

## Hirschman and the Visiting-Economist Syndrome

Ana Maria Bianchi  
Universidade de São Paulo

For over a century, Latin America and other underdeveloped areas of the world received periodical visits from specialist missions who were put in charge of diagnosing the region's economic problems and prescribing policies to cope with them. Most of those economic consultants came to Latin America as intermediaries between borrowers and lenders, during a period where the continent was benefited by different cycles of foreign loans.

Paul W. Drake (1994) points the importance of those “money doctors” in the economic changes that occurred in Latin America during the twentieth century. Their visits began in 1890 and from that year to 1920 every Latin American country except Argentina and Brazil received technical visits from foreign experts. After 1920 the number of foreign experts increased, as the time intervals between their visits shortened and they reached a greater number of countries, including the above mentioned exceptions.

Drake points out that one of the major roles of these consultants was to supply information on and to both borrowers and lenders. They were also in charge of the transfer of technology and institutions that were deemed necessary for economic progress. But they had other important roles, such as helping the United States, from which most of them proceeded, to maintain a stable international order. Both for economic and geopolitical reasons, maintaining this stability depended on the possibility of adopting tight controls, so that “when the Latin Americans strayed from the path of virtue, they were reminded to get back in line”. (Drake 1994, p. xxv)

This paper is not about the role that foreign economic advisers played in Latin American economies, but about the way they were pictured by the development economist Albert Hirschman (1915- ). Hirschman made of the work of these consultants a recurrent theme in his writings, starting with his 1963 book, *Journeys Toward Progress*. A little later he adopted the expression “visiting-economist syndrome” to criticize the tendency that specialist missions had of issuing policy recommendations based on supposedly universally valid economic principles, without taking into account the specific social and cultural conditions prevailing in each region.

My aim here is to discuss how Hirschman approached this subject in various publications. Another important empirical source for this discussion is the collection of documents called “Albert O. Hirschman Papers”. This collection is kept at the Seely G. Mudd Manuscript Library, at Princeton University.<sup>1</sup> It comprises field notes taken during interviews that Hirschman had with several Latin American and other Third World players in development while he was living in Latin America or visiting the continent.

The following section makes a brief review of the content of *Journeys toward Progress*, which sets the conceptual framework where the visiting-economist syndrome stands in Hirschman's writings. Foreign counseling can be seen in *Journeys* as a

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<sup>1</sup> Albert O. Hirschman Papers, Boxes 6 and 7, Mudd Library, used by permission of the Princeton University Library.

problem-solving activity, conceived as a way out of the difficult problems faced by Latin American countries since the end of the nineteenth century. The next two sections approach the concepts of failure complex (*fracasomania*), *reformmongering*, and possibilism, related to the principle of the Hiding Hand. These notions can help us to situate the visiting-economist syndrome, summarized in Section 4, as a problem-solving activity. I will conclude by answering questions such as: Should the foreign adviser act differently? Was Hirschman, as a foreign adviser, able to avoid the mistakes he pointed? All in all, the fact that Hirschman was a visiting economist himself gives to the analysis interesting psychoanalytical connotations.

### **Problem-solving and foreign consultancy**

*Journeys Towards Progress – Studies of Economic Policy-Making in Latin America* was published in 1963. Its focus was on the political processes underlying the economic changes portrayed by Hirschman in a previous book, *The Strategy of Economic Development*. *The Strategy* had been published five years before and made of Hirschman one of the most prominent development economists in the world.

Hirschman wrote *Journeys* when he was back in the United States after an almost five years stay in Bogota, Colombia, where he had worked as a consultant to the government and to some private groups, initially by indication of the World Bank.<sup>2</sup> His inspiration to write the book came from an extended trip, sponsored by the Twentieth Century Fund<sup>3</sup>, to several Latin American countries: Mexico, Colombia, Chile, Argentina, and Brazil. He was accompanied by his wife and research assistant, Sarah Hirschman, and by Charles Lindblom, an expert in public administration.<sup>4</sup> As shown in the documents at the Mudd Library, the raw material for *Journeys* includes a series of interviews that Hirschman conducted with political leaders, intellectuals, academics, government officials, union leaders and other people in all the countries that he visited.

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<sup>2</sup> For a short account of Hirschman and other german-speaking economists' migration to the United States, v. Hageman, 2005.

<sup>3</sup> The Twentieth Century Fund is an endowed foundation for scientific research and public education on current economic issues, founded in 1919.

