

69. Consens de Washington (*Washington consensus*, John Williamson, 1990)

“... years ago I invented the term ‘Washington Consensus’ to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989 ... I have long been doubtful about whether my phrase served to advance the cause of rational economic policymaking ... I find that the term has been invested with a meaning that is significantly different from that which I had intended and is now used as a synonym for what is often called ‘neoliberalism’ in Latin America, or what George Soros ... has called ‘market fundamentalism.’ When I first came across this usage, I asserted that it was a misuse of my intended meaning.”

“... there is a real danger that many of the economic reforms favored by international development institutions—notably macroeconomic discipline, trade openness, and market-friendly microeconomic policies—will be discredited in the eyes of many observers, simply because these institutions are inevitably implicated in views that command a consensus in Washington and the term ‘Washington Consensus’ has come to be used to describe an extreme and dogmatic commitment to the belief that markets can handle everything.”

“The Original Version

My original paper ... argued that the set of policy reforms that most of official Washington thought would be good for Latin American countries could be summarized in 10 propositions:

- Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization
- Liberalization of inflows of foreign direct investment
- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights.

The need for the first three reforms is, so far as I am aware, widely accepted among economists.”

Current Usage

“... when I coined the term in 1989, the market fundamentalism of Reagan's first term had already been superseded by the return of rational economic policymaking, and one could discern which ideas were going to survive and which were not (monetary discipline but not monetarism; tax reform but not tax-slashing; trade liberalization but maybe not complete freedom of capital movements; deregulation of entry and exit barriers but not the suppression of regulations designed to protect the environment).

How is it that a term intended to describe a technocratic policy agenda that survived the demise of Reaganomics came to be used to describe an ideology embracing the most extreme version of Reaganomics?”

“The popular, or populist, interpretation of the Washington Consensus, meaning market fundamentalism or neoliberalism, refers to laissez-faire Reaganomics—let's bash the state, the markets will resolve everything.”

[“... principal economic institutions located in Washington: the U.S. Treasury, the Federal Reserve Board, the International Monetary Fund, and the World Bank.”]

Williamson, John (2000): “What Should the World Bank Think about the Washington Consensus?”, *The World Bank Research Observer* 15(2), 251-64.

<https://documents1.worldbank.org/curated/ar/624291468152712936/pdf/766500JRN0WBRO00B0x374385B00PUBLIC0.pdf>

Williamson, John (1990): “What Washington Means by Policy Reform”, capítol 2 a John Williamson, ed., *Latin American Adjustment: How Much Has Happened?*, Institute for International Economics.

70. Fracàs del consens de Washington (Moisés Naím, 2002)

“During the first half of the 1990s ... privatisation, trade liberalisation and deregulation were the common building-blocks of the economic reforms that seemed to be sweeping the world. Many called these policies the ‘Washington consensus’.”

“Governments everywhere did indeed profess to share remarkably similar goals; many adopted a market-oriented stance in their economic policies. But what they in fact did was often at odds with the policies they had announced or even the promises they had made to the International Monetary Fund.”

“To its early-1990s consumers, the Washington consensus carried a whiff of imminent prosperity and the promise of a flood of foreign money and goods. Over time, the living standards associated with American capitalism and globalisation became important parts of this brand's allure. Naturally, the politicians and multilateral institutions that were ‘selling’ the product had no interest in curbing these illusions or in nurturing more realistic expectations about how quick, painless and widespread the benefits of these reforms would be. High expectations often lead to disappointment and this case is no exception. As befits a global brand, frustrations with the consensus are now global and the brand is irreparably damaged.”

Instead of prosperity, the consensus now emits the poisonous odours of a recipe concocted in Washington by a cabal of inept technocrats who are out of touch with the realities of poor countries or, even worse, are in the pockets of Wall Street. Widely derided as ‘market fundamentalism’ or ‘savage neo-liberalism’, the concoction is accused of making the poor poorer and the world unacceptably inequitable and dangerously unstable. In many countries, privatisation, trade liberalisation and fiscal austerity have become politically noxious ideas.”

“The consensus may be an impaired brand, but some of the ideas remain sound. A recent study, for example, has found that infant mortality fell 6 per cent in the Argentine municipalities that privatised

their water services and that this positive effect was larger in the poorest municipalities, where infant mortality fell 24 per cent.”

“The Washington consensus was never meant to be used as a development programme, a national project, a doctrine or a political platform, much less as an ideology. Alas, at one time or another and in different countries it was called on to perform all of these functions. Naturally, it failed miserably.”

“Also, the consensus was often badly or partially implemented and some of its policies are in urgent need of revision. It also ignores important areas where better government intervention is needed. But its core ideas are far better than the damaged brand that now leads most clients to repudiate the product.”

Naím, Moisés (2002): “The Washington Consensus: A Damaged Brand”, Financial Times, 28 Oct 2002
<https://carnegieendowment.org/posts/2002/10/washington-consensus-a-damaged-brand?lang=en>

71. Fracàs del consens de Washington? (John Williamson, 2002)

“It is difficult even for the creator of the term to deny that the phrase ‘Washington Consensus’ is a damaged brand name (Naím 2002). Audiences the world over seem to believe that this signifies a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery ... The basic ideas that I attempted to summarize in the Washington Consensus have continued to gain wider acceptance over the past decade, to the point where Lula has had to endorse most of them in order to be electable.”

“The three big ideas here are macroeconomic discipline, a market economy, and openness to the world (at least in respect of trade and FDI). These are ideas that had long been regarded as orthodox so far as OECD countries are concerned, but there used to be a sort of global apartheid which claimed that developing countries came from a different universe which enabled them to benefit from (a) inflation (so as to reap the inflation tax and boost investment); (b) a leading role for the state in initiating industrialization; and (c) import substitution. The Washington Consensus said that this era of apartheid was over.”

“I of course never intended my term to imply policies like capital account liberalization ..., monetarism, supply-side economics, or a minimal state (getting the state out of welfare provision and income redistribution), which I think of as the quintessentially neoliberal ideas ... But this is not how everyone has interpreted the idea.”

“(1) Countries ought not to have adopted the Washington Consensus as an ideology ... for a policymaker to imagine that s/he can stop thinking and simply follow a set of policies that someone else has concocted is irresponsible. (2) Anyone offering a new set of policy guidelines ... has a duty to include a set of suggestions as to how crises can be avoided.”

“A second reason that outcomes did not match the hopes of a decade ago is that reforms were incomplete ... For one thing, some of the ‘first-generation reforms’ were neglected (perhaps most conspicuously regarding the labor market, which has remained strongly dualistic everywhere, resulting in ever-growing informality) or incomplete (e.g. with regard to fiscal reform, where the massive budget

deficits were eliminated but opportunity was not taken of the good times to run budget surpluses that would allow deficit spending in bad times). In addition, there is a whole generation of so-called 'second-generation reforms', involving the strengthening of institutions, that is necessary to allow full advantage to be taken of the first-generation reforms."

"And a third reason for disappointing performance is that the objective that underlay the Washington Consensus was excessively narrow. It consisted in accelerating growth without worsening income distribution ... If one regards poverty as an affront to human dignity, then one will care not simply about the level and growth of income but about its distribution as well. That is why Nancy Birdsall and Augusto de la Torre (2001) authored a tract that aims to complement the Washington Consensus by listing a set of ten reforms intended to improve income distribution without reducing growth."

Williamson, John (2002): "Did the Washington Consensus Fail?", Peterson Institute for International Economics, 6 Nov 2002

<https://www.piie.com/commentary/speeches-papers/did-washington-consensus-fail>

72. 10+1 instruments de política econòmica contra la pobresa i a favor del creixement

"In the past 15 years the dominant direction of economic policies worldwide has been to reduce barriers to foreign trade and investment, sell state-owned companies to the private sector, and tighten fiscal and monetary practices (...) Economist John Williamson labeled this policy package the 'Washington Consensus' because of its backing by the U.S. Treasury and the Washington-based international institutions (the International Monetary Fund, the World Bank, the Inter-American Development Bank). The consensus detailed by Williamson comprised 10 economic reform policies. The policies emphasized stabilization of prices to return developing countries to a path of sustainable growth and structural adjustment measures to make economies more efficient and competitive."

"A new and overriding objective has emerged: to reduce poverty and improve equity without sacrificing growth ... This report proposes '10 + 1' new policy tools to advance that new objective in Latin America (...) We emphasize that there is no such consensus about our 10 plus tools. Indeed, our tools are contentious."

"The 10 + 1 policy tools are:

1. Rule-based fiscal discipline. Fiscal indiscipline—when governments consistently spend more than they collect and more than they can easily finance through sustainable borrowing—has high costs for the poor and the emerging middle class (...)

2. Smoothing booms and busts. Booms are better for the rich, busts worse for the poor. Fiscal and monetary policies and tough banking and other financial standards to manage volatility and minimize crisis cannot be improvised. They should be locked in when times are good.

3. Social safety nets that trigger automatically. A modern system provides an income floor for working and middle class households as well as the poor. During slumps, spending should kick in automatically for emergency public works employment and subsidies to families to keep their children in school.

4. Schools for the poor, too. Today's centralized systems reinforce inequality. Critical reforms include more school autonomy, lower subsidies to the better-off for higher education, and more public spending on preschool programs. Education policy must also embrace the internet, with public subsidies to ensure that every school and every community benefit from this revolution in access to knowledge.

5. Taxing the rich and spending more on the rest. The region relies heavily on consumption taxes that are regressive. Closing income tax loopholes and reducing evasion would increase revenues without adding to the tax burden of working and middle-income households.

6. Giving small business a chance. Weak financial and judicial systems and onerous red tape block talented small entrepreneurs from expanding their businesses. Improved enforcement of credit contracts and shareholder rights, the end of insider credit from state-owned banks, and access to information and professional services would help create more small firms and more jobs.

7. Protecting workers' rights. The poor bear the cost of a job contracting environment that has too little worker protection and too many legal rules. Latin America needs more aggressive protection of workers' rights of association and collective bargaining, more independent and democratic unions, and more social protection to replace inflexible rules that discourage job mobility and growth.

8. Dealing openly with discrimination. (...) Political leadership can help break down the social and political barriers that hurt blacks and members of indigenous groups—and, in some arenas, women.

9. Repairing land markets. A new generation of land reform programs can make rural land markets truly competitive—finally giving the rural poor a fair chance. The new approach emphasizes credit and community involvement and relies less on centralized bureaucracy.

10. Consumer-driven public services. Shortcomings in infrastructure, public health, and such regulatory services as consumer protection have cost the poor and the near-poor dearly. Poor and other low-income consumers must now be at the heart of a new culture of service delivery.

Plus 1. Reducing rich-country protectionism. Rich countries' barriers to agriculture and textile imports aggravate poverty and reinforce inequality in Latin America. Lowering them will do the reverse."

"... our proposed toolkit has limitations. We cannot suggest that it makes sense in every country. We do not specify an optimal mix and sequencing. If any tool puts growth and equity in conflict, we cannot clarify the right tradeoff (...) Except possibly for fiscal discipline ... and education ..., we suggest no ranking.

Our tools are only for economic policy—following the lead of the Washington Consensus. Yet good government goes well beyond economics to a broader agenda—of promoting democracy, extending civil liberties, reducing violence, and ensuring the rule of law, all central to equity. With two exceptions we refer to these political and institutional topics only tangentially ... The first exception is corruption, which poisons an equity-enhancing strategy ... The second is civil society. Civil society groups in Latin America can contribute to more open and democratic policy making by enlarging the public debate about many policies and programs."

Birdsall, Nancy; Augusto de la Torre; with Rachel Menezes (2001): *Washington Contentious. Economic Policies for Social Equity in Latin America*, Carnegie Endowment for International Peace and Inter-American Dialogue
https://www.cgdev.org/sites/default/files/2923_file_WashCont_0.pdf

73. Consensus de post-Washington (*Post-Washington consensus*, Joseph E. Stiglitz, 2008)

“If there is a consensus today about what strategies are most likely to promote the development of the poorest countries in the world, it is this: there is no consensus except that the Washington Consensus did not provide the answer. Its recipes were neither necessary nor sufficient for successful growth, though each of its policies made sense for particular countries at particular times.

“... the term ‘Washington Consensus’ ... has come to refer to development strategies that focus on privatization, liberalization, and macro stability (meaning, mostly, price stability). (The policies are often referred to as ‘neoliberal’ policies, because of the emphasis on liberalization, and because like nineteenth century liberalism, they emphasized the importance of a minimal role for the state). To most people, the Washington Consensus represents a set of policies predicated upon a strong faith ... in unfettered markets and aimed at reducing, or even minimizing, the role of government.”

“The post-Washington Consensus consensus goes further in detailing the nature of the failures of the Washington Consensus. There was a failure in understanding economic structures within developing countries, in focusing on too narrow a set of objectives, and on too limited a set of instruments.”

“The Limits of Market Fundamentalism: Theory

For instance, markets by themselves do not produce efficient outcomes when information is imperfect and markets are incomplete (true in all countries, but especially in developing countries) or when technology is changing as a result of R&D expenditures or learning, or more generally, when there is learning, for instance, about markets.

The intellectual foundations of the Washington Consensus had been badly eroded even before its doctrines became widely accepted. The fundamental theorems of welfare economics provided the ... conditions under which and the sense in which markets lead to efficient outcomes. Under these theorems, it turned out, markets were efficient only if capital markets were impossibly perfect ... There could be no externalities (no problems of air or water pollution), no public goods, no issues of learning, and no advances in technology that were the result either of learning or expenditures on R&D ... These problems are serious in any economy, but are at the heart of development. There are important externalities in these dynamic processes, which give rise to an important role for government. The successful East Asian countries recognized this role; the Washington Consensus policies did not. In short, *there is no theoretical underpinning to believe that in early stages of development, markets by themselves will lead to efficient outcomes.*

The Limits of Market Fundamentalism: History

Historical experience also provided little support to the belief that markets, by themselves, would lead to rapid development. While there is an active debate about the particular role of each of the industrial policies undertaken by each of the East Asian countries, there is a clear link between the policies and

the successes ... And it is hard to conceive that Korea or Taiwan would have become the industrial players of today without having undertaken active industrial policies ... While firms in the rest of the world complain about a shortage of capital, the governments of East Asia provided capital to those firms that were proving their mettle by exporting, especially in technology sectors where there were likely spillovers to the rest of the economy.”

“If the success of East Asia suggests the desirability of a larger role for government in successful development than was traditionally emphasized in the Washington Consensus policies, the failures in sub-Saharan Africa and Latin America have reinforced the doubts about the Washington Consensus strategies... Growth in Latin America during the 1990s—the decade of reform—was just half of what it was in the 1960s and 1970s, the decades marked by the ‘failed’ policies of import substitution. Surely, there were problems with the import substitution strategy and it would have had to evolve, as it did in East Asia, into a strategy based more on exports. It was the debt crisis, however, and not the shortcomings of the development strategy that brought an end to the period of high growth.”

“In Africa, the costs of a simple-minded belief in the magic of the market were palpable and huge. For example, policy conditionalities imposed on the region’s countries too often focused much too narrowly on liberalization of agricultural prices without adequate attention to the prerequisites to make such liberalization effective, for example, functioning markets for inputs and outputs, credit availability, and infrastructure (especially roads). The insistence on static comparative advantage foreclosed the kind of dynamic changes that underlay the successes in East Asia—had Korea stuck with its static comparative advantage, it would still be growing rice.”

“The fact that countries that followed the Washington Consensus policies grew more slowly than those that did not should, by itself, have been enough to lead countries to abandon these strategies.”

“A Balanced Role for Markets and Government

The political agenda was most evident in the Washington Consensus’ reliance on market fundamentalism—the belief that markets by themselves lead to economic efficiency, that economic policies should focus on efficiency, and that distributional concerns could and should be taken care of elsewhere in the political process. The policies pursued by the international financial institutions that came to be called ‘Washington Consensus policies’ or ‘neoliberalism’ entailed a much more circumscribed role for the state than was embraced by most of the East Asian countries, a set of policies that (in another simplification) came to be called the ‘development state.’

To be sure, governments can make matters worse. No doubt, the Washington Consensus represented, in part, a reaction to failures of the state in attempting to correct failures of the market. But the pendulum swung too far in the other direction and for too long. The Washington Consensus policies often assumed the worst about the nature and capability of *all* governments, and, in its quest to find a ‘one-size-fits-all’ policy, gave up on trying to improve governments, arguing that it was better simply to rely on markets by themselves.”

“The post-Washington Consensus consensus recognizes that there is a role for markets; ... recognizes too that there are government failures, just as there are market failures. But it believes that there are systematic ways to improve the performance of the government, just as there are systematic ways to

improve markets. Governments and markets are seen as complementary, with government actually often playing an important role in addressing market failures, helping markets to work better.”

“The Washington Consensus failed so systematically largely because of its failure to understand development and developing countries; but its failure is also attributable to the fact that the objectives of development reflected in the Washington Consensus were too narrowly defined: the objective of policy should not have been limited to an increase in GDP ... but should have included sustainable increases in standards of living, as well as the promotion of democratic and equitable development.”

“Even worse than the formulation of too narrow a set of objectives was the fact that, too often, the IMF confused means with objectives—privatization and liberalization, for instance, became not means to an end, but ends in themselves. Sometimes privatization makes sense. But it matters how privatization is done; if done in the wrong way, growth can be reduced and societal welfare lowered. The pursuit of rapid privatization in the former Soviet Union contributed to the enormous increase in inequality, compromising the legitimacy of private rights, at least those acquired in the privatization process, and perhaps even of the market system.”

The Evolving Washington Consensus

“The Washington Consensus thus focused on policies—policies of privatization, liberalization, and stability ... When these policies failed to produce the hoped-for results, the diagnosis changed, and it was argued that these policies needed to be supplemented with additional policies: the Washington Consensus Plus. What was added depended on the criticism that was being leveled and on the nature of the failure that was being recognized. When growth failed to materialize, ‘second generation reforms,’ including competition policies to accompany privatizations of natural monopolies, were added. When problems of equity were noted, the ‘Plus’ included female education or improved safety nets.”

“From the Washington Consensus Plus to the Washington Consensus Plus Plus

When all of these versions of the Washington Consensus Plus also failed to do the trick, a new layer of reforms was added: one had to go beyond projects and policies to the reform of institutions, including public institutions, and their governance.

In some ways, this represented a more fundamental change in perspectives, but in other ways it was a continuation of the same mindset. Government had long been viewed as the problem and markets as the solution. The questions should have been: what can we do to improve the efficiency of both markets and the government? ... Rather than asking these questions, the Washington Consensus had ignored market failures, viewed government as the problem, assumed that governments could not be reformed, and proposed massive scalebacks in government ... For instance, rather than asking if public pension systems could be strengthened, the Washington Consensus continued to focus its attention on privatization.”

“There is also a broad consensus that the international economic institutions have created unfair rules of the game (most evident in the case of trade...) and have foisted failed policies on developing countries that are dependent on these institutions and on donors for assistance.”

“Some Elements of an Emerging Consensus

In recent years, the economics profession has paid more attention to institutions, the incentives confronting the institutions and those within the institutions, and the relationships between governance, organization design, and organization behavior (...)

There are several more elements of a post-Washington Consensus. The first is that a post-Washington Consensus consensus cannot be arrived at simply within the confines of Washington. The development of a successful development strategy will have to involve those in the developing world in an important and meaningful way.

The second is that one-size-fits-all policies are doomed to fail. Policies that work in one country may not work in others. The contrast between the success of the East Asian economies, which did not follow the Washington Consensus, and those that did has become increasingly clear. However, the question remains, to what extent can the policies that worked so well in East Asia be transferred to other countries?

A third is that there are some areas in which economic science has not yet provided sufficient evidence, sufficiently strong theory, or empirical evidence, to result in a broad consensus about what countries should do.

There may be a broad consensus against 'excessive protectionism' that only serves the interests of special interests, but there is no consensus that rapid liberalization, especially in a country with high unemployment, will lead to faster economic growth. It may only lead to more unemployment (...) There is an emerging consensus: *countries should be given room to experiment, to use their own judgment, and to explore what might work best for them.*

A fourth is that successful development requires not the minimal role assigned to the state by the Washington Consensus, but a balanced role. The exact role may differ from country to country, depending on the stage of development of market and public institutions."

"A fifth point of consensus is that development requires strengthening of both market and state institutions. And a final point of consensus is that success is to be measured not just by an increase in GDP, but by a broader set of measures—including those that assess environmental and social sustainability."

Stiglitz, Joseph E. (2008): "Is there a Post-Washington Consensus?", capítol 4 a Serra, Narcís Serra; Joseph E. Stiglitz; eds.: *The Washington Consensus Reconsidered. Towards a New Global Governance*, Oxford University Press.

74. Com ha de ser l'Economia del segle XXI?

"What is needed in economics

In the twenty-first century, economics should focus:

- More on realism, less on rigor
- More on equity, less on efficiency
- More on humility, less on hubris

The prevailing emphasis on mathematical and logical rigor has given economics an internal consistency that is missing in other social sciences. But there is little value in being consistently wrong. Economics must move on from the infinitely rational, farsighted, and asocial beings whose decisions have been the central topic of analysis in recent decades (...)

Three decades in which market liberals have pushed policies based on ideas of efficiency and claims about the efficiency of financial markets have not produced much in the way of improved economic performance, but they have led to drastic increases in inequality ... Economists need to return their attention to policies that will generate a more equitable distribution of income.

