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A Life in Development

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NEW YORK – The political economy of development in Latin America has long oscillated between statist populism and technocratic neoliberalism. The only constants seem to be unsustainable growth and debt crises, as Argentina's current predicament shows. From a broader perspective, the key point is that whether one sides with the Argentine government or its creditors, no one, including the International Monetary Fund, has a compelling strategy to generate sustainable economic growth and prosperity.

Yet, not so long ago, development economics in Latin America was alive with creative ideas and strategies to overcome the binary choice between statism and market fundamentalism. The field incorporated insights from governments' experiments with industrial policy, which had sometimes succeeded in creating the right incentives to spur innovation, boost productivity, and generate employment.

One of the pioneers and leading exponents of this approach, Simón Teitel, died in March in New York City, at 91, from complications of COVID-19. Teitel, a native of Argentina who worked as a research economist for the United Nations, the Inter-American Development Bank, and the World Bank, exemplified the hope that evidence-based industrial policy could change the political economy of development in Latin America. That hope remains alive – even if governments have lost sight of it.

For young economists like Teitel, who were more interested in improving their countries than proving a grand theory, a turning point was encountering the great economic iconoclast Albert Hirschman. A polymath whose works spanned social philosophy and political theory, Hirschman became interested in economic development after World War II, when he played an active role in devising the Marshall Plan. After a tumultuous experience advising Colombia's government on economic strategy in the 1950s, Hirschman rejected the idea that economic development could be reduced to a set of formulas that experts from the Global North could simply impose on countries – what Hirschman called the "visiting economist syndrome."

The resulting book, *The Strategy of Economic Development*, was ahead of its time. Hirschman proposed what could more accurately be called an *anti-strategy* that recognized development as an often-disruptive and counter-intuitive process.

Mindful of the limitations of prediction based on conventional economic theory, Teitel sought to understand what did and didn't work in context. This required country-specific studies that tested hypotheses, including some of Hirschman's main counter-intuitive insights. With his collaborators in the international economic institutions and academia, Teitel examined the interaction of governments and firms in a range of Latin American contexts, and also in Africa.

A good example of this work is Teitel's (partial) redemption of import substitution strategies. A product of the dependency theory (spearheaded by his countryman, Raúl Prebisch), import substitution sought to address post-colonial terms of trade that impeded the emergence of manufacturing industries in developing countries. Governments needed to create local manufacturing firms that would substitute for imports from developed countries and nurture their growth by protecting the domestic market.

With the neoliberal turn in mainstream international economics in the 1970s and 1980s, import substitution was discredited for coddling inefficient, uncompetitive industries. The policy mantra became export-led growth, based on existing comparative advantages – often abundant low-cost labor and unprocessed commodities – to move up the value chain.

But when Teitel examined a range of firms in Latin America that had become competitive in export markets, he discovered that the impetus for "learning by doing" that ultimately underpinned these firms' export competitiveness had in fact emerged from the legacy of import substitution. He and his collaborator Elio Londero published the results in *Resources, Industrialization, and Exports in Latin America* in 1998. "[N]either exclusive reliance on original (static) comparative advantage nor on export incentives has been the rule," Teitel wrote. "Rather, both have interacted with significant success to produce the important expansion and diversification of manufacturing exports observed."

Fellow development economist Moshe Syrquin called the book "A major contribution to the empirical literature on trade and industrialization in Latin America." But Teitel's basic insight would be vindicated beyond Latin America. Studies of the "Asian Tigers" showed that protection of new industries by guaranteeing domestic market share has been an important aspect of strategies aimed at export competitiveness.
While a visiting fellow at Yale in the late 1970s, Teitel worked on a paper, later published in the journal *World Development*, testing the "Hirschman hypothesis" that developing countries could acquire a comparative advantage in skill- and capital-intensive manufacturing branches due to the "all in one" effect of technology transfer in such industries. Eventually, Teitel led an effort to synthesize the influence and significance of Hirschman's insights for economic development in Latin America.

That research resulted in the 1992 edited volume *Towards a New Development Strategy for Latin America: Pathways from Hirschman's Thought*, a book that policymakers today, puzzling over the future direction of economies like Argentina's, would do well to revisit. Teitel engages with and rejects development theories advocating "one step at a time." As one reviewer put it, "A repeated theme, emphasized particularly by the editor (Teitel), is that Latin America needs concentrated government efforts to eliminate constraints and obstacles to growth and development, and that cries of privatization and a limited role for the state should not be allowed to obscure this priority."

But, 13 years later, in "Globalization and its Disconnects," Teitel would note that aspects of globalization had become obstacles to such "concentrated governmental efforts." For example, World Trade Organization rules on intellectual property rights, he argued, needed to be relaxed to facilitate technology transfer and maximize the effectiveness of innovation policies.

Teitel's many years of research on developing countries left him with an unshakeable belief in positive change, together with an unflagging commitment to development institutions, multilateralism, and global cooperation. Eschewing the absolutes of statism and neoliberalism, Teitel supported a Hirschman-inspired policy agenda featuring government intervention to foster not only investment, but also distributive justice. His was a scholarly approach that eschewed one-size-fits-all theories. That approach, which he and contemporary development economists like Dani Rodrik helped make mainstream, could not be more relevant today.

The author is Simón Teitel's daughter.

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