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Introduction - The rise and decline of development economics in the history of economic thought

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'Why this old stuff?'

During one of my lectures a couple of years ago as I was exposing the theory of cumulative causation based on Myrdal *Economic Theory and Under-developed Regions* of 1957.[1] I could not help noticing the uneasiness of one of the students. I thought the topic was most important and that I was doing a decent job at presenting the not so easy fundamental ideas presented by Myrdal. After a while the student finally asked the question: 'Why are you telling us about a book which was written in the fifties, what does it have to do with today's development?'

The student was one of the good ones in the class, although may be excessively self-reliant. At least he did say what might be in the mind of others. But I was surprised and disappointed. I attempted to explain why Myrdal was indeed important for the study of development and of regional differences. I must have been somewhat effective, he did come to class more regularly. I should add that somebody more competent – and with much better background in economics – did whisper to his ear and to my pleasure : 'But this is a classic!'.

Now there may be plenty of reasons for my student's comment. This little anecdote however does point to the main problem this collection wants to address. The body of theory known as development economics has largely lost its importance in research and teaching. One main reason might be that it is hard to connect it up with today problems of development, dominated by the question of globalization and emerging economies, and therefore with the current discourse on development. As far as the scientific community is concerned it seems that, to use Krugman's words, the development theory of Hirschman and Myrdal became to economists 'not so much wrong as incomprehensible'.[2]

A changing world economy

Truly the analysis of development, backwardness and catching-up confronts today a profoundly changed world economy. The penetration of technology and modern production techniques into what used to be called, in a cold war milieu, the 'Third World', has now run a long course. Furthermore, we have seen phenomena of development that have drastically changed the simplified counter-position of development and underdevelopment, therefore redefining the entire question of centers and peripheries of the world economy. In the 1980s we have seen the rise of the 'four tigers' (Hong-Kong, Taiwan, Singapore, and especially South Korea). Then, from the 1990s and on, the attention shifted to the emerging economies and in particular toward the new giants in Asia and Latin America. Today the so-called BRIC(S) highlight the formidable challenge posed by the development of a heterogeneous 'periphery' and the understanding of the changing world order. These phenomena have dramatically modified the perspective on development and have at the same time shaped today's research agenda.

It is precisely the need for a theoretical framework with a historical perspective that can rescue the analysis of development from the simple application of the principles of mainstream economic theory. That drives the interest for an approach mostly forgotten in the recent literature.

The debate during the past decade on globalization and the emerging economies has renewed interest in the study of development and underdevelopment. Oddly enough, this renewal has only rarely looked back at the work of the founding thinkers of development theory and to what we refer as development economics. We have seen for example a discussion of globalization taking place in a sort of a history of economic thought vacuum. Similarly the analysis of emerging economies has shown little sign of digging into the roots of development theory and, more recently, the big revival of the institutional approach to development issues, *à la* Acemoglu and Robinson, has shown little interest at any historical analysis of development economics.[3] This happens at a time in which the economic crisis of the advanced countries adds to the discussion on the worldwide development trends. This makes even more compelling examining how old and new approaches can account for the new hierarchies in the world economy.[4]

There are indeed new questions and the new problems in development. It so happens that today's concerns appear almost divorced from the questions asked in the 1950s and the 1960s. This owes a lot to the dramatic changes in the political and institutional framework, entering the phase after de-colonization and the end of the Socialist bloc. If one looks at Myrdal' description of the world economic order in 1957 and to his identifications of three main areas in the world economy, that is to say the developed countries, the Socialist economies and the 'Third World', the change in overall picture is rather clear. A second reason for the distance between what is discussed today and the early development theory is the rise , from the 1980s, of the Washington consensus out of the international institutions designed, after the Bretton Woods agreements of 1944, to stabilize the post WWII international economic order and to advice the Less Developed Countries (LDCs).

The collection of essays aims at re-establishing a sort of continuity in the study of development, by examining the foundations laid out by what Krugman has labeled 'high development theory' of the 1950s -1970s. An essential aspect of this examination is reconstructing the debate on the rise and decline of development economics. This is important to see what remains vital of that approach and how that can guide today's analysis of development and underdevelopment.

