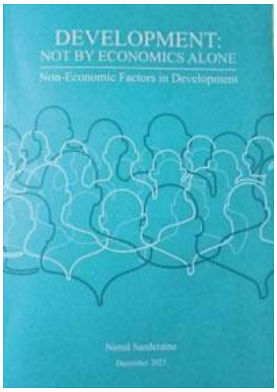
BOOK REVIEW



Nimal Sanderatne:

Development: Not by Economics Alone (Non-Economic Factors in Development)

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INTRODUCTION

Dr Nimal Sanderatne's latest monograph, "Development: Not by Economics Alone," is arguably a critical attempt to highlight the 'economic' and 'non-economic' causes of underdevelopment in the Global South, particularly in Sri Lanka. Sanderatne's career-spanning research, policy, and practice provide a formidable foundation for the perspectives expounded in the book. Sanderatne has served in leadership roles at the Central Bank of Sri Lanka, including Director of Statistics and Director of Economic Research, and as Chairman of major public and private financial institutions, such as the Bank of Ceylon, National Development Bank, and Lanka Securities (Pvt) Ltd. He has also served as chairman of the think tank, the Centre for Poverty Analysis in Sri Lanka, and of several other research institutes. Furthermore, he has worked as a consultant to international organisations such as the World Bank, UNDP, UNICEF, the ILO, and the Harvard Institute for International Development. Together, these career experiences reinforce a perspective grounded in both theoretical intuition and practical engagement with development policy-making.

Sanderatne asserts that his monograph was inspired by convictions that 'economic growth cannot be achieved by economic policies alone' (Sanderatne, 2025, p. 9), and that 'non-economic factors play a pivotal role in economic development and growth' (Sanderatne, 2025, p. 5). The book seeks to discuss factors that 'impinge on development', demonstrating that development is a holistic concept and that economic development, which is a component of development, is shaped by 'a number of non-economic factors and not by economics alone' (Sanderatne, 2025, p. 7).

In this review, I attempt to trace the book's construction of knowledge, outline its key arguments, assess the book's unique contributions, and offer a critical review of its synthesis of perspectives and conclusions.

THE CENTRAL THEME AND THE CONSTRUCTION OF KNOWLEDGE AROUND THE THEME

The central theme of the book is that development requires not only economic factors but also a range of non-economic preconditions — psychological, cultural, sociological, institutional, and political — to be in place. This central argument is akin to early modernisation thought, particularly the strand concerned with non-economic determinants, which highlighted both non-economic preconditions and non-economic barriers in the Global South and gained prominence in the development economics literature during the 1950s to the 1970s. Amongst these factors, culture and values featured heavily. Hoselitz's (1952) paper titled "Non-Economic Barriers to Economic Development" is an early example where non-economic factors have been explicitly and elaborately discussed.[1] Hagen, a notable contributor to development economics himself, claimed that 'a number of economists who were students of economic growth', including Lewis, Rostow, Hirschman, and Nurkse, have made 'generous references to the importance of noneconomic factors' (Hagen, 1960, p. 264). Hagen believed that the aspects of personality in a traditional society require changes to facilitate creative innovations that induce growth (Hagen, 1960).

According to Myrdal (1978, 1974), interdependence between a large number of economic and non-economic social factors, including political, institutional, demographic, educational, and health, shaped the upward trajectory of the social system (Myrdal, 1978, 1974).[2] Peter Bauer and Basil Yamey (1987) believed that values and traditions had an important role in shaping development outcomes (Hunt, 1989). Bauer, in particular, believed that hereditary capacities, abilities, attitudes, and faculties, sociocultural factors such as values, mores of groups and people, and political institutions impact material progression (Yamey, 1987; German, 1975). Leibenstein and Myint, too, have written on the importance of non-economic factors in development, focusing on similar factors (Hunt, 1989; Leibenstein, 1957). Sanderatne draws extensively from this body of scholarship, acknowledging its influence on the development of the present work.

[1] Hoselitz viewed culture, values, nationalist ideology, religion, resistance to change, lack of social mobility, aspirations, and the means of fulfilling aspirations, lack of information, urban-rural conflict of values, lack of appropriate motivation and skills as factors impeding development in the Global South (Hoselitz, 1952).

[2] Myrdal adopted an interdisciplinary approach combining economics with sociology, politics, and anthropology, and defined development as the upwards movement of a social system in which circular causation (change in one condition affecting changes in other conditions) had cumulative effects (Myrdal, 1974, 1978).

