positively). Manufacturing firms, which previously enjoyed substantial protection, close, which some have dubbed deindustrialization (but it may reflect resource reallocation). Agricultural performance has remained poor in many adjusting countries and critics point to the supply constraints of poor infrastructure and the absence of rural credit, both of which may be exacerbated rather than alleviated by adjustment. It is usually the service sector that grows most rapidly with the advent of adjustment.

Many authors take it for granted that the adverse social effects of adjustment are proven. But this is not the case. As with economic impact, disagreements over method and the wide diversity of experience mean that no consensus has arisen. Moreover, there has been a discernible shift in the emphasis of World Bank programmes since the later 1980s to pay more attention to social issues, although not so far as to fully satisfy calls for ‘adjustment with a human face’.

Policy conditionality should be expected to remain a feature of the aid scene for the foreseeable future, though with a continuing evolution of the content of policy dialogue.

See also:

stabilization policies; Washington consensus

Further reading


HOWARD WHITE

structural change

While macro-economics regards changes in the levels and rates of growth of aggregate economic activity, structural change deals with variations in the composition of economic activity and the effect such variation has on the operation of the economic system. Structural analysis thus often focuses on such factors as organizational and institutional evolution, changes in labour supply and the supply of natural resources, capital- and labour-displacing technological progress, and the composition of final demand. The importance of these factors for sectoral proportionality and balance means that structural analysis is often conducted at a slightly lower level of aggregation than most macro-economic models, highlighting (for example) inter-industry relations. The foreign sector is an important part of the analysis of structural change, as the size of the export sector, the composition of imports and exports, and a country’s relative dependence on trade as a proportion of economic activity will have implications for employment, structural and technological change, and the composition of demand. Structural change may also be seen as changes in the data of economic theory and is therefore important for understanding the long-term development of the economic system. A nation’s structural position in the global economy often has important implications for such development, as well as for human, social and environmental well-being generally.

Structural change was an important part of the work of the classical political economists and Karl Marx. While neo-classical economics traditionally takes the ‘whole natural, social, and technical environment’ as given, for the classics and Marx ‘the explanation of the order and changes of these data itself formed part of the theoretical work’ (Lowe, 1954: 109).
The discussion by Adam Smith of the division of labour and its relation to capital accumulation, the analysis by David Ricardo of labour-displacing technical change, and the requirements for inter-sectoral proportionality and balance exhibited in Marx's schemes of reproduction, are all examples of important contributions to the analysis of structural dynamics to be found in the major works of classical political economy. For Smith, the mutually reinforcing relation between economic growth and technical change is at the heart of the dynamics of a capitalist economy. Growth in markets for manufactured goods at home and abroad permits the development of the division of labour, leading to higher rates of labour productivity. Economies of scale and dynamic increasing returns make Smith's system one in which positive feedbacks, rather than the negative feedbacks of equilibrium models, are dominant. Ricardo's addition of the chapter 'On machinery' to the third edition of his Principles conceded the possibility that labour displaced by technical progress might not be employed elsewhere, a point picked up and developed by Marx and incorporated into his analysis of growth and cycles. In Marx, capital accumulation increases the demand for labour, leading to higher wages that cut into profits. This leads capitalists to search for labour-displacing technologies that can restore profitability, furthering investment and thus another round of growth. Marx also outlined the requirements for proportionality and balance in his schemes of reproduction – with output in the capital goods sector replacing the fixed capital in both the capital and consumption goods sectors, and output in the consumption goods sector providing the means of subsistence for labourers in both sectors. Expanded reproduction thus requires not only aggregate but also inter-sectoral proportionality and balance. In all these authors, the foreign sector provides an outlet for the goods produced in domestic industries and is thus central to the development and dynamics of an economy's economic structure. International trade policy was also of great concern to the classical economists, with Smith arguing against the mercantilists (see mercantilism) but also anticipating something like an infant-industry hypothesis (see infant-industry protection), and Ricardo debating with Thomas Malthus over the corn laws. Marx's analysis gave rise to a number of theories of imperialism, where colonial policies and the Atlantic slave trade played important roles in the rise and development of capitalism.

