

# Globalization, Economic Development and Inequality

## NEW HORIZONS IN INSTITUTIONAL AND EVOLUTIONARY ECONOMICS

**Series Editor:** Geoffrey M. Hodgson

Research Professor, University of Hertfordshire Business School, UK

Economics today is at a crossroads. New ideas and approaches are challenging the largely static and equilibrium-oriented models that used to dominate mainstream economics. The study of economic institutions – long neglected in the economics textbooks – has returned to the forefront of theoretical and empirical investigation.

This challenging and interdisciplinary series publishes leading works at the forefront of institutional and evolutionary theory and focuses on cutting-edge analyses of modern socio-economic systems. The aim is to understand both the institutional structures of modern economies and the processes of economic evolution and development. Contributions will be from all forms of evolutionary and institutional economics, as well as from Post-Keynesian, Austrian and other schools. The overriding aim is to understand the processes of institutional transformation and economic change.

Titles in the series include:

The Evolutionary Analysis of Economic Policy

*Edited by Pavel Pelikan and Gerhard Wegner*

The Evolution of Scientific Knowledge

*Edited by Hans Siggaard Jensen, Lykke Margot Richter and Morten Thanning Vendelo*

Evolutionary Economic Thought

European Contributions and Concepts

*Edited by Jürgen G. Backhaus*

Economic Institutions and Complexity

Structures, Interactions and Emergent Properties

*Karl-Ernst Schenk*

The Economics of Knowledge Sharing

A New Institutional Approach

*Edited by Ernst Helmstädter*

The Economics of Energy and the Production Process

An Evolutionary Approach

*Guido Buenstorf*

Institutional Economics and the Formation of Preferences

The Advent of Pop Music

*Wilfred Dolfsma*

Globalization, Economic Development and Inequality

An Alternative Perspective

*Edited by Erik S. Reinert*

# Globalization, Economic Development and Inequality

An Alternative Perspective

---

*Edited by*

**Erik S. Reinert**

*President, The Other Canon Foundation, formerly at SUM –  
The Centre for Development and the Environment, University  
of Oslo, Norway*

NEW HORIZONS IN INSTITUTIONAL AND EVOLUTIONARY  
ECONOMICS

**Edward Elgar**

Cheltenham, UK • Northampton, MA, USA

© Erik S. Reinert, 2004

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher.

Published by  
Edward Elgar Publishing Limited  
Glensanda House  
Montpellier Parade  
Cheltenham  
Glos GL50 1UA  
UK

Edward Elgar Publishing, Inc.  
136 West Street  
Suite 202  
Northampton  
Massachusetts 01060  
USA

A catalogue record for this book  
is available from the British Library

**Library of Congress Cataloguing in Publication Data**

Globalization, economic development, and inequality : an alternative perspective  
/ edited by Erik S. Reinert.

p. cm.—(New horizons in institutional and evolutionary economics series)

Includes index.

1. International trade—Social aspects. 2. Income distribution. 3. Technological innovations—Economic aspects. 4. Technological innovations—Social aspects. 5. Globalization—Economic aspects. 6. Globalization—Social aspects. 7. Economic development. 8. Evolutionary economics. I. Reinert, Erik S., 1949– II. New horizons in institutional and evolutionary economics.

HF1379.G593 2004  
337—dc22

2004045463

ISBN 1 85898 891 8

Printed and bound in Great Britain by MPG Books Ltd, Bodmin, Cornwall

# Contents

---

<i>List of contributors</i>	vii
Introduction <i>Erik S. Reinert</i>	1
PART I FOUNDATIONS OF AN ALTERNATIVE THEORETICAL PERSPECTIVE	
1 The Other Canon: the history of Renaissance economics <i>Erik S. Reinert and Arno M. Daastøl</i>	21
2. Natural versus social sciences: on understanding in economics <i>Wolfgang Drechsler</i>	71
PART II THE STRATEGY OF SUCCESS: NINETEENTH- CENTURY UNITED STATES AND GERMANY	
3. The views of the German historical school on the issue of international income distribution <i>Jürgen G. Backhaus</i>	91
4. Technical progress and obsolescence of capital and skills: theoretical foundations of nineteenth-century US industrial and trade policy <i>Michael Hudson</i>	100
PART III THE STRATEGY OF FAILURE: LATE TWENTIETH- CENTURY DEINDUSTRIALIZATION AND THE ECONOMICS OF RETROGRESSION	
5. Natural resources, industrialization and fluctuating standards of living in Peru, 1950–97: a case study of activity-specific economic growth <i>Santiago Roca and Luis Simabuko</i>	115

6. Globalization in the periphery as a Morgenthau Plan: the underdevelopment of Mongolia in the 1990s <i>Erik S. Reinert</i>	157
<b>PART IV TECHNICAL CHANGE AND THE DYNAMICS OF INCOME INEQUALITY</b>	
7. Technological revolutions, paradigm shifts and socio-institutional change <i>Carlota Perez</i>	217
8. Income inequality in changing techno-economic paradigms <i>Chris Freeman</i>	243
9. Information technology in the learning economy: challenges for developing countries <i>Dieter Ernst and Bengt-Åke Lundvall</i>	258
10. Diversity: implications for income distribution <i>David B. Audretsch</i>	288
11. Convergence, divergence and the Kuznets curve <i>Ådne Cappelen</i>	309
<i>Index</i>	327

# Contributors

---

**David B. Audretsch** holds the Ameritech Chair of Economic Development and is Director of the Institute for Development Strategies at Indiana University. He is also a Research Fellow of the Centre for Economic Policy Research, London.

**Jürgen G. Backhaus** holds the Krupp Foundation Chair in Public Finance and Fiscal Sociology, Faculty of Economics, Law and the Social Sciences, University of Erfurt, Germany.

**Ådne Cappelen** is Research Director of Statistics Norway, Oslo.

**Arno M. Daastøl** is a PhD candidate at the University of Erfurt, Germany.

**Wolfgang Drechsler** holds the Chair of Public Administration and Government, University of Tartu, Estonia.

**Dieter Ernst** is a Senior Fellow at the East–West Center, Honolulu, Hawaii, USA.

**Chris Freeman** is Emeritus Professor and Former Director of SPRU, Science and Technology Policy Research, University of Sussex.

**Michael Hudson** heads the Institute for the Study of Long-Term Economic Trends (ISLET) in New York. He is also a Research Fellow at the Levy Economics Institute of Bard College, New York.

**Bengt-Åke Lundvall** is Professor of Economics at the University of Aalborg, Denmark.

**Carlota Perez** is Honorary Research Fellow at SPRU, Science and Technology Policy Research, University of Sussex; Adjunct Senior Research Fellow, INTECH, Maastricht, The Netherlands; and Visiting Scholar 2002 and 2004 at Cambridge University. She is also an international consultant and lecturer based in Caracas, Venezuela.

**Erik S. Reinert** was formerly Senior Research Associate at SUM (Centre for Development and the Environment) at the University of Oslo, Norway, and Head of Research, Norsk Investorforum, Oslo. He is now President of The Other Canon Foundation, Hvasser, Norway, and Professor of Technology Governance at the Tallinn Technical University, Estonia.

**Santiago Roca** is Professor of Economics and Director of Research at ESAN, Escuela Superior de Administración de Negocios, Lima, Peru. He has also been Visiting Professor of Economics and Finance, College of Business, Department of Economics, Arizona State University, Tempe, AZ.

**Luis Simabuko** is Research Assistant at ESAN, Escuela Superior de Administración de Negocios, Lima, Peru.