The Politics of European Industrial Policy: How a Post-Neoliberal Shift Is Transforming the European Union [1]

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ABSTRACT

Markets require rules, made and enforced by governments, and modern market-making has therefore unfolded as an intrinsic part of state-building. While the European Union is not a state, it has not been immune to these processes. Over the last three decades it has constructed a Single European Market and currency while building political authority and expanding its institutional capacities. The EU has done this through supranational market-making largely centered on neoliberal precepts of competition and openness. Today, however, the EU is breaking with that tradition by pursuing a visibly interventionist European industrial policy and geopolitical strategy. To grapple with this new and contentious shift, this article describes and maps the EU's new version of market activism, and offers a research agenda to capture the ways in which the Europe's changed market-making may be transforming the EU's political authority. I look to neoliberalism's crises as key sources of this change, and raise a series of questions about its political sources and consequences, including post-neoliberal coalitional politics, the political and administrative challenges to EU institutions, and the implications of an emerging geopolitical Europe. I conclude by noting key policy challenges for the EU, the transatlantic relationship, and the international economic order.

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Introduction

Capitalism's historical development has, by necessity, been deeply intertwined with the development of political authority. Markets require rules, made and enforced by governments, and modern market-making has therefore unfolded as an intrinsic part of state-building (Spruyt 1994; Poggi 1978; Skowronek 1982). While the European Union is not a state, it has not been immune to these processes. Over the last three decades it has constructed a Single European Market and a currency while building political authority and expanding its institutional capacities (Fligstein and Stone Sweet 2002; Kelemen and McNamara 2022). The EU has done this through a particular type of supranational market-making largely centered on neoliberal precepts of competition and openness (Fligstein and Mara-Drita 1996; Jabko 2006; Rosamond 2012). Today, however, the EU is breaking with that tradition by pursuing a set of overt, activist government interventions including a European industrial policy and geoeconomic strategy. Although the EU has had a long history of structuring markets for political ends, today's highly visible policy activism in both domestic and global markets seems to signify a transformation in governance. What might the implications of this new type of market-making be for the EU's political authority and its development as a polity? In this article, I offer a conceptual framework for investigating this question and a research agenda for answering it.

On the ground, the EU's new market activism is shaping everyday life across Europe. From manufacturing micro-precise lenses for semi-conductors in the forests of Bavaria, to the electric vehicle battery being developed in Croatia, to a hydrogen lab in Sicily, billions of euros are now being spent on EU-directed supply chain projects, upending the traditional aversion to public subsidies and joint industrial activities. The EU's market interventionism also has a major foreign policy dimension. Under its "strategic autonomy" rubric the EU has been pursuing foreign investment screening and developing anti-coercion instruments aimed at insulating Europe from global economic vulnerabilities—all the while refashioning free trade rules to combat climate change.

At the heart of this market activism is a refashioned European industrial policy. I define today's EU industrial policy as the use of public powers to actively shape markets in pursuit of the interests and values of a bounded political community, in ways that overtly and visibly represent the government's interventionist role. Substantively, the EU's new policies focus on actively shaping complex global supply chains across key strategic areas in manufacturing, raw materials, and innovative technologies. The specific tools of today's EU's industrial policy align with those traditionally used at the national level, namely subsidies, administrative coordination, and regulatory/legal policies, alongside trade and investment tools. Yet the applications of money, expertise, and law unfolding in today's EU market-making are specific to the global, post-industrial and digital 21st century economy, and always refracted through the EU's unique supranational polity.

The EU's political authority is thus being constructed by this new form of market-making in important ways. While the EU's last three decades of largely neoliberal market-making similarily relied on public powers to shape markets, it was politically framed and legitimized under the umbrella of market efficiency. Today's industrial policy makes explicit the distributional choices over sectors and activities being privileged, rather than neoliberalism's implicit gains to the "wealthy and connected" (Tucker and Sterling 2021, 1). As today's EU industrial policy calls on upgraded administrative powers and new fiscal expenditures, it also constructs European political authority in ways that move beyond the regulatory powers of the EU's neoliberal market-making. All of these qualities mark 21st century industrial policy as a distinct type of market-making in the EU context--even as it has echoes in previous periods, such as the very early post-war European Steel and Coal Community where market-making was harnessed for the greater good of securing peace in Europe.

Although highly consequential and contentious, this overall turn in EU governance has not yet been fully grappled with by scholars. This article thus contributes to this task by conceptualizing and mapping European industrial and geoeconomic policy while raising a series of questions about the political sources and consequences of this change. I argue for a typology of two general (but interacting) categories of market activist policies, differentiated by their goals: 1) policies shaping markets in the pursuit of aspirational goals addressing universal goods, such as decarbonization to combat climate change; and 2) policies focused on responding to external threats to EU citizens, be they global economic competition, the interruption of international supply chains for key products and materials, or the use of market coercion by other states. I then offer an empirical overview of the emerging policy tools and mechanisms, highlighting the specific EU programs under way, the expansion of EU capacity, and the reinterpretation of Treaty law around competition and state-aid.

The second major task at hand for scholars is to investigate the political dynamics and reconfigurations at work in this new era. I outline a series of key research areas, beginning with the sources of this transformative shift. I point to the crises of neoliberal market-making that have acted as drivers for the particular package of industrial policy and geoeconomics strategies underway in Brussels. I then turn to transformations in distributional and coalitional politics, most prominently the convergence of progressive, left-leaning environmental and digital coalitions with national security hawks concerned about a changing geopolitical landscape, alongside those focused on economic inequality and populism. Next, I highlight the question of the EU's own institutional development, focusing on how the EU is being challenged to execute these activist policies, and how today's industrial policy is engendering a range of social and political contestation around the EU's legitimacy. The last research area centers on the international geopolitical system, as this new EU raises big questions for the international order. While this research agenda explicitly addresses the EU experience, it has clear parallels in the US and other cases of the new industrial policy, and so invites further comparative research.

