

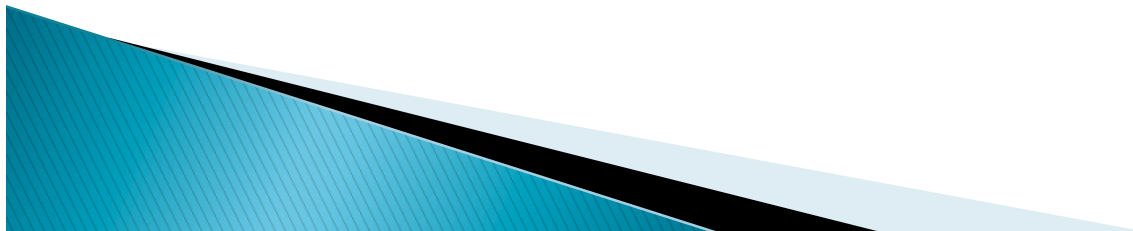
# A new-developmental school of thought?

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# The structuralist development economics school (SDE)

- ▶ SDE prospered between the 1940s and 1960s.
- ▶ It was a non-neoclassical school of thought whose source we in classical economics and in Keynes.
- ▶ Its main names were Ragnar Nurkse, Rosenstein–Rodan, Gunnar Myrdal, Arthur Lewis, Albert Hirschman, Hans Singer, Raúl Prebisch and Celso Furtado.



# The basic economic ideas

- ▶ The historical analysis of development and underdevelopment
  - ▶ The definition of economic growth as industrialization and structural change
  - ▶ The need of a “big push” (the combination of planning with foreign finance) to make profitable manufacturing business enterprises.
  - ▶ The critique of the law of comparative advantages.
  - ▶ The “foreign constraint” thesis originated in the asymmetry of the two elasticities.
  - ▶ The structural inflation theory
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# The basic political ideas

- ▶ The need of a bourgeois or national and capitalist revolution
- ▶ The obstacles posed by the imperial center
- ▶ The developmental state as basic instrument.

## The basic policy proposals

### Industrialization

- ▶ First, import substitution model; (second, exports of manufactured goods).
- ▶ First, economic planning; (second, industrial policy).
- ▶ Obtain foreign finance
- ▶ Keynesian management of demand



# SDE's crisis began in the 1970s

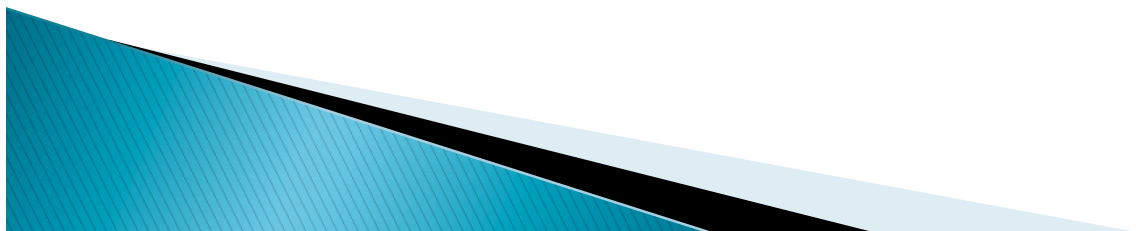
A. in the early 1970s, dependency theory, whose “associated” version turned dominant, was a basic critique to SDE’s political proposal.

B. in the early 1980s, a financial crisis (“Foreign debt crisis”) weakened SDE.

C. Developmental economists resorted to economic populism and failed in dealing with the crisis.

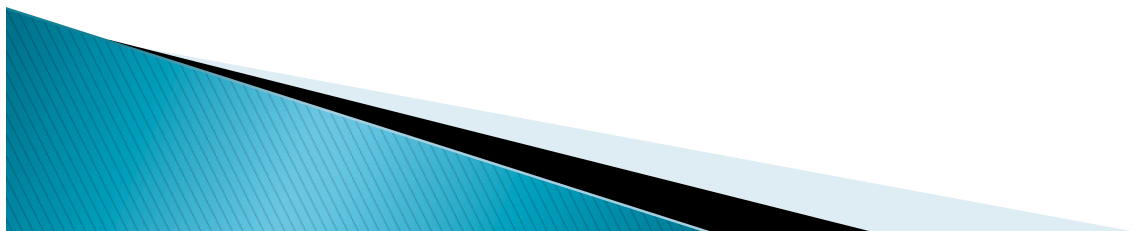
D. in the mid 1980s, the new neoliberal hegemony.

