



**ROSA LUXEMBURG STIFTUNG**  
BRUSSELS OFFICE

# **TOWARD A PROGRESSIVE REJUVENATION OF INDUSTRIAL POLICY**

**CÉDRIC DURAND**

## TABLE

Introduction	3
Rejuvenation of industrial policy	4
New conditions for industrial policy	7
Progressive policies beyond the evidence of the developmental state	10
Conclusion	13
Bibliography	14

## INTRODUCTION

Delineating progressive industrial policies for our time is a very difficult task, not least because the very notions of industrial policy and progressive policy-making are elusive, changing and – partly – antagonistic notions. The papers written by Smitha Francis (Towards a Progressive Industrial Policy in Times of GVCs Global Value Chains (GVCs) and Free Trade Agreements (FTAs): An overview with a focus on India) and Lila Cabarello (Coalitions of the willing: how the state, firms and civil society can achieve development through industrialisation; on behalf of ActionAid) are very important contributions in this perspective, clarifying what it takes to embark on a progressive development path and identifying the obstacles that such strategies encounter in the context of globalisation and supranational regulatory norms concerning trade and investment.

To complement these two papers it is worth to focus on some of the challenges still pending in order to conceive progressive industrial policies in an age of globalisation's fatigue, dominated by the dynamics of knowledge-intensive activities related to the spread of digital processes and growing environmental concerns. The recent rejuvenation of industrial policy in economics and in international organisations is a significant aspect in this context. Examining the new conditions for industrial policies will finally lead to the question under which circumstances industrial policies could be progressive.

Cédric Durand, [cdurand@ehess.fr](mailto:cdurand@ehess.fr)  
November 15, 2016

## REJUVENATION OF INDUSTRIAL POLICY

In sharp contrast with the neoliberal golden age, there has been a renewed interest in industrial policies during the past decade, including among international organisations like the World Bank and the OECD, focusing mainly on developing and developed economies respectively. This rejuvenation of industrial policy (Stiglitz et al., 2013) is the product of a historical sequence which has seen the multiplication of financial crises in developing economies, poor economic and social performance in Africa and Latin America during the eighties and the nineties, deep depression in post-socialist Eastern Europe, the rapid ascent of China – framed by non-standard policies and, last but not least, the global financial crisis of 2008 with the following long recession.

### STATE INTERVENTION IS DESIRABLE AND INEVITABLY BIASED

The most basic argument opposed to traditional vertical industrial policy, one of the pillars of the Washington Consensus, is that competition unleashed by the free market is the best way to allocate economic resources. This was the rationale for structural reforms designed to liberalise domestic and international trade and financial flows implemented during the past four decades in developed and developing economies (Spilimbergo et al., 2009). In light of mounting interest in market failures related to asymmetric information and externalities among mainstream economics, the emphasis has shifted toward a more defensive argument, stressing two limitations in government's ability to design appropriate policies. The first of these is that "governments cannot pick winners", meaning that as governments are not omniscient, it is impossible for them to identify with any degree of precision and certainty the relevant firms, sectors, or markets requiring specific interventions. The second is that industrial policy is an invitation to corruption and rent-seeking, as businesses will cultivate their political connections to get access to public subsidies and preferred treatment, resulting in huge waste of resources.

According to this view, state intervention is a necessary evil, but it must not distort the competitive process. The focus has consequently shifted toward horizontal policies designed to benefit all industries through non-selective subsidies to R&D, investment in education and infrastructure. The OECD still favours these horizontal policies initially devised by the European Lisbon agenda in 2000. However, even this institution prudently recognises that *"there may be some aspect of policy where strategic choices need to be made"* (Warwick, 2013). In fact, the whole argument against state selectivity is faked. Even the more general policies dedicated at promoting R&D, education or financial market or even exchange rate policies do not evenly affect economic actors (Rodrik, 2008). Joseph Stiglitz, for example, stresses that problem very clearly:

*"The government plays a central role in shaping the economy, not only through formal industrial policies and in its expenditure and tax policies, but in writing the rules of the game – markets do not exist in a vacuum, and the way that the government structures markets inevitably affects economic structure. In that sense, every country has an industrial policy but some countries do not know it. And that opens the possibility that the structure of the economy is set, or at least greatly influenced, by special interests. Such an economy is likely to be beset by rent seeking and the resulting pervasive inefficiencies, and the economy will be characterized by lower growth and more inequality than would be the case if they were more self-consciousness in the direction of the economy.*

*Financial market deregulation illustrates: this was actually an agenda pushed by those in the financial sector to increase its size. It was an industrial policy, but one which led to lower growth and more inequality and instability."* (Stiglitz, 2015)

As summarised by Andreoni and Chang, "In a world with scarce resources, every policy choice you make, however general the policy involved may look, has discriminatory effects that amount to implicit targeting" (Andreoni and Chang, 2016). Targeting is thus inevitable, and it is here that a more specific argument is developed on where to direct resources.