The article proceeds as follows. First, I provide a definitional framework and an empirical mapping of the major areas of new European interventionist market-making activities. I lay out a research agenda for studying these issues, focusing on questions and puzzles about the sources of its embodiment in the EU case, and its impact on politics in Europe and on the broader international system. The conclusion briefly considers key policy challenges for the EU, and for the future of the transatlantic relationship and the international economic order.

The Transformation of European Market-Making

The last several years have seen the rapid emergence of politically visible market-making industrial policy and geoeconomics strategies in Europe and around the world (van Apeldoorn and de Graaff 2022; Helleiner and Pickel 2018; *The Economist* 2022; Bulfone 2022). The history of capitalism is a story of state intervention, whether through industrial policy, mercantilism, the developmental state, import-substitution industrialization, or American military-industrial funding for technological innovation (Evans 1995; Helleiner 2022; Block 2008; Warwick 2013). But industrial policy as an explicit political strategy in the West was largely taboo during the last three decades of neoliberal politics, except in terms of "horizontal" policies framed as making markets more efficient (Clift and Woll 2012). Policies around integration into global markets during this period likewise prioritized the dismantling of any barriers to trade and financial flows, with the Washington Consensus, the World Trade Organization (WTO) and networks of political actors codifying the delegitimization of the shaping of markets for strategic national interests and values (Gerstle 2022).

In Europe, post-war industrial policy was initially carried out at the national level by member-states, and then only when grudgingly allowed by the European Commission and EU treaty law, which did not include industrial policy in its founding documents (Lawton 1999, 12). Exceptions were the EU's Common Agricultural Policy, the Airbus multinational EU manufacturing consortium, EU-generated cooperation around science and technology innovation, and some defense industry alliances (Morth 2000; Sandholtz 1992). While these were important interventions in European markets (Bulfone 2020), they were not part of an integrated, centrally coordinated industrial policy but rather an assemblage of tools (Lawton 1999). The EU put the rhetoric and practices of competition at the heart of the European project of the 1980s onwards, deepening the single market, outlawing national subsidies and pursuing vigorous anti-trust actions, while focusing on particular policies that might make Europe more competitive in global markets (Buch-Hansen and Wigger 2010; Büthe 2007). Politically expedient for the EU in particular, these neoliberal policies could be framed as universally welfare-enhancing and transnational, not driven by any particular national set of interests. There was always contestation and exceptions to neoliberal market opening in the European project (Caporaso and Tarrow 2009; Warlouzet 2022). But the overall rhetoric and much of the EU's high-profile policymaking closely adhered to market-opening principles, and the logic of competition was a potent political resource for the deepening of the European project (Jabko 2006; McNamara 1998).

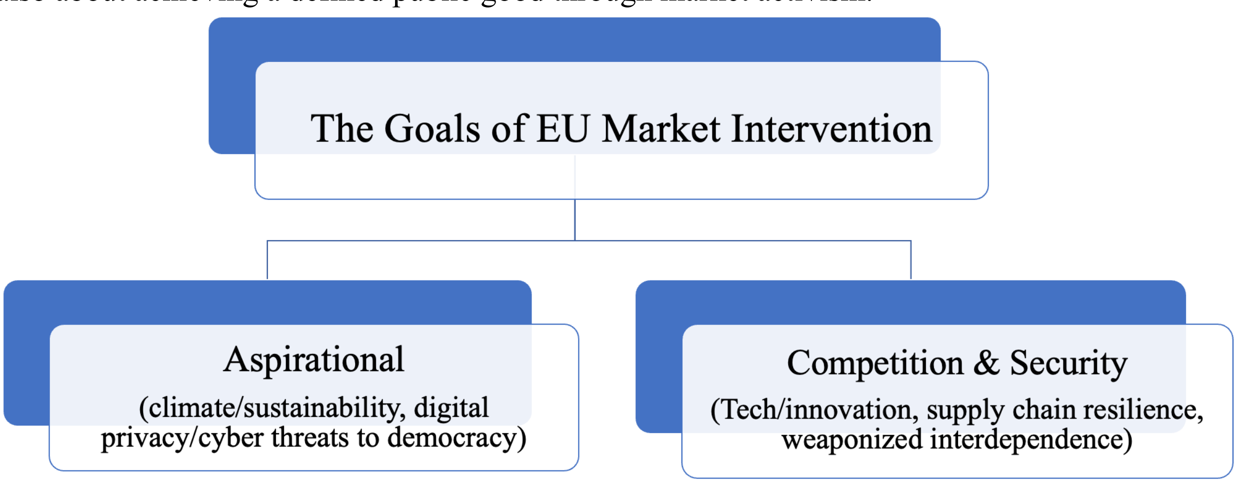
Recently, however, the EU has launched a visible set of policies around a "European Industrial Strategy" and a geopolitical approach to world markets, with policy language and terminology never used previously in EU policy (European Commission 2020; 2021a). This rhetoric is matched by a series of new initiatives that mark a turn in EU governance towards a more forceful set of market interventions both in Europe and globally. These activities are sprawling, diverse, interconnected, and hard to fit into a simple classification. By design, they are deeply intertwined with and reliant on national level policies, and range across economic sectors in "clusters" of economic activities rather than narrowly defined sectors or firms (Nahm 2021; European Cluster Collaboration Platform n.d.). To map the EU's activities in this transforming policy space, I offer a classification below that focuses on the intentions of the policies themselves as an initial cut into this new empirical phenomenon—in the spirit of John Ruggie's observation that "what we cannot describe, we cannot explain" (Ruggie 1993, 144).