Finally, with the collapse of yet another economic 'New Era,' it is time for the economics profession to display some humility ... economists can contribute to a better understanding of the strengths and weaknesses of markets, firms, and other forms of economic organization, and the possibilities for policy action to yield improved economic and social outcomes.

Every crisis is an opportunity. The Global Financial Crisis gives the economics profession the chance to bury the zombie ideas that led the world into crisis, and to produce a more realistic, humble, and above all socially useful body of thought."

Quiggin, John (2010): *Zombie economics: how dead ideas still walk among us*, Princeton University Press.

75. Nou trilema per a l'economia mundial: clima—classe mitjana—pobresa (Dani Rodrik, 2024)

"Lately, another trilemma has preoccupied me. This one is the disturbing possibility that it may be impossible simultaneously to combat climate change, boost the middle class in advanced economies, and reduce global poverty. Under current policy trajectories, any combination of two goals appears to come at the expense of the third."

"During the early postwar decades, policies in the developed and developing world alike emphasized economic growth and domestic social stability. The advanced economies built extensive welfare states but also progressively opened their markets to poorer countries' exports, so long as the distributional and social consequences were manageable. The result was inclusive growth in the rich countries, as well as significant poverty reduction in those developing countries that were pursuing the right policies.

Successful as this strategy was, it sidestepped the risks of climate change. Over time, the consequences of economic growth powered by fossil fuels have become increasingly difficult to ignore.

The postwar Keynesian-social democratic bargain in the advanced economies was further undone by the internal contradictions generated by my original trilemma. As hyper-globalization replaced the earlier Bretton Woods model, labor markets in the advanced economies experienced greater disruption, undermining the middle class and democracy itself. Both of these developments required new strategies.

In the United States, President Joe Biden's administration ... has broken new ground by promoting substantial investment in renewables and green industries to combat climate change. And it deliberately aims to restore the middle class by promoting labor's bargaining power, reshoring manufacturing, and creating jobs in regions that were badly hit by imports from China."

“But what US and European policymakers see as a necessary response to neoliberalism’s failures looks, to poor countries, like an assault on their development prospects. The recent crop of industrial policies and other regulations are often discriminatory and threaten to keep out manufactured goods from developing countries.

Green subsidies in the US incentivize the use of domestic over imported inputs. The EU’s carbon-pricing mechanism will soon require ‘dirty’ exporters from developing countries to pay additional tariffs. Governments in poor countries believe that such measures will sabotage their efforts to replicate East Asian nations’ export-oriented industrialization.

We can imagine an alternative combination of policies that focus on poor countries and the climate. This would entail a large transfer of resources – financial and technological – from the North to the South, to ensure the requisite investments in climate adaptation and mitigation in the latter.

It would also require significantly greater access in the North’s markets to goods, services, and workers from the poor countries of the South, to enhance these workers’ economic opportunities ... Such an approach would work at cross purposes with the imperative of rebuilding the middle class in advanced economies. It would create much greater competition for workers without college or professional degrees, driving down their wages. It would also reduce the fiscal resources available for investment in their human capital and physical infrastructure.”

“Climate change is an existential threat. A large and stable middle class is the foundation of liberal democracies. And reducing global poverty is a moral imperative. It would be alarming if we had to abandon any of these three goals. Yet our current policy framework imposes, implicitly but forcefully, a trilemma that appears difficult to overcome. A successful post-neoliberal transition requires us to formulate new policies that put these trade-offs behind us.”

Rodrik, Dani (2024): “A New Trilemma Haunts the World Economy”, Project Syndicate, 09 Sep 2024
<https://www.project-syndicate.org/commentary/new-trilemma-of-climate-change-global-poverty-rich-countries-middle-classes-by-dani-rodrik-2024-09>

76. L’impàs global (*Gridlock*, David Held, 2013)

“The crisis of contemporary democracy has become a major subject of political commentary. But the symptoms of this crisis, the vote for Brexit and Trump ... were not foreseen. Nor were the underlying causes ... It is only at the intersection of the national and international, of the nation-state and the global, that the real reasons can be found for the retreat to nationalism and authoritarianism and the emergence of multifaceted threats to globalization.”

“The post-war institutions, put in place to create a peaceful and prosperous world order, established conditions under which a plethora of other social and economic processes, associated with globalization, could thrive. This allowed interdependence to deepen as new countries joined the global economy, companies expanded multi-nationally, and once distant people and places found themselves increasingly intertwined.

But the virtuous circle between deepening interdependence and expanding global governance could not last because it set in motion trends that ultimately undermined its effectiveness. Why? There are four reasons for this or four pathways to gridlock: rising multipolarity, harder problems, institutional inertia, and institutional fragmentation.

First, reaching agreement in international negotiations is made more complicated by the rise of new powers like India, China and Brazil, because a more diverse array of interests have to be hammered into an agreement for any global deal to be made. On the one hand, multipolarity is a positive sign of development; on the other hand, it can bring both more voices and interests to the table that are hard to weave into coherent outcomes.

Second, the problems we are facing on a global scale have grown more complex, penetrating deep into domestic policies and are often extremely difficult to resolve.”

“Third, the core multilateral institutions created 70 years ago, for example, the UN Security Council, have proven difficult to change as established interests cling to outmoded decision-making rules that fail to reflect current conditions.

Fourth, in many areas transnational institutions have proliferated with overlapping and contradictory mandates, creating a confusing fragmentation of authority.

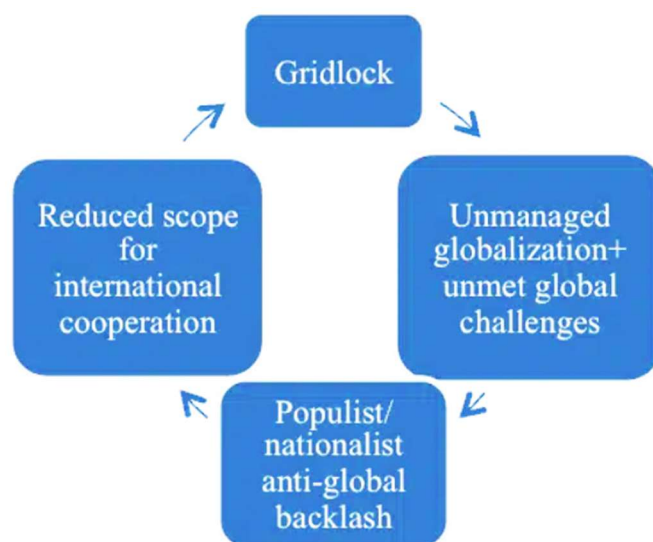
To manage the global economy, reign in global finance, or confront other global challenges, we must cooperate. But many of our tools for global policy making are breaking down or prove inadequate – chiefly, state-to-state negotiations over treaties and international institutions – at a time when our fates are acutely interwoven. The result is a dangerous drift in global politics punctuated by surges of violence and the desperate movement of peoples looking for stability and security.”

“First, we face a multilateral system ... that is less and less able to manage global challenges, even as growing interdependence increases our need for such management.

Second, this has led to real and, in many cases, serious harm to major sectors of the global population, often creating complex and disruptive knock-on effects. Perhaps the most spectacular recent example was the 2008–9 global financial crisis.”

“Third, these developments have been a major impetus to significant political destabilization. Rising economic inequality, a long-term trend in many economies, has been made more salient by the financial crisis, reinforcing a stark political cleavage between those who have benefited from the globalization, digitization, and automation of the economy, and those who feel left behind, including many working-class voters in industrialized countries. This division is particularly acute in spatial terms: in the cleavage between global cities and their hinterlands.

The financial crisis is only one area where gridlock has undercut the management of global challenges. Other examples include the failure to create a sustainable peace in large parts of the Middle East,



following the post 9/11 wars. This has had a particularly destructive impact on the global governance of migration ... The resulting erosion of global cooperation is the fourth and final element of self-reinforcing gridlock, starting the whole cycle anew.”

“The 1930s saw the rise of xenophobia and nationalism in the context of prolonged and protracted economic strife, the lingering impact of World War I, weak international institutions and a desperate search for scapegoats. The 2010s has notable parallels: the protracted fallout of the financial crisis, the clamour for protectionism, ineffective regional and international institutions, and a growing xenophobic discourse that places virtually all blame for every problem on some form of Other. In the 1930s the politics of accommodation gave way to the politics of dehumanisation, war and slaughter. In the 2010s, we are taking steps down a dangerously similar path. The question remains: will knowing this help us choose a different route?”

Held, David (2018): “*The Overlapping Crises Of Democracy, Globalization And Global Governance*”, 03 Jul 2018

<https://www.socialeurope.eu/the-overlapping-crises-of-democracy-globalization-and-global-governance>

Hale, Thomas; David Held; Kevin Young (2013): *Gridlock. Why Global Cooperation is Failing when We Need It Most*, Polity Press.

77. La Declaració de Berlín (*The Berlin Declaration, 29 May 2024*)

“Paradigm shifts in mainstream economic thinking usually occur during crises that require new responses. This happened after the onset of stagflation (low economic growth and high inflation) in developed countries during the 1970s. And it may be happening again now, as liberal democracies face a wave of popular distrust in their ability to serve citizens and respond to the multiple crises that threaten our future: climate change, intolerable inequality, major global conflicts.”

“To counter dangerous populist policies that exploit voter discontent and prevent serious harm to humanity and the planet, we must urgently address the root causes of citizen discontent.”

“With this imperative in mind, many leading economists and practitioners gathered in Berlin at the end of May for a summit organized by the Forum for the New Economy. As a result of the Summit ‘Restore Citizens’ Trust’, a new understanding emerged that could replace the market-liberal ‘Washington Consensus’, which for forty years prioritized free trade and capital movement, deregulation, privatization and other market dogmas.”

The Berlin Declaration, published after the meeting, was signed by dozens of leading scientists, including Nobel laureate Angus Deaton, Mariana Mazzucato, Olivier Blanchard, Tom Piketty, Izabela Weber, Branko Milanović and many others.

In recent years, the ‘Washington Consensus’ has already begun to crumble under a deluge of studies confirming the growth of inequality in income and wealth, and citing the reasons for that growth. In addition, these studies have provided new insight into the role of industrial policy and climate change strategy. Recent crises, not to mention the danger of losing the battle for liberal democracy, have

encouraged efforts to use all this research to develop a new general framework of measures that will help restore citizens' trust.

The Berlin Declaration underscores the abundant evidence that people's mistrust is largely driven by a general sense of real or perceived loss of control over their livelihoods and the trajectory of social change. This sense of helplessness has been fueled by shocks caused by technological change and globalization, and exacerbated by climate change, artificial intelligence, the latest rise in inflation and fiscal austerity.”

“In order to restore people's trust, policies are needed that restore faith in their and their government's ability to effectively respond to the real problems they face. This means that policy should focus on creating shared prosperity and good jobs, including policies that proactively address immediate regional disruptions by supporting new industries and channeling innovation to create wealth for the many.”

There is equally strong support for designing a healthier form of globalization, for coordinating climate policies, and for establishing national control over key strategic interests. Underlying these priorities is broad agreement that income and wealth inequality must be reduced.”

“There is also widespread acceptance of the need to provide developing countries with the financial and technological resources they need to transition to climate resilience.

To summarize, there is a new general understanding that a new balance needs to be found between markets and collective action.”

“... the purpose of the declaration is to state principles that are clearly distinct from previous orthodoxy and create a mandate to refine political concepts for practical application. The answer to the question of how to properly implement industrial policy depends on the conditions in a particular country and joint international efforts. The same applies to the answer to the question of how governments could encourage climate-friendly behavior. Questions remain open: how to reconfigure globalization and how to most effectively reduce economic inequality.”

It is vital, however, to reach consensus on the principles that should guide policymakers. Recognizing that markets alone will not stop climate change or reduce wealth inequality is the first step toward developing the best policies to effectively respond to the real challenges we face.”

“In order to preempt the populists, we need a new political consensus focused on solving the causes of citizens' mistrust and not on its symptoms ... To restore the trust of the citizens, we need a plan for the people.”

Rodrik, Dani; Laura Tyson; Thomas Fricke (2024): “From the Washington Consensus to the Berlin Declaration”, Project Syndicate, 27 Jun 2024

<https://www.project-syndicate.org/commentary/washington-consensus-gives-way-to-berlin-declaration-by-dani-rodrik-et-al-2024-06>

<https://en.vijesti.me/column/716807/from-the-Washington-Consensus-to-the-Berlin-Declaration>

“The Berlin Summit Declaration

Liberal democracies are today confronted with a wave of popular distrust in their ability to serve the majority of their citizens and solve the multiple crises that threaten our future. This threatens to lead us into a world of dangerous populist policies exploiting the anger without addressing the real risks, ranging from climate change to unbearable inequalities, or major global conflicts. To avert major damages to humanity and the planet, we must urgently get to the root causes of people’s resentment.

There is ample evidence today that this distrust is not only, but to a large extent, driven by the widely shared experience of a real or perceived loss of control over one’s own livelihood and the trajectory of societal changes. This sense of powerlessness has been triggered by shocks stemming from globalization and technological shifts, now amplified by climate change, AI and the inflation shock. And, decades of poorly managed globalization, overconfidence in the self-regulation of markets and austerity have hollowed out the ability of governments to respond to such crises effectively.

Winning back the people’s trust means rebuilding these capacities. We do not pretend to have definitive answers. However, it seems crucial to re-design or strengthen policies based on some of the fundamental lessons we can draw from what has caused such levels of distrust. These suggest that we need to:

- reorient our policies and institutions from targeting economic efficiency above all to focusing on the creation of shared prosperity and secure quality jobs;
- develop industrial policies to proactively address imminent regional disruptions by supporting new industries and direct innovation toward wealth-creation for the many;
- make sure industrial strategy is less about giving out subsidies and loans to sectors to stay in place and more about helping those invest and innovate towards achieving goals like net zero;
- design a healthier form of globalization that balances the advantages of free trade against the need to protect the vulnerable and coordinate climate policies while allowing for national control over crucial strategic interests;
- address income and wealth inequalities that are reinforced via inheritance and financial market automatism, be it by strengthening the power of poorly paid, appropriately taxing high incomes and wealth, or securing less unequal initial conditions through instruments like a social inheritance;
- redesign climate policies combining reasonable carbon pricing with strong positive incentives to reduce carbon emissions and ambitious infrastructure investment;
- ensure developing nations have the financial and technological resources they need to embark on the climate transition and the mitigation and adaptation measures without compromising their prospects;
- generally establish a new balance between markets and collective action, avoiding self-defeating austerity while investing in an effective innovative state;
- reduce market power in highly concentrated markets.

We are living through a critical period. Markets on their own will neither stop climate change nor lead to a less unequal distribution of wealth. Trickle-down has failed. We now face a choice between a conflictual protectionist backlash and a new suite of policies that are responsive to people’s concerns.

There is a whole body of groundbreaking research on how to design new industrial policies, good jobs, better global governance and modern climate policies for all. It is now critical to develop them further and put them into practice. What is needed is a new political consensus addressing the deep drivers of people's distrust instead of merely focusing on the symptoms, or falling into the trap of populists who pretend to have simple answers.

As the danger of armed conflicts around the world has risen due to diverging geo-political interests, liberal democracies will, as a prerequisite, need to demonstrate their ability to both defend their values and defuse direct hostilities, ultimately open the path to sustainable peace, as well as diminish the tensions between the US and China.

Any attempt to durably get citizens and their governments back into the driver's seat has the potential to not only promote wellbeing for the many. It will help to once again foster trust in the ability of our societies to solve crises and secure a better future. We need an agenda for the people to win back the people. There is no time to waste.

May 2024"

"Total signatories [551 on 15 October 2024]"

<https://newforum.org/en/the-berlin-summit-declaration-winning-back-the-people/>

78. L'antic consens de Brusel·les (*The Brussels consensus*)

"Europe's growth in recent decades has been driven by its economic integration and the significant opening of the world economy. This expansion accelerated in 2001 with the accession of China to the World Trade Organization (WTO) and the global trade and growth shock it provoked."

"Despite its remarkable success, Europe's economic enlargement also brought challenges, including the massive displacement of industrial and manufacturing jobs inside and outside the continent. Still, Europe held the promise of economic growth and progress, grounded in a consensus that backed free and fair competition in the internal market, conservative fiscal policy, monetary rigour, limited state interventionism, and the promotion of free trade.

Now, this economic consensus is unravelling. Although domestic competition policy has been fairly effective in Europe, its lapses in the US as well as trade liberalisation have given rise to globally dominant corporate giants that have compromised free and fair competition, particularly in the tech space.

However, there are two corrections underway. The Biden administration championed a Neo-Brandeisian policy (hostile to excessively centralised private power) which amounts to a form of alignment with EU competition policy. Meanwhile, as the EU has committed to strengthening Europe's strategic autonomy and competitive edge in global markets that remain open because of trade policy, its competition regulations appear to be growing more tolerant of the dominant position carved out by large firms."

"The economic consensus is also shifting internationally with the constant decline of the WTO as China and – more recently – the US have turned hostile towards the organisation ... The last two governments

in Washington have confirmed and cemented this trend, with Donald Trump piling tariffs and Joe Biden shunning the WTO completely with the green subsidy scheme of the Inflation Reduction Act (IRA).

This new reality has had a considerable impact on competition policy in Europe. In the absence of a real lever to activate industrial policy in the same way as the US or China, Europe is opting for the time being to considerably loosen its competition policy. Notably, there are now larger exemptions for state aid, ... competition policy is increasingly shaped by the dynamics of global markets in which EU companies operate."

"For its part, China managed to achieve its impressive economic expansion in the last 25 years while shunning the constraints of the WTO (via forced technology transfer, circumventing the protection provided by intellectual property rights) and using its loopholes (to grant subsidies). By the time the US and Europe awakened to the damage caused by Beijing and decided denying China, under WTO rules, the status of market economy in 2017 (therefore maintaining the very high anti-dumping duties which could potentially be imposed on Chinese goods), it was too little, too late to decisively tip the balance and meaningfully curb China's rise.

The WTO's inability to overcome the formidable challenge to its authority posed by its two main powerhouses, coupled with its failure to advance its agenda and conclude negotiations between WTO contracting parties, accelerated the irrelevance of the institution. For the first time in more than 70 years, the future of trade will not be written in Geneva but in Washington DC, Beijing, and Brussels. This paradigmatic change has profound consequences for Europe that are yet to be fully appreciated."

"Europe's new dilemma

The EU legal order was largely built on the assumption that the bloc would play a leading role in a stable, liberal, and rules-based economic system ... This framework served the mercantile interests of the EU well, eventually leading it to record a constant and growing trade surplus with the rest of the world between 2000 and 2018. It was also combined with an aggressive competition policy that largely ignored global markets and focused somewhat narrowly on consumer welfare.

The flip side of the EU's total embrace of globalisation (both in trade and finance) has been a dramatic increase in the bloc's exposure to the two major economic players ... In fact, the EU's competition regulations proved largely powerless to curb the corporate imperialism of American big tech firms and equally toothless in competing with China in the manufacturing and industrial space. The EU's significant financial exposure to the US can best be observed in its reliance on the dollar and the need for its financial institutions to raise capital in the US. Moreover, the collapse of private transatlantic finance in 2008 and the need for dollar liquidity support highlighted the acute European reliance on the US Federal Reserve System's role as a global lender of last resort. On top of that, the Covid-19 pandemic revealed the EU's structural dependencies on the US across many critical supply chains.

Brussels is also facing considerable commercial and industrial exposure to China, which has become the first market for EU goods while also emerging as the preferred supplier of goods to European companies and consumers."

“While dependence on the dollar has somewhat declined since the global financial crisis, the exposure to China has kept growing (...) The EU is virtually at the mercy of US retaliation in the field of trade and finance and Chinese retaliation in commercial matters.

This complex situation creates important tensions between the EU’s internal and external policies. While the EU has a comprehensive framework to regulate the delivery of subsidies within its internal market, the framework at the international level has historically been deficient as the WTO’s competence is minimal.”

“In this context, the EU’s recent adoption of the Foreign Subsidies Regulation should be seen as an acknowledgement of the bloc’s failure to reach any achievements on subsidy control within the framework of the WTO, choosing instead to pursue a unilateral road. It is also a clear sign of trade policy and competition finally coming together and being somewhat internalised.”

“The negative impact of the growing competition between the US and China on the EU is exacerbated by the securitisation of trade policy. As the US increasingly expands the list of economic issues falling under the national security exception to trade, it undermines transatlantic cooperation and forces the EU to consider its own options. The most telling example of this escalation is the steel and aluminium tariffs introduced by the Trump Administration in 2018. Since then, the EU has been compelled to expand its toolkit considerably to be able to respond to a more hostile trade environment.”

“However, progress in this field has also been hampered by the fact that national security remains a national prerogative in Europe. Export controls and inward and outward investment screening remain national competencies and most member states are wary of harmonising their positions at the European level ... Consequently, the more national security becomes a central part of trade policy, the less the EU framework and consensus will be fit for the purpose.”

“Trade meets climate policy

The growing fragmentation of the international economic order is a huge liability for a player like the EU which aims to control climate change via its economic agenda. Historically, the EU has been a committed and active player at the international level when it comes to supporting and participating in environmental and climate treaties, believing that international cooperation is crucial for effective global climate policy. Brussels believed that a combination of the rule of law, international collaboration, and market mechanisms – particularly through carbon taxation and pricing models – was the backbone of the climate and energy transitions. This was the foundational intellectual basis for the 2015 Paris Climate Conference.

