Hamlet without the Prince of Denmark: How development has disappeared from today's 'development' discourse

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1. Introduction

The definition of 'development' has always been a contentious issue. Income level is of course one of the most widely accepted single measure of development, but most people would agree that development is something more than providing higher material standards of living.

The most well known in this respect is the UNDP's human development index (HDI) and its variations, which try to incorporate non-income dimensions of human welfare, such as education, health, and gender equality. HDI and similar measures of development (e.g., the physical quality of life index – a 1970s predecessor of HDI) are saying that our lives are not simply fulfilled by having more material goods but need self-realization and dignity. The 'humanistic' dimension of development emphasized by these indicators is absolutely essential in making us remember that material progress is only the means and not the end of development.

However, there is another dimension that used to be central to the definition of development in the early days of development economics but has become increasingly forgotten. It is the 'production' side of development.

Before the rise of neo-liberalism since the late 1970s, there was a general consensus that development is largely about the transformation of the productive structure (and the capabilities that support it) and the resulting transformation of social structure – urbanization,

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dissolution of the traditional family, changes in gender relationships, rise of labour movement, the advent of the welfare state, and so on. This was mainly (although not exclusively) to be achieved through industrialization. Even though they radically disagreed on how exactly this was to be done, most commentators – ranging from Walt Rostow on the right and the Dependency Theorists on the left – shared the view that development is something centred around a process of transformation in the productive sphere.

Most of us still hold such view of development at the instinctive level. For example, most people would not classify some oil-rich countries that have incomes higher than those of some 'developed' countries as 'developed'. In refusing to classify these countries as 'developed', we are implicitly saying that achieving high income through resource bonanza is not 'development' – the high income should be somehow 'earned'. At the other extreme, following the Second World War, the German income level fell to that of Peru or Mexico, but few people would argue that Germany at that time should have been re-classified as a 'developing' country, because we know that Germany still had the necessary technologies and organizational capabilities to regain its pre-war level of living standards quickly.[2] These examples show that we are implicitly saying that in order to qualify as 'developed' an economy's high income should be based on superior knowledge, embodied in technologies and institutions, rather than simple command over resources.

However, during the last quarter of a century, at the more formal level, 'development' has come to mean something quite different from what it used to mean. As I shall show below, 'development' has come to mean poverty reduction, provision of basic needs, individual betterment, sustenance of existing productive structure – that is, anything but 'development' in the traditional sense. In other words, it has turned into *Hamlet* without the Prince of Denmark!

In this paper, I analyze the use of the term, 'development', in some of today's key 'development' discourses – the Millennium Development Goals of the United Nations, the Doha Development Agenda (DDA) of the WTO (World Trade Organization), and the discourse on micro-finance. I will argue that these discourses have a view of 'development' that lacks a vision of transformation in productive structure (and the development of social and technological capabilities that are both the causes and the consequences of such transformation). They are, consequently, unable to promote development, and can even be anti-developmental. At most, today's mainstream view of development is that of an *ersatz* development, which relies upon uncoordinated individual initiatives. I will conclude the paper by arguing that a discourse on 'new developmentalism' should be constructed by reviving the 'productionist' concern of the old development economics, while paying greater attention to the issues of human development, politics, technological development, institutions, and the environment than was the case in the old days.

2. Development without development: the MDGs

Since the rise of neo-liberalism in the late 1970s and the early 1980s, many people in the rich countries, both inside and outside the academia, have come to take the view that the

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[2] In 1946, Germany's per capita income in PPP terms was $2,217 – a huge fall from the wartime peak of $6,084 in 1944. In the same year, per capita income in Peru was $2,046 and that in Mexico was $2,211. Ten years later, in 1956, German per capita income surpassed the wartime peak of $6,177, but the Peruvian and the Mexican per capita income remained at $2,731 and $2,843. The data for Germany are from Table 1c and that for the Latin American countries are from Table 4c of Maddison (2003).

developing countries are what they are only because of their own inabilities and corruption and that the rich countries have no moral obligations to help them. Indeed, there is a growing view that helping the developing countries is actually bad for them because it will only encourage dependency mentality.

