The politicization of sectors

Industrial change and categories of development

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Introduction

On April 7, 2025, just five days after "Liberation Day" – the announcement of across-the-board US tariff hikes sending shockwaves through financial markets – Steve Miran made some much-cited remarks at the Hudson Institute. The second Trump administration's chair of the Council of Economic Advisers demanded large-scale reparations from the United States' trading partners – not for war, but for relying on US hegemony, and in particular on the international system of military hegemony and dollar reserve currency provision. The major rationale for charging the world for American hegemony was not classically economic: Miran did not argue that US hegemony had made the US poorer in any substantive sense (as his President Donald Trump repeatedly did). Much rather, he decried hegemony and its feature of dollar strength for altering the sectoral composition of the US economy: It had hollowed out America's manufacturing sector. The postwar global economic order had created "undue burdens on our firms and workers, making their products and labor uncompetitive on the global stage, and forcing a decline of our manufacturing workforce by over a third since its peak … We need to be able to make things in this country," Miran asserted.[1]

Some of today's concerns with reindustrialization in the US and elsewhere are due to remade security calculations in reaction to the Covid pandemic, growing Chinese power, and the Russian invasion of Ukraine. But Miran, as well as other key US politicians such as Marco Rubio and Scott Bessent, go much further: *They imbue deindustrialization with meaning and social values*. Losing certain economic sectors, then, signals an inherently broken model of societal development. Speaking at the April 4 NATO summit as markets panicked in the immediate aftermath of "Liberation Day," Marco Rubio rambled:

> We're the largest consumer market in the world, and yet the only thing we export is services, and we need to stop that … Markets are crashing because markets are based on the stock value of companies who today are embedded in modes of production that are bad for the United States.[2]

Rubio has repeatedly outlined why, exactly, it must matter *what categories* of output the US produces. At its core, extensive manufacturing production to him was tied to a model of society:

> The collapse of American manufacturing has … done incalculable harm to our nation's social fabric. Many towns once characterized by strong, stable employment and vibrant community life became hotbeds of discontent, drug addiction, and suicide when the factories supporting them shut down or moved overseas. Even phenomena like falling rates of marriage, childbearing, and male labor-force participation are linked to deindustrialization. (Rubio 2024)

The deep politicization of sectoral structures present in current American conservative debates is not new. Modernization, images of social progress, and models of "healthy" social order have routinely been tied to the sectoral structure of economies. Key examples are nineteenth-century promissory notions of industrial society, socialist national accounting relegating key services output to the "non-productive" economy, and late-twentieth-century debates about the coming of postindustrial society. Such notions partition the economy into meaningful segments, each with their own historical dynamics and imagined societal ramifications. They rely on familiar processes of categorization and valorization well-conceptualized in sociology.

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In this essay, I aim to provide some initial thoughts on how to think about the politicization of types of economic output sociologically. "Reading" developmental patterns into constant and erratic economic change and imbuing it with value is a contentious social process. I rely on material from a historical case study on US tax reform to illustrate my argument (Ergen and Rademacher 2023). The essay highlights three central research problems: How are sections of the economy lumped together and constituted as segments that merit connected attention? How is sectoral change diagnosed and projected? How is industrial decline constituted as a field of policy and collective agency?

The social constitution of sectoral change

Economic ups and downs are a characteristic feature of market economies. Market systems go through booms and crises as firms prosper, linger around, and occasionally go down entirely. This constant tide of shifting economic fortunes routinely redirects flows of resources, and it makes and breaks the material bases of social identities. One of the core patterns of this tide is the concentrated decline of fields of economic activity – episodes in which wider sections of economic life that used to provide employment, social identity, and profit lose relevance, fall into distress, and die off. Capitalist societies have arguably developed continuously evolving repertoires to cope with economic change – repertoires to project, diagnose, evaluate, and organize it.

The lumping together of instances of economic change into connected episodes is a social process. Whether plant closures in a region's textile industry are treated as a clustering of entrepreneurial failure, a problem of regional institutional endowments, or a symptom of deeper shifts in a country's position in the global division of labor is contingent upon contested processes of categorization and interpretation.

