

Hayek versus Harvard: The Case Against “Industrial Policy”

Olav A. Dirkmaat

Escuela de Negocios,
Universidad Francisco Marroquín
UFM Market Trends (trends.ufm.edu)
olav@ufm.edu

Los “falsos liberales”: la política industrial en Latinoamérica

- Políticas “horizontales”
- Políticas “verticales”

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- Políticas “horizontales” > **inapropiado: reformas liberales / apertura económica**
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Política Industrial Basada en Competitividad e Innovación para Guatemala 2016-2044

Selección de los sectores

Previo a describir las políticas verticales conviene desarrollar los mecanismos para seleccionar los sectores. De acuerdo a la metodología seguida por la consultora Dalberg, se han recomendado los siguientes productos para impulsar en Guatemala: sistemas de aire acondicionado, máquinas despendedoras, lámparas eléctricas portátiles, vitaminas, productos químicos inorgánicos, barnices, y motocicletas. Sin embargo, se recomiendan realizar análisis adicionales, no sólo de los productos recomendados por Dalberg sino para productos que resulten relevantes para otros sectores existentes y no existentes en el país, para contar con información adecuada para tomar la decisión. Este análisis debería incluir: a) la demanda existente en el país, en el istmo centroamericano, el sur de México y Sudamérica; b) los proveedores existentes en el país; c) la factibilidad técnica y económica de su producción en Guatemala; y, d) el interés de los empresarios del sector en involucrarse en la producción del producto, así como también evaluar el interés de inversionistas extranjeros. Además, cabe señalar que es posible que durante el proceso de discusión de estos productos surjan otros que no habían sido originalmente evaluados por Dalberg, así que debiese también incluidos en el proceso.

Tomando en cuenta que las políticas verticales son, por su naturaleza, de prueba y error, es importante que en el mediano plazo se cuente con mecanismos suficientemente flexibles que permitan remover incentivos e intervenciones específicas a productos/sectores que no están alcanzando los resultados esperados.

Confianza o arrogancia Harvardiano?

INDUSTRIAL POLICY: DON'T ASK WHY, ASK HOW*

DANI RODRIK

*Harvard University, John F. Kennedy School of Government
79 Kennedy Street, Cambridge, MA 02138, USA
dani_rodrik@harvard.edu*

Received 14 August 2008

Revised 30 August 2008

The theoretical case for industrial policy is a strong one. The market failures which industrial policies target — in markets for credit, labor, products, and knowledge — have long been at the core of what development economists study. The conventional case against industrial policy rests on practical difficulties with its implementation. Even though the issues could in principle be settled by empirical evidence, the evidence to date

El “cómo”

- Direct subsidies;
- Selective federal loan guarantees (loan underwriting) or direct government loans;
- Exchange rate devaluation;
- Selective (industry-specific) tax benefits and free trade zones;
- Government investment in industry-specific infrastructure.

Rodrik (2004) sobre El Salvador

“In El Salvador, our diagnostic exercise rules out some of the most common culprits for low growth. First, there is little evidence that this is an economy that is constrained by lack of investible funds. The economy is investment-grade, and unconstrained from the standpoint of foreign borrowing. Remittances amount to more than 10 percent of GDP. And banks are flush with liquidity and are having to look for customers abroad. Second, there are few of the tell-tale signs of poor private appropriability. **The institutional environment is rated highly by outside observers, corruption is not a severe problem, taxes are low (probably too low, at 10 percent of GDP), inflation is low, the monetary system is dollarized, and the economy is among the most liberal and open in the hemisphere.** Some of the standard reasons for low social returns can also be ruled out. The economy is geographically well placed to take advantage of trade opportunities. There is no indication that labor skills bind, since the return to education is among the lowest in the region. Given these circumstances, our diagnostic exercise points to the following culprit: weaknesses of the policy environment with respect to encouraging new economic activities. **Simply put, El Salvador is an economy where entrepreneurs have run out of new investment ideas, and markets alone are insufficient to diversify the productive structure away from traditional areas such as coffee, cotton, and maquilas. To put it even more bluntly, El Salvador is in need of industrial policies.**” (p. 11)

La alternativa “Hayekiana”

