

Industrial policy:

1. OECD chapter: first table is DECLINING industries. potential future industries don't have a big constituency. large, declining industries (8.5 mil workers in coal, steel) have big and vocal lobbyists (Chinese-style)
2. what to promote? "sexy" capital-intensive industries such as semiconductors? not a good fit! (but just try to convince senior Chinese or US policymakers of that)
potato chips = computer chips. jobs matter, industries don't. [and in US potato chip plants are highly automated → lots of maintenance and engineering and management jobs].
3. externalities: inputs more than outputs. but if make inputs more costly to stimulate investment, then hurts all the industries that use!
4. R&D: China has lots of engineers, lots of budgets. but global economy is a big place, even the US can't dominate everything. China WILL be #1 in a range of industries.
China 2025 list: lots of things, but some of the industries may never matter anywhere.
5. stealing technology? in many industries it's lead time that matters. in addition, know-how is crucial and patents (or stolen blueprints) don't give you that.
6. actual government role:
declining industries, as above
utilities, defense contractors, banking, telecoms. all things that are heavily regulated in almost every economy. so public ownership is not necessarily much different. [*but in China many of these firms are profitable but don't pay dividends to the government ... and aren't taxed, either.*]
SOEs and (earlier) TVEs but ... *de facto* private *de jure* SOE as "cover"
SOEs come in many flavors, from small local government (TVEs) to city-owned and provincial-owned to ones controlled by Beijing [*at least on paper – see "dividends" above*]
7. finance. we'll read about in McMahon and the finance chapters.

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- 11.04: read a paper on 11.03 on geography of mfg in China: it is too dispersed by normal standards, a legacy of past (and in some industries, continuing) local promotion / protectionism.
cf. my work on auto industry, which I will present later.