This is not to discount the plain socioeconomic dislocation plant closures cause in affected communities – the brute reality of concentrated economic loss. It is to say that while market economies produce constant and widespread instances of economic distress, only a fraction of these are treated as connected, woven into accounts of how economies change, and dealt with as policy problems in their own right. As famously celebrated by Friedrich Hayek (2002 [1968]), the routinization of economic failure may be one of the defining features of market economies. Many tens of thousands of establishments shut down each year across the capitalist world, and quarterly bankruptcy and insolvency filings across organizational forms are measured in the many thousands.

Beyond this erratic Hayekian liquidation and foundation of economic undertakings lie many kinds of connected business fortune. Waves of distress driven by financial crises are a much-discussed example – triggered by exogenous shocks and usually perceived as temporary and cyclical. Episodes of sectoral change are correlated waves of business failure too, but they are perceived as partially endogenous, sectorally localized, and lasting. In the terminology popularized in interwar economics, some signs of distress in the economy come to be seen as *structural*, "changes involving *permanent* alterations of the fundamental relationships in the economy" (Machlup 1958, 282, emphasis in the original).

The process of constituting sectoral change involves interactions between observable economic patterns, situational sense-making, and interpretive frameworks. Consider how the same empirical phenomena – plant closures, unemployment, and growing import penetration – can support radically different diagnoses. As we have shown in an analysis of US corporate tax reform in the 1980s (Ergen and Rademacher 2023), series of establishment closures were interpreted from a wide range of angles – as symptoms of temporary liquidity problems, unfair competition from abroad, or as evidence of structural transformation with which the US as a whole shed its global presence in medium-tech manufacturing. As I show below, each interpretation implied different causal mechanisms, temporal horizons, and policy responses.

The interpretation of instances of economic movement as episodes of structural change is not a purely cognitive-hermeneutic process, but one shaped by political conflict and social power relations. Arguably only some firms and sectors can mobilize narratives about threats to essential "industrial bases" from foreign competition and "strategic sectors" (Seidl and Wuttke 2025). A striking contemporary example are German auto manufacturers who, while facing massive technological shifts and foreign competition, still in 2025 mobilize political support for policies enabling firms to survive cyclical downturns, such as *Kurzarbeit* (short-time working). Dispersed and less well-organized groups can struggle to render their difficulties visible in ways that mobilize public support, as visible in the lacking recognition, regulation, and protection of often female industrial homework (Boris 1994). The social constitution of sectoral change thus reflects and reproduces broader patterns of socioeconomic inequality.

The American case particularly illustrates the power dynamics when it comes to lumping together instances of economic change. In the late 1970s and early 1980s, important factions among experts, executives, and policymakers treated the signs of distress among manufacturers as being caused by a problem of "capital shortage" that could be remedied through the tax code. As the economist Martin Feldstein warned Congress in 1977, joining narratives about hegemonic decline:

> We have a very low net rate of saving in the US economy … The long-run [effect] of that is simply that we will be less productive … As I look at the European economies and see what happens to a country like England that discovers itself being rapidly bypassed by other countries with higher savings rates, I see foreshadowing of the kind of future we may have here in which we find ourselves becoming a poorer and poorer country relative to the other countries in the world. (U.S. Congress 1977, 174)

By 1986, the same signals of industrial distress were read as evidence of an unavoidable transformation toward a high-tech and service economy. This reframing was not merely analytical but deeply political, involving struggles over who could legitimately define economic problems and prescribe solutions.

Imaginaries of postindustrial progress

Debates over sectoral change have rarely been confined to the realm of technical economic analysis. Instead, they have been enmeshed in broader imaginaries of socioeconomic progress. As a result, debates about structural economic change do not fully resemble those characterized by clear-cut economic models, theories, and paradigms commonly investigated in sociology and political science (Callon 1998; Hall 1993; MacKenzie 2008). Probably the most influential variety of theories of structural economic change has centered around the conviction that "industrial societies" incrementally shed their reliance on manufacturing in the course of development (Kumar 1978). Postindustrial imaginaries involve particular ways of partitioning economic systems into sectors – most commonly three: agricultural, industrial, and service. Economic sectors are associated with particular structural and dynamic properties, such as employment structures, productivity trajectories, and specific organizational features. Moreover, there exists an array of conventional projections about the socioeconomic ripple effects of the postindustrial change, as visible in Marco Rubio's statements cited above.