Mapping the EU's Market Interventions

We can first divide the underlying political motivations at work in the EU's market-making into at two major categories: 1) policies shaping markets in the pursuit of certain common *values and aspirational goals* such as environmental sustainability, and 2) policies geared towards *competition and security*, such to insulate EU markets for resilience against supply chain vulnerabilities, policies to upgrade the competitiveness of EU firms for growth, employment, and national security, and policies using to markets to project power globally. The intentions and the policies produced by these two buckets of activities are in reality deeply intertwined and work in tandem with each other. For example, in the pursuit of decarbonization to mitigate climate change, there is a common, aspirational good being sought—but also crucial goals around European economic competitiveness, growth, and employment.

The Goals of European Market Interventions

The first category of activity, market intervention for aspirational goals, is most evident in the European Green Deal and the drive to decarbonized the EU economy, but also in the efforts towards EU digital sovereignty. These goals are aspirational in seeking a better future for the common political community of the EU and the world generally (Finnemore and Jurkovich 2020). These aspirations to remake markets in the pursuit of societal goals do not simply fit into standard economic growth, competitiveness, or development models. The commitment to a European Green Deal is the driver for the largest proportion of industrial policy activities in Europe, informing three of the EU's six strategic areas (hydrogen, batteries, raw materials) and constituting the largest proportion of the NextGen EU funding program adopted in the wake of the pandemic (Nahm, Miller, and Urpelainen 2022). Another key aspirational driver is the goal of constraining tech platforms and actively shaping the digital economy towards European digital governance and democratic norms, most prominently through the recent Digital Markets Act and the Digital Services Act (Obendiek 2023; Cini and Czulno 2022). Industrial policy is often criticized for enriching private interests through rents, but in part it appears in this version to be also about achieving a defined public good through market activism.



The second set of activities the EU is pursuing can be categorized as shaping markets for competition and security. This involves insulating markets for resilience against supply chain vulnerabilities, promoting European competitiveness, growth, and employment in a technologically changing marketplace, and using global markets for geopolitical goals. While the search for economic competitiveness is longstanding in the EU's history, the experience of the world shutting down for months during the height of the pandemic focused officials on incentivizing the onshoring and 'friend-shoring' of critical goods and materials to insulate Europe from globalization's vulnerabilities, rather than focus only on market-opening as with the 1980s Single European Act (Sandholtz and Zysman 1989; McNamara and Newman 2020). Be it active pharmaceuticals, semi-conductor production, or securing strategic raw materials, the perception of leaders of an increasingly adversarial and challenging world has meant a restructuring of markets.

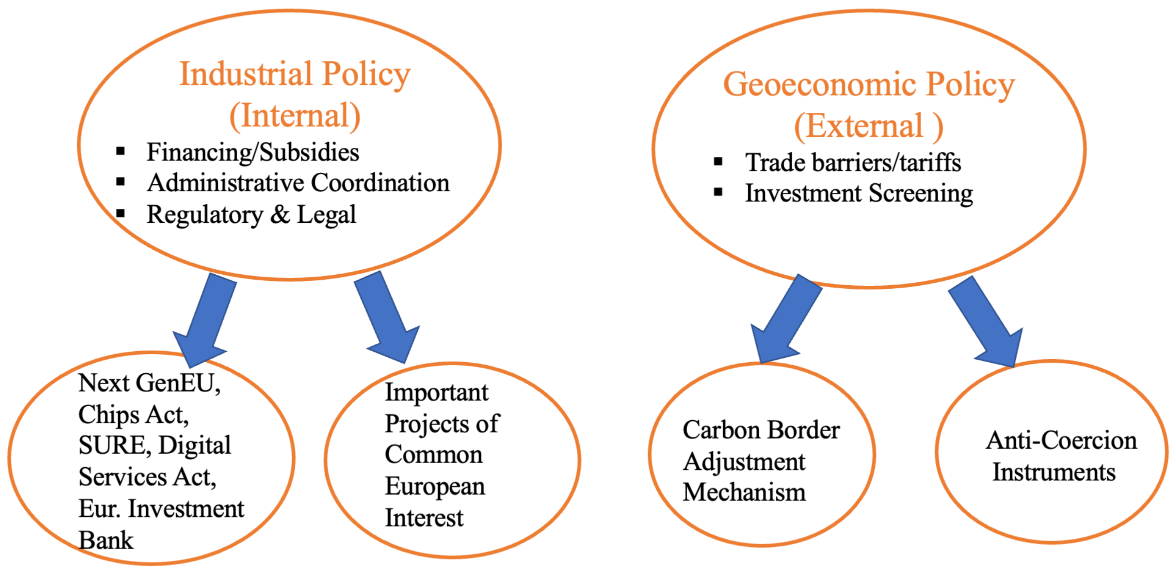
Security concerns are also central to the EU's recent moves to construct itself as a geopolitical actor whose power rests in large part on its economic might, and who can and should use that power to achieve its internal goals and project its interests globally (Meunier and Nicolaidis 2019). This set of motivations is well captured by the EU's own "strategic autonomy" policy label, a phrase initially developed initially in the early 2010s around strengthening EU defense and security capacities and then evolving recently into global markets, technology, and diplomacy (Schmitz and Seidl 2022b). While a capacious and contested term, it has a coherent throughline: reducing EU vulnerabilities and strengthening its self-reliance. Strategic autonomy is now, according to European Union President Charles Michel, become "goal number one for our generation" and a clear departure from the previous rhetorical commitment to comparative advantage as the belief driving engagement with global markets. (Miró 2022; Michel 2020).

