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THE UNIVERSITY OF WOLLONGONG
DEPARTMENT OF ECONOMICS

AN INDUSTRY POLICY DEBATE FOR THE 1990s
—WHAT LESSONS FROM THE USA?

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ABSTRACT

During the 1980s, attempts to improve the export and import competing performance of local firms were continually frustrated by frequent changes in emphasis by policymakers in Canberra. It is argued that these changes resulted from the industry policy debate being conducted by the Treasury (and IAC) and the Department of Industry, Technology and Commerce (and the AMC).

The roots of this debate can be traced to an earlier industry policy debate conducted in the United States. However, while the Australian debate remained within the realm of economic philosophy, its US counterpart has developed to incorporate the interests of domestic corporations, with a renewed emphasis on the importance of demand maintenance and protection as part of an export development strategy.

It is argued that Australian policy in the 1990s should focus on measures to assist local firms to capture export demand, and that the best way of doing this is within an East-Asia/Pacific trading bloc.

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1 INTRODUCTION

The Hawke Labor Government (1983-1991) was characterised by a number of innovative approaches to economic management, including incomes policy, job creation programs, deregulation of the financial system, and floating the exchange rate. Innovation necessarily generates debate at both the academic and popularist level and this certainly happened throughout this regime. One of the most vigorous areas of debate, although it occurred predominantly within the bureaucracy, has been over industry policy.

An innovative package of industry assistance measures was outlined in the initial Accord document. These were aimed at improving the productivity and efficiency of Australian firms in order to improve their capacity to compete against the steady stream of imports which had been invading the domestic economy since the latter 1970s, and to encourage the integration of Australian industry into the global market through an expansion of manufactured exports. Implicit within these policies was a deliberate attempt to intervene in the economy in order to change the industrial structure towards internationally competitive industries. Such ambitious objectives for economic management were sure to create policy debate.

Yet despite the considerable public effort which has been directed towards industry policy over the past decade, the restructuring process cannot be called a success. Imports have increased their presence in most manufactured goods markets. Export performance outside traditional areas has been poor and spasmodic. Unemployment is at a post-war high and entrenched in the older industrial regions of the country. Few new industries have emerged.

This paper argues that the factor lying behind this failure has been policy-makers' concern with the philosophical aspects of the industry policy debate, which was initiated in the United States prior to the 1983 Presidential election and continued between various departments in Canberra. This debate directed attention too far towards the issue of whether Governments should intervene in the economy (the 'level playing field' position) and away from the practicalities of achieving structural change and the need for government to

exercise political influence in opening up new markets for domestic firms if export expansion is to be a reality.

A brief summary of the industrial policy debate in Australia is presented, indicating the frequent changes which occurred as the prevalent position moved jerkily towards non-intervention. It is argued that insight into the factors lying behind these changes can be achieved by examining the much briefer USA industry debate which saw the supremacy of the argument for macro-economic management over interventionist activities, following a series of papers by the Brookings Institute in Washington.

However, it is argued that macro-economic policy settings alone will not solve deep-seated structural problems. This point was recognised by American business analysts who have continued the debate after economists considered it resolved. This position is now exercising considerable pressure on the Bush regime to undertake a more interventionist pro-domestic industry position within world trade.

The paper concludes by arguing that Australia, having learnt one set of lessons from the economic industry policy debate in the United States, now needs to examine the new debate in order to develop a successful industry policy for the 1990s. Most particularly, governments need to play an active role in supporting the restructuring of domestic industry, and that this will be most successful when demand conditions are known with a relatively high degree of certainty. Thus, the newly industrialising East Asian countries and bilateral trading blocs offer a better model for industry policy and should provide the basis for a new industry policy debate in the 1990s.

2 THE INDUSTRY POLICY DEBATE IN AUSTRALIA

One of the major issues affecting the Australian economy over the past decade has been the industry policy debate. A new approach to industry policy targeted towards structural change was included as part of the Accord Mark I package in 1983. However, since then it has undergone some remarkable changes of direction.

