

INDUSTRIAL POLICY AND ECONOMIC STATECRAFT MODULE CLUSTER

ECONOMIC STATECRAFT PROGRAM

GENERAL INFORMATION

DESCRIPTION

This module cluster focuses on an area of growing academic debate and policy relevance: industrial policy. The cluster is divided into three modules, which each contain 1-2 weeks of reading materials. Module 1 covers the classic works and theoretical foundations for industrial policy, with special attention to the political economy of industrial policy. Module 2 is divided into two weeks and discusses the comparative regionalism of industrial policy. Week 1 of Module 2 compares historical episodes of industrial policy implementation, such as railroad development at the turn of the 20th century in the United States, the Japanese postwar economic “miracle,” and others. Week 2 of Module 2 discusses contemporary examples of industrial policy, with a specific focus on cross-national comparative analysis. Module 3 is similarly divided into two weeks, and covers approaches to industrial policy in today’s world, and the future. Week 1 emphasizes important policy mechanisms of industrial policy and how they resolve market failures and other issues, such as the middle-income trap and the valley of death. Week 2 emphasizes areas of emerging technological innovation where industrial policy is being implemented, such as 5G and cybersecurity, and how to maintain and expand innovation ecosystems through industrial policy. Recommended readings for each week are appended, and significantly expand upon a key idea or provide new areas of interest related to the required weekly readings.

PREREQUISITES

Students should have an introductory understanding to microeconomics, macroeconomics, and international trade. Experience with Comparative Political Economy, technology policy, and economic history would also be helpful.

EXPECTATIONS AND GOALS

By the end of this course, students should be able to do the following...

- Understand the foundations, mechanisms, and applications of industrial policy
- Compare and contrast industrial policies across a variety of technological domains and countries
- Identify industrial policies and think analytically about their impact in a variety of economic sectors
- Understand the relationship between national security and industrial policy

READINGS

MODULE 1: FOUNDATIONS OF INDUSTRIAL POLICY

WEEK 1 [108 PAGES]

Arrow, K. J. “Economic Welfare and the Allocation of Resources for Invention.” In *Readings in Industrial Economics: Volume Two: Private Enterprise and State Intervention*, edited by Charles K. Rowley, 219–36. London: Macmillan Education UK, 1972. https://doi.org/10.1007/978-1-349-15486-9_13.

Reich, Robert. “Why the U.S. Needs an Industrial Policy.” *Harvard Business Review*, January 1, 1982. <https://hbr.org/1982/01/why-the-us-needs-an-industrial-policy>.

Cohen, Elie. “Theoretical Foundations of Industrial Policy.” *EIB Papers* 11, no. 1 (2006): 84–106.

- Andreoni, Antonio, and Ha-Joon Chang. "The Political Economy of Industrial Policy: Structural Interdependencies, Policy Alignment and Conflict Management." *Structural Change and Economic Dynamics* 48 (March 2019): 136–50. <https://doi.org/10.1016/j.strueco.2018.10.007>.
- Andreoni, Antonio, Ha-Joon Chang, and Roberto Scazzieri. "Industrial Policy in Context: Building Blocks for an Integrated and Comparative Political Economy Agenda." *Structural Change and Economic Dynamics*, Frontiers of Industrial Policy: Structures, Institutions and Policies, 48 (March 1, 2019): 1–6. <https://doi.org/10.1016/j.strueco.2018.11.003>.
- Aggarwal, Vinod K., and Andrew W. Reddie. "New Economic Statecraft: Industrial Policy in an Era of Strategic Competition." *Issues & Studies* 56, no. 02 (June 1, 2020): 2040006. <https://doi.org/10.1142/S1013251120400068>.

