

ÉTATISME AS THE ROOT OF DEVELOPMENT ECONOMICS

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ABSTRACT: Development economics has invested substantial effort in formulating policies aimed at initiating development in underdeveloped countries, with a notable emphasis on the role of government. This article focuses on the transition from early intellectual forerunners such as John Locke, David Hume, and Adam Smith to the subsequent theories of development. Previous examinations, notably by Lewis (1988) and Sen (1983), have argued that if growth is taken as the definition of development, then Petty, Hume, and Smith are predecessors of development economics. However, a gap exists between this observation and the subsequent trajectory of development economics. This article investigates the prevalent role of the state in shaping development strategies, exploring the maturation of state duties based on modern political concepts from the seventeenth and eighteenth centuries and investigating the transformation in the twentieth century of government's responsibilities, specifically in the context of the United States' progressive movement. By tracing the historical evolution of state involvement, this article shows that the concept of "étatisme," advocating robust state engagement in economic affairs, emerges as a pivotal but often overlooked factor in the emergence of development economics. This finding illustrates why development economists' policies historically place such significant emphasis on government intervention in the market in underdeveloped countries.

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Development economists are not in agreement regarding the emergence of development economics. Some, such as Arthur Lewis and Amartya Sen, argued that the field is not entirely new, but traces its origins to centuries ago. Lewis (1988, 28) argues that “the theory of economic development established itself in Britain in the century and a half running from about 1650 to Adam Smith’s *The Wealth of Nations* (1776).” Sen agreed with Lewis and identifies Sir William Petty in 1676 as a founder of development economics. Sen (1988, 10) noted that “in the early contributions to economics, development economics can hardly be separated out from the rest of economics, since so much of economics was, in fact, concerned with problems of economic development.”

If development were simply defined as growth, then Lewis and Sen’s theory about the historical roots of development economics would not be problematic. It should be remembered, however, that development economics emerged in the middle of the twentieth century in response to the challenges faced by newly independent countries after colonialism. The early proponents of this field attempted to comprehend why some countries experienced uneven rates of economic development and industrialization, while others remained impoverished and underdeveloped. Heinz Wolfgang Arndt (1987, 2) also noted that “in the aspirations of people in Asia, Africa, and Latin America, the quest was for modernization, industrialization, even Westernization, as much for national survival, power, or independence as for enjoyment of the material fruits of Western civilization.”

These early development economists concentrated on issues like trade, investment, and, particularly, the role of the government in promoting economic development. Development is, in this sense, according to Albert O. Hirschman (1958, 51–52), “the process of change from one type of economy into some other more advanced type.” Additionally, according to Michael Todaro and Stephen Smith (2020, 9), “A larger government role and some degree of coordinated economic decision-making directed toward transforming the economy are usually viewed as essential components of development economics.” According to Peter Boettke (1994), all economic schools of thought have widely accepted the idea that government supervision is necessary both for managing mature economies and for modernizing less developed ones. The Third World was also

exposed to various First and Second World government-driven economic growth models. According to Victor Espinosa and Óscar Carreiro (2021, 255), “Government interventions play a crucial role in carrying out the needed changes and achieving the pathway to higher levels of equality and prosperity.” As a result, the majority of development economists recommended government involvement in the development process.

To ascertain whether the eighteenth century may be regarded as a root of development economics, it is crucial to examine the function of the state and the influence of the notion of *étatisme*. Roger Scruton (2007, 223) defined *étatisme* as a “direct intervention by the state in the economic life of a capitalist society, by nationalization, by the administering of prices and control of wages, and by social welfare legislation”; he states furthermore that in its broader sense it “signifies the vesting of power in the state, as a necessary condition of political transformations.” Osman Okyar (1965, 98) defined *étatisme* as “a situation in which the State takes an active and permanent part in economic affairs.” Ludwig von Mises explained in 1944 the ways that *étatisme* might manifest itself in society: “Etatism appears in two forms: socialism and interventionism” and that both forms have as their end objective the absolute subordination of the individual to the state and its social machinery of coercion (Mises 2010, 44).

Therefore, if development economics does demand that the government play a larger role than the market does in the development process, it may be fair to say that it originated at the time when *étatisme* was the norm. This article’s first section explores the modern intellectual orientation toward the state in order to assess whether this conclusion is reasonable. The seventeenth-century works of Niccolò Machiavelli, Thomas Hobbes, and John Locke are briefly studied in the first subsection. Those of David Hume and Adam Smith are examined in a second subsection. The article’s second section examines the intellectual climate of the twentieth century, and the third section demonstrates the connections between those twentieth-century views and the views of development economists by examining the theories of development theorists in the 1950s.

