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Pier Giorgio Ardeni

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Pier Giorgio Ardeni
Department of Economics, University of Bologna

Abstract

After more than half a century, the reflections of Albert O. Hirschman on development assistance, the role of consultant 'experts' in providing policy advice and the 'visiting economist's syndrome' are still very current. In as much as Hirschman argued against all-encompassing policy frameworks, overall development plans and universal models, 'one-size-fits-all' models abstracting from the local, historical, geographic and institutional conditions have remained the prevailing *modus operandi* of international development agencies and governments in development assistance. In spite of Paul Krugman's criticism of Hirschman's lack of a mathematically-consistent approach in favor of an *ad hoc* pragmatism, Hirschman's avoidance of assuming a toy model to deal with practical issues and the specificities of development problems in different countries – while still using rigorous and detailed analysis– appears to be a promising attitude of enormous relevance even today. If the rejection of large-scale models of the hey days of development theory was due to the neoliberal policy wave that led to the 'Washington consensus' – more market and less State –, development assistance has remained firmly entrenched in the principles of balanced growth, all-encompassing liberalizing policy reforms and diffused marketization with an increasingly limited role for the State. Development assistance approaches have maintained a standard list of prescriptions, policy-reform recipes for all sectors, social, institutional and even political objectives, under the justification that 'everything depends on everything'.

In this paper, I briefly review the evidence regarding the active pursuit of a paradigm that, sidelining Hirschman's unorthodox approach, has confirmed that we have 'forgotten nothing and learned nothing', as Hirschman once said. While Hirschmanian concepts like 'linkages' and 'leading sectors' and some of his famous parables – like the 'tunnel effect' on inequality – have left an enduring mark on economists' perspectives, his 'unbalanced-growth' has been dismissed on ineffectual grounds, while his 'empirical lantern' has been derided and abandoned. The lessons of Hirschman's consultant experience in the tropics have left a legacy that goes beyond his prescriptions: it is a philosophy, a conception of the world, a guiding sets of principles that survives time. From that wilderness where Hirschman led his followers, it is only by re-igniting that lantern that we can wisely contribute to the 'development' of others as savvy and informed 'experts'.

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1. Introduction

As development assistance has come under criticism in recent years, the debate on the role of foreign aid has reignited. The whole idea of assisted development has been questioned, and development economics as a discipline has undergone major changes since the heydays of 'high development theory', as Paul Krugman once termed the period between 1943, when Paul Rosenstein-Rodan's paper on the 'big push theory' came out, and 1958, when Albert Hirschman's book *The Strategy of Economic Development* was first published. Criticism of development assistance has come from 'right' and 'left', from 'inside' and from 'outside' for a variety of different and even conflicting reasons.[1]

Alberto Otto Hirschman was a thinker, a development theorist, and yet he did not develop a *model*, or even a *theory* of economic development in the proper sense. Out of his field experience in Latin America he proposed what he called a *strategy*, a 'method' to tackle (solve) specific problems by means of specific policy actions. He questioned what was becoming the "new orthodoxy" of his time – the balanced-growth approach based on overall comprehensive plans and the idea of a 'big push' that would set an (underdeveloped) economy going. And, polemically, he argued in favor of an 'unbalanced' approach, by which he wanted to point out that policy actions should try to focus on what's most promising and elicit the best out of it, exploiting the rationalities hidden behind the normality of practices and then taking advantage of the backward and forward linkages to come. No big picture, no broad-based planning. Start from from the small and make it grow and extend.

While criticizing the notion of 'big push' and all-encompassing plans, Hirschman built on the idea of entrepreneurship as induced decision-making to mobilize often scattered and hidden resources. In that case, the inducing mechanisms – rather than acts of faith or *deus ex machina* – would be provided by the same linkages or interdependencies later emphasized by the increasing-returns literature.

Even though big-push balanced-growth models were later surpassed, Hirschman's and Streeten (1959) unbalanced-growth were not taken to heart in the development agenda in the following decades. 'One-size-fits-all' models abstracting from the local, historical, geographic and institutional conditions have remained the prevailing *modus operandi* of international development agencies and governments in development assistance. Besides, policy-based lending with strings of 'conditionalities' attached has brought development planning back to the center of the agenda.[2]

The debate on development assistance has reignited the much older discussion on development itself and what it takes for development policies to be successful. When we see reports on Africa or poverty that – after several decades of "development intervention" – still talk of low economic growth, famines and hunger, under-nutrition, child mortality, food poverty as alarming issues as they were a quarter of a century ago, we wonder not only "where did all that money go" but also "what kind of development policies had been adopted?". Development assistance – and all the machinery of it, with agencies, apparatuses, and the whole "business" around it – emptied development policies of their potentially "progressive" and effective content, by designing negotiated (imposed) plans and attaching all kind of *conditionalities* to them, i.e. conditions that developing country governments had to meet in order for the programs to be funded and supported. The effectiveness of a policy has a lot to do with consensus, motivation, clarity of needs and shared

1 For a brief review on the recent debate on aid and a summary of the opposite views, see Costello and Regan (2012).

2 As Ellerman stated, "the dream of socially engineering development is still very much with us, although often adorned in new garments" (2004, p. 313).

objectives. Development assistance changed the terms of the problems, as the actual implementation of any policy was going to be linked to the promises of funding and incoming aid.[3] As Hirschman showed, the best way to assure that a reform process has some internal – i.e. domestic – motivation, is is not *to start* it, but *to find* it. Here, it is all too easy to show the contrast with the project manager (working for a development agency) who wants to show his funder that they did the right thing and made a difference by starting the project. And this is often the way development agencies work: they "look for" problems to address which they can deal with (specialization) and they go to the recipient government showing what they can do. That in turn, will also satisfy the funder, who will see the money "properly" spent. A vicious spiral that the employment of valuable technical experts has only exacerbated. The plethora of development agencies and the scores of experts available just made the "list" of issues to be addressed increase by the day – as well as their champions.

