

Industrial Policy and Economic Development

Spring 2026 (T2) | CUHK-Shenzhen

Class time: Tuesdays (weekly) 8:30 – 11:20 AM

Office Hours: Tuesdays 1:00 – 3:00 pm

Instructor: Prof. Yajie Wang

TA: Ruru Jiang

Course Overview

This seminar examines the theory and practice of industrial policy—state efforts to shape economic structure, technological upgrading, and long-run development—through a comparative political economy perspective. It combines theoretical frameworks with close attention to real-world policy design and implementation, treating industrial policy not as abstract economic prescriptions but as a political and institutional process that operates differently across countries, time periods, and levels of development.

East Asia serves as the central empirical anchor of the course, but the analysis is explicitly comparative. East Asian experiences are studied alongside historical development paths in today's advanced industrial economies and contemporary industrial policy efforts in developing regions. This comparative approach allows students to understand why similar policy tools—such as subsidies, trade protection, or state investment—can produce very different outcomes depending on state capacity, political institutions, and international constraints.

The course emphasizes how industrial policy worked in the past and how it works today. It links early industrialization and postwar development strategies to the renewed role of industrial policy in the current global economy, shaped by globalization, technological competition, climate change, and national security concerns. Throughout the course, we also analyze the interaction between industrial policy and trade policy, including international rules, trade disputes, and geopolitical pressures that shape the policy space available to governments.

Learning Objectives

- Master core theoretical debates on industrial policy.
- Analyze industrial policy as an institutional and political process.
- Conduct systematic cross-regional comparisons.
- Situate contemporary industrial policy in historical perspective.
- Assess interactions with the international trading system.
- Produce independent, policy-relevant research -

Course Requirements

Participation (10%)

Discussion Leadership (10%)

Weekly Response Memos (30%)
Midterm Assignment (15%)
Final Paper Pitch Presentation (10%)
Final Paper (25%)

Deadlines

Weekly Response Memos: Monday, 12:00 PM (weeks with class)
Midterm Assignment: March 28, 5:00 PM

Final Paper Milestones:
Paper proposal: March 13, 5:00 PM
Outline: April 17, 5:00 PM
Final paper: May 8, 5:00 PM

Expectations, Weekly Response Memos, and Discussion Leadership

Students are expected to actively participate in weekly discussions. Weekly Response Memos (up to two pages, double-spaced) are due the day before class each week. Each student may skip up to two memos without penalty.

Each student will serve as Discussion Chair at least once during the semester. The discussion chair will lead the discussion and synthesize students' reading reports.

Weekly Outline & Readings

Week 1 (Jan 6). Introduction — What Is Industrial Policy?

Required:

- Stiglitz, Lin & Monga (2013)
- Oqubay (2020)
- Juhász, Lane & Rodrik (2024)

Week 2 (Jan 13). Industrial Policy and Comparative Advantage

Required:

- Lin & Chang (2009)
- Harrison & Rodríguez-Clare (2010)
- Brander & Spencer (1985)
- Gerschenkron (1962), Chapter 1

Recommended:

- Rodrik (2016)

Week 3 (Jan 20). The Benefits and Costs of Industrial Policy — I

Required:

- Wade (1990), Chapters 1–2
- Krueger (1974)
- Serra & Stiglitz (eds.), Chapters 1, 2, 7

- Hirschman (1958), Chapters 1–3
- Rodrik (2008)

Recommended:

- Stigler (1971)
- Bhagwati (1982)
- Olson (1982)

Week 4 (Jan 27). The Benefits and Costs of Industrial Policy — II

Required:

- Grossman & Helpman (1994)
- Pack & Saggi (2006)
- Evans (2012), Chapters 1, 3, 6
- Lane (2020)

Recommended:

- Besley & Persson (2011)
- Fernández-Arias et al. (2016)

Week 5 (Feb 3). Historical Industrial Policies in the West

Required:

