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The New Politics of EU Industrial Policy: From the Regulatory State to a Transformational State

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ABSTRACT

Across advanced economies, states are reasserting a more directive role in shaping markets. One prominent expression of this shift is the resurgence of industrial policy as a form of interventionist economic governance. This introduction develops a tripartite framework to analyze contemporary industrial policy in terms of goals, instruments, and authority structures—asking for what ends states intervene, through what means, and by and for whom. Applying this lens to Europe and the European Union (EU), the special issue shows how a polity long seen as the archetype of the regulatory state is increasingly departing from this model through a renewed embrace of industrial policy. We identify four ideal-typical phases of EU industrial policy since the postwar era and argue that, since the 2020s, the EU has entered a distinct *Transformational Phase*. This phase is marked by the geopoliticization of interventionist goals, hybrid fiscal, geoeconomic and regulatory instruments, and a vertical and horizontal decentering of European market interventionism. Together, the introduction and contributions to the special issue offer a conceptual and empirical lens on industrial policy as a defining feature of twenty-first-century activist economic governance.

1 | Introduction

The role of the state in the economy is being redefined, both domestically and internationally. After decades of skepticism about state intervention under neoliberal globalization and a rules-based order, industrial policy has returned to center stage in Europe (Mosconi 2015; Guarascio et al. 2025; Di Carlo and Schmitz 2023; McNamara 2024; Seidl and Schmitz 2024) and globally (Breznitz and Gingrich 2025), shaping both public debate and policy practice (Evenett et al. 2024). Governments are turning to new tools to address overlapping crises and structural shifts, including weak growth, pandemic-related supply disruptions, climate and technological change, and intensifying geopolitical rivalry over resources, territory, and technological leadership. In this context, the renewed prominence of industrial policy reflects broader political projects

aimed at reclaiming strategic control over the economy, reflecting earlier debates on economic nationalism (Hel-leiner 2021) and economic patriotism (Clift and Woll 2012). Accordingly, the contemporary resurgence of industrial policy can no longer be understood as confined to East Asian developmental trajectories or exceptional episodes of crisis management (Breznitz and Gingrich 2025; Bulfone 2023).

The European Union (EU) provides a theoretically relevant setting in which to examine these dynamics. Long depicted as the archetype of the neoliberal regulatory state (Majone 1994, 1997), it represents a “least-likely case” for the return of active market intervention. Yet industrial policy has clearly re-emerged across both European Member States and, increasingly, at the EU level. These developments have generated a rapidly expanding body of

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scholarship. Recent contributions examine evolving policy objectives, including the EU's geoeconomic turn (Herranz-Surrallés et al. 2024), its geo-dirigiste and security reorientation (Seidl and Schmitz 2024; McNamara 2026; Heldt and Meunier 2026), and stronger emphasis on decarbonization (Veugelers et al. 2024). Others focus on new instruments such as geoeconomic and trade tools (Bauerle Danzman and Meunier 2024; Lavery 2024) and the evolution of cohesion (Wigger 2023) or defense policy (Calcara and Simón 2025; Faure 2025; Fiott 2024). A further strand analyzes governance arrangements, portraying the EU as a developmental network state (Di Carlo and Schmitz 2023), an investor state (Lepont and Thiemann 2024), a catalytic state (Prontera and Quitzow 2022), or a weak de-risking state (Gabor and Braun 2025).

Yet scholarship on EU industrial policy remains dispersed across empirical domains, often privileging particular policy fields, instruments, or governance arrangements. Existing work has generated important insights into specific dimensions of the EU's evolving interventionism, but comparatively less attention has been devoted to how these dimensions relate to one another and with what consequences for the EU's political and economic trajectory (see also Moschella and Quaglia 2025). What therefore remains underdeveloped is an integrative framework capable of situating EU industrial policy within a broader account of contemporary state intervention, while tracing its evolution over time.

The introduction to the special issue makes a first attempt at addressing this gap in two ways. First, it develops a unified framework that conceptualizes industrial policy as a key form of market interventionism structured along three dimensions: the goals states pursue, the means through which they intervene, and the governance arrangements through which authority is exercised by and for given actors. This tripartite lens captures the expansion of policy goals, the hybridization of instruments, the reconfiguration of authority structures that together shape contemporary industrial policy and the political implications of this evolution. Second, the introduction applies this framework to reconstruct the evolution and current configuration of EU industrial policy, identifying the defining traits of its successive historical phases across the three identified dimensions.

In particular, building on Landesmann and Stöckinger's (2020) typology of EU industrial policy eras and Hall's (2020) long-run account of shifting European growth regimes, we distinguish four ideal-typical phases of European market interventionism defined by distinct configurations of goals, instruments, and authority structures. The postwar *Interventionist Phase* (1950s–1980s) was characterized by nationally driven, vertically integrated industrial strategies oriented toward reconstruction, modernization, and the creation of national champions, pursued through sectoral planning, public ownership, and targeted credit allocation, under predominantly national authority structures with limited supranational constraints. This gave way to a *Liberal Phase* (1980s–2000s), in which European integration entrenched a regulatory state centered on market-making, relying primarily on horizontal, market-conforming regulatory instruments and state aid control, while shifting authority upward to the Commission and embedding national intervention within supranational legal constraints. From the early 2000s, a

Pragmatic Phase emerged, which combined competitiveness-oriented innovation policy with a hybrid toolkit including smart specialization strategies and regulatory modernization, and a more coordinated multilevel governance architecture in which the Commission provided directionality while Member States retained implementation capacity. We argue that the 2020s inaugurate a distinct *Transformational Phase*, in which the convergence of geopolitical rivalry, climate imperatives, and technological competition has reoriented industrial policy toward the geopoliticization of policy objectives, the deployment of a hybrid toolbox—including EU-level borrowing, the flexibilization and repurposing of state aid and cohesion policy, and the decentering of European market interventionism whereby the Commission enables and orchestrates renewed national activism within multilevel, networked governance arrangements.

The remainder of this introduction proceeds as follows. Section 1.1 develops the analytical framework. Section 2 applies it to the EU, tracing the historical evolution of industrial policy and substantiating the emergence of the Transformational Phase across goals, instruments, and authority structures. The conclusion situates the contributions within this perspective, and clarifies how they illuminate the evolving goals, instruments, and authority structures of contemporary EU industrial policy and their political implications.

1.1 | For What, Through What Means, By and for Whom: How to Study Contemporary Industrial Policy

Following Warwick (2013, 16), industrial policy can be defined as a form of market interventionism by governments “that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention.”

This definition highlights the inherently political character of industrial policy. By seeking to reshape the structure of economic activity, governments do more than correct market failures: they influence the allocation of economic and financial resources, steer patterns of production and technological innovation, and redistribute opportunities and constraints across territories, sectors, and social groups. Industrial policy thus reorders economic interests, reconfigures productive structures, and advances particular visions of how markets should function. These choices generate contestation among actors with distinct material interests and ideological orientations—including producer groups, political parties, and civil society organizations—shaping the coalitions, institutional configurations, and policy decisions that define the scope and direction of state intervention.

