

# **Three decades after James Street's *The Institutional Theory of Economic Development*: What does institutional approach to Economic Development mean today?**

*Ivan Gambus*  
*Federal University of Paraná, Brazil*  
*e-mail: gambus.faria@gmail.com*

*Felipe Almeida*  
*Federal University of Paraná, Brazil*  
*e-mail: felipe.almeida@ufpr.br*

**Abstract:** James Street's *The Institutional Theory of Economic Development* (1987) is a masterpiece of institutionalist research on economic development. The 30-year anniversary of its publishing is an invitation to review what the institutional approach to economic development means today. Hence, this study aims to present a comprehensive historical survey in the Journal of Economic Issues (JEI) on economic development.

**Keywords:** Original Institutional Economics, Economic Development, James Street  
**JEL Classification Codes:** B25; B52

## ***Introduction***

This paper investigates contemporary traits of institutionalist research of economic development. It uses Alan Gruchy's concept of processual paradigm to comprehend James Street's contributions. Thereafter, we introduce a bibliometric methodology that is adopted to conduct our historical survey. Finally, this study indicates theoretical contributions, main topics of the discussion, and modern authors that have consistently addressed economic development since Street's (1987) paper.

## ***James Street and the Institutional Theory of Economic Development: Insights from Gruchy's processual paradigm***

James Street investigated economic development in theoretical and empirical terms, considering institutionalism lenses (see Street 1967, 1976, 1982, 1983, 1985, 1987). In 1987, in honor of JEI's (Journal of Economic Issues) twentieth anniversary, its volumes 3 and 4 included papers introducing state of the art and possible future paths for institutional analysis. In volume 4, Street offered a synthesis

of the institutional approach to economic development in *The Institutionalist Theory of Economic Development* (Street 1987).

Street's approach, directly influenced by Clarence Ayres, emphasized the dynamic role of technology in promoting material progress opposed to institutions' social inertia, which constrained economic progress. Economic development was a historical process derived from the interplay of those forces as detailed by Street (1987: 1861-1862):

“[t]he specific form that the interplay of institutional and technological behavior takes in each country or cultural unit is governed by unique circumstances of geography, cultural history, and available resources. While technology has universal adaptability, institutions are culture-specific. Each case can be fully understood only by empirical investigation (...)”

Following Gruchy (1990), Street elaborated a processual paradigm for economic development within institutional thought. According to Gruchy (1990: 364), a processual paradigm is described as having structure and substance. Gruchy (1990: 364) defined the concept as follows:

“[t]he substance with which it is concerned is the actual or historical economic system, perceived by institutionalists to be an evolving, ongoing, and developing entity. Besides having substance, the processual paradigm has structure. Over historical time, the structure of the economic system functions in response to political, demographic, and climatic factors, and to scientific advance and technological change.”

In essence, Gruchy's processual paradigm interprets institutional thought as a permanent process of providing structure (analytical tools that account for the evolutionary nature of the economic system) and feeding this structure with substance using empirical analysis that scrutinizes the holistic features of the process.

Street's contributions offered an overall framework to approach undeveloped economic realities, whereby the structure follows Gruchy's processual paradigm definition. In the same way, Street also offered substance to the institutional approach to economic development by providing empirical studies

in tune with the institutional framework he synthesized. These drew from Clarence Ayres's and John Dewey's instrumentalism; however, Street also indicated the possibility of basing research on authors such as Simon Kuznets and John Commons (Street, 1987: 1872-1873). Thus, Street's empirical analysis was not only in tune with instrumentalism, but also with other institutional approaches to economic development. The connections settled a pluralistic debate that institutionalists would develop in the following decades.

Prior to Street's synthesis, economic development had many invaluable contributions from a wide range of researchers such as: Alan Dyer (1986), Daniel Fusfeld (1977), Dilmus D. James (1982), Douglas Dowd (1967), Gunnar Myrdal (1974), James Dietz (1982, 1986, 1987), Philip Klein (1977), Wendell Gordon (1969, 1982, 1984), and William P. Glade (1969). Street distinguishes himself by providing a structure for the ongoing debate that supported institutionalists in providing further substance to institutional analysis of economic development.