It is for these reasons that, after more than half a century, the reflections of Albert Otto Hirschman on development assistance, the role of consultant 'experts' in providing policy advice and the 'visiting economist's syndrome' are still very current. In spite of Paul Krugman's criticism of Hirschman's lack of a mathematically-consistent approach in favor of an *ad hoc* pragmatism, Hirschman's avoidance of assuming a toy model to deal with practical issues and the specificities of development problems in different countries – while still using rigorous and detailed analysis– appears to be a promising attitude of enormous relevance even today. For those innumerable experts who are prone to act by the book and have their solutions ready depending on the assumptions and the results of the 'model', a good dose of no preconceptions, empiricism and attention to local conditions would be extremely beneficial.

In this paper, I briefly review the evidence regarding the active pursuit of a paradigm that, sidelining Hirschman's unorthodox approach, has confirmed that we have 'forgotten nothing and learned nothing', as Hirschman once said. While Hirschmanian concepts like 'linkages' and 'leading sectors' and some of his famous parables – like the 'tunnel effect' on inequality – have left an enduring mark on economists' perspectives, his 'unbalanced-growth' has been dismissed on ineffectual grounds, while his 'empirical lantern' has been derided and abandoned. The lessons of Hirschman's consultant experience in the tropics have left a legacy that goes beyond his prescriptions: it is a philosophy, a conception of the world, a guiding sets of principles that survives time. From that wilderness where Hirschman led his followers, it is only by re-igniting that lantern that we can wisely contribute to the 'development' of others as savvy and informed 'experts'.

2. The Evolution of Development Economics as a Field: A Personal Note

In as much as I never met Hirschman personally, my whole professional experience as an economist has been influenced by his ideas disseminated in the articles and books that I began to read and study since my early university years. The political dimension of Hirschman's contribution was much emphasized in the late Seventies and all through the Eighties, particularly in Italy.[4] When I began to wander into the field of development economics in Berkeley in 1986, and took courses with Irma Adelman, Alain de Janvry and Gordon Rausser, I realized how much Hirschman's contribution to the understanding of the development process – which dated back to the Fifties --

3 From both the psychological point of view of the domestic policy-makers to the sociological and political point of view of the government, in terms of consensus, pressure groups, needs assessment, awareness and voice, this has created a sharp separation (and a contradiction) between internal and external motivations for the government/aid recipient. See the discussion in Rodwin and Schön (1994).

4 Think of how influential his *Exit, voice and loyalty* was, first published in 1970 and translated into Italian in 1982.

was even more prominent. Even though in the Berkeley environment I came under the guidance of people like George Akerlof and Janet Yellen and then went on to study with economists like Jeff Frankel or Pranab Bardhan, I stayed with the long-standing development issues and long-lived metaphors that I had assimilated and never forgot, à la Hirschman, of the backward and forward linkages, inequality and tunnel effects, and the terms of trade for developing countries.

While Hirschman was already a renowned and revered development-economist-turned -political-scientist, an intellectual in the broader and nobler sense of the term, the demise of development economics had started at least some fifteen years before, paralleling the fall into disgrace of Keynesian economics, and Hirschman himself had moved on to some deeper political and social issues. And yet, as graduate students at Berkeley, we were driven into deeper and deeper analyses of the "old" fundamental development issues which still appeared very much current at that time. I worked on 'the 'law of one price' and then on the 'Prebisch-Singer hypothesis' on the terms of trade for developing countries, motivated by a spirit of resistance against the advancing neoclassical crusade.[5] Those were issues – and methods – whose background was coming to be considered as "old fashioned", non rigorous, in as much as it lacked proper formal "micro-foundations" and was not framed within the rational-expectation utility-maximizing behavior of fully-informed perfectly competitive economic agents.[6] Irma Adelman, whose work had been rooted into Hirschman's approach, was to be later praised by Paul Streeten, Hirschman's 'co-inventor' of the *unbalanced growth* idea, in his review of her work (Streeten (1998)).[7]

When I moved to Italy in 1990 I crossed the economic field back and forth, finally settling with development economics, in a perfectly Hirschmanian inspiration – that only reality can guide the economist's job.[8] Economics was already considered as a "formal" discipline, highly mathematical, even abstract in its sketchy and stylized representations of the real world – *models* – often closed in its own boundaries and only interested in self-referentiality and internal consistency. Whether a 'model' would be able to explain a 'real' phenomenon or to provide guidance on how to 'solve a problem' was becoming less and less important, certain less relevant than its own formal correctedness and adherence to the existing (and dominant) paradigm. Macroeconomics was being turned "inside-out" by the need to have 'micro-foundations', no matter what, applied to 'representative agent' models in one-good economies. In similar veins, development economics was being denied as such, as there was no recognized *specificity* of developing countries to deal with: there was only one type of economics to be applied to environments where market failures were simply more widespread and where State failures were even more pronounced than in the 'advanced' economies. The real world was getting out of sight, if not in the stylized representation

5 I remember my satisfaction in being able to prove that, after all, Prebisch and Singer's hypothesis was to be confirmed by fresh empirical evidence. I can recollect the pride with which I read the letter that sir Hans Singer wrote to me after reading the article I had co-authored with Brian Wright on July 1992 issue of *The Economic Journal* (Ardeni and Wright (1992)).

6 I still remember the concern of some of my tutoring professors in seeing me falling into the "evils of macroeconomics" that were viewed as characterizing development economics at that time.

7 Berkeley was a place in its own right for Hirschmanian ideas, trespassing attitudes and subversion, its liberal traditions, the free speech movement, the hippies and the music of the Sixties and all that, with its message of freedom, liberation and anti-authoritarianism. In the Eighties, when I was there, Berkeley had possibly the only Mayor in the whole of the US that was a woman, a black and a lesbian, elected for the so-called Socialist Party. Hirschman himself had been to Berkeley "as an ordinary immigrant in 1941" and there he had met Sarah, who would be the love of his life for the next seventy years.

8 And I remember that pointy question that the head of the committee in the national competition for associate professor in the area of political economy, Luigi Pasinetti, asked me: "what would you like to be when you are a grown up, an economist or a statistician?" He was immediately rebuked by Paolo Sylos Labini, a member of the committee, famously an economist with a strong quantitative statistical background.

of political economy of 'governance', with real *actual* economies and societies – with their people, history, tradition, customs, specificities – disappearing from the picture.[9] And with the demise of socialist states – and Marxism – the notions of class, conflict, power (and even culture) came to take on different meanings, even among economists.

