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# Kaldor's transition from growth to development economics: is there a role for Prebisch and ECLA?

Helder Lara Ferreira-Filho and José Luis da Costa Oreiro

**ABSTRACT**

Nicholas Kaldor is widely recognized for his seminal contributions to post-Keynesian growth theory. However, his intellectual trajectory reveals a significant transition from formal, full-employment-based growth models (such as those from 1957–1958) to a robust focus on the problems of development economics. This paper investigates the catalysts for this evolution, hypothesizing a probable role for Kaldor's interactions with Raúl Prebisch and the Economic Commission for Latin America (ECLA). The analysis traces the shift in Kaldorian thought, arguing that his 1956 visit to ECLA and his consulting experiences in developing countries (notably Chile) had an impact. We demonstrate how Kaldor progressively incorporated key elements of the structuralist agenda, including a critique of comparative advantage, the advocacy of industrialization as the engine of growth (based on increasing returns), the importance of balance-of-payments constraints, and the analysis of structural inflation. The article concludes that the dialogue with Prebisch and ECLA was part of Kaldor's transition from an economics of "growth" to an economics of "development".

**KEYWORDS**

Nicholas Kaldor; ECLA; Raúl Prebisch; development economics; Latin-American structuralism; industrialization

## Introduction

Nicholas Kaldor is widely recognized as one of the most influential economists of the 20th century, particularly within the Keynesian tradition (Harcourt 2001, 239; Thirlwall 1996, 145). His intellectual trajectory was marked by substantial revisions of his own theories, reflecting both his concern with the adherence of theoretical models to economic reality and his interaction with different schools of thought and empirical experiences. From his initial training as a neoclassical economist to his consolidation as a leading exponent of post-Keynesian growth theory, Kaldor demonstrated a unique ability to reformulate his ideas in response to new evidence and historical contexts.

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Early in his career, Kaldor focused on issues related to imperfect competition and welfare economics. However, the publication of Keynes's General Theory in 1936 significantly transformed his analytical focus. Under Keynesian influence, he began to investigate macroeconomic issues, including nonlinear models that illustrated the inherent instability of capitalist economies. From the 1950s onward, his contributions to growth and distribution theory became prominent, culminating in a series of works that sought to reconcile warranted and natural rates of growth, to resolve the Harrod-Domar dilemma (Harcourt 2001, 246; Kregel 1971, 119).

Nevertheless, his interaction with economists from developing countries, particularly at the *Economic Commission for Latin America* (ECLA), could have played a crucial role in reshaping his conceptions of economic growth, since one of the key features of his intellect was "( … ) a remarkable ability to pick out the gist of other′s insights and systems and to integrate them into his own, always, original and stimulating, views of the world and it′s issues and problems" (Harcourt 2001, 261). Until the mid-1950s, Kaldor interpreted development challenges through the lens of conventional models applied to industrialized countries. However, his visit to ECLA in 1956, at the invitation of Raúl Prebisch, his interaction with ECLA's researchers, and his experiences with low-income countries as consultant (Thirlwall 1996, 170) could have provided him with a more nuanced understanding of the problems faced by peripheral economies. This experiences, combined with other aspects, could be part of some changes in his reasoning, as his critique of the theory of comparative advantage and his advocacy of industrialization as a central strategy for economic development, among other things, which will be explored in the further sections.

From the 1960s onward, Kaldor expanded his analytical scope to incorporate aspects related to the balance of payments and the role of demand in economic growth. His contributions during this period were decisive for the formulation of growth models based on external constraints, influencing a broad literature on the feasibility of export-led development strategies. His reassessment of the impact of exchange rates and export subsidies reflects a significant shift from his earlier positions, demonstrating a remarkable evolution in his theoretical and empirical approach over the decades.

This article aims to analyze these transformations in Kaldor's thought, highlighting the influence of his experience in Latin America and other low-income countries on his conceptions of growth and development. The next section discusses his early contributions up to the beginning of the 1960s. Then, we address his visit to ECLA, his interactions with Latin American economists and his works on low-income countries. The third

section examines his later research phase, emphasizing the importance of effective demand and external constraints on growth. Finally, the last section presents the final remarks.

## From Kaldor's early contributions until the beginning of the 1960s

Kaldor was born in Budapest, Hungary, in 1908. From 1927 to 1947, he studied and taught at the London School of Economics (LSE), where he was initially influenced by Friedrich Hayek and Lionel Robbins. During this period, he was regarded as an orthodox economist and contributed to mainstream neoclassical theory, including a defense of Austrian views against Frank Knight in the capital theory controversy – a position he would later abandon. His early work also encompassed the theory of the firm, imperfect competition, and welfare economics (Lawson, Palma, and Sender 1989, 2; Pasinetti 2007, 121).

Concurrently, Kaldor came under the intellectual influence of Allyn Young, who lectured at LSE during Kaldor's formative years. Young (1928) emphasized that the reorganization of production within firms, facilitated by increased scale, leads to increasing returns in manufacturing. Crucially, Young viewed increasing returns as a systemic phenomenon, arising not merely at the firm level but through the interaction of sectors within the economy – a conceptual foundation that would later become central to Kaldor's own theoretical framework.

Following his tenure at LSE, Kaldor spent two years at the Economic Commission for Europe before taking up a position at the University of Cambridge. Throughout his career, he remained deeply concerned with practical policy issues and held that direct observation of empirical reality was indispensable for sound economic analysis. He consistently engaged with statistical data produced by other economists, guided not only by analytical rigor but also by a strong sense of intellectual curiosity. As previously noted, the evolution of Kaldor's ideas was marked by both continuity and abrupt departures. At times, he refined and extended his earlier contributions; at others, he decisively abandoned prior positions in favor of new perspectives. The publication of Keynes's General Theory in 1936 was particularly formative, prompting Kaldor to turn his attention toward macroeconomic issues and to adopt a critical stance toward orthodox theory (Pasinetti 2007, 122). This engagement with Keynesian thought marked the beginning of Kaldor's transition from a neoclassical orientation to a distinctively heterodox approach. From that point onward, he emerged as a leading critic of mainstream economic theory and a key figure in the development of post-Keynesian economics (Harcourt 2001, 239; Wood, 2008, 3386–3388).

This critical stance extended to his methodology. Even in the early 1950s, well before his intensive engagement with development issues, Kaldor expressed a growing dissatisfaction with purely formalistic models of growth. As King (2009, 61) notes, Kaldor (1954) concluded one paper with a characteristically pessimistic view on the limits of formal analysis, arguing that differential growth rates were ultimately attributable to "human attitudes to risk-taking and money-making" and that any serious theorist must inevitably "trespass on the fields of sociology and social history." This intellectual predisposition to seek explanations for economic dynamics beyond narrow economic variables made him particularly receptive to the historical-structural method that was a mark of the ECLA framework.