Fortunately, the above view is not the mainstream view in all rich countries. Most people still believe that, with a strong help from the rich countries, the developing countries can pull themselves out of poverty. The most 'progressive' and comprehensive of the mainstream discourses on development along this line is arguably embodied in the United Nation's Millennium Development Goals (MDGs).

According to the UN, the MDGs' eight goals are:

Goal 1: Eradicate extreme poverty and hunger.
Goal 2: Achieve universal primary education.
Goal 3: Promote gender equality and empower women.
Goal 4: Reduce child mortality.
Goal 5: Improve maternal health.
Goal 6: Combat HIV/AIDS, malaria, and other diseases.
Goal 7: Ensure environmental sustainability.
Goal 8: Develop a global partnership for development.

There are many different elements in the MDGs, especially as each goal has a number of 'targets' that span across different sub-issues, but most of them relate to reducing poverty and improving education and health in poor countries. This is obvious for the case of goals 1-6, but telling from the targets under its heading, even goal 7 (environmental sustainability) is partly about health (improving access to safe drinking water and increasing access to improved sanitation).[3]

Laudable these goals and targets may be, their sum total does not amount to development in the sense we are talking about, as they pay no serious attention to the transformation of productive structure and capabilities.

The only explicit 'development' dimension in the MDGs is embodied in Goal 8. The targets under this heading include: development of an 'open, rule-based, predictable, non-discriminatory trading system'; reduction or even writing-off of developing country foreign debt; increase in foreign aid from rich countries, including trade-related technical assistance; provision of access to affordable essential drugs for developing countries; and the spread of new technologies, mainly information and communications technologies.

The emphasis in this vision is very much on the trinity of increased aid, debt reduction, and increased trade. Debt reduction and increased aid (unless they are on very large scales, which they are not going to be) are simply enabling conditions (and in which the developing countries are mere recipients rather than originators), rather than those that determine the contents of development. Thus seen, the view on the relationship between trade and development is the key to understanding the vision of development underlying the MDGs. So what are the contents of an 'open, rule-based, predictable, non-discriminatory trading system' that the MDG agenda talks about here?

Telling from the concrete indicators that measure the 'developmental' contribution of the world trading system in the MDG discourse, we see that the 'pro-developmental' trading system boils down to one where the rich countries reduce their tariffs and subsidies on

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[3] Detailed targets under each goal of the MDGs can be found at the United Nations website and Reddy & Heuty (2006), Appendix 1.

agriculture, textile, and clothing exports from developing countries, especially the least developed countries (LDCs).

However, the understanding of the relationship between trade and development implicit in this vision is non-developmental. In this vision, the best way to make trade help development is by liberalizing the rich country markets so that the developing countries can sell more of what they are already selling – or 'trade their way out of poverty', as a popular slogan puts it. There is no notion that developing countries need to get out of what they are doing now (the specialization in which is after all what keeps them poor) and move into higher-productivity activities, if they are to achieve development.[4]

Thus seen, the MDG envisages 'development without development'. Most of what it takes as 'development' is really provision of basic needs and poverty reduction. What little attention it pays to the question of production is based on the view that development can be achieved by specializing more in the products in which a country has comparative advantage (supported by the rich countries reducing debts and giving more aids).

However, doing more of the same thing in terms of one's productive activities is not how today's developed countries have become developed. Starting from 18th century Britain through to 19th century USA, Germany, and Sweden, down to 20th century Japan, Korea, and Taiwan, history has repeatedly shown that development is achieved by upgrading a country's productive capabilities and moving into more 'difficult' industries *before* they acquire comparative advantages in those new activities, by using protection, subsidies, and other means of market-defying government intervention (Chang, 2002a, 2007a). Let me give some prominent examples.