## **“COMPARATIVE ADVANTAGE FOLLOWING” VERSUS “COMPARATIVE ADVANTAGE DEFYING” POLICIES IN ORDER TO FOSTER LEARNING PROCESSES**

The renewed interest in industrial policy in developing economies is well exemplified by the debate between Justin Lin, the former chief economist of the World Bank (2008-2012) and Ha Joon Chang, the renowned staunch defender of traditional industrial policy (Lin and Chang, 2009). Lin first recognises that “developing economies are ridden by market failures which cannot be ignored simply because we fear government failure.” Information externalities and coordination problems justify government subsidies to encourage innovation and policies designed to improving education, finance and legal institutions and infrastructure, which are required to climb up the industrial and technological ladder. This “facilitating state” may pick some specific sectors/regions as long as its aims are limited to supporting the private sector’s ability to exploit the country’s comparative advantage and advance organically toward better factor endowment in terms of skilled labour and capital. This, in his terms, is a “comparative advantage-following approach” distinct from Chang’s “comparative advantage-defying approach”. He is especially hostile to protection policies that distort market signals and shift resources from competitive to non-competitive sectors, but in favour of public support for sectors exploiting the current comparative advantages of a given country. Thus, by stating the importance of industrial upgrading and building technological capabilities, Lin’s position is in sharp contrast with the neoliberal common sense of the previous decades.

Chang agrees that “the more you deviate from your comparative advantage, the more you pay in order to acquire capabilities in new industries.” However, stressing the successful Korean rapid industrialisation experience, he insists that there is no other way than to defy the comparative advantages because “technological capabilities are accumulated through concrete production experiences.” These learning processes will not happen purely through market forces because they are typically long (up to several decades) and so risky that the private sector will not be able to accept such an uncertainty: strategic public intervention, including protection, is the only way to accumulate the collective knowledge that constitutes the very essence of industrial upgrading.

## **DEFYING COMPARATIVE-ADVANTAGE IN GLOBAL VALUE CHAINS (GVCS)**

As stated by Francis and Caballero, globalisation has completely transformed the conditions of possibility for industrial policies vis-à-vis the golden age of the developmental state. In the sixties and the seventies, the weight of international trade was significantly more limited relative to global output and mostly dominated by commodities or finished industrial goods. Nowadays, due to lower communication and transport costs and widespread liberalisation, intermediate inputs are widely exchanged and combined throughout diverse countries. The international fragmentation of production processes radically alters the way industrial policy can be shaped, putting the challenge of seizing the gains of international specialisation at the forefront, spreading them throughout the domestic economy and enhancing technological development processes beyond the sole points of contact with international clients.

On the supply side, the traditional “big push” argument in favour of strategic investment in capital-intensive production in order to build strategic domestic linkages appears less compelling since key intermediate inputs are easily available on the world market at competitive prices. Nonetheless, manufacturing industry is still a central locus in any strategy of economic development (Andreoni and Chang, 2016): first, it is the main source of technology-driven productivity growth and one of the cores of learning and of diffusion of more efficient productive processes; and second, due to their high tradability, manufacturing products are generally the most dynamic provider of foreign currency, a crucial element to cover imports expenses and make sustainable any developmental strategy. On the demand side, the development of GVCs is precisely providing an opportunity: it is no longer necessary to master the whole productive process of a complex industrial good in order to seize export markets. Rather, focusing on a small segment of the chain is a much easier way to participate in global trade and increase export earnings.

Unfortunately, increasing participation in global value chains often does not entail economic development. As GVCs are dramatically unevenly structured, participation in the chains could lead to some limited and localised productive upgrading without economy-wide and social upgrading. Such an *Immiserising growth* occurs when an increase in quality or quantity of output resulting from productivity gains is more than compensated by diminishing prices, resulting in lower value capture. In such cases, greater productive efficiency does not translate into greater economic gains, but rather leads to social downgrading as previous uses of resources have been disrupted by involvement in GVCs (Kaplinsky, 2000; Kaplinsky et al., 2002; Kaplinsky, 2004; Mohan, 2016). At the macro level, empirical research identifies such patterns where some form of economic upgrading related to increase in GVC participation goes without social upgrading (Carballa Smichowski et al., 2016; Milberg and Winkler, 2011).

Developmental strategies thus need to confront global firms' strategies in order to foster upgrading. This is so because, for them, "what matters strategically is control, not ownership" (Milberg and Winckler, 2013, p. 144). Northern oligopolistic firms tend, in the meantime, to externalise non-strategic activities to reduce costs and to increase barriers; it allows them to alter market structures to their advantage, which too often results in *Immiserising growth* dynamics in developing countries.