As a result of Keynes' influence, Kaldor ([1938] Kaldor 1960) argued that there was no natural tendency for full employment of productive resources. That is, it would be much more difficult to maintain full employment than to achieve it, as this would require a combination of coordinated fiscal and monetary policies.

The idea of the inherent instability of full employment under capitalism was set aside during the development of his growth models from 1956 to 1966 – works that could be described as "pure economics," since they are based on simple logical deductions (Kaldor 1978b, XVII). Accordingly, Kaldor treated full employment as a premise for analyzing economic growth – a stylized fact that any credible growth model should incorporate. From a methodological standpoint, Kaldor (1958/1978) offers an interesting juxtaposition between his concern with stylized facts and certain ideas put forward in Friedman's ([1953] 1984) seminal article. For instance: "the theorist ( … ) should be able to start off with a 'stylized view of the facts – i.e. concentrate on broad tendencies, ignoring individual detail, and proceed on the 'as if' method, i.e. construct a hypothesis that could account for these 'stylized' facts, without necessarily committing himself on the historical accuracy" (Kaldor 1958/1978, 178).

Indeed, until the mid-1960s, Kaldor worked on formal steady-state models that included assumptions which appeared broadly neoclassical – though with notable differences. In two of his best-known models, Kaldor (1957a, 1960) and Kaldor (1958/1978), he sought to contribute to the debate on why some countries experience significantly faster growth than others, aiming to account for the stylized facts he had identified. He begins one of these articles with a statement reminiscent of the recently published Solow-Swan model (1956, 1956): "There is general agreement that the critical factors determining the trend rate of growth are to be sought in the savings propensities of the community (which determine the rate of capital accumulation), the flow of invention or innovation (which determines the

rate of growth of productivity) and the growth of population" (Kaldor 1957a, 1960, 591). These factors suggest that supply governs long-term growth. However, Kaldor (1957a, 1960, 591) also notes that it was becoming increasingly evident that neither "the proportion of income saved nor the rate of growth of productivity per man (nor, of course, the rate of increase in population) are independent variables with respect to the rate of increase in production".

Another important assumption of both his 1957 and 1958 models was full employment,[1] enabling Kaldor to incorporate what he considered a stylized fact, "but in the strictly Keynesian sense" (Kaldor 1957a, 1960, 593). Therefore, aside from intermittent periods of disruption in growth and capital accumulation, Keynesian underemployment equilibrium would not arise. This is because aggregate demand at this output level would exceed the aggregate supply price, thus driving output expansion up to the full employment level.

Consequently, the system is stable only in a full employment scenario – an assumption reiterated in Kaldor (1958/1978b).[2] This may resemble a neoclassical premise, but Kaldor (1957a, 1960, 594) defends this view: "it may seem paradoxical (…) to label a model 'Keynesian' (…) however (…) Keynesian apparatus of thought can be applied to full-employment situations and not only to under-employment situations". He further argues that, in contrast to the neoclassical tradition, investment determines saving, thereby rejecting the notion that capital availability constrains growth and, by extension, profit rates – thus embracing a fundamentally Keynesian perspective. As Kaldor (1957a, 1960) contends, this view "had any relevance to full-employment conditions" in Keynes' General Theory.

Another noteworthy statement by Kaldor (1957a, 1960) from this phase of his economic thought is the following: "it certainly appears more correct to assume that output at any one time is limited by the scarcity of resources rather than by effective demand" – a point also reiterated in Kaldor (1958/1978b). In his 1958 model, Kaldor even employs the device of the representative agent, more commonly associated with neoclassical models. In particular, he refers to the representative firm as a "replica of the economy as a whole" (Kaldor 1958/1978b).

Another central idea evident in these papers is one of Kaldor's most well-known propositions: the knowledge required to increase productivity

[1]It is worth noting that Kaldor was explicitly modelling a developed economy "where the available capital equipment is sufficient or more than sufficient to employ the whole of the available working force" and "which is sufficiently highly developed for wages to be above subsistence level and sufficiently competitive at the same time to generate adequate demand to secure full employment" (Kaldor 1957a, 609). Given these conditions, it is not immediately evident that the model – or its underlying assumptions – could be straightforwardly extended to developing economies.

[2]Another version of the Kaldor's 1958 article was published in 1978.

is acquired through a process of learning that is inseparable from investment (Wood 2008) – a process that is embodied. In other words, the pace of technical progress depends on the rate of investment,[3] which in turn depends on expectations of profitability and risk. Hence, a country experiencing slow technical change is one with a low rate of capital accumulation – and the converse also holds. Kaldor (1958/1978b) clearly expresses his dissatisfaction with the neoclassical method of representing technical progress through shifts in the production function relating output to capital. For him, it is highly improbable that technical progress should follow rigid rules, such as a unique relationship between capital and output. As he states: "a shift in the 'production function' with a given state of knowledge, and a shift in the 'production function' caused by a change in the state of knowledge is arbitrary and artificial" (Kaldor 1957a, 1960, 596).

In the 1957 model, Kaldor also reflects on the so-called capital-output ratio, a critical variable in the Harrod-Domar model.[4] For Kaldor, the ratio would tend to remain constant at the aggregate level, as fluctuations in the capital–output ratios of individual industries would offset each other. Moreover, "the existence of a functional relationship between the proportionate growth in capital and the annual proportionate growth in productivity shows the futility of regarding the movements in the capital/output ratio as dependent upon the technical character of the stream of inventions" (Kaldor 1957a, 1960, 597).

Finally, Kaldor (1957a, 1960, 1958/1978b) needed to explain the maintenance of full employment in the long run. To do so, he employed his theory of income distribution (later formalized in Kaldor's neo-Pasinetti theorem; Kaldor 1955–1956/1960) as a mechanism through which the savings at full employment would adjust to the level of investment.[5] The essential point is that the profit share is determined by the investment share, which itself depends on the aggregate capital-output ratio and the growth rate. Since the propensity to save out of profits is higher than the propensity to save out of wages,[6] the economy could achieve the aggregate saving rate required to sustain any given growth rate by adjusting the distribution of income between profits and wages. The investment function,[7] in turn,

[3]"Any act of investment the outcome of which is necessarily uncertain at the time the decisions are taken, implies an act of faith" (Kaldor 1957a, 1960).

[4]This model could easily be called Cassel-Lundberg-Harrod-Domar model (Niehans 1990), as Cassel (1921) and Lundberg (1937) had their models somewhat similar to those of Harrod (1939) and Domar (1946).

[5]In Kaldor (1958/1978b), he emphasised that variations in the investment coefficient and in the profit share are systematically associated with differing rates of growth in labour productivity and total output – an empirical regularity that he identified as one of the stylized facts underpinning his model.

