Revista Panorama Económico. Número 18: 13- 45, 2010

*DEVELOPMENT ECONOMICS AND THE STRUCTURALIST SCHOOL**

*ANDRÉS ESCOBAR ESPINOZA***

Recibido 29 de Agosto de 2010/Enviado para Modificación 16 de Octubre de 2010/Aceptado 25 de Noviembre de 2010

ABSTRACT

Early structuralism had strong economic implications in development policies until 1970s, particularly in Latin America. Its theoretical roots can be traced back to classical economists, which follow a deep study of structures and institutions of the economy at hand. The analysis draws on fundamentals in development economics, such as income distribution, surplus, structural change over time, and the distinction between productive/non productive sectors, the role of money in a 'real' economy, just to mention a few. Its proposals, as part of a diverse set of the heterodox thinking, have been ignored by orthodox theorists. Sorting wisely among different perspectives requires a clearly diagnostic approach that distinguishes that the binding constraints on growth are singular from setting to setting. In the current era of globalization and financial deepening, these proposals along their coherent framework represent a valid alternative to understand the economic bottlenecks that developing countries face, and better inform policy-makers, to enhance inclusive economic growth towards social and economic prosperity.

Key Words: *Development, neo-structuralism, structuralism*

JEL Classification: *B0, E1, E60, O1*

---

* I wish to thank Dr. Edgar Parra, Prof. Raúl Quejada, Prof. Arturo Rodríguez, Prof. Dewin Pérez, and Prof. Martha Yanez, for their valuable support and hospitality. I would like to thank also to Menis Mercado for her editorial support and assistance. The responsibility for remaining errors and omissions is mine.

** Visiting Researcher at Departamento de Investigaciones Económicas y Sociales (DIES), Universidad de Cartagena. PhD candidate in Economics, Catholic University of Milan, Italy. E-mail: alvaroandres.escobar@unicatt.it.

stances. Policies that are supposed to work rightly, they just have weak or unintended negative effects on others[1]. The key aspect is to understand deeply the binding constraints on economic activity that affects a determined economic setting.

The purpose of this paper is twofold, first underline the contributions of classical authors to development economics and second, understand structuralism as a pragmatic theoretical construction that analyses the limitations and constraints facing developing countries at their stage of development, as classical economists did. This more realistic approach, which is perfectly suitable with the less developing country context, still constitutes as an adequate alternative to better inform policy makers in order to solve the structural problems present in economies that market forces cannot solve.

The remainder of this paper is organized as follows. In the second section, is briefly summarized the historical antecedents of development economics. In the third section are presented the beginnings of the "modern" views of development economics. Fourth section, presents the work of early structuralists, its origins, apogee and subsequent fall. Fifth, the main characteristics of modern structuralism and its economic features are introduced. Finally, the document ends with some final remarks.

A LITTLE BIT OF HISTORY

Development economics it is not a recent strand in economics. Historical aspects of development economics constitute an important source of views, theories and notions which are of great importance for current's development policies and theories. In fact, many great classical economists had strong interests on development issues, not because that in some particular time of past history, England and France were developing countries, but because with the fact that for classical economists was the theory of the increase in national wealth the central aspect (2). In today's mainstream economics, the very foundations of classical political economy have been rather ignored, as points Vaggi in 2008 (2): "... from surplus and reproduction to structural change and to the distinction between productive and unproductive sectors. However these aspects have always played a central role in development economics and above all in development policies..."; particularly designed to boost economic sectors in modern times.

[1] The prominent Chicago economist Arnold C. Harberger (1) declared: "when you get right down to business, there aren't too many policies that we can say with certainty deeply and positively affect growth".

The so-called Mercantilist "school"[2], can be considered as the first producing an analysis of development and growth of the wealth of nations, and it is relevant given their influence in Europe in that time. Mercantilists considered mainly as national wealth, the stock of some metals (s.a. gold and silver), but also considered the size of the population, and the availability of basic and luxury goods. They initially emphasized that the direct control on the flows of gold and silver across borders was fundamental to increase national income, or what is known in current times, as the surplus in the capital account. The unpleasant economic results of Spain (the country with the highest reserves) suggest that development processes can go from one way to the other. By this, mercantilists supported the fact that not only foreign trade was needed but economic improvements depend on a surplus in the balance of trade. Thomas Mun (31) suggested the availability of a wide range of policies to improve wealth and development by trade balance management: the capital account flows depend upon the trade balance and any exports increase over imports would lead capital inflows to the country as payments (in precious metals)[3]. He argued that was particularly relevant the role of interest rates for merchants' finances and wages (as cost) for production in order to keep prices low. Indeed, he argued that keeping low the price of exports would increase foreign sales allowing overall revenues to increase.

The consequences of constant and more radical mercantilist policies put in continuously conflict England and France. This is how Sir William Petty introduced the notions of division of labour and surplus; this division of labour is possible because of the productivity of agricultural workers who produce more than they may need, and given this surplus they maintain the rest of the society (4). This notion of agricultural surplus played a fundamental role in classical development and it is considered in the modern views of development. Given that foreign trade was not the cause of development, Francois Quesnay and the Physiocrats gave a clear statement: prosperity forces have to be searched in the production processes and particularly in agriculture, as being the latter, the producer of the means of subsistence for the whole population. He suggested that to introduce France in a virtuous circle of development were needed economic reforms to increase capital accumulation of poor agricultural producers by abolishing taxes and taxing only landlords' rents. The central

[2] Mercantilism cannot be defined as coherent theory or school of thought given the contrasting views of its supporters.

[3] In fact, nowadays are still present different policies to protect certain national industries or sectors: exports subsidies, import tariffs and quotas, and accessible credit to exporters, as some examples.