The roots of development economics: The seminal contributions

Development economics has its roots in a series of seminal contributions. Although hard to classify as a school of economic thought, they are nevertheless identifiable for their pioneering effort to define an approach to the study of underdeveloped economies. Despite the differences between their methods of enquiry and their different approaches, development economists first defined the new field of investigation shaping the conception of the development problem. This is very important considering that this approach is largely forgotten today.

The history of economic development naturally provided an empirical basis to identify the main social, political and economic elements they considered to be conducive to promoting growth. In addition, after a long period of neglect, there was an advancement in the theory of economic growth, largely in the footsteps of Harrod and Domar. On the one hand, we have the Post-Keynesian growth theory, with the contributions by Kaldor and Robinson at Cambridge University; on the other hand, the developments along traditional neo-classical lines by Solow and Swan, which became the dominant theory.[5]

Many of the early development theorists were émigrés from Europe, fleeing political persecution. German speaking economists largely contributed to the establishment of this new field of study in Great Britain and the United States. Very important contributions were those in Latin America, which are however less known.

The pioneers of the discipline were focusing on the question of backwardness and lack of industrialization in the backward regions areas Europe. The classic article by Rosenstein-Rodan (1943) was written to address the problem of development in Eastern and South Eastern Europe.[6] Besides Rosenstein-Rodan the most known émigrés are probably Alexandre Gerschenkron, Albert Hirschman, Kurt Mandelbaum, and Hans Singer. Institutional centers for the development of the new discipline in Great Britain were mainly London and Oxford, where Mandelbaum and Rosenstein-Rodan were teaching. Together with a few others, like Gunnar Myrdal, these were the founders of the newly born discipline. Very important contributions were those in Latin America, and in this case the first prominent figure was Raúl Prebisch.

High development theory was largely set aside after the 1970s. The exception is, to some extent, Latin America. The Latin American school has indeed shown a remarkable resilience. Especially the work done at United Nations Economic Commission for Latin America (CEPAL in Spanish and Portuguese) contributed to maintain alive the insights of high development theory, inspiring a view of development where government, industrial policy and planning have an essential role to play.[7] It is open to question, however, how influential outside, but also within Latin America, the approach is on current research and development policies design. This might depend on the lack of a sustained effort to update and make relevant to today's development problem the insights of the theory.

In line with the general purpose of bringing back into today's debate the fundamental insights of early development economics the volume examines the seminal contributions and their relationship to the analysis of development problems of today. The main purpose is revitalizing the original approach and, in this way, contributing to a more adequate theoretical perspective capable of accounting for the question of emerging economies. In other words contributing to a rethinking of development and development economics. This effort is already present in the recent literature.[8] The collection takes a particular route, that of looking at the foundations of the discussion on development. This appears necessary for further research, and in particular for addressing questions now prominent in the debate of development, such as the role of institutions, and what might be the role of the public sector and of government. These issues were clearly part of the concerns of the early development theorists.

Their ideas appear to be largely forgotten and that affects negatively the study and teaching of development today. Why was the approach abandoned? Clarifying this point is a preliminary step to understand the sense of developing economics in the history of economic thought.

The rise and decline of development economics

We need to recall the historical phase in which the sub-discipline of development economics arose. In the literature there are different, and to some extent complementary, explanations for this rise. According to Hirschman development economics originated from the orthodoxy of Anglo-Saxon economics as a consequence of the 'Keynesian Revolution'. Keynes had demonstrated that traditional economics was applicable only in the context of full employment of resources, while his approach was apt to respond to the difficulties faced by industrialized countries during 1930s. As a consequence 'the ice of monoeconomics had been broken and the idea that there might be yet another economics had instant credibility'.[9] The newly born discipline had the task to formulate new approaches and categories to cope with the problems of underdevelopment left untouched by the traditional approach.

In Myrdal explanation historical circumstances are the main reason for the intellectual formation of development economics. He argues that after World War II, the convergence of three historical and political events led social scientists to intensify their scientific efforts towards underdeveloped countries. These events were first of all decolonization, secondly the demand for development programs expressed by the newly independent countries, and finally the cold war. The internal affairs of underdeveloped countries became relevant to the conflicting great powers their interest motivated by military or more general strategic purposes.[10] The overall effect of was a general widening of welfare state policies from developed countries toward underdeveloped countries. An effect that Myrdal tried to classify as the 'welfare world'.[11]

Beginning with the 1980s the destiny of the early development economics is mostly seen as strictly related to the fortune of the Keynesian consensus. With the decline and at times even the discredit of the Keynesian consensus, also the whole discipline of development economics was considered moribund.

