Technology and Growth: Between Regionalization and Globalization

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Introduction

The process of internationalization, by changing regulations and practices, is eroding the institutional fabric, which has determined past national growth patterns. Because this process takes place within a whole set of partner countries, it might be thought that all development paths would be affected in the same way. It might be further considered that growth rates are now, as a consequence, converging towards a similar pattern, best described by a single model of a new more open economic environment. However, this view rules out any alternative approach to modelling the effect of globalization and is thus greatly oversimplified and prevents the formulation of alternative realistic policy targets. We may identify two major shortcomings of this monocausal approach.

First, it neglects the fact that national institutional fabrics do, in fact, change with their environment, but in specific ways that take advantage of complementarities and synergies existing within their own institutional context. This has been the case not only at the various stages of internationalization that have occurred in the past, but also when there have been major changes in technological systems.

Secondly, the monocausal approach underestimates the length of time necessary for these institutional changes to be completed, and consequently leaves some room for manoeuvre in national policy-making.

A major question is how effectively national policy-making can be redesigned to take account of the new situation, as it is unrealistic to assume that policies can now only be implemented at the world level. International bodies, even if they are able to change and learn in the
new environment (see, for example, the slow evolution of the World Bank away from the Washington Consensus of the 1980s), are not yet in position to be the main instruments of the necessary institutional change and policy-making that globalization requires.

The lack of effectiveness of the international bodies means that an important role still remains for policy-making at the national level, even though this is constrained by the changing circumstances. Two polar views may be identified with respect to the present scope for policy-making.

One view is that the internationalization and opening of markets lead to a convergence towards a unique model of the free market economy. National policies are seen as having to facilitate a rapid liberalization of markets in order for a country to gain the advantage of being one of the first to develop into a fully-fledged open market economy.

The other, contrary, view is that internationalization is not fundamentally changing the way national economies function. This is because the current process of internationalization is not unprecedented. Moreover, regional cooperation can eventually reduce the degree of exposure of economies to external competition. By this means, structural economic policy should be able to help recreate the conditions for standard macroeconomic Keynesian policies to be effective again.

An assessment of the nature of the present phase of internationalization is thus crucial to assess the validity of these two positions. However, both views are flawed as they underestimate the diversity of the models of capitalism. They also fail to appreciate the length of time necessary for the institutional changes, set in motion by a process of economic integration at various geographical and functional levels, to occur.

European integration is a good example of why this argument is deficient, because it should have led to substantial cooperation between the European countries. These countries, despite the widespread impression that they share a common ideal of a social contract, present a wide range of different types of capitalism. This greatly complicates international cooperation between these countries in the setting of economic policies. This is the lesson of the past three decades, when European countries failed to abolish mass unemployment, in spite of making substantial progress towards greater economic integration. This is notwithstanding the fact that the countries were reiterating in the early 1990s their past commitment to full employ-