Why Economists Don't Like Avial

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Political economy of development has always felt to me like avial. As I understand its origin, avial was an afterthought. The dish came together from leftover vegetables that did not fit into the week's menu. No single ingredient warranted a preparation of its own. Each, taken individually, was ordinary. But when combined—and held together by coconut, yoghurt, curry leaves, and seasoning—the result could be unexpectedly coherent. The ingredients could change depending on what one preferred or what happened to be left in the kitchen. The logic of the dish stayed the same.

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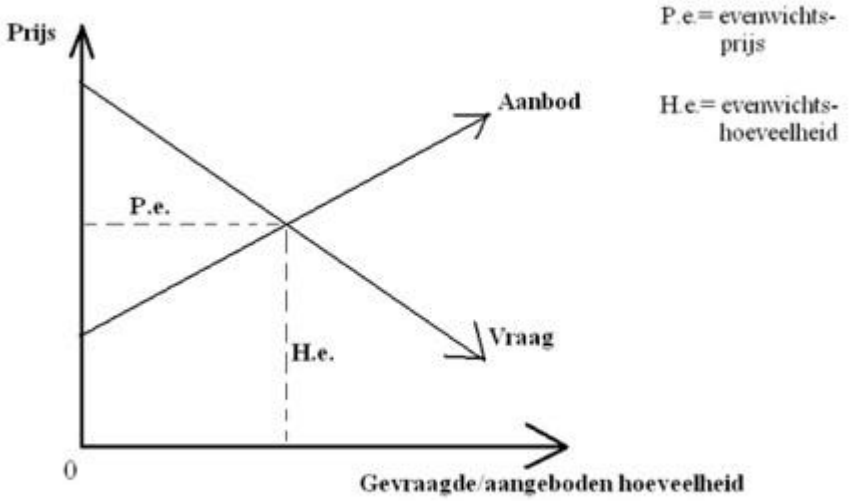
Political economy of development works the same way. It beings together institutions, history, state capacity, households, labour, informality, conflict, norms, and distribution. None of these is typically treated as a "core" ingredient in mainstream economics; each is often seen as peripheral, too contextual, or insufficiently formal. Looked at individually, they resemble modest sides to more central economic models. But taken together, they form a structured account of development that cannot be assembled otherwise.

This “afterthought” quality has stayed with me since my M.A. days at the Gokhale Institute of Politics and Economics. *Political Economy of Development* was a core course in the syllabus. Over time, it shifted into an elective and, eventually, into a marginal offering. *Economic History* and *History of Economic Thought* had already vanished by the time I was there. *Financial Economics* and allied courses took their place, reflecting what universities now prioritise. A similar shift is visible in job descriptions. Positions labelled “development economics” overwhelmingly refer to development macro or micro, not the political economy of development I studied or later started teaching. I have mostly taught political science students in an international affairs department, not an economics department. I am not sure how long this will last either.

I have long sensed a conceptual reason behind this curricular drift. It has to do with the idea of **equilibrium**.

Equilibrium and Closure: A Technical Clarification

One of the more disorienting experiences in learning economics is discovering that *equilibrium* means very different things depending on who uses the term. As an undergraduate, I learnt that equilibrium was the point where supply meets demand—the place where markets clear and the economy returns if left alone (**partial-equilibrium**, **Marshallian stability**). Later, when I began serious research training, I encountered a definition which saw equilibrium as a technical construct, an internally consistent mapping between beliefs and actions (**rational expectations equilibrium**, **intertemporal equilibrium**). Then came the CORE curriculum, which presented equilibrium as an outcome shaped by bargaining power, institutions, and norms (**game-theoretic** or **institutional equilibrium**). And in heterodox economics, I found equilibrium largely absent, replaced by ideas of uncertainty, evolution, conflict, and open systems (**non-ergodicity**, **open-system dynamics**).



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These distinctions represent different intellectual projects within economics. Understanding these differences helps illuminate why the political economy of development—this avial-like field built from elements mainstream economics often treats as leftovers—has become increasingly illegible inside the equilibrium-oriented structure of the discipline.

Four Meanings of Equilibrium

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1. Textbook equilibrium

The equilibrium taught in introductory courses has three key features:

- It is **stable** (the economy tends toward it);
- It is **efficient** (no mutually beneficial trade is left);
- It is **descriptive** (markets behave like this in “frictionless” worlds).