Divergences first came to the fore with the 1997 Kyoto Protocol. The US signed but did not ratify the protocol, while China was actively involved in the negotiation process but was not obligated to reduce emissions under the treaty because it was classified as a developing country. Although the Paris Agreement was an impressive step in the right direction, it failed to sufficiently address the perceived risks of divergent implementations. In addition, even though the Paris Agreement entails binding procedural requirements, the actual targets and measures that countries committed to are not legally enforceable.”

“... the European hope of a gradual expansion of carbon pricing and international taxing is unlikely to materialise ... Washington has been trying to undermine Europe’s efforts to introduce a carbon border adjustment mechanism (CBAM) for years. The Biden administration has even threatened to restore steel and aluminium tariffs if Brussels imposes a carbon levy on energy-intensive American imports.”

“A new trade policy is emerging

... A new trade policy is emerging in Europe. It will inevitably have to be more aggressive at levelling the playing field vis-à-vis China to offset its dumping capacity and subsidies. The very recent decision of the Commission to levy tariffs up to 38 per cent on Chinese electric vehicles is a testament to this new approach ... The EU will have to be able to respond to more friction from the US which has increasingly invoked national security concerns in its trade and competition decisions. Additionally, Brussels needs to revisit existing trade agreements to expand climate and social clauses, as seen in the free trade agreements with Singapore and Canada, even as recent discussions around Mercosur have highlighted future challenges. Finally, the EU must decide how to position itself in the global race to secure critical raw materials.”

“These choices will all have profound geopolitical and economic consequences for Europe. They will not only redefine our relationships with the US and China but will determine our ties with the Global South, where trade openness has long been a critical bargaining chip. Europe is at a crossroads for its economic, climate, and trade policy, yet does not fully grasp the extent to which these changes could upset its relationship with the world.”

Segoin, Daniel; Shahin Vallée (2024): “The Brussels Economic Consensus is Shifting”, 03 Oct 2024
<https://www.greeneuropeanjournal.eu/the-brussels-economic-consensus-is-shifting/>

79. Un nou consens de Brusel·les (*The Brussels consensus*, Bernard Guetta, 2020)

“Now, that France, Germany, the European Commission and so many of the Union’s capitals have embraced the principles of joint borrowing and the pooling of investments to deal with this crisis, now that all that remains is to negotiate a compromise with the States that are most committed to balanced budgets in order to achieve unanimity and take action, what is the next step?”

“... there is fortunately no ruling party or dominant party in Europe, not even a dominant party in limbo. There are left-wings, right-wings, Greens and centrists who do not share the same ambitions. This diversity is a political richness that is certainly not going to disappear. It is actually an asset which we would be very wrong to deprive ourselves of (...) We all feel a need to know what unites us and what separates us in the political landscape shaped by the effects of this pandemic.”

“The war had left us with a Europe to rebuild and to defend against the USSR. The post-war consensus on social protection, industrial policies and the common market emerged from this need. The success of the “Glorious Thirty”, together with the rise in the price of raw materials and the gradual implosion of the Soviet system had opened the way to a new era. For some forty years, from the first election of Margaret Thatcher to the first deaths of Wuhan, the ‘Washington Consensus’ defined the policies of the five continents proclaiming that the State was not the solution but the problem, that too much taxation was killing taxation, and that the development of free trade was bringing democracy with it.”

Like Brezhnev's USSR, this neo-liberalism had shown signs of running out of steam long before collapsing, but in the last three months it happened. The State is once again becoming the solution. Public debt is no longer the legacy we should not leave to our children but the inevitable tool for saving their jobs. We are entering a third era, the most glaring sign of which is Germany's abandonment of its *schwarze Null*, its demand for a zero deficit."

"... as useless and futile as it would be to aspire to give a common programme to the major European parties, all the more do we need to define this 'Brussels Consensus' which now replaces the Washington consensus and could well win the world as Thatcherism had done yesterday.

So let's read, let's look, let's listen. Not everyone has the same conception of the pace at which we should move to a new industrial model, but apart from vague and negligible differences, everyone agrees on the need for a green transition that could limit global warming. This first point of consensus is so real that, even before the pandemic, all the Commission's proposals were based on its "Green Deal", its "Green Pact", whose idea the Parliament had promoted by an overwhelming majority.

The second point of the Brussels Consensus is that we must focus our resources on a concerted effort in industrial research and modernisation, in other words on a common industrial policy aimed, in this case, at not missing out on the technological turning point brought about by the artificial intelligence.

The third point of this consensus is that we can no longer rely on an international division of labour in strategic areas and that the European Union must aim, as China and the United States are doing, for industrial sovereignty that would protect it from external dependence.

The fourth point of this consensus is that the Union must, like the United States and China, have the means of its political sovereignty, in other words a common defence and diplomacy. In black and white in the Franco-German proposals and between the lines in the Commission's proposals, the fifth point of this consensus is that the Member States of the Union must not delay any longer in harmonising their tax and social protection systems.

As for the sixth point of this consensus, it is – as we know – that the Union must no longer refuse to take on joint debt when it is about pooling debts but about investing in the future, that the Thatcherian page should be turned and another one opened: that of the Brussels Consensus.

Now we see it clearly. As much as there is convergence on these six points, there are also differences of opinion on what should be the Common Defence, the Green deal, industrial policies or relations with China or Russia like. There is no dominant party in the Union, but the consensus that is forming is so essential, innovative and forward-looking that it is urgent to tell Europeans that they are not getting lost in the fog but are, on the contrary, moving towards a common horizon and that the Brussels Consensus brings together between two-thirds and four-fifths of their political forces – a more than qualified majority."

Guetta, Bernard (2020): "The Brussels consensus", 02 Jun 2020

<https://www.bernard-guetta.eu/2020/06/02/the-brussels-consensus/?lang=en>

80. Consens de Beijing (*Beijing consensus o China model*, Joshua Cooper Ramo, 2004)

“China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity. I call this new physics of power and development the Beijing Consensus.

It replaces the widely-discredited Washington Consensus ... Washington-knows-best approach to telling other nations how to run themselves. The Washington Consensus was a hallmark of end-of-history arrogance; it left a trail of destroyed economies and bad feelings around the globe. China’s new development approach is driven by a desire to have equitable, peaceful high-quality growth... It is flexible enough that it is barely classifiable as a doctrine. It does not believe in uniform solutions for every situation. It is defined by a ruthless willingness to innovate and experiment, by a lively defense of national borders and interests, and by the increasingly thoughtful accumulation of tools of asymmetric power projection.”

“Though it is decidedly post-Deng Xiaoping in structure, the Beijing Consensus still holds tightly to his pragmatic idea that the best path for modernisation is one of ‘groping for stones to cross the river,’ instead of trying to make one-big, shock-therapy leap.”

“The Beijing Consensus is as much about social change as economic change. It is about using economics and governance to improve society, an original goal of development economics that somehow got lost in the Washington-consensus driven 1990s. China’s path to development and power is, of course, unrepeatable by any other nation. It also remains fraught with contradictions, tensions and pitfalls. Yet many elements of the country’s rise have engaged the developing world.”

“What is the Beijing Consensus? It is simply three theorems about how to organise the place of a developing country in the world ... The first theorem repositions the value of innovation. Rather than the ‘old-physics’ argument that developing countries must start development with trailing-edge technology (copper wires), it insists that on the necessity of bleeding-edge innovation (fiber optic) to create change that moves faster than the problems change creates. In physics terms, it is about using innovation to reduce the frictionlosses of reform.

The second Beijing Consensus theorem ... demands a development model where sustainability and equality become first considerations, not luxuries. Because Chinese society is an unstable stew of hope, ambition, fear, misinformation and politics only this kind of chaos-theory can provide meaningful organization. China’s new approach to development stresses chaos management.”

“Finally, the Beijing Consensus contains a theory of self-determination, one that stresses using leverage to move big, hegemonic powers that may be tempted to tread on your toes ... China’s very emergence is remaking the international order. Chinese officials’ interest in the country’s Peaceful Rise is rooted in their worry that China’s current acceleration to international power may shake the world too much, undermining the country’s ability to grow and to maintain a stable internal and external balance.”

“The only thing that can save China is knowledge. ‘Innovation sustains the progress of a nation.’”

Ramo, Joshua Cooper (2004): *The Beijing Consensus*, Foreign Policy Centre.

“First, the Beijing Consensus refers to China’s willingness to experiment and use innovation as a driver of progress.”

“Using economics to improve society and enhance the quality of life is the second theorem of the Beijing Consensus. The centrality of GDP to traditional assessments of economic development levels is a notion rejected by China as the sole indicator of economic success. Instead, China’s policies are “people-focused” and measure development based on the quality of life of the population, sustainability and equality levels.”

“The third Beijing Consensus component is self-determination for China and other countries vis-à-vis the US. China emphasizes the need for developing countries to actively seek independence from outside pressure. While Ramo argues that China has thrived by pointedly ignoring the Washington Consensus, in fact, China adheres to eight of the ten elements of the Washington Consensus... Yet, China has convincingly demonstrated that deregulated, market-based decision making is not the only path to economic growth and integration in the global economy.”

<https://hcss.nl/report/issue-brief-no-2-the-beijing-consensus-an-alternative-approach-to-development/>

“The Chinese have refined the Asian growth model to develop a fast-growth, stable, ‘market-authoritarian’ governance that is admired in the world beyond the West and particularly among Third World leaders.”

“This is the basic idea of *market authoritarianism*. Beyond everything else that China sells to the world, the country functions as a global billboard for ‘going capitalist and staying autocratic.’ Thus, Beijing provides a compelling demonstration of how to liberalize economically without surrendering to liberal politics. In this respect, China presents the challenge of a new type of corporate state. China has, in effect, legitimized authoritarianism in our time.”

“As the government newspaper *Xinhua* reported, the excesses and failures of free-market fundamentalism had emphasized the superiority of the Chinese way of doing things under President Hu Jintao’s ‘scientific theory of development.’ This was the official name given to the ruling party’s policy of promoting welfare for the masses under the strict guidance of the central government. In other words, *state capitalism.*”

Halper, Stefan A. (2012): *The Beijing consensus. Legitimizing authoritarianism in our time*, Basic Books.

81. Consens de Beijing o consens de Washington?

“In Joshua Ramo’s original formulation ... the BC [Beijing consensus] is defined by three principles, none of which necessarily requires strong government intervention:

- institutional innovation,
- equitable and sustainable development, and
- self-determination.

Over the last 30 years, the Chinese economy has moved progressively toward the market doctrines of neoclassical economics as summarized by John Williamson in his formulation of the WC.”

“What’s unique is the way China has applied the WC [Washington consensus]. Implementing the WC requires substantial institutional change and policy reform, whereas developing countries are usually characterized by rigid institutions that impede the function of the market. A big-bang approach to reforms is usually politically impractical or prohibitively costly. China’s gradual one-step-at-a-time approach has been more successful. So if there is a Beijing Consensus it refers to the way China shaped its institutional and policy reforms to make the Washington Consensus work in the Chinese context (...) The Chinese experience has yielded a number of lessons for other developing countries.”

“First, institutional efficacy is more important than institutional purity (...) The township and village enterprise (TVE) played a key role in China’s industrialization in the 1980s. TVEs were nominally owned by local governments but in effect managed by private entrepreneurs.”

“Second, government officials need to be motivated ... In China, government officials are motivated in two ways. First, promotion of government officials is strongly based on merit, especially their contributions to economic growth. This is quite different from performance evaluation based on accountability, which requires government officials to follow preset rules or be punished (...) Second, public servants benefit directly from economic growth:

- those in more prosperous regions enjoy much higher salaries than those in less developed regions,
- different government departments can offer different levels of income and welfare, with departments that are directly involved in managing economic activities enjoying better treatment, and
- some provinces provide bonuses to officials in subnational governments for generating more tax revenue.”

“Fiscal decentralization, too, has helped motivate subnational government officials. As one of the most fiscally decentralized countries in the world, China’s subnational government revenue accounts for 45 percent of total government revenue and subnational spending accounts for 77 percent of total government spending. Decentralization turns local government officials into strong stakeholders in local economic growth. In addition, fiscal decentralization has created a constructive competition for resources among local governments, inducing them to improve services, local infrastructure, and other aspects of the business environment.”

“Third, insulation from special interests. Government officials should be immune to conflicts of interests and pressure from special interest groups which in many developing countries often derail institutional and policy reforms. Because Chinese society has been relatively equal, the government faces less pressure from powerful interest groups. The primary interest is in promoting long-run economic growth which helps ensure better incomes for society as a whole.”

“The Chinese experience has taken a different approach. It treats the government as made up of rational individuals who need to be motivated to work for the common good of society. Based on this belief, a wide range of institutional arrangements have been established to incentivize government officials to behave as if they were disinterested when they face conflicts of interests in society.

Although China’s application of the Washington Consensus may be country specific, it contains a key principle that others can learn from: namely, a volitional pragmatism featuring constant experimentation with a defined objective to improve on the status quo. Nothing is taken as permanent

or perfect: the future is always envisioned as better than today and incentives are crafted to make that vision a reality.”

Yang Yao (2011): “Beijing Consensus or Washington Consensus. What Explains China’s Economic Success?”

https://openknowledge.worldbank.org/bitstream/handle/10986/6098/deor_13_1_26.pdf?sequence=2&isAllowed=y

82. Guanya la Xina?

“The vitality and flexibility of our financial system has obscured the degree to which we are living in the aftermath of a Chinese trade war victory—one in which the PRC [People's Republic of China] not merely succeeded in subjecting the developed countries to trade competition, but also engineered the deindustrialization of both developed economies and many middle-income ones ... China profited from our own unforced errors and economic distortions. Our loss of capacity and foreign export markets shows that a naïve free markets, free trade perspective is inadequate for the challenges that an increasingly millenarian PRC leadership poses to the international system.”

“The PRC ... has achieved the impossible, reshaping the world in accordance with its domestic and international political goals ... China is now the center of world manufacturing and exporting ... Analysts writing twenty years ago did not anticipate China’s emergence as a prime manufacturer in its own right, nor did they anticipate that, in such a short time, China would efficiently urbanize hundreds of millions of citizens who had been previously living in impoverished conditions.

In one sense, then, the PRC’s belated development to the standards of an upper-middle-income country should be considered a humanitarian triumph vindicating the globalists of yesteryear. But in another sense, this is a catastrophe for the rest of the world. G7 countries have seen their manufacturing capacities eroded as well as a loss of skilled workers and feeder industries. G20 countries have been reduced to truck farms and mining camps for the voracious PRC, harming their own prospects for industrialization and cementing their status as economic colonies.

Every country in the world, even the United States, has seen innumerable Chinese dependencies emerge in its supply chains.”

“... Chinese manufacturing wages typically sitting between \$2 and \$4 per hour. The average salary in other middle-income countries ... is... in the same range, and such countries conspicuously lack the leverage in supply chains and product categories that China enjoys; they are ‘takers,’ not ‘makers,’ in the international system. Such countries ... do not enjoy China’s strengths in raw materials processing, supply chains, ports and logistics, and advanced manufacturing technologies. More importantly, no other middle-income country has such lopsided trade balances or such a clear plan to effect the deindustrialization of its rivals.”

“We must, therefore, choose between committing ourselves to the perpetuation of this corrosive system, or making the initially painful policy adjustments necessary to effectuate our own societal goals. And we must choose soon.”

“ ‘Made in China’ used to mean cheap, superfluous flotsam. Now, the PRC makes everything from \$2 backpacks to high-end cars, ultra-modern microchips, and half the world’s ships. The PRC boasts of being ‘the world’s factory’ ... Chinese products are now critical to the world’s most advanced supply chains. In some important product categories, Chinese firms are now the sole suppliers of critical inputs.”

“China has modernized without liberalizing ... Western countries find themselves de-skilling and losing essential industrial capabilities. Moreover, the PRC constitutes a permanent security threat as some of the products it sells to the West are widely believed to be riddled with spyware and kill switches.

The current trendline is catastrophic. The PRC is poised to dominate unfolding revolutions in electric vehicles and telecommunications; China has manufacturing capabilities that trounce those of G7 countries, and the economic depth to increase its military capacities while the U.S. defense industrial base declines. If these trends hold, the outcome is inevitable: capital will flee the other advanced countries for the PRC. This is a military risk for the present security order, a financial and trade risk to the international economic system, and also an existential risk for the hundreds of millions of workers in advanced countries who will find themselves in gig and service jobs that are insufficiently productive to support a first-world lifestyle.”

“Wall Street’s ideal company became one with no assets and infinitely scalable profits. Great American companies in manufacturing-based, capital-intensive industries, like shipbuilding or steelmaking, were encouraged and finally forced to outsource their manufacturing overseas—not to save on labor costs or improve their output, but simply because outsourcing manufacturing to a foreign third party made their balance sheets look more impressive.”

“For over thirty years, the PRC has consistently taken the other side of this bet. The PRC evidently believes that hard assets and manufacturing capabilities are good to own, not only for their immediate economic returns but because they bring many valuable intangibles and synergies with them: a highly skilled industrial workforce, faster prototyping cycles, and mastery of supply chains. Thirty years on, can anyone really argue that the PRC bet wrong?”

“Any sound prescription must revitalize American industry to cut trade imbalances, return vital manufacturing to American shores, and preserve America’s economic and strategic security ... Indeed, the PRC has clearly thought of industrialization as a security concern for over fifty years. The PRC’s foreign investment to GDP ratio never went above 0.54 percent before 1985 or 0.88 percent before 1990. Only in 1992, when the PRC began deliberately welcoming foreign investment, did it shoot up, reaching 5.99 percent by 1994. And, when it did, such foreign investment was almost entirely in the Pearl River Delta export processing sector, with most other industries and activities tightly protected ... Chinese industrialization was not merely an artifact of the profitability of its banks’ loan books. It was a conscious, targeted choice within an economy that remained structurally closed and protectionist. It deliberately avoided shock therapy. We would do well to think in similar terms as the PRC leadership about the costs of profits.”

“The PRC has consistently, publicly, and repeatedly placed all its chips on revolutionizing the international order by attaining technical and productive supremacy.”

“ ‘Industrial policy’ is a fraught term if you focus on the means instead of the goal. If we stipulate that the PRC has indeed achieved some economic outcomes and political goals by trying to become a manufacturing power, then we are agreeing that the PRC has an effective industrial policy.”

“When it works, industrial policy usually begins with land reform. Not the Bolshevik sort, with private estates merged into huge (and hugely inefficient) collective farms, but the proto-capitalist sort, where-by excess land or old baronial plantations are converted into intensively cultivated household farms, such as those owned by smallholders that are effectively millions of newly-minted small businesses. This fosters a consumer market capable of providing demand for domestic industries.”

“Meanwhile, protected by trade barriers but subject to export discipline, domestic industries are forced to continuously improve, upskill, and make or buy capital goods. If they don’t, their governments deny them access to foreign exchange, export subsidies, or operating loans in favor of domestic industries that succeed in export markets.”

“America, for its part, had its own rough and ready land reform during the nineteenth century ... In the critical decades from 1850 through 1930, the urban workforces of not just America but also Britain and France ate American grain. The income from this surplus meant the American Midwest could support a consumer economy, not just mere subsistence. This dynamic created a virtuous cycle between production and capital, and fueled the American Century.”

“It is shocking, then, that today America is partly regressing to what might be called a postmodern subsistence economy ... millions of American workers have fallen into gig work and retail jobs that are jarringly unconnected to any more sophisticated form of productivity (...) We seem to shove everyone into the service sector—not because it’s always better than manufacturing but because we have nothing else to offer.

In developing countries, one variant of the ‘middle-income trap’ is that it is individually rational for workers to enter menial jobs even though this is suboptimal from a national human capital perspective. This is why we have mandatory schooling: as a country, we’re better off if five-year-old children are in kindergarten than shining shoes and hawking newspapers. Most countries that attempt to achieve industrial development fall back into some form of menial service economy. For its first forty years, the PRC failed to understand this and fought its way to a low level of autarky on the backs of peasant farmers.”

“The American workforce has bifurcated into (a) design and finance professionals at corporate and (b) gig workers at retail; production workers are grudgingly tolerated only as a necessary evil.”

“... soft budget constraints underwritten by effective financial oversight and export discipline are precisely what an industrial policy, on the Hamiltonian or Listian model, is intended to achieve. If capital can be prevented from flooding into real estate and trading assets, and redirected to industrial capacity instead, long-term industrial goals are achievable. If this sounds dubious, just look at the past thirty years of Chinese industrial history.”

“To assess the real meaning of high tech in the PRC, it’s better to look at cars. The 2024 Beijing Auto Show raised eyebrows with unprecedented battery capabilities, shockingly low price points, and stunningly sophisticated electronics (...) With the emergence of the EV sector at scale, however, the

PRC's failure to master the ICE has been rendered almost irrelevant. Electric cars don't need transmissions or combustion power trains, but they do need batteries and power systems of staggering sophistication. And in batteries, the PRC is king ... This must have been a big factor in the emergence of no less than five electric-only PRC auto manufacturing groups since 2014 (Hozon, Nio, Leapmotor, Xpeng, and Xiaomi).”

“Still, fortune favors the prepared. The Chinese vehicular battery industry as it exists today grew out of the humblest possible roots: manufacturing aftermarket batteries for foreign consumer electronics products like camcorders and PDAs.”

“The automotive industry is no outlier among Chinese high-tech export industries in scale or sophistication. The PRC is the largest trading partner for not only the United States but for most of the world. It is widely believed that the PRC's prominence as an exporter is mainly a matter of low wages, poor environmental and safety standards, and currency manipulation. One might reasonably question whether these factors alone could support a leading position in cutting-edge vehicle technology.”