In this context, Milberg argues that a developmental strategy of Vertically-Specialised Industrialisation (VSI) requires more fine tuning than previous industrialisation strategies: VSI demands "an industrial policy focus on regulating links to the global economy – especially trade, foreign direct investment, and exchange rates – more than was the case under import-substitution industrialisation (ISI) policies, which focused on building national capabilities, but also in a different way than had been the case in the era of export-oriented industrialisation (EOI), where the focus was typically on final goods exports" (Milberg, 2013).

Indeed, such intervention is necessary because participation in GVCs neither necessarily fuels technological spillovers to the rest of the economy nor does it mechanically favour technological upgrading within the chains. For such an outcome to occur, as stated by Francis' paper, it is necessary for countries to accumulate capabilities domestically and to develop internal industrial linkages. The key requisite is an ability to capture domestic demand and to participate in regional market, in order launch learning processes while benefitting from scale opportunities and diversifying the scope of industrial activities in low-tech products. Such labour-intensive manufacturing activities could then be the receptacle where the learning gains from participating in global production of more complex goods can spill over. It is only when such a receptacle exists that fiscal policies and regulatory intervention supporting the emerging technological systems will be effective to defy comparative advantage and to foster nationwide industrial upgrading (Andreoni, 2016).

One key issue stressed both by Caballero and Francis' is that international trade and investment agreements have dramatically reduced the room for manoeuvre in deploying such a policy tool kit. Circumventing and resisting these agreements is thus necessary for any meaningful developmental strategy.

The current rejuvenation of industrial policy is good news because it signals the intellectual retreat of market fundamentalism, which follows its practical failure. There is now a wide range of positions favourable to expanding industrial policies, from comparative advantage- following to comparative advantage-defying approaches, along with an ongoing effort to redefine the industrial policy toolkit within global value chains.

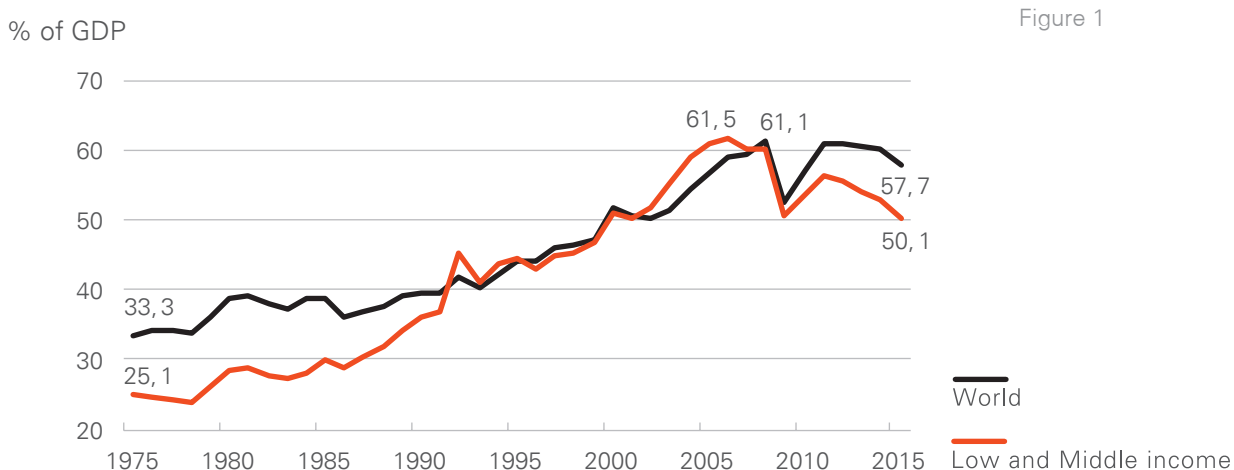
## NEW CONDITIONS FOR INDUSTRIAL POLICY

To what extent the rediscovery of industrial policy by institutions of global capitalism is symptomatic of a systemic turning point remains to be seen. In the meantime, the achievements of the rejuvenation of industrial policy discussion need to be evaluated in the light of three emerging trends in the global Economy: globalisation's fatigue, the rise of digitalisation and environmental stakes.

