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Rodrik, D. (2025): Shared Prosperity in a Fractured World: A New Economics for the Middle Class, the Global Poor, and Our Climate.

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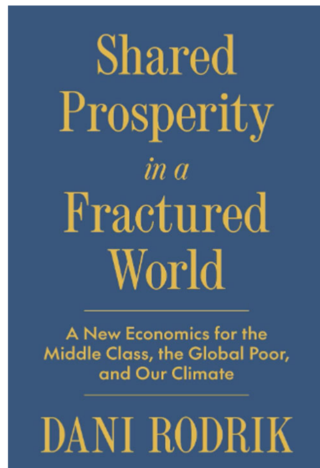

Any book that aims to combat climate change, save democracy and eradicate global poverty cannot be accused of lacking ambition. But this is the task Dani Rodrik has set himself in his new book "Shared Prosperity in a Fractured World". A Professor of International Political Economy at Harvard University's Kennedy School of Government, Dani Rodrik is a prolific author of books and articles on globalization, trade and international development. One of his most distinctive contributions is that he has done more than any academic to rehabilitate industrial policy by rescuing it from the noxious effects of the free-market Washington Consensus, the neoliberal dogma that made it verboten for governments in OECD countries to mention the policy let alone practice it.

Dani Rodrik freely concedes that it might seem foolhardy to tackle democracy, prosperity and sustainability in a single volume, but he says it's necessary because these three challenges are interrelated. Addressing these challenges, he argues, requires a common policy mindset, an updated version of industrial policy that he calls *productivism.* Productivism differs from neoliberalism in Dani Rodrik's view because it allots government an important role in directing structural change and technological innovation to achieve the goals of inclusive growth, poverty reduction and sustainable development. It also emphasizes "the real economy over finance, production over consumption, and revitalizing local communities over globalization" (p. 176).

The structure of the book progresses from a critique of 'hyperglobalization' to a series of chapters that offer an alternative model of development. In the opening chapter on "Overcoming the Triple Challenge", Dani Rodrik says that his predilection is to promote action at the local and national levels rather than trying to strike grand international cooperation deals. The search for global cooperation can distract attention from the real problems, "which are failures of domestic governance and not failures of global governance" (p. 29).

The most original and compelling chapters in the book are "Building a Good Jobs Economy" and "A Productivist Paradigm". As regards the former, Dani Rodrik argues that good jobs programmes require three critical ingredients: (i) there needs to be local leadership to provide a vision of the future economic landscape; (ii) they must coordinate

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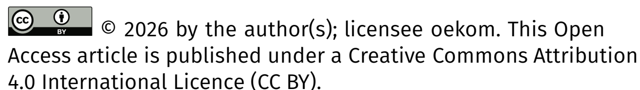
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across both private and public sectors, drawing on an array of public inputs beyond vocational training; and (iii) they must work on both sides of the labour market, with workers and employers operating in concert.

To have greater impact, these programmes need to overcome two current shortcomings: they focus too much on manufacturing and too little on services; and they lack resources, with budgets in millions rather than the billions allocated to high-tech programmes like the CHIPS and IRA programmes in the US.

Raising the productivity of services is one of the key challenges of good jobs programmes and, of all the necessary inputs, the application of new technologies is the most significant because it can stimulate labour-friendly innovations – "those that enable workers with a lower education level to perform a greater range of tasks, including those that are typically performed by highly educated professionals" (p. 115). To illustrate his argument, Dani Rodrik offers the example of long-term care workers, a sector that it is expanding rapidly in all OECD countries. While regulations can enhance pay and work standards, he insists that the "surest way to enhance job quality is to raise the productivity of care workers directly" (p. 117).

The common theme running through the chapters on the green transition, the good jobs economy and reducing poverty in the developing world is the need to engineer structural change. Meeting the triple challenge requires moving the economy's resources – innovation, organizational capacity, entrepreneurship, capital and workers – to activities that are more productive and achieving social, environmental and developmental goals in the process. The strategy that connects all three domains is what Dani Rodrik calls *productivism,* a paradigm that requires a new kind of industrial policy, one that is far more capacious, iterative and innovative than traditional industrial policy, which was wholly focused on manufacturing.

