Financialization of industrial policies in Japan and Korea: evolving complementarities and loss of institutional capabilities

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**Abstract**: The purpose of this article is to analyze the revival of industrial policies from the late 2000s in Japan and Korea and their limitations. Our approach has two major characteristics. First, we adopt the perspective of historical institutionalism to focus on the relation between IPs and financial systems and study their evolution over the last 40 years. Second, by mobilizing the concepts of institutional complementarities and hierarchy, we discuss the limits of this revival in a context of liberalized financial systems, to which IPs have contributed. Our major result is that, in the context of financialization, past complementarities of the developmental state have weakened and contradictions have arisen. It resulted in a restructuration of state capabilities to design and implement IPs, and to its inability to subordinate finance to its goals, despite the discourses and ambitions of governments. However, and this is our second result, comparison between Japan and Korea also allows us to identify some significant differences that may explain diverging trends in terms of the deindustrialization and internationalization of these two economies.