### GLOBALISATION'S FATIGUE

A first bifurcation concerns trade. Global trade expansion gained momentum in the 1990s, when a 1% increase in GDP combined with a trade growth of nearly 3% (Escaith and Miroudot, 2015) and continued through 2008. Since that point, globalisation seems to have lost its momentum. Trade exchanges are decreasing, going from 61.1% of world GDP in 2008 to 57.7% in 2015. The dynamics is even worse for developing countries, with a decline from 61.5% in 2007 to 50.1% in 2015 (Figure 1). Scholars have started to investigate the structural character of this turnaround (Constantinescu et al., 2015; Hoekman, 2015) and, more specifically, the potential exhaustion of the gains related to the fragmentation of production processes in global value chains (Gereffi, 2014). It should be stressed that even if the liberalisation of exchanges has been curbed, there has been no generalised return to protectionist policies as in the 1930s. A qualitative process is thus at stake here, with huge implications for developmental strategies, as exports opportunities become less promising.

### TRADE AS % OF GDP IN THE WORLD AND IN DEVELOPING COUNTRIES



### DIGITAL ECONOMY AND AUTOMATION

A second bifurcation concerns the economic transformations associated with the properties of digital technology. Innovations in the field of information and communication technology, which took off during the last quarter of the twentieth century, have now come of age, resulting in the hegemony of the immaterial over processes of valorisation. This new production paradigm, which is both technological and social, shakes up the salary relation, with intensified labour on the one hand, and with new forms of labour tied to digital occupations and conceptualised under the rubric of "digital labour" (Cardon and Casilli, 2015; Fuchs, 2014) on the other. But it also entails new prospects for automation of manufacturing activities (Brynjolfsson and McAfee, 2014; Ford, 2015), potentially reducing the gains associated with production offshoring in low-wage countries, which can contribute in turn to lower manufacturing export opportunities in the global south. Moreover, automation is also gaining momentum in the south, particularly in China, with possible negative influences for jobs.<sup>1</sup>

1 "China's Robot Revolution," Financial Times, June 6, 2016: <https://www.ft.com/content/1dbd8c60-0cc6-11e6-ad80-67655613c2d6>

This new paradigm alters the competition regime. As production and control of knowledge becomes the main locus for the valorisation process, the tendency for monopolisation emerges, which can hinder the distribution of technologies and innovation and, therefore, limit investment and economic growth (Pagano, 2014, Pagano and Rossi, 2009). The thesis advanced by Paul Baran and Paul Sweezy (Baran and Sweezy, 1966) linking monopolisation and stagnation could thus find some current relevance: the properties of the privatised knowledge economy in the digital age exacerbate the diagnosis of an ongoing process of monopolisation and its damaging effects on accumulation.<sup>2</sup> It is especially relevant to developmental strategies as accessing technological know-how becomes more difficult due to the expansion of immaterial property rights. Faced with the enclosures linked to the ideology of private property and, especially, to the extension of patent law to new spheres, scholars have highlighted a return to the commons, fostering collective forms of valorisation sometimes located outside of market relations (Coriat, 2015). This field is currently explored by the *Agence Française du Développement* as an emerging program<sup>3</sup> and should be of central interest for progressive developmental strategies.

### ENVIRONMENTAL STAKES

The third dimension concerns the environment. Awareness of both local and global ecological deterioration, of its immediate and future cost, has meant that nature has become a *battlefield* (Keucheyan, 2016), i.e., an increasingly central space of social, economic and geopolitical conflict. Ecological costs have long been identified as a source of crisis or a limit to capitalist accumulation (Georgescu-Roegen, 1976; O'Connor, 1988). The increasing centrality of the environmental issue involves the implementation of new institutional apparatuses that will have a transversal impact on economic activity. It is also especially relevant for developmental strategies because the interrogation of their environmental sustainability and population health could not be any more ignored, nor the uneven distribution of ecological costs in international exchanges (Hornborg et al., 2007). Moreover, ecological strategy itself becomes a key dimension of global projection of emerging power, particularly in the case of China, a leading producer of renewable energy machinery and involved in ambitious infrastructure projects throughout the developing world (Aglietta and Bai, 2016)

These new conditions for industrial policies indicate that developmental strategies have to shift in new directions. First, domestic/regional dynamics must gain prominence relative to export prospects to mature markets. Second, the ability to control and to gain access to knowledge – including data mines – and to protect local knowledge should be a priority, with a political battle ahead to soften private intellectual property rights. Third, environmental sustainability in terms of preservation of resources – including energy efficiency and biodiversity – and healthy conditions should be included at each and every level of developmental policies.

---

2 Although this phenomenon has not yet been the subject of systemic studies, the issue was raised in the media by The Economist in March 2016 ( <http://www.economist.com/news/leaders/21695392-big-firms-united-states-have-never-had-it-so-good-time-more-competition-problem> ) and re-examined shortly afterwards in various articles by Lawrence Summers.

