

**James Foreman-Peck, Giovanni Federico.** *European Industrial Policy: The Twentieth-Century Experience.* Oxford: Oxford University Press, 1999. xvi + 466 pp. \$105, cloth, ISBN 978-0-19-828998-2.



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The aim of this multi-authored volume is to contribute to an understanding of European industrial policy, broadly interpreted, by introducing an historical perspective. The collection of case studies allows the reader to become familiar with the differences among countries, and the remarkable continuity within countries, of European national industrial policies.

The book analyses the industrial policies of four broad groups of countries: the largest Western European states -- Britain, France, Germany and Italy -- a group of small, but highly productive nations -- Sweden, the Netherlands, Belgium and Ireland -- three states with a long tradition of state industrial regulation: Spain, Portugal and Greece, and finally the case of Russia, a huge economy with a deep-rooted tradition of centralized decision making and state intervention.

British industrial policy from the nineteenth century was characterized by economic liberalism, and despite the greater industrial role of the government after the First World War, it clung to the liberal precepts of minimum state expenditure and 'self-regulation' during the inter-war pe-

riod. It was only after 1945 that the Labour government took a much more interventionist stance-nationalizing industries such as the coal industry, gas, electricity and railways and adopting a variety of measures including import controls and industrial subsidies at levels unknown in the past. In the 1980s, the state reversed to more market-oriented industrial policies: it abandoned state ownership and direction of industry, radically improving the performance of British economy (even though the author claims that the redirection of economic activity was not necessarily ideal and skill and learning deficiencies began to emerge).

The French claim to have invented the concept of industrial policy and, as a matter of fact, since Colbert, the idea that productive capacity can be increased by state aid has never been abandoned by French governments. Curiously enough, the chapter on Germany is titled "The Invention of Interventionism," contending with the French for the primacy. The first and most important industrial policy instruments used by the German government since the 1880s have been

tariffs and subsidies. In this case economic performance has shown that state interventionism and a positive economic trend are not incompatible at all. Also the Italian state has a long-standing tradition of intervention, progressively shifting its range of interest from railways, tariffs and public procurements to bailouts, planning regulation, subsidization and the use of state-owned enterprises. Albeit, not with German results, being in the words of the authors "much less effective than it may have been given the large resources allocated to industrial promotion."

Small states such as Sweden, the Netherlands, Belgium and Ireland, all experienced, though in different historical periods, state attempts to influence industrial growth, usually ranging from rare selective interventions (protection, subsidies, nationalization) in the past, to general efforts to facilitate and stimulate industrial growth in more recent times. The Netherlands is a case in point: arguably the most liberal country in Europe since its creation in the sixteenth century, between 1948 and 1963 the government actually intervened in support of declining industries as had never done before (or has done since).

Spain, Portugal and Greece, three latecomers in the industrialization process, all present, with different degrees of intensity, a key state role in the promotion of industrial development. Spain, as the other two, was characterized by a long-term presence of an authoritarian government, but it was the only one to combine authoritarianism with a political ideology of intense and large-scale industrialization. Yet, results were meager: the state interventionist approach proved not very efficient, supporting the implementation of a rigid system of import substitution that soon became not only superfluous, but harmful to overall economic growth.

Russia is the utmost example of industrial policies with maximal state intervention, at least until the 1990s. During the Tsarist peacetime economy (1890-1913) the state promoted the de-

velopment of heavy and defense industry in order to remedy the technological backwardness of the country. The main beneficiaries of Tsarist industrial policies were the railway, engineering, iron, steel and defense industries, with much of the burden falling on the agricultural sector as a result of tax policies. After the New Economy Policy interval (1921-27) in which the Bolshevik policy-makers tried to reverse the policy of nationalization by privatizing small industrial enterprises, industrial policy in the Stalinist era became highly centralized, the state owned all productive assets and quantity-oriented plans were utilized as the main coordination mechanism. State planning was retained as the key industrial policy instrument until 1992 when economic decision-making started being decentralized to banks, firms and regions and Russia started its difficult transition to a market economy. Yet, historical traditions are likely to influence the pattern of industrial organization and policies that Russia will develop in the future.

The introduction of a cultural theory of industrial policy in the last chapter helps explaining why European industrial policies show different degrees of state intervention. Inter-country differences in the propensity to intervene also depend on the dimension of trust: industrial policy requires an adequate degree of trust to succeed.

Surely this volume has two great merits: it provides a collection of case studies constructed along the same line of discussion themes, thus facilitating comparative analysis, and it offers a synthesis of a great deal of literature unavailable in English. Undoubtedly, the book has fulfilled its task of rendering the future writing on the history of European industrial policy more manageable.

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