

## [“Demolishing Development Myths to Meet the SDGs”](#)

### [Book Launch, Geneva, United Nations Library](#)

#### *“Handbook of Alternative Theories of Economic Development.”*

On June 28<sup>th</sup> 2017, UNCTAD and UNRISD, the two United Nations institutions in the forefront of heterodox economic thinking for development, jointly organized a book launch at the Geneva Palais des Nation’s library: **“Handbook of Alternative Theories of Economic Development”** is the title of this 800 pages, groundbreaking volume by economists from all continents.

The topic of the launch, to present development oriented economics for the SDGs, was a reminder of the verbal remark of Ms. Amina J. Mohammed, who is today Deputy UN Secretary General, in an ECOSOC session some time ago in Geneva. She commented that UN objectives against poverty looked **“very much like a Christmas Tree where everyone wants to hang something, yet there is little appetite as to how to get there.”**

**How to get there?** Such is the central topic and objective of this publication **“Handbook of Alternative Theories of Economic Development.”**

Edited by Erik Reinert, Jayati Ghosh and Rainer Kattel, this book of 812 pages brings together over 40 world experts in economic development policy and takes us through a wide and historical journey from Italy in the 16<sup>th</sup> century to the present, and, as such, it is a **rather unique and well timed initiative for anyone with hunger for achieving the SDGs!**

One would be well to recall that some of the speakers were associated with then Chief ECOSOC economist Jomo K Sundaram, in seeking to build an LMIC UN Member States coalition, in the wake of the 2008 financial crisis, so as to transform macroeconomic institutions like the IMF to render them capable to sustain ‘developmental States’ rather than the current dominant financiarisation of the economy.

*"Many elements of current development orthodoxy lead to policies that can inhibit the achievement of the SDGs. But there is a vast and rich tradition of alternative approaches to economic development (...)"* writes co-editor Erik Reinert in introducing the book.

Just to give a little foretaste of this delightful book, we may quote the following passage which jumps from one of the Italian founders of political economy to today’s ecological concerns:

Antonio Serra, (early 1600 Italy) : (...) *Serra’s distinction between increasing and diminishing returns is crucial to an understanding of technology optimism and technology pessimism, looking at the situations where ‘limits to growth’ may be converted into ‘green sustainability’. Based on Serra’s insights about increasing returns: getting more out of what is put in.” So capturing increasing returns means, essentially, embarking on a process of intensive growth, which, if based on renewable energies and resource recirculation, can accurately be called ‘green growth’. Employing Serra’s theory today, in the energy sector green growth would mean going from a system of extracting fossil fuel to a system of harvesting nature’s energy”.*

Effectively, in the introduction to the book by co-editor Erik Reinert, he points out that 20<sup>th</sup> century mainstream economists (adepts of free trade) dispensed of the notion of ‘increasing returns’ as it conflicted in the real world with ‘market equilibrium theory’ and only kept the later.

## **Presentation of the Handbook, June 29, Geneva, UN Palais**

The handbook was presented by:

Pr Rainer Kattel, Tallinn University of Technology, Estonia, co-editor of the Handbook

Pr C.P. Chandrasekhar, Dean Social Sciences, Jawaharlal Nehru University, New Delhi

H.E. Xaviet Carim, Ambassador of South Africa, Chair General Council of WTO

Katja Hujo, Senior Research Co-ordinator, UNRISD

Richard Kozul-Wright, Director, Division on Globalisation and Development Strategies UNCTAD

And moderated by Pr Jayati Ghosh, Jawaharlal Nehru Univ., New Delhi, also co-editor of the Handbook.

We report below a few salient points from speakers in this UNCTAD-UNRISD UN Library event:

“All major thinkers about economy were also thinkers of Development” was the panel's main point.

- The authors of the book get away from the North American and Anglo-Saxon dominant thought processes for mainstream economics, which along with the French Physiocrats, have become the only references in economics.
- They want to get away from the trap of just looking at Development at the micro-level (with the short sighted ‘micro-credit’ and micro project baskets) and move back looking at it from the macro-level.
- The editors of the book believes we are currently in an 1848 moment – the year of revolution.