[6]For the United States in the 1950s, Kaldor (1958/1978b) reported that gross savings out of gross company profits amounted to approximately 70%, whereas savings out of personal income were only about 5%.

[7]In response to criticisms, notably by Meade and others, Kaldor (1958/1978b) also modified the specification of the investment function relative to the earlier formulation in Kaldor (1957a, 1960), reflecting his responsiveness to theoretical critique and empirical considerations.

served to explain why the economy would return to full employment if it fell below that level (Freitas 2009, 105; Oreiro 2018, 123–126).

Kaldor (1978a) essentially continues the line of inquiry developed in his earlier works of the 1950s – particularly Kaldor (1956/1960, 1957a,1958/1978b) – with some important refinements. Like all Keynesian models, it assigns a passive role to saving. Technical progress is assumed to be continuous, and the working population is assumed to grow at an exogenous steady rate. Investment is induced by growth, and under certain conditions, this leads to an equilibrium consistent with full employment. For Kaldor, the natural rate of growth refers to the "labor potential," that is, the sum of the growth rates of the labor force and of productivity. Therefore, as growth is "determined by these endogenous factors, [it] will necessarily lead to full employment sooner or later" (Kaldor 1978b). As in earlier works, the model assumes a representative firm for the entire economy. Technical progress remains embodied – though Kaldor (1978a) also recognizes a component of disembodied technical progress, linked to increasing know-how in the use of existing machinery. The principal form of disembodied technical progress is learning by doing. However, the model assumes that the decline in machinery efficiency and the gains from operational learning effectively cancel each other out.

In addition, marginal productivities or substitution ratios play no role in determining wages or profits, and once again, the neoclassical production function is absent from the model.

Nonetheless, Kaldor (1978a) makes it even more explicit that technical progress depends on the production of new capital goods, which in turn depends on current investment expenditures. This model also more clearly highlights the role of obsolescence in entrepreneurial investment decisions. Given the presence of continuous technical progress and capital obsolescence, it is impossible to measure the capital stock in quantity terms – hence, the model does not include a capital aggregate.[8] Technical progress becomes the principal engine of growth, determining the rate of productivity increase, the rate of obsolescence, the investment share in income, the profit share, and the relationship between investment and potential output. In summary, Skott (1989, 32) observes: "Fundamentally, it is a neoclassical model: it contains no independent investment function, investment adjusts to the level of savings which is uniquely determined by the levels of factor inputs in conjunction with marginal equilibrium conditions on the real wage".

[8]This last consideration by Kaldor was presumably related to the Capital Controversy, sometimes called "The Two Cambridges Debate" during the 1950s and part of the 1960s.

## Kaldor's contact with ECLA and typical low-income problems related to economic development

As discussed in the second section, despite the publication of the General Theory and its considerable influence on his thinking, Kaldor continued to develop abstract models until 1966. Simultaneously, he served as a consultant to the governments of several developing countries and to international institutions, most notably the Economic Commission for Latin America (ECLA), based in Santiago, Chile, which he visited in 1956 at the invitation of Raúl Prebisch (Thirlwall 1996, 169).

Like many economists of the time, Kaldor soon came to recognize that macroeconomic models of growth and distribution constructed for advanced economies were ill-suited to the specific conditions of developing countries. He thus rejected the so-called "monoeconomics" thesis – the notion that there exists a single set of economic principles universally applicable, regardless of context (Hirschman [1979] 2013, 51–59). The reasons behind this intellectual shift are manifold, but his engagement with ECLA and its researchers likely played a significant role. Initially invited to advise on fiscal policy in developing economies (G. Palma and Marcel 1989), Kaldor undertook a detailed study of the Chilean economy during his visit. The nature of his analysis is underscored by Targetti (1992, 17), who notes that Kaldor's ideas on development "were too unconventional and left wing for the ECLAC's bulletin to publish". This resistance helps explain the delay in the paper's dissemination; indeed, the full study on Chile only appeared three years after it was written, in the Trimestre Económico (Targetti 1992, 17), with the full version appearing much later in Kaldor (1988). [9]

That same year, 1956, was particularly active for Kaldor in terms of international engagements. He visited India, where he further developed his ideas on taxation in developing countries – a topic to which we shall return. He also traveled to China, where he wrote a critique of the Marxist theory of capitalist development, and delivered lectures in Japan and the United States, in addition to brief visits to Peru and Mexico. In Chile, aside from his formal study for ECLA, Kaldor also presented numerous lectures – though never published – on topics such as the principle of cumulative causation (G. Palma and Marcel 1989).

Following this period, Kaldor invited Celso Furtado to Cambridge, where Furtado remained from 1957 to 1958. This connection was solidified at the influential 1957 International Economic Association (IEA) conference on

[9] In 1958, Kaldor was informed that his paper would not be published due to political circumstances. In short, elements within the governing coalition – particularly right-wing parties – objected to several of Kaldor's recommendations, notably those related to tax reform, which would have disproportionately affected upper-income groups (G. Palma and Marcel 1989).

economic development held in Rio de Janeiro, an event that brought together key "pioneers" of the field and where Kaldor played an active role, directly engaging with the work of Latin American structuralists (Boianovsky 2010, 225). Kaldor delivered several lectures that included his initial formulation of the relationship between agriculture and industrialization in developing countries (Kaldor 1957b). It was during his subsequent year in Cambridge that Furtado ([1959] 2007) wrote Formação Econômica do Brasil (The Economic Formation of Brazil), widely regarded as one of the most significant contributions by a Brazilian economist.

Kaldor continued to engage with Latin America throughout the 1960s and 1970s. He advised the Mexican government in 1960 and the Venezuelan government in 1976. During this time, his research increasingly focused on the external constraints on Latin American development, particularly in the areas of foreign trade and terms of trade.

It is important to characterize the intellectual environment at ECLA not as a static doctrine but as a dynamic and often self-critical center of research. ECLA economists were intensely engaged with the work of other development pairs, not always in agreement. Furtado, for instance, in a letter to a colleague, expressed profound frustration that Arthur Lewis's (1954) seminal paper on surplus labor had not originated from within their own ranks, indicating a competitive and constantly evolving research agenda (Boianovsky 2010, 252). Furthermore, ECLA was a site of original theoretical development that often anticipated later canonical works. Furtado himself articulated a version of "unbalanced growth" based on structural tensions that prefigured some of Albert Hirschman's (1958) famous insights (Boianovsky 2010, 234). This context of active debate and theoretical innovation is crucial for understanding the nature of Kaldor's engagement in 1956.

