

FOREWORD TO THE PAP SPECIAL ISSUE ON “STRUCTURAL DEVELOPMENT MACROECONOMICS”

Structural Development Macroeconomics can be understood as an approach to the deep determinants of economic development in which the macroeconomic policy regime has a crucial role in explaining international growth rate differences, notably among middle-income countries. It strongly relies on a multidisciplinary but rigorous assessment of the subject that combines some of the main elements of classical development economics, Latin-American structuralism and post-Keynesian demand-led growth theories. The idea is to provide a somehow unifying view or vision of development processes from a macroeconomic, structural and dynamic perspective.

The interest of economists and social scientists towards the problem of development and underdevelopment dates back at least to the Post-war with the emergency of Keynesian interventionism, the experience of the Soviet Union, and the movements of decolonisation. This tradition includes Arthur Lewis, Raul Prebisch, Albert Hirschman, and Celso Furtado. They shared the view of economic development as a consequence of industrialisation. The economy was frequently depicted as a dual system in which modern and subsistence sectors coexisted, the latter being the source of a structural labour force surplus. On the other hand, demand-led growth theories share the premise that the means of production used in modern economies are themselves goods produced within the system. Their supply should never be taken as a given or independent from demand. The fundamental economic problem is not the allocation of given resources between different ends but rather the determination of the creation rate of such resources.

Recently, economic theory has witnessed an important shift in its methodology due to the challenges presented in the aftermath of the Great financial crisis and the need to design sustainable development strategies to fight climate change. Certainly, Structural Development Macroeconomics can provide substantial advancements to our understanding of the world and face such troubles. However, the task in front of us requires an interdisciplinary approach. Therefore, it should lead to a cross-fertilisation of fields, tools, and narratives. In this vein, the research articles in the present special issue address topics related to structural change and economic dynamics from multiple perspectives. It contains a selection of papers presented at the 1st Structural Development Macroeconomics Research Group (SDMRG) held on-line on June 2021.

Oreiro and da Silva (2022), for instance, present the underlying assumptions of New Developmentalism and how it provides an alternative explanation for the so-called middle-income trap. The authors provide an overview of the Latin American Structuralist

tradition and establish possible bridges with contemporaneous Post-Keynesian growth models. Particular emphasis is given to the role of the exchange rate in uneven development. This framework is expanded in the contribution by Costa-Santos (2022), who discusses the possibility of integration with Stock-Flow Consistent (SFC) models. He argues that the latter offers a promising methodology to solve some gaps in the former.

Policy is at the centre of the stage for Ferreiro and Gomez (2022). They bring crucial insights on fiscal policy from the Euro Area. At the beginning of 2020, the European Union reviewed its macroeconomic policy strategy and economic governance framework. However, while the monetary policy review was approved in July 2021, fiscal policy was put on hold due to Covid-19. In this context, the authors advocate for radical fiscal reform to allow for a more active role in national fiscal policies and avoid economic severe problems austerity. Policy is also the concern of Feijó and Lamonica (2022), though their paper focuses on the rise and fall of Brazil's manufacturing industry and industrial policy. It is argued that the loss in the country's economic dynamism follows the opening process of the 1990s that resulted in fast deindustrialisation and deterioration in the labour market.

Mature economies may experience fluctuations, but the average medium and long-run growth rates match the natural rate. While the growth-cycle stands as a powerful system for doing macrodynamics in developed countries, applying this model to developing economies may be hard to justify. Skott (2022) compares growth cycles in mature and dual economies, taking relative-wage norms as a central element of wage formation. Norms change endogenously, leading to path dependence in the stationary solution for the employment share of the modern sector. His rigorous contribution elegantly highlights how the very process of economic development is characterised by structural transformation and a gradual reduction of underemployment.

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