**Pr Rainer Kattel, Tallinn University of Technology, Estonia - Main Points:**

- Economics is a moral science and there is more than one way of doing it.
- Relationships between big business and government play a large role in development however it isn't always a positive result. Many times the two do not think about the effects their ideas will actually have on the people.
- Data is essentially owned by 5 (American) companies
- A big question is how do you get the structure transformation (the change) you want with the big businesses owning the majority of the data?

**C. P. Chandrasekhar, Jawaharlal Nehru University, New Delhi, on planning:**

- You need State intervention to deal with grand macro-scale market failures but not necessarily interventions at the micro-level.
- You can't afford to produce at full capacity so you need small, local investments to help promote production and distribution
- An example of failed investment coordination is the oil countries because they didn't utilize investment coordination and diversify so now they are heavily reliant on oil prices

**Catja Hujo, UNRISD, on knowledge systems:**

- Knowledge systems aren't neutral because they tend to forge alliances with political elite
- Social Policy and Development go hand in hand
  - Social policy can be an indicator of transformative effects within the market. It can show trends on market stabilization, distribution, market risks, and much more.

**Richard Kozul-Wright, UNCTAD, Main Points:**

- UNCTAD incorporates rigorous intellectual thinking with political efforts
- Normative principals within UNCTAD:
  - Economic Development and Social Progress
  - Addressing imbalances at the global level
  - The development alternatives must be sensitive to each country

- International Financial Policies should take into account the needs of developing countries as well
- UNCTAD eventually shifted from being an active participant in the development community to an active critic largely due to deregulation.
- Profits have trumped political space rather than results.
- UNCTAD has warned people for decades about the danger of a financialized world which is what we are currently in.
- The SDGs are currently the biggest investment push; it is public investment on a huge scale.
- We are currently facing a 1947 moment when multilateral systems began to operate
  - Ex:
    - The Marshall plan was launched
    - ECE was launched
    - The UN held its first conference

#### Q&A Session:

1. What/where are the new challenging ideas in our world now? (Regarding the 1947 statement from Richard.)
  - a. Trump and Brexit made a difference by shattering the myth that there is no alternative
  - b. The Emergence of the New Development Bank
  - c. There are lots of little opportunities out there and people know what they do and do not want but just can't agree on how to get there.
    - i. It's hard for alternatives to get traction via the media etc. – this is largely determined by large capital of today
    - ii. We need to find ways to combat the knowledge monopoly
2. Are the solutions to implementing the SDGs now clashing with established practices?
  - a. We need to answer the question "What type of coalitions must be established to have the result we're looking for?"
  - b. There aren't scarce resources however there isn't the financial structure to equally distribute them all.
    - i. Unfortunately, the underlying political will isn't there to address the resource inequalities
3. How do you fight the power of big capital?
  - a. The world is a hegemony
  - b. Don't underestimate the possibilities of change
    - i. Big capital may be powerful but it's also fragile
4. Is finance and inequality linked?
  - a. Microfinance will not improve the economy
  - b. You can't get a technological fix for social/economic problems (ie. giving people access to credit cards/credit card machines is not a miracle fix for things socially or economically).

#### References:

Handbook of Alternative Theories of Economic Development

Edited by Erik Reinert, Jayati Ghosh and Rainer Kattel

Edward Elgar Publishing, 28 Sept. 2016 - 848 pages

Very expensive, fortunately the eVersion is more affordable.

To read Intro: <http://www.e-elgar.com/shop/eep/preview/book/isbn/9781782544685/>

## A glimpse at the arguments in the “Handbook of Alternative Theories of Economic Development.”

The book makes us travel across centuries to get a grasp how some countries got rich and other remained poor (which is a popular book by Erik Reinert now in paperback– *How Rich Countries Got Rich . . . and Why Poor Countries Stay Poor*, Paperback –2008.)

We noted that this book is also very much in line with the economist **Ha-joon Chang** whose book, *Kicking Away the Ladder* may not be well known of the broad public, but which has become such a reference in economic UN circles that in many debates orators speak for or against the ‘role of **the ladder**’ without mentioning H.J. Chang at all! To wit: Pascal Lamy, then WTO director: “*The ladder is irrelevant!*” versus Jomo : *What is very important is the ladder...*

The ladder refers to the historical fact that for a poor country, to undertake development out of poverty, needs to protect its ‘baby’ industries, or local agriculture, by ‘protectionism’, and only trade at similar levels of development when and if it can be mutually profitable. Wealthy countries have resorted to strong protection for decades before opening to more open trade.

