**MH-256-Development Mismatch short-2017**

256. **From Development (1949) to still Uneven Development (2017)- An endeavour to track the history of an obvious mismatch.**

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**INNOVATION AND CAPACITY BUILDING IN THE CONTEXT OF**

**FINANCIALISATION AND UNEVEN DEVELOPMENT OF THE GLOBAL ECONOMY:**

**NEW ROLES FOR THE STATE, PRODUCTIVE SECTOR, AND SOCIAL ACTORS**
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***From Development (1949) to still Uneven Development (2017)***

***An endeavour to track the history of an obvious mismatch.***

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**1-Introduction**

This submitted paper presents an attempt to find a way to ask, perhaps more than a way to answer, a terrible question. Why, after 70 years of international fight against underdevelopment, by politicians, activists and with the help of scholars to contribute “to economic and sustainable development[[1]](#footnote-1)”, the actual world is still characterised – as it is in the title of this 2017 conference- as a context of “uneven development”?

My hypothesis is that there is some confusion of what is exactly the issue. It is the case for many huge problems. Let me recall the old example – about another economic problem, given by late Ms Joan Violet Robinson. She explained that it is difficult to give a good definition of an Elephant, but when we meet one, we immediately know that, this is an Elephant. Thus we all think that we know, even when we cannot make this knowledge explicit. But how to concretely deal with a chimeric object?

Bengt-Åke Lundvall stated in a Globelics working paper, in 2007[[2]](#footnote-2) that “the innovation perspective is not purely academic [...] the aim is to link innovation to economic development”. But along with “economic development”, he uses the words “poor countries”, “rich countries”, “third world”, “sustainable development”, “economic welfare”, “the South”, “developing countries”, “developing economies”, “less-developed countries”, “human well-being”. Five years later, in 2012, Johnson and Andersen have edited a Globelics book[[3]](#footnote-3) using the word “inclusive development” and trying to overcome their statement that there is, within Globelics network, “no single and shared understanding of such basic concepts as inclusiveness and development” (*op.cit*., p. 7). Lundvall came again in 2014 to this issue, with Lema, and acknowledged that there is a “context of competing theories about economic development[[4]](#footnote-4)”. There are innumerable ways to imagine the Elephant. And thus, to take care of it.

I will try to retrace main periods of the evolution of economic thought, not in itself, but in relation to the evolution of the real world with the actions of Governments and Firms, showing their inter-relations, as far as this Elephant issue is concerned. I will make explicit the threads that have been woven to build and to keep alive this mysterious phenomenon. This journey offers a clear conclusion: to understand something and to be successful, it is absolutely necessary to take into account that this issue is not simply a complex technical and economical one, it is a political one, it belongs at least to the field of geo-economics, and certainly to the field of geopolitics…

1- Industrial revolution as celebration of a world competition

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**1- Industrial revolution as celebration of a world competition**

The development is expected because an Industrial revolution occurred and that, despite the economic theory was static, the real world was not static.

The world of production and the everyday life were ongoing a spectacular transformation. This has become evident since the so-called Crystal Palace exhibition in London in 1851 as *The Great Exhibition of the Works of Industry of All Nations*. The general opinion, that of the Elite everywhere, was aware of the building of a completely new era of technical change and industrial progress. From that time on[[5]](#footnote-5), countries ‘in advance in technology and industry’ have organised International Exhibitions with a show for their producers’ realisations and a comparison with the competitors from all over the world. The French Emperor Napoleon III was willing to challenge Queen Victoria and attempted to surpass her Crystal Palace and her show of the British empire power. Thus, he organised in 1855, the first “Exposition Universelle des produits de l'Agriculture, de l'Industrie et des Beaux-Arts” in France, Paris[[6]](#footnote-6). Then we may notice a few examples among a lot of similar events around the extended capitalist world. Let us note that in 1897, Belgium wanted to mark that it was part of the game with the Brussells’Fair. More recently, in 1970, Japan organised such an international exhibition to make clear to the whole world that it had turned itself in an advanced industrialised country. China organised the Shangaï Fair in 2010 with a similar motive. It is a kind of Olympic games[[7]](#footnote-7) for industry.

As a matter of fact, at the beginning of the 20th century, the industrial revolution was in progress to the knowledge of all modern and rich people. Steel and railways, steam engine and transatlantic vessels – and Titanic shrinking-, transatlantic telecommunications and radio, electricity, chemicals, fertilizers, first automobiles, even planes, oil derricks, cinema: in a period of one century, the advanced industrialised countries have endured a complete transformation on an incredible scale, concerning production and everyday life of the richest. This dug a huge gap between the have and the have-not, within countries and between countries. To be sure, at that time, just a few people in a few countries have left the ordinary life that had been more or less the same, for everyone everywhere, for centuries. On one side the happy few of the industrial revolution, and on the other side the rest of the world, of countries and people, very often colonised under the rule of the advanced. These lagging behind countries were invited to contribute to the techno-industrial progress in supplying minerals, or tropical products to be able to buy back what the marvel of the industry would do with them. India bought British apparel made from Indian cotton[[8]](#footnote-8) by British manufacturers in England.

**2- The Great Crisis, 1929.**

During the 19th century, growth (in capitalist countries) was around 1% of GDP[[9]](#footnote-9) and highly perturbated by recurrent crises: then, production and prices fall, firms and bank are bankrupt and there is rising unemployment. Then a recovery. Between 1815 and 1929, 17 crises have been observed- often named “Panic” in reason of a drop in the value of shares in a specific sector (e.g. railways). The economic climate was so bad from 1873 to 1896 that this period is known as the Long depression. These crises impacted advanced capitalist countries, consequences were transferred trough trade relations between countries and could reach the whole world. Free markets are not naturally stable.

However, the long-term trend show a progress of wealth in the advanced countries, above all for the richest. There was a very high level of inequalities[[10]](#footnote-10), but since the end of the 19th century first laws for labour relations have started to reduce misery and the level of exploitation. In the meantime, an evolution of the organisation of industry and the presence of infrastructures enabled a growing part of the working class to escape absolute impoverishment, with a job, except during each period of crisis. A middle class was born, consuming a little more than what was just needed to survive and going at least to primary school. This new organisation was marked by the scientific management invented by Taylor and the mass production illustrated by the actions of Henry Ford. He introduced in 1908 the concept of assembly line in the automobile production as it had been initiated in the agri-food industry. Then in 1913 he decided the “Five dollars a day”: a rise in wage (doubling it) for the workers with his idea of their future ability to buy the product. This was the starting point for a model of mass production for mass consumption that will be termed “Fordism”.

The Great Crisis of October 1929 in New-York stock exchange was the most terrible of all previous ones. It lasted very long and was transmitted to the rest of the world. In the USA, the output in manufacturing declined by one third between 1929 and 1933 and the prices decreased by 20%. The rate of unemployment rose to 25% and a significant proportion of employees had to work only part time and almost all of them with a reduced salary. In agriculture, the situation was also very difficult for almost all peasants for many reasons. In his 1939, *The Grapes of Wrath,* John Steinbeck depicted a situation taking place during this Great Depression.

In 1932, Franklin Delano Roosevelt, claimed that he will set up “A new deal for the American People”. He decided a series of measures based on pragmatism. There was no economist to prepare “a plan”. He opened up a new era in capitalist economies. State intervention to manage, to regulate the economy and to spend money on extended social programmes. The New Deal has been fairly debated but whatever the positions about it, facts of new interventions remain. New Deal gave prices support for farmers, minimum wages, civil service and employment help for workers, aid for loans and mortgage to people in risk of losing their homes, enhanced labour relations and support to union workers etc.

