Some critical remarks on Palley´s criticism on New Developmentalism: A brief note[+]

José Luis Oreiro[*]

Luiz Fernando de Paula[**]

Abstract: This short paper aims to make some critical remarks on Palley´s critical assessment on New Developmentalism. As we argue in the paper Palley´s criticism is based on a narrow view of Brazilian New Developmentalist School, largely ignoring the writings of other members of this school, and even other writings of Bresser-Pereira. This "original sin" in the Palley´s assessment make him to make an unfair association of New-Developmentalism with Neo-Liberalism as well as making a false opposition between Classical Developmentalism and New Developmentalism, instead of considering both strands of developmentalism as theories designed for different historical phases of Latin American development.

Keywords: New Developmentalism, Classical Developmentalism, Economic Development.

JEL Classification: O11; 014; O23

.

November, 2021

[+] Forthcoming in the journal *Investigación Económica* 320, 2022.

[*] Associate Professor at Economics Department of University of Brasília (UnB), Professor at PhD Program in Economic Integration of the University of Basque Country (Spain), Level IB researcher of the National Council for Scientific and Technological Development and Leader of the Structuralist Development Macroeconomics Research Group (SDM/UnB). E-mail: joreiro@unb.br. Web-site: www.sdmrg.com.br

[**] Associate Professor of Economics at Institute of Economics of Universidade Federal do Rio a Janeiro (IE/UFRJ), Voluntary Professor at Institute of Social and Political Studies of Universidade do Estado do Rio de Janeiro (IESP-UERJ), and CNPq and FAPERJ researcher. Email: luiz.fpaula@ie.ufrj.br

In very precise paper, Thomas Palley (2021) recently published a article in *Investigacion Economica* making a critical assessment on New Developmentalism. When we saw the paper our first reaction was of incredulity since Palley was one of the earlier supporters of New Developmentalism, as he had signed in 29 of September of 2010 a document entitled "Ten Thesis on New Developmentalism" (see https://www.scielo.br/j/rep/a/CFZ8xg7rqKrBGcF5fxmSy5H/?lang=en) which propose a list of 10 core principles of New Developmentalism which is agreed with all people that signed the *manifesto*. In his new article, Palley criticizes many principles that he had previously agreed. But, quoting John Maynard Keynes, anyone has always the right to change her/his mind when realizes that is in error, or that the facts change. If this is the case, Palley should begin his critical assessment explaining why he had changed his mind about new developmentalism.

Our first general comment on his assessment is that Palley, like others critiques of New Developmentalism, identifies the whole school of thought with (some, since the references used by him ignores some important material as, for instance, the 2015 textbook on new developmentalism (Bresser-Pereira, Oreiro and Marconi, 2015); ignoring the fact that New Developmentalism is not a kind of religion, that has a only view of the “truth”. Indeed, one of the authors of this paper had some disagreements with some views of Professor Bresser-Pereira, mainly regarding the concept of industrial equilibrium exchange rate, as can be seen in a recent article published in the *Brazilian Journal of Political Economy* (Oreiro, 2020).

A second general comment is that we do not understand New Developmentalism as a new Theory of Economic Development, as done by Palley (2021, p.30); but rather a synthesis between Classical Theory of Economic Development, Latin American Structuralism and Kaldorian Theory of Demand-Led Growth (Oreiro, Martins da Silva and Dávila-Fernandez, 2020, pp. 27-29) about the main drivers and determinants of economic development. We see no opposition between classical developmentalism and new-developmentalism, but only the recognition of the fact that both theories are built for different historical stages of Latin-American countries. If for classical developmentalism the basic issue was how to overcome the *poverty trap* by means of industrialization-led structural change departing from an infant industry; for new developmentalism the basic issue is to how to overcome the *middle-income trap* in semi-matured economies by means of the implementation of a new macroeconomic policy regime (together with industrial policy) in substitution of the *new macroeconomic consensus* that conquered both developed and developing countries since the beginning of the 1990s. So, it seems to be unfair Palley's claim that New Developmentalism make a some kind of compromise with neo-liberalism.