THE NEW INTELLECTUAL ORIENTATION TOWARD THE STATE

Seventeenth-Century Beginners

Modern political philosophy starts with Niccolò Machiavelli (1469–1527). He believed that instead of being idealistic, politics should be grounded in reality. Machiavelli's realism, according to Laurence Berns (1987, 396), entailed "taking as the goals of political life, not the perfection of man, but those lower goals pursued by most men and most societies most of the time." Leo Strauss (1987, 300) argued that Machiavelli's main focus was on instructing the prince on "how to rule and even how to live" rather than on "how men do live." Machiavelli believed that a prince should prioritize being feared over being loved, as being feared leads to greater control; Conversely, a prince who seeks adoration depends on others.

The idea of fear from Machiavelli's *Prince* struck a chord with Thomas Hobbes (1588–1679) and became a tenet of his philosophy in *Leviathan*. According to Paul Sagar (2018), Hobbes rejected the Aristotelian maxim that people are fundamentally social by dividing them into hostile groups. Hobbes believed that fear was eventually essential to creating a vast and durable civilization. He believed that human beings each possess an inescapable and unstoppable need to survive, a natural right that gives them the unrestricted freedom to take any actions they find necessary in order to stay alive. Hobbes defined human existence as "continual fear and danger of violent death" (Hobbes 1998, 84), the most potent passion in his concept of the state of nature. According to Hobbes's view, men's dread of violent death and need for self-preservation drive them to a "social contract" that creates a political society. Therefore, the task of "reason" is to come up with strategies for refocusing and amplifying the need for comfort and the dread of death. These principles of logic are referred to as "laws of nature." According to Hobbes, these underlying laws are the source of all other laws.

As a result, acceptance of sovereign power is dependent on the supply of security, and submission is exchanged for defense. As mentioned by Strauss (1963), Hobbes maintained that the goal of the state, in addition to maintaining peace and security, should be common benefit. According to Berns (1987), Hobbes believed that a legitimate state should grant a subject certain unalienable rights

that are beneficial to him, his life, and the means of protecting it; these rights might be summed up as the right to self-preservation. However, Hobbes's political outlook contained contradictions. According to him, the sovereign should answer to God only if he wields his authority in a way that defies natural rules, such as when nature is at its most untamed. This implies that the sovereign has unrestricted authority and is free to do anything he pleases, which runs counter to Hobbes's idea that the creation of political societies was primarily motivated by the need to protect people from violent death.

John Locke (1632–1704) is the third famous thinker who helped define the intellectual climate of the eighteenth century. According to Robert Allen Goldwin (1987), Locke's conception of the state of nature was similar to Hobbes's, yet there were also significant distinctions. The state of nature, in Locke's view, "is a State of Liberty" and "has a law of nature to govern it, which obliges everyone" (Goldwin 1987, 477). Writing in 1663, Locke (1997, 83) stated that the law of nature "binds men, for it contains in itself all that is requisite to create an obligation." Additionally, "without it the people could not be restrained by the laws of the state" (87).

He lists three different mental states that men might experience: the state of nature, civil society, and the state of war. Civil society is the antithesis of the state of nature, and while war can break out in both civil society and the state of nature, it is more likely to do so in the former. But what is the state of nature in Locke's mind? Writing in 1680, Locke (1980, 9) stated that "the *state of nature* has a law of nature to govern it, which obliges everyone: and reason, which is that law, teaches all mankind who will but consult it that, being all *equal and independent*, no one ought to harm another in his life, health, liberty, or possessions."

In contrast to Hobbes, Locke believed that nature had its own laws that everyone must abide by; however, because there is no authority in the state of nature to settle disputes, all people have both executive and judicial power and can take whatever action is necessary to defend themselves against another person's aggressiveness. According to Locke (1980, 12), "Civil government is the proper remedy for the inconveniences of the state of nature, which must certainly be great where men may be judges in their own

case.” According to Goldwin (1987, 500), Locke’s theory holds that “men join a political society to be ruled by a settled law, and that purpose can be accomplished by legislative and executive powers alone.” Therefore, the institution of government is necessary for political society to continue, and the creation of a government is political society’s exclusive objective.