On top of that Hirschman argues there were the attacks to the legitimacy of development economics, coming from both mainstream Neoclassical and Marxist theory. The Neoclassical economists claimed that development economics had rejected the validity of the principle of efficient allocation of resources. The Marxists emphasized the fact that development economics was ineffective because was not as radical as required in underdeveloped countries. Caught between these two fires development economics declined as a respected field of theoretical investigation. The decline was further fueled by the un-effectiveness of the policies implemented in the 1950s and 1960s based on the ideas of development theorists.[12]

The various sources of disappointment with development economics are well summarized by Hirschman himself. The sub-discipline, as he calls it, came into being as a result 'of an a priori unlikely conjunction of distinct ideological currents'. Although extraordinarily productive at one point, that created problems subsequently. 'Because of its heterogeneous ideological makeup, the new science was shot through with tensions that would prove disruptive at the first opportunity. Secondly, because of the circumstances under which it arose, development economics became overloaded with unreasonable hopes and ambitions that soon had to be clipped back'.[13]

Krugman's assessment of the decline of development economics is instead noticeable because it is all 'internal' to the theory. He argues that 'development theorists were unable to formulate their ideas with the precision required by an increasingly model-oriented economic mainstream and were thus left behind. Although I believe this to be the main explanation of what went wrong, it is also true that the practical failures and empirical evidence had something to do with the decline of development economics'.[14]

Krugman regards the essence of 'High development theory' as to what he calls the Rosenstein-Rodan's Big Push argument. Upstream is the large investment necessary to establish modern industry, downstream the effects of higher wages. Modern, large-scale industry has higher productivity and that allows for higher wages. That has beneficial effects on market size. On the other hand modern methods of production, which are potentially more productive, call for a large market. Three consequences follow: 1) a large investment in one industry might be unprofitable in isolation, therefore the need for a coordinated investment in many industries, *i.e.* the essence of the Big Push, 2) essential to the story are the increasing returns that originate from the self-reinforcement coming from the interaction between economies of scale and the size of the market; 3) the development model rests on some form of dualism manifested in the contrast between the modern sector and the traditional one. The first one pays higher wages and draws workers from the second one. The fundamental idea underlying high development theory is then the virtuous circle driven by external economies in which modernization breeds modernization. Some countries remain stuck in a low level trap and that is 'a powerful case for government activism as a way of breaking out of this trap'.[15]

As for the reasons why development economics was largely abandoned Krugman, rather than the historical and political circumstances, focuses on the changes occurring in economic theory and in particular on the shift in the method of economic analysis.

Krugman argues that by the late 1950s mainstream economics was becoming increasingly hostile to the fundamental ideas of development economics. Economies of scale 'were very difficult to introduce into the increasingly formal models of mainstream economic theory'.[16] Indeed, high development theory rested on something that nobody knew exactly how to put into formal models. But model building increasingly became the standard in the profession. The new generations of economists could not make sense of that body of theory and simply ended up ignoring it. Model building became the standard of the profession, and in the process the development theory of Hirschman and Myrdal was mostly set aside.

As the title of the 1995 paper suggests, Krugman argues that the main ideas of high development theory are making a come back. Modeling of those ideas is possible due to the advances in economic theory, and much of his work. He wants to argue that central elements such as externalities in development and increasing returns are no longer a challenge to economic thinking as they were in the years of the first rise of development economics.

In his reply Stiglitz observed that the lack of formal models cannot tell the story of fall of development economics. Increasing returns, imperfect competition, and technological change, were studied, for instance by Kaldor and Arrow. Many formal models were constructed and published. That applies to the modeling of externalities also. Thus: 'The lack of such models simply cannot account for the temporary demise of high development theory- if that had happened. Conversely, had Rosenstein-Rodan (1943) succeeded in formalizing his ideas, I doubt that those ideas would have been any more palatable'.[17] There was no decline in the 'supply' of theoretical analysis but rather a weakening of the 'demand' for ideas. It was then the change in intellectual and political context the crucial point.[18]

Ultimately according to Stiglitz development economics did not suffer a real decline. It is alive and well in the theoretical work of many researchers on questions such as those of externalities. As in the case of Krugman, Stiglitz also see his work contributing to maintain on the due course the analysis of development. This would open an interesting discussion on whether the interest of many economists on themes important for development is in it-self a contribution to the analysis of underdeveloped countries, or whether it would require a theoretical framework indeed focused on the development process and on the circumstances that surrounded it.

