciences strategy' in 2011, under the coalition (see OLS 2011). The OLS will now sit underneath a Life

Sciences Council (co-chaired by cabinet ministers for business and health, and the chief executive of AstraZeneca), which will be overseen by a cabinet committee chaired by the Prime Minister (House of Lords Science and Technology Committee 2018a).

Although the white paper insists '[t]he role of the government is not to pick favourites and subsidise or protect them' (BEIS 2017c, p. 165), sector deals are clearly creating opportunities for powerful incumbent firms to shape industrial policy measures. Deals rely on self-organisation by the largest firms, and indeed the first criterion new sector deals must meet is having 'an identifiable leader who can bring together an appropriately broad representation of the sector … The sector's leader or deal champion should generally be a single individual with sufficient authority in the industry to negotiate a deal's content directly with government ministers with the full backing of the sector they represent' (BEIS 2017c, p. 208). There is a sleight of hand in the government's rhetoric in this regard: they may not be picking winners, but they are creating space for incumbents to embed themselves in public initiatives, with limited safeguards to ensure they will actually deliver society-wide benefits in return. As May said in a 2016 speech to the Confederation of British Industry, the industrial strategy 'is not about picking winners … It is about backing those winners all the way' (May 2016a). Tellingly, Britain's own competition watchdog warned May in 2017 against the 'unintended consequences' of sector deals, that is, the possibility of public investment being 'diverted from more productive firms (that sit outside the supported sector) to less productive firms (that sit inside the supported sector)' (Competition and Markets Authority 2017,p. 15).

Accordingly, for example, the automotive sector deal is led by the chief executive of engineering giant GKN (in the process of being taken over by asset-stripper Melrose) and the creative industries sector deal is led by Facebook's vice-president for Europe, the Middle East and Africa (the same individual is also a member of a new official advisory body, the Industrial Strategy Council). Interestingly, while it was presented in the white paper as an 'agreed' deal, the publication of a detailed construction sector deal has been delayed due to the collapse of Carillion. At the time of writing, it is also not clear who will sign the deal on behalf of the industry, since the chair of the Construction Leadership Council, Andrew Wolstenholme, subsequently stepped down from his role as chief executive of Crossrail (a private company wholly owned by Transport for London) to join BAE Systems. The council's board includes senior executives from Saint-Gobain UK, Turner & Townsend, Arup and the Mace Group.

Touted as a robust form of vertical support for innovative industries, sector deals in practice embody some of the most unwelcome features of verticalism, insofar as they favour incumbent firms able, and seemingly very willing, to participate in the deal-making process. There seem to be few barriers to which industries may be able to pitch to government for support, or indeed which groups of firms are able to define themselves as a sector to qualify for support. Given the decline of collective bargaining in Britain, most employer organisations, overwhelmingly organised by self-defined sectoral groupings, exist largely for the purpose of political lobbying (Gooberman *et al*, 2018). If these organisations are to be the basis of future sector deals, we can expect few deals that incorporate innovative, disruptive firms which challenge existing market leaders, and conventional sectoral boundaries in the process. There is of course no suggestion that the public purse might benefit – beyond the normal forms of taxation, although even these are partially avoidable for some of the firms involved – from any profits which derive from an activity supported by sector deal, or that the beneficiaries might be held accountable for how they use public funds. That said, the amounts being invested by the public sector are typically quite small; their real significance may lie in a recasting of what industrial policy means, at least in the British context, insofar as they validate targeted support for particular industries – as long as this support is filtered through incumbent-led governance processes.

Clearly, as they are legitimised as *agents* of industrial strategy, it is no surprise that the business models of private sector organisations are not considered by the government to be within the scope of industrial policy. This is despite the fact that policy-makers have since the crisis often bemoaned the chronically low rate of business investment in Britain; private investment as a

proportion of GDP has been lower in Britain than the rest of the G7 and OECD for most of the past 40 years. Within this, the British economy has a particularly low rate of private R&D investment. We can perhaps associate this with the dominance of less capital-intense services industries in the British economy, but also prevailing corporate governance practices (the latter may indeed help to explain the former) (Deakin 2013). In a 2016 speech, Theresa May actually linked a more interventionist industrial strategy to concerns around corporate governance (May 2016b; May advocated the representation of employees on the boards of large firms, although this commitment was later dropped). The 'shareholder value' model of corporate governance, put on a statutory footing by Tony Blair's Labour government, had since the financial crisis been associated with short-termist business investment practice, even within some elite policy discourses. However, a subsequent review of corporate governance, conducted by BEIS at around the same time the department produced its industrial strategy green paper, favoured a voluntaristic rather than regulatory approach to reform (BEIS 2017b), and the review was entirely absent from the published industrial strategy.

In contrast, another recent BEIS initiative, a review of employment rights and 'flexible' work by former Blair adviser Matthew Taylor (2017), was actually cited several times in the industrial strategy white paper. Crucially, the document presents sector deals as a key delivery mechanism for the review:

> Sector Deals provide a further opportunity for employers to promote good work and boost productivity. The right approach will vary from sector to sector. Delivering better quality jobs could involve a commitment to better employment relations and contracts that fosters both flexibility and security. (BEIS 2017c, p. 118)

As such, whereas corporate governance is noticeably absent from the industrial strategy, the *inclusion* of employment rights in the strategy is used by BEIS to establish a voluntaristic rather than the regulatory approach in this area, with sector deals deemed the appropriate forum in which participant firms are able to define 'good work'. The industrial strategy's new verticalism is, at best, tentative – and there are few signs that BEIS intends to pursue a more interventionist horizontal agenda either.

Interestingly, as well as marginalising its own more radical, horizontal agenda, the May government appears also to have presided over the dissolution of some of the more conventional forms of vertical intervention that had been established by the coalition government. Catapult centres, for instance, were designed to function as networked R&D hubs, initially funded by the public sector before attracting innovative SMEs seeking access to shared resources. The centres covered growth areas such as advanced manufacturing, offshore energy, satellite technology and digital industries. However, a review of the catapult programme by accountancy firm Ernst & Young (2017; commissioned by the May government in 2017) criticised centres for not attracting sufficient volumes of private investment. Their future is therefore uncertain.

The Treasury's Productivity Agenda

It is a highly revealing oddity of British economic statecraft that while the Whitehall department which oversees business generally 'owns' *industrial* policy (now more than ever, given the creation of BEIS), the Treasury actually retains ownership of *productivity* policy. As such, a commitment to horizontalism remains evident in parts of the May government's agenda. Furthermore, the Treasury has actually sought to adopt the notion of industrial strategy to facilitate this objective.