Albert Hirschman wrote the epitaph of structuralist development economics : “The rise and decline of development economics”, in *Essays in Trespassing*, Cambridge University Press, 1981: 1–24.



# A. Dependency theory

- ▶ The two versions of dependency theory had in common to reject the fundamental assumption of SDE – that countries would develop in so far as they were able to make their bourgeois or capitalist revolution
- ▶ And its “associated” version (which turned dominant in Latin America) also disauthorized its critique of imperialism.
- ▶ Latin–American countries should get associated to the empire...



## B. The stagnation of the 1980s (the lost decade)

- ▶ It was a financial crisis – a crisis of the growth cum foreign savings policies, of foreign indebtedness
- ▶ But it was explained by neoliberals as “a crisis of the import substitution model”, as if it had been a crisis of the **developmental state**.

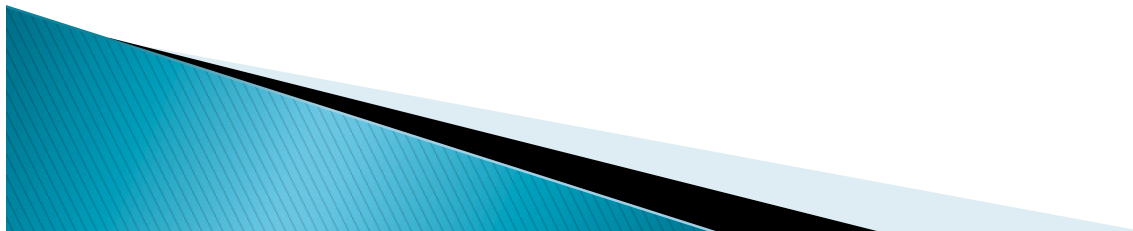
**False** contention: since the late 1960s, at least Brazil and Mexico were involved in a successful program of manufactures exports.



## C. Developmental economists failed

in coping with the great financial crisis of the 1980s.

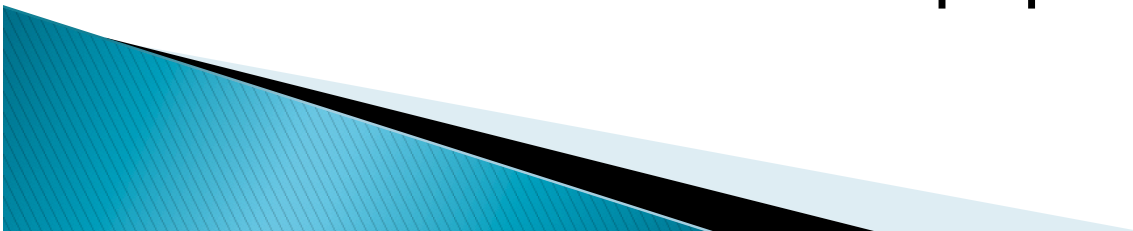
- ▶ Some countries, like Brazil and Argentina, made their transitions to democracy in that decade,
- ▶ And adopted populist policies which aggravated the crisis producing high inflation
- ▶ This fact facilitated the new neoliberal hegemony.





## D. The new neoliberal hegemony

- ▶ It was a mistaken and reactionary political change in the North, which had negative consequences:
  1. to the North itself
  2. and to the South.
- ▶ The more **dependent** were the elites in developing countries, the more fully they accepted and adopted the new “reforms” and policies, and the less they developed.
- ▶ The Asian countries suffered less because their elites were less populist and dependent.