Building on this premise, our analytical framework captures the politics of industrial policy along three interrelated dimensions: for what ends states intervene, through what means they do so, and by and for whom intervention ultimately takes place (see Table 1).

First, the “for what” dimension refers to the goals and strategic priorities of industrial policy and the rationales used to justify them. In advanced market economies, these goals have long been

shaped by a neoliberal orthodoxy that framed intervention primarily as market correction—a response to coordination failures, externalities, or underinvestment in innovation and infrastructure (Juhász and Lane 2024). This limited role for the state rested on concerns about rent-seeking and capture, governments' constrained capacity to “pick winners”, and implementation challenges linked to weak monitoring and disciplining mechanisms (for an overview, Chang 1996, 25–31). Yet even at the height of this market-failure consensus, broader conceptions of state activism persisted. East Asian developmental states, for example, approached industrial policy less as a corrective device than as a tool for structural transformation and long-term upgrading (Amsden 1989; Evans 1995; Johnson 1982; Wade 1990).

Over the past two decades, however, both the rationale and the repertoire of legitimate objectives have widened. Scholars such as Mazzucato and Rodrik (Mazzucato 2013; Mazzucato and Rodrik 2023) have recast the state as a market-creating and market-directing actor capable of shaping technological trajectories and articulating collective missions. This intellectual shift has coincided with a sequence of shocks—including the Global Financial Crisis, the COVID-19 pandemic, Russia's invasion of Ukraine, and subsequent energy and inflation crises—that exposed vulnerabilities in financial systems, supply chains, and strategic dependencies. At the same time, slower-moving structural transformations—climate change, geopolitical rivalry, demographic aging, and rapid technological change—have elevated industrial capacity from a residual competitiveness concern to a core condition of resilience, sustainability, and strategic autonomy (Aiginger and Ketels 2024). Industrial policy is therefore increasingly justified not only in terms of efficiency or productivity but also in relation to decarbonization, technological sovereignty, economic and military security, and social cohesion (Babić et al. 2022; Seidl and Schmitz 2024; McNamara 2026; Aiginger and Rodrik 2020).

The “for what” of intervention thus shifts from identifying discrete market failures to prioritizing among multiple

politically defined objectives. This expansion generates predictable tensions—between security and efficiency, sustainability and competitiveness, and short-term protection and long-term transformation. Consequently, industrial policy becomes more politicized (see Di Carlo, Moretti, and Moschella 2025 in this special issue), with contestation increasingly centered on how these priorities are articulated, balanced, and legitimated in public discourse and institutional arenas.

Second, the “through what means” dimension concerns the instruments and modalities through which industrial policy goals are pursued. Industrial policy should not be equated with any single tool—such as state aid (the EU's term for subsidies), planning, or public ownership. Rather, it encompasses a heterogeneous and evolving repertoire of instruments that public authorities combine in different ways, shaped by institutional constraints, policy legacies, and political objectives.

In postwar Europe, industrial policy often relied on centralized mechanisms such as economic planning, public ownership in strategic sectors, and close coordination between state bureaucracies and national champion firms (Thatcher 2014). Similarly, the experience of East Asian developmental states highlights instruments including state-directed credit, performance-based subsidies, selective trade protection, and institutionalized firm–state coordination, with governments imposing conditionalities to discipline firms in support of long-term structural transformation (Amsden 1989; Wade 1990). The “new industrial policy” extends this repertoire. It combines targeted subsidies with explicit conditionalities (Bulfone et al. 2025), and the strategic use of economic regulation, including regulatory flexibilities (see Bulfone et al. 2026 in this special issue) and regulatory forbearance (Dewey and Di Carlo 2022). It also involves states' roles in coordinating and brokering the mobilization of firms, research institutions, and subnational actors around developmental projects (Aiginger and Rodrik 2020, 192; Block et al. 2024). These instruments frequently operate through para-public intermediaries—such as development banks, government

TABLE 1 | Three dimensions for studying industrial policy.

Dimension of industrial policy	Analytical focus	Core research questions
For what	Strategic objectives and justificatory logics of intervention	Which political goals motivate industrial policy? How are priorities constructed and legitimated? What trade-offs emerge among competing objectives of market interventionism?
Through what means	Instrument mix and modalities of intervention	Through which combinations of instruments is industrial policy operationalized? How do political economy dynamics shape instrument choice and implementation? Which legal and administrative constraints delimit the feasible policy mix across polities?
By and for whom	Authority structures, governance arrangements, and distributive effects	Which actors exercise agenda-setting, resource allocation, and implementation authority? How does multilevel and networked governance reshape accountability and democratic oversight? How are distributive effects across sectors, firms, social groups, and territories translated into political conflict?

Source: Authors' elaboration.

venture capital, and sovereign wealth funds—to mobilize and de-risk investment (Mertens et al. 2021; Gabor and Braun 2025; Li and Ban 2026; Thatcher and Vlandas 2022).

The “through what means” dimension thus focuses on the architecture of intervention: which instruments are selected and how they are combined and governed. Because each tool entails distinct legal procedures, administrative capacities, and coordination requirements, increasingly hybrid instrument mixes increase implementation complexity and embed coordination challenges, particularly in multilevel polities such as the EU.

Finally, the “by whom and for whom” dimension shifts attention to authority structures and their distributive consequences. Because industrial policy is selective and discretionary it raises core questions of political agency and democratic legitimacy: how industrial policy is governed, who defines strategic priorities, who allocates public resources, whose interests are advanced, and how decision-makers are held accountable. Authority over industrial policy varies across institutional contexts. In some settings, central governments or supranational institutions dominate agenda-setting and resource allocation; in others, subnational authorities, development banks, or parapublic actors enjoy greater autonomy and capacity. Elsewhere, industrial policy is shaped within public-private or transnational networks (Bosticco and Herranz-Surrallés 2024) that diffuse agency across multiple actors (Block et al. 2024; Negoita 2014), complicating patterns of responsibility and oversight. Coalitional dynamics further shape these arrangements. In corporatist settings, producer groups with structured access to policymaking arenas may capture preferential industrial policy support (Di Carlo, Hassel, and Höpner 2025), while in other contexts industrial coalitions may support transformative restructuring when adequately compensated (Kupzok and Nahm 2025).

Through the various governance arrangements, industrial policy shapes distributive outcomes. It reallocates resources across sectors, firms, and territories, reflecting or reshaping underlying power balances and economic geographies. Intervention may reinforce agglomeration dynamics, privilege specific advanced industries, and deepen territorial divides (see Guarascio et al. 2026 in this special issue), reinforcing inequalities between knowledge-intensive superstar cities and less developed, peri-urban and rural places that are left behind (Rodríguez-Pose and Bartalucci 2024; Rodríguez-Pose et al. 2025). The “by whom and for whom” dimension therefore captures both who governs industrial transformation and who benefits and who loses from it.

