A 'NEW' CAPITALISM?
THE STATE AND RESTRUCTURING

Al Rainnie, Darryn Snell and Mark Dean

Industrial policy is back on the agenda for many countries after years in the wilderness. COVID-19, the climate crisis, and the emergence of a new cold war – what has been described as the polycrisis (Tooze 2018) – has raised concerns about sovereign industrial capabilities for governments and has contributed to a renewal of the state and its intervention in economic, industrial and regional development. In a recent series of publications (Dean *et al.* 2021, 2024; Rainnie and Snell 2023, 2024) we have traced the reemergence of industrial policy in Australia, its regional and renewables focus and, crucially, the increasing and fundamental militarisation of that policy. In this article, we examine the re-emergence of the state in the industrial policy and industrial development domain, and what has been broadly defined as the 'new state capitalism' (Alami 2023). While some political economists have suggested 'new state capitalism' has emerged out of global economic and environmental crisis and represents a break with the era of neo-liberalism which began in the 1980s, we suggest that the new state capitalism continues to support many of the key tenets of neo-liberalism which prove challenging for meaningful regional and industrial renewal.

The COVID-19 pandemic created disruption of global production networks and the emergence of an unemployment crisis, leading to an increasingly politicised economy and a shift in economic strategy toward more active intervention. A classic example was the Biden Administration's *Inflation Reduction Act* that involved $891 billion in government funding to be used for supporting the growth of manufacturing in the United States (US Department of Treasury 2022). The *Inflation*

Rainnie, A., D. Snell and M. Dean (2025)
'A "New" Capitalism? The State and Restructuring'
Journal of Australian Political Economy
No. 94, pp. 85-103.

Reduction Act aimed to address rising inequality, generate employment, particularly in 'rustbelt' regions, and turbocharge the renewable energy sector. It was also a key component of the US government's shift towards 'containing' – and reducing import reliance on – a more aggressive China. The Ukraine War exacerbated these geo-political challenges as energy prices and inflation were driven ever higher and alliances between Russia and China strengthened.

As the crisis unfolded in 2020, a range of researchers and organisations arrived at general agreement that these conditions allowed for, and indeed demanded, a more ambitious and interventionist policy approach to the social, political, environmental and economic crises. It had been generally acknowledged that ambitious and interventionist policy responses would be needed to build on the connections between the future of work, industrial structure, and the environment (see, for example, WWF 2020; UN 2020; ACTU 2020a, 2020b). The fact that the pandemic warranted a strong interventionist response became clearer still when, in *The Economist* – the mouthpiece of Western economic liberalism – an editorial piece (Leaders 2020) acknowledged that the COVID-19 pandemic and climate crises were fundamentally connected. The yet more astonishing aspect of this editorial, beyond describing how COVID-19 revealed the size of the challenge ahead, was that it went on to argue that the pandemic had also created a 'unique chance' to 'enact government policies that steer the economy away from carbon at a lower financial, social and political cost than might otherwise have been the case.'

In this article, we consider some of the interventions in the Australian economy that have continued growing since the pandemic. Its next section outlines how, and by whom, intervention came to be described as the 'new state capitalism'. This is followed by sections that explore the foundations of the new interventionism and how it has manifested in Australia, culminating in the Albanese government's *Future Made in Australia* policy. We conclude by suggesting that the new capitalism is not all that new and may be simply another manifestation of the current crisis.

A new state capitalism?

Alami *et al.* (2023: 245) point to the recently more visible role of the state across the global economy – as promoter, supervisor, regulator and owner of capital. Alami calls this a 'new state capitalism' and presents several theses about its character:

- State capitalism is not an irregular deviation of the state from its form and determination as a capitalist state.
- State capitalism is an immanent potentiality, an impulse which is contained in the form of the capitalist state and built into its genetic code.
- The landscapes of present-day state capitalism are made of multifaceted, multilinear and interactive state transformations, which unfold in an uneven and combined manner.
- The currently unfolding arc in the historic trajectories of state intervention must be seen as the political form of these geographically uneven determinate transformations of capital accumulation.
- Contemporary state capitalism develops combinatorial forms, with cascading impacts across geographic space and policy.
- State capitalist impulses catalyse struggles over the political legitimacy of the emergent and reconstituted landscape of state intervention and over the definition of the relations between the state *qua* public and the private, in the process remaking the terrain of the struggle itself.
- These legitimacy struggles contain material, discursive and ideological dimensions – at a range of scales.
- Legitimacy struggles are a component of broader material conflicts between and within states, classes and sections of capital which shape the evolving landscapes of state capitalism.
- The impulse to state capitalism has four tendencies:
    a. *productivist* – intervening in production arrangements and competitive dynamics of productive capital – with a crucial territorial dimension;
    b. *absorptive* – enabling accumulation of vast surpluses in some state fuelled expansion of sovereign wealth funds;
    c. *stabilising* – resulting from states' attempts to produce new scales and geographies of intervention to retain sovereignty and preserve domestic political orders in the face of high mobility capital and speculative finance; and

d. *disciplinary* – politics of governing alienation as outcome of growth of relative surplus populations (Alami and Dixon 2023: 89).

