On Productivism

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We are today in the midst of a transition away from what has come to be called "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 (Rodrik, 2021a). 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 "neoliberalism" will soon be filled by a new paradigm – and the more appropriate and adaptable that paradigm, the better.

I describe in this essay an approach that I call "productivism." This is an approach that prioritizes the dissemination of productive economic opportunities throughout all regions of the economy and segments of the labor force. It differs from what immediately preceded it ("neoliberalism") in that it gives governments (and civil society) a significant role in achieving that goal. It puts less faith in markets and is suspicious of large corporations. It emphasizes production and investment over finance, and revitalizing local communities over globalization. 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 skepticism towards technocrats and being less instinctively hostile to populism in the economic sphere (Rodrik, 2018).

Our core economic problems – poverty, inequality, exclusion, and insecurity – have many roots. But they are reproduced and reinforced on a daily basis in the course of production, as an immediate by-product 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 recognized in economics. Learning and innovation spillovers from 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 in our contemporary world, these externalities are broader and also include what may be called "good jobs" externalities. "Good jobs" are a pathway to the middle class. They pay sufficiently well to allow for a reasonable living standard with some security and savings, are relatively stable and with 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 such as polarization, the rise of populism, backlashes against globalization and immigration, decline in trust in government, experts, and institutions can follow. The prevalence of "bad jobs" is also symptomatic of economic dualism, which creates its own inefficiency:

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productive technologies remain bottled up in a few firms and do not disseminate throughout the rest of the economy and the labor force.

Firms' decisions on how many workers to employ, how much to pay, what kind of technologies to deploy, and how to organize work affect not just the bottom line, but the life chances 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 "internalized" by its managers or shareholders.

Framing the problem in terms of an "externality" -- or as a "coordination failure" which prevents the undertaking of complementary actions (in training, technology adoption, investment decisions) for broad-based prosperity – clarifies that productivism is about productivity first and foremost, and not about redistribution or social/labor standards. But it does not presume productivity trickles down. It aims to enhance well-being across all sectors of society by directly broadening access to productive employment opportunities.

I start the essay by relating the contemporary labor market problems of advanced economies to the dualism literature in economic development. I will then highlight the nature of the new challenges and why established models of growth and of the Keynesian social welfare state need to be updated. I then describe the new modes of industrial policy required to deal with these challenges and the question of whether our governments are up to it. In the penultimate section, I discuss how the elements of the new strategy are drawing support from both sides of the political spectrum. I end the essay with some caution on the idea of a new paradigm.

An old problem in a new setting

How to overcome "productive dualism" is the central economic challenge of our time. Dualism is an old idea that lies at the core of development economics, and one that 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 between a narrow "modern" sector that use advanced technologies and a much larger "traditional" sector characterized by extremely low productivity. Dualism was long held to be the defining feature of developing countries, in contrast to advanced nations where frontier technologies and high productivity were assumed to prevail 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, it no longer appears to be very relevant.

Manufacturing industry 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 as a result of automation and other innovations that have been labor-saving, manufacturing has lost its ability to create many jobs, in both developing and advanced economies (Diao et al., 2021). Manufacturing employment has shrunk (as a share of total employment) even in countries such as South Korea or Germany that have maintained strong industrial sectors. Changes in manufacturing technologies have made it very difficult for low-income countries to successfully compete in manufacturing without using skill- and capital-intensive technologies that are inappropriate in light of these countries' underlying factor endowments and do not absorb much labor.

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 U.S. (Temin, 2017). A combination of forces – de-industrialization, globalization, new technologies that favored professionals and capitalists, and declining protections for labor – have indeed produced a widening gap between the winners from these developments and those who are left behind. Convergence between poor and rich parts of the economy was arrested, labor markets became increasingly polarized between high- and low-educated workers, and regional disparities widened. In Europe, the increase in inequality was not as marked thanks to a stronger welfare state, but the same forces operated there too. The gaps between the most productive firms and regions and those lagging behind grew while the middle class shrank (Vacas-Soriano & Fernandez-Macias, 2017).

As a consequence, policy makers in advanced nations are now grappling with the same questions that have long preoccupied development policy makers: 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, more 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, on the one hand, and various social groups and the business community, on the other hand, look 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.

To be sure, localities that are left behind in the advanced nations may have access to vastly greater amounts of financial resources. In the U.S., state and local governments spend tens of billions of dollars, not very effectively, on tax incentives and other subsidies to attract large firms (Slattery & Zidar, 2020). 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, are subject to political pressure and lobbying from parochial private interests, and the capabilities they need to mobilize, even when they exist, are spread across a wide range of public and private organizations they do not directly control.

