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Chapter 1 : Industrial Policy > About > Eric D. Chewning

An industrial policy of a country, sometimes denoted IP, is its official strategic effort to encourage the development and growth of part or all of the manufacturing sector as well as other sectors of the economy.

March 6, , 9: Former Council of Economic Advisers Chairwoman Christine Romer, for example, wrote in the New York Times that there are no good reasons to give special assistance to manufacturing. Pisano notes that U. Universities are tax exempt and receive large government research grants. Health care also receives an enormous tax break because employer provided health care plans are paid for with pre-tax dollars. The home mortgage interest tax deduction provides a huge subsidy to the housing industry and also stimulates loans for the banking industry. Finally, Pisano notes that the private equity industry is heavily subsidized with an income tax rate called carried interest that is set at 15 percent. This is what enabled Mitt Romney to pay taxes at a rate about half that of the rest of you gentle readers. Just imagine what U. Pisano could have added to his list the U. Without the military business there would be no U. Lockheed and a host of other major corporations would be shadows of their present selves or not exist at all without the Pentagon business. Then there is medical research. That, of course, explains why the U. Then there are the subsidies for big oil and the support given the airline industry through public funding of airports and of the Federal Aviation Administration that operates the radar and flight control systems across the country. Contrast that to the railroads that have to maintain their own systems and rights of way. Finally, there is the big enchilada, the financial industry. Consider that its profits in were 6 percent of all business profits. By that number was 30 percent and by it had soared to 40 percent. How did that come to be? Abolition of regulatory rules like the Glass-Steagll Act, "light touch" regulation of banks by the Federal Reserve, the carried interest tax rates noted above, and loosening of the rules to allow banks to expand their loan to net capital ratios are just some of the special supports provided to the financial industry. So the guys who gave us the crisis are still riding high. It looks to me as if the only part of the economy not getting special help, indeed, being neglected and even attacked by the government is manufacturing. Of course, our tax system also subsidizes consumption and taxes saving and investment. In the real world, there is inevitably massive government intervention in the economy. It is not going to go away. At the moment, American industrial policy is a residual, what de facto emerges from the arbitrage of special interests. It is incoherent, self-contradictory, and counter-productive for U. Rather than opposing industrial policy economists should be promoting one that could provide a rational framework within which the trade-offs could be made in a way that would be positive for long term wealth creation. Manufacturing would then not be a despised orphan, but would be treated at least as kindly as banking and finance.

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Chapter 2 : Industrial policy - DCED

Industrial policy is defined as the strategic effort by the state to encourage the development and growth of a sector of the economy. It refers to "any type of selective intervention or government policy that attempts to alter the structure of production toward sectors that are expected to offer better prospects for economic growth than would occur in the absence of such intervention.

Meaning of Industrial Policy: The concept is, thus, a comprehensive one. It includes procedures, principles i. The public sector may be invited to implement industrial policy. Industrial policy is a necessary step in this direction. Industrial Policy Resolution of A mixed economy means co-existence of the two sectors public and private. Basic and strategic industries such as arms and ammunition, atomic energy, railways, etc. All other industries were left open to the private sector. To ensure the supply of capital goods and modern technology, the 1PR, encouraged the free flow of foreign capital. Industrial Policy Statement of On 30 April , the Government revised its first Industrial Policy i. The reasons for the revision were: All these principles were incorporated in the revised industrial policy as its most avowed objectives. The Resolution classified industries into three categories having regard to the role which the State would play in each of them: Schedule A consisting of 17 industries would be the exclusive responsibility of the State. Schedule B, consisting of 12 industries, would be open to both the private and public sectors; however, such industries would be progressively State-owned. The classification of industries into three categories did not mean that they were being placed in water-tight compartments. The Resolution also called for efforts to maintain industrial peace; a fair share of the proceeds of production should be given to the toiling mass in keeping with the avowed objectives of democratic socialism. Expansion of the role of the State: This was in keeping with the Mahalanobis Strategy of large-scale industrialisation embodied in the Second Five Year Plan. Reduced threat of nationalisation: Various complementaries of the public and private sectors were made clear. But this criticism was unfounded. Industrial Policy of The long-awaited liberalised industrial policy was announced by the Government of India on 24 July There are several important departures in the latest policy. The highlights of the new policy are: The exemption from licensing will apply to all substantial expansion of existing units. The policy intends to scrap the asset limit of the MRTP companies. Reservation for the public sector, as on , is very limited just 2 â€”covering only manufacturing involving certain substances relevant for atomic energy as well as production of atomic energy and provision of railway transport. In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment up to 51 p.