These impulses entail a complex configuration of political authority, sovereignty and territoriality which is irreducible to a unidirectional movement. All four impulses are likely to deepen to a point where state capitalism becomes epoch defining. State-owned enterprises, sovereign wealth funds and other models of state-controlled enterprises are part of this process, as they grow in number and become increasingly integrated into global circuits of production, finance, infrastructure and corporate ownership. Van Appeldoorn and de Graaf (2022: 320-1), building upon the concept of new state capitalism, make four further inferences, that:

- the current unprecedented state interventions to save markets and restore private capital accumulation have significantly strengthened active management of the economy by the state;
- different roles, while potentially contradictory, often go hand in hand;
- the current reconfiguration of roles of the state does not necessarily imply a fundamental break with marketisation, but it does seem to signal the end of neo-liberalism, with a new emphasis on a market-creating role for the state; and
- the market-directing role for the state is becoming more prominent, reinforced by the COVID-19 crisis.

Developing a spatial element in the analysis has been a focus for writers linking new state capitalism with the concept of 'uneven and combined development'. The latter, according to Peck *et al.* (2023: 1400) is an active and unwritten law from which no region can claim exemption, retaining a distinctive presence while at the same time being co-produced through more than local relations, shaping an emergent totality. Gibson has (2022: 79) tried to pull together some of these arguments regarding polycrisis and emergent state capitalism in the Australian context, arguing that:

> Multiple crises and disruptions – climate disasters, the pandemic, geopolitical volatility, and supply chain interruptions – have together created the conditions for fresh rounds of state-capitalist development in regions. Viewed from a regional political-economic perspective, this is the latest phase in an extractivist, profit-orientated, and rent seeking mode of capitalism consistent with the settler-colonial experience (*cf.* Holm and Eklund 2018; Beresford 2018).

Responding to uncertainty and the decarbonisation imperative, governments have recalibrated modes of state-capitalist large-scale transformation in regional Australia. Aiming to secure mobile investment capital and promising jobs bonanzas in regions, governments and private capital are together forging deals and announcing pump-priming projects.

Gibson (2022: 2-3) also suggests that, in this antagonistic context, regions have surfaced as a key scale where alternatives are imagined, large infrastructure bids in renewables announced, and energy futures contested:

> From mineral extraction to infrastructure, expanded port capacity to decarbonisation and energy initiatives, sectoral corporate interests, institutional investors, state and federal governments are collaborating over diverse transformational projects with regions their target […] The future of regional Australia will be shaped by power geometries, *i.e.*, how regional actors are entwined within macro scale dynamics beyond individual places.

In this context, the paramount technique has been to promote investment in projects that are explicitly spatial, such as 'green hydrogen hubs', 'renewables zones', 'energy precincts', and 'clean manufacturing precincts'. These analyses, however, only tell us what governments are pursuing and why they have been encouraged to pursue them. In other words, the focus is on the changing role of the state, rather than the possible alterations in capitalism itself. Taking a broader political economy perspective implies the need for a deeper dive into analysis of capitalism, crisis and the state.

Capitalism, crisis and the state

Michael Roberts (2023) distinguishes between what economists call slumps, depressions and recessions. Slumps in capitalism are regular and recurring roughly every 8-10 years. Each slump revives and expands capitalist production for several years before slipping back into a new slump. Depressions are different. Instead of coming out of a slump, capitalist economies stay depressed with lower output, employment and investment for a long period. In the history of capitalism, there have been three major depressions – between 1873 and 1897 in the US and Europe; the Great Depression from 1929 to 1941; and the period during and after the Global Financial Crisis (GFC) in 2008, with the COVID-19 pandemic perhaps contributing to its continuation.

According to Adam Tooze (2018), the GFC was a crisis of the transatlantic dollar system, as the flood of dollars that fed the system dried up. Crisis management became a permanent fixture of the global economy, and, crucially, concentrated state action prevented the GFC from developing into a 1930s-scale slump. A massive surge in state spending followed the onset of the GFC and then the COVID-19 pandemic accelerated it further. Alex Callinicos (2023: 69) calls this the emergence of Technocratic Keynesianism, a process that assigns power to technocratic actors at central banks and regulatory agencies. Whether this heralded the end of the neo-liberal era is premature at best. Callinicos (2023: 74) argues that there are three dimensions of neo-liberalism: as ideology; as reassertion of capitalist power; and as an economic policy regime.

