Journal of
Economic and Social Thought
econsciences.com
Volume 12 December 2025 Issue 4

Pioneers of development economics in the 1940s and 1950s: Foundations of contemporary economics

By Henrik EGBERT †, Martin HOFFSTADT, Teodor SEDLARSKI, & Aleksander B. TODOROV

Abstract. Following the Second World War, the economic reconstruction of Europe became a central priority, exemplified by the Marshall Plan, while development in less industrialized countries gained global significance. In the 1940s and 1950s, classical development theories emerged, emphasizing capital accumulation, industrialization, and structural transformation, with the state as a key agent of change. Influential approaches included Rosenstein-Rodan's Big Push, Nurkse's Balanced Growth, Hirschman's Unbalanced Growth, Lewis's Dual-Sector Model, Prebisch's Import Substitution Industrialization, Rostow's Stages of Growth, and Myrdal's Cumulative Causation and Soft state concepts. This study critically synthesizes the main concepts of these approaches, highlighting shared features such as structuralist orientation, the central role of the state, and the importance of capital and coordination, while noting their neglect of micro-level factors, limited empirical grounding, and assumption of linear growth. Implementation failed due to weak institutions, governance challenges, and regional variation. Nevertheless, enduring insights, such as coordination mechanisms, economies of scale, sectoral linkages, and dual-sector dynamics, remain relevant. The paper shows how these theories influenced later developments, including New Growth Theory, New Institutional Economics, and behavioral approaches, which integrate macro- and micro-level dynamics, and formal modeling. The offered perspective underscores the continuing relevance of classical structuralist ideas.
Keywords. Development economics; Development theory; Development; History of economic thought.
JEL. B25; B31; O10; O20.

1. Introduction

With the end of the Second World War, the question of Europe's reconstruction becomes central for the United States. The answer for the Western European states, including the later Federal Republic of Germany, consists mainly of the Economic Recovery Program, also known as the Marshall Plan. The United States develops and finances the reconstruction and between 1948 and 1952, sixteen European countries receive access to loans, raw materials, and food. The devastated states of Eastern Europe occupied or controlled by the Soviet Union, the USSR intends to integrate them into the planned economy it has devised.

† Anhalt University of Applied Sciences, Bernburg, Germany.
| | | CRediT (article last page)
Received 20 Nov. 2025; Received in revised from 10 Dec. 2025; Accepted 20 Dec. 2025.

Crossref https://doi.org/10.1590/xxx-2025-xxx

In addition to the reconstruction of Europe, the question arises in the late 1940s of how less developed regions and countries can catch up with the economic development of the European and North American industrialized states. This question gains importance, on the one hand, because the independent states of South and Latin America as well as Asia seek to achieve economic integration; on the other hand, because the Second World War becomes a catalyst for the independence movements of the British, French, Portuguese, Belgian, and Dutch colonies in Africa, Asia, and the Caribbean. The economic-theoretical dilemma of the 1950s lies in the fact that there is no development concept or development theory for less developed, non-industrialized, and often colonial countries and territories.

In the 1950s, the concept of economic development is largely equated with economic growth (Toye, 2017, 103-119). In the Western industrialized countries, this is the result of simultaneous surges in industrialization and colonial expansion. The Soviet Union, in the 1930s, also initiates a catch-up development through planned industrialization and territorial expansion. However, industrialization is only to a limited extent an option for less developed states. Those that are integrated into international trade act as suppliers of raw materials. In the 1940s, their economies are characterized by subsistence farming, often extreme poverty, colonial or post-colonial exploitation, feudal structures, strong social stratification, poorly developed markets, as well as a low level of formal education among the population. Moreover, it had not been in the interest of the European colonial powers to structurally develop the territories dependent on them. This changes after the Second World War, when India becomes independent in 1947 and undergoes partition, and when in the 1950s and 1960s colonies in Africa, Asia, the Pacific, and the Caribbean achieve independence.

When the Bank for Reconstruction and Development (World Bank) and the International Monetary Fund begin their operations in 1946 and 1947, their initial focus is on the reconstruction of Europe. Due to the rapid success of the Marshall Plan, the World Bank increasingly concentrates on development outside of Europe from the early 1950s onward. However, there are no suitable theories on how to induce economic development. Only experience from the industrialization and the exemplary success of massive exogenous capital inflows following the destruction of the war are available as empirical evidence.

This results in the emergence of economic development theories in the 1940s and 1950s that are today referred to as classical ideas or grand theories. The term “classical” denotes here that they were the first concepts, not that they were based exclusively on classical economics, although, like Ricardo before them, they assigned significant importance to capital accumulation. These comprehensive theories focus on few aspects regarded as central. The theories have mostly no broad empirical foundation. Nevertheless, some of them become broadly popular and form the basis of active development policy. Krugman (1993) also describes these initial decades of development theory crafting as the era of “high development theory”. The authors are known today as pioneers in framing approaches to development and modernization.

With the emergence of new paradigms in economics from the 1980s onward, such as the New Growth Theory and the New Institutional Economics, along with improved data availability, the rise of econometrics,

the 'grand' macro-theories have become unpopular. However, they continue to shape thinking, and some of their aspects have proven to be robust theoretical building blocks to this day. In this contribution, we outline several pioneering classical structuralist approaches (cf. Adelman, 2001, 106–110) and demonstrate that concepts from some of the earliest theories remain relevant today. We examine the reasons for their eventual rejection and explore why certain elements are still regarded as significant.

2. Main contributions

The early approaches of the 1940s and 1950s share the emphasis on the importance of capital for development processes and a structuralist orientation. Industrialization is fundamental to growth and development in all of these approaches. Their proponents assume structural obstacles in technology, institutions, information, markets, governments, and other areas. Often, the question is how, despite structural shortcomings, sufficient capital can be mobilized to initiate development processes. Endogenous capital accumulation can occur through saving, trade, or the activation of unused domestic resources. Alternatively, capital can be supplied exogenously to the economy, thereby inducing growth surges. The theories, with varying degrees of emphasis, take into account that, to a certain extent, the government has a central role in capital accumulation and in establishing a predictable development strategy.

In the following, we highlight central aspects in seven key theories: the Big Push (Rosenstein-Rodan), Balanced Growth (Nurkse), Unbalanced Growth (Hirschman), the Dual-Sector Model (Lewis), Terms of Trade and Import Substitution Industrialization (Prebisch), Stages of Economic Growth (Rostow), and Cumulative Causation and the Soft State (Myrdal). We do not claim to provide an exhausting selection, since numerous economists have addressed issues of growth, trade, and development (e.g. Leibenstein or Solow) and contributed to the broader debate. However, we consider these seven to be the most influential authors who focused on developing or less developed regions up to the end of the 1950s. The structure of the next section is as follows: we first introduce each of the economists, followed by a discussion of the central idea or concept.

2.1. Big Push – Paul Rosenstein-Rodan

Paul Rosenstein-Rodan (1902–1985) is the first of the pioneers to shape development theory (cf. Alacevich, 2021 for biographical details). He is born in Krakow, studies economics in Vienna, and belongs to the intellectual circles there, and, together with Oskar Morgenstern, is editor of the Zeitschrift für Nationalökonomie (now published as Journal of Economics). He leaves Vienna with a Rockefeller Fellowship, first going to Italy and later to London, where he maintains contact with Hayek, Robbins, and other scholars of the London School of Economics. His work is concerned mainly with marginal utility and the influence of time on economic processes and equilibria. These studies on change and shifting equilibria are precursors to his later work in development theory.