He authored two additional papers for ECLA (Kaldor 1963a, 1964). With his appointment as economic adviser to the Labor governments in the United Kingdom, his international engagements diminished, though he continued to write on Latin American economic issues, especially with respect to exchange rate policy and industrialization (see Kaldor 1974).[10]

In his study of the Chilean economy (Kaldor 1988), Kaldor sought to understand how a country with considerable economic potential could nonetheless display such disappointing growth performance. He attributed the problem chiefly to political impediments, particularly the consumption, saving, and investment patterns of the domestic upper class. Additionally, he identified the persistence of high inflation as a further structural impediment to growth.

[10]For more details, see G. Palma and Marcel (1989).

The first point to note is that, despite a high profit share in national income, private savings in Chile remained low. This outcome stemmed largely from the high propensity to consume among the capitalist class, which amounted to approximately two-thirds of gross income and three-quarters of post-tax income. Kaldor recognized that Chile – and, by extension, other developing countries – required analytical treatment distinct from that typically applied to advanced economies, a conclusion aligned with the prevailing insights of ECLA. As such, the income distribution framework developed for advanced economies (Kaldor 1956/1960) would require significant modification when applied to less developed contexts.

The intellectual exchange was not unidirectional, as Kaldor's own thinking on development evolved significantly during this period. As King (2009, 113–114) documents, Kaldor's initial reaction to neo-Marxist development theory was critical. In his 1958 review of Paul Baran's book, "The Political Economy of Growth", Kaldor (1958) argued that Baran (1957) underestimated the extent to which "reactionary political regimes which hinder social and economic development draw their strength from a native feudal landowning class, rather than from foreign economic interests". He further rejected the thesis that the development of poor countries was "profoundly inimical" to the interests of Western capitalism. Yet, over time, his views shifted closer to the structuralist position. By 1963, he was emphasizing the "detrimental effects of the unbridled greed of an oligarchical ruling class" (Kaldor, cited in King 2009, 115), a sign that his direct experience was reshaping his analytical framework and bringing it into closer alignment with the political economy concerns central to ECLA.

More specifically, Kaldor (1988) argued that a substantial portion of the surplus generated in Chile was dissipated through luxury consumption by the high-income strata. The result was a combination of highly unequal income distribution and a structurally low investment rate. His policy recommendation centered on reforming the tax system[11],[12] – introducing mechanisms or incentives that would encourage firms to retain earnings for reinvestment – so that the Chilean state could assume the role of a net saver while simultaneously enhancing public investment to stimulate economic dynamism.

[11]At the time, taxation on profits in Chile was less than half the corresponding rate in the United Kingdom; agricultural income was largely untaxed, despite the prevalence of inefficient farming operations. Indirect taxation was both inefficient and highly distortionary, contributing to a chronic public sector deficit and sustained monetary expansion – factors that exacerbated the country's high inflation (G. Palma and Marcel 1989).

[12]In the early 1980s, to Kaldor's surprise, an expenditure tax was introduced by the military regime of Augusto Pinochet. However, this tax bore little resemblance to Kaldor's original proposals. Rather than imposing a progressive burden on higher income groups, it had a limited redistributive effect and functioned primarily as an incentive for financial asset accumulation – an outcome far removed from Kaldor's intent (G. Palma and Marcel 1989).

However, Kaldor's experience as a tax adviser quickly brought him "face to face with realities of power" (Kaldor, cited in King 2009, 123). His proposals for progressive tax reform – designed to curb the luxury consumption of elites and mobilize resources for development – were consistently blocked. As King (2009, 123) summarizes, Kaldor concluded that "the power, behind the scenes, of the wealthy property-owning classes and business interests, proved to be very much greater than the responsible political functionaries ( … ) suspected". This frustration with the political power of entrenched elites, who resisted the very structural reforms needed for equitable development, represented a significant point of convergence with the core political economy concerns of ECLA.

As noted by King (2009), Kaldor's (1963b) analysis of tax systems in underdeveloped countries exemplifies his affinity with the Structuralist school of development economics. Kaldor (1963b, 410) posits that enhancing the fiscal capacity of these nations is a prerequisite for financing essential services – such as education, health, and communication systems – and for increasing savings for domestic capital formation. His argument is centered on the empirical observation (as usual for him) that tax revenues in underdeveloped countries, typically 8 to 15 percent of their Gross National Product (GNP), were significantly lower than the 25 to 30 percent collected in developed nations (Kaldor 1963b, 410). He attributed this disparity to two combined structural impediments: deep income inequality and the regressive nature of the tax system (Kaldor 1963b, 411–412). Indeed, he notes that there "are some countries which have been conspicuously unsuccessful in imposing taxes on the wealthy classes – chiefly, I think, the countries in Latin America ( … )" (Kaldor 1963b, 412).

Consequently, Kaldor (1963b, 413–414) identifies significant, yet politically obstructed, sources of potential public revenue. These include land taxation, which could also serve the structural purpose of enlarging the supply of foodstuffs, and the taxation of profits and wealth. He refutes the argument that progressive taxes on commercial wealth necessarily impede development, reasoning that such levies are more likely to curtail luxury consumption than to reduce funds available for productive investment.

In addition, Kaldor (1957d) examined the persistence of inflation in Chile, which he attributed to structural capacity constraints – particularly in the agricultural sector – that generated initial upward pressure on prices. These pressures were subsequently amplified by pronounced inertial mechanisms. In this regard, Kaldor (1988) diverged from ECLA's traditional emphasis on external constraints, such as the negative effects of the international division of labor or the unequal distribution of the gains from trade. Instead, he concentrated on domestic structural impediments,

notably the absence of a progressive entrepreneurial class (G. Palma and Marcel 1989).

To better understand why the intellectual environment of ECLA may have contributed to the evolution of Kaldor's thought, it is helpful to briefly outline some of the institution's key analytical premises. Sánchez-Ancochea (2007) distinguishes between two strands within the structuralist tradition: the Anglo-Saxon[13] and the Latin American. While both share an emphasis on the necessity of structural transformation in peripheral economies and a rejection of the theory of comparative advantage, the Latin American approach differs in three key respects. First, it asserts that countries do not possess an inherent tendency toward development. Second, it questions the assumption that relations between developed and developing countries are necessarily mutually beneficial. Third, it places particular emphasis on the historical specificities that shape national growth trajectories – thus entailing a broader and more context-sensitive methodology (Missio, Jayme, and Oreiro 2015).

ECLA itself embodies a long-standing structuralist tradition, which views development and underdevelopment as interrelated phenomena emerging from participation in a globally integrated economic system (Blankenburg, Palma, and Tregenna 2008). While Latin American structuralism became particularly prominent, it drew on earlier intellectual currents, including the work of François Perroux and other members of the French structuralist school. Perroux (1939), in particular, underscored the centrality of structures and institutions to the development process and conceptualized the global economy in terms of dominant and subordinate forces – or, in geopolitical terms, dominant and dominated countries.

