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## **HISTORY OF ECONOMIC THEORY AND POLICY OF THE 20TH CENTURY**

CeHistMet – CENTRE FOR THE HISTORY AND METHODOLOGY OF ECONOMIC SCIENCE

NOVEMBER 25, 2020

18:00H

# **DEVELOPMENT ECONOMICS AT THE ‘CENTER’: NEOCLASSICAL ECONOMICS AND DEVELOPMENT**

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## SOME BENCHMARKS

- The first 'era' of development economics
  - Late-1940s to early 1970s
  - The age of 'high development theory'
- An exercise in intellectual history
  - Reconstruct the environment in which these ideas made sense
- A Latin American bias

# THE POSTWAR ENVIRONMENT

- A post-colonial world
  - The ‘revolution of rising expectations’
- Supranational institutions
  - IMF, World Bank, United Nations
- Cold War and communist containment
  - The ‘battle for the hearts and minds’
- The Marshall Plan experience
  - Reconstruction vs development
- Truman’s Point Four program
  - A ‘Marshall Plan for Latin America’





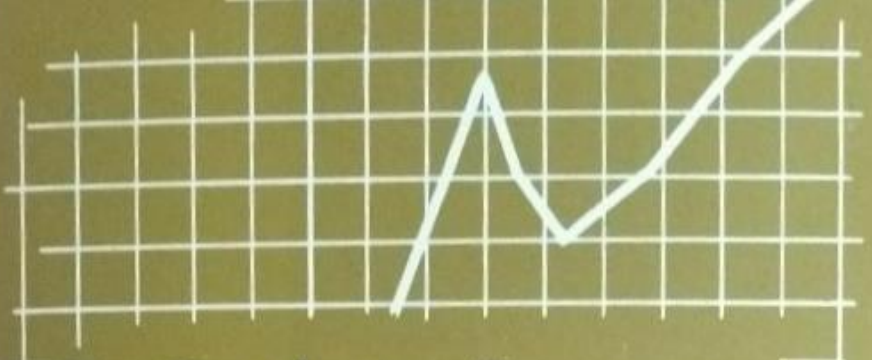
## SCIENCE IN THE POSTWAR ERA

- 'Big science' and military funding
  - The 'military-industrial-scientific complex'
- Philanthropic foundations
  - Ambiguous relations with the foreign policy establishment
- The social sciences
  - A precarious position
  - Between technocracy and activism
  - Contested patronage networks

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# THE FIELD OF DEVELOPMENT ECONOMICS

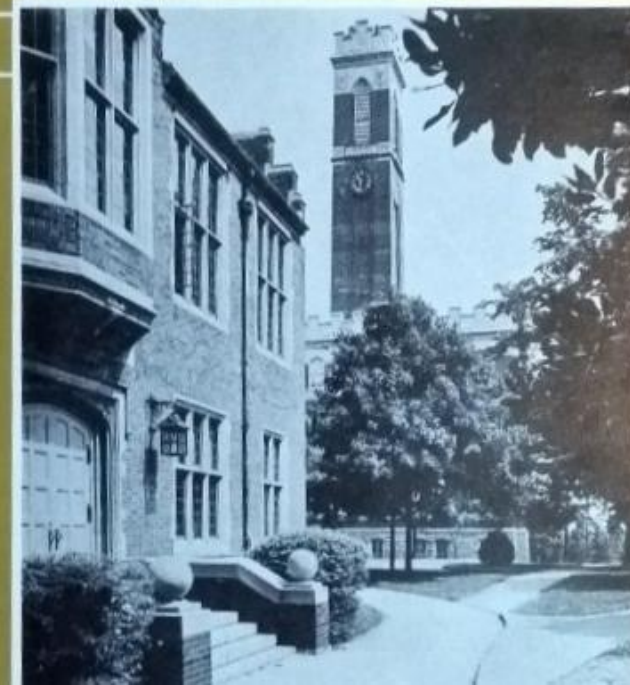

- A problem-solving endeavor
  - Theory or application?
  - Disciplinary or transdisciplinary?
- During the 1950s, institutional spaces proliferate
  - Harvard, Stanford, Sussex, Yale, Vanderbilt
  - *Economic Development and Cultural Change* (1952)
- Area studies
  - Strongly supported by the foundations
  - Interdisciplinarity
  - MIT's Center for International Studies (CENIS)