In 1933, Rosenstein-Rodan is appointed to a professorship at University College London, and in 1941 he becomes Secretary of the Economic Group at the British Institute of International Affairs. There, his research areas include

rural poverty in Europe and the structure of cooperation between Europe and the United States after the war. In the United States, he begins working at the World Bank in 1947 and, in 1953, becomes a professor at MIT, with Walt Rostow also among the faculty.

For Rosenstein-Rodan the industrial development of Eastern and Southeastern Europe is central, as he regards it as necessary to create an economic counterweight to Germany's economic power after the war. He formulates the key points of his economic program in the article Industrialisation of Eastern and South-Eastern Europe (Rosenstein-Rodan, 1943). This is the foundation of a school of thought that favored a comprehensive development surge, the so called "Big Push", across all relevant sectors (Rosenstein-Rodan, 1957; Bhagwati, & Eckhaus, 1972).

Rosenstein-Rodan (1943) sets out that industrialization is the only path for Eastern and Southeastern Europe to participate in the international division of labor. Industrialization would mobilize the portion of the rural population that is largely unproductive. To initiate industrialization, capital is required, which can either be accumulated through an autarkic process or supplied externally through investments and loans. Rosenstein-Rodan advocates for the international provision of capital in order to generate sufficient investment in addition to endogenous capital accumulation. In light of the new global economic order following the Second World War, Rosenstein-Rodan calls for the establishment of a new institutional framework to promote development – institutions that would later become the World Bank and the International Monetary Fund. For him, it is essential that the process begins with state-led education of the population, thereby creating prerequisites for industrial labor.

For investments, he maintains that many basic industries require start-up financing simultaneously. These industries are complementary to one another, and their development presupposes careful preliminary joint planning by the government, as well as domestic and foreign financiers.

With regard to Eastern Europe, Rosenstein-Rodan argues against a sequential investment strategy, since basic industries such as railway transport are already in place. His argument for broad-based industrialization with complementary sectors is that it would generate positive externalities for all industries, create diversified consumption opportunities, and enable overall economies of scale that would place the economy on a growth trajectory. Financing would require both the mobilization of domestic capital and international investments and loans. In order to service international loans and generate returns for foreign investors, it is necessary to establish export-oriented sectors as part of the broad industrialization process. Fundamentally, he assumes that such broad-based industrialization would transform the entire economic structure of the Eastern and Southeastern European region.

For Rosenstein-Rodan, the central problem of development lies in the coordination of investments in the economy. Countries can be trapped in a poverty trap because major investments are withheld, and actors wait for others to invest first. The positive externalities of investments multiply when key industries are developed simultaneously. Positive externalities include, for example, scale effects at different levels. If entrepreneurs or sectors wait for others to invest or develop first in order to benefit later, too little investment takes place to realize these externalities. The Big Push, directed by the

government, is therefore a solution to the coordination failure among the actors.

Rosenstein-Rodan's concepts of coordination failure and 'Big Push' (1943) are formalized more than 40 years later by Murphy et al. (1989). The idea is further developed and transferred to other sectors and challenges by Krugman from the 1990s onward (Krugman, 1997).

2.2. Balanced Growth – Ragnar Nurkse

Ragnar Nurkse (1907–1959) is born in Estonia, which at the time of his birth is part of the Russian Empire. He attends the German-language gymnasium in Reval/Tallinn, then in 1926 begin studying law at the University of Tartu. In 1928, he emigrates to Scotland and from 1929 to 1932 studies economics at the University of Edinburgh. With a Carnegie Fellowship, he visits Vienna, where he attends courses by Haberler, von Mises, and Morgenstern. Later he maintains close contact with representatives of the Austrian School and remains lifelong friend with Haberler. In Vienna, he also meets Rosenstein-Rodan and writes his first monograph, Internationale Kapitalbewegungen (Nurkse, 1935). In 1934, Nurkse takes a position with the League of Nations in Geneva. His working group relocates to Princeton in the early 1940s due to the war.

Nurkse's work and studies significantly influence the structure of the emerging Bretton Woods system, particularly the IMF. With the end of the war and the dissolution of the League of Nations, Nurkse moves to Columbia University from 1945, where he becomes Professor of Economics in 1947. He has no interest in working for the newly established United Nations. The influence of the Austrian School remains evident in Nurkse's work, even though his theory later is influenced by Keynesianism. While his publications are primarily in the fields of capital markets, inflation, and international trade, he is one of the main proponents of the balanced growth theory (cf. Kattel et al., 2009).

Nurkse's contributions to development theory cumulates over an extended period before the publication of his well-known monograph Problems of Capital Formation in Underdeveloped Countries (Nurkse, 1953). Nurkse examines international trade in detail: for him, trade serves as a complementary source of capital alongside domestic capital accumulation. Like others (e.g. Prebisch), he criticizes Ricardo's static model of comparative advantage in international trade. Nurkse assumes that dynamic processes with mobile factors of production determine growth. According to his view, over time the growth effect exerted by the European centers on peripheral regions would decline.

For Nurkse, demand, and not supply, is the crucial element to the analysis. He assumes, especially after the Second World War, that demand for primary products from the periphery would decline in the economic centers. As a result, the growing labor supply and increasing capital stock in peripheral countries could not be effectively utilized. Consequently, the terms of trade for developing countries deteriorate, and the comparative trade advantages in the production of primary goods (mines and plantations) would yield relatively lower benefits. He concludes that, alongside primary goods exports, industrialization must take place in developing countries to enable a growth path. But even under deteriorating conditions he does not reject international

trade. According to him the main question is how industrialization could be achieved in the presence of limited endogenous capital accumulation.

With his well-known remark that "a country is poor because it is poor" (Nurkse, 1952, 571), Nurkse expresses the core idea of his theory. Small and underdeveloped countries attract little capital for investment because the size of their markets is limited. For the same reason, no endogenous capital accumulation takes place. As a consequence, a vicious circle of poverty ensues. Nurkse concludes that when investments occur, they must, first, extend across all sectors (similar to Rosenstein-Rodan, 1943) and should not be export-oriented, so that domestic markets develop broadly (industry and agriculture). Investments can be initiated by governments or through foreign direct investment in all markets to trigger positive spillover effects and increase market size, i.e., boost the demand side. Since all sectors are to grow, he rejects sector-specific investments (as favored by Albert Hirschman).

International institutions such as the World Bank can assist with the provision of exogenous capital. Nurkse vehemently rejects planned economy for development but calls for an agile government system that responds to changing conditions in the growth process through measures and institutions. In this respect, the state plays an important but not a priori determined role. For Nurkse, the role of the state in development processes is primarily an administrative challenge rather than one of development policy.

Unlike other of the early development economists discussed here, Nurkse emphasizes the demand side rather than supply (as in Say's Law). Enterprises emerge, investments are made, and development begins when demand generates incentives for investment. A second related particularity of Nurkse's view is his belief that less developed regions adopt the same cultural value system as the European and American metropolitan centers. This results in similar lifestyles and consumption patterns, and ultimately comparable structure of demand. For Nurkse, development and underdevelopment are relational constructs that arise only through comparison and presuppose an identical value system.

2.3. Unbalanced Growth – Albert O. Hirschman

Otto Albert Hirschman (1915–2012) is born in Berlin. He becomes politically active in the Social Democratic youth movement and begins his studies in Berlin in 1932. In 1933, he emigrates to Paris, where he studies economics, focusing on economic geography. He recognizes early the interplay of economic, geographical, climate, and cultural factors in the development of societies (Hirschman, 1995). After graduating in Paris (1935), he spends one year as a research fellow at the London School of Economics (1935–1936), and later studies and earns his doctorate in Trieste.