“Understanding economic development and demolishing neoliberal development myths” is the way the editors present this huge volume. “The Handbook of Alternative Theories of Economic Development, Edward Elgar 2016, also available as an e-book on <http://www.ebooks.com/95628740/handbook-of-alternative-theories-of-economic-development/reinert-erik-s-ghosh-jayati-kattel-rainer/>”

“It seeks to bring back the richness of development economics through many different theories that have contributed over the ages to an understanding of material progress.”

Among the authors we noted economics professors with diverse levels of responsibilities as academics from Australia, Brazil, Chili, China, Denmark, Estonia, France, Germany, India, Italy, Norway, Romania, Singapore, South Africa, Spain, Switzerland, Tanzania, Turkey, the UAE, Uganda, the UK, Uruguay, the USA, and Zimbabwe.

And we note UNRISD and its strong engagement for social protection, with its history of research to promote it, from Thandika Mkandamwire to the Brazilian sponsored research of Il Cheong Yi with Armando di Negri, one of the founders of the Porto Allegre World Social Movement.

To quote Jomo again: “*Social protection as investment, and not as cost : our mindsets changes when we think of social 'protection as investment.*” and Brazil’s representative to the World Health Assembly side event with European MoH and UN, civil society representatives, Dr Paulo Buss: “*Please, Europeans, don’t throw away your social protection systems, these social protections are part of humanity’s precious heritage, a gift to the entire world. Please don’t let these be dismantled.*” (2010)

### References:

<https://www.worldeconomicssassociation.org/newsletterarticles/understanding-economic-development-and-demolishing-neoliberal-development-myths/#comment>

### Editors:

**Rainer Kattel** is Professor and Chair of Innovation Policy and Technology Governance at the Ragnar Nurkse School of Innovation and Governance at Tallinn University of Technology, Estonia, and Visiting Scholar at the Earth Institute, Columbia University, USA.

**Erik S. Reinert** is Professor of Development Strategies at Tallinn University of Technology, Estonia and heads *The Other Canon Foundation* in Norway.

**Jayati Ghosh**, Jawaharlal Nehru Univ., New Delhi, India. Her critics of neoliberal reforms in India are well known, See listing at: <http://www.jnu.ac.in/Faculty/jayati/cv.pdf>

For a good review of the book, see also EAS, <http://www.networkideas.org/news-analysis/2017/03/understanding-economic-development-and-demolishing-neoliberal-development-myths/>

**Report from C. Mulhall (Graduate Institute, Geneva) and G. Upham SOI, Geneva).**

### Playing with fire

Another book to read from UNCTAD's development economics group.

The Geneva based inter-governmental organization, South Centre just reported on a new book by their chief economics adviser, economist **Yilmaz Akyüz** : ***Playing with Fire. Deepened Financial Integration and Changing Vulnerabilities of the Global South***, whose approach is very much in tune with heterodox economists thinking in UNCTAD and the "Handbook".

**"The IMF imposes austerity on the debtor, expecting that it would make debt payable and sustainable and bring back private creditors. It has little leverage on creditors.**

There are problems with standard crisis intervention: austerity can make debt even less payable; creditor bailouts create moral hazard and promote imprudent lending, and transform commercial debt into official debt, thereby making it more difficult to restructure; and risks are created for the financial integrity of the IMF.

Many of these problems were recognised after the Asian crisis of the 1990s, giving rise to the sovereign debt restructuring mechanism, originally designed very much along the lines advocated by the U.N. Conference on Trade and development (UNCTAD) throughout the 1980s and 1990s (though without due acknowledgment).

However, it was opposed by the United States and international financial markets and could not elicit strong support from debtor developing countries, notably in Latin America. It was first diluted and then abandoned.

The matter has come back to the attention of the international community with the Eurozone crisis and then with vulture-fund holdouts in Argentinian debt restructuring..."

**This book explains the financial integration of emerging and developing countries and discusses the new vulnerabilities to external financial shocks...**

**Another relevant real economics book and a must to read!**

*Report from C. Mulhall (Graduate Institute, Geneva) and G. Upham (SOI, Geneva), Member G2H2*

*Published as a G2H2 member's blog on 17 July 2017:*

<http://g2h2.org/posts/demolishing-development-myths/>