As is evident from Locke’s account of the process by which governments develop, the primary responsibility of the government is to protect the inherent rights of individuals who create a political society. Locke held that “all government is limited in its power and exists only by the consent of the governed” (Goldwin 1987, 476), who have created a political society to protect their life, liberty, and property because “God created men free and equal, and able to generate legitimate political authority only via the mechanism of consent” (Sagar 2018, 129). As a result, the rights of the governed must be protected by the government.

Eighteenth-Century Heirs

According to Robert S. Hill (1987), David Hume (1711–76) thought that the state of nature was a necessary fiction to explain how governments came into being. Paul Sagar (2018, 135) wrote that Hume thought that “sovereignty theory is fundamentally *justification theory*: it seeks to explain not only who has (or should have) ultimate political decision-making power, but more importantly who has (or should have) the legitimate authority to exercise that power.” Comparatively speaking, humans are more prone to vulnerability than other animals, and “society alone can compensate for [man’s] weaknesses”; the result is that “mutual helpfulness is a shield against accident and bad fortune” (Hill 1987, 548).

Hume believed that this calculation is much more complex than “uncultivated men” can comprehend. He believes that sexual attraction plays a significant role in the formation of a family, and since men tend to prioritize their own well-being and that of their family, it is common for them to resort to theft to obtain the possessions of others. Because of this, “a convention entered into by all the members of the society to bestow stability on the possession of those external goods, and leave everyone in the

peaceable enjoyment of what he may acquire by his fortune and industry" (Hill 1987, 549) is necessary. Hume (1998, 28) wrote that although it is true that "all men are sensible of the necessity of justice to maintain peace and order, and all men are sensible of the necessity of peace and order for the maintenance of society," it is also impossible to keep people faithfully and unerringly on the path of justice.

Therefore, according to Hume's thesis, the state's establishment was required to preserve property. He wrote, "We find that the government's role in maintaining social order is far superior to our responsibility to our fellow citizens" (Hume 1998, 29). Hume believed that "the original motive and the natural obligation to obedience to government is self-interest" and that the "fundamental and principal object of government" is the "protection of property and the enforcement of contracts" (Hill 1987, 551). As Sagar (2018, 53) noted, "Hume identified government as necessary to the regulation of ranks and property." In "Of the Origin of the Government," Hume (1998, 31) depicts civilizations in the never-ending conflict "between AUTHORITY and LIBERTY," a notion best described in his following sentence: "The government, which, in common appellation, receives the appellation of free, is that which admits of a partition of power among several members, whose united authority is no less, or is commonly greater, than that of any monarch; but who, in the usual course of administration, must act by general and equal laws, that are previously known to all the members, and to all their subjects."

Although Hume supported unrestricted trade that advances the "material and moral interest of the nation," he stressed the importance of the state in the administration of justice, as Neil McArthur (2016) noted. Hume wrote in 1739: "Bridges are built, harbors opened, ramparts raised, canals formed, fleets equipped, and armies disciplined, everywhere, by the care of the government, which, though composed of men subject to all human infirmities, becomes, by one of the finest and most subtle inventions imaginable, a composition which is in some measure exempted from all these infirmities" (quoted in Russell 2016, 501). In this passage, Hume emphasized one way that private interests might coincide with the interest of society, but how to reconcile private interests with those of the public remained a crucial issue. According to Hume,

the government should have a part in delivering what modern economists refer to as public goods. Hume's friend Adam Smith went into further detail on this issue.

Adam Smith (1723–90) is widely regarded as the “father of economics.” As with any founder, however, his ideas have been a subject of controversy. Smith's moral philosophy and political economy are indistinguishable; thus, one should start with the former to comprehend the latter: to comprehend *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), one must first grasp *The Theory of Moral Sentiments* (1759). The most important idea that Smith attempted to express may be unlocked with two words: propriety and merit. Joseph Cropsey (1987) claims that “propriety and merit are the attributes of the passion behind each action that determine the virtuousness of the action” (Cropsey 1987, 637). “Propriety” in Smith's writings refers to one's ability to imagine oneself experiencing other people's misery. Men may “imagine ourselves in the same circumstances as the sufferer, experiencing all of the same torments, and becoming somewhat the same person with him,” as well as “feel something which . . . is not entirely unlike” what the sufferer feels (Smith 2004, 12). Per Cropsey (1957, 12), the utilization of propriety involves being “known by and indeed established through a congruity or concord of the passions of the agent and the passions of all men.” In 1759, Smith (2004, 11) wrote that “there are evidently some principles in [man]'s nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.”

