

Economic Commission for Latin America and the Caribbean (ECLAC)

International Seminar on

Structural Dynamics, Growth, Innovation and Distribution

16-17 August 2011

Remarks by the Executive Secretary of ECLAC

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Dear friends,

I have great pleasure in welcoming to the Economic Commission for Latin America and the Caribbean (ECLAC) two distinguished economists who will share with us their ideas on key models, theories and approaches to economics at this critical time for human society. We will have today the opportunity to debate with them the challenges to economic development that our region is facing, mainly growth, income distribution, innovation and the dynamics of structural change. This seminar and the presence here at ECLAC of Mark Setterfield from Trinity College and Robert Blecker from the American University are very relevant and opportune for several reasons.

The first and perhaps most obvious reason is that they have made valuable contributions to the theory of growth and distribution. As you already know, ECLAC has not only been the central reference point for Latin America in terms of devising policies that respond to the most urgent demands of the region, it has also produced rich and original contributions to the theory of economic development. This seminar confirms the Commission's concern with keeping this theoretical tradition (introduced by Prebisch with his 1949 "manifesto") and contributing to the advance of development theory.

Second, our guests are part of a community of researchers that has not hesitated to challenge conventional views on economics. They have constructed their theories on the basis of their recognition of the differences that exist between countries in terms of their historical conditions. They give room for the variety of institutions, productive

structures and political environments that shape development. They do not impose an atemporal framework for the study of economics, but take as a point of departure the international asymmetries and persistent internal inequalities that divide countries and societies. We share with them the idea that markets can be most useful, but they cannot alone correct inequalities or give rise to sustainable growth in the long run. To achieve productive convergence with equality and innovation there is the need for an active State, with proactive policies and regulatory frameworks to favour structural change and income distribution.

This perspective is broadly labelled as the heterodox tradition in economics, of which ECLAC has been an active proponent and an early contributor. We may of course recall in this sense the well-known statement by Keynes:

*“The difficulty lies not in the new ideas, but in escaping the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds.”*¹

As ECLAC has done since its inception, and as proposed by the participants of this seminar, we need to be creative (and daring) enough to rethink theory in the light of the specific problems of developing economies in general, and Latin America in particular. We do hope that these approaches inspire the students of the Summer School in their future research. If it does, this will be perhaps the most important lesson they will take back home after this period with us at the ECLAC Summer School.

Third, I would like to stress the importance of the topic that will be discussed in the seminar. Growth, income distribution and structural change are at the very core of the definition of development. The relationship and synergies between these variables are the subject of the last ECLAC document, “Time for equality: closing gaps, opening trails, ”. There have been some experiences of rapid growth in our economic history, but they did not improve income distribution. And in spite of Latin America’s significant advances in reducing inequality in recent years, this

¹ Keynes, preface to the *General Theory of Employment, Money and Interest*, 13 December 1935).

is still the most unequal region of the planet. The economists that gather in this seminar share the view that growth and distribution can, and should, go together. This in turn requires structural change.

Social policies and redistributive measures must be a central component of any programme aimed at reducing inequality. But in order to be sustainable in the long run such programmes should be complemented by a process of structural change. This process should create new job opportunities, develop new skills, reduce informality and low-quality jobs, and enhance capabilities. A denser, more closely linked productive structure will reduce heterogeneity between workers and foster equality.

Of course, I do not need to recall the importance of full employment and demand growth to Keynesian economists like Mark and Robert. I would just like to stress that productivity growth without demand growth produces unemployment instead of economic growth. Expanded production requires larger markets. By changing production patterns, countries will be in a position to produce those goods that are in greater demand in both the domestic and the external market. Structural change thus makes it possible to respond to internal demand (fostered by income distribution) and to participate in dynamic markets in the global economy. The countries that achieved the best outcomes in terms of sustained long-run growth in the past decades were precisely those which, like many Asian economies, went through the most drastic structural change.

Last but not least, I would like to emphasize that this is a good opportunity to advance heterodox ideas in theory and in the policy agenda. The international economic system is under considerable stress. The same voices that decreed the death of Keynes and advocated the complete liberalization of financial markets, are now trying to curb the international community's efforts to foster the still timid recovery from the 2008 Great Recession. Heterodox economists and ideas abound on the frontline with arguments in favour of policies for debt alleviation and coordinated fiscal and monetary expansion seeking to avoid a new dramatic slump in the international economy. The development of a new financial architecture, which Prebisch and Keynes strongly defended in their works, must now be placed as a matter of urgency at the top of the international policy agenda.

For all these reasons, it is an honour and a pleasure to have Mark and Robert with us today. They are researchers who combine rigour in economic analysis with a strong ethical commitment to income distribution and equality. This is why I feel that they are close to the ECLAC tradition, and why I also believe that this seminar will be so valuable for all of us and especially for the students of our Summer School.