Rethinking Productive Development Policies: Comments

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Growth Conference, Lima, Peru, July 9-10, 2015
Accolades

• Rodrik has it handy, on-the-ready, he says...
• Readable & insightful
• Most importantly: helps us discipline our thinking about and policy approaches to industrial policies
  • Utilizes old concepts (e.g. market failures, Marshallian externalities);
  • discusses old policy concerns (e.g. diversification of exports, technological upgrading);
  • it is truly inter-disciplinary, which is rare (e.g. brushes against political economy, some history, some political science on government processes and institutions)
Four Sets of Issues for Your Consideration

• On matching policy instruments to market failures: risk pooling versus theory of domestic divergences (Marshall; and more recently, Corden & Bhagwati in 1970s and early 1980s)

• Role of monitoring and impact evaluations of I.P.s: Not obvious that the latter is technically feasible

• On economic size and trade diversification: helps us focus on some key issues related to IP controversies
  • protection v diversification;
  • flexibility v choosing;
  • dynamic comparative advantage

• A vacuum: Fundamental legal institutions for risk taking by the private and public sectors
On size and diversification: Small economies, but broad relevance when there are frictions within large economies (Ramondo, Rodríguez-Clare & Saborío-Rodríguez 2014, AER R&R)

- On our ISI history: protection did not bring export diversification
- Global evidence: diversification associated to post-liberalization / globalization period
Figure 11. Relationship between Sectoral Shares in the Cross-Section and Latent Baskets: Stickiness of Initial Distributions vs. Time Effects

Source: Authors’ calculation based on data from the UN’s Comtrade. Note: The solid gray line plots the coefficient of a regression between the share of sector j in the goods added to the latent export basket from t to 2012 and the share of sector j in the cross-sectional export basket in year t, controlling for sector fixed effects. The dashed line plots the coefficient of a regression between the share of sector j in the goods added to the latent export basket from t to t+7 and the share of sector j in the cross-sectional export basket in year t, controlling for sector fixed effects. The solid black line plots the difference between the gray and the dashed lines. Sectors are defined as in Leamer (1995) based on factor intensities. For more details see text.
Institutions for IP: Fundamental Legal Principles Affecting Incentives for Risk Taking

• Administrative Law in LAC and Risk-Taking by Public Sector

• Limited liability and the “piercing of the corporate veil” in bankruptcy law

- El Principio de Legalidad se encuentra regulado en la Ley de Procedimiento Administrativo General – Ley Nº 27444 en su Artículo IV. Principios del Procedimiento Administrativo. Inciso 1.1) “Las autoridades administrativas deben actuar con respeto a la Constitución, la ley y al derecho, dentro de las facultades que le estén atribuidas y de acuerdo con los fines para los que les fueron conferidas”.
Costa Rica


“El individuo estará facultado, en sus relaciones con la Administración para hacer todo aquello que no esté prohibido. 2) “Se entenderá prohibido todo aquello que impida o perturbe el ejercicio legítimo de las potestades administrativa o de los derechos del particular, así como los que viole el orden público, la moral o las buenas costumbres”.”
Brasil

• “...en Brasil a través de la Ley Nº 9.784 del 29 de enero de 1999, se aplica el principio de Legalidad en el Proceso Administrativo en el ámbito de la Administración Pública, establecido en el Articulo Nº 2. Párrafo I. Principio de Legalidade. Para la doctora brasileña; Meirelles Lopes Hely a este principio:

• “La legalidad, el principio de la gestión, significa que el administrador público es, en toda su actividad funcional, sujeto a los mandamientos de la ley, y el bien común, y ninguno de ellos debe desplazarse o saltar, en caso contrario realizar un acto válido y se exponen a medidas disciplinarias, civiles y penales, según sea el caso’’.”
Piercing the Corporate Veil in *de facto* Corporations in LAC (D. Figueroa 2012, DLR)

• In Peru, the General Law of Corporations defined “irregular corporations” (*de facto* corporations) as those “not created and registered in accordance to that law, or when two or more persons act manifestly as a corporation, but have not created and registered it.”
  • The General Law of Corporations establishes that in the case of irregular corporations, “administrators, representatives, and in general, all those who act before third parties on behalf of the irregular corporation, are personally, jointly, and severally liable for the contracts and, in general, all legal acts executed from the moment the irregularity occurred.”

• In Chile, Paragraph two of article 356 of the Commerce Code provides the following:
  • if the company exists *de facto*, it creates a community. Profits and losses shall be distributed and bore and the restitution of the contributions shall be made among the community members per their agreement and, in default, in accordance to the rules applicable to companies. Community members shall be jointly and severally liable to third parties with whom they have contracted in the name and on behalf of the community; community members are barred from raising the defense of lack of the instruments aforementioned in paragraph. Third parties may prove the *de facto* existence of the community by any legal means.
Gracias!

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