The other essential term in *The Theory of Moral Sentiments*, “merit,” is defined by Smith (2004, 78) as “the qualities of deserving reward.” In this instance, “merit” refers to a concern for the patient rather than for the agent.¹ If an agent's action helps the patient, it is deemed meritorious; if not, it is deemed demeritorious. According to Cropsey (1987, 638), “If an impartial spectator, who is informed of all the circumstances, would sympathize with the gratitude felt

¹In Adam Smith's “*The Theory of Moral Sentiments*,” the terms “patient” and “agent” refer to two different positions in moral evaluation. The term “patient” pertains to the person who is the ‘object’ of the motive or action in question—those towards whom the agent directs an action.

by the object human being, then the spectator would judge the agent's act to be meritorious."

In Smith's (2004, 78) words:

It has already been observed, that the sentiment or affection of the heart, from which any action proceeds, and upon which its whole virtue or vice depends, may be considered under two different aspects, or in two different relations: first, in relation to the cause or object which excites it; and, secondly, in relation to the end which it proposes, or to the effect which it tends to produce: that upon the suitableness or unsuitableness, upon the proportion or disproportion, which the affection seems to bear to the cause or object which excites it, depends the propriety or impropriety, the decency or ungracefulness of the consequent action; and that upon the beneficial or hurtful effects which the affection proposes or tends to produce, depends the merit or demerit, the good or ill desert of the action to which it gives occasion.

In making this distinction, Smith created a situation in which the idea of justice may emerge in a person's life independently of the agent's purpose. According to Cropsey (1987, 643), "Goodwill can miscarry, and the benevolent agent produces nothing of value or that which is worth nothing for his intended beneficiary." Therefore, someone's good intentions might have disastrous results, while someone's bad intentions could benefit society. Consequently, Adam Smith's (1981a, 26–27) famous paragraph from *The Wealth of Nations* becomes comprehensible: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens."

In this view, self-love rather than altruism is what matters in human social life, and it is from this self-love that the responsibility of government may be derived: the rights to life, liberty, and property should be safeguarded by the government. Smith did not stop there. As he stated:

According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance . . . : first, the duty of protecting the society from violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every

member of the society from the injustice or oppression of every other member of it . . . ; thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain. (Smith 1981b, 687–88)

Although the first and second duties of the sovereign are logical deductions from Smith's moral system, the third duty is not founded on the same principles. Despite his famous paragraph quoted earlier, it appears that Smith, like Hume, as stated above, was concerned about the gap between individual and societal interests. One solution to this issue has been the suggestion that the government provide public goods. As an example, Smith (1981b, 781) argued that one of the most significant public goods is public education: "Ought the public, therefore, to give no attention, it may be asked, to the education of the people? Or if it ought to give any, what are the different parts of education which it ought to attend to in the different orders of the people? And in what manner ought it to attend to them?" He explained that his suggestion is due to the fact that "the man whose whole life is spent in performing a few simple operations . . . generally becomes as stupid and ignorant as it is possible for a human creature to become" (Smith 1981b, 781). Thus, "the education of the common people requires, perhaps, in a civilized and commercial society, the attention of the public" (784) and "for a very small expense, the public can facilitate, can encourage, and can even impose upon almost the whole body of the people, the necessity of acquiring those most essential parts of education" (785).

Murray Rothbard (1995, 465) believed that Smith "was scarcely consistent" and "retreated from the absolutist, natural law position that he had set forth" in *The Theory of Moral Sentiments*. However, as Andrew Skinner (1988, 24) explained, the only solid grounds that one can stand on when interpreting Smith are market failure, government failure, and "that the State should ensure the provision of important services, but at the same time arrange that they are so organized as to ensure efficient delivery." To put it another way, "it is not appropriate to uncritically translate Smith's policy prescriptions from the eighteenth to the twentieth century" (Skinner 1988, 23). Thus, to gain an understanding of the intellectual climate of the eighteenth century, it would be advisable to examine certain ideas in practice.