And yet, there was more than that. The economic profession was (is) basically interested only in what happens to advanced capitalistic economies, i.e. those economies that "function" according to the main and fundamental market mechanisms. Think of how much of the discipline has developed around those ways of functioning: monetary economics, theory of finance, industrial organization, just to mention a few. Entire sub-fields are only interested in representing, in principle, what happens in specific part of the world (and even macroeconomics and international economics, to a good degree, belong to that club). But when it comes to explaining the burgeoning growth of China and other 'emerging' economies, or the persistence of poverty and underdevelopment, the economist's tools of the trade suddenly becomes insufficient. In as far as the economist can explain the world *as if* it was a capitalistic-based market democracy, everything goes fine (more or less). But when it comes to describe something *else*, he begins to wander erratically. Everything outside the world he can explain is foreign, extra-disciplinary, ultimately *strange*: it is not that his tools are inadequate, it is that world he is looking at is not functioning 'properly'.

Until 1989, when the Berlin Wall was finally taken down and socialist economies began to fall apart, there was a "field" of economics that was specifically studying 'centrally-planned economies',[10] while 'emerging' economies and 'developing' ones were studied by both development and international economists. Development economics, in spite of being looked upon as a lesser economic sub-field – because of its lack of rigor and formalism, the absence of proper 'micro-foundations' and scientific model testing and, also, the contaminations it would accept from even less formalized disciplines like sociology, anthropology and ethnology – was more or less accepted into the economic circles due to its 'relevance' for, if nothing else, politically correct reasons.[11] Then with globalization and world economic integration, the internet economy, the melting down of the socialist block and 'soviet' economics, the end of the cold war, everything turned into a vast land of opportunities for capitalistic development and the need for only *one* economics discipline. If the world is going in one direction only – capitalistic market based economies where differences among countries are only in terms of income, production, resource use, but not in terms of fundamental institutional and systemic differences – then there is no need for *other ways* to look at the economy, there is no specificity any longer to account for in different countries that cannot be taken into consideration within the accepted and well tested dominant *main* economic approach to modeling. Development economics – with its focus on post-colonial underdeveloped backward 'developing' economies with their different history and background – has therefore no reason to distinguish itself from mainstream economics.

Within a few year after 1989, it all became apparent, and with the shock therapies suggested by Harvard economists and applied to the 'transition' economies it became obvious that there was no more room for a specific way to explain economic functioning in "low-income countries", i.e. those

9 The infamous quote from Mrs Thatcher – "You know, there is no such thing as society. There are individual men and women, and there are families." – was to be, maybe unconsciously, one the crucial beliefs underpinning the economics' approach to the understanding of the world.

10 In the same vein, almost, as political scientists were specializing in 'soviet studies'.

11 When I was accepted into the Ph. D. program at Berkeley, I remember being told that there was an implicit hierarchy among the various sub-field of economics – in terms of rigor, formalism and, ultimately, of scientificity – and that if I had chosen development economics I would automatically be ranked less than my other colleagues who were studying more 'important' issues. Finance was already on top of the list at that time, as was game theory.

who were 'developing countries' or 'centralized economies' a few years before. This tendency had already surfaced in the Eighties and manifested in full with the beginning of the neoclassical counter-revolution in macroeconomics and its application to the operating principles of the main international development organizations, chiefly the World Bank and the IMF. The 'structural adjustment programs' applied all through the Eighties in Latin America and then in Africa and South Asia were nothing else than fiscal consolidation and public debt restructuring policies framed within a monetarist macroeconomic framework and applied to 'developing' economies under the assumption that there was *nothing specific* about those economies besides having "thin" markets accompanied by huge market failures and over-bloated State apparatuses.

And yet, there was so much, still, to be learned from reality – from history and geography, from culture and tradition – that it was almost like saving the panda: go and do it before it is too late. From the old bamboo houses in Beijing and on the mountains in North Vietnam to the thatched-huts villages in the Savannah, from the barter economy in the plateaus to the fishermen's closed economies on the Indian ocean, from Fidel's socialism to all other 'African ways to socialism', what was it that was not worth saving and what was it that should perish under the ever mounting advance of capitalism? It was not so much as joining a crusade. Simply, it was the need to witness what *other ways* were still tried around the world. If *we* developed a given way, that was the lesson from Albert O. Hirschman, it does not mean that *others have to* develop the same way. And besides, they should be able to learn from us (and our mistakes). Development economics was a vanishing discipline, lost in the meanders of "practical" applications to be explained and "empirics with no theory". It had been subsumed by economic growth theory and lost almost all of its extra-disciplinary content and contamination from other disciplines. Sure, a lot could be learned from Paul David 'path dependence' and Nelson and Winter evolutionary theory of economic change. But it was like a circle of adepts of a marginal discipline.[12]

I went on my first mission as a development economist and 'advisor' in 1994: I was in Addis Ababa, Ethiopia, for some six months and the effects of the civil war against Menghistu and his deposition in 1991 were still evident, with a devastating famine that was still leaving scores of dead bodies along the roads in the city and around the country. From 1994 to date I have been on a number of missions – some times very long ones, as 'resident advisor', more often on short ones – as development 'consultant', an 'expert' advisor to governments and international organizations.[13] I have then been in Mozambique, Mali, Uzbekistan, Ukraine, Armenia, Bosnia and Herzegovina, Serbia, Bulgaria, Cyprus, Turkey, Yemen, Cambodia, Kazakhstan, Afghanistan, Sierra Leone, Gabon, Angola, Cabo Verde and Sao Tome e Principe (in chronological order). I have worked for the World Bank, UNDP, the ILO, Oxfam (an international NGO), the Italian Ministry of Foreign Affairs, DFID (the Department for International Development of the UK Government) and SIDA (the Swedish International Development Agency). And I have been located into several government

12 I once invited Paul David to give a few seminars at the Economics Department in Bologna (maybe the largest Economics university department in Italy, with more than 100 members). There were only a few of us who had intellectual curiosity among economists and a prominent economic historian, Carlo Poni, who attended. And when Amartya Sen came to give a talk in Bologna in 1994 it was him, Giorgio Basevi and myself, the three of us only, who went out for lunch to greet him, as no other colleague was available or interested. That was obviously before the Memorial Nobel Prize in Economics, after which Sen became acknowledged, and rightly so, as one of the leading intellectual figures of our time among economists.