In 1960, when Nokia entered the electronics industry, per capita income of Finland was only 41% that of the US, the frontier country in electronics and overall ($1,172 vs. $2,881). It was thus not a big surprise that the electronics subsidiary of Nokia ran losses for 17 years and remained in business mainly because of cross-subsidization from mature firms in the same business group (helped by government procurement programmes).

In 1961, per capita income of Japan was a mere 19% that of the US ($563 vs. $2,934), but Japan was then protecting and promoting all sorts of 'wrong' industries through high tariffs, government subsidies, and ban on foreign direct investment – automobile, steel, shipbuilding, and so on.

To take an even more dramatic example, take the case of South Korea. Its (then) state-owned steel mill, POSCO, which had been set up in 1968, started production in 1972, when its per capita income was a mere 5.5% of the US income ($322 vs. $5,838).[5] To make it worse, in the same year, South Korea decided to deviate even further from its comparative advantage by launching its ambitious Heavy and Chemical Industrialization programme, which promoted shipbuilding, (home-designed) automobile, machinery, and many other 'wrong' industries. Even as late as 1983, when Samsung decided to design its own semi-conductors, Korea's income was only 14% that of the US ($2,118 vs. $15,008).

By discussing these examples of countries defying the market and entering activities where they do not have comparative advantage, I do not mean that all forms of 'traditional' activities, such as agriculture or textile/clothing, are incompatible with development. After all,

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[4] Moreover, it is not as if the reduction in tariffs/subsidies for agriculture and textile/clothing is going to help the developing countries very much. As I will show in the next section when I discuss the DDA, the benefits of these reductions are going to be quite modest and concentrated among the rich farmers in some of the richer developing countries, such as Brazil and Argentina.

[5] Even in PPP terms, its income was only 16% that of the US ($2,561 vs. $15,944).

the Netherlands is still the world's third largest exporter of agriculture despite not having much land (it has the fifth highest population density in the world, excluding city states or island states with territories less than, and including, that of Hong Kong).[6] For another example, Germany used to be the world's fifth largest exporter of textiles and clothing until as late as the early 1990s. However, these were possible only because these countries applied advanced technologies to these 'traditional' activities and upgraded them – hydroponic culture in the case of Dutch agriculture and specialty textiles and high-class design in the case of German textile/clothing. At the other extreme, countries like the Philippines export a lot of high-tech products, like electronics, but no one calls it developed because the production uses someone else's technologies, is organized by someone else, and has few roots in the domestic economy. Should all the multinational companies decide to leave the Philippines tomorrow, it will be reduced to exporting primary commodities.

Once again, these examples confirm my earlier point that it is *not what one has but how one has got it* that determines whether a country is developed or not. Without any vision of transformation in productive structure and the upgrading of the productive capabilities that make it possible, the vision of development behind the MDGs can only be described as 'development without development'.

3. Anti-developmental development agenda: the DDA

The 'non-developmental' nature of the MDGs is bad enough. However, the 'development' discourse becomes positively anti-developmental when it comes to the Doha 'Development' Agenda (DDA) of the WTO talks.

Launched in November 2001 in the Doha ministerial talks of the WTO, the DDA claims to give a special attention to the needs of the developing countries, compared to previous rounds of trade talks. There are many different elements in this agenda, which comprises 21 areas including everything from agricultural subsidies to e-commerce. However, the core of the DDA is what we can describe as the 'agriculture-industry swap' between the developed countries and the developing countries – basically the former countries lowering their agricultural tariffs and subsidies, in return for the latter lowering their industrial protection under the so-called non-agricultural market access (NAMA) negotiations.

Although the negotiations are stalled at the moment (and it could collapse, given the current global economic crisis), it is mainly because of the magnitudes of the cuts on both sides. Even as they disagree on who should cut their tariffs and subsidies in which areas by how much, most people seem to accept the principle behind the agenda itself – that the developed countries should specialize in industry and the developing countries should specialize in agriculture and therefore that whatever is making that specialization difficult should be criticized.