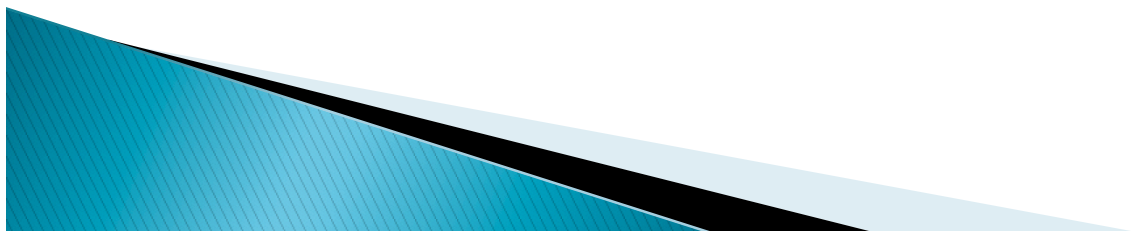
# The failure of neoliberalism opened room for:

- ▶ 1. the drawing of new developmental ideology and strategy
- ▶ 2. the redefinition of a developmental state
- ▶ 3. the construction of a developmental macroeconomics.



# Founding works and documents

- ▶ Ha-Joon Chang: *Kicking Away the Ladder* (2002)
- ▶ Bresser-Pereira: “Da ortodoxia convencional ao novo desenvolvimentismo” (2006).
- ▶ *World Development Reports* of Unctad since the mid 1990s coordinated by among others Yilmaz Akyuz, Jan Kregel and Heiner Flassback.
- ▶ Bresser-Pereira: *Globalization and Competition* (2009).
- ▶ Document originally signed by 81 economists: “Ten Theses on New Developmentalism” (2010)



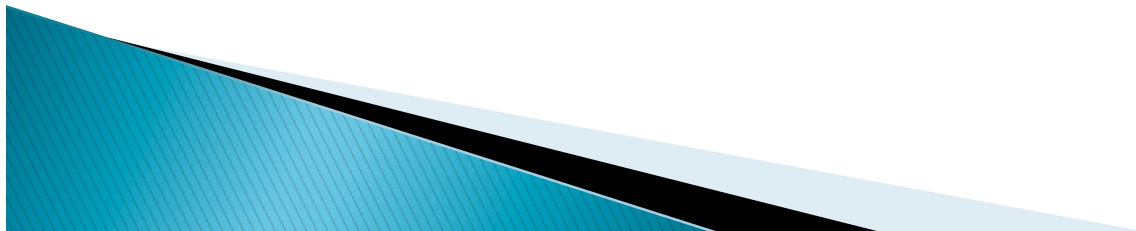
# A new school of thought?

- ▶ Given the new ideas, Robert Boyer (2009) said in the preface to my book “Mondialisation et Compétition” that a new school of thought was rising in Latin America.
- ▶ Indeed, new developmentalism and developmental macroeconomics have already a systematic body of knowledge.
- ▶ It will turn into a **new developmental school**?
- ▶ It depends on the new theories and evidences that it will produce.