He is an active opponent of the National Socialist regime, fights with the International Brigades of the Spanish Republic against Franco, and is also active in the French army and in the French escape network in Marseille enabling Jewish emigrants to escape. In 1941, he himself is forced to flee to the United States. There, in 1943, he acquires American citizenship and volunteers for the U.S. Army, serving first in North Africa and later, for the Office of Strategic Services, in Italy.

In the United States, after fleeing Europe, he initially works on a scholarship in Berkeley, where he writes his first monograph, National Power and the Structure of Foreign Trade, on the political effects of foreign trade

(Hirschman, 1945). There, he emphasizes not only the effects of unequal trade but also the political dimension of trade – the stronger trading partner exerts additional political influence on the relatively weaker trading partner.

From 1946 to 1952, Hirschman works at the Federal Reserve Board on the design of the Marshall Plan. He is responsible specifically for the reconstruction of France and Italy. Due to his left-leaning political stance, however, he leaves the United States (Adelman, 2013) and mooves with his family to Colombia. There, in 1952, he becomes an economic advisor to the government, a position arranged by the World Bank. In the early 1950s, the Colombian government is the first to seek to implement economic development and modernization under the guidance of the World Bank. As the World Bank has no recommendations template for the development of non-industrialized countries, the young organization hopes to derive a development model of general applicability from the Colombian case (Alacevich, 2016, 458).

While the representatives of the World Bank are drafting a complex technical plan intended at encompassing the entirety of Colombia's development across all economic sectors, Hirschman has no sympathy for this approach (Hirschman, 1984). He distills his critique into the theory of unbalanced growth. Upon invitation from Yale University, Hirschman (1958) synthesizes his experiences in Colombia and other Latin American countries in The Strategy of Economic Development.

Hirschman, who at first is unfamiliar with the work of Rosenstein-Rodan and Nurkse, argues that precise planning of development is impossible, that resources and investments are scarce, and that many aspects of an economy are hidden and cannot be captured a priori. He therefore advocates unbalanced growth. Investments should be amassed in a central sector (or industry) and the positive growth effects from this sector would then spread to other areas of the economy.

Hirschman (1958) does not prescribe which sector – industry, infrastructure, healthcare, agriculture, etc. – should be considered as central. Rather, this would depend on the specific region or country. For him, a sector is central when it has numerous forward and backward linkages to other sectors. Such linkages may exist between firms, between firms and political actors, between regions, and so forth. Through this multiple interconnectedness, growth impulses can have positive spillover effects on other areas (trickle-down). Investments should therefore not be planned and undertaken for all sectors but should be strategically directed by political decision-makers into specific sectors or industries. Hirschman (1958) refers to these as growth poles.

In contrast to neoclassical concepts, Hirschman supposes that capital does not need to be supplied exogenously to an economy but can be mobilized endogenously. His approach rests on the premise that information is (always) incomplete. He refers to this as hidden rationalities. Individuals act rationally in principle; however, their rationality is not immediately apparent because not all variables leading to efficient decisions can be observed from the outside. This results in inefficient resource use. Hirschman's development approach begins here – he advocated for further examining these hidden rationalities in order for more effective solutions for resource allocation through appropriate inducement mechanisms to be created.

Hirschman becomes a strong critic of Nurkse's balanced growth theory, and their debate significantly shape development theory in later stages. Because Hirschman rarely commits himself to specific prescriptions and provides no operational recommendations, development under his approach appears to allow for virtually anything.

2.4. Dual Sector – W. Arthur Lewis

William Arthur Lewis (1915–1991) is born on a Caribbean island that, during the first half of the 20th century was partly under British rule. Lewis finishes school at the age of 14 and, supported by a scholarship, enrolls at the London School of Economics in 1932 (Ingham, & Mosley, 2013, 9). With lecturers such as Robbins, Hayek, Hicks, Kaldor, and Rosenstein-Rodan, the LSE places a strong emphasis on a neoclassical market approach, which deeply influence Lewis. He graduates in 1935 with highest honors and continues to obtain a doctorate in Industrial Organization. Lewis becomes the first person of color to be appointed as a lecturer at the LSE, initially teaching undergraduate courses and introducing a course on Colonial Economics into the curriculum. These are the first university courses on economic development that explicitly address less developed regions. Lewis remains at the LSE until 1948. Due to his expertise and despite his strong criticism of the Colonial Office's policies, Lewis becomes an advisor to the office in 1942. He ends his work there in 1950 due to fundamental differences regarding the direction of colonial policy (cf. Tignore, 2006, 43–68). In 1948, at the University of Manchester Lewis is the first Afro-Caribbean professor in the United Kingdom.

After the granted independence to the territory of the Gold Coast and the subsequent establishment of the state of Ghana as the first independent country in tropical Africa, Lewis becomes the economic advisor to President Kwame Nkrumah on behalf of the United Nations in 1957 (Tignor, 2006, 145–165). However, he underestimates the political conflicts, particular interests, and the political interference in both the development plan he had drafted and the allocation of financial resources (Ingham, & Mosley, 2013, 145–170). Frustrated by the political leadership's misuse of the plan for private purposes, Lewis leaves Ghana in 1958, works for one year at the United Nations, and then becomes head of the newly founded University College of the West Indies in Jamaica. He later assumes a professorship of Political Economy at Princeton University.

While in Manchester, Lewis writes his two most important works: Development with Unlimited Supplies of Labour (1954) and The Theory of Economic Growth (1955). In Development with Unlimited Supplies of Labour, he presents the concept of a dual economy as a broadly applicable model of development. While the basic idea appears intuitive today, it was considered revolutionary at the time. Lewis addresses the structural transformation of an economy largely based on subsistence into a growing economy. Accordingly, he assumes an imbalance between sectors or industries in the economy.

Lewis presumes that in most poor and underdeveloped countries an unlimited supply of labor exists and would persist due to population growth. In a closed economy without exogenous shocks this implies that wages remain at the subsistence level and adding more workers does not increase output. Consequently, the marginal product of labor is zero. Furthermore, he postulates that the average product of labor is constant. This applies not only to agriculture and farming, but also to related services, artisans' output, and

small trade. He refers to this sphere as the subsistence sector. According to Lewis for growth to occur capital accumulation is necessary in Ricardian sense. However, in the model capital accumulation through saving does not take place due to the absence of capital surpluses. Lewis thinks that these surpluses could only arise in a capitalist-oriented sector.

The capitalist sector is oriented toward generating profits through investment, thereby increasing the capital stock. This is possible because labor recruited from the subsistence sector is paid the subsistence wage, but its productivity is enhanced through the combination with capital. The unlimited labor supply of the subsistence sector ensures that the subsistence wage remains constant, and in the capitalist sector it is sufficient to pay a slightly higher wage than the subsistence level to attract workers. The accumulated capital and profits are then reinvested.

Lewis's second major work, The Theory of Economic Growth, is complex, comprehensive, and profound, outlining a general theory of growth. Here, as well, he regards capital accumulation as central to development, but situates the role of capital within a much broader societal context. He argues that firstly a sufficiently strong conviction of the benefits of modernization among the population (the "will to economize") is necessary, along with preferences for consumer goods, as well as the emergence of a work ethic. Overall, in that book he emphasizes the importance of institutions and knowledge for economic development.

The dual-sector idea was highly influential, despite its obvious flaws and the lack of empirical data sufficiently supporting it. It addresses rather indirectly - and only minimally emphasized by Lewis –, the elasticity of labor supply in different sectors. Thus, it contrasts with ideas based on the elasticity of capital supply (cf. Krugman, 1993, 23). Later, the dual-sector model was further developed by Fei & Ranis (1964), Harris & Todaro (1970), and Fields (1975).