- En lugar de “top-down política industrial”, “bottom-up entrepreneurship”
- Reformas liberales neutrales: fomentar la empresarialidad y eliminar obstáculos

Nassim Taleb (2014):

“Organically, systems without top-down controls would specialize progressively, slowly, and over a long time, through trial and error, get the right amount of specialization—not through some bureaucrat using a model. To repeat, systems make small errors, design makes large ones. So the imposition of Ricardo’s insight-turned-model by some social planner would lead to a blowup; letting tinkering work slowly would lead to efficiency—true efficiency. **The role of policy makers should be to, via *negativa* style, allow the emergence of specialization by preventing what hinders the process.**” (p. 341)

Korea del Sur: el fracaso de los *chaebols* y la crisis asiática de los años 90

- Muchas veces mencionado como “ejemplo de una política industrial exitosa”
- Pero gracias a la “política industrial” o a pesar de la política industrial?

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Table 1 Bankruptcies of Chaebols in 1997

Jan. 23	Bankruptcy of Hanbo Group
Mar. 19	Bankruptcy of Sammi Group
Apr. 21	Jinro Group filed under Corporate Bankruptcy Postponement Accord
May 28	Daenong Group filed under Corporate Bankruptcy Postponement Accord
July 15	Kia Group filed under Corporate Bankruptcy Postponement Accord
Nov. 1	Bankruptcy of Haitai Group

CRISIS IN SOUTH KOREA: THE BAILOUT; PACKAGE OF LOANS WORTH \$55 BILLION IS SET FOR KOREA

By ANDREW POLLACK DEC. 4, 1997



South Korea formally agreed today to terms for the largest international economic rescue ever -- a \$55 billion loan package that will revamp the country's financial system, likely creating substantial hardship for the nation's citizens in the process and slowing the pace of one of the world's fastest-growing economies.

Government officials and private analysts predicted that the severe cuts in public spending and other austerity moves would cause unemployment to double or even triple in a land where lifetime employment has long been taken for granted.

Bankruptcies, already running at a high rate, are expected to skyrocket. Some economists said it would be two years or more before the economy recovered.

Ventajas comparativas no se imponen

Empirical distribution: low vs high Economic Complexity Index

Then I looked at the distribution of GDP (per capita) returns of both groups and whether the “low complexity” distribution indeed has fatter tails.

