

3. On productivism

Dani Rodrik

‘Productivism’ refers to an approach that prioritises the dissemination of productive economic opportunities throughout the entire economy and segments of the labour force. It differs from what has come to be called ‘neoliberalism’ by assigning governments and civil society significant roles in achieving this goal. Productivism puts less faith in markets and is suspicious of large corporations. It emphasises production and investment over finance and the revitalisation of local communities over globalisation. It also departs from the Keynesian welfare state by focusing less on redistribution, social transfers, and macroeconomic management, and more on creating economic opportunity by working on the supply side of the economy to create good, productive jobs for everyone. This chapter relates the contemporary labour market problems of advanced economies to the dualism literature in economic development, which focuses on the divergence between ‘modern’ and ‘traditional’ segments within poor economies. It then highlights the nature of the new challenges and why established models of economic growth and Keynesian social welfare need to be updated. It describes new modes of industrial policy required to deal with these challenges and questions whether our governments are up to it. It also discusses how the elements of this new strategy are drawing support from both sides of the political spectrum.

I. Introduction: an old problem in a new setting

How to overcome ‘productive dualism’ is our central economic challenge. Dualism is an old idea that lies at the core of development economics and has become increasingly relevant to advanced economies as well. The economists who founded the field of development economics, such as the Nobel Prize-winning W. Arthur Lewis, noted that the economies of poor nations are split

How to cite this book chapter:

Rodrik, Dani (2025) ‘On productivism’, in: Besley, Tim, Bucelli, Irene and Velasco, Andrés (eds) *The London Consensus: Economic Principles for the 21st Century*, London: LSE Press, pp. 77–113 <https://doi.org/10.31389/lsepress.tlc.c>

between a narrow 'modern' sector that uses advanced technologies and a much larger 'traditional' sector characterised by extremely low productivity. For a long time, scholars considered dualism as the defining feature of developing countries, in contrast to advanced nations where they assumed that frontier technologies and high productivity prevailed across the entire economy. This marked development economics as a distinct sub-branch of economics, separate from conventional neoclassical economics. Correspondingly, the task of development policy became the establishment of new institutional arrangements to overcome the disparities in incomes, education, health, and life chances more broadly created by productive dualism. While the developed–developing country distinction may have made some sense in the 1950s and 1960s, in the 2020s it no longer appears to be relevant.

Industrialisation has been the traditional vehicle for overcoming dualism; as workers get absorbed into more productive manufacturing activities, wages rise, and the economy's overall productivity increases. But this old and powerful remedy no longer works. As a result of automation and other innovations that have been labour-saving, manufacturing has lost its ability to create plentiful jobs in both developing and advanced economies.¹ Globalisation has accelerated the process as a small number of countries with strong comparative advantages in manufacturing have squeezed production in middle- and high-income economies.

Employment de-industrialisation has been a common feature of all advanced economies. Manufacturing employment has declined (as a share of total employment), even in countries like South Korea or Germany that have maintained strong industrial sectors. Increasingly, developing countries have also struggled to create significant employment in formal manufacturing firms. Changes in manufacturing technologies have made it difficult for low-income countries to successfully compete in manufacturing without using skill- and capital-intensive technologies that absorb limited labour and are inappropriate in light of these countries' underlying factor endowments, since they are abundant in low-skilled labour and scarce in capital.

Hence, productive dualism is becoming an entrenched feature of developing and advanced economies alike, requiring remedies that come straight out of the development policy toolbox. In a 2017 book called *The Vanishing Middle Class*, the MIT economic historian Peter Temin pointed out that the Lewis model of a dual economy had become increasingly relevant to the US.² De-industrialisation, globalisation, new technologies that favour professionals and capitalists, and declining protections for labour have widened the gap between the winners from these developments and those who are left behind. Convergence between poor and rich parts of the economy has been arrested, labour markets became increasingly polarised between high- and low-educated workers, and regional disparities widened. In Europe, the increase in inequality has not been as marked thanks to stronger welfare states, but the same forces have operated there too. The gaps between the

most productive firms and regions, and those lagging behind, grew while the middle class shrank.³

Consequently, policymakers in advanced economies are now grappling with the same questions that have preoccupied development policymakers for a long time: how to attract investment, create jobs, increase skills, spur entrepreneurship, enhance access to credit and technology – in short, how to close the gap with the more advanced, productive parts of the national economy. The starting points may be different, but the problems of a region where good jobs have disappeared, productive employment has become scarce, social problems (such as crime and addiction) have mushroomed, and there is low trust between government officials and various social groups, and the business community looks distressingly familiar to a development economist. The obstacles that racial or ethnic minorities, recent immigrants, or low-educated workers must surmount in such settings are the bread-and-butter of development economics.

Localities that are left behind in advanced economies may have access to greater amounts of financial resources. In the United States, state and local governments spend tens of billions of dollars, not very effectively, on tax incentives and other subsidies to attract large firms.⁴ But their officials typically operate under structural and bureaucratic constraints that would be familiar to their counterparts in poor nations. They lack the requisite information on where the most important opportunities and bottlenecks are, they are subject to political pressure and lobbying from parochial private interests, and the capabilities they need to mobilise, even when they exist, are spread across a wide range of public and private organisations that they do not directly control. The new realities of labour markets require updates to established models of growth and the Keynesian social welfare state.

In this chapter, I describe the ‘productivism’ approach, which is a remedy that targets productive dualism at its source. I first outline this approach and then compare it to other policy frameworks with the help of a taxonomy of public policies. I discuss the relationship between productivist policies and what are commonly called industrial policies, providing an example of how they can be deployed in service sectors. Since economists and many others tend to be sceptical of the capacity of governments to undertake transformational policies, I will address some of the traditional objections to government interference in the productive sphere. I also suggest that productivism carries appeal for many elements of both the right and left side of the political spectrum. I end the chapter with some cautions about the dangers of taking economic paradigms too seriously.

II. A new approach

Productivism is an approach that prioritises the dissemination of productive economic opportunities throughout all parts of the economy and segments of the labour force. Our core economic and social problems – poverty, inequality,

exclusion, and insecurity – have many roots. But they are reproduced and reinforced on a daily basis as immediate by-products of firms' employment, investment, and innovation decisions. In the language of economists, these decisions are rife with externalities for society, i.e., they have consequences that spill over to many people, firms, and other parts of the economy. Some of these externalities are well recognised in economics. Learning and innovation spillovers from research and development (R&D) form the rationale for tax credits and other public subsidies. Environmental externalities and the effects of greenhouse gas emissions on climate change form the basis for environmental regulation.

But today, these externalities are broader and include what we can call 'good jobs' externalities. Good jobs are a pathway to the middle class. They pay well enough to allow for a reasonable living standard with some security and savings, are relatively stable, have safe working conditions, and offer some career progression. Firms that generate good jobs contribute to the vitality of their communities. Conversely, a shortage of good jobs comes at social, political, and economic costs. Social consequences can take the form of exclusion, broken families, drug abuse, addiction, and crime. Political ills can follow, such as polarisation, the rise of populism, backlashes against globalisation and immigration, decline in trust in government, experts, and institutions. The prevalence of 'bad jobs' is also symptomatic of economic dualism, which creates its own inefficiency: productive technologies remain bottled up in a few firms and do not disseminate throughout the rest of the economy and the labour force.

Firms' decisions on how many workers to employ, how much to pay, what kind of technologies to deploy and how to organise work affect not just the bottom line, but the life opportunities of prospective employees and their communities. When a company decides to automate its production line or outsource part of its production to another country, society may suffer long-term damage that is not internalised by its managers or shareholders. Framing the problem as an 'externality' – or as a 'coordination failure' that prevents firms and governments from undertaking complementary actions (in training, technology adoption, investment decisions) for broad-based prosperity – clarifies that productivism is about productivity, and not about redistribution or social/labour standards. But it does not presume productivity trickles down. It aims to enhance wellbeing across all sectors of society by directly broadening access to productive employment opportunities.

Productivism differs from what has come to be called 'neoliberalism' in that it gives governments and civil society significant roles in achieving productive employment goals. It puts less faith in markets and is suspicious of large corporations. It emphasises production and investment over finance, and the revitalisation of local communities over globalisation. It also departs from the Keynesian welfare state – the paradigm that neoliberalism replaced – in that it focuses less on redistribution, social transfers, and macroeconomic management, and more on creating economic opportunity by working on the supply side of the economy to create good, productive jobs for everyone. And productivism diverges from both of its antecedents by exhibiting greater

scepticism towards technocrats and being less instinctively hostile to populism in the economic sphere.⁵

III. Where conventional models fall short

To see how productivism differs from alternative approaches, it is useful to consider our policy options through a matrix that categorises different approaches to prosperity and inequality (Figure 3.1). First, I divide policies into pre-production, production, and post-production stage interventions. To understand fully the range of options for creating inclusive prosperity, this is a better categorisation of policies than the conventional pre-distribution/redistribution distinction. Within the pre-distribution category, my framework makes a further distinction between policies that affect endowments people bring to markets (such as education) and policies that directly influence production, employment, and investment decisions (such as industrial policies or labour market regulations). Second, I divide interventions into those that intend to redress inequities at the bottom, middle, or top of the income distribution. Minimum wages, for example, target the incomes of the working poor while wealth taxes target incomes at the very top.

The traditional welfare state model operates largely within the first and third columns: it targets the educational and other endowments of workers before they join labour markets and *ex-post* redistribution through taxes and social insurance policies (see Figure 3.2). The government’s role is to finance education, engage in progressive taxation, and provide social insurance against idiosyncratic risks, such as unemployment, illness, and disability. The presumption is that good/middle-class jobs will be available to everyone with adequate education and skills.