Stiglitz underlines that, at the end of XX century, a rising attention was given to the institutional aspects of development, to the problems of sustainable development, and finally to the problems of measurement of economic development. What was really changed was the level of interest toward these subjects that permeates both the scientific community and the international organizations devoted to the promotion of economic development (World Bank, International Monetary Fund, UNDP).

The change of intellectual and political context pointed out by Stiglitz as the fundamental reason for the decline of development economics is in fact argued in more depth by other scholars. The point is that intellectual development was intertwined with the historical and political context of the period that goes from the end of WWII to the 1960s. Heinz W. Arndt, himself an émigré at Oxford, has argued (1987) that international political factors had an important role in shaping the approach to development: Among them, the end of the colonial powers and the rise of national independence movements. The presence of the Soviet Union and the spread of its influence gave the so-called Third World countries a certain degree of bargaining power.[19] This echoes the point of view expressed by Myrdal since the 1970s.

Regarding development economics Jomo speaks of 'historical amnesia', which to some extent spared the analysis of development, linked as it is to the history of the transition to the 'post-colonial' era. This is why, he argues, to preserve the meaning of the original theory stylized abstraction should be combined with an attention to the historical context in which the theory was first developed.[20]

During the 1980s the political perspective changed towards what was later firmly established as the Washington Consensus.[21] We can observe the parallel with the discredit of the Keynesian consensus as mentioned above and occurring in the same years. The claim to a superior understanding, the 'one size fits all' approach, was based, Stiglitz argues, on an erroneous notion of the way markets operate. Increasingly development has been shaped by this newly emerged 'global governance', in fact a policy orientation best suited to well-defined interests.[22]

Historiography of Development Economics and History

The question of the actual, according to Krugman, or supposed, according to Stiglitz, decline of development economics has raised a range of approaches from the historical point of view. As seen above, Hirschman decrees the end of development economics in the early eighties but his reflection is not accepted unanimously. Jan Tinbergen in 1984 sustains that 'an accumulation of experience on a subject [development] whose urgency is still increasing seems … inconsistent with the concept of decline'.[23] Likewise, again in 1984, according to Lewis, 'Development Economics is not at its most spectacular, but it is alive and well'.[24]

The question of the actual decline of development economics, in our view, is not simply a problem of views between supporters and detractors. At the core of this question there is the very definition of what development is and what are the sources of economic growth.

It is undeniable that the eighties were a watershed for development economics. In those years it came to fruition the neoclassical critique which has its origins in the sixties, that is, in the same period of the rise of development economics. The reference goes to Hla Myint and Peter Bauer.

According to Myint the justification given to the need for a specific discipline to study the problems of development is based on two orders of reasons. First it is claimed that the mainstream economic theory is unrealistic and therefore, to study the real problems of development in the LDCs, there is the need for an alternative approach. Secondly, the issues dealt by orthodox economic theory are not relevant to the study of the less developed economies because, for example, are referred to the problems of optimal allocation of resources, or to the issue of how to maintain full employment, or on how to analyze growth problems in mature economies.[25]

Given this premise Myint argues that the criticism of the lack of realism of economic theory could be applied to development economics too and to 'the planning policies in the underdeveloped countries'. Since developing countries are not homogeneous from the economic and institutional perspective 'it is highly unlikely that any single standard model of development planning will be appropriate for all of them'.[26]

In the same way, according to Bauer, there is a 'spurious consensus' inside development economics based on: the emphasis on poverty and on the vicious circle generated by poverty, population growth, restricted domestic markets, subsistence agriculture, insignificance of industry, luxury consumption of higher classes of societies and unproductive use of their income. But, he follows

> the consensus is, surprisingly, even more pronounced on issues of policy than on matters which are ostensibly descriptive or analytical. The salient aspects of the consensus on policy are: insistence on comprehensive central planning (a large measure of state control of economic activity outside subsistence farming); on compulsory savings …; and on large-scale foreign aid. … The major elements are manifestly invalid, being inconsistent with empirical evidence, elementary logic, or well established propositions of economics.[27]

The debate within development economics in the years of 'high development theory' is centred on the overlap between development theory and development policy. In other words, according to Myint, development economics lacks that general nature and relevance that would have a theoretical approach applicable to all LDCs, and, according to Bauer, the normative approach of development economics is blatantly inconsistent with the fundamentals of economic theory.