The Tools of European Market Interventions

This shift in market-making by the EU towards a new set of societally and security informed goals has meant the adoption of a new set of interventionist policy tools and mechanisms. Overall, the EU policy tools can be divided into those that are internally and domestically oriented or those that are primarily externally oriented towards global markets—but they all involve some combination of money, expertise and legal power. As with the policy intentions outlined above, these categories are permeable and intersecting, but dividing them allows us to begin to map the transformation underway in the EU.

The *internally-oriented* industrial policy tools and mechanisms that the EU has developed include fiscal innovations, new coordination activities directed by the European Commission, and regulatory changes and reinterpretations of EU law. The biggest fiscal innovation is the ending of the taboo against mutualized debt in the EU. The Next Generation EU program, passed in July 2020, overturned the norms barring common European debt issuance in the EU, raising 360 billion euros in loans and 390 billion euros in grants, tightly linking spending to the strategic interests identified in the new European industrial policy platform (Schramm, Krotz, and De Witte 2022). Early analyses show very high spending on decarbonization programs across most EU member states (Darvas et al. 2022). In addition, fiscal innovation is found in the EU's European Investment Bank's partnership with newly invigorated national development banks, raising bonds on international capital markets and becoming the largest lender for green financing in the world (Mertens, Thiemann, and Volberding 2021). Proposals for the pointedly-named European Sovereignty Fund are being debated, part of the long list of policy innovations to raise money for the new industrial policy agenda (Lynch 2022). While the EU does not have the taxing and spending capacities of the modern state, these moves are helping construct enhanced European political authority and capacity.

The Tools of European Market Intervention



In addition to the expansion of EU financing, the second major policy tool the EU has developed is the "Important Projects of Common European Interest" (IPCEI) initiative, which supports major cross-border innovation and infrastructure projects. The IPCEI embody the fiscal, coordination, and regulatory innovations of the EU's new industrial policy. It is a dramatic shift in the type of EU market-making, as it gives the European Commission a pivotal role, in partnership with national governments, in the development of European-wide markets and supply chains to generate technological innovation in areas viewed as key to the EU's collective future: raw materials; batteries; active pharmaceutical ingredients; hydrogen; semiconductors; and cloud and edge technologies (EU Industrial Strategy Website; Author's interviews, 2022).

This new area of policy capacity around complex supply chains and innovative industrial clusters rests on a wholesale reinterpretation and application of EU state-aid rules--not without criticism (Poitiers and Weil 2022). For three decades, the EU sought to eliminate national subsidies to industries in the pursuit of the goal of leveling the playing field for EU firms. The powerful EU Directorate General for Competition was established to use EU anti-trust investigations and fines to reduce state-aide, outlaw mergers seen as dampening competition, and police regulations and practices that privileged local actors. While various forms of market activism and state aide continued despite the rhetoric and policies against it (Bulfone 2020; Thatcher 2014), today's IPCEIs are novel in their explicit, integrated, and politically visible character. To achieve this, the European Commission excavated language about state aid exceptions in EU Treaty Art. 107, 3 (b), which allows for "aid to promote the execution of an important project of common European interest…" (Evroux 2022) The political message is that "sizeable technological or financial risks" mean the EU should actively work to shape markets in areas that have important spillover effects on European society (Evroux 2022, 2).

Other internally-facing policy tools being developed include the EU's Chips Act, an effort to expand a European-based semiconductor supply (Li 2022; Bertuzzi 2022). A European Critical Materials Act is on the slate to be adopted in 2023, further extended the series of programs working to reshape the EU's economy in line with the goals of strategic autonomy, supply chain resilience and (Breton 2022; von der Leyen 2022). A host of other proposals, including the REPowerEU program to accelerate the move towards Russian energy, are also going forward. These internally oriented policy packages all use some combination of EU financial support, administrative coordination, and regulatory/legal powers to move forward the aspirational and security and competition goals of today's European industrial policy. A new type of European market-making is being constructed in the process.

A second big category of EU market interventions are geoeconomic *externally-oriented tools* that use trade and investment mechanisms to pursue the EU's strategic goals. Built on the European Commission's expertise and legal powers, this European geoeconomics strategy is a departure from previous decades of EU liberal engagement in global markets (Haroche 2022). Similar to the turn in the domestic realm, the EU is moving to structure its integration into the global economy so as to secure aspirational goals around climate and the digital transformation, to insulate itself from the vulnerabilities of world-wide supply chains, and to use its predominant position in global markets to protect and projects its interests and values abroad. The EU's policy moves do not constitute a wholesale withdrawal from globalization--instead they involve a scrutiny of the ways in which Europe is integrated into global markets, taken through a lens of the interests of the EU that go beyond economic efficiency or corporate gain.

This calculated globalization is evident in a new willingness to deviate from prior free trade commitments under the WTO treaty system, as with the EU's proposed Carbon Border Adjustment Mechanism (CBAM), which will place a tariff on "dirty" imports of steel and other goods such as cement, fertilizers, and aluminum, and electricity and hydrogen produced in ways that exceed the carbon footprint allowed under the EU's green economy standards (European Commission 2022). CBAM will primarily impact Chinese imports, which currently are priced much lower than EU products, an example of what critics call "climate dumping" (Skibell 2022). The US has recently indicated it will join the EU in pursuing such border taxes on goods produced in ways that significantly contribute to climate change, a remarkable shift in the ways that globalization is being politically managed by these two powerful actors.