At the heart of neo-liberal ideology is the concept of freedom, seen as the freedom from (state) interference. This should not be mistaken for arguments for a minimal state. Instead, the neo-liberal project is focused on designing the institutions to inoculate capitalism against the threat from democracy – changing the nature of regulation rather than de-regulating. During the supposedly deregulating regime of the Reagan/Thatcher years, for example, the dominant mode was market regulating, *i.e.*, shifting the focus of regulation, rather than making a bonfire of all regulations. More generally, as David Harvey (2005: 19) argues, neo-liberalism is a political project to re-establish the conditions for capital accumulation and restore the power of economic elites.

US hegemony has proven stoic throughout the neoliberal era. The end of the (first) Cold War – 1989-91 – can be seen as the onset of the third phase of Imperialism, defined by the efforts of the US to maintain its hegemony and make it truly global (Callinicos 2023: 89). A crucial difference between the first and second Cold Wars was that the Soviet Union had been an enclosed state and relatively enclosed economy. The new Cold War, between the US and China, is quite different. China's rise to be the second largest economy in the world has depended on its opening up to global markets. Equally, western capital was keen to participate in the Chinese economy for the purposes of establishing export-oriented global production chains and for access to the growing Chinese consumer market. Therefore, the battle between China and the US is not a simple rivalry between a new and rising power and an old and declining one. Both have followed mutually dependent debt-driven accumulation strategies whose limits are now visible (Callinicos 2023: 99). It is a battle about control of sectors (see *e.g.*, *The Silicon Wars*) dressed up in a new nationalism.

This is a political economic context in which location of and access to ‘strategic resources’ has become a central concern. Regarded in this way, the Biden Administration’s *Inflation Reduction Act* can be seen to be sucking investment and resources out of Europe and the Southern hemisphere into the US. Smaller imperialisms and dependant nations are left to manoeuvre for advantage around the conflict between the superpowers. It is this context in which Australia’s relationship to AUKUS and its increasingly militarised industrial strategy must be placed. This is NOT a fragile global balance of power between liberal democracy and autocracy (Buzan and Lawson 2014). The post-Second World War international order was careering towards a cliff and COVID-19 pushed it over (Callinicos 2023: 114).

The New Washington Consensus

For Caddick (2023) and Roberts (2023) the polycrisis revealed, *inter alia*, the vulnerability of the globalised economy to supply chain interruption, given the rise of China particularly in critical mineral sectors. Andersen (2023) pointed to US Secretary of State Blinken arguing in 2022 that modern industrial strategy was therefore to be aimed at maintaining and expanding US economic and technological influence and making the economy and supply chains more resilient. National Security Adviser Jake Sullivan addressed the Brookings Institute in 2023 about ‘Renewing American Economic Leadership ‘and spoke to Beijing’s leadership in critical minerals, arguing that the Global Infrastructure and Investment initiative was to be promoted as a response to China’s Belt & Road Initiative which was gathering pace across many nations.

What emerged was a New Washington Consensus, its aim being to sustain the hegemony of the US and its junior allies, with the US setting the agenda and its junior partners following. For Roberts (2023), the new emergent form of industrial strategy was to involve government intervention to subsidise and tax companies in promoting national targets, together with more trade and capital controls and public investment. Janet Yellen, US Trade Secretary, pointed out that these policies were more aligned with the past than breaking with them, claiming that the foundation was Modern Supply Side Economics (MSSE) that blends both aggregate demand and supply side economics (see Roberts 2023). On this basis, the priorities are labour supply, human capital, public infrastructure, R&D, and investment in the sustainable environment achieved through the provision of government subsidies to private enterprises involving packages of market-based incentives and directional spending. These policies aim to steer private investment towards solving economic problems rather than the state seeking to own and centrally control organisations. This is the philosophy that underlies the *Inflation Reduction Act*. Roberts (2023) supports Adam Tooze in arguing that this is not a model for better economies and environments. Rather, it is a new global strategy to sustain US capitalism at home and US imperialism abroad. Yellen's suggestion that the new policy approach is based on MSSE is also contestable, because the work of Mariana Mazzucato is the more obvious foundation.