2.5. Terms of Trade and Import Substitution Industrialization – Raúl Prebisch

Raúl Federico Prebisch Linares (1901–1986) is born to a German immigrant father and an Argentine mother. He spends his early years in the Argentinian interior before moving to Buenos Aires in 1918 to study economics at the University of Buenos Aires (cf. Dosman, 2008 for this section). He finds out that the curriculum is heavily influenced by old British classical economists, mirroring Argentina's close commercial ties to Britain. Argentina's trade structure itself reflects Ricardo's theory of comparative advantage, exporting primary goods while importing manufactured goods from Europe. Prebisch pursues a largely self-directed study of economics, developing interests in finance, trade, and monetary policy. He publishes early research in Argentine journals that were virtually unknown internationally.

Prebisch initially works for the Argentine Rural Society, a lobbying organization representing the country's cattle ranchers. He analyzes the market relations between beef producers and foreign exporters and observes how domestic producers. He also recognizes the problem of Argentina's extremely unequal land distribution, where a small number of families control both land and political influence, while many small farmers have neither economic nor political power. Later Prebisch becomes consultant of the Argentine Ministry of Finance and is dispatched to New Zealand and Australia,

both British dominions exhibit economic structures somewhat comparable to Argentina's. Through a comparison Prebisch once again identifies Argentina's extreme inequality in land ownership and access to social mobility – inequalities that were markedly absent in the British Dominions (Dosman, 2008, 48–50). He concludes that Argentina needs reforms in income taxation and official accounting statistics.

After his return to Buenos Aires in 1923, Prebisch takes a position at the Ministry of Agriculture. He receives an offer for a professorship at the University of Buenos Aires on the basis of his professional expertise, publications, and teaching activity. The year 1928 marks a turning point for him. He takes over the research department of the Banco de la Nación Argentina.

In 1930, the military takes over the government to great popular acclaim. However, this enthusiasm fades when a coalition of three parties, the Concordancia, assumed power and remained in office through corruption, clientelism, and manipulation. Prebisch considers himself an apolitical technocrat and accepts important positions under the unpopular presidents. From 1930 to 1932, he serves as undersecretary in the Ministry of Finance. His greatest success is the introduction of the income tax in Argentina. To stabilize the currency, he proposes the creation of a central bank and in 1935, he becomes the first director of the Central Bank of Argentina and remains in that position until 1943. That year, a military coup overthrew the conservative governments with their strong loyalty toward foreign interests, and Prebisch is dismissed. Later attempts to obtain a position anew are impossible, since Prebisch is seen by the Left as a supporter of the old Concordancia and by the Right as a representative of American influence (Dosman, 2008, 209).

He leaves Argentina and finally settles in Santiago de Chile in 1949. These years shape his regional approach to a common development strategy for the states of Latin America. He is able to realize this goal as the Executive Secretary of the UN Economic Commission for Latin America (ECLA) in 1949. Prebisch transforms ECLA into the center of development policy within the UN, where he develops his structuralist approach to economic development.

From 1964 to 1969, he servs as the founding Secretary-General of the United Nations Conference on Trade and Development (UNCTAD). His aim is to integrate the developing world in trade relations through preferential access to markets. Prebisch' ideas also include promoting regional trade among developing nations.

Prebisch is not merely a pure theorist; he actively implements his ideas about development in Argentina during the 1930s. His most influential monograph, The Economic Development of Latin America and its Principal Problems (Prebisch, 1950), becomes foundational for his work at the ECLA. There he introduces the dichotomy of center and periphery. Centers in economic relations are states that are industrialized, achieve high rates of technological progress, and export industrial goods. Peripheries, on the other hand, are states with only weakly industrialized economies, slow technological progress, and primarily export oriented unmanufactured goods, often natural resources or agricultural products.

This hierarchical bipolar system is exemplified by Latin American states as the periphery and the United States – along with, previously, Britain, Spain and Portugal – as the center. The center secures greater gains from exchanges based on comparative advantage. Conversely, the periphery is unable to catch

up in the development process, and underdevelopment becomes a persistent feature. Prebisch refers to this structure as unequal exchange.

Prebisch ties this to the development of the terms of trade. He assumes a declining commodity terms of trade for developing countries. This means that the terms of trade for the export of primary goods deteriorate continuously. This is due to the low-income elasticity in the centers and elastic demand for primary goods in industrialized countries, which results in stagnating prices for these goods. In contrast, in developing countries, the demand for industrial goods rises disproportionately as incomes increase. This is also known as the Prebisch-Singer hypothesis, named after Prebisch and Hans Singer (1950). The assumption of continuous deterioration in the terms of trade for developing countries has been confirmed by observations over decades, and the hypothesis is largely considered as empirically valid.

The structuralist approach highlights that international trade leads to a redistribution of wealth from relatively poorer countries to relatively richer ones. Since the main exporters of primary goods are less developed economies, trade results in a continuous transfer of wealth to industrialized countries. Centers in international trade possess greater market power and can stabilize their prices, while producers of primary goods face stronger competition. Building on these insights, the 1960s saw the emergence of Dependency Theory, which conceptualizes underdevelopment as a structural and persistent dependence of peripheral regions on the centers.

One possible measure to counter the deterioration of the terms of trade is the development of industrial structures in poorer countries, aimed at diversifying export structures and reducing dependence on the centers. Prebisch already pursues this approach in 1933 in Argentina with the Economic Recovery Plan, when he recognizes the country's dependence on world market prices for agricultural goods. This strategy, known as import substitution industrialization, promotes domestic industry to enable independent industrial development. It is generally attributed to Prebisch, although he is critical of purely protectionist measures and isolation from international competition.

As a result of the deterioration in terms of trade, developing countries, beginning in the 1950s, significantly diversified their export structures and built export-oriented industries. However, since many countries focused on similar industrialization strategies (e.g., textiles, consumer electronics), the increased supply often did not lead to an improvement in the terms of trade, as prices for industrial goods frequently declined.

2.6. The Stages of Economic Growth – Walt W. Rostow

Walt Whitman Rostow (1916–2003), the son of Russian-Jewish immigrants, is born in New York (cf. Milne, 2008 for this section; PIBv, 2025 for biographical information). He studies at Yale and, on a scholarship, at Oxford, where he prepares his dissertation under Humphrey Sumner. Rostow completes it in 1940 at Yale. From 1940 to 1941, he teaches at Columbia University; beginning in 1942 and until the end of the war, he works in London for the Office of Strategic Services, the predecessor of the CIA, where he analyzes Allied bombings of the German Reich.

After the war, from 1947 to 1949, he serves as assistant to Gunnar Myrdal at the UN Economic Commission for Europe in Geneva. Between 1946 and 1950, he briefly hold professorships in American history at Harvard, Oxford, and

Cambridge. Rostow receives a call to the Massachusetts Institute of Technology (MIT), where from 1950 to 1961 he is Professor of Economic History. At the same time, he becomes a staff member at the Center for International Studies, where he maintains contacts with, among others, Charles Kindleberger, Paul Samuelson, Robert Solow, and Paul Rosenstein-Rodan. The Center develops political strategies in the context of the Cold War against the Soviet Union and China. These include strategies to bind developing states to the United States and to reduce communist influence (cf. Millikan, Rostow, 1957). Since his youth, Rostow had been a strict political anti-communist and anti-Marxist, and he make it his personal goal to refute Marx (cf. Milne, 2008, 19).

He meets John F. Kennedy and in 1961 become his political advisor, subsequently serving as head of policy planning at the State Department. Rostow is a hardliner and advocated the massive bombing of North Vietnam (cf. Milne, 2008). In the reorientation of American foreign policy that he advances, development policy is an important part. Under President Johnson, he remains in the administration and from 1966 to 1969 serves as National Security Advisor. Rostow consistently orients his work toward the political interests of U.S. governments in the Cold War. He positions himself as a hawk against all communist states and conceives of development policy as part of the American containment strategy. Because of his political stance and his role in the Vietnam War, MIT rejects his return, and other elite universities also offer him no position. Instead, in 1969 he assumes a professorship in Economics and History at the University of Texas at Austin, where he remains until his death in 2003.