This brings us to ECLA's classical theory of center and periphery within the world economy, as articulated most notably in Prebisch (1950, 1959). In this schema, the center is characterized by a homogeneous and diversified productive structure, with relatively uniform productivity levels across sectors. By contrast, the periphery is marked by structural heterogeneity and sectoral specialization. Peripheral economies typically exhibit a dual structure, in which a modern export-oriented enclave coexists with a subsistence-based agricultural sector.[14] As a consequence, less developed countries tend to grow at a fraction of the pace of advanced economies, as they are specialized in sectors subject to diminishing returns and producing

[13]A number of influential development economists – including Rosenstein-Rodan (1943) and Nurkse (1953) on poverty traps, Hirschman (1958) on backward and forward linkages, and Lewis (1954) on dualism – shared Kaldor's concern with the structural causes of underemployment and the centrality of structural transformation in the development process (Missio, Jayme, and Oreiro 2015).

[14]Commodity production, by contrast, tends to exhibit limited backward and forward linkages with the rest of the economy – an important distinction from manufacturing, which generates far stronger intersectoral spillovers.

goods with low income-elasticity of demand in international markets. Within such a framework, a two-country model would not permit sustained convergence in growth rates. Over time, the peripheral economy would experience a faster increase in imports relative to exports, leading to a structural imbalance in the external sector. This disequilibrium would ultimately necessitate a contractionary adjustment in income – rather than merely in relative prices – to restore the trade balance.[15]

There is, therefore, a strong emphasis on the country's productive structure as a prerequisite for achieving economic development.[16] This emphasis on productive structure comes from a specific historical diagnosis of the world economy. As Celso Furtado (1985) recounts in his memoirs, Prebisch's framework was a direct response to the structural shift of the world's "main center" from Great Britain to the United States. Under British hegemony, the system's high degree of openness (an import coefficient of around 30%) facilitated a more integrated diffusion of economic dynamism and technical progress. In contrast, the emergence of the United States as the new center – with a far lower and declining import coefficient (from 6% in 1925 to 3.1% in 1949) – created a structural tendency toward disequilibrium, making the "propagation of technical progress from the originating countries to the rest of the world (…) relatively slow and irregular" (Furtado 1985, citing Prebisch's 1949 study). From this historical-structural diagnosis, industrialization emerged not merely as a choice but as a necessity for peripheral economies to gain access to technical progress through deliberate policy action, since the "dynamism of the system was insufficient to propel it" (Furtado 1985).

In short, Prebisch[17] viewed rapid industrialization as essential for development – through an import substitution strategy, an eventual necessity regardless of the specific policy path initially adopted (Kregel 2016, 510). For such a transformation to occur, state intervention would be necessary to impose an industrialization strategy through trade and industrial policies – what he referred to as sound protectionism – alongside exchange-rate management, the attraction of foreign capital, and the stimulation of domestic investment. This strategy aimed to replace sophisticated imports with domestic production and to promote export

[15]Periodic commodity booms may enable exporters to temporarily sustain balance-of-payments deficits. However, such episodes risk entrenching a pattern of primary-sector specialization over the long term, undermining efforts to diversify and industrialize, despite short-run external gains.

[16]As noted by Chenery and Syrquin (1975), economic development typically involves a structural transition from primary to secondary, and eventually to tertiary activities – a process widely observed across countries.

[17]On the intellectual antecedents of these ideas, Boianovsky (2013) explores the likely influence of Friedrich List on Prebisch, Furtado, and Kaldor – particularly regarding the strategic role of the industrial sector and the defence of infant-industry protection. Notably, however, List originally conceived this argument in the context of late-developing advanced countries.

diversification.[18] In this context, comparative advantages were regarded not as static endowments but as potentially acquired through deliberate structural transformation, in line with ECLA's analytical framework. These views stand in sharp contrast to the neoclassical Solow-Swan growth models, particularly regarding the sources of economic growth, and constitute a critique of models such as Heckscher–Ohlin–Samuelson, which rest upon the logic of static comparative advantage (J. G. Palma 2005).

Accordingly, structural transformation becomes a necessary condition for development. This process encompasses changes not only in the sectoral composition of output and employment but also in the organization of the financial system, the industrial base, the distribution of income and wealth, and broader institutional and political structures (Matsuyama 2008). A key trigger for this transformation lies in productivity gains in agriculture, which – following Engel's Law – induce labor to move out of the primary sector. However, productivity growth in manufacturing can similarly displace agricultural labor, in line with the classical dual-economy model of Lewis (1954). These processes underscore the central role of labor mobility in facilitating structural change. When structural change and productivity growth occur in tandem, they can reinforce each other; yet the opposite may also be true, with countries potentially falling into a "poverty trap" (Matsuyama 2008).

From these premises, a logical implication – widely accepted among ECLA scholars – is the long-term tendency for the relative prices of less sophisticated goods, such as primary commodities, to decline in relation to those of more complex manufactured products (Blankenburg, Palma, and Tregenna 2008). Another important idea in ECLA's framework, which also resonates with Kaldor's (1957d) analysis of Chile's persistently high inflation, is the structuralist view on inflation. In this perspective, inflation arises from cost-push pressures due to structural rigidities – particularly within the agricultural sector – that constrain supply responsiveness. In this regard, Kaldor (1988) shared several points of convergence with ECLA's analytical approach – especially in terms of the mechanisms underlying inflationary dynamics.

Indeed, a core component of ECLA's perspective on inflation, recalled by Furtado (1985), was the identification of the balance of payments as a primary structural bottleneck. The ECLA diagnosis held that the very process of income growth spurred by industrialization would generate a high income-elasticity of demand for manufactured imports. Given the slow

[18]This strategic orientation informed the policies adopted by several Latin American economies, which pursued import-substituting industrialization. By contrast, many East Asian countries combined import substitution with a concerted effort to limit demand for luxury consumer goods (Blankenburg, Palma, and Tregenna 2008) – a concern also explicitly present in Kaldor's (1988) assessment of Chile. On the broader significance of productive diversification for long-term development, see Romer (1987).

growth of primary export revenues, this dynamic would inevitably lead to "pressures on the balance of payments, which lead to inflation and/or external indebtedness" (Furtado 1985). This view of inflation as a consequence of structural rigidities, rather than purely monetary mismanagement, was a defining feature of the intellectual environment Kaldor encountered. Furtado himself would later apply this framework in his design of Brazil's Plano Trienal, which explicitly identified the external bottleneck ("estrangulamento externo", in Portuguese) and the inelasticity of food supply as the key "structural causes" of inflation that required planning rather than mere monetary restriction (Furtado 1989).

