

**Economics 39F: Paper Topic**

The paper for Economics 39F is due in class on Friday November 3 -- no late papers will be accepted. Papers should be five to seven double-spaced pages in length, plus any graphs, tables and references. Bring in the theory whenever possible, and support your arguments with graphs and/or algebra where appropriate. The paper should include a short introductory section containing a brief description of the issue and relevant background material, a main section presenting the analysis, and a brief concluding section summing up the main points of the paper. Any references, graphs, and tables should follow the concluding section.

**Topic**

The use of industrial policy is currently under intense scrutiny by national governments, international institutions and academic economists. For example, in his *New York Times* Opinion column discussing recent attempts to revitalize the US manufacturing sector, Paul Krugman writes:

Both Donald Trump and now Joe Biden promised to revitalize US manufacturing. Trump, with his chaotic trade war, didn't deliver on his promise. Biden, with his embrace of industrial policy, seems to be having more success, although we don't yet know how many manufacturing jobs will be created by the surge in manufacturing construction currently underway.

In their forthcoming paper for the *Annual Review of Economics*, economists Réka Juhász and Claudia Steinwender begin with the following:

A fundamental question in economics is why some countries are rich, while others are poor. One controversial hypothesis is that in advanced economies, the state played a decisive role in fostering and shaping the path to industrialization and economic development. Thinkers from Friedrich List through Ha-Joon Chang have argued that these types of state interventions (which we will call industrial policy) were used to kickstart industrialization first in England, and later, in successful follower countries. In recent years, the economics profession has, for the most part, discounted this hypothesis and the focus of research has shifted to "deep" roots of growth: geography, institutions and culture. In this paper, we argue that this verdict is premature.

And in a paper in preparation for the *Annual Review of Economics*, economist Chad Bown writes:

To remain relevant in the international trading system, the World Trade Organization (WTO) may need its members to engage directly over the issue of industrial policy and subsidies. The staff at the major international organizations – IMF, OECD, World Bank, and WTO – have put out an explicit plea for a renewed work program and for policymaker engagement.

In short, the wisdom of engaging in industrial policies and the international rules that should govern their use are issues at the forefront of current policy debates. Using the models and concepts studied in class, discuss the design of industrial policies in light of the underlying goals that a government might seek to achieve with these policies, and take a stand on what the WTO's position on its member countries' use of industrial policy should be.