Development Economics: Intellectual Barbarism*

Ortega y Gasset once defined barbarism as “the absence of standards to which appeal can be made.”1 Barbarism in the sense of an absence of intellectual standards characterizes much of contemporary development economics and, to a lesser extent, other branches of economics. Economists holding senior academic positions confuse free goods and scarce resources, systematically ignore the price-dependence of supply and demand, or neglect patent and pertinent evidence. Many of these transgressions exhibit a disregard of elementary canons of logic or an inconsistency with basic tenets of economics.

I shall examine these shortcomings primarily with reference to development economics. Influences at work in other branches of economics are thrown into relief in this field, which makes it useful to focus on it, by analogy with Tocqueville’s observation that the defects of the old French monarchy could be best discerned in French Canada, where they stood out most clearly.

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1 José Ortega y Gasset, The Revolt of the Masses (London: George Allen and Unwin, 1932), p. 79.

K. Brunner (ed.), Economics Social Institutions
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The Vicious Circle, the Widening Gap, and Related Notions

In the 1950s when contemporary development economics got under way, the notion of the vicious circle of poverty was prominent in discussions of the position and prospects of less-developed countries (I_dc's). Indeed, in both academic and popular publications this was among the most widely canvassed ideas; mention of underdeveloped or less-developed countries was sufficient to evoke the idea of the vicious circle.

According to the notion of the vicious circle of poverty and stagnation, poverty itself sets up almost insurmountable obstacles to its own conquest. Thus Professor Samuelson wrote in an early edition of his celebrated textbook:

They [the backward nations] cannot get their head above water because their production is so low that they can spare nothing for capital formation by which their standard of living could be raised. 2

Another convenient example comes from MIT's Center for International Studies.

...the general scarcity relative to population of nearly all resources creates a self-perpetuating vicious circle of poverty. Additional capital is necessary to increase output, but poverty itself makes it impossible to carry out the required saving and investment by a voluntary reduction in consumption. 3

The reference to a voluntary reduction in consumption in this passage is notable because the distinction between voluntary and compulsory conduct is irrelevant if it is the general scarcity of resources that is the operative obstacle to the increase in output.

If the notion of a generally operative vicious circle of poverty were valid, no individual group, community, or society could have risen from poverty to prosperity. The world began in a very primitive state and has received no resources from outside; the development that has taken place, one way or the other, would have been impossible if poverty necessarily implied stagnation.