3 <http://www.afd.fr/home/recherche/programmes-recherche-afd/communs>



## PROGRESSIVE POLICIES BEYOND THE EVIDENCE OF THE DEVELOPMENTAL STATE

Amsden rightly argued that “the general properties of an industrialisation process based on learning, or borrowing, technology are entirely different from those of an industrialisation process based on the generation of new products or processes—the hallmark of the First and Second Industrial Revolutions” (Amsden, 1990). And the whole rationale of industrial policy in the developing world is related to *making the prices wrong* in order to be able to learn from the front-running countries without being crushed by their dominance. However, to what extent such a policy is progressive is not crystal clear. In light of past experiments, progressive industrial policy can ever be seen as an oxymoron. Industrial development more often than not went hand-in-hand with industrial diseases: industrial waste and pollution spoils the environment, proletarianisation goes hand-in-hand with denial of basic human rights, and mass consumption tends to destroy local cultures and propagate anaemic socialisation of market-minded individuals.

Consequently, it is true but insufficient to state that progressive policies aim “to counter the destructive features of the market and to promote equality as well as efficiency in ways that markets alone are unlikely to accomplish” (Baker et al., 1998, p. 4). To be progressive, developmental policies must be able to protect labour rights and democracy as well as discipline capital, but also must be able to delineate a developmental path qualitatively different from western consumerism.

### REINTEGRATING LABOUR IN DEVELOPMENTAL PROCESSES

The Korean state of the sixties and seventies was the paragon of the developmental state and is still a vivid example of how industrial policy can succeed in developing countries. However, it is necessary to recall that it was abruptly biased against labour and that this anti-labour bias was a key reason for its success in terms of ability to mobilise capitalist classes along a developmental project. As stated by Hagen Koo, very poor and demanding working conditions – typically 12 hours of work a day in labour-intensive industries in the seventies – were aggravated by despotic authority relations. The Korean developmental state did not rely on a sophisticated corporatist system, but was based on crude repression by the state that went along with an exclusive emphasis on the pursuit of growth objectives:

*“Throughout the 1970s and 1980s, the South Korean government approached industrial relations with a blatantly pro-capital and anti-labor attitude. Whereas workers’ pleas for government protection against labor abuses were commonly ignored, employers’ requests for intervention to block unionization efforts received a willing response. (...) The South Korean government was primarily interested in keeping workers unorganized and controlling them through security forces rather [than] through labor branches of government” (Koo, 2001).*

Beyond the Korean case, in most “developmental state” literature, strict state management of labour is largely perceived as a key component of successful industrialisation, implicitly legitimising social brutality for the sake of industrialisation (Campling et al., 2016). In contemporary value chain management, labour control is also a key issue because global buyers want to keep their costs low and avoid supply chain disruption by labour unrest (Anner, 2015).

In fact, labour mobilisation is in many cases a condition to the realisation of developmental goals. Many of the achievements of the Korean development trajectory only return to labour in the aftermath of a formidable wave of worker mobilisation in the late seventies and the eighties. This point is crucial. It has been forcefully argued by Benjamin Selwyn with his concept of *“Labour-Centred Development”* (Selwyn, 2014). Drawing on an extended discussion of the development literature and on a field study in the Brazilian horticulture, he demonstrates that labour militancy plays a positive role on development: labour organisation and mobilisation constrains capital to curb its own preferences and to make concessions that translate into a more productive labour force, higher value-added capture in global value chains and a larger domestic market while, in the absence of labour mobilisation, countries/regions can be trapped in a “low road” to international competitiveness (Milberg and Houston, 2005).

Labour mobilisation does not just matter at the point of production to foster higher social standards. It is also relevant at the macro political level to create the political conditions for successful developmental strategies. At the beginning of the 2000s, Vivek Chibber warned newly elected left governments in Latin America against “the myth of the national bourgeoisie” in their attempt to revive the developmental state. He points out that, although national capitalists are enthusiastic with protection and subsidies that the state may provide them, they are much more reluctant to comply with government investment planning. Drawing on the historical experiences of import substitution industrialisation (ISI) in India, Turkey and Brazil in the twentieth century, he explains:

*“Whereas planners saw ISI and industrial policy as two sides of the same coin, for capitalists, ISI generated an incentive to reject the discipline of industrial policy. Those institutions intended to further the subsidization process were supported by capital; but dimensions of state-building aimed at enabling planners to monitor and regulate firms’ investment decisions were stoutly resisted. [...To industrialists] ‘planning meant the socialization of risk, while leaving the private appropriation of profit intact.’” (Chibber, 2005, p. 233)*

Of course, the era of developmentalism has delivered much more than the neoliberal years to the developing world over the decades, in particular in terms of productivity and GDP growth (Amsden, 2007, chap. 5; Rodrik, 2008), but its dismantlement is related to an original flaw that contemporary thinking on progressive industrial policy must keep in mind. Local capitalists were eager to benefit from state subsidies and protection, but were not interested in risking their capital in competitive export markets for higher value added products. Although government planners identified the necessity to promote exports to balance development, their inability to discipline national capitalists was one of the main reasons why developmentalism was finally abandoned. In the absence of sufficient exports earnings to fund the modernisation of productive structures, rising state subsidies and imports costs lead to growing fiscal and external imbalances, which finally exploded with the debt crisis in the eighties.