“The Financial Times recently reported that the PRC installed about seven times as many industrial robots in 2023 as did the United States, even though China harbors a population four times the size of the United States.”

“Liberal economics and free trade cannot explain Chinese investment in robotics, but industrial policy can make a start. In March of this year, the annual ‘Report on the Work of the Government,’ a statement of priorities and direction, was delivered by Premier Li Qiang at the annual session of China’s National People’s Congress. It raised eyebrows because it prioritized not merely expanding domestic demand, as had been anticipated, but also (a) the modernization of the industrial system and developing new quality productive forces, and (b) strengthening China through science and education to consolidate the foundations of high-quality development and scientific institutions capable of pushing humanity to new technological frontiers (...) Betting against Chinese industrial policy has a dubious record (...) In 2016, a top CCP planning document announced the aim of making China the ‘leading scientific power in the world.’ This is not normally a priority or, indeed, a possibility for a middle-income country.”

“Much attention has been paid to China's population decline, which began in 2022. This has led some commentators to predict that China’s period of rapid economic growth must soon come to an end, as China will ‘get old before it gets rich’.”

“Two Chinas

A map of the PRC by GDP per capita yields results that most Americans would find shocking. Beijing’s is over \$28,000 per year (\$47,000 by purchasing power parity); Shanghai’s is almost \$27,000 (\$44,000 PPP), but ten out of thirty-three administrative divisions are under \$10,000, with Gansu the lowest at under \$7,000. The difference between rich and poor divisions is more pronounced in China than in the United States—such as that between New York and Mississippi. About 388 million Chinese citizens live in such ‘have-not’ regions.

What’s more, Chinese residents of poor provinces lack a fundamental opportunity that Americans take for granted: the right to live anywhere they like in the country. The PRC’s hukou residence permit system restricts permanent residence outside of one’s province of origin.”

“... there are large pockets of Chinese production that are at least as advanced as any competitors worldwide. This would not be typical of a middle-income country with low variance in capitalization, educational attainment, and sophistication of production. Instead, it exemplifies a high-variance country that contains regions that are poorer than Angola and others that are on par with Poland or Portugal, but also one which routinely generates vast quantities of scientific research and six annual Math Olympiad golds.”

“The Chinese regime believes that continued manufacturing and export supremacy is an existential interest. The CCP leadership further believes that much of its population is presently incapable of the productivity levels that this would require. It has therefore decided to allocate intellectual resources and investment capital away from the software and financial sectors and into applications that it believes will artificially raise the productivity of the average Chinese worker ... This is industrial policy on the grandest possible scale for the highest possible stakes. It reveals a PRC actively opposed at the highest levels of its government to free trade ideology and to positive-sum international trade. A trade system in that guise would fail to promote the developmental outcomes within the CCP system that the CCP believes are fundamental to its continued credibility and viability as the steward of Chinese society.”

“America’s interest is also obvious. In the short term, it is protectionism, which is always narrowly politically popular. One hopes that this will not turn out to be mere venal protectionism for uncompetitive industries, which is always a loser in the long term (...) We must ask whether the United States has an implicit, perhaps even accidental, deindustrial policy and to what degree that has been a poor choice for our country’s prospects.

At this point, we must recall that the United States is the number two exporter in the world while noting that American exports are a strange mix of bulk raw materials, cutting-edge high-tech products, and services (...) The key challenge facing the next administration, of whatever party, will be determining to what degree we need to reshore production in order to accomplish goals for the national interest. If the United States were a business, we would say that it is catastrophically overconcentrated in a single vendor relationship and must find ways to diversify, lest it be economically Finlandized. No responsible actor would choose to be in this situation, and no successful administration would permit this situation to go on. Like many Asian countries after the Second World War, we need to discipline our capital and business institutions so that we do not sleepwalk into landlordism, crony capitalism, or disaster.”

“The PRC pursues not merely an industrial policy but also a clearly articulated geostrategic plan, announced in untranslated Chinese across state organs and venues, to upend the world order by achieving pre-eminence in multiple technological revolutions. The PRC explicitly intends to use trade as a lever to accomplish this goal. The PRC’s own domestic political needs disfavor importing finished goods and favor importing raw materials to be finished into value-added exports.”

“Meanwhile, the United States and the other G7 nations are suffering from obvious deficiencies in military industrial capacity. Tellingly, these deficiencies are most evident in old-economy technologies like artillery shell manufacturing and shipbuilding. Our problem isn’t that we can’t develop advanced drones or aircraft—our problem is that we can’t manufacture artillery shells (or drones) fast enough, even though a pariah state like North Korea can.”

“It would have been unthinkable for Cold War America to source key components in logistics and telecommunications from the Warsaw Pact. We never had to address the question because the Soviet Union didn’t make any finished goods that Western countries wanted to buy. But if they had, integrating them into basic social functions would have been considered too absurd to take seriously. And yet, our long history of peaceful relations with the PRC has led us to sleepwalk into exactly this unacceptable state of dependency.”

“Any incoming administration must therefore be ready to implement a reindustrialization plan that goes far beyond ad hoc subsidies to address the larger question of why we lost industrial capacity in the first place. This plan should use tariffs and waivers as precision tools for strategic products and industries, but it must also address larger questions of tax, accounting, and finance rules that have contributed to an anti-industry investment environment.”

“The past five years have seen enormous international realignments in major industrial categories like telecommunications, logistics, and transportation ... And it is time for us to show the world that there is a trade and industrial model for a new American-led world order, lest our friends and allies be forced into the PRC’s arms because we have failed to provide an alternative.”

Simington, Nathan (2024): “China Is Winning. Now What?”, *American Affairs* VIII (3), Fall 2024, 3–23.
<https://americanaffairsjournal.org/2024/08/china-is-winning-now-what/>

83. Hukou i sistema de crèdit social

“Hukou ... is a system of household registration used in mainland China ... A household registration record officially identifies a person as a permanent resident of an area and includes identifying information such as name, parents, spouse and date of birth ... In its original legislation, the hukou system was justified as created to

‘...maintain social order, protect the rights and interests of citizens and to be of service to the establishment of socialism’.

The central government asserted that because rural areas had greater capacity to absorb and use excess labor, the majority of the population should be concentrated in these regions. Furthermore, free movement of people was considered dangerous, as it would lead to overpopulation of cities and could threaten agricultural production. Under the hukou system, the rural population was structured to serve as support for urban industrialization, both in agricultural production and workers for state owned businesses (...)

The central government's efforts to contain migration has been a major factor in the rapid development of the Chinese economy. Their tight check on migration into urban areas has helped prevent the emergence of a number of problems faced by many other developing countries. For example, the appearance of slums outside of urban areas due to a massive influx of individuals searching for work has not been an issue, nor have poor health conditions due to high population density. And regardless of its other imperfections, the hukou system's ability to maintain stability has contributed to China's economic rise.”

<https://en.wikipedia.org/wiki/Hukou>

“The China social credit system is a broad regulatory framework intended to report on the ‘trustworthiness’ of individuals, corporations, and governmental entities across China.

1. The goal of the China social credit system is to provide a holistic assessment of an individual’s or a company’s trustworthiness.

2. The China social credit system, while still in development, is arguably an extension of existing social rankings and ratings in China which have existed for millennia.

3. The consequences of a poor social credit score could be serious. It may affect travel prospects, employment, access to finance, and the ability to enter into contracts. On the other hand, a positive credit score could make a range of business transactions much easier.”

“2024 marks an era of stability in the development of China’s social credit system.

By 2022 an estimated 80 percent of provinces, regions and cities had introduced some version of the system, but now that appears to have slowed down significantly.

One part of the social credit system, the ‘corporate social credit rating,’ appears to be especially advanced: More than 33 million businesses in China have already been given a score under some version of the corporate social credit system.”

“In 2018, former US Vice-President, Mike Pence, sounded the alarm bells about China’s social credit system, stating ‘China’s rulers aim to implement an Orwellian system premised on controlling virtually every facet of human life – the so-called ‘social credit score.’” Western media outlets have spoken of the ‘sinister social credit system’ and a system of ‘total control’.”

“What is China’s Social Credit System?”

The term ‘social credit’ (社会信用体 in Chinese...) doesn’t have a precise meaning — rather, it is an intentionally broad and vague term allowing for maximal policy flexibility.

Plugged into a regulatory framework, the ‘China social credit system’ (also known as ‘China’s Ranking System’) refers to a diverse network of initiatives aimed at enhancing the amount of ‘trust’ within Chinese society.

The goal of the social credit system is to make it easier for people and businesses to make fully-informed business decisions. A high social credit score will be an indicator that a party can be trusted in a business context.

The system began with a focus on financial creditworthiness, similar to credit scores used in western countries, and moved on to include compliance and legal violations.

The eventual ‘end-state’ of the system is a unified record for people, businesses, and the government, which can be monitored in real-time.”

“A common theme in the policy documents establishing the social credit system is the term ‘Chengxin’, variously translated as ‘trustworthiness’, ‘honesty’, ‘integrity’, ‘sincerity’ or ‘morality’, depending on the context. More specifically, through facilitating trust, the China social credit system supports the following goals:

- Financial creditworthiness (zhengxin 徵信)

As in most countries, firms and individuals need a way of assessing whether others are a safe bet for lending/extending goods on credit. The social credit system aims to rectify this gap in China's financial and business ecosystem.

- Judicial enforcement (gongsi gongxin 司法公信)

Enforcement of judicial decisions (such as judgement debts) has proven particularly difficult in China. Part of the purpose of the social credit system is to find new enforcement mechanisms for existing laws and court decisions.

- Commercial trustworthiness (shangwu chengxin 商务诚信)

This means improving compliance and anti-fraud mechanisms for commercial enterprises, and those who participate in them.

- Societal trustworthiness (shehui chengxin 社会诚信)

This covers the broader goal in the social credit system of supporting a more 'moral' society. We see this goal at work in social credit initiatives which value honesty, hard work and devotion to family.

- Government integrity (zhengwu chengxin 政务诚信)

The social credit system is 'self-reflective': Bureaucrats and politicians themselves will be subject to the regime, with the goal of reducing corruption.

The high-level goals are to be achieved via three key practical mechanisms:

- Data gathering and sharing

The fundamental building block of the social credit system is data. Through the system, data is gathered by central, regional and municipal government bodies, as well as private actors, and shared. 'Big data' algorithms are then used to process that data in a meaningful manner.

- Curation of blacklists and redlists

The data acquired is used to add individuals and corporations to lists (some public, some not).

- Punishments, sanctions and rewards

Based partially (but not entirely) on presence in the lists identified above, individuals are punished and rewarded.

The elements of the social credit system outlined above are put into place by a variety of actors:

- Policy direction

The social credit system is, at the highest level, driven by the State Council, currently chaired by Premier Li Keqiang. This is the most powerful administrative body within the Chinese government (...)

- Central government and court implementation

Dozens of central government departments and agencies have implemented elements of the social credit system, especially the blacklists and redlists (...)

- Regional and municipal government implementation (...)
- Private company credit ratings and contracting

Several private companies have developed their own credit systems (such as Alibaba's affiliated 'Sesame Credit'), with participation being voluntary."

"How Does China's Social Credit System Work?

The China social credit system rates individuals based on the aggregation and analysis of data. In some trials, this has involved a single numerical score (usually between 1 and 1000, like a FICO score), or a letter grade (usually from A-D).

This information is acquired from a range of sources including individual businesses (including 'big tech') and government entities. Some of the information is 'siloes', and accessible only by the individual regional or central government authority. But in many cases, the information is shared with other regulators through a centralized database, such as NCISP.

For example, some of the factors that can be considered in giving a corporate social credit rating include:

- Whether the business has paid taxes on time
- Whether the business maintains necessary licenses
- Whether the business fulfills environmental-protection requirements
- Whether the business meets product quality standards
- Whether the business meets requirements specific to their industry.

It is important to note that businesses' scores may decrease based on the behavior of their partners."

"Punishments in China's Social Credit System

As the China social credit system is still in a state of evolution, it is impossible to say with certainty what exactly the negative consequences are (...) Potential negative effects of a bad score once fully implemented include:

- Travel bans

Reports in 2019 indicated that 23 million people have been blacklisted from travelling by plane or train due to low social credit ratings maintained through China's National Public Credit Information Center. It is reasonable to assume that this will continue as part of China's social credit system.

- School bans

The social credit score may prevent students from attending certain universities or schools if their parents have a poor social credit rating. For example, in 2018 a student was denied entry to University due to their father's presence on a debtor blacklist.

- Reduced employment prospects

Employers will be able to consult blacklists when making their employment decisions. In addition, it is possible that some positions, such as government jobs, will be restricted to individuals who meet a certain social credit rating.

- Increased scrutiny

Businesses with poor scores may be subject to more audits or government inspections.

- Public shaming

In many cases, regulators have encouraged the ‘naming and shaming’ of individuals presented on blacklists.”

“China currently has a number of national and regional blacklists based on various types of violations. It is expected that over time, the system of blacklists will be fully integrated with the social credit score (...) Most of the blacklisting that has occurred to date has been as a result of violations or misbehavior of companies and the individuals working for them.”

“It typically takes 2 to 5 years to be successfully removed from a blacklist (...) In addition to being used as a metric for punishing citizens and companies for violating the country’s guidelines, the social credit system is also intended to be useful in China’s search for signs of potentially harmful behavior before it occurs.

Rewards in China’s Social Credit System

On the other end of the spectrum, there are positives of the social credit system for people and corporations who are determined to be outstanding members of Chinese society. In this context, the opposite of being blacklisted is to be ‘redlisted’ (also spelt ‘red-listed’). Redlisting allows citizens and companies access to certain privileges that will impact their day-to-day lives.

There are a range of rewards for businesses that do well in this regard, including:

- Streamlined administrative procedures (...)
- Fewer inspections and audits
- Fast-tracked approvals.”

“Along with these physical surveillance measures, the Chinese government continues to track the online behaviors of its citizens. There are a plethora of violations Chinese officials may be looking for, including evidence of writing and sharing anti-government ideologies.”

“What is China’s Corporate Social Credit System?”

While the social credit system in China is universal in application, the policy focus to date has been on its application to companies. According to one analysis, 73 percent of policy documents released to date have been focused on the application of social credit in the corporate sector.

The goal of the corporate social credit rating is to combine data from many different sources to provide a public searchable database of companies, and to evaluate and score those companies against a list of compliance criteria. While the corporate social credit rating is still in a development phase, the goal is to work towards a ‘Comprehensive Public Credit Rating’, which will provide an overall score for companies operating in China.”

<https://joinhorizons.com/china-social-credit-system-explained/>

“Chinese traffic police have installed cameras with 7 million pixels of resolution in several cities to capture the pedestrians or bikers that pass the street at a red light. When the offence happens, they take several pictures and a make video. Xinhua News Agency explains that facial recognition technology identifies the offenders. The pictures are then compared with the police department database, and within 20 minutes, the portrait’s offender and personal details such as the family name, the ID number or the address are displayed on the screen. They may also be published on social media like the traffic police Weibo accounts or be contacted by.

Thanks to facial recognition Chinese traffic police know who the offender is and can contact him. They give them three choices: a fine of 20 yuan (2.5 euros), a half-hour traffic rules course, or assisting the police in controlling traffic for 20 minutes.”

<https://outride.rs/en/articles/china-is-using-facial-recognition-to-catch-jaywalkers/>

A quick guide to the Social Credit System
The five most common Social Credit-related myths related to individuals

COMMON MISPERCEPTION	EXPLANATION
There is no score that dictates citizens' place in society	<ul style="list-style-type: none"> ▪ Some cities or companies have experimented with rating systems, but these are merely "loyalty rewards programs". ▪ Citizens cannot be penalized for low scores. ▪ A national, all-encompassing Social Credit Score for citizens is highly unlikely to ever materialize.
The Social Credit System is not primarily a tool for mass surveillance of individuals	<ul style="list-style-type: none"> ▪ The Social Credit System primarily focuses on businesses and marketplace behavior. ▪ Individuals are primarily included concerning debt repayment and in their role as legal representatives of companies. ▪ Not more than 0.2 percent of individuals receive Social Credit-related penalties annually.
The Social Credit System does not constantly monitor and assess individual behavior	<ul style="list-style-type: none"> ▪ Only violations of laws and regulations can serve as ground for punishments. ▪ Citizens cannot land on a blacklist for playing too many games, occasional jaywalking, having "untrustworthy" friends, etc. ▪ Recent regulations have further restricted scope for the inclusion of individual behavior.
The Social Credit System is low-tech and fragmented	<ul style="list-style-type: none"> ▪ Virtually all Social Credit-related decisions are taken by humans, not AI. ▪ Digitization of the system remains limited and data sharing challenges hamper its implementation. ▪ This will remain the case for the coming decade, even as attempts are made to slowly integrate and digitalize the system.
The Social Credit System will not be fully completed anytime soon	<ul style="list-style-type: none"> ▪ The Social Credit System has been worked on since 2001 and is still far from complete. ▪ 2020 was the end of a key construction phase, but the system will remain under development for at least the coming decade. ▪ There is still dynamic debate on what the Social Credit System should become, even within China's administration. ▪ The focus for the coming years will be to integrate information sharing systems, establish unified standards, and improve the legal basis.

Source: Drinhausen and Brussee (2021): *China's Social Credit System in 2021, from Fragmentation to Integration.*

<i>Myth</i>	<i>Explanation</i>
The Social Credit System is a scoring system that dictates citizens' place in society	<ul style="list-style-type: none"> • Some cities and companies have experimented with rating systems, but these are mere "loyalty rewards programmes" • Citizens cannot be penalised for low scores
The Social Credit System is a tool for mass surveillance of individuals	<ul style="list-style-type: none"> • Companies can receive ratings in specific domains that primarily facilitate supervision but do not connect with blacklists • The SCS primarily focuses on businesses and marketplace behaviour
The Social Credit System evaluates individual behaviour, such as online comments, purchases, and more	<ul style="list-style-type: none"> • About 1% of companies and 0.3% of individuals receive SCS-related penalties annually. Most are unaffected • Only violations of laws and regulations can serve as the ground for punishment
The Social Credit System relies on AI and big data	<ul style="list-style-type: none"> • Citizens cannot land on a blacklist for playing too many games, occasional jaywalking, etcetera • Surveillance in China continues rampantly but does not typically involve the SCS • Humans, not AI take decisions on penalties
Construction of the Social Credit System was started in 2014 and due for completion in 2020	<ul style="list-style-type: none"> • Digitisation of the system remains limited and it is highly fragmented • This will remain the case for the foreseeable future, even if authorities attempt to slowly upgrade and integrate • The SCS has been worked on officially since 2002 and is still far from complete. 2020 was the end of a key construction phase, but development will continue far into the next decade • Even China's government is still far from clear about what the SCS is supposed to become

<https://merics.org/en/comment/chinas-social-credit-score-untangling-myth-reality>

Brussee, Vincent (2023): *Social Credit. The Warring States of China's Emerging Data Empire*, Palgrave Macmillan.

“China’s social credit system has been compared to Black Mirror, Big Brother and every other dystopian future sci-fi writers can think up. The reality is more complicated — and in some ways, worse (...).

Brits are well accustomed to credit checks: data brokers such as Experian trace the timely manner in which we pay our debts, giving us a score that's used by lenders and mortgage providers. We also have

social-style scores, and anyone who has shopped online with eBay has a rating on shipping times and communication, while Uber drivers and passengers both rate each other; if your score falls too far, you're out of luck.

China's social credit system expands that idea to all aspects of life, judging citizens' behaviour and trustworthiness. Caught jaywalking, don't pay a court bill, play your music too loud on the train — you could lose certain rights, such as booking a flight or train ticket.”

“As yet, there's no one social credit system. Instead, local governments have their own social record systems that work differently, while unofficial private versions are operated at companies such as Ant Financial's Zhima Credit, better known as Sesame Credit ... The private systems ... often get conflated with the government plans, though they aren't part of the official system ... That leads to misunderstanding of what the social credit system actually is.”

“One city, Rongcheng, gives all residents 1,000 points to start. Authorities make deductions for bad behaviour like traffic violations, and add points for good behaviour such as donating to charity.”

“Private projects, such as Sesame Credit, Hoover up all sorts of data on its 400 million customers, from how much time they spend playing video games (that's bad) to whether they're a parent (that's good). That can be shared with other companies.”

“So far, taking part in both the private and government versions is technically voluntary; in the future, the official social credit system will be mandatory.”

“What happens if you're blacklisted?”

Liu Hu is a journalist in China, writing about censorship and government corruption. Because of his work, Liu has been arrested and fined — and blacklisted. Liu found he was named on a List of Dishonest Persons Subject to Enforcement by the Supreme People's Court as ‘not qualified’ to buy a plane ticket, and banned from travelling some train lines, buying property, or taking out a loan.

“There was no file, no police warrant, no official advance notification. They just cut me off from the things I was once entitled to,’ he told The Globe and Mail. ‘What's really scary is there's nothing you can do about it. You can report to no one. You are stuck in the middle of nowhere.”

“‘In China there is no such thing as the rule of law. Regulations that can be largely apolitical on the surface can be political when the Communist Party of China (CCP) decides to use them for political purposes.’ In April 2018, the Civil Aviation Administration of China (CAAC) sent letters to international airlines demanding they show Taiwan as part of China, saying the government would ‘make a record of your company's serious dishonesty and take disciplinary actions’ for any that didn't comply; they all eventually did.”