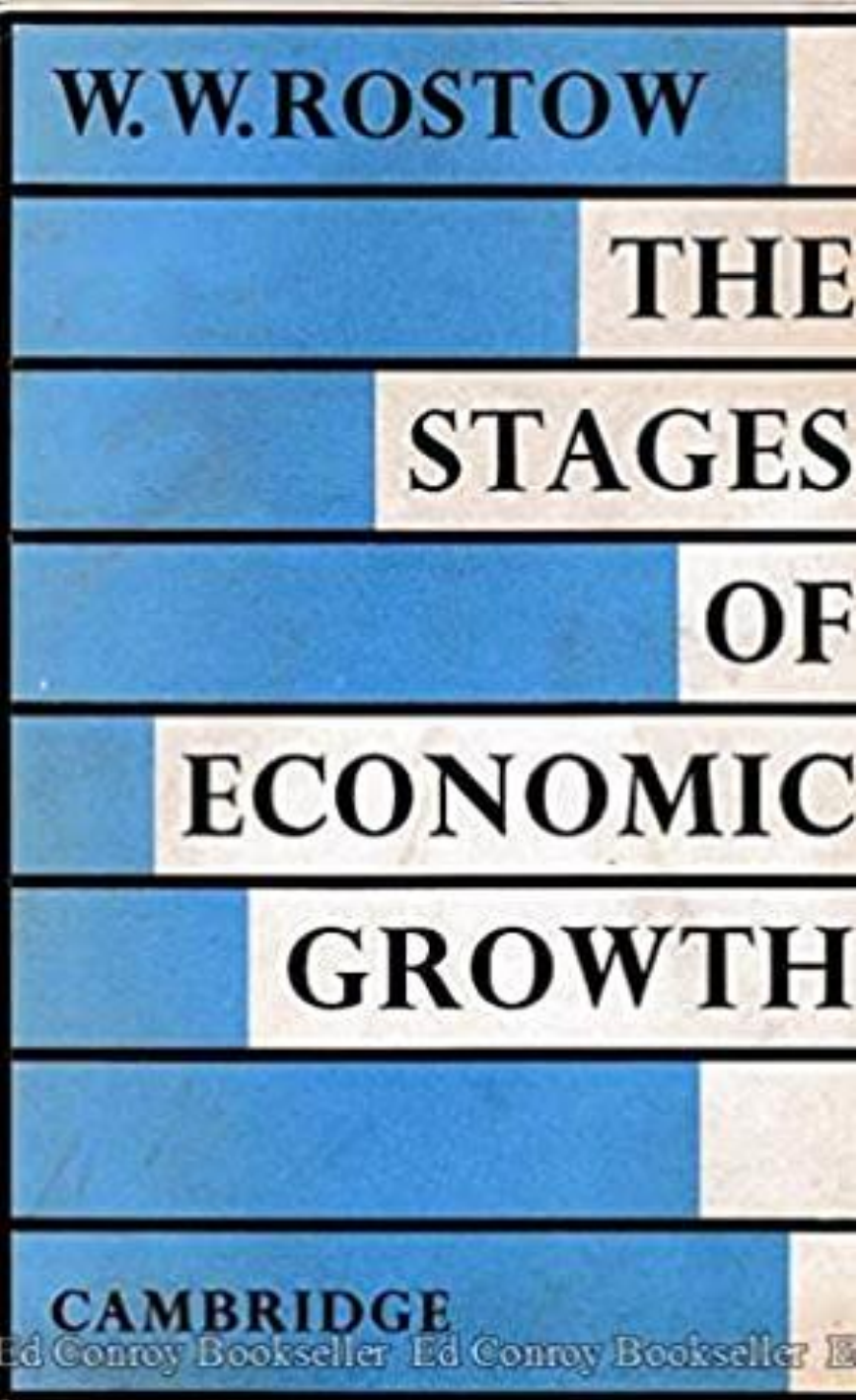


*Graduate Program*

*in*

*Economic Development*





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## MODERNIZATION THEORY

- A broad social science approach to development studies
  - Kennedy's 'action intellectuals'
- The traditional-modern dichotomy
  - Agriculture vs industry
  - Rural life, extended families, subsistence, rigid hierarchies, superstition, church as social arbiter
  - Urban life, individualism, acquisitiveness, social mobility, science, state as social arbiter
- Western example and linear progression
  - The liberal premise: 'all good things go together'
- A theory or a language?

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## DUALISMS

- Paul Rosenstein-Rodan (1943)
  - Agricultural overpopulation and disguised unemployment
- W.Arthur Lewis' model
  - 'Economic Development with Unlimited Supplies of Labour' (1954)
  - Two sectors: capitalist (high productivity) vs subsistence (low productivity)
  - The capitalist sector can absorb labor at low wages from the subsistence sector
  - High profits and increased capital accumulation
- A bias for industrialization



NYASALAN  
ECONOMIC SYMPOSIUM  
18th–28th July, 19

HARROD-DOMAR GROWTH MODEL  
 $s = \sigma x$   
 $g =$  warranted rate of growth  
 $u =$  propensity to consume  
 $x =$  inverse of capital coefficient



## CAPITAL FUNDAMENTALISM

- Savings and investment
  - The Harrod-Domar growth model
  - 'Big push' and state-led industrialization
- Foreign aid and economic planning
  - The interwar legacy
  - New techniques
  - The political dimension
- Balanced vs unbalanced growth
  - Nurkse vs Hirschman
- Rostow's take-off



## RISE AND DECLINE

- Growing ambitions
  - The UN's 'decade of development'
  - Dudley Seers (1963): "a major revolution in doctrine looming ahead"
  - Developed economies as a 'special case'
  - Beyond neoclassical and Marxist economics
- Trouble ahead
  - Setbacks in the underdeveloped world
  - Scrutiny of the political-military-scientific nexus
  - Deteriorating economic conditions