The neoclassical criticism toward development economics, as noted above and as prophesied by Hirschman in 1981, reaches its peak in the eighties with the work of Ian Little and Deepak Lal.[28]

According to Little there is no a need to analyze the issue of economic development with a theoretical apparatus different from that of neoclassical economics. Moreover, the 'planning approach' of development economists was a failure compared to the objectives that they had fixed and therefore must be completely abandoned. [29]

In Lal's work his approach is decidedly more 'militant'. It is essentially a pamphlet against the 'dirigiste' intervention of development economists in the LDCs and it stresses, once again, that the cause of the failure of development economics is closely related to 'the alleged irrelevance of orthodox economics'.[30]

To sum up, according to the neoclassical critics, development economics has focused exclusively on the normative analysis of the development processes and has not created any general analytical framework on which to build an effective theory of economic development. In the second place, development economists have assumed that market failures in LDCs could be overcome only through state intervention in the economy and that is of course considered the main limitation of the approach: it underestimates 'government failures' and the negative effects of government policies.

After the triumph of the neoclassical critique, we have observed a reversal from macroeconomics to microeconomics in the study of economic development. We moved from the emphasis on state intervention to the benefits arising from the operation of the free market, from a historical vision integrated in policy intervention in the long run to the unique recipe of economic policy derived from the sum of short-term microeconomic theories.[31] On this last point, as put it by Little, 'the long run is an integral of short runs'.[32]

From this evolution of ideas the Washington Consensus emerged. As pointed out above it was a clear set of policies that includes: a strategy of market liberalization and export promotion; the stabilization of the macroeconomic aggregates; the privatization of state enterprises and a set of rules to facilitate the functioning of the price system and, therefore, of the markets. This set of policies was later supplemented, but never modified, with the study of the ‘residual’ elements of the aggregate production function, i.e. human capital and institutions/social capital.

After the rise of the neoclassical theory of development what remains undetermined is the very definition of growth in the sense of what are the determining processes and the key ingredients.[33] In other words, despite the elaboration of these questions there is still little explanation of the sources of economic growth. Especially the recent economic crisis highlights that this question is dramatically unresolved. As an example of the state of the art it is sufficient to look at the words of the report editors of the World Bank 2010 *Commission on Growth and Development*, Michael Spence and Danny Leipziger: ‘while we felt that the benefits of growth were not fully appreciated, we recognized that the causes of growth were not fully understood … our understanding of economic growth is less definitive than commonly thought even though advice sometimes has been given to developing countries with greater confidence than perhaps the state of our knowledge would justify”.[34]

This admission is almost amazing for anyone with a passing knowledge of classical economic thought or who has simply read the works of Rostow, Lewis, Hirschman, Prebisch, Furtado, and so on. We can only imagine the impact that this excessive confidence might have had on development policies since the eighties.

The lack of a clear vision of what factor or factors are crucial to encourage the process of growth might be the result of the progressive “dematerialization” of the sources of growth. Development and growth theory has gone from the consideration of capital accumulation to the emphasis on investment in human capital and to the question of social capital as a fundamental cause of the development processes.

This last step has involved a close analysis of the theme of the 'right' institutions needed to foster development.[35] In economic theory this has been translated in a set of ‘necessary’ rules and institutions, often imposed through commercial treaties or with conditional loans, such as the protection of intellectual property rights, liberalized financial institutions, independent Central Banks, democracy and an efficient bureaucracy. This happened even if, as remarked by Chang, advanced countries did not have this institutional framework before becoming developed.[36]

The policy-biased approach of high development theory has found no viable substitute after the neoclassical counterrevolution. The goal of finding effective policies to support the development of LDCs has over time become increasingly difficult if not impossible.