New developmentalism at its earlier stages (Bresser-Pereira, 2006, 2007, 2009) had taken for granted that Latin-American countries had already overcome the infant industry phase of their economic development, which means that further development of manufacturing industry demands the shift of the "Import-Substitution Industrialization" for "Export Promotion of Manufacturing Goods" (and sophisticated services), which is a very similar proposition as the one defended by Kaldor (1967) for whom most successful cases of industrialization in world history are precisely the ones where countries achieved to increase their share of manufacturing exports in world exports of manufacturing goods. These were the cases of the United States, Germany, Japan and Italy (nowadays it is the case of China and South Korea). This is the fundamental difference between New Developmentalism and Classical Developmentalism.

Moreover, the world where Classical Theory of Economic Development (1950s and 1960s) was raised is very different from the one where New-Developmentalism appears (2000s and 2010s). While Classical Developmentalism was developed and implemented in Latin America under the prevalence of Bretton Woods System, that provided more policy space for developmental policies, globalization and financial liberalization make much more complicated the adoption of tariff protection and multiple exchange rates, instruments broadly used by the Latin American Countries to boost industrialization in the 1950s-1970s. New financial products make possible commodities prices boom to translate into capital inflows for countries that are rich in natural resources, allowing a real exchange rate overvaluation for purely financial causes (See Nalin and Yazima, 2021; Botta, 2015). In the same vein, Akyuz (2020) shows that capital flows are pro-cyclical in the global financial cycle, with a strong correlation with the evolution of prices of commodities listed on the international market, what he denominated as"commodity-finance nexus." Indeed, this means that the severity of the so-called Dutch Disease is directly tied with financial liberalization, a fundamental policy aspect of neo-liberalism.

Palley´s critical assessment has two parts. The first one where the author make a reasonable fair account of the basic principles of Bresser-Pereira version of New Developmentalism, as it is presented in some of his recent papers, but he completely disregards his earlier writings or the writings of other member of the new developmentalist school. The second part of the paper dedicated to the criticism of New-Developmentalism seems to be very unfair not only with Bresser-Pereira but with the whole school of though. As we argue in this paper Palley´s makes wrong claims about New-Developmentalism (ND hereafter) own internal logic and its relationship with neo-liberalism. And these wrong claims cannot be attributed to "ND´s failure to analytically model the economy", since a lot of mathematical models inspired by new developmentalist principles were developed in recent years (Gabriel et al. 2016; Santana and Oreiro, 2018; Oreiro, Martins da Silva and Dávila-Fernandez, 2020).

According to Palley (2021) ND had four main components: the Dutch disease problem, growth with foreign savings problem, developing an internationally competitive technology advanced manufacturing sector and getting the macroeconomics prices right.

Palley´s account of Dutch Disease is very similar to the arguments presented by Diamand (1972). Rich natural resources countries had an unbalanced productive structure where production and export of primary goods are competitive in international markets at a level of (real) exchange rate more appreciated than the manufacturing goods. In terms of Bresser-Pereira framework this means that there is two equilibrium exchange rates: the first one (e2 in Figure 2 of Palley's article) which is the *industrial equilibrium exchange rate*, the level of (real) exchange rate for which domestic manufacturing firms that operates with state-of-art technology are competitive in international markets and the c*urrent account equilibrium exchange rate* which is the level of (real) exchange rate compatible with a zero account deficit in the long-run (or zero foreign saving). For countries that had a *closed capital account*, the current equilibrium exchange rate will be the level of real exchange rate for which trade account is balanced (e3 in Figure 2 of Palley paper). In this case, the actual level of real exchange rate will fluctuate around the current account equilibrium level due to the forces of demand and supply of foreign currency in the foreign exchange market, generating an overvalued exchange rate for manufacturing industry in the long run. In this case the economy suffers from Dutch Disease (DD, hereafter).

