

Interview – Steven Vogel

Written by E-International Relations

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Steven K. Vogel is Director of the Political Economy Program, the Il Han New Professor of Asian Studies, and a Professor of Political Science and Political Economy at the University of California, Berkeley. He specializes in the political economy of the advanced industrial nations, especially Japan. He is the author of *Marketcraft: How Governments Make Markets Work* (2018), *Japan Remodeled: How Government and Industry Are Reforming Japanese Capitalism* (2006), and *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries* (1996), and co-editor of *The Political Economy Reader: Contending Perspectives and Contemporary Debates* (2002).

Where do you see the most exciting research/debates happening in your field?

I am most inspired by truly interdisciplinary approaches to political economy. That means going beyond a political analysis of economic policy, or an economic model of politics, to fully integrate multiple disciplines into an integrated analysis. The greatest challenges of our time – climate change, global public health, financial crises, or inequality – all demand a holistic political economy perspective. And developments in the real world have prompted rethinking in the realm of scholarship. For example, the rise of dominant technology platforms such as Google or Amazon has re-invigorated theoretical arguments about the relationship between market power and political power as well as more specific debates about antitrust policy. And the supply chain vulnerabilities exposed by the pandemic have inspired a re-evaluation of theories of the role of the state in the economy as well as practical debates about industrial policy.

How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?

In graduate school I was exposed to the idea that markets are not neutral or natural, but rather they are human fabrications, building on the scholarship of Karl Polanyi. Kenneth Jowitt made this case compellingly in the realm of theory in a graduate seminar, and John Zysman taught me how to apply it to specific countries and policy issues as my dissertation advisor. I went on to understand this basic insight at a deeper level as I worked on a dissertation on the deregulation movement in advanced industrial countries. I discovered that deregulation did not happen in the literal sense of less regulation. Rather, governments required more regulation to spur competition. I tried to encapsulate this insight in the title of my first book: *Freer Markets, More Rules*.

What is “marketcraft”?

Marketcraft refers to market governance, including all of the arcane rules that make markets work, from corporate law to financial regulation, labor market regulation, antitrust policy, sector-specific regulation (such as telecoms or electricity regulation), and intellectual property protection. In the book *Marketcraft*, I recognize it as a core government function comparable to statecraft. This does not mean that governments always get it right. Just as real-world statecraft can go very well or very badly – so it is with marketcraft.

How can marketcraft be used to enhance economic and military security?

Marketcraft is essential to the ecosystem that fosters or impedes productivity and innovation. For example, financial

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regulations can be designed to allocate capital efficiently to productive uses or it can be structured to increase rents (unjustified returns) for financial institutions and their executives. Labor regulations can be designed to promote labor-management coordination to enhance productivity, or to make it easier for corporations to raise profits at the expense of their workers.

In the digital era, I would argue that we need tougher antitrust enforcement and weaker intellectual property protection. The dominant big tech platform firms such as Google and Amazon increasingly threaten innovation with market dominance, control of the market infrastructure, and anticompetitive practices. So the government should curb their power in order to preserve the bottom-up innovation system that drives the digital economy. Meanwhile, the costs of intellectual property protection have increased while the benefits have diminished because IP protection impedes the diffusion of knowledge and the collaborative models of production enabled by digital technology. So the US government should moderate some IP protection – by raising the threshold for coverage, narrowing its scope, cutting its duration, and expanding fair use provisions – to foster more innovation.

You've previously noted the similarities between statecraft and marketcraft. What role does foreign policy play in your theory?

I would say that marketcraft is more of a conceptual framework than a theory. It gives you a way to make sense of how markets are governed, from formal laws and regulations to business practices and standards to social norms and beliefs. The book applies this framework at the national level, comparing the US to Japan, but it can easily be applied at a subnational or sectoral level as well. National marketcraft systems are elements of foreign policy, as noted in the answer to the previous question, but they are also powerfully shaped by developments at the international and global level, including the foreign policies of other countries. For example, US market regulations are constrained by international agreements, responsive to international economic pressures, and influenced by the diffusion of international norms.

There have recently been renewed calls for the creation of an Asian NATO. Is this the natural step for Japanese security?

No. The Asian region differs fundamentally from the European region. The Asian security system is built on a hub-and-spoke model of bilateral alliances with the United States and its Asian allies, such as the US-Japan, US-Korea, and ANZUS alliances. The Asian region has less formal integration compared to the European Union, but it has substantial informal integration in the form of trade, investment, and regional supply chains.

Rather than trying to forge a bloc to counter China, Japan and its allies should try to integrate China into the regional and global order. That will not be easy, but it should be the long-term goal nonetheless. That means negotiating agreements on trade and investment issues, cooperating on global challenges (such as climate change), and gradually building up a regional security architecture, beginning with information sharing and confidence-building measures and working toward more formal cooperation.

In a recent article, you asked why the Biden-Harris administration doesn't get credit for a strong economy. Why is this the case and what actions could they take to counteract this?

This remains a bit of a mystery to me. The Biden-Harris record is so much stronger than the Trump administration record, and yet many Americans still think that Trump would do a better job with the economy. There is substantial survey evidence that shows that many Americans misinterpret economic conditions. For example, a Harris poll for the *Guardian* this May showed that Americans believed that the economy was in a recession even though it was not; they thought the stock market was down even though it was up; and they judged that unemployment was at a high even though it was at a low.

But to take a stab at your question, I would offer three propositions: 1) People really do not like inflation, and the popular perception that prices are still too high overwhelms other considerations like growth in jobs and wages. 2) Americans tend to think that Republicans are better than Democrats at managing the economy – even though the

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long-term evidence suggests the opposite. 3) The media has perpetuated some of these misperceptions, and done too little to dislodge them.

So what can the Harris campaign do about this? Obviously they are trying to cut into Trump's perceived advantage on the economy, and they are having some success. But maybe they have to get less defensive and more aggressive, and make the strong case that the Biden-Harris record is decisively superior to the Trump one.

What did your experience in journalism, particularly in Japan, teach you and how could it be applied to academic work?

My experience as a journalist gave me skills that are relevant as an academic, including the ability to write clearly, to write on deadline, to conduct interviews, and to gather information more broadly. I learned a lot about Japanese politics and political economy through my journalism, especially the more in-depth feature stories. For example, I shadowed a Japanese Diet member in a rural district for three days during an election campaign, and that experience profoundly informed my understanding of Japanese politics and how I have taught it to my students. I also did stories on the anti-nuclear movement, women in politics, the agricultural lobby, foreign policy, and financial reforms.

What is the most important advice you could give to young scholars of International Relations?

Engage with the most pressing issues of our time. We live in a moment of multiple crises, so I don't think we have the luxury of pretending that we are disengaged academics. We should make our scholarship as rigorous and objective as possible, but then apply our findings to policy recommendations for the real world.