2. Economic growth strategies beyond neoliberalism

Do we need new models for the 21st century?

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"We will do all we can to abolish this neo-liberal regime"
Andres Manuel Lopez Obrador, Inauguration Speech
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Introduction

There is little doubt that recent trends and events have gone beyond the new normal and have given rise to a new trajectory, one further away from the prevailing paradigm of globalization-led growth. This is seen in new directions of U.S. economic policy, Brexit and strains in the EU, China's ascending position in the global economy, as well as the rise of inequality and distributional concerns in advanced and even upper-middle-income countries. Hence, the question as to whether the prevailing principles that dominated mainstream economic policymaking are now passé is critically relevant. While looking ahead is a highly uncertain endeavor, it can be reasonably surmised that disruptive technologies, rising nationalism, aging, and a China-dominant East Asia are fairly sure bets. In this new set of circumstances, Emerging Market and Developing Economies (EMDEs) will face a new set of challenges in addition to ones already confronting them.

Within this constellation of "new things", there is an overarching question as to whether the set of tenets originally described as the Washington Consensus—but then broadened to include many aspects of what we call globalization and an open world trade order (for example, robust trade growth led by Global Value Chains (GVCs), easy flows of international capital, and operations across many borders by global firms)—will fundamentally change. Some speak of a "Beijing Model," while others see the world fragmenting into regional blocs or even national economic havens. Within this spectrum of views lie questions of interest to EMDEs, such as whether to pursue more domestically-led development strategies, whether to assert more control over capital flows and manage exchange rates more aggressively, whether to encourage state-owned enterprises (SOEs), and basically whether or not to engage in aggressive industrial policies.

This chapter attempts to disentangle some of the interconnected challenges, drawing upon what we know and what we can reasonably anticipate happening. Care is taken to eschew strict ideologies, although this is almost impossible, since there are always priors that affect

our views. In this context, even the term "neoliberal" is one that can take on many shades, so that our approach will be to stick to the economic policies themselves rather than seeking to characterize them.[1] The central point is that some policies of past decades may require re-examination in light of the prevailing and anticipated future economic environment, including the rise of global corporations and the relative decline of national policies.[2] Whether this implies a major paradigm shift, especially with regards to government involvement in resource allocation decisions, remains to be seen. This note may provide some views that can help stimulate that discussion.

The role of markets and state-owned enterprises (SOEs)

Economic policy in the 21st century will have to continue to rely on markets, even though worldwide evidence may be pointing to a greater concentration of economic power in the hands of large firms.[3] Relatively few countries will have the size, skills, and capital to compete with global mega-firms. Some, such as Brazil, have tried and put enormous financial resources behind these efforts (to wit, lending by the national development bank, BNDES), but they have failed. Why? One reason is that it was not the market that chose potential winners and that the firms in question never reached the requisite productivity levels to be globally competitive.[4] A second observation is that insufficient capital was allocated to start-ups that had the potential to innovate and also achieve necessary scale. A third element is that political influence, if not outright corruption, influenced allocation of subsidized credit.

The question is whether public monies should be allocated to support private firms that have global aspirations, and if so, how to do so while avoiding political capture. One country that has managed this conundrum well is Singapore. Government invests in its quasi-public companies, Government-linked Corporations, but runs them in accordance with strict market principles, largely devoid of corruption. Some argue that this is also the case in Rwanda, although the industrial policy (IP) of Rwanda has many import-substitution elements (e.g., national production aims) and few aspirations of being regionally competitive.[5] China, because of its size, is not really a useful model; moreover, as observers such as Dani Rodrik have pointed out, China has been able to game the international system very effectively, penetrating markets successfully, while pursuing its strategic objectives using the full arsenal of state-led policy instruments and its sheer size to its advantage.[6] For this reason, talk of a Beijing model is largely irrelevant for most countries seeking to make significant economic gains.

Can governments use international market yardsticks and still pursue national economic interests? Absolutely. In this context, the actions of Malaysia throughout the 1980s and 1990s vis-à-vis foreign direct investment (FDI) and the actions of Vietnam in the 1990s and 2000s stand out. Malaysia (similar to Singapore) was selective and persistent in attracting higher-tech FDI and was careful to offer incentives for domestic component manufacturing, whereas Vietnam embraced export processing zones (EPZs) that brought a huge volume of investment and employment, but rather sparse technological transfers or support to domestic enterprise development. One argument may well be that, to benefit from FDI, the state needs to either operate state-linked firms on a commercial basis, like Malaysia and Singapore, or be the second largest economy in the world, able to capitalize on its size and political power. This naturally leads to a discussion of SOEs.