Postindustrial prophecy has appeared under a range of labels. In English, French, and German debates, the most influential were deindustrialization, the knowledge economy, the postindustrial transition, the service economy, and structural economic change. While all of these labels were attached to specific epistemic communities and historical contexts, they belonged to a wider ideational current revolving around the declining role of manufacturing in society. The immediate intellectual precursors of today's notions of deindustrialization were mid-twentieth-century economists and social thinkers. Partitioning schemes for national economies have been in common use since the middle of the nineteenth century, when thinkers pragmatically divided economies into "divisions" or "industries" (Hesse 2013). More intricate "sectoral" schemes proliferated widely during the attempts of the 1930s to measure national economies through national accounts. The view that economies can be subdivided into three major sectors that pass "stages of dominance" has been ascribed to Allan Fisher (1939) in New Zealand, Colin Clark (1957) in Australia and Great Britain, and Jean Fourastié (1989) in France, who publicized the idea during World War II. All three thinkers worked with similar basic features of the idea, which have survived until today. They subdivided the economy into three sectors – primary, secondary, and tertiary, or agricultural, industrial, and service – to which they ascribed sets of properties.

Most influentially, all three thinkers predicted that productivity development in the service sector would – in the long run – far undershoot productivity development in the other two sectors. Adding to a human tendency to shift consumption to services with increasing income levels (often called *Engel's Law*) and differential effects of international trade on the three sectors, the effect would be a steady relative expansion of employment in the services. To varying degrees, all three thinkers shared a conception of economic development in "stages" on a universal trajectory from least to most developed. In this sense, Hesse (2013) has rightly called theories of the postindustrial transition a "last dinosaur of the mesozoic age of modernization theory." Economies evolve in a clear direction. They pass stages of development as they grow richer. Where they are heading is determined by tectonic shifts. Significant parts of postindustrial prophecy were at their core post-capitalist prophecy, predicting the transcendence of class conflict and an emerging era of state control and technocracy (Brick 2006; 2021). In contrast to manufacturing-heavy socialist notions of identity – the workers' states – postindustrial progress promised a new age beyond the nineteenth-century divisions.

Classic postindustrial theory was not an immediate success. Still in 1955, academic commentators complained that the initial ideas did not spark a notable research field (Wolfe 1955). Even though a few highly influential economists took up the idea during the 1960s and added modeling sophistication to it (Baumol 1967), the theory of the postindustrial transition remained a niche concern in intellectual and political debates until the mid-1970s, when sociology, popular discourse, and economic policymakers rediscovered it. While the overt references to classical modernization theory partially receded throughout the second half of the twentieth century, the basic structure of the argument remains largely untouched until today (Rowthorn 1998; Alderson 1999). And even in technical economic circles, postindustrial change has remained one of the few overtly deterministic projective ideas. Such as the "forces of supply and demand," Baumol (1967, 415) asserted in 1967, sectoral change may be among those "economic forces so powerful that they constantly break through all barriers erected for their suppression."

The way societies understand industrial change fundamentally shapes political possibilities. Sectoral change can be interpreted through multiple temporal frames – as deviation from a normal state requiring restoration or as structural transformation requiring acceleration and adaptation. The conflict between the selective consolidation of "old" industries and preferential treatment of "new" industries has arguably pervaded all important economic policy fields since the 1960s, such as labor market policy, trade policy, research and technology policy, education policy, competition policy, and tax policy.

The case of the United States in the 1980s illustrates how rapidly temporal orientations can shift. In 1981, the Reagan administration in concert with Congress still embraced a restorative temporal framework, treating manufacturing distress and rising import penetration as fixable deviations. The Economic Recovery Tax Act's depreciation allowances and investment tax credits were explicitly designed as "restorative" measures. Reagan's Director of the Office of Management and Budget promised that changed depreciation rules and an investment tax credit would end the ongoing wave of plant closures in the Northeast:

> If you can … make policy adjustments that will allow [industries] to more rapidly recover their capital so that they can replace that aging machinery and equipment, or restructure some of these large, integrated plants, it seems to me they have a far better time remaining competitive not only with the Southwest, but, remember, with the rest of the world (U.S. Congress 1981, 79).