Nevertheless, he diverged in other respects, most notably in his emphasis on Chile's domestic constraints, which contrasts with ECLA's broader focus on external structural asymmetries rooted in the center–periphery relationship. Targetti (1992, 213) highlights this very distinction, noting that "Whereas for Kaldor the main cause of Latin American inflation was the inelastic supply of agricultural products, the structuralist school held that inflation ( … ) was also caused by a number of bottlenecks". This suggests that while Kaldor's analysis was firmly structuralist, his specific focus on the agricultural sector as the primary bottleneck represented a different emphasis compared to ECLA's more comprehensive identification of multiple constraints, including the crucial external bottleneck (Furtado 1985).

Certain ECLA-inspired elements may have influenced Kaldor's reasoning following his 1956 visit, although these ideas became more explicitly integrated into his work over the course of the 1960s, as will be explored in the following section. Evidence of this shift appears in both his published writings and his policy engagements with Latin American countries, where he increasingly underscored the relevance of external variables – such as foreign trade – in the development process. As previously noted, during a lecture, Kaldor (1957b) introduced his initial formulation of the relationship between agriculture and industrialization in developing countries, and in several lectures delivered in Chile, he addressed aspects related to the principle of cumulative causation.

Of course, other factors also contributed to the evolution of Kaldor's thinking. Among them was the growing literature on development, including the influential contributions of Lewis (1954), Myrdal (1960), Rosenstein-Rodan (1943), Nurkse (1953), and others focusing on structural transformation. Moreover, the historical context itself – marked by the early signs of what would later be recognized as the end of the Golden Age – likely shaped his outlook. In addition, during the 1960s, Kaldor's own empirical investigations and policy experience led him to express increasing dissatisfaction with the prevailing formal macroeconomic growth models. He criticized these models for their excessive reliance on

aggregation, for their implausible assumptions of full employment, and for portraying growth as constrained solely by supply – failings that, in his view, rendered them incapable of capturing the empirical patterns of economic development (Wood 2008).

## Kaldor's transition to development economics

This section presents some of Kaldor's central contributions to development economics. In a paper written during his time at the Treasury, Kaldor (1964) offers an analysis that shares several key features with the so-called Latin American Manifesto authored by Prebisch (1949), as well as with other themes discussed in the preceding section. Specifically, Kaldor (1964) articulates: (i) a critique of David Ricardo's Theory of Comparative Advantage; (ii) the argument that Import Substitution Industrialization (ISI) in Latin America was not conceived as a deliberate development strategy, but rather emerged as a pragmatic response to the external constraints imposed by the Great Depression of 1929 and the Second World War; (iii) the recognition that ISI has inherent limits, and that attempts to extend it through indiscriminate protectionism would result in suboptimal outcomes, notably in the form of industries operating below the minimum efficient scale; (iv) the claim that, in order to overcome the constraints of ISI, underdeveloped countries must adopt policies designed to foster export capacity in manufacturing, such as dual exchange rate regimes and export subsidies; and (v) the view that industrialization is fundamental to the economic development of underdeveloped economies. These arguments stand in stark contrast to Kaldor's earlier views on the development challenges of low-income countries, prior to his engagement with ECLA.

Notably, in a series of lectures delivered at Cornell University in 1966 and subsequently published in 1967, Kaldor came to the realization that many issues typically associated with underdevelopment also characterize advanced economies. One such issue is the existence of disguised or hidden unemployment in high-income countries, suggesting that industrialization was not only the primary engine of growth in developing countries but also played a central role in the historical development of advanced economies, by enabling productivity increases through the reallocation of labor from low-productivity to higher-productivity activities in the manufacturing sector. These claims were supported by empirical evidence available at the time (McCombie 1983).

While Kaldor (1966) focuses primarily on the United Kingdom, Kaldor (1967) addresses similar themes with a broader international scope. Kaldor (1966) begins his analysis by observing, based strictly on empirical data, that the UK had experienced a comparatively slow rate of economic growth

since 1950. A wide range of explanations had been offered for this underperformance, including managerial inefficiency, an educational system biased toward the humanities at the expense of science and technology, restrictive trade union practices, insufficient or misallocated investment, and misguided macroeconomic policies (whether overly inflationary or deflationary). In summary, the prevailing view attributed growth differentials to variations in institutional quality, education, or even national creativity (Kaldor 1967). However, Kaldor argued that, while these factors may facilitate growth, they cannot be regarded as its fundamental drivers[19] (Wood 2008). In his view, sustained periods of rapid economic expansion are closely associated with the rapid growth of the secondary sector, particularly manufacturing. That is, higher economic growth rates are observed in countries with a relatively large industrial base – a characteristic feature of economies in transition toward maturity,[20] a central element in the ECLA framework.

Thus, for Kaldor (1966), Britain – having embarked upon industrialization earlier than most – had also reached maturity earlier, potentially before achieving a definitively high level of per capita income. In ECLA's terms, this reflects the necessity of structural change. The expansion of high-productivity sectors tends to draw labor from other sectors, and technical progress is typically more pronounced in manufacturing than in other areas of the economy (Kaldor 1967). While it is sometimes argued that the observed relationship between rapid economic growth and a large manufacturing sector can be explained by higher average productivity growth in industry, this is not always the case. Indeed, at times, productivity growth in mining or agriculture may exceed that in manufacturing (Kaldor 1967). Thus, the explanation must be sought in alternative mechanisms.

For Kaldor (1966, 1967), the underlying explanation for differential growth trajectories lies in the theory of increasing returns – a concept with antecedents in the work of Adam Smith (via specialization and the division of labor), Allyn Young, and other classical economists. Productivity, in this view, rises in response to increases in aggregate output due to both static and dynamic economies of scale. This mechanism, also known as Verdoorn's Law, was empirically tested across manufacturing industries in Europe, highlighting the positive relationship between output growth and productivity growth.

[19]Which calls for another citation allegedly by Keynes: "You can lead a horse to water, but you can't make it drink".

[20]For Kaldor, a mature economy is one in which productivity differentials across sectors are minimal, such that intersectoral shifts in labour allocation have negligible effects on aggregate productivity. In this context, the dynamics of structural change that drive productivity growth in earlier development phases are largely exhausted.

In Kaldor (1967), he outlines the phases a country undergoes in its transition toward economic maturity. At low income levels, the bulk of household expenditure is directed toward food. At intermediate income levels, demand shifts toward manufactured goods. Finally, at high income levels, the demand composition favors services. Thus, during the intermediate phase, the expansion of the manufacturing sector generates higher income, which, in turn, stimulates greater demand for industrial goods, resulting in a process of import substitution (Kaldor 1967). While this aligns with ECLA's structuralist narrative, Kaldor's framework goes further. As he explains, "to maintain development, it is necessary ( … ) to enter a second stage" and become "a growing net exporter of manufactured consumer goods," followed by "import substitution in the sphere of capital goods," and ultimately reaching a fourth stage, where the country becomes "a growing net exporter of capital goods" (Kaldor 1967, 31).