Figure 3.1: Remedies for prosperity and inequality

		At what stage of the economy does policy intervene?		
		pre-production	production	post-production
Which segment of the economy do we care about?	low productivity			
	middle productivity			
	high productivity			

Traditional growth strategies, on the other hand, focus on the most productive segments of the economy and encompass interventions within the bottom row (see [Figure 3.3](#)). These may include innovation systems,

Figure 3.2: Traditional welfare state model

		At what stage of the economy does policy intervene?		
		pre-production	production	post-production
Which segment of the economy do we care about?	low productivity	investments in education and training		transfers; full-employment macro policies
	middle productivity			social insurance, pensions, safety nets
	high productivity			

Figure 3.3: Traditional growth model

		At what stage of the economy does policy intervene?		
		pre-production	production	post-production
Which segment of the economy do we care about?	low productivity			
	middle productivity			
	high productivity	innovation systems, IPR rules, trade agreements	market-friendly regulations, R&D and export incentives	corporate tax incentives

intellectual property rules, appropriate regulatory structures, and export and innovation incentives. The presumption is that high growth eventually pulls everyone up and leaves few regions or pockets of the labour market behind.

When the inadequacy of good/middle-class jobs is driven by secular trends, such as technology and globalisation, neither of these strategies work well. Economic insecurity, inequality, and poor productivity (except for those at the very top) are important structural problems today. Secular trends in technology and globalisation are hollowing out the middle of the employment distribution. These trends exhibit themselves in the form of bad

jobs that do not offer stability, sufficient pay, and career progression, and in permanently depressed labour markets outside major metropolitan centres. These problems need a different strategy that tackles the creation of good jobs directly. The focus necessarily turns to firms; to help them internalise the economic and social spillovers that they generate. Hence, the productive sector must be at the heart of such a strategy. This calls for targeting the middle cell of the matrix, focusing on direct interventions in the productive sphere with the goal of expanding the supply of middle-skill jobs (Figure 3.4). Altogether, we must change what we produce, how we produce it and who gets a say in production decisions. This requires not just new policies, but also a reconfiguration of existing ones.

Advanced and developing nations alike will need a new breed of coordinated policies aimed at the supply and demand sides of labour markets, combining skill training programmes with support for firms.⁶ Good jobs require good firms and vice versa. Active labour market policies designed to increase skills and employability should broaden into partnerships with firms explicitly targeting the creation of good jobs.⁷ Industrial and regional policies that currently centre on tax incentives and investment subsidies should be replaced by customised business services and amenities to facilitate maximum employment creation.⁸ National innovation systems should be redesigned to orient investments in new technologies in a more employment-friendly direction.⁹ Policies that tackle climate change, such as the European Green Deal, should be explicitly linked to programmes of job creation in lagging communities.¹⁰ Recognising that in the future prosperity will have to rely much more on services and smaller and medium-sized enterprises, the focus of industrial policy should be reoriented away from manufacturers and ‘national champions’, large private corporations that receive priority in government policies.

Figure 3.4: The productivist ‘good-jobs’ model

		At what stage of the economy does policy intervene?		
		pre-production	production	post-production
Which segment of the economy do we care about?	low productivity			
	middle productivity		promotion of higher-quality jobs in SMEs; employer-linked training policies; customised business incentives & services; labour-friendly innovation policies	
	high productivity			

A new economic order requires an explicit quid pro quo between private firms and public authorities. To prosper, firms need a reliable and skilled workforce, good infrastructure, an ecosystem of suppliers and collaborators, easy access to technology, and a sound regime of contracts and property rights. Most of these are provided through public and collective action, which is the government's side of the bargain. Governments, in turn, need firms to internalise the various externalities they produce for their communities and societies when they make their labour, investment and innovation decisions. So, firms must live up to their side of the bargain too, not as corporate social responsibility, but as part of an explicit regulatory and governance framework.

Looking at our policy challenge in these terms makes it clear that the conventional separation between growth policies and social policies no longer makes sense. Faster economic growth requires that new technologies and productive opportunities are disseminated among smaller firms and wider segments of the labour force, and that their use is not confined to narrow segments of the elite. Reducing inequality and economic insecurity is more effective when it happens through better employment prospects than through fiscal redistribution only. The economic growth and the social agenda are increasingly one and the same.

IV. New types of industrial policies

If productivism is to be successful it will have to internalise the lessons learned from the failures of past policies and adapt to fundamentally new challenges. State interventions aimed at reshaping the structure of an economy – so-called ‘industrial policies’ – have been traditionally faulted for being ineffective and getting captured by special interests. ‘Governments cannot pick winners’, as the old adage goes. In reality, much of this criticism is overdone. While there have been notable failures,¹¹ systematic studies in the 2010s and early 2020s find that industrial policies incentivising investment and job creation in disadvantaged regions have done surprisingly well.¹²

Public initiatives have been behind some of the most startling high-tech successes of our time, including the internet and GPS. For every Solyndra, a solar cell manufacturer that failed spectacularly after half a billion dollars in government loan guarantees,¹³ there is often a Tesla, the phenomenally successful electric battery and vehicle manufacturer that also received government support at a critical phase of its development.¹⁴

Nevertheless, there is much room for improvement. The most effective industrial policies entail close, collaborative interactions between government agencies and private firms, whereby firms receive critical public inputs – financial support, skilled workers or technological assistance – in return for meeting soft and evolving targets on investment and employment. This kind of industrial policy is likely to work much better, whether in promoting local economic development or in directing major national technological efforts, than open-ended subsidies or tax incentives.

Productivism focuses on enhancing the productive capabilities of all segments and regions of a society. While traditional forms of social assistance and especially better access to education and healthcare can help in this regard, connecting people with productive employment opportunities requires further intervention. It requires improvements both on the demand and the supply side of the labour market.¹⁵ Policies must encourage an increase in the quantity and quality of jobs that are available for the less educated and less skilled members of the workforce, where they choose (or can afford to) live.

In the future, the bulk of these jobs will not come from manufacturing, but from services, such as health and long-term care and retail. In the United States, less than one in ten workers are currently employed in manufacturing. Virtually all new net job creation in the private sector since the late 1970s has taken place in services. Even if policy succeeds in reshoring manufacturing and supply chains, the impact on employment is likely to remain limited. The experiences of East Asian manufacturing superstars, such as South Korea and Taiwan, provide sobering examples. These two countries have managed to rapidly increase the share of manufacturing value added in gross domestic product (GDP) (at constant prices), yet, they have experienced steady declines in manufacturing employment ratios.

This is important since so much of the policy effort in the United States is focused on promoting high-tech manufacturing. The most recent example is the CHIPS and Science Act that the US Congress has passed, providing \$52 billion in funding for semiconductors and related manufacturing.¹⁶ The initiative aims at enhancing national security vis-à-vis China and creating good jobs. Unfortunately, even if the first objective is met, the second objective is likely to remain elusive. A strategy fixated on geopolitical competition with China will not be effective on the jobs front. A similar point can be made about the subsidies to green technologies that are a core component of the so-called Inflation Reduction Act that US President Joe Biden signed in 2022. The green transition is undoubtedly an urgent priority that the new paradigm needs to tackle. But here, governments also cannot achieve multiple objectives with a single instrument. Policies that target climate change are not a substitute for good-job policies and vice versa. Shoring up the middle class and disseminating the benefits of technology broadly through society requires an explicit good-jobs strategy.

V. A good-jobs strategy for services

But is an industrial policy for services possible? I have discussed elsewhere what such a strategy might look like in the contexts of the US, French, and British economies. Here, I will briefly summarise the US proposals.^{17;18;19}

My proposed programme has both local and national components. The local approach would build on existing development and business assistance programmes that are already loosely structured along the lines advocated here. These are collaborative partnerships between local

development agencies, firms, and other partners aiming to revitalise local communities and create good jobs. They are organised around an implicit (and evolving) *quid pro quo*: the provision of public services (such as business extension services, infrastructure, or customised training) in return for soft commitments by firms on investment and employment creation. Such partnerships align with a new, more flexible, and contextual model of industrial policy that is better suited to the challenge of creating good jobs.

The federal initiative would be the establishment of an Advanced Research Projects Agency (ARPA) focused on the promotion of employment-friendly technologies: ARPA-W(orkers). Starting from the premise that innovations that *complement* rather than *displace* workers are feasible, yet, currently undersupplied, ARPA-W would promote early-stage investments in digital and other technologies that enhance prevailing worker skills and create good jobs.

Consider what is perhaps the toughest test case for these ideas: long-term care. Employment in this sector will increase rapidly in future years as the population continues to age and, consequently, demand for in-home or assisted living arrangements increases. Much of long-term care work is done in homes (through agencies that provide the caregivers or through self-employed caregivers) or in assisted living or retirement communities where, unlike hospitals or nursing homes, regulations are weak. In such settings, remuneration and work conditions have traditionally been very poor – characteristics that epitomise bad jobs. Employees are mostly women and disproportionately are people of colour. Long-term care workers are typically regarded as performing low-skill jobs and are often not viewed as real professionals.

As Paul Osterman has noted, there are three ways in which jobs in long-term care can be improved.²⁰ First, the government can regulate and impose standards (such as high minimum wages). Second, the government can increase reimbursement rates from Medicaid and Medicare in the hope that higher rates translate into increased wages. Third, the productivity of direct-care workers can be raised, allowing the long-term care system to serve patients' needs better and to reduce costs, generating room for better compensation. While the first two strategies might be useful, greater productivity is ultimately the most reliable source of better jobs.