Crucially, despite the creation of BEIS and the publication of its industrial strategy white paper, the Treasury's 'productivity plan' remains in force. The Treasury's departmental plan includes productivity as a central responsibility, noting horizontal issues such as improving infrastructure and the business environment as key concerns, alongside supporting high growth firms (citing both the BEIS white paper and its own, earlier 2017 budget in this regard (HM Treasury 2018b)). The productivity plan (published as *Fixing the Foundations* under then Chancellor of the Exchequer George Osborne in 2015) had explicitly replaced the previous 'plan for growth' jointly owned by Osborne and Vince

Cable (the Business Secretary, and a Liberal Democrat) under the coalition (see HM Treasury 2015), quite deliberately eschewing the Cable-inspired industrial policies contained in the earlier plan.

In 2016, Philip Hammond established the National Productivity Investment Fund, in order to repackage the Treasury's ongoing housing, transport and infrastructure investment – a largely horizontal approach, although some additional funds for R&D were also announced. The 2018 budget updated the productivity plan, with a focus on housing and transport infrastructure investment (HM Treasury 2018a). Remarkably, Hammond also announced the Industrial Strategy Challenge Fund (ISCF) for R&D (discussed further below), a key part of the BEIS agenda, *well in advance* of BEIS' industrial strategy. Interestingly, the ISCF adopted some of the rhetoric of industrial targeting, albeit with a wide array of potential industries to support. However, the second wave of the ISCF has now been largely reconciled with BEIS's the four 'grand challenges' outlined in the white paper.

The Treasury is pursuing other productivity policies quite separately from BEIS. A good example is 'Be the Business' (BTB), an outreach project which grew out of the Treasury's Productivity Leadership Group chaired by Charlie Mayfield (chair of the retail giant the John Lewis Group). BTB is actually cited several times in the BEIS white paper, but its work seemingly bears no imprint of either the grand challenges and has little or no overlap with sector deals. The project's focus is on organisational improvements among SMEs, particularly in human resources management. BTB's chief executive, Tony Danker (a former Treasury special adviser who subsequently became strategy lead for the Guardian Media Group) describes his role as leading 'the productivity movement' (cited in BTB 2018). With few resources, BTB's main work involves recruiting large employers (irrespective of their industrial location) to showcase their own productivity-enhancing processes for smaller employers in the same locality.

City Deals and Local Government

'Place' plays a pronounced role, discursively, in Britain's new industrial strategy – with potential ramifications for neoliberal statecraft. The concept is used to associate industrial strategy with a concern with certain types of inequality (perhaps constituting a policy objective alongside economic goals such as growth and productivity), and imply that a degree of state restructuring is inherent in the new industrial strategy, insofar as it overlaps with the highly developed English devolution agenda. However, there is little sense that the new strategy offers a departure from the practice of the coalition government in this regard. The 2017 white paper establishes 'local industrial strategies', but the agenda is rather thin. May argued her strategy will 'identify the places that have the potential to contribute to economic growth and become the homes to millions of new jobs' (May 2016b). This appears to render local economic development subservient to the national objectives, and the white paper itself is imbibed with a narrative of local self-reliance, arguing that many local areas are failing to 'fulfil their potential', which can be corrected 'if *they* have the right policies and approach' (BEIS 2017c, p. 216–7; *emphasis added*). This section considers the emergence of Local Enterprise Partnerships (LEPs) under the coalition, and then the emergence of local industrial strategies in the context of other deals between central and local government. Again, we find the Treasury an influential presence (to say the least), with the vagueness of the industrial strategy's commitment actually providing fertile ground for the reseeding of neoliberal norms via new framings such as spatial agglomeration theory.

The Emergence of Local Enterprise Partnerships

Traditionally, most conventional industrial policies in Britain have operated in a 'place-blind' manner; we would perhaps expect *de jure* place-blindness from horizontal industrial policy interventions, even if this results *de facto* in privileging certain cities and regions (above all, the 'golden triangle' of London, Oxford and Cambridge) (see Barca *et al.* 2012, Hildreth and Bailey, 2014, Flanagan and Wilsdon 2018). New Labour partially bucked this trend by creating Regional Development Agencies

(RDAs), but these operated separately from conventional industrial policy mechanisms. One of the coalition government's earliest decisions was the abolition of the Regional Development Agencies (RDAs), to be partially replaced by Local Enterprise Partnerships (LEPs). There had been RDAs in every English region, but their purpose was essentially defensive rather than strategic, insofar as they sought to mitigate deindustrialisation in disadvantaged regions through subsidies for venture capital, export finance, etc. They had few substantive powers, but many were relatively well-resourced (until Labour's third term in office), and managed EU structural funds granted to English regions. (Similar arrangements existed in the devolved nations, albeit organised through new democratic processes – although development agencies in Scotland and Wales had as few industrial policy powers as the English RDAs.) The coalition government's experiments with vertical or targeted industrial policy largely maintained a place-blind orientation (Berry 2018a).

The central question here is whether the May government's apparent determination to build a 'place-based' industrial strategy served to mainstream targeted support for local economic development within industrial policy mechanisms. Experience to date suggests not. The May government developed few, if any, substantive initiatives on local economic development, and has been wedded to the coalition's LEP-based model. LEPs are generally organised on a city-regional basis, although a bottom-up approach to organisation means many are based on rather odd geographies; in some cases, single city-regions are covered by several LEPs (Jones 2013). Whereas RDAs were government agencies, LEPs are designed to represent a partnership between local authorities and local business leaders, with the latter occupying the key governance positions. (It is worth noting that business leaders were also well-represented on RDA boards, and unelected assemblies which oversaw RDAs, so the LEP governance model has an element of continuity in this regard).

The main, tangible implication of LEPs in relation to place-based industrial strategy is the withdrawal of public funds. All of the powers and budgets associated with RDAs transferred back to the central government in 2010, including the management of EU funds. LEPs rely on local authorities – suffering enormous budget costs after 2010 – for running costs, and have no permanent capital budgets. LEPs were invited to apply to the new £1.5 billion Regional Growth Fund, in tandem with private sector partners, and funding opportunities grew throughout the coalition era, albeit in a messy, piecemeal manner. The crucial role of LEPs (and their private sector representatives) in disciplining local authorities should also be noted. LEPs have been implicated in new forms of central conditionality imposed by government; for instance, when local authorities were offered the opportunity to raise local taxes to pay for infrastructure (tax rises for local public services were forbidden), the Treasury insisted that the business representatives on LEP boards had to agree (even where local authority and LEP boundaries were not contiguous). While there are continuities between RDAs and LEPs in terms of business influence, it is clear that that creation of the latter created new opportunities for private sector representatives to contribute to the local governance, which will persist even as some LEPs are incorporated into new metro-mayoral structures following Devolution Deals (discussed below).