Where conventional models fall short

To see how productivism differs from alternative approaches, it is useful to consider our policy options with the help of a matrix that categorizes different types of approaches to prosperity and inequality (Figure 1). First, I divide policies into pre-production, production, and post-production stage interventions. For my purposes, this is a better categorization of policies than the more conventional pre-distribution/redistribution distinction. Within the pre-distribution category, it 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 labor-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 those 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 labor markets and ex-post redistribution through taxes and social insurance policies (see Figure 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 all with adequate education and skills.

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). These may include innovation systems, 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 labor market behind.

When the inadequacy of good/middle class jobs is driven by secular trends such as technology and globalization, neither of these strategies quite work. Economic insecurity, inequality, and poor productivity (except for those at the very top) are today structural problems. Secular trends in technology and globalization 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 permanently depressed labor markets outside major metropolitan centers. These problems need a different strategy that tackles the creation of good jobs directly. The focus necessarily turns to firms, to help them internalize the economic and social spillovers they are responsible for. 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 4).

To put it bluntly, we must change what we produce, how we produce it, and who gets a say in these decisions. This requires not just new policies but also reconfiguring existing ones. I will elaborate on some of these below, but I provide a quick overview here.

Advanced and developing nations alike will need a new breed of coordinated policies aimed at the supply and demand sides of labor markets, combining skill training programs with support for firms (Rodrik & Stantcheva, 2021a). Good jobs require good firms, and vice versa. Active labor market policies designed to increase skills and employability have to broaden into partnerships with firms explicitly targeting the creation of good jobs (Rodrik & Sabel, 2019). Industrial and regional policies that currently center on tax incentives and investment subsidies have to be replaced by customized business services and amenities to facilitate maximum employment creation (Bartik, 2019). National innovation systems have to be redesigned to orient investments in new technologies in a more employment-friendly direction (Acemoglu & Rastrepo, 2019). Policies tackling climate change, such as the European Green Deal, have to be explicitly linked to programs of job creation in lagging communities (*A European Green Deal*, n.d.). And in recognition that prosperity will have to rely in the future much more on services and on smaller and medium-sized enterprises, the focus of industrial policy will have to be reoriented away from manufactures and "national champions."

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 internalize the various externalities they produce for their communities and societies when they make their labor, 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 also clarifies that the conventional separation between growth policies and social policies no longer makes sense. Faster economic growth requires new technologies and productive opportunities to be disseminated among smaller firms and wider segments of the labor force and that their use not be confined to narrow segments of the elite. And reducing inequality and economic insecurity is more effective when it happens through better employment prospects than via fiscal redistribution only. The growth and social agendas are increasingly one and the same.

New types of industrial policies

If productivism is to be successful it will have to internalize 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 (Lincicome, 2021), systematic recent studies find that industrial policies incentivizing investment and job creation in disadvantaged regions have often done surprisingly well (Criscuolo et al., 2019).

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 (Stephens & Leonnig, 2011), there is often a Tesla, the phenomenally successful electric battery and vehicle manufactures that also received government support at a critical phase of its development (Overly, 2017).

Nevertheless, there is much room for improvement. The most effective industrial policies are those that entail close, collaborative interaction between government agencies 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 health care can help in this regard, connecting people with productive employment opportunities require interventions that go beyond these. It requires improvements on the *demand* side of the labor market as well as the supply side (Rodrik, 2021b). Policies must directly encourage an increase in the quantity and quality of jobs that are available for the less educated and less skilled members of workforce, where they choose (or can afford to) live.

In the future the bulk of these jobs will come not from manufacturing, but from services such as health and long-term care and retail. In the U.S., 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 experience of East Asian manufacturing superstars such as South Korea and Taiwan provides a sobering example. These two countries have managed to rapidly increase the share of manufacturing value added in 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 U.S. is focused on promoting high-tech manufacturing. The most recent example is the CHIPS act the U.S. Congress has passed providing $52 billion in funding for semiconductors and related manufacturing (Moore, 2022). The initiative is aimed at both 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 geo-political competition with China will not be very 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" which President Joe Biden is likely to sign. Without question, the green transition is an urgent priority that the new paradigm needs to tackle. But here too, governments cannot kill two birds with one stone. 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. For proposals in the U.S. and French contexts respectively, see Rodrik (2022) and Rodrik and Stantcheva (2021b).