This is the Marshallian tradition (**static partial equilibrium**). It gives students an impression of equilibrium as a resting point—the natural state of the economy.

2. **Modern macroeconomic equilibrium**

In graduate economics, equilibrium has a very different meaning:

> A configuration of actions and beliefs that are mutually consistent (**rational expectations equilibrium**, **general equilibrium fixed point**).

This approach comes from a lineage of modern economic theory: general equilibrium models (Arrow-Debreu), rational expectations in macroeconomics (Lucas), and the dynamic models that dominate contemporary macroeconomics (DSGE—Dynamic Stochastic General Equilibrium). In this tradition, equilibrium is defined formally as a fixed point where expectations and actions are mutually consistent.

Nothing about stability or efficiency is implied. The equilibrium of a model may be unstable or socially undesirable. What matters is internal coherence—that expectations align with the model's structure.

3. **CORE's equilibrium**

The CORE texts preserve the formal logic of equilibrium (**behavioural-institutional equilibrium**). Institutions shape what actions are possible, power influences bargaining outcomes, and norms and contracts matter. Under these conditions, unemployment, inequality, or multiple stable outcomes can persist (**multiple equilibria**, **coordination failures**). CORE keeps the logic of equilibrium but broadens the world within which it operates.

4. **Heterodox critiques of equilibrium**

Different heterodox traditions reject equilibrium not necessarily because it is wrong, but because it is the wrong abstraction.

- **Post-Keynesians** emphasise radical uncertainty (**non-ergodicity**). The future cannot be inferred from the past, so expectations rarely settle into a stable pattern.
- **Institutionalists** study evolving rules, norms, and habits (i**nstitutional drift**), which means behaviour keeps changing and does not converge.
- **Marxian traditions** see economic life as shaped by conflict and power, resulting in instability and crisis rather than mutual adjustment (**accumulation dynamics**, **overdetermination**).
- **Austrian economists** focus on entrepreneurial discovery (**process theory**)—a trial-and-error process that keeps the economy in motion.
- **Complexity economics** models economies as networks of interacting agents that keep adapting, often without settling into a stable point **(agent-based models**, **complex adaptive systems**).

Across these perspectives, the issue is not equilibrium per se but the assumption that systems converge.

Seen together, they reveal something important. Equilibrium is the tool that allows a model to arrive at a determinate outcome. Markets use prices to discipline behaviour; intertemporal models use expectations; institutional approaches use rules and norms; heterodox traditions avoid equilibrium altogether because the systems they study do not settle.

To describe this common orientation, I find it useful to think of disciplines trying to find **closure** (**model determinacy**)—a commitment to producing ordered, internally consistent explanations in a world that is often uncertain, evolving, and resistant to neat resolution.

These differences help clarify why political economy drifted across disciplines: economics moved toward equilibrium-based closure, while other strands followed the empirical demands of the phenomena they studied.

The Fragmented Landscape of Political Economy

The fragmented nature of political economy has deep historical roots. Work in the history and methodology of economics—Mary Morgan, Sheila Dow, Geoffrey Hodgson, Tony Lawson—shows that political economy gradually became distributed across disciplines as economics moved toward formal, closed-system modelling (**axiomatic-deductive modelling**, **comparative statics**) and other fields followed questions that required historical, institutional or interpretive methods.

One outcome of this drift is what we now call mainstream institutional political economy. Associated with Acemoglu and Robinson, North and Weingast, and the “new institutional economics” (**NIE**), it reintroduced institutions but only in forms compatible with equilibrium—institutions had to appear as stable rules (**incentive-compatible constraints**, **steady-state institutions**). Empirically, it relied on cross-country regressions (**growth regressions**) and causal identification.

Outside economics departments, other strands evolved. Historical political sociology examined state formation through conflict and institutional layering (**path dependence**). Anthropological political economy highlighted everyday practices (**micro-politics of the state**, **street-level bureaucracy**). Radical political economy focused on accumulation and crisis (**tendencies to underconsumption**, **uneven development**). Postcolonial political economy questioned how categories such as “the poor” or “the informal” are produced **(discursive construction**). Formal political science political economy explained outcomes through strategic behaviour (**game-theoretic equilibria**).