The original formulation included the primary objective of full employment with priority given to manufacturing jobs, comprehensive planning mechanisms including overall policy co-ordination and industry sector strategies, maintenance of protection levels, introduction of non-tariff trade barriers, regulation of multinationals, and improved access to finance for business involving deregulation of the banking system (*Statement of Accord*, 1983).

Once in power, 'improving international competitiveness' was added to the objectives and by 1985, 'increasing exports' replaced this as the primary objective of industry policy, with employment issues assigned to macroeconomic policy. Comprehensive planning was also rejected, to be replaced with concepts such as 'co-ordination of policies' (1985), 'facilitation' (1987) and 'assistance in restructuring' (1990). The focus of industry assistance also changed over the decade from employment to productivity and production efficiency (1985-86), to management and marketing (1987-88), to pragmatic 'deals' with specific firms to combat specific problems (1989-91). The priority given to trade increased during this time as the burgeoning current account deficit forced an increasing emphasis on exports. Moreover, by 1987 any desire to encourage import substitution had disappeared.

These changes in direction (see Appendix 1 for a brief summary) were the consequence of a substantial ideological debate occurring between the main economic departments during this period. On one side was the Department of Industry, Technology and Commerce and the Australian Manufacturing Council favouring an interventionist industry policy. On the other, the Treasury and the Industries Commission (then the Industries Assistance Commission) favoured a non-interventionist, free-market, macroeconomic approach, now dubbed 'economic rationalism'. The decade saw a general movement away from an interventionist philosophy and the ascendancy of the second ideological position, which fed through into continual changes in direction for industry policy and in the guidelines applied to industry assistance programs.

One significant departure from this process occurred in 1988 when a much more proactive stance occurred, advocating the co-ordination of the activities of all the relevant government departments to assist the export push. Concepts such as use of diplomatic

consulates abroad to feed back economic information and assist Australian firms, the re-orientation of aid funds to provide soft loans to countries accepting Australian tenders, the encouragement of the export of Australian expertise, technical, training and marketing skills in agricultural and minerals industries, and of public authorities to tender for overseas infrastructure projects were introduced (Senator Gareth Evans, 1988). However, by 1989 the focus had returned to non-intervention and 'level playing fields'.

Industry policy debates can be interpreted as revolving around two questions. One: is there an appropriate role for Government intervention in the economy through industry policy? Two: what are the most effective mechanisms by which industry policy can improve the nation's industrial structure and efficiency of resource use?

Most small economies—for example, Canada, the Scandinavian countries, the Asian Newly Industrialising Countries or NICs (Taiwan, South Korea, Singapore)—have been mainly concerned with how governments can assist in the development of new industries and areas of international competitiveness, that is, the second question. Australia, however, has primarily focussed on the first question, apparently following the industry policy debate within the United States, Japan and the EEC. Thus, it is tempting to argue that Australia has been playing in the wrong league throughout the past decade, and that an industry policy debate orientated towards other smaller economies would have been more effective than the one actually conducted.

This paper will argue that the Australian debate, regardless of which question is being addressed, has missed an essential element—*demand*, and that this component has not been neglected by our fellow proponents of free trade and market-determined outcomes—Japan and the United States. If Australia is to consider a new mix of policies for the 1990s, this mix must include demand management policies at both the macroeconomic and microeconomic levels.

Before developing a possible set of new policies, however, it is useful to review the debate which is occurring in the United States and to determine to what extent intervention and demand management are likely to be part of its economic policies in the 1990s.

