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Long Term Strategic Policies for Global Competition.
Comments

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Sponsored by
Inter-American Development Bank
Integration and Trade Sector
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Comments on Charles Sabel “Long Term Strategic Policies for Global Competition”

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LAEEBA 2005
BID/INTAL, Buenos Aires, 28 Nov 2005
Insights, Methodologies, Clues/suggestions

• New stylized facts of economic development
  – Consensus/endowments/institutions-wide view do not fit into real word examples.
  – Process/differentiated/context-dependent do fit well!!

• Developing economies as Toyoda production systems
  – Trouble shooting/problem solving as institutions’ build-up

• Clues to guide a search for suitable development policy
  – Omnibus/Blueprint reform approach is wrong
  – Heterodox (partial/selective/contextual) approach
  – Search for understanding of process rather than for precise “foundations” of growth
  – New public services to provide critical quasi-public inputs to heterogeneous groups
Comments

• New stylized facts: Welcome but,
  – On the interpretation of “islands stories” in otherwise uncoordinated economies.
  – Growth accelerations may be growth “accidents” if certain stable conditions are not guaranteed.
  – Example in Argentina: the 60’s. vs. the 90’s
  – Some evidence that fiscal/monetary stability is relevant (Mody and Schindler, 2005)

• Developing economies as Toyoda
  – The firm is a different kind of “sub-economy” (Holmstron, 1999)

• Clues to guides on development policy
  – Risk of interpreting views as orthogonal. Meaning of “heterodox”
  – Neither Omnibus/Blueprint/W. Consensus reform approach nor “Anti-Orthodox” (seemingly heterodox) seem to be good guide.
  – But both have elements that need to be present.
  – Cannot imagine new public services without public sector reform, beyond “islands/bubbles” stories that will be easy to find.
Argentina's Stop & Go
GDP and Trend 1980-2004
at constant prices of 1993
Have recoveries become sustainable growth?  
At what trend do they converge 5 years later?

<table>
<thead>
<tr>
<th>Minimum year</th>
<th>Cyclical Phase</th>
<th>Extension years</th>
<th>Annual rate bet. extremes</th>
<th>Trend rate 5 years later</th>
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<tbody>
<tr>
<td>1959</td>
<td>1959/1961</td>
<td>2</td>
<td>5.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>1963</td>
<td>1963/1974</td>
<td>11</td>
<td>5.0%</td>
<td>4.2%</td>
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<tr>
<td>1976</td>
<td>1976/1977</td>
<td>1</td>
<td>7.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>1978</td>
<td>1978/1980</td>
<td>2</td>
<td>4.7%</td>
<td>0.5%</td>
</tr>
<tr>
<td>1982</td>
<td>1982/1984</td>
<td>2</td>
<td>2.5%</td>
<td>0.4%</td>
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<tr>
<td>1985</td>
<td>1985/1987</td>
<td>2</td>
<td>4.7%</td>
<td>1.3%</td>
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<tr>
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<td>1990/1994</td>
<td>4</td>
<td>8.1%</td>
<td>3.0%</td>
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<tr>
<td>1995</td>
<td>1995/1998</td>
<td>3</td>
<td>5.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td><strong>2002/ ?</strong></td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>
Institutional Quality and GDP (at PPP)

(152 countries)

Source: WB, Kaufmann et al. (2003).
General institutions matter as well

- Institutions as “common beliefs” and coordinating devices. (Aoki, 2005). Rules but in a loose sense.
- Help at decisions under uncertainty
- Beliefs to be in a stable environment with a stable underlying growth rate, for whatever (orthodox/heterodox) model.
- Argentina and the Japanese question: What Argentina is going to do and sell?
- Some underlying macro experiment where agents coordinate with a “little help” from public policies.
- Mistake to neglect macro-stability institutions
- Mistake to think that “blueprints” of macro reforms are sufficient conditions for growth. Most (at least 50%) are perhaps not even necessary.
References


• Mody A. And M. Schindler (2005), “Argentina’s Growth: A Puzzle?”, mimeo, September, IMF.