Chapter 3 : Kenya - 4-Industrial Policies | www.nxgvision.com

" Despite existing criticism, there is a growing consensus in recent development theory that state interventions are often necessary when market failures prevail. Market failures often exist in presence of externalities and natural monopolies. These market failures hinder the emergence of a well.

Proponents of national industrial policies NIP across the globe have typically been harsh critics of unfettered markets and of past limited efforts of government to create economic growth simply with macroeconomic fiscal and monetary policies. Mondale argued that the economic policies of the country were "destroying industryâ€”not building it," and that federal aid should be directed to "those communities and regions hit hardest by economic change. More specifically, NIP proponents claimed the following: The nation is in long-term economic decline, with little hope of a turnaround without greater government involvement in the restructuring of the economy. The country is "deindustrializing," or losing its core industrial base to plant closings and "capital flight. Major segments of the U. Economist Lester Thurow of MIT, in The Zero-Sum Society, worried that if left alone, "our economy and our institutions will not provide jobs for everyone who wants to work," and that "we have a moral responsibility to guarantee full employment. Some early proponents John Kenneth Galbraith, for example would have had government extensively plan major sectors of the economy, dubbed the "new industrial state," if not the entire national economy. Galbraith would have had the federal government decide the industrial structure, redistribute resources and output, and reallocate income from one region of the country to another and from one income class to another. They presented less ambitious policy programs but still wanted the government to determine which industries were most likely to be competitive in the future global economy and to contribute to improved economic opportunities for workers. Government would then determine if and how the identified industries should be aided. Specifically, most modern NIP advocates pressed for some of the following: They also advocated raising the minimum wage and tying it to some average industrial wage, using tax law to discourage mergers and acquisitions, which they called "paper entrepreneurship," and using government to spread the existing capital base across states and regions. Finally, NIP proponents generally supported protectionism, especially in the early and mideighties. They wanted tariffs, quotas, and "voluntary export restraints" for "key" industries identified as such by the tripartite councils, for example with the goal of "managing trade" to achieve broad industrial goals and to bring down the then-rising trade deficit. One industrial policy advocate crystallized a common position that made the movement appealing to many industry executives: Without trade barriers, rich countries are bound to suck in cheap imports from low-wage countries, destroying the domestic industries that used to make those products. There will never be enough "high-tech" jobs to employ those who lose more traditional jobs. Therefore, unrestricted trade would eventually destroy the economies of all high-wage, developed countries. Although the industrial policy movement created a major policy stir in the early and mideighties, it faded in the late eighties as quickly as it had emerged. Its fall from political and media grace can probably be attributed to six sources. First, one of its leading exponents, Walter Mondale, suffered an overwhelming defeat in the presidential election, suggesting that his industrial policy agenda was not striking the expected chord with the electorate. Second, the Reagan administration, while often conceding on protectionist proposals, maintained strong opposition to any coherent industrial policy programs, including national economic development banks, tripartite councils, and economic democracies. Third the growing federal deficits probably choked the ability of NIP supporters in Congress to organize the necessary majority for any expensive new government programs. Fourth, the pessimistic claims and projections for the future made by NIP proponents did not square with the economic facts brought to light in various forums. Since , industrial production has grown even more slowly in France and West Germany than in the United States. In fact, basic industry accounted for roughly 22 percent of our GNP in , precisely the same share as in Were he to extend his calculations to , he would find that the United States has outperformed every major industrial country in the world except Japan since Regarding the economic success of his home country, Japan, Sakoh stressed, in a Heritage Foundation report, "There is no evidence that manufacturing industries in general, and any particular manufacturing sector, have been targeted [as of] by the JDB [Japanese Development Bank]. Throughout the eighties the U. Rather than falling, industrial production continued to rise, peaking in before the advent of the recession at 32 percent above its level. Rather than continuing