

# Fixing capitalism for the 21st Century

Dani Rodrik

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# When globalization was viewed as permanent and immutable

- Bill Clinton: “Globalization is not something we can hold off or turn off. It is the economic equivalent of a force of nature, like wind or water.” (2001)
- Tony Blair: “I hear people say we have to stop and debate globalization. You might as well debate whether autumn should follow summer.” (2005)

# Different globalizations in history

	aspiration				
	Capital mobility	Free trade in goods	Labor mobility	Rules that reach behind borders	Multilateral governance institutions
Gold Standard	✓	✓	✓	✓	
Bretton Woods		✓			✓
Post-1990s hyper-globalization	✓	✓		✓	✓

# The post-1990s movement towards hyper-globalization

- Traditional model of trade liberalization/trade agreements (GATT/IMF)
  - tackling restrictions at the border, limited scope, w/ “compensation”
  - export-oriented groups as counterweight to domestic protectionists
  - capital account management
  - policy space, autonomy for each national developmental model
- The hyper-globalization model (WTO, FTAs)
  - tackling behind-the-border “restrictions;” capital mobility, deep integration, (necessary) decline of compensation
  - international firms and banks as the new rule and agenda setters
  - approach predicated on convergence of national economic models (“end of history”)
  - globalization as an end rather than the means



# The kind of globalization we should want:

- disciplines beggar-thy-neighbor policies and enforces rules for global public goods
- produces benefits to all rather than to a few
  - the larger the efficiency gains the greater the possibilities of redistribution
- otherwise leaves space for policy autonomy and institutional diversity across nations

# A thinner but more sustainable globalization

- International trade regime
  - “peaceful economic co-existence” (e.g., US-China)
    - permissive rules on subsidies, intellectual property rights, and industrial policies
    - expanded safeguards regime to allow countries to uphold domestic labor, environmental, technological, national security requirements
      - carbon border adjustments, anti-”social dumping,” trade and investment restrictions in response to privacy, national security concerns
  - right to “protect” own standards/regulations/tax regimes, but not to export them
    - e.g., corporate taxation, Huawei, labor standards
  - no special privileges for MNCs (over labor or other groups)
- Focus global governance where economic gains are large
  - non-economic areas: climate change, global public health (both GPGs)
  - international coordination on “pure” tax havens
  - cross-border labor mobility

# Making space for the domestic policy agenda

- International economic integration has produced domestic disintegration (alongside technological trends and market-fundamentalist policies)
- Reconstructing healthy polities requires a reintegration of society
- Moving beyond the welfare state towards a productivist/good-jobs strategy



		At what stage of the economy does policy intervene?		
		pre-production	production	post-production
What kind of inequality do we care about?	bottom	endowment policies (health, education); UBI	minimum wage; job guarantee;	transfers (e.g., EITC); full-employment macro policies
	middle	public spending on higher education	industrial relations & labor laws; industrial & innovation policies	safety nets, social protection
	top	inheritance/estate taxes	competition policy	wealth taxes





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The welfare state model

# The limits of the welfare state model

- Traditional welfare state model presumes good/middle class jobs are available to all with adequate education, hence focuses on social spending on education, pensions, and social insurance against idiosyncratic risks (unemployment, illness, disability)
  - These are pre-production and post-production policies in terms of the above matrix
- Inequality/insecurity is today a structural problem: inadequacy of good/middle class jobs is driven by secular trends (technology, globalization)
  - When technology (and globalization) hollow out the middle of the employment distribution we have a structural problem that exhibits itself in the form of permanent bad jobs and depressed regional labor markets. Needs a different strategy that tackles good-job creation directly. Traditional welfare state policies are inadequate and address at best symptoms of the problem.