The ideas of Seers (1963) and Myrdal (1978) have also influenced Sanderatne's views on development policy. Both Seers and Myrdal disagree with transferring analytical models from developed countries to the rest of the world. Seers (1963) cautions against universalising Western development frameworks, arguing instead that developing nations have distinct historical, institutional, and sociopolitical conditions that are fundamental to the processes of development. Myrdal (1978) believed that conventional economic approaches cannot be applied uncritically to understand underdevelopment. These ideas provide a rationale for the discussion on non-economic factors and for the convictions held by Sanderatne. Furthermore, Sanderatne is influenced by the work of Douglas North. North emphasises institutional foundations for contract enforcement, especially on the role of polity (Ménard & Shirley, 2014), and argues that in underdeveloped countries, the existing structures - rules, customs, and norms of behaviour - must be altered to accommodate new forms of contracting (North, 1986).

Sanderatne's approach to development identifies what must change and what must be adopted to instigate or trigger the process of development. Influenced by Sen's capability approach and development as freedom approaches (Sen, 1973, 2001), Sanderatne views development as a process and a means of providing opportunities for individuals to reach their full potential, enabling them to lead lives they value (Sanderatne, 2025, p. 43). Thus, development (social and economic) and economic growth constitute cultural, social, and political transformations. According to Sanderatne, the process of fulfilling these pre-conditions (i.e., the process of development) will vary from country to country, determining the "nature, pace and character of the economic growth and development" (Sanderatne, 2025, p. 5).

Given the central theme, its stated objectives and subsequent elaborations, I find this work to explicitly reject methodological reductionism detached from complexities in contextual settings. In my opinion, the book signals towards an ontological affinity with critical realism and an epistemological alignment with pragmatism, where Sanderatne, not limited to economics, brings forth a multi-disciplinary approach drawing from sociology, political science, and law to understand the realities of development and its application to Sri Lanka.

KEY ARGUMENTS AND APPLICATION TO SRI LANKA

In chapters 1 and 2, Sanderatne highlights the non-economic preconditions to development. Cultural values are identified as the first non-economic factor that not only influences but also determines the magnitude of economic growth. Sanderatne demonstrates the importance of cultivating proper attitudes towards savings, moderation in consumption, work, and work ethics, which promote honesty, social cohesion, and modern thinking, as prerequisites to economic growth and development.

Sanderatne stresses the importance of modern thinking and shows that policies guided by ideology, lacking pragmatism, are a major constraint to growth, and societies looking at history without understanding current realities are not development-oriented. In chapter 7, while agreeing that the growth experiences of countries like Japan, South Korea, and many others in Europe and East Asia were led by development state models and heavy state intervention, Sanderatne opines that trying to replicate such conditions has failed, particularly in Sri Lanka, due to the lack of similar conditions, work ethic, and the nature of government. Thus, Sanderatne argues that ground realities and pragmatic thinking, rather than an affinity to defunct or new policy fashions, must guide policy implementation. The emphasis on modern thinking and on current realities consolidates Sanderatne's pragmatic worldview.

Regarding law and order, Sanderatne identifies aspects such as the firm establishment of the rule of law, speedy settlement of legal disputes, and modern commercial laws as crucial for development. Delays in settlement of property issues, commercial disputes, and erosion of property rights are seen as major constraints to economic growth. Excessive politicisation is seen as a serious barrier to economic development (Sanderatne, 2025, p. 21). Sanderatne argues that decisions should be made with national interest and not based on politicisation, and views interference in the bureaucracy, judiciary, law enforcement, and private businesses as causes hindering development.

Administrative capacities are prerequisites for rapid economic growth. Sanderatne defines administrative capacities as a state in which the bureaucracy can make timely and appropriate decisions given prevailing issues. Such capabilities, Sanderatne argues, are possible only when the public officers have multifaceted skills and improved capacity to implement policy decisions. He also argues against the popular belief that bribery and corruption lubricate growth. Instead, Sanderatne sees bribery and corruption as a cost for the public sector and the private sector alike, and an avenue for compromising the quality of public investments and causing delays in government decision-making. He regards reducing bribery and corruption as essential for a conducive environment for proper decision-making.

Given that the character and quality of education is a precondition to growth, especially when countries are trapped in middle income, Sanderatne calls for the expansion of science and technological education, developing technical and vocational schools, and changes in curricula in universities to meet the practical needs of modern technology. Sanderatne believes that "education must ensure the proper attitudes and necessary aptitudes for productive employment" (Sanderatne, 2025, p. 23).

