BOOK REVIEW:

“IDEAS IN THE HISTORY OF ECONOMIC DEVELOPMENT – THE CASE OF PERIPHERAL
COUNTRIES”

EDITED BY ESTRELLA TRINCADO, ANDRÉS LAZZARINI, AND DENIS MELNIK

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Although development economics emerged as a new branch of economics in the 1940s and 1950s, interest in national economic progress and ways to boost it go back to the early stages of economics in the 17th and 18th centuries. From the beginning, approaches to development have been affected by distinct economic and political environments, which decide the relevant issues and how to tackle them. In a similar vein, development economics has evolved as an essentially applied field. Hence, it is not surprising that economic development ideas should be better understood against their economic historical backgrounds, especially for long time periods. Moreover, economic development has been a key matter of concern for countries on the (scientific and economic) periphery. About twenty years ago, Michalis Psalidopoulos and Maria Eugenia da Mata (2001) put together a remarkable pioneer collection of essays about 19th century economic ideas and policies in a set of twelve less developed European countries. One of the chapters addressed Ireland, classical economists' favorite example of backward nation.¹ Besides the Psalidopoulos-Mata volume, other collections have examined links between long-term economic transformations and economic thought in Japan (Sugihara and Tanaka 1998) and China (Ma and Trautwein 2013). Joseph Love (1996) has established some unexpected parallels between development theorizing in East Central Europe and

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¹ See Black (1960), a study that set the standard for other historical investigations, such as Barber (1975) on India. However, in both cases the authors were primarily interested in British economic thought on underdevelopment, not in “national” ideas.

Latin America. More recently, the history (and pre-history) of development economics has been tackled in a couple of edited volumes (Jomo and Reinert 2005; Alacevich and Boianovsky 2018), with some attention to the impact of historical events.

The volume under review – with its focus on the interplay between the evolution of development ideas and economic history on the periphery – is a welcome addition to that literature. It is divided into three parts, about Europe, Asia and Latin America, plus an editorial introduction and a methodological chapter. Except for chapters 11, 13 and 16 in the Latin American section – about the transition from developmentalism to neoliberalism, Albert Hirschman, and dependency theory – the remaining chapters provide country study cases of Spain, Portugal, Italy, the former Soviet Union, Bulgaria, China, India, Japan, Ecuador and Argentina (two chapters). Some of those countries (especially Japan and Italy) have not been part of the periphery since the so-called “Golden Age” of capitalism in the 1950s-1960s, but they were peripheral in the time periods studied in the book (1870-1940 for Japan, or the last quarter of the 19th century for Italy).

According to the editorial introduction, the book is organized around the opposition between “economic liberalism” and “economic nationalism” and its evolution along peripheral historical development paths. This is a helpful distinction, but it should not be restricted to peripheral nations. Indeed, as argued by Greenfeld (2001), nationalism has been, since the 18th century, the dominant historical factor explaining the motivation for economic growth in capitalist economies, such as the United States, Great Britain, France, Germany and Japan investigated in her book. That hypothesis may be traced to W.W. Rostow’s well-known notion of “reactive

nationalism” as the igniting element in the drive for modernization (see Boianovsky 2017 and references cited therein).

As pointed out by Vladimir Avtonomov (chapter 1), the German economist Friedrich List put forward in mid 19th century his influential notion of economic nationalism as a foundation of development policies. However, it is seldom noticed that List regarded Latin America, Asia and large parts of Europe – he did not mention the largely invisible Africa, a practice unfortunately still followed in most historical accounts of economic development ideas – as unfit for industrialization and unable to achieving significant growth rates. Avtonomov includes List as a prominent example of what he labels the “concrete” approach to development, in contrast with the “abstract” take of David Ricardo and others. However, such a distinction between categories of development ideas is hard to implement, as shown by Avtonomov’s description of the “Big Push” thesis as “abstract”, despite his classification of 1950s classical development economics as “concrete”. The same imprecision appears in labeling Arthur Lewis’s development model – based on Ricardian “abstract” classical economics – as “concrete”. Indeed, the classical economists’ references to institutional characteristics of “backward” countries, and their bearing on the observed low rates of capital accumulation in those regions (see Alacevich and Boianovsky 2018, “Introduction”), illustrates the interplay between economic ideas and facts highlighted throughout the collection under review.