The second and fourth stages represent a significant extension of ECLA's original framework, particularly in combining the strategic role of manufacturing with the dynamic implications of increasing returns. Kaldor (1967, 32) illustrates the limitations of the import substitution strategy with the Latin American experience: "in Latin America, which have experienced fast growth for a period, but which have failed to maintain the pace of development for very long". In contrast, he cites Japan as a case where entry into the fourth stage of export-led growth facilitated "the phenomenally high postwar growth rate".

His concern with Latin America's performance is further reflected in his nuanced critique of the region's industrialization strategy. While a strong advocate for industrialization, Kaldor was by no means an uncritical supporter of how ISI had been implemented. According to King (2009, 119), Kaldor argued that many Latin American countries had engaged in "an indiscriminate protection of a rather violent kind," which fostered high-cost industries incapable of competing in export markets. For Kaldor, successful industrialization required that protection be both "moderate and discriminating," designed to be reduced as industries matured, thereby compelling them to "develop an export potential" (King 2009, 119). This position reveals a key aspect of Kaldor's development thought: industrialization was not an end in itself but a means to achieve international competitiveness through dynamic efficiency gains.

Hence, for Kaldor, the domestic market alone is insufficient. Long-term development requires an initial phase of import substitution, followed by a strategic push toward export promotion, involving the progressive sophistication of export baskets. This cumulative process is embodied in the so-called Kaldor-Verdoorn Law: an acceleration in export growth generates increased demand and income, which in turn enhances productivity in the

industrial sector. These gains spill over into other sectors, further boosting export capacity and fueling a virtuous cycle of growth.

Kaldor (1967) also identifies a series of potential constraints to growth. In early development stages, when manufacturing is expanding, intermediate goods and capital goods often need to be imported. If the volume of imports grows more rapidly than exports, a Balance-of-Payments (BoP) constraint may emerge – a perspective consistent with ECLA's analytical framework. In line with ECLA, Kaldor is skeptical of exchange-rate adjustments as a solution to structural BoP imbalances: "the domestic industry fails to increase capacity to export simply because costs ( … ) remain too high," and this "cannot be remedied by devaluation" because "a considerable undervaluation ( … ) inevitably, an inflation of domestic costs and prices is thereby generated that soon neutralizes any beneficial effect of the change in the exchange rate on the export cost of manufacturers" (Kaldor 1967, 62–63). Notably, this view would evolve over time, as explored in later works.

Savings, in Kaldor's framework, do not constitute an independent constraint. Since investment generates both profits and savings endogenously, saving shortfalls arise only when tied to external imbalances. Labor supply, by contrast, can become a constraint, but only in advanced stages of development. In most cases, developing countries possess surplus labor. In low-income economies, the agricultural sector serves as the primary labor reserve for industrialization; in high-income economies, the service sector functions as a reservoir of industrial labor (Wood 2008). Nevertheless, once an economy reaches maturity, labor scarcity may exert inflationary pressures – another idea that Kaldor extended beyond ECLA's focus on peripheral economies, applying BoP constraints to advanced countries such as the United States and the United Kingdom.

Finally, Kaldor (1967) expresses concern over the persistent global income gap and the structural impediments that hinder industrialization in underdeveloped economies. In his view, agricultural transformation is a necessary precondition for industrialization, as it frees up labor for more productive sectors. While partially endorsing ECLA's defense of import tariffs, Kaldor takes a more qualified stance. Citing List[21] (Kaldor 1964), he argues that high tariffs are justifiable only in the early stages of development – when productivity is so low that it offsets the wage-cost advantage – and only for infant industries, and only for a limited duration. The problem with prolonged protectionism, he contends, is that it discourages

[21]Kaldor (1967) explicitly acknowledges his intellectual debt to Friedrich List: "Bismarck's famous statement 'We must export or die!' showed that he thoroughly understood the theories of Friedrich List. ( … ) Industries, he said, need protection in their 'infancy'; once they grow to a certain size, and become well-established, the protection should be withdrawn, or the industries will fail to become competitive in export markets".

exports, which are essential to meet the rising import requirements of industrial expansion and to realize economies of scale through global market access. With increased scale, unit costs decline, and learning-by-doing facilitates the accumulation of productive capabilities and technological know-how (Kaldor 1964).

Kaldor (1967, 59) reiterates his concern with Latin America in a particularly illustrative passage: "Chile, Argentina, and Brazil each went through a phase of rapid growth following the establishment of highly protective tariffs or import prohibitions during the Great Depression. But (…) was followed by a prolonged period of very slow growth (…) and violent inflation". In his assessment, once the domestic market attains sufficient scale to allow cost competitiveness in international markets, trade protection should be gradually reduced. Once again, Kaldor (1967) cites Japan as a model of successful development – a country that, rather than raising import tariffs, opted to provide targeted subsidies, thereby fostering export capacity.[22]

In the early 1970s, Kaldor began to revise some of his prior views concerning exchange rate management. In Kaldor (1971),[23] he reevaluates the role of the exchange rate in export performance and the sustainability of the balance of payments. Acknowledging the broader economic and political implications, he observes: "It is now more widely accepted that adjustments in the exchange rate are a legitimate, indeed an indispensable, part of the international 'adjustment process' – for keeping the system of international payments in reasonable balance" (Kaldor 1971, 4). He further elaborates: "Since the level of money wages is bound to be sticky in a downward direction and is not greatly influenced by world prices in an upward direction, the degree of competitiveness, given the relationship of wage rates and productivity levels of different industrial countries, depends largely on the exchange rate" (Kaldor 1971, 7–8).

Continuing with his emphasis on the mechanism of cumulative causation, Kaldor maintains that an initial advantage in export competitiveness increases the growth of manufactured exports, which raises productivity in the export sector and further reinforces the competitive edge (Kaldor 1971). Accordingly, "The task of maintaining (…) a favorable exchange rate is therefore of the highest importance to an industrial country from the point of view of its long-run growth potential and not only on account of its short or medium-term effect on the level of employment" (Kaldor 1971, 8).

[22]A comparable strategy was adopted by Brazil in the late 1960s under Finance Minister Delfim Netto. His policy reforms in 1967 facilitated a significant increase in manufactured exports, thereby initiating the second phase of industrialisation in the Kaldorian sense (Bresser-Pereira 2014).

[23]Kaldor (1971) also offers a pointed critique of the United Kingdom's demand-management approach to fiscal policy, which, in his view, constrained the country's long-run growth potential.