For a country that had a closed capital account it is relatively simple to deal with DD. One possibility is the domestic monetary authority to intervene in foreign exchange markets, buying international reserves in order to hold real exchange rate at an undervalued level and hence achieve a trade account surplus. In this case the real exchange rate can be adjusted to a level compatible with the industrial equilibrium rate, but which will be extremely profitable for exports of primary goods. The profit rate obtained in the production and exports of primary goods will be much higher than the one obtained in the manufacturing sector, thus making real resources to flow from manufacturing sector to the production of primary goods, increasing the exports of these goods in the long-term and hence increasing the severity of the DD problem. Here is where export taxes over primary goods are important: An export tax will reduce the profits of the primary sector to more "normal" values, avoiding creating further incentives for private investment in the primary sector and hence increasing the revenue of commodity exports

Palley criticizes the export taxes arguing that these taxes will "[...] redistributes rents from the primary sector to the State. Export volumes are unaffected, and so is trade balance" (Palley, 2021, p.16). As we have already argued without such taxes producers of primary goods will obtain extra-normal profits if the monetary authority tried to achieve a more competitive exchange rate for manufacturing activities by means of reserve accumulation, making their attempts to neutralize DD in the long-run self-defeating.

However, if the economy is operating near full capacity utilization a devaluation of nominal exchange rate, due to foreign reserve accumulation, can produce inflationary pressures due to excess aggregate demand, a case that is not considered by Palley since in his assessment of ND he considers prices as being constant (2021, p.6). In a full-employment scenario, domestic price increases can prevent a nominal exchange rate depreciation to be transformed in a real exchange rate depreciation. That it is why government should adopt *under such full-employment environment* a contractionary fiscal policy in order to allow the neutralization of DD: if government save all the revenues from export taxes in a form a *sovereign fund* (Bresser-Pereira, Oreiro and Marconi, 2015, p. 146); then the redistribution of income from primary goods producers to the State will increase the average saving rate of the economy (supposing that the saving rate of the entrepreneurs of the primary sector is considerably lower than one), allowing an increase in the trade balance without inflationary effects. If these revenues were spent in government consumption, then the average saving rate will be reduced, increasing the inflationary effects of a nominal exchange rate devaluation.

In an economy with open capital account, the picture turns to be a little more complicated. First of all, current equilibrium exchange rate now requires a trade surplus big enough in order to balance current account (supposing that the country has a positive external debt). This means that current equilibrium exchange rate will be at the left of e3 in Figure 2 of Palley´s article, which means that the size of DD will be reduced in comparison with the case of zero capital mobility. On the other hand, access to the world financial markets makes possible for a country to run current account deficits with excess of foreign capital inflows. It is here where the model of *growth with foreign savings* enters in the picture. Neo-liberalism, founded in the traditional neoclassical economics, considers domestic and foreign savings to be complementary, rather than substitutes as stated by ND (this differentiation is missing in the Palley´s review). So, a neo-liberal policymaker would like to incentive the capital inflows by means of setting domestic interest rate in a level higher than the external equilibrium level, given by the sum of international interest rate and country risk premium. This policy would also allow the policy maker to achieve a low inflation rate (See Oreiro, Martins da Silva and Dávila-Fernandez, 2020, p. 33). The capital inflows are an autonomous source of exchange rate appreciation, causing the appearance of current account deficits. *It is important to stress that growth with foreign saving is not a market result for ND but a policy choice*: policy makers choose to set the domestic interest rate at a higher than equilibrium level in order to (i) increase foreign saving in a (self-defeating) attempt to increase aggregate saving and hence investment and growth[1]; (ii) achieve a low inflation rate compatible with the inflation target defined by the monetary authorities (for more, see Bresser-Pereira and Gala, 2007). This choice is oriented by the ideology of neo-liberalism, so does not make sense to associate ND with the former; but supported by the exchange rate populism that is endemic in Latin American countries, even for left or right-wing governments.