The general approach deployed in the book reminds of Gerschenkron’s (1952) famous concept of “relative economic backwardness”, which asserts that a country’s degree of backwardness brings about a corresponding set of radical ideas on the reasons and cure of the economic lag. That was one of the elements of Gerschenkron’s notion of income convergence, inferred from his investigation of 19th

century successful episodes of latecomers' industrialization. However, Gerschenkron's thesis can hardly be generalized. Convergence has been a feature of a relatively small group of developed countries. Moreover, as the present book documents, with some exceptions relative backwardness did not give rise in peripheral nations to indigenous theories about the nature of their development problems. More often than not, it led to imports of ideas from some of the industrialized latecomers, especially Germany and its Historical School, partially anticipated by List. That was the case of Spain, Portugal, Italy, Bulgaria and Japan (chapters 2, 3, 4, 6 and 10, respectively), which are discussed mainly from the perspective of the international transmission of economic ideas. Important exceptions are represented by chapter 5 on the "Soviet development model" – which may be regarded as the central piece of the book – and chapter 16 on Latin American dependency theory.

The two chapters about the Iberian countries Spain (by Elena Gallego and Estrella Trincado) and Portugal (by Carlos Bastien and Ana Bela Nunes) cover the longest periods in the book – 1848-1960 for Spain, and the last two centuries for Portugal. Hence, both accounts start when the Iberian nations were no longer powerful colonial powers in the New World. That means that matters concerning the relatively low economic growth of Portugal and Spain during their long colonial dominance of the supply of precious metals and other commodities – which intrigued contemporary authors like David Hume – are not addressed. Those two chapters provide detailed surveys of how Iberian countries absorbed development theories from abroad, including protectionist ideas put forward by Rumanian economist Mihail Manoilescu in the 1930s (in section 3.1 of chapter 2 it should probably be F. List instead of W. Lexis). Manoilescu's corporatism fitted well the political environment

prevailing in both countries at the time (see also Love 1996). Chapter 2 contains an all too brief reference to Heinrich von Stackelberg, well known for his contributions to duopoly theory and other microeconomic topics. Stackelberg, a member of the Nazi Party and of the *SS* since the early 1930s, left Germany in 1943 to take up a visiting economic professorship in Madrid during Franco's Fascist regime. He stayed until his death in 1946. During that short period, Stackelberg played a key role in introducing German Ordoliberalism in Spain, which would influence in decisive ways development policies adopted in the 1950s and 1960s (see Ban 2012).

As shown by Simona Pisanelli and Pencho Penchev, in their respective chapters about Italy and Bulgaria, major theoretical debates on development were conspicuously absent from those countries in the periods covered (mid 19th to mid 20th centuries in the case of Bulgaria). Bulgarian economists focused on applied development issues under the influence of foreign ideas, with no interest in their theoretical foundations. It is a “history of systems of political economy” instead of a “history of economic analysis”, to use J.A. Schumpeter's well known distinction. There was some theoretical debate in Italy in the last quarter of the 1800s (after the unification), involving Francisco Ferrara's criticism of the “Lombard-Venetian” protectionist school. However, no detailed references are provided to authors of that group, just to Ferrara, who got support from the newly born marginalist school. There are no traces of cumulative progress in Italian development debates, as seminal contributions made during Italian Illuminism during the 18th century – by e.g. F. Galiani, A. Genovesi, P. Verri and C. Beccaria – and by A. Serra before that, apparently did not have an impact on later controversies on growth. Again, List was influential in those countries, but not as much as in Japan, as discussed in Jou Ishii's chapter about Japanese economic development between the Meiji Restoration and

World War II. This is clear from the activities of the Association for National Economy and the Society for the Study of Social Policy, both formed under the impact of the German Historical School. That chapter should be read together with essays in Sugihara and Tanaka (1998), as there is some significant overlapping.

The Soviet industrialization experience was arguably the key episode in the history of 20th century development economic ideas and policies. It was at least partially based on theoretical formulations, put forward mainly in the 1920s, about the role of the production of capital goods and the interaction between agriculture (as the main producer of consumption wage goods) and industry. In a fascinating chapter, Denis Melnik uses what he describes as the NEP – 1920s New Economic Policy, associated mainly to Bukharin – and Stalinist Planning “parables” to investigate the fate of the “Soviet development model” as economic growth declined in the 1980s after some significant success from 1930s to 1970s. The fall of Soviet’s socialism and the rise of Deng Xiaoping’s economic reforms are discussed, with attention to some surprising similarities between the Soviet NEP and the mix of markets and planning introduced in China – the fact that Xiaoping spent time Moscow in the 1920s is highlighted.

