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Book Review — Digitized Version

[Book Review of] Ostry, Sylvia ...: Techno-nationalism and techno-globalism: conflict and cooperation, Washington, DC, Brookings Inst., 1995

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Suggested Citation: Klodt, Henning (1996) : [Book Review of] Ostry, Sylvia ...: Techno-nationalism and techno-globalism: conflict and cooperation, Washington, DC, Brookings Inst., 1995, Weltwirtschaftliches Archiv, ISSN 0043-2636, Mohr, Tübingen, Vol. 132, Iss. 1, pp. 189-190

This Version is available at:

<https://hdl.handle.net/10419/2212>

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the fact that our understanding of the institutional structure of companies is still rather limited. Fukao himself argues that institutional rules have attributes of a “system”, e.g. strong external effects exist. If this is true, a menu approach would be neither feasible nor optimal. Institutional competition among countries is in general the best answer, but with strong externalities such a process could also end up in the “wrong” equilibrium. Fukao’s book does not solve this question, but it sets out some of the questions for further research.

Readers familiar with the corporate governance literature will not find many new insights in this book. In fact, recent empirical work has shown that some of the differences between the two groups may have been overstated, while within groups differences might be larger than previously acknowledged. Having this caveat in mind, Fukao’s book is a good starting point for readers on their first steps to dwell deeper into the issue. A final word on the book’s title: The book is about corporate governance, it does not address the performance of multinationals at all and only barely mentions financial integration as a background reference.

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Christian H. M. Ketels

Ostry, Sylvia, Richard R. Nelson, *Techno-Nationalism and Techno-Globalism: Conflict and Cooperation*. Washington, D.C., 1995. The Brookings Institution. XXVI, 132 pp.

Sylvia Ostry and Richard Nelson have merged their outstanding expertise in international relations and technology analysis and have released a nice volume on the prospects and limits of high-tech policies in a globalizing world economy. The news is not primarily in the facts presented, but in the interpretation of basic trends in world economic development, which leads the authors to some highly important lessons for industrial policy-makers.

The basic issue of the book is the rising clash between the national approach of industrial and technology policies and the increasing integration of technology-intensive firms in international networks. Whereas policy-makers are first and foremost concerned with improving the competitive position of their national champions, the respective firms are steadily converting into multinational champions.

The first chapter gives a brief sketch of changing position of countries in technological leadership over the past decades and describes the increasing integration of goods and factor markets, which enables firms to exploit their technology globally and to gain access to worldwide technological knowledge. This development is labelled as „techno-globalism“ by the authors. The second chapter surveys the basic technology policy

design of different countries in the triad region, which exhibit some remarkable differences, but which commonly aim at improving national technological competitiveness. This nationally-oriented scope of technology policy is labelled as "techno-nationalism".

On the basis of these developments, chapter 3 reviews several prominent trade conflicts in high-tech industries during the 1980s, such as the Boeing-Airbus dispute, the "voluntary" export restraints of Japanese car producers, the Semiconductor Trade Arrangement, and the Structural Impediments Initiative. Beyond doubt, much richer information on each of these conflicts is available in the literature. However, the basic contribution of Ostry and Nelson is to interpret the conflicts as the inevitable result of increasing tensions between techno-nationalism and techno-globalism.

As a logical consequence of the first three chapters, the final chapter sets out an agenda of essential topics for the further development of the world economic order in the GATT/WTO framework. If international frictions in high-tech industries are typical prisoner's dilemma situations, international cooperation is the most appropriate conflict resolution mechanism. On that account, Ostry and Nelson recommend to strengthen the attempts to harmonize upper limits for R&D subsidies and to establish international guidelines for research consortia and intellectual property rights. In addition, they speak for the harmonization of competition policies with a special emphasis on improving the enforcement of competition laws in Japan. Finally, they point out that globalization will encourage free-rider behaviour in basic and long-run research, because it is increasingly feasible to rely on spillovers from other countries in this area. Hence, international cooperation and a reorientation of national R&D policies towards basic research are requested.

The volume is concluded by a short comment by Henry Ergas, who argues that the decline in American technological leadership would appear less dramatic if software industries were included into the analysis. He questions the view of the United States as the diminishing giant and disputes that the clash between techno-nationalism and techno-globalism can really be regarded as *the* problem. Nevertheless, also Ergas would probably agree that this clash is *one* problem which deserves careful attention.

Henning Klodt

Lydall, Harold, *The Entrepreneurial Factor in Economic Growth*. Houndsmills, Basingstoke 1992. MacMillan Academic and Professional. VI, 277 pp.

Tassey, Gregory, *Technology Infrastructure and Competitive Position*. Norwell, Massachusetts 1992. Kluwer Academic Publishers. XXII, 306 pp.

Here are two books about economic growth with strikingly different conclusions about the right policies to enhance growth. These two books are not only interesting for the lessons they intend to teach, but also for representing an instructive pair of examples of how economists' different backgrounds and biographies may bear on their economic thinking. A comparison of the two authors' thinking is straightforward because both the Englishman Harold Lydall, Professor Emeritus at the University of East Anglia, and the American Gregory Tassey, an economist at the U.S. National Institute of Standards and Technology, choose to go beyond mere analysis in order to convey a message to the economic profession and to the public at large.

Lydall puts the blame for Britain's dismal growth record of recent decades on an endemic lack of entrepreneurship. Tassey, by contrast, singles out the lack of adequate infrastructure for technology-based competition as the bottleneck to U.S. productivity growth during the 1980s. Consequently, the authors differ in recommending remedies