The geopoliticization of European markets is also evidenced in new bilateral trade and investment treaties that are being drawn up to insulate and make more resilient the EU's supply chains. The Directorate General for Trade is now crafting EU trade policy in terms of strategic opening to countries viewed as likely to be reliable trade partners and allies rather than having comparative advantage being the sole criteria for economic relationships (Schmitz and Seidl 2022a). There is a significant clash of views in the European Commission over the degree to which the EU should emphasize openness as part of strategic autonomy, with DG Trade pushing for more openness, the Directorate General for the Internal Market pushing for more strategic use of world markets, and DG Competition caught in between with multiple forces at work

(Author's interviews, October 2022). However, there is little doubt that the trajectory of the EU is towards a much more tempered version of global trade that puts climate and other shared European interests and values first.

A final development in the realm of changing EU approaches to global markets is found in the proposal for a European Anti-Coercion Instrument (Hackenbroich 2020). Originally developed in response to fears regarding the Trump administration's anti-EU agenda, it has been fast-tracked because of the exploitation of EU energy vulnerabilities by Russia, and the perception of economic intimidation by China. The Anti-Coercion Instrument officially states a rationale for imposing tariffs, putting restrictions on services such as foreign banking and intellectual property-governed trade, and denying foreign direct investment access to the EU's single market if economic intimidation adverse to the interests and values of the EU is found to be occurring (European Commission 2021c). The head of the trade directorate, Valdis Dombrovskis, referred to the need for these tools as trade becomes "increasingly being weaponized," a frame that is now used across various parts of the EU's market-making policy institutions (European Commission 2021b). As with the more internally-oriented industrial policy moves, this explicit politicization of trade and investment has garnered criticism from advocates of free trade (Busch 2022).

In sum, the new version of industrial policy and foreign economic policymaking moves far beyond the market opening ideology of the last three decades into visible, active shaping of the EU's engagement with domestic and global markets. Simply put, a new era of market-making is shaping a new era of political authority construction in the EU. A research agenda for investigating this transformation is outlined below.

A Research Agenda for Market Activism in Europe

How might this new form of market-making in the EU reshape the ways in which European political authority is being constructed? Political scientists and sociologists have long demonstrated the historical relationship between market-making, that is, the creation and expansion of markets, and the construction of political authority, most notably with state-building. The development of different forms of polities, from the Italian city-states to the Hanseatic League to the modern state, have been shown historically to be linked to the demands of a new merchant class for more centralized political authority to stabilize and regulate emerging markets (Spruyt 1994). The need for "authoritative rules to guide the interactions between economic actors" across a range of areas, such as property rights, governance structures, and rules of exchange has fundamentally driven political development (Fligstein and Stone Sweet 2002, 1207). Market-making thus both definitively shapes and is shaped by political authority, playing out in different ways depending on the time and place, and on the type of politics embodied in the market ideology being pursued (Skowronek 1982; Evans 1995; Dobbin 1994; North 1991; van Apeldoorn and de Graaff 2022). Early institutionalist work on the EU demonstrated how this was at work in the early European project, particularly with the 1992 Single European Act (Fligstein and Mara-Drita 1996). The empirical developments in the EU's new interventionist market-making around industrial and geoeconomics policies, outlined above, therefore generate a series of critical questions regarding their potential transformative effects.

Guided by this theoretical frame, I sketch out below a series of hypotheses and areas for research. I first focus on the sources of this new market activism as rooted in a series of crises arising from neoliberalism itself. I then highlight some of the key questions around the specific interests involved in the rise of post-neoliberal coalitional politics, the political dynamics at work as the EU's institutions undertake these policies and challenges to the EU's legitimation, and finally, the implications of an emerging geopolitical and sovereign Europe for international politics. All of these lines of research usefully evaluate how the EU's new version of industrial policy and geoeconomic strategies may be reshaping the EU as a polity.

The Sources of the New Market Activism: A Crisis of Neoliberal Market-Making

The new European industrial and geoeconomic policy first needs to be investigated in terms of the sources of this new market activism. Although further work is needed, a preliminary outline of the potential causes of this transformation can be found in the series of crises that came together over the last decade to demonstrate the fragility of the EU's neoliberal policies and institutions. I suggest four specific areas of neoliberal crises for research into the sources of the changing dynamics of market-making in the EU.

First, the underlying impetus to today's European industrial policy shift could be traced back to the 2008 global financial crisis and eurozone crisis, which devastated many of the EU economies, causing severe societal and political upheavals and feeding the rise of populist and anti-system parties (Clift and Woll 2012; Hopkin 2020). Initial EU responses included the nationalization of banks and the stabilization European financial systems through mergers, state aid and the redeployment of development banks across the EU alongside a broadened involvement of the already existing European Investment Bank (Mertens, Thiemann, and Volberding 2021). This marked a new willingness to use direct national and EU intervention to shore up the economy in the critical financial sector, and set the stage for a broader rethinking of the ways that market-making and political authority were playing out in Europe.

As the 2010s progressed, there was a sharp rise in the political salience of the "twin transitions," of a green, decarbonized economy and a digital economy, which constituted a second key factor pushing forward industrial policy efforts (Meunier and Mickus 2020). Over the 2010s, the existential threat arising from climate change was widely recognized across political parties in Europe, with policymakers on left and right evaluating how they might proactively intervene in markets to incentivize a move towards decarbonization and even the historically conservative European Central Bank pursuing a greening of monetary policy (Thiemann, Büttner, and Kessler 2022). In tandem, the rise of the global digital economy also prompted policymakers in the EU to consider how to direct the development of the tech sector to shore up the EU's "digital sovereignty" and ensure both economic competitiveness and control over data as a key geopolitical and democratic resource (Burwell and Propp 2022; Farrell and Newman 2019a). Neoliberal market-making had presided over the catastrophic market failure of climate change, and had not guarded Europeans from digital attacks on democratic processes, making a strong argument for more aggressive market intervention.

