

Making a Success of Industrial Policy: Lessons and Insights from the US Experience

Executive Summary

Industrial policies, used by governments to address structural economic, societal, and environmental challenges that markets cannot solve on their own, are back in vogue. Once characterised by public ownership and state planning, industrial policies fell out of fashion in the late 1970s in favour of approaches that prioritised the role of free markets to organise economic activity.

Contemporary global challenges, including the COVID-19 pandemic, the climate crisis, and geopolitical and trade tensions, have heightened concerns about economic resilience and the capability of markets to address them.¹ This has led to renewed interest in interventionist policy tools coordinated through industrial strategies. Debates have shifted from *whether* industrial policies should be used to *how* they should be designed and implemented.²

The US provides a crucial case study for international audiences on the design and implementation of industrial policies. The federal government has recently used its convening power to progress multiple industrial-policy objectives across different sectors, in collaboration with investors and civil-society actors. The US experience is informative for Europe, including the UK, which is grappling with similar challenges and seeking to increase investment to meet ambitious goals outlined in Mario Draghi's 'industrial strategy for Europe' and *The UK's Modern Industrial Strategy*.³

Informed by over 40 stakeholder interviews, existing literature, and debates around the application of industrial-policy best practice, this report provides a set of principles and an analytical framework to draw out lessons from the US for effective industrial policymaking. Our approach analyses the *design* and *implementation* processes underpinning recent US policy approaches, rather than assessing individual successes or failures.

We find that whilst significant private investment was mobilised—particularly in proven clean technologies—in several key areas, the previous administration strayed from the essential ingredients for success. This experience offers important lessons for European policymakers and investors, who are the audience for this report. These lessons include:

Policymakers should treat government capacity as seriously as investments themselves to achieve successful outcomes.

Effective industrial policy requires substantial government capacity—the expertise, administrative resources, and coordination mechanisms necessary to oversee complex market interventions and infrastructure deployment. The US experience reveals both successes and significant capacity constraints. Certain agencies, such as the CHIPS Program Office, used external expertise to deliver substantial outcomes, whilst other government bodies struggled with insufficient staffing, limited sectoral knowledge, and coordination



challenges. Inadequate recognition of the importance of government capacity impeded delivery. Industrial policy requires adequate resources allocated to technical expertise, staffing, and coordination infrastructure, and better recognition of this would have improved recent US policy delivery.

Flexible, well-targeted incentives with proportionate and context-specific conditions should be used to support private investment.

Recent US industrial-policy measures spurred significant private-sector investment, particularly in clean tech sectors. Tax credits provided investors with long-term certainty, and reforms such as direct pay and transferability deepened their effectiveness. However, conditions attached to subsidies were not always calibrated to maximise impact: In some cases, they sharpened alignment with policy goals, but in others, they constrained investment and programme delivery. This reflected a lack of coherence in the federal government's strategy and unresolved tensions between competing objectives.

Industrial policies cannot solely rely on measures to stimulate private-sector activity and must address delivery barriers to avoid project failure and weakening public support.

Building infrastructure or industrial facilities is fraught with risks which contractors, clients, and project sponsors must navigate. Doing so requires strategic collaboration with interest groups and robust accountability between project teams and sponsors. The US struggles with building large, complex projects, and frameworks which govern infrastructure deployment have become more burdensome over time. The federal government undertook initiatives to redress delivery barriers, but it generally overly relied on fiscal stimulus measures to achieve industrial-policy objectives.

A variety of flexible policy tools and prioritising 'pace over perfection' are necessary to help markets scale in emerging technologies.

Government interventions are crucial to overcome the financial and technical challenges that early-stage decarbonisation technologies face. Success requires a strategic, portfolio-based approach that embraces risk whilst acknowledging that not all technologies will succeed. The 'lift-off' reports provided valuable roadmaps for the commercialisation of emerging technologies, but the lack of a formalised government strategy or demand-side instruments—which requires careful calibration with supply-side measures to help markets develop—impeded progress for certain technologies.

Endnotes

- 1 Anna Ilyina, Ceyla Pazarbasioglu, and Michele Ruta, 'Industrial Policy Is Back but the Bar to Get It Right Is High', *IMF Blog*, 12 April, 2024, accessed 20 August, 2025, <https://www.imf.org/en/Blogs/Articles/2024/04/12/industrial-policy-is-back-but-the-bar-to-get-it-right-is-high>.
- 2 Mariana Mazzucato, Sarah Doyle, and Luca Kuehn von Burgsdorff, *Mission-Oriented Industrial Strategy: Global Insights* (Institute for Innovation and Public Purpose, July 2024), 4, accessed 20 August, 2025, https://www.ucl.ac.uk/bartlett/sites/bartlett/files/mission-oriented_industrial_strategy_global_insights_2024.pdf.
- 3 *The Future of European Competitiveness* (European Commission, September 2024), accessed 20 August, 2025, https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en; *The UK's Modern Industrial Strategy* (UK Government, June 2025), accessed 20 August, 2025, https://assets.publishing.service.gov.uk/media/68595e56db8e139f95652dc6/industrial_strategy_policy_paper.pdf.

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