its highly advertised long-term decline relative to the rest of the world, U. Although the number of manufacturing jobs did fall during the eighties, manufacturing output, measured in real dollars, rose. The reason was a surge in manufacturing productivity induced in part by international competition. Instead of wantonly destroying jobs in the eighties, the U. Fifth, while Republican opposition to the NIP movement remained solid, Democratic support was badly split. Democratic economists could not support the protectionist aspects of industrial policy. They understood, as most NIP advocates did not, that free trade does not destroy jobs and that protectionism almost always makes a country worse off by hurting consumers more than it helps producers. Economists found, for example, that trade restrictions on textile imports, by increasing retail prices of clothing, destroyed far more domestic retail jobs than they saved in the domestic textile industry. Also, Democratic economists feared that development banks and tripartite councils would give declining industries and unions undue political power. This newfound power, critics reasoned, might be exploited to the detriment of emerging industries and the competitiveness of the entire country. They also pointed out that the subsidies required to slow the decline of contracting industries would mean higher taxes, which would discourage the emergence of so-called "sunrise" industries. Schultze, in the Brookings Review, undercut the political and intellectual case for industrial policy with these salient points: The United States does have some old-line heavy industries with deep-seated structural problemsâ€"especially the steel and automobile industriesâ€"but they are not typical of American industry generally. There is no evidence that in periods of reasonably normal prosperity, American labor and capital are incapable of making the gradual transitions that are always required in a dynamic economy, as demand and output shift from older industries to newer ones at the forefront of technological advances. One does not have to be a cynic to forecast that the surest way to multiply unwarranted subsidies and protectionist measures is to legitimize their existence under the rubric of industrial policy. Sixth, policy forces around the globe in the eighties were running counter to the fondest policy dreams of the NIP proponents. Rather than expanding their control over their economy, many major governments began cutting taxes, capping the growth of their expenditures, deregulating and denationalizing industries, and privatizing many government services. Yet these policies, contrary to the expectations of the NIP proponents, did not cause economic calamity. Industrial policy proposals continued to attract a measure of political support into the early nineties. Still, the support remained subdued. By key industrial policy proponents, most notably Robert Reich, had reversed themselves or had significantly altered their positions. They began to reason that physical and financial capital had become far too mobile across national boundaries to make government subsidies pay. Former NIP enthusiasts, especially Reich, maintained that workers were the real wealth of any country. Because workers were relatively immobile and could, therefore, be counted on to repay their subsidies with future tax payments, workersâ€"not firmsâ€"should be more extensively subsidized, through government training and retraining programs intended to develop and maintain their human capital. Even the revised NIP agenda faces some major problems. One is that high federal and state deficits mean that few funds are available for NIP. NIP proponents advocate raising the funds by taxing the "rich. The "rich" are simply too few and too able to increase deductions and to reduce work effort when marginal tax rates rise for an increased tax on them to increase revenues very much. Moreover, the highly paid workers a large component of the "rich" are almost as mobile as physical capital. NIP proposals can encourage human-capital flight. About the Author Richard B. McKenzie is the Walter B. The Deindustrialization of America: Rebuilding the Road to Opportunity: A Democratic Direction for the s. The Next American Frontier. Democratic Economists Speak Out One reason that industrial policy was never implemented in the United States was that Democratic economists opposed it. They did so, in part, on the grounds that governments cannot know which industries will be winners. The first problem for the government in carrying out an industrial policy is that we actually know precious little about identifying, before the fact, a "winning" industrial structure. There does not exist a set of economic criteria that determine what gives different countries preeminence in particular lines of business. Nor is it at all clear what the substantive criteria would be for deciding which older industries to protect or restructure.

Chapter 4 : Industrial policy of Japan - Wikipedia

i) Existing distortions. The analytical case for industrial policies is based on the idea that there is a market failure that is preventing industrialization and so some form of government.