Roosevelt did not know Keynesian ideas. As a matter of fact, it is only in 1936, that Keynes published his seminal book *The General Theory of Employment, Interest, and Money*. From that time on, economists will be invited to give permanent advice to Governments. At least, after 1945, and until the 1970s, all the Governments of capitalist countries will intervene in the working of the economy, following “a Keynesian economic policy”, and when the time is very difficult, they will refer to a New Deal. Governments became accountable regarding crises and instability, and it seemed during these 30 years, that they had to monitor the economy trying what was called a “fine tuning”.

**3- The Birth of a Non-Identified Elephant (NIE), 1949.**

The new necessity to control the whole economy established “macroeconomics” and the need for a kind of instrument panel, this was named a system of National Accounts. National statistics had been established for a long time: the objective to count the population by a Census was there to assess the power and the wealth of the country. But now wealth was based on market values in money, and made by national production and national income. Some evaluation of national income had already been estimated in a few advanced countries. The issue was seriously tackled in the 1930s and the 1940s by economists as Kuznets, Clark and Meade. They tried to establish a sound definition of the various components to observe, the different kinds of income, their distribution (capital, wage etc.), the different kinds of expenses, consumption, investment, government spending and taxes etc. And the question was also which country enjoys more wealth and what is the progress of this wealth ? The United Nations Organisation just established in 1945, promoted International Guidelines to set up National accounting systems in 1947. In the following years, advanced countries, and then all the other countries have set up statistics offices to calculate something that became our present GDP. From that time on, to say something about a Nation, the focus has been on its economy, on its GDP, and on its rate of growth. GDP is supposed to indicate the total of the production at market prices, everything being counted once only.

The aftermath of the Second World War was also marked by a move towards decolonisation. India got his political independence in 1947, a lot of countries, in Africa, Asia were already or were in the process to be politically independent. The UN promoted this evolution towards independence. The future of these countries was no clear. They were lagging behind and considered as confined into Backwardness[[11]](#footnote-11). Even Latin American countries were not industrialised for different reasons. The real world could seem to be as the one described by Lenin in 1917 referring to imperialist countries, a few wealthy countries exerting their domination on the rest of the world. As the USSR succeeded in expanding the communist system in Western Europe, the USA were afraid that some newly independent countries go in this direction, especially if their economic situation was bad for their people. Backwardness and poverty could be a danger for freedom, for free markets.

Harry Truman was convinced. To promote peace he backed the constitution of the UN; to promote his ideal of freedom, he favoured the preparation and adoption of Universal Declaration of Human Rights[[12]](#footnote-12) (1948). He continued, for the American people, the major New Deal operations. With this spirit he backed the idea of a Recovery Program for Europe and Asia. He decided to propose them loans, partly to buy goods and equipment from the US. The most famous is the Marshall plan, directed towards Europe[[13]](#footnote-13). USSR refused to accept and imposed to refuse to the other countries of Eastern Europe. The Iron Curtain had divided Europe (and Germany) in 1947. The management of the Plan Marshall was organised in 1948 through the creation of OECE (changed into OECD at the end of the Plan). In front of this looming threat of communism, he felt the necessity to do something for the rest of the world.

In January 1949, Harry Truman announced, in his inaugural address (point IV[[14]](#footnote-14)), a technical assistance program for poor countries to be implemented through the United Nations Organisation towards the free world. These countries were renamed under-developed countries. The program was aimed at making them developing countries. Development based on technical assistance. Immediately the UN prepared the creation in 1949 of the EPTA the Expanded Programme of Technical Assistance. It became in 1965 the UNDP, the United Nations Development Programme.

The Elephant was born, it looked like something strictly linked to a technical capacity at a country level. From that time on, “development”, with a prefix or not, with all kind of qualifiers and a lot of derivatives especially forms of verbs will show a wide range of attempts to convey some more precise ideas to say what is, and how to take care of, this Elephant.

**4 - Power and development: to go beyond the observation of a technical gap**

With the ideology of freedom, studies on economy, are not allowed to take into account power, relations of power. They support the fallacy that markets work with free competition. It was only just when confronted to a Great Crisis that Government intervened, regulated and built institutions. And this absence of concerns about power, despite List, Marx, even Schumpeter (especially in his 1942’s book[[15]](#footnote-15)), brought definitive inefficiency to theories and reasoning based on the “neutrality of technology” or “neutrality of economics”. Thus, this produced the actual world, which is still a context of “uneven development”, as mentioned in the title of this conference.

Let us quote again Bengt-Åke Lundvall (2007[[16]](#footnote-16)) who, 60 years after Truman’s point IV, clearly acknowledged this fallacy:

Another weakness of the system of innovation approach is that it is still lacking in its

treatment of the power aspects of development. The focus on interactive learning – a

process in which agents communicate and cooperate in the creation and utilization of

new economically useful knowledge – may lead to an underestimation of the conflicts

over income and power, connected to the innovation process. In a global context where the access to technical knowledge is becoming restricted not only by weak ‘absorptive capacity’ but also by more and more ambitious global schemes to protect intellectual property this perspective gives a too rosy picture. Post-colonial and class privileges may block learning possibilities and existing competences may be destroyed for political reasons related to the global distribution of power.

Simple observations and judgment to say if a country is developed or not, were going to be replaced by a calculation of their level of GDP per capita (even if the question to know what was the demarkation line between what is an underdeveloped GDP per capita and a developed one, see infra). Among these countries considered as not “developed”, there were on one side, the Latin American countries that had been politically independent for more than one century and on the other side Asian and African countries among which a few were newly independent and a lot were still fighting to get this political independence. Let us recall how they received this point IV of Truman and what was for them behind the wording “development”.

Fist, Latin American countries. They were far behind the USA in terms of technology and industry, despite the fact that they were, like the USA, ex-colonies from Europe with a strong immigration from it and governed by their descendants. To be sure they got their political independence a little after USA, around 1820 instead of 1776. As a matter of fact, in these countries, there had not been a strong Government action to build industry under a cover of high tariffs.

The economist Raul Prebisch[[17]](#footnote-17) explained that Latin American countries had been producing raw materials and food mainly for Europe, importing from it manufactured products, according to the distribution of the Ricardian comparative advantages. This law, guiding the international division of labour, had built the situation in which Latin American countries were confined. Prebisch[[18]](#footnote-18) pointed out that the world context was that of a Centre-Periphery Dynamics totally negative for Latin America, for the Periphery. To be sure, despite the fact that retrospective calculation[[19]](#footnote-19) shows that in 1920, GDP per capita levels were almost equal in Argentina, Chile (2/3 for Mexico) to those of Western European countries, they clearly appeared as not industrialised in 1949. Their economy did not follow the same evolution as that followed by the economy of the USA. The thesis presented by Prebisch was clear cut. Under free international trade following the theory of Ricardo, Latin American countries had been blocked in their situation, newly called “underdevelopment”. Free international trade is an unequal exchange will claim a few years later Emmanuel[[20]](#footnote-20).