The third set of pressures on the neoliberal market-making of the EU over the 2010s was a changing geopolitical landscape. China's rise as a geopolitical power caused governments in the West to reconsider their tight economic interdependence with China's state-run economy. The Trump administration's assault on the EU as an ally and trading partner solidified concerns in Europe about the reliability of the US as a geopolitical partner, and even Joe Biden's victory did not dissuade European leaders of the need for the more active shoring up of EU economic power through "strategic autonomy," (Lavery and Schmid 2021; Schmitz and Seidl 2022b) (Author's Interviews, 2017, 2022).

Finally, the crisis of neoliberal market-making faced two more recent events that solidified the changes under way in the EU's rhetoric and institutional actions and capacities: the COVID-19 pandemic and Russia's invasion of Ukraine.[2] The global pandemic exposed the complexity and fragility of globalized supply chains and the downsides of depending on external markets for critical materials such as vaccines and personal protective equipment (McNamara and Newman 2020). While the impact of the pandemic on EU politics has not been linear or mechanistic, it coincided with the breaking of many previously held taboos around EU governance, most significantly, a new common fiscal role for the EU (Alcidi and Corti 2022). Finally, Russia's invasion of Ukraine dramatically demonstrated the dangers of adversarial trading partners, as energy and food markets were disrupted in the wake of Russia's aggression. While the EU has for some time been moving towards a much more explicit geopolitical stance in its economic policymaking, the war in Ukraine accelerated that move (McNamara 2022; Guzzini 2012; 2017; Meunier and Nicolaidis 2019).

From the 1980s onwards, market liberalization could be framed as a neutral activity, of "letting the markets decide," seemingly apolitical, even as certain powerful societal and class interests were repeatedly privileged over others. But the perfect storm of events over the past

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[2] Brexit, the departure of the UK from the EU in 2020 after its referendum in 2016 must also be added as an enabling factor. While there is still debate across the different member states about the degree to which the EU should take on these activist roles, the UK had been consistently in support of more liberal market positions.

decade have created a series of new political pressures prompting a new form of market intervention in the EU.

Post-Neoliberal Coalitional Politics

A second set of questions we must answer to better understand the EU's market activist turn is around coalitional politics. What are the distributional impacts and interest group and coalitional politics at work? How have governments who previously shied away from overt industrial policy been emboldened to move forward? How have the various crises of the last decade translated through society to put pressure for change? How do European firms facing disruptive competition in the global economy expect their government to respond? In particular, research might focus on the emerging domestic political alignment between the progressive left, who are pursuing what I have term "aspirational" goals around climate, and those on the traditional national security right, who seek to reduce dependence on China and protect what is now being framed by some as EU "sovereign" interests (Charrier and Heumann 2022). Both societal groups are seeking to structure markets in line with their central political goals, but they do so from very different political places. The role of political actors and parties concerned with the economic dislocation and the rise of anti-system or populist voters are a third set of societal interests who may also be involved in this coalitional realignment in favor of market activism by the EU.

Schmitz and Seidl's recent work helpfully illustrates the role of coalitional politics in the shift from EU trade policy oriented towards market-opening to one with a "conceptual cornerstone" of open strategic autonomy, which views trade not just in terms of the economic benefits of comparative advantage but one that sees trade as a tool of foreign and domestic policy (Schmitz and Seidl 2022a). They trace through how the concept of strategic autonomy came to be a powerful magnet for creating political coalitions to support this change, spanning both neo-mercantalist, national security actors and progressive, socially-oriented actors on the left. This work suggests the unusual span of today's market interventionism, as it can appeal to both the left and right in offering both the aspirational values and goals of climate and the geopolitical interests of weaponized interdependence, as outlined in the first section of this article.

Research is needed to dig into the variety of ways these new coalitions are coming together in the EU, for example in the Important Projects of Common European Interest programs, and how it compares to similar dynamics at work in the US and other countries. Scholars might also situate these dynamics in terms of the long political economy history of actors coming together to create support for transformations in economic policy, as with the 'marriage of iron and rye' pushing protectionism in Imperial Germany (Schonhardt-Bailey 1998). In the case of the EU, however, such coalitional and electoral politics must always be refracted through the reality of the limited European transnational political parties and weak democratic representation. Is the action only at the national level, or are we seeing a move towards more explicit democratic contestation of societal interests at the EU level with the increased overt politicization of industrial policy (Schramm 2023)? Studying in detail these dynamics would allow us to better understand how the EU's new market-making is interacting with political development in the EU.

The Politics of the Expanding European "State"

The EU's turn towards government intervention in domestic and global markets raises a host of further questions about the workings of the institutions of the EU, getting to the heart of the implications this new market-making be for the construction of political authority in the EU. In what ways is the new version of EU industrial policy forcing an expansion of administrative capacity and expertise at the EU level? How is the expansion beyond regulatory activity to a new set of fiscal and administrative powers transforming the EU? How will the increased politicization that comes with picking winners and losers in industrial policy strategy challenge the EU's legitimacy, most recently built on the neoliberal idea of market efficiency? Can the governance structure of the EU actually achieve the stated industrial policy goals? These new activities on the part of the EU brings a set of particular challenges rooted both in the EU's limited capacities and democratic dilemmas and constraints as a political authority.