Taken together, the three dimensions—goals, instruments, and authority structures—are analytically distinct yet empirically intertwined. Industrial policy entails defining collective ends, selecting policy instruments and governance arrangements, and determining who governs economic transformation, who benefits from it, and how these choices are made democratically accountable. The next section applies this framework to the evolution of industrial policy in Europe, tracing how shifts in objectives, instruments, and authority structures have reconfigured European market interventionism.

2 | Industrial Policy in the European Union

2.1 | Why Study the EU?

This special issue focuses on Europe and the EU because they offer a particularly revealing setting in which to examine contemporary industrial policy. Like the United States and China, the EU and its Member States have moved decisively toward more activist industrial policy (Di Carlo and Schmitz 2023; McNamara 2024). Industrial policy is now framed around strategic autonomy, technological leadership, and systemic resilience in an increasingly multipolar and geopolitically fragmented environment (Haroche 2024; Herranz-Surrallés et al. 2024; Seidl and Schmitz 2024). This shift reflects structural pressures common across advanced economies: the twin green and digital transitions; the weaponization of economic interdependence; the post-pandemic reconfiguration of global value chains; and intensifying geopolitical rivalry, including dynamics triggered by U.S. protectionism and the EU's designation of China as a “systemic rival” (Lavery 2024; Zhang and Rabe 2024; Bentley and McNamara 2025).

In the European context, however, this turn has been neither straightforward nor uncontested. The EU can be regarded as a least-likely case for renewed activist industrial policy given both institutional constraints and entrenched market-liberal ideas. Institutionally, the EU remains an incomplete polity. While it has developed into a powerful regulatory authority, it lacks both a unified administrative apparatus capable of steering the Single Market and an autonomous fiscal capacity to finance ambitious EU-level industrial policy (Kelemen and McNamara 2022). Moreover, although industrial policy competences were introduced with the Maastricht Treaty, Article 173 TFEU provides only a limited legal basis for EU industrial policy and constrains the scope for autonomous EU action (see Dermine and Patrin 2026 in this special issue).

At the ideational level, European integration has long been anchored in market-liberal and ordoliberal principles that sit uneasily with discretionary state intervention (Moschella and Quaglia 2025). Member States historically developed diverse models of economic governance (Shonfield 1965; Warloutet 2023), from dirigiste planning (Hall 1986) to strategic credit policy (Zysman 1984; Monnet 2023), yet the consolidation of the Single Market and Economic and Monetary Union (EMU) entrenched a governance architecture centered on fiscal and monetary discipline (McNamara 1998; Moschella 2024). This framework reflects an ordoliberal logic that places strict supranational regulatory and fiscal limits on national discretionary state intervention (Notermans and Piattoni 2025). Market interventionism in Europe, thus, became embedded in EU law and constrained by liberalizations, privatizations, stricter competition enforcement, and state aid prohibitions, a dynamic vividly captured by “the rise of the EU regulatory state” (Majone 1994, 1997), progressively curtailing governments' scope to deploy traditional industrial policy instruments such as subsidies, public ownership, and economic coordination (Bulfone et al. 2026 in this special issue; Blauberger 2009; Buch-Hansen and Wigger 2010).

Taken together, these institutional and ideational features rendered the EU an unlikely locus for renewed activist industrial policy. Yet, as the EU remains deeply embedded in the structural transformations driving industrial policy's global revival (Lavery 2024; Zhang and Rabe 2024), new forms of market interventionism have emerged across Europe. Like other major economies, the EU faces pressures to reconcile decarbonization with competitiveness, secure critical supply chains, and balance economic openness with strategic autonomy amid intensifying geopolitical rivalry. The EU thus constitutes a critical case: a multilevel polity where external pressures intersect with distinctive institutional constraints, political logics, and ideational legacies. This makes it a particularly revealing setting for examining how renewed market interventionism develops within a system originally designed to constrain it. The next section builds on this premise by tracing the historical trajectory of industrial policy in Europe and identifying successive phases of European market interventionism through the analytical framework developed above.

2.2 | Four Ideal-Typical Phases of EU Industrial Policy

The recent resurgence of industrial policy in the EU can be situated within a sequence of ideal-typical phases of market interventionism. Building on and extending Landesmann and Stöckinger's (2020) typology, we distinguish four phases of EU market interventionism, each defined by a distinct configuration of goals ("for what"), instruments ("through what"), and authority structures ("by and for whom"): an *Interventionist* Phase (1950s–1980s), a *Liberal* Phase (1980s–2000s), a *Pragmatic* Phase (2000s–2020s), and a *Transformational* Phase emerging since the 2020s. This periodization resonates with Hall's (2020) account of European growth regimes, which traces a shift from the Keynesian "era of modernization" (1950–1975), characterized by assertive state steering of industrial development, to an "era of liberalization" (1980–2000) marked by the delegitimation of discretionary intervention and the consolidation of market-making and competition-oriented governance, followed by an "era of knowledge-based growth" from the 2000s onward. Quite importantly, however, these phases are ideal types. They are neither exhaustive nor intended to imply sharp temporal breaks; rather, they are meant capture dominant logics of market interventionism in Europe that may overlap in practice while becoming politically and institutionally predominant in different periods.

While broadly consistent with this trajectory, our framework extends extant periodizations by identifying a distinct *Transformational Phase* in which industrial policy has re-entered European economic governance under altered conditions across goals, instruments, and authority structures (see Table 2 for an overview).

2.2.1 | The Post-War Interventionist Phase (1950s–1980s)

The postwar decades marked the heyday of interventionist economic governance in Western Europe (Bianchi and Labory 2020, 602–16; Owen 2012; Shonfield 1965). During the

Cold War, European economies operated within a U.S.-led liberal order that combined multilateral trade, managed openness, and cooperation among democracies (Ikenberry 2018). Under the Bretton Woods system—with limited trade and capital mobility—national governments preserved wide autonomy over industrial and macroeconomic policy. This "embedded liberalism" compromise (Ruggie 1982) allowed states to buffer external shocks and steer their own development paths through decisive market interventionism (Scharpf 2000, 24).

The goals of industrial policy reflected the imperatives of post-war reconstruction and economic modernization (Hall 2020, 186): building industrial capacity, reducing regional disparities, fostering technological autonomy, maintaining social stability, and nurturing national champions. Strategic sectors—steel, chemicals, shipbuilding, energy and later electronics, aircraft, and biotechnology—were identified for targeted support based on their economic linkages, employment impact, and perceived national importance (Landesmann and Stöckinger 2020, 625). National champions, flagship firms with privileged access to public procurement, credit, and diplomatic support, were seen as instruments of international competitiveness, national prestige and technological sovereignty (Hayward 1995). In countries like Italy, industrial policy also entailed targeted industrial and infrastructural investment to promote regional cohesion in lagging areas such as the *Mezzogiorno* (Bulfone and Di Carlo 2021, 145).