13 In several countries, for academics specializing in development studies or development economics, working in the field is standard practice, actually required by their university institutions as part of their career requirements. For some reasons, Italy is an exception, as many of us know, and the "work in the field" is very much considered as close to "evasion" or even an exotic "vacation", particularly among economists used to interact mostly with their computers or work in some company management board or, in the "best" cases, dirtying their hands in some government body. If policy 'advice' is given abroad is looked with suspicion.

offices, mostly advising Ministries or Department Heads in developing countries.

In all these years I have met top officials from international organizations, as well as academics of various orientations. Certainly, many things have changed, "a lot of water has flowed under the bridge" and development issues still brew in the pot of world events. I have met people whose intellectual standing is unquestioned – from Angus Deaton to Joe Stiglitz – and whose interest in development economics and contribution to economics in general have gone in parallel. I have met functionaries whose commitment to the countries they were working for or assisting was as sincere as attentive as possible to the specificities and the reality of those contexts. In all of my experiences, I have never felt far from Albert Hirschman's feeling and message that it is from the reality of the country, of the community we are working in that we must begin with, keeping our tools ready while adapt them to the local conditions without prejudice or misconception.

This paper stems from that experience of mine and is inspired by the events and developments that I mentioned. It is a paper I wrote very much in the spirit of recounting how much I found in my experience as a development economist advisor coming from the legacy of Albert Hirschman, and how his lessons, in spite of the changes occurred in the discipline and in the world economy, have endured a life beyond expectations. One above all: the importance of learning, of not taking anything for granted and forever, of venturing into unchartered territories of knowledge to gain from experience.

3. Hirschman's Approach to Development

Before he started a proper academic life at Yale University, Hirschman spent a few years of his life in Latin America as a government advisor – from 1952 to 1956 --, having served for seven years as an economist in Washington in the Federal Reserve Board on European reconstruction for the Marshall Plan organizational structure. Out of his experience as a 'development' advisor, he wrote three books that would become milestones in their own right in *development economics*, as the new-born field would be later called: *The Strategy of Economic Development* (1958, hereafter *Strategy*), *Journeys Toward Progress* (1963 and then 1968, hereafter *Journeys*) and *Development Projects Observed* (1967, hereafter *Projects*). Though he would later move to other topics and issues, Hirschman would go back again and again to the same subjects, restating his propositions, looking at them from a different angle and reintroducing his arguments in a modified manner, revising concepts he had built up in his earlier writings. This was what he would call *self-subversion*, with an extreme degree of intellectual honesty (and irony): being able to revise one's own thoughts, to admit the mistakes, to change one's own mind. In this sense, though, rather than a *model,* Hirschman has bestowed a *corpus* of ideas, concepts and formulations on development, which lends itself to a variety of propositions and interpretations.

I will not delve unto the specific content of his books – the "models" he constructed and the "policy prescriptions" he derived –. Rather, I will briefly summarize the main underlying concepts expounded in the three books mentioned above, the concepts related to advising on development policy in developing countries and Hirschman's lessons in this respect. Hirschman's decision to move to Colombia in 1952 came as his interests had shifted to the problems of development in the so-called backward countries.[14] He had thus accepted a job in Colombia as a consultant to the newly established governmental National Planning Council, by indication of the World Bank. One year after his arrival, however, the country experienced a coup d'état led by Rojas Pinilla, the head of the armed forces, which started a period of civil strife, martial law and violent rule. Programs of

14 Hirschman (2001).

economic development were then launched by the government and there was some progress in industrial development in the following years. After the first two years, Hirschman then worked as a private economic adviser, went back to the US in 1956 but kept going back to other countries in Latin America as a consultant. This is the background in which he developed his trilogy on development.

While in Colombia, Hirschman came to shape up his fundamental ideas, coming to very different conclusions from Lauchlin Currie, the WB mission chief who was in favor of a "general" approach to development, a "planning policy".[15] This can be best understood by recalling how the debate on development intervention was being defined at that time, just a few years after the International Bank for Reconstruction and Development, as the World Bank was actually named, had been set up under the Bretton Woods agreements. That debate had started with the 1943 seminal article by Paul Rosenstein-Rodan on the problems of industrial development in Eastern and Southeastern Europe. Rosenstein-Rodan's starting point was the recognition of an 'agrarian excess population', i.e. a condition of 'disguised unemployment' or *underemployment* in the agricultural sector that made productivity of the population in excess equal or close to zero. The solution proposed by Rosenstein Rodan was to transfer this excess population to an industrial sector that was to be built ex-novo. This sector would have to be treated "like one huge firm or trust". Rosenstein-Rodan did not explicitly mention a policy of 'balanced growth', and yet this is what he was de facto proposing when he suggested considering the industrial sector as an indivisible and unified enterprise. He stressed the need for an initial phase of extremely focused effort to reach a stage of self-sustained growth, the concept of the 'big push'.

The 'balanced growth' approach was then taken on and elaborated more in depth by Ragnar Nurkse (1953) and W. Arthur Lewis (1954) and this would, as Hirschman (1984) later recalled, define " a new orthodoxy", against which Hirschman's *Strategy* (1958) and Paul Streeten (1959) would react with their two separate and independent contributions. In his *Strategy* Hirschman questioned the very fundamentals and the usefulness of the theory of balanced growth:

> My principal point is that the theory [of balanced growth] fails as a theory of *development.* Development presumably means the process of change of one type of economy *into* some other more advanced type. But such a process is given up as hopeless by the balanced growth theory which finds it difficult to visualize how the "underdevelopment equilibrium" can be broken into at any point […]. The balanced growth theory reaches the conclusion that an entirely new, self-contained modern industrial economy must be superimposed on the stagnant and equally self-contained traditional sector (*Strategy*, pp. 51-52, emphasis in the original).

