

<b>COMPARISON OF A PAPER BY PIER GIORGIO ARDENI WITH A PAPER/ARTICLE BY MICHELE ALACEVICH</b>	
<p>PIER GIORGIO ARDENI, “Being a consultant ‘expert’ in a developing country: the legacy and lessons of Albert Hirschman”, <i>Quaderni - Working Paper DSE N°964</i>, Università di Bologna, Department of Economics</p> <p>Invited paper prepared for the Conference in honor of A.O. Hirschman, Dipartimento di Economia e diritto, Università di Roma "La sapienza", 12-13 September 2014</p>	<p>MICHELE ALACEVICH, “Early Development Economics Debates Revisited”, <i>World Bank Policy Research Working Paper Series</i>, n. 4441, 2007</p> <p>Later published in <i>Journal of the History of Economic Thought</i>, Volume 33, Number 2, June 2011</p>
ARDENI p. 8	ALACEVICH p. 3 (2007) and pp. 148-149 (2011)
<p>Rosenstein-Rodan’s starting point was the recognition of an 'agrarian excess population', i.e. a condition of 'disguised unemployment' or <i>underemployment</i> in the agricultural sector that made productivity of the population in excess equal or close to zero. The solution proposed by Rosenstein Rodan was to transfer this excess population to an industrial sector that was to be built ex-novo. This sector would have to be treated “like one huge firm or trust”. Rosenstein-Rodan did not explicitly mention a policy of 'balanced growth', and yet this is what he was de facto proposing when he suggested considering the industrial sector as an indivisible and unified enterprise. He stressed the need for an initial phase of extremely focused effort to reach a stage of self-sustained growth, the concept of the 'big push'.</p>	<p>Rosenstein-Rodan’s starting point was the recognition of an “agrarian excess population”; in other words, a condition of “disguised unemployment” in the agricultural sector that made productivity of the population in excess equal—or close to—zero (Rosenstein-Rodan 1943, p. 202). The solution proposed by the author was to transfer this excess population to an industrial sector that was to be built ex novo. This sector would have to be treated “like one huge firm or trust” (1943, p. 204). Even though Rosenstein-Rodan did not explicitly mention a policy of “balanced growth,” this is what he was de facto proposing when he suggested considering the industrial sector as an indivisible and unified enterprise. [...] Moreover, the article stressed the need for an initial phase of extremely focused effort to reach a stage of self-sustained growth. This was the concept of the “big push.”</p>

After the above paragraph, four lines by Ardeni summarize one page by Alacevich:

ARDENI p. 8	ALACEVICH pp. 3-4 (2007) and pp. 149-150 (2011)
<p>The 'balanced growth' approach was then taken on and elaborated more in depth by Ragnar Nurkse (1953) and W. Arthur Lewis (1954) and this would, as Hirschman (1984) later recalled, define "a new orthodoxy", against which Hirschman's Strategy (1958) and Paul Streeten (1959) would react with their two separate and independent contributions.</p>	<p>The analyses at the basis of the balanced-growth approach were welcomed by the majority of scholars.</p> <p>[Discussion of W. Arthur Lewis and Ragnar Nurkse]</p> <p>These reflections, therefore, 'while being themselves novel and heterodox, were rapidly shaping up in the 1950s as a new orthodoxy' (Hirschman 1984, p. 87). In an explicit reaction to this orthodoxy, however, some researchers viewed the process of economic development as substantially unbalanced—the two main supporters being Albert O. Hirschman and Paul P. Streeten.</p>
ARDENI p. 8	ALACEVICH p. 4 (2007) and p. 150 (2011)
<p>In his Strategy Hirschman questioned the very fundamentals and the usefulness of the theory of balanced growth:</p> <p>"My principal point is that the theory [of balanced growth] fails as a theory of development. Development presumably means the process of change of one type of economy into some other more advanced type. But such a process is given up as hopeless by the balanced growth theory which finds it difficult to visualize how the "underdevelopment equilibrium" can be broken into at any point. . . . The balanced growth theory reaches the conclusion that an entirely new, self-contained modern industrial economy must be superimposed on the stagnant and equally self-contained traditional sector"</p> <p>(Hirschman [1958] 1963, pp. 51–52, emphasis in the original).</p>	<p>Hirschman questioned the very fundamentals and the usefulness of the theory of balanced growth.</p> <p>"My principal point is that the theory [of balanced growth] fails as a theory of development. Development presumably means the process of change of one type of economy into some other more advanced type. But such a process is given up as hopeless by the balanced growth theory which finds it difficult to visualize how the 'underdevelopment equilibrium' can be broken into at any point. . . . The balanced growth theory reaches the conclusion that an entirely new, self-contained modern industrial economy must be superimposed on the stagnant and equally self-contained traditional sector"</p> <p>(Hirschman [1958] 1963, pp. 51–52, emphasis in the original).</p>

	<p>Note that the quotation from Hirschman above presents the same modifications in both Alacevich (2007; 2011) and Ardeni (2014).</p> <p>1) Alacevich added “[of balanced growth]” in the first line of the quotation, and</p> <p>2) Alacevich shortened the quotation by cutting a few words between “any point” and “The balanced growth theory reaches...”</p> <p>Both interventions appear also in Ardeni.</p>
ARDENI pp. 8-9	ALACEVICH p. 4 (2007) and p. 150 (2011)
<p>Posing the problem in terms of a missing element – primarily capital – was, according to Hirschman, misleading. He considered the resources and the elements necessary for development as latent, hidden, perhaps unavailable but nonetheless existent:</p> <p>“development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and listing for development purposes resources and abilities that are hidden, scattered, or badly utilized”</p> <p>(<i>Strategy</i>, p. 5)</p>	<p>Hirschman was convinced that posing the problem in terms of a missing element—primarily capital—was misleading. He considered the resources and the elements necessary for development as latent, hidden, perhaps unavailable but nonetheless existent. In a famous passage, he stated:</p> <p>“development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and listing for development purposes resources and abilities that are hidden, scattered, or badly utilized”</p> <p>(Hirschman [1958] 1963, p. 5).</p>
ARDENI Page 9	ALACEVICH p. 4 (2007) and p. 150 (2011)
<p>...it is not necessary to concentrate efforts to industrialize a country in a short period of time. As he wrote to André Gundar Frank in 1959:</p> <p>“If one wants to move [straight] from one equilibrium position</p>	<p>...it was no longer necessary to concentrate the efforts needed to industrialize the country in a short period of time.</p> <p>“If one wants to move [straight] from one equilibrium position to the next—Hirschman wrote to André Gunder Frank in 1959—</p>

to the next then, because of the discontinuities and invisibilities *that I take for granted*, the 'big push' or 'minimum critical effort' is indispensable. But if we assume that intermediate positions of development-stimulating disequilibrium are sustainable at least for limited time periods, then we can manage to break down the big push into a series of smaller steps" (Hirschman (1984), p. 105, emphasis in the original).

As he would later recall, it was a search for hidden rationalities (Hirschman 1984, p. 91) that, through seemingly perverse or defective processes, could stimulate effective sequences of investment. This is a concept that Hirschman fully explored through the idea of "backward" and "forward linkages":

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It was, therefore, a search of "hidden rationalities" (Hirschman 1984, p. 91) that, through seemingly perverse or defective processes, could stimulate effective sequences of investment—a concept Hirschman fully explored through the idea of "backward" and "forward linkages" (Hirschman [1958] 1963).