Another aspect of Street's contribution was searching for other heterodox approaches to economic development that could contribute to institutional thought. For instance, Street (1967, 1982, 1987) was aware of the Latin American historical perspective of economic development - the structuralism - and explained how institutional thought could gain insights from it.<sup>1</sup>

This paper argues that Street's structure of institutional research of economic development – fomenting pluralistic empirical inquiry – is still valid and vivid and has been further developed by JEI content since *The Institutional Theory of Economic Development*. The next section introduces the steps and stages of our empirical research.

---

<sup>1</sup> Although Street was an enthusiast of elaborating upon the methodological pluralism among schools, Latin America intellectuals had little knowledge of the institutionalist agenda, as Oslvando Sunkel (1989) admitted.

## Sampling 30 Years of Institutional Economic Development Research in the JEI

Street's *The Institutional Theory of Economic Development* is central to one's understanding of the institutional approach to economic development. Three decades have passed since Street's seminal paper publication. Hence, an important question may arise: where does Street's legacy lead us?

Answering any question about the evolution of an economic approach is complicated. This implies a wide range of possible answers. Following the remarks of Prof. Dale Bush about the JEI, our answer relies on what kind of institutionalist studies were introduced since Street (1987). Bush (1991) states that the JEI foundation marked a new era in the literature of institutional economics as it provided a continuing forum for institutionalist subjects. Therefore, this investigation relies on a bibliometric research of papers published by the JEI, conducted using the JSTOR database. A sample of an institutional approach to economic development was produced using three-stage bibliometric data mining.

The first stage consisted of finding all articles that had been classified by JSTOR as containing the term *economic development* and published by the JEI since 1988. The search generated undesired results such as *entrepreneurship development*, due to other linguistic uses of the word *development*. Such articles had to be removed through a second filtering process, by manually consulting all articles and discarding uncorrelated papers. For instance, empirical investigations of globalization and modern corporation and power were excluded for going beyond the paper's scope. These seem to be more appropriate topics to examine how institutionalism approached the new neoliberal wave of the 1990s instead. Likewise, empirical papers mainly related to capitalistic development, industrial development, and history of economic thought were excluded.

The final step introduced another filtering process to capture empirical inquiries of non-developed regions that had escaped from the first filtering process. For instance, empirical research related to

African development, Latin American development, Caribbean development, and Indian development. All issues since 1988 were manually checked.

The final results consisted of 157 articles throughout 30 years (1988–2017) since Street's paper from 1987. The sampling process formed a cluster of JEI's empirical and theoretical research on economic development that aligned with Street's legacy. We worked with a sample that contains only papers relevant to our data mining. Economic development is a vast topic that cannot be covered with a single bibliometric review.

The following section reassesses the institutionalist theory and research on economic development. More specifically, discusses economic development since Street (1987) and describes significant aspects of theoretical debate.

### **Institutionalist Theory of Economic Development: Contemporary Discussions**

During the 1980s, some institutionalists, such as William Dugger, Philip Klein, Rick Tilman, and William Waller, made Radical Institutionalism a robust segment of institutional economics. Radical Institutionalism is a rediscovery of institutionalist/Veblenian criticism on socioeconomic organization provided by the capitalist system. Thus, radical institutionalists have much to offer for an economic development analysis. Regarding economic development as a processual paradigm, radical institutionalists made valuable theoretical contributions by expanding the overall framework of analysis to investigate the economic development of undeveloped regions. They covered an area that Street left untouched as they contextualized Veblen's social critique. Radical institutionalists also contributed to a contemporary interpretation of the institutional lag effect derived from fundamental concepts as vested interests by analyzing corporate power and predatory behaviors. In our survey on the JEI papers, we could find contributions from Dugger (1988, 1995), Klein (1992), and Waller (1988) that stress the framework's social problem-solving character. In Gruchy (1990) terms, these settlements provide more

structure to understanding the process of economic development and fundamental concepts of institutional thought derived from a revival of Veblen's thought.

Our sample also indicates that environmental issues contributed to the economic development debate in Gruchy's perspective of a processual paradigm. In the 1990s, institutionalists noted the relevance of environmental issues to differentiate growth from progress. Thus, institutionalists provided more analytical tools to embrace its effect over the processual nature of economic development. They contextualized the possible outcomes of technological use and discussed the environmental issue in institutional terms. Some authors emphasized the problem's importance. Söderbaum (1990) and Klein (1989) stress the importance of institutional analysis as the only approach capable of dealing with the holistic nature of environmental issues.