Prebisch’s stance was compatible with that of the French economist François Perroux[[21]](#footnote-21) who underlined (1948) that there was a domination effect that set up an asymmetric world. It means that the evolution of the dominated country cannot follow the same path, cannot be successful under the same conditions, as what had enjoyed the economies of the dominant countries. In other words, there are different kind of meadows to feed the Elephants. A part of the writers of the dependency school elaborated their analyses, drawing also on Marxism, explaining that what was going on, was “the development of underdevelopment” (André Gunder Frank[[22]](#footnote-22)). Some academics, in Latin America, along with Prebisch, even if they were inspired partly by Marx, did not promote active anti-capitalism but nationalistic intervention of Gouvernments and protectionism against free international trade. The Brazilian sociologist, Theotonio Dos Santos, for example analysed the structure of this dependence as “an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected[[23]](#footnote-23).” This has been also the leitmotiv of the writings published by the Brazilian economist Celso Furtado. In a lot of books[[24]](#footnote-24) and papers of scientific reviews he explained how policy decisions at the national level could offer to a country the possibility to break the chains and to improve the labour productivity. Doing so he pointed out the political nature of the Elephant.

Second the African and Asian countries. In fact at that time a few countries of the Southern part of Europe could not be considered as “developed” under the criterium of apparent industrialisation and technological capacity or GDP per capital level. The feeling among the ex-colonial countries that got their political independence was that they were dependant in the economic field, to get the goods they needed to meet the basic needs of their people. Dependent from the industrialised countries and from their large firms. A group of these countries joined to act against what they termed neo-colonialism.

In 1952 in a time of cold war between the West and the East, and when two worlds were opposed, threatening each other, the French economist and demographer Alfred Sauvy[[25]](#footnote-25) pointed out that there was a third world, aspiring to get its place. He compared this situation to that, at the time of the French revolution, of ordinary people named “le tiers état”, who tried to get a place “*Car enfin ce tiers monde ignoré, exploité, méprisé comme le tiers état, veut lui aussi, être quelque chose* » This reads : At last, this third world, ignored, exploited, despised as was the *tiers état,* want, it too, to be something. Three years later, on April 18th in Bandoeng (Indonesia) 29 countries acknowledged to be the Third World: Few African Countries as they were few to be decolonised, but Egypt (Nasser) and more Asian countries as China (Chou en Lai), India (Nehru), one from South Europe, Yougoslavia (Tito). Some of them claimed that they are not aligned on either the capitalism and the USA or the communism and the USSR.

**5 - An obvious but challenging hierarchy among Elephants**

Following the initiative launched by Truman, the United Nations decided, at its 1952 general assembly, to organise the necessary preparation to enable the UN “to publish regular annual reports showing changes in absolute levels of living conditions in all countries[[26]](#footnote-26).” The first report was published in 1954 under the following title: *Report on International Definition and Measurement*

*of Standards and Levels of Living*. The principal outcome is that this report leads to acknowledge a hierarchy of nations ranked by their level of living.

The aim was to direct some aid and assistance towards countries which are under a certain threshold of level of living. The first objective was to decide a classification in two groups: underdeveloped countries and developed countries. Along the years, there were many debates in the UN General Assembly, but also in all international organisations, about country classification issues.

“The World Bank does not explain why the threshold between developed and developing countries is a per capita income level of US$6,000 in 1987-prices and the UNDP does not provide any rationale for why the ratio of developed and developing countries is one to three. As for the IMF’s classification system, it is not clear what threshold is used” wrote Lynge Nielsen in 2011 (*op.cit*., p. 42). At the WTO[[27]](#footnote-27), the inclusion in the group of “developing country” is auto-proclaimed, but it does not give access to all advantages opened to the supposed “developing countries”. For example, under the

Generalized System of Preferences (GSP), it is the preference giving country which decides the list of developing countries that may access to the preferences.

This international statistical compromise is a serious challenge to mainstream economic theory. The theory of international trade is based on the hypothesis that all nations are equal, in strict analogy with microeconomics, it is based on individual nations, all in competition in free trade but without any Governmental intervention. In fact, the Nation does not exist, except as a block of resources, capital and labour. Introducing hierarchy in a theory would bring the same problems to tackle with, that the ones Williamson brought in, with its *Market and Hierarchies*[[28]](#footnote-28). The full orthodoxy was challenged by Coase[[29]](#footnote-29) who showed that Firms are replacing markets by hierarchies (wrote Williamson), and Firms are deploying strategies overcoming all that can be calculated by theoreticians of free markets. If the theory would take into account that Nations exist and that they replace the law of market by policies, to be sure the validity domain of the mainstream theory would shrink to nothing.

But almost all Nations have joined WTO, created in 1995[[30]](#footnote-30), and this WTO have generalized to almost all activities, the perspective of free trade, based in an act of faith in the mainstream theory and on the comparative advantages of Ricardo. Officially, on the visible scene, all Nations play free trade and free competition, without policies that could be negative to free competition. However, this theory cannot explain that this game is not a win-win game what is clearly the case, because if not, why after 70 years since the GATT was set up, there is still such a hierarchy of Nations and so many lagging far behind? A uneven development.

**6 - Two market failures widely accepted between 1945 and 1971-73.**

After the end of the second world war, there was, up to a certain extent a wide agreement not to let the markets do everything everywhere, in the “developed countries” and in the “developing countries” as well. A sort of acceptance that there were at least two market failures, but this wording was not used. Before explaining this new situation, I must say that wide does not mean complete. As a matter of fact, Friedrich Hayek in 1947 brought together 39 distinguished scholars from the USA and Europe to organise a Society in order to resist interventionism and to preserve classical liberalism, i.e. freedom for individuals, free enterprise, free market, free competition. This meeting took place at Hotel du Parc in a Swiss village named Mont Pélerin which gave its name to the society. Among the co-founders was Milton Friedman. Both will be inspirers, acknowledged later as such, by Ms Thatcher.

**10-1- In link with the “developed” nations.**

In the “developed” countries, it would be more precise to say in the “dominant” countries, there was from 1945 to 1971-73 an exceptional period of prosperity. The dynamics of their economies pulled a strong expansion of the world economy. It was characterised by the dissemination of the welfare state in these dominant countries, supported by a boosted demand from a middle class rising in number. A kind of generalisation of the Fordism: mass production for mass consumption with durable goods for family homes with bathroom, fridge, vacuum cleaner, washing machine, hi-fi radio, tv, garage and a car, high roads …This was supported by the Keynesianism and the generalisation of New Deal reforms after the Beveridge report (1942[[31]](#footnote-31)) in England, after the programme of the National Council of Resistance (1944[[32]](#footnote-32)) in France. Capitalist countries established Social security programmes, minimum wages, paid holidays, social dialogue between employers and workers’union etc. The rate of growth was relative high[[33]](#footnote-33) and above all without crises: no high instability with decline in production, no falling prices. A radical change after the recurrent crises from 1815 to the Great Crisis (which was not really finished in 1939 when the war started). The monitoring of the conjuncture led to what was named “stop and go policy” and to the economic policy theory, combining, fiscal policy and monetary policy. This was sufficiently successful during this period.

Governments plaid also a direct role for growth. France offered a specific model of flexible planning system and a huge public sector (telecommunications, banks, education, aeronautics, air transport, railways and even some public enterprises in automobiles etc.), but even in the USA, the programmes for the Army and for the Aerospace boosted the computer industry, the electronic industry, and the aircraft industry. We may notice that the French plan was named Economic and Social Development Plan. Just to underlined that everywhere in this country but also throughout Europe, Development is a buzzword to name actions, plans, by national, regional and local authorities. Elephants everywhere.