- Chang (2002), Chapters 1–3
- Juhász (2018)
- Juhász & Steinwender (2024)
- Nye (1991)

Recommended:

- Hamilton (1791)
- List (1841)

Week 6 (Mar 3). Industrial Policy in East Asia — Japan, South Korea, Singapore

Required:

- Doner, Ritchie & Slater (2005)
- Johnson (1982), Chapters 1–5
- Woo (1991), Chapters 1, 5, 6
- Lane (2025)

Recommended:

- Lim (1983)

Week 7 (Mar 10). Industrial Policy in East Asia — II: Discipline and Variation

Required:

- Wade (1990), Chapters 3–5
- Johnson (1982), Chapters 6–9
- Woo (1991), Chapters 3–4
- Beason & Weinstein (1996)

Recommended:

- Campos & Root (1996)

Week 8 (Mar 17). China's Industrial Policy

Required:

- Naughton (2021)
- Aghion et al. (2015)
- Barwick et al. (2024)
- Lin (2012), Chapters 1, 3, 4

Recommended:

- Naughton (1995)

Week 9 (Mar 24). Film Session

No readings.

Week 10 (Mar 31). Industrial Policy in Developing Regions

Required:

- Haggard (1990), Chapters 2 & 7
- Kohli (2004), Chapters 5, 8, 9
- Bates (1981), Chapters 1 & 6
- Chibber (2011), Chapters 1, 2, 4, 5

Recommended:

- Pack & Saggi (2006)
- World Bank working paper

Week 11 (Apr 7). Trade Policy Week

Required:

- Bown (2019)
- Bown (2024)
- Harrison & Rodríguez-Clare (2010)
- Rodrik (2018), Chapters 1, 3, 5, 6

Recommended:

- Brander & Spencer (1985)
- Evenett & Fritz (2020)

Week 12 (Apr 14). Global Value Chains and Local Industrial Strategy

Required:

- Gereffi et al. (2005)
- Milberg & Winkler (2013), Chapters 1–5
- Humphrey & Schmitz
- Whitfield, Staritz & Morris (2020)

Recommended:

- Case study

Week 13 (Apr 21). Industrial Policy Today and Security

Required:

- Block & Keller (2011), Chapters 1, 2, 4, 6
- Mazzucato (2013), Chapters 2–6
- Newman & Farrell (2019)
- Rodrik (2022)

Recommended:

- Policy documents

Week 14 (Apr 28). Final Project Presentations

No readings.

Reading List

- Aghion, Philippe, Jing Cai, Mathias Dewatripont, Luosha Du, Ann Harrison, and Patrick Legros. 2015. "Industrial Policy and Competition." *American Economic Journal: Macroeconomics* 7 (4): 1–32.
<https://doi.org/10.1257/mac.20120103>.
- Barwick, Panle Jia, Myrto Kalouptsi, and Nahim Bin Zahur. 2025. "Industrial Policy Implementation: Empirical Evidence from China's Shipbuilding Industry." *The Review of Economic Studies* 92 (6): 3611–48.
<https://doi.org/10.1093/restud/rdaf011>.
- Bates, Robert H. 2014. *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Univ of California Press.
- Beason, Richard, and David E. Weinstein. 1996. "Growth, Economies of Scale, and Targeting in Japan (1955-1990)." *The Review of Economics and Statistics* 78 (2): 286–95. <https://doi.org/10.2307/2109930>.
- Block, Fred L., and Matthew R. Keller. 2015. *State of Innovation: The U.S. Government's Role in Technology Development*. Routledge.
- Bown, Chad P. 2019. "The 2018 US-China Trade Conflict after Forty Years of Special Protection." *China Economic Journal* 12 (2): 109–36.
<https://doi.org/10.1080/17538963.2019.1608047>.
- Bown, Chad P. 2024. "Modern Industrial Policy and the World Trade Organization." *Annual Review of Economics* 16 (1): 243–70.
<https://doi.org/10.1146/annurev-economics-100223-041958>.
- Brander, James A., and Barbara J. Spencer. 1985. "Export Subsidies and International Market Share Rivalry." *Journal of International Economics* 18 (1): 83–100. [https://doi.org/10.1016/0022-1996\(85\)90006-6](https://doi.org/10.1016/0022-1996(85)90006-6).
- Chang, Ha-Joon. 2002. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. Anthem Press.
- Chibber, Vivek. 2011. *Locked in Place: State-Building and Late Industrialization in India*. Princeton University Press. <https://doi.org/10.1515/9781400840779>.
- Doner, Richard F., Bryan K. Ritchie, and Dan Slater. 2005. "Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective." *International Organization* 59 (2): 327–61.
<https://doi.org/10.1017/S0020818305050113>.