<sup>4</sup> In 1959 Lindblom published the article "The Science of Muddling Through" in volume 19 of the *Public Administration Review*. He has several affinities with Hirschman in what regards their conception of public policy in a development context. According to Lindblom, public authorities change their policies entirely through incremental adjustments that "branch" from the existing core allocation of resources. Rather than being made once and for all, policy is endlessly made and re-made. This implies that an outside expert, albeit acquainted with the latest theories, do not share the public administrator's intimate knowledge of past sequences, which is strategic in problem-solving. Lindblom has an earlier paper with A. Hirschman, reprinted in *A Bias for Hope*, where the authors formalize the notion of "linkages" proposed in *The Strategy*. For an analysis of the relation between the two authors v. Frobert and Ferraton, 2003, pp.103-7.

*Journeys* departs from a working hypothesis that sounds as something of a paradox for the conventional social scientist. Basically, it claims that a deficient political structure does not constitute an absolute impediment for economic progress. By investigating the behavior of decision-makers in Latin America, Hirschman wanted to learn if there were specific conditions that favored the emergence of problem-solving capabilities, and, if they existed, what were they and how did the decision-makers make use them.

I argued elsewhere that *Journeys* is an emblematic piece from the point of view of a disposition to trespass disciplinary boundaries, an overall characteristic of Hirschman's profile as an economist. Frobert and Ferraton (2003, p. 158) correctly point out that when Hirschman crosses a disciplinary boundary, his goal is not to forsake or to annex, but rather to reconnect, to abolish the antagonisms and to cooperate in order to achieve a mutual adaptation. He does not want to promote a mere transposition of economic concepts to political analysis or vice-versa. Rather, he works to integrate different factors in a single theoretical framework, in order to achieve a general explanatory model.<sup>5</sup>

Hirschman defines *Journeys* as "a hazardous expedition into the vast no man's land stretching between economics and other social sciences such as political science, sociology, and history". (Hirschman 1963, p.ix) It reveals a clear intention of exploring the political aspects of development, a task that involved combining an economic outlook with historical and institutional approaches. The focus was on the psychological and sociological factors that were responsible for the entrepreneurial decision-making process. The author was especially concerned with explaining the manner in which public policy-makers in Latin America engaged in problem-solving.

Hirschman's close observation of the difficult political and social conditions prevailing in the continent during the 1950s and the 1960s led him to set the hypothesis that problem-solving in those conditions tended to guide public authorities through unfamiliar paths. In order to understand it, the researcher should be prepared to uncover the hidden rationality of those processes. This involved an attempt to find out whether there was a peculiar Latin American style of handling policy problems and, in the affirmative case, what it was. Starting from these propositions, Hirschman pictures foreign consultancy as an instrument to which public authorities tend to appeal when faced with the necessity of giving quick answers to pressing social problems.

Hirschman clearly wants to avoid the trap of blaming the absence of some "prerequisite" for the lack of progress in Latin American countries. In *The Strategy* he had emphasized the disorderly nature of economic development, challenging the theoretical perspectives that had so far prevailed in economic approaches to this issue, including the assumption of an initial push. Unlike previous analysts (W.W. Rostow, Arthur Lewis and others), he refuses to point out a specific factor – be it a resource base, a rate of capital formation, an elite, an ideology or a personality structure – to

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<sup>5</sup> The authors analyze how Hirschman, starting from the Marxian concept of historical process, chose generalist paths to promote a dialogue between economics and political science. (Frobert and Ferraton, 2003, p. 165).

which the lack of economic progress should be attributed. Rather, he conceives his task as one of showing “how a society can begin to move forward **as it is, in spite of what it is and because of what it is**” (*Strategy*, p.6, emphasis in the original).

In the same spirit, *Journeys* questions the prevailing idea that public decision-making is of poorer quality than private decision-making (*Journeys*, p.5). It associates this idea with a *laissez-faire* ideology, which must be viewed with suspicion. Government is not intrinsically inefficient. Instead of a blank condemnation, the analyst should measure the quality of public decision-making within a given institutional framework, together with the ability to effect important changes in this framework itself. With this goal in mind, Hirschman engages in a careful observation, based on historical reconstruction and field research, of three concrete cases: a regional banking institution in Brazil, policies of land reform in Colombia, and political plans conceived to fight high inflation rates in Chile.

Hirschman finds in the psychological literature of authors such as Donald M. Johnson and Erich Fromm a theoretical support in his effort to reconstruct the complexity of problem-solving in Latin America. His manuscripts have many notes on the nature of this “search for a way out”, which involves learning from past mistakes and splitting up of problems in order to gain new insights. Making good decisions depended on a cumulative learning process, which in turn required building on past experience.<sup>6</sup>

Despite employing psychological notions, however, Hirschman confronts authors like David McClelland and Everett E. Hagen, for whom entrepreneurial decision-making was crucial in the take-off for development. He argues, instead, that it remains important in all stages of development (*Journeys*, p. 3).