First, consider the first sentence of the second paragraph of the U.S. Declaration of Independence (1776): “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. —That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed” (quoted in Armitage 2007, 165). As Woodrow Wilson (1907) explained, the men who signed the Declaration “believed government to be a means by which the individual could realize at once his responsibility and his freedom from unnecessary restraint. Government should guard his rights, but it must not undertake to exercise them for him” (Wilson 1907, 24). Therefore, the U.S. government’s only function has been to uphold a person’s inalienable rights, which are gifts from God. As a second example, the French Declaration of the Rights of Man (National Assembly of France, n.d.) declares in Article 2 that “the aim of every political association is the preservation of the natural and imprescriptible rights of Man. These rights are Liberty, Property, Safety, and Resistance to Oppression.”

According to Lewis (1988, 35), eighteenth-century economists “argued as to where to draw the line between private enterprise and ownership and government enterprise and ownership, and possible mixtures.” The debate persisted into the following century, with Frédéric Bastiat writing in 1850 that “nature, or rather God, has bestowed upon every one of us the right to defend his person, his liberty, and his property since these are the three constituent or preserving elements of life” (Bastiat 2007, 2). Therefore, it appears that development economics cannot be said to have been invented in the eighteenth century.

THE TWENTIETH-CENTURY INTELLECTUAL ORIENTATION TOWARD THE STATE

Where might one seek, then, to find the origins of development economics? One obvious way to pinpoint the origins of development economics is to focus on the government’s crucial role in 1950s development ideas. The role of government, as Gerald Meier and Joseph Stiglitz noted, served as the primary driving force for development theories in the 1950s and beyond: “Development

economics did not arise as a formal theoretical discipline, but was fashioned as a practical subject in response to the needs of policy-makers to advise the government on what and should be done to allow their countries to emerge from chronic poverty” (Meier and Stiglitz 1984, 4).

Lewis (1988, 36) claims that following the eighteenth century, “interest in development theory would almost die out until the theoretical explosion of the 1950s and after.” Now it is appropriate to ask: Were the twentieth-century development economists focused on preserving the inalienable rights of human beings the way the eighteenth-century thinkers were? Were they concerned about the theoretical analysis of the state?

It seems that the answer is no. The central concern in 1950s development theories was *étatisme* rather than limited government. This trend can be traced back to nineteenth-century ideas in Europe and the Progressive Era in the United States. Rothbard (2017, 37) argued that the coalition of two groups propelled *étatisme* in the U.S.: “certain big business groups” and “newly burgeoning groups of intellectuals, technocrats, and professionals.” The first group wanted a monopoly from the government to shield them against rivals, while the second group desired “power and lucrative employment at the hands of the State. . . . These two groups were inspired by Bismarck’s creation of a monopolized welfare-warfare State in Prussia and Germany.”

Étatisme, as Mises (2010, 44) explained, “assigns to the state the task of guiding the citizens and of holding them in tutelage. It aims at restricting the individual’s freedom to act. It seeks to mold his destiny and to vest all initiative in the government alone.” The idea of *étatisme* dominated the intellectual discussion of Prussia’s universities in the 1840s: “The students were taught to admire the ‘social kingdom of the Hohenzollerns’ from Frederick William I, the ‘noble socialist,’ to William I, the great Kaiser of social security and labor legislation. The Social Democrats despised Western ‘plutodemocracy’ and ‘pseudo-liberty’ and ridiculed the teachings of ‘bourgeois economics’” (Mises 2010, 45).

Americans who wanted to move beyond the outdated ideologies of the Founders and create a new society were directly impacted by this era. They learned from the Germans (particularly Ferdinand

Lassalle) that “the State is God,”² so the “Kingdom of God”³ could be realized in this world. According to Ronald Pestritto (2011), German philosophy had a profound influence on the American progressives of the nineteenth century, many of whom either studied in Germany or were taught by someone who had. During the nineteenth century, it was common for “most Americans who wanted an advanced degree go to Europe to get one” (Pestritto 2011). Consequently, the colleges and universities in the United States became “populated with European PhDs and the historical thinking that dominated Europe.” Pestritto explained that the philosophy of Georg Wilhelm Friedrich Hegel and his followers was instrumental in shaping the progressives’ views on rejecting the Founders’ beliefs regarding natural law, individual rights, and social contract theory.