Other authors provided analytical tools regarding environment. Dietz and Straaten (1992) offer a coevolutionary sustainability concept involving social and natural systems; therefore, deterrents of the economic process would also cause environmental issues and should, thus, be avoided.<sup>2</sup> Additionally, Hayden (1991 and 1993) complemented this with analytical techniques and "general instrumental methodology (...) with an application to natural resources and ecosystems" (Hayden, 1993: 917). Hayden (1991 and 1993) provides analytical tools to investigate the interdependently evolutionary path of environmental and economic systems, as suggested by Swaney (1987), Söderbaum (1990), and Diez and Straaten (1992), and therefore, provided new insight to the processual understanding of economic development.

The concern with environmental problems as being relevant for the economic development remained important to institutionalists with the turn of the 21<sup>st</sup> century. For instance, Carrol and Stanfield

---

<sup>2</sup> Prior to the 1990s, "environment" had been a subject of debate among institutionalists as Swaney and Bush engaged in criticism due to James Swaney's claims of Foster's approach to the environment being insufficient. Williams (1991) described and commented on the debate as he tried to accommodate the issue.

(2001: 470) offer a concept of sustainable development: economic enhancement that meets the needs of the present generation without compromising the ability of future generations to meet their needs. The idea is relevant because it provides an initial step towards an institutional approach that considers social, ecological, and economic issues. Regarding an environmental analysis, Keong (2005) highlights a lack of a robust theoretical ground based on institutional economics for sustainable development<sup>3</sup>. Matutinovic's (2007) research goes in the same direction, exploring the frontier of institutional and environmental economics. Matutinovic concludes that the connection between the institutional and the environmental approaches does not advance beyond analyzing institutions' social lag that prioritized pecuniary interests over ecological issues.

Nevertheless, the approaches of institutional and environmental economics show differences. For instance, Greenwood and Holt (2008) examines the similarities and disparities between them. As the authors pointed out, ecological economics was a relatively new field with a multidisciplinary and holistic approach to institutional economics. The frontier of those two fields was the analysis of environmental problems as consequences of the interplay between technology and collective behavior. Ecological economists assume some degree of fundamental scarcity of natural resources, and, consequentially, stress the inherent damage that the human use of environmental resources causes, observing a teleological character of human intervention. However, per institutionalists, social institutions that provide the social order determine the resources and their usage (Greenwood and Holt 2008).

In the 2000s, the opposition between New Institutional Economics (NIE) and Original Institutional Economics (OIE) also echoed on the economic development issue. Although some authors, such as Jameson (2006), suggested that institutional thought could benefit from a merge between the two perspectives, most deemed NEI an inappropriate approach to economic development. Castellanos and

---

<sup>3</sup> Despite the criticism of the low theoretical level of the institutionalist approach to sustainable development, Keong (2005) offers a case study of Malaysia.

Quero (2012) provide an exhaustive description of the intellectual dispute around institutions and development provoked by Ha Ju Chang's (2011) book *Institutions and Economic Development: Theory Policy, and History*. Just like institutionalist literature had shown since the outburst of NIE (see Dugger 1990, Maucourant 2012, Meramveliotakis and Milonakis 2010, and Ramstad 1996), the authors suggest that both approaches remained rivals in terms of "nature of institutions, the role of the state, the historical basis of development, and the relationship between institutional quality and economic performance" (Castellanos and Quero (2012: 935). Furthermore, they declared NEI's inability to differentiate between the growth and development process as its crucial flaw.

### **Contemporary Institutional Empirical Research of Economic Development**

This part introduces empirical institutionalists' papers that we identified as published by the JEI about economics development since Street (1987). The traditional topics of South American, Mexican, and Caribbean economic development remained significant research topics. We believe that the globalization and the end of the Cold War also pointed studies in the 1990s to new frontiers of investigation: African development, post-socialist economies, Islamic economies, and Asian development.