Market intervention was carried out through vertically integrated, sectoral industrial policy instruments, including economic planning (Hall 1986), state ownership of strategic firms or holding companies (Vernon 1974), and targeted credit allocation via public or publicly linked financial institutions (Zysman 1984). State aid and public procurement were deployed strategically to support national political priorities. Infrastructure and network industries such as energy, railways, and telecommunications operated as legal monopolies under public service obligations (Scharpf 1999, 58–62). Governments exercised comprehensive regulatory authority over market access and corporate restructuring, directing mergers and acquisitions (M&As) to facilitate consolidations and economies of scale in strategic sectors (Thatcher 2014, 10–11).

During this time, industrial policy in Europe remained a national prerogative. Although the Treaty of Rome (1957) subjected state aid to supranational discipline and granted the Commission oversight powers, the application of these provisions remained limited and highly discretionary in practice (Kassim and Lyons 2013, 6). The Treaty's legal ambiguity, coupled with Member States' reluctance to cooperate, meant that state aid prohibitions were rarely and cautiously enforced. It took the Commission several decades to construct a coherent policy framework, primarily via soft law instruments (Cini 2001; Smith 1998). Thus, during the postwar *Trente Glorieuses*, the European Economic Community remained focused primarily on customs union and trade liberalization, while exercising only limited effective oversight over national subsidies and industrial planning.

TABLE 2 | Four ideal-typical phases of EU industrial policy and their salient traits (1950s–2020s).

Phase of EU industrial policy	Global political-economic context	State-market nexus	For what	Through what	By and for whom
Interventionist phase (1950s–1980s)	Post-war embedded liberalism; Bretton Woods; Cold war bipolarity	<i>Active Keynesian state</i> : Direct Member-State steering of industrial modernization	Reconstruction and modernization; national prestige; full employment; territorial cohesion; technological catch-up; governments' political advantage	<i>Vertical, sectoral interventions</i> : economic planning, state aid, public ownership, development banking, targeted credit, public procurement, and state-directed mergers and acquisitions	Member States as the dominant interventionist actors; EEC oversight limited; Commission state-aid control weak and discretionary
Liberal phase (1980s–2000s)	Trade and financial globalization; diffusion of the Washington consensus; single market consolidation; post-Cold war liberal convergence; launch of EMU	<i>Regulatory state</i> : Supranational market-making and competition-oriented governance	Market integration; efficiency and competitiveness; disciplining national interventions to preserve the EU-level playing field	<i>Horizontal, market-conforming interventions</i> : Privatization, liberalization, competition enforcement, regulatory harmonization, enforcement of state-aid prohibitions, and horizontal measures to improve framework conditions	Commission gains primacy through competition policy and state-aid control, constraining discretionary national industrial policy within EU legal and fiscal rules; growing role of non-majoritarian institutions in economic governance
Pragmatic phase (2000s–2010s)	Knowledge economy and ICT transition; EMU consolidation; post-GFC recalibration of liberal orthodoxy	<i>Competition/Enabling state</i> : Market-supporting and market-correcting intervention	Technological upgrading; digital, and increasingly green, transition; innovation and regional cohesion; outward-oriented integration into global value chains	<i>Hybrid interventionist toolkit</i> : Selective “good aid,” mission-oriented innovation policy, smart specialization in cohesion policy, regulatory modernization, and investment de-risking via public resources and promotional banks	Commission disciplines and provides directionality within the EU legal frameworks; Member States experiment with networked and place-based strategies; growing role of intermediary institutions
Transformational phase (2020s–ongoing)	Multipolarity and geoeconomic rivalry; climate crisis; pandemic supply shocks; Russia's invasion of Ukraine; second China shock; U.S. protectionism and industrial policy	<i>Geo-dirigiste network state</i> : Strategic, multilevel, and networked market intervention in a fragmented geoeconomic order	Open strategic autonomy; resilience and supply chain security; twin transition; technological sovereignty; economic, energy, and defense security	<i>Hybrid strategic policy mix</i> : EU-level borrowing; defensive/offensive geoeconomic instruments; strategic flexibilization of state aid; repurposing of cohesion policy	Commission as developmental network state, enabling, coordinating and steering national interventions; Member States regain strategic roles; multilevel and networked governance involving EU

(Continues)

TABLE 2 | (Continued)

Phase of EU industrial policy	Global political-economic context	State-market nexus	For what	Through what	By and for whom
					institutions, Member States, firms, financial intermediaries, across transnational industrial ecosystems

Source: Authors' elaboration, extending Landesmann and Stöckinger (2020) and Hall (2020).

In sum, the postwar model of industrial policy in Western Europe rested on what Majone (1997) termed the *Active Keynesian State*: a state directly and proactively engaged in governing the economy and steering economic development (see also Hall 2020, 186–187). Designed and executed by elected politicians and senior civil servants—often in collaboration with firm managers and labor representatives—industrial policy pursued not only market efficiency but also national modernization, prestige, and political advantage (Thatcher 2014, 10). By the late 1970s, however, this interventionist model came under mounting pressure. The collapse of the Bretton Woods monetary regime, the oil shocks, the expansion of global trade and finance, and the diffusion of neoliberal ideas associated with the *Washington Consensus* triggered a gradual retreat of the state from direct market intervention, paving the way for the neoliberal turn of the 1980s.

2.2.2 | The Liberal Phase (1980s–2000s)

The liberal phase of European market interventionism unfolded as the postwar embedded liberalism compromise began to unravel. This shift was driven by a combination of structural, economic, and ideological transformations, including the U.S.-led globalization of trade and production and the liberalization of international finance (Glyn 2007). Together, these developments reshaped the role of the state in an increasingly globalized economy (Strange 1996, chap. 1), reinforcing convergence pressures toward the Western, U.S.-led model of market-liberal capitalism following the collapse of the Soviet bloc (Landesmann and Stöckinger 2020, 627).

Despite variation in the depth and scope of neoliberal reforms across European countries, this period marked a paradigmatic shift in the goals and instruments of market intervention. The deepening of the Single Market and the gradual supranationalization of policymaking with the launch of Economic and Monetary Union (EMU) fostered a socio-economic order centered on market liberalization and fiscal consolidation (van Apeldoorn 1998, 2002). Economic policymaking increasingly prioritized global competitiveness through market opening, regulatory liberalizations (Egan 2001) and the pursuit of a level playing field in the Single Market, thereby constraining discretionary state intervention by Member States, particularly protectionist industrial policies (Jabko 2012).