As said before, *Journeys* begins with the analysis of three concrete cases: Brazil, Colombia and Chile.<sup>7</sup> The visiting-economist theme appears for the first time in chapter 2, where the author discusses the recommendations made by a group of foreign consultants. He specifically refers to a mission that was sent to Colombia in 1949, headed by Lauchlin Currie.

The theme is introduced in an inquisitive manner: what can be expected from a group of foreign specialists? Hirschman first points some potential vantage points: the fact that outsiders are not familiar with the local situation can count as a handicap, since

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<sup>6</sup> Schön (1994) points out that there is an elusive theory of social learning behind several concepts built by Hirschman, beginning with the notion of imbalanced growth in *The Strategy*. According to the author, Hirschman associates the learning processes that take place in developing countries with his own learning about development. Learning in these conditions occur basically by doing – “people learn to engage in development by engaging in development” – and doing, in turn, involves making mistakes. This brings uncertainty as a crucial element in the social learning process.

<sup>7</sup> Hirschman endorses this interpretation, agreeing that he had stopped short of a full-fledged theory of learning. (Rodwin and Schön, 1994, p. 318)

<sup>8</sup> In the archives there is also data on Argentina and Mexico. Pressed by his time schedule, however, Hirschman decided to leave these countries out of *Journeys*.

it allows them to have a “fresh look” at the problems. On the other hand, however, foreign experts are often incapable of perceiving the processes of change that are already under way, since they tend to ignore the constraints under which policy-making operates in the society (*Journeys*, p. 119). This happened in the Colombian case, where the Currie report proposed a tax on land that would penalize its underutilization. However, the recommendation was supported by an undue generalization, which did not give enough attention to processes of change in land tenure that had already occurred in Central Colombia. The ruling governmental coalition considered the tax system proposed by the Currie report to be impractical, and there was not enough social pressure to enforce its implementation.

In chapter 3, where he talks about the persistence of severe inflation in Chile and the measures that were taken to solve the problem, Hirschman describes how Courcelle-Seneuil, a Frenchman who was in 1853 the University of Chile’s first professor of economics, helped the government to produce a juridical apparatus establishing the principle of free banking.<sup>8</sup>

The return to the gold standard in 1925 is pictured by Hirschman as a significant episode in Chile’s history. It was implemented under the influence of the Kemmerer Mission, named after the renowned United States professor who came to the country as a consultant to the government. Professor Kemmerer arrived in Santiago in July 1925, leading a group of private economists. The bills enacted under his influence had the merit of avoiding some of the mistakes previously committed by the Chilean monetary authorities. On the other hand, however, they conveyed the risks associated with a strict application of imported doctrines. I will return to this point later, since it calls attention to a very important characteristic of the work done by foreign consultants.

In 1939-1952 inflation rates in Chile rose steadily at an average annual rate of 18 per cent. In 1953, it suffered a strong acceleration. Inflation was seen by the Central Bank as the price to be paid for rapid economic expansion. Nevertheless, in 1949 the government addressed to the United Nations and subsequently to the International Monetary Fund a request for a foreign advisory mission. Both those institutions sent missions that arrived in Chile approximately at the same time. Hirschman considers that, although there were prestigious economists in both teams, they “were condemned to futility from the start”, which eventually turned out to be true (*Journeys*, p. 191).

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<sup>9</sup> According to Frobert and Ferraton (2003, p. 35), Courcelle-Seneuil was the foremost expression of the French liberal school in the nineteenth century. Hirschman (*Journeys*, p. 166-7) uses a caustic language to refer to the French economist: “Poor Courcelle-Seneuil! His one-man technical assistance mission could hardly have been more successful, according to ordinary standards of performance. His advice was punctiliously followed, the laws he drafted were passed, his bust stands in the University of Chile and his influence as a teacher and publicist came to be widely felt. But just because of that, virtually every serious ill subsequently experienced by the Chilean economy, from inflation to monoexportation, has been traced to him. Monographs and even editorials are still being written today to debunk his doctrines and to show that foreign experts are unable to comprehend and give due weight to Chilean ‘reality’ and national interests.”

In 1955 a new foreign mission came to help the monetary authorities to fight inflation: the Klein-Saks Mission. Hirschman reports that public order in Santiago was then constantly threatened by strikes and other public demonstrations, to a point where the army was forced to camp in the streets, to assure constitutional order. Evaluating the effectiveness of the recommendations set up by this new mission, Hirschman concludes that its technical contribution was minimal, since it relied on existing plans and ideas. However, similarly to what happened in the Kemmerer case, it played a crucial role in cementing a new political coalition.

Hirschman proceeds to discuss the tenets and main propositions of the so-called structuralist school of inflation, an original doctrine elaborated by Latin American economists. He disagrees from the structuralist authors, as well as from all those analysts who tended to favor revolutionary solutions for Latin American problems. Instead of this search for an all-encompassing solution, he argues in favor of incremental gains and a problem-solving strategy. He praises “*reformmongering*”, a reformist strategy to which he dedicates the final chapter of *Journeys*. More on that soon.