Hirschman attacked the balanced-growth thesis arguing that problems of industrialization did not require a simultaneous solution across all sectors and industries. Quite the opposite: new industrialization processes would allow for a number of sequential solutions which were essentially different from those followed by the older industrial countries. Instead of emphasizing the various obstacles to economic progress -- land tenure systems, family structure, administrative instability, lack of savings and so on --, Hirschman stressed the need for *mechanisms of induction*: the fundamental problem of development consists in generating and channeling human energies into a desired direction (*Strategy*, p. 25). Posing the problem in terms of a missing element – primarily

15 Although Hirschman was a fierce opponent of Currie's approach and stance, he considered him "a man of considerable intelligence", which shows how Albert Hirschman never quite thought to have "enemies", but only adversaries or opponents (see Hirschman (2001, p. 81)). Currie had been part of Roosevelt 'brain trust' and was later accused of being a communist by the Committee of Un-American Activities. He, who had married a woman from Colombia, was denied the American passport, never went back to the US and died in Colombia at the age of ninety-one.

capital – was, according to Hirschman, misleading. He considered the resources and the elements necessary for development as latent, hidden, perhaps unavailable but nonetheless existent:

> development depends not so much on finding optimal combinations for given resources and factors of production as on calling forth and listing for development purposes resources and abilities that are hidden, scattered, or badly utilized (*Strategy*, p. 5)

The central chapter of Hirschman's *Strategy*, Chapter 4, entitled "Unbalanced growth: an espousal", explains Hirschman's idea of development as a “chain of disequilibria”:

> …our aim must be to *keep alive* rather than eliminate the disequilibria of which profits and losses are symptoms in a competitive economy. If the economy is to be kept moving ahead, the task of development policy is to maintain tensions, disproportions, and disequilibria. That nightmare of equilibrium economics, the endlessly spinning cobweb, is the *kind* of mechanism we must assiduously look for as an invaluable help in the development process. (*Strategy*, p.66)

As Hirschman reiterated, it is not necessary to concentrate efforts to industrialize a country in a short period of time. As he wrote to André Gundar Frank in 1959:

> If one wants to move [straight] from one equilibrium position to the next then, because of the discontinuities and invisibilities *that I take for granted*, the “big push” or “minimum critical effort” is indispensable. But if we assume that intermediate positions of development-stimulating disequilibrium are sustainable at least for limited time periods, then we can manage to break down the big push into a series of smaller steps (Hirschman (1984), p. 105, emphasis in the original).

As he would later recall, it was a search for *hidden rationalities* (Hirschman 1984, p. 91) that, through seemingly perverse or defective processes, could stimulate effective sequences of investment. This is a concept that Hirschman fully explored through the idea of “backward” and “forward linkages”: *backward linkages* corresponded to the stimuli going to sectors that supplied the inputs required by a particular activity, whereas *forward linkages* were the inducement to set up new activities utilizing the output of the proposed activity. The main source of development would be activities with high potential linkage effects.

That industrial development should (and in fact would) proceed largely through backward linkages was quite a revolutionary idea at the time: instead of doing things in the conventional way, industrial development would work its way from the “last touches” to intermediate and basic industry. Industrialization of certain leading sectors would pull along the rest of the economy. In this sense, it was not feasible or desirable to suppress the tensions and disequilibria created by the development process, since there was a “creative virtue” brought by them. If 'disequilibrium' is an intentional result, how is balance to be restored? Hirschman depicts it as a result of pressures, incentives and compulsions. He suggests that the efficient path toward economic development is often found in circumstances where the country has to find solutions for bottlenecks and shortages of skills, facilities, services, and products. In other words, *it depends*: there is no 'one-size-fits-all' solution, and every country and every situation is different.

Hirschman was the sole economist at that time to bring over the idea of 'linkages' as a feature to guide a deliberate strategy of development. Linkages were later interpreted to denote interdependence, interrelations in a general equilibrium system, where everything depends on everything, but also as multiplier effects, including spillover or external effects, even increasing-returns externalities. But what Hirschman had in mind had a specific and concrete meaning, standing for *mechanisms of inducement* that were at work within the sector of directly productive activities.[16] In concluding his *Strategy*, Hirschman was ready to admit that the emphasis he had put on the importance and creative virtue attributed to pressures, tensions, and disequilibrium would generate a certain uneasiness. He conceded that the response to such situations might at times be destructive, a danger that "we certainly would not want to disregard." (p. 208) But this does not imply that such tensions were undesirable and should not occur (p. 209). As a matter of fact, underdeveloped countries were already operating under the grand tension that was triggered by "the universal desire for economic improvement oddly combined with many resistances to change". How could one make the most of this positive relation between development and the tensions it creates? By means of extending technical assistance and policy advice to underdeveloped countries, was his answer.

In subsequent assignments to Mexico, Colombia, Chile, Argentina and Brazil, Hirschman realized the difficulties of generalizing about policy-making processes in Latin America and embarked on a "study that would attempt to reach conclusions through painstaking observation of the sequence of policy-making around significant policy problems" (*Journeys*, p. ix). *Journeys* was the result of that effort, a brilliant book in which Hirschman "crosses boundaries", trespassing the confines of economics and entering the realm of political issues. Hirschman criticized those who stressed the primacy of entrepreneurial decision-making particularly in the take-off for development, arguing, instead, that decision-making plays a considerable role in all stages of development. He questioned the *laissez-faire* doctrine in economics, which assumes that public decision-making is in average of poorer quality than private decision-making.

Journeys is a detailed analysis of several "case studies" and examples in various Latin American countries, framed within the economic history of those countries. And yet, Hirschman's main question is whether there is a specific Latin American style of problem-solving and policy-making. By resorting to an expression he borrowed from Gustave Flaubert – *la rage de vouloir conclure* (the rage of wanting to conclude) – Hirschman characterizes the problem-solving style of latecomers, who would often lead to jump to a ready-made solution:

> Urged on 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)

The special problem of latecomers in the industrialization process is that all they can do is to follow a trail that others opened some time before. 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." (*Strategy*, p. 159). This ambivalent attitude gives rise to the 'failure complex' (*fracasomania*) which characterizes a "self-deprecatory style of policy making": the tendency to consider problems as either wholly unsolved or as totally solved. Driven by a compulsive desire to solve all problems as rapidly as possible (*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 missions and experts were greeted at their arrival in a Latin American country would have been part of this ambivalent pattern. There was no rejection, but, instead, an attitude of acceptance qualified by (unconscious) sabotage. A collective psychological trait that was at the heart of many development project failures.

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16 In his later work, Hirschman (1995) claimed that the core of his argument was making a case against "one thing at a time". Latecomers in the industrialization process should follow an original path, defined as an "unbalanced growth" sequence. Industrial development in less developed countries typically proceeded by means of backward linkages, which was the correct way to go, since sequential problem-solving involved the risk of getting stuck.