3 THE INDUSTRY POLICY DEBATE IN THE UNITED STATES

Industry policy was pronounced dead in the United States in 1984 by Robert Reich, one of its principle advocates, as 'one of those rare ideas that has moved swiftly from obscurity to meaninglessness without any intervening period of coherence'. For American economists, the debate was effectively closed by a number of papers from the Brookings Institute in 1983 which asserted the ascendancy of macro-economic policy in solving the problems of unemployment and declining international competitiveness (Norton, 1986). This dominance in the policy mix was further justified by substantial increases in jobs and manufacturing exports following the devaluation of the \$US in 1987. In the United States, arguments in favour of an interventionist industry policy were presented by the Union movement through the AFL-CIO, by the labour-market analysts Bluestone and Harrison, by the Harvard Kennedy School of Government's Magaziner and Reich and the Berkeley Graduate School of Management's Cohen and Zysman, in the run-up to the 1983 Presidential elections. The short-lived interventionist debate was defeated by a combination of Reagan's resounding political victory and the free market/free trade logic from the macro-economists' debunking of the concepts of sector targeting, American de-industrialisation, and the competence of MITI-style planning in the Japanese economic resurgence.¹ The near fatal shot fired by the Brookings Institute researchers against industry policy in the United States had four essential elements (Schultze, 1983).

i That the major western nations are not de-industrialising and therefore do not need massive intervention to change their industrial structure.

Brookings' Lawrence and Litan argued that the US economy was undergoing a structural shift towards high-technology industries and away from old-line heavy industries and that this was highly desirable, although it did bring with it certain social costs for those workers lacking the skills to be redeployed and for residents in regions affected.

¹ A review of this debate is available in R.D. Norton, 'Industrial Policy and American Renewal', *Journal of Economic Literature*, Vol XXIV (March 1986), pp. 1-40; and K.P. Jarboe, 'A Readers Guide to the Industry Policy Debate', *California Management Review*, Vol. XXVII, No. 4, 1985, pp. 198-219.

The Brookings authors argued that the fall in manufacturing production being observed was due to macro-economic problems, in that cyclical movements in manufacturing are more severe in recessions than GNP as a whole and that appreciation of the exchange rate in the 1980s discouraged exports and encouraged imports. The corollary of this is that manufacturing will increase more rapidly in economic recoveries and that depreciation of the exchange rate will expand manufacturing exports.

ii That industry policy and government direction of the economy was not the main cause of economic success in Asian countries such as Japan.

Rather than providing leadership or direction to areas for new investment, it was argued that the main role of the Government was to provide an accommodating and supportive role to the market. The substantial investment funds controlled by the Japanese government agencies such as its Fiscal Investment and Loan Program and the Japanese Development Bank were deployed in response to political interests to relieve pressure points in the economy, rather than to facilitate the expansion of targeted industries. While the role of MITI in directing investment towards certain successful industries is acknowledged, it is argued that there are as many stories of failures and no evidence that the market would not have achieved the same result.

iii There is no set of economic criteria which can determine a 'winning' industrial structure which a government can create in terms of which new industries to encourage and which older industries to protect or restructure.

This critique acknowledges that comparative advantage is no longer a static concept determined by a nation's relative endowment of factors of production, but a dynamic concept determined as much by the historical factors and entrepreneurial skills within a particular firm as by national cost factors applying to a specific industry. In addition, any attempt to direct investment funds towards broad categories such as high value-added

activities or to protect strategic industries in decline must be cognisant of the level of overall market demand for those products and the main impact is likely to be to produce an over supply in such industries unless substantial market failure can be shown to exist.

ix Democratic political traditions make it extremely difficult for Government institutions to make the hard choices between firms, cities or groups of workers which are to benefit from industry policy programs and which are to be left to 'die'.

It was argued that pressures within the American political process to use 'fairness' rather than 'efficiency' as the criteria for allocating public resources means industry policy would degenerate into an excuse for maintaining existing economic inefficiencies.

The Brookings critique concluded that America's structural problems will be solved by the market once the macro-economic distortions in the exchange rate are resolved through reduced budget deficits, inflationary expectations and interest rates. The appropriate role for government activity is to ameliorate the human costs of this restructuring process through increased unemployment benefits, retraining and regional assistance programs and actions targeted towards the most disadvantaged groups in the population.