To deal with the problem of *growth with foreign saving* is thus fundamental to set the domestic interest rate in the *right place*, which is the level given by the sum of

[1] Conventional wisdom, based on the theory of market efficiency, supports that free capital movements facilitate and efficient global allocation of savings and and help channel resources into their most productive uses, thus increasing economic growth and welfare, mainly for capital-poor with a savings shortage (Prasad et al, 2003).

international rate of interest and country risk premium, in order to reduce the attraction of capital inflows that tend to result in domestic currency appreciation. Thus, Palley is misleading when he writes that "[ND] has no policy prescription for interest rates in the form of an interest rule or interest rate target" (2021, p.14). For more on this issue see Santana and Oreiro (2018) and Oreiro et al (2021).

On the other hand, one should consider that the nature of peripheral economies' external vulnerability has changed since the end of the Bretton Woods era. Although current account and especially terms-of-trade shocks have remained relevant – particularly in commodity-dependent economies – monetary and financial dimensions of the center-periphery relationship have increasingly gained weight (Ocampo, 2001). Monetary asymmetry or hierarchy[2] is intertwined with the financial dimension of global asymmetries. While monetary asymmetry encompasses the negative consequences for peripheral economies regarding their inability to borrow abroad in their own currency, financial globalization refers to the magnitude and patterns of international capital flows to peripheral economies. Capital flows towards peripheral emerging economies mainly depend on exogenous sources (Rey, 2015), which render them permanently vulnerable to their reversal by virtue of changes in the monetary conditions of center countries, as well as the increased risk aversion of global investors. In this setting, international financial markets are highly volatile, resulting in boom-bust cycles. Any developmentalist strategy to be successful has to deal with the problem to how to face the issues related to monetary and financial asymmetries, a problem that new-developmentalism seeks to address, and that Palley and social-developmentalists tend to neglect (for more, see Fritz et al, 2021). The new developmentalist approach has a clear and well-developed strategy with a focus on shielding the economy from external shocks.

Regarding the ND growth model, Palley correctly identifies the exports as the driver of economic growth. As we had already told in the beginning of this note, ND is based in the Kaldorian demand-led growth models where exports demand is the only source of autonomous demand growth in the long-run. Palley argues, however, that government spending can be an important source of autonomous demand according to

[2] The monetary asymmetry is a consequence of the so-called currency hierarchy, whereby currencies are hierarchically positioned according to their ability to perform the functions of money at the international level (medium of exchange, unit of account and store of value). While the key currency (currently the US dollar) has a privileged position and it is placed at the top of the hierarchy as it meets these three functions, currencies issued by peripheral economies are incapable of fulfilling these functions on an international scale, even marginally (Paula, Fritz and Prates, 2017).

the so-called super-multiplier model (Palley, 2021, p. 28). ND strongly rejects domestic demand - not only government spending - as the main (and only) driver for autonomous demand growth in middle income countries in their "catching-up" strategy because (i) such countries have no reserve currency - as USA had - that allow them to finance balance of payments deficits for indefinitely long periods of time (the so-called "exorbitant privilege" according to former French President Valéry Giscard d'Estaing); and (ii) income elasticity of imports is, in general, higher than one. This means that the simple fulfilment of balance of payments constraint in Thirwall's sense would require exports to grow at a faster rate than domestic output, which means that growth must be export-led in order to be sustainable in the long-run (Thirwall and Dixon, 1979, p.174).

Apart from these general comments we have some specific critiques to Palley´s article. In page 21 we can read that "The rate of accumulation then depends on the difference between the expected profit rate and the interest rate (...) That is a substantially neoliberal view of accumulation process, and it contrasts with the CD view in which the State occupies a for more activist position". The investment function of the ND standard model (Bresser-Pereira, Oreiro and Marconi, 2014, p. 66) is the Neo-Robinsonian equation for desired rate of capital accumulation (Blecker and Setterfield, 2019, p. 136), so no make sense to associate the specification of the investment function to neo-liberalism of any kind.