### **A Latin American Style of Problem Solving**

After this long review of the three cases, Hirschman devotes Chapter 4 of *Journeys* to the following question: is there a Latin American style of problem solving and policy-making? To answer it, he introduces a French expression that would turn out to be central in his thinking: *la rage de vouloir conclure* (the anger of wanting to conclude). As he explains in a footnote, he borrows this expression from the French writer Gustave Flaubert, who used it to ridicule the reaction of nineteenth century thinkers to the rapid growth of industrial countries. There are other quotations from Flaubert in Box 5 of Albert O. Hirschman Papers, indicating that it was a favorite writer of his.

The expression “*la rage*” is very appropriate to characterize the problem-solving style of countries that were late in the industrialization process (latecomers). Pressing social problems such as the ones faced by the Colombian *campesinos*, the hungry *Nordestinos* in Brazil and the Chilean workers demanded rapid answers from the policy-makers, in order to pacify the protests. This would occasionally lead them to jump to a ready-made solution suggested by a mission of foreign experts. The recommendations issued by this mission and the report it prepared on its way back home seemed to provide a quick solution in the negotiation process or, at least, tended to be regarded as such. Thus,

Urged by pressing problems and by the desire to catch up, and liberally supplied with recipes communicated to them by the advanced countries of both East and West, their policy-makers are only too ready to believe that they have achieved full understanding and to act on the basis of this belief. (*Journeys*, p. 240)

At this point Hirschman returns to a subject which he had already focused in *The Strategy*, concerning the special problems of latecomers. All they can do, he argues in *The Strategy*, is to follow a trail that others had opened a long time ago. However, by assuming this derived type of development, they might face additional obstacles of a

psychological nature, which involve “a vague resentment against the new ways, a secret hope that the equipment/methods will not work out in our milieu” (*The Strategy*, p.139).

This ambivalent attitude towards change is again described in *Journeys*, where Hirschman coins a significant expression to picture it: “failure complex” (*Journeys*, p.240). From the *rage de vouloir conclure* he moves to this second expression, which denotes a “self-deprecatory style of policy-making” observed among Latin American politicians. Failure complex – or *fracasomania*, the Spanish expression that he uses in a 1968 article, reprinted in *Bias for Hope* – derives from a tendency to consider problems as either wholly unsolved or totally solved. Driven by a compulsive desire to provide a quick answer (*la rage...*), policy-makers are bound to search for a “fundamental” solution, for which they count on foreign counseling.

The often excessive enthusiasm with which foreign experts are greeted at their arrival in Latin America is part of this ambivalent pattern. This enthusiasm may go together with an attitude of acceptance qualified by (unconscious) sabotage. While episodes of open rejection are very rare, support is not guaranteed, if not at first at least during the period when the mission stays in the country and on its way back home.

The three stories told in *Journeys*, defined by Hirschman as “the essence” of his book, stand as illustrations of this collective psychological trait. The agrarian reform promoted by the Colombian government in the 1930s did induce changes in a desirable direction, but it was interpreted as a complete failure. In the Northeast of Brazil, some public initiatives to fight the persistent drought problem were seen as totally inefficient, although they were rather successful.<sup>9</sup> In both cases, there was no perception of changes that had actually taken place.

This is how Hirschman associates the visiting-economist syndrome with the self-deprecatory attitudes that he criticized in Latin Americans. In a later text he claims that he wanted to reconcile the Latin Americans with their reality, to assure them that certain ubiquitous phenomena such as bottlenecks and imbalances, in which they saw the proof of their ineptness and inferiority were, on the contrary, inevitable concomitants and sometimes even useful stimulants of development. (*Bias for Hope*, p.93) Learning from past experiences was not easy for Latin Americans, who were all too ready to issue blanket condemnations of their reality. The same attitude might account for the excessive enthusiasm with which they used to welcome missions of foreign advisers, and for the way they sometimes rushed to adopt a “fast-food” solution suggested by those missions, while at the same time keeping their expectations very low.

The notion of failure complex shows again in *A Propensity for Self-Subversion* published in 1995, where Hirschman talks about the “almost golden age of uninterrupted, steady forward movement” that characterized the 1935-1980 period in

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<sup>10</sup> Hirschman returns to these examples in chapter 3 of *Crossing Boundaries*, published in 1998. The text comes from an interview that he gave to Carmine Donzelli, Marta Petruszewicz and Claudia Rusconi at the Institute of Advanced Studies. He reports that he found *fracasomania* not only in Latin America but also in his visit to the Italian World Bank project. The original interview was published in Italian in *Desarrollo Económico* in 1996.

