

RENEWED INDUSTRY SUPPORT POLICY. LESS SUBSIDY AND MORE INVESTMENT

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“Picking winners” is the Anglo-Saxon nomenclature to refer to an active industrial policy that chooses companies that it supports significantly and discriminatingly so that their development serves as a spearhead for the economy as a whole. This type of industrial policy is openly and widely criticized by liberal economists who believe that the market allocates resources more efficiently and that governments are notoriously bad at picking winners ([See the opinion of Guntram Wolff, director of Bruegel here](#))

Although it is not openly recognized in the main industrial policy documents, the Basque Country has opted in the past for this type of public intervention and, to a large extent, it can be said that the significant presence in the Basque Country of companies in such value chains demanding and competitive fields such as aeronautics, telecommunications and biotechnology is due to the public support that companies such as Gamesa, Euskaltel or Progenika, among others, received at the time.

The most recent history, however, with the failures and well-known business bankruptcies of "Epsilon Euskadi" and "Hiriko" which had been recipients of notable volumes of public funds from all administrations, have called into question the suitability of this type of policies and have unleashed significant criticism of the Administration for its actions in these and many other cases.

Despite these failures, however, Basque industry has ***little chance of going without risky public investments in emerging sectors with great potential*** such as the electrification of transport, renewable second generation, graphene, health and many others in which the advancement of knowledge and technology are the key elements for the development of market opportunities.

To carry them out, it is necessary to strengthen public institutions with technical resources capable of deciding and analyzing investments, as well as operating and promoting business projects. All of these elements are very atypical in the public sector. ***In this sense, the Basque Public Administration has two privileged institutions: [SPRI](#) and the [EVE](#), who have notable experiences in investment and leadership of industrial projects. the prospects for economic and social performance are analyzed and, logically, the results are shared.***

This way of operating will require a break with the traditional support operations for the industry, gradually moving from the current system based fundamentally on non-refundable subsidies whose efficiency and rationality are increasingly in question, to another in which instruments ***such as venture capital in all its forms or contingent loans become the protagonists of industrial policy.*** [YOZMA Group](#), a venture capital company focused on the development of high-tech companies in Israel or [SITRA](#) which invests corporately to strengthen the Finnish vision of sustainable development are good examples to consider.

This way of operating also incorporates ***greater rationality and provides greater financial solvency to industrial policy*** which is not a trivial issue in the current situation with significant budgetary restrictions. Companies receive less non-refundable grants in exchange for more shared risk funds that may imply losses for the public sector in cases of failure (such as those already mentioned and others), but also benefits in many others, which may be used to intervene positively in new projects.

In short, an innovative way of responding to the great challenge of industrial development in the 21st century, ***with a growing role for the public sector in a framework of firm and active public-private collaboration.***

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