Mazzucato and the 'mission economy'

UK economist Mariana Mazzucato has become an influential voice in 'rethinking' policy approaches to capitalism. For Mazzucato (2013, 2015), addressing capitalism's current crisis requires the state and the public sector to become much more involved in innovation policy. She argues that innovation has stagnated as private sector organisations have retreated from long-term strategic investment, for example in laboratories, towards short term strategies under pressures of increased financialization. Mazzucato draws on Polanyi in suggesting that markets are created by public policy, and points to the many, key technological revolutions and general-purpose technologies (mass production, aviation and space technologies, nuclear power, information and communication technologies and the Internet) that have involved the active hand of the state. Analysis of 'market failure' can neither explain nor justify transformative mission-based public sector investment.

Traditionally, the fruits of innovation policy have been privatized and the costs socialized. In advancing the notion of the Entrepreneurial State, Mazzucato looks to shift the balance. She starts from the concept of a state, wherein a decentralised network of different types of state agencies fosters innovation and development. The state can work as an agency to nurture nascent and knowledge-intensive firms; promote strategic trade and financial leverage; prioritise investments in existing strategic sectors; create national champions; and provide coherence to economic policies. Taking this approach, Mazzucato *et al.* (2020: 803) have argued for a 'mission-oriented approach to creating and shaping markets'.

Faced with 'grand societal challenges' such as ecological crises, policymakers can determine the direction of growth by making strategic investments across many sectors and nurturing new industrial landscapes which the private sector can further develop. Mazzucato *et al.* (2020: 809-10) propose the 'ROAR' framework, which involves strategic thinking about the desired direction of travel (Routes), the structure and capacity of public sector (Organisations), the way in which policy is (Assessed) and the incentive structure for both the public and private sectors (Risks and Rewards). Taking this approach, Mazzucato *et al.* (2020: 434) argue, enriches and diversifies the theoretical and practical approaches to policy evaluation and creates the capacities needed to deliver challenge-driven policies, such as finding low-cost decarbonisation solutions. Insights can be drawn from evolutionary economics and related disciplines that focus on shifting and shaping technology and innovation frontiers and managing complex systems in contexts of uncertainty. Governments can also embrace new tools and techniques from service design research that focus on user experience and co-creating practices.

On one reading, this signals a fundamental redirection for the role of the state, moving beyond the entrepreneurial state to the 'environmental state'. Hausknost and Hammond (2020: 2) suggest that this can be explained as extending the functional logic of the welfare state from the mitigation of social externalities to the mitigation of environmental externalities. However, the environmental state is tied to the paradigm of 'ecological modernisation', a strategy to increase the efficiency and effectiveness of environmental management through technological and administrative innovation largely led and/or maintained by the private sector. Nor is the use of subsidies to drive private sector-led innovations new, as is evident in proposals to reallocate subsidies from fossil fuel-oriented innovations (*e.g.,* plastics, and carbon-capture and storage) to renewable and more sustainable solutions (*e.g.*, renewable energy and recycling) to reach ecological modernisation goals.

Mazzucato argues that, although capitalism is in crisis, the good news is that we can do things better. It requires reimagining the potential of the public sector driven by public purpose:

> [W]hat mission-oriented policies add is the imagination necessary to decide where and how to invest, regardless of the business cycle. So instead of 'shovel-ready' investment in roads and houses, mission-oriented thinking frames the problems that green infrastructure can solve (Mazzucato 2021: 209).

According to Mazzucato, this means reinventing government for the twenty-first century. Only governments have the capacity to carry out transformation on the scale needed; but they cannot do it alone and must work alongside purpose-driven businesses. This means bringing 'purpose' to the core of corporate governance and taking a broad stakeholder position across the economy (Mazzucato 2019: 205). However, beyond these recommendations, Mazzucato did not take the debate much further. Perhaps more influential has been her support for both the EU and US policies regarding a Green New Deal, a policy direction to which we now turn.

The resurgence of industry policy: A new orthodoxy?

Writing just prior to the onset of the pandemic, Aiginger and Rodrik (2020) argued that, despite previous predictions of the death of activist industrial policy, it is in fact making a global comeback. On an international scale, several factors are driving this resurgence. First, in developing economies there has been pushback against market fundamentalism, given the harsh economic and human consequences of neo-liberal policies. In advanced economies, labour market malaise and the lingering effects of the GFC had a similar effect, sparking more openness to alternative, interventionist policy frameworks. The continuing decline in the employment shares of manufacturing in the USA and Western Europe and the increasing competitive threat of China have reinforced this tendency, for geo-strategic and economic vulnerability reasons. Finally, interest in industrial policy has been further stimulated by disruptive technological change – from automation to digitisation, Industry 4.0 and the 'Internet of Things'.