From Deal-based Devolution to 'Local Industrial Strategy'

After the establishment of LEPs, the coalition and May governments have both engaged in a quite bewildering deal-making process with local elites, as the Treasury extended its authority in this area, employing governance-by-deal to propel its English devolution agenda, in much the same way the department's authority is exercised within Whitehall (Gray *et al.* 2018). City Deals between the central government and local authorities (with LEP support) were supplemented by Local Growth Deals between the central government and LEPs, and then by Devolution Deals between central government and groups of 'combined' local authorities in conjunction with the establishment of directly elected metro-mayors. Again, the new industrial strategy offers no substantive challenge to this approach.

City Deals offered small amounts of additional public investment (£2.3 billion in total, over 30 years, in the first and largest wave (Ward 2017)) in some key industries, often focused on skills provision, and often in return for the easing of planning restrictions. There were some interesting tax innovations in the first wave of City Deals 2012-2014, for the 'core cities' excluding London, with a business rate (a local tax administered nationally) retention scheme in Bristol for tax revenue which surpassed projections, an 'earn back' model in Manchester where the city was rewarded fiscally for improvements in output, and the freedom to borrow against future business rate revenue in Sheffield. In a typically British oddity, Scottish and Welsh cities later began to broker deals directly with the Treasury, bypassing devolved national administrations.

Local Growth Deals were announced in 2013, and to date have led to the allocation of more than £7 billion in public funds to LEPs, although much of this from existing budgets. The focus of these deals has been regional transport investments, although they overlap with City Deal priorities in many areas. The National Audit Office (2016) has strongly criticised the programme based on LEPs' inability to manage the new funds, and the short-term incentives arising from the Treasury's insistence on annual expenditure management. Again, Local Growth Deals have been extended to Scotland and Wales, despite the absence of LEPs outside England.

Devolution Deals have proceeded extremely haphazardly. They generally involve the devolution of fewer resources (with the major exception of Manchester, which over the course of several deals has agreed to administer NHS spending), albeit with an extension of new tax powers in some areas, but constitute a reorganisation of local government through the establishment of metro-mayors within city-regions. Mayors, in collaboration with constituent local authorities, will have control over the local operation of transport, training and employment programmes which had before been centrally managed. Inevitably, different mayoral models have been adopted in different cities, but a mayor is now a pre-requisite of any further devolution by the Treasury. Half of a new £1.7 billion Transforming Cities Fund, announced alongside the industrial strategy, will be allocated directly to mayoral city-regions on a per capita basis, even though only six cities are currently eligible (the rest of the fund will be allocated by open competition). A similar model will be put in place for the Stronger Towns Fund (STF), seemingly established to support very disadvantaged towns and small cities in response to the likely loss of EU investments. The STF will actually be delivered via city-based metro-mayors and/or LEPs and represents a reallocation of expenditure within existing departmental budgets rather than a new investment (Smith 2019).

The local government reform agenda has been propelled by the vogueish notion of 'agglomeration', an evolution of notions of industrial 'clustering', albeit more appropriate to a deindustrialising economy. Agglomeration theory invokes the inexorable accumulation of economic activity within large urban centres. It has been promoted most vociferously in public discourse by think-tanks such as Centre for Cities (whose former director, Alex Jones, is now a senior government official working across BEIS and MHCLG, focused on the place-based industrial policy). While, in a basic sense, urban agglomeration can be observed empirically in economies like Britain, the theory has attracted extensive criticism from more critical economic geographers, for overlooking the (transnational) structural context which is driving growth in large cities, clear evidence of growing inequalities *within* city-regions and, most importantly, the role of the public sector in supporting local economic activity. In emphasising a marketised processes or business reterritorialisation, agglomeration theory, at its crudest, lends weight to a set of policy prescriptions in which the public sector is simply asked to make way for the private sector, with the state expected to play a very limited role (Martin *et al.*, 2016, Martin and Gardner 2018).

Moreover, agglomeration invariably masquerades, as neoliberal programmes often do, as a purely pragmatic approach to supporting growth (for instance, the What Works Centre for Local Economic Growth is a key conduit for agglomeration theory's influence within national and local government). The Treasury's 2015 productivity plan emphasises the role of transport infrastructure and relaxed planning restrictions (primarily for housing) 'in fostering the agglomeration economies that make cities work' (2015, p. 29). This seemingly neutral observation was, however, entirely absent from

the coalition era 'plan for growth', in which the term 'agglomeration' and its variants do not appear, despite a strong emphasis on geographical rebalancing. Crucially, agglomeration is not necessarily a perspective imposed on local government by the Treasury and central government more generally; local elites are also largely content to develop their own policy agendas within an agglomeration-inspired framework (Giovannini 2018, Gray *et al*. 2018). In practice, local economic development in Britain remains a rather anarchic domain, with Britain's disadvantaged regions remaining vulnerable to the 'repositioning' decisions of inward investors and the evolution of transnational value chains (Driffield *et al*. 2012). Local authorities have few powers to shape these processes, and agglomeration theory would arguably render illegitimate any attempt to do so.

It is in this context that the inclusion of 'local industrial strategies' in the industrial strategy white paper must be understood. The May government asked Manchester and Birmingham to pilot their own locally-specific industrial strategies, framed by the white paper's grand challenges. Through these strategies, local areas will 'make the most' of existing strengths, and develop 'new ways of working' among local institutions and between central and local leaders (BEIS, 2017b, 138, 221). However, the initiative will not involve the devolution of any additional economic policy powers to the local level, and no additional funding will be made available. The ambition is simply that metro-mayors will use an industrial strategy framing to co-ordinate their expenditure (and future resources requests) around local economic development. As the October 2018 'progress statement' on Manchester's strategy makes clear:

> Government and Greater Manchester are clear that the Local Industrial Strategy will set out an agreed and shared view of the opportunities for Greater Manchester, as well as the challenges that will need to be addressed, to maximise its contribution to UK productivity and earnings growth. The Local Industrial Strategy will not imply any new spending commitments, but will inform the strategic use of local funding streams and, where relevant, spending from national schemes. (HM Government and GMCA 2018, p. 17)

Local industrial strategies will not usurp the deal-based relationship between central and local government and are arguably subservient to this relationship. At worst, the instruction to develop their own industrial strategy using current rather than new resources will serve as a further exercise in disciplining by the centre, with access to resources policed by the 'agreed and shared view' (cited above) between central and local government. While the establishment of directly elected mayors implies an element of democratisation in the devising of local economic plans, in practice the scope of mayoral authority is rather narrow (and economistic), arguably narrower than that enjoyed by local authorities in England.

