Contents

List of figures, tables and boxes vii
Foreword Dirk Messner viii
Acknowledgements x
List of abbreviations xi

1 Why this book? 1

2 Societal goals ruling markets 7
  2.1 Externalities: a red herring? 7
  2.2 Economics and ethics 12
  2.3 The reality of multiple societal goals: sustainable development and industrial policy 14

3 Industrial policy for social inclusion 17
  3.1 Rising inequality as a global concern 17
  3.2 Inclusion via promoting small and medium enterprises and labour-intensive production 19
  3.3 Inclusion via spatial redistribution 22

4 Industrial policy for a green transformation 28
  4.1 Scope and limitations of market-based policy approaches 29
  4.2 Policy direction through guided structural change 31
  4.3 High uncertainty and long time horizons 34
  4.4 Dealing with stranded assets 36

5 Governance and governments: balancing market and state failure 38
  5.1 How much intervention? 38
  5.2 From pretty ideals to ugly realities: the politics of industrial policy 45
  5.3 Policy capabilities required 51
  5.4 Principles of smart industrial policy 53
6 What is special about industrial policy in developing countries? 63
  6.1 Why and how context matters 64
  6.2 Economic development under latecomer conditions 65
  6.3 The need to kick-start development 72
  6.4 The context of persistent poverty 77
  6.5 Green transformation from a developing country perspective 84
  6.6 Industrial policy in limited access orders 90
  6.7 Strong role of external policy factors 98

7 Selected developing country case studies 107
  7.1 Ethiopia: kick-starting structural change in an agrarian society 108
  7.2 Mozambique: persistence of elite deals 117
  7.3 Namibia: good governance is not enough 125
  7.4 Tunisia: structural change under authoritarian rule 133
  7.5 Vietnam: escaping the middle-income trap? 142

8 Comparative insights into success and failure 153
  8.1 Mixed performance 153
  8.2 Fragmentation of business 155
  8.3 Government and the private sector: partners in development? 157
  8.4 National projects of industrial transformation and selective policies 162
  8.5 Green growth and climate change: not yet mainstreamed 164
  8.6 Planning vs searching 166
  8.7 Ensuring effective policy implementation 168

9 Rethinking industrial policy in developing countries 176
  9.1 Failing markets and weak states: striking the right balance 176
  9.2 Ways forward: key elements of future industrial policy 179

References 184
Index 207