

[Hinweis: Ich schreibe diesen Abstract nur deshalb auf Englisch, weil das auch die Sprache meines Papers sein wird. Präsentieren könnte ich auf Deutsch wie auch auf Englisch.]

## Obstacles to peripheral industrial policy: dependency, power, and agency.

Since the dawn of capitalism, the structural transformation of an economy through industrialization has by many been considered an indispensable prerequisite for achieving high standards of living (Whitfield et al. 2015: 3f.). However, history has proven that capitalist industrialization does not usually happen spontaneously (as some free-market apologists may have us believe) and that relying on one's comparative advantage, i.e., only on the products that are most efficiently produced, does not lead to transformation but to stagnation. Instead, what is needed is direct and large-scale state intervention in the economy, or in other words: industrial policy (Chang 2002). Interventionist industrial policy like this is thus "based on targeted strategies which support specific activities, sectors or technologies while discriminating others" (Eder et al. 2018: 8). Starting from an economy that is founded on agriculture and commodity exports (as well as, at best, low-complexity and low-wage manufacturing), as is the case in many peripheral countries, the point of industrial policy then is to promote the development of the productive sector and thus to kickstart wider processes of economic transformation.

After being discredited by the proponents of the Washington consensus and 'structural adjustment', interventionist industrial policy has in recent years seen a sort of renaissance in development economics. In fact, today even the World Bank admits that most of recent poverty alleviation must be attributed to targeted industrial policy, primarily in China. Accounting for more than three quarters of global poverty reduction, almost 800 million people have been lifted out of poverty in China over the last four decades (World Bank 2022). It has to be noted though that – besides this number likely being inflated for ideological reasons – the threshold for poverty lies was set at \$1.90 a day which, realistically, is not enough to not be poor. Still, the achievements of economic transformation are manifold and impressive. The People's Republic is also not the only example of effective industrialized but rather the latest addition to the ranks of the East Asian 'tigers' (South Korea, Taiwan, Hong Kong, and Singapore), which have successfully implemented industrial policy throughout the second half of the 20<sup>th</sup> century.

However, while industrial policy is no longer a taboo word in international development, there are still little signs of structural change throughout the rest of the developing world. Poverty and extreme inequality remain rampant. The central question of my research is thus: why is transformation not happening; or in other words: what are today's main obstacles to industrialization and industrial policy in the global periphery? Broadly based on a historical

materialist view of society, i.e., one that takes power and class relations seriously and which remains critical of capitalist development, I want to specifically approach this topic from a dependency perspective. Kvangraven (2020) describes dependency theory as a research programme (similar to a paradigm) which is characterized by four essential traits: a) a global historical approach to analysis; b) an attention to the fact that capitalist development tends to be polarizing; c) a focus on structures of production and how these affect the prospects of transformation; and d) a view of the specific constraints that peripheral economies face in the global economic system (ibid.: 81). Based on this framework, I ask about the degree of agency a developmental state possesses in altering its position in the world economy today. I want to show how the policy space of peripheral states for industrialization is impaired upon by, among other things, global governance structures (e.g., WTO rules, bilateral investment treaties, aid conditionalities, etc.), economic tendencies and world market conditions (e.g., the restructuring of manufacturing in global production networks and network-specific constraints such as heavy price competition or the so-called supplier squeeze), and political forces both domestic and transnational (e.g., fractions of capital or class alliances).

This paper will be the theoretical foundation for my master's thesis in which I plan on focussing on the case of Ethiopian industrial policy and its specific prospects and constraints.

### References:

- Chang, Ha-Joon (2002): *Kicking away the ladder: Development Strategy in Historical Perspective*. London: Anthem Press
- Eder, Julia / Schneider, Etienne / Kulke, Roland / König, Claus-Dieter (2018): From Mainstream to Progressive Industrial Policy. *Journal für Entwicklungspolitik* XXXIV 3/4-2018, 4-14
- Kvangraven, Ingrid Harvold (2020): Beyond the Stereotype: Restating the Relevance of the Dependency Research Programme. *Development and Change* 52(1), 76-112
- Whitfield, Lindsay / Therkildsen, Ole / Buur, Lars / Kjær, Anne Mette (2015): *The Politics of African Industrial Policy A Comparative Perspective*. Cambridge University Press.
- World Bank (2022): *Lifting 800 Million People Out of Poverty – New Report Looks at Lessons from China's Experience*. April 1<sup>st</sup>, 2022, <https://www.worldbank.org/en/news/press-release/2022/04/01/lifting-800-million-people-out-of-poverty-new-report-looks-at-lessons-from-china-s-experience> (05.05.2022)