As for the decline of development economics we think that the Krugman’s explanation focused on the difference of method between the “old” development economics and the modelling approach of modern economic theory is, in a sense, missing the point. It is not the method used by development economists that is incomprehensible to the growth theorists. What is substantially different is the vision of the development process and in particular the importance of a historical view of the development processes. In development economics the very object of study cannot be understood and analyzed outside of a historical perspective.

Development economists such as Paul Rosenstein-Rodan, Ragnar Nurkse, Simon Kuznets, Arthur Lewis, Walter Rostow and Celso Furtado were concerned with the 'big picture' questions in explaining growth and development and were in varying degrees also economic historians.[37]

Moreover, as pointed out by Lewis in a contribution on 'The State of Development Theory' in 1984, 'the relation between incentives and institutions is one of the oldest parts of Development Economics'. The forefathers of development economics were well aware that in the LDCs there was a mixed combination of traditional and modern institutions but 'they did not expect to reach conclusions in this area from principles only. Their writings about such matters are as much historical as economic analysis'.[38] From that particular approach emerged many mixed historic-economic categories such unbalanced growth, dual economy, disguised unemployment, structural inflation, dependency, growth poles and low-level equilibrium trap. At the same time, however, it was clear that the validity and enforceability of these categories changed with the historical moment and with the place in which they were used: 'their conclusions recognize that the same question requires different answers at different time … and cannot therefore be answered without reference to circumstances'. [39]

For the modern microeconomic approach to development issues, the search for applicable models at all latitudes is still based on the regularities of human behaviour and to the choice response to price incentives. This approach has removed from the analysis everything that could not be included in the analytical model, either because it was not measurable or not strictly defined as "economic", since it may be derived from sociology or anthropology.

Even if the modern development analysis is often based on empirical observation and is provided with a plenty of data and case studies, as noted by Meier, 'economists still need to put forward a relevant theoretical framework to bring some logical order to the data' and to establish some significant conjuncture with policy making. [40]

The 'big picture' and the vision of the season of high development theory are still missing.

The contributions in the volume

The debate on the rise and fall of development economics is the background against which one should look at the essays in the volume.

Early development economics was the result of a systematic thinking about development: it rested on an original intellectual development intertwined with particular historical circumstances. Similarly today the changes in the world economic order require a new original intellectual development and a historical perspective on theoretical advances. That is suggested also by the widespread failure of market-oriented policies to determine sustained growth and generalized welfare increases in many of the developing economies. On the other hand the success of the emerging economies seem to have occurred running against the Washington consensus recommendations.

These are the conditions, theoretical and historical, for a reconsideration of the development theories that flourished in the post-WWII era. While many aspects of those writings are still relevant today the international economy has substantially changed; policy prescriptions and objectives of the 1950s and 1960s might not be applicable today.

Without any claim of an exhaustive exposition the chapters in the book deal with the content of the seminal contributions, the debate they generated, and the relevance for the contemporary analysis on development. Chapters 1, 2, 3 and 4 deal with the seminal contributions such as those of Rosenstein-Rodan's 'Big Push' and Walt Rostow 'take-off' in the framework of Historical Growth Modelling, Hirschman' analysis of the development process through imbalances and backward and forward linkages, the debate around the theory of trade theory and the dual development models. Chapter 5 and 6 examine a series of contribution following the two lines of investigation still vital especially in Latin America, the first concerning structuralism and neo structuralism, the second on the relevance of dependency analysis. The two issue-oriented chapters at the end of the volume, dealing with poverty and macroeconomics for development, complete the modern perspective on the issue of development. We would like to think that the collection contribute to advance a much needed intellectual development and stimulate further research along the lines set out by the early development theorists.

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[1] G. Myrdal, *Economic theory and under-developed regions* (London: Duckworth, 1957)

[2] P. Krugman, 'The Fall and Rise of Development Economics' (2005), at http://web.mit.edu/krugman/www/dishpan.html, [accessed 20 January 2015], on p. 1.

[3] See D. Acemoglu and J. A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Publisher, 2012). The authors, beside attaching a classical development flavour to the title of their book, analyze the institutional framework of the development process without acknowledging anyone of the founding father of this approach, i.e. A.O. Hirschman, G. Myrdal, W.A. Lewis, P.N. Rosenstein-Rodan, W.W. Rostow, and so on.