The first trouble with this vision is that the agriculture-industry swap is not going to help 'development' very much even in the anodyne MDG sense. In reality, many developing countries are net agricultural importers and thus unlikely to benefit from agricultural liberalization in the developed countries. They may even get hurt as a result of agricultural liberalization in the developed countries, if they happen to be importers of those agricultural products that are heavily subsidized by the developed countries. This could directly hit MDG goals regarding hunger and health.

Overall, the main beneficiaries of the opening up of agricultural markets in the

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[6] Only Bangladesh (1,045 persons per km^2), Taiwan (636 persons per km^2), Mauritius (610 persons per km^2) and South Korea (498 persons per km^2) have higher population densities.

developed world will be other developed countries with strong agriculture – the USA, Canada, Australia, and New Zealand.[7] Most developing countries export agricultural products that are not protected very much by the developed countries for the simple reason that they do not have any domestic producers (e.g., coffee, cocoa). Only two developing countries, Brazil and Argentina, which are major exporters of those 'temperate' products where developed country tariffs and subsidies are concentrated (e.g., beef, wheat), are likely to benefit from this in a major way. Moreover, some (although obviously not all) of the prospective losers from agricultural trade liberalization within the developed countries will be the least well-off people by their national standards (e.g., hard-pressed farmers in Norway, Japan, or Switzerland), while some of the prospective beneficiaries in developing countries are rich even by international standards (e.g., agricultural capitalists in Brazil or Argentina). In this sense, the popular image that agricultural liberalization in the developed countries as mainly helping poor peasant farmers in developing countries is totally misleading.[8]

More importantly, in the long run, the DDA is likely to hinder, rather than help, development, by making it structurally very difficult for the developing countries to transform their productive capabilities. This is because, in return for liberalization in agriculture and textile/clothing by the developed countries, developing countries are demanded to reduce their industrial tariffs (which incidentally shows that the developed countries do not really believe in free trade theory, which argues that trade liberalization does not require any compensation – unilateral trade liberalization is always beneficial, whatever one's trading partner does).

Of course, reduction in industrial tariffs may bring some benefits to the consumers of the developing countries, but these gains are unlikely to be more than (an one-off gain of) 1.5% of developing country income even according to the optimistic scenarios envisaged by the World Bank (Chang, 2005, p. 28). Moreover, these short-term gains are likely to be quickly overwhelmed by the long-term losses that come from the inability (due to tariff cuts) on the part of the developing countries to promote 'infant' industries. In addition to the historical evidence, which I have discussed in the previous section, there are many respectable economic theories that show that a transformation in the productive structure of a developing country is highly unlikely without some sort of 'infant' industry protection (and other supportive policies) (Chang, 2005).

The potential long-run damages to development prospect from the NAMA negotiations are great, as the cuts in industrial tariffs of the developing countries proposed by the developed countries in the NAMA negotiations are on historically unprecedented scales. Even though the US proposal to abolish all industrial tariffs by 2015 is considered to be a deliberately radical opening gambit, the core US proposal is to bring average industrial tariffs in developing countries down to 5-7% by 2010, the lowest level since the days of colonialism and unequal treaties when the weaker countries were deprived of policy autonomy, especially

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[7] See Stiglitz & Charlton (2005), pp. 121-2 and Appendix 1. For various numerical estimates of the gains from agricultural liberalization in the rich countries, see Ackerman (2005). Two World Bank estimates cited by Ackerman put the share of the developed countries in the total world gain from trade liberalization in agriculture by high-income countries at 75% ($41.6 billon out of $55.7 billion) and 70% ($126 billion out of $182 billion).