4 LESSONS FOR THE 1990S

The Brookings critique has been examined in detail because it was directed against the somewhat compelling argument that the role of government intervention is to create a role for the nation within the emerging global market place. It also highlights the main issues which underlay the industry policy debate in Australia. It comes down on the side of the free traders in that market forces and profit-maximising private investors are seen as the best determinants of that role in a world where there is little economic direction available to guide such government planning or public incentives. This reflects the position of the economic rationalists who have dominated the debate in Canberra.

While the Brookings critique of industry policy is substantial in terms of economic logic, it is worth noting a number of issues still remaining which indicate current economic problems are more deep seated than this analysis would suggest and that macro-economic solutions alone will not resolve these problems.

4.1 Productivity declines

Macro-economic policies resulting in a devaluation of the exchange rate have clearly improved the export performance of manufacturers both in Australia and the United States since these articles were written (Garnaut, 1991). However, reliance on a continued devaluation of the exchange rate to maintain export performance carries with it major difficulties for the long-term development of the economy. In particular, it requires a continued reduction in living standards through reduced real wages and incomes as an increased proportion of national income is required to repay foreign debt commitments.

Moreover, the structural adjustments that have accompanied the process have seen a decline in rates of productivity growth as workers displaced from older heavy industries have been forced to seek alternative employment in low-wage, low-skill service-sector jobs within the hospitality, retailing and health sectors. Such jobs, which imply poorer working conditions because of their part-time, casual character will continue to reduce overall national living standards, even if productivity and incomes increase in the traded goods sectors.

Unless specific policies are introduced to encourage new high-tech products and the adoption of advanced technologies in all sectors of the economy, average productivity will continue to decline and few new jobs will be created, causing the non-traded service sectors to become a low-income, low-productivity reservoir for an increasing proportion of the workforce. This in turn will result in an increasing division of the workforce into 'haves' and 'have nots' and major social problems in the future. Retraining programs, while clearly part of the answer, will not help if only low-skill jobs are available for their graduates.

4.2 The need for strong government action to create a favourable climate for private sector investment

The argument that the Japanese economy is now sufficiently advanced and Japanese business sufficiently entrepreneurial to rely on private-sector market decisions may be valid at present. However, Japan and other Asian countries did not obtain this position through the unfettered workings of free trade and competition. Their success was guided initially by strong government direction and a policy mix specifically aimed at achieving a well articulated 'vision' of the future which was, and still is, recognised by all players—business, workers, consumers and bureaucrats (Johnson, 1984).

This policy mix consisted of tax laws to promote high levels of savings and investment, facilitated access by local businesses to known technologies in order to rapidly upgrade their productivity, monetary and budgetary policies specifically aimed at stimulating economic growth, and protection of large segments of the domestic market against imported manufactured goods in order to control trade deficits. Within such a framework, it was relatively easy for investors and entrepreneurs to take the risks and business decisions necessary to create an efficient, innovative, technologically advanced and internationally competitive industrial structure. Even today, while embracing the philosophy of free trade, established supply relationships between Japanese firms make it extremely difficult for imports to gain a major foothold in this market effectively preserving demand for domestic firms.

4.3 Creating—rather than picking—winners

The arguments relating to the incapacity of the public sector to pick winners in a world where competitive advantage relies on individual entrepreneurial skills rather than known factor endowments are also well founded. However, it does not preclude an industry policy mix structured around creating winners, or, in other words, diagnosing why local firms are not successfully competing in the international market—despite a favourable macro-economic climate—and then implementing specific actions to overcome these problems.

Such a diagnostic will throw up issues such as a lack of information about international markets, lack of access to international distribution channels, failure to understand marketing strategies in foreign product markets, packaging problems, scale and technology problems, lack of management training and, most particularly, a lack of on-the-job experience with exporting. In Australia, programs such as Austrade, the New Industry Strategies and the National Industry Extension Scheme exist to combat these problems. A continuation of such programs is essential if Australia is to have a manufacturing presence in the emerging global economy.