The third book on his development trilogy, *Projects* (1967), concentrated on micro-economic aspects of development projects, in which Hirschman made an effort to look “beyond technology”, emphasizing, rather, the social and cultural environment where development projects are embedded. Hirschman's experience with World Bank projects led him to distinguish two types of decision: a) to accept some “status quo traits” of the environment as temporarily unchangeable characteristics, which he called 'trait-taking'; and b) to consider certain other traits as subject and ready for the kind of changes that are necessary for the project to be successful, which he called 'trait-making'. (*Projects*, p. 131). In *Projects* Hirschman developed the principle of the *hiding hand*, a metaphor in the vein of Smith's invisible hand, referring to Weber's concept of unintended consequences of human action. Through this metaphor, Hirschman went on to explore one of his dearest ideas, the search for possible hidden rationalities. Development projects are subject to two kinds of potential occurrences: unsuspected threats, on the one hand; and unexpected remedial actions that can be taken whenever the former become real, on the other. Project planners may ignore or underestimate the extent of trait-making that a given project requires; should they have complete information about the difficulties involved in its implementation, they might have decided to abandon it; in so doing, however, they would never reach the alternative solutions that might later turn out to be the true handicap of their project.

In his trilogy, Hirschman was able to sketch concepts he would later return to. He stressed the significant role that political action plays in economic processes. 'Voice', as he would later argue, is not a substitute for the market, nor an obstacle to its functioning; it is a second generally available mechanism that social actors consider in their choices. Therefore, economists concerned with development issues should focus on the general context in which economic decisions are made. Trespassing disciplinary boundaries was a conscious *parti-pris* by Hirschman, as he realized the richness he could get from the cross-fertilization of disciplines and cultures. It allowed him to establish that straight connection between theoretical work and policy advice, to understand a country specificity and thus tailor a policy prescription that would not fit a different situation. Hirschman had gone to Latin America with the intention of studying the problem of development in backward countries. His was an intellectual mission in which he wanted to study the causes of underdevelopment and how large-scale reform policies could be carried out to provide a solution, a mixture of positive and normative elements. He worked on two simultaneous fronts: a theoretical one, which implied building a theory to explain underdevelopment, and a practical one, which involved discussing a set of policy recommendations to cope with it.

Hirschman never endorsed the idea that the basic job of a social scientist is to discover and stress regularities, stable relationships, uniform sequences, and so forth. Diaz (1984) pointed out that Hirschman has been a rebel against the simplifications, banalities, and limitations of practical orthodoxy and heterodoxy, and he did so by learning from his empirical work. He did not manipulate a large mass of statistical data and did not submit them to sophisticated econometric techniques, as his contemporaries would do. He basically relied on direct observation – visiting projects, listening to people, meeting with government officials – and on historical analysis of relevant institutions. Hirschman realized that certain structural characteristics of underdeveloped economies made orthodox analysis inapplicable and misleading. He wanted “to underline the multiplicity and creative disorder of the human adventure, to bring out the uniqueness of a certain occurrence, and to perceive an entirely new way of turning a historical corner”. His whole life is a testimony to this attitude: he decided to live in a very poor continent like Latin America in the 1950's, he bothered to learn the language and to visit the countryside, interacting with Latin American politicians, intellectuals, workers and other social groups. He went to Latin America with prior theoretical ideas that he later dismissed whenever empirical investigation proved them wrong. Afterwards, he recalled arriving in Colombia, and being humbly determined “to understand better their [the Colombians'] 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" (Hirschman (1984)).

4. The (Mis)Fortune of Hirschman's Approach and the Evolution of the Development Debate

Albert Hirschman's theories of development did not have much fortune. In as much as many of the concepts he invented have lived on – his contributions remain in most textbooks and are still taught in universities – it was his theories that were dismissed as unpractical from the policy perspective and unorthodox (i.e. "wrong") from the academic point of view of the economic profession. One reason may be what Krugman called the counterrevolution that swept development economics away. 'High development theory' – which began with Rosenstein-Rodan (1943) and ended with Hirschman's *Strategy* (1958) – was sidelined, canceled and buried. And yet, as Hirschman himself and others have argued (Hirschman (1994)), this did not necessarily happen "because the founders of development economics failed to make their point with sufficient analytical clarity" (Krugman (1993, p.16)). Nor did it happen because they did not express their ideas "in the kind of tightly specified models that were becoming the unique language of discourse of economic analysis" (Krugman (1994, p.40)). There was a rejection of the whole approach to development – that of development *planning* – that had ideological, analytical and methodological reasons. This brought on the decline of development *economics* altogether, as Hirschman (1981) had already acknowledged.

Those different concepts – the balanced-growth and the unbalanced-growth theories, the surplus labor and the dualistic approach, backward and forward linkages – were complementary because they all had something fundamental in common. They were all rooted in the Keynesian revolution of the time, not so much in the actual policies they were advocating, but in the spirit they were developed. The Keynesian approach to macroeconomics had given legitimacy to the concept of unemployment as an equilibrium result. So, economists could now give legitimacy to the concept of (rural) *underemployment* as a crucial characteristic of *underdevelopment* (Hirschman (1981)). If there are two kinds of economies – one in full-employment where there is no equilibrium unemployment and the other in capacity under-utilization and equilibrium unemployment – that admit two kinds of economic prescriptions and models, then there can be two kinds of economies for the developed and for the under-developed economies with two different sets of assumptions and models. Another difference was the idea of *late industrialization* and how to overcome it. For that too, industrialization in less developed areas will require novel approaches that cannot be simply borrowed from the history of mature industrialized countries.

Hirschman maintained that the demise of his approach and of development economics after the Fifties and Sixties was due to a simultaneous attack from the Right and from the Left. However, it was more than that. The 'Right' did non accept the idea that underdeveloped countries should have an economic theory of their own – Hirschman's 'mono-economics' definition –. The 'Left' attacked the fact that Hirschman's theory lacked grounding in class structure and had no reference to the core-periphery argument and to the idea of unequal exchange between advanced and under-developed economies. Why was it more than that then?