At the international level, Bretton Woods agreement (1945) opened a period of stability of exchange rates with devaluation by some weak currencies from time to time against the US dollar which was pivotal and warrant of the whole stability. The hegemony of American economy was a warrant of growth and stability for the second tier of dominant countries, European countries, to which Japan joined in the 1960s. International trade was thriving. On one hand, especially between industrialised countries with a growing intra-industry trade and the emergence of cross-foreign direct investment in manufactures: US manufacturing firms invested in Europe, then at their turn European firms invested in the USA. On the second hand, the so-called “traditional division of labour” was still in operation: dominant countries exported manufactures to dominated countries and imported from them raw materials and tropical products, partly through Multinational Firms with headquarters in the dominant countries[[34]](#footnote-34). Negotiations that were organised by GATT led in average to a declining rate of tariffs. However, Cotton and textiles became a problem for dominant countries as soon as newly independent countries, dominated countries have exported these products. Since 1961 they organised in derogation to the GATT agreement, special arrangements in Cotton textiles, of short-term first, then for long term in 1962 and extended step by step to a Multi-Fibre Agreement in 1974. Dominant countries are in favour of free trade, only when they are dominant and the theory of free markets is used when it serves the dominant countries.

**10-2- In link with the “developing” nations.**

As far as the developing nations were concerned, we may say that, from the point of view of the mainstream theory, the simple existence of nations which seemed not benefiting from the law of markets was paradoxical. Nothing in this theory may authorize to produce analyses which would be specific to a certain category of countries. However, a few liberal economists, in the mood of the UN’s concern towards countries going on to be lagging behind, tried to find an explanation to this paradoxical situation and to design appropriated measures to put an end to this.

Ragnar Nurkse[[35]](#footnote-35) standed for an explanation in terms of vicious circle of poverty: poor countries are tied in a poverty trap. It is necessary for them to get somehow what Marxist scholars termed primitive accumulation. In the liberal discourse this led to the expression of the necessity of a big push. This “big push” model was conceived in 1943 by Paul Rosenstein Rodan for Eastern and South Eastern Europe and then as he moved to the World Bank in 1947, this was the theory of this institution[[36]](#footnote-36). An institution[[37]](#footnote-37) which led – from the 1960s on- loans for “developing economies”. This theory included also that of a balanced growth model promoted by Nurkse. This became a sort of a liberal theory of development, authorized by the obvious market failure. Albert Hirschman expressed that the theory of balanced growth was a non-sense, “development requests an unbalanced growth”. He led with a few others non-marxist economics a kind of heterodoxy in economic theory, like Myrdal, Prebisch, Perroux, Furtado…

## However mainstream liberal economists were not pleased with that. Walt Whitman Rostow in 1960 published The stages of economic growth - a non-communist manifesto. The economic orientation of this book written by a believer of the efficiency of capitalism and free market (and who will be a strong supporter of the involvement of the US army in the Vietnam war) is clear. In this book[[38]](#footnote-38), Rostow popularized the concept of take-off of an economy, when a process of accumulation of capital is self-nurtured so that it makes growth going on, along a trend. This book makes no real difference between industrialization, growth and development to characterize what is enjoyed by the countries who have realized their take-off. Rostow retraced how various countries have evolved stage by stage in the past, and had realized their take-off as the USA, then as Western European countries. This is taken as a natural law and countries lagging behind have just to wait their turn to take-off and make their way towards the stage of mass consumption.

Last but not least we must mention that, along with the World Bank, OECD (transformed from Organisation for Economic Cooperation in Europe, see supra) was established between dominant countries in 1961 as an Organisation for Economic Cooperation and Development, that is officially to promote action of cooperation – out of the market- and especially in favour of “poor countries”. They had already decided as OECE to monitors financial flows towards “developing countries” and this will be done through a Development Assistance Committee that still produce an annual report on Overseas development assistance. It was linked with the decisions by the UN to designate the 1960s as the United Nations Development Decade with specific objectives that will be never reached. First, achievement by 1970 of a rate of growth in the developing countries of 5 per cent per annum, and a substantially increased flow of international assistance and capital to developing countries "so as to reach as soon as possible approximately 1 per cent of the combined national incomes of the economically advanced countries[[39]](#footnote-39)". This Elephant is still invisible.

**7- Vain mainstream attempts to mend the liberal theory**

We may consider that in front of the objective “economic” facts, letting aside the important issue of the role of power, benevolent scholars, belonging to the strand of liberal theory, were fully aware that their theory was too static, unable to explain growth and had nothing to say about freedom for people who were kept “underdeveloped” for decades. How one could tell them: do not mind the other, pursue your own interest, and the market will do the rest.

I would mention here only two vain attempts. First that of a theory of growth. Robert Solow was very successful since he got the nobel prize in 1987 for his foundation of the theory of economic growth. Two articles in 1956 and 1957 popularised the model of Solow[[40]](#footnote-40). He designed a production function where the quantity of capital and the quantity of labour are combined in a certain proportion to deliver an output. He added that the result of combining the quantities is evolving along the time because of the technical progress. Several scholars developed macroeconomic models, sophisticated, partly “keynesian”, with rigidity of wages and money”, partly “neoclassical”. No one could really help to tackle the problems of growth in the “developing” countries. And no more to explain the difference between the rates of growth from one “developed” country to another one.

The second attempt about “development” is more recent. It led to the publication of a ranking of countries, by UNDP, each year, since 1990, using a so-called Human Development Index, HDI. UNDP is almost the sole organisation using it since everyone is still watching growth of GDP. However, this attempt deserves attention for two main reasons First it tried to point out that the well-being of people is not well measured by the level of GDP and the improvement of this well-being is not measured by the rate of growth. Different critics and attempts in this line with this critique led for example to the Sen-Stiglitz commission[[41]](#footnote-41) to measure “economic performance and social progress”, organised by the President Sarkozy in France to propose a substitute to GDP to assess performance and ranking of nations.

To be sure this discontent towards GDP may have two rationale. President Sarkozy and others encountered difficulties to restore growth and would offer, with that index, to their voting people, a consolation with an index showing a “social progress”. The other rationale would be to decide that a society would not target growth but happiness (See Bhutan experiment) or …development. This would request a precise definition of what is development if it is not growth. And to give a few examples of countries obviously developed, without growth.

The ones who still stand to use GDP and growth as the criterium for development argue that without growth, there is nothing to share. Thus, growth first and then, there will be a trickle-down effect from the first winners at the top to the following winners down to the bottom. If this effect is too weak, Governments have the means to correct it. As a matter of fact, apart from this period between 1945-1971-73 in dominant economies, this effect did never occur. Growth is always widening inequalities (see for example Hicks and Streeten[[42]](#footnote-42)) as Christopher Freeman pointed out (2007[[43]](#footnote-43)).

The HDI is a composite index with three proxies to go beyond measurement of the sole level of living. These proxies are measuring “three important human capabilities: health, education and a decent standard of living[[44]](#footnote-44)”. The last one is based on the GDP per capita. Health is life expectancy and Education is a combination of literacy and school enrolment indices.

Behind this HDI stands the individualistic conception of development by Sen based on his concept of capabilities[[45]](#footnote-45) built on his ideas of substantive freedom and equality. An individual is free when he is capable to live the life he thinks as a good life. And Sen decides that obviously this comprises, to avoid starvation, to fulfilled material basic needs, but also to be educated, to participate in public life. Consequently, he states that higher income is not the only thing to get for development.