[4] See H.B. Chenery, 'Introduction to Part II', in H.B. Chenery and T.N. Srinivasan (eds), *Handbook of Development Economics*, Vol. 1 (Amsterdam: North Holland, 1988), pp. 197-202, on p. 197.

[5] See the contributions in P. Aghion and S.N. Durlauf (eds) *Handbook of Economic Growth*, Vol. 1a (Amsterdam: North Holland, 2005).

[6] P.N. Rosenstein-Rodan, 'Problems of Industrialization of Eastern and South-Eastern Europe' *The Economic Journal*, 53: 210/211, Jun – Sept, (1943), pp. 202-11.

[7] J. Mattar, 'Panorama de la gestión pública en América Latina. En la Hora de la Higualdad', Santiago, CEPAL, (2011).

[8] See for instance H.J. Chang (ed.), *Rethinking Development Economics* (London: Anthem Press, 2003).

[9] A.O. Hirschman, 'The Rise and Decline of Development Economics', *Essays in Trespassing, Economics to Politics and Beyond* (Cambridge: Cambridge University Press, 1981), pp. 1-24, on p. 6.

[10] 'The World Poverty Problem', in G. Myrdal, *Against the Stream. Critical Essays in Economics* (New York: Vintage Books [1968] 1975), pp. 65-100.

[11] 'Place of Values in Social Policy', in Myrdal G. *Against the Stream. Critical Essays in Economics*, (New York: Vintage Books, 1975), pp. 33- 51, on pp. 46-51.

[12] A.O. Hirschman, 'The Rise and Decline of Development Economics'.

[13] Ibid., p. 2.

[14] P. Krugman, 'Toward a Counter-Revolution in Development Theory', *Proceedings of the World Bank Annual Conference on Development Economics* (Washington D.C.: World Bank, 1993) pp. 15-38.

[15] P. Krugman, 'The Fall and Rise, p. 2.

[16] Ibid., p. 3.

[17] J. Stiglitz, Comment on 'Toward a Counter-Revolution in Development Theory' by P. Krugman, *Proceedings of the World Bank Annual Conference on Development Economics* (Washington D.C.: World Bank, 1993), pp. 39-50, on p. 41.

[18] According to Stiglitz 'a far more plausible explanation for the seeming demise of high development theory is that the same currents that led to the dominance of free market ideology in the United Kingdom and the United States were reflected – at least in the United States – in the dominance of those ideas in certain intellectual circles. In short, it was as much the market demand for ideas as the supply of models that was crucial', ibid., p. 42.

[19] H.W. Arndt, *Economic Development. The History of an Idea* (London: The University of Chicago Press, 1987).

[20] K.S. Jomo (ed.), *Pioneers of Development Economics: Great Economists on Development* (London, Zed Books, 2005), on p. vii. On the transition from the Washington Consensus to the post- Washington Consensus see B. Fine, C. Lapavitsas and J. Pincus (eds), *Development Economics in the Twentieth-first Century. Beyond the Post-Washington Consensus* (London: Routledge, 2001).

[21] That can be described as a set of policy prescriptions cemented in an ideology, advocated by the IMF and the World Bank, and the U.S. Treasury. For a reconstruction of the transition from the Keynesian Consensus to the Washington Consensus see H.W. Singer, 'Editorial: The Golden Age of the Keynesian Consensus – The Pendulum Swings Back', *World Development*, 25: 3, (1997), pp. 293-5.

[22] The IMF and the World Bank emerged from the Bretton Woods agreements in the aftermath of the Second World War. These institutions have embraced what Stiglitz labels 'market fundamentalism'. 'Keynes would be rolling over in his grave were he to see what has happened to his child', J. Stiglitz, *Globalization and its discontents* (New York-London: Norton, 2002), on p. 13.

[23] J. Tinbergen, 'Optimanl Development Policies: Lessons from Experience', *World Economy*, 7:1, (1984), pp. 112-17, on p. 116.

[24] W.A Lewis, 'The State of Development Theory', *The American Economic Review*, 74:1, (1984b), pp. 1-10, on p. 10.

[25] H. Myint, 'Economic Theroy and the Underdeveloped Countries', *The Journal of Political Economy*, 73:5, (1965), pp. 477-91.

[26] Ibid., p. 478.

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