In parallel, from the 1970s onward the Commission progressively strengthened state aid control as part of broader efforts to

curb inflationary policies by Member States after the oil shocks and to limit fragmentation within the Common Market. By the late 1980s, stricter enforcement of competition policy had become a central pillar of EU economic governance, placing tighter limits on national discretion and effectively subordinating governments' industrial policy ambitions to the imperatives of market competition (Smith 1998, 64–73). Economic regulation was thus recast to ensure fair competition and a level playing field in the Common Market, prevent abuses of dominant position, and safeguard consumer welfare. At the same time, public ownership in strategic sectors gave way to full or partial privatizations, replacing direct state control with more indirect forms of state influence over the corporate sector, such as legal structuring, minority shareholdings, or state-backed guarantees (Thatcher 2014).

Industrial policy did not disappear but was reoriented away from support for national champions and sectoral and territorial planning toward horizontal interventions aimed at reinforcing competition and improving markets' "framework conditions," including public support for R&D, training, and small and medium enterprises (Landesmann and Stöckinger 2020, 627). The European Economic Community gradually developed its own horizontal interventions, notably in research, innovation, and technology development through the Framework Programmes and in cohesion policy during the 1980s. As regional policy gained prominence—particularly after the Community's enlargements in the 1980s–90s—cohesion funds were increasingly used to attract investment and support infrastructure in lagging regions (Landesmann and Stöckinger 2020, 629–30).

In short, the 1980s marked the rise of the *European regulatory state* (Majone 1997), characterized by market-enhancing regulation, market-conforming horizontal policies, and the growing role of economic governance by technocratic non-majoritarian institutions. The "constitutionalization" of European competition law directly challenged the institutional foundations of postwar mixed economies by limiting discretionary government support to firms and sectors (Scharpf 1999, 57–60). In this context, the Commission gained new primacy over Member States' industrial policy strategies, as market interventionism became progressively embedded in the Community's deepening legal order and multilevel governance architecture. Reflecting these broader transformations, state ownership and government subsidies declined steadily across OECD countries between 1980 and the early 2000s (Zohlnhöfer et al. 2018, 538–40).

2.2.3 | The Pragmatic Phase (2000s–2010s)

The turn of the century, punctuated by the 2008 Global Financial Crisis, marked a gradual recalibration of the regulatory state and laid the groundwork for the renewed market interventionism of the current phase. By the early 2000s, European policymaking increasingly aligned with the logics of what was aptly termed the *Competition State*, which redefined the role of public authority as enhancing international competitiveness in ever global markets through the promotion of firms, innovation, and profitability across both private and public services (Cerny 1997, 260). At the same time, the rise of information and communication technologies and the knowledge economy reinforced demands for a more *Enabling State*, needed to steer long-term industrial restructuring and upgrading (Labory 2006).

This period thus inaugurated a Pragmatic Phase of market interventionism, characterized by the goals of technological upgrading, digital transformation, and regional cohesion—in line with the Lisbon strategy's ambition to make the EU a highly competitive and dynamic knowledge-based economy (Filippetti and Spallone 2025, 1429). As Bianchi and Labory (2006a, 619) observe, this phase was both “interventionist because some vertical measures can be implemented when necessary,” and “liberal because the importance of guaranteeing competition in the market” remained the central and primary concern (Bianchi and Labory 2006b, 25). Industrial policy in the 21st century thus no longer centered on “picking winners” or merely correcting market failures, but increasingly sought to craft “networked” development strategies in which the state defined locally rooted actions while mobilizing a wide range of actors, including firms, universities, and civil society institutions (Bianchi and Labory 2006b, 25). In parallel, as production and innovation fragmented across global value chains (Reurink and Garcia-Bernardo 2021), industrial policy took on a more “outward-oriented” form, with states actively fostering “the integration of domestic firms, industries, and sectors in regional and global capital and wealth chains in a way to favor selected groups of insiders” (Bulfone 2023, 27).

At the European level, the Commission's activist role in market intervention became evident in two main domains. In regional policy, it promoted a place-based, innovation-oriented model through Smart Specialization Strategies (Landesmann and Stöckinger 2020, 633). In the competition domain, it launched the modernization of state aid policy—through the 2005 State Aid Action Plan and Block Exemption Regulations—to streamline approval procedures, provide directionality to Member States, and encourage the granting of “good state aid” (Blauberger 2009). During the 2000s, the Directorate-General for Competition saw an influx of economists into a DG previously dominated by lawyers, contributing to a shift in state aid policy from a predominantly legalistic to a more economic approach (Thatcher 2025, 152). The Commission thus gradually began to strategically use the re-regulation of the state aid regime to enable interventions aligned with the Europe 2020 strategy for smart, sustainable, and inclusive growth, while promoting less distortive forms of state aid consistent with EU priorities (see also Bulfone et al. 2026 in this special issue).

Overall, already by the 2000s and 2010s, EU industrial policy had increasingly started to blend systemic policies and horizontal incentives to improve the functioning of innovation systems across countries and regions (Filippetti and Spallone 2025, 1429) with a growing mix of sectoral interventions and the incorporation of mission-oriented policies (Mazzucato 2013). Over the past three decades, thus, a broader interventionist toolkit has emerged, including the strategic use of industrial policy, regulatory governance (Guidi et al. 2020) and regulatory forbearance (Dewey and Di Carlo 2022) to reassert the public interest in markets (Levi-Faur 2009), to advance forms of economic patriotism (Clift and Woll 2012), and selectively support particular sectors or firms (Thatcher 2014). At the same time, market interventionism has become increasingly financialized, as national governments and the EU use public resources and promotional banks to de-risk private investment and steer private capital toward politically defined industrial policy objectives (Mertens and Thiemann 2019; Mertens et al. 2021). In this configuration, the state does not simply finance transformation directly; it governs through de-risking, using its balance sheet and regulatory capacity to channel capital allocation through private finance rather than public planning alone (Gabor and Braun 2025).

2.2.4 | The Transformational Phase (2020s–Present)

The preceding periodization must be extended to account for what we understand as Europe's Transformational Phase. This phase marks a qualitative shift in EU industrial policy across the three dimensions of our framework—goals, instruments, and authority structures—and reflects a broader reconfiguration of state–market relations driven by the convergence of geopolitical, environmental, and technological shocks.

A series of exogenous shocks have acted as critical junctures. In fact, the current Transformational Phase has been gradually in the making. The 2008 Global Financial Crisis undermined confidence in unfettered financial markets and revived concerns over slow growth and deindustrialization in advanced economies (Wade 2010; Warwick 2013, 10). A decade later, the COVID-19 pandemic exposed the fragility of global value chains and the limits of just-in-time production, with shortages and inflationary pressures revealing Europe's dependence on external suppliers in strategic sectors such as critical raw materials, batteries, and semiconductors (Bauerle Danzman and Meunier 2024, 1111). At the same time, the intensifying climate crisis strengthened the case for industrial restructuring and public intervention to accelerate the development and diffusion of green technologies (Aiginger and Ketels 2024, 2).