In chapter 4, Sanderatne discusses the interconnections and conceptual differences between development, economic development, and human development. Human development is conceptualised as the development of people and as an end state, rather than the means, and economic growth and development are considered as the means to human development. Sanderatne discusses human capital in the context of growth and establishes the fact that human capital has both intrinsic and instrumental value. The instrumental value is generated by its contribution to growth, and the intrinsic value of human capital is due to its own utility and contribution to the happiness of the individual and community.[3]

Sanderatne defines social policy as the whole range of policies pertinent to education, health, employment, social security, equity, redistribution, and social justice, and argues that it is essential to generate stability and cohesion. Having established a conceptual background, Sanderatne argues that social policy must not be monopolised by the state, and a modern society requires social intervention from outside the state. Non-state interventions are especially important to determine the quality of human capital.

In chapter 8, Sanderatne highlights that mainstream economics has been dominated by issues of economic efficiency and economic growth rather than distributive issues and social justice. But a growing body of development economists has focused on these issues, and international initiatives such as the introduction of the Human Development Index and the Millennium Development Goals were a result of these concerns. The paradox of growth, with reduced poverty but with increasing inequality, is a modern concern. Sanderatne argues that the focus on growth of the middle class as a characteristic of growth and development acts as a stumbling block to achieving equity in income, as the richer accumulate wealth, while the poor become only marginally better off, resulting in widening income disparities. According to Sanderatne, these problems must be addressed through state policies and social interventions.

Application to Sri Lanka

In my opinion, the book adds value through the critical and rational arguments presented in analysing the Sri Lankan development experience. Sanderatne contends that Sri Lanka's modest growth performance — despite the post-2009 peace dividend — results from a combination of economic and non-economic constraints. According to Sanderatne, Sri Lanka's economic growth rates have been hindered due to many economic factors such as the low domestic savings rate, inadequate foreign investments, high energy prices, inadequate and non-modernised public transportation, inefficient sea and airports, inadequate connectivity with destinations in Europe and America, and inadequacies in labour productivity and skills.

Among the non-economic factors, improving Sri Lanka's government administration capacity is seen as an essential condition. Sanderatne argues, "bureaucrats should possess

[3] Sanderatne shows that human capital is reproducible, its productivity intergenerational and that the investment in education bears results beyond the lifetime of the individual, while improved education and health conditions are foundations for human happiness.

quick decision-making abilities and a good understanding of modern business issues"(Sanderatne, 2025, p. 30). The country's capacity to implement accepted policies must be strengthened, with ineffective implementation of agreed policies depicted as another factor that impinges on development. Sanderatne identifies politicisation as the root cause of inefficiencies in the implementation of economic policies. Moreover, Sanderatne shows that administrative capacities have weakened in recent decades and calls for the development of multifaceted skills amongst public officers. Sanderatne also recognises bribery and corruption in Sri Lanka as a means of increasing costs for the public and the private sectors, compromising the quality of projects, and discouraging foreign investments. Firm establishment of the rule of law, speedy settlement of legal disputes, and a body of modern commercial law are also identified as crucial for Sri Lanka.

Despite the high levels of literacy, Sanderatne shows that the quality of education in Sri Lanka is unsatisfactory and calls for the expansion of scientific and technological education, the development of technical and vocational schools, and changed curricula in universities as essential for growth and development. In chapter 6, Sanderatne identifies three fundamentals necessary for university education: deep in-depth knowledge about the area of study, developing a scientific perspective relating to views, and the continued pursuit of knowledge. The Sri Lankan higher education is plagued by brain drain, inadequate facilities for providing a broader education, limited interdisciplinarity, and a culture of violence (ragging). The author emphasises the requirement for quality teachers who are committed and devoted to teaching.

Continuing in the vein of human capital, Sanderatne shows that despite improvements in the work ethic, especially in foreign-managed industries and newer private enterprises, poor work ethics in Sri Lanka have hindered development. Propagation of the poor work ethic is attributed to the large number of holidays, the propensity to take off work at the slightest excuse, and the difficulties in enforcing discipline. He also notes that Sri Lankans have serious difficulty in working in teams to achieve desired goals due to political and ideological divisions.

One of the key contributions of the book lies in the argument that while acknowledging that certain aspects of welfare policy may have had adverse effects on growth (for instance, had food subsidies in Sri Lanka better targeted only the deserving it would have reduced public expenses and high taxation on the productive sectors like the plantations), low growth cannot be solely attributed to the welfare policies, and "that high economic growth could have been achieved in tandem with better social indicators" (Sanderatne, 2025, p. 47). The basis of this argument is founded upon Sanderatne's stance that economic development and human development should be regarded as being interdependent and not necessarily as trade-offs (Sanderatne, 2025, p. 49). Sanderatne mentions that in the context of Sri Lanka, competitive political systems hinder significant reduction of welfare expenditure, even when deteriorating economic conditions made it extremely difficult to sustain the comprehensive welfare measures (Sanderatne, 2025, p. 48). The lack of economic and non-economic preconditions for growth, the deterioration in the terms of trade, and the ethnic conflict have been among the other serious obstacles that have hindered economic growth, not necessarily the country's welfare policies.