Whatever the various critics[[46]](#footnote-46) about the contents and the procedures of calculation this definition of development by the Nobel prize Sen has not changed the course of ideas. The works by the Nobel prize Solow did not do more and macrodynamics was too, a vain attempt to grasp the real world of “development”. This came fully to light when one observes the new stage of evolution of the world that was triggered during the decade of the 1970s.

**8 – The stunning about-face towards Global Competition, High-Tech Race and Financialization**

The historian Geoffrey Jones divides the last two centuries in three periods, the first Global economy, from 1850 to 1929, the De-Globalization from 1929 to 1978 and the New Global Era from 1978 to date[[47]](#footnote-47). As a matter of fact, after the New Deal and the Second World War, decolonisation, and Keynesian regime were accompanied, at least until 1978, with relatively well separated roles for each group of countries, with the developed West on one side and the developing countries on the other side. The traditional division of labour between industrialised and underdeveloped countries was going on, under lowered tariffs for manufactures with GATT, but with protectionist measures, non-tariff barriers, when necessary as MFA and Voluntary Exports Restraint agreements between industrialized entities (USA, Europe, Japan). Thus, each Western country enjoy technical superiority upon the developing world and effective commercial borders with other Western countries, marked by a stable rate of exchange of its currency that can be devaluated to the dollar, from time to time, to restore its competitivity and its external balance with the control and the help of IMF. Each Western country built a kind of prosperity already described (10-1 supra) and, somehow, achieved what is now defined as inclusive development.[[48]](#footnote-48)

 After the Bandung conference, many “Third World” non-communist countries, newly independent[[49]](#footnote-49), tried to take back the control on their resources from Multinational companies which had been established for long. This sometimes happened in a context of violence. In 1951, the nationalization of Oil in Iran led to a coup to overthrow the Government. In 1956, the nationalization of Canal de Suez led to a first war involving Israël and Egypt, France and the UK. Other oil nationalisations followed (e.g. Brazil 1953, Burma 1962, Argentina and Indonesia 1963, Peru 1968 etc.). In the Third World, past investment from the West in developing countries was mainly in infrastructure, minerals, combustibles and tropical products. FDI in manufactures rose during the 1960s especially as cross investment between industrialised countries (USA- Europe) and it was the beginning of academic studies on this phenomenon[[50]](#footnote-50), different from the studies on international flows of capital. A few large manufactured firms have invested into Latin American countries under an import-substitution scheme, sheltered by tariffs. They were sometimes under pressure from political groups. Usually FDI established wholly own subsidiaries but in some countries government started to ask to get a share of equity and a share of profit. Lybia asked a higher share of profit from their oil in 1970, in India a lot of American companies fled in 1977, for example Coca Cola, officially to keep secrecy on its formula, or IBM to keep 100% of ownership of its subsidiaries. Algeria and other countries in Africa have expropriated companies, trying “Africanisation” of the capital. Algeria launched the idea to keep independence from TNCs which were considered as the vector of neo-colonialism; thanks to its oil resources Algeria bought turnkey factories in order to industrialise its economy. The UN Centre on Transnational Corporations was established in 1974 to deal with the behaviour of these Multinational companies which were given this name because they were supposed to operate cross border activities for their own sole profit without taking care of collective interests, even those from their home country.

The last important violent opposition between Multinationals and a Government was illustrated by the role played by International Telephone and Telegraph (a US company) along with the CIA to overthrow the Chilean Government and to back a revolt that ended woth the assassination of Salvador Allende in 1973. Following that, the Chicago boys came to help the new government and started what is called neoliberalism: this was the first application of the Mont Pélerin guidelines.

**8-1- The decade of the 1970s**

A new world landscape emerged in the 1970s, with no of government policies, domestic and international ones, new strategies by private actors, mainly[[51]](#footnote-51) by the Transnational Corporations began to start to shape a new world for the 1980s on.

In 1971, President Nixon devaluated the dollar which was stuck to 35$ for one ounce of gold since 1934. Hegemony of the US economy was challenged. Its trade deficit became dangerous, there were too much dollars outside the US to be warranted by the gold stored in Fort Knox. These difficulties were combined with the oil shock: the Arabic Exporters decided in 1973 to raise the price of oil and to reduce production to back the offensive of Egypt and Syria against Isarël to recuperate the territories lost in 1967. The West was dependent on oil for its industry and prosperity; the threat went terrible as in 1974 the prices were more than three times the level of 1972. This led to rises in prices and to economic crisis and unemployment (called stag-flation). There was a feeling of power in some Third World countries as they had the majority at the General Assembly in the UN. They were able in UNCTAD[[52]](#footnote-52) to prepare[[53]](#footnote-53) a *Charter of Economic Rights and Duties of States* and have it adopted by the UN in 1974. They got also adoption, the same year, of the *Declaration for the Establishment of a New International Economic Order* with 20 principles. However, this led to nothing but rhetorical and political debates that were said a "North-South Dialogue". The great economic powers understood, that the UN system was still the relevant tool to try to regulate wars at world level, with the Security Council, but not for world economic regulation, thus they inaugurate the equivalent of an Economic Council, named G5: the USA, the UK, France, but also Germany and Japan, economic powers that are not member of the security council. After their first meeting in Rambouillet (France), in 1975, they will be joined by Canada and Italy becoming the G7 (after 1991, new Russia was a good candidate). It worked as an Oligopoly of nations upon the world, until the 2008 crisis which gave birth to the G20, as a co-leader on certain themes.

Coming back to the attempt of the UN GA to voice, to express the third world claim, we must say that this was the result of the inefficiency of technical assistance decided in 1949, and the poor results of so-called transfer of technology. This failure led, *inter alia*, to the idea that the technologies in use in Western and rich countries were not appropriate for countries with a population which was less educated and poor. A strand of thought was born in favour of appropriate technology or intermediate technology, to start a process of progressive industrialisation from crafts to manufacture, from an informal sector to a more formal one. Schumacher was one on the advocating people and his book *Small is beautiful*[[54]](#footnote-54) published in 1973 was a great success. It was also inspired by a distance in relation to technology, in order to take care of people, the subtitle of his book, was clear: *A study of economics as if people mattered*. This was also in line with Ivan Illich[[55]](#footnote-55) who introduced, the same year 1973, the concept of conviviality, to point the exploitation of people and their human dimension by technology, by tools that dictate its behaviour. Later these ideas will lead to two strand of thought. First the practise of micro-finance for tiny individual businesses in villages, started with the Grameen Bank (in Bangladesh) launched in 1976 by Muhammad Yunus who got for that the Peace Nobel prize in 2006. Second, the Postdevelopment and postcolonial and subaltern studies[[56]](#footnote-56) which advocated a posture that is an answer to the doubt posed by Lundvall’s remark (op.cit. 2014, p. 459) “the aspirations of people may be different in different countries and regions”, what is regarded as “valuable” may be different. More generally, in 1972, there was a big change for a big part of humanity about was valuable. This year the famous Meadows report[[57]](#footnote-57) made explicit that we cannot have growth for ever; there are “limits to growth” whereas the first UN conference on environmental issues took place in Stockholm in 1972. One outcome was the slogan “Think global, act local” and a follow-up by a series of summits, the famous Bruntland report (1987) leading to the concept of “sustainable development”. To this concept the post-development strand answered that this was an oxymora and that there was nothing but de-growth to organize, in order to save the planet. This had been theorized by Georgescu-Roegen in 1971[[58]](#footnote-58).