These developments have unfolded alongside mounting geopolitical disruptions and the gradual erosion of the rules-based international order following the first Trump presidency and Brexit (Ikenberry 2018). Russia's invasion of Ukraine has exposed vulnerabilities linked to energy and food dependencies while underscoring Europe's reliance on U.S. military and defense-industrial capabilities (Faure 2025). China's rapid expansion into higher value-added export markets—described as a second China shock for Europe—has intensified competitive pressures

on Europe's manufacturing base (Tordoir and Setser 2025). At the same time, renewed U.S. industrial activism, most notably through the Inflation Reduction Act and the CHIPS and Science Act, has signaled a shift toward large-scale state-backed reindustrialization (Maggor 2026), while protectionist measures during the second Trump presidency have weakened multilateral trade governance and extended tariff disputes to traditional allies, including the EU.

Together, these developments have displaced the pragmatic experimentation of the 2000s and 2010s and have ushered in a new phase of market interventionism characterized by expanded geopolitical objectives, hybrid fiscal, geoeconomic, and regulatory instruments, and reconfigured authority structures.

First, while industrial policy objectives had already broadened during the Pragmatic Phase—incorporating climate, digital, and social priorities—the Transformational Phase is distinguished by the geopoliticization of EU market interventionism. Trade interdependence within a liberal international order is increasingly viewed not as a source of efficiency gains but as a vector of vulnerability and strategic leverage that can be weaponized by geopolitical rivals (Herranz-Surrallés et al. 2024). The competitiveness, innovation, and twin-transition priorities of the late Pragmatic Phase have thus become embedded within a broader agenda centered on security and resilience, under conditions of intensified great-power rivalry.

In the European context, this shift has been articulated through the concept of open strategic autonomy, spanning industrial, trade, competition, digital, and defense policy (Miró 2023). Market intervention has thus become closely intertwined with concerns over sovereignty and security, particularly through debates on technological sovereignty and the need for a geodirigiste reorientation of the state's role in steering economic activity, grounded in the recognition that market forces alone cannot generate the capabilities required under conditions of techno-geopolitical rivalry (Schmitz and Seidl 2023). This reorientation was institutionalized in late 2019 through the von der Leyen Commission's self-definition as a geopolitical Commission, signaling an ambition to consolidate geoeconomic instruments as a core dimension of EU economic governance (Bauerle Danzman and Meunier 2024).

Second, the instruments of EU industrial policy have evolved along four main axes: EU-level borrowing, an expanded geoeconomic toolkit, the strategic flexibilization of the state aid regime, and the repurposing of cohesion policy toward industrial policy objectives.

In response to successive shocks, the EU has mobilized EU-level borrowing to finance strategic industrial policy priorities. Agreed in 2020, NextGenerationEU (NGEU) authorized the Commission to borrow up to €750 billion on capital markets on behalf of the EU, channelling resources toward structural transformation and long-term competitiveness (Zeitlin et al. 2025). Although formally a temporary recovery instrument, NGEU has functioned as an indirect industrial policy tool (see also Dermine and Patrin 2026 in this special issue): through the Recovery and Resilience Facility (RRF), Member States were required to devote at least 37 and 20 percent of their plans to climate and digital objectives

respectively. Such spending conditionalities have contributed to steering Member States' investment toward decarbonization and digital technologies, including Industry 4.0 priorities, infrastructure, energy security and the upgrading of manufacturing capabilities to reduce dependencies, boost innovation capacity and regional competitiveness (Crescenzi et al. 2021). A more explicit sectoral logic underpins the 2025 launch of *Security Action for Europe*¹ (SAFE) under which the Commission may borrow up to €150 billion on capital markets and on-lend the proceeds to Member States as competitively priced, long-maturity loans for defense procurement and large-scale investment in the European Defense Technological and Industrial Base. Thus, while the EU is still far from having a full-fledged supranational fiscal capacity for industrial policy (see Di Carlo, Moretti, and Moschella 2025 in this special issue), together, these examples point to an emerging pattern: EU-level borrowing, backed by the EU budget, is increasingly deployed to advance strategic industrial policy objectives across the green, digital, energy, and defense domains (see also Dermine and Patrin 2026 in this special issue).

Beyond EU-level borrowing instruments, a set of new geoeconomic tools have become central to EU industrial policy (Bauerle Danzman and Meunier 2024, 1099). These combine defensive tools—designed to shield the Single Market from external vulnerabilities—and more offensive tools designed to secure technological leadership and shape global market structures (Haroche 2024). This expanding toolkit includes: the *FDI Screening Regulation*,² which establishes a cooperation framework to coordinate Member States' decisions in the screening of security-sensitive foreign investments; the *Export Control Regulation*,³ which establishes a common but nationally enforced framework to strengthen controls on the export of dual-use and sensitive technologies to prevent their transfer to strategic competitors and protect critical supply chains; the *International Procurement Instrument*,⁴ which empowers the Commission to restrict third-country access to EU public procurement to secure reciprocal market opening; the *Foreign Subsidies Regulation*,⁵ which empowers the Commission to investigate foreign subsidies granted by third countries to firms operating in the Single Market and impose redressive measures, covering both M&A transactions and public procurement; the *Anti-Coercion Instrument*,⁶ which empowers the EU to deter economic coercion by third countries and, as a last resort, adopt countermeasures (e.g., tariffs, trade restrictions, and investment controls) and seek reparation for injury; and the *Carbon Border Adjustment Mechanism*⁷ (CBAM) which, although primarily an environmental instrument, functions as both a defensive and inducement instrument by conditioning access to the Single Market on carbon-related compliance to prevent carbon leakage and protect the competitiveness of EU industry (Bauerle Danzman and Meunier 2024, 1104–1105).

Not least, while the Commission has proactively pursued the strategic flexibilization of the state aid regime, cohesion policy has been recalibrated toward industrial policy objectives, with Member States acquiring growing discretion over funds' allocation.

The Commission has accelerated the strategic flexibilization of the EU state aid regime, a process that began with the *General Block Exemption Regulation*⁸ (GBER) in 2008 and the operationalization and activation of *Important Projects of Common*

*European Interest*⁹ (IPCEIs) in 2014, and that intensified especially after the pandemic through successive temporary frameworks. Adopted in March 2020, the *State Aid COVID Temporary Framework*¹⁰ enabled liquidity support during the pandemic. In response to the 2022 energy crisis, the Commission extended and repurposed these flexibilities through the *Temporary Crisis Framework*¹¹ (TCF) and the *Temporary Crisis and Transition Framework*¹² (TCTF), redirecting state aid toward industrial decarbonization by supporting investment in renewable energy, net-zero technologies, and related value chains (Di Carlo et al. 2024). In 2025, the Commission adopted the *Clean Industrial Deal State Aid Framework*¹³ (CISAF) to advance the EU's decarbonization and competitiveness agenda. By consolidating and extending regulatory flexibilities and compatibility principles until 2030, CISAF transforms what were initially crisis-driven temporary derogations into a more durable form of regulatory governance. This marks a qualitative shift in the Commission's approach to governing the Single Market through regulation: flexibility in state aid policy becomes not merely an emergency device, but a purposive instrument through which the Commission enables and directs Member States' industrial policy toward common European objectives (see also Bulfone et al. 2026; Guarascio et al. 2026 in this special issue).