Latin America.<sup>10</sup> Despite this prosperity, however, Latin Americans tended to maintain a “conspiracy of silence” about the good news and to underestimate the magnitude of the changes. (*Propensity*, p. 161)

Hirschman criticizes the United States and multinational institutions strongly influenced by the United States for the fact that they were convinced of owning the key to progress and development for all those backward countries. (*Propensity*, p.184). This resulted in lots of lecturing and admonishment, especially during the 1980s, when top Latin American policy-makers had to make frequent trips to Washington to renegotiate and reschedule the heavy debt burdens that most of their countries had accumulated during the seventies. However, he argues, ideological sermons (sic) of this sort are vastly counterproductive and tend to evoke protests, since “... the world is far too complex to be set right by mechanically applying everywhere one identical and simplistic formula.” (*Propensity*, p. 185)

### **Reformmongering, Possibilism, and the Hiding Hand**

The expression *reformmongering*, of German origin, appears several times in *Journeys*. Hirschman sees it as a viable strategy for Latin American development, in contrast with the revolutionary solutions proposed by structuralist writers. The concept is defined by Meldolesi (1995, p.89) as denoting “the intermediate area of social transformation that lies between peaceful reform and revolution.”

*Reformmongering* presupposes incremental gains and a problem-solving strategy. According to Hirschman, a good government must be capable of promoting important changes and reforms in the institutional framework. Public decision-makers must be aware of the necessity of such reforms – which usually comes as a result of popular pressure – and must find ways to bring them over, taking definite actions on their behalf.

Another important condition is that *reformmongering* involves a special combination of circumstances which demands of all players involved, including the ruling groups, a predisposition to bargain and the ability to deal with pressures. It may be compatible, for instance, with the decentralized, “light” forms violence that Hirschman was able to testify among peasants in Colombia, in the Brazilian northeast and in the streets of Santiago. From his perspective, those popular movements were not only protest and pressure to authorities who were supposedly in charge of problem-solving, but also a problem-solving activity. (*Journeys*, p. 259)

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<sup>11</sup> He considers that the region deserves credit for three major accomplishments: 1) its capacity to accommodate an enormous increase in population while improving their average living standards and increasing their life expectancies; 2) a demographic transition, against all alarmist prognostics; 3) some improvement in the position of the poorest sectors of the population, the direct beneficiaries of the decline in illiteracy and infant mortality. In a nutshell, the period was marked by economic growth, rising per capita incomes, strides in industrialization, and the rise of the middle classes, but these improvements were not recognized as such.



In Colombia, vice-president Carlos Llera Restrepo was able to promote a “revolution by stealth”, using the tactic of “divide and reform” to create in 1960 the National Agrarian Committee, where all political tendencies and various interest groups were represented. Carlos Llera managed to involve the different protagonists in the story: he put pressure on absentee landlords, while at the same time reacting to pressures from public opinion (including the peasant movement), and neutralizing or involving modernizing landlords. As he acknowledged the complexity of political and social processes at work, he was able to identify the various players on stage and bargain with all of them. The Land Reform Law implemented in 1962 opened to the country the possibility of effecting basic changes in its agricultural structure. (*Journeys*, pp. 143-158)

Coser (1984, p. 166) points out that in this case and elsewhere Hirschman pictures development as the creation of institutional means to bring potential resources to life. There is no predetermined road to this end; everything depends on creative solutions applied to concrete circumstances. On the other hand, change is an actual possibility and it can find its way through unexpected paths (*possibilism*). It does not come as a result of a unique and universal prerequisite; rather, it may emerge as a “blessing in disguise” (*Bias*, p. 7). Hirschman claims that he was ready to find in Colombia the elements and processes that took a favorable course, building the scene where *reformmongering* was ready to occur. In other words, he was attentive to the possibility of hidden rationalities.

This inquisitive attitude shows again in *Development Projects Observed*, the third and final volume of Hirschman’s trilogy on economic development, published for the first time in 1967. The book focuses eleven World Bank projects scattered throughout the underdeveloped world, comprising irrigation projects in southern Italy, Peru and Thailand, a telecommunications project in Ethiopia, railways in Nigeria, and a pulp and paper industry in Pakistan. In the new preface that he wrote for its latest edition, Hirschman states that its most speculative chapter is the introductory one, called “The Principle of the Hiding Hand”.

The metaphor takes its inspiration from the Weberian concept of the unintended consequences of human action. It relates to the search for hidden rationalities, which would later turn out to be one of Hirschman’s dearest ideas.

