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# The slow comeback of industrial policies, or, the political economy of capability accumulation

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More in

**Industrial Policy and Development.  
The Political Economy of Capabilities Accumulation**

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# The end of the era of Washington Consensus and 'the magic of the marketplace'



## A long-term view

Successful episodes of industrialization / knowledge accumulation have always involved a rich array of public policies - from the German and US industrialization all the way to China and India



**Some classification of the variables  
and processes which institutions and  
policies act upon**

(in general and with particular reference to  
technological learning)



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
Opportunities of scientific and technological innovation	Science policies, graduate education, 'frontier mission oriented' projects	Research universities, public research centers, medical institutes, space and military agencies, etc.



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
Socially distributed learning and technological capabilities	Broader education and training policies	From primary education to polytechnics, to US-type 'land-grant colleges', etc.



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
<p>Targeted Industrial Support Measures, affecting e.g. types of firms, etc. – <i>in primis</i> the structure, ownership, modes of governance of business firms (e.g. domestic vs. foreign, family vs. publicly owned companies, etc.)</p>	<p>From the formation of state-owned firms to their privatization, from ‘national champions’ policies to policies affecting MNCs investments; all the way to the legislation affecting corporate governance</p>	<p>State-owned holdings, public merchant banks, public ‘venture capitalist’, public utilities</p>





<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
<p>The capabilities of economic agents (in the first instance business firms) in terms of the technological knowledge they embody, the effectiveness and speed with which they search for new technological and organizational advances, etc.</p>	<p>cf. especially points (ii), (iii) and also R&amp;D policies; policies affecting the adoption of new equipment, etc.</p>	



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
<p>The economic signals and incentives profit-motivated agents face (including actual and expected prices and profit rates, appropriability conditions for innovations, entry barriers, etc.)</p>	<p>Price regulations; tariffs and quotas in international trade; Intellectual Property Rights regimes, etc.</p>	<p>Related regulatory agencies, agencies governing research and production subsidies, trade controlling entities, agencies granting and controlling IPRs</p>



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
Selection mechanisms (overlapping with the above)	Policies and legislation affecting Anti-trust and competition; entry and bankruptcy; allocation of finance; markets for corporate ownership; etc.	Anti-trust authorities, institutions governing bankruptcy procedures, etc.



<b>Domains of policy intervention</b>	<b>Policy measures</b>	<b>Related institutions</b>
<p>Patterns of distribution of information and of interaction amongst different types of agents (e.g. customers, suppliers, banks, shareholders, managers, workers, etc.)</p>	<p>Governance of labor markets, product markets, bank-industry relationships, etc. all the way to collectively shared arrangements for within-firms information-sharing mobility and control, forms of cooperation and competition amongst rival firms, etc. (cf. for example the historical differences between Japanese vs. Anglo-Saxon firms)</p>	



# The Future of Industrial Policies in the New Millennium: Toward a Knowledge-Centered Development Agenda



## The policies: general principles

### *In catching-up countries:*

- Emulation and, sometimes, leapfrogging as a general policy principle
- The complementarity between technological learning and the development of production capacity

### *In both catching-up and 'frontier' countries*

- Ambitious mission-oriented projects



## Nurturing infant industries under the current International Trade Regime

- ‘Distort market signals’
- Foster the emergence of technologically and organizationally competent firms
- Use pragmatically (cynically?) current rules and exceptions
- Avoid bilateral trade agreements
- ...And some re-negotiations necessary...



## A management of rents favourable to learning and industrialization

- ‘...Carrots and sticks...’
- Credible commitments to temporary rents
- Pro-competition measures
- Development of ‘pro-developmental’ social coalitions





## Favour loose Intellectual Property Rights

- IPR are very rarely good for development while often harmful
- Reduce breadth and width of IPR coverage
- Expand the domain of non-patentability
- Condition the degrees of IPR protection on relative levels of economic and technological development
- Get around TRIPS...



Avoid the natural resource curse



Policies to avoid:

Transatlantic Trade and Investment  
Partnership



The required consistency  
between industrial and macro  
policies:

Austerity is bad for innovation and  
growth both in the short- and long-run



Industrial policies as a part of an  
innovation- and environment-  
friendly, heavily redistributive,  
'Keynesian' New Deal