STRENGTHS AND LIMITATIONS

In this section, I have detailed some limitations followed by the strengths of the monograph.

Political contestation over redistribution and welfare provisioning is a defining feature of democratic development processes. I believe that in the Sri Lankan context, politicisation cannot be understood purely as administrative distortion but must be situated within broader struggles over ethnicity, class, and regional inequality, and the wider aspects of geopolitics unique to the Sri Lankan experience.

The emphasis on technical education, vocational training, and university reform reflects a widely recognised need to align human capital formation with structural transformation. Nonetheless, the analysis should not remain primarily supply-side, focusing on educational reforms, without fully addressing the demand side of the labour market—specifically, the lack of a dynamic industrial sector and other productive sectors capable of absorbing skilled labour.

The book's discussion of social policy remains somewhat limited from the perspective of feminist and gender economics, given that gender and gendered behaviour are significant socioeconomic factors impacting growth and development. From a feminist economic perspective, I would not define gender as a non-economic factor, given the extensive evidence highlighting the complex and interdependent relationship between gender and the economy. However, from a sociological point of view, gender is a social construction, and gendered relations, roles, and norms are factors empirically proven to construct barriers for development (Hiller, 2014; Moser, 2012). One may argue that Sanderatne's examination of culture and values implicitly includes the patriarchal setting, and, as the author himself accepts, his list does not cover all non-economic factors. However, I believe that socioeconomically constructed gendered norms, relations, and roles, and gender-intersecting identities (ethnicity, class, age-based, and other identities) influencing women's and non-binary individuals' socioeconomic subordination warrant special emphasis, especially in the Global South and Sri Lankan context.

Furthermore, the analysis on education, health, and social welfare by Sanderatne does not systematically engage with gendered dimensions of development. Economists such as Diane Elson and Naila Kabeer have shown that social policies shape labour markets, unpaid care work, and gendered access to economic opportunities (Kabeer, 2000; Elson, 1995; Kabeer, 1994). In Sri Lanka, gender dynamics - particularly, in female labour force participation (Madurawala, 2017), gendered wage gaps (Kulatunga, 2021; Gunawardena, 2006), care economies (Gunewardena & Perera, 2022), and the impact of the protracted civil war on women (Kulatunga, 2025; Ruwanpura, 2006) - are central to understanding the country's development outcomes. The absence of such analysis represents a limitation for a work concerned with human development and social justice.

Finally, while I recognise the pragmatism underlying the analysis, I find the binary distinction between 'economic' and 'non-economic factors' to be conceptually problematic. For instance, modern-day behavioural and psychological economics incorporate human deviations from the rational choice models (Kahneman & Tversky, 1984), integrating diverse behaviour and attitudes into the economic analysis. Pagano et al. (1999) consider goods such as education and national security as positional goods, with economic impact induced from relative positioning and competition over rank and status, rather than from absolute consumption. Additionally, factors can appear as non-economic when the endogeneity of effects and reverse causality are overlooked. For instance, corruption can be seen as an effect of income inequality (Jong-Sung & Khagram, 2005), and is not entirely bereft of economic root causes.

In my opinion, the broader structural and institutional concerns emphasised in the book remain essential for understanding not only the past but future development trajectories in the developing country context, and specifically in Sri Lanka. The book provides an explanation as to why Sri Lanka has experienced slow and sluggish growth during its post-independence period and provides a broad overview of the types of structural adjustments required for future course correction. As such, I believe Sanderatne's work should be understood as foundational to and centred on the orthodox libertarian standpoint of economics, rather than as a deviation from that viewpoint. The most fascinating philosophical contribution of this work is its attempt to bring back the normative into the orthodox analysis, perhaps reminiscing the classical era in which moral philosophy and the political economy were foundational to economic theory (Dwyer, 2005).

CONCLUDING REMARKS

Sanderatne's book concludes that development is a comprehensive concept that is more than economic growth or economic development and is a complex process requiring a wide range of conditions; hence, development cannot be achieved by economics alone. I believe that emphasising the interplay of institutional, social, political, and psychological conditions with development, instilling pragmatism and critical realism into the discourse, challenges the reductionist growth-only frameworks and underscores the limits of instrumentalist economic approaches. While some arguments could benefit from sharper empirical grounding and expanded scopes, the work makes a valuable contribution by re-centring development as a holistic process that goes beyond the instrumentalist and positivist lens, thereby offering important insights for scholars, policymakers, and students of development.

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