“Such a system could further divide society, creating classes of people depending on their social credit — and this is where comparisons to Black Mirror pop up.”

“‘China's social credit system is a state-driven program designed to do one thing, to uphold and expand the Chinese Communist Party's power.’ (...) China's social credit scheme is developing, but it is only one part of the country's surveillance state. As well as tight controls on the web content which is available, through the country's national firewall, there is monitoring and censorship of social media.”

Kobie, Nicole (2019): "The complicated truth about China's social credit system", WIRED 07 Jun 2019
<https://www.wired.com/story/china-social-credit-system-explained/>

84. Informe de la feina feta pel govern xinès en 2023

"A Review of Our Work in 2023"

The main goals and tasks for economic and social development in 2023 were accomplished, and we made steady progress in pursuing high-quality development, maintained overall social stability, and made solid advances in building a modern socialist country in all respects.

—Overall economic recovery and growth were boosted.

China's gross domestic product (GDP) surpassed 126 trillion yuan, an increase of 5.2 percent, ranking China among the fastest-growing major economies in the world. A total of 12.44 million urban jobs were added, and the average surveyed urban unemployment rate stood at 5.2 percent.

—Significant progress was made in building a modernized industrial system.

Traditional industries saw accelerated transformation and upgrading, strategic emerging industries achieved vigorous growth, and ground work was laid for developing industries of the future. Advanced manufacturing was further integrated with modern services, and a number of world-class innovations were made in major industries. C919, a homemade airliner, went into commercial operation, and a domestically-built large cruise ship was delivered. China accounted for over 60 percent of global electric vehicle output and sales.

—New breakthroughs were made in scientific and technological innovation.

We made major headway in establishing a system of national laboratories and achieved fruitful results in developing core technologies in key fields ... A stream of innovations emerged in frontier areas such as artificial intelligence (AI) and quantum technology ... These achievements have further enhanced the capacity for innovation-driven development.

—Reform and opening up were deepened.

The latest round of institutional reform at the central government level was generally completed, and such reform at the local government level proceeded in a well-planned way. We stepped up efforts to build a unified national market, launched an initiative to deepen and upgrade state-owned enterprise (SOE) reform, and adopted policies to spur the growth of the private sector (...)

—The foundations for secure development were further consolidated.

Grain output reached a record of 695 million metric tons. The supply of energy and resources remained stable (...)

—The environment saw steady improvements.

Thanks to further steps to prevent and control pollution, the discharge of major pollutants continued to fall and the quality of surface water and offshore water continued to improve ... China's installed

renewable energy capacity surpassed its thermal power capacity for the first time in history, and China accounted for over half of newly installed renewable energy capacity worldwide.

—People’s wellbeing was ensured.

Per capita disposable income of residents increased by 6.1 percent, and the income gap between urban and rural residents continued to narrow.”

“2. We promoted industrial upgrading through innovation and gained new momentum for coordinated urban-rural and regional development.

To build China’s strength in strategic science and technology, we stepped up efforts to implement major science and technology programs. We adopted an overarching plan to advance new industrialization. We took measures to ensure the stable performance of the industrial sector and support advanced manufacturing, and increased the additional tax deductions for R&D expenses of enterprises in key industries. This helped promote high-quality development of key industrial chains. As a result, industrial enterprise profits stopped declining and began growing. The digital economy posted rapid growth, and 5G penetration rate in China topped 50 percent.”

“3. We deepened reform, expanded opening up, and continued to improve the business environment.

A master plan for building a unified national market was released, and a number of policies and regulations that impeded fair competition were abolished. We adopted separate policies on supporting the development of SOEs [state-owned enterprises], private enterprises, and foreign-funded enterprises, and put in place a mechanism for regular government-business communication. Special initiatives were launched to settle overdue payments owed to enterprises.”

“4. We stepped up efforts to protect and improve the environment and accelerated the transition to a model of green development.

We advanced the Beautiful China Initiative and continued efforts to keep the skies blue, waters clear, and lands clean. We accelerated the implementation of major projects for protecting and restoring key ecosystems.”

“5. We made every effort to ensure public wellbeing and advanced the development of social programs.

We addressed the people’s concerns and delivered benefits to them. We adopted, with a strong emphasis on keeping employment stable, policies to support enterprises in stabilizing and expanding employment and improved services to help college graduates and other key groups secure employment. Over 33 million people lifted out of poverty found jobs last year.”

“6. We worked to improve government performance across the board and redoubled efforts to enhance governance.

We were firm in upholding the authority of the CPC Central Committee with Comrade Xi Jinping at its core and its centralized, unified leadership and took solid steps to fully implement the decisions and plans of the Party Central Committee. We launched initiatives to gain a good understanding of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and acted on it. With top priority given to political advancement, we enhanced the government’s capacity to perform its duties in all areas.”

Li Qiang, Premier of the State Council (2024): “Report on the work of the government”, Delivered at the Second Session of the 14th National People’s Congress of the People’s Republic of China on March 5, 2024

https://english.www.gov.cn/news/202403/13/content_WS65f0dfccc6d0868f4e8e5079.html

https://npcobserver.com/wp-content/uploads/2024/03/2024-Government-Work-Report_EN.pdf

85. Resolució del trilema de Rodrik?

“A key question is whether a sovereign state system, democratic governments, and an integrated global marketplace can coexist (...) The paper describes the extant pressures operating to limit each of the three: how sovereignty and democracy work to constrain globalization, how globalization and sovereignty generate a democratic deficit, and how globalization and democracy lead to limitations upon, and even the transcendence of, sovereignty.”

“Globalization is an ongoing process. So is democratization. Both are occurring in a system of sovereign states. Yet, globalization, democracy, and sovereignty are incompatible in material terms in their full blown form ... Contemporary politics simultaneously evinces forces aimed at constraining globalization, limiting democracy, and reducing sovereignty.”

“One can imagine a continued backlash to globalization that only increases with continued democratization. In such a scenario, globalization would be the casualty of democracy and sovereignty. Alternatively, there is the vision of world government that has sometimes found adherents. Here, sovereignty becomes the casualty of democracy and globalization. Finally, democracy could be the casualty of continued globalization in a sovereign state system. Voters would still vote, but key aspects of policy necessary for sustained economic integration would be insulated from politics.

Can the three be reconciled? The key entails the political economy of globalization. One possibility is a political ability to change the distributional consequences of globalization, to make it Pareto improving for the median voter in every democracy. Yet, this can only be accomplished through internal economic transfers which themselves come under pressure in a fully integrated global economy.

A second path to reconciliation lies in the role of the non-material as the basis for political choice. The trilemma presumes a particular material basis for political preferences in a democracy. The trilemma is obviated if voters do not vote for redistribution, but also heightened if voters oppose globalization on cultural or social, rather than material, grounds.

A third path to reconciliation is policy in a democracy driven by the superior lobbying ability of the winners from globalization. Were the winners from globalization always more capable of solving the collective action problem and capable of using their resources to capture public policy, there would be no trilemma.

The most likely scenario is an extrapolation of the present. It is a world of contested domains, one in which efforts to constrain globalization, democracy, and sovereignty compete with efforts to expand and maintain them .”

Stein, Arthur A. (2016): “The great trilemma: are globalization, democracy, and sovereignty compatible?”, *International Theory* 8(2), 297-340

86. Trilema de Rodrik (*The political trilemma of the world economy*, Dani Rodrik, 2011)

“...one of the central truths of the global economy: National democracy and deep globalization are incompatible. Democratic politics casts a long shadow on financial markets and makes it impossible for a nation to integrate deeply with the world economy. Britain had learned this lesson in 1931, when it was forced to get off gold. Keynes had enshrined it in the Bretton Woods regime.”

“There is a fundamental tension between hyperglobalization and democratic politics. Hyperglobalization does require shrinking domestic politics and insulating technocrats from the demands of popular groups.”

“Consider a few illustrations of how globalization gets in the way of national democracy.

Labor standards. Every advanced economy has detailed regulations that cover employment practices (...) Thanks to outsourcing, my employer can now do what he previously could not. Domestic labor laws still prohibit him from hiring you in my place and putting me to work under conditions that violate those laws. But this no longer matters. He can now replace me with a worker in Indonesia or Guatemala who will work willingly under those same substandard conditions or worse ... Why do national regulations protect me from downward competition in employment practices from a domestic worker but not a foreign one? Why should we allow international markets to erode domestic labor regulations through the back door when we do not allow domestic markets to do the same?

Corporate tax competition. The international mobility of firms and of capital also restricts a nation's ability to choose the tax structure that best reflects its needs and preferences. In particular, this mobility puts downward pressure on corporate tax rates and shifts the tax burden from capital, which is internationally mobile, to labor, which is much less so.

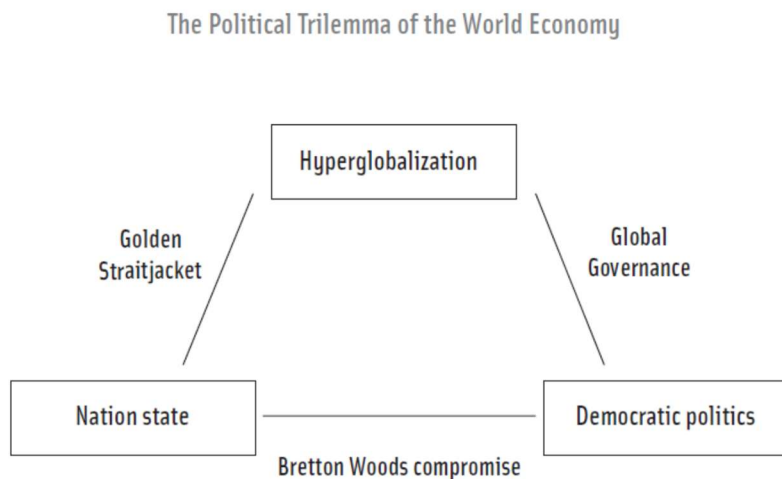
Health and safety standards. Most people would subscribe to the principle that nations ought to be free to determine their own standards with respect to public health and safety. What happens when these standards diverge across countries, either by design or because of differences in their application? How should goods and services be treated when they cross the boundaries of jurisdictions with varying standards?”

“**Industrial policies in developing nations.** Probably the most significant external constraint that developing nations face as a consequence of hyperglobalization are the restrictions on industrial policies that make it harder for countries in Latin America, Africa, and elsewhere to emulate the development strategies that East Asian countries have employed to such good effect.”

“How do we manage the tension between national democracy and global markets? We have three options. We can restrict democracy in the interest of minimizing international transaction costs, disregarding the economic and social whiplash that the global economy occasionally produces. We can limit globalization, in the hope of building democratic legitimacy at home. Or we can globalize democracy, at the cost of national sovereignty. This gives us a menu of options for reconstructing the world economy.

The menu captures the fundamental political trilemma of the world economy: we cannot have hyperglobalization, democracy, and national self-determination all at once. We can have at most two out of three. If we want hyperglobalization and democracy, we need to give up on the nation state. If we

must keep the nation state and want hyperglobalization too, then we must forget about democracy. And if we want to combine democracy with the nation state, then it is bye-bye deep globalization. The figure below depicts these choices.”



“Consider a hypothetical fully globalized world economy in which all transaction costs have been eliminated and national borders do not interfere with the exchange of goods, services, or capital. Can nation states exist in such a world? Only if they focus exclusively on economic globalization and on becoming attractive to international

investors and traders ... The only services provided by governments would be those that reinforce the smooth functioning of international markets. We can envisage a world of this sort, and it is the one Tom Friedman had in mind when he coined the term ‘Golden Straitjacket.’ In this world, governments pursue policies that they believe will earn them market confidence and attract trade and capital inflows: tight money, small government, low taxes, flexible labor markets, deregulation, privatization, and openness all around.”

“Must we give up on democracy if we want to strive for a fully globalized world economy? There is actually a way out. We can drop nation states rather than democratic politics. This is the ‘global governance’ option. Robust global institutions with regulatory and standard-setting powers would align legal and political jurisdictions with the reach of markets and remove the transaction costs associated with national borders ... Taking this idea to its logical conclusion, we can envisage a form of global federalism—the U.S. model expanded on a global scale.”

“The only remaining option sacrifices hyperglobalization. The Bretton Woods regime did this (...) The Bretton Woods–GATT regime allowed countries to dance to their own tune as long as they removed a number of border restrictions on trade and generally treated all their trade partners equally. They were allowed (indeed encouraged) to maintain restrictions on capital flows, as the architects of the postwar economic order did not believe that free capital flows were compatible with domestic economic stability (...) Until the 1980s, these loose rules left space for countries to follow their own, possibly divergent paths of development. Western Europe chose to integrate as a region and to erect an extensive welfare state.”

87. La tesi d'en Lee (*the Lee thesis*, Lee Kuan Yew, primer ministre de Singapur, 1959-1990)

Es coneix com a ‘tesi d'en Lee’ la posició (atribuïda al primer ministre de Singapur Lee Kuan Yew) segons la qual és acceptable negar drets civils i polítics a la ciutadania si amb això es promou el desenvolupament econòmic i la millora del benestar per a la majoria. Alternativament, la tesi d'en Lee diu que la democràcia no és necessària ni efectiva per al desenvolupament econòmic.

La justificació és que la democràcia genera inestabilitat social i/o bloqueig polític, la qual cosa impedeix implementar reformes i polítiques que afavoreixen i estimulen el desenvolupament. Un govern autoritari pot aprovar i executar aquestes reformes i polítiques lliures de la interferència dels grups de pressió i de la necessitat d'assolir fites de curt termini, i així aconseguir elevats nivells d'inversió aplicant les polítiques industrials adequades. La democràcia distreu forces socials i econòmiques cap a la confrontació política i genera inestabilitat i tensions que no afavoreixen l'adopció de mesures encaminades a objectius de llarg termini.

“Lee Kuan Yew fervently argued that denying civil and political rights to people was acceptable if it promotes economic development and general wealth for the majority. That idea, subsequently dubbed ‘the Lee Thesis,’ has been fiercely debated since.”

<https://thediplomat.com/2015/09/why-do-outsiders-care-about-singapores-elections/>

“Indonesia’s democratic transition was a success, and now is in the third decade of democratic experience. But it has been backsliding, bringing the country to the edge of competitive authoritarianism. During the three-decades of Suharto’s authoritarian rule, the economy grew at 7% annually, while the democratic Indonesia grew only at around 5%. Higher authoritarian growth resonates with the so-called Lee thesis, popularised by the founding Prime Minister of Singapore, Lee Kuan Yew. It is argued that that development requires some restraints on democracy, famously put as a choice between two ‘D’s’ - democracy and development or between democracy and discipline. Its proponents hold the view that poor developing countries are not fit for democracy.

The Lee thesis is supported by high growth phases under the authoritarian rules of Singapore under Lee himself, Mahathir’s Malaysia, Park Chung-hee’s South Korea, and Chiang Kai-shek’s Taiwan. Authoritarian China’s phenomenal growth since the early 1990s has also provided credence to the thesis. Thus, temptations to authoritarianism can also be seen in other developing Asian and African countries. However, it is argued that democratic growth is more stable and more resilient to crises. AK Sen argued that it is wrong to ask whether a country is fit for democracy; rather a country becomes fit through democracy. Entering the second half of the third decade of its current democratic experience, Indonesia will have to decide whether to stay with the path of democratic growth or returning to an authoritarian path.”

<https://indonesia.crawford.anu.edu.au/news-events/events/22487/democracy-andor-development-reflecting-lee-thesis-indonesia>

“Amartya Sen claims in *Development as Freedom* that democracy is the solution to helping poor economies, but the Lee thesis states otherwise. The thesis states that authoritarianism eradicates poverty because of a focus on economic development rather than freedom.”

“Some opponents of democracy in developing countries echo the ‘Lee thesis,’ named for former Prime Minister of Singapore, Lee Kuan Yew. It states that authoritarian regimes are better at enriching poor nations than democracies.

Proponents of the Lee thesis attribute this to an authoritarian focus on economic development rather than on freedom, which is seen as unnecessary to eradicating poverty. For example, Singapore, South

Korea, and China achieved higher growth while under authoritarian governments than did democracies like India, Costa Rica, and Jamaica.

However, Sen states that the Lee thesis is based on faulty evidence. Empirical studies reveal there's no relationship between authoritarianism and economic growth. By contrast, democratically-oriented policies are proven growth drivers. Examination of the 'East Asian Miracle' economies (such as Japan, Singapore, Taiwan, and South Korea), which achieved rapid economic growth in the 20th century, suggests the following policies are most helpful:

- Openness to competition
- Use of global markets
- High literacy rates
- Land reforms
- Incentives for industrialization, research and development, and exports

Sen argues all of these helpful policies are compatible with democratic rights. Additionally, many authoritarian regimes that have failed to adopt these policies have remained poor. Therefore, the assertion that authoritarianism is either necessary or sufficient to achieve economic growth is false."

<https://www.shortform.com/blog/lee-thesis/>

Knutsen, Carl Henrik (2010): "Investigating the Lee Thesis: How Bad is Democracy for Asian Economies?", *European Political Science Review* 2 (3): 451–473.

88. El consens de Mumbai (*the Mumbai consensus*, Lawrence Summers, 2010)

"... in the long sweep of history, the biggest story from our era will be what has happened in the developing world, in the world's emerging markets, especially here in Asia.

Consider this: Economic historians have calculated that if you compare living standards in Athens at the time of Pericles and living standards in London in 1800, they changed over those 2200 years at most by 75%. That's a growth rate far less than one tenth of one percent per year.

They called it the Industrial Revolution because for the first time in all of human history, economic growth started at a rate where you could see the difference in living standards at the end of a human lifespan relative to the beginning of a human lifespan."

"Think about what is happening today in India, China, or a number of other emerging countries – countries that between them have 40% of the population of our planet.

Living standards are rising at a rate between 5 and 7 percent a year, a rate at which they double within a long decade. A rate at which they increase between 30 and 100 fold within a single human life span.

In the economic history of the last millennium that is an event that ranks only with the Renaissance and the Industrial Revolution."

"India, which will become the world's most populous nation, will have much to say in this story. The tremendous economic energy being unleashed by India today, making one of the world's top three

economies, will only continue to grow when, a generation from now, it also has the world's largest work force."

"And perhaps ... in 2040, the discussion will be less about the Washington Consensus or the Beijing Consensus, than about the Mumbai Consensus - a third way not based on ideas of laissez-faire capitalism that have proven obsolete or ideas of authoritarian capitalism that ultimately will prove not to be enduringly successful.

Instead, a Mumbai Consensus based on the idea of a democratic developmental state, driven not by a mercantilist emphasis on exports, but a people-centered emphasis on growing levels of consumptions and a widening middle class.

A consensus based globally not on the idea that competitiveness was in service of a nation trying to win a zero sum game, but rather on the idea that through international integration, nations could diversify, pursue their strengths, and realize together the benefits of larger global markets."

"Your country, like my country, faces formidable challenges in the years ahead.

- Challenges of ensuring that government by the people is effective government for the people.
- Challenges of maintaining faith and trust in public institutions and assuring that public institutions are worthy of that faith and trust.
- Challenges of creating prosperity that does not just mean the success of a thin elite at the top, but opportunity for an every growing middle class.
- Challenges of ensuring the availability of jobs that provide dignity, opportunity, and better lives for children and parents and citizens."

"But ultimately in the relationships between democratic nations, between broad pluralistic societies, it is not the government to government agreements that will make the largest difference.

- It is the ties that are formed when students from one country study in another. Ties that I hope will increase in scale dramatically over the next decade.
- It is the ties that are formed when firms from one country invest in another country. Flows that, to our mutual benefit, are becoming increasingly reciprocal between the United States and India.
- It is the ties that are formed when professionals from one country do business, learn, share, with professionals for another country.
- And it is the ties that are formed by the institutions that are undergird democracy."

Summers, Lawrence H. (2010): "India and the Global Economy", Remarks at The Asia Society, Mumbai, India, 15 Oct 2010

<http://www.whitehouse.gov/administration/eop/nec/speeches/india-global-economy>

89. La tesi d'en Lipset (*The Lipset thesis*, Seymour Martin Lipset, 1959)

La tesi d'en Lipset (formulada en un article que té més de 12.000 citacions) estableix qe

- que la democràcia és resultat del desenvolupament econòmic i
- que més desenvolupat un país, més probable que sigui democràtic.

Singapur va ser un contraexemple a la tesi: en 1990 era l'única economia (no exportadora de petroli) d'alts ingressos que no era una democràcia (en canvi Taiwan i Corea del Sud n'estaven fent la transició).

Lipset, Seymour Lipset (1959): "Some Social Requisites of Democracy: Economic Development and Political Legitimacy", *American Political Science Review* 53 (març), 69-105.

Lipset, Seymour Martin (1994): "The Social Requisites of Democracy Revisited" (1993 Presidential Address, American Sociological Association), *American Sociological Review* 59 (febrer), 1-22.

"Seymour M. Lipset dubbed economic development a 'social requisite to democracy,' considering factors such as national wealth, a large degree of industrialization, and high levels of education to be necessary fertilizers to prepare a breeding ground for democracy... He famously posited that 'the more well-to-do a nation, the greater the chances that it will sustain democracy.'"