The emerging orthodoxy also suggests that the shape of industrial policy must change in response to at least three new conditions. First, industrial policy can no longer be limited to manufacturing *per se* as technological advances are blurring the distinctions between industries. Rather, policy must nurture strategic economic activities more broadly, including other sectors (such as innovation-intensive services) with similar features to manufacturing (innovation intensity, export orientation, complex supply chains, and potential to lead productivity and income growth). Second, policy must rely less on top-down incentives and seek to establish sustained collaboration between business, the public sector and other stakeholders (including organised labour) around issues of innovation, investment, productivity and social well-being. Third, industrial policy can no longer be isolated, developed on its own and competing with other policy streams (like competition, regional or growth policy). Instead, it should be seen as one element of a multi-dimensional effort to foster high-quality, sustainable economic and social development. Finally, targeting structural change and productivity growth can no longer guide policy without consideration of the direction of technological change and environmental implications. Steering technological change so that it is friendlier to the environment and labour must be a key element of the new industrial policies (Aiginger and Rodrik 2020: 192-3).

According to Aiginger and Rodrik (2020: 201–2), industrial policy should therefore incorporate several key understandings, which include:

- manufacturing remains crucial for growth and well-being
- industrial policy must be systemic, not isolated or delegated to specialists
- the optimal scale of the industrial sector depends on capabilities, ambitions and preferences
- industrial policy must take a ‘high road’ that allows structural change within manufacturing and generates decent jobs
- industrial policy should aim to redirect technical progress and prepare for less expansive and circular growth
- societal goals should be paramount, moving beyond a limited focus on correcting market failures
- industrial policy is a search process, open to new solutions, experiments and learning.

In tracing the development of industrial policy in an Australian context, Roy Green (2020) comes to similar conclusions. Writing in the middle of the pandemic, Green placed the Australian experience into the context of structural deterioration in Australia’s productivity performance that had been temporarily masked by terms of trade effects associated with the resources boom, noting that:

> This productivity slowdown, which afflicts a number of advanced economies, has been accompanied by wage stagnation, increasing social inequality and the ‘financialisation’ of large corporations as they preference share buy backs and executive bonuses over investment in innovation and research.

Drawing on the idea of a 'resource curse' (wherein a country's competitive advantage in primary industry funnels the economy towards extraction, rather than creating a more diversified value-adding economy), Green argues that Australia sustained (for a while) a developed-world lifestyle on the basis of a developing-world industrial structure. This is consistent with Australia's very low rankings in international indices of complexity and innovation (Rainnie and Dean 2021, Dean *et al.* 2021). According to Harvard University's Atlas of Economic Complexity, Australia continues to fall, with its ranking in economic complexity now 93rd among the 133 countries for which there is data (How 2023). A more recent Tech Council report (2024) suggested that Australia had slipped even further to 102nd out of 145 countries.

Although Australia benefits from the presence of manufacturers with a global presence, they tend to be relatively small players selling into specialised markets. Building on ideas he helped develop in a report for the Rudd-Gillard government, *Smart Manufacturing for a Smart Australia* (Prime Minister's Manufacturing Taskforce 2012), Green outlines a framework for a national industrial strategy adapted to the Australian economic conditions. Echoing Aiginger and Rodrik (2020), he argues for a systematic approach that coordinates innovation, regional policy and trade policy, with manufacturing at its core, while also targeting upstream and downstream industries, sectoral change, clusters and networks. Green says it should be steered by societal goals that support sustainability and responsible globalisation; and proposes five building blocks for success:

1. an *industrial strategy commission* to develop national priorities in consultation with industry sectors, aimed at growing industries of the future with new technologies, skills and business models
2. *industry–research collaboration* to address the need for deeper collaboration between industry and research organisations, including around the Commonwealth CSIRO designated 'national missions'
3. *start-ups and precincts*, acknowledging the contribution of entrepreneurial startups to economic renewal; and including the integration of the digital and physical dimensions of manufacturing (an essential feature of Industry 4.0)
4. *public procurement*, recognising that, too often, local tenders are overlooked in favour of large international companies selected on a narrow 'value for money' basis, when these large companies themselves might owe their own existence to another country's more imaginative procurement policy.

5. *skills and education*, recognising that industrial transformation in Australia will depend ultimately on the adequacy of the workforce and management skills, a key element of ‘non-R&D’ innovation.

Green concludes that the challenge of the present crisis is to devise a growth path which doesn’t simply replicate what came before but addresses broader issues of climate change and social inequality in conjunction with the imperative of technological change and innovation. To succeed in this challenge means creating a more dynamic, sustainable and inclusive, knowledge-based economy with a major role for advanced manufacturing.