Palley also criticizes ND emphasis on industrialization as the engine of growth. Although Palley is right when he writes that the trend in the last three decades in the high income countries is de-industrialization (2021, p. 290); he ignores the problem of *premature deindustrialization* - defined as a reduction of the share of manufacturing in added value and employment in economies where the so-called "Lewis turning point" is not yet reached and, therefore, there is an almost unlimited supply of labour to the modern sector of the economy - which is the focus of concern of ND regarding middle-income countries. According to Rodrik (2016), who had already showed public sympathies with some of ND ideas, manufacturing tends to experience relatively stronger productivity growth and technological progress over the medium to longer term. Therefore, premature deindustrialization closes off the main way to achieve fast economic convergence in low- and middle-income countries. It was the industrialization process that permitted catch up and convergence with the West by non-Western nations, such as Japan in the late 19th century, South Korea and Taiwan, among other countries, in the 20th century, and China in the 21st century[3]. So there seems to be no basis for Palley´s claim that "those empirical facts cast doubt on ND´s framing of the development in terms of industrialization" (Palley, 2021, p.21), a statement that can be applied to advanced economies.

Another unfair criticism of Palley regards the role of public investment in economic development. There is nothing in the ND literature that denies the important role of investment in infrastructure for economic development. Indeed, Bresser-Pereira and Oreiro (2010) defended the separation of the fiscal budget in current and capital account, arguing that government must run deficits in capital account to finance a sustainable increase in the public investment (see also, Paula, 2008). A sound fiscal policy for ND is a fiscal policy that allowed an increase in public investment without running in an unsustainable increase in public debt as a ratio to GDP. To achieve that goal many fiscal rules can be though, from the cyclically adjusted target for primary surplus upon to target for current account surplus of general government, which excludes the government investments but includes the interest rate payments over public debt.

Furthermore, we disagree with Palley support for Dilma´s administration budget deficits. As Oreiro and D'Agostini (2017) showed, Brazilian economy during Dilma Rouseff first term was not suffering from a problem of insufficient aggregate demand, but from loss of economic dynamism due to *premature deindustrialization*. Increase aggregate demand by fiscal stimulus in such a setting only increases imports, with low impact on economic growth. One of the main problem of Roussef first term was the frequent changes in the conduct of economic policy, sometimes contractionary, sometimes expansionary, and mainly the lack of coordination of the countercyclical economic policies; for instance, the average rate of growth of public investments in Brazil was -5.2% in 2011-2015[4] (Orair, 2016, p.16), while in most period (with some exception) the fiscal policy was expansionary, in part due to tax relief to industries, with doubtful effect on economic growth.

---

[3] Bresser-Pereira, Jabbour and Paula (2020) analyze the catching-up processes of South Korea and post-1978 reforms China, based on a new-developmentalist approach that considers four fundamental factors: 1) a complementarity relationship between the state and the market as a dynamic process that changes over time; 2) necessary complementarity between macroeconomic policy and industrial policy; 3) the key role of public and development banks in attacking the problem of "development financing"; and 4) the centrality of exchange rate and balance of payments administration for the development process in these countries.

[4] Paula, Modenesi and Pires (2015) assess why countercyclical policy in Brazil succeeded to face the contagion of Lehman Brothers crisis but did not succeed to face the contagion of the Euro crisis.

Regarding the nature of the demand regime in the Brazilian economy, Oreiro and Araujo (2013) using a neo-Kaleckian growth and distribution model had showed that the demand regime is dependent upon the state of real exchange rate misalignment. In periods of over-valued exchange rate, the demand regime is *profit-led*; and in the periods of under-valued exchange rate the demand regime is *wage-led*. Since Brazil had a trend of over-valued exchange rate in the last 20 years, then the demand-regime prevailing in the Brazilian economy is profit-led.

One last criticism of Palley´s arguments. In page 27 he writes that a more egalitarian distribution requires a higher wage-share. This is not exactly and necessarily true. If a high wage share is associated with high dispersion of wages, for example by a higher ratio between average and median wages than it is possible for income distribution to be more concentrated than in an alternative scenario where wage share is lower but the ratio of average to median wage is also lower. Finally, it is important to point out that a more egalitarian income distribution can be achieved by means of tax reforms that increase the weight of income taxes relative to indirect taxes in total government revenues and with higher tax rates for higher income groups. Personal income distribution can be dramatically changed without great changes in functional distribution of income.