The limited success such programs have had to date does not reflect the failure of entrepreneurship as such in Australia. Rather it reflects a failure to recognise the importance of the demand side of the market in which these firms operate and the need to use government action to help secure this demand in line with a well articulated 'vision' statement referred to above.

4.4 Poverty of Neo-classical micro-economic analysis

Throughout the 1980s, a number of 'new theories' of international trade were developed, combining industrial organisation and trade theory. In this approach, perfect competition was replaced by imperfect markets with trade dominated by (multinational) oligopolistic firms. This allowed trade theory to accommodate increasing returns and the existence of economic rents, highly mobile capital, uneven rates of development and the importance of innovation in determining a firm's and a national economy's rate of growth (Krugman, 1990).

From this approach, strategic trade policy was developed with suggestions that Government intervention can be used to support the export activities of selected local firms and so capture some of the ensuring rents to enhance domestic national income and to more than offset the costs of the subsidy. Academic economic analysis of this approach in the United States has run up against the quandary identified by public choice theory and expressed by Schultze in the earlier discussion relating to its vulnerability to vested interest-group pressure within a democratic process.

However, contrary to these concerns, Australian policy makers have shown themselves capable of making the hard decisions in terms of allowing inefficient industries, firms and regions to decline in the face of foreign competition and economic restructuring and to limit industry assistance to selected industries and firms. This suggests the deficiency may rather lie within the state of the analysis described above.

It provides very little understanding of the firm's growth process within an increasingly integrated global economy and the importance these firms' strategies have in determining the role which particular national economies are likely to play within international markets. Consequently, the inclusion of more realistic assumptions relating to economies of scale and factor mobility are offset by a lack of policy prescription and a *de facto* fall back to the free-trade position of the static, perfectly competitive model (ABARE, 1990).

Rather, it would be more appropriate to expand on the progress already made toward a more realistic microeconomic basis for trade theory by achieving a better understanding of the political processes affecting industry policy decisions. This would involve integrating some of the analysis developed within the management discipline (described in the next section) and work of the role of the firm by economic geography and political economy researchers to develop clear, implementable policy prescriptions for imperfect world markets.

5 THE INDUSTRY POLICY DEBATE AMONG AMERICAN BUSINESSES

In the United States, the lack of an economic response to these issues is being filled from the corporate sectors with a series of papers relating to the 'unfair competition' being faced by American exporters, and solutions offered under the banner of 'Strategic Trade Theory'. This approach advocates the use of export subsidies, non-tariff protection of the domestic market and countervailing action against support provided to their firms by competitor governments to encourage exports (Krugman, 1983). While such a program

may have little to support it in terms of economic logic, it clearly has appeal to business sectors with strong links to the US Government. The inevitable results of such a process will be reduced growth in world income, but there will be an unequal distribution of that income. This will provide an incentive for the more powerful trading nations to adopt such an approach, despite its 'beggar my neighbour' impact on smaller traders. This approach gave us the American wheat export enhancement subsidy which is causing such anguish to the free traders in the Australian farm lobby at the moment.

This component of the debate was primarily developed within the business schools in the United States and presents the position of the American domestic corporation, particularly those in exporting, import competing and new technology products. The formulation presents the idea of 'Fair Trade' rather than 'Free Trade'. American industry, it is claimed, is forced to compete in the world economy on unfair conditions wherein their competitors are allowed access to the United States while American firms are denied access to markets in overseas countries. Furthermore, competing products are provided with cost reduction incentives not available to firms in the United States.

The discussions also invoke the problem of an innovative company carrying the R & D costs of a new product and then being forced to share the market with a 'foreign' competitor who can enter the market as sales begin to take off, without being burdened with the upfront product development costs (McKenna, Borrus & Cohen, 1984). These problems are claimed to be limiting innovation and investment in US industry to levels well below those required to sustain economic growth and its position in world trade. Consequently, the US Government has now introduced a series of measures aimed at protecting local innovation from foreign competition (Mowery and Rosenberg, 1989).