[8] The other main beneficiaries of agricultural liberalization in rich countries, that is, their consumers, do not gain very much. As a proportion of income, their spending on agricultural products is already pretty low (around 13% for food and 4% for alcohol and tobacco, of which only a fraction is the cost of the agricultural produce itself). Moreover, the trade in many agricultural products they buy is already liberalized (e.g., coffee, tea, cocoa).

the right to set tariffs (on colonialism and unequal treaties, see Chang, 2002a, pp. 51-4).[9] With very few exceptions, they will be also lower than the rates that had prevailed in today's developed countries until the early 1970s (see Chang, 2005, for further details).[10]

Moreover, the context in which the industrial tariff cuts are to be made magnifies their potential negative impacts. The range of policy tools available to the developing countries has shrunk sharply in the last two decades. During this period, through the WTO and various bilateral and regional FTAs (free-trade agreements), subsidies, quantitative restrictions, foreign investment regulations (such as local contents requirements), directed credit programmes, foreign exchange rationing, and many other tools of industrial promotion have become either impossible to use or very circumscribed. Given this shrinkage in policy space in other areas, the relative importance of tariffs as a policy tool has, unintendedly, increased significantly in the recent period (on the question of policy space, see Chang, 2005, and Gallagher (ed.), 2005). If they have their abilities to use tariffs curtailed significantly, there will be few other policy tools that the developing countries can use to engineer the transformation of their productive structure and capabilities.

To make it even worse, the tariff cuts are to be made in a manner that is much more stringent than before. For example, in the Uruguay Round, tariff cuts involved only cuts in (trade-weighted) average tariffs. This time, a "Swiss" formula, which requires that higher tariffs be cut most steeply and that tariffs are cut *line-by-line*, is to be employed. This means that the developing countries are not even going to have the freedom to protect some key sectors while cutting tariffs in others. In contrast, in agriculture, where they are largely on the defensive, the developed countries advocate a much less draconian tariff reduction formula and are refusing to put caps on agricultural tariffs.

Thus seen, the DDA deal is not simply non-developmental (like the MDGs) but it is deeply anti-developmental in the sense that it not only encourages developing countries to stick to their current production structure but also makes it impossible for them to move away from it in the future.[11]

4. *Ersatz* Developmentalism: the MDGs and Micro-finance

Having shown how the currently dominant development vision fails to see development as a process of transformation of a country's productive structure and capabilities, it would be unfair to suggest that there is no attempt whatsoever to increase productive capabilities in that vision. After all, improvements in health and education emphasized by the MDGs should increase the productive capabilities of individuals, especially the poor.

However, today's mainstream development discourse sees these increases in productive capabilities as happening mainly through individual betterment. For example, six

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[9] The EC proposal will bring average industrial tariffs down to 5-15%.

[10] The exceptions are Britain and the Netherlands between the late-19th and the early 20th centuries, Germany briefly in the late 19th century, and Denmark after the Second World War.

[11] Supplementary to the MDGs and the DDA is the 'aid for trade' deal, supported, among others, by the WTO. In this deal, developing countries are asked to liberalize their trade in return for the additional foreign aid that will enable them to make extra investment in skills and infrastructure. However, trade liberalization will destroy, and make it very difficult to newly set up in the future, the very locales of accumulation of productive capabilities, namely, productive enterprises in high-productivity industries.

of eight MDGs are about improving income, health, and education of individuals (with the partial exception of Goal 3, namely, gender equality and female empowerment, the latter of which by definition is a 'relational' thing). There is relatively little discussion of the need to improve social institutions, except in the highly problematic assertion that developing countries should be encouraged, or even required, to adopt 'global standard' institutions (for a critique of the global standards discourse, see Chang, 2007b and 2007c). Another important example is micro-finance, which, according to today's orthodoxy, is supposed to promote development by helping people lift themselves out of poverty through their own entrepreneurial efforts (for a 'productionist' critique of microfinance, see Bateman & Chang, 2009). Even the mainstream discourse on institutions very much emphasize the protection of private property rights, partly because it is seen as crucial in inducing rational self-seeking individuals into entrepreneurial activities (see Chang, 2007b).