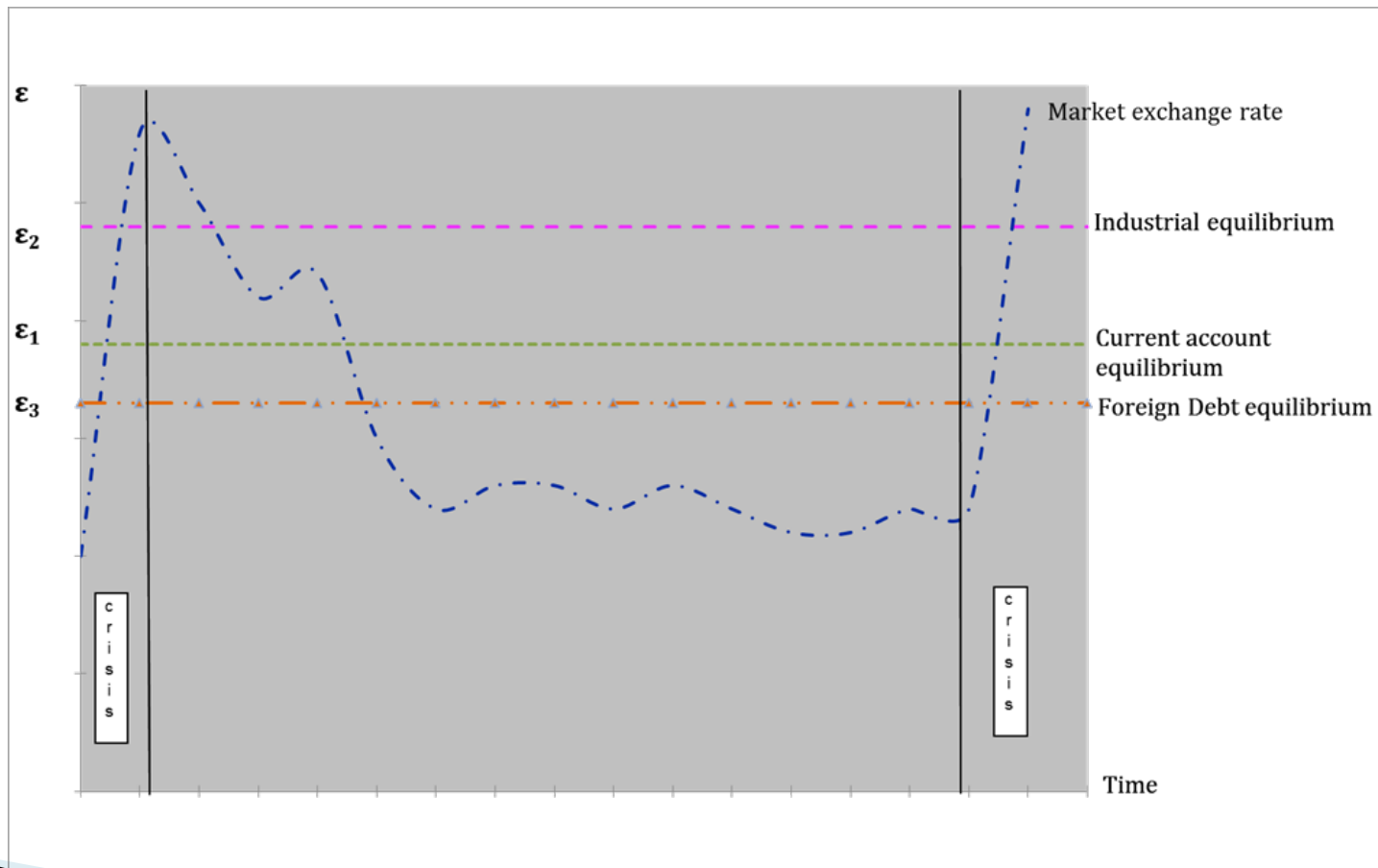


## Basic theoretical countentions

- ▶ Economic growth depends on investment, which depends on profit expectations, which depend not only on demand, but also to access to it: a competitive exchange rate.
- ▶ In developing countries the exchange rate is only competitive if economic policy neutralizes the **tendency to the cyclical and chronic overvaluation of the exchange rate.**
- ▶ Development economics didn't consider the exchange rate is strategic to growth because it assumed that exchange rate misalignments were short-termed, expressed in volatility.