It was the idea of development *planning* itself that was at the core of the rejection. It was the possibility of giving the State such a prominent and central role that ultimately undermined general acceptance of the development approach of those years. The neoclassical optimizing representative agent model was gaining ground, with all its market determined equilibria and less and less room for intervention. By the Seventies, the anti-Keynesian monetarist rational-expectation counterrevolution was setting in, with all its implications for the dominant economic paradigm and economic policy all over the world, but particularly in the advanced capitalistic economies of the West.

Robert Solow's model of long-run economic growth had come out in 1956, superseding the Harrod-Domar Keynesian approach by introducing labor as a production factor, diminishing returns to capital and increases in productivity (technological change). The model basic implication was that in the long run growth depends on demography and technological change only, with no role for policy intervention. From that model, the Ramsey-Cass-Koopmans optimal growth model was later derived in 1965, whereby consumption is fully micro-founded and the savings rate is endogenous. With the Seventies, unregulated market-determined results were becoming to be considered as optimal, with less and less room for policy. And this obviously affected the way development policy intervention was to be formulated. Market-friendly policies and results were to be encouraged whenever possible, with very little room left for regulated markets and policy-controlled experiments.

The first generation of development economists in the Fifties and Sixties had thought that public intervention made sense in certain circumstances. Without necessarily being "Keynesian", they agreed that there was lots of room for *planning* and *pro-active policy*. In the spirit of the times, they thought of Government as a *primum mobile,* a prime mover that could act as a regulator, a consumer and an entrepreneur where there was a scarcity of those agents. In the Seventies, this attitude began to change, also affecting international development agencies – chiefly the World Bank – and development policy research.

Even if we do not agree with the argument that "the World Bank has played a critical role in the legitimization of the neoliberal paradigm over the past quarter century" (Broad (2006)), it was certainly the case that the World Bank slowly began to adopt that paradigm with more and more conviction, up to the creation of a new lending instrument in 1979 – *structural adjustment* lending. These were funds not attached to specific projects. Rather, they were balance-of-payments support given in exchange for policy changes in the recipient country. This came to be called 'conditionality'. In the end, the Bank did not just *adopt* the neoliberal paradigm, it *championed* it, almost obsessively.

There had been a precursor in this matter. One of the contentious issues since the very beginning had been between *project* funding and *program* spending. In the argument that saw Hirschman opposing Currie, both working for the World Bank in Colombia – projects vs. programs – there was a forewarning of the hot debate to come.[17] One implication of the balanced-growth approach was the need for coordination and planning of several activities carried on at various levels through large-scale programs that would take advantage of the interdependencies existing in the economy, thus arranging 'the big push'. Far from denying those interdependencies, Hirschman emphasized instead the need to focus on specific individual projects that might deem successful and whose beneficial effects would later spread to the rest of the economy. The opposition between the balanced- and the unbalanced-growth approaches lay also on this antagonism: whether it was more appropriate to support large-scale programs or to focus on specific projects (including large and costly infrastructure projects). Even though the World Bank had no specific position about this at that time, it always kept a "preferential attitude" towards program funding, because program funding could more directly influence recipient governments' policies.

The Structural Adjustment Programs (SAPs) formulated in the Eighties had all the newly dominant neoliberal features of market-friendly policies of deregulation, price liberalization and

17 See, on this, the discussion in Alacevich (2007).

macroeconomic stabilization. There was no room, at that point, for unbalanced-growth targeted interventions that would rely on spillover end external effects through backward and forward linkages. It was not a theoretical question, nor was it a methodological problem. It was rather a political – i.e. ideological – attitude. "Set the market prices right and let the market work" was to be the motto, everywhere it was possible. And if the market does not work, it means there is no room for it. Nor was there room for 'big push' balanced-growth policies entailing a big role for State intervention. Broad programs based on a set of conditionalities and market-friendly policies would do the job. There would be no need for large public interventions financed through foreign assistance.

In this respect, I do not believe, like Dani Rodrik, that Hirschman's approach was superseded because "he must have been such a source of frustration for his contemporaries. He was in many ways the ultimate contrarian--always looking for the unique and the exceptional, while not shying from building general theories from those cases. He was a critic of the reigning development theories of his time (the big push and balanced growth), arguing that the under-developed societies who had the capacity to implement these comprehensive programs would not have been under-developed in the first place. He argued instead for a strategic, opportunistic approach, based on making the best of what you have."[18] Hirschman's view of development, which he set in his *Strategy* and later re-elaborated, was rejected for other motives. The reasons have more to do with Hirschman's genuine inspiration – that of a planner that tries to look for the best solution at hand for the specific case he is dealing with – than with his policy prescriptions. His 'hidden rationalities', his 'induction mechanisms' would call for planned State intervention to support. That kind of intervention would no longer be on the development agenda.

While ideas like backward and forward linkages or the big push have recently gained new ground thanks to the formalization of concepts like increasing returns and external economies (as in Murphy, Schleifer and Vishny (1989) and Krugman (1993)), it is the specificity of *development economics* as such – in the way Hirschman advocated it – that has been questioned. Growth theory has subsumed development theory, as if development issues were to be treated as special cases in a macroeconomic setting. The main development economics textbooks are firmly rooted within the dominant economics paradigm in a way that would have appalled for the young Albert Hirschman setting out for Colombia with his wife to help the country. This has a lot to do with the dominant ideology that is prevailing in the profession, something that goes beyond the neoclassical, neoliberal approach and is deeply rooted in the way economics as a science has turned to look at itself.

What I am referring to in this case has to do in part with the role of *models* and, more generally, to *methodology.* But it is also about the *object* of the analysis that economists decide to focus on. On the role of models in economics and, in particular, in development economics, we can refer to the simple analysis provided by Krugman (1993). Models are conceptually simplified descriptions of a problem that have to be manageable and have to provide explanations that are meaningful and useful. The question is: *what* do we want to model?