These approaches echo Mazzucato’s (2021) argument for a mission-oriented approach to creating and shaping markets and building advanced domestic capabilities to supply these markets. The implication is that, faced with ‘grand societal challenges’ such as the ecological crisis, policymakers can determine the direction of growth by making strategic investments across many sectors and nurturing new industrial landscapes which the private sector can further develop.

A Future Made in Australia?

Rising to the challenge, in 2024, the Australian government launched its *Future Made in Australia* (FMiA) Strategy (Treasury 2024). The government committed $22.7 billion of public spending to a package to facilitate the private sector investment necessary for Australia to be ‘an indispensable part of the global economy’. This expenditure commitment pales beside the $368 billion (at least) that AUKUS would cost. It also falls short of the spending commitment of between $83 to $138 billion over 20 years that The Australia Institute (Joyce and Stanford 2023) has estimated would be needed to develop a comprehensive response to the US *Inflation Reduction Act.* Nevertheless, as an initial commitment, it is very substantial. The Government (2024: 1) argued that the FMiA package in the 2024–25 Budget delivers by: attracting and enabling investment; making Australia a renewable energy superpower; value adding to our resources and strengthening economic security; backing Australian ideas; and investing in people and places.

Th FMiA package includes targeted public investment to strengthen the alignment of economic incentives with Australia’s national interests and incentivise private investment at scale to develop priority industries.

Furthermore, a National Interest Framework would be structured around two streams. The *Net Zero Transformation Stream* will include industries that will make a significant contribution to the net zero transition and are expected to have an enduring comparative advantage: for these industries the public funding is expected to bolster their significant contribution to emissions reduction at an efficient cost. The *Economic Resilience and Security Stream* will include industries in which some level of domestic capability is necessary or efficient for attaining adequate economic resilience and security, but in which the private sector would not invest in the absence of public funding.

Reinforcing the intermingling of industrial, strategic and military concerns, the FMiA package also includes investments in other sectors, including critical technologies, defence priorities, skills in priority sectors, a competitive business environment and reforms to better attract and deploy investment. As such, the FMiA is not clearly separable from the government's broader agenda for economic growth.

Jim Chalmers, Treasurer in the Albanese government, waxed lyrical about embracing the broader challenge, saying:

> We recognise the moment we're in poses a different set and kind of economic and social challenges than the 1950s or the 1980s, so our approach to industry policy needs to be different too […] Like all shifts that involve big change and uncertainty, the private sector will do most of the heavy lifting – but existing market structures won't always cut it – especially when we're trying to create new markets and transform old ones (Chalmers 2023).

Mariana Mazzucato (2024) gave her seal of approval specifically to the FMiA in an article in the *Australian Financial Review* with the headline, 'This is a bold opportunity to refocus Australia's economy', saying that:

> A modern industrial policy is not about guarantees and subsidies, it is about a new form of partnership that socialises not only risks but also rewards. A progressive vision for inclusive capitalism in Australia must craft a new deal with the private sector and double down on worker empowerment.

Unsurprisingly, the FMiA also came in for criticism. Sydney Professor Toby Walsh immediately dismissed Mazzucato's moonshot mission as 'moonshine' (Walsh 2024). Some trade unions were unimpressed too. The AMWU (2024) suggested that, though important, the FMiA was simply not enough and made false assumptions. Assuming that profits have not been big enough to finance private investment ignores the fact that profits have been high but not reinvested in environmental and productive ventures. Assuming that private sector businesses can be trusted to respond positively to government support is similarly dubious. Finally, the AMWU expressed concern that the focus on labour training focussed on war-making when all other manufacturing sectors are crying out for skilled labour. The managerial capacity is also in question because, as Plunkett (2024b) points out, in international comparisons, Australian management lags far behind most other developed nations.

From the opposite end of the political spectrum, it is not surprising to find the Australian Productivity Commission complaining about government intervention potentially adversely affecting productivity. However, as Plunkett (2024a) suggests, the government should perhaps not take too much notice of the impeccably neo-liberal Productivity Commission until it is revamped.