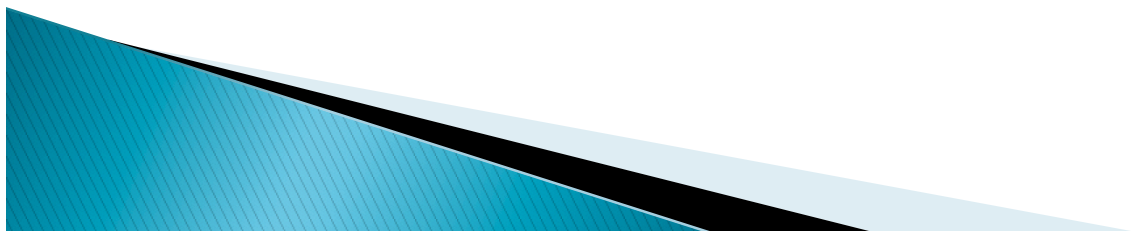


## Three equilibriums and the market exchange rate.



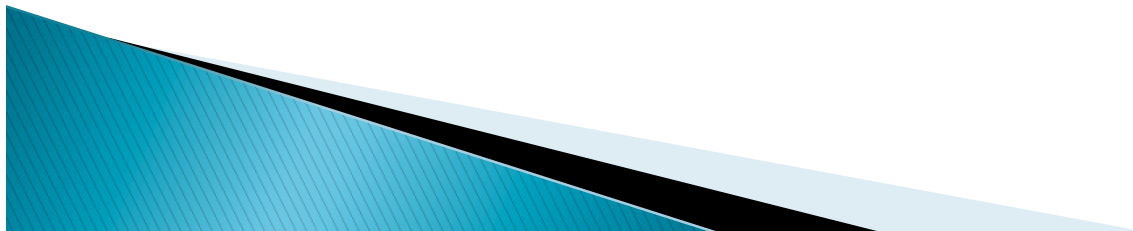
## Causes of the tendency to the cyclical and chronic overvaluation of the exchange

- ▶ No neutralization of the Dutch disease,
- ▶ Excessive capital inflows due to the mistaken growth with foreign savings policy and by speculation with capital flows.
- ▶ Use of the exchange rate as an anchor to control inflation.
- ▶ Exchange rate populism of politicians.
- ▶ Preference for immediate consumption of economists (orthodox or heterodox).



# Basic practical new developmental policies

- ▶ Neutralization of the Dutch disease with an export tax, which brings the exchange rate to the industrial equilibrium (the competitive one).
- ▶ Besides responsible fiscal policy and monetary (interest rate) policies, an effective **exchange rate policy**, aiming at making the exchange rate price to fluctuate around the industrial equilibrium.
- ▶ Not to accept foreign capitals, except if they contribute with technology and exports.





# Basic predicted consequences of the new developmental strategy

- ▶ The expected rate of profit will increase.
- ▶ The investment rate will increase
- ▶ Economic growth will accelerate.
- ▶ Wages and other revenues will fall in real terms in the short-term, but will grow much faster in the middle-term.
- ▶ And, if the country had a Dutch disease (and neutralized it), a **current account surplus** will appear.



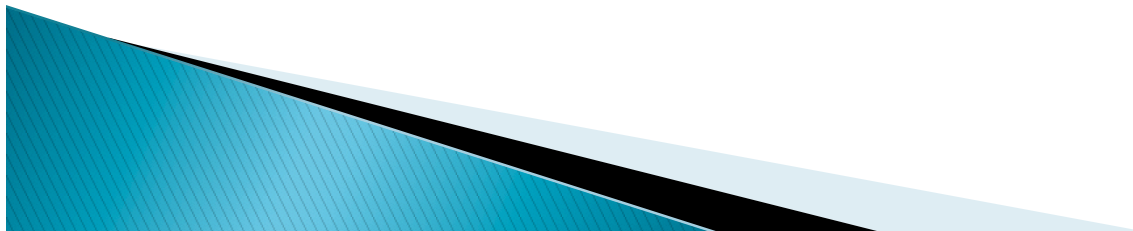
# Are developmental macroeconomics and new developmentalism

- ▶ Ideas that are only on the interest of developing countries like Brazil,
- ▶ Or developed countries also should consider returning to a **social developmental state**, as they had after World War II?



