

## **National Champions**

National champions are business enterprises selected by the governments of nation-states as representative of a national effort to be internationally competitive and granted special favors, including both subsidies and firm-specific or industry-specific policies to favor their growth. National champion firms may be involved in basic industries (e.g., iron, steel, shipbuilding), the production of intermediate goods (e.g., machine tools), or in industries using advanced technologies (e.g., computers, telecommunications equipment, biotechnology), but they are generally not in agriculture, food processing, mineral extraction, or services industries.

The origins of the concept of "national champions" can be traced to the work on French economic policies by three scholars: Andrew Shonfield, Stephen S. Cohen, and John Zysman. In *Modern Capitalism* (1965), Shonfield wrote about the "etatist tradition" in France and the rise of the "mixed enterprise." The mixed enterprise was a "partnership of private and public capital" that made its debut in France after the end of World War I (p. 82). The relatively intrusive French state used these enterprises to carry out state policies. After World War II, many of these mixed enterprises in France became state enterprises when they were nationalized.

Shonfield went on to talk about central planning in France and how it differed from central planning in the Soviet Union. Cohen took up this theme in his *Modern Capitalist Planning: The French Model* (1969). In the book, Cohen also discussed Francois Bloch-Laine's idea of the *Economie concertee* -- "the close partnership between the state and big business, aimed at managing rapid, but orderly, increases in output and productivity." (p. 129)

Zysman, in *Political Strategies for Industrial Order* (1977) analyzed the role of the French state in promoting the French computer industry. Zysman viewed the French state as pursuing three forms of policy:

"the fusion of small firms and the creation of a national champion firm; the support of French exports in semi-competitive markets; and the creation of internally protected markets for the national champion and other privileged firms, and the outright subsidy of these firms." (p. 77)

In the French computer case discussed by Zysman, the national champion firm created after the purchase of Machines Bull by General Electric was the Compagnie Internationale de l'Informatique (CII). The rationale for the support of national champions in France was to protect the nation from three weaknesses: French firms "were too small, the French market was too limited, and American firms were subsidized by military and space programs." (p. 77)

Similar policies would be pursued later by various European and Asian government in industrialized or industrializing nations. The British, for example, created a national champion steel firm, British Steel, while the French pursued a policy of supporting two champions: Usinor and Sacilor (until they merged). In Japan, the Ministry of International Trade and Industry (MITI) helped Nippon Steel and the other integrated steel firms to become internationally competitive by encouraging them to adopt new steel-making technologies. Even the Germans had their champions, such as Siemens in electronics or Volkswagen in automobiles, even as they tried to avoid national champions in other industries such as steel.

As recently as twenty years ago, the Asians and the Europeans were not sure whether they could catch up to the United States in advanced industries because the latter's large, outward looking, and transnationally organized firms dominated those industries. They thought it might be necessary to favor large domestic firms in their efforts to establish themselves as multinational enterprises in their own right. The Japanese did this through the creation of the *keiretsu* system of horizontally linked firms; the Koreans did it by supporting the *chaebol* firms, conglomerates which were, for the most part, privately owned and managed.

Now that the other industrialized countries have caught up, for the most part, with the United States in many industries, the Asian and European fears of being left behind may seem exaggerated. It is still a matter of dispute how much having policies that favored national champions helped these other countries to catch up with the United States. Many scholars argue that such policies hurt the countries that adopted them more than they helped. In the new information technology industries, particularly, it is argued that size is no longer so much of an advantage, and that an outward orientation and a transnational presence is much easier to attain. But then, there are Microsoft and Intel, replacing IBM as the U.S. national champions for the computer industry.

**Further reading:**

Andrew Shonfield (1965) Modern Capitalism: The Changing Balance of Public and Private Power, New York and London, Oxford University Press.

Stephen S. Cohen (1969) Modern Capitalist Planning: The French Model, Berkeley, Calif., University of California Press.

John Zysman (1977) Political Strategies for Industrial Order: State, Market, and Industry in France, Berkeley, Calif., University of California Press.