Reacting against the responses of these critics, a group of more than seventy academics responded to criticism of FMiA with an open letter published in the *Journal of Australian Political Economy*. The academics nevertheless suggested that FMiA still had some way to go:

> Further steps towards a full national strategy should include place-based innovation clusters, massive investments in vocational and technical skills, support for other sustainable manufacturing activities (from green metals to wind power equipment to electric vehicles), the active use of public procurement to nurture domestic production, and other measures to support sustainability and a circular economy. This overarching effort to develop a sustainable manufacturing capability must operate in tandem with strong and consistent policies to reduce fossil fuel production, use and emissions over time. The strategy must also feature strong labour, environmental and social conditionalities to ensure that the revival of manufacturing strengthens workers’ rights, Indigenous rights, women’s participation and equality, and environmental protection. These conditionalities – in essence, ‘sticks’ to go along with ‘carrots’ – are essential to advance the public interest and ensure the benefits of a Future Made in Australia are broadly shared. Finally, the strategy should also reach offshore to support just and socially responsible decarbonisation and climate resilient trajectories for our pacific neighbours (Open Letter 2024: 154)

Australian economist Saul Eslake dismissed the Open Letter as ‘Manufacturing Fetishism’. Plunkett (2024a) argues that the policy could more accurately be described as renewable energy fetishism and is a classic case of socialisation of risk, with the rewards seeming a long way off. Moreover, it is worth noting that FMiA also has little to say about the importance of recycling massive amounts of decommissioned offshore oil and gas rigs, solar panels or lithium batteries. Perhaps being wary of criticisms like these, there has already been a discernible shift in the government's 'mission zeal' language towards emphasising words like 'practical' and 'disciplined'.

Conclusion

To say that there has been a re-emergence of the state is misleading because it never actually went away (see Fairbrother and Rainnie 2006). As van Apeldoorn and de Graaf (2022) point out, the state always plays many roles within capital accumulation, varying across space and time between market creation, market correction, market intervention, and market direction. The state is ever-present: it is the *nature* of state actions that varies.

The emergence of polycrisis has driven a resurgence of the state's role in shaping patterns of restructuring through industrial policy and shaped its content, such as in the current Australian government's FMiA. Our approach does not see these developments heralding an end to neo-liberalism. Rather, as Tooze (2024) points out, neo-liberalism lives on precisely because it constantly reinvents itself. The new state capitalism has its own contradictions; and its emergence is uneven and contested. Overall, we see the new state capitalism as one of many attempts to drag capitalism out of its ongoing and seemingly intractable malaise.

Finally, following Gramsci, *pace* Tooze, this may well be the time of monsters. The implications for new state capitalism of the recent re-election of Donald Trump in the US is currently an open question, although the 'mission economy' Trump intends on pursuing will not include climate change as a major priority and the future of AUKUS may be reassessed. Here in Australia, the prospects for the nation's re-emerging industrial policy trajectory are also uncertain. Investments in Australia's renewable energy industry which have struggled, despite being a major focal point of Australian government industry policy efforts, may unfortunately become even gloomier (Macdonald-Smith 2024). What is more certain is that capitalism, and capitalist interests within the US, will be further emboldened.

Al Rainnie is an Adjunct Professor in the School of Business at the University of South Australia and the Department of Management, Curtin University

al.f.rainnie@gmail.com

Darryn Snell is Associate Professor at Royal Melbourne Institute of Technology

Darryn.snell@rmit.edu.au

Mark Dean is National Research and Planning Officer for the Australian Manufacturing Workers Union

mark.dean@amwu.org.au

References

Alami, I. (2023), Ten theses on the new state capitalism and its futures, *Environment and Planning A: Economy & Space,* 55(3), pp.76-79.

Alami, I. and Dixon, A. (2023), Uneven and Combined state capitalism, *Environment and Planning* A: Economy & Space, 55(1), pp. 72-99.

Alami, I., Whiteside, H., Dixon, A. and Peck, J. (2023), Making space for the new state capitalism, Part II, *Environment and Planning A: Economy & Space*, 55(3), pp. 621-635

AMWU (2024), Submission to Senate Inquiry on the Future Made in Australia Bill 2024, Australian Manufacturing Workers Union.

Buzan, B. and Lawson, G (2014), Capitalism and the Emergent World Order, *International Affairs,* 90(1), pp. 71–91.

Caddick, A. (2023), AUKUS, ARENA, 14 June, pp. 2-4.

Callinicos, A. (2023), *The New Age of Catastrophe*, Cambridge: Polity Press.

Chalmers, J. (2023), Energy, the economy, and this defining decade, keynote address to the Economic and Social Outlook Conference, Melbourne, 22 November.

Rainnie A. and Dean M. (2021), Post-COVID-19 policy responses to climate change: beyond capitalism? *Labour and Industry*, *31*(4), pp.366–386.

Dean, M., Snell, D. and Rainnie, A. (2024), i5.0 and the future of work in manufacturing, in Pitts, H. *et al.* (eds) *Routledge Handbook for the Future of Work,* London: Routledge.

Fairbrother, P. and Rainnie, A. (eds) (2006), *Globalisation, State and Labour,* London: Routledge.