The policy prescriptions arising from this approach come under the general banner of 'creating a level playing field', but in the context of duplicating the restraints on trade and incentives available to the competitors or using the power of the US Government to force competitors into 'fair trading' arrangements. The 'free trade' solution of 'trading US exports of oranges and beef against Japanese high-tech incursions into the US market . . . will simply not work to resolve the capital formation dilemma or in the long run—which

may be short—to protect the strength of the US economy' (McKenna, Borrus & Cohen, 1984, p. 22).

A more moderate version of business school industry policy has focussed on the need to improve the management of American companies to improve the flexibility of their responses and the quality of their products to allow them to compete with their overseas rivals (Wheelwright, 1985).²

In this formulation, the Americans using flexible manufacturing practices and processes see their future in 'niche' high-tech products within the Asia/Pacific Rim region. As this is exactly the same market which has been identified as Australia's area of future comparative advantage, it means Australian exporters will in the future be subjected to the same scrutiny and tactics from the powerful American corporate lobby as the European wheat farmers have had to face.

6 AN INDUSTRY POLICY DEBATE FOR THE 1990s

US economists might applaud the present position being taken by Australian policymakers, but American policymakers are clearly following another program, at least until the 'unfair' practices of the other players in their league (EEC, Japan) have been corrected. This program contains three elements which warrant further attention. One: the exercise of political and economic power, which is euphemistically labelled the 'new world order'. Two: demand expansion and protection for local exporting firms, which is euphemistically called 'voluntary restraint agreements' or 'strategic trade theory'. Three: protection for local innovation in order to encourage those new industries which are considered essential for new economic growth.

By focusing on the economic aspects of the US policy debate, Australian policymakers have lost sight of some of the main issues arising from the increased integration of world economies.

² It may be of some interest to note that the example of the Mitsubishi take over of Chrysler's automotive plant in Adelaide is cited as an example of where changes from a static to a dynamic management process have been implemented, with subsequent improvements in profits and market share.

Most particularly, they have ignored the importance of market demand and government direction and support in ensuring private-sector investments are made in line with the long-run growth requirements of the economy. All the successful Asian industrialising countries from Japan downwards have relied on clearly articulated government economic direction, or 'visions' and protected domestic markets at the various stages of the supply chain. This lesson has clearly been learned by American businesses and the protection of domestic demand and the use of political power to expand foreign markets are now part of the trade policies of that country.

Australia obviously does not have the capacity to exercise political and economic power in the global economy on this scale (Industries Assistance Commission, 1989). Nor is its domestic economy anywhere near large enough to provide scope for global scale industries to develop utilising this market alone. Thus, demand maintenance and expansion policies for this country need to focus on the use of government diplomatic activity and bilateral trade negotiations to secure export markets for our products in exchange for negotiated access for complementary imports within regional trading blocs—Garnaut's North Asian Ascendency, for example.

The industry policy debate also covered the issue of why the range of incentives provided failed to stimulate an improved export performance. This debate has most recently focussed on the lack of entrepreneurial skill within large segments of Australian business (Argy, 1991)—a lack of the skill to recognise opportunities, seek out new markets, and undertake the investments required to develop products and successfully sell in these markets. This lack of skill has been blamed squarely on the years of protection and a remedial dose of import competition has been diagnosed by Treasury. Reduced tariff levels have been accompanied by a range of industry assistance programs providing incentives to encourage local firms to become more efficient and export-orientated in their production mix.

The failure of management to respond adequately to those assistance incentives must be acknowledged and examined for solutions if the economy is to move forward. Again the missing element is demand. Business responds to sales. Entrepreneurs invest to expand

output to meet demand. Growing demand reduces risks and encourages business confidence. Until markets have been established and future growth becomes apparent, business analysis would suggest that entrepreneurs will not respond to incentives to improve technology, research, work practices or product design, enter joint ventures and collaborations, and undertake the other activities prescribed by current industry policy.