Our sampling process indicated that environmental issues became a new topic of empirical institutionalist research and suggested new echoing voices of North American institutionalism devoted to contemporary economic development research. Recurrent names are Berhanu Nega, Geoffrey Schneider, James Peach, James Cypher, Richard Adkisson, and Peter Söderbaum. A small share of the sampled authors participated more frequently in the economic development debate.<sup>4</sup> For instance, these six authors are correlated to 21 articles, which corresponds to 14% of the total sample. Still, 86% of the

---

<sup>4</sup> Frequency was measured by having published more than 3 articles about economic development. The three or more publishing criteria were obtained from sampling frequency of authorship. For instance, within the sample, 135 authors published only one time, 17 authors published two times only, and 6 authors published three or more times. On the other hand, the expressive number of one-time authors indicates the pluralistic bias of economic development debate at JEI.



sample is distributed between 152 authors that published once or twice. The dispersion point out JEI's diversity and receptivity to foreign researchers.

The sampling indicates that Cypher (1996, 2004, 2009, 2013, 2015) and Adkisson (1998, 2003, 2016 – Peach and Adkisson (1997, 2000, 2002)) are the most active empirical researchers in institutionalist economic development concerned with Latin American issues. Cypher is closer to Street's generation, though. Nevertheless, we can assume, under the guise of Gruchy's (1990) suggestions, that both provide empirical research closest to Street's analytical objective. Sampling was also sensitive to Schneider's (1999, 2000, 2003 – Sai-Wing and Schneider (2002), Nega and Schneider (2012, 2014), and Schneider and Nega (2016)) empirical development studies of Africa, which indicates expanding institutionalist research to new contexts.

Following Gruchy (1990), we can affirm that the JEI, as a continuing forum for institutionalist subjects, has provided substance to Street's legacy as it offered an expanding space for institutionalist inquiry into distinct economic realities. The sampling also indicates that North American institutionalists provided continuity to Street's (1987) processual paradigm for economic development.

### **Upward and Onward with the Institutional Theory and Research of Economic Development: What does Economic Development mean today?**

Our bibliometric illustration points out that empirical institutional research dominates contemporary institutionalist research on economic development. It suggests that JEI's content has further developed Streets's processual framework for economic development. Thus, institutional inquiry of economic development is still a fertile field, as every developing region worldwide has been a subject of inquiry.

This reassessment has identified new insights provided by radical institutionalists that have contributed to the processual understanding of economic development, by reassessing Veblenian

elements left untouched by Street. Institutionalism has also preserved its structure and substance amidst new research programs of environmental economics and NIE. Finally, per the sample, contemporary institutional empirical investigations of the economic development process reflect Street's (1987) processual paradigm.

## References

- Adkisson, Richard V. "Conditionality, Restructuring, and the Reperipherization of Latin America." *Journal of Economic Issues* 32, 2 (1998): 341-350.
- Adkisson, Richard V. "The Andean Group: Institutional Evolution, Intraregional Trade, and Economic Development." *Journal of Economic Issues* 37, 2 (2003), 371-379.
- Adkisson, Richard V. and Robert Steiner. "Matching Economic Development Policy to the Local Context: Must We?" *Journal of Economic Issues* 50, 2 (2016): 620-629.
- Bush, Paul Dale. "Reflections on the Twenty-Fifth Anniversary of AFEE: Philosophical and Methodological Issues in Institutional Economics." *Journal of Economic Issues* 25, 2 (1991): 321-346.
- Carroll, Michael and James Stanfield. "Sustainable Regional Economic Development." *Journal of Economic Issues* 35, 2 (2001): 469-476.
- Castellano, Fernando Lopez and Fernando Garcia-Quero. "Institutional Approaches to Economic Development: The Current Status of the Debate." *Journal of Economic Issues* 46, 4 (2012): 921-940.
- Cypher, James M. "Mexico: Financial Fragility or Structural Crisis?" *Journal of Economic Issues* 30, 2 (1996): 451-461.
- Cypher, James M. "Pinochet meets Polanyi? The Curious Case of the Chilean Embrace of "Free" Market Economics." *Journal of Economic Issues* 38, 2 (2004): 527-535.
- Cypher, James M. "On the Income Gap between Nations: Was Veblen the First Development Economist?" *Journal of Economic Issues* 43, 2 (2009): 361-369.
- Cypher, James M. "Neodevelopmentalism vs. Neoliberalism: Differential Evolutionary Institutional Structures and Policy Response in Brazil and Mexico." *Journal of Economic Issues* 47, 2 (2013): 391-400.
- Cypher, James M. "Emerging Contradictions of Brazil's Neo-Developmentalism: Precarious Growth, Redistribution, and Deindustrialization." *Journal of Economic Issues* 49, 3 (2015): 617-648.
- Dietz, Frank J. and Jan van der Straaten. "Rethinking Environmental Economics: Missing Links between Economic Theory and Environmental Policy." *Journal of Economic Issues* 26, 1 (1992): 27-51.
- Dietz, James. "Puerto Rico in the 1970s and 1980s: Crisis of the Development Model." *Journal of Economic Issues* 16, 2 (1982): 497-506.
- Dietz, James. "Debt and Development: The Future of Latin America. *Journal of Economic Issues*." 20, 4 (1986): 1029-1051.
- Dietz, James. "The Latin American Economies and Debt: Institutional and Structural Response to Crisis." *Journal of Economic Issues* 21, 2 (1987): 827-836.
- Dowd, Douglas F. "Some Issues of Economic Development and of Development Economics." *Journal of Economic Issues* 1, 3 (1967): 149-160.