In that environment, Woodrow Wilson (1913) claimed that “the Declaration of Independence did not mention the questions of our day” because the scientific sphere had changed since the Declaration, and there was no need for checks and balances as the Founding Fathers had characterized them in the Constitution. Wilson believed that the Constitution should be interpreted based on Darwinian principles instead of on a Newtonian worldview. He believed that “a nation is a living thing” and “no living thing can have its organs offset against each other, as checks, and live” (Wilson 1913). He intended to enlarge the national government to deal with problems not foreseen by the Founders. He emphasized that “if you want to understand the real Declaration of Independence, do not

² Armed with such a philosophy and with such a philosopher, the modern state would take its divinely appointed stand at the height of history and civilization, as God on earth. Thus, “the modern State, proving the reality of political community, when comprehended philosophically, could therefore be seen as the highest articulation of Spirit, or God in the contemporary world.” The state, then, is “a supreme manifestation of the activity of God in the world,” and “the State stands above all; it is Spirit which knows itself as the universal essence and reality”; and “the State is the reality of the kingdom of heaven.” And finally, “The State is God’s Will” (Rothbard 1995, 355).

³ “Kingdom of God, also called Kingdom of Heaven, in Christianity, the spiritual realm over which God reigns as king, or the fulfillment on Earth of God’s will. The phrase occurs frequently in the New Testament, primarily used by Jesus Christ in the first three Gospels” (*Encyclopedia Britannica Online*, s.v. “Kingdom of God” July 5, 2023, <https://www.britannica.com/topic/Kingdom-of-God>).

repeat the preface” (Wilson 1911). This means that Wilson saw the government as a problem solver, because if one omits the preface of the Declaration, what remains are the problems the Founders dealt with in their time. Wilson thought that with changing problems, the government should be adjusted accordingly.

John Dewey (1859–1952) announced that “the outstanding points of Locke’s version of liberalism are that governments are instituted to protect the rights that belong to individuals before the political organization of social relation”; but “relations constituted the reality of nature, of mind and society” (Dewey, 1935, 4) Elsewhere, Dewey (1920, 194) asserted, “It is true that social arrangements, laws, institutions are made for men, rather than that man is made for them; that they are means and agencies of human welfare and progress. But they are not means for obtaining something for individuals, not even happiness. They are means of *creating* individuals.” Additionally, he wrote that “the State is but one of the many instruments of the Spirit and Will that holds all things together and that makes human beings members of one another” (Dewey 1935, 25). He stressed the state’s function in society and held that “the State has the responsibility for creating institutions under which individuals can effectively realize the potentialities that are theirs” (1935, 26). The direct consequence of this view of the government must be that the state’s “business is negatively to remove the obstacles that stand in the way of individuals coming to consciousness of themselves for what they are, and positively to promote the cause of public education. Unless the state does this work it is no state” (1935, 25).

More than that of any previous progressive president, Franklin Delano Roosevelt’s administration brought these concepts to reality, which had a big impact on the theories of development economists. According to Roosevelt (1936), “the occasional faults of a Government that lives in a spirit of charity” are preferable to “the consistent omissions of a Government frozen in the ice of its own indifference.” Even if its actions turn out to be incorrect, the government has to be aware of and act to fix problems. In a 1944 speech he said: “We cannot be content, no matter how high that general standard of living may be, if some fraction of our people . . . is ill-fed, ill-clothed, ill-housed, and insecure” (Roosevelt 1944). The statement “Necessitous men are not free men,” which comes later in the 1936 speech, can be interpreted as a restatement of this

assertion. Now it is the responsibility of the government to free people from their shackles and grant them “freedom from want.” Government should therefore guarantee “equality of opportunity,” “jobs,” “security,” and even “the enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living” (Roosevelt 1936).

Roosevelt established certain governmental obligations as citizen rights. He declared that citizens have the right, for instance, “to earn enough to provide adequate food and clothing and recreation,” “to trade in an atmosphere of freedom from unfair competition,” “to a decent home,” “to adequate medical care,” and “to a good education” (Roosevelt 1944). As a result, the state took on greater significance in both society and scientific thought.

According to the evidence presented, the origins of development economics can be traced back to the role of the government in driving development theories in beginning in the 1950s; development economics emerged as a practical subject fashioned to advise governments on what should be done to allow countries to emerge from chronic poverty and backwardness and achieve economic development. The central framework for 1950s development theories was *étatisme*, which assigned the state the task of guiding citizens and holding them in tutelage.

WHAT WAS THE EFFECT OF ÉTATISME ON DEVELOPMENT ECONOMICS?

