

The New Productivism Paradigm?

DANI RODRIK

Project Syndicate, Jul 5, 2022

There are signs of a major reorientation toward an economic policy framework that is rooted in production, work, and localism instead of finance, consumerism, and globalism. It might just turn into a new policy model that captures imaginations across the political spectrum.

CAMBRIDGE – A new economic paradigm becomes truly established when even its purported opponents start to see the world through its lens. At its height, the Keynesian welfare state received as much support from conservative politicians as it did from those on the left. In the United States, Republican presidents Dwight Eisenhower and Richard Nixon [bought fully](#) into the paradigm’s essential tenets – regulated markets, redistribution, social insurance, and counter-cyclical macroeconomic policies – and worked to expand social-welfare programs and strengthen workplace and environmental regulation.

It was similar with neoliberalism. The impetus for it came from economists and politicians – such as [Milton Friedman](#), Ronald Reagan, and Margaret Thatcher – who were market enthusiasts. But the paradigm’s eventual dominance was due in no small part to center-left leaders like Bill Clinton and [Tony Blair](#), who had [internalized](#) much of its pro-market agenda. These leaders pushed for deregulation, financialization, and hyper-globalization, while paying lip service to ameliorating the consequent rise in inequality and economic insecurity.

Today we are in the midst of a transition away from neoliberalism, but what will replace it is highly uncertain. The absence of a solidified new paradigm is not necessarily bad. We [do not need](#) yet another orthodoxy offering cookie-cutter solutions and ready-made blueprints for countries and regions with different circumstances and needs.

But economic policy must be guided by an animating vision. History suggests that the vacuum left as neoliberalism wanes will soon be filled by a new paradigm that eventually will need support across the political spectrum. Such an outcome may seem impossible given current [political polarization](#). In fact, there already are signs of convergence.

In particular, a new bipartisan consensus may be emerging around “productivism,” which emphasizes the dissemination of productive economic opportunities throughout all regions and all segments of the labor force. Unlike neoliberalism, productivism gives governments and civil society a significant role in achieving that goal. It puts less faith in markets, is suspicious of large corporations, and emphasizes production and investment over finance, and revitalizing local communities over globalization.

Productivism also departs from the Keynesian welfare state by focusing less on redistribution, social transfers, and macroeconomic management and more on supply-side measures to create [good jobs](#) for everyone. And productivism diverges from both of its antecedents by reflecting greater skepticism toward technocrats and expressing less knee-jerk hostility to [economic populism](#).