

Planning the Economic Miracle? Industrial Policy in Europe between Boom and Crisis (1950-1975)

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The current economic crisis has again brought to the forefront fundamental questions regarding the role of governments in the economy. The conference on *Industrial Policy in Europe Between Boom and Crisis*, organized by Christian Grabas and Alexander Nützenadel at the Humboldt-University, Berlin, came thus extremely timely. Bringing together historians, economists and political scientists from a variety of European countries, the conference presented the newest research in this recently neglected field. The conference was structured in national histories of industrial policy, accompanied by a section on industrial policy in the North-South context, and two more general keynote lectures. The national histories were grouped in Western Europe's core (Britain, France and Germany), Western Europe's periphery (Austria, Sweden, Italy, Spain), and the Soviet bloc and Eastern Europe (German Democratic Republic, Hungary, Yugoslavia, Soviet Russia).

The first keynote lecture by JAMES FOREMAN-PECK (Cardiff) gave a broad quantitative overview over industrial policies in Western Europe. While there was no general shared understanding at the conference of what industrial policy is, he presented some broad lines of the causes and effects of both horizontal and vertical industrial policies. He explained the divergent economic developments in Western Europe as a process of catch-up and convergence, in which ideological non-planners like Switzerland and West Germany performed better than centrally planned economies, and in which liberal trade policies correlated to stronger macro-economic performances.

Opening the first session on Western Europe's core, MARTIN CHICK (Edinburgh) demonstrated in his account of the Labour Go-

vernments of the late 1960s and 1970s how in Britain industrial policy was highly politicized and became the site of fundamental contestations regarding the role of governments and markets in social change. While the main goals of economic policy - growth and modernization in the 1960s, employment and stabilization in the 1970s - were beyond controversy, economic government advisers like Nicholas Kaldor and Thomas Balogh argued that these could be achieved more quickly and in a more orderly fashion through planned government action than through market forces.

The German case was particularly interesting, since although ideologically, planning and state intervention were discredited until Keynesian thinking became more dominant in the context of the recession of the second half of the 1960s, economic reality did not conform to the proclaimed textbook-model of a social market economy. STEFAN GRÜNER (Augsburg) demonstrated how Federal and Länder governments successfully attempted to influence industrial dynamics, particularly through strengthening specific sectors or regions, although this took a more decentralized form than in Britain and France.

French industrial policy and indicative planning was discussed in two papers. JACK HAYWARD (Hull) explained these by analyzing the underlying political culture of France and its industrial sub-cultures, which he described as economic nationalism. Highlighting that there never was any effective centralized planning, he focused on France's policies of industrial patriotism, which strengthened specific 'national champion' firms. From the 1970s onwards, these were continuously Europeanized and internationalized due to increasing international competition.

Taking the international influences of industrial policy even more serious, WILLIAM JAMES ADAMS (Michigan) argued for a revisionist narrative that focuses on European integration and international competition. According to this perspective, a decisive and mostly under-appreciated role in France's industrial policy and its high growth rates in the Trente Glorieuses was its commitment to European economic integration, which was decided for political and thus meta-economic reasons in the early 1950s. This was demonstra-

ted by drawing on recent literature on European integration and a case study of the legal confrontation between the French government and the European Commission about state aid to Renault in the early 1980s.

The session on Western Europe's periphery was characterized by the wide variety of cases and experiences. KARL AIGINGER (Wien) gave an account of the Austrian industrial policy that he interpreted as a success story. In a comparative analysis of industrial policies in Europe Aiginger argued that countries with a low degree of regulation and high levels of investments, especially in R&D, are in a better position to cope with international competition and globalization. In contrast to the open-market policies highlighted in the Austrian case, the Scandinavian mode of capitalist regulation in the postwar era is often regarded as epitomizing Keynesian interventionism. JAN BOHLIN (Gothenburg) argued however that what is special about Sweden is not planning, but labor market policies. The „solidarity wage policy“, supported by close cooperation between the Social Democrat party and the trade union movement, ensured that wages rose in line with productivity, thus squeezing out sectors and firms with lower than average productivity. Only when strains on the prevailing growth regime became apparent in the late 1960s, a more interventionist „industrial policy offensive“ was launched, including widespread nationalizations and direct state subsidies.

Both accounts of industrial policy in southern European countries highlighted the regional aspects of industrial policies and the political legacy of Fascism. Industrial policy had a major impact on Italian economic development, especially on the industrialization in the regions of the Mezzogiorno, CHRISTIAN GRABAS (Berlin) argued. The paradigm shift towards a more interventionist industrial policy since the mid-1950s, the dual strategy of liberal protectionism, but in particular the outstanding performances of the big state-owned enterprises were integral elements to the miracle years in Italy. Grabas described the selective interventionist measures from the mid-1960s onwards, focusing on subsidies, bail-outs and take-overs of specific industries, as short-term measures to avert

crisis, which were largely motivated by political interests and have led to an inefficient allocation of national economic resources and continuously increasing public deficits.

