

Book review

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INDUSTRIAL POLICY AND DEVELOPMENT: THE POLITICAL ECONOMY OF CAPABILITIES ACCUMULATION

Cimoli, M., Dosi, D., & Stiglitz, J. (Eds.). (2009). New York, NY: Oxford University Press.
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In the monograph called *Industrial Policy and Development: The Political Economy of Capabilities Accumulation* very complex issues related to relevant policies influencing sustainable economic development are analyzed. Primarily, that refers to the industrial policy together with comprehensive and deeper researches of the relations between the industrial and economic policies, with an emphasis on the fundamental factors of the economic development process and the significance of the accumulation of competitive capabilities. The contents of the Monograph consist of 20 papers written by 27 distinguished economists, researchers and practitioners from within the fields of the economic and industrial policies and economic development, including a Nobel Prize winner, Joseph Stiglitz, who is also one of the copy editors.

Apart from the introductory paper, the contents of the Monograph are structured in four well-proportioned sections which analyze the problems of the industrial policy from the theoretical and practical aspects. The theoretical approach encompasses the broad defining, systematic classification as well as mutual relation between the industrial policy and other economic

policies. In an applicative sense, for the most part the Monograph presents an analysis of national and regional experiences as well as a comparative analysis of the models of the industrial policy.

In the introductory paper *The Past and Future Policies of Industrial Development* (Chapter 1), the authors (Cimoli, M., Dosi, G., Stiglitz, J.) decide on the Monograph's goal, which relates to the analysis of the significance of the proactive industrial policy for economic development. It is highlighted that, the failure of the "Washington Consensus" has led to paying respect to the attitude of the necessity of the implementation of other regulatory mechanisms as well, apart from the market one. Facing the consequences of the global economic crisis has reinforced the attitude of the significance of creating and conducting the active industrial policy and institutional engineering.

In the section called *General Introduction* (Chapters 2 and 3, Cimoli, M., Dosi, G., Nelson, R., Stiglitz, J., Castaldi, C., Correa, N.), the authors indicate that institutions and the industrial policy are a sort of drivers of the development process, and at the same time technological and economic development are referred to in the context of the capability of the accumulation of knowledge, technologies and competitive capabilities. It is clearly emphasized that globalization has not led

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to the international economic convergence, nor does trade liberalization lead to a greater accumulation of knowledge and innovations, and that the industrial policy is faced with the limitations of the current WTO regime.

The problems dealt with in the second section (Chapters 4-7), called *The Industrial Policies in a Historical Perspective* (Reinert, S., Di Maio, M., Akyüz, Y., Peres, W.), the authors indicate that it is necessary that the state and the industrial policy should play an active role in the realization of comparative and competitive advantages. This section of the Monograph is dedicated to the principles, historical development and perspectives of the industrial policy, the analysis of the influence of the WTO on international trade and the technological progress of developing countries.

In the most elaborated section of the Monograph (Chapters 8-19), called *National and Regional Experiences* (Palma, G., Ramos, A., Castro, B., Singh, A., Dahlman J., Khan, H., Blankenburg, S., Mazzoleni, R., Nelson, R., Amsden, A., Mayer, C., Possas, M., Borges, H., Hobday, M., Perini, F., Cimoli, M., Coriat, B., Primi, A.), the authors present a larger number of empirical researches, comparative case studies, as well as a series of important rules for the creation of the industrial policy. Arguments are used to prove the important role of the industrial policy in the economic development of highly developed countries, and some examples from practical work are mentioned where the industrial policy stimulated and speeded up countries' economic growth and development. The results of the application of different models of industrialization in highly and newly-industrialized countries are empirically analyzed. One part of the analysis deals with the adaptability of the industrial policy to changes in the global economy and the flexibility and efficiency of different institutions in its implementation in Asia's countries. Among other things, different forms and possibilities of and impacts of the modern industrial policy and public policies on the economic development of Asia's and Latin America's developing countries are analytically observed. From the aspect of the national experiences of sustainable development, the role of knowledge, researches and innovations in a quick growth of China's, Brazil's and India's exports is specially analyzed. An important part of the research

in the papers is the relation between industrial development, on the one hand, and entrepreneurship, the policy of competition and the policy of the protection of intellectual property, on the other.

In the conclusive section called *The Future of the Industrial Policy in the New Millennium – Knowledge-oriented Development* (Chapter 20), appreciating different arguments, the consulting editors (Cimoli, M., Dosi, G., Stiglitz, J.) implicitly indicate the necessity of the coherence of the industrial policy the concept of sustainable development as an alternative to the unsuccessful "Washington Consensus". They implicitly indicate that the perspectives of the future industrial policy are in improving knowledge as the factor of "a directed development program".

For a longer time period, except for certain ones, numerous developing countries accepted the attitude that the industrial policy was responsible for inefficient and poor economic growth. However, observed through the historical development and empirical analysis of highly developed economics, the Monograph implicitly imposes a conclusion that the industrial policy had a significant place in their dynamic economic development. The emphasis was rather put on discussions if countries should have an industry policy or not, rather than on the key conceptual issues related to what type of industrial policy should be applied.

By analyzing current and relevant problems, the Monograph *Industrial Policy and Development: The Political Economy of Capabilities Accumulation* importantly contributes to the enrichment of economic literature. Among other things, its value also lies in that, in the time period of postindustrial development, the monograph again draws attention to the significance of the industrial policy for the successful accomplishment of developmental, economic and social goals. The Monograph clearly indicates the essence and significance of the contemporary industrial policy, its range, advantages and limitations in practice as well as the developmental role of the state and non-market institutions.

In a certain manner, not decreasing its contribution to economic theory and practice, the Monograph can be said to be unilateral to a certain extent, revealed in

the superficial consideration of the fact that developing countries are a rather heterogenic group. Also, the monograph is deprived of experiences related to the application of the industrial policy in European transition economies as well as in Africa's countries.

Finally, it can be assessed that the concept of the industrial policy, considered and presented in the Monograph, represents one of important pillars for overall economic development. It has broader frameworks, macro- and microeconomic strategic actions of the state and actions on the offer and demand side, through a series of horizontal and

vertical management mechanisms. This Monograph, being what it is, together with the conceptual solutions presented and proposed in it, could be useful and helpful to industrial policy-makers and creators of the policy of the development of Serbia's economy. Practically, it clearly demonstrates (1) what place should be given to the active industrial policy; (2) what the role of the policy as a driver and progress-maker and the bearer of sustainable economic development is; (3) what the world experiences in making its concept and implementing it are, and (4) that, apart from the industrial sector, it encompasses the development of other sectors and activities as well.

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