3.2 Experience of Industrial Policy

There is a great deal of controversy over what the industrial policies of major countries have tried to accomplish, let alone how successful they were. What follows is a brief account of some salient facts about industrial policy in France, Japan and the United States.[28]

- **French Industrial Policy**

Since the 1960s, the French government has worried that world technology will become dominated by large U.S. or, more recently, Japanese companies. The support for French industrial policy is based on the logic that, if France cannot eliminate the market power of foreign multinational corporations, it must create market power at home and preserve its independence.[29] Government procurement has provided privileged markets for national firms. For example, the state-run phone company was required to buy its telecommunications and computer equipment from French firms. Extensive government subsidies have been used to promote industries, such as aircraft, that are regarded as key.

How has France's industrial policy worked? While the economy as a whole has done well, the sectors most coveted by the government have not done as well.[30] During the late 1960s, government was still the principal buyer of many high technology products. Having relied for so long on government, French industry became dependent on captive buyers. French industrial policy worked best when it promoted technologies and products for mostly military uses, such as military aircraft, nuclear weapons and nuclear power. Sophisticated French

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[28] For a discussion of industrial policy in Canada, see Donald G. McFetridge, "The Economics of Industrial Policy," in *Canadian Industrial Policy in Action*, Collected Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada, no. 4, Toronto: University of Toronto Press, 1985; and Richard G. Harris, *Trade, Industrial Policy and International Competition*, in *Canadian Industrial Policy in Action*, Collected Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada, no. 13, Toronto: University of Toronto Press, 1985.

[29] William J. Adams and Christian Stoffaës, eds., *French Industrial Policy*, Washington, D.C.: The Brookings Institution, 1986.

[30] The French economy performed quite well until the late 1970s, achieving rates of growth slightly higher than Germany's and much higher than Britain's. Since then France has had a severe unemployment problem, but this is a problem shared by almost all Europe. Real GDP per capita grew at an average rate of 4.2% during the 1960-68 period in France, 3.1% in Germany, 2.4% in Britain and 3.6% in Canada. The same measure, during the 1968-73 period, grew by 4.5% in France, 4.1% in Germany and Canada, and 3% in Britain. However, the same measure moved up only slowly during the 1973-79 period at 2.3% in France, 2.9% in Canada, 2.5% in Germany and 1.5% in Britain. During the 1979-90 period, growth in the same measure was 1.7% for France and Germany, and 1.9% for Britain and Canada. Source: OECD Economic Outlook, *Historical Statistics: 1960-1990*, Paris: OECD, 1992, Table 3.2.