Finally, these times show a general failure of macroeconomics policies to control the economy and its evolution either by Keynesian policies in Western countries or by central planning in Eastern Europe. There it led to the fall of the Berlin wall in 1989 and the collapse of the USSR in 1991. Similarly, macroeconomics policies in Latin America were a failure; even oil exporters – here and elsewhere – went indebted and not industrialised. A pandemical debt crisis started with Mexico in 1982. A huge number of developing countries, in Africa and elsewhere, preferred to borrow capital than to accept FDI. Thus, they received loans from international Banks which were pleased to find clients that they thought that, as Government, could not fail. But the rise of oil prices and the crises, led these countries to borrow to pay the interests and the debt of the third world skyrocketed. Many countries failed and had to get a restructuration of their debt. IMF came, along with the World bank, and imposed drastic conditions to restore market’s truth and ability to have a trade surplus. This led to structural adjustment plans and recommendations that were later (in 1989) known as the “Washington consensus[[59]](#footnote-59)”.

It is in this highly troubled decade of the 1970s, that could start a new movement in facts and in thought, that triggered the about-face towards Global Competition, High-Tech Race and Financialization.

In 1977, Folker Fröbel and two German colleagues published a book[[60]](#footnote-60) that had a tremendous impact. The title was “The New International Division of Labour”. With a telling subtitle: “Structural unemployment in industrialized countries and industrialization in developing countries”. This was, up to a certain extent, a report on the successful industrialization, at the expense of developed countries, obtained from a specific process in which TNCs from developed countries were involved. Investing in Export Processing Zones, they employed low cost workers in processing imported -from developed countries- intermediate products in order to transform them into final products to be re-exported to clients in the developed countries[[61]](#footnote-61). Special tariff regimes allowed this with low taxes, as the USA decided that for US companies establishing workshops in the Mexican frontier starting the so-called maquiladora system in 1965. UNIDO tried to help the generalisation of such systems and promoted the establishment of an association between countries and experts to regulate such zones. Finally, a meeting in Manila, in 1978 established WEPZA, the "World Export Processing Zones Association". It was the birth of Global Competition, with future different wordings: global assembly line, global chains etc. To be sure for many reasons, China decided this year 1978, to start its own process of openness by creating such special zones in order to industrialize its economy, taking distance with the Eastern Europe model. Few theoreticians of so-called development of the third world accepted this idea that this could be an effective tool for industrialization. However, a few ones did that, as Amsden in the USA or Judet in France[[62]](#footnote-62) but very few Marxists as Emmanuel[[63]](#footnote-63) turned to something which would be like the China model. However, a few years later, UNCTAD who was the voice of the Third World transformed in South, integrated (1993) the UN center on TNCs as from that time on, more and more developing countries will try to attract FDI from TNCs. But facts, at least, were like rocks thrown in the garden of developed countries. Their club, OECD, triggered the alarm: Newly Industrialising Countries[[64]](#footnote-64) are exporting manufactures to industrialised countries. They did not clearly write it, but it was clearly felt that this was challenging their domination[[65]](#footnote-65).

**8-2- The 1980s and the new era**

The Governments in industrialised countries reacted firstly to try to get a revival of their economic domestic machine and the main idea of Ms Thatcher, in 1979, was to lower the role of the State and to give back a larger role to the market. She was plainly followed, by Reagan in 1982 in the USA, and step by step everywhere. In France, the socialist President Mitterrand changed his mind in 1983 to embark this new era. Privatisation, deregulation became the motto with supply-side economics, directly opposed to the demand-side of Keynesian policies. From that time on, the share of capital rose in the GDP at the expense of wages and inequalities climbed, favouring the higher 5%, and more, higher 1% (even 0.1%) of the income ladder. These happy few took a larger and larger share in almost all developed economies. Government had trust in markets, in fact in the economic elite and above all in Large and dynamic companies. The old competition acts (Sherman act 1890 and Clayton act, antitrust act 1914) will be step by step forgotten, and mergers and acquisitions, quasi monopolies, praised: the last effective pursuit was that of ATT which led to its dismantling in 1984. Elsewhere, some State monopolies were broken, as British Telecoms in the UK and everywhere in developing economies. However, the world concentration of capital in the main industries followed an amazing dynamics, with enormous deals in billions of dollars, as never seen in history.

Facing the challenge of emerging economies, the first reaction was to try to counteract by a strategy with measures of retaliation. The Strategic trade policy was made as a non-orthodox policy, advocated in the mid-80s by economists like Paul Krugman[[66]](#footnote-66) who asked the question[[67]](#footnote-67): is free trade passé? This was a kind of acknowledgement that States are by essence, entities established on territories, specially designed to overcome each other on the world scene[[68]](#footnote-68). These ideas were praised by Porter who underlined the idea of competition between nations[[69]](#footnote-69). Stopford and Strange in the same line pointed out that rival States and rival firms were competing for world market shares[[70]](#footnote-70). I totally agreed with that and put it in a conceptual framework, borrowed from the system theory[[71]](#footnote-71), with little echo.

This explicitly strategic behaviour came to an end despite the involvement of Clinton’s administration. The USA started another general counter-offensive. In 1986 was launched the new Uruguay Round to include all manufactures, all services and Agriculture in the project of free trade. Paul Krugman became persuaded that third world could not hurt the US economy[[72]](#footnote-72), and he admonished[[73]](#footnote-73) Clinton who went on the same track: this is a “dangerous obsession!”. Step by step the US administration convinced itself in 1999 that “America benefits from Market liberalization (….and) The US economy looks to the future from a position of strength[[74]](#footnote-74)”. In the meantime, WTO had been established in 1995 and a strong effort to boost technology had been made.

The idea of Krugman and other scholars was to accelerate the world high technology race, in order to keep the lead and the advance on the developing countries. This was backed by an analysis of the Asian miracle and by the history of the West that grew rich thanks to technology[[75]](#footnote-75). Similarly, it was the beginning of the Innovation Systems theory, with the basic books edited bu Lundvall and Nelson in 1992 and based also on previous works by Christopher Freeman. These works supposed that learning and innovation system are supported by cooperative individual, firms and states in so far as that harsh competitions between rivals were kept out of the picture.

With these ideas, the narrative of Japan success seemed smooth. No idea of the harsh strikes until the 1962 agreement between workers’ union and Toyota and the Keidanren. No memory of the domination of Japan in Asia during the interwar and its ability to fight with bombers and aircraft carriers until Hawaï in 1942, Not to speak of its strategy to keep FDI at bay. Just to say that history has shown that there was no free Elephant.

To be an Elephant is a fight to climb a ladder and to get a better position when the ones who are higher do not really give a hand and moreover they are themselves climbing higher. To go where? Where are they making for?

This is a terrible question. Growth and technical progress are the objectives even if a few grains of ethic invite some people to promote some better sharing of the outcome, that is said inclusive development. Actual evolution is marked by a global declining rate of growth and technical advances that are not really inclusive, but destroying jobs. In the meantime, large firms and banks organised fiscal optimisation and financial operations that had been liberalised since 1986; this enables them to make growing profits despite a slowing growth. The financialisation of the economy does not take care of the Elephant, it is perhaps in the process of eating it.