Banerjee, Anwesha (2013): "Revisions to Lipset's Economic Theory of Democratic Development. India as a case study"

https://journals.library.cornell.edu/tmpfiles/CIAR_6_1_6.pdf

90. Consens de Seül (*Seoul development consensus*, G20, 2010)

"... the G20 has the opportunity to contribute to the reconstruction of the world economy in a form conducive to strong, sustainable, inclusive and resilient growth. Through the Seoul Development Consensus for Shared Growth, we seek to add value to and complement existing development commitments."

"We recognize as a crucial part of this exercise that we need to enhance the role of developing countries and low income countries (LICs) in particular, for the following reasons:

- First, because for prosperity to be sustained it must be shared.
- Second, because we acknowledge that the impact of the recent crisis demonstrated a global interconnectedness that is disproportionately affecting the most vulnerable in the poorest countries. It has been estimated that, as a result of the recent crisis, an additional 64 million people will be living in extreme poverty (i.e., living on less than USD 1.25 a day) by the end of 2010. We therefore have a responsibility to fulfill.
- Third, as the premier forum for our international economic cooperation, because the G20 has a role to play, complementing the efforts of aid donors, the UN system, multilateral development banks (MDBs) and other agencies, in assisting developing countries, particularly LICs, achieve the Millennium Development Goals (MDGs). Our role must relate to our mandate on global economic cooperation and recognize that consistently high levels of inclusive growth in developing countries, and LICs in particular, are critically necessary, if not sufficient, for the eradication of extreme poverty.
- Fourth, because the rest of the global economy, in its quest for diversifying the sources of global demand and destinations for investing surpluses, needs developing countries and LICs to become new poles of global growth – just as fast growing emerging markets have become in the recent past.

Our overarching objective of helping LICs improve and maintain the levels and quality of growth, thereby reducing poverty, improving human rights and creating decent jobs, requires strengthening the

relationships among high, middle and low income countries. This entails promoting sustainable economic, social and environmental development; honoring equity in the partnerships that exist; building stronger and more effective partnerships among advanced countries, emerging countries and LICs; engaging the private sector and civil society; and refocusing our priorities and efforts to remove the bottlenecks for LIC growth. We further believe there is no 'one-size-fits-all' formula for development success and that developing countries must take the lead in designing and implementing development strategies tailored to their individual needs and circumstances.”

“G20 Development Principles

We therefore commit ourselves to a Multi-Year Action Plan to achieve these objectives. This Plan will be based on the following principles (...)

1. Focus on economic growth. (...) Actions and policies should have the capacity to significantly improve the prospects for inclusive, sustainable and resilient growth above business as usual.

2. Global development partnership. Engage developing countries, particularly LICs, as equal partners, respecting their national ownership and recognizing that the most important determinant of successful development is a country’s own development policy (...)

3. Global or regional systemic issues. (...)

4. Private sector participation. Promote private sector involvement and innovation, recognizing the unique role of the private sector as a rich source of development knowledge, technology and job creation (...)

5. Complementarity. Differentiate, yet complement existing development efforts, avoiding duplication (...)

6. Outcome orientation. Focus on feasible, practical and accountable measures to address clearly articulated problems that are serious blockages to significantly improving growth prospects for developing countries.”

<https://g7g20-documents.org/database/document/2010-g20-korea-leaders-leaders-annexes-annex-i-to-seoul-summit-document-seoul-development-consensus-for-shared-growth>

91. El trilema de la voluntat política (Nacho Álvarez, 2018)

“Según Rodrik, conservar niveles elevados de soberanía nacional y democracia interna exige una integración selectiva y parcial en la globalización. A la inversa, un país plenamente integrado en la globalización económica tendrá que sacrificar elementos cruciales de su soberanía o, peor aún, de su democracia.

Algunos autores han querido entender a partir de este trilema la crisis que atraviesa la socialdemocracia desde hace varias décadas. Parte de razón no les falta: las fuerzas desatadas por la mundialización del capital y la libre movilidad financiera han dificultado el avance, e incluso la continuidad, de políticas de corte socialdemócrata. Sin embargo, comprender la crisis que atraviesa hoy la socialdemocracia exige pensar, al menos, en otro trilema adicional: el trilema de la voluntad política. Este trilema quizá podría formularse –en términos de Economía Política Internacional– del siguiente modo: en los países

periféricos de la zona euro no parece viable satisfacer al mismo tiempo las exigencias de la ciudadanía, las exigencias de las élites nacionales y las exigencias financieras internacionales (cristalizadas en las normas de Bruselas). Hay que elegir y descartar, al menos, uno de estos tres vértices (o, en este trilema, incluso dos).”

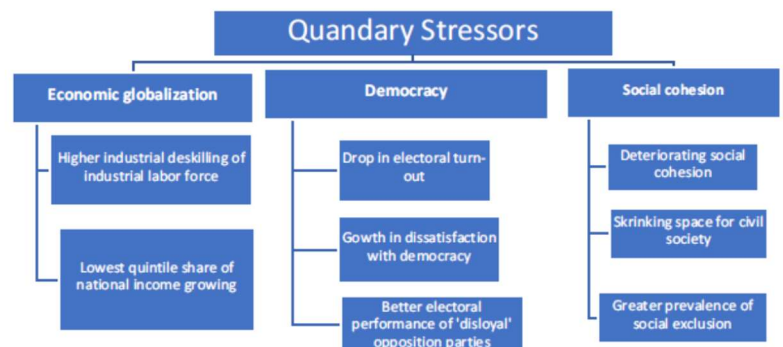
“En países con débiles regímenes fiscales, como los países periféricos de la eurozona, una expansión fiscal que permita reconstruir los derechos que las políticas de austeridad se han llevado por delante, y ampliar otros nuevos, ha de financiarse con cierto déficit público –anatema para Bruselas–, o con cargo a una reforma tributaria, que necesariamente debe descansar sobre las élites del país, dado que en estas latitudes las clases medias y populares ya soportan buena parte de la carga tributaria.”

“El Gobierno de Pedro Sánchez ha alcanzado un acuerdo con Unidos Podemos por el cual se compromete a revertir los recortes que fueron aplicados por el Partido Popular en educación, sanidad y dependencia (...) Cumplir (plenamente) este acuerdo exigirá que el Gobierno de Sánchez confronte, o bien con la tecnocracia de Bruselas, o bien con las élites económicas y empresariales españolas. O se financia imponiendo una flexibilización del objetivo de déficit, o se financia con cargo a una reforma tributaria. O, en tercer caso, se defraudan las expectativas de la ciudadanía y el acuerdo se queda en fuegos de artificio.”

<https://ctxt.es/es/20180905/Firmas/21589/pedro-sanchez-unidos-podemos-austeridad-deficit-reforma-fiscal-dani-rodriknacho-alvarez.htm>

92. El trilema de Dahrendorf (*Dahrendorf's Quandary*, 1995)

“Dahrendorf’s Quandary, an early formulation of the Rodrik Trilemma, stipulates that maintaining economic competitiveness requires countries either to adopt measures detrimental to the cohesion of civil society, or to restrict civil liberties and political participation.”



Anheier, Helmut K.; Alexandru Filip (2021): “The Dahrendorf Quandary, Crisis Severity, and Country Performance. *Global Policy* 12(3), 298-312. <https://doi.org/10.1111/1758-5899.12901>

Dahrendorf, Ralph (1995): *Economic Opportunity Civil Society and Political Liberty*.

“The tide has turned

After a decades-long process where national economies became more and more entangled and interdependent at both the international and regional level, increasing strains to economic integration are evident both at the global and the European level.”

“The current rise in populist parties is a wake-up call resembling what the late Ralf Dahrendorf ... summarised a little more than 20 years ago as a quandary between globalisation (as a means towards growth), social cohesion and political freedom:

'To stay competitive in a growing world economy [the OECD countries] are obliged to adopt measures which may inflict irreparable damage on the cohesion of the respective civil societies. If they are unprepared to take these measures, they must recur to restriction of civil liberties and of political participation bearing all the hallmarks of a new authoritarianism (...) The task for the first world in the next decade is to square the circle between growth, social cohesion and political freedom.' (Dahrendorf 1995).

Indeed, the EU integration process has traditionally been conceived as a means to square the circle, allowing for catching-up economic growth and convergence (the EU as a great 'convergence machine'...), while preserving Europe's social model(s) ... However, while the deepening globalisation and integration process has generated overall income gains via higher static and dynamic efficiency, in combination with skill-biased technical progress, it has almost certainly not been Pareto-optimal, creating winners (take-it all) and losers in an age of massive transformation. The financial crisis and its fall-out have only fuelled an already existing undercurrent of discontent and fading trust in democratic institutions and the so-called 'elites' to deal with the (real or imagined) unfair distribution of gains and burdens in society. In this context, EU institutional settings and policies have been increasingly perceived as being pro-market biased, paying little attention (if any) to their social impact, and undermining cohesion, solidarity, autonomy, and governability at the national, regional, and local levels. Put succinctly, in Musgrave's Three Functions of Government, the EU is seen as dealing with the allocative and, subordinately the stabilisation function, while not caring about the redistribution function which was largely left to member states."

Pichelmann, Karl; Marco Buti (2017): "European integration and populism: Addressing Dahrendorf's quandary", 22 Feb 2017

<https://cepr.org/voxeu/columns/european-integration-and-populism-addressing-dahrendorfs-quandary>

Dahrendorf, Ralph (1995): "Economic Opportunity, Civil Society and Political Liberty", UNRISD Discussion Paper 58.

93. Trilema de la post-sostenibilitat (*The post-sustainability trilemma*, Umberto M. Sconfienza, 2019)

"The paper introduces the Post-Sustainability Trilemma (PST) and argues that it provides a novel description of current environmental politics which is alternative to the one provided by the narrative of sustainability. According to PST, the three policy goals of (i) economic growth, (ii) participation, and (iii) environmental protection cannot be simultaneously attained. The three possible combinations of PST are then analysed: (i)-(ii) techno business-as-usual; (ii)-(iii) post-growth approaches; (i)-(iii) environmental authoritarianism ... That at least two policy goals could be obtained is a debatable ... claim. In this sense, PST might be considered an over-optimistic framework to organise environmental politics."

"Until a few years ago, environmental politics was dominated by the sustainability narrative, according to which environmental governance should be neo-liberal, growth-oriented, and optimistic about institutional capacity. This article takes a critical view of the sustainability narrative and argues in

favour of a novel 'post-sustainability' framework – according to which current environmental politics is best understood not as an attempt to realise all the policy goals ... but, rather, by the impossibility of it.”

“... the category of political participation is intended as a proxy for Western forms of democracy: it comprises all the public and private avenues through which is possible to have an impact on the policy of one's chosen political jurisdiction, be it by running for elections, adhering to associations, partaking to protests marches, or using the power to buy, sell, and boycott to change the behaviour of powerful market actors who have an impact on environmental policy.

More problematic is the category of environmental protection. It is fair to say that there seems to be a class of environmental problems for which all three policy outcomes can be attained. Cases of localised pollution – like a polluted river – are sometimes successfully internalised into the local economy... The focus of this article is on global environmental problems – climate change, in particular – and environmental protection here refers to the policies which would allow the states – or other political entities – implementing them to stay within the planetary boundaries established by the literature.”

“The first combination – *economic growth + political participation, without environmental protection* – is the most obvious continuation of the policies of sustainable development in the XXI century ... Techno business-as-usual shares with the narrative of sustainability the idea that our political institutions should merely provide the conditions for the individuals to pursue what is valuable to them ... There is some evidence that liberal democracies have a positive impact on the environment compared to autocracies ... This would *prima facie* falsify the claim that economic growth, political liberties, and environmental protection cannot all be pursued at the same time. The literature on this matter, however, remains contentious.”

“The second combination – *political freedoms + environmental protection, without economic growth* – ... maintain[s] that individual wellbeing could only be achieved if growing material desires are curbed and, thus, try to explore how needs can be met and human flourishing achieved without economic growth.”

“Environmental authoritarianism represents the position that a strong and undemocratic central authority might assume in order to protect the environment while continuing to pursue economic growth, which is considered a proxy for political power in international relations, as well as domestically necessary to alleviate poverty. This is the path that China has started pursuing ... Implicit in the theory underpinning environmental authoritarianism is the idea that competition – for positional goods among individuals and for natural resources among firms – is what is truly damaging to the environment.”

Sconfienza, Umberto Mario (2019): “The post-sustainability trilemma”, *Journal of Environmental Policy & Planning* 21 (6), 769-784.

94. El trilema de la innovació (*The innovation trilemma*, Chris Brummer i Yesha Yadav, 2019)

Brummer i Yadav (2019) proposen un trilema de política en relació amb la regulació de la innovació financera. El trilema sembla aplicable a regulacions d'altres activitats econòmiques on la innovació és

freqüent i significativa. Respecte d'un mercat financer caracteritzat per la innovació financera, el trilema de la innovació postula que el regulador del mecat pot assolir, a tot estirar, dos dels tres objectius següents:

- establir normes clares;
- preservar la integritat del mercat;
- estimular la innovació financera.

Una justificació del trilema diu que un regulador que vulgui donar prioritat a la integritat (seguretat) del mercat tot establint normes clares haurà d'establir prohibicions (més o menys genèriques); aquestes prohibicions seran un entrebanc a la innovació.

Alternativament, si el regulador pretén estimular la innovació amb regles clares, aleshores la regulació haurà de ser simple o molt flexible, la qual cosa posarà en risc la integritat del mercat (atès que les innovacions es fan per a obtenir beneficis i no per a garantir l'estabilitat o viabilitat del mercat).

Finalment, si el regulador vol promoure la innovació i protegir la integritat del mercat, haurà d'establir un complex sistema de regles i excepcions. Això contradiu l'objectiu de claredat en la regulació.

Brummer, Chris; Yesha Yadav (2019): "Fintech and the Innovation Trilemma", The Georgetown Law Journal 107, 235-307.

95. El trilema de l'economia dels serveis (*Trilemma of the servie economy*, T. Iversen i A. Wren, 1998)

"The expansion of manufacturing employment in the wake of the industrial revolution and continuing into the 1960s was a result of two main forces of change. First, the demand for manufactured goods was rapidly increasing as growing incomes allowed people to spend proportionally less money on necessities, such as food and shelter, and more on nonnecessities, such as consumer durables ... Second, because the perceived need for material goods was high, demand for manufactures was price elastic: lower relative prices translated into large increases in demand. The latter condition is important because it created a positive link between productivity growth, demand, and employment."

"In contrast to this golden age of industrial expansion, the period since about the early 1960s has been marked by decreasing income and price elasticity for manufactured goods. The decline is due to a combination of market saturation and increasingly wealthy and choosy consumers who are more concerned with the quality than with the quantity of manufacturing consumption. Under these conditions increases in productivity will no longer result in sufficient increases in demand to compensate for their labor-saving effects."

"The decline in manufacturing has been accompanied by a shift in demand toward services, and in this sense the service sector has assumed the role previously played by manufacturing as the main source of employment growth."

"Whatever the size of the productivity gap between manufacturing and the majority of services, the obvious consequence of the shift in demand toward the latter is that it becomes increasingly difficult to combine rising wages with lower prices. The virtuous circle between falling prices and rising real demand, as experienced during the expansion of manufacturing employment, is therefore broken.

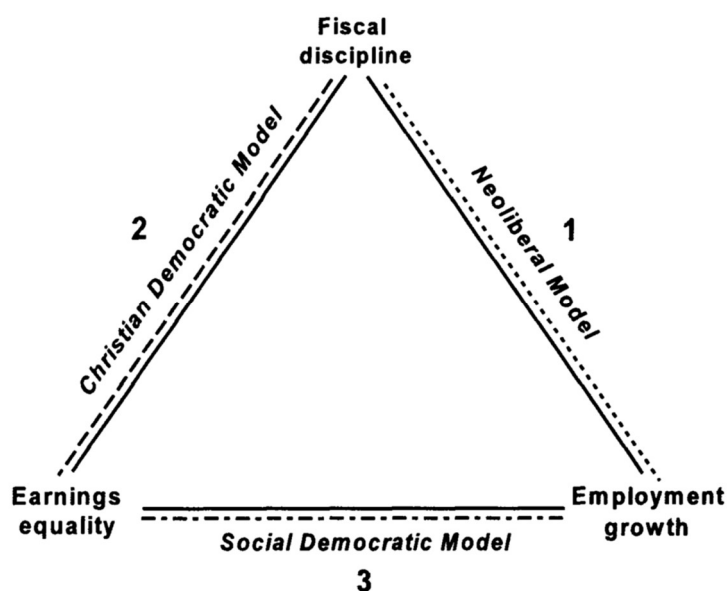
Instead, the most important source of market-generated expansion of employment in services, apart from the effects of changing consumption patterns, becomes lower wages, which translate into cheaper prices and higher effective demand. Consequently, if wages in services are tightly coupled with wages in manufacturing—where productivity growth is faster— private service production will contract Baumols cost disease and employment expansion will be slowed down.

High growth in market-provided services—necessary to compensate for declining manufacturing employment—therefore presupposes a more *inegalitarian* wage structure”

“There are essentially two responses to this problem: (1) wages in services, especially in the lowest paid occupations, can be permitted to fall in order to lower prices and increase demand and employment, or (2) the government can assume the responsibility for employing workers at relatively high wages by expanding public sector consumption. The latter option, heavily favored by social democratic governments, has the obvious drawback that taxes and/or public debt must be increased to finance the growing public wage bill. Socializing production of services can also create difficult incentive problems that are liable to undermine economic efficiency.

Budgetary restraint in the sense of no or only moderate government spending on services is therefore difficult to combine with earnings equality and high employment in the emerging service economy. This set of trade-offs is what we call the ‘trilemma of the service economy’.”

“The argument is illustrated in Figure 1. Each of the three corners of the triangle is a desirable objective for economic policies, but at most two of these can be satisfied simultaneously. Because budgetary restraint precludes any rapid expansion of public sector employment, governments wedded to such discipline must either accept low earnings equality in order to spur growth in private service employment or face low growth in overall employment. Alternatively, governments may pursue earnings equality and high employment, but they can do so only at the expense of budgetary restraint.



The trilemma suggests three ideal-type political economies ... In some respects our discussion will be closer to Kitschelt's account of the tensions between the French Revolution's triple objectives of liberty, equality, and fraternity ... “

“The first ideal type is called neoliberal because market-generated inequality is traded for budgetary restraint and high private sector employment. Ideologically, this model is grounded in a belief that freely operating markets are inherently welfare maximizing, whereas state involvement in the economy leads to a misallocation of resources.”

“The second model also emphasizes budgetary restraint, but it places greater weight on equality and less on individual self-reliance and freemarkets than does the neoliberal type. This model has its origins in corporatist and Christian democratic thought where community, church, and family are seen as bulwarks against the dehumanizing and alienating effects of unfettered markets, as well as against the potential encroachments of state power on the independence and freedom of associational life. Although society is recognized as inherently hierarchical and status differentiated, stark market-generated inequalities are seen as a potential danger to the social order. High employment levels, by contrast, are a relatively low priority in this model because women are viewed as the guardian of the traditional family and hence are encouraged to stay at home and care for children and spouse.”

“The third ideal type prioritizes earnings equality and high employment performance, but sacrifices budgetary restraint. This model has its origins in the European labor movement and in social democratic ideology, and it combines a strong egalitarian ethos with a work ethic that emphasizes employment as the root of collective identity and pride ... Unlike the other models of society, social democracy sees the state as a necessary tool to achieve its egalitarian and full-employment objectives, and this has involved a certain measure of deliberate sheltering from the inegalitarian effects of the market through an expansion in public services and employment.”

Iversen, Torben; Anne Wren (1998): “Equality, Employment, and Budgetary Restraint: The Trilemma of the Service Economy”, *World Politics* 50, 507-546, doi:10.1017/S0043887100007358

96. L'estat ha de promoure canvi i evitar l'esclerosi

“The most obvious observation that can be made about the international system is that for centuries, it has been in a state of flux. International leadership comes and goes. Today's dominant powers are not the ones that controlled world politics 250 years ago.”

“Why is it that some countries have been able to rise to a position of international leadership? And why is it that some countries have been able to maintain this position for so much longer than others? Is it inevitable that a country's rise will ultimately lead to its demise (...)? The type of leadership that is the focus of this book is *economic leadership* (...) Few things are more destabilizing to the international system than different powers growing at different rates. This is what makes weaker powers catch up and what ultimately dethrones the stronger power (...) To explain economic leadership is to explain long-term economic growth and development.”

“New technologies give rise to new industries, to growth and prosperity. But eventually, they grow old and obsolete, and are replaced by newer industries that draw on more recent technologies (...) They have been important first, because in general they have been generic industries, drawing on generic technologies. In other words, they have been industries with multiplier effects on the overall economy through their contribution to other sectors (...) Second, because they are industries that as a rule have drawn upon revolutionary technological breakthroughs. Technological breakthroughs have allowed major productivity improvements. But also, stemming from such breakthroughs, entire new industries have risen. Some of these new technologies have been so groundbreaking that they have transformed entire economies.”

“... diffusion of new technology is never immediate. It is usually a drawn-out process ... firms will try to protect the advantage provided by new technology to as great an extent as possible. Also, the necessary knowledge base for adopting new technology may not always be available yet to other firms. Moreover, diffusion across national borders is normally far slower than diffusion within a country (...) In such a way, new technology effectively serves as an entry-barrier against other actors. Hence, industrial leadership is inextricably linked to technological leadership.”