Rostow's perspective on development is shaped, on the one hand, by his view as a historian who thinks in long-term historical sense. In doing so, he considers more than merely economic aspects, understanding development as a sustained process of societal change. On the other hand, he adopts a position shaped by his diverse and longstanding responsibilities and activities for several U.S. administrations. Accordingly, his writings reflect not only administrative experience but also the political perspective of the United States on development and modernization in the 1950s. It is therefore understandable that he assigns an important role to politics and the state in development processes.

As economic historian, Rostow is interested in theories that encompass long time spans. It is therefore natural for him to formulate an economic theory of long-term development rather than to focus on short-term equilibria or disequilibria. For this reason, he adopts an evolutionist stance toward the developmental processes of societies. This leads him to work in a strongly descriptive manner, taking into account social, cultural, technological, and political factors, while relegating quantifiable economic variables to the background. His most important and best-known works on the stages of development are to be understood against this backdrop. For him, economic growth ss merely a variable through which societal development could be made visible. Ultimately, it must be noted that he explicitly positions himself in opposition to Marxist theory. This is evident, e.g. in his view that the endpoint of development is not communism, but rather capitalist systems.

His most important and best-known works emerge during his time at the Center for International Studies in the 1950s. They consist of a series of closely interconnected publications, beginning with The Process of Economic Growth

(Rostow, 1953), supplemented by several articles (e.g., Rostow, 1956), and culminating in the well-known book The Stages of Economic Growth (Rostow, 1960).

The basic idea is that growth does not unfold spontaneously but is a long-term process that proceeds in clearly identifiable phases and can be observed as stages of societal development. In doing so, Rostow implicitly assumes that societies are to be equated with states, since his frame of reference is the industrialized states of Western Europe. His approach is deterministic, as he presupposes a linear developmental process that occurs neither randomly nor gradually, but rather requires deliberate planning. If societies succeed in passing through these phases and advancing to the next of the five stages in total, he considers development to be successful.

The stages include: (1) Traditional Society: Economic life is dominated by subsistence agriculture with very low productivity. Knowledge and practices are inherited from tradition rather than driven by systematic innovation. Social structures are rigid, and exchange remains largely regional. (2) Preconditions for Take-off: Gradual shifts occur through advances in infrastructure, education, and political institutions. Emerging entrepreneurial groups push for industrial investment and trade expansion. These developments create the structural basis for sustained economic transformation. (3) Take-off: Growth becomes rapid and self-reinforcing as industrial sectors expand. Capital accumulation accelerates, and technological adoption spreads more widely. Traditional barriers to modernization lose influence, while market mechanisms gain strength. (4) Drive to Maturity: The economy diversifies beyond a few leading industries and absorbs technological progress across multiple sectors. Productivity rises continuously, and standards of living improve. Integration into international markets intensifies, reinforcing development. (5) Age of Mass Consumption: High income levels allow broad access to consumer goods and services. The economy shifts from heavy industry toward sectors that serve household demand and welfare. Social focus moves increasingly to comfort, mobility, and services.

The take-off represents the critical turning point at which an economy shifts from limited and gradual development to sustained, self-reinforcing growth. In this phase, the investment rate rises substantially, enabling the rapid expansion of industrial capacity. Leading industries assume a pioneering role by generating multiplier effects and stimulating the growth of related sectors. At the same time, profound institutional and social transformations occur – traditional elites lose influence, while entrepreneurial groups and an emerging working class gain prominence. Financial institutions expand, capital markets become more active, and the state frequently intervenes to provide infrastructure and stability. According to Rostow, this stage marks the point of no return, where modernization gains momentum and the economy can no longer regress into its traditional structures.

In Rostow's model, the state and political authorities play a central role in creating preconditions for development. The state contributes to the provision of infrastructure, establishes legal frameworks, and facilitates access to trade relations. During the take-off phase, it assumes a supportive role by easing investments, establishing stabilizing institutions, and actively promoting the growth of key industries.

As is evident, parallels can be drawn to other authors. The linear stage model is linked to Karl Marx, while the notion of development centers relates

to Albert Hirschman's concepts of unbalanced growth as well as to the approaches of Arthur Lewis. The highest stage is the age of mass consumption, in which a very large number of people are able to participate in consumption.

Likely no other model in development theory has received as much criticism as Rostow's stage model (cf. literature in PIBv, 2025). This not only highlights its controversial nature but also the particular attention it has attracted. A significant part of the scholarly critique stems from the model being considered in isolation rather than in the context of Rostow's broader evolutionary approach. He does not succeed in convincingly presenting the stage model as a bridge between his historical understanding of complex societal development and economic theory. Consequently, from the economists' perspective, the model contains too few measurable economic variables.

One of the reasons for the extensive criticism lies in the subtitle of the book A Non-Communist Manifesto, which explicitly positions it against leftist and Marxist approaches. While these approaches criticize, in line with Marx, the classical development models of capital accumulation and the market models of neoclassicism, they see in Rostow's approach a stage model of development that leads to a capitalist instead of a socialist economic system. Rostow's perspective is shaped by a liberal understanding, in which an active state and entrepreneurs are regarded as central drivers of development. In this respect, his approach appeared provocative to leftist theorists and attracted harsh criticism. In addition to the notion of development's linearity, the description and temporal delineation of the individual stages, and the specific distinction between stages and phases, critics also raise the question of whether development as an evolutionary process occurs automatically, and if not, which political interventions are specifically required for a society to enter the take-off phase. For applied development policy, the model is therefore of limited use as it describes certain historical developments as evolutionary processes.

While many critical points expressed in the 1960s and 1970s cast doubt on the credibility of the model, it should also be noted that Rostow's stage of worldwide mass consumption has nevertheless been realized with the adoption of capitalist economic systems following the collapse of the socialist states of Eastern Europe, albeit not through linear development.

2.7. Cumulative Causation and Soft State – Karl Gunnar Myrdal

Karl Gunnar Myrdal (1898–1987) studies law in Stockholm, becomes a lawyer in 1923, and subsequently earns a doctorate in economics under Gustav Cassel. In his dissertation, he analyzes the role of expectations in dynamic price formation. In 1929, he travels to the United States as a Rockefeller Fellow and writes his influential book on the impact of politics on economic theory, which is published in English only in 1953 (Myrdal, 1953). At Stockholm University, he is Professor of Political Economy from 1933 to 1950 and Professor of International Economics from 1960 to 1967. His academic career is accompanied by active national and international political engagement. Myrdal serves as a member of parliament and as Minister of Trade from 1945 to 1947. Through expansive fiscal policy, he initiates various welfare programs, such as social support in cases of poverty, unemployment, and social emergencies.

In 1947, he becomes Executive Secretary of the United Nations Economic Commission for Europe in Geneva. While coordinating postwar reconstruction measures in Europe for the UN (1947–1957), he simultaneously set the foundations for his work on development theory. His scholarly focus, both in content and regional scope, gradually shifts from European reconstruction to decolonization, independence, and economic development in Africa and Asia.

In his development theory, Myrdal views the state as the central actor. The market mechanism, or the postulate of free trade, appears to him as unsuitable for involving poor countries in the development progress. For him, the state plays a central role in promoting national and global prosperity through redistribution. In this respect, he clearly positions himself against neoclassical models.