In cohesion policy, the legal bases for the 2021–2027 cycle were revised to introduce greater flexibility in redirecting funds toward unexpected challenges and shifting spending priorities, that is: to widen Member States' scope to adapt EU priorities to domestic circumstances, and to broaden the policy's thematic menu. In other words, the thematic scope of cohesion policy has become more “elastic” (Molica et al. 2025, 5), allowing it to be mobilized for cumulative and evolving EU priorities, including the European Green Deal and industrial strategies. Crucially, cohesion policy has thus moved further away from a predominantly spatial logic toward a more sector-based one: funds are no longer allocated primarily on the basis of regional status or need, but increasingly according to policies, sectors, and industries deemed strategic at the EU or national level (Molica et al. 2025, 5–6).

Third, and relatedly, the authority structures underpinning industrial policy have been reconfigured through a vertical and horizontal decentering of intervention. Vertically, whereas the Liberal and Pragmatic Phases constrained national activism through strict competition enforcement, state aid prohibitions, and fiscal surveillance, the Commission itself now incentivizes and directs national interventions. Regulatory flexibilization has expanded member states' capacity to design and finance strategic measures while embedding supranational directionality toward shared objectives. The Commission has thus shifted from constraining interventionism “from above” to enabling, facilitating and coordinating it “transnationally,” with national governments regaining policy space to intervene in strategic sectors and technologies under EU-level directionality (see also Zurstrassen 2025 in this special issue).

Horizontally, EU industrial policy increasingly operates through networked governance structures. The Commission performs functions akin to a developmental network state by resourcing high-potential actors, brokering pan-European innovation and production networks, facilitating member states' industrial policies within the inherited regulatory constraints of the EU's

economic constitution, and protecting the Single Market from third countries (Di Carlo and Schmitz 2023). In this capacity, it acts as a catalytic state, orchestrating industrial policy across levels of governance and across firms, sectors, and territories (Prontera and Quitzow 2022). This is evident, among other things, in the growing use of IPCEIs (Seidl and Lopes-Valença 2025; Zurstrassen 2025) and industrial alliances that combine national and EU resources and capabilities to support cross-border clusters in semiconductors, hydrogen, and batteries (Bosticco and Herranz-Surrallés 2024; Donnelly 2023).

In sum, the Transformational Phase marks the rise of a *European geo-dirigiste network state*: a hybrid, multilevel, and networked architecture of market intervention oriented toward the twin transition and strategic autonomy amid concerns over economic, energy, and military security, resilience, and technological sovereignty. This shift is underpinned by new institutional arrangements—EU-level borrowing for strategic investment, an expanded geoeconomic toolkit, and the strategic flexibilization of state aid and repurposing of cohesion policy—that together enable and steer national activism within a coordinated European framework. Authority is correspondingly reconfigured, with the Commission acting as orchestrator of multilevel and cross-country interventionism while member states regain an active role in governing the economy.

3 | Conclusions: Industrial Policy in Europe's Transformational Phase

This special issue brings together contributions that illuminate the multidimensional character of contemporary industrial policy, with a primary focus on Europe and the EU. Despite their different empirical focus and disciplinary approaches, the articles share a common concern: how industrial policy is being redefined in terms of its goals, the instruments through which it is pursued, and its distributive and political consequences. Together, they show that the resurgence of industrial policy reflects not only changing economic imperatives but also deeper struggles over the role of the state in a transforming global economy. To highlight these common threads, we briefly discuss the contributions' key arguments and findings on the basis of the analytical framework introduced above: for what ends industrial policy is pursued, through what means it is operationalized, and by and for whom authority structures are configured and resources allocated.

Bulfone et al. (2026) analyze the evolution of EU state aid policy and governance through a multi-method analysis of the General Block Exemption Regulation (GBER), documenting a shift from the hard horizontalism of the regulatory-state era toward a new form of regulatory interventionism. Advancing a *rules-as-tools* perspective, they show how the Commission has used its authority over the regulation of the EU state aid regime (the “through what” dimension) to deploy an indirect but powerful instrument of targeted industrial policy. In this configuration, the Commission strategically re-regulates and flexibilizes state aid rules to induce member states, amid the EU's limited fiscal capacity, to deploy national fiscal resources while redefining what counts as “good aid” (the “for what”). Through GBER, the Commission has thus expanded member states' room for action while providing supranational guardrails that align national

subsidies with EU priorities, especially the green and digital transitions. Read through our framework, the contribution shows how changing objectives are pursued through the strategic re-regulation of state aid, channeling national fiscal resources toward jointly defined European goals.

Durazzi et al. (2026) foreground a distinct but increasingly central objective of contemporary market interventionism: skills upgrading as an enabling condition for the green and digital transitions. Treating higher education policy as a form of market-shaping intervention, their comparative analysis of Germany, South Korea, and the United Kingdom shows that governments facing similar upskilling pressures adopt systematically different responses depending on the structure of their most advanced sectors. Economies centered on advanced manufacturing tend to pursue targeted higher-education expansion closely aligned with specific industrial needs, whereas service-oriented economies favor broader strategies aimed at supplying transferable skills. The contribution thus clarifies both the “for what” and the “through what” of interventionism: while education and skills policy in Europe has for long been considered the quintessential form of horizontal industrial policy, skill formation emerges today as an increasingly targeted and sectoral form of market intervention through which states seek to support the twin transition by reshaping the productive and social foundations of their economies.

Di Carlo et al. (2024) speak most directly to the “through what” dimension by showing how polity-specific institutions structure conflict over the choice of industrial policy instruments. Comparing the EU’s Green Deal Industrial Plan (GDIP) and the U.S. Inflation Reduction Act (IRA), they highlight how, in both polities, geopolitical rivalry and the push for green reindustrialization created pressures to intervene in support of the twin transition. Yet the form of intervention diverged sharply because legislative decision-making rules shape the repertoire of politically feasible tools. In the United States, the strategic use of *budget reconciliation* enabled majoritarian lawmaking but pushed policy design toward a fiscally backed strategy centered on subsidies and tax credits. In the EU, by contrast, *unanimity* in the Council blocked the deployment of comparable supranational fiscal firepower and steered intervention toward regulation-based instruments adopted under qualified majority voting, alongside the Commission’s strategic use of state aid flexibilization to enable and steer national subsidies. The contribution shows that the politics of interventionism concerns not only which goals states pursue, but also how political institutions channel similar objectives into different governance logics and instrument choices.