1. José Eduardo Cassiolato, Marcelo Pessoa de Matos, Helena Lastres and Israel Marcellino, 2012, “Innovation Systems and Development: The use of the IS framework along the first ten years of the Globelics conference”, Globelics Working Paper Series, N° 2012-01, p. 24. [↑](#footnote-ref-1)
2. Bengt-Åke Lundvall, 2007, “Innovation System Research- Where it came from and where it might go” Globelics Working Paper Series, N° 2007-01, p. 31. [↑](#footnote-ref-2)
3. Björn Johnson and Allan Dahl Andersen (2012) *Learning, Innovation and Inclusive Development – New perspectives on economic development strategy and development aid,* Aalborg, Aalborg University Press. [↑](#footnote-ref-3)
4. Bengt-Åke Lundvall and Rasmus Lema, 2014, “Growth and structural change in Africa: development strategies for the learning economy”, *African Journal of science, Technology, Innovation and Development,* Vol.6, N°5, p. 455-466. (<http://dx.doi.org/10.1080/204221338.2014.979660>). 2007, [↑](#footnote-ref-4)
5. There had been national exhibits of manufactures before that time; the first occurred in Prague (Austrian Empire) in 1791, the second in 1798 in Paris (France, followed by others, nine before 1851), and then in many other countries as in New York (1829), and the first in the UK took place in 1849 in Birmingham entitled “The first exhibition of British Manufacturers”. [↑](#footnote-ref-5)
6. More than 5 million visitors and as a by-product the first -always in use- classification of Bordeaux wines…This exhibition took place after the one organized by New York, also to challenge London, with its own Crystal palace of iron and glass, it lasted 17 months at the turn of the year 1853-1854 with 1.1 million visitors in total. National sources are available on line, a general view is offered by John G. Findling and Kimberly D. Pelle (eds) (2008) *Encyclopedia of World’s Fairs and Expositions,* McFarland & Company.Inc, Jefferson. [↑](#footnote-ref-6)
7. Inspired by the games organized in Greece (from the 8th century BC to the 4th century AD.) the French Baron Pierre de Coubertin set up in 1894 an international committee for the project to organize, every four years, Olympic games, sports competitions between non-professional athletes. The first was organized in Athens in 1896. Since the 1970s, the market has entered the game, with professional players, rising place of sponsoring etc. Politics had entered before, especially in the 1930s. [↑](#footnote-ref-7)
8. It is frequent to hear that cotton industry was the real start of the industrial revolution in Britain without taking care that cotton was not grown in England, but in India. Moreover, England has forbidden imports of textiles from India to avoid competition against British products. [↑](#footnote-ref-8)
9. Nicholas Crafts and Kevin H. O’Rourke in “Twentieth Century Growth”, discussion paper in Economic and Social History, University of Oxford, n°117, September 2013, take as good estimation a 1.7% rate of GDP annual growth for UK from 1800 to 1831 and a rate of 2.4% from 1831 to 1873. The following period is the Long depression and then a shift of industrial dynamics in favour of the USA. In terms of annualized rate of growth of output per person, in the USA, it is 1.84 from 1870 to 1920 according to the statistics given p. 14 by Robert Gordon in *The Rise and Fall of American Growth,* Princeton, Princeton University Press, 2016. [↑](#footnote-ref-9)
10. See for example the statistics from Saenz, Piketty and Atkinson. [↑](#footnote-ref-10)
11. Gerschenkron, Alexander (1962), *Economic backwardness in historical perspective, a book of essays*, Cambridge, Massachusetts: Belknap Press of Harvard University Press. According to Albert Fishlow ( EH.net, 2001 ) “a 1951 essay entitled “Economic Backwardness in Historical Perspective.” From that brief 25-page contribution to a conference held at Chicago, and later published in Economic Development and Cultural Change, were to emerge the central ideas that characterized his subsequent academic career. The essay gave its name to his volume of essays published by Harvard University Press in 1962. It is the opening chapter of that volume, and a significant reason that it was recently selected as one of the most influential works of economic history ever published.” [↑](#footnote-ref-11)
12. Eleanor Roosevelt, the widow of the President had been deeply involved in the realization of this declaration. [↑](#footnote-ref-12)
13. And prepared with the contribution of the Brooking institution. [↑](#footnote-ref-13)
14. The text of his address (1949/01/20) is available on line [**http://www.trumanlibrary.org/calendar/viewpapers.php?pid=1030**](http://www.trumanlibrary.org/calendar/viewpapers.php?pid=1030) [↑](#footnote-ref-14)
15. In 1942 in *Capitalism Socialism and Democracy*, Schumpeter pointed out that innovation, the engine of capitalism, was “a gale of destructive creation”. It would be naïve to think that to innovate and to take advantage of it, is just a “management” or a “technical” problem. A destructive gale is a terrible thing. And, the main actor of the play, is no longer the entrepreneur, or a group of entrepreneurs, buying (or stealing) inventions from an idealistic scientist. No, it comes from Large Firms, not price takers, Large capitalist firms with a strategy (an absent of economic theory, underlined Schumpeter). “The best way of getting a vivid and realistic idea of industrial strategy is indeed to visualize the behavior of new concerns or industries that introduce new commodities or processes […] such concerns are aggressors by nature and wield the really effective weapon of competition.” (op.cit. p. 89, quoted from Taylor & Francis e-Library, 2003). Dealing on this observation of the real world, his vision of the future is relatively pessimistic, joining Marx on this point, to a certain extent. [↑](#footnote-ref-15)
16. Bengt-Åke Lundvall, 2007, “Innovation System Research- Where it came from and where it might go” Globelics Working Paper Series, N° 2007-01, p. 32. [↑](#footnote-ref-16)
17. Raul Prebisch (1950) *The Economic Development of Latin America and its Principal Problems,* United Nations, Economic Commission for Latin America. [↑](#footnote-ref-17)
18. Raoul Prebisch, an Argentinian, was the first Head of the Economic Commission for Latin America, just established in Chile, by the UN (along with one commission for each large region of the world); later on, he will become the first secretary general of UNCTAD (1964). [↑](#footnote-ref-18)
19. Main calculations were done by Angus Maddison for OECD; there are of recent interpretation of this stagnation that are uncontextual. See for example Raimundo Soto and Felipe Zuritia (2011) “Two centuries of economic growth: Latin America at its bicentennial celebration” *Latin American Journal of Economics,*Vol 48, n°2, November, p. 113-132. I do not back the thesis of these authors who disseminates as a main idea that the lagging behind of LA countries was not due to a lack of capital or labour but is the outcome of wrong policies choices about the promotion of labour productivity and misuses of resources. Doing so these authors deny the obvious: the power exerted on these countries by the industrialised ones and their large firms. [↑](#footnote-ref-19)
20. Arghiri Emmanuel (1969, *L’échange inégal,* Paris, Maspero (translated in English and published in 1972, *Unequal exchange: a study of the imperialism of trade,* New York, Monthly. [↑](#footnote-ref-20)