Investment Certificate benefits, including entry permits for expatriates, are outlined in the Investment Promotion Act The government allows all locally financed materials and equipment for use in construction or refurbishment of tourist hotels to be zero-rated for purposes of VAT calculation â€" excluding motor vehicles and goods for regular repair and maintenance. The National Treasury principal secretary, however, must approve such purchases. An additional measure enacted to boost the ailing tourism industry makes one-week employee vacations paid by employers a tax-deductible expense. Aircraft and aircraft parts, tractors, inputs for solar manufacturing, and services relating to goods in transit are fully exempt from VAT. Investors in metal manufacturing and products and the hospitality services sectors are able to deduct from their taxes a large portion of the cost of buildings and capital machinery. The program provides a percent tax deduction on plant machinery and equipment and raw materials imported for production of goods for export. The program is also open to Kenyan companies producing goods that can be imported duty-free or goods for supply to the armed forces or to an approved aid-funded project. Under this provision, gains derived on sale or transfer of property by an individual or company are subject to tax at rates of at least five percent. The effective date of this provision was January 1, , and sales and transfer of property related to the oil and gas industry are taxed up to The Finance Act also reintroduced the withholding VAT system by government ministries, departments and agencies. Companies operating within an EPZ benefit from the following tax benefits: Approximately 50 percent of all firms in the zones are fully owned by foreigners â€" mainly from India â€" while the rest are locally owned or joint ventures with foreigners. The proposed Textile City, to be set up at the Athi River EPZ, is expected to attract more than textile investments, but progress on the project has been slow. While EPZs are focused on encouraging production for export, the not yet fully established special economic zones SEZs are designed to boost local economies by offering benefits for goods that are consumed both internally and externally. The SEZs will allow for a wider range of commercial ventures, including primary activities such as farming, fishing, and forestry. The Special Economic Zones Regulations that came into effect in August state that the Special Economic Zone Authority SEZA must maintain an open investment environment to facilitate and encourage business by the establishment of simple, flexible, and transparent procedures for investor registration. The new rules also empower county governments to set aside public land for establishment of industrial zones. An SEZ near Naivasha is also under consideration. It would be located near the Olkaria geothermal power plant where manufacturers would benefit from cheaper and reliable power. The Kenyan government regularly issues permits for key senior managers and personnel with special skills not available locally. For other skilled labor, any enterprise whether local or foreign may recruit from outside if the skills are not available in Kenya. Firms seeking to hire expatriates must demonstrate that the requisite skills are not available locally through an exhaustive search. The Ministry of EAC, Labor, and Social Protection, however, has noted plans to replace this requirement with an official inventory of skills that are not available in Kenya.

Chapter 5 : Industrial Policy

The policies of a nation that help guide the total strategic effort of the www.nxgvision.com policies influence the development of different sectors and create a stronger portfolio of national industry.

Some of the objectives of Industrial Policy are as follows! At the time of independence, India had an extremely underdeveloped and unbalanced industrial structure. Industries contributed less than one sixth part of national income. The country did have some industries like cotton textiles, jute and sugar, but there were virtually no basic, heavy and capital goods industries on which programmes of future industrialisation could be based. Whatever major industries were there, they were largely concentrated in a few areas such as Bombay. Jameshedpur, Calcutta, Delhi etc. While the rest of the country remained industrially neglected. Thus after independence, the government of India had to undertake effective measures to increase the tempo of industrialisation. Correct regional imbalances in industrial development and rectify the distorted industrial structure through rapid development of capital goods industries. Industrial policy is a statement which defines the role of government in industrial development. The place of the public and private sectors in industrialisation of the country. The relative role of large and small industries. The role of foreign capital etc. In brief, it is a statement of objectives to be achieved in the area of industrial development and the measures to be adopted towards achieving these objectives. The industrial policy thus formally indicates the spheres of activity of the public and the private sectors. It lays down rules and procedures that would govern the growth and pattern of industrial activity. The industrial policy is neither fixed nor inflexible. It is amended, modified and redrafted according to the changed situations, requirements and perspectives of developments. The major objectives of industrial policy are: The industrial policy of the Government of India is aimed at increasing the tempo of industrial development. It seeks to create a favourable investment climate for the private sector as well as mobilise resources for the investment in public sector. In its way the government seeks to promote rapid industrial development in the country. The industrial policy is designed to correct the prevailing lopsided industrial structure. Thus, for example, before independence, India had some fairly developed consumer goods industries. But the capital goods sector was not developed at all and basic and heavy industries were by and large absent. So the industrial policy had to be framed in such a manner that these imbalances in the industrial structure are corrected. Thus by laying emphasis on heavy industries and development of capital goods sector, industrial policy seeks to bring a balance in industrial structure. The industrial policy seeks to provide a framework of rules, regulations and reservation of spheres of activity for the public and the private sectors. This is aimed at reducing the monopolistic tendencies and preventing concentration of economic power in the hands of a few big industrial houses. Industrial policy also aims at correcting regional imbalances in industrial development. It is quite well-known that some regions in the country are industrially quite advanced e. It is the task of industrial policy to work out programmes and policies which lead to industrial development or industrial growth. The Industrial policy of , which was the first industrial policy statement of the Government of India, was changed in in a public sector dominated industrial development policy that remained in force till with some minor modifications and amendments in and In , far reaching changes were made in the industrial policy. The new Industrial Policy of July heralded the framework for industrial development at present.