Osterman suggests that it could be useful to increase productivity in long-term care through a strategy that is analogous to the deployment of innovations in manufacturing pioneered by Japanese car producers. This entails a combination of investing in worker skills, providing workers with greater voice, discretion and autonomy, and giving them more responsibility for the quality of the service. Care workers that are empowered with greater autonomy and decision-making can use their knowledge of residents and patients to customise their services and provide more flexibility (e.g., in schedules, food, and treatment). An

important component of the strategy could be the introduction of new technologies that complement caregivers' skills, such as digital tools that enable caregivers to collect real-time information and to respond quickly and efficiently to the needs of individual residents.

These changes would require a willingness to experiment with novel work practices and a continuum of efforts, from R&D and the introduction of new technologies for long-term care, on the one hand, and to their local adoption, adaptation, and contextualisation in specific communities, on the other. If long-term care is managed better in these ways, productivity benefits would show up in lower turnover among care workers, reduced hospitalisation rates, better management of chronic conditions, and quicker and smoother transitions out of acute care facilities. None of this is easy. Enhancing productivity in services is notoriously difficult and often impeded by a myriad of well-meaning licensing, safety, and other regulations. But if we cannot find ways of increasing productivity in jobs that our workers are destined for, we will end up with economies that are both worse performing and less inclusive.

VI. Are governments up to it?

Scepticism about the ability of governments to lead and achieve positive change is near universal. To many, 'effective government action' is an oxymoron. Given the state of our contemporary politics, such doubts may be well-placed. Authoritarian populism and polarisation – which interact with and reinforce each other – have infested our public sphere to the detriment of our capacity to mount collective action against common problems.

But there is a longer-standing concern about government action that relates to administrative capabilities. Governments do not have the information and capabilities, the argument goes, needed to achieve positive structural change in the economy. Give governments too much power and they will direct resources towards the wrong places and turn into captive tools of special interests. That was the argument at the heart of neoliberalism and a key source of its appeal. It is the argument that must be overcome by any successor narrative on economic policy, and productivism especially, if it is to become successful.

In reality, government capabilities are not inherited or static. They are built over time, once appropriate priorities are set and as a result of experience, learning and building trust with private entities. For public officials, the relevant questions should not be 'do we have the capacity?' but rather, 'do we have in place the right priorities and the correct mode of governance?'

The sceptic might say this all sounds good in theory, but it is not achievable in practice. Look around and public governance seems to be failing throughout, from the local and national to the global level. In fact, as Charles Sabel and David Victor point out in their book, effective models of governance already exist and have made a big difference.²¹ The practice is there, but so far, theory

has been lacking. Sabel and Victor focus on climate change, which is the greatest policy challenge of our time, and it is also an area where governance is doubly difficult: regulations have to be not only effective at the national level, but they also have to be negotiated globally among states with different interests and circumstances. They build their argument on the example of the Montreal Protocol on ozone.²² First negotiated in 1987, the protocol has been successful at curbing ozone depleting substances (ODS), to the point where the ozone layer is now on course to full recovery.

The ozone layer and climate change challenges looked similar at the outset, with significant scientific and technological uncertainty and considerable differences among the positions of advanced and developing nations. The United Nations Framework Convention on Climate Change of 1992, the first global climate agreement, in fact took the Montreal Protocol as its model. Both global regimes started out as 'thin' regimes, with broad commitments to cut emissions – ozone depleting substances in the first case and greenhouse gases in the second – by a certain date, but otherwise it had little operational content.

But the agreements evolved very differently. The Montreal Protocol made steady progress by bringing firms and governments into collaboration in solving concrete technological problems, while climate change agreements got stalled in global negotiations. Sabel and Victor show that a key difference was the creation of sectoral committees under Montreal, in which ODS-emitting firms joined national regulators and scientists in search for technological alternatives. The groups started small and were few in number, but expanded as knowledge accumulated, actors acquired new capabilities, and parties built trust between each other. The virtue of the sectoral committees was that actual problem solving was devolved to local actors, the firms with the requisite technological know-how. When innovation stalled, targets were reset.

The result was a virtuous loop of on-the-ground innovation and top-level goal setting. In the climate regime, by contrast, firms were kept at arms' length from regulators, for fear that they would control the process. Instead, these entrenched conflicts of interest and resulted in inadequate innovation.

The Montreal Protocol is not the only successful case of what the authors call 'experimental governance'. They discuss in detail a wide range of national and sub-national programmes, ranging from the Advanced Research Projects Agency – Energy (ARPA-E) in the United States to the control of agricultural pollution in Ireland. In each of these cases, governance revolves around ground-level experimentation married to higher-level goal setting. Successful practices that emerge from these collaborations are routinised subsequently through dissemination and standard setting.

These examples are not limited to environmental policy. The operation of ARPA-E is modelled after the Defense Advanced Research Projects Agency (DARPA), a US agency that is responsible for some of the landmark innovations of our time, such as the internet and GPS. At the local level, the most successful initiatives to revitalise communities and create jobs take the form of private-public collaborations that bring training programmes,

businesses, non-profit groups, and public officials together to create new pathways to economic opportunity.²³ Effective national industrial policies take a similar collaborative, cross-sectoral approach.²⁴ The important point is that there are enough concrete, real-world examples of these collaborative approaches to give us hope that these ideas are not utopian.

As Sabel and Victor explain, the general strategy in all these domains is to start out with ambitious, somewhat ill-defined goals. Programme leaders must acknowledge the deep uncertainty and, hence, the likelihood of mistakes and false starts. There must be incentives for the actors with the most detailed and accurate information – typically firms – to look for solutions, which means public agencies must contribute some combination of sticks (the threat of regulation) and incentives (public inputs). Milestones and monitoring are key to permit reassessment and revision. Solutions are generalised, as they emerge, in the form of standards or regulations for all. Innovation is key, since higher standards (cleaner environment, better jobs) are possible only through productivity-enhancing innovations.

This kind of policymaking differs significantly from the conventional approaches that dominate today's thinking. From my perspective, the state versus market dichotomy no longer makes sense. States and markets are complements, not substitutes. Economists' standard top-down, principal-agent model of regulation (with its top-down, principal-agent framing) becomes unhelpful.

VII. A paradigm beyond right and left?

If productivism is to be successful, it will have to transcend the stale ideologies of the past. A new economic paradigm becomes truly established when even its purported opponents start to see the world through its lens. At its height, the Keynesian welfare state received as much support from conservative politicians as it did from left-wing liberals. In the United States, for example, Republican presidents Dwight Eisenhower and Richard Nixon bought fully into its essential tenets – regulated markets, redistribution, social insurance, and counter-cyclical macroeconomic policies – and worked to expand social welfare programmes and strengthen workplace and environmental regulation.²⁵

It was similar with the neoliberal approach. The impetus for it came from economists and politicians – such as Milton Friedman, Ronald Reagan, and Margaret Thatcher who were all market enthusiasts. But if the paradigm eventually became dominant, it was in no small part thanks to centre-left leaders, such as Bill Clinton and Tony Blair, who had internalised much of its pro-market agenda.²⁶ These leaders pushed for deregulation, financialisation, and hyper-globalisation, while paying lip service to ameliorate the consequent rise in inequality and economic insecurity.

As with previous paradigms, productivism will have to find support eventually from both ends of the political spectrum. The polarisation that

prevails in our political life makes such an outcome seem outlandish. Yet, there are in fact signs of convergence.

We saw many of these elements in the Biden administration's narrative and in at least some of its policies. The wholesale embrace of industrial policies to facilitate the green transition, rebuild domestic supply chains, and stimulate good jobs, the finger-pointing at corporate profits as a partial culprit behind inflation and the refusal to revoke Trump's tariffs against China are some examples. When the administration's most senior economist, Secretary of Treasury Janet Yellen, extols the virtues of 'friend-shoring' – sourcing supplies from US allies – over the World Trade Organization (WTO), we know we are in a different world.²⁷

But similar strands exist on the political right as well. Alarmed by China's rise, Republicans have made common cause with Democrats in pushing for active investment and innovation policies to bolster US manufacturing.²⁸ Past (and likely future) Republican presidential candidate Senator Marco Rubio has made impassioned pleas for industrial policy – promoting financial, marketing, and technological assistance to small businesses as well as manufacturing and high-tech sectors.^{29;30} 'In those instances in which the market's most efficient outcome is one that's bad for our people,' says Rubio, 'what we need is targeted industrial policy to further the common good.' Progressives on the left could not agree more. The architect of Trump's China trade policy, Robert Lighthizer, similarly has won many fans on the left for his hard-ball tactics vis-à-vis the WTO. Robert Kuttner, a leading voice among the progressives, has argued that Lighthizer's views on trade, industrial policy, and economic nationalism 'were more those of a progressive Democrat'.³¹

The Niskanen Center, named after the libertarian economist William Niskanen who was a principal advisor to Reagan, has made 'state capacity', the ability of governments to provide public goods, one of its main planks, emphasising its importance for a healthy economy.³² Oren Cass, advisor to 2008 Republican presidential candidate Mitt Romney and a former senior fellow at market-promoting Manhattan Institute, is a critic of financialised capitalism and supports reshoring supply chains and investment in local communities. Patrick Deneen, one of the leading intellectuals of the 'populist right' talks about the importance of 'pro-worker policies' and 'the encouragement, through government policy, of domestic production'. Listening recently to Deneen discussing these and other economic policies, the *New York Times* writer Ezra Klein was moved to say: 'What's funny about that to me is that they seem to me to resemble what the current Democratic Party is'.³³

Pragmatism can override political partisanship when it comes to the real work of fostering local businesses and job creation and the public-private partnerships necessary to achieve that end. That was the revelation of the husband-and-wife team of James and Deborah Fallows when they travelled around America on their single-engine plane to study experiences with local economic development.³⁴ Confronted by the challenges of economic decline

and joblessness, local politicians were engaged along with community groups, entrepreneurs, and other stakeholders in extensive policy experimentation – and in many of those cases whether they were Democrats, Republicans, or Independents made little difference to what they did.