Despite their differences, these strands coverage on empirical concerns because development itself is resistant to simplification.

Development as a Non-Equilibrium domain

Classical development economists understood the non-equilibrium nature of development long before the term became common in economics. W. Arthur Lewis, Gunnar Myrdal, and Albert Hirschman all emphasised that development does not move smoothly or predictably. It proceeds in fits and starts. Some sectors grow faster than others; some regions pull ahead while others fall behind; and political choices shape the direction of change at every step.

Myrdal argued that once an economy starts moving in a particular direction, the effects often intensify rather than balance out. Success can reinforce success, and decline can sharpen decline. Hirschman added another insight. Development does not follow a single path toward a stable outcome. It unfolds through sequences of decisions, bottlenecks, and responses to those bottlenecks. Each step creates new pressures and new possibilities. In their work, development is something that evolves in historical time, shaped by events and decisions, not a process that naturally settles into a steady state.

Historical sociologists who study the long-term evolution of states make similar arguments. When we look at how states actually grow and function, it's noticeable how some parts of the state become stronger while others weaken. Capacity can expand in one decade and shrink in the next. Conflicts, political bargains, administrative reforms, and even crises leave lasting marks. A system does not emerge that steadily moves toward a greater order. It is shaped by events and by the particular histories of each region. This appears across the works of Charles Tilly, Peter Evans, Joel Migdal, Theda Skocpol and many others.

Anthropological work reinforces this view. Scott and Ferguson show how everyday practices, informal rules and local authority shape economic life. Behaviour changes as people adapt to shifting constraints. These are evolving social processes, not equilibrating ones.

Radical political economy argues that capitalism generates crises and uneven development as part of its normal functioning. Instability is intrinsic, not an exception.

Postcolonial and post-structural approaches add yet another dimension. Scholars like Kalyan Sanyal, Partha Chatterjee and Arturo Escobar show how development creates and transforms categories—"the poor", "the informal", "the modern"—and how these categories shift as political contexts change. In this work, the economy is not something that returns to a stable form. It is made and remade through discourse, institutions, and political priorities.

Even within development economics itself, the research closest to everyday behaviour points in the same direction. Studies of health, labour markets, informality, and welfare show that households and firms cope with shocks, navigate norms, and make decisions with limited information. Their behaviour changes as circumstances change. There is no single "representative" pattern that the whole system tends toward.

Across these literatures, despite their different methods, the conclusion is remarkably consistent. Development is structured by institutions that evolve, expectations that shift, and power relations that operate unevenly across time and space. These processes generate patterns, but not the internal consistency or convergence that equilibrium requires. They do not converge or settle.

This is why political economy of development is a non-equilibrium subject. Its central questions —how states gain and lose capacity, how households manage shocks, how informality persists, how authority is exercised, how distribution is negotiated—arise from a world that unfolds in historical and social time, not within a system moving towards a fixed point.

Why political economy of development becomes "not economics"

The divide between political economy and economics becomes sharper when viewed through the lens of equilibrium. Economics departments tend to recognise two kinds of development work: development macroeconomics and development microeconomics. Both fit comfortably within the discipline because they offer model determinacy.

Development macroeconomics and development microeconomics differ not in their subject matter, but in how they simplify the world in order to study it. Development macroeconomics looks at whole economies and asks how they evolve over time. To do this, it builds models in which key variables—output, investment, savings, expectations—must fit together from one period to the next (**intertemporal equilibrium**, **rational expectations equilibrium**). Equilibrium here means that the model's story about today is consistent with its story about tomorrow. Even when these models describe crises or instability, they are designed to produce a well-defined outcome path (**dynamic equilibrium path**) do that different assumptions or policies can be compared.

Development microeconomics works very differently. Instead of modelling entire systems, it focuses on specific decisions—schooling, health, credit—usually by isolating the effect of one change while keeping the surrounding environment constant (**ceteris paribus**, **causal identification**). Experiments, natural experiments, and careful statistical designs compare two groups—one that receives a programme and one that does not—to estimate the impact (**treatment effect**, **partial-equilibrium response**). This is sometimes thought of as a "local" equilibrium, a small part of the world is treated as temporarily stable (**local average treatment effect**).