- Evans, Peter B. 2012. *Embedded Autonomy: States and Industrial Transformation*. In *Embedded Autonomy*. Princeton University Press.
<https://doi.org/10.1515/9781400821723>.
- Farrell, Henry, and Abraham L. Newman. 2019. "Weaponized Interdependence: How Global Economic Networks Shape State Coercion." *International Security* 44 (1): 42–79. https://doi.org/10.1162/isec_a_00351.
- Gereffi, Gary, Pavida Pananond, Fredrik Tell, and Tony Fang. 2025. "Navigating Industrial Policy and Global Value Chains in an Era of Disruptions." *Journal of International Business Policy* 8 (3): 207–23. <https://doi.org/10.1057/s42214-025-00223-9>.
- Gerschenkron, Alexander. 1979. *Economic Backwardness in Historical Perspective*. Belknap Press: An Imprint of Harvard University Press.
- Grossman, Gene M., and Elhanan Helpman. 1994. "Protection for Sale." *The American Economic Review* 84 (4): 833–50.
- Haggard, Stephan. 1990. *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*. Cornell University Press.
- Harrison, Ann, and Andrés Rodríguez-Clare. 2010. "Trade, Foreign Investment, and Industrial Policy for Developing Countries*." In *Handbook of Development Economics*, vol. 5. Elsevier. <https://doi.org/10.1016/B978-0-444-52944-2.00001-X>.
- Hirschman, Albert O. 1975. *The Strategy of Economic Development*. Yale University Press.
- Humphrey, John, and Hubert Schmitz. 2002. "How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters?" *Regional Studies* 36 (9): 1017–27. <https://doi.org/10.1080/0034340022000022198>.
- Johnson, Chalmers A. 2007. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford University Press.
- Juhász, Réka. 2018. "Temporary Protection and Technology Adoption: Evidence from the Napoleonic Blockade." *American Economic Review* 108 (11): 3339–76. <https://doi.org/10.1257/aer.20151730>.
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- Juhász, Réka, and Claudia Steinwender. 2024. "Industrial Policy and the Great Divergence." *Annual Review of Economics* 16 (Volume 16, 2024): 27–54. <https://doi.org/10.1146/annurev-economics-091523-044259>.
- Kohli, Atul. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511754371>.
- Krueger, Anne O. 1974. "The Political Economy of the Rent-Seeking Society." *The American Economic Review* 64 (3): 291–303.
- Krugman, Paul R. 1987. "Is Free Trade Passé?" *Journal of Economic Perspectives* 1 (2): 131–44. <https://doi.org/10.1257/jep.1.2.131>.
- Lane, Nathan. 2025. "Manufacturing Revolutions: Industrial Policy and Industrialization in South Korea*." *The Quarterly Journal of Economics* 140 (3): 1683–741. <https://doi.org/10.1093/qje/qjaf025>.
- Lane, Nathaniel. 2020. "The New Empirics of Industrial Policy." *Journal of Industry, Competition and Trade* 20 (2): 209–34. <https://doi.org/10.1007/s10842-019-00323-2>.
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- Naughton, Barry. 2021. *The Rise of China's Industrial Policy, 1978 to 2020*. Lynne Rienner Publishers, Inc.
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