Some SOEs, particularly in natural monopoly industries, are efficient and where ownership affected neither their management nor operations. But these cases are the minority. Most SOEs benefit from cheap credit, weak oversight, political influence, and over-manning. This is not an ideological view, but rather one supported by evidence. Business Environment and Enterprise Performance survey (BEEPS) data from Eastern Europe support this conclusion,

and the operations of state enterprises worldwide supports this view.[7] Even in China, which has produced large world-class firms, corporations that have benefited from state funds are not run as state firms. In contrast, those firms that are actually under state control suffer the same difficulties in reaching efficiency frontiers as do SOEs in other countries. So, SOEs are not the panacea.

Indeed, in a world in which returns to innovation can be large, SOEs are not well placed to innovate, precisely because they lack strong competitive pressures and hence can operate at lower levels of productivity.[8] If governments wish to promote new strategic industries, they will do better with support to private entrepreneurship, provided that (a) the conditions and yardsticks under which the support is given are clear and monitorable, (b) there is a minimum of political influence in their operation, (c) corruption can be avoided, and (d) the state has a financial stake in the upside or success of the venture. One may speculate that this only works if government has the upper hand in its relations with business, which then speaks to the political economy issues associated with successful outcomes.

And admittedly, government's stake in ventures needs to be passive rather than active, although it can be argued that the public interest necessitates this stake rather than merely relying on corporate taxation, which has proven to be weak in many countries in capturing rents.

Trade policy and domestic linkages

Proponents of free trade, a basic tenet of modern economic thinking, have been dealt severe setbacks by the inability of the WTO to rise to the occasion in dealing with services, intellectual property, and state capitalism, as well as by the Brexit case and the view that the gains from trade have diminished in the largest customs union. Moreover, the current trade war between the U.S. and China has sent global trade conversations into a nasty political space. The implications for EMDEs are not favorable, as both the U.S. and China, the two largest economies, are re-positioning their trade policies, and greater uncertainty surrounds future trading arrangements.[9] Many lower-income EMDEs still suffer stiff opposition in their quest to gain higher value-added footholds in advanced market economies, so the promise that openness would lead to prosperity hasn't materialized for many. Of course, some poor export outcomes are due to other factors, such as poor logistics, high energy costs, or low productivity, and some export outcomes are due to NTBs and other restrictions. EMDEs may well wonder, therefore, whether these new directions in trade policies should lead them into fresh attempts at import substitution and more aggressive IP pursuits.[10]

The only factor potentially operating in the opposite direction is China's Belt and Road Initiative (BRI), which has the potential of reducing some major infrastructure bottlenecks and fostering more trade in the future. There are some estimates that show significant trade gains from the BRI; however, these possible benefits further down the road need to be balanced with the possible increases in debt owed to China.[11] Many BRI investments are on commercial terms, but the exact terms are opaque. Countries may therefore find themselves highly indebted, but not gaining much from the BRI if the investments are largely unconnected to the domestic economy, namely, with few real linkages and limited scope for domestic income gains. Similar to EPZs, the ability to gain from this enclave type of investment depends on the ability of the local economy to participate in the project and to capture some significant gains from increased BRI-generated trade. Unfortunately, so far, it appears that each investment is a one-off bilateral agreement, often at odds with prevailing best practices as promulgated by the World Bank and IMF, and hence involving uncertain economic and social returns.[12]

Therefore, the prospect that trade will be drive global growth over the next decade is a guarded one, depending on the duration and lasting impact of the current trade war, the ability of the international system to reach a new political equilibrium, and the as yet unanswered question as to whether China will relinquish low-labor-cost markets quickly enough for others to benefit before new technologies make those production techniques obsolete. The approach for EMDEs, therefore, might include policies that are more directed to establishing competitive industries, perhaps for regional markets, and restricting some global players unless they agree to share technology and involve the domestic private sector. This can only succeed, however, if domestic policies stimulate efficient economic activities in national markets, whether by private or public firms.