However, deep divides between the two parties on social and cultural issues, such as abortion rights, race and gender, remain. Many in the Republican Party, including key figures such as Marco Rubio, have yet to give up their allegiance to Donald Trump, who continues to be a threat to US democracy. And there is always the danger that the ‘new’ industrial policies that conservatives and progressives alike favour will fizzle out or turn into the policies of the past.

Whether it goes astray or not, there are signs of a major reorientation in economic policy – one that is rooted in production, work and localism instead of finance, consumerism and globalism. And it might turn into a new paradigm that captures the imagination of both sides of the political spectrum.

VIII. Beware economists bearing paradigms

At present, we are in the midst of a transition away from neoliberalism, with much uncertainty about what will replace it. We might approach the absence of a solidified new paradigm with mixed feelings. On the one hand, we certainly do not need yet another orthodoxy offering cookie-cutter solutions and ready-made blueprints for nations and regions with very different circumstances and needs.³⁵ On the other hand, economic policy needs to be guided by an overall animating vision. If history is a guide, the vacuum left by the waning of neoliberal ideas will soon be filled by a new paradigm – and the more appropriate and adaptable that paradigm, the better.

All our previous policy paradigms – whether mercantilist, classical liberal, Keynesian, social-democratic, ordo-liberal or neoliberal – had important blind spots because they were conceived of as universal programmes to be applied at all times and everywhere. Inevitably, the innovations they brought to how we think about economic governance were overshadowed by those blind spots. The result was over-reach and a back-and-forth swing in the pendulum between excessive optimism and pessimism about the role of the government in the economy.

The answer to any policy question in economics is ‘it depends’. It may seem this would render economics useless and irrelevant. But in fact, the opposite is true. We need economic analysis and evidence to fill out the details of *what it depends upon*. The keywords of a truly useful economics paradigm are contingency, contextuality, and non-universality. Economics teaches us that there is a time for fiscal profligacy and a time for fiscal conservatism. A time when government should intervene in supply chains and a time when it should leave markets to their own devices. Taxes should be sometimes high, sometimes low. Trade should be freer in some areas and regulated in others. Mapping the links between varying real-world circumstances and

the desirability of different types of interventions is what good economics is about.

Our societies are confronted today with vital challenges that require new economic approaches and significant policy experimentation. But those who are looking for a new economic paradigm – or actively trying to develop one – should be careful what they are wishing for. Our goal should be not to create tomorrow's ossified vision, but to learn how to adapt our policies and institutions to changing exigencies. Ultimately, what our economy demands is sound ideas, and not necessarily a new paradigm.³⁶

By the time any set of ideas becomes conventional wisdom, it is riddled with one-size-fits-all generalisations and truisms that are bound to be unhelpful and misleading as a general orientation to policy. As such, what I have described here as productivism must be understood as a contingent set of policies – a set of policies that at best meets the demand of our time. The more successful it is, the less relevant it will become to future challenges.

Notes

¹ Diao et al. (2021).

² Temin (2017).

³ Vacas-Soriano and Fernandez-Macias (2017).

⁴ Slattery and Zidar (2020).

⁵ Rodrik (2018).

⁶ Rodrik and Stantcheva (2021a).

⁷ Rodrik and Sabel (2019).

⁸ Bartik (2019).

⁹ Acemoglu and Restrepo (2019).

¹⁰ European Commission (2019).

¹¹ Lincicome (2021).

¹² Criscuolo et al. (2019).

¹³ Stephens and Leonnig (2011).

¹⁴ Overly (2017).

¹⁵ Rodrik (2021b).

¹⁶ Moore (2022).

¹⁷ Rodrik (2022).

¹⁸ Rodrik and Stantcheva (2021b).

- ¹⁹ Doshi et al. (2023).
- ²⁰ Osterman (2020).
- ²¹ Sabel and Victor (2022).
- ²² UN Environment Programme (2018).
- ²³ Fallows and Fallows (2019).
- ²⁴ Ghezzi (2017).
- ²⁵ Gerstle (2022).
- ²⁶ Rodrik (2016).
- ²⁷ US Department of the Treasury (2022).
- ²⁸ Franck (2021).
- ²⁹ Rubio (2021).
- ³⁰ Rubio (2019).
- ³¹ Kuttner (2022).
- ³² Lindsey (2021).
- ³³ Klein (2022).
- ³⁴ Fallows and Fallows (2019).
- ³⁵ Rodrik (2021a).
- ³⁶ Rodrik (2021b).

References

- Acemoglu, D. and Restrepo, P. (2019) 'The Wrong Kind of AI? Artificial Intelligence and the Future of Labor Demand', IZA Discussion Paper 12292. Bonn: Institute of Labor Economics (IZA). <https://www.iza.org/publications/dp/12292/the-wrong-kind-of-ai-artificial-intelligence-and-the-future-of-labor-demand>
- Bartik, T. J. (2019) 'Making Sense of Incentives: Taming Business Incentives to Promote Prosperity', Wefocus Series, W. E. Upjohn Institute for Employment Research; <https://doi.org/10.17848/9780880996693>
- Criscuolo, C., Martin, R., Overman, H. G. and Van Reenen, J. (2019) 'Some Causal Effects of an Industrial Policy', *American Economic Review*. 109(1): 48–85. <https://doi.org/10.1257/aer.20160034>
- Diao, X., Ellis, M., McMillan, M. and Rodrik, D. (2021) 'Africa's Manufacturing Puzzle: Evidence from Tanzanian and Ethiopian Firms', Working Paper 28344, *National Bureau of Economic Research*. https://www.nber.org/system/files/working_papers/w28344/w28344.pdf

- Doshi, V., Spencer, H. and Rodrik, D. (2023) 'Creating a Good-Jobs Economy in the UK', The Economy Inquiry 2030, Resolution Foundation. <https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/07/Creating-a-good-jobs-economy-1.pdf>
- European Commission (2019) 'The European Green Deal'. https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
- Fallows, J. and Fallows, D. (2019) *Our Towns: A 100,000-mile Journey into the Heart of America*. New York: Penguin Random House, Pantheon Books.
- Franck, T. (2021) 'The Senate Is Set to Pass a Massive Bipartisan Tech and Manufacturing Bill that Takes on China'. CNBC. [8 June]. <https://www.cnbc.com/2021/06/08/senate-takes-on-china-with-bipartisan-manufacturing-bill.html>
- Gerstle, G. (2022) *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era*, Oxford: Oxford University Press.
- Ghezzi, P. (2017) 'Mesas Ejecutivas in Peru: Lessons for Productive Development Policies', *Global Policy*, (3): 369–80. <https://doi.org/10.1111/1758-5899.12457>
- Klein, E. (2022) 'Transcript: Ezra Klein Interviews Patrick Deneen'. *The New York Times*. [13 May]. <https://www.nytimes.com/2022/05/13/podcasts/transcript-ezra-klein-interviews-patrick-deneen.html>
- Kuttner, R. (2022) 'After Hyper-Globalization'. *The American Prospect*. [31 May]. <https://prospect.org/economy/after-hyper-globalization/>
- Lincicome, S. (2021) 'Industrial Policy: A Bad Idea Is Back', *CATO Institute*. <https://www.cato.org/policy-report/july/august-2021/industrial-policy-bad-idea-back>
- Lindsey, B. (2021) 'State Capacity: What Is It, How We Lost It, and How to Get It Back', *Niskanen Center*. <https://www.niskanencenter.org/state-capacity-what-is-it-how-we-lost-it-and-how-to-get-it-back/>
- Moore, S. K. (2022) 'U.S. Passes Landmark Act to Fund Semiconductor Manufacturing', *IEEE Spectrum*. [19 July]. <https://spectrum.ieee.org/chips-act-of-2022>
- Osterman, P. (2020) *Creating Good Jobs*, Cambridge, MA: MIT Press.
- Overly, S. (2017) 'This Government Loan Program Helped Tesla at a Critical Time. Trump Wants to Cut It', *The Washington Post*. [16 Mar]. <https://www.washingtonpost.com/news/innovations/wp/2017/03/16/this-government-loan-program-helped-tesla-at-a-critical-time-trump-wants-to-cut-it/>