Chapter 6 : EQuIP Project â€“ Enhancing the Quality of Industrial Policies

N ational industrial policy is a rubric for a broad range of proposed economic reforms that emerged as a unified political program in the early eighties. Had they been passed, these reforms would have given government officials additional authority, as well as the necessary fiscal and regulatory powers, to directly alter the country's industrial structure.

Presentationpdf Justin Yifu Lin - Chief Economist, World Bank Justin Yifu Lin begun the discussion by suggesting that poverty is the biggest challenge to the development community and that the financial crisis will increase the number of people in poverty by around 90 million. The key for the development community will be to foster inclusive and equitable growth. If countries try to target industries in which there is no comparative advantage then they will have to implement large subsidides for these sectors making them ineficient as well as making economic performance in the long run weak and more volatile than if they were following their comparative advantage. It would also leave behind a large number of people in the informal sector or agriculture as the sector will only create a small number of formal employment opportunities. Further, resources will have to be transferred from other sectors in order to support industries where the country has no comparative advantage leading to further economic inequalities within the country. In order to test for these hypothesis the Technological Choice Index TCI is used as a proxy for the industrial development strategy. The TCI is an index that looks at the value added per worker in a manufacturing sector nominator divided by the gdp per worker. The higher the index the more the country pursues strategies in which it does not have a comparative advantage. The higher the TCI the greater the amount of black market activity within the country as well as reduced economic freedom, more business regulation, decreased economic independence for firms and economic openesses as well as a decreased growth rates and export rates and increased economic volatility and inequality. In addition clusters will only form if firms follow comparative advanatages. The creating of clusters fosters a compettive domestic market; the size of the domestic market however will not matter much as firms will be serving the global market. For developing countries the state is useful in order to implement industrial policy that promotes economic development, key industries should not be chosen by developing country governments, rather governmemts should facilitate business. The key strategy that should be used by developing countries is to look at similar countries with similar factor endowments and look at what products were promoted that allowed the country to grow economically and thus promote innovation and research in the products which would help the country to prosper. Following comparative advantages will allow countries to gradually move up the industrial scale, moving from high labour intensive industries to capital intensive industries. In addition the theory assumes that sophisticated technology is available to all countries, however this is not the case as not all countries have access to required technologies. There is no general industrial policy as you also need to account for the optimal level of targetting depending on what the specific circumstances of a country. A country needs to be able to accumulate the right capital and human resources in order to produce what it is best at, this however takes time and requires targeted government interventions. Developed countries have taken a long time in order to develop the industries in which they are best at, such as the UK and the USA using strict import tariffs to protect local industries. Deviations from the comparative advantage can however be compatible with economic development, you do not need to simply stick to comparative advantage. Theory and practice suggests there are market and co-ordination failures, yet governments fail to overcome this. Comparative advantage conforming strategies are not sufficient, yet comparative advantage defying policies can go wrong. He discussed a number of examples from IPPG research suggesting that certain forms of state-business relations helped to formulate appropriate industrial policies. Karen Ellis - Programme Leader, Business and Development, ODI Karen Ellis discussed the fact that there is a need for governments to pick winners as market forces and competition do not always determine which markets succeed or fail. Governments affect businesses as there are often very close relationships between big businesses and the government. The government can thus either help or hinder big businesses especially due to political or developmental objectives and thus there is a role for government in industrial policy. Governments need to intervene in order to court foreign investors, offer protection to new entrants within a country and target specific investment climate barriers.

