

Heterodox Economics Newsletter

INSTITUCIONES, DESARROLLO Y REGIONES: EL CASO DE COLOMBIA, by Jairo Parada-Corrales, Ediciones UniNorte, Barranquilla, Atlántico, Colombia, 2011.

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Jairo Parada's *Instituciones, Desarrollo y Regiones*, is the Spanish version of his Ph.D. dissertation, which is available at the University of Missouri-Kansas City in electronic format. The main focus of this book is the relationship between economic development and institutions for a developing nation such as the case of Colombia. However, the important aspect of this book is the methodological approach used in this study. Parada uses the pragmatic philosophical approach, and Thorstein Veblen's work to shape his argument. This combination allows him to reach an evolutionary explanation of economic development by utilizing complementary tools from a range of disciplines such as anthropology, history, sociology, among other social sciences. As a result, this book goes beyond the simplistic views of trickledown economics, export-led growth models, and the promotion of free trade as a way to enhance economic development. In Parada's words: "This work aims to demonstrate that institutions are not just determined by the culture but by a complex systemic relationship between economic structures, technology, geographical conditions and also a decisive role for individual and collective agency" (Parada 2006, ii).

This work is definitively relevant to heterodox economics, because it is extending an invitation to not only Latin American scholars, but also to scholars from different parts of the world who would like to develop an alternative approach to economic development. In a 2009 essay, I reported on a debate between Jairo Parada and the Colombian Central Bank's Center for Regional Economics Studies about the causes of Colombia's uneven regional economic development. I argue that Parada was the first author in Colombia to bring the issue of institutions to the table by using a suitable definition of "institution", based on the original intuitional economics founded by Thorstein Veblen. The Center for Regional Economic Studies has confusedly defined institutions as property rights, or formal rules and laws. Without going into too much detail of their definition of institutions, it should be stated that the only purpose of these neoclassical economists was to make institutions measurable, and in this way be able to estimate an econometric model (Bonet and Meisel 2006¹; Galvis and Meisel 2000). Their most recent study points out that Colombia's uneven regional economic development is due to geographic variables, for instance, the areas with a vast number of European population in Colombia's Andean region correlates with a more stable and efficiently driven economic institutions. Whereas in the Caribbean region, for instance, which does not have such predominance of the white European population, institutions tend to be more inefficient (Bonet and Meisel 2006). For that reason, let me point out that Parada's work gives us a better diagnosis of Colombia's uneven regional economic development that prevents us from falling prey to geographical determinism of econometric studies. In simpler words, econometrics will never be able to show the complex process behind the causalities, especially if we are dealing with social

¹ This is the work that inspired Bonet and Meisel's work, which has been criticized by Jairo Parada.

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processes. This is why heterodox economics is more proper than the mainstream analysis of economic development issues.

The idea of econometrics as a methodology highlights the main strength of Parada's book. This strength is the coherence between the applied methodology, i.e. the pragmatic philosophy, inspired by the works of John Dewey and Thorstein Veblen, and not only the theoretical purpose of the book, but also the coherence with the reality. This is important because, in general, neoclassical economics ignores that a research methodology should be defined *a priori*. As social scientists, we should have a well defined ontology and epistemology. In fact, what it is perceived among the neoclassical authors are unclear definitions of key concepts within their theories, and they only do it with the objective of making them fit into an econometric model. Econometrics should be considered as a tool, and not as a methodology. Parada's book is a powerful challenge to mainstream economics. His work needs to be applied to other regions of Colombia, and disseminated in the development literature.

References

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