'We don't do industrial policy,' asserted John Sununu, former White House Chief of Staff and now member of the US Senate (Fong, 2000). This statement illustrates the difficulties one has to face when studying public support (to use a softer term than industrial policy) to industry in the US.

According to Ketels (2007), one cannot easily challenge the assertion that the ‘United States does not do industrial policy’ if this is understood in a narrow sense, namely ‘an interference in the market process with the objective of fostering an industry that would otherwise not succeed’. But adopting a broader definition that includes economic policies with an industry-specific impact, the United States clearly has an industrial policy. This is a horizontal policy that has differential effects across industries. Therefore, the discussion of whether or not the United States engages in industrial policy is relevant only in terms of politics; it provides little guidance to understanding actual policies.

Although the point could be taken for granted, the issue of identifying the various industrial policy’s stakeholders, their exact tasks, and the amounts involved remains a formidable challenge. While very detailed data on various aspects of the American economy are available publicly, one fails to find a single source (or at least limited number of sources) allowing to set the stage of public support to industry in the United States (see Bianchi and Labory, 2006 for further discussion). The task is further complicated by the multiplication of authorities that can support business: federal, states and local governments in addition to the Congress and a multitude of agencies (Markusen, 1995). Moreover, no explicit legislation on states’ aid to business seems to exist in the United States. Only antitrust law can be used (Martin and Valbonesi, 2006). However, antitrust law does not mention subsidies provided by
the different levels of government. States appear to have therefore a large amount of freedom in implementing state aid to business.  

Regarding expenses, the federal budget should, in principle, be informative about the amounts of public support at the federal level. Section no. 40 regarding grants and fixed charges, of which number 41 is grants, subsidies and contributions give reasonable approximation. However, no distinction is made according to the precise destination of these grants, subsidies, and contributions. Moreover, information on public procurements, which many specialists (e.g. Ruttan, 2005 and Montani, 2005) consider as an important instrument of support to industry in the United States, does not provide their precise destination.

11.1 Objectives of public support

It is hard to understand the rationale behind the US support to industry independently from the importance granted to military concerns (Smith, 1985). The United States has always been preoccupied by its military capabilities and its ability to stand well in face of any foreign threats. The period of the Cold War illustrates markedly the importance the United States gave to these issues and, hence, the amounts of funds it spends to achieve its objective.

The policy (including both subsidies and procurement), organized in the Pentagon, encompassed every aspect of industrial policy as practised in Japan and Europe: research and development commitments, long-term procurement contracts, investment guarantees, and bailouts for failing corporations (Markusen, 1995). It seeks to stimulate and support vigorous domestic competition and innovation and to establish and sustain cost-effective industrial and technological capabilities that assure economic competitiveness and military readiness and superiority.

Science and technology are clear priorities for the United States. The science and technology efforts are stronger than in the average Organisation of Economic Cooperation and Development (OECD) country but they are not exceptional when compared to those of Japan or the Nordic countries. Rating the generosity of R&D tax incentives using the B-indexes, the OECD (2001) ranked the US (B-index=0.934) among the moderate incentive providers; far behind Denmark (B-index=0.871) which was ranked among the generous incentive providers (see also Ketels, 2007). Regional development does not seem to be a top priority at the national level. Efforts in this field are not results of deliberate national programme but rather the outcome of the balance of power