This shift in analytical emphasis reflects a deeper methodological transformation. The equilibrium-based framework that underpinned Kaldor's early growth models was increasingly called into question – an issue further explored in Kaldor (1985). In Kaldor's view, the principal error of orthodox economic theory lies in its failure to adequately incorporate increasing returns to scale into the analytical structure (Harcourt 2001, 243). As Kaldor (1972) argues, increasing returns are the norm in industry, not the exception – a point already noted by classical economists such as Smith and Young.[24] This prompts a fundamental question: does the concept of equilibrium retain analytical coherence in a world characterized by increasing returns? For Kaldor, the answer is largely negative. Beyond the short run, output is not constrained by resource availability.[25] The presence of increasing returns thus remains an uncharted territory within mainstream economics (Kaldor 1972). This has implications for international trade theory as well: free trade, contrary to orthodox expectations, is not necessarily beneficial for all nations (Kaldor 1985).

Nonetheless, in Kaldor (1978c), he reconsiders the effectiveness of exchange rate adjustments in promoting export competitiveness, partially reverting to the skepticism he and ECLA expressed in 1967. Following the breakdown of the Bretton Woods system, he notes that "vast changes in the exchange rates of the currencies of major industrial countries" occurred, yet "contrary to the general expectation they failed to bring about any large change in the relative position of 'surplus' and 'deficit' countries" (Kaldor 1978c, 102). Although he finds a negative correlation between changes in manufactured export shares and measures of competitiveness, Kaldor insists that "the reason for such a negative correlation can only be that the true causal relationship is the other way round: the changes in exchange rates and in 'competitiveness' (…) were not the cause, but the consequence of differing trends in the market shares of different industrial countries, and the 'trends' themselves must then be due to factors not susceptible to measurement" (Kaldor 1978c, 104). He highlights the role of "non-price" advantages such as "exceptional productivity growth and technological lead in the export industries" in explaining the export performance of countries like Germany and Japan (Kaldor 1978c, 111).

[24]Reflecting on Allyn Young's foundational insights, Kaldor (1972) remarks: "I feel convinced that it was so many years ahead of its time that the progress of economic thought has passed it by despite the attention it received at the time of its original publication". This comment underscores Kaldor's appreciation for Young's emphasis on dynamic increasing returns and the endogenous nature of productivity growth – concepts central to his own later work.

[25]In Kaldor (1985), he advances the notion that the normal condition of capitalist economies is one of idle capacity. Even in situations described as "full employment," there remains a significant degree of disguised unemployment – for example, in the form of low-paid or low-productivity jobs in the service sector. Only once this residual labour reserve is fully absorbed into higher-demand sectors do real constraints emerge, manifesting in delivery delays and related supply-side bottlenecks.

Moreover, Kaldor (1978c) underscores the practical difficulties of major currency devaluations, including reductions in real wages and inflationary pressures – echoing concerns already raised in Kaldor (1967). Nevertheless, citing examples such as France and, later, the United Kingdom, where devaluations yielded positive outcomes in manufactured export performance, he concludes that "it would be wrong to suggest that currency devaluations have been invariably unsuccessful" (Kaldor 1978c, 113). Hence, while more nuanced in his later assessments, Kaldor (1978c) expresses a less assertive stance on exchange rate efficacy than he had in 1967.

From the late 1960s onward, Kaldor decisively shifted his attention from formal growth and distribution models toward the applied economics of development (Thirlwall 1996, 176). While it is not possible to state definitively that his interactions with Raúl Prebisch and ECLA were the primary catalysts for this transformation, the historical evolution of Kaldor's work strongly suggests that these influences played a significant role.

## Conclusions

Undoubtedly, Nicholas Kaldor was a brilliant economist. The evolution of his economic ideas – partially traced in this paper – reveals a recurring pattern of theoretical reorientation across multiple phases of his intellectual trajectory. To some extent, these shifts reflect his own intellectual disposition: Kaldor consistently sought to verify whether theoretical frameworks corresponded to empirical reality, particularly as reflected in stylized facts.

In the early stages of his career, Kaldor may be characterized as an orthodox. This changed, to some degree, with the influence of Keynes's General Theory, which led him to engage more directly with macroeconomic problems. During the postwar Golden Age, Kaldor interpreted full employment as a stylized fact and constructed a series of growth and distribution models under that assumption. In the final phase of his work, he moved beyond equilibrium-based frameworks, turning his focus to development economics and the structural challenges facing low- and middle-income countries.

Understanding what may have driven these transitions is of particular interest. As this paper has highlighted, Kaldor's visit to ECLA in 1956, his interactions with its researchers, the presence of Celso Furtado in Cambridge between 1957 and 1958, and Kaldor's advisory roles and lectures across Latin America and other developing countries likely exposed him to ideas characteristic of structuralist development thought. As Harcourt (2001, 241) observes, one of Kaldor's intellectual hallmarks was precisely his "ability to pick up out the gist of others′ insights and systems and to integrate them into his own, always original and stimulating, views of the world and its issues and problems". It is thus plausible – and indeed

reasonable – to suggest that these experiences contributed to the evolution of his economic thought during the 1960s. His frequent references to the economic trajectories of Latin American countries serve as further indications of ECLA's likely influence.

In sum, it appears that certain elements of ECLA's analytical framework were progressively incorporated into Kaldor's thinking following his 1956 visit and his subsequent work in developing countries. Moreover, Kaldor's later writings reveal a re-engagement with earlier intellectual influences, such as Friedrich List and Allyn Young – both explicitly cited in his later works – which he reinterpreted in light of contemporary development issues. His intellectual evolution also mirrored broader shifts within the field of Development Economics, including the influential contributions of Lewis, Myrdal, Rosenstein-Rodan, and Nurkse. These changes unfolded in the broader context of the waning of the postwar economic boom known as the Golden Age. Indeed, as early as the late 1950s, Kaldor had begun formulating his views on the connection between agriculture and industrialization in developing countries, as well as articulating his interpretation of the principle of cumulative causation.

ECLA's influence on Kaldor remains plausible even if he did not explicitly cite its leading economists – a practice not uncommon at the time. Scholars are frequently exposed to a wide range of ideas, insights, and empirical observations, and these may not immediately surface in their published work. As Merton (1963, 380) observes, "the signals provided by a discovery are lost in the noise of the great information system that constitutes science", and only with time are such signals integrated or reappear in new theoretical constructions.[26] Future research may expand upon this analysis by incorporating further archival material and comparative assessments. It is also important to consider that Kaldor, in turn, may have influenced ECLA's own economists – an avenue of inquiry that promises to yield valuable insights.

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[26]An illustrative historical case is discussed by Boianovsky (1996), who draws attention to the work of Frederick Barnard Hawley. According to Boianovsky, Hawley anticipated a number of Keynesian concepts, including the consumption function (with a marginal propensity to consume below unity) and mechanisms for adjustment between aggregate supply and demand during output contractions. However, Boianovsky notes that Hawley did not consider the broader implications of these concepts for determining the equilibrium level of income, nor their significance for counter-cyclical demand management policies during recessions.

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