How does the hiding hand work in concrete situations? Hirschman concedes that the notion gets “close to a provocation”, since it raises the paradoxical thesis that it is a good thing to underestimate the difficulties of a given project. (*Development Projects*, p. ix) He classifies the potential outcomes faced by development planners in two groups: unsuspected threats, on the one hand; and unexpected remedial actions that can be taken whenever the former become real, on the other. In Uruguay the landowners that he visited tended to ignore or underestimate the extent of learning on the job required to improve pasture countrywide, ranging from simple skills to administrative ability. (*Development Projects*, p. 150) Should they have complete information about the difficulties involved in the implementation of their plan, they might decide to abandon it. In so doing, however, they would never reach the alternative solutions that turned out to be the true handicap of their project.

All's well that ends well: a helpful "hiding hand" led absentee landowners in Uruguay to spend much more time in their farms or even to move there, in order to be able to supervise the introduction of modern machinery that was essential for a successful implementation. The same problem-solving mechanism made them change their way of life, to a much larger extent than they had anticipated. In this case illusory expectations played an important role in decision-making, or, to put it differently, error (i.e. underestimation of the project's costs) led to action. In Hirschman's own words:

Up to a point, the Hiding Hand can help accelerate the rate at which "mankind" engages successfully in problem-solving: it takes up problems it thinks it can solve, finds they are really more difficult than expected, but then, being stuck with them, attacks willy-nilly the unsuspected difficulties – and sometimes even succeeds. (*Development Projects*, p. 14)

At this point, it is interesting to make a further comment. In Hirschman's manuscripts there is more than one reference to a famous quotation by Karl Marx, which goes: "Mankind always takes up only such problems as it can solve." In sequence, Hirschman questions the content of this phrase by referring to Lenin's notion of subjective and objective conditions. In another notebook, talking about a project in Nigeria, the reader finds the same quotation by Marx again, this time followed by a reference to Toynbee. Hirschman mentions that, according to the Toynbee, human beings tend to see in tasks that they cannot solve a challenge to their ingenuity. When those tasks are somehow "manageable" their competitive spirit is stimulated and they develop a sort of "achievement motivation". He next rephrases Marx's quotation, in such a way as to render it compatible with the Hiding Hand: "Mankind always takes up such problems that **it thinks** it can solve." And he scribbles on the side: "... - and then once bitten, *engagé*, solves them or fails".<sup>11</sup>

No doubt, the Hiding Hand points to possibilities, not necessities or even probabilities, as Streeten (1984, p.117) argues. Hirschman was not advocating the overall prevalence of happy-endings such as the one that he testified in Uruguay. He was not denying the possibility of "curses in disguise", but only asserting that change may come as a surprise, and that it always implies that some of the ingredients of the old order are to a certain extent ambivalent and possess some growth-promoting potential. (*Journeys*, p. 7)

### **The visiting economist**

Let me now sum up the main characteristics of the visiting-economist syndrome, as described by Hirschman in *Journeys*. The easiest way to do that is to take as a reference

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<sup>12</sup> Here Hirschman rejoins the theory of cognitive dissonance developed by the social psychologist Léon Festinger, as he would later explicitly acknowledge. According to this theory, the opposition of irreconcilable ideas (cognitions), held simultaneously by one individual, creates a motivating force that leads, under proper conditions, to the adjustment of one's beliefs to fit one's prior behavior. The conventionally assumed sequence is thus inverted, as cognitions changes to fit behavior and not vice-versa.

point the article “A Prototypical Economic Adviser: Jean Gustave Courcelle-Seneuil”, published in *Rival Views* (Hirschman, 1992). In this article Hirschman employs ironical tones to characterize the development specialist as an “export product” manufactured by the economically advanced countries. He then describes the basic qualities of this product.

First, the adviser is deeply convinced that, given his profound knowledge of economics, he can work out the correct solutions to every problem that he faces. In the second place, the country that appeals to his expertise looks forward to his advice as to some miraculous medicine that will work no matter how bad it tastes, and perhaps especially when it tastes bad.

In Colombia, Hirschman notes that people tended to treat foreign experts as “a new brand of magicians”, while at the same time pouring scorn on themselves by exclaiming “Aquí en el trópico hacemos todo al revés” (Here in the tropics we do everything the other way around). However, he alerts the foreign advisers of the risk of taking such reactions too literally, as they tended to do. Many Colombians did not actually hold such a poor self-image. For at least some of them the phrase implied that, given their constraints, they might well have survived without foreign assistance, working out by trial and error a few principles of action that had actually proven quite effective in their circumstances.

One important remark here is that Hirschman recognizes that the foreign adviser’s competence derives not only from the intrinsic merit of his counsels, but also (and perhaps mainly) from the strategic connections that he might have in his home country. This can be crucial to facilitate the access to the international capital market, which, in turn, was an essential ingredient in the import-substitution process. It is no mere coincidence that foreign missions were sent to countries where the United States economic interests were rapidly growing, and financial experts played a significant role in the increasing investments in South America, as remarked by Seidel (1994).