RECOMMENDED READINGS

- Oqubay, Arkebe, Christopher Cramer, Ha-Joon Chang, and Richard Kozul-Wright, eds. *The Oxford Handbook of Industrial Policy*. 1st ed. Oxford University Press, 2020. <https://doi.org/10.1093/oxfordhb/9780198862420.001.0001>. 3-62, 150-178

MODULE 2: CROSS-NATIONAL INDUSTRIAL POLICY AND COMPARATIVE POLITICAL ECONOMY

WEEK 2 HISTORICAL EXAMPLES [176 PAGES]

- Johnson, Chalmers. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford University Press, 1982. 3-35, 305-326
- Mastanduno, Michael. "Do Relative Gains Matter? America's Response to Japanese Industrial Policy." *International Security* 16, no. 1 (1991): 73–113. <https://doi.org/10.2307/2539052>
- Heinrich, Thomas. "Cold War Armory: Military Contracting in Silicon Valley." *Enterprise & Society* 3, no. 2 (2002): 247–84.
- Best, Michael H. "Industrial Innovation and Productive Structures: The Creation of America's 'Arsenal of Democracy.'" *Structural Change and Economic Dynamics*, Frontiers of Industrial Policy: Structures, Institutions and Policies, 48 (March 1, 2019): 32–41. <https://doi.org/10.1016/j.strueco.2017.08.002>
- Owen, Geoffrey. "Industrial Policy in Europe since the Second World War: What Has Been Learnt?" ECIPE Occasional Paper, 2012. 3-40

RECOMMENDED READINGS

- Dobbin, Frank. *Forging Industrial Policy: The United States, Britain, and France in the Railway Age*. Cambridge University Press, 1994. 1-234
- Lall, Sanjaya. *Learning from the Asian Tigers: Studies in Technology and Industrial Policy*. Springer, 1996. 59-107

WEEK 3 CONTEMPORARY EXAMPLES [117 PAGES]

- Naughton, Barry. *The Rise of China's Industrial Policy 1978 to 2020*, 2021. 11-25, 49-66.
- Goldstein, Andrea. "The Political Economy of Industrial Policy in China: The Case of Aircraft Manufacturing." *Journal of Chinese Economic and Business Studies* 4, no. 3 (November 1, 2006): 259–73. <https://doi.org/10.1080/14765280600991628>.
- Naughton, Barry. "Chinese Industrial Policy and the Digital Silk Road: The Case of Alibaba in Malaysia." *Asia Policy* 27, no. 1 (2020): 23–39. <https://doi.org/10.1353/asp.2020.0006>.
- Kushida, Kenji, and Seung-Youn Oh. "The Political Economies of Broadband Development in Korea and Japan." *Asian Survey* 47, no. 3 (June 1, 2007): 481–504. <https://doi.org/10.1525/as.2007.47.3.481>.

- Andreoni, Antonio, and Fiona Tregenna. "Escaping the Middle-Income Technology Trap: A Comparative Analysis of Industrial Policies in China, Brazil and South Africa." *Structural Change and Economic Dynamics* 54 (September 1, 2020): 324–40. <https://doi.org/10.1016/j.strueco.2020.05.008>.
- Rodrik, Dani. "Industrial Policy: Don't Ask Why, Ask How." *Middle East Development Journal* 1, no. 1 (January 2009): 1–29. <https://doi.org/10.1142/S1793812009000024>.
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RECOMMENDED READINGS

- Liu, Lanjian, Tian Zhang, Anne-Perrine Avrin, and Xianwen Wang. "Is China's Industrial Policy Effective? An Empirical Study of the New Energy Vehicles Industry." *Technology in Society* 63 (November 1, 2020): 101356. <https://doi.org/10.1016/j.techsoc.2020.101356>.
- Oh, Seung-Youn. "How China Outsmarts WTO Rulings in the Wind Industry." *Asian Survey* 55, no. 6 (2015): 1116–45.
- Kenderdine, Tristan. "China's Industrial Policy, Strategic Emerging Industries and Space Law." *Asia & the Pacific Policy Studies* 4, no. 2 (2017): 325–42. <https://doi.org/10.1002/app5.177>.
- Oqubay, Arkebe, Christopher Cramer, Ha-Joon Chang, and Richard Kozul-Wright, eds. *The Oxford Handbook of Industrial Policy*. 1st ed. Oxford University Press, 2020. <https://doi.org/10.1093/oxfordhb/9780198862420.001.0001>. 811-895

MODULE 3: APPROACHES TO INDUSTRIAL POLICY, IN THE PRESENT AND FUTURE

WEEK 4 CONDUCTING CONTEMPORARY INDUSTRIAL POLICY [163 PAGES]