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	middle	public spending on higher education	<b>“good jobs” policies</b>	safety nets, social protection
	top		competition policy	

The productivist/“good jobs” model



# Good job policies

- Active labor market policies linked to employers
- Industrial/regional policies targeting good jobs
- Innovation policies directed towards labor-friendly technologies
- International economic policies that “protect” domestic labor/social standards

Connected by both a common objective (good jobs) and new form of governance (collaborative, iterative, experimental arrangements between private and state actors)

# Advantages of the “good jobs” agenda

- Structuralist approach
  - shaping production, innovation, employment incentives and relationships in situ, rather than taking them as given
  - from “welfare state” to “productivist/innovation state”
- Breaks through institutional fetishism
  - traditional conceptions/distinctions of “markets” and “state,” and “regulation” no longer apply
  - collaborative, iterative rule making under extreme, multi-dimensional uncertainty
- Merging of equality/inclusion and economic growth agendas
  - growth possibly only through dissemination of advanced methods throughout rest of economy
- Opens up of a path of radical institutional reform from gradualist beginnings
  - avoids reform/revolution dilemma

# Three futures for globalization...

- The bad: 1930's style collapse in global economic cooperation and rise of hard-right or hard-left regimes
- The ugly: creeping populism and protectionism, gradually eroding both liberal democracy and open world economy
- The good: a rebalancing that steps back from hyper-globalization and seeks a thinner globalization with greater space for reconstruction of national social contracts



Additional slides

# A. Active labor market policies linked to employers

## Successful sectoral training programs in the U.S.

	Project Quest	Per Scholas	Madison Strategies Group	Jewish Vocational Services	Wisconsin Regional Training Partnership
Location	San Antonio, TX	Bronx, NY	Tulsa, OK	Boston, MA	Milwaukee, WI
Target sector	Healthcare, business services/IT	Information technology	Transportation, manufacturing	Healthcare	Construction, manufacturing, healthcare
Target population	Low-income adult population	Young males, predominantly foreign born	Low income-workers, mostly male	Refugees, immigrants, welfare recipients	African American youths
Evaluation results	Year 9 earnings up by \$5,490 (20%)	Year 3 earnings up by \$4,829 (27%)	Year 3 earnings up by \$3,603 for the late cohort, w/ fading effects for earlier cohorts	Year 2 earnings up by 21%	Earning up by \$6,255 (24%) over 24-months

- close links with employers
- “wrap-around,” individualized services for trainees

Sources: Maguire et al. (2010), Roder and Elliott (2019), Schaberg (2017)

## B. Industrial/regional policies targeting good jobs

- Instead of tax incentives, or open-ended subsidies
- Provision of customized public inputs through collaborative, iterative dialog with firms
  - w/ soft conditionality on employment quantity and quality
- Based on quid-pro-quo:
  - firms need access to stable, skilled workforce, reliable horizontal and vertical networks (w/out holdup, informational problems), technology, contractual and property rights enforcement
  - governments need firms to internalize “good jobs” externalities in employment, training, investment, and technological choices
  - deep uncertainty precludes simple remedies (such as Pigovian employment subsidies)



## C. Innovation policies directed towards labor-friendly technologies

- “Technology is rapidly changing skills needed on the job, and workers need to adjust through increased education and continuous training...”
- Treats technology as exogenous force
- But direction of technology responds to
  - incentives (e.g., taxes on K vs L, R&D subsidies,..)
  - norms (private, and public, embedded in innovation systems & narratives on innovation)
  - relative power (who gets a say in the workplace on what types of technology are developed/adopted and how they are deployed?)
- Requires conscious policies to redirect innovation in a more labor-friendly direction
  - AI and other technologies that augment rather than replace labor, and increase the range of tasks less skilled labor can do

## D. International economic policies that “protect” domestic labor/social standards

- Shifting tax base back to capital, and away from labor
  - global information exchange, minimum national taxes, reining in tax havens
- A social anti-dumping clause
  - expanded safeguards clause that allows nations to uphold national social/labor standards when faced with imports from countries that violate fundamental labor or human rights