A few examples can illustrate this point. Hirschman notes that Courcelle-Seneuil interrupted his university courses in 1858-59 to participate in a Chilean financial mission that traveled to France in search of a loan for the construction of a railroad. Professor Kemmerer, who traveled to several countries in Latin America besides Chile as a financial advisor, had a firmly established reputation in the United States. This provided the confidence that allowed a successful completion of United States loans to the Colombian government in 1930. The Klein-Saks mission that visited Chile had good connections with the Republican administration in the United States and its financial agencies in Washington.

Hirschman goes on claiming that the foreign adviser is often criticized because he wants to transplant the institutions of his own country to the country he advises. His dream, however, is often even more ambitious: he wants to endow the foreign country with those ideal institutions that exist in his mind only, since he was unable to persuade his own countrymen to adopt them (Hirschman 1994, p. 135). This combines with the propensity “to take imported doctrines more seriously and to apply them more rigidly and dogmatically in a foreign country than in their country of origin.” (*Journeys*, p.180)

Another important role played by the visiting economist, as pointed by Hirschman, is that of a scapegoat. The Mudd manuscripts have several notes on this phenomenon, which the author describes in the conclusion of *Journeys*. It refers to the possibility of the foreign adviser receiving the blame for unpopular measures that the government decides to take.

Let me illustrate this point. The Klein-Saks mission arrived in Chile in a period of extremely high rates of inflation and radical political confrontation, with daily strikes affecting vital services such as hospitals and public transportation. The political conditions were so severe that the army virtually camped outside the Presidential Palace and in downtown Santiago.

In this scenario, the high credibility that the Klein-Saks mission enjoyed at its arrival in 1955 can be attributed to the fact that they were foreigners, and therefore seen as impartial, technocratic arbiters, who could work out a viable solution for Chile. Thanks to this credibility, the stabilization program that they recommended was approved by the Congress and soon implemented.<sup>12</sup> The mission's accomplishment was political, rather than technical, as Hirschman reiterates more than once in *Journeys* and in his manuscripts. It was brought in to share responsibility for unpopular political measures that were deemed crucial to fight inflation, namely, the end of automatic wage adjustments and much smaller current wage adjustments.<sup>13</sup>

On the other hand, the Klein-Saks mission in Chile was considered responsible for those unpopular measures. In a later period, when the positive effects of the program vanished and it failed to maintain price stability, they turned to be scapegoats. In his manuscripts, Hirschman claims that the Klein-Saks mission might be defined as having provided an

“[...]immature type of technical assistance where the experts come as money doctors or as magicians of some kind and are considered with awe and obeyed at first but necessarily are then suddenly considered as no good at all in a complete reversal of opinion, **like idols that must be destroyed.**” (A.O.Hirschman papers, box 9)

Hirschman further argues that history in general, and nationalist historiography in particular, is likely to be unkind to the foreign adviser, who faces a high risk of “demonization”. He can easily begin to receive blame for whatever goes wrong, sparing the public decision makers from the responsibility for unsuccessful decisions. (Hirschman 1992, p. 186)<sup>14</sup>

A logic conclusion here is that learning from past experience, which is crucial for problem-solving, does not occur. Foreign advisers tends to receive blame no matter how “wrong” their recommendations actually are. On the other hand, by conceding

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<sup>13</sup> See also Edwards (2005).

<sup>14</sup> In January 1956, the Chilean Congress decided to hold the increase in wages and salaries to 50 per cent of the rise in the cost of living during the year before.

<sup>15</sup> In the manuscripts at the Mudd Library, there are cartoons that were published in the popular magazine *Topaze* at the time, making fun of the Klein-Saks mission.

themselves a sort of immunity against the negative consequences of their decisions, decision makers are incapable of building on past experience.

## Final Remarks

Should the foreign adviser act differently? Was Hirschman, as a foreign adviser, able to avoid the mistakes pointed above?

Hirschman gives a positive answer to the first question, and I certainly support an affirmative answer to the second. Foreign missions should not issue policy recommendations without a close examination of the social, political and economic conditions prevailing in each country or region, as Hirschman claims. The inadequate job that many of them did in Latin America and other underdeveloped regions of the world was due to the very spirit that informed their constitution, which tended to put too much faith in the (then) sophisticated techniques that they had learned. (They wanted to “épater” the native with the latest policy gadget, as Hirschman said in *Journeys*, p. 119.)