Industrial policy

The basic narrative on IP has evolved over past decades, but there is little need to review the past debates.[13] The prevailing view may well be characterized as follows: All countries have some set of incentives that affect resource allocation, but some have been very aggressive in this respect, with a very clear set of objectives. In some circumstances, as part of strong economic management, this economic steering of the economy has worked well, largely in East Asia. There are costs to this aggressive use of IP, but it has helped propel countries like South Korea and China into becoming major economies of the globe.

These aggressive IPs would not have succeeded were it not for superior economic management, high savings and investment rates, strong and continuous monitoring, and a clear long-term vision for the economy backed by strong political commitment.[14]

In this context, it is worth noting that there are some common governance features among those countries that have successfully pursued aggressive IPs. The main unifying characteristic is that countries such as South Korea, Malaysia, Singapore, and China in East Asia—as well as Rwanda and Ethiopia in Africa—have had stable and long-lasting political regimes that have been able to articulate and effectuate a long-term economic vision (see Table 1 for a quick and somewhat subjective review of those policies). Clearly, the means have differed and success has varied, but one cannot escape the conclusion that during the times of aggressive IP implementation there were relatively few regime changes, so that continuity of policy, consistency of policy, and use of a variety of complementary policy tools were possible without political interruption.[15] Few countries will replicate these circumstances. Moreover, those countries attempting to reach lower middle-income status in the current environment may find the incline considerably steeper than in previous decades.

It is perhaps useful, therefore, to consider a broader concept of "strategic directions" for a nation, and to then see whether policies can be designed and aligned to achieve them. Some policies may include public subsidies, as exist in almost all countries; however, the key criterion is the basis on which they are given and the measures of success that are employed. South Korea's policy loans were given in exchange for export performance with the objective being to both penetrate foreign markets and achieve meaningful size, producing Samsung, Hyundai, and other world-class companies. China also encouraged intense domestic competition to help create its global companies, providing the support of the state to help finance them. The common feature in both countries was strong competition among firms. It is clear that countries that lack domestic competition will not likely be internationally competitive.[16] One conclusion worth drawing is that old-fashioned import-substitution that shields domestic producers and allows them to operate far from the global efficiency frontier will not be as useful in the 2020s as in prior decades.[17]

That said, the changes in the global economy that have allowed first-mover firms to establish high global concentration means that there are limits to unfettered openness. There are also changes in technologies that place limits on the gains achieved in the past from GVCs, meaning that some re-shoring of production will occur in advanced economies. The implication is that the gains from trade will in future decades be smaller and that external sources of growth may be more limited.[18] Under these conditions, what should be the response of governments in the EMDEs and should they be following a state-capitalist model? The most likely correct answer is no, since most countries lack the very basic prerequisites to make such aggressive policies a bet worth taking. In the next sections, I examine many of the questions raised in connection with an aggressive IP, although I may prefer perhaps to refer to the strategic positioning of the country's policies to attain certain economic and societal goals in lieu of the more provocative term of industrial policies.

The basic point is that this approach can potentially be beneficial, but it is only worth undertaking if a number of other policies are effectively managed by government. Without strong macroeconomic management, IP cannot work, since firms are battling inflation and eschewing long-term investment, and government risks under-investing in public goods. Without a strong grip on corruption, IP will easily lead to the capture of rents by a few associated with the state. Without efficient delivery of public services, the state shows itself incapable of handling its more basic requirements. Looking at Ethiopian and Rwandan examples, therefore, ignores the lessons from dozens of other sub-Saharan African countries where the above-mentioned pre-requisites were absent. It is, therefore, less a matter of neoliberal versus alternative ideologies as it is basic functioning of government. Abstracting from this somewhat artificial debate, governments need to be cognizant of and responsive to changes in the global architecture, especially as it relates to new technologies, which offer potential gains, pose some challenges, and are not the panacea hoped for by many to solve development constraints.