- Rodrik, D. (2016) 'The Abdication of the Left', *Project Syndicate* [11 July]. <https://www.project-syndicate.org/commentary/anti-globalization-backlash-from-right-by-dani-rodrik-2016-07>
- Rodrik, D. (2018) 'Is Populism Necessarily Bad Economics?', *AEA Papers and Proceedings*. 2018 May 1(108): 196–9. <https://doi.org/10.1257/pandp.20181122>
- Rodrik, D. (2021a) 'A Better Deal for the World's Workers', *Project Syndicate*. [20 December]. <https://www.project-syndicate.org/commentary/new-deal-for-workers-bargaining-power-good-jobs-by-dani-rodrik-2021-12?barrier=accesspaylog>
- Rodrik, D. (2021b) 'Beware Economists Bearing Policy Paradigms', *Project Syndicate* [11 May]. <https://www.project-syndicate.org/commentary/economic-policy-must-abandon-universal-paradigms-by-dani-rodrik-2021-05>
- Rodrik, D. (2022) 'An Industrial Policy for Good Jobs', *The Hamilton Project Brookings Institution* https://drodrik.scholar.harvard.edu/files/dani-rodrik/files/rodrik_-_an_industrial_policy_for_good_jobs.pdf
- Rodrik, D. and Sabel, C. (2019) 'Building a Good Jobs Economy', Working Paper. <https://drodrik.scholar.harvard.edu/publications/building-good-jobs-economy>
- Rodrik, D. and Stantcheva, S. (2021a) 'Fixing Capitalism's Good Jobs Problem', *Oxford Review of Economic Policy*, 37(4): 824–37. <https://doi.org/10.1093/oxrep/grab024>
- Rodrik, D. and Stantcheva, S. (2021b) *Economic Inequality and Insecurity: Policies for an Inclusive Economy*. Report Prepared for Commission Chaired by Olivier Blanchard and Jean Tirole on Major Future Economic Challenges, Republic of France: <https://drodrik.scholar.harvard.edu/publications/economic-inequality-and-insecurity-policies-inclusive-economy>
- Rubio, M. (2019) 'Rubio Releases Chairman's Mark to Reauthorize the Small Business Act', Marco Rubio, U.S. Senator for Florida. SBC Senate [18 July] <https://www.sbc.senate.gov/public/index.cfm/2019/7/rubio-releases-chairman-s-mark-to-reauthorize-the-small-business-act>
- Rubio, M. (2021) 'Exclusive: American Industrial Policy and the Rise of China', Marco Rubio, U.S. Senator for Florida. [21 May] The American Mind. A publication of the Claremont Institute. <https://americanmind.org/memo/american-industrial-policy-and-the-rise-of-china/>
- Sabel, C. F. and Victor, D. G. (2022) *Fixing the Climate: Strategies for an Uncertain World*, Princeton, NJ: Princeton University Press.

- Slattery, C. and Zidar, O. (2020) 'Evaluating State and Local Business Incentives', *Journal of Economic Perspectives*, 34(2): 90–118. <https://doi.org/10.1257/jep.34.2.90>
- Stephens, J. and Leonnig, C. D. (2011) 'Solyndra Solar Company Fails after Getting Federal Loan Guarantees', *The Washington Post*. [31 Aug]. https://www.washingtonpost.com/politics/solyndra-solar-company-fails-after-getting-controversial-federal-loan-guarantees/2011/08/31/gIQAB8IRsJ_story.html
- Temin, P. (2017) *The Vanishing Middle Class: Prejudice and Power in a Dual Economy*, Cambridge, MA: MIT Press.
- UN Environment Programme (2018) *About Montreal Protocol*. <http://www.unep.org/ozonaction/who-we-are/about-montreal-protocol>
- US Department of the Treasury (2022) 'Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy', U.S. Department of the Treasury [13 April]. <https://home.treasury.gov/news/press-releases/jy0714>
- Vacas-Soriano, C. and Fernandez-Macias, E. (2017) 'Europe's Shrinking Middle Class', *Eurofound*. <https://www.eurofound.europa.eu/de/publications/blog/europes-shrinking-middle-class>

Response to Dani Rodrik by Jean Pisani-Ferry

Dani Rodrik makes five key points in his ambitious and wide-ranging chapter. The first three are insightful. The fourth is problematic. The fifth is disputable.

1. There is a need for a new paradigm to help define the post-neoliberal economy.
2. Economies nowadays are rife with externalities. A major issue for policymakers is how to tackle such externalities.
3. How to overcome 'productive dualism' between frontier firms and laggards is the central economic challenge we face, yet the traditional growth strategies that focus on manufacturing and the most productive segments of the economy are unlikely to be successful. The new industrial policy should focus on services.
4. The new industrial strategy should rest on an implicit quid pro quo between firms and public authorities, by which the former would commit to internalising externalities while the latter would provide worker-centred services.
5. Governments have the capacity to design and implement this new approach.

In this discussion, I will address these points one by one, before concluding with some broader remarks.

I. The case for a new policy paradigm

Policy is made of actions, but action programmes build on broad paradigms that define economic and societal aims and match instruments to objectives. Since World War II, two successive paradigms have dominated the policy agenda in advanced economies: the neo-Keynesian/welfare state paradigm of the first post-war decades and the neoliberal paradigm that became dominant in the 1980s. According to Rodrik, time has come to outline a new policy paradigm.

One could question whether a new paradigm is really necessary and useful: a policy agenda is best defined by a series of priority problems and a corresponding series of responses, and these can be selected without an overarching paradigm. Worse, broad concepts are easily misleading. Policy

innovation often builds on the hybridisation of existing ideas and the notion of a coherent policy paradigm can be regarded as an obstacle to necessary recombination.¹

However, a great advantage of policy paradigms is that they are directional. Whenever new policy directions are to be explored, governments go through a discovery process where they learn from the successes and failures of other governments. Policy innovation is often decentralised and experimental, especially when cross-country dimensions are considered. In this context, success depends on complementarities between measures implemented in different fields, for example, labour and product markets. This is why the case for outlining a new paradigm and defining its main components is a cogent one.

A common paradigm serves as a coordinating device to ensure policy coherence within countries. It also helps foster experimentation and cross-fertilisation between countries. The economic policies of Margaret Thatcher and Ronald Reagan were far from identical, but they were based on the same rejection of the neo-Keynesian policy paradigm and they were aiming at the same type of transformations. What became known as the neoliberal paradigm was simultaneously experimented in the United Kingdom and the United States.

II. The new political economy of externalities

A second reason to search for a new paradigm is that in modern economies, the nature of the problems policies need to address has changed. Externalities have been known for at least a century, but they were generally regarded as respectable curiosities, not as key challenges for policymaking. The neoliberal paradigm of the 1980s made no room for responding to them in its policy agenda.

Things have drastically changed for reasons that have to do with policy priorities (a much stronger emphasis on preserving financial stability, or the environmental commons, such as a stable climate or biodiversity), but also with the nature of the policy reasoning. Economists nowadays are much more conscious of the limits of simplified models and contemporary economic analysis no longer takes the optimality of unfettered markets as its default hypothesis. The burden of proof has shifted.

Externalities are central in Rodrik's approach. By promoting the notion of a 'good jobs externality' or by arguing that 'firms' decisions on how many workers to employ, how much to pay, what kind of technologies to deploy and how to organise work' affect 'the life opportunities of prospective employees and their communities', he broadens the scope of externalities in a major way. He makes each individual employer accountable for the wellbeing of the middle class and the fate of local communities.

Rodrik's broad concept of externalities goes beyond pure economic perspectives. As he notes, good jobs are also a matter of status, working

conditions, and career progression and their shortage comes at ‘social, political, and economic costs.’ In pure money terms, in some countries today’s low-wage employees may be better off than middle-class employees of the 1990s, but their social status and career outlook are much worse. Indeed, numerous surveys indicate that perceptions of a downhill evolution are nowadays much more widespread than they were a few decades ago.²

‘Good jobs’, however, are hard to define economically. If it were only a matter of preventing declines in real wages, the middle-class malaise would not affect countries like France and Belgium where wages, especially at the bottom, are protected by legally binding price indexation provisions. Yet the perception of a broken social contract is as widespread in these countries as it is in the United States, where the minimum wage has lost ground for decades. In earnest, a good jobs economy is as much a sociological notion as an economic one.

III. Overcoming productive dualism, without cultivating the illusion of a manufacturing revival

Productive dualism – meaning the coexistence within the same economy of modern, high-productivity firms and of a low-productivity laggard firms – was traditionally a distinctive feature of developing economies. India, for example, displays such characteristics, and so does China (albeit less so), while homogeneity of firm performance used to be much more pronounced in the United States.³

In recent decades, however, the dispersion of productivity performance across sectors, firms, and geographies has increased in the United States and other advanced economies, making them increasingly akin to developing economies. Rodrik regards this evolution as indicative of a perverse convergence between advanced and developing economies. Whereas development traditionally resulted in convergence to the top, whereby the least-efficient firms and sectors were gradually giving way to the more efficient ones, what we have witnessed in recent decades is rather a growing divergence. As documented by Andrews et al., large swathes of advanced economies are increasingly characterised by low productivity, low wages, and low profits.⁴

The resurgence of dualism between firms belonging to the same sector has major economic and social consequences. Inequality, for example, is increasingly attributable to the high heterogeneity of firm performance.⁵ It also implies that the mere observation of the dispersion of individual firm performances or of divergences across sectors does not suffice anymore to distinguish advanced from developing economies.

The question is how to cure productive dualism. Rodrik is correct in observing that the traditional remedy to this disease – industrialisation – is not available anymore. As forcefully argued by Posen, among others,

re-industrialisation is an illusory therapy to the scarcity of good jobs.⁶ The economic strategies of President Biden and President Trump may prove successful and end up countering China's competitive pressure. But whatever the level of success of these or similar policy initiatives, they are unlikely to result in a significant rebound of manufacturing employment.

The basic reason why manufacturing employment has been shrinking is that productivity gains in manufacturing are much higher than in services. Artificial intelligence (AI) may have some impact on the relative productivity gains of educational or healthcare services in comparison to the manufacturing sector, but it is doubtful that its effects will be large enough to change the overall landscape. The future of employment is services employment, and the relevant policy question is whether newly created services jobs will have the same frustrating characteristics as those of the past or, rather, if they will emulate some of the characteristics of yesterday's manufacturing jobs.