By the middle of the decade, policymakers had begun to propagate a radically different temporal orientation. Industrial distress was now portrayed as inevitable progression toward a postindustrial future. The "old tired economy … has been swept aside by a young, powerful locomotive of progress carrying a trainload of new jobs, higher incomes, and opportunities," Reagan proclaimed in 1986. This wasn't merely rhetorical flourish, but reflected a fundamental reorientation in how policymakers sought allies in the business community. When Reagan addressed students in March 1983, he portrayed the time as one of historical acceleration:

> Abraham Lincoln is supposed to have said that the best thing about the future is that it comes only one day at a time. In this modern age, it often seems to come more quickly than that … We can see it coming. We can see its shape. I know in your history books you've read about the Industrial Revolution. Well, today we're in the midst of another revolution, one marked by the explosion of technological advances. (Reagan 1984, 356)

The enmeshing of industrial decline with projections of postindustrial change reframed signs of distress in sections of the economy as signs of progress, and discredited restorative policy proposals as backward-looking.

Industrial decline as a field of collective action and policy

Sectoral change has evolved into a major economic policy concern across all rich capitalist societies since the 1970s. At the same time, dedicated state-building for industrial restructuring and the governance of industrial decline has been comparatively limited. While most rich capitalist states have invested in expertise on the evolution of industries and structural change, expanded notification regimes for layoffs and establishment closures, and developed policy routines to deal with industrial failure, institutionalized industrial policy has, with few exceptions, been skewed toward new rather than struggling industries. And even ambitious attempts such as in Germany in the 1980s to establish the basis for a professional "structural policy" through "structural reporting" faded away without lasting institutional effects.

As a non-consolidated policy issue, collective responses to sectoral change have been dealt with in a wide range of individual cases and economic policy fields. Notwithstanding the fractured nature of the issue, however, policymakers and interest groups fought over the question of how far government can and should shape sectoral changes in the economy.

American policymakers shifting from a restorative to an accelerationist position in the 1980s reveals how social conflicts can redefine what constitutes legitimate state intervention in industrial change. The Treasury Department's 1984 tax reform proposal explicitly argued that existing tax privileges unfairly benefited capital-intensive manufacturers over emerging high-tech firms. Treasury Secretary James Baker summarized this "explorationist" take on tax justice before Congress in 1985:

> Taxpayers across the country are dissatisfied with the current tax system because they believe it is unfair … they suspect that it impedes growth because it discourages risk taking and innovation and encourages wasteful tax shelter investments instead of rewarding honest toil. (U.S. Congress 1985, 7)

By framing tax incentives as "distortions" rather than "supports," reform advocates transformed the political meaning of industrial policy. What had been necessary components to restore American industrial supremacy became illegitimate interferences with reallocation toward a new economy.

Business actors played complex and often conflicting roles in this political field. Capital-intensive manufacturers mobilized extensively against cuts in support. Armed with contributions from utilities, energy companies, telecommunications firms, and heavy manufacturing, lobbyists articulated narratives linking the fate of manufacturers to national economic health. Trade union representatives emphatically warned policymakers that the USA would degenerate into a "nation of hotels and hamburger stands."

Yet simultaneously, other business segments promoted visions of economic transformation that delegitimized restorative claims. The fragmentation of business interests created political space for redefining industrial policy. When high-tech firms allied with retailers and services against manufacturing tax preferences, they articulated alternative visions of economic dynamism. This was not merely interest group politics, but a struggle over the meaning of industrial change – whether it represented a crisis requiring restoration or transformation requiring acceleration.

Labor organizations faced difficult challenges in shaping how industrial decline was framed as a political problem. The major trade union congress, AFL-CIO, stressed in their 1981 Policy Resolutions an image of returning to industrial foundations: "The United States must remain a major maritime, agricultural and manufacturing nation." Workers threatened by shutdowns and layoffs had immediate material interests in preservation, arguing for the need to "modernize basic and essential industries and public capital facilities, to revitalize lagging geographic areas, generate jobs, growth and price stability." Yet, defensive strategies proved increasingly untenable when opposed by coalitions promoting "modernization" and "innovation."