Factors influencing development success: Then and now*

Policies	S. Korea (1988)	Singapore (1979)	Malaysia (1995)	China (2010)	Vietnam (2028)	Rwanda (20xx)	Ethiopia (20xx)
Macroeconomic Stability	YES	YES	YES	YES	YES	YES	YES
Export Orientation	YES	YES	YES	YES	YES	LIMITED	SOME
Human Capital Push	YES	YES	YES	YES	YES	SOME	SOME
Selective Industrial Policy	YES	SOME	SOME	YES	NO	YES	SOME
Directed Credit	YES	NO	SOME	YES	NO	SOME	SOME
State-Owned Enterprises	LIMITED	GLCs	SOME	YES	SOME	SOME	SOME
Institutions							
Governance	STRONG	STRONG	STRONG	GOOD	FAIR	STRONG	STRONG
Coordinating Ministry	STRONG	STRONG	LIMITED	LIMITED	LIMITED	LIMITED	LIMITED
Effective Bureaucracy	YES	YES	SOMEWHAT	SOMEWHAT	SOMEWHAT	FAIR	FAIR
Political Stability	YES	YES	YES	YES	YES	YES	YES
Visionary Leadership	YES	YES	YES	YES	SOMEWHAT	YES	SOMEWHAT

*(Years in parentheses reflect when the country achieved Upper Middle-Income status defined by the World Bank as $4000 per capita income in 2016 prices.) GLCs are Singapore's Government-Linked Corporations. Vietnam estimate comes from the World Bank, Vietnam 2035 Report (2015).
Sources: Based on Leipziger, D. and Thomas V., "Lessons from East Asia," World Bank, 1993 and author's classifications.

New technologies

New technologies have been associated in the post-World War II years with major advances in economic growth and average incomes. Concerns in the U.S. in the 1960s, for example, about automation didn't materialize to any significant degree and the computer revolution dramatically increased efficiency and productivity. The latest boost to technology, the internet of things, however, has been more disruptive, and future projections show further significant labor displacement. This replacement of people by artificial intelligence (AI), robotics, driverless cars and the like, implies a major shift in how things are produced and where they are produced. This has played out through a reversal of off-shoring of goods or even of services, like call centers. The net impact on trade and on labor markets is difficult to predict, but the direction of change is clear.[19]

Trends described generally as de-globalization have already appeared, so the linkage between disruptive technologies and the fortunes of EMDEs is potentially quite important. Do these trends portend changes in development strategies? Many focus on the benefits of the new technologies that provide cheaper, more accessible services, drawing on the experiences of cellphone use for a variety of financial services, medical information sharing, and market data that can help farmers.[20] Along with these benefits, however, come the downside as they will also displace many low-wage jobs across the globe. Hence, the burden of adjustment will fall on those least able to cope, and middle-class incomes will be affected. Governments will be pressed to protect domestic jobs, so that the imposition of non-trade barriers (NTBs) on services provided by foreign firms may well rise. Similar to the situation foretold by Joseph Stiglitz in terms of winners and losers from globalization, as the benefits of trade recede, and the adjustment costs rise, support for free trade may decline and nationalism may well become more prevalent in middle-income countries (MICs) in the future. [21]

One area of concern is regulation, which has proven difficult in the advanced economies vis-à-vis some producers of new services who achieve dominant market positions.[22] This is not confined to the rich countries, however, as many of the new multi-millionaires come from the digital products sector and many engage in pricing policies that deter new entrants and keep cost high. Unless these domestically powerful interests are subjected to global competition, they run the risk of producing huge rents behind protective walls. In a world of regional blocs and increased nationalism, contestability in markets may be harder to achieve.

Therefore, new technologies need to be examined carefully for their benefits and costs to societies, and governments may need to exact a price (in the form of greater access to the under-served, significant taxation where monopoly rents exist, and greater entry incentives for new competitors). The experience of Mexico in allowing a private telecoms monopoly to replace a public one without effective regulatory control is instructive for others, especially in sub-Saharan Africa.[23] Moreover, new technologies need to be deployed in water, sanitation, urban transport and other areas in which they currently are not operating to capture and disseminate broader societal benefits.

Concrete advice for governments

When looking into the future, there is, of course, a tendency to think that everything has changed and all policies need to be revised. In my view, this is not the case, however, since the fundamentals of macroeconomic management, microeconomic resource allocation, and good governance remain largely unaffected by new external developments. Moreover, without these fundamentals in place, it is foolhardy to speculate about the potential effectiveness of strategic positioning or aggressive industrial policies. None of the countries that have successfully pursued IP has suffered from poor macroeconomic management. Resource

allocation has been steered in many cases, but not to the detriment of overall market-determined prices. And corruption, although it has varied, is a drag on development, whatever the growth rate might be, and hence has to be curbed. Put differently, a developmentalist state that is corrupt will not yield better economic outcomes.[24]