21. François Perroux (1948) “Esquisse d’une théorie de l’économie dominante”, *Economie Appliquée,* n° 2-3, see also François Perroux (1960, *L’économie du* XXème siècle, Paris, PUF. An Indian economist wrote a comparison between Prebisch and Perroux. See: Krishman Kutty, 1999, *Thoughts of François Perroux and Raul Prebisch in Development Strategy,* New dehli, Northern Book Center. To a certain extent, both of them could be also associated with Meade It is also possible to consider the proximity between Myrdal and Prebisch: see Andrés Rivarola Puntigliano and Örjan Appelqvist, 2001, “Development economics in the core and on the periphery”, *Journal of Global History,* Vol 6, issue 1, March, p. 29-52. A recent work on Prebisch has been published by the ECLAC : Esteban Pérez Cladentey and Matias Vernengo, 2016, “Raul Prebisch and economic dynamics: Cyclical growth and centre-preiphery interaction”, September, available on line with this code : DOI: 10.18356/521ccb95-en. [↑](#footnote-ref-21)
22. Frank, André Gunder Frank, 1967, *Capitalism and Underdevelopment in Latin America*, New York, MonthlyReview Press. [↑](#footnote-ref-22)
23. Theotonio Dos Santos, 1971, "The Structure of Dependence," in K.T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism.* Boston, Porter Sargent, p. 226. [↑](#footnote-ref-23)
24. See, for example, Celso Furtado, 1961, *Desenvolvimento e Subdesenvolvimento* (Development and Underdevelopment), Rio de Janeiro, Editora Fundo de Cultura and Celso Furtado, 1974. *O Mito do Desenvolvimento Economico* (The Myth of Economic Development), Rio de Janeiro: Paz e Terra. A previous paper published in Portuguese in 1952 was made available in English later on: Celso Furtado, 1958, “Capital Formation and Economic Development” in A.N.Agarwala and S.P. Singh (eds) *The Economics of Underdevelopment,* Oxford, Oxford University Press, p. 309-337. [↑](#footnote-ref-24)
25. Alfred Sauvy, “Trois mondes une planète” *Le Nouvel Observateur,* 14 Août 1952. [↑](#footnote-ref-25)
26. Quoted after Lynge Nielsen, 2011, “Classifications of Countries Based on Their Level of Development: How it is Done and How it Could be Done” IMF Working Paper, February, n° WP/11/31; p.4. [↑](#footnote-ref-26)
27. https://www.wto.org/english/tratop\_e/devel\_e/d1who\_e.htm [↑](#footnote-ref-27)
28. Oliver Williamson, 1975, *Markets and Hierarchies: Analysis and Antitrust Implications*, New-York, The Free Press [↑](#footnote-ref-28)
29. Ronald Coase introduced this idea in 1937, but no one cared of that. He got the Nobel Prize in 1991 for that, thanks to followers, as Williamson, who built a detailed transaction cost theory on its seminal paper: Ronald Coase, The Nature of the Firm, *Economica,* New series, vol. 4, N°16, p. 386-405. [↑](#footnote-ref-29)
30. It replaced GATT to expand it. GATT was created in 1947 with the same objective to lower progressively all barriers to free trade as a source of growth for all Nations. [↑](#footnote-ref-30)
31. Social Insurance and Allied Services asked to him by the British Government in 1941. [↑](#footnote-ref-31)
32. It has been adopted in March 1944 and put into acts after the liberation of France by the new government in 1945-46. [↑](#footnote-ref-32)
33. It was particularly high (around 5%) in France so that she was taken as the next first economic power in Europe (Hudson institute report, 1973). [↑](#footnote-ref-33)
34. In the case of Latin American countries, some of them practiced an Import-Substitution policy, to stop by tariffs the imports of certain manufactures from the dominant countries. But in most of them, the production was mainly operated by subsidiaries of Transnational corporations from the dominant countries. [↑](#footnote-ref-34)
35. Ragnar, Nurkse,.1953, *Problems of Capital Formation in Underdeveloped Countries,* Oxford, Oxford University Press. He had worked for the League of Nations in the 1930s and until 1945 and after the war became a professor at US universities. [↑](#footnote-ref-35)
36. Paul Rosenstein Rodan, 1961, “Notes on the Theory of the Big Push” in Howard, S.Ellis, (ed), 1961, *Economic Development for Latin America* (1961). [↑](#footnote-ref-36)
37. Along with World Bank we may mention that OECD (from Organisation for Economic Cooperation in Europe, see supra) was established in 1962 as Organisation for Economic Cooperation and Development [↑](#footnote-ref-37)
38. Walt Whitman Rostow, 1960, The stages of economic growth, a non-communist manifesto, Cambridge, Cambridge University Press. [↑](#footnote-ref-38)
39. Quoted after Helmut Führer, 1996, The story of official development assistance, OECD/GD(94)67. [↑](#footnote-ref-39)
40. Robert Solow, 1956, “A contribution to the Theory of Economic Growth”, *The Quarterly Journal of Economics,* Vol 70, n°1, Februrary, p. 65-94 and Robert Solow ,1957, “Technical Change and the Aggregate Pdroduction Function”, *The Review of Economics and Statistics*, Vol. 39, No. 3, p. 312–320. [↑](#footnote-ref-40)
41. Two Nobel prize, Joseph Stiglitz (2001 )and Armatya Sen (1998 ) who was already involved in such an attempt, see infra. The report was presented in September 2009 and is retrievable on line : http://library.bsl.org.au/jspui/bitstream/1/1267/1/Measurement\_of\_economic\_performance\_and\_social\_progress.pdf [↑](#footnote-ref-41)
42. Norman Hicks, Paul Streeten, 1979, “Indicators of Development: The Search for a Basic Needs Yardsick” *World Development,* 7, p. 567-580. [↑](#footnote-ref-42)
43. Christopher Freeman, 2007, Social inequality, technology and economic growth, Globelics Working paper, 2007-05. [↑](#footnote-ref-43)
44. Elizabeth A. Stanton, 2007, “The Human Development Index: A History”, Political economy research institute, Working paper series, n°127. [↑](#footnote-ref-44)
45. Amartya Sen, 1985, *Commodities and Capabilties,* Amsterdam, North Holland. [↑](#footnote-ref-45)
46. One of the critics is the absence of society to decide what is a good life. Under usual circonstances, in capitalist countries, large firms, in developing countries, often foreign firms are driving the needs and the conception of what is considered as a good life. See for example John Kenneth Galbraith, 1958, *The Affluent Society,* Boston, Houghton Mifflin. [↑](#footnote-ref-46)
47. Geoffrey Jones, 2010, “Multinational Strategies and Developing Countries in Historical Perspective”, Working Paper 10-076, Harvard Business School, [↑](#footnote-ref-47)
48. “inclusive development is a process of structural change which gives voice and power to the concerns and aspirations of otherwise excluded groups. It redistributes the incomes generated in both the formal and informal sectors in favour of these groups, and it allows them to shape the future of society, in interaction with other stakeholder group” Johnson and Andersen (2012), *op.cit*., p. 25. [↑](#footnote-ref-48)
49. Mexico took state control of its oil on the 18th March 1938. [↑](#footnote-ref-49)
50. Stephen Hymer presented a dissertation (Cambridge, The MIT) in 1960 with the title “*The International Operations of National Firms: A Study of Direct Foreign Investment*” with Charles P. Kindleberger as supervisor. This was the beginning of FDI and Multinational studies. [↑](#footnote-ref-50)
51. NGOs started also to play a new and important role, but finally with no real impact on the course of things. Which government care from Oxfam reports or from World Social Forum meetings? Only some TNCs have tried to comply with some Corporate Social Responsibility rules. There were only a few effective actions on environmental issues despite the great impact of NGOs in the general public and many discussions in the international scene. [↑](#footnote-ref-51)
52. United Nations Conference on Trade and Development, created by the UN in 1964, in the following of Bandung conference and asking for “trade but not aid”. Then UNIDO, United Nations for Industrial development organization was created in 1966. [↑](#footnote-ref-52)
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