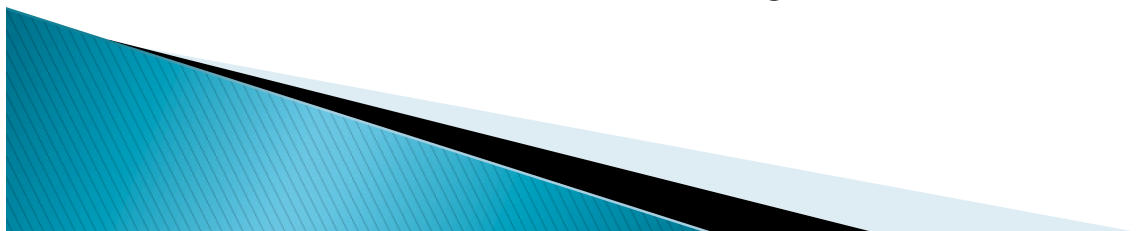
# Enfermedad holandesa

- ▶ Es una sobreapreciación permanente del tipo de cambio debida a las exportaciones de commodities que se benefician de rentas ricardianas y, por eso, pueden ser exportadas con lucro a un tipo de cambio mas apreciado que lo requerido por las empresas de bienes tradable que utilizan tecnología en el estado de la arte mundial.



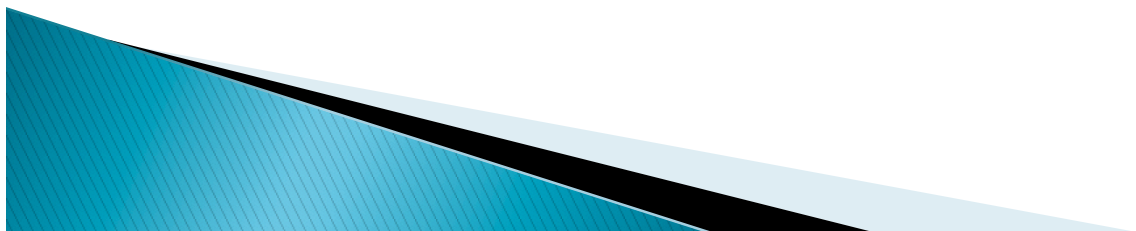
## Dos valores para el tipo de cambio cuando ha enfermedad holandesa

- ▶ **Valor** de la moneda extranjera es el tipo de cambio que cubre los costos mas beneficio razonable de las empresas de tradables.
- ▶ **Tipo de cambio de equilibrio corriente** es el valor que viabiliza las exportaciones de commodities e equilibra la cuenta corriente.
- ▶ **Tipo de cambio de equilibrio industrial** el el valor que viabiliza las demás empresas competentes productoras de bienes tradable.
- ▶ El tipo de cambio de mercado **flota** en torno del valor mas bajo – el corriente



# Tipo de cambio de equilibrio de deuda externa

- ▶ Es el tipo de cambio que produce un déficit en cuenta corriente compatible con la constancia de la relación deuda externa/PIB del país **constante** a un nivel razonable.
- ▶ El equilibrio de deuda externa es el recomendado equivocadamente por economistas **ortodoxos y heterodoxos**.
- ▶ El equilibrio industrial es **el competitivo**; necesario para la sofisticación productiva.
- ▶ Logo, los países que neutralizan su enfermedad holandesa deben tener un **superávit en cuenta corriente**.