The primary prerequisite for success is being able to link longer-term strategic directions with medium-term economic management, and this may require the coordination of economic ministries under single senior leadership of a deputy prime minister or equivalent, the clear vision of where the country wants to be in 10 years time, reliance on technocrats rather than politicians to implement policies, and the monitoring of those policies on a systematic basis.[25] These should be seen as necessary, not sufficient conditions and this prescription has not changed much over time, nor, in my view, will it. What has changed, however, is the previously held belief in the advanced economies that unfiltered markets will yield optimal results and broad improvements in welfare. The U.S. is a clear example showing how weakened regulation, asymmetric management of moral hazard behavior versus bailouts in the financial sector, tax avoidance, and basic perversions of good government by lobbyists has robbed the capitalist mantra of some its gloss.[26]

Does this imply that the state should take over resource allocation decisions? The answer lies in the assessment of how effectively governments work, how able they are to execute without corruption, and how willing the population is to accept a longer-term vision of where the economy is headed. And of course, in democratic societies, the ability of a minority to disrupt can short-circuit needed reforms that preclude getting to the longer-run. Therefore, the prerequisite for a debate on policy directions begins with the effectiveness of government and its ability to construct alliances that allow for policy change, while providing sufficient benefits to the public to allow for longer-term policies to take root.

Controversial issues for the future

With the slow-down of global trade and the advent of less labor-intensive technologies, how to employ populations in parts of the world where the labor force is still growing is a challenge. To place the burden of job creation on exports may no longer provide a sufficient answer, and the alternative of public sector employment has proven disastrous in most circumstances. Hence, the answer lies in promoting the private sector, particularly in services; however, these services have to be at standards that are globally competitive, just like the standards in the production of goods. Protecting the development of these industries/services could make sense if there were regional markets to support them and if they quickly got both to scale and to the technological frontier. With digital industries, both goals are nowadays more easily achievable.

Government support for technology development and skills acquisition could work, but only if government has a stake in the activity that goes beyond taxation. The solution might be new types of SOEs along Singaporean lines, for example.

For countries that are too small on their own, regional cooperation is more important than ever. Unfortunately, very few regional agreements appear to work efficiently and there is a reluctance or inability to allocate resources effectively across countries due to national domestic pressures. Yet, to deal more ably with very large foreign firms as well as very large countries (for example, China), a regional configuration may be necessary. Regional blocs would need to avoid the Mercosur phenomenon of protection and insularity while capturing the potential benefits of scale and improved negotiating muscle. This approach is a departure from the global openness advocated by GATT/WTO that has served some countries well, other

countries not very much, and is now irreparably damaged and being replaced by bilateralism and national interests.

The attractiveness of sovereign wealth funds has increased over recent decades, and the current state of the world economy may well make them more important with the important proviso that their governance can be secured. Increased uncertainty in terms of global prospects, global prices, and world interest and exchange rates makes savings outside of national borders more beneficial. Greater uncertainty increases the utility of rainy-day funds. Resource-rich countries in particular need to rely more on offshore savings, and eventual aging of the population means that future dependency ratios will suffer, and future tax bases will be inadequate. Hence more saving and less consumption now, and more sequestering of savings off-shore may well yield higher future benefits.

Rising national income inequality is a predictable phenomenon as seen in the advanced economies. This phenomenon will be replicated in the middle-income countries soon. Global trends can accentuate these shifts, as labor is displaced by technology, as new winner-take-all industries emerge, and as state capitalism promotes new winners. Redistribution is hard and requires a social consensus not seen outside of some European countries, so that governments will be faced with lower support for strategic priorities and forward-looking policies.[27] I would argue that economic gains will increasingly be captured by a few unless governments take equity stakes in businesses. This can be done through venture capital funds and other means; however, the examples of telecoms, where monopolies flourish and tax receipts falter, or digital businesses, where scale provides dominant market positions that are hard to dislodge and where regulation is untested, lead one to speculate that government-business relationships need to be revised in many countries. Without ownership stakes, the necessary redistributive policies needed to maintain societal harmony will face a shortage of fiscal resources.[28]

Conclusions: What may be different going forward

Governments will interfere in markets more, but the key is how they will do so. A new business-government model may be necessary with government entrepreneurship being more common. Keys to success are better governance, more private sector-led innovation, and possibly some public stakes in new ventures along with the means to capture and redistribute the benefits of disruptive technologies. Actions by Germany recently to develop a new National Industrial Strategy 2030 that include provisions to protect firms from takeovers by China, to develop and maintain national champions, and to insert government much more directly in the fortunes of corporations is one such concrete response.[29]

Trade policy will continue the recent trend of being more bilateral and regional, in clear contrast to the previous five decades or more, and national goals will dominate global goals. In Dani Rodrik's terminology, we will see a diminution of hyper-globalization.[30] The key to limiting the cost of this shift is to see national policies in a competitive environment so that global standards of efficiency are sought and achieved. Moreover, continued support for globalization will require better national redistributive policies.