Furthermore, there is a danger that the industrial strategy's rather vague sense of 'place-ness' actually serves to reinforce inequalities in public investment across Britain's nations and regions. For example, the Oxford-Milton Keynes-Cambridge corridor, noted above, will also now be developing a local industrial strategy. As such, a region which can have expected to receive significant public support for its industries as a matter of routine, given its perceived significance to the national economy, can now justify this support ideologically on the same grounds as the support which more disadvantaged regions might receive. The turn to place in the May government's industrial strategy was not only insubstantial; by failing to challenge the approach to devolution established in the coalition era, it may even have served to further embed a development model in which central government accepts limited responsibility for geographical inequalities.

Innovation Funding and Universities

Britain's productivity problem, and indeed general economic malaise, is often attributed to a failure to adequately finance innovation in the private sector. This section considers policy developments ostensibly aimed at addressing this problem – firstly in relation to small and medium-sized enterprises (SMEs), and then funding for science and research more generally (including higher education). While generally discussed in technocratic terms, the scope of government interventions in this area

potentially tells us something quite profound about understandings of how state and market should interact across different stages of capital accumulation.

It is worth noting initially that, in terms of allocating capital to productive activities, finance sector practices have been largely untouched by British policy-makers since the financial crisis, beyond the limited moves towards macroprudential regulation designed to reduce risk within the banking sector (see Baker 2013). Proposals for public investment banks (now supported by the Labour opposition) have been resisted. Banks taken into public ownership after the crisis have been managed at arms-length and are now being privatised; the Green Investment Bank set up by the coalition (despite its name, actually a modest investment fund) has also been privatised (Craig 2018). A recent inquiry into 'patient capital' by the Treasury in 2017 offered virtually no criticism of the banking sector, capital markets or regulatory practice (see HM Treasury 2017a, 2017b).

Innovation Finance for SMEs

Interventions in this area have focused on 'access to finance' for SMEs, deemed unable to take on growth risks due to a shortage of suitable capital. The most important initiative, the Bank of England's Funding for Lending Scheme (FLS), which ran from 2012 to early 2018, essentially subsidised the lending activity of British banks and building societies, enabling loans valued at around £100 billion. However, FLS funds were used predominantly to subsidise mortgage lending. The Bank adapted FLS to mitigate this bias in 2014 but then introduced in 2016 the similar Term Funding Scheme, enabling a continuation of mortgage support. The much smaller Enterprise Finance Guarantee is focused on small business lending (now delivered by the British Business Bank (BBB), discussed below). Local growth hubs also support access to finance, albeit through financial mediation rather than lending. Many of the local and smaller-scale initiatives rely currently on EU funds.

The BBB, set up by the coalition, now forms the key organ of public support for SME finance. The BBB is a BEIS subsidiary, but its funds were recently supplemented by a £2.5 billion grant from the Treasury, also announced in advance of the BEIS white paper, and designated as a 'patient capital' fund (and as such an outcome of the Treasury's review). The BBB's principal role is to arrange third party finance for start-up companies, subsidised by government guarantees, with a mission to 'unlock' private finance via the shouldering of risk by the public sector. This work is technically undertaken by British Business Investments (BBI), the BBB's commercial wing. While the BBB's objectives, and therefore resources, are fairly modest, the organisation is interesting insofar as it reflects British policy-makers' apparent veneration of finance sector practices. The BBB explicitly privileges private sector experience among its officials, and BBI is staffed by a range of managers from corporate finance and accountancy backgrounds. The chief executive of the BBB (who also chairs BBI) has spent most of his career in the American banking industry, and BBI's chief executive was recruited from the asset management industry. BBB salaries are generally commensurate with those in senior management roles in the finance sector; the chief executive earns significantly more than double the salary earned by the chief executive of NHS England (which has a budget of £116 billion).

It is worth noting also that the British state also commits significant resources (but much less fanfare) to support innovation in the form of venture capital tax relief. The three main schemes (the Enterprise Investment Scheme, the Seed Enterprise Investment Scheme and the Venture Capital Trust) cost around £1 billion per year in tax foregone. In general, venture capital in Britain is highly dependent on public funding (including BBB and EU programmes; see British Private Equity and Venture Capital Association 2015). Tax relief is ostensibly designed to address this, but the Treasury's own 'patient capital' review cited evidence on the ineffectiveness of up-front tax relief, stemming from its tendency to subsidise investment at developmental stages other than the crucial, riskiest scale-up phase (HM Treasury 2017a, p. 37; see also Lerner 2012, European Commission 2017). Nevertheless, the review ultimately expanded the scope of tax reliefs, principally by increasing the investment allowance limits within which tax relief applies (HM Treasury 2017b). Even if we accept their public good function at face value, the extent to which schemes are promoted

by financial advisers and 'wealth managers' indicates an important secondary function as a tax management tool by very wealthy individuals.

The Creation of UK Research and Innovation

Science and research funding has also increasingly been framed by the innovation motif, albeit without the predominant focus on SMES, and as such is now presented as a key part of the industrial strategy. InnovateUK, first set up as the Technology Strategy Board (TSB) under New Labour, manages a large number of very small investment funds, focused on R&D in technological innovation. Starting life as an advisory body for a previous incarnation of BEIS (and therefore predominantly composed of people from the private sector), the TSB/InnovateUK operated independently of the research councils for academic institutions – but the May government decided to merge InnovateUK and the main seven research councils into the new UK Research and Innovation (UKRI) agency. UKRI will have an annual budget of around £6 billion, incorporating the previous InnovateUK and research council allocations, but also the new Industrial Strategy Challenge Fund (ISCF), which has an annual budget of around £1.2 billion, initially for four years. The ISCF is designed to subsidise business-led R&D.