At one level, there is nothing wrong with all this. Entrepreneurship is an important, albeit not the only, force behind the increase in a country's productive capability. When the capabilities of individuals in a country – whether in terms of education, health, or ability to acquire credit (as in microfinance) – are enhanced, the country's productive capabilities are likely to increase.

However, there are only so many productive capabilities that can be developed through improvements at the individual level. This is because development in productive capabilities in reality mainly occurs in (public, private, and co-operative) productive enterprises. However well-educated and healthy the individuals may be, they cannot produce rapid, lasting, and sustainable productivity growth that makes development possible, unless they are employed by firms engaged in production activities with large scopes of productivity increase.

Even if the total number and the capabilities of the individuals involved are the same, more and better ideas will be produced by individuals working together in a productive enterprise through cross-fertilization of ideas than isolated individuals running their own one-man operations. Moreover, because much of the knowledge in productive enterprises is acquired in a 'collective' manner in the sense that they are created in the context of a complex division of labour (rather than through the activities of isolated individuals) and deposited in the form of organizational routines and institutional memories (rather than in individuals), when the individuals are organized into productive enterprises, productivity growth stops being dependent on individuals and therefore acquires a self-sustaining dynamic that individual entrepreneurship cannot produce.

To put it more graphically, 1,000 extra street food stalls or 1,000 one-man TV repair shops are not going to enhance national productive capabilities in the same way that one modern supermarket or one electronics manufacturer employing 600 workers and getting supplied by 20 small enterprises that employ 20 people each on average. Even if those 1,000 owners of the food stalls or TV repair shops all have PhDs in food technology or electronics and even if most of the 1,000 employees working in (large and small) modern enterprises have only primary education, the former are still unlikely to enhance the country's productive capabilities as much as the latter can.

Thus seen, the emphasis on individual capabilities and entrepreneurial energy that dominates today's mainstream development discourse is largely misplaced. To put my argument above somewhat differently, what really distinguish the US or Germany, on the one hand, and the Philippines or Nigeria, on the other hand, are their Boeings and Volkswagens, and not their economists or medical doctors (which the latter countries have in quite large quantities). Similarly, what really distinguishes Ecuador or Vietnam from the US or Japan is not the raw entrepreneurial energy of the people that the neo-liberals so often talk about

(which you probably have more in the former group of countries) but the abilities of a society to set up and manage productive enterprises that can channel that individual energy into raising productivity.

What little developmentalism that there is in the currently dominant vision of development is *ersatz* developmentalism – the belief that, if you educate them better and make them healthier and give them security of property rights, rational self-seeking individuals will exercise their natural tendency to 'truck and barter' and somehow create a prosperous economy. However, this vision is fundamentally at odds with the reality of development. In reality, development requires a lot of collective and systematic efforts at acquiring and accumulating better productive knowledge through the construction of better organizations, the cross-fertilization of ideas within it, and the channeling of individual entrepreneurial energy into collective entrepreneurship.

5. Concluding Remarks: Towards a New Developmentalism

This paper has argued that the currently dominant discourse on 'development' really lacks any real notion of development in the sense of the transformation of productive capabilities and structure (and the accompanying social changes). In line with the comparative advantage argument, it emphasizes the need for developing countries to stick to their existing specializations in agriculture and textile/clothing. It is suggested that this should be encouraged by the lowering of trade barriers in rich countries vis-à-vis products in which poor countries have comparative advantage, such as agricultural products and textile/clothing. Sometimes, as in the DDA, the discourse can even be positively anti-developmental, when it is demanded that developing countries give up their industrial tariffs in return for the rich countries lowering their trade barriers in agriculture. In so far as there is some minimal awareness of the need to develop capabilities, it amounts to no more than an *ersatz* developmentalism, where uncoordinated efforts by individuals with better health, more education, and greater access to micro-credits will somehow produce development (but once again based on existing specialization). All this is why I call the mainstream discourse on development *Hamlet* without the prince of Denmark.