Political economy of development does not fit into either mode. The environments it studies rarely holds still. Institutions shift, households absorb repeated shocks (**vulnerability dynamics**), and political authority varies across regions (**uneven state capacity**). The behaviour of one part of the system cannot be understood without tracing how events influence each other over time (**feedback effects**). There is no single stable baseline—the system does not admit a meaningful equilibrium in the sense used by economics. Often, what would count as a treatment effect in microeconomics changes as soon as the political or institutional environment moves.

From the standpoint of economics, this kind of analysis appears too open-ended, too historically specific, or insufficiently formal. From the standpoint of political economy, these characteristics are simply part of the empirical world. Development is shaped by power, conflict, and institutions that evolve in unpredictable ways. To abstract these away is to miss the central object of study.

This mismatch has a consequence. Political economy of development, once central to economics, becomes illegible within departments that organise themselves around equilibrium-based methods. The field does not disappear. It migrates—into sociology, political science, anthropology, development studies, and interdisciplinary programmes. It becomes something taught outside economics, even when the phenomena it describes remain squarely economic.

Conclusion

This brings me back to avial. Political economy of development is a dish assembled from ingredients that economics now scatters across different disciplinary kitchens. Some belong to econometric work (**empirical micro**), some to dynamic modelling (**macro–theory**), some to sociology and politics (**comparative–historical analysis**), some to anthropology (**everyday institutions**), some to Marxist and postcolonial traditions (**critical political economy**). No single ingredient explains development on its own. But together, they offer a picture of the world that no equilibrium-based framework (**closed-system model**) can capture.

The problem is not that economists dislike avial. It is that avial refuses to be served as a neatly plated, self-contained dish. It describes a world where processes do not converge, where institutions evolve, and where understanding development requires a vocabulary far broader than equilibrium allows. Political economy of development survives because the world it studies demands it—even if the discipline that once housed it no longer does.

Further Reading

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1. Equilibrium, Models, and Economic Method

Arrow, Kenneth J., and Gérard Debreu. 1954. "Existence of an Equilibrium for a Competitive Economy." Econometrica 22 (3): 265–290.

Foundational general equilibrium existence proof; anchors the formal meaning of equilibrium in modern economics.

Lucas, Robert E. 1972. "Expectations and the Neutrality of Money." Journal of Economic Theory 4 (2): 103–124.

Introduces rational expectations; central to the shift from stability-based to internal-consistency-based equilibrium.

Woodford, Michael. 2003. Interest and Prices: Foundations of a Theory of Monetary Policy. Princeton: Princeton University Press.

Highly formal but shows how DSGE modeling defines equilibrium as intertemporal consistency.

Morgan, Mary S. 2012. The World in the Model: How Economists Work and Think. Cambridge: Cambridge University Press.

A history of economic modelling; excellent for understanding "closure" and what counts as an explanation in economics.

Cartwright, Nancy, and Jeremy Hardie. 2012. Evidence-Based Policy: A Practical Guide to Doing It Better. Oxford: Oxford University Press.

Explains how causal claims require closure; very useful for thinking about development microeconomics.

2. Heterodox and Methodological Critiques of Equilibrium

Shackle, G. L. S. 1972. Epistemics and Economics: A Critique of Economic Doctrines. Cambridge: Cambridge University Press.

Classic critique of probability, expectations, and equilibrium; introduces radical uncertainty.

Davidson, Paul. 1991. Controversies in Post Keynesian Economics. Aldershot: Edward Elgar.

Defines non-ergodicity and why equilibrium cannot structure economies governed by uncertainty.

Hodgson, Geoffrey M. 1988. Economics and Institutions. Cambridge: Polity Press.

Institutionalist critique of equilibrium and the closed-system assumptions of neoclassical economics.

Lawson, Tony. 1997. Economics and Reality. London: Routledge.

Argues that economics uses inappropriate formal methods for open social systems.

3. Classical Development Economics

Lewis, W. Arthur. 1954. "Economic Development with Unlimited Supplies of Labour." Manchester School 22 (2): 139–191.

Seminal dual-sector model; development as structural transformation rather than convergence.

Myrdal, Gunnar. 1957. Economic Theory and Underdeveloped Regions. London: Duckworth.