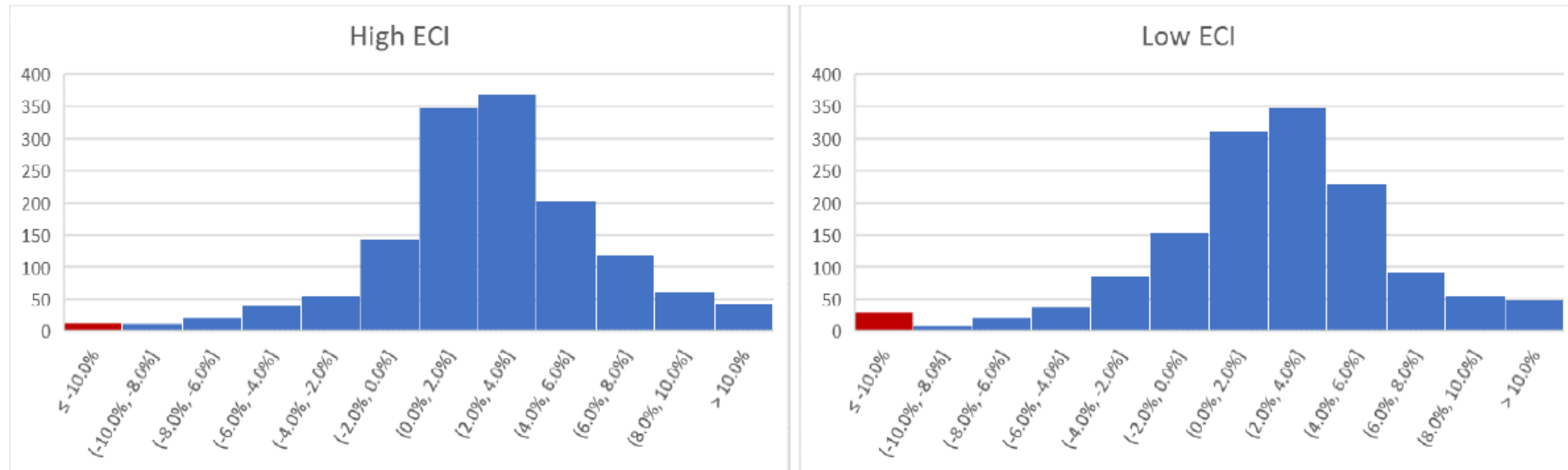
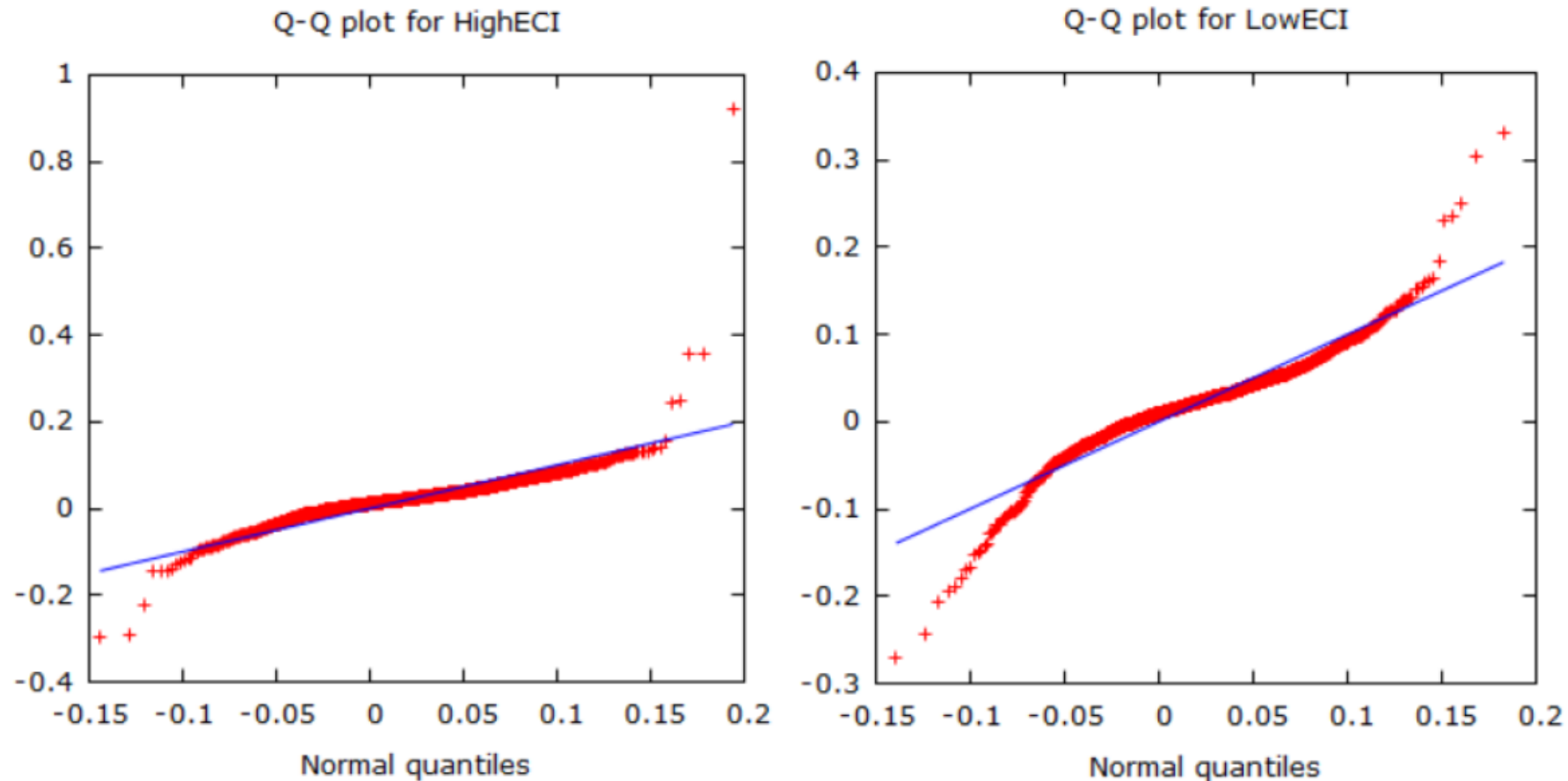


Figure 2: The empirical distributions of (changes in) gross domestic product (per capita) of the high (left) and low (right) economic complexity groups.

