

# **Government-business collaboration in industrial policy: what factors determine its success?**

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# Government business-collaboration & industrial policy

- industrial policy is at least partly based on a mix of formal and informal collaborative mechanisms between state and business ranging from government granting or guaranteeing specific loans to procuring new industrial products to providing 'administrative guidance' in the form of informal counseling, negotiations, commitments etc.
- source of economic development or corruption?
- both development-oriented and also failed settings of industrial policy and government-business collaborations are somehow linked to *state and policy capacities*.

# What kind of state capacities?

- in this paper we see the dynamism of government-business linkages and collaborations as natural outcome of techno-economic and capitalist developments
- we try to show that understanding the role of the state in this setting requires a dynamic, or evolutionary, understanding of how *state capacities* stem from different institutional settings and from the feedback linkages between these settings and private sector dynamism

# Analytical and theoretical framework

- **Capacity as multi-level concept**
  - state capacity
  - policy capacity
  - administrative capacity
  - capacity is not so much a continuum of abilities (from less to more), but rather *a variety of modes of making policy* that originate from co-evolutionary processes in capitalist development
- The existence and effectiveness of different forms and settings of government-business relations and collaborations originate **from co-evolutionary processes in capitalist development**
- **Institutional context of collaborations emerges from the co-evolution of**
  - development strategies; from understanding technological change to its financing
  - politico-administrative context of implementation (public management)
- The assessment of this institutional context of collaborations is based on its' impact on **private sector development and dynamism**

# East Asia vs Eastern Europe

- **Understanding of technological change (and its financing)**

- .. via building and nurturing domestic capabilities and linkages

- **Implementation**

- .. embedded autonomy of the bureaucracy
- .. emphasis on substantive processes

- **Capacity for collaboration**

- .. institutional complementarities and highly coupled policy and business trajectories
- .. developmental embeddedness

- **Understanding of technological change (and its financing)**

- .. via foreign investments and foreign technology transfer

- **Implementation**

- .. marketization, contractualization
- .. emphasis on equal institutional playing field, efficiency of implementation

- **Capacity for collaboration**

- .. institutional mismatches and decoupled policy and business trajectories
- .. neoliberal distance

# What capacity and its implications?

- capacity not as a continuum of abilities, but as *a mode of making policy* that originates from co-evolutionary processes between politics and policy (strategic choices) and economic dynamism
- strategic view in **Eastern Europe** (and private sector dynamism) make it especially difficult to build industrial policies based on East-Asian-type government-business collaborations, no matter what kind of administrative models may be implemented
- globalization is 'de-coupling' the **East Asian** government-business ties and future forms of collaboration may become less effective in achieving development policy goals, or fostering techno-economic change

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