Introduces "circular and cumulative causation"—a fundamentally non-equilibrium view of development.

Hirschman, Albert O. 1958. The Strategy of Economic Development. New Haven: Yale University Press.

Development through imbalances, bottlenecks, and sequential decision-making.

Gerschenkron, Alexander. 1962. Economic Backwardness in Historical Perspective. Cambridge, MA: Harvard University Press.

Shows how late development depends on historical and institutional context.

4. Historical and Sociological Political Economy

Tilly, Charles. 1990. Coercion, Capital, and European States, AD 990–1990. Cambridge, MA: Blackwell.

State formation as a long, uneven process shaped by war, extraction, and negotiation.

Evans, Peter. 1995. Embedded Autonomy: States and Industrial Transformation. Princeton: Princeton University Press.

Shows how states build capacity through social ties and institutional design.

Migdal, Joel S. 1988. Strong Societies and Weak States. Princeton: Princeton University Press.

Why state capacity varies within countries; foundational for understanding uneven authority.

Skocpol, Theda. 1979. States and Social Revolutions. Cambridge: Cambridge University Press.

Historical sociology explaining state transformation through conflict and structural conditions.

5. Anthropological and Ethnographic Political Economy

Scott, James C. 1998. Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed. New Haven: Yale University Press.

Shows why state simplification fails; key text for understanding non-equilibrium realities on the ground.

Scott, James C. 1985. Weapons of the Weak: Everyday Forms of Peasant Resistance. New Haven: Yale University Press.

Everyday strategies as political-economic behaviour; bottom-up view of development.

Ferguson, James. 1990. The Anti-Politics Machine. Cambridge: Cambridge University Press.

How development institutions depoliticize and misread local contexts.

6. Radical and Marxian Political Economy

Baran, Paul A., and Paul M. Sweezy. 1966. Monopoly Capital. New York: Monthly Review Press.

Uneven development and crisis as intrinsic features of capitalism.

Amin, Samir. 1976. Unequal Development. New York: Monthly Review Press.

Dependence, accumulation, and global structural hierarchies.

Harvey, David. 1982. The Limits to Capital. Oxford: Basil Blackwell.

Marxist geographical and crisis-driven account of capitalist development.

7. Postcolonial and Post-Structural Political Economy

Sanyal, Kalyan. 2007. Rethinking Capitalist Development: Primitive Accumulation, Governmentality and Post-Colonial Capitalism. London: Routledge.

Explores how capitalist and non-capitalist forms coexist; major postcolonial development text.

Chatterjee, Partha. 2004. The Politics of the Governed. New York: Columbia University Press.

How political society, not civil society, shapes development dynamics in postcolonial states.

Escobar, Arturo. 1995. Encountering Development: The Making and Unmaking of the Third World. Princeton: Princeton University Press.

Development as discourse; foundational to post-development thought.

8. Development Micro and Macro (Mainstream)

Banerjee, Abhijit, and Esther Duflo. 2011. Poor Economics. New York: PublicAffairs.

Experimental approach to development; clear example of partial equilibrium and causal identification.

Acemoglu, Daron. 2009. Introduction to Modern Economic Growth. Princeton: Princeton University Press.

Formal growth theory and development macro; representative of intertemporal equilibrium frameworks.

Aghion, Philippe, and Peter Howitt. 1992. "A Model of Growth through Creative Destruction." Econometrica 60 (2): 323–351.

Endogenous growth with dynamic equilibrium logic.

Deaton, Angus. 2013. The Great Escape. Princeton: Princeton University Press.

Shows the strengths and limits of measurement-driven development economics.

9. Bridging Traditions

Rodrik, Dani. 2015. Economics Rules. New York: W. W. Norton.

A lucid account of how models work and why no single model captures reality.

Chang, Ha-Joon. 2002. Kicking Away the Ladder. London: Anthem Press.

A political-economic history of development policy; bridges classical and heterodox traditions.

Amsden, Alice H. 1989. Asia's Next Giant: South Korea and Late Industrialization. Oxford: Oxford University Press.

State-led development without equilibrium assumptions.

Reinert, Erik S. 2007. How Rich Countries Got Rich and Why Poor Countries Stay Poor. London: Constable.

Development as divergence and historical path-dependence.

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