If national capitalists were able to resist bureaucrats’ plans, it is in large part because of the absence of countervailing force due to limited labour mobilisation and corporatist integration of unions in state structures. In fact, state managers acted deliberately to demobilise labour in order to gain the confidence of capitalist classes and because they were convinced of the national bourgeoisie commitment to the developmental project. The labour movement itself was in large part on the same page, which resulted in its structural enfeeblement and, later on, in its inability to resist the neoliberal counter movement.<sup>4</sup>

---

4 According to Chibber, the dynamic was different in the case of Korea, where capitalists were from the very beginning disciplined by the external orientation of industrialization and more keen to comply with supportive bureaucrats. However, even in this case, the national bourgeoisie abandoned developmental plans to endorse neoliberal precepts as soon as it was sufficiently strong for that, while, on the contrary, labour movement autonomy was a decisive ingredient in the achievement of some developmental social outcomes (Chibber, 1999, 2005).

In sum, “The last time political elites and subaltern classes looked to the national bourgeoisie for spearheading a development project they got something less than they wanted, and much less than they deserved. If left to its devices, there is no reason to think capital will react differently on another occasion” (Chibber, 2005, p. 245). If his reasoning is right, any progressive developmental strategies must thus include a specific reflection concerning the gathering of social forces able to constrain national capitalists to comply with developmental goals.

From the point of production to the macro political level, industrial policy could thus only be progressive as long as it allows and contributes to labour empowerment. At the end of the day, only labour autonomy guarantees the effective improvement of social standards and the pursuit of developmental goals.

### **LEAP-FROGGING BEYOND WESTERN CONSUMERISM**

Development is fundamentally about structural change. It is a matter of producing new goods and services, using new technologies, transferring production factors from traditional activities to modern ones, developing new capabilities and so on. However, an important strand of literature has questioned the sociocultural content of this presumably positive qualitative change (Escobar, 1995; Marglin and Marglin, 1990; Rist, 1996). In brief, development is sometimes considered to be a Eurocentric anthropological project, imposed through colonisation and neo-colonisation at the expense of other cultures.

Harvard Professor and radical economist Stephen Marglin, for example, rejects a Lewis-type justification of development, namely that “economic growth... gives man control over his environment, and thereby, increases his freedom”. Drawing on Sen’s argument that the expansion of choices may be desirable for intrinsic and instrumental reasons (Sen, 1987, 1999), Marglin shows that “the argument that growth expands choices fails to take adequate account of the many reasons why growth eliminates some choices at the same time as it adds others” (1990, p. 7). Pointing out the destruction of traditional knowledge and solidarity by the modernisation path, he insists that “the Western model of development, notwithstanding its considerable economic successes, has yet to produce an acceptable model for relationships between people or with nature”. In the face of major social, ecological and economic crises ahead, he considers that “it is in our own self-interest as well as the global interest to promote cultural diversity (...) may be the key to the survival of the human species” (p. 16).

In addition to the emphasis on ecological destruction, the cultural dimension explored by post-development is influential among social movements in both Northern and Southern countries (Martínez-Alier et al., 2010). It raises some very important questions for progressive industrial policies in developing countries at an historical moment, as it becomes clear that the western way of life is not generalizable to the whole planet nor necessarily desirable. The Cultural dimension is arguably the new frontier of industrial policy and should be integrated in progressive developmental thinking along with social and environmental issues. From a progressive point of view, industrial technological catching-up should go along with demand-side leap-frogging beyond western consumerism in order to promote and reinforce, but also transform in a creative way, idiosyncratic consumption practices.<sup>5</sup>

---

5 This issue of the possibility of cultural leap-frogging in development is an old political issue on the left, from Marx’s famous assessment “that the commune is the fulcrum for social regeneration in Russia” in his letter to Vera Zasulich (Marx, 1983,) to the debate surrounding the concept of “sumak kawsay/vivir bien” (good living), which has been popularised by Andean indigenous movements and has been inscribed in Ecuador’s new 2008 Constitution, as well as in Bolivia’s 2009 Constitution (Tortosa, 2011).

Preservation of cultural diversity and/or singularity is already an issue in international trade and investment agreements (for example, with the protection of geographical labels and with the French cultural exception concerning cultural production). It should probably gain momentum as a way for progressive forces to disconnect technological diffusion from cultural homogenisation and increase economic space for the expression of collective preferences in human communities. What is at stake here is not limited to the preservation of cultural diversity, but also concerns the inequality bias of capital-intensive development. Policies intended to support growth through private investment in capital-intensive industrial development tend to raise wealth and income inequalities (Minsky, 1993), while capital-intensive industrialisation in developing countries has been proven to be gender-biased against women (Kucera and Milberg, 2007).