- Bloom, Nicholas, John Van Reenen, and Heidi Williams. "A Toolkit of Policies to Promote Innovation." *Journal of Economic Perspectives* 33, no. 3 (August 1, 2019): 163–84. <https://doi.org/10.1257/jep.33.3.163>.
- Aiginger, Karl, and Susanne Sieber. "The Matrix Approach to Industrial Policy." *International Review of Applied Economics* 20, no. 5 (December 1, 2006): 573–601. <https://doi.org/10.1080/02692170601005507>.
- Becker, Bettina. "Public R&D Policies and Private R&D Investment: A Survey of the Empirical Evidence." *Journal of Economic Surveys* 29, no. 5 (2015): 917–42. <https://doi.org/10.1111/joes.12074>.
- Park, Sang-Chul. "The Fourth Industrial Revolution and Implications for Innovative Cluster Policies." *AI & Society* 33, no. 3 (August 1, 2018): 433–45. <https://doi.org/10.1007/s00146-017-0777-5>.
- Wade, Robert H. "Industrial Policy in Response to the Middle-Income Trap and the Third Wave of the Digital Revolution." *Global Policy* 7, no. 4 (2016): 469–80. <https://doi.org/10.1111/1758-5899.12364>.
- Branstetter, Lee, and Mariko Sakakibara. "Japanese Research Consortia: A Microeconomic Analysis of Industrial Policy." *The Journal of Industrial Economics* 46, no. 2 (1998): 207–33. <https://doi.org/10.1111/1467-6451.00069>.
- Hsu, Bo-Xiang, and Yi-Min Chen. "Industrial Policy, Social Capital, Human Capital, and Firm-Level Competitive Advantage." *International Entrepreneurship and Management Journal* 15, no. 3 (September 1, 2019): 883–903. <https://doi.org/10.1007/s11365-019-00584-7>.
- Williams, Heidi L. "Intellectual Property Rights and Innovation: Evidence from the Human Genome." *Journal of Political Economy*, 2013., 27.

WEEK 5 THE FUTURE OF INDUSTRIAL POLICY [146 PAGES]

- Aggarwal, Vinod K., and Simon J. Evenett. "Industrial Policy Choice during the Crisis Era." *Oxford Review of Economic Policy* 28, no. 2 (July 1, 2012): 261–83. <https://doi.org/10.1093/oxrep/grs017>.
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- Aggarwal, Vinod K., and Andrew W. Reddie. "Comparative Industrial Policy and Cybersecurity: A Framework for Analysis." *Journal of Cyber Policy* 3, no. 3 (September 2, 2018): 291–305. <https://doi.org/10.1080/23738871.2018.1553989>.
- Cheung, Tai Ming. "The Rise of China as a Cybersecurity Industrial Power: Balancing National Security, Geopolitical, and Development Priorities." *Journal of Cyber Policy* 3, no. 3 (September 2, 2018): 306–26. <https://doi.org/10.1080/23738871.2018.1556720>.
- Frieden, Rob. "The Evolving 5G Case Study in Spectrum Management and Industrial Policy." *Telecommunications Policy* 43, no. 6 (July 1, 2019): 549–62. <https://doi.org/10.1016/j.telpol.2019.04.001>.
- Holslag, Jonathan. "Goeconomics in a Globalized World: The Case of China's Export Policy." *Asia Europe Journal* 14, no. 2 (June 2016): 173–84. <https://doi.org/10.1007/s10308-015-0441-y>.
- Oh, Seung-Youn. "Fragmented Liberalisation in the Chinese Automotive Industry: The Political Logic behind Beijing Hyundai's Success in the Chinese Market." *The China Quarterly* 216 (2013): 39.
- Thurbon, Elizabeth, and Linda Weiss. "Economic Statecraft at the Frontier: Korea's Drive for Intelligent Robotics." *Review of International Political Economy* 28, no. 1 (January 2, 2021): 103–27. <https://doi.org/10.1080/09692290.2019.1655084>.
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RECOMMENDED READINGS

- Oqubay, Arkebe, Christopher Cramer, Ha-Joon Chang, and Richard Kozul-Wright, eds. *The Oxford Handbook of Industrial Policy*. 1st ed. Oxford University Press, 2020. <https://doi.org/10.1093/oxfordhb/9780198862420.001.0001>. 237-284, 369-429, 485-507