One set of puzzles involves the political repercussions of the transfer of industrial policy capacity as a shift of core state powers to the EU (Genschel and Jachtenfuchs 2014; 2018). Within the Commission itself, there are big differences in views playing out across the administrative divisions, as well as differences in national power and cultures around market intervention, notably in the prominence of French dirigiste approaches to the economy. In-depth field work is needed to parse out the path of this new market-making (Bora and Schramm 2023). Linked to the question of the transfer of core state powers is the increasing overt politicization of the EU after decades of a 'permissive consensus' that allowed for technocratic delegation to Brussels (or Frankfurt, in the case of the European Central Bank) (Hooghe and Marks 2009; de Wilde, Leupold, and Schmidtke 2016). Emerging research on the recent moves towards EU taxation capacity and European authority over security and defence, including the recently proposed European Defense Fund, makes clear the "conscious strategy of politicisation, which went through alliances with interest groups, member state governments and parliamentarians" that political actors in the EU are pursuing (Hoeffler and Mérand 2022, 12). This is occurring alongside the recent pledge for an expressly "political" Commission (under President Juncker) and now, a "geopolitical" one (under President van der Leyen) despite a long history of technocracy (Peterson 2017; Haroche 2022). Empirical research is needed on the Commission strategies and public's awareness of these active market interventions, where experimental work might probe the conditions under which different publics in the EU may or may not support this new role.

Legitimating the EU's New Authority

Building on these questions about the expansion of EU powers, does the evolution in market-making with a European industrial policy challenge the EU's political legitimacy itself? Instead of a universal approach that embraces neoliberalism's invisible hand of the market, today's industrial policy makes the EU's political authority a very visible hand, reaching into markets to restructure them through fiscal, administrative and regulatory tools (Mazzucato 2015). This raises a set of puzzles around the ways in which a 'community of fate' among Europeans can substitute for national political identity and national democratic processes that legitimize industrial policy in national settings (Rosamond 2012). Here, the uneasy fit of industrial policy to the existing European polity is front and center, raising several lines of potential research.

One line of research centers on the limits of the current EU in terms of democratic representation, electoral processes, and common political identity, all of which create a series of tensions for the EU and its citizens (Follesdal and Hix 2006). The process of defining European strategic interests and values around industrial policy seems to largely be occurring within the European Commission, relatively insulated from the public it serves, raising questions around the potentially tenuous democratic legitimacy of this process. While the US Congress played a central role in moving forward the IRA, Infrastructure Act and Chips Act, all championed by the democratically elected President Biden, the European Parliament has only had a consultative and de-fanged oversight role necessary for democratic decision-making (European Parliament 2022).

Climate activists have already registered their complaints about the lack of transparency and societal input around the specific policies of the EU's green deal in the NextGen program (Client Earth 2020). Other observers claim that decisions are being made in the Important Projects of Common European Interest that may backfire in part because of the lack of informed, democratic input into the process (Poitiers and Weil 2022). In contrast to the market liberalization ethos of the Single European Act and the "level playing field" mantra driving the EU's competition policy, the IPCEI involves explicitly picking winners and losers. Research is needed on this newly emergent policy capacity and the ways it is, or is not, being democratically adjudicated.

On a more macro-level, research is needed to probe whether and how a broader cultural legitimacy for the EU's new politicized role is being constructed. A robust line of research established the importance of the idea of "the market" as a trope that could serve as an effectively ambiguous but powerful culturally legitimating frame for public support for the Single European Market and the euro (Jabko 2006; McNamara 1998). Strategic autonomy has risen to become a dominant rhetoric and practice for the EU, but while coalitional support for the neoliberal market frame has crumbled, is not clear whether it has been effectively usurped (Schmitz and Seidl 2022a). Are a new set of cultural frames, symbols, and practices gaining purchase across the EU, so as to naturalize the EU's transformation into an interventionist market-maker explicitly deciding which interests and values will be aided by European policies? The EU's industrial policy turn inherently challenges the argument that the EU's imagined community rests on a particular type of banal authority that navigates national identities and privileges by carefully choosing words, images, and practices that make its powers seem unremarkable (McNamara 2015). The assertive set of symbols and practices (e.g. the official use of "European industrial policy" and "European Sovereignty") can be read as directly and unambiguously mimicking national powers (McNamara 2022). Some preliminary research grappling with this includes work that looks to the construction of a new cultural infrastructure for the EU around the EU's climate work, the European Green Deal, noting "the EU explicitly turns to the passions and emotions of its citizens," a far cry from the past basis for EU legitimation (Gengnagel and Zimmermann 2022).

A Geopolitical Europe in a Changing Global Economic Order

A final line of research might focus on what a newly geopolitical European Union might mean for international politics, and for the EU itself. While the Single European Act (SEA) of 1986 was in part a political response to the fear that Europe was falling far behind the US and Japan in global economic competitiveness, today's response is striking in its departure from the neoliberal precepts that underlined the SEA (Sandholtz and Zysman 1989). While the EU is not moving to shut down globalization, it is actively and visibly shaping its global engagement in line with European interests and goals, and in response to other states' actions.

As discussed at the start of this paper, the EU's transformation has been driven partially by shifting views of China as an economic partner but potential adversary, and by a view that the US, as many EU officials put it, can no longer be "trusted" (Author interviews, 2022). The EU has begun to be examined in terms of the weaponized interdependence approach, and could also be compared and contrasted to the long history of mercantilism (Farrell and Newman 2019b; Helleiner and Pickel 2018; Helleiner 2022). Scholars of EU trade and investment policy have usefully been parsing through the dynamics at work, with attention to the way the EU's policy may contribute to geopolitical tensions, and a much more strategic version of globalization going forward (Meunier and Nicolaidis 2019; Meunier 2017).