- Dugger, William. "The New Institutionalism: New But Not Institutional." *Journal of Economic Issues* 24, 2 (1990): 423-431.
- Dugger, William. "Veblenian Institutionalism: The Changing Concepts of Inquiry." *Journal of Economic Issues* 29, 4 (1995): 1013-1027.
- Dugger, Williams "A Research Agenda for Institutional Economics." *Journal of Economic Issues* 22, 4 (1988): 983-1002.
- Dyer, Alan W. "Semiotics, Economic Development, and the Deconstruction of Economic Man." *Journal of Economic Issues* 20, 2 (1986): 541-549.
- Fusfeld, Daniel R. "The Development of Economic Institutions." *Journal of Economic Issues* 11, 4 (1977): 743-784.
- Glade, William P. "The Employment Question and Development Policies in Latin America." *Journal of Economic Issues* 3, 3 (1996): 43-62.
- Gordon, Wendell. "Capitalism and Technological Adaptation in Latin America." *Journal of Economic Issues* 3, 1 (1969): 66-86.
- Gordon, Wendell. "Institutionalism and Dependency." *Journal of Economic Issues* 16, 2 (1982): 569-575.
- Gordon, Wendell. "The Implementation of Economic Development." *Journal of Economic Issues* 18, 1 (1984): 295-313.
- Greenwood, Daphne and Richard P. F. Holt. "Institutional and Ecological Economics: The Role of Technology and Institutions in Economic Development." *Journal of Economic Issues* 42, 2 (2008): 445-452.
- Gruchy, Allan G. "Three Different Approaches to Institutional Economics - An Evaluation." *Journal of Economic Issues* 24, 2 (1990): 361-369.
- Hayden, Gregory F. "Instrumental Valuation Indicators for Natural Resources and Ecosystems," *Journal of Economic Issues* 25, 4 (1991): 917-935.
- Hayden, Gregory F. "Ecosystem Valuation: Combining Economics, Philosophy, and Ecology." *Journal of Economic Issues* 27, 2 (1993): 409-420.
- Ho, Sai-Wing P. and Geoffrey Schneider. "African Drama: Myrdal and Progressive Institutional Change in South Africa." *Journal of Economic Issues* 36, 2 (2002): 507-515.
- Jameson, Kenneth P. "Has Institutionalism Won the Development Debate?" *Journal of Economic Issues* 40, 2 (2006): 369-375.
- Keong, Choy Yee. "Sustainable Development - An Institutional Enclave (with Special Reference to the Bakun Dam-Induced Development Strategy in Malaysia)." *Journal of Economic Issues* 39, 4 (2005): 951-971.
- Klein, Philip. "An Institutional View of Development Economics." *Journal of Economic Issues* 11, 4 (1977): 785-807.
- Klein, Philip. "Institutionalism Confronts the 1990s." *Journal of Economic Issues* 23, 2 (1989): 545-553.
- Klein, Philip. "Institutionalists, Radical Economists, and Class." *Journal of Economic Issues* 26, 2 (1992): 535-544.
- Maucourant, Jrme. "New Institutional Economics and History." *Journal of Economic Issues* 46, 1 (2012): 193-208.
- Myrdal, Gunnar. "What Is Development?" *Journal of Economic Issues* 8, 4 (1974): 729-736.
- Nega, Berhanu and Geoff Schneider. "Things Fall Apart: Dictatorships, Development, and Democracy in Africa." *Journal of Economic Issues* 46, 2 (2012): 371-382.
- Nega, Berhanu and Geoff Schneider. "Social Entrepreneurship, Microfinance, and Economic Development in Africa." *Journal of Economic Issues* 48 2 (2014): 367-376.
- Peach, James and Richard Adkisson. "Enabling Myths and Mexico's Economic Crises (1976-1996)." *Journal of Economic Issues* 31, 2 (1997): 567-574.