“The state has for centuries been the dominant actor in international relations. It has also been the most important political actor in general ... Since the Industrial Revolution, technological change has become the most important source of economic growth, and thus of power and leadership in the international system. Different rates of technological change lead to unequal rates of growth in different countries ... It is hugely beneficial for the countries that take advantage of it, but leads to stagnation, backwardness and ultimately obscurity for those countries less skilled at it (...) Is there something that it can do in order to encourage and promote technological change and industrial leadership? ... Is there a role for the state in achieving long-term economic dominance?”

“The British cotton textile industry is routinely considered the world’s first real industry... When growth in cotton textiles could no longer spur on the British economy in particular, the iron industry took over ... For the third growth industry... toward the mid- to late nineteenth century, three new major industries emerged, growing to become as important as iron had once been—steel, electric industry and chemical industry (...) For the interwar years, the main new development was mass-production. However, since this is a mode of production, and not an industry, an industry still has to be selected, and the automobile industry is an easy choice. Finally, the present-day period sets the stage for a chapter on industries derived from information and communication technologies (ICTs).”

“Britain was the first industrial superpower ... And how was it that this power, which at its peak produced more than 50 per cent of the world’s iron, two thirds of the coal, 50 per cent of world cloth production and generating roughly a quarter of world trade, half a century later was surpassed not just by the US, but by Germany as well? (...) Why is it that some countries have been able to ride the waves of technological change, in the process fostering new and prosperous growth industries, whereas others have not?”

“Historians and social scientists have identified *epochs of technological change*, and sought to come up with general characteristics of these epochs... while these accounts make inferences about technological change and industrial leadership, they rarely seek to explain what it is that causes change and leadership per se. In other words, in one sense, what is supposed to be explained—long-term growth and development—is essentially left unexplained by using a proxy for growth, namely technological change and industrial leadership, as the independent variable. Further, these accounts rarely have an institutional side, and they seldom make any conjectures about the role of the state beyond vague references to the importance of education, openness, cohesion etc. What is also often lacking is a comparative perspective.”

“... technology is not a public good, but embedded in organizational structures. It is not necessarily easily transferable. Firms often do what they can to keep other firms from acquiring technology in order to stay competitive (...) Evolutionary theories are organic and biological where endogenous theories

are mechanical. Evolutionary theories have a more realistic take on the accumulation of technology and knowledge, as well as the diffusion of these. Also, the growth process in evolutionary theories is more uncertain. Radical innovations are hard to predict, and institutional and historical contexts affect the way and the extent to which they successfully filter down into the economy. Thus, path-dependencies and historical accidents often play as significant a role in long-term technological trajectories as does the standard neoclassical assumption of rational actors with perfect foresight.

Another advantage of evolutionary theories is that from the outset these were conceived as disequilibrium theories. That is, unlike neoclassical theories, they do not see the economy as first and foremost characterized by a steady march toward economic equilibrium. Instead, they focus on periods of transition, on processes of structural change, on path-dependencies, and on the extreme long run.”

“... a short typology of different types of growth. First, there is investment-led, or Solovian growth (after Robert Solow). Economic growth takes place when capital accumulates more rapidly than the growth of the labor force, thus leading to higher output per capita through increased productivity (although only temporarily). The second is Smithian growth, based on commercial expansion, also known as gains from trade—a more specialized division of labor leads to productivity growth. Third is growth based on scale or size effects. Without downgrading the importance of these types of growth..., this book deals with so-called Schumpeterian growth, based on increases in the stock of human knowledge and technological innovation... Without technological change, the three other forms of growth will sooner or later ... run into diminishing returns. Only Schumpeterian growth may escape this.”

“Technological progress is not a neutral process of gradual accumulation of incrementally more efficient technologies. We do not just add one extra unit of ‘technology’ to achieve so and so amounts of economic growth. To neoclassical theories all technologies are essentially the same ... In addition to improving productivity, evolutionists argue that some innovations are particularly important as they have the potential to transform the economy. Radical innovations disrupt existing economic structures and force new institutional setups and routines on the economy. They give rise to new growth industries and destroy old ones.”

“... some economic activities are more important than others. Countries that have mastered the core technology of a particular historical era, and have been successful in setting up industries employing this technology, are the ones that have forged ahead, grown in power, stature and economic strength. Hence, it is crucial for a country to perform well within those technologies and industries that are linked with the core technologies of a techno-economic paradigm.”

“Schumpeter reasoned that a monopoly position might be more conducive to technological progress than perfect market competition. It is the dynamic, imperfect competition in markets controlled by a limited amount of suppliers that fuels growth. Monopolistic conditions are necessary in order to promote the rapid adoption and innovation of new technologies. Large firms introduce new methods of production beyond the reach of smaller firms, and are thus able to produce cheaper goods in larger quantities than under conditions of free competition. Industrial activity within old, established businesses and methods of production rarely yields great returns. The greatest profits are made in new industries or in industries that adopt new methods or technologies.”

“Unlike neoclassicists, evolutionary theories recommend that an economy specialize within sectors that are particularly growth-inducive. These are typically sectors that require advanced technologies and/or specialized human skills and knowledge (...) On a nation-wide scale: A country’s prospects for long-term growth and development depends on its ability to perform well within new technologies, new industries and particularly growth-inducive sectors. And it depends on its ability to find sectors from which it can reap monopoly gains.”

“Pre-industrial growth has been primarily Smithian. But this logic does not necessarily apply to industrialization, which implies technological growth, which is Schumpeterian (...) While preconditions like well-functioning markets, property rights, infrastructure are necessary parts of a framework for industrial growth, this is not where the extra intellectual effort should be put in.

Instead, for the industrialized era and for Schumpeterian growth, the role of the state is about the promotion of new technology and industries. Hence, the first component that needs to be in place in a theoretical framework for Schumpeterian growth is human capital ... The role of the state thus also becomes one of promoting diffusion, that is, of seeking to put knowledge to good use.”

“There will always be opposition against inventions and new technology. New knowledge displaces existing skills and reduces rents. Technological change leads to losses for those that have specific assets tied in with the old technology—formal skills, tacit knowledge, reputation, specialized equipment, ownership of natural resources, barriers to entry that ensured monopoly positions, etc.”

“[Mancur] Olson’s (1982) by now famous argument has to do with interest groups and vested interests. Too much institutional stability leads to institutional rigidity. Societies that have had to start over again, reforming their institutions and breaking up old monopolies of power and economic vested interests, are the ones that have been economically prosperous. Stability on the other hand, has led to a silting up of vested interests, to stasis, sclerosis and to an inability to alter the status quo. Economic policy becomes trivial as it is controlled by vested interest, unwilling and uninterested in change. As a result, the country gradually drifts into economic obscurity.”

“Technologies come and go, and industries and interest groups come and go with them. Unlike the Olsonian world, the Schumpeterian world is in a constant state of flux. Hence, the first mover in Schumpeter’s world is not institutional stability or rigidity (causing stagnation), but technological change (or its absence). When technological change, or for that matter, creative destruction, is allowed to occur, sclerosis from institutional rigidities will not happen. When the process of creative destruction is blocked, it will.

As with Olson, rigidities silt up in the Schumpeterian world too, but here because of vested interests springing from new technologies. New technologies sooner or later mature, becoming commonplace and obsolete, and thus give way to newer technologies and newer industries. This is the Schumpeterian dynamic, which gives the original Olsonian argument a different twist. It now allows for the state to actively promote and protect new technologies and new industries while they are still young and vulnerable, both against foreign competition and against blocking efforts by vested interests attached to old technologies and traditional industries. But if this promotion and protection is allowed to go on for too long, we are stuck in an Olsonian trap, where vested interests have once again been allowed to rise and grow economically and politically influential.

Hence, the role of the state entails at least two tasks, seemingly at odds: The state needs to promote new and potentially promising industries—that is promote structural economic change, away from old and stagnant industries and into new and promising ones... However, the state must also prevent these new industries from becoming so powerful that a few decades down the line, they themselves have a vested interest—as well as the political and economic influence—in blocking further structural economic change, and new and promising industries from arising. In other words, stagnant and obsolete industries should not be unduly overprotected.”

“... the state must see to it that both the ‘creative’ and the ‘destructive’ part of the process of creative destruction are allowed to happen. The state needs to prevent technological progress from creating the forces that will eventually destroy it (...) The role of the state becomes one of avoiding institutional rigidities, or to use the language of Mancur Olson (1982), of avoiding *sclerosis*.”

“... very different regimes have been able to achieve technological progress, industrial leadership and long-term growth. States as dissimilar as laissez-faire Britain and laissez-faire (although highly protectionist) US, authoritarian Germany and Japan have been among the most successful states ever, and a common denominator is hard to find if the measure applied is too rough. Measures like centralized vs. decentralized, authoritarian vs. democratic etc. do not make sense. An insight derived from De Long ... provides a better clue: Contrary to popular belief, long-term growth is not a high priority of the state.”

“One of the ideas of this book is that the more cohesive the state, the greater the chance of preventing sclerosis, and the greater the chance of preventing vested interests from gaining control over the state and from creating institutional rigidities favoring the status quo.”

“If ... ultimately, technological change and long-term growth is not very high on the list of the state’s priorities, the likelihood that the state will successfully pursue policies that seriously go against the interests of powerful vested interests (that is, policies of structural economic change), is small indeed, unless there is a fairly strong consensus about what policies to pursue. A truism of political science is that the most immediate concern of a regime is its own survival. The likelihood of survival diminishes greatly if controversial decisions, with potentially grave effects—concrete and obvious losers vs. less than concrete winners—have to be made... Hence, decisions with potentially grave redistributive effects are politically risky, and will with a much greater likelihood be made if there is a solid political consensus surrounding these policies. Consensus means less room for vested interests to exploit fragmentation within the political apparatus.”

“First, there is political consensus, which applies to the political elites. Second, there is social cohesion, which applies to the people. To spell the implications out: 1) A lack of political consensus and/or a lack of social cohesion in the people, make it easier for vested interests to pursue their own interests. A lack of political consensus makes it easier to exploit differences of opinion between different parties or decision-makers. A lack of cohesion in the people makes it more risky for political parties or other decision-makers to pursue policies with potentially large redistributive effects (with concrete losers and not so concrete winners). 2) Political consensus and/or social cohesion in the people make it easier to promote structural economic change, that is, making decisions that are in the interest of society at large, going against those of vested interests. For practical purposes, this means an end to favoring old and stagnant industries on behalf of new promising ones. Political consensus makes it more difficult for

vested interests to pursue continued protection and it makes it less risky for political parties or other decision-makers to pursue policies with potentially large redistributive effects. Social cohesion in the people makes it less risky for political parties or other decision-makers to pursue policies with potentially large redistributive effects.”

Moe, Espen (2016): Governance, growth and global leadership. The role of the state in technological progress, 1750–2000, Routledge.

97. Manufacturisme (Carlos Sabillón, 2000)

“It will be argued that the factor that is fundamentally responsible for the generation of economic growth has been largely overlooked by economists and social scientists. It will be held that this factor is intimately linked to the manufacturing sector. Manufacturing shall be understood as all economic activity that does not fall into the category of primary sector activities, construction, and services. At present, manufacturing occurs almost exclusively in factories.”

“Analyzed over the long term, manufacturing has proven to be, by far, the most productivity-intensive sector. Since technology is the fundamental variable determining productivity, it becomes inevitable that the sector that is most intimately bonded to technology is also the one with the most productivity-enhancing characteristics. Primary activities, services, and construction seem only to have the capacity to passively absorb the technology created by manufacturing. Because these sectors are mere technology recipients, their productivity performance inevitably ends up being inferior to that of manufacturing.

It is also worth noting that from 1950 to 1997, as well as before that period, new technology systematically came to life in the form of manufactured goods, such as printing presses, steam engines, spinning gins, telephones, light bulbs, automobiles, airplanes, pharmaceuticals, medical equipment, refrigerators, microwave ovens, TV sets, electronics, composite materials, microchips, computers, spacecrafts, satellites, biotechnological medicines, and video conference machines.”

“History suggests that faster growth of technology is the inevitable result of faster growth of this sector. This ultimately finds itself expressed in a faster pace of innovation, a faster rate of technology imports, or a faster pace of both. A government that finds itself in possession of the policy tools that can accelerate the pace of economic growth finds itself automatically in possession of the tools to accelerate the pace of technological development ... When factory output has grown rapidly in a developed nation, there has also been faster growth of technology imports in the form of patents, machinery, equipment, and the like.”

“The macroeconomic policy implication of such historical facts is that state support for manufacturing becomes the fundamental effort that any government must undertake in order to attain fast and sustained economic growth ... Contrary to what the infant-industry school of thought asserts, practically all nations, regardless of their level of development, constantly need to supply their manufacturing sectors with a strong dose of support ... The moment the support stops, manufacturing production tends to stagnate and, along with it, the rest of the economy.”

Sabillon, Carlos (2000): Manufacturing, technology, and economic growth, M.E. Sharpe.

98. Dificultats en l'acció col·lectiva, coalicions distributives i cicles d'Olson (Mancur Olson, 1982)

"It has often been taken for granted that if everyone in a group of individuals or firms had some interest in common, then there would be a tendency for the group to seek to further this interest (...) The paradox ... is that (in the absence of special arrangements or circumstances...) large groups, at least if they are composed of rational individuals, will not act in their group interest."

"It follows that if there is only voluntary and rational individual behavior, then for the most part neither governments nor lobbies and cartels will exist, unless individuals support them for some reason other than the collective goods they provide (...) In the case of governments... [they] are obviously supported by compulsory taxation (...) In the case of organizations that provide collective goods to their client groups through political or market action ... because they have been fortunate enough to find what I have called selective incentives. A selective incentive is one that applies selectively to the individuals depending on whether they do or do not contribute to the provision of the collective good (...) Any number of organizations with urban clients also provide similar positive selective incentives in the form of insurance policies, publications, group air fares, and other private goods made available only to members. The grievance procedures of labor unions usually also offer selective incentives, since the grievances of active members often get most of the attention."

"The limited knowledge of public affairs is in turn necessary to explain the effectiveness of lobbying (...) Just as lobbies provide collective goods to special-interest groups, so their effectiveness is explained by the imperfect knowledge of citizens, and this in turn is due mainly to the fact that information and calculation about collective goods is also a collective good (...) That the benefits of individual enlightenment about public goods are usually dispersed throughout a group or nation, rather than concentrated upon the individual who bears the costs of becoming enlightened ... helps us to understand certain apparent inconsistencies in the behavior of modern democracies. The arrangement of the income-tax brackets in all the major developed democracies is distinctly progressive, whereas the loopholes are more often tilted toward a minority of more prosperous taxpayers. Since both are the results of the same democratic institutions, why do they not have the same incidence? As I see it, the progression of the income tax is a matter of such salience and political controversy that much of the electorate knows about it... The details of tax laws are far less widely known, and they often reflect the interests of small numbers of organized and usually more prosperous taxpayers."

"... in the absence of selective incentives, the incentive for group action diminishes as group size increases, so that large groups are less able to act in their common interest than small ones."

"On balance, special-interest organizations and collusions reduce efficiency and aggregate income in the societies in which they operate and make political life more divisive."

"... the distributional coalitions ["or organizations that engage in what ... is called 'rent seeking'"] do interfere with an economy's capacity to adapt to change and to generate new innovations and therefore do reduce the rate of growth ... When an industry is nationalized, regulated as a public utility, or for other reasons subject to political dictation, the pertinent lobbies may veto changes, or simply require consultation about them, and innovations and investments will take place less often and more slowly ... Special-interest groups also slow growth by reducing the rate at which resources are reallocated from

one activity or industry to another in response to new technologies or conditions. One obvious way in which they do so is by lobbying for bail-outs of failing firms.”

“Distributional coalitions, once big enough to succeed, are exclusive and seek to limit the diversity of incomes and values of their membership. To achieve their objectives, distributional coalitions must use their lobbying power to influence governmental policy or their collusive power to influence the market. These two influences affect not only efficiency, economic growth, and exclusion of entrants in a society, but also the relative importance of different institutions and activities.”

“Peaceful prosperity leads to the emergence of interest groups, which use the tools of government for their own ends. Ultimately, their efforts stifle economic dynamism and destroy the prosperity that brought them into being. This progression can be called an ‘Olson Cycle,’ and we should worry about being caught in its turns.” (Edward L. Glaeser)

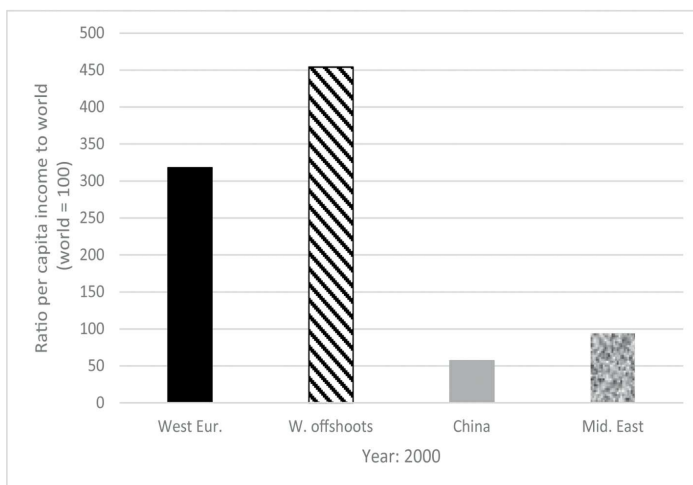
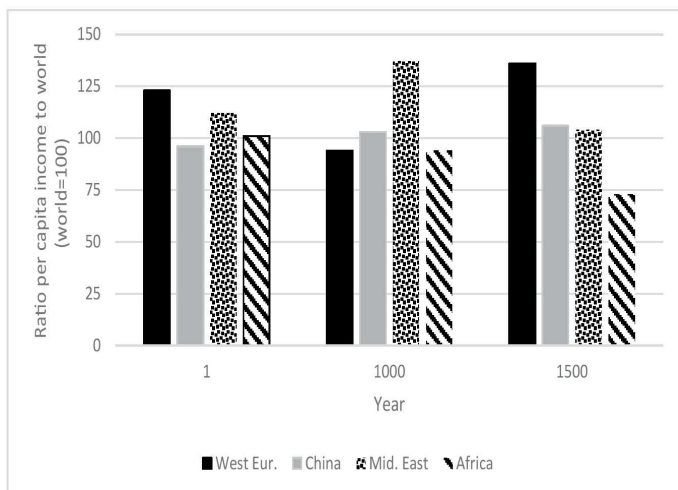
“Another great experiment in laissez-faire was conducted in Great Britain itself. Britain generally followed laissez-faire policies at home as well as abroad from about the middle of the nineteenth century until the interwar period. (The United States in the same period had highly protectionist policies ...) (...) Nonetheless ... laissez-faire did not prove to be dynamically stable —Britain abandoned it. Neither was it sufficient to prevent cartelization in many sectors. During the nineteenth and early twentieth centuries, precisely when and where laissez-faire policy was at its peak, Great Britain acquired a large proportion of its dense network of narrow distributional coalitions. It was in this same period, too, that the British disease emerged and British growth rates and income levels began to lag.”

Olson, Mancur (2022 [1982]): The Rise and Decline of Nations. Economic Growth, Stagflation, and Social Rigidities, Yale University Press.

99. L'excepció europea (Bruce Bueno de Mesquita, 2022)

“Why Europe became distinct after the year 1000 and not before can be reduced to this surprisingly simple reason: in Europe, the head of religion and the head(s) of state were different people who faced off against one another in long-standing, long-lasting, intense competition for political control. Certainly, the rulers of China and Japan were thought to be gods (...) In none of these places were church and state on an equal footing competing with one another. In Europe as well, much of the higher clergy were drawn from the nobility, but for centuries the European clergy and European secular rulers were in a wrestling match for authority, whereas in the Maya world, the religious served the royal elite.”

“The Catholic Church played a crucial part in the emergence of Western exceptionalism, but it was neither the church’s religious beliefs nor its own structure that deserves credit. The monarchies of Europe likewise played a crucial part, but it was not their governance style or their regard (or rather, disregard) for freedom that deserves credit. The credit goes to the competition between kings and popes, monarchies and the church, and monarchs and their subjects, not to any of them on their own. Thus, the story of Europe’s exceptionalism is a story of strategic triggers and competitive logic. It is, I believe, a logic that presents a compelling account that explains why Western Europe, despite its poor showing 1000 years after Jesus, became so much richer and freer than most of the rest of the world.”



Bueno de Mesquita, Bruce (2022): *The invention of power. Popes, kings, and the birth of the West*, PublicAffairs.

100. Taxa impositiva mínima global

“The global minimum tax, which is based on the Global Anti-Base Erosion (GloBE) Model Rules, ensures that large multinational enterprises pay a minimum level of tax on their income in each jurisdiction where they operate, thereby reducing the incentive for profit shifting and placing a floor under tax competition, bringing an end to the race to the bottom on corporate tax rates.”

<https://www.oecd.org/en/topics/global-minimum-tax.html>

“The landscape of international corporate taxation is evolving rapidly, shaping the future of economic policy and global business operations. On 8 October 2021, nearly 140 countries from around the world rallied behind a historic overhaul of international corporate tax rules, marking a significant milestone in tax reform. The agreement reflects a collective effort to modernise taxation for the digital era and mitigate global tax competition through a 'two pillar' solution. Under Pillar One, the allocation of taxing rights on corporate profits between countries is being transformed, while Pillar Two establishes a minimum corporate tax floor of 15 % for multinational companies. Over the years, both tax authorities and businesses have sought to achieve effective and coordinated implementation of these rules. Both pillars should generate additional tax revenue for EU Member States and further ensure a fair level playing field between companies. While Pillar Two is already enforced across the EU (and in a number of third countries), challenges persist regarding the implementation of Pillar One, in particular owing to the uncertain support by the United States (US). A breakdown of Pillar One (or the wider reform) may possibly lead to a return of unilateral digital taxes, and heightened trade tensions between the EU and the US.”