## CONCLUSION

The contemporary and vivid discussion on industrial policy reflects the demise of Washington Consensus market fundamentalism. There is a growing agreement on the idea that state industrial policies are necessary to overcome market failures and that they reflect selective preferences that must be consistent with chosen strategic goals. This is a welcome shift in mainstream economic discussion to the extent that it allows re-legitimisation of state industrial policy intervention as a way to express and implement collective preferences in terms of development trajectories.

One important issue concerns the ability of national political apparatuses to design adequate policies in an era of international fragmentation of productive processes. Although developmental thinking in the Global Value Chains context has brought some important insights on this issue, which is also reflected in Action Aid and Francis' papers, it is crucial to be aware of rapidly changing conditions. What used to be relevant as a criticism of neoliberal recommendations is not necessarily sufficient in a new context characterised by declining trade flows, the rise of digitalisation and the centrality of the environment. The rejuvenation of industrial policy thus needs to be adequately designed to address these new conditions and seize new opportunities.

From a progressive point of view, this rejuvenation of industrial policy faces two additional – although related – challenges. The first is the necessity of avoiding technocratic fetishism in industrial policy design and to favour labour involvement at various levels, from the point of production to the macro political balances. Indeed, even the best policies on paper will fail from a progressive point of view if labour autonomy is not sufficiently developed to pressure capital and gains, increasing equality and improving living and working conditions. Second, the cultural dimension of industrial policy should gain prominence. The problem of progressive industrial policy is not limited to economic efficiency and capabilities, but also concerns a qualitative transformation of consumption patterns and modalities of production. This includes a greater emphasis on the expression of collective preferences against market consumerism, in order to redefine wealth and developmental objectives beyond reductionist monetary values.

## BIBLIOGRAPHY

- Aglietta, M., Bai, G., 2016. China's 13th Five-Year Plan. In Pursuit of a "Moderately Prosperous Society." CEPII Policy Brief.
- Amsden, A.H., 2007. *Escape from empire: the developing world's journey through heaven and hell*. MIT Press, Cambridge, Mass.
- Amsden, A.H., 1990. Third World Industrialization: "Global Fordism" or a New Model? *New Left Rev.* 5.
- Andreoni, A., 2016. "Strategies for emerging technologies and strategic sectors".
- Andreoni, A., Chang, H.-J., 2016. Industrial policy and the future of manufacturing. *Econ. E Polit. Ind.* 1–12.
- Anner, M., 2015. Labor control regimes and worker resistance in global supply chains. *Labor Hist.* 56, 292–307.
- Baker, D., Epstein, G., Pollin, R., 1998. *Globalization and progressive economic policy*. Cambridge University Press.
- Brynjolfsson, E., McAfee, A., 2014. *The second machine age: work, progress, and prosperity in a time of brilliant technologies*, First Edition. ed. W. W. Norton & Company, New York.
- Campling, L., Miyamura, S., Pattenden, J., Selwyn, B., 2016. Class dynamics of development: a methodological note. *Third World Q.* 37, 1745–1767.
- Carballa Smichowski, B., Durand, C., Knauss, S., 2016. Uneven development patterns in global value chains.
- Chibber, V., 2005. Reviving the Developmental State? The Myth of the "National Bourgeoisie". *Social. Regist.* 41.
- Chibber, V., 1999. Building a Developmental State: the Korean case reconsidered. *Polit. Soc.* 27, 309–346.
- Constantinescu, C., Mattoo, A., Ruta, M., 2015. The global trade slowdown: cyclical or structural?
- Coriat, B., 2015. "Le retour des communs: & la crise de l'idéologie propriétaire". Éditions Les Liens qui libèrent.
- Durand, C., Lege, P., 2014. Over-accumulation, Rising Costs and "Unproductive" Labor: The Relevance of the Classic Stationary State Issue for Developed Countries. *Rev. Radic. Polit. Econ.* 46, 35–53. doi:10.1177/0486613413488066
- Escobar, A., 1995. *Encountering Development: The Making and Unmaking of the Third World*, Princeton Studies in Culture/Power/History. Princeton University Press.
- Ford, M., 2015. *Rise of the robots: technology and the threat of a jobless future*.
- Hoekman, B.M., 2015. The global trade slowdown: a new normal?
- Hornborg, A., McNeill, J.R., Alier, J.M., 2007. *Rethinking environmental history: world-system history and global environmental change*. Rowman Altamira.
- Kaplinsky, R., 2004. IMMISERISING GROWTH – Note #2.
- Kaplinsky, R., 2000. Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis? *J. Dev. Stud.* 37, 117–146. doi:10.1080/713600071
- Kaplinsky, R., Morris, M., Readman, J., 2002. The Globalization of Product Markets and Immiserizing Growth: Lessons From the South African Furniture Industry. *World Dev.* 30, 1159–1177. doi:10.1016/S0305-750X(02)00029-3
- Keucheyan, R., 2016. *Nature is a Battlefield: Towards a Political Ecology*. John Wiley & Sons.
- Koo, H., 2001. *Korean workers: The culture and politics of class formation*. Cornell University Press.