The overall intention is for UKRI to co-ordinate between the previously separate bodies, to engender a more strategic approach to innovation funding. This strategic approach is likely to entail a funding bias towards government's favoured missions (or industries) rather than the general science base, and the further promotion of a business-led model of technological development, particularly in relation to universities (see UKRI 2017). The ISCF is the most explicit link between science policy and May's new industrial strategy, although, as noted above, it was announced separately, by the Treasury, originally with a range of industrial missions distinct from the grand challenges which later emerged. The ISCF appears to have no place-related allocation criteria. It is perhaps worth noting that, while UKRI's governance structures are largely populated by academics (a legacy of research council autonomy), only 1 of 16 board members is based outside London or the South East. The extent to which UKRI will maintain the place-blindness of its constitutive institutions (and therefore favour investments in already-affluent areas) is a source of tension within elite thinking (see House of Commons Science and Technology Committee 2017). Certainly, the merger will probably increase the influence of business considerations on the academic research councils. InnovateUK's deputy director for strategy, Dan Hodges (2019), recently described the agency, which manages the ISCF, as a 'voice for business within Whitehall', and highlighted separate work with the Better Regulation Executive on removing regulatory barriers to business innovation. Upon launching the ISCF in 2017, InnovateUK's chief executive Ruth McKenna said the programme 'will deliver the science that business needs' (cited in BEIS 2017a).

UKRI clearly reinforces the long-standing trend towards commercialisation in higher education, which advanced significantly under the coalition government. The most significant implication of the industrial strategy is perhaps that it provides ideological corroboration in this regard, by entrenching a (neoliberal) view of the essential purpose of universities. The terms 'university', 'universities' or 'higher education' occur more than a hundred times in the white paper, generally in abstract rather than as reference to a specific institution, and often to vaguely indicate the local dimension of a particular initiative or objective. Universities are deemed key partners in local industrial strategies, based on the observation that strong universities tend to support urban agglomeration within cities (BEIS 2017c, p. 217, 221). Lobbying body Universities UK (2017) subsequently welcomed the white paper very strongly, even producing promotional material, aimed at private firms, on the role universities could play in sector deals. The need for academic research to serve an immediate, societal (generally, commercial) purpose had already been firmly established by 'impact' requirements in the Research Excellence Framework and general research council practice (major sources of university income), and will be further reinforced by the proposed Knowledge Exchange Framework (KEF). Launching the KEF, which will measure universities' effectiveness in business engagement, then science minister Jo Johnson said:

> Universities have a vital role to play in their local communities and in the national economy. Given the record levels of public investment in R&D, it is essential that universities engage with businesses and communities to make the most of their knowledge and research. There are great examples of this across the country but the system needs to find a new gear. (cited in HEFCE and BEIS 2017)

At the same time, even research-intense institutions are under pressure to deliver higher quality (or more bespoke) learning experiences for students – a near inevitable consequence of increasing annual tuition fees to close to £10,000 – and regulated as such through the new Office for Students and Teaching Excellence Framework. The commercialisation of research and consumerisation of teaching might pull universities in different directions operationally, but in rendering universities primarily economic institutions, they are two sides of the same neoliberal coin.

This is not to suggest that greater links between higher education and the private sector are inherently problematic; indeed such links, marrying purposeful research and business innovation, would be integral to a functioning industrial policy framework. The coalition's catapult centres programme, discussed above, arguably promised such a partnership but was relatively under-funded (certainly compared to the ISCF). We are now seeing the emergence of a higher education business model whereby revenues are high, but income is increasingly contingent upon delivering against short-term metrics related to research dissemination and student recruitment. As the inflation in pay for senior executive suggests, today's university leaders have strong financial incentives to sustain this lucrative model – the vast majority of university vice-chancellors, for instance, now also earn significantly more than the NHS chief executive (Times Higher Education 2018). The way this success is delivered, increasingly through marketised and competitive processes, is also fuelling competition *between* universities (The Economist 2017). Greater competition, and commercialisation more generally, may well strengthen the *incentive* for universities to support innovative activity in the wider economy – but whether it results in a greater *capacity* to do so remains to be seen. The key implication, however, from this article's perspective, is that, like other parts of the pre-crisis state machinery, universities as delivery institutions have been able to adapt to the new industrial strategy (seemingly without jeopardising current operating models), while also utilise new industrial policy agendas to reinforce and legitimise these models.

Conclusion

The 2008 financial crisis encouraged some British policy elites to endorse substantive industrial policies, culminating in the May government's development of a comprehensive industrial strategy in 2017. At a basic level, industrial policy, with its legitimation of state intervention to steer accumulation processes, is an ideational challenger to neoliberalism in its purest form. Does the emergence of an industrial strategy as a key element of economic statecraft in post-crisis Britain represent the receding of neoliberalism, or is there evidence that neoliberalism in Britain has demonstrated resilience in the wake of its perceived failure in 2008? There is clearly an element of neoliberal retreat in the agenda pursued by May and a handful of other leading Conservative politicians, building upon some of the agenda developed by the coalition government (albeit largely due to the Liberal Democrats' influence). Yet the ideational challenge remains rather thin.

However, the ideational power of neoliberalism is not a sufficient explanation for neoliberal resilience in this regard; two other factors are especially relevant. Firstly, the institutional realm and the strategies of those occupying key policy and delivery functions. The Treasury remains enormously powerful regarding all aspects of economic statecraft in Britain and, despite both the financial crisis and the Brexit vote, continues to project the broadly neoliberal and finance-centred agenda which, while adaptable, has underpinned its operations and decisions for decades (Ingham 1984, Gamble 1994, Matthijs 2012, Johal *et al*. 2014, Craig 2018, Lee 2018, Ringe and Rollings 2000). Institutional power obviously overlaps with ideational power, evident in the influence of new(ish) ideas such as 'agglomeration' in May's industrial strategy in relation to local economies, and the apparent entrenchment of a narrow view of productivity. Both are consistent with neoliberalism. This raises an

intriguing question over whether the rhetorical support by May for substantive industrial policies has paradoxically strengthened the credibility of the Treasury's narrower agenda, by providing a post-neoliberal cover for a familiar set of ideas.

The institutional mechanisms for delivering the industrial strategy are decisive too – principally BEIS agencies and subsidiaries, local government and related bodies, and higher education. Insofar as they are integrated into an industrial strategy, institutions such as local authorities and universities can be said to be being reoriented towards the strategic delivery of certain public goods. At the same time, however, their purpose in this regard is being refashioned as predominantly economic, as they are influenced by new agendas around local growth and productivity. Such developments cut across the horizontal/vertical divide, and are not straightforward cases of neoliberalisation – but nor can we conclude that they represent a post-neoliberal shift.