IV. The contours of a new industrial strategy

Whereas there is much to agree with in Rodrik's diagnosis and broad policy agenda, his prescription, at least as it is presented in the chapter, is not compelling enough to command support. His view is that good services jobs will be created within the framework of an 'implicit quid pro quo' between the government and private employers. The former would commit to deliver public services in return for 'soft commitments by firms on investment and employment creation'.

Rodrik, however, is short on details about this possible quid pro quo strategy. He gives examples from the successes of the DARPA, yet the DARPA template does not include any soft commitment by firms to create jobs. Rather, it involves an explicit contract whereby the federal government provides funding to risky but promising projects and the private firms deliver concrete innovations. The 'soft' component of the bargain is that because the programme aims at promoting breakthrough innovations, the precise features of these innovations cannot be defined *ex ante*. But the aims are clear and the success criteria reasonably well defined.

The way these problems are solved is well established: the counterpart to the uncertainty on what projects are expected to deliver is a close monitoring of their development by programme officers entrusted with the ability to discontinue funding to unsuccessful projects. Because the combination of high research costs and uncertain outcomes acts as a deterrent to the launching of audacious moonshot projects, government funding helps to overcome *ex ante* risk aversion. As firms engaged in unsuccessful projects have a natural tendency to call for additional support, thorough monitoring of project development facilitates the recalibration or discontinuation of subsidies once the project has taken off.

Applying this template to the creation of good jobs in sectors such as healthcare or other social services would raise several challenges. First, as

already observed, whether or not jobs that are being created are in fact ‘good’ is hard to determine. Second, it is not clear how success and failure should be measured for the project monitoring to be based on objective criteria and to avoid capture. Third, the calibration of subsidies is made difficult by pervasive uncertainty and the unobservability of the characteristics of the jobs that are being created. As observed by Rodrik himself, in a dynamic environment with multidimensional uncertainty, ‘subsidies will generally fall short and be dominated by different policy tools.’⁷ It may even happen that ‘neither the policymaker nor employers have reliable information on the possibilities and costs of creating good jobs’.

The implication is that rather than operating through across-the-board policy schemes with clear eligibility criteria and performance indicators, industrial policy would need to rely on a much more tailor-made approach. This could be attainable for individual projects, assuming government officials in charge of implementing them are specifically trained. But to make a difference, Rodrik’s ARPA-W would need to be operated at scale.

V. Do governments have the capacity to foster the creation of good jobs?

Governments in Europe intervene in labour markets much more than in the United States. In continental Europe, they set minimum wages, define health and safety standards, regulate collective bargaining, mandate the employer’s workforce training obligations – just to mention their main channels of intervention. The French labour code that defines the mutual obligations of employers and employees is more than 3,000 pages long, not counting collective agreements at industry level. Many of these provisions aim at defining what good jobs are, and yet, dissatisfaction with labour relations and employment conditions are almost as widespread as in North America.

In order to create good jobs, Rodrik’s prescription is to let national and local governments bargain with employers, with the aim of entering into agreements with them. The risk, however, is that these agreements will be either ineffective, or incoherent and inefficient. Bureaucrats are not trained to negotiate contractual agreements with firms.

Rather than trust that government officials will be able to perform such tasks, an alternative would be to reform corporate governance with the aim of giving employees and local governments a voice in companies’ strategic decisions. Provisions of this sort exist in many European countries, especially in Germany where *Mitbestimmung* (co-determination) is part of the legally mandated corporate governance structure, usually through forming a supervisory body where elected representatives of workers and other stakeholders have a say. Stakeholder capitalism would balance shareholder capitalism, and this type of structure would potentially be more amenable to companies’ broader responsibilities.

Stakeholder capitalism is no panacea. There is no guarantee that it would help strengthen the quality of jobs. Employees, for example, could collude with the shareholders to divide up rents at the expense of the local community to which the company is accountable. But a more balanced governance structure, where stakeholders are represented alongside shareholders, would help define the proper responsibilities of a company vis-à-vis its employees and the local communities. This would at least be a step in the right direction.

Notes

- ¹ Weitzman (1998).
- ² Fourquet et al. (2023).
- ³ Hsieh and Klenow (2009).
- ⁴ Andrews et al. (2016).
- ⁵ Furman and Orszag (2018).
- ⁶ Posen (2021).
- ⁷ Rodrik (2022).

References

- Andrews, D., Criscuolo, C. and Gal, P. (2016) 'The Global Productivity Slowdown, Technology Divergence and Public Policy: A Firm-Level Perspective', Hutchins Center Working Paper, Brookings Institution. <https://www.brookings.edu/wp-content/uploads/2016/08/andrews-et-al.pdf>
- Fourquet, J., Gariazzo, M. and Jéquier, S. (2023) 'Classes moyennes en tension, entre vie au rabais et aides publiques insuffisantes', IFOP/ Fondation Jean-Jaurès. <https://www.jean-jaures.org/publication/classes-moyennes-en-tension-entre-vie-au-rabais-et-aides-publiques-insuffisantes/>
- Furman, J. and Orszag, P. (2018) 'Slower Productivity and Higher Inequality: Are They Related?', PIIE Working Paper 2018-4. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3191984
- Hsieh, C. and Klenow, P. (2009) 'Misallocation and Manufacturing TFP in China and India', *The Quarterly Journal of Economics*, 124(4): 1403–1448. <https://doi.org/10.1162/qjec.2009.124.4.1403>
- Posen, A. (2021) 'The Price of Nostalgia: America's Self-Defeating Economic Retreat', *Foreign Affairs*. [20 April]. <https://www.foreignaffairs.com/articles/united-states/2021-04-20/america-price-nostalgia>

- Rodrik, D. (2022) 'An Industrial Policy for Good Jobs', *The Hamilton Project, Brookings Institution*. https://drodrik.scholar.harvard.edu/files/dani-rodrik/files/rodrik_-_an_industrial_policy_for_good_jobs.pdf
- Weitzman, M. (1998) 'Recombinant Growth', *The Quarterly Journal of Economics*, 113(2): 331–360. <https://doi.org/10.1162/003355398555595>

Response to Dani Rodrik by Pierre-Olivier Gourinchas

Productivism, the economic and political paradigm proposed by Dani Rodrik, embodies an ambitious vision of both the fundamental objectives of our economic system and of how the pursuit of these goals shapes the role of government. By redefining these two elements, productivism also redefines the interactions of government with other economic agents – workers and firms – and lays the foundation for a different economic model. While radical, this vision stems from some of the evident failures of the current paradigm, which Rodrik labels as ‘neoliberalism’, and the acute social tensions it has generated.

I. Recapping the productivist paradigm

The social challenges that afflict many countries, particularly advanced economies (AEs), makes the need to rethink our economic paradigm evident. The secular slowdown in productivity growth has brought about a scarcity of ‘good jobs’. Our economies grapple with ‘dualism’, whereby the most productive technologies remain corralled within a few firms, hindering innovation from trickling down and spurring aggregate growth. These factors lead to inequality across workers and regions, fuelling discontent, social tensions, and political polarisation.

How did we get here? Rodrik argues that both neoliberal supply-side and Keynesian demand-side policies are responsible. The former spurred investment and growth, but by leaving the private sector actions unchecked, it failed to address the externalities inherent in firms’ profit-maximising behaviour. The latter excessively focused on *ex-post* redistribution and social transfers without fostering steady productivity growth and the broad-based economic opportunities that come with it.

Rodrik’s solution is productivism. The goal of this paradigm is to achieve broad-based growth and enhance access to economic opportunities across all regions and segments of the labour force. This objective relies on governments playing an active role in supporting the supply side, enabling firms to create good jobs, equipping workers with the right skills to fill them, pre-emptively addressing market failures, and fostering the diffusion of innovation from ‘superstar’ firms to the rest of the economy.

II. Questioning the premises

It is unquestionable that economic growth over the past two decades has lagged behind the rapid expansion in the second half of the 20th century, with much of it driven by a few countries, notably China. However, the combination of sluggish growth, dualism and rising inequality seems to be more characteristic of the United States than a reflection of the global status quo. Many other AEs have been able to strike a better balance between promoting growth and mitigating inequality through a combination of ‘pre-production’ policies, such as an equitable education system, and ‘post-production’ redistribution.¹ In fairness, many of them also grapple with similar political challenges, including rising discontent, polarisation, and the rise of populism.

These challenges are relatively recent. Taking a longer-term view, the post-World War II era witnessed unprecedented global growth with declining poverty rates and a rising middle class driven by both neoliberal and Keynesian policy agendas. For many countries, especially emerging markets and developing economies (EMDEs), this trend has persisted over the past 20 years. Yet, we should avoid idealising the past: many of the so-called good jobs created in the 1950s and 1960s in the US were reserved for white males. Other demographic groups were too often left out.

My second reservation regarding the evidence is whether productive dualism is the true problem at hand. While it is true that new technologies can lead to winners and losers, policies aimed primarily at redistributing resources across firms may have the unintended adverse effect of hindering innovation. The implicit assumption appears to be that latent productivity gains are just waiting to happen in small and medium-sized enterprises (SMEs). Yet, it remains unclear whether small firms are inherently too small and large firms too large. Considering the abundant evidence on the higher productivity of large firms, allowing firms at the technological frontier to expand in size is not necessarily a bad recipe for spurring growth.² Instead, the real issue could lie in the lack of competition, as large incumbent firms have progressively gained market power over the years, resulting in monopolies and barriers to entry that impede innovation and hinder the growth of productive firms.^{3;4;5}

III. How can governments steer the economy?

In Rodrik’s vision, governments are trusted ‘to lead and achieve positive change’ by playing a very active role in the economy. But extensive interventionist policies are costly. This is a problem when fiscal space is limited from the outset. Does productivism, therefore, risk re-creating dualism, but this time between the countries that have fiscal space and those that do not?