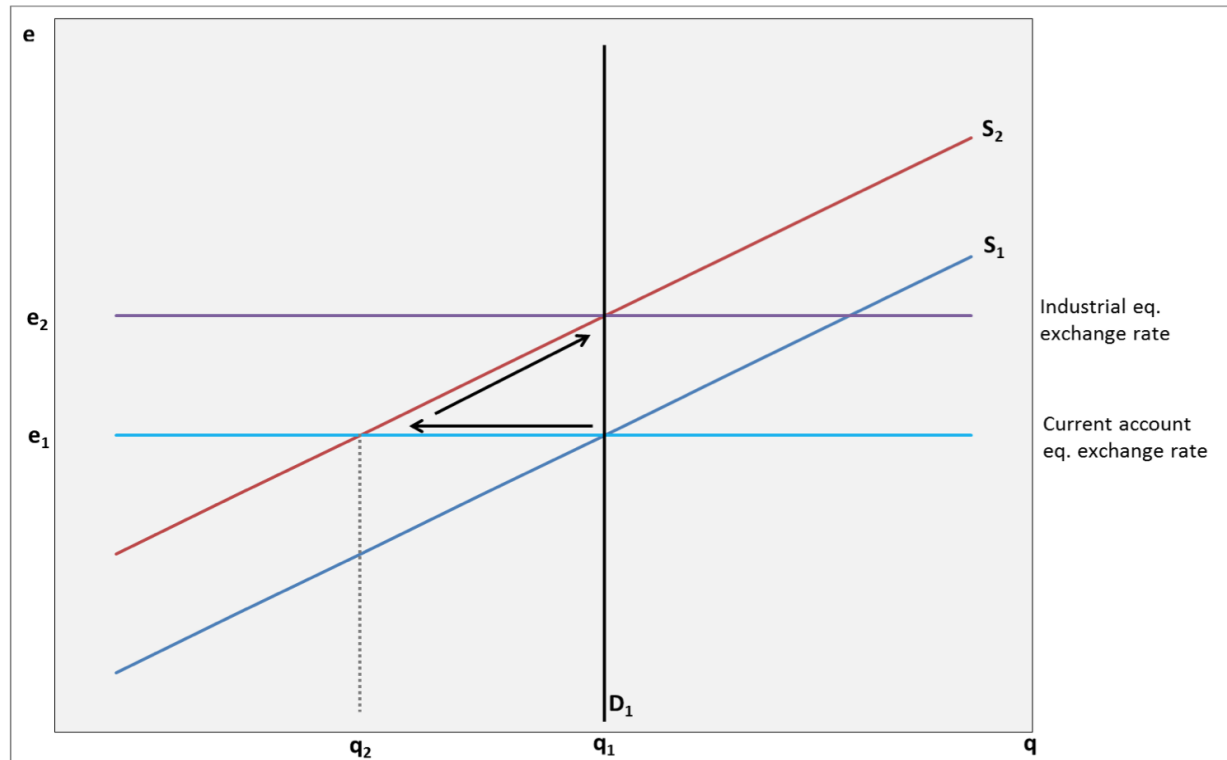
## La neutralización de la enfermedad holandesa se hace con un impuesto de exportaciones

que aumenta el valor del tipo de cambio para commodities, y iguala al equilibrio industrial, dislocando la curva de oferta de la commodity.

- ▶ La no-neutralización de la enfermedad holandesa
- ▶ Implica apreciación hasta el equilibrio corriente
- ▶ (La enfermedad holandesa es con el equilibrio en cuenta corriente)



## Neutralización vía impuesto de exportaciones



## Neutralizando la EH, el país presentará superávit en cuenta corriente

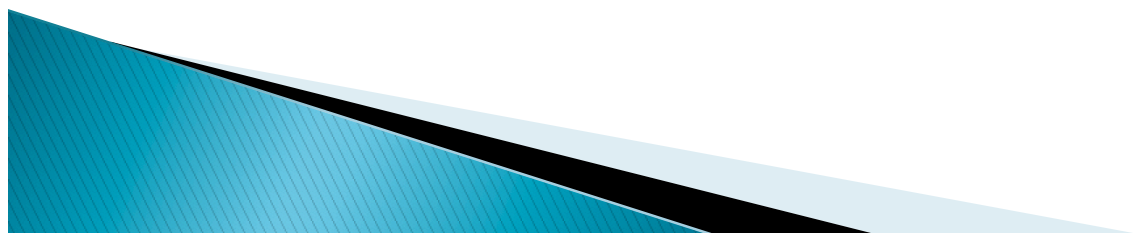
- ▶ El tipo de cambio girando en torno del equilibrio industrial garantizará acceso al mercado externo (y interno) a las empresas competentes, o sea, un tipo de beneficio esperado que las motivan a invertir.
- ▶ El investimento privado aumentará
- ▶ Si el Estado también invertir mas
- ▶ El crecimiento se acelerará
- ▶ El país volverá a hacer el catching up.