According to Arndt (1987), various political and ideological factors have influenced the concept of economic development over time. In particular, the prevalence of positivism in the 1930s and 1940s led to a trend in economics where economists shifted from being scholars of the market’s spontaneous order to being technicians who provide recommendations on efficient government intervention. Boettke (1994, 3–4) also noted that the Bolshevik Revolution, the rise of socialism, and the Keynesian revolution in macroeconomics shifted attention from governance to government intervention. The success of Keynesian policies in developed countries during the 1940s, as well as experiences with the Marshall Plan in Europe and the MacArthur Plan in Japan, gave economists and politicians

confidence that similar policies could promote development in underdeveloped countries (Espinosa 2020).

In the 1940s and 1950s, Western economists were highly interested in supporting the development of developing nations, which brings to mind U.S. senator Albert Jeremiah Beveridge's question from the very end of the nineteenth century: "Have we no mission to perform—no duty to discharge to our fellow man?" (Beveridge 1898). It appears that the answer from Western development economists was a resounding yes. According to Arndt (1987, 2), "A humanitarian response to statistical evidence of the gap between rich and poor countries lent support to the political pressure for economic development."

As Meier and Stiglitz (1984) stated, most development economists were more practical than theoretical and "were active in policy-making positions during the 1940s and 1950s."⁴ Hirschman (2013, 60) noted this point as well, writing that development economics was "born from the marriage between the new insights about the sui generis economic problems of the underdeveloped countries and the overwhelming desire to achieve rapid progress in solving these problems with the instruments at hand. . . . A factor in 'arranging' this marriage, in spite of the incompatibilities involved, was the success of the Marshall Plan in Western Europe." Development economists tried to solve the underdevelopment problem based on their own countries' experiences as fast as possible. The majority of these economists were influenced by the notion that government could act as the engine of economic growth. They believed that politicians can be competent managers and that the development process is manageable.

⁴ Mises (1988) argued that the development of a profession of economists was an offshoot of interventionism. He stated that professional economists are specialists who design various measures of government interference with business and are experts in the field of economic legislation, which today invariably aims at hindering the operation of the unhampered market economy (1988, 865). Similarly, Rothbard (2006) believed that while the role of economists in a free society is essentially that of educators, their usefulness increases when government or any other violent agency intervenes in the market. According to Rothbard (2006, 313), "The economist's role in a free society, then, is purely educational. But when government—or any other agency using violence—intervenes in the market, the 'usefulness' of the economist expands."

Also, as Meier and Stiglitz (2001, 14) explained, development economists of that period believed in “pervasive market failures.” According to Espinosa and Carreiro (2021), the idea that poverty in underdeveloped countries resulted from a vicious cycle and could not be overcome by those countries alone was pervasive among development pioneers, who concluded that the free market was not capable of achieving the ideal economic development pattern. They therefore recommended that the state take charge of the modernization process by diverting resources from traditional activities to more advanced ones. As a result, central planning for resource allocation seemed like a plausible and sound approach. According to Meier and Stiglitz (2001, 14–15), the first generation of development advisers believed that “a developing country did not have a reliable market price system, that the supply of entrepreneurship was limited, and that large structural changes—not merely marginal adjustments—were needed. . . . The government of a developmental state was to promote capital accumulation, utilize reserves of surplus labor, undertake policies of deliberate industrialization, relax the foreign exchange constraint through import substitution, and coordinate the allocation of resources through programming and planning.”

As Espinosa and Carreiro (2021) explained, the use of central planning to choose the most productive “modern” activities and intervention in the economy to coordinate the diversion of resources toward these activities—either through balanced promotion of them or by concentrating on sectors thought to have significant growth potential—are two essential elements of development economics. Sen (1983, 746) summed up the policy similarities of these development economics theories in four categories: “(1) industrialisation, (2) rapid capital accumulation, (3) mobilisation of underemployed manpower, and (4) planning and an economically active state.” Other policies may depend entirely on government planning; according to Péter Bauer (1976, 165), “Comprehensive development planning is indispensable for economic advance . . . and especially for the industrialization required for material progress.” Consequently, development theories advocated for the government to play a pivotal role in initiating the development process. For example, Hirschman (2013, 57) noted that the ability of entrepreneurs in what is called “latecoming conditions” to build an appropriate industrial venture was

under suspicion. Under such circumstances, the only feasible choice was for the government to plan, support, and promote economic endeavors aimed at fostering industrialization.