- Kucera, D., Milberg, W., 2007. 10 Gender segregation and gender bias in manufacturing trade expansion. *Fem. Econ. Trade* 5, 185.
- Lin, J., Chang, H., 2009. Should Industrial Policy in developing countries conform to comparative advantage or defy it? A debate between Justin Lin and Ha-Joon Chang. *Dev. Policy Rev.* 27, 483–502.
- Marglin, F.A., Marglin, S.A., 1990. *Dominating Knowledge: Development, Culture, and Resistance*, Studies in development economics. Clarendon Press.
- Martínez-Alier, J., Pascual, U., Vivien, F.-D., Zaccai, E., 2010. Sustainable de-growth: Mapping the context, criticisms and future prospects of an emergent paradigm. *Ecol. Econ.* 69, 1741–1747.
- Marx, K., 1983. Reply to Vera Zasulich. *Late Marx Russ. Road Mon. Rev. Press* N. Y.
- Milberg, W., 2013. Industrial policy when global value chains matter. *Dep. Econ. New Sch. Soc. Res. Present. UNCTAD Work. Group*.
- Milberg, W., Houston, E., 2005. The high road and the low road to international competitiveness: Extending the neo-Schumpeterian trade model beyond technology. *Int. Rev. Appl. Econ.* 19, 137–162. doi:10.1080/02692170500031646
- Milberg, W., Winkler, D., 2011. Economic and social upgrading in global production networks: Problems of theory and measurement. *Int. Labour Rev.* 150, 341–365. doi:10.1111/j.1564-913X.2011.00120.x
- Milberg, W.S., Winckler, D., 2013. *Outsourcing economics: global value chains in capitalist development*. Cambridge University Press, Cambridge; New York.
- Minsky, H.P., 1993. The financial instability hypothesis, in: *The Elgar Companion To Radical Political Economy*. Edward Elgar, Cheltenham, U.K.; Northampton, Mass., pp. 153–157.
- Mohan, S., 2016. Institutional Change in Value Chains: Evidence from Tea in Nepal. *World Dev.* 78, 52–65. doi:10.1016/j.worlddev.2015.10.004
- Rist, G., 1996. *Le développement: histoire d'une croyance occidentale*. Presses de la Fondation nationale des sciences politiques Paris.
- Rodrik, D., 2008. *Normalizing industrial policy*, The International Bank for Reconstruction and Development / The World Bank. ed.
- Selwyn, B., 2014. *The global development crisis*. John Wiley & Sons.
- Sen, A., 1999. *Development as Freedom*. Oxford University Press, USA.
- Sen, A., 1987. The standard of living: lecture I, concepts and critiques. *Stand. Living* 1–19.
- Spilimbergo, M.A., Prati, M.A., Ostry, M.J.D., 2009. Structural reforms and economic performance in advanced and developing countries. International Monetary Fund.
- Stiglitz, J.E., 2015. *Industrial policy, learning, and development*.
- Stiglitz, J.E., Lin, J.Y., Monga, C., 2013. Introduction: the rejuvenation of industrial policy, in: *The Industrial Policy Revolution I*. Springer, pp. 1–15.
- Tortosa, J.M., 2011. *Sumak kawsay, suma qamaña, buen vivir*.
- Warwick, K., 2013. *Beyond industrial policy*.

**Cédric Durand** teaches Economics and Development Theories at the University of Paris 13 and the EHESS. Working within the tradition of Marxist and French Regulationist political economy, he is the author of several articles on the euro-crisis, the financialization-globalization nexus and the post-Soviet transformation.

Rosa-Luxemburg-Stiftung,  
Brussels Office 11 Avenue Michel-Ange 1000 Brussels, Belgium  
[www.rosalux.eu](http://www.rosalux.eu)

Legally responsible person  
Dr Martin Schirdewan  
Brussels, May 2017

Author  
Cédric Durand

Editing  
Eurideas

Design & illustration  
Mélodie Heddrich

Production  
HDMH sprl

Funded by the German Federal Ministry for Economic Cooperation  
and Development.

**WWW.ROSALUX.EU**