The potential erosion of the EU's long-standing projection of itself as a "normative power" that uses persuasion and example, rather national hard power and strategic interests, may be part of this new market activist and industrial policy moment (Manners 2002). With the rise of strategic autonomy as the guiding frame for the EU's external face, research must consider the ways in which this may be creating the possibility for a different Europe than we have seen since the end of WWII. A recent edited volume provides a useful overview of the ways in which geoeconomics is becoming a central part of international politics, and the key role that the EU, even though it is a non-state actor, is playing in this transformation away from the liberal international order (Babić, Dixon, and Liu 2022). Further work on the rise of a "sovereign" EU, tracing its sources, and figuring out what the construction of the EU's new political authority means in terms of challenging the state-centric version of international politics that has dominated for the last century, and for the geopolitical landscape going forward, are all research tasks prompted by the EU's transformation in market-making.

Conclusion and Policy Implications

The rise of industrial policy today in the European Union is likely to be highly consequential for the EU's political development. Markets require governance to function, and modern market-making has always gone in tandem with the development of political authority through state-building. The EU has broken this mold by building its authority at the supranational level, but over the past three decades it has relied largely on a particular type of market-building--the liberalization of the Single Market and the ideology and practice of competition. Today's European industrial policy constitutes a shift in the terms of the EU's political authority towards a more visible set of market-structuring practices that demand increased EU administrative and fiscal capacity and an explicit reckoning of the collective interests of the 'community of fate' being governed. This article has detailed the expansive set of industrial policy and geoeconomic activities undertaken by the EU, stretching across fiscal, administrative, regulatory and foreign policy arenas. In addition to offering a novel classification and mapping of these policies, it also suggested lines of research needed around the sources of this turn in governance, the post-neoliberal coalitional politics at work, the EU's administrative and institutional expansion, the tensions of legitimating this new European authority, and the emergence of the EU as a geopolitical actor.

Yet as well as being of academic interest, the policies being enacted and the tools wielded by the EU today have a variety of important policy implications. One major policy question is whether the EU is making the right bets on the strategic sectors in its pursuit of supply chain resilience. Critics have charged that the major cross-border innovation and infrastructure Important Projects of Common European Interest (IPCEI) are providing subsidies without transparent, well-defined criteria, and the lack of adequate EU governance over such industrial policies may doom them to failure while undermining the larger single market itself (Poitiers and Weil 2022). Another set of key questions lies in the EU's capacities, as it is not a Weberian state with national levers of governance and control. The very limited fiscal capacity of the EU may potentially doom Europe's efforts, particularly in terms of matching the Biden administration's abundant public financing of the American green transition and digital technology innovation. Others point to a potentially poisonous national subsidy arms race within the EU if the Commission does not manage intra-European tensions effectively (Fleming, Hancock, and Espinoza 2023). Likewise, the decisions around where to locate manufacturing sites are politically and socially fraught, as the wealthier EU states like Germany tend to have the skilled workforce at the ready, but the need to address the economic stagnation in other regions cannot be ignored. Much as with the unrolling of the IRA in the US, the EU's aspirational climate goals and compelling strategic interests must grapple with the reality of "pork-barrel politics" in the execution of place-based industrial policy (Muro et al. 2022).

At the international level, the new era of industrial policy presents serious, but perhaps not insurmountable challenges, to capturing the benefits of globalization while overcoming its shortcomings. Much of 20th century industrial policy sought to roll back globalization, with protectionism around infant industries or import-substitution policies. The EU's industrial policy and its "open strategic autonomy" posture so far appear to be less about decoupling from the global economy and more about strategic engagement with it. The concept of "friend-shoring", or structuring critical supply chains around trustworthy allies, embodies this, as do EU's complaints that the US has gone too far towards protectionism with IRA's local content laws (Nelson 2023). The EU's efforts to restructure globalization through the EU's Carbon Border Adjustment Mechanism as a way to end the "carbon dumping" of Chinese steel may provide an alternative model for addressing the existential threat of climate change without rolling back globalization (Skibell 2022).

Developing a new international economic order that harnesses the power of global markets but does so while addressing the multitude of environmental, social, political, and economic crises brought on by neo-liberal market liberalization of the last decades remains a key challenge. US industrial policies, in particular, have set off a series of strategic moves across the Atlantic and throughout the OECD by states seeking to keep up, while firms shape their own strategies in response, further impacting the path of today's capitalism. A critical question will be whether the US and the EU can form an alliance, instead of working at cross purposes with each other, to achieve an inclusive and sustainable global economy.

The early post-war period's "embedded liberalism" built social purpose into the global order by allowing states to periodically opt out of trade and capital flows for domestic stability (Ruggie 1982). Today, however, the fact that globalization's reach has penetrated so deeply into domestic market activities means that a broader restructuring and recalculation of the rules of the global economy is much more likely than a simple putting up of barriers. Full withdrawal is also unlikely because global markets have become critical to the projection of power internationally (Farrell and Newman 2019b). An international 'race to the top' in tools and standards to better manage today's global capitalism would certainly be a better outcome than a complete unraveling of the global economy (Rendell 2022). Most fundamentally, the link between market-making and political authority underlines the necessity of ensuring that democratic values, equity, and sustainability all inform the EU's industrial policy going forward, even as Europe's ongoing limitations as a polity will make it challenging to achieve.

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