[https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2024\)762346](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2024)762346)

“The new Pillar Two world is now a reality. After an unprecedented effort of worldwide tax coordination, about 40 jurisdictions have implemented or are planning to implement the global minimum tax under Pillar Two, effective from January 2024 or 2025.”

“While 140 countries have agreed to implement Pillar Two under the OECD Inclusive Framework, notable economies such as China, India, and the United States have yet to do so; in contrast, all EU Member States are mandated to transpose the EU Directive, which could affect tax competitiveness. As discussions on the Pillar Two framework for multinational enterprises continue, a new horizon unfolds in this era of international taxation: a global minimum tax for the super-rich (unpretentiously called by the OECD high-net-worth individuals).”

“In their Global Tax Evasion Report of October 2023, the EU Tax Observatory put forth a proposition for a minimum tax on ultra-high-net-worth individuals... The report delineates that billionaires’ effective tax rates are negligible, ranging from 0% to 0.5% of their wealth, indicating a regressive tax system at the upper echelons. Following this route, last June, ... the Director of the EU Tax Observatory, presented a detailed plan for a coordinated minimum effective tax on ultra-high-net-worth individuals ... The proposal advocates for a 2% minimum effective tax on individuals with wealth exceeding USD 1 billion, which, according to their estimates, could generate USD 200-250 billion annually on a global scale.”

“The practical application of a global minimum tax on the super-rich presents a complex array of challenges. Chief among these is the accurate valuation of a wide range of assets, from liquid investments to private holdings and intangible property. Additionally, achieving a consensus among nations and ensuring compliance with diverse legal frameworks are significant hurdles that must be overcome.”

<https://www.legaltoday.com/opinion/blogs/fiscal-y-legal/blog-fiscalidad-internacional/pillar-two-is-here-what-is-next-the-global-minimum-tax-for-the-super-rich-2024-10-10/>

101. Sicaris economics

“... people everywhere are victims of the EHM strategy [“Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars.”]. We have been duped. Many of us have bought into the idea that our country is doing the right thing ... Even though we are victims, we are also collaborators. The strategy works because we support it.”

Since the time of the ancient Chinese, Persian, and Roman empires, the basic strategy has served those who seek to dominate others ... Despite all the cultural and technological changes over the centuries, that strategy has focused on the same goal: the exploitation of resources to satisfy short-term materialistic consumption and increase the riches and power of a few elites.

The goal of domination is cloaked in a critical factor: the perception that those being dominated are receiving benefits. In modern times, the justification for EHM tactics is the perception that they produce better lives for all, raising lower-income countries to higher-income status and elevating the poorest people to the middle class.”

“My job during the Cold War was to implement the US EHM strategy in Africa, Asia, Latin America, and the Middle East. In our determination to stop Communism, we told the world—and ourselves—that we were ending poverty and encouraging democracy. In fact, we were making the rich and powerful richer”

and more powerful, causing a climate catastrophe, and increasing human inequality, environmental destruction, and species extinctions.”

“In the United States three individuals have as much wealth as half the population. If those three individuals earned 10 percent on their wealth in one year while half the population lost 3 percent and the rest remained the same, the composite would indicate an average growth of slightly greater than 3 percent. The perception would be that everyone in the country prospered, and yet the truth would be the opposite. Only three individuals made all the money.”

“People may have cell phones, but too often they live in squalid conditions under the shadow of glittering skyscrapers. Their homes may have electricity but are built with toxic materials. They may be connected to water and sewage systems, but their air and lands are polluted, and their food lacks nutrition and may be carcinogenic. Many are driven to crime and drugs. What has been promoted—perceived—as good is bad for billions of people and for nature.”

“The modern version of the EHM strategy can be summarized as follows.

A higher-income nation identifies lower-income nations that possess oil or other resources but lack sufficient means and/or the political will to develop them. The higher-income nation sends its EHMs to convince the lower-income nations to accept large loans, using their undeveloped resources as collateral. An important condition is that the money is earmarked to hire higher-income-nation companies to build infrastructure projects that drive economic growth ... These companies reap huge profits, a few local elite business owners benefit from the improved infrastructure, and everyone else suffers because funds are diverted from health services, education, and other public sectors to pay interest on the loans. The debts are so large they can't be repaid. The lower-income countries default on their loans. This process is sometimes referred to as *debt-trap diplomacy*.

As a first step toward resolving the default problem, the EHMs demand that the lower-income nations sell their oil, minerals, or other collateralized resources at rock-bottom prices to higher-income-nation corporations, with few (if any) environmental and social regulations. If a country's collateralized resources turn out to be insufficient to pay off the debt, the second step is to implement what are known as *neoliberal* policies. These include austerity programs that cut taxes for the rich and wages and social services for everyone else, reduce government regulations, privatize public-sector businesses and sell them to higher-income-country investors, and discourage collective bargaining—all of which support ‘free’ markets that favor transnational corporations. Neoliberal advocates promote the perception that money will ‘trickle down’ from the corporations and elites to the rest of the population; however, these policies almost always cause greater inequality.

The system is based on ... the four pillars of the EHM strategy: fear, debt, anxiety over insufficiency (of food, housing, etc.), and divide and conquer.”

“The first and second waves of American EHMs promoted a perception that may be summarized as: ‘If you want your country to prosper, accept loans from the Washington Consensus, hire our companies to build infrastructure projects, and submit to neoliberal policies.’”

“China's third EHM wave offered a perception that was distinctly different from that of the United States. Xi Jinping became president of China in 2013 and immediately began campaigning in Africa and Latin

America. He and his EHM's emphasized that, by rejecting neoliberalism and developing its own model, China ... had experienced an average annual economic growth rate of nearly 10 percent for three decades and elevated more than 700 million people out of extreme poverty ... No other country had ever done anything even remotely approaching this."

"China presented itself as a model for rapid economic success (...)Xi's administration ... maintained that Beijing did not demand influence over other countries' governmental policies. China replaced the US's 'If you want your country to prosper, accept loans from the Washington Consensus, hire our companies to build infrastructure projects, and submit to neoliberal policies' with 'If you want your country to prosper, accept China as a partner in global trade that will not interfere in your government and use Chinese loans to hire our companies to build the infrastructure that makes this possible.' Substituting neoliberal conditionalities with promises of non-interference appeals to leaders of countries accustomed to creditor demands—despite China's pattern of breaking those promises."

"... a change in the divide and conquer pillar is arguably the most significant modification made by China's third EHM wave. The New Silk Road has reversed the divide and conquer idea with the promise of a world united by trade that will end extreme global poverty ... But there is a downside. The New Silk Road is controlled by a single country, China, and governments change. Russia's invasion of Ukraine offers an example of how a tyrannical administration can suddenly alter the course of history. When power is concentrated in one person or an insulated group of insiders, as in Russia and China, it can change rapidly and without warning. Beijing is uniting countries that were once divided, but it is doing so under an autocratic government that suppresses self-evaluation and criticism."

"... rhetoric around China's modifications to the EHM strategy disguise the fact that China is using the same basic centuries-old tactics as those used by the US. Regardless of who implements this strategy, it is exploiting resources, expanding inequality, burying countries in debt, harming all but the elites, causing climate change, and worsening other crises that threaten our planet."

"China's global EHM takeover has become so broad and successful that the dynamics and dangers of it need to receive everyone's attention. China is now the largest trading partner with countries on every continent. Drawing on all four pillars of the EHM strategy, it has beaten out the United States in energy, transportation, communications, and other infrastructure development around the world."

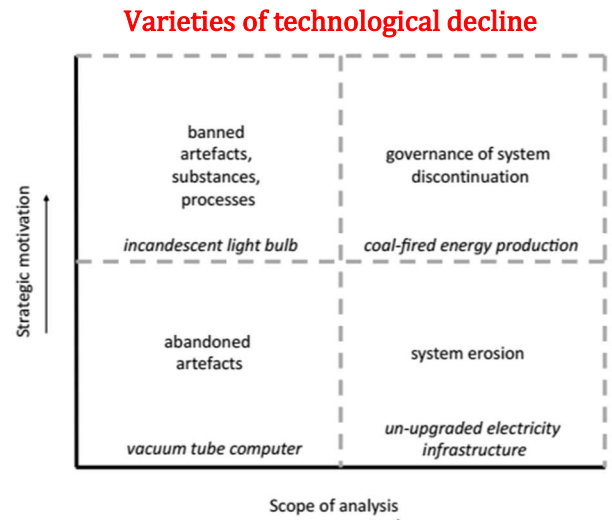
"I was invited to speak at international economic summits in Russia and Kazakhstan ... Speaker after speaker compared China's successes with US failures. One of several oft-quoted examples: The inflation-adjusted US average hourly wage had not increased since 1973 and the US middle class had shrunk from 60 percent to 50 percent of the population; during that same period, China's mushrooming wages raised hundreds of millions of people out of dire poverty into its middle class.

As we step ever closer to the precipice of ecological, economic, and social destruction, it is essential that we recognize that we have been living under a false and dangerous perception. Maximization of short-term profits and materialistic consumption and the EHM strategy are killing us."

Perkins, John (2023): *Confessions of an Economic Hit Man*, 3rd edition, Berrett-Koehler Publishers.

102. Declivi de les tecnologies

“The central question of this book is *how technologies decline*. Surprisingly, this question is fairly novel. The dominant interest ... has been to understand how novelty emerges and how innovation can open up new opportunities. This ‘innovation bias’ in the disciplines studying technology reflects how in recent centuries modern societies have embraced technology as a vehicle of progress ... In the last two centuries, technologies were figured as solutions to address societal problems. Yet, in a time of growing concerns related to the challenges of climate crisis, biodiversity loss, social inequalities or geo-political tensions, technologies increasingly figure as part of the problem, too ... Technologies that once embodied progress, such as pesticides or coal-fired power production, now embody problems and stand in the way of better directions. It is timely, therefore, to broaden the horizon of technology dynamics and the technology-society relationship: next to considering the rise of technologies, we should also consider their fall, too.”



“Two dimensions appear particularly relevant to make sense of the variety of perspectives: the scope of analysis (i.e., the perimeter of the technology, system or configuration in question) and the strategic motivations vested in a decline process (i.e., the extent to which decline is actively pursued or on the contrary a more emergent process) ... Decline can range from the abandonment of a particular artefact or substance (say, a specific product model) or the erosion of a socio-technical system’s relevance and centrality, to the more purposive ban of specific substances or products, or attempts to actively discontinue entire systems.”

Koretsky, Zahar; Peter Stegmaier; Bruno Turnheim; Harro van Lente (2022): Technologies in decline. Socio-technical approaches to discontinuation and destabilisation, Routledge.

103. L'estat com a promotor de processos de desenvolupament i diversificació no espontanis

“... policymakers in developing countries need to understand that the key to achieving high-income status will be to induce rapid structural change by moving from traditional primary products to nontraditional industrial products, and to find niches in industrial products, consumer products with high-income elasticities of demand, and modern services.

Evidence, however, indicates that development is a path-dependent process. This means that it is easier for a country to develop new comparative advantage in some product if it already has comparative advantage in similar products. This makes development a slow process that requires stepping stones. Consequently, leapfrogging, that is, the development of comparative advantage in sophisticated and complex products (for example, advanced machinery, chemicals and pharmaceuticals) without having previously developed comparative advantage in similar products, is rejected by the empirical evidence.”

“A frequent question in policy circles is whether it is possible to reduce or eliminate path dependence. This is because sophisticated products and services are usually associated with high wages.”

“... achieving this will be possible only if countries engage in industrial policy; more precisely, ‘modern industrial policy.’ (...) Our focus is ... on the practice of modern industrial policy. This book came about after years of discussions with governments and policymakers across developing Asia, who are searching for answers to critical questions on how to achieve rapid industrialization; transform, restructure and diversify their economies; move up the value ladder; determine what industries should be nurtured and who should decide this. The aim of all these countries is to eventually achieve high-income status (...) These countries are looking closely at the experiences of the region’s economic success stories, especially the PRC, the Republic of Korea and Singapore, for guidance and lessons.”

“One answer to all these questions could be along the lines of ‘governments ought to stay out of the economy and let the market decide’ and to recognize that government failures are large in developing countries (indeed they are!), but we concluded that this was not a satisfactory answer. For better or worse, all governments get involved in the economy for one reason or another (...) We believe there are sound reasons for a government to facilitate the transformation of the economy and contribute to its diversification and upgrading, as neither are natural processes. Diversification can happen quite easily within a narrow range of products; that is, across products that require similar technologies and capabilities (for example, from simple textiles into slightly more sophisticated textiles or from garments into shoes). However, diversification into distant product lines—... such as from garments into automobiles— requires mastering specific capabilities across many areas, as well as having well-developed supporting institutions. History teaches that this process is policy induced.”

“Today, we understand that economic development is essentially about three key issues, which jointly provide the rationale for modern industrial policy. First, it is a process of accumulating productive capabilities... Capabilities are all inputs that go into the production process; more specifically, they refer to the ability to produce by using and developing new technologies and organizations... Second, the accumulation of capabilities leads to structural transformation, that is, the rise of new industries to replace traditional ones and the diversification of the productive structure and its upgrading.”

“Not all activities have the same consequences for development... High-technology manufacturing is clearly better than traditional farming to enable countries to upgrade their productive capabilities. However, high-technology manufacturing does not develop naturally in backward economies. Unless governments promote such activities and help the private sector, the market will pull a backward economy toward the same type of activities that it was doing previously (for example, agricultural products or simple textiles), which are often based on its comparative advantage of natural resources or cheap labor.”

“Third, in market economies, private firms are the agents of economic transformation, but their actions need to be inserted in a framework of public action. In today’s world, economic development requires a mix of market forces and public sector support.”

“The difference across countries is that some are still engaged in old-style industrial policy while others have evolved into the practice that we refer to as modern industrial policy. Old-style industrial policy is about picking specific sectors of the economy (known as ‘vertical’ industrial policy) for political reasons

... and about promoting these sectors through different strategies. The most criticized of these has been the use of subsidies not linked to performance measures. Unfortunately, this type of industrial policy has often led to rent-seeking behavior that undermines the initial good intentions and, sooner or later, to losers that need to be bailed out, with the corresponding fiscal implications. This is not what modern industrial policy is about.”

Felipe, Jesus; ed. (2016): *Development and modern industrial policy in practice. Issues and country experiences*, Edward Elgar.

104. Què és la política industrial moderna?

“... modern industrial policy concerns anticipating change and facilitating it by removing obstacles and correcting market failures... In practice, modern industrial policy comprises restructuring policies that facilitate the transfer of resources to the more dynamic activities of an economy, be they agriculture, industry or services. These are both ‘horizontal’ and ‘vertical’ policies. The former refers to the provision of inputs that can be used by a broad range of firms across different sectors. Typical examples are transport infrastructure, well-educated engineers, or health and safety inspection systems. Vertical policies favor a particular sector (for example, training electronic engineers). Very often, however, publicly provided inputs (for example, a road) are sector or product specific; that is, vertical.

Examples of these inputs are a remote road that fosters eco-tourism—it does not help carry merchandise to a port—or a laboratory certifying the quality of meat, which is different from a laboratory certifying the quality of vegetables. Such examples show there is a small difference between horizontal and vertical policies.

Consequently, modern industrial policy also entails sector selection... However, the strategies used to select sectors have a clear rationale and the tools to promote them are stage-development dependent and linked to performance measures... Modern industrial policy also has a clear objective: to address the typical market failures that many firms face in the discovery of new activities in which they may thrive and that may ultimately lead to an economy’s transformation... Finally, to succeed, modern industrial policy has to be conducted in a highly competitive environment.”

“Firms from developing countries face a multiplicity of market failures. Two that are typical are information and coordination externalities. The first derives from the difference between the social and private values that entrepreneurs face when they try a new venture (...) Coordination externalities refer to the fact that new industries require capital that private entrepreneurs may not have.”

“... new industries require coordinated investments in many related industries that individual entrepreneurs cannot organize by themselves. These investments generate demonstration effects and technological spillovers that raise the social return above the private return. This is the role of modern industrial policy.”

“Another significant problem that many firms in developing countries face is a lack of organizational capabilities ... Sutton (2000, 2005) argues that becoming a rich country is about being able to earn higher real wages, and that some economic activities are more lucrative than others. Countries that specialize in such activities enjoy a higher level of real wages. But, unlike the traditional neoclassical

model in which higher real wages are the result of an increasing capital–labor ratio, Sutton argues that the primary driver of growth is the gradual buildup of firms’ organizational capabilities ... For example, a car is a car if and only if all systems and components work. This implies that the value of each worker’s effort depends on the quality of the efforts of all workers.”

“There is also another class of problems that countries face as they become richer... network failures. In a wide array of technological and industrial arenas, advances are achieved not entirely through competitive transactions, but also through mutual learning processes fostered by well-managed collaboration between specialists in complementary fields, as well as between designers, producers and end-users. These failures can be addressed through policies aimed at helping dispersed network partners acquire a degree of certainty about the trustworthiness and competence of one another.

Seen in this light, industrial policy need not be controversial. Here, industrial policy is much less about the efficacy of government intervention—in particular about the incorrect allocation of funds to the wrong sectors or the capture of subsidies by private interests—than about collaboration and the design of mechanisms to avoid these problems... Public–private collaboration is the essence of modern market economies and a key differentiating factor between economies that function well and those that do not.”

“The following is a summary of these findings and arguments:

1. Development is about the structural transformation of the economy. This idea has three key dimensions: diversify the economy, increase product/service sophistication and transfer of resources (both labor and capital) toward the more productive activities of the economy. These lead to higher wages (...) Structural transformation is slow and not a natural process (...) The rationale for industrial policy is the desire to expedite this process through government intervention.
2. Modern governments, in coordination with the private sector, can play an important role in addressing the coordination and information externalities, as well as the lack of capabilities, inherent in attempts to diversify. This coordination is a key pillar of modern industrial policy.
3. ... industrial policy should be stage-of-development dependent ... The nature of industrial policy changes as economies mature. Production technologies become more sophisticated and the promotion of new industries moves into uncharted territory. Industrial policy then has to confront high-return, high-risk trade-offs that are too much for the public sector to take on alone. Furthermore, as economies mature, the balance of expertise gradually shifts from the public to the private sector (...)
4. Political economy is an important factor. Industrial policy is unfair by nature as some areas of society benefit more than others. This inherent unfairness becomes less widely accepted as a society becomes more democratic. Furthermore, as an economy develops, foreign competitors will not be as forgiving of government subsidy support to certain sectors. Therefore, the role of government’s conducting industrial policy tends to be more indirect in advanced economies.
5. A common misconception is that governments in advanced economies no longer pursue industrial policies. The reality is that many advanced economies do rely on ‘indirect industrial policy’ by selecting and supporting industries through private financial markets. Here, governments broadly define favored industries and announce incentives for private financing. The role of private financial institutions is to find candidates to support. Governments then adjust the level of incentives to assume a minority or

majority share of the guarantee depending on the risk... Indirect industrial policy works only in a competitive environment. In the US, the government undertakes a significant amount of industrial policy to address network failures.

6. The benefits of indirect industrial policy are numerous... With indirect industrial policy, private financial institutions—not the government—interact directly with firms, and can, if necessary, withdraw their support without causing political backlash or giving the impression that the ‘government is taking away the umbrella when it rains.’

7. The selection of industrial policy tools is also stage-of-development dependent. These can be classified into one of eight categories: fiscal incentives, investment attraction programs, training policies, infrastructure support, trade measures, public procurement, financial mechanisms and industrial restructuring schemes... Governments in advanced economies rely increasingly on financial tools as their economies mature, while the public sector’s role in industrial policy becomes less and less visible.

8. Risk management tools are important in modern industrial policy. Although there are potentially significant social returns from pursuing industrial policy, the fiscal cost of credit program failures are absorbed by the government and, ultimately, taxpayers. A stop-loss mechanism is necessary to ensure that ineffective or wasteful credit programs are not continually funded year after year (...)

9. Human capital development and innovation are essential components of industrial policies. Low- and middle-income economies need to develop high-quality basic and vocational education to gain competitiveness in existing industries or to move into new ones. Societies need workers who can be trained to assimilate technologies. As countries become richer, they should develop high-quality tertiary education...

10. Foreign direct investment is an important element of the industrial diversification process. However, if not properly designed, preferential treatment and R&D incentives for foreign multinational corporations can increase their profitability without resulting in technology transfer to domestic firms. Sometimes, buying technology and paying royalties may be more effective in developing the domestic technology base.

11. A strong monitoring and evaluation mechanism is essential for successful industrial policies, and there are several general rules for effective mechanisms, including establishing clear objectives, developing simple check-up systems and ensuring coordination among relevant agents...

12. As economies mature, industrial policies become more complex. It is virtually impossible to trace all spillover effects across industries and come up with a comprehensive macroeconomic evaluation of a modern industrial policy package. Therefore, industrial policies in advanced economies are typically reviewed and monitored on a program-by-program basis rather than evaluated as an overall industrial policy package. Evaluation programs must be decentralized and have multiple layers of oversight. An appropriate legal framework is also needed to make monitoring and evaluation mechanisms effective and transparent.”

Felipe, Jesus; ed. (2016): *Development and modern industrial policy in practice. Issues and country experiences*, Edward Elgar.