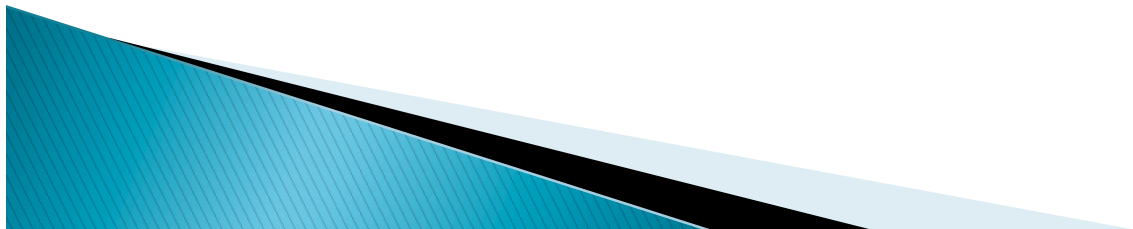
## Mas, envés de superávit no deben los países ter déficit en cuenta corriente?

- ▶ Esto es lo que enseñan los economistas
- ▶ Los países deberían crecer con **ahorro externo**, o sea, déficit en cuenta corriente.
- ▶ No comprenden que,
  - mas allá de la neutralización de la EH implicar superávit
  - el déficit aprecia el cambio y, por eso, envuelve, generalmente, una alta **taja de substitución** de ahorro interno pelo externo.



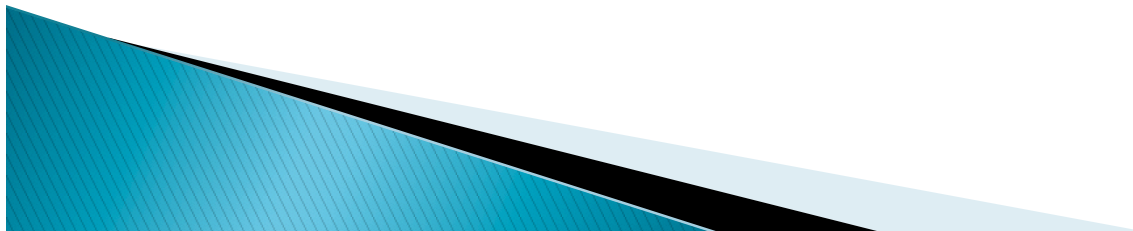
# “Áncora” cambial contra la inflación

- ▶ –es generalmente así, apreciando la moneda nacional, que los bancos centrales atingen sus metas de inflación
- ▶ –es la **tercera causa** de la tendencia a la sobreapreciación
- ▶ La cuarta es el **populismo cambial**
- ▶ La quinta, la preferencia por lo consumo inmediato revelada por los **economistas**
  - tanto liberal–ortodoxos, favorables al déficit cuenta corriente
  - cuanto los estructuralistas y keynesianos favorables al déficit en cuenta corriente y, con frecuencia, también al déficit público.



# En resumen, modelos y propuestas

- ▶ **Los modelos críticos:**
- ▶ -tendencia a la sobreapreciación
- ▶ -enfermedad holandesa
- ▶ -crítica a la política de ahorro externo
- ▶ -crítica a la política de áncora cambial
- ▶ -crítica al populismo cambial
- ▶ **Las propuestas**
- ▶ -superávit o equilibrio en conta corriente
- ▶ -impuesto sobre exportaciones de commod
- ▶ -política cambial ativa



# Serán estas ideas una base para una nueva escuela?

- ▶ Creo que sí.
- ▶ Mas todo depende de una revisión de los economistas estructuralistas y keynesianos o desarrollistas:

1. que dejen de creer que es possible desarrollo sin cierto sacrificio

2. que abandonen la preferencia por el consumo inmediato que comparten con los ortodoxo-liberales.



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