Dani Rodrik addresses three key design features of this new type of industrial policy. First, the ability to 'pick winners' is not a prerequisite for success because the failure of an individual investment should not be regarded as fatal. The appropriate metric, he says, is the success of the *portfolio* (which contains multiple projects) not the failure of a single project, a metric widely used in the venture capital sector. Second, a capacity to change course quickly and cut losses when the project is not working; this in turn requires two things: clear and measurable yardsticks for progress and continuous monitoring of developments. Third, the practice of industrial policy must be insulated from political lobbying and rent seeking. While it is right and proper that the overall goals of industrial policy are shaped by democratic politics, the process by which projects are selected and supported should not be subverted by politically connected firms.

The book concludes with "A New Progressive Agenda", a chapter that distils some of the political implications of Dani Rodrik's foregoing analysis. In particular, he says that the left must turn up the dial on good jobs (over redistribution), labour-absorbing services (over manufacturing) and productivity (over job quality mandates). These structural changes will need to be sponsored by a new type of policymaking, one that is problem driven, experimental and iterative, rather than top down and technocratic. Such efforts do not have to start from scratch, he claims, because they are not "a radical departure from practices that already exist, albeit often under the radar screen and at small scale. [...] These and other examples we have seen in this book constitute proof of concept. The best counterargument to the claim 'it cannot be done', is that it is already being done" (p. 217).

Perhaps the boldest and most contentious claim in the book comes in the very final section, where Dani Rodrik offers what amounts to a bottom-up action plan: "Even in climate, where the global governance argument is strongest, the greatest progress to date has come from localities, nations and regions following their own parochial interests. The best gift that a nation can give to the rest of the world is to take care of its own economy, society, and environment" (p. 220).

Readers will find much that is engaging, stimulating and indeed challenging in this book. Three of the arguments that I found most challenging concern the elevation of production over consumption, the role of labour-friendly innovation in generating good jobs in services and the claim that local projects have already demonstrated proof of concept.

The elevation of production over consumption runs the risk of history repeating itself in the US, where the Biden Administration had a good story to tell on the productive economy, but the positive vibes eluded ordinary voters, a majority of whom voted for Donald Trump. Zohran Mamdani, the new mayor of New York City, won the mayoral election with a forensic focus on buses, rents, childcare and groceries, the core consumption issues fuelling the affordability crisis in the city. In other words, we should avoid treating production and consumption as binary opposites and recognise that both are necessary to address good jobs and liveability.

Stimulating labour-friendly technological change to promote inclusive innovation in the services sector is indeed an important priority for low paid workers like care workers. But robust regulation is the only way to steer technical change in a more socially useful direction, otherwise capital will default to putting profit before people.

Finally, the localist arguments suffer from the fallacy of

composition, the logical error that what is true at a small scale must be equally true at a larger scale. Small scale local projects can clearly achieve little victories, but the latter will always remain fragile and inconsequential if they are not scaled to the national level, where they can hopefully form a new, more progressive systemic norm. How to scale and mainstream good local practice is unfortunately never addressed in the book.

Given the importance that Dani Rodrik attaches to *place-based* policy initiatives, it is also surprising that he never mentions the plethora of local and regional policy experiments in the EU, where place-based policy initiatives have received more attention and investment than anywhere in the world. For example, the EU's Cohesion Policy budget for the 2021-2027 period amounts to EUR 392 billion, the bulk of which is devoted to the European Regional Development Fund, the macro-level support framework for local and regional regeneration policies in less developed areas of the EU. Although the results have been mixed, the European Regional Development Fund experience surely merits a mention in a book devoted to sharing prosperity in a capitalist system where uneven development is a feature not a bug.

Full reference of reviewed title:

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