Governments will think more about Michael Porter and less about David Ricardo when seeking their advantageous positions, implying more strategic investments, more selective protection, and greater support for new industries and services. The issue of where to seek this competitive advantage is fundamental to success as are the incentives used, their duration, and the efficiency of domestic economic activity.

A greater concentration of wealth seems inevitable in light of new industries/services and the dominance of key economic actors. Given the link between wealth and future income (or

conversely, the diminished opportunities in a world of high wealth concentration), societies will be more stressed to find common ground and governments, especially democratic or pluralistic ones, will face greater difficulties governing unless they can effectively deal with increasing concentrations of wealth.

Global governance and common action on global issues, ranging from climate change to migration, will become more problematic and new blocs of shared political interests will likely be necessary. The U.S.-dominated global economy will give way to a bi-polar economic alignment with a large Chinese-dominated economy as presaged by the BRI, and governments will be forced into new strategic alliances. Ideologies like neoliberalism are less relevant in such a configuration of dominant economic actors and a greater range of national policies will likely emerge.

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[1] See Rodrik (2017) for views on neoliberalism.
[2] See Marcuzzi and Terzi (2019) on multinational firms eclipsing nation-states.
[3] This imbalance caused by excessive market concentration was discussed more than a decade ago by Baumol, Litan, and Schramm (2007).
[4] For more on BNDES, see de Bolle (2015).
[5] See World Bank (2019) for a fuller account of policies and Leipziger (2017) for an outsider's view of industrial policy in Rwanda.
[6] See Rodrik (2018) on trade policies more generally.
[7] See World Bank (2008) and Hallward-Driemeier (2010) and (2015).
[8] See, for example, Chhibber (2017) on the case of Indian state enterprises.
[9] See Leipziger, Dahlman, and Yusuf (2017) for a preview of trade frictions and its possible implications as well as Economic Policy Uncertainty Index (2019).
[10] See Leipziger (2019).
[11] See Gurley, Morris, and Portelance (2018) for some recent estimates of over-indebtedness.
12 See Hillman (2018) for an assessment.
[13] See Leipziger (1999), the extensive work by Rodrik (2004) among others, and the views of the Commission on Growth and Development (2008).
[14] See *The Growth Report* (2008) and the Commission on Growth and Development (2009).
[15] See Brady and Spence (2010) on the role of leadership and vision.
[16] See Leipziger (2018).
[17] See Aghion and Cage (2012).
[18] See Constantinescu, Mattoo, and Ruta (2015).
[19] See Dahlman (2017) on technology, jobs, and growth in a new global environment as well as Dobbs, Manyika and Woetzel (2015), among others.
[20] See the Pathways for Prosperity Project for Sub-Saharan Africa (2018).
[21] See Stiglitz (2002, 2012, 2018) on globalization, its implications, and fairness.
[22] See Tirole (2019) for a new view on how to regulate.
[23] See Indian Business School (2009).
[24] See Kauffman et. al. (1999) on global governance trends and their implications.
[25] See Commission on Growth and Development (2008).
[26] There is no dearth of opinions by pundits on what ails capitalism, ranging from the popular economic press to those with more ideological views. Suffice it to say that virtually no one argues that the current state of affairs is either optimal or perhaps even sustainable. A useful beginning at least for the U.S. is to peruse the work of Piketty, Saez, and Zucman (2016).
[27] See Guriev, Leipziger and Ostry (2017) and (2018) for some concrete suggestions.
28 This problem for governments is made worse by tax havens that reportly allow up to 40% of profits by OECD firms to be diverted. See Torslov, Wier, and Zucman (June 2018).
[29] See proposals by Minister Altmaier of Germany announced in February, 2019 and the positive reaction of the FT editorial (2019).
[30] See Rodrik (2011).