The need for “balanced growth” as a strategy for kicking off the industrialization process and breaking the vicious circle of poverty in underdeveloped regions was emphasized by Paul Rosenstein-Rodan (1943) and Ragnar Nurkse (1952). They felt that proportionate investments in various economic sectors would generate sufficient demand for each industry’s products and expand the market in “backward” nations. Nurkse’s opinion about the “backward countries” is illustrative: “In the industrial development of Western Europe, the main source of “the human qualities of enterprise and initiative” was the middle class. In the United States this label, if applicable at all, might be said to cover the great bulk of the people, while in many of the backward countries to-day the middle class is virtually non-existent” (Nurkse 2011, 111).

In that case it is the government’s duty to plan and promote balanced investment across all economic sectors. Rosenstein-Rodan (1943, 204), wrote in 1943 that “active participation of the State in economic life is a new factor that must be taken into account as a new datum.” He urged the state to engage in labor education since it appeared that “the automatism of *laissez-faire* never worked properly in that field” (205). He also pointed out that “an individual entrepreneur’s knowledge of the market is bound to be insufficient in this case [structural change of the underdeveloped areas] because he cannot have all the data that would be available to the planning board of an [Eastern European industry trust]” (206). It was therefore believed that the board, and hence the state, understood better than anyone what had to be done to improve the economic situation. The state and the Eastern European industry trust should develop a plan for various economic sectors in such cases.

Hla Myint (1948, 87; emphasis added) praised classical economists for their belief that “far-reaching additions to the welfare of society can be made by changing these data into component parts of an expanding framework, *even if it entails interfering with the given time preferences of individuals.*” In the same vein, Lewis (1984) distinguished three strategies for industrialization in underdeveloped countries: support for agricultural exports,

autarky, and export of manufactures. While these strategies differed, they all required persuasion, encouragement, and enforcement from the government.

Capital formation was the bottleneck for all these strategies, and Lewis (1984, 130) questioned whether government policies should “hold down mass consumption now in favor of a faster rate of growth of output,” which would interfere with citizens’ private decisions about their saving-consumption ratio. In 1956, when he was working on the issue, Lewis believed that “the government was going to need a lot of money, given the cost of the social programs and its contribution to financing capital formation” (1984, 130). Lewis agreed with Nurkse’s suggestion to employ excess labor to boost output and induce inflation to pay for their wages, but he questioned the extent of the inflation (1984, 135).

The ideologies of the eighteenth century specified that the government’s role in society is outlined and restricted to protecting the life, liberty, and property of members of political society. Philosophers were interested in the state’s authority and sought to understand it by tracing its origins. Charles de Montesquieu (1689–1755), at the beginning of *The Spirit of the Laws* (1748), wrote: “Laws, in their most general signification, are the necessary relations arising from the nature of things. In this sense all beings have their laws: the Deity his laws, the material world its laws, the intelligence superior to man their laws, the beasts their laws, man his laws” (Montesquieu 1989, 6). He held that these rules were derived from the nature of things, and that the character of man is the source of his law. However, in the 1950s, for the development economists, the only thing that is not at issue is the law under which people and the state can know what exactly the government’s task is. As previously noted, this attitude toward the government has its roots in the étatismes of that era, which practically took shape in the U.S. government. Progressives thought that the state should have unlimited authority and should do everything it takes to enhance the lives of its residents, including defining what success looks like for them. Therefore, it is conceivable to draw the conclusion that development economics derives more from twentieth-century views than from eighteenth-century concepts.

CONCLUSION

The field of development economics has traveled a long road, encountering both excitement and disinterest, but it has been unclear just when the field had its start. Lewis (1988) and Sen (1983) asserted that the histories of economics and development economics are identical and go back at least to the eighteenth century. There is some evidence for this claim based on how development was defined in the 1950s. However, the validity of its second aspect comes into question if one carefully examines how the state and development economics theories relate to one another.

From Machiavelli's time to the present, intellectuals have discussed the connection between the state and its citizens. The views toward the state of philosophers in the eighteenth century, however, were noticeably different from the views of twentieth-century philosophers. While the latter sought to increase the state's responsibilities, the former were primarily concerned with measures to limit its authority. The discipline of development economics was significantly influenced by twentieth-century concepts: the early proponents of development economics endeavored to solve issues in underdeveloped nations and advance the development process there.

As shown previously, with the advent of the progressives in the U.S., étatism had a significant impact on the thought of twentieth-century intellectuals. As a result, the government's position grew in importance; and following the Marshall Plan, faith in the government greatly rose. Many economists who specialized in development thought that governments were the answer to underdevelopment and made an effort to portray governments as the engine of development in impoverished nations. Therefore, it may be claimed that development economics originated in the twentieth century rather than in the eighteenth.

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