The relation between the agricultural and industrial sectors is also prominent in chapter 7, about Chinese development debates in the 1920s-1940s, by Olga Borokh, an expert on the history of Chinese economics. Borokh calls attention to Zhang Peigang’s prizewinner Harvard dissertation on industrialization, published in English and Spanish in 1949 and 1951, and in Chinese as late as 1984. The next chapter, by Clara García, argues that the debates examined by Borokh are relevant for understanding post-Mao extensive economic reforms. However, no references to the Chinese economic literature are provided to warrant such a claim. Economic

nationalism is central to the political-economic history of another Asian country – India. Probably no other underdeveloped or peripheral country has attracted so much attention, even from Latin American scholars, as illustrated by Manuel Gonzalo and Eduardo Crespo’s chapter. It focus on Gandhi’s anti-Western approach to development after independence, and on state-building and industrialization planning led by Nehru in the 1950s, with only passing references to P. Mahalanobis’ famous growth models.

Argentina has often attracted attention from historians and economists – including Paul Samuelson (see Boianovsky 2021 and references cited there in) – due to its very unstable and to some extent disappointing development process, after reaching relatively high growth rates and income levels between the late 19th and early 20th centuries. Chapters 14 and 15, by Fabián Amico and Nuna Mazat, and Andrés Lazzarini and Gabriel Brondino, respectively, examine interpretations of the Argentinian “golden era” (1870-1930), and the turn toward neoliberalism in the country in the 1970s, after developmentalist dominance since mid 1940s. Whereas chapter 15 contains some relevant points of history of thought (such as the critical reception of Raul Prebisch’s structuralism even during the developmentalist years), chapter 14 is addressed to economic historians. That is also the case of the chapter on Ecuador’s recent economic history and dollarization, by Marco Missaglia, which will hardly appeal to historians of thought. Matías Vernengo’s study of changes in economic policy, from developmentalism to neoliberalism, expands Lazzarini’s and Brondino’s investigation to South America as a whole. Vernengo advances the new (if debatable) hypothesis that neoliberalism came early to some countries of the continent (Chile, Uruguay and Argentina) in the mid 1970s – even before the US and UK – because of the very success of state-led industrialization in creating a

conservative middle class. It then spread to other countries of the region after the debt crisis of the 1980s and the introduction of the Washington Consensus in the 1990s. Ideas, policies and economic facts are intertwined, as in most of the book.

Albert Hirschman may be regarded as the international development economist who tackled Latin American development issues with special attention. Hirschman's frequent visits to the region affected deeply his own theoretical framework, as forcefully illustrated by his 1971 essay "Political economics and possibilism", regarded by some as his most important piece. Hirschman's new term "possibilism" was coined in the way of contrast with probabilistic laws grounded on preconditions for the occurrence of outcomes. Andrés Guiot-Isaac's chapter is an attempted contribution to the interpretation of Hirschman's "possibilism." However, it neither refers to the secondary literature on the topic nor conveys the full import of that concept for Hirschman's account of Latin American underdevelopment.

The book closes with a fine chapter by Roberto Lampa on Dependency theory, the most influential Latin American contribution, at an international level, to the economics, sociology and politics of development (see Love 1996 and 2004). The merit of that approach, according to Lampa, was to bring to the fore the role of different institutional assumptions to explain development, something that, in his view, current Latin American neostructuralists at CEPAL (the United Nations Economic Commission for Latin America and the Caribbean) have overlooked. Unfortunately, Lampa does not explain what neostructuralism or provides references on that important subject (see e.g. Sunkel 1993).

The general lack of cross-references may cause some confusion, as, for instance, in the use of the term "developmentalism" – originally a Latin American expression – out of context in the chapter on Bulgaria. The term "new structuralism"

is mentioned in chapter 8 (section 2) on China, with no reference to Lampa's chapter (and vice-versa). Likewise, the crucial Soviet development experience, discussed in detail in chapter 5, is not mentioned elsewhere in the book, although it could shed some light on the chapters about China, India, Bulgaria and Latin America.

Such quibbles should not distract readers' attention from the overall qualities of this useful collection of essays. Historians of economics, economic historians and development economists alike will find points of interest in the book.

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