Gibson, C. (2022), Regional futures in crisis: lived experience and the generative role of intermediaries, *Australian Planner*, *58*(3-4), pp. 72-83.

Graham, N. and Carroll, W. (2022), Climate breakdown: from fossil capitalism to climate capitalism (and beyond?), in Albo, G., Aschoff, N. and Saad-Filho, A. (eds) (2022) *Capital and Politics: Socialist Register* 2023, London: Merlin Press

Green, R. (2024), Turning around Australia's lagging economic complexity, available online: *Innovationaus.com* (accessed: 17 July 2024).

Green, R. (2020), Making it in Australia, in Dawson E, McCalman J (eds) *What Happens Next? Reconstructing Australia after Covid-19*. Melbourne: Melbourne University Press.

Grey, A. (2023), Strategies of denial, *MRonline*, available online: *https://mronline.org/2023/06/20/strategies-of-denial/* (accessed: 15 June 2023).

Harvey, D. (2005), *A brief history of neoliberalism*, Oxford: Oxford University Press.

How, B. (2023), Australia's economic complexity ranking now behind Uganda, *Innovation Australia*, 1 August.

Klein, N. (2007), *The Shock Doctrine*, New York: Penguin Press.

Macdonald-Smith, A. (2024), Investment in renewable energy slumps 80pc as 2030 target fades, *Australian Financial Review,* 13 March.

Mazzucato, M. and Collington, R. (2023), *The Big Con*, London: Allen Lane.

Mazzucato, M. (2021), *Mission Economy,* New York: Harper Collins.

Mazzucato, M. (2024) This is a bold opportunity to refocus Australia's economy, *Australian Financial Review*, May 13.

Open Letter (2024), Open letter supporting an industry made in Australia, *Journal of Australian Political Economy*, 93, pp.152-155.

Peck, J., Werner, M. and Jones, M. (2023), A dialogue on uneven development, *Regional Studies*, 57(7), pp. 1392-1403.

Plunkett, S. (2024a), Industry policy can't wait for Productivity Commission revamp, available online*: https://www.innovationaus.com/catgory/policy* (accessed: 25 November 2024).

Plunkett, S. (2024b), The take-off is already wobbl*y for* FMiA moonshot, available online: *https://www.innovationaus.com/catgory/policy* (accessed: 25 November 2024).

Rainnie, A. and Dean, M. (2021), 'Manufacturing', in Montague A., Connell J., Nankervis, A. and Burgess, J. (eds) *The Fourth Industrial Revolution: What Does it Mean for Australian Industry?*, Singapore: Springer Nature.

Rainnie, A. and Snell, D. (2023), Renewable Energy and the Promise of Jobs, Regional Regeneration and First Nations Opportunities, *Labour & Industry*, DOI: 10.1080/10301763.2023.2289097

Rainnie, A. and Snell, D. (2024), Just transition in Australia: Depoliticisation? *Contemporary Social Science*, *19*(1–3), pp. 21-40.

Roberts, M. (2023), The three contradictions of the Long Depression, available online: *https://thenextrecession.wordpress.com/2022/03/13/the-three-contradictions-of-the-long-deoression* (accessed: 25 November 2024).

Roberts, R. (2023), Modern supply side economics and the New Washington Consensus, available online: *https://thenextrecession.wordpress.com/2023/06/08/modern-supply-economics-and-the-new-washington-consensus/* (accessed: 25 November 2024).

Sweeney, S. (2021), Sustaining the unsustainable: why renewable energy companies are not climate warriors, *New Labor Forum*, 30(3), pp. 104-10.

Tech Council (2024), From research to reality: Lifting tech investment in Australia. Tech Council of Australia

Tooze, A. (2018), *Crashed*, London: Penguin.

Tooze, A. (2024), Wrestling with transition thinking, *Chartbook* pp. 325.

US Department of Treasury (2022), Inflation Reduction Act, available online: *https://home.treasury.gov/policy-issues/inflation-reduction-act* (accessed: 25 November 2024).

Van Apeldoorn, B. and de Graaf, N. (2022), The state in global capitalism before and after the covid crisis, *Contemporary Politics*, 28(3), pp. 306-327

Walsh, T. (2024), Mariana Mazzucato's moonshot mission is moonshine, *Australian Financial Review*, May 14.

Whitfield, D. (2023), *Challenging the rise of corporate power in renewable energy*, Nottingham: Spokesman Books.

Whiteside, H., Alami, I., Dixon, A., and Peck, J. (2020), Making space for new state capitalism, Part 1, *Environment & Planning A: Economy & Spa*ce, 55(1), pp. 63-71.