- Peach, James and Richard Adkisson. "NAFTA and Economic Activity along the U.S.-Mexico Border." *Journal of Economic Issues* 34, 2 (2000): 481-489.
- Peach, James and Richard Adkisson. "United States-Mexico Income Convergence?" *Journal of Economic Issues* 36, 2 (2002): 423-430.
- Ramstad, Yngve. "Is a transaction a transaction?" *Journal of Economic Issues* 30, 2 (1996): 413-425.
- Schneider, Geoffrey and Berhanu Nega. "Limits of the New Institutional Economics Approach to African Development." *Journal of Economic Issues* 50, 2 (2016): 435-443.
- Schneider, Geoffrey. "An Institutionalist Assessment of Structural Adjustment Programs in Africa." *Journal of Economic Issues* 33, 2 (1999): 325-334.
- Schneider, Geoffrey. "The Development of the Manufacturing Sector in South Africa." *Journal of Economic Issues* 34, 2 (2000): 413-424.
- Schneider, Geoffrey. "Globalization and the Poorest of the Poor: Global Integration and the Development Process in Sub-Saharan Africa." *Journal of Economic Issues* 37, 2 (2003): 389-396.
- Söderbaum, Peter. "Neoclassical and Institutional Approaches to Environmental Economics." *Journal of Economic Issues* 24, 2 (1990) 481-492.
- Söderbaum, Peter. "Values, Markets, and Environmental Policy: An Actor-Network Approach." *Journal of Economic Issues* 27, 2 (1993): 387-408.
- Söderbaum, Peter. "Business Companies, Institutional Change, and Ecological Sustainability." *Journal of Economic Issues* 34, 2 (2000): 435-443.
- Söderholm, Peter. "The Deliberative Approach in Environmental Valuation." *Journal of Economic Issues* 35, 2 (2011): 487-495.
- Street, James. "The Latin American "Structuralists" and the Institutionalists: Convergence in Development Theory." *Journal of Economic Issues* 1, ½ (1967): 44-62.
- Street, James (1976). "The Technological Frontier in Latin America: Creativity and Productivity." *Journal of Economic Issues* 10, 3 (1976): 538-558.
- Street, James. "Institutional Reform and Manpower Development in Mexico." *Journal of Economic Issues* 17, 1 (1983): 17-33.
- Street, James. "Values in Conflict: Developing Countries as Social Laboratories." *Journal of Economic Issues* 18, 2 (1984): 633-641.
- Street, James. "Development Planning and the International Debt Crisis in Latin America." *Journal of Economic Issues* 19, 2 (1985): 397-408.
- Street, James. "The Institutionalist Theory of Economic Development." *Journal of Economic Issues* 21, 4 (1987): 1861-1887.
- Street, James. "The Making of an Applied Institutionalist." *Journal of Economic Issues* 22, 2 (1988): 327-337.
- Street, James & James D. Dilmus. "Institutionalism, Structuralism, and Dependency in Latin America." *Journal of Economic Issues* 16, 3 (1982): 673-689.
- Sunkel, Oswaldo. (1989) Structuralism, Dependency and Institutionalism: An Exploration of Common Ground and Disparities, *Journal of Economic Issues*, 23(2), 519-533
- Swaney, James A. "Elements of a Neoinstitutional Environmental Economics." *Journal of Economic Issues* 21, 4 (1987b): 1739-1779.
- Waller, William T. "Radical Institutionalism: Methodological Aspects of the Radical Tradition." *Journal of Economic Issues* 22, 3 (1988): 667-674.
- Williams W. D. "A Comment on Bush, Foster, and the Environment." *Journal of Economic Issues* 25, 1 (1991): 228-235.