The case of Spain differed from the other Western European cases in that European style industrial policy started only in the late 1950s and was managed by a dictatorship. JOSEBA DE LA TORRE (Navarra) argued that the exceptionally rapid growth in Spain was caused by a mixture of international economic liberalism, institutional interventionism as imitation of French indicative planning, and three industrial development plans of the Franco regime. These aimed at the creation of so called „growth poles“ in specifically poor regions, which were mostly chosen for political reasons. A detailed study of the regional distribution and effects of these interventions demonstrated the complete restructuring of the territorial distribution of Spanish industry. The growth poles proved long-term viability in those regions where intra-industrial relationships and links to innovation and the international market place could be established, especially with the Spanish automotive industry.

The panel on the industrial policy of the EEC was particularly interesting, not only because it was the only part of the conference that systematically looked beyond national case studies. From a transnational and history of knowledge perspective, DANIEL SPEICHSCHASSÉ (Zürich) examined the „planners of the boom“ by looking at the emergence of a Europe-wide action frame-work for economic planning that became established through the transfers of macroeconomic concepts in the context of the European Recovery Program. More specifically, he identified the United Nations Economic Commission for Europe (UN ECE) as a clearing-house of knowledge and an important knot in an emerging network of experts that used the Marshall plan as a template for global development efforts. Arguing that planning was not an issue of controversy in the Cold War, but rather a medium of communication, he focused on some core ideas of Western planning like the politics of productivity, international organizational innovations, and regional market integration.

MARTIN REMPE (Konstanz) analyzed the

EEC's early industrial policy in Francophone Africa. Although the funds used for these European efforts to overcome „backwardness“ in the former colonies were very small compared to agricultural and infrastructure activities of the EEC, a closer and less Eurocentric look at industrialization plans and specific projects in Senegal revealed a considerable but often very problematic impact of the EEC's industrialization policy that helps one understand why industrialization did not gain ground in Francophone Africa.

In her discussion of the EEC's cooperation policy, GUIA MIGANI (Louvain) analyzed in how far and why African, Caribbean and Pacific (ACP) group states were able to raise the issue of industrial cooperation during the talks leading to the Lomé Convention of 1975. The success of the ACP group in these confrontations, she argued, marked a new kind of relation between developed and developing states.

The last section of the conference was opened by a second keynote speech by IVAN T. BEREND (Los Angeles), in which he presented a tour d'horizon of industrialization policies and its failures in the Soviet bloc. In explaining the postwar success of the Soviet economic model, which heavily influenced the organization of economic policies also in the West, he emphasized the differences in the specific characteristics of Soviet type industrialization policy: the radical exploitation of agriculture; the efforts to achieve a social revolution; the neglect of infrastructure and services, which stagnated while exploding in the West; a misguided form of extensive industrialization, which was „reproducing backwardness“ by basically following the technological paths of the first Industrial Revolution; and the missed opportunities of world trade through the forced regional autarchy. The global structural crisis of the 1970s could not be transcended by the Soviet system, Berend argued, since lack of applied research and the rigid political structure inhibited the adoption of new technologies, especially in the field of high-technology, electronics and computer processes.

In his discussion of the German Democratic Republic RALF AHRENS (Potsdam) accentuated more the dynamics and subtle in-

tricacies of industrial policy in a „shortage economy“. Interpreting the state as a macro-level entrepreneur, he analyzed the changes in planning priorities and the shifting trade-offs between investment, exports and consumption.

In discussing industrial policy in Hungary, PÁL GERMUSKA (Budapest) characterized the Hungarian Stalinist era from 1950 to 1953 as „military communism“, since the military was even more privileged against social demands than had previously been thought. Notwithstanding economic reforms and shifts in investment priorities in the 1960s and 1970s, the high growth rates of the „socialist miracle“ were accomplished at a heavy cost - a fall in living standards in the 1950s and a continuously increasing trade deficit from the 1960s onwards.

Although industrial developments in Yugoslavia differed in its dependence on Soviet Russia from the former cases, IVO BICANIC (Zagreb) analysis of the institutional arrangements and industrial policies brought many similarities. Interpreting the success of high growth and social empowerment of workers as a direct result of the activities of policy makers, he discussed three successive institutional frameworks and their respective sector priorities and stabilization policies. Although aimed at modernizing the economy, Bicanic pointed to important failures that explain the continuous instability of economic developments, the secular slowdown of growth, and the lack of convergence with Western European economies.

