III. Reviews and Commentary

Book Review


Reviewed by Milan Z. Zafirovski

THE ONTOLOGY OF NEO-LIBERALISM,
THE EPISTEMOLOGY OF HOMO ECONOMICUS,
AND ECONOMIC (INDUSTRIAL) POLICIES

Two interrelated processes have characterized the last two decades: one can be considered ontological taking place in the global modern economy, and the second epistemological occurring in contemporary social science. During the 1980s and 1990s the revival of economic liberalism, viz. privatization, deregulation, etc., including increasing globalization, has dominated contemporary economies and societies, developed and developing alike. In conjunction with—or perhaps in consequence of—this ontological process in the economy, an epistemological tendency has been dominant in economics and other social science (viz. rational choice sociology, public choice in political science) during that period: the “revenge of homo economicus” (Bowles and Gintis 1993) “presumed dead,” as a remnant of a bygone era of economic science, or at least severely compromised for long.

Now, many mainstream economists have concluded or implied that the rise of neo-liberalism and the rapid process of globalization—and by implication, the resurrection of homo economicus with a vengeance—have made economic policy in general and industrial policies in particular impertinent and even unnecessary. Not so, say most of the contributors to this volume. Thus, one of the editors of the volume (Groenewegen) rejects the conclusion of many analysts, especially in the United States, that these processes,

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including the collapse of the former socialist economies as well as the EU’s attempts to forge a uniform macroeconomic policy, make for the only one alternative, namely the American-style market economy that allows no room for industrial policies (p. 5). Nevertheless, most contributors recognize that these recent processes have posed serious challenges to industrial policies in the new century.

The focus of this edited book is thus the nature, direction and effects of industrial policy in contemporary economies in the period ahead, especially in light of the recent tendencies toward neo-liberalism and economic globalization. This is an impressive collection that includes fourteen valuable contributions to the theory and practice of industrial policy in contemporary societies.

**THE THEORY AND RATIONALE OF INDUSTRIAL POLICY**

Industrial policy is usually considered an integral element of overall economic policy conducted by the modern state within the framework of a market or capitalist economy. As such, industrial policy is closely intertwined with fiscal, monetary, foreign trade and other (forms of) economic policies. As John Groenewegen in *Introduction* to this volume suggests, the *differentia specifica* of industrial policy is (government) intervention in the operation of markets and competition. The rationale for such intervention is provided by the high incidence of market failures, as markets often fail in terms of both economic efficiency and social equity. Hence government can, as suggested, replace, guide or facilitate organizational decision-making in situations in which private agents are unable or unwilling to undertake actions that are rational or necessary from a social viewpoint, which implies that industrial policy can influence them to move in publicly preferable directions.

In turn, the observed fact that industrial policies have varied across societies and in time is attributed to their social, especially institutional and cultural, embeddedness and to changing endogenous and exogenous conditions. In this connection, Groenewegen observes that Japanese industrial policy is socially embedded in a fundamentally different institutional structure than its American counterpart. Reportedly, the values and norms of “group orientedness” (Japan) lead to a different role of government in economy, including industrial development than those of an individualistic orientation (the United States). Particularly, strong interventionist industrial policies may be successes and failures alike, as shown, for example, by the historical experience of France (Colbert’s interventionism,