Chapter 7 : E15 Initiative | Industrial Policy

The Industrial policy of , which was the first industrial policy statement of the Government of India, was changed in in a public sector dominated industrial development policy that remained in force till with some minor modifications and amendments in and

Innovation Industrial Policy In many ways, the European chemical industry is highly successful. This decrease is primarily due to declining competitiveness, as opposed to slow-growing destination markets. There are several potential causes for this loss in share. Energy and feedstock prices are a critical factor for the competitiveness of the chemical industry. The shale gas boom in the United States has reduced energy and feedstock costs greatly. At the same time the chemical industry is in transition to respond to societal needs with respect to climate change, clean energy and transport, new processing methods and alternative feedstock, and overall increased sustainability. The chemical industry can and will provide solutions for these societal challenges. Therefore, it is important that the EU Strategy recognises the importance of value chains and should ensure attractive operating conditions in Europe. European suppliers should be able to compete globally and not just in Europe. Key contributor to energy transition, climate change mitigation and EU Policy objectives The EU chemical industry can be a key contributor to energy transition, climate change mitigation and to other EU policy objectives, like the circular economy and sustainability. The industry is constantly adapting to new societal demands and responding to new trends regarding sustainable production. To successfully achieve this transformation, it requires a complete structure, spanning basic chemicals, specialty and fine chemicals as well as consumer chemicals, i. However, given the easily tradable nature of many chemical products and the international nature of the sector, this will only be possible if the competitiveness of the EU chemicals sector can be maintained. It is therefore crucial that the future EU Industrial Policy Strategy represents a coherent action plan that brings together and streamlines measures in a variety of EU policy areas and departmental responsibilities. For an Industrial Policy Strategy to be successful it must enable the industry to transform, by creating a favourable business environment that stimulates innovation and investment in Europe. Did you know that the amount of helium on Earth is being depleted? This light gas is used in magnets and MRI machiâ€¦ https: Hoteliers, like Julie, can rest easy as their guests are getting aâ€¦ 5 days ago from Cefic Recycling is a great way to make our economy more sustainable. But it can be tricky to recycle complex materials. She was the first woman to win a Nobel priâ€¦ https:

Chapter 8 : The role of industrial policy in development | Overseas Development Institute (ODI)

Forging a New Political Consensus. Domestic and international political currents are one set of spurs forcing U.S. policymakers toward some kind of national industrial strategy.

History[edit] The traditional arguments for industrial policies go back as far as the 18th century. Prominent early arguments in favor of selective protection of industries were contained in the Report on the Subject of Manufactures [9] of US economist and politician Alexander Hamilton , as well as the work of German economist Friedrich List. In the early nineteenth century, for example, "it is quite clear that the laissez faire label is an inappropriate one. Instead, the recent focus for industrial policy has shifted towards the promotion of local business clusters and the integration into global value chains. Project Socrates, directed by Michael Sekora, resulted in a computer-based competitive strategy system that was made available to private industry and all other public and private institutions that impact economic growth, competitiveness and trade policy. A key objective of Socrates was to utilize advanced technology to enable US private institutions and public agencies to cooperate in the development and execution of competitive strategies without violating existing laws or compromising the spirit of " free market ". President Reagan was satisfied that this objective was fulfilled in the Socrates system. Through the advances of innovation age technology, Socrates would provide "voluntary" but "systematic" coordination of resources across multiple "economic system" institutions including industry clusters, financial service organizations, university research facilities and government economic planning agencies. While the view of one US President and the Socrates team was that technology made it virtually possible for both to exist simultaneously, the industrial policy vs. Bush administration , Socrates was labeled as industrial policy and de-funded. However contemporary industry policy generally accepts globalisation as a given, and focuses less on the decline of older industries, and more on the growth of emergent industries. It often involves government working collaboratively with industry to respond to challenges and opportunities. Even though market mechanisms have gained in importance, the state control prevails. Criticism[edit] The main criticism against industrial policy arises from the concept of government failure. Industrial policy is seen as harmful as governments lack the required information, capabilities and incentives to successfully determine whether the benefits of promoting certain sectors above others exceeds the costs and in turn implement the policies. Governments, in making decisions with regard to electoral or personal incentives, can be captured by vested interests, leading to industrial policies supporting local rent-seeking political elites while distorting the efficient allocation of resources by market forces. Such market failures maybhinder the emergence of a well-functioning market and corrective industrial policies[citation needed] are required to ensure the allocative efficiency of a free market. Even relatively sceptical economists now recognise that public action can boost certain development factors "beyond what market forces on their own would generate. While the current debate has shifted away from dismissing industrial policies overall, the best ways of promoting industrial policy are still widely debated. For example, economists debate whether developing countries should focus on their comparative advantage by promoting mostly resource- and labour-intensive products and services, or invest in higher-productivity industries, which may only become competitive in the longer term.