The new industrial strategy establishes 'grand challenges' designed to influence the state's role in shaping capitalist development, yet they will be delivered primarily by sector deals and the ISCF, which prioritise business perspectives and incumbent interests. Sector deals and LEPs in fact create new opportunities for business-led governance within the public sector. Even where the state appears to be more active, through institutions such as InnovateUK and the BBB, private sector practices are either incorporated or replicated. There is a fine line between the development of interventionist mechanisms which shape capitalist development, and the outsourcing of innovation risks *by* capitalists to the public sector. The marginalisation of corporate governance and wider finance sector reform within the industrial strategy suggests that, as it stands, British industrial policy leans towards the latter characterisation. To return to Cornel Ban's (2016) terminology, while industrial policy – in utilising public resources to promote and protect national industries – could be defined as a form of 'buffering', the economic statecraft of the new industrial strategy is actually rather 'disembedded': ideationally thin, encompassing opportunities for business-led governance, and delivered by institutional models imposed from the top down.

The second, main factor in neoliberalism's reseeding via industrial policy in Britain is political circumstance and contingency. Whereas the coalition government began to develop new industrial policy mechanisms, the agenda was halted by the Conservative majority government after 2015, only to resurface after the Brexit vote under Theresa May's leadership – partly in response to the vote (although she had strongly supported Vince Cable's more ambitious plans when Home Secretary in the coalition government (May 2013)). It is impossible to conclude definitively about the influence of internal Whitehall politicking on the new industrial strategy, especially as key processes are ongoing and uncertain, but May's loss of authority within the cabinet was surely relevant to the timidity of her industrial strategy in areas such as corporate governance and the need for place-based policies, where she had initially seemed to reject approaches which prevailed under the coalition government.

Despite its role in motivating May's central agenda, the implementation of the Brexit vote is the main source of uncertainty regarding the industrial strategy. Since the European single market has been a key element of the neoliberal variety dominant in Britain from the 1990s onwards, no industrial strategy can ultimately fail to address Brexit. But it is obviously impossible at this stage to predict how post-Brexit trading relations or new political leadership might serve to further undermine neoliberalism, or indeed fertilise a new neoliberal variety. Brexit-related contingencies have already affected the industrial strategy, insofar as the political chaos caused by the Brexit vote, compounded by the outcome of the 2017 election – when May, ironically, seemingly sought a mandate for her more interventionist agenda – has problematised the government's effectiveness in implementing its new approach. BEIS became somewhat isolated, as May's relations with both the Chancellor (Parker 2019) and the Business Secretary (Maguire 2018) have soured, due to their opposition to a 'no deal' Brexit (and junior industrial strategy minister Richard Harrington resigned for the same reason in March 2019). May's own departure as Prime Minister in mid-2019 has now created a political vacuum in this area (noting that the advocates of 'hard Brexit' have shown little interest in industrial

policy), which will probably only enhance the Treasury's institutional dominance, and reinforce mechanisms of neoliberal reseeding, ironically despite the Treasury's avowed opposition to EU withdrawal.

Note

1. The empirical analysis is based predominantly on policy documents and associated political statements, which are referenced where appropriate throughout. It draws also upon the author's extensive interactions with May government ministers and officials (and other members of the business and policy communities) during the development of the industrial strategy white paper in 2017, in his capacity as a member of the Industrial Strategy Commission. More detail on the Commission's work is available at http://industrialstrategycommission.org.uk/

Acknowledgements

Earlier versions of this paper were presented at an invited seminar at the Centre for Urban and Regional Development Studies at the University of Newcastle, and two Political Studies Association events (the 2018 annual conference in Cardiff, and a British and Comparative Political Economy specialist group workshop at King's College London). The author is grateful for the feedback received on each occasion, and to Scott Lavery and the anonymous reviewers for many helpful comments. The usual disclaimers apply.

Disclosure Statement

No potential conflict of interest was reported by the author.

Notes on contributor

Craig Berry is Reader in Political Economy and Assistant Director of Future Economies at Manchester Metropolitan University. He was previously Deputy Director of Sheffield Political Economy Research Institute at University of Sheffield, and has worked also at University of Warwick, HM Treasury, Trades Union Congress and International Longevity Centre. His books include *Pensions Imperilled* (forthcoming), *Developing England's North* (2018, with Arianna Giovannini), *Austerity Politics and UK Economic Policy* (2016), and *Globalisation and Ideology in Britain* (2011).

ORCID

Craig Berry http://orcid.org/0000-0002-8035-1155

References

Automotive Council and HM Government, 2013. *Driving success: a strategy for growth and sustainability in the UK automotive sector*. Available from: https://www.gov.uk/government/publications/driving-success-uk-automotive-strategy-for-growth-and-sustainability.

Bailey, D., Cowling, K., and Tomlinson, P., eds, 2015. *New perspectives on industrial policy for a modern Britain*. Oxford: Oxford University Press.

Baker, A., 2013. The new political economy of the macroprudential ideational shift. *New Political Economy*, 13(1), 112–39.

Baker, A., 2015. Varieties of economic crisis, varieties of ideational change: How and why financial regulation and macroeconomic policy differ. *New Political Economy*, 20(3), 342–66.

Ban, C., 2016. *Ruling ideas: how global neoliberalism goes local*. Oxford: Oxford University Press.

Barca, F., McCann, P., and Rodriguez-Pose, A., 2012. The case for regional development intervention: place-based versus place-neutral approaches. *Journal of Regional Science*, 52(1), 134–52.

Berry, C., 2016a. *Austerity politics and UK economic policy*. Basingstoke: Palgrave.

Berry, C., 2016b. Industrial policy change in the post-crisis British economy: policy innovation in an incomplete institutional and ideational environment. *British Journal of Politics and International Relations*, 18(4), 829–47.

Berry, C., 2018a. "D is for Dangerous": devolution and the ongoing decline of manufacturing in Northern England. *In:* C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 85–120.

Berry, C., ed., 2018b. *What we really mean when we talk about industrial strategy*. British Academy and Manchester Metropolitan University Press. Available from: https://www2.mmu.ac.uk/media/mmuacuk/content/documents/business-school/future-economies/WHAT_IND-STRAT___BERRY_NOV18.pdf.

Berry, C. and Hay, C., 2016. The Great British 'rebalancing' act: the construction and implementation of an economic imperative for exceptional times. *British Journal of Politics and International Relations*, 18(1), 3–25.

Best, J., 2016. When crises are failures: contested metrics in international finance and development. *International Political Sociology*, 10(1), 39–55.

Be the Business, 2018. *About Be the Business*. Available from: https://www.bethebusiness.com/about/.

Blyth, M., 2013. Paradigms and paradox: the politics of economic ideas in two moments of crisis. *Governance*, 26(2), 197–215.

British Private Equity and Venture Capital Association, 2015. *Investment Activity 2015*. Available from: https://www.bvca.co.uk/Portals/0/library/documents/BVCA%20RIA%202015.pdf.