The last paper by CHRISTOPHER DAVIS (Oxford) gave a broad analysis of Soviet industrial performance, presenting quantitative findings on four hidden processes that characterized the Soviet economy in the postwar era. The growing importance of the „second economy“, which increasingly destabilized the central planning process, the „problem of negative value added“, in which due to misaligned prices some industrial firms and sectors took away value from the economy in their production process, and unintended subsidization of Eastern Europe in their trade relations all accrued to insurmountable problems. Even though revenue from „rent extraction“ from the Soviet energy industries increased

dramatically after energy prices exploded in the second half of the 1970s, provided the USSR with funds to subsidize failing industries and its empire, the „shortage economy“ failed due to its inability for systemic reforms.

In his final remarks, ALEXANDER NÜTZENADEL (Berlin) highlighted the importance and complexity of industrial policies that became apparent in the very large ensemble of case studies over the long time period covered in the conference, but also pointed to a variety of open questions. Most importantly, assessing the impact of industrial policies and economic planning still proved an intricate challenge, especially in a comparative framework. But overall, horizontal industrial policies aimed at the legal framework, research and development or the public goods sector seem to have been more effective than vertical policies directly intervening in the market. While arguing that the guiding question „Planning the economic miracle?“ remained without definitive answer, Nützenadel proposed looking at the reverse causal link by asking in how far the experiences of rapid economic growth enabled forms of industrial policy and economic planning.

After the history of industrial policy had not been in the limelight for several years, the conference in Berlin brought together the state-of-the-art research on national industrial policies in Europe and thus laid the groundwork for a variety of new promising research directions. Most importantly, further research, to which the conference will hopefully give a fresh impetus, will have to transcend the national container in order to advance studies on the regional level, enquiries of specific branches and sectors, and in-depth research of the concrete processes of implementation between plan and outcomes. Systemic investigations into comparative questions, taking into account processes of transnational transfer and learning, within Europe, but particularly beyond, seem to offer new routes. And lastly, stretching the period into the late 1970s and early 1980s, when industrial policy and the interventionist regime of „embedded liberalism“ (John Ruggie) in OECD-countries came under severe attack, would open up a variety of challenging research problems.

Konferenzübersicht:

Alexander Nützenadel (Berlin): Introduction

Industrial Policy in Western Europe's Core Countries

Chair: Jürgen Kocka (Berlin)

Martin Chick (Edinburgh): The State and Industrial Policy in Britain 1950-1975

Stefan Grüner (Augsburg): From Crisis to Planning: Industrial Policy in West Germany, 1950-1975

William James Adams (Michigan): Industrial Policy by Another Name. France, 1950-1975

Jack Hayward (Hull): Planning Industrial Patriotism and National Champion Firms in France, 1950-75

Keynote

James Foreman-Peck (Cardiff): European Industrial Policies in the Post-war Boom; 'Planning the Economic Miracle'

Industrial Policy in Western Europe's Periphery

Chair: Kim Christian Priemel (Berlin)

Karl Aiginger (Wien): Catching up and forging ahead: Past, Presence and Future of Industrial Policy from the Perspective of a Small Open Economy

Jan Bohlin (Gothenburg): Swedish industrial policy (1950 to 1980): From General Policies to Crisis Management

Christian Grabas (Berlin): Programmare il Miracolo Economico? Industrial Policy in Italy (1950-1975)

Joseba De la Torre (Navarra): Was it a Spanish Miracle? Development Plans and Regional Industrialization (1950-1975)

EEC's Industrial Policy: Exporting Industrialization through Development Programs in the Third World?

Chair: James Foreman-Peck (Cardiff)

Daniel Speich-Chassé (Zürich): The Planners of the Boom - How a Transnational Network of Macroeconomic Expertise emerged with the European Recovery Program

Martin Rempe (University of Konstanz): Much ado about nothing? The EEC's early In-

dustrial Policy in Francophone Africa

Guia Migani (Louvain): The EEC and the ACP States' Industrialization

Keynote

Ivan T. Berend (Los Angeles): Industrialization Policy and its Failure in the Soviet Bloc

Socialist Industrial Planning in Eastern Europe and Soviet Russia

Chair: Wolfram Schrettl (Berlin)

Rolf Ahrens (Potsdam): Planning Priorities, Administating Scarcities: Industrial Policy in the GDR from Stalinism to Welfare Dictatorship

Pál Germuska (Budapest): Socialist Miracle? Hungarian Industrial Development Policy and Economic Growth, 1950-1975

Ivo Bicanic (Zagreb): How 3 Institutional Changes, 3 Industrial Policy Shifts and 3 Stabilization Policies did not generate Modern Economic Growth in Yugoslavia, 1950-1975

Christopher Davis (Oxford): Industrial Performance in the USSR, 1945-1980: Economic System, State Priorities, Industrial Policies, and Hidden Processes

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