Myrdal rejects neoclassical thinking as too limited. In his view development is much more than just economic growth. He focuses on social development and modernization while asking how growth can be distributed among the population so that as many people benefit as possible. In his opinion, free price formation in markets, e.g. in labor markets or in international trade, does not increase the wealth of the many, but instead does create inequality within and between societies. Due to the economic dependence of developing countries on raw material exports, free trade and free price formation increase these countries' dependence on industrialized nations. Developing countries fall into the trap of long-term dependency, and in these countries, specific population groups in urban centers benefit, whereas the population in the rural periphery does not (Myrdal, 1957).

Between 1937 and 1942, he conducts his first major social study on the Black population in the United States. The book An American Dilemma (1944) brings him widespread recognition and influences legislation that contributes to the abolition of racial segregation in the United States. There he analyzes the distribution of jobs and income, unemployment rates, consumption patterns, residential segregation, educational opportunities, cultural attitudes, and crime rates across different population groups. He demonstrates how the interdependence of these factors results in systematic and active discrimination against black population in the United States. Myrdal identifies the mechanism of this discrimination as a self-reinforcing vicious cycle, or circular cumulative causation. Breaking the cycle is impossible for the racial minority through changes in their own behavior. Myrdal traces the underlying cause to cultural values internalized by the white majority, which lead to systematic discrimination.

According to his approach values enshrined in the American Constitution (institutions) must actively be implemented by the state (e.g., through legislation and enforcement). Although the work addresses relative underdevelopment and discrimination in the world's leading industrial country, Myrdal also applies this explanatory framework of circular cumulative causation to less developed countries.

With Economic Theory and Underdeveloped Regions (Myrdal, 1957), Myrdal presents descriptive theoretical analysis of underdevelopment, which he elaborates empirically over more than a decade later in his work An Asian Drama (1968). Based on his studies, he identifies the limits of planning within institutions in Asia, which either enable or hinder social and economic development. Institutional constraints include, among others, religious caste

systems, bureaucratic corruption, small power-conscious elites, and uncontrolled population growth (Kindleberger, 1977). His findings for Asia are best understood in the context of the development theory he develops over several decades, which we will now outline in its main features.

Myrdal argues that intensive structural transformation of key societal areas is necessary to break negative vicious cycles. Since markets cannot bring about such fundamental changes, targeted state interventions are required.

Myrdal, as proponent of a polarization approach, argues with imbalances in a manner similar to Hirschman. He assumes that development does not occur simultaneously across all sectors of the economy, but that some sectors always develop faster. These leading sectors then influence other sectors with a time lag. Leading sectors or regional centers and peripheries emerge, which increasingly drift apart over time.

As problem of state-initiated development strategies, he identifies a weak, or soft, state. A soft state lacks the capacity to plan, fails to enforce laws, is undermined by corruption, depends on small elites, generates insufficient revenue to finance public goods, and has limited legitimacy among the population (cf. Myrdal, 1957, 1968). His studies on Asia regard weak states as central cause of stagnation. Weak states allow the formation of small elites and corruption, which prevent structural reforms. In such contexts, state interventions in the economy do not constitute reform but rather reflect rent-seeking behavior. He views the transfer of Western-style democratic structures to developing countries as problematic, since these are ill-suited to create strong states.

Just as Myrdal rejects the neoclassical market in his development strategy, he also opposes Marxist models. He is explicitly not against private capital, property, or entrepreneurship, and does not advocate expropriations. Unlike neoclassical and Marxist development economists, he views critically modernization based on industrialization and active industrial policy. Development progress (and development aid) should benefit the poorer segments of the population. This can be achieved by focusing on the rural sector and the education sector.

2.8. Implementation and failure

In the 1960s, many of these theories from the 1940s and 1950s provided theoretical foundation for development policies in newly independent, often underdeveloped countries across Africa, Asia, and Latin America. As outlined, the state's interventionist policies were regarded as crucial for setting a country on a development path. The World Bank and other international organizations supported the concept of development planning in various ways (cf. Chenery, & Strout, 1966).

By the 1970s, however, it had become evident that most of these policies had failed: in Africa, little development could be observed, while in Asia, countries that pursued less state intervention and more export-oriented strategies achieved notable success. By the mid-1970s, the 'grand' macro-theories of the 1940s and 1950s were widely regarded as unsuitable for guiding development. This was due to poor planning, weak implementation, and the ambivalent role of the state. Moreover, universal blueprints proved ineffective, and monocausal explanations of underdevelopment failed to capture its complex and multifaceted causes.

In the following concluding section, we examine which elements of these theories persist in contemporary economic thought. To address this, we consider their common aspects which contributed to their decline in popularity.

3. Critical Assessment and Conclusion

The first common aspect of these theories is the emphasis on the economy's structure and the role of the state. All theories assumed that transforming the economic structure of developing nations was crucial to initiating growth. This restructuring was to be achieved through the state, which was intended to plan and implement structural transformation (Meier, 2001, 14–15). The objective was to set the structure correctly in order to achieve development and, if possible, self-sustaining growth. While the ultimate goal was the same across the theories, their specific emphases differed. Capital accumulation, either through domestic savings or the exogenous attraction of investment capital, plays a role in all approaches. Accumulation could be pursued through balanced growth (Nurkse), unbalanced growth (Hirschman), import-substitution industrialization (Prebisch), or the transfer of labor from the subsistence to the modern sector (Lewis). Another prominent feature of these approaches is the strong role of the state in advancing development through deliberate action (Myrdal, Rostow, Rosenstein-Rodan), although their interpretations of state involvement differ.

While these macro theories emphasize economic structure and the state as the central institution to initiate growth, a second common aspect is their neglect of individuals and other institutions. Individual decision-making, if considered at all, appears only marginally. Hirschman is a notable exception, as he assumes rational but imperfectly informed individuals, whom he identifies as a source of inefficiency. Rosenstein-Rodan is another exception, since his theory of coordination problems is necessarily rooted in individual behavior. By contrast, the other authors largely disregard the micro level. Beyond their core structural approach, some of these authors acknowledged individuals and institutions in their broader writings, but such aspects did not play a central role in their main theoretical frameworks. Lewis, for instance, discussed in The Theory of Economic Growth (Lewis, 1955) the importance of morals, work attitudes, and institutional settings. Nevertheless, the general neglect of micro-level factors meant that entrepreneurs and human capital were not given specific attention in their role for development. This omission has become a central point for criticism in later debates and was also regarded as a reason why development policy based on these approaches failed.

A third aspect these theories share is the limited use of, and in some cases the outright rejection of, mathematical modeling and empirical research. In the 1940s and 1950s, economics was neither highly formalized nor strongly empirical but was often rooted in the social sciences and reliant on descriptive methods. Consequently, most theories and models from this period were largely qualitative and supported by limited empirical evidence. As the discipline advanced, adopting rigorous mathematical frameworks for theory, and econometric methods for empirical research, these older theories increasingly failed to meet the new methodological standards.

Krugman (1993, 29–30) argued that the problem was not only a lack of modeling and empirical evidence but also a deliberate refusal by some authors

to formalize their approaches. Rostow, Myrdal, and Hirschman, for instance, did not develop formal models beyond descriptive accounts. Hirschman explicitly rejected formalization, and the empirical material he employed was largely illustrative. A similar characterization applies to Lewis, who used only a rudimentary model despite making strong assumptions regarding the subsistence sector. By contrast, Prebisch built his arguments on trade and price data from Latin America, and both Rosenstein-Rodan and Nurkse also drew from empirical observations.