Predictably, the dominant agenda has singularly failed to deliver any lasting development. To go beyond it, therefore, we need to go back to the 'productionist' tradition of old development economics and put the transformation in productive capabilities that go beyond individuals back at the heart of our development thinking.

Of course, by saying this I am not suggesting that we go back to development economics of the 1950s and the 1960s. For there are issues that it largely (if not entirely) neglected but that are crucial in properly understanding development. The list can be made longer, but here are the five issues that I think are the most crucial.

First, going back to the productionist tradition should not mean that we focus only on material aspects of development. The early development economists were aware of these additional dimensions (hence the fierce debate on the 'meaning of development' amongst them), but it is true that this dimension was not fully brought into their analyses. The 'humanistic' dimension of development, which has been highlighted by approaches like the human development approach of the UNDP and Amartya Sen's capability approach, should be more explicitly incorporated into the 'new developmentalist' approach, while without losing the emphasis on the 'productionist' view. Development in the humanistic sense cannot be taken too far and made sustainable without a robust transformation in the underlying productive structure and capabilities.

Second, not enough attention was paid to politics by the development economists of

the vintage, although it is unfair to say that all of them were like that – Albert Hirschman and Gunnar Myrdal are obvious exceptions. Of course, the political economy discourse that has emerged since (allegedly) to address this shortcoming has been dominated by the so-called Neoclassical Political Economy, which has serious problems. Therefore, anyone interested in developing a 'new developmentalist' approach needs to develop a more sophisticated approach that can capture the complexities of the modern political process (for an attempt along this line, see Chang, 2002b).

Third, the old school development economics did not pay enough attention to the issue of institutions. Once again, we should not under-estimate the sophistication of old development economists in this regard. For example, Simon Kuznets, when discussing his famous 'inverted-U' relationship between the level of income and the degree of inequality, emphasized that the improvement in income distribution is not automatic but depends on the development of institutions like trade unions and the welfare state. However, it is true that institutions were not discussed in a theoretical way very much in the old development literature. Therefore, we need to develop theories of institutions and institutional change more, especially as the currently mainstream discourse on institutions has serious limitations (Chang, 2007b, for a critical review of the mainstream literature; Chang, 2002b, is an attempt to develop an 'institutionalist political economy' alternative to it).

Fourth, development economists of the old vintage did not pay much attention on the process of technological development in the process of productive transformation. Productive transformation was seen mainly in terms of capital accumulation and the transfer of investible surplus and labour force from the traditional sector. The 'technological capabilities' literature, which has emerged from the 1980s, has highlighted issues like the complex nature of technological learning, the role of productive enterprises as the main vehicles of such learning, and the role of trade, industrial, and technology policies in promoting it (Lall, 1992, is a classic on this). Any 'new developmentalist' approach needs to put these issues at the heart of its transformative strategy.

Last but not least, environmental sustainability was more or less ignored in the old-style development economists. Especially, the issue of global warming was simply not in anyone's mind at the time. However, it is increasingly recognized that an environmental catastrophe could strike the world, especially the developing countries (many of which are poorly located and, more importantly, have very low capacity to cope with the consequences), unless a major transition is quickly made away from carbon-based technologies that have so far driven the developmental process. Therefore, the 'new developmentalist' agenda has to think of ways to make the transition to a post-carbon economy before the disaster strikes while allowing continued industrialization of the developing countries. The technological, institutional, and distributive issues that will arise in the process will tax our understanding to the limits.

Developing and enriching the traditional 'productionist' perspective of development with the addition of these new elements will not be easy. However, unless we develop a 'new developmentalist' discourse by doing that and overcome the poverty of vision in the currently dominant development discourse, the future of the developing world would be bleak.

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