Finally, we agree with Palley critical assessment of ND raised one right issue: ND indeed underestimate the role of industrial policies for economic development. This was due to a theoretical and case-specific explanation. The theoretical explanation regards the concept of industrial equilibrium exchange rate employment by Bresser-Pereira on his writings. For Bresser-Pereira industrial equilibrium exchange rate is the level of real exchange rate that makes firms that use state-of-art technology to be competitive in international markets. The problem is that for developing countries, most firms in the manufacturing sector operates behind the technological frontier. This observation makes necessary to redefine the concept of industrial equilibrium exchange rate as the level of real exchange rate that, for a given level of technological gap, is capable to keep the manufacturing share on output constant over time (Oreiro, Martins da Silva and Dávila-Fernandez, 2020; Oreiro, D'Agostini and Gala, 2020). Once the industrial equilibrium is defined on this way, there is a role for industrial policies in economic development, which is precisely to reduce the technological gap to allow an appreciation of industrial equilibrium exchange rate without compromise the price-competitiveness of manufacturing firms and thus allowed a sustainable increase in the real wage rate.

The Brazilian experience with industrial policies during Lula and Dilma Rouseff administrations, however, are very far to be considered successful cases. On the contrary, the implementation of these policies from 2003 to 2015 was not capable to avoid the premature deindustrialization of the Brazilian economy and the return to primary goods as the major exports of Brazilian economy, a process named "reprimarization" of exports. For ND the failure of industrial policies in Brazil in 2003-2016 period was the proof that industrial policies can never be though as a substitute for a competitive real exchange rate, as it appears to be the thinking of many Brazilian heterodox economists. Instead of being substitutes, industrial policies and a competitive real exchange rate, that is an exchange rate at its industrial equilibrium level, as complementary tools for achievement economic development through structural change in direction of high added-value per worker activities, the majority of which are still in the manufacturing sector.

References

Akyuz, Y. (2020): The commodity-finance nexus: Twin boom and double whammy. *Journal of Contemporary Economics,* 24(1): 1-13. DOI: -http://dx.doi.org/10.1590/198055272418.

Blecker, R. and Setterfield, M. (2019). *Heterodox Macroeconomics: models of demand, distribution and growth*. Edward Elgar: Aldershot.

Botta, A. (2015). The macroeconomics of a financial Dutch disease. *Levy Economics Institute Working Paper* n. 850, October.

Bresser-Pereira, L.C. (2006). O novo-desenvolvimentismo e a ortodoxia convencional. *São Paulo em Perspectiva*, 20(3): 5-24.

Bresser-Pereira, L.C. (2007). *A Macroeconomia da Estagnação*. Editora 34: São Paulo.

Bresser-Pereira, L.C. (2009). *Globalização e Competição*. Campus: Rio de Janeiro.

Bresser-Pereira, L.C; Oreiro, J.L and Marconi, N. (2015). *Developmental Macroeconomics: New Developmentalism as a Growth Strategy*. Routledge: London.

Bresser-Pereira, L.C; Oreiro, J.L and Marconi, N. (2014). A theoretical framework for New Developmentalism. In: Bresser-Pereira, Kregel and Burlamaqui, L. (Eds). *Financial Stability and Growth*. Routledge: London.

Bresser-Pereira, L. C. and Oreiro, J. L. C. (2010). Keynesianismo vulgar e o novo-desenvolvimentismo. *Valor Econômico*, p. A10 - A10, 05 February 2010.

Bresser-Pereira, L.C., Jabbour, E. and Paula, L.F. (2020). South Korea's and China's catching-up: a new-developmentalist analysis. *Brazilian Journal of Political Economy*, 40(2): 264-284.

Diamand, M. (1972). La estructura productiva desequilibrada Argentina y el tipo de cambio. *Desarrollo Económico* 12(45): 1-24

Fritz, B., Paula, L.F. and Prates, D. (2022). Developmentalism at the periphery: Addressing global financial asymmetries. *Third World Quarterly* (forthcoming).