Some of these approaches were formalized ex post. The Lewis dual-sector model, originally published in 1954 in a rudimentary formalized version, was further elaborated and tested in the 1960s and 1970s, though empirical support for its conclusions remained limited. Rosenstein-Rodan's and Nurkse's ideas were likewise revisited and formalized in the 1980s, influencing the development of New Growth Theory (Diebolt, & Monteils, 2000), particularly with respect to increasing returns and coordination problems.

A fourth aspect these approaches share is the implicit assumption of a linear growth process (Adelman, 2001, 117–130). The prevailing belief was that once an economy was set on the path to development, self-sustained growth would follow. For Rostow, this was expressed in the notion of the "take-off". Rosenstein-Rodan and Nurkse emphasized the "big push", Hirschman argued that growth would spread through linkages and spillover effects, and Lewis focused on the expansion of the modern sector as the driver of capital accumulation. Prebisch and Myrdal were less optimistic, as they considered the possibility that the vicious circle of underdevelopment could persist and that relative underdevelopment might prevail. History has shown, however, that development is not linear. Gerschenkron (1962), for instance, developed a stage theory that better reflected actual development processes, emphasizing that countries can leapfrog stages of growth by adopting the latest technologies.

Closely related to the belief in linear development is the search for the missing ingredient that sets the development process in motion. Adelman (2001, 104–117) describes this as the search for a single crucial factor. The assumption was that, once this factor was identified and provided, the development process would begin. For early development theorists, this crucial factor was capital, considered necessary for industrialization and thus for economic development. Over the decades, the search for the key factor continued, shifting to entrepreneurship, human capital, institutions, good governance, access to technology, education, health, and other candidates. Both the early development economists and their successors overlooked the fact that development is a multifaceted process, dependent on the interaction of many factors (cf. Adelman, 2001).

While the application of these encompassing theories largely failed in practice, the reason lies not necessarily in the theories themselves but in their implementation. As noted, the state, specifically governments and bureaucracies, plays a central role in all of the theories. However, if the state is weak, its bureaucracy corrupt, or its elites selfishly instrumentalize it to maintain or gain political power, then development processes will not take hold. Myrdal pointed to this problem early on, but such topics became prominent in economic theory only after the 1950s within the field of the New Political Economy. Bad governance and governance failure were, and continue to be, crucial reasons for development failure (Moore, 2001).

Krugman (1993, 16) argued that development economics no longer exists, yet he emphasized that insights from early development economists merit recognition, despite being undervalued in the 1960s and 1970s. He particularly referred to Rosenstein-Rodan, Nurkse, and Hirschman, who, explicitly or implicitly, addressed two themes that later became central to New Growth Theory: positive externalities and economies of scale. Positive externalities are evident in Rosenstein-Rodan's "big push", which frames coordination problems as barriers to realizing such effects, in Hirschman's notions of linkages and the trickle-down effect, and, to some extent, in Lewis's concept of an elastic labor supply in the subsistence sector fueling growth in the modern sector. These effects presuppose non-equilibrium states, i.e., the possibility of economies of scale.

Krugman (1993, 29) argued also that early development economists implicitly relied on economies of scale. This reliance explains both their limited ability to formalize models, the technical tools for which only emerged later, and the discipline's emphasis in the 1960s and 1970s on competitive market equilibria. He concludes that these contributions were not rejected but rather bypassed. Only with the rise of New Trade and New Growth Theory in the 1980s and 1990s were their assumptions incorporated into formal models.

Prebisch' (1950) contribution has remained central, especially through the Prebisch–Singer hypothesis, which continues to receive empirical support. While he advocated temporary protection for infant industries, in practice import-substitution policies in Latin America often led to entrenched protectionism and declining competitiveness. By contrast, several Asian economies pursued export-led growth with greater success.

Myrdal (1957) argued that underdevelopment was reinforced through circular causation, which he believed could only be broken by external forces. This view was partly challenged by the success of export-oriented strategies. Nevertheless, his insistence on the importance of the state has proven valid, with China serving as a prominent example. Myrdal also strongly linked development to democracy, though subsequent experience has shown that rapid growth is possible under authoritarian regimes (cf. i.e. Chang, 1993).

Lewis (1954) developed the Dual-Sector Model, which has endured despite its debatable assumption of unlimited surplus labor in the subsistence sector. Although modified over time, the idea of dual or multiple sectors continues to shape analysis. The formal–informal sector distinction of the 1970s echoed Lewis's insights, and modern approaches still recognize regional disparities, wage differentials, and migration.

Hirschman (1958) advanced the theory of unbalanced growth, emphasizing the strategic role of key sectors. Later discussions on industrial districts and localized externalities align with his ideas, even if he is rarely cited. His perspective is also relevant in contexts of resource constraints, where governments must prioritize sectors for investment. Hirschman's idea of central sectors has been also recently echoed by the network theory of aggregate fluctuations, which proposes that microeconomic shocks can lead to large-scale economic swings due to the interconnectedness of an economy's sectors (as in Acemoglu et al., 2012).

The debate over balanced versus unbalanced growth reemerged in the early 1990s during the transition of socialist economies in Europe. Policymakers faced a choice between gradualism, that is reforming sectors step by step, or a

"big bang" approach of simultaneous transformation, echoing debates of the 1950s. (Roland, 2002).

Rostow (1960) formulated the stage theory of growth, which has been widely criticized for its lack of empirical applicability. Nonetheless, he correctly anticipated that many developing countries would evolve toward mass consumption rather than socialism. Global consumption patterns have spread widely, reflecting preferences established in industrialized economies. His view of development policy as an extension of foreign policy remains influential in international aid discourse today.

In conclusion, development economics has remained a vital field and is today integrated into mainstream economics at both the micro- and macroeconomic levels. In macroeconomics, New Growth Theory, beginning with Romer (1986) and Lucas (1988), emphasized endogenous mechanisms of growth. Human capital accumulation and market dynamics became central, and the models adopted a dynamic structure, offering clear advantages over the largely static or comparative-static frameworks of early development theories. In microeconomics, New Institutional Economics (Williamson, 1985; North, 1990) provided tools to address structural challenges in developing countries. Concepts such as incomplete information, bounded rationality, and contract enforcement made it possible to analyze institutional constraints and their impact on development. In parallel, the rise of behavioral development economics, particularly through the experimental work of Banerjee & Duflo (2011), introduced randomized controlled trials and other micro-level approaches that generated concrete policy recommendations. Together, these advances ensured that development economics remains both theoretically rich and practically relevant.

References

Acemoglu, D., Carvalho, V. M., Ozdaglar, A., & Tahbaz-Salehi, A. (2012). The network origins of aggregate fluctuations. *Econometrica*, *80*(5), 1977–2016. https://doi.org/10.3982/ECTA9623

Adelman, I. (2001). Fallacies in development theory and their implications for policy. In G. M. Meier & J. E. Stiglitz (Eds.), *Frontiers of development economics: The future in perspective* (pp. 103–134). World Bank; Oxford University Press. https://openknowledge.worldbank.org/handle/10986/15230

Adelman, J. (2013). *Worldly philosopher: The odyssey of Albert O. Hirschman*. Princeton University Press.

Alacevich, M. (2016). Albert O. Hirschman. In E. Reinert, J. Ghosh, & R. Kattel (Eds.), *Handbook of alternative theories of economic development* (pp. 456–474). Edward Elgar Publishing. https://doi.org/10.4337/9781782544685.00031

Alacevich, M. (2021). Paul Rosenstein-Rodan and the birth of development economics. *History of Political Economy*, *53*(5), 857–892. https://doi.org/10.1215/00182702-9395086

Banerjee, A. V., & Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. PublicAffairs.

Bhagwati, J. N., & Eckhaus, R. S. (Eds.). (1972). *Development and planning: Essays in honour of Paul Rosenstein-Rodan*. Allen & Unwin.