Important frameworks for analysing structural change in the classical tradition have been developed by such authors as Pasinetti (1981) and Lowe (1976). The former's model is an example of the vertically integrated approach and the latter's an example of the horizontally integrated approach to the analysis of structural change. Vertical models focus on changes in the composition of final demand, while horizontal models focus on inter-industry relations. Pasinetti's model is made up of three sets of sectors: a capital goods sector, a final goods sector, and a household sector. The capital goods sector produces capital goods used by itself and the final goods sector. The final goods sector produces commodities consumed by households. The household sector provides labour employed in the capital goods and final goods sectors, and consumes final goods. The model is thus useful for analysing the conditions necessary for maintaining full employment in the face of technological change and changes in the composition of final demand. Technical progress in the different sectors (which is assumed to take place at different rates) changes production coefficients and thus capital–labour ratios. Changes in labour productivity have an impact on real incomes, which increases both the size and composition of final demand (along the lines of Engel's law). Productivity growth decreases, while higher levels of effective demand increase the demand for labour. These factors, along with population growing at a positive rate (including migration) resulting in increasing labour supply, mean that full employment is unlikely to be maintained without government intervention.
Unemployment as a normal feature of capitalism is also the result of Lowe's horizontal model. Lowe's three-sector model is comprised of two capital goods sectors and a consumption goods sector. Sector 1 produces capital goods employed in the capital goods producing sectors (itself and Sector 2). Sector 2 produces capital goods used in the consumption goods sector (Sector 3). Sector 3 produces consumption goods for labour employed in all three sectors. Lowe's model highlights, among other things, the structural conditions for steady growth and the traverse from one growth path to another. Assuming no technical change and the supply of labour growing at a rate exactly sufficient to utilize the means of production, the allocation of total output in Sector 1 between itself and Sector 2 will determine the path of economic growth. Should the table be turned and the question become that of maintaining full employment in the face of a change in the rate of growth of labour supply or labour-capital-displacing technical change, a transformation in the structure of the real capital stock will be required. The clear result is that the primary obstacle to an economy running at full employment and full capacity utilization, when adapting to unexpected changes in the supply of labour or natural resources or technological change, is the inadequacy of the structure of its stock of real capital. 'The root of all these difficulties is technological' (Lowe, 1976: 9). For any one country, bottlenecks in the supply of capital goods or natural resources may be relieved through importing. This can occur through either direct importation of the needed goods or the importation of the goods needed to increase domestic production. Of course, such a solution is limited by a number of factors and is not available for the global system as a whole.

The international dimension of structural change can be viewed through Kaldor's model of cumulative causation. Kaldor (1985) wedds the classical theory of competition, growth and technical change in Smith (and developed by Allyn Young) and Marx to the Harrod-Domar-inspired dynamic extension of Keynes' principle of effective demand, and develops the implications for global competition and the balance of payments. Development of a nation's manufacturing sector as a whole leads to increasing productivity through external economies and increasing returns, which leads to price and non-price competitiveness in global markets. A positive cycle of cumulative causation is engendered as competitive success increases demand, which leads to another round of growth and productivity increases. Such success is reflected in a nation's balance of payments position. On the other hand, sluggish growth in a nation's manufacturing sector means slow rates of productivity increases and weakness in global markets, reflected in the balance of payments. This latter scenario is typical of those nations assigned the role of primary-product producers in the international division of labour. Specialization in primary production means low income elasticities of demand and leaves the scope for technical change in agriculture dependent on importing capital (see INCOME ELASTICITY OF DEMAND). Industrialized countries benefit from the internal dynamics of the manufacturing sector with high income elasticities of demand for its products and a scope for technical progress that feeds back into demand for dynamic industries, harkening back to Lowe's emphasis on the machine tools sector. The splitting up of the world into competitively successful manufacturing economies and sluggish primary-product producing economies was dubbed by Kaldor (1981) the 'polarisation process' and has important points of contact with the PREBISCH-SINGER HYPOTHESIS regarding the declining net barter TERMS OF TRADE for developing economies and the structuralist interpretation of the world economic system (see STRUCTURALISM).

References

structural power

‘Structural power’ is the authority to set the rules of the game and thus, without bringing about specific outcomes, it constrains possible outcomes to a limited set. It shapes what is plausible within social relations and what is deemed irrational or impossible. It is the ability to construct the common sense of international political economic relations and is complementary to analyses concerned with relational power (between actors relative to each other in a specific instance).

Steven Lukes (1974) identifies three dimensions in the analyses of power. One-dimensional perspectives focus on decisions where there is some explicit conflict of interest between actors in a specific set of relations. A distributional analysis of power reveals why one actor’s interests, or goals, take precedence over another’s. While able to recognize many of the resources that may be utilized to bring about specific ends, this approach requires the positive behaviour of power-holders to be identified.

In addition to positive action to bring about specific outcomes, two-dimensional perspectives on power also consider decisions which are prevented despite an observable conflict. A powerful actor may delay decisions (or obstruct the decision-making process for a particular issue altogether) to support the continuity of the status quo. This is the power to ignore those who are opposed to the current settle-

ment within a particular set of relations where the settlement benefits the power-holding actor. In both dimensions, power is only recognized within a particular relationship between actors and is characterized as positive action of some sort.

Lukes suggests that a three-dimensional perspective is required to produce a comprehensive analysis of power. The third dimension considers how potential issues are kept out of politics altogether. Power in this dimension obscures or hides conflict, though potential conflicts will still exist:

This potential, however, may never be actualised. What one may have here is a latent conflict, which consists of a contradiction between the interests of those exercising power and the real interests of those they exclude.

(Lukes, 1974: 24)

In this third dimension, the manipulation of knowledge of the possibility (or actuality) of conflicts becomes an additional and important site of power. By controlling the agenda of possible outcomes to be considered, the decision-making process itself may be presented as open and equitable. Unpalatable or unacceptable solutions for the dominant actor(s) never reach the agenda for consideration by others. This agenda is not necessarily a formal listing of alternatives, but can be conceptualized as actors’ perceived alternatives in any specific situation. Lukes argues that only by considering this dimension as well can a full understanding of power be proposed.

In international political economy (IPE), the recognition of the importance of structural power is often attributed to Susan Strange. Strange suggests structural power governs the bargains struck in specific circumstances between authority and markets. The power to limit the agenda of choices in any particular political economic relationship may belong to one of the contending actors or be sited outside those relations, but it cannot be ignored in either case. This issue is central to Strange’s