Carstensen, M.B. and Matthijs, M., 2018. Of paradigms and power: British economic policy making since Thatcher. *Governance*, 31, 431–47.

Carstensen, M.B. and Schmidt, V.A., 2016. Power through, over and in ideas: conceptualizing ideational power in discursive institutionalism. *Journal of European Public Policy*. 23(3), 318–37.

Chang, H.-J., 2009. Industrial policy: can we go beyond an unproductive confrontation? *Paper presented at Annual World Bank Conference on Development Economics*, 22–24 September, Seoul. Available from: http://siteresources.worldbank.org/INTABCDESK2009/Resources/Ha-Joon-Chang.pdf.

Competition and Markets Authority, 2017. *Response from the Competition and Markets Authority to the government's industrial strategy green paper*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/606013/cma-response-to-industrial-strategy.pdf.

Conservative Party, 2017. *Forward together: the Conservative manifesto*. Available from: https://www.conservatives.com/manifesto.

Craig, M., 2018. Treasury control and the British environmental state: the political economy of green development strategy in UK central government. *New Political Economy*, doi:10.1080/13563467.2018.1526269.

Davies, W., 2014. *The limits of neoliberalism: authority and the logic of competition*. London: SAGE.

Deakin, S., 2013. *The legal framework governing business firms and its implications for manufacturing scale and performance: the UK experience in international perspective*. University of Cambridge Faculty of Law Research Paper No. 15. Available from: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2394724.

Department for Business, Energy and Industrial Strategy, 2017a. *Business Secretary announces Industrial Strategy Challenge Fund investments*. *Press release*, 21 April. Available from:https://www.gov.uk/government/news/business-secretary-announces-industrial-strategy-challenge-fund-investments.

Department for Business, Energy and Industrial Strategy, 2017b. *Corporate governance reform: the government response to the green paper consultation*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/640631/corporate-governance-reform-government-response.pdf.

Department for Business, Energy and Industrial Strategy, 2017c. *Industrial strategy: building a Britain fit for the future*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf.

Department for Business, Energy and Industrial Strategy, 2018. *Industrial strategy: automotive sector deal*. Available from: https://www.gov.uk/government/publications/automotive-sector-deal.

Department for Environment, Food and Rural Affairs and Business, Department forEnergy and Industrial Strategy, 2018. *Food and drinks sector council meets for the first time*. 30 Jan. Available from: https://www.gov.uk/government/news/food-and-drink-sector-council-meets-for-first-time.

Department for Higher Education Funding Council for England and Business, Energy and Industrial Strategy, 2017. Universities and science minister calls on universities to do more to commercialise UK research and innovation. *Press release*, 12 Oct. Available from: https://www.gov.uk/government/news/universities-and-science-minister-calls-on-universities-to-do-more-to-commercialise-uk-research-and-innovation.

Driffield, N., *et al.*, 2012. Inward FDI in the United Kingdom and its policy context. New York: Vale Columbia Center on Sustainable International Investment. Available from: file://staffhome/staff_home0/55130648/Documents/Receding%20reseeding/UK_IFDI_16_July_2012_-_FINAL.pdf.

The Economist, 2017. Growing competition between universities is changing student life. 23 Feb. Available from: https://www.economist.com/britain/2017/02/23/growing-competition-between-universities-is-changing-student-life.

Ernst & Young, 2017. *Catapult network review*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662509/Catapult_Review_-_Publishable_Version_of_EY_Report__1_.pdf.

The European Commission, 2017. *Effectiveness of tax incentives for venture capital and business angels to foster the investment of SMEs and start-ups*. Available from: https://ec.europa.eu/taxation_customs/sites/taxation/files/final_report_2017_taxud_venture-capital_business-angels.pdf.

Evans, P., 1995. *Embedded autonomy: states and industrial transformation*. Princeton, NJ: Princeton University Press.

Flanagan, K. and Wilsdon, J., 2018. Powerhouse of science? Prospects and pitfalls of place-based science and innovation policies in Northern England. *In:* C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 121–38.

Gamble, A., 1994. *Britain in decline: economic policy, political strategy and the British state*. Basingstoke: Palgrave.

Giovannini, A., 2018. The uneven governance of devolution deals in Yorkshire: opportunities, challenges and local (di)visions. In: C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 165–97.

Gooberman, L., Hauptmeier, M. and Heery, E., 2018. Contemporary employer interest representation in the United Kingdom. *Work, Employment and Society*, 32(1), 114–32.

Gray, N., Pugalis, L. and Dickinson, D., 2018. The Northern Powerhouse meets the cities and local growth agenda: local economic policy-making and agglomeration in practice. In: C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 141–64.

Griffith, R. and Miller, H., 2011. Corporate taxes and intellectual property. *In:* M. Brewer, C. Emmerson and H. Miller, eds. *The IFS green budget: February 2011*. London: Institute of Fiscal Studies, 223–41.

Hall, P.A., 1993. Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative Politics*, 25(3), 275–96.

Hay, C., 2013. *The failure of Anglo-liberal capitalism*. Basingstoke: Palgrave.

Hildreth, P. and Bailey, D., 2014. Place-based economic development strategy in England: filling the missing space. *Local Economy*, 29(4–5), 363–77.

HM Government and Greater Manchester Combined Authority, 2018. *Working towards a Greater Manchester local industrial strategy*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752671/beis-local-industrial-strategy-progress-update-greater-manchester.pdf.

HM Treasury, 2015. *Fixing the foundations*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/443898/Productivity_Plan_web.pdf.

HM Treasury, 2017a. *Financing growth in innovative firms: consultation*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/642456/financing_growth_in_innovative_firms_consultation_web.pdf.

HM Treasury, 2017b. *Financing growth in innovative firms: consultation response*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661398/Patient_Capital_Review_Consultation_response_web.pdf.

HM Treasury, 2018a. *Budget 2018: productivity*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752128/Productivity_web.pdf.

HM Treasury, 2018b. *HM Treasury single departmental plan*. Available from: https://www.gov.uk/government/publications/hm-treasury-single-departmental-plan/hm-treasury-single-departmental-plan–2.

Hodges, D., 2019. *Remarks to the productivity insights network conference 2019*. University of Sheffield, 13 March.

House of Commons Science and Technology Committee, 2017. *Oral evidence: science budget and industrial strategy*. Available from: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/science-and-technology-committee/science-budget-and-industrial-strategy/oral/73182.html.

House of Lords Science and Technology Committee, 2018a. *Corrected oral evidence: life sciences and industrial strategy*. Available from: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/science-and-technology-committee/science-budget-and-industrial-strategy/oral/73182.html.