This is not an isolated opinion, but, rather, reflects a general perception. In *Development Projects Observed* (p.3), Hirschman asserts that the study of particular cases allows the researcher to depict more abstract, general features: “Immersion in the particular proved, as usual, essential for the catching of anything general, with the immersion-catch ratio varying considerably from one project to another.”<sup>15</sup>

This concern with a thorough investigation of concrete conditions was acknowledged by most critics, including Frobert and Ferraton (2003, p.33), who give an affirmative answer to the second question. The authors hold that Hirschman avoided indulging himself in the “Ricardian vice”, from the very beginning of his work in development economics, when he questioned the transposition to Latin America of the Keynesian policies implemented in Europe during the Marshall Plan. Hirschman realized that certain structural characteristics of developing economies made conventional analysis and the corresponding tools inapplicable and misleading.

Likewise, Tendler (1994, pp. 291-293), who worked with Hirschman in Brazil, describes his approach to people as that of someone who does not think of himself as an expert, but, rather, wants to learn from his interlocutors. She testifies that Hirschman was profoundly interested in what people already knew (and sometimes could not act on) and on what they wanted to do. In the implementation of a given plan, this required a careful assessment of the particular circumstances to which the plan would apply.

Schön (1994, p. 89) shares this opinion. He notices in Hirschman an “untiring interest” in studying how people who are engaged in a process of change think about what they are doing. Rather than recurring to outside patterns, he is attentive to the rationalities that the situation might hide.

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<sup>15</sup> Under the inspiration of Hirschman’s writings, Ellerman (2006) describes as self-defeating any attempt to engineer autonomous action with the help of external carrots or sticks. One of his principal themes is the idea of autonomy-respecting help, i. e, assistance that actually helps people to help themselves.

Looking at his manuscripts at the Mudd Library, one can see how Hirschman avoided the intellectual trap that was associated with his condition as a foreign adviser. The mere fact that he made of the “visiting-economist syndrome” a recurrent theme in his writings suggests that he had a permanent concern with the prevention of this disease. He argues that people in his *métier* should not rely on general principles, abstract prescriptions and ready-made formulas. Rather, they should engage in a thorough empirical research of their “cases”, carrying an “empirical lantern” in their “visits to the patient.” (Dissenters’s, p. 93) This attitude shows since his first arrival in Colombia, when he was determined “to understand better **their** patterns of action, rather than assume from the outset that they could only be ‘developed’ by importing a set of techniques they knew nothing about” (Dissenter’s, p. 91) . This does not imply that he had no prior beliefs about what he would find there, nor that the prevailing patterns were always adequate to promote change. The point is that he was ready to abandon his previous beliefs whenever his personal experience proved them wrong.

As he says in an interview, describing his professional experience in Latin America: “Perhaps in the end it wasn’t a very deep work, but when I returned to the States I was probably the economist who had spent the most time in that part of the Continent and knew it well.” (Hirschman, 1998, p. 83) Besides gathering secondary data on each country he mostly relied on direct observation. He conducted hundreds of interviews with people from different backgrounds, meeting with government officials, technicians, entrepreneurs, union leaders and university teachers. He was able to read and communicate in Spanish and Portuguese. He visited several World Bank projects, usually in distant places and far from the conveniences of large cities. He assembled and read the relevant literature in at least five different languages, taking notes, transcribing significant passages and adding his personal comments.

Most visiting economists did not share the same attitude. Did they nevertheless manage to do their job?

All in all, foreign expertise in Latin America did solve a few problems and, in retrospect, can be considered as a necessary evil in the development model that its countries decided to adopt. To mention a few examples cited by Hirschman: the Klein-Saks mission provided the Chileans with a way out of their inflation problems, albeit a temporary one; the Currie report alerted the Colombian authorities to the possibility of using financial incentives and penalties to promote change in the agrarian structure; judged from the point of view of its short-run results, the Kemmerer mission in Chile is considered to be one of the most successful technical assistance efforts in human history.

Most of all, foreign missions did perform what can be considered to be their most outstanding role, which is one of putting governments and entrepreneurs in contact with investment sources in the United States and elsewhere. As said before, the initial stages of import substitution in Latin America required the development of some import-intensive economic activities, imposing the need for financial assistance and loans from abroad. In this context, as Drake (1994, p. xxxii) correctly acknowledges, money doctors acted as intermediaries, negotiators, third-party observers, or enforcers for the “shaky contractual relationship” between international creditors and debtors.

Despite their mistakes and their lack of regard for local rationalities, they were helpful to allow access to the international financial markets, with the benefits and costs that this implies.

During the 1980s and ever since, the Washington Consensus reinforced the need for visiting economists in Latin America. They came as representatives of the IMF, the World Bank, the United States government and several international creditors. Under their guidance, governments throughout the region adopted politically painful stabilization measures which involved currency devaluations, wage and credit restrictions, and strict fiscal controls. Once more, foreign experts would land in a distant airport in whatever country they were sent to and would do their job of reminding Latin Americans to stick to the prescribed policies. But this is another story, which I might want to tell another time.

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