Dermine and Patrin (2026) offer a legal-institutionalist account of the “through what means” of EU industrial policy, arguing that the Union’s turn to market interventionism is rooted as much in legal architecture as in political ambition. For decades, primary EU law hard-wired a market-making bias that constrained activist intervention. Industrial policy has nonetheless re-entered the EU polity through the strategic mobilization and conversion of second-order legal resources: internal-market harmonization under Article 114 TFEU, increasingly permissive interpretations of state aid control, and the repurposing of budgetary, cohesion, and economic-governance instruments.

This has expanded the EU’s interventionist capacity without Treaty change, but in a highly uneven way. Authority remains distributed asymmetrically across legal domains, with state aid governance relying heavily on Commission discretion, while industrial policy pursued through the internal market and the EU budget remains contingent on more politicized legislative processes. The result is an enlarged but fragmented legal space for intervention that increases action capacity while generating opacity, institutional imbalance, and risks of selective enforcement.

Zurstrassen (2025) approaches EU market interventionism from a historical perspective, showing how the Union’s fragmented governance structure systematically shapes what industrial policy can become. Drawing on archival research and interviews, he identifies a persistent *competence paradox*: external competitive shocks create functional pressures for supranational coordination, yet simultaneously activate Member States’ sovereignty-protection reflexes that block genuine centralization. Rather than producing institutional transformation, these tensions generate institutional layering, with new industrial policy instruments added without reallocating core authority. The result is a durable governance pattern in which national governments remain the primary agents of industrial intervention, while the Commission acts mainly as orchestrator and facilitator within tight treaty constraints. Read through our framework, the contribution highlights how the “by whom” of EU interventionism remains largely intergovernmental, even as industrial policy rhetoric increasingly invokes collective European goals.

Diessner and Petit (2026) address the “by whom and for whom” dimension by examining the democratic control of the Commission as it shifts from a market-policing authority to a central executive actor steering EU and national industrial policy. Grounded in delegation theory, they argue that industrial policy warrants especially strong legislative oversight because of its technical complexity, distributive effects, and potential for inter-institutional conflict. Using an original dataset of 432 requests adopted by the European Parliament’s ITRE committee between 2019 and 2024, they find only partial accountability: while the Commission is often procedurally responsive, it is much less likely to provide substantive follow-through through new dedicated policy measures. The result is a widening asymmetry between executive discretion and parliamentary oversight. The contribution therefore shows that the EU’s new interventionism is increasingly governed by the Commission, while its distributive effects are only weakly scrutinized through democratic channels.

Guarascio et al. (2026) analyze the distributive political economy of the EU’s green industrial policy, showing how the turn to market interventionism unfolds unevenly across Europe. Combining indicators of industrial structure, exposure to decarbonization costs, green technological capabilities, and national fiscal capacity, they identify three broad configurations of countries within the EU: “Green Leaders,” with dense innovation ecosystems and strong policy resources; “Green Stragglers,” especially in Southern Europe, constrained by weaker capabilities and limited fiscal space; and a “German Manufacturing Core,” highly exposed because of its concentration in energy-

intensive and automotive industries. Their central finding is that, absent strong EU-level redistributive and effective place-based mechanisms, the EU's expanding green industrial policy—especially its reliance on nationally financed state aid and competitively allocated EU instruments—risks amplifying rather than reducing territorial inequalities within the Single Market. The contribution thus speaks directly to the “by whom” and “for whom” of interventionism, highlighting the distributive and territorial aspects of the EU's new market interventionism: while the green transition is framed as a collective European project, its benefits and costs are mediated by highly unequal national fiscal and technological capacities.

Collectively, the contributions to this special issue demonstrate that the contemporary resurgence of industrial policy as a key form of market interventionism cannot be understood as episodic crisis management or a narrow response to market failures. Rather, it reflects a broader, and thus far open-ended, reconfiguration of European economic governance involving a redefinition of the objectives of intervention (“for what”), the instruments through which they are pursued (“through what means”), and the authority structures and distributive consequences that shape their governance and political-economic outcomes (“by and for whom”). Across the articles, the EU emerges as moving beyond a predominantly regulatory and market-making paradigm toward a more strategic and interventionist one, in which industrial policy is deployed at different levels to steer structural transformation amid the green and digital transitions and intensifying geopolitical competition. This shift is transformative insofar as it unsettles entrenched commitments to fiscal restraint, strict competition enforcement, and depoliticized economic governance (see also Quaglia and Christiansen 2026). More broadly, the analyses assembled here suggest that the revival of industrial policy across advanced economies signals a structural rebalancing between states and markets, returning questions of collective purpose, (re-)distribution, and democratic legitimacy to the center of European economic governance and positioning industrial policy as a key arena in which the evolving contours of European capitalism and democratic accountability are being renegotiated.

Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Data sharing not applicable to this article as no datasets were generated or analysed during the current study.

Endnotes

¹ Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument, OJ L 2025/1106, 28.5.2025.

² Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, OJ L 79I, 21.3.2019. A revised regulation was provisionally agreed in December 2025 and is pending formal adoption.

³ Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items, OJ L 206, 11.6.2021.

⁴ Regulation (EU) 2022/1031 of the European Parliament and of the Council of 23 June 2022 on the access of third-country economic operators, goods and services to the Union's public procurement and concession markets and procedures supporting negotiations on access of Union economic operators, goods and services to the public procurement and concession markets of third countries (International Procurement Instrument—IPI), OJ L 173, 30.6.2022; first operationalised by Commission Implementing Regulation (EU) 2025/1197, OJ L 2025/1197, 20.6.2025.

⁵ Regulation (EU) 2022/2560 of the European Parliament and of the Council of 14 December 2022 on foreign subsidies distorting the internal market, OJ L 330, 23.12.2022.

⁶ Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries, OJ L 2023/2675, 7.12.2023.

⁷ Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism, OJ L 130, 16.5.2023, as amended by Regulation (EU) 2025/2083 of the European Parliament and of the Council of 8 October 2025, OJ L 2025/2083, 17.10.2025.

⁸ Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation), OJ L 214, 9.8.2008. Repealed and replaced by Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187, 26.6.2014, subsequently amended multiple times.

⁹ Communication from the Commission—Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest, OJ C 188, 20.6.2014; replaced by Communication from the Commission on the same subject, OJ C 528, 30.12.2021.

¹⁰ Communication from the Commission—Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I, 20.3.2020.

¹¹ Communication from the Commission—Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia, OJ C 131I, 24.3.2022.

¹² Communication from the Commission—Temporary Crisis and Transition Framework for State aid measures to support the economy following the aggression against Ukraine by Russia, OJ C 101, 17.3.2023.

¹³ Communication from the Commission—Framework for State aid measures to support the clean industrial deal (Clean Industrial Deal State Aid Framework—CISAF), OJ C 2025/3602, 4.7.2025. Applies from 25 June 2025 until 31 December 2030.

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