There is also the danger that, under the guise of ‘modern-supply side’ and ‘big government’ policies, many special interests will fester, potentially creating a soft budget constraint for workers and firms with access to various

forms of protection. I am somewhat apprehensive about the notion that externalities are everywhere. If so, what are the limits on state intervention? How big is too big?

Governments, like markets, can have short horizons. Interventions can be misguided, such as the excessive focus on manufacturing jobs in economies primarily dominated by services, or can be targeting narrow political gains, like relocating a factory from foreign country X to swing county Y, which might seem politically appealing but could prove largely wasteful from a global perspective. This short-termism may be exacerbated in democratic systems, raising an important question: is productivism compatible with democracy?

That being said, there is clearly an important role for the government to steer the economy, albeit perhaps not as widespread as envisaged in Rodrik's productivism. The solution may be more evolutionary than revolutionary. Recalibrating existing policies to address current and future challenges may prove more effective than a new paradigm centred on pervasive domestic-oriented industrial policy.

To start with, policies should be accompanied by a forward-looking vision. It is essential for governments to anticipate upcoming challenges and address market failures, while avoiding overly prescriptive measures on firms. Active policies should provide incentives that encourage firms to navigate these challenges without acting as a rigid framework that hampers innovation and growth. Adopting such an approach would be crucial in three key areas. First, guiding the 'green transition', aiming to combine carbon emissions reduction with promoting inclusive growth.^{6;7;8;9} Second, supporting technological change while mitigating potential disruptions from fast-spreading innovations like AI. Third, fostering competition in new sectors like digital markets to counteract the emergence of monopolies in growth-driving sectors.¹⁰

In the productivist paradigm, an active government role involves connecting supply-side policies with worker-centric outcomes. To start, this requires a precise definition of 'good jobs'. As Rodrik suggests, this definition encompasses various facets beyond a living wage, such as prospects for career advancement, a sense of purpose, and the ability to maintain a dignified standard of living.¹¹ In the context of rapidly changing production methods and labour markets, it is crucial to translate this vision into a clear working definition to guide policy decisions. This will require addressing practical issues, such as ensuring essential working conditions (e.g., employment security, regular working schedules, and avoiding excessive surveillance of workers' performance). It will also require answering more existential questions about the meaning people find in machine-dominated work or the treatment of workers belonging to categories often perceived to hold differing social statuses, labelled as 'gig economy workers' or 'knowledge economy workers'.

Governments are also responsible for equipping workers with skills necessary for the good jobs of the future, ranging from 'green jobs' to those that will prominently feature AI integration. To achieve this, the education system must

prepare individuals before entering the labour force and establish retraining programmes for displaced workers. Additionally, incentivising firms to provide continuous training to their employees to be competitive in a fast-changing economy is essential. Lastly, I fully agree with Rodrik that ensuring geographic inclusion is paramount.¹² Many communities have been left behind during previous waves of structural transformation, whether due to routine-biased technological change or globalisation. We are acutely aware of the long-lasting trauma and social tensions that these community-level shocks can cause. Hence, we must embed inclusivity at the core of structural transformation rather than acting *ex-post* through reparatory place-based policies.

Governments should also take a more active role in structural transformation. The role of government is not simply to regulate privately developed technologies, but can also entail participating in their development to create widely accessible tools and promote applications aimed at public-interest goals. The involvement of public entities in R&D is essential to ensure that innovation is aligned with social outcomes. To give an example, AI research is increasingly dominated by the private sector relative to academia. A recent study finds that in 2021, the US government and the European Commission allocated US\$1.5 billion and US\$1.2 billion, respectively, on non-defence AI development. Meanwhile, private companies globally spent more than US\$340 billion in the same year.¹³ With such significant investment gaps, AI applications are more likely to serve firms' profit-maximising objectives, leaving scant public-interest alternatives for key AI tools. A comprehensive understanding of these complex new technologies is essential for positioning governments to regulate their development and uses effectively.

IV. Other factors to consider

Three other factors seem relevant:

Giving workers a voice. Increasing productivity is a necessary but not sufficient condition for creating good jobs. How the benefits of productivity growth are distributed is also crucial. In AEs, there has been a steady erosion of workers' bargaining power over the past decades, resulting in average wages stagnating well below labour productivity growth and widening income inequality. This decline in bargaining power can be attributed to various factors, including a significant reduction in trade union membership since 1980, and an increasing employer concentration in the labour market – known as monopsony – accompanied by the emergence of other non-competitive practices adopted by many firms.^{14;15;16;17} It is crucial to restore the voice of workers and rebalance the power dynamics between capital and labour. This would not only help increase wages today, but also ensure the creation of good jobs in the future. When workers have a say in how firms adopt new technologies, the risk of labour displacement decreases, thus fostering innovation that is more inclusive and beneficial for all stakeholders.^{18;19}

Firms' incentives, decision-making and accountability. Promoting inclusive growth requires aligning firms' objectives with broader societal goals. To do so, policymakers can provide fiscal incentives to encourage firms to create well-paid jobs for underprivileged groups or in economically disadvantaged areas. However, this endeavour would require fewer interventions by policymakers – and consequently fewer distortionary policy measures – if the fundamental objectives of firms and the core values that guide their operations were inherently aligned with social values and goals. In recent decades, the increasing 'financialisation' of the economy, with firms increasingly relying on financial markets and private equity funding, has led to profit-driven shareholders dominating companies' decision-making processes and more opacity in their internal processes.^{20;21;22;23} The emergence of the environmental, social, and governance (ESG) movement has partially countered this trend by promoting corporate transparency, accountability, and encouraging firms to publicly align their actions with social values. Nonetheless, there is a need for further improvements in ESG codes and transparency to ensure that this trend is not merely an act of 'greenwashing' or 'social-washing'.²⁴

Competition policy. The rise of 'superstar' firms over the past decades, particularly in the US, can be attributed to a mix of forces, including the roll-back of anti-trust regulation, globalisation, and new technologies consolidating productivity advantages and market dominance. To counter monopolistic tendencies, government should not only collaborate with firms, but also set the 'rules of the game' to ensure fair competition across all markets. The fast-growing digital sector deserves particular attention, as competition dynamics in digital marketplaces, the trading of data, and social media platforms are very different from those of brick-and-mortar sectors. In many countries, competition regulations and anti-trust frameworks are adapting, but there is still a large gap to close.²⁵

V. Productivism in emerging markets and developing economies

Before concluding, let me share a few concerns about the implications of productivism for EMDEs.

This group of countries stands to lose heavily from the domestic-oriented industrial policies that many AEs recently enacted.^{26;27} While, in the current conjuncture, protectionist agendas are mostly motivated by concerns over supply chain security and geopolitical fractures, they also align with the types of policies envisioned by productivism. This does not bode well for EMDEs, as they would bear the costs of the spillovers from larger economies adopting this new paradigm.

Governments in EMDEs also face greater challenges in applying the productivism paradigm themselves. Firstly, they have lower institutional

capacity than AEs: weaker regulatory framework, reduced efficiency in public spending, inadequate revenue collection capacity and higher economic informality. Governments in EMDEs also face higher borrowing costs and a high risk of sovereign debt distress, which reduces their capacity to raise finances to support supply-side fiscal policy. Lastly, high poverty rates, posing immediate threats to the survival of large fractions of the population, make it hard to justify diverting resources away from demand-side social spending in the short term. Overall, governments in EMDEs have a more limited ability to play the active role in long-term growth envisioned by Rodrik.

In this context, the International Monetary Fund (IMF) and International Financial Institutions (IFIs) can play an important role. These organisations have longstanding experiences assisting EMDEs in enhancing the capacity of their governmental institutions through technical assistance. Moreover, the IFIs themselves are adapting to better support countries in facing the long-term challenges ahead. The IMF, for instance, is rapidly integrating climate change considerations into its country surveillance, advising countries on policies for climate change adaptation, and mitigation. This shift is paired with the creation of long-term financing tools for the specific purpose to tackle these challenges, such as the Resilience and Sustainability Trust, established in 2022 with the support of several AEs. Such examples of multilateral efforts to assist EMDEs are all the more crucial when considering the dangers of the recent drift towards a more geopolitically fragmented global economy.

VI. Final remarks

Where does this leave us? I think the first-order solution identified by Rodrik is the right one: bring back growth. Fostering aggregate economic growth is crucial for increasing the supply of good jobs and expanding access to economic opportunities in a politically effective manner. Without economic growth, redistributing the surplus of the few already existing good jobs – despite addressing essential equity concerns – inevitably pits certain societal groups against others. There is a risk that excessive emphasis on *ex-post* redistribution of the socio-economic pie devolves into a zero-sum game, potentially exacerbating current social tensions. Rebalancing governmental actions towards well-designed supply-side policies – with careful consideration of their distributional effects – is necessary to empower firms and workers to expand the pie itself and widen access to economic opportunities.

However, I find that under productivism the pendulum is swinging too far. Yes, we need to acknowledge the failures of the neoliberal system and find solutions to the challenges it has caused. But this can be done through a careful recalibration of policies that is achievable under our current paradigm of what governments can do and how they should interact with other agents. For instance, governments can start by focusing on broadening access to high-quality education and improving the functioning of markets.