<u>Are governments up to it?</u>

Skepticism about the ability of governments to lead and achieve positive change is near universal. To many, "effective government action" is an oxymoron. And given the state of our contemporary politics, such doubts may be well-placed. Authoritarian populism and polarization – 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 them too much power, and they will direct resources towards the wrong places and turn into captive tools of special interests. That is the argument that was 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 capture the imagination and 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 be not "do we have the capacity?" but "do we have in place the right priorities and the correct mode of governance?"

The skeptic 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 a their book, effective models of governance already exist and have made a big difference (Sabel & Victor, 2022). The practice is there; it is the theory that we have so far lacked. Sabel and Victor focus on climate change, which is the greatest policy challenge of our time, and 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 (U.N. Environment Programme, 2018). 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 UN Framework Convention on Climate Change (UNFCCC) of 1992, the first global climate agreement, in fact took the Montreal Protocol as its model. Both global regimes started out as very "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 little operational content otherwise.

But they 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, capabilities were acquired, and trust was built among parties. 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 they would capture the process. This instead 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 programs, ranging from the Advanced Research Projects Agency – Energy (ARPA-E) in the U.S. 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 routinized subsequently through dissemination and standard-setting.

Neither are the examples limited to environmental policy. The operation of ARPA-E is modeled after the Defense Advanced Research Projects Agency (DARPA), a U.S. agency that is responsible for some of the landmark innovations of our time, such as the Internet and the GPS. At the local level, the most successful initiatives to revitalize communities and create jobs take the form of private-public collaborations that bring training programs, businesses, non-profit groups, and public officials together to create new pathways to economic opportunity (D. Fallows & Fallows, n.d.). Effective national industrial policies take a similar collaborative, cross-sectoral approach (Ghezzi, 2017).

As Sabel and Victor explain, the general strategy in all these domains is to start out with ambitious, somewhat ill-defined goals. Program 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 generalized, 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 policy-making differs significantly from the conventional approaches that dominate present-day thinking. From its perspective, the state vs. market dichotomy no longer makes sense and is irrelevant. States and markets are complements, not substitutes. Economists' standard top-down, principal-agent model of regulation (with it top-down, principal-agent framing) becomes unhelpful.

<u>A Paradigm Beyond Right and Left?</u>

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-liberals. In the U.S., 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 programs and strengthen workplace and environmental regulation (Gerstle, 2022).

It was similar with neoliberalism. The impetus for it came from economists and politicians -- such as Milton Friedman, Ronald Reagan, and Margaret Thatcher -- who were market enthusiasts. But if the paradigm eventually became dominant, it was in no small part thanks to center-left leaders such as Bill Clinton and Tony Blair who had internalized much of its pro-market agenda (Rodrik, 2016). These leaders pushed for deregulation, financialization, and hyper-globalization, while paying lip service to ameliorating 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 polarization that currently prevails in our political life makes such an outcome seem outlandish. Yet there are in fact signs of convergence.

We see of course 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 (so far) 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 U.S. allies -- over the World Trade Organization, we know we are in a different world (U.S. Department of the Treasury, 2022).

But many 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 U.S. manufacturing (Franck, 2021). 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 (Rubio, 2021; Rubio, 2019). "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-a-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" (Kuttner, 2022).

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, emphasizing its importance for a healthy economy (Lindsey, 2021). Oren Cass, advisor to 2008 Republican presidential candidate Mitt Romney and a former senior fellow at market-promoting Manhattan Institute, is a critic of financialized 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" (Klein, 2022).

Pragmatism can over-ride 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 traveled around America on their single-engine plane to study experience with local economic development (J. Fallows & Fallows, 2019). 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 it made little difference to what they did whether they were Democrats, Republicans, or Independents.

To be sure, there remain deep divides between the two parties on social and cultural issues such as abortion rights, race, and gender. 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 U.S. democracy. And there is always the danger that the "new" industrial policies that conservatives and progressives alike favor will fizzle out or turn into the old 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.

A Caveat: Beware Economists Bearing Paradigms

All our previous policy paradigms – whether mercantilist, classical liberal, Keynesian, social-democratic, ordo-liberal, or neo-liberal -- had important blind spots because they were conceived of as universal programs to be applied at all time 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 are contingency, contextuality, 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 (Rodrik, 2021a).

By the time any set of ideas becomes conventional wisdom, it is riddled with one-size-fits-all generalizations and truisms that are bound to be unhelpful and misleading. Productivism may be the right approach for today's challenges. Yet the more successful it is, the less relevant it will become to future challenges.

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Figure 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			

Figure 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: 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

Figure 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; customized business incentives & services; labor-friendly innovation policies	
	high productivity			