Chang, H.-J. (1993). The political economy of industrial policy in Korea. *Cambridge Journal of Economics*, *17*(2), 131–157. http://www.jstor.org/stable/23599704

Chenery, H. B., & Strout, A. M. (1966). Foreign assistance and economic development. *The American Economic Review*, *56*(4), 679–733. http://www.jstor.org/stable/1813524

Diebolt, C., & Monteils, M. (2000). The new growth theories: A survey of theoretical and empirical contributions. *Historical Social Research*, *25*(2), 3–22. http://www.jstor.org/stable/20757794

Dosman, E. J. (2008). *The life and times of Raúl Prebisch, 1901-1986*. McGill-Queen's University Press.

Fei, J. C., & Ranis, G. (1964). *Development of the labor surplus economy: Theory and policy*. Richard D. Irwin.

Fields, G. S. (1975). Rural-urban migration, urban unemployment and underemployment, and job-search activity in LDCs. *Journal of Development Economics*, *2*(2), 165–187. https://doi.org/10.1016/0304-3878(75)90014-0

Gerschenkron, A. (1962). *Economic backwardness in historical perspective: A book of essays*. Belknap Press of Harvard University Press.

Harris, J. R., & Todaro, M. P. (1970). Migration, unemployment and development: A two-sector analysis. *The American Economic Review*, *60*(1), 126–142. https://www.jstor.org/stable/1807860

Hirschman, A. O. (1945). *National power and the structure of foreign trade*. University of California Press.

Hirschman, A. O. (1958). *The strategy of economic development*. Yale University Press.

Hirschman, A. O. (1984). A dissenter's confession: "The strategy of economic development" revisited. In G. M. Meier & D. Seers (Eds.), *Pioneers in development* (Vol. 1, pp. 85–111). Oxford University Press.

Hirschman, A. O. (1995). *A propensity to self-subversion*. Harvard University Press.

Ingham, B., & Mosley, P. (2013). *Sir Arthur Lewis: A biography*. Palgrave Macmillan. https://doi.org/10.1057/9781137366436

Kattel, R., Kregel, J. A., & Reinert, E. S. (Eds.). (2009). *Ragnar Nurkse (1907–2007): Classical development economics and its relevance for today*. Anthem Press.

Kindleberger, C. P. (1977). *Economic development* (3rd ed.). McGraw-Hill.

Krugman, P. R. (1993). Toward a counter-counterrevolution in development theory. *Proceedings of the World Bank Annual Conference on Development Economics 1992*, 15–38. https://openknowledge.worldbank.org/handle/10986/16335

Krugman, P. R. (1997). *Development, geography, and economic theory*. MIT Press.
Lewis, W. A. (1954). Economic development with unlimited supplies of labour. *The Manchester School*, *22*(2), 139–191. https://doi.org/10.1111/j.1467-9957.1954.tb00021.x
Lewis, W. A. (1955). *The theory of economic growth*. George Allen & Unwin.
Lucas, R. E., Jr. (1988). On the mechanics of economic development. *Journal of Monetary Economics*, *22*(1), 3–42. https://doi.org/10.1016/0304-3932(88)90168-7
Meier, G. M. (2001). The old generation of development economists. In G. M. Meier & J. E. Stiglitz (Eds.), *Frontiers of development economics: The future in perspective* (pp. 13–50). World Bank; Oxford University Press.
Millikan, M. F., & Rostow, W. W. (1957). *A proposal: Key to an effective foreign policy*. Harper & Brothers.
Milne, D. (2008). *America's Rasputin: Walt Rostow and the Vietnam War*. Hill and Wang.
Moore, M. (2001). Political underdevelopment: What causes bad governance? *Public Management Review*, *3*(3), 385–418. https://doi.org/10.1080/14719030110059511
Murphy, K. M., Shleifer, A., & Vishny, R. W. (1989). Industrialization and the big push. *Journal of Political Economy*, *97*(5), 1003–1026. https://doi.org/10.1086/261641
Myrdal, G. (1944). *An American dilemma: The Negro problem and modern democracy*. Harper & Brothers.
Myrdal, G. (1953). *The political element in the development of economic theory*. Routledge & Kegan Paul.
Myrdal, G. (1957). *Economic theory and under-developed regions*. Duckworth.
Myrdal, G. (1968). *Asian drama: An inquiry into the poverty of nations*. Twentieth Century Fund.
North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press. https://doi.org/10.1017/CBO9780511808678
Nurkse, R. (1935). *Internationale Kapitalbewegungen*. Julius Springer.
Nurkse, R. (1952). Growth in underdeveloped countries: Some international aspects of the problem of economic development. *The American Economic Review*, *42*(2), 571–583. [suspicious link removed]
Nurkse, R. (1953). *Problems of capital formation in underdeveloped countries*. Basil Blackwell.
Personenlexikon Internationale Beziehungen virtuell (PIBv). (2025). *Rostow, Walt W.* https://ulrich-menzel.de/cmsimpleplus/index2a49.html?Q-T:Rostow%2C_Walt_W
Prebisch, R. (1950). *The economic development of Latin America and its principal problems*. United Nations. https://archive.cepal.org/handle/11362/2997
Roland, G. (2002). The political economy of transition. *Journal of Economic Perspectives*, *16*(1), 29–50. https://doi.org/10.1257/0895330027147
Romer, P. M. (1986). Increasing returns and long-run growth. *Journal of Political Economy*, *94*(5), 1002–1037. https://doi.org/10.1086/261420
Rosenstein-Rodan, P. N. (1943). Problems of industrialisation of Eastern and South-Eastern Europe. *The Economic Journal*, *53*(210/211), 202–211. https://doi.org/10.2307/2226317
Rosenstein-Rodan, P. N. (1957). *Notes on the theory of the 'big push'*. Center for International Studies, MIT.
Rostow, W. W. (1953). *The process of economic growth*. Clarendon Press.
Rostow, W. W. (1956). The take-off into self-sustained growth. *The Economic Journal*, *66*(261), 25–48. https://doi.org/10.2307/2227401
Rostow, W. W. (1960). *The stages of economic growth: A non-communist manifesto*. Cambridge University Press.
Singer, H. W. (1950). The distribution of gains between borrowing and investing countries. *The American Economic Review*, *40*(2), 473–485. https://www.jstor.org/stable/1811124
Tignor, R. L. (2006). *W. Arthur Lewis and the birth of development economics*. Princeton University Press.

Toye, J. (2017). *The many faces of socioeconomic change*. Oxford University Press. https://doi.org/10.1093/oso/9780198723349.001.0001
Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. Free Press.

Author(s) Statements:
Acknowledgements: Not applicable.
Author contributions: The contribution of the authors is equal.
Funding: No funding was received for this study.
Availability of data and materials: Not applicable.
Ethics Declarations:
Ethics approval and consent to participate: Not applicable.
Consent for publication: Not applicable.
Consent to participate: Not applicable.
Competing interests: The authors declare that they have no competing interests.
Informed consent: Not applicable.
Consent for publication: All authors agreed with the content and gave explicit consent to submit the manuscript to *Journal of Economic and Social Thought*.
Data Availability Statement: Not applicable.

CRediT Author(s) Statements:

Contribution	H Egbert	M Hoffstadt	T Sedlerski	AB Todorov
Conceptualization	X	X	X	X
Methodology	X	X	X	X
Software				
Validation				
Formal analysis				
Investigation	X	X	X	X
Resources				
Data curation				
Writing –original draft	X	X	X	X
Writing –review & editing	X	X	X	X
Visualization				
Supervision	X	X	X	X
Project administration	X	X	X	X
Funding acquisition				

SCAN ME