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Ticket

A health plan for the world; Ireland is a poster child for the very economic model that Harvard economist Dani Rodrik argues has run its course

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Writing in 2011, as our economies struggled for traction after the global financial crisis, Dani Rodrik identified what he called a “globalisation paradox”. The Harvard economist contended that it was impossible to simultaneously have democracy, national sovereignty and deep economic globalisation: what he called a “trilemma”.

With neoliberalism then already in crisis, Rodrik’s analysis prefigured in some ways the political economy of the subsequent decade and a half: Brexit, the election of Trump, Bidenomics, the turn away from hyperglobalisation towards democratic accountability and national sovereignty. For a country such as Ireland that adroitly surfed the surging waves of globalisation, this new dispensation poses risks and challenges for the decades ahead. Ireland is a poster child for the very model Rodrik says has run its course.

Rodrik returns here with a new trifecta of policy goals for the global economy of the mid-2020s: generating mass prosperity, reducing global poverty and averting climate catastrophe. It soon becomes clear, however, that while global economic development and concerted climate action are “nice to have”, the author’s “must have” is reducing inequalities and raising living standards in western economies so as to stymie the rise of far-right populism.

The author’s premise is simple: the old model of economic growth no longer works, and our politics is suffering as a result. Manufacturing-led development – the escalator that lifted countries from Japan to Ireland to China – is running out of steam. Automation and global competition have made factories incredibly productive, but not labour-absorbing. Meanwhile, climate change demands a new kind of industrial strategy, one that creates winners rather than losers. The service sectors that now employ the majority of workers are low-productivity, fragmented, and too-often ignored by economic policymakers.

In the concluding chapter, *A New Progressive Agenda*, Rodrik clearly nails his colours to the mast. He critiques the left for having “lost its way”, first in accommodating itself with neoliberalism – under the likes of Clinton, Blair and Schröder, whom Rodrik labels the “true enablers” of market fundamentalism – and latterly appearing more concerned with fighting culture wars than addressing bread-and-butter concerns of working people. Essentially, he argues for a policy framework to tackle economic inequalities, which he posits will be instrumental in the rejection of the “pathologies” of “racism, homophobia, misogyny, ethnic nationalism and religious bigotry”. This “new agenda” neither begins nor ends with welfare and redistribution – which should remain, however, important elements of the left’s policy programme – but with a nuanced approach he calls “productivism”.

Despite carrying a moniker that only an economist could love, this “productivism” paradigm builds on economic truisms to yield important insights. For a start, the predominance of services sectors in our economies calls for – perhaps counter-intuitively – an industrial policy centred on services rather than on manufacturing. A second truism is that “productivity is the foundation of prosperity”. While “productivity” has become right-wing coded, Rodrik argues that “it is crucial that the left not only makes peace with it but embraces it wholeheartedly”. Crucially, he emphasises that gains from productivity must accrue to low- and medium-income workers rather than to the managerial elite or the shareholders they serve. To this end he calls for “enhancing incentives for activities and technologies that raise demand for less educated workers”. Thirdly, services don’t scale through capital investment alone. They scale through

institutional problem-solving: improving training, co-ordinating employers, regulating sensibly, building local capabilities and supporting technological change that complements rather than displaces workers.

Reading Shared Prosperity from an Irish perspective one laments the yawning gaps that our best-in-class FDI sector tends to paper over: a two-tier economy, weak local governance, creaking infrastructure, chronic underinvestment in the service sectors that anchor quality of life, and an over-reliance on a development model whose returns are diminishing, and whose longevity is increasingly called into question.

In an Irish context, “productivism” would require particular focus on improving productivity, pay and conditions in care, education, hospitality, retail, construction, logistics, personal services and public administration. Regarding the green transition, what’s needed is “less stick, more carrot”. Stimulating retrofitting and renewable energy sectors would be emphasised over the continual ramping up of carbon tax. To achieve such ambitious aims, the author recommends pragmatism over dogmatism, experimentation over policy rigidity, iteration over one-and-done measures, and local over national interventions. In some ways this approach would require a revolution in Irish policymaking.

In our more fractured world, Rodrik sees scope for subsidiarity: action at the local level rather than national, and national rather than global. In calling for the political left to reconcile itself with patriotism, as distinguished from ethno-nationalism, he argues that “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.” In today’s “G-Zero” reality, this counts as a message of hope.

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