Bilateral trade negotiations within the expanding Asian trade blocs provide the best method of assuring markets while ensuring correct profit signals are provided to entrepreneurs. Sectors with a comparative advantage within the bloc will expand, those which cannot compete with imports will decline, resources moving to improve efficiency and labour productivity, as prescribed in microeconomic theory but within a definable economic space where demand is predictable and market analysis constrained.

7 CONCLUSION

Restoration of business confidence in Australia now requires government direction involving clear indications of where the Australian economy should be going in the 1990s and some assurances that those businesses that act within these guidelines will receive rewards. The frequent changes in the direction of industry policy in the 1980s did nothing to establish business's confidence to participate in the global economy. Rather, it discouraged the long-term commitment required for sustained export performance, instead encouraging opportunistic sorties, while the bulk of sales remained dependant on the more coherent and intelligible domestic market.

This paper thus argues that the industry programs introduced in the 1980s were essentially correct in terms of both economic philosophy and policy objectives. However, the frequent changes of direction, sector targeting, and revisions to guidelines in response to overseas industry policy debates has seriously affected their creditability and rendered them ineffectual. The industry policy debate for the 1990s, regardless of party politics, is about how to resurrect these policies, with clear long-term guidelines for participation by

Australian firms willing to invest their energies and resources in modernising production and expanding sales.

However, these policies must now acknowledge the importance of demand in assessing business investment decisions. A return to the approach proposed in 1988 is required whereby government and diplomatic actions are used to secure export expansion within negotiated bilateral trading arrangements among complementary and equal economies in Asia, Africa and the Pacific.

In this, clear examples of successful government direction of the economy are available from many of the East Asian industrialising countries, who in turn adapted the Japanese model to their particular problems. The East Asian model is now being suggested as a possible development model for Eastern Europe (Dickie, 1991) and is surely appropriate to their near neighbour, Australia.

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APPENDIX 1:

A POTTED HISTORY OF INDUSTRY POLICY IN AUSTRALIA, 1983-1990

1983 — ‘Idealistic’

- Statement of Accord by the Australian Labor Party and ACTU regarding Economic Policy.
- Objective of full employment.
- Comprehensive planning mechanisms.
- Commitment to develop long term objectives and clear priorities.
- Priority to co-ordination of government policies to achieve objectives.
- Program of comprehensive industry planning, involving industry plans and strategies for each industry sector.
- Provision of support to local industries through:
 - protection maintained at current levels,
 - introduction of non-tariff trade barriers,
 - regulation of transnational corporations, and
 - improved access to finance (deregulation of banking and introduction of new institutions)
- Priority given to manufacturing.

1984 — ‘Realism with Power’

- Integration of trade and industry policies with recognition of need to increase exports and improve competitiveness in the Asia-Pacific region.
- Rejection of the concept of planning (but establishment of EPAC and a revised AMC).
- Recognition of problems arising from competing ideologies within government departments.

- Affirmation of role of government and rejection of free-market approach in industrial restructuring and achievement of international competitiveness.
- Identification and targeting of specific industrial sectors for development of industry plans and strategies.
- Establishment of policies to provide positive industry assistance with priorities to technology, R & D, investment, education and training.
- Emphasis on manufacturing industry.

1985 — ‘Disillusion’

- Focus on macro-economic concerns, particularly the Current Account Deficit.
- Recognition of the lack of international competitiveness of Australian manufacturing.
- Priority to need to expand exports.
- Recognition of need to subject Australian industry to the ‘discipline of the market place’.
- Role of Government seen as co-ordination of policies to support industry, rather than intervention.
- Priority given to macro-economic issues over industry policy.
- Industry policies became focused on means of improving process technologies (CAD/CAM, FMS), with recognition of problems in quality, innovation, design, marketing, business management as major issues affecting competitiveness.
- Recognition of poor research and innovation record of Australian firms and priority given to developing new policies in this area.
- Industry assistance became more closely targeted to particular sectors.
- Emphasis still on manufacturing but importance of exports of some services (tourism, health and education) recognised.

