"It's the industry, stupid" – Economic Nationalism Is on the Rise, Bringing New Risks

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US Representative for Silicon Valley ***Ro Khana*** *argues that the US should become a manufacturing superpower – again. Writing from an American perspective, Khana remarks that the rising US trade deficit since 1998 has cost the country 5 million well-paying manufacturing jobs, leading to the closure of about 70,000 factories. This process has destroyed several communities, while wealth has concentrated in large coastal cities. Deindustrialization and its consequences are familiar to people in many countries, and it now haunts post-Nord Stream Europe too, according to Irish economist Philip Pilkington, as I've written.*

Although deindustrialization is a fact, there is nothing "inevitable" about it and scholars today question the whole idea that the process is a natural outcome of technological changes that supposedly always lead to the reign of the service sector.

Be it as it may, deindustrialization is real enough and the complex dynamics behind it pertain to policies both at the international and the domestic level.

Globalization, particularly, allows companies to hire highly trained and yet less expensive workforce abroad. The so-called manufacturing sector is not the only one affected: in fact, remote work has opened new opportunities for white-collar workers – and has also made outsourcing more attractive. A estimates that 3.4 million white collar jobs in the US will be sent offshore between 2003 and 2015.

Moreover, Meta itself is reducing headcounts for the very first time ever. As big tech stocks now face high interest rates, Facebook, now Meta, has been overtaken, in terms of market value, by ExxonMobil Corp, as writes journalist Joe Weisenthal. This has been described or even applauded by some analysts as an instance of the so-called "triumph of the real". The reality shift discourse today also extends to the financial realm, as in Russian President Vladmir Putin's famous quote about "real reserves" – versus paper and digital assets.

Nothing is simple, though. Economically, in the post-pandemic post-Nord Stream world, amid the Ukraine conflict and the energy crisis, we are right now living peculiar times of intense uncertainty, with high volatility not seen since the 2020 global crisis. Besides that, the relationship between stock market and the labor market strength is no longer stable, which means that good news are not necessarily good news, and the future of the dollar itself is unclear, as de-dollarization advances globally even though (or precisely because) the rising dollar brings the planet closer and closer to recession.

Re-industrializating the nation resonates everywhere today as a good response to many such ills. While much has been said about the social consequences of deindustrialization and outsourcing in terms of domestic social conflicts and tensions, there is also, from the point of view of the nation-state, an important strategic angle, where geopolitics and geoeconomics converge.

Of course, with the pandemics and the global supply chain crisis, many lawmakers have turned their eyes to the importance of a more resilient economy, in terms of industrial policy. In the US, for instance, different voices have been calling for the re-shoring of supply chains critical to the national interest, including medicines and strategic technology – and this call often employs the language of national security concerns.

In this spirit, Ro Khana, in the aforementioned piece, argues that economic imperatives should drive US foreign policy with regard to its rival China. He also suggests that manufacturing workers are much more likely to join unions, thus benefiting from protections that make them part of the large American "middle class". This, Khana reasons, make for a more democratic society, with less internal conflict. However, one should add that if such positive outcomes are based on hurting other countries, this can alienate even potential partners and allies.

As I've written, it is increasingly difficult to insulate industries from geopolitical disputes in today's world. For sure, it is only natural that nations seek to defend their own interests and to compete. The problem is that while Beijing, for instance, seems to have turned geoeconomics into the very core of its geostrategic approaches (thereby deriving political power from economic power), Washington, on the other hand, has been dangerously weaponizing economic policies and in fact its financial system and the very world economy.

Washington seems to already share at least some of Khana's concerns – at the expense of even its partners and allies, though. One can see this quite clearly with regards to the US chip war (against China), and how it hurts Taiwan itself, as exemplified by the chip giant TSMC's new plant in Arizona. The American subsidy war against Europe is yet another case in point. Biden's new subsidies package basically aims at wiping out the rival European industry, and the EU in turn is now preparing a huge subsidy initiative to counter the American one. Besides the more familiar arms race, we can now witness a peculiar and weaponized industry race.

Industrialization/manufacturing holds the key for the powers and the emerging powers in the 21st century, even when so much is talked about the "post-industrial" world. The hard truth is that neoliberalism is quite dead: subsidies, domestic procurement mandates, and protectionism in general are on the rise. Economic nationalism should thus become increasingly relevant – and, unfortunately, so should trade and industry wars. The dangers of this scenario, to sum it up, involve making economic warfare much more dangerous than it already is, by turning things into an existential challenge for the targets of such warfare, thereby “cornering” them – be they rivals, enemies or even partners and allies.

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