Chapter 9 : Americaâ€™s industrial policy â€“ Foreign Policy

Industrial policy focuses on the most productive pattern of investment, and thus it favors business segments that promise to be strong international competitors while helping to develop the.

Jump to navigation Jump to search The industrial policy of Japan was a complicated system devised by the Japanese government after World War II and especially in the s and s. The goal was to promote industrial development by co-operating closely with private firms. The objective of industrial policy was to shift resources to specific industries in order to gain international competitive advantage for Japan. The policies and methods were used primarily to increase the productivity of inputs and to influence, directly or indirectly, industrial investment. Influence, prestige, advice, and persuasion are used to encourage both corporations and individuals to work in directions judged desirable. The persuasion is exerted and the advice is given by public officials, who often have the power to provide or to withhold loans , grants , subsidies , licenses , tax concessions , government contracts , import permits, foreign exchange , and approval of cartel arrangements. The Japanese use administrative guidance to buffer market swings, anticipate market developments, and enhance market competition. Mechanisms used by the Japanese government to affect the economy typically relate to trade, labor markets, competition, and tax incentives. They include a broad range of trade protection measures, subsidies, de jure and de facto exemptions from antitrust statutes, labor market adjustments, and industry-specific assistance to enhance the use of new technology. Rather than producing a broad range of goods, the Japanese selected a few areas in which they could develop high-quality goods to produce in vast quantities at competitive prices. A good example is the camera industry, which since the s has been dominated by Japan. Historically, there have been three main elements in Japanese industrial development. The first was the development of a highly competitive manufacturing sector. The second was the deliberate restructuring of industry toward higher value-added , high productivity industries. In the late s, these were mainly knowledge-intensive tertiary industries. The third element was aggressive domestic and international business strategies. Japan has few natural resources and depends on massive imports of raw materials. It must export to pay for its imports, and manufacturing and the sales of its services, such as banking and finance, were its principal means of doing so. For these reasons, the careful development of the producing sector has been a key concern of both government and industry throughout most of the twentieth century. Government plays an active role in making these shifts, often anticipating economic developments rather than reacting to them. After World War II, the initial industries that policy makers and the general public felt Japan should have were iron and steel , shipbuilding , the merchant marine, machine industries in general, heavy electrical equipment, and chemicals. Later, they added the automobile industry , petrochemicals, and nuclear power and, in the s, such industries as computers and semiconductors. Since the late s, the government has strongly encouraged the development of knowledge-intensive industries. Government support for research and development grew rapidly in the s, and large joint government-industry development projects in computers and robotics were started. At the same time, government promoted the managed decline of competitively troubled industries, including textiles, shipbuilding, and chemical fertilizers through such measures as tax breaks for corporations that retrained workers to work at other tasks. Although industrial policy remained important in Japan in the s and s, thinking began to change. Government seemed to intervene less and become more respectful of price mechanisms in guiding future development. During this period, trade and direct foreign investment were liberalized, tariff and nontariff trade barriers were lowered, and the economies of the advanced nations became more integrated, as the result of the growth of international trade and international corporations. In the late s, knowledge-intensive and high-technology industries became prominent. The government showed little inclination to promote such booming parts of the economy as fashion design , advertising , and management consulting. The question at the end of the s was whether the government would become involved in such new developments or whether it would let them progress on their own.