The large move towards an interventionist government and more ubiquitous domestic-focused industrial policy envisioned by productivism may result in unintended consequences. For instance, increasing productivity is always advantageous, and efforts to enhance the total factor productivity of smaller firms are commendable. However, we should carefully consider the appropriate policy measures to achieve this. Subsidising smaller and less efficient firms while restraining the expansion of the most productive companies may not necessarily foster growth.

Overall, this ambitious proposal effectively recentres the discussion on the central issue of how government policies must proactively guide productive efforts in the right direction to address current and future challenges, rather than merely rectifying the problems caused by externalities and distorted incentives *ex-post*. This is an important insight.

Acknowledgements

With help and input from Carlo Pizzinelli, Giovanni Melina, and Florence Jaumotte.

Notes

- ¹ Blanchet (2022).
- ² Autor et al. (2020).
- ³ Diez et al. (2018).
- ⁴ De Loecker et al. (2020).
- ⁵ Eeckhout (2022).
- ⁶ International Monetary Fund (2022).
- ⁷ International Monetary Fund (2020).
- ⁸ Bergant et al. (2022).
- ⁹ Bluedorn et al. (2023).
- ¹⁰ Akcigit et al. (2021).
- ¹¹ Rodrik and Stantcheva (2021).
- ¹² International Monetary Fund (2019).
- ¹³ Ahmed et al. (2023).
- ¹⁴ Jaumotte and Osorio Buitron (2015).
- ¹⁵ Azar et al. (2022).
- ¹⁶ Boeri et al. (2022).

- ¹⁷ Bassanini et al. (2023).
- ¹⁸ Acemoglu and Restrepo (2019).
- ¹⁹ Belloc et al. (2023).
- ²⁰ Epstein and Jayadev (2019).
- ²¹ Duenhaupt (2012).
- ²² Herren Lee (2021).
- ²³ Morgenson and Rosner (2023).
- ²⁴ Elmall et al. (2021).
- ²⁵ OECD (2022).
- ²⁶ International Monetary Fund (2023).
- ²⁷ Aiyar et al. (2023).

References

- Acemoglu, D. and Restrepo, P. (2019) 'The Wrong Kind of AI? Artificial Intelligence and the Future of Labor Demand', IZA Discussion Papers. 12292. <https://www.iza.org/publications/dp/12292/the-wrong-kind-of-ai-artificial-intelligence-and-the-future-of-labor-demand>
- Ahmed, N., Wahed, M. and Thompson, N.C. (2023) 'The Growing Influence of Industry in AI Research', *Science*, 379: 884–886. <https://doi.org/10.1126/science.ade2420>
- Akcigit, U., Chen, W., Diez, F. J., Duval, R. A., Engler, P., Fan, J., Maggi, C., Mendes Tavares, M., Schwarz, D. A., Shibata, I. and Villegas-Sánchez, C. (2021) *Rising Corporate Market Power: Emerging Policy Issues*. Staff Discussion Note 2021/001. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2021/03/10/Rising-Corporate-Market-Power-Emerging-Policy-Issues-48619>
- Aiyar, S., Chen, J., Ebeke, C. H., Garcia-Saltos, R., Gudmundsson, T., Ilyina, A., Kangur, A., Kunaratskul, T., Rodriguez, S. L., Ruta, M., Schulze, T., Soderberg, G. and Trevino, J. P. (2023) *Gеоeconomic Fragmentation and the Future of Multilateralism*. Staff Discussion Note 23/001. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2023/01/11/Geo-Economic-Fragmentation-and-the-Future-of-Multilateralism-527266>
- Autor, D., Dorn, D., Katz, L. F., Patterson, C. and Van Reenen, J. (2020) 'The Fall of the Labor Share and the Rise of Superstar Firms', *The Quarterly Journal of Economics*, 135(2): 645–709. <https://doi.org/10.1093/qje/qjaa004>

- Azar, J., Marinescu, I. and Steinbaum, M. (2022) 'Labor Market Concentration', *Journal of Human Resources*, 57: 167-199. <https://doi.org/10.3368/jhr.monopsony.1218-9914R1>
- Bassanini, A., Bovini, G., Caroli, E., Casanova Ferrando, J., Cingano, F., Falco, P., Felgueroso, F., Jansen, M., Martin, P. S., Melo, A., Oberfichter, M. and Popp, M. (2023) 'Labour Market Concentration, Wages and Job Security in Europe', NOVA Business School Working Paper 654. <http://dx.doi.org/10.2139/ssrn.4321138>
- Belloc, F., Burdin, G. and Landini, F. (2023) 'Advanced Technologies and Worker Voice', *Economica*, 90: 1-38. <https://doi.org/10.1111/ecca.12446>
- Bergant, K., Mano, R. and Shibata, I. (2022) 'From Polluting to Green Jobs: A Seamless Transition in the U.S.?', IMF Working Paper 2022/129. <https://www.imf.org/en/Publications/WP/Issues/2022/07/01/From-Polluting-to-Green-Jobs-A-Seamless-Transition-in-the-U-S-520244>
- Blanchet, T., Chancel, L. and Gethin, A. (2022) 'Why Is Europe More Equal than the United States?', *American Economic Journal: Applied Economics*, 14(4): 480-518 <https://doi.org/10.1257/app.20200703>
- Bluedorn, J., Hansen, N. J., Noureldin, D., Shibata, I. and Tavares, M. M. (2023) 'Transitioning to a Greener Labor Market: Cross-Country Evidence from Microdata', *Energy Economics*, 37, 106836. <https://doi.org/10.1016/j.eneco.2023.106836>
- Boeri, T., Garnero, A. and Luisetto, L. G. (2022) 'The Use of Non-Compete Agreements in the Italian Labour Market', Fondazione Ing. Rodolfo Benedetti Working Paper. https://www.frdp.org/wp-content/uploads/2022/05/Boeri-Garnero-Luisetto-Non-compete-agreements-Italy_FINAL.pdf
- De Loecker, J., Eeckhout, J. and Unger, G. (2020) 'The Rise of Market Power and the Macroeconomic Implications' *The Quarterly Journal of Economics*, 135(2): 561-644. <https://doi.org/10.1093/qje/qjz041>
- Diez, F. J., Leigh, D. and Tambunlertchai, S. (2018) 'Global Market Power and its Macroeconomic Implications', IMF Working Paper 2018/137. <https://www.imf.org/en/Publications/WP/Issues/2018/06/15/Global-Market-Power-and-its-Macroeconomic-Implications-45975>
- Duenhaupt, P. (2012) 'Financialization and the Rentier Income Share—Evidence from the USA and Germany', *International Review of Applied Economics* 26(4): 465-487. <https://doi.org/10.1080/02692171.2011.595705>
- Eeckhout, J. (2022) *The Profit Paradox: How Thriving Firms Threaten the Future of Work*, Princeton, NJ: Princeton University Press.

- Elmalt, D., Kirti, D. and Igan, D. (2021) 'Limits to Private Climate Change Mitigation', IMF Working Paper 21/112. <https://www.imf.org/en/Publications/WP/Issues/2021/04/29/Limits-to-Private-Climate-Change-Mitigation-50297>
- Epstein, G. and Jayadev, A. (2019) 'The Rise of Rentier Incomes in OECD Countries: Financialization, Central Bank Policy and Labor Solidarity', in Epstein, G. (ed) *The Political Economy of Central Banking*, Cheltenham, UK: Edward Elgar: 350–378.
- Herren Lee, A. (2021) *Going Dark: The Growth of Private Markets and the Impact on Investors and the Economy*. Remarks at The SEC Speaks in 2021. US Security and Exchange Commission. Speech [12 October]. <https://www.sec.gov/news/speech/lee-sec-speaks-2021-10-12>
- International Monetary Fund (2019) 'Chapter 2, Closer Together or Further Apart? Within-Country Regional Disparities and Adjustment in Advanced Economies', in *World Economic Outlook*. <https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019?intcid=OBanner-WEO1019>
- International Monetary Fund (2020) 'Chapter 3, 'Mitigating Climate Change'', in *World Economic Outlook*. <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>
- International Monetary Fund (2022) 'Chapter 3, A Greener Labor Market: Employment, Policies, and Economic Transformation', in *World Economic Outlook*. <https://doi.org/10.5089/9781616359423.081>
- International Monetary Fund (2023) 'Chapter 4, Goeconomic Fragmentation and Foreign Direct Investment' in *World Economic Outlook 2023: A Rocky Recovery*. <https://www.elibrary.imf.org/display/book/9798400224119/CH004.xml>
- Jaumotte, F. and Osorio Buitron, C. (2015) 'Inequality and Labor Market Institutions', Staff Discussion Note. 2015/014. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Inequality-and-Labor-Market-Institutions-42987>
- Morgenson, R. and Rosner, J. (2023) *These Are the Plunderers: How Private Equity Runs — and Wrecks — America*, New York: Simon & Schuster.
- Organisation for Economic Cooperation and Development (2022) *OECD Handbook on Competition Policy in the Digital Age*, Paris: OECD Publishing. https://www.oecd.org/en/publications/oecd-handbook-on-competition-policy-in-the-digital-age_c8c1841b-en.html
- Rodrik, D. and Stantcheva, S. (2021) 'Fixing Capitalism's Good Jobs Problem', *Oxford Review of Economic Policy*, 37(4): 824–837. <https://doi.org/10.1093/oxrep/grab024>