House of Lords Science and Technology Committee, 2018b. *Life sciences and industrial strategy: who's driving the bus?* Available from: https://www.parliament.uk/life-sciences-industrial-strategy.

Ingham, G., 1984. *Capitalism divided: the city and industry in British social development*. Basingstoke: Palgrave.

Johal, S., Williams, K. and Moran, M., 2014. Power, politics and the City of London after the great financial crisis. *Government and Opposition*, 49(3), 400–25.

Jones, M., 2013. It's like déjà vu, all over again. *In:* M. Ward and S. Hardy, eds. *Where next for local enterprise partnerships?* London: Smith Institute, 86–95.

Jones, R., 2017. The life sciences should not have an industrial strategy. *Soft Machines*, 15 Sept. Available from: http://www.softmachines.org/wordpress/?*p*=2117.

Jones, R. and Wilsdon, J., 2018. *The biomedical bubble: why UK research and innovation needs a greater diversity of priorities, politics, places and people*. London: NESTA.

Lavery, S. 2019. *British capitalism after the crisis*. London: Palgrave.

Lee, S., 2018. Law, legislation and rent-seeking: the role of the Treasury-led developmental state in the competitive advantage of the Southern Powerhouse. *In:* C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 59–83.

Lerner, J., 2012. *Boulevard of broken dreams: why public efforts to boost entrepreneurship and venture capital have failed – and what to do about it*. Princeton, NJ: Princeton University Press.

Maguire, P., 2018. How Theresa May's botched reshuffle killed hard Brexit. *New Statesman*, 5 July. Available from: https://www.newstatesman.com/politics/uk/2018/07/how-theresa-may-s-botched-reshuffle-killed-hard-brexit.

Martin, R., *et al.*, 2016. Spatially rebalancing the UK economy: towards a new policy model? *Regional Studies*, 50(2), 342–57.

Martin, R. and Gardiner, B., 2018. Reviving the 'Northern Powerhouse' and spatially rebalancing the British economy: the scale of the challenge. *In:* C. Berry and A. Giovannini, eds. *Developing England's North: the political economy of the Northern Powerhouse*. London: Palgrave, 23–58.

Matthijs, M., 2012. *Ideas and economic crises in Britain from Attlee to Blair (1945-2005)*. London: Routledge.
May, T., 2013. We will win by being the party for all, speech delivered in London, 9 March. Available from: https://www.conservativehome.com/platform/2016/07/full-text-of-theresa-mays-speech-we-will-win-by-being-the-partyfor-all.html.
May, T., 2016a. 'CBI annual conference speech', delivered in London, 21 Nov. Available from: https://www.gov.uk/government/speeches/cbi-annual-conference-2016-prime-ministers-speech.
May, T., 2016b. 'Conference speech', delivered in Birmingham, 5 Oct. Available from: https://www.independent.co.uk/news/uk/politics/theresa-may-speech-tory-conference-2016-in-full-transcript-a7346171.html.
May, T., 2016c. Untitled speech delivered in Birmingham, 11 July. Available from: http://www.ukpol.co.uk/theresa-may-2016-speech-to-launch-leadership-campaign/.
Mirowski, P., 2014. *Never let a serious crisis go to waste: how neoliberalism survived the financial meltdown*. London: Verso.
National Audit Office, 2016. *Local enterprise partnerships*. Available from: https://www.nao.org.uk/wp-content/uploads/2016/03/Local-Enterprise-Partnerships.pdf.
Office for Life Sciences, 2011. *Strategy for UK life sciences*. Available from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32457/11-1429-strategy-for-uk-life-sciences.pdf.
Parker, G., 2019. Philip Hammond adds pressure to Theresa May to back soft Brexit. *Financial Times*, 13 Mar. Available from: https://www.ft.com/content/21b01880-459c-11e9-a965-23d669740bfb.
Ringe, A. and Rollings, N., 2000. Responding to relative decline: the creation of the National Economic Development Council. *The Economic History Review*, 53(2), 331–53.
Rodrik, D., 2009. Normalizing industrial policy. World Bank Commission on Growth and Development Working Paper No. 3. Available from: https://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Working_Paper_3_Normalizing_Industrial_Policy.pdf.
Rutter, J., *et al.*, 2017. *Better budgets: making tax policy better*. Institute for Government. Available from: https://www.instituteforgovernment.org.uk/sites/default/files/publications/Better_Budgets_report_WEB.pdf.
Schmidt, V.A., 2016. The roots of neoliberal resilience: explaining continuity and change in background ideas in Europe's political economy. *British Journal of Politics and International Relations*, 18(2), 318–44.
Schmidt, V.A. and Thatcher, M., 2014a. Theorizing ideational continuity: the resilience of neo-liberal ideas in Europe. In: V.A. Schmidt and M. Thatcher, eds. *Resilient liberalism in Europe's political economy*. Cambridge: Cambridge University Press, 1–50.
Schmidt, V.A. and Thatcher, M., 2014b. Why are neoliberal ideas so resilient in Europe's political economy? *Critical Policy Studies*, 8(3), 340–7.
Schmidt, V.A. and Woll, C., 2014. The state: the bête noire of neoliberalism or its greatest conquest? In: V.A. Schmidt and M. Thatcher, eds. *Resilient liberalism in Europe's political economy*. Cambridge: Cambridge University Press, 112–42.
Smith, M., 2019. Theresa May's "shameless" £1.6b Brexit bung for towns isn't even new money. *The Mirror*, 15 Mar. Available from: https://www.mirror.co.uk/news/politics/theresa-mays-shameless-16m-brexit-14139714.
Taylor, M., 2017. *Good work: the Taylor review of modern working practices*. London: BEIS. Available from: https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices.
Times Higher Education, 2018. *Vice-chancellor pay survey 2018*. Available from: https://www.timeshighereducation.com/sites/default/files/breaking_news_files/v-c_pay_survey_2018_full_results_2.pdf.
UK Research and Innovation, 2017. *Strategic prospectus: building the UKRI strategy*. Available from: https://www.ukri.org/about-us/strategic-prospectus/.
Universities UK, 2017. *Sector deals: partnering with universities*. Available from: https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/sector-deals-partnering-with-universities.aspx.
Ward, M. 2017. City Deals. House of Commons Library Briefing Paper No. 7158. Available from: http://researchbriefings.files.parliament.uk/documents/SN07158/SN07158.pdf.
Weiss, L., 2012. The myth of the neoliberal state. *In:* C. Kyung-Sup, B. Fine, and L. Weiss, eds. *Developmental politics in transition*. London: Palgrave, 27–42.