Expert communities exercised their own distinctive influence by providing frameworks for understanding industrial change. Some economists constituted new categories to capture structural dynamics that shaped political possibilities. "Small and new firms" were identified as generating 70–80 percent of real job growth, providing intellectual justification for shifting support from large manufacturers to entrepreneurial ventures. The Chamber of Commerce relied on such studies to legitimize resistance against Northeastern initiatives to rein in plant closings, claiming that policy should "focus on plant openings rather than plant closings, on job generation rather than job decline." Similarly, the Council of Economic Advisers argued in 1983 that classical manufacturing industries downsizing was an obvious sign that the USA had lost its comparative advantage for "simple goods" to other nations. They proclaimed that competitive American goods would be "research-intensive," "resource-intensive," and "invisible" (Council of Economic Advisers 1983, 58–59). These expert interventions transformed sectoral change from a problem requiring state intervention into a natural process best left to market forces.

The spatial dimension of sectoral change created additional complexities for collective action. Industrial distress concentrated in particular regions, creating acute political pressures. Federal policymakers rejected an explicit regional policy. When pressed about whether the 1986 reform would accelerate industrial decline in the Northeast, James Baker categorically rejected the need for such analysis: "I really question to some degree whether we ought to get into the business of trying to prove that this proposal does or does not do something to one particular section of the country" (U.S. Congress 1985, 84).

As has often been highlighted in the literature (Block 2008; Graham 1992; Martin 1991; Stein 2010), this American approach to sectoral change, focusing on reallocation, uncertain promises of high-tech prosperity, and the deflection of blame for concentrated losses, was highly peculiar. Manufacturing had to be recast from the backbone of the economy into an obstacle to progress. Particularly in European countries, industrial dislocation gave way to a wide range of compensatory policies (Katzenstein 1986), highlighting how industrial decline was constituted differently as a field of collective intervention.

Conclusion

The contours of a sociology of sectoral change sketched here aim at laying out pathways in which sociological thought can help us to understand ongoing conflicts related to past and future structural change. Attempts to bring about an American manufacturing renaissance since Obama, European debates over high-tech sovereignty, and developmental state models throughout today's Global South are shaped by the social dynamics laid out above (see Lei 2023 for the particularly striking example of China).

Like all economic categories, categories of structural change are not natural but social. The distinction between "sunrise" and "sunset" industries, between "dynamic" and "declining" sectors, between "productive" and "unproductive" activities are contested social constructions with profound political implications. Understanding how these categories are constructed, by whom, and with what effect is central to socioeconomic analysis. Sectoral change, furthermore, illustrates how "cold" technical models of economic analysis are bound up with larger modernizing narratives and imaginaries of development and progress. How societies understand the temporal character of structural change fundamentally shapes its politics. Lastly, the evolution of repertoires to respond to it illustrates how the nature of structural change as a policy problem is shaped by social conflict. Diametrically opposed policies – targeting losers or winners, pushing costs of adjustment onto trading partners or domestic factions, and seeking to accelerate or block capital reallocation – emerge from contentious negotiations over the nature of structural change.

The transformation of industrial economies represents one of the defining challenges of contemporary capitalism as countries all across the world scramble to adjust to new environmental, technological, and geopolitical realities. Particularly in the EU and the US, the rediscovery of overt developmental policies does, in part, rely on the rediscovery of notions of sectoral change. Both polities have developed security-oriented policies for reshoring and friendshoring in recent years. What is more, both blocs have been reevaluating hegemonic notions of a "healthy" and "future-proof" sectoral structure as well as associated social models of social order.

This essay has argued that understanding these transformations requires attention to their social constitution – the complex processes through which societies identify, interpret, and respond to structural economic change. By examining how economic distress becomes constituted as sectoral change, how temporal frameworks shape political possibilities, and how various actors struggle to define collective responses, we gain insights into both the common pressures and diverse trajectories of industrial change.

Endnotes

1 "CEA Chairman Steve Miran Hudson Institute Event Remarks." The White House. April 7, 2025. https://www.whitehouse.gov/briefings-statements/2025/04/cea-chairman-steve-miran-hudson-institute-event-remarks/

2 "Secretary of State Marco Rubio Remarks to Press," U.S. Department of State, April 4, 2025. https://www.state.gov/secretary-of-state-marco-rubio-remarks-to-press-2

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