1986 — ‘Revival of Confidence’

- ‘Growth through Exports’—predominant emphasis on exports due to balance of payments problem.

- Role of government seen as creating the ‘right’ environment for private business investment.
- The relative merits of macro-economic solutions (for example, devaluation) versus interventionist industry policy was publicly debated.
- Industry strategies became less important with most emphasis on policies to improve productivity, quality, design, marketing, and delivery capacity of local firms.
- Industry assistance consisted of positive help to exports, but with increasingly less emphasis on import replacement and the domestic market.
- Emphasis on ‘elaborately transformed’ manufacturing sectors.

1987 — ‘Retreat from Industry Policy’

- Total priority given to exports, import competition was ignored.
- Role of government was seen as to facilitate private investment by removing barriers.
- Emphasis on improving management skills with new programs, such as NIES and Partners For Development, introduced.
- Emphasis on individual firms and internal efficiency issues rather than industry sectors.
- Priority to ‘World Class Manufacturing’.

1988 — ‘All Out National Effort’

- Objective of creating an ‘export culture’ in Australia by changing the attitudes of business and the community.
- Government took a pro-active position to encourage more trade by using overseas staff to support exporters and to obtain foreign market intelligence and foreign aid facilities to support Australian overseas tenderers.
- Priority to promote multilateral trade through GATT negotiations, to pressure Asian countries to lower tariffs.
- Industry policy objectives were adopted by other departments, for example, Foreign Affairs and Trade, Science, Agriculture and Resources, and Communications; and new Ministry for Trade Negotiations established.

- Industry assistance focused on overseas marketing strategies for both private firms and public authorities.
- Encouragement to tender for overseas infrastructure projects and export R & D, technology, training and management expertise in agricultural and resource industries.
- Support for collaborative arrangements between firms, that is, co-operatives or joint ventures to overcome problems of small firm size and to gain access to foreign markets.

1989 —‘Re-assessment and Re-affirmation’

- Release of ‘Garnaut Report’, ‘Hughes Report’ and Nieuwenheysen book supporting a freer approach to trade.
- Recommitment of Government support to tariff reductions and the Uruguay round of GATT rather than bilateral trading bloc arrangements.
- Acknowledgement of importance of Asian-Pacific region to Australia’s economic future
- Priority given to micro-economic reform in order to improve efficiency and productivity and foster a competitive environment.
- Focus on issues of international regulations and standards in health, environment and safety areas.
- Major concerns with macro-economic problems such as the current account deficit, stabilising the foreign debt and high levels of domestic demand.
- Industry assistance programs subjected to a process of review and evaluation generally resulting in their extension with modification.
- Industry policy focused on promoting productivity at the company level, improving innovation and marketing, and increasing the level of Australian-based decision-making and strategic development within firms.
- Recognition of the importance of ‘adding value’ to resources in order to move into the faster growing sectors of world trade.

1990 — ‘Reinforcing Past Gains’

- Release of AMC report advocating increased support to manufacturing industry to improve international competitiveness.
- Twin focus on objectives of economically and environmentally sustainable growth, for example, exports and R & D.
- Role of Government was seen as to assist particular industries through the process of restructuring by identifying opportunities, assisting firms to negotiate export contracts or technological investment ‘deals’.
- Ideological arguments about the relative merits of intervention versus ‘level playing fields’ occurring between DITAC and Treasury (IAC) received public prominence.
- Industry policy was increasingly practised by ‘fine tuning’ existing programs and developing firm specific solutions to exporting problems being encountered.
- Priority was given to natural resources, high technology manufacturing and food processing.

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