Q-Q Plot: low versus high Economic Complexity Index



Relationship Trade Freedom & Economic Complexity

- Industrial policy implies *less* trade freedom
- Trade freedom ↓ > ECI score ↓
- Lower complexity implies *fatter tails* in GDP (more risk of blow-up)

(Trade freedom ≈ non-tariff barriers)

Industrial Policy versus No Industrial Policy

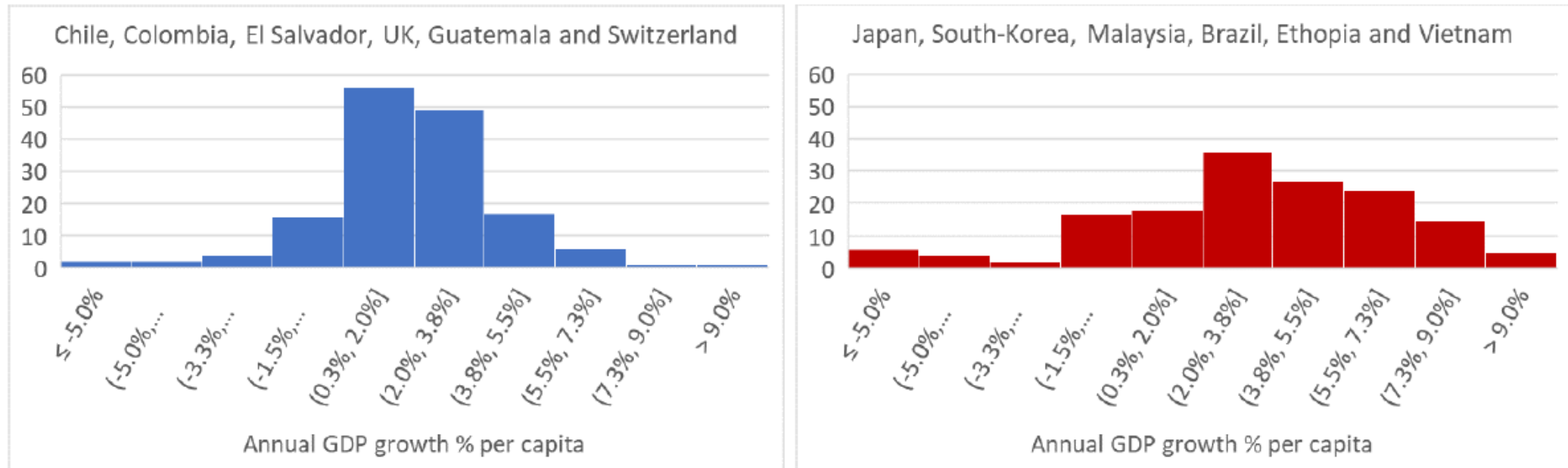


Figure 4: Empirical distribution of the 'non-industrial policy' group (left) and the 'industrial policy' group (right). The 'industrial policy' distribution has fatter tails.

Conclusiones

- Less *trade freedom*, less complexity, *fatter tails* (*más riesgo*)
- Industrial policy can only increase economic growth in the near term at the expense of higher risk of economic blow-up (large drawdown in GDP)
- *Korea scenario* is precisely what one can expect; often lack of far from perfect market (horizontal) reforms.
- Naive top-down industrial policy is a species of overoptimization and leads to overspecialization and economic harm, inferior to Hayekian bottom-up discovery process through entrepreneurship.
- Bureaucratic “trial and error” as a success is a myth.
- *Otros problemas: economía de privilegios (corrupción), selección de industrias, selección de “instrumento”, etcetera.*



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Muchas gracias