

# Structural transformation and economic development : can development traps be avoided?

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## STRUCTURAL TRANSFORMATION AND ECONOMIC DEVELOPMENT. CAN DEVELOPMENT TRAPS BE AVOIDED?

BY ALEJANDRO M. LAVOPA

1. Two economic transformations stand at the core of successful development: structural change (i.e., the absorption of labour force in modern activities) and technological catch-up (i.e., the reduction of the technological gap with the world frontier). Failure to achieve these transformations will eventually lead to low- or middle-income traps. [*Chapter 3, thesis*]
2. As countries achieve their structural modernisation their rates of economic growth decrease. The speed of this decline depends, among other things, on the specific industries that drive the expansion of the modern sector and the particular trade specialization of the country. [*Chapter 5, thesis*]
3. Countries in which the modern sector is dominated by non-manufacturing sectors or in which the export structure is heavily oriented towards agricultural products are more constrained in their growth potential as they achieve their structural modernisation. Therefore, they are more likely to remain in low- or middle-income ranges. [*Chapter 5, thesis*]
4. Countries caught in a middle income trap tend to show a trajectory of partial catch-up with structural polarization. Letting a country's specialization be determined by "market forces" is likely to reinforce this polarization. Specific policy interventions are thus needed to escape this trap. [*Chapter 6, thesis*]
5. Production structures are not neutral. The specific goods a country produces have long-term impacts on its development potential. Producing potato-chips is certainly not the same as producing micro-chips.
6. Dual economic structures bring dual societies. In such contexts national averages of major macroeconomic variables (e.g., income, wages, productivity) can be highly misleading.
7. Empirical analysis requires solid theoretical foundations. But solid theory cannot be disconnected from real-world phenomena. A well-balanced dialogue between theory and empirics should then lie at the core of economic research.
8. The value of scientific research goes far beyond its potential for commercial benefits.
9. Everything is relative. Even distance. One kilometre in an emerging economy's capital is a short, walking distance. One kilometre in the capital of a Dutch province is a distance impossible to cover without a bike.