Gabriel, L.F., Jayme Jr, F. G. and Oreiro, J. (2016). A North-South model of economic growth, technological gap, structural change and eal exchange rate. *Structural Change and Economic Dynamics* 38, 83–94.

Kaldor, N. (1967). *Strategic Factors in Economic Development*. Ithaca: New York State School of Industrial and Labor Relations, Cornell University.

Nalin, L and Yajima, G. (2021). Commodities fluctuations, cross border flows and financial innovation: A stock-flow analysis. *Metroeconomica*. 72(3): 539-579.

Ocampo, J.A. (2001), Raúl Prebisch and the development agenda at the dawn of the twenty-first century, *CEPAL Review* 75(1): 25-40.

Orair, R.O. (2016). Investimento público no Brasil: Trajetória e relações com o regime fiscal. *IPEA Texto para Discussão* n. 2215, June.

Oreiro, J.L. (2020). New Developmentalism: beyond competitive exchange rate. *Brazilian Journal of Political Economy*, 40(2): 238-242.

Oreiro, J.L and D'Agostini, L. (2017). Macroeconomic policy regimes, real exchange rate over-valuation and performance of Brazilian economy (2003-2015). *Journal of Post Keynesian Economics* 40: 27-42.

Oreiro J.L., D'Agostini L.L. and Gala P. (2020). "Deindustrialization, economic complexity and exchange rate overvaluation: the case of Brazil (1998-2017)", *PSL Quarterly Review*, 73 (295):313- 341.

Oreiro, J.L; Martins da Silva, K and Dávila-Fernandez, M. (2020). A New Developmentalist model of structural change, economic growth and middle-income traps. *Structural Change and Economic Dynamics,* 55? 26-38.

Oreiro, J. L. C.; Carvalho, L. D. and Gabriel, L. F. ; Silva, E. H. (2021). Flexible inflation targeting, real exchange rate and structural change in a Kaldorian model with balance of payments constrained growth. *Revista Ensayos Económicos* [forthcoming]

Palley, T (2021). The Economics of New Developmentalism: a critical assessment. *Investigación Económica*, 80 (317): 3-33.

Paula, L.F. (2008). Política econômica para o crescimento e estabilidade macroeconômica: Uma abordagem keynesiana com uma referência ao Brasil. In Sicsú, J. and Vidotto, C. (ed.). *Economia do Desenvolvimento: Teoria e Políticas Keynesianas*. Rio de Janeiro: Campus.

Paula, L.F.; Modenesi, A. and Pires, M. (2015). The tale of the contagion of two crises and policy responses in Brazil: a case of (Keynesian) policy coordination? *Journal of Post Keynesian Economics*, 37:3, 408-435, DOI: 10.1080/01603477.2015.100011

Paula, L.F., Fritz, B. and Prates, D.M. (2017), Keynes at the periphery: Currency hierarchy and challenges for economic policy in emerging economies. *Journal of Post Keynesian Economics*, 40 (2): 183–202.

Prasad, E., Rogoff, K., Wei, S. and Kose, M. (2003). Effects of financial globalization on developing countries: Some empirical evidence. *Economic and Political Weekly* 38(41): 4319-4330.

Rey, H. (2015), Dilemma not trilemma: the global financial cycle and monetary policy independence. *NBER Working Paper* No. 21162, Cambridge, MA: National Bureau of Economic Research.

Rodrik, D. (2016). Premature deindustrialization. *Journal of Economic Growth*. 21(1): 1–33.

Santana, B. and Oreiro, J. (2018). Real exchange rate and structural change in a Kaldorian balance of payments constrained growth model. *Brazilian Journal of Political Economy*, 38(1(150): 48-69.

Thirwall, A.P and Dixon, R.J. (1979). A model of export-led growth with a balance of payments constraint, In: Bowers, J.K. (ed.). *Inflation, Development and Integration: Essays in Honour of A.J. Brown*. Leeds University Press: Leeds.