In the case of development, it was assumed since the very beginning that the whole issue was how to get underdeveloped countries on an economic growth and development path that was similar to the advanced economies. Economies are very complex systems, where thousand of factors determine any given result in any given point of time. Italy today is the result of the policies it followed, of its history and so forth. But even with those same policies and resources Italy would have been very different if all the countries surrounding Italy in, say, 1885, had been on a different development path. It is the interaction and the result of countless factors that determines

18 Rodrik (2007a). The reference is to Hirschman (1958, p. 54).

development. In Great Britain, it took one hundred years from the first mechanized textile factories established around 1770 to get to an almost fully industrialized economy in 1870. And that occurred in some specific areas of Great Britain where there was coal, iron and water, three "ingredients" absolutely necessary to launch steam technology. At the same time, just a few years later, Belgium, the Netherlands, and some areas in France and Germany began to build a coal industry and then a steel industry. Would have that been possible without those natural resources and the technological capabilities to exploit them? Only when long-distance transportation became possible, that possibility extended to other regions. And so on and so forth. This simple argument highlights the importance of 'history' and many other 'factors' (tradition, institutions, culture, climate, natural conditions, and so on) in understanding the development process.

What some economists and social scientists knew all along was that it was of absolute importance to consider the local historical factors in designing what possible development trajectory a country (a society) can take. Hirschman shared this awareness, as did Gerschenkron and many others. Ingrained in this awareness was an 'illuministic' attitude which held that only once we understand how things have evolved, can we intervene, correcting biases and mistakes. There was also, undoubtedly, a kind of Western 'superiority complex' and benevolent desire to 'help' under-developed poor countries get on a genuine development path. "We have developed, we know what it takes, we can even tell you what mistakes not to make so that you can do it faster and better."[19] The lack of historical background and contextualization – not even in the form of 'local conditions' – and the deliberate absence of predetermined paths to development were certainly two important factors that eventually contributed to the failure of development models.[20]

Early development theories have ultimately proved right as under-developed economies are in fact different. Nonetheless, 'mainstream' approaches to development have continued to be prepackaged lists of requirements and prescriptions, whatever the country and the conditions. As if all countries were the same, 'mainstream' approaches use key macro indicators to determine what recipes and what "doses" to apply. This attitude has remained in spite of the fact that from 1950 until the end of the 1980's we saw most developing countries suffer poor economic performances adding to increasing poverty and cumulated foreign debt.[21] Oddly enough, while rejecting on analytical and ideological grounds the need for broad State intervention and public policies, the World Bank itself came to assume a central role on the world development arena with large support program loans conditional on broad sets of policy prescriptions for the recipient countries. Sure, the World Bank is funded mostly by the richest countries – and chiefly by the US –, all of which keep their double-armed policy of intervention in developing countries through bilateral and multilateral foreign aid. But after the Latin American debt crisis in the Eighties, it was the World Bank (with the IMF) that was called in to take on the onus of intervention to prevent default and help the countries

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19 The benevolent attitude was deeply rooted in many scholars of Hirschman's and the later generations. In the case of Irma Adelman, as she declared in her autobiographical introduction to her selected essays, "the expiation of this guilt – catholic guilt, the guilt of a survivor of the Holocaust – through the only mechanism it can be expiated – service to humanity – has been a primary force in my life". That was, in her words, where her sympathy for the less fortunate and the socio-political views of economic development came from. See Streeten (1998).

20 Unfortunately, we can say that this is due to the way economics is. The discipline has come to think of itself as a *science* that can abstract from historical contingencies to become an abstract description of the world, with its *laws* and *principles.* Just like physics. And just like there is only one physics, one mechanics, there should be just one economics for the economy *as such*, not for a specific, historically specified economy, that is, one economics for the developed economies and one for the under-developed ones.

21 Interestingly, as we know, the early exceptions to the disappointing performances of developing countries have been those 'emerging economies' in Asia that *have not followed*, incidentally, prescribed development policies nor have received any foreign development assistance like South Korea, Singapore, Taiwan, Honk Kong and other similar cases.

not to further slide down. Increasingly, over the Eighties and the Nineties, bilateral and multilateral foreign aid had come to address the debt issue and the persistently poor economic performance of many developing countries (which, as Krugman stated, is ironic to call 'developing' as they are not developing at all). Was that performance dismaying because of the adoption of wrong policies? Or was it the wrong implementation of otherwise good policies? Nobody escaped the vicious circles of debt and poor performance. On top of that, strong conditionalities attached to foreign aid and loans simply made things worse. Once more, Hirschman's reflections on the need to learn from past mistakes (and history) was not even taken into consideration and the vicious circle of bad policies, more aid and more debt kept spiraling in.

In the Nineties, the failure of the IMF-World Bank SAP's throughout the world led to the second generation of assisted development-policy design, with a set of programs that went under the name of Poverty Reduction Strategies (PRS). While the debate on foreign aid effectiveness flourished – and the amount of that aid slowly diminished – the wrong culprits were identified, the main culprit being, once more, the State. Whereas market failures in developing countries are widespread, so are State failures. State failures are even more dangerous and arise out of bad consciousness, corruption, distorted incentives and all kinds of wrongdoings. One of the results of the SAPs was that it was often the imposition of strict fiscal consolidation and macroeconomic stabilization – with the associated reduction of public spending, welfare provisions and public services – that exacerbated economic and social conditions in poor countries, to the point that "after the cure" they were much worse off than before.[22] Things did not change much with PRS, which were supposed to be country-owned and participatory, targeted to reduce poverty and address the problems remained unsolved with the SAPs.[23] The UNECA Economic Report on Africa for 2010, for example, noted “very limited headway was made with poverty reduction, eradicating hunger, decreasing the maternal mortality rate and addressing many disparities due to gender, income and disability,” despite growth rates remaining above 4% across the continent. And an IMF and WB review of the process pointed out that “engagement of direct representatives of the poor” is especially lacking.

While the rejection of large-scale macro models of the heydays of development theory had been due to the monetarist rational-expectation revolution and the (anti-Keynesian) economic policy wave that had led to the neoliberal approaches that have ever since characterized the 'Washington consensus' – more market and less State –, development assistance has remained firmly entrenched in the principles of balanced growth, all-encompassing liberalizing market-oriented policy reforms and diffused marketization with an increasingly limited role for the State. From the SAPs in the Eighties to the PRS in the Nineties and the first decade of the XXI century, development assistance approaches have maintained a standard list of prescriptions – the same for all countries –, policy-reform recipes for all sectors, social, institutional and even political objectives, under the justification that 'everything depends on everything'.

As Rodrik said, Hirschman "would have been a fierce critic of the dogmatism of the 'Washington Consensus' and its sequels, had he maintained a strong interest in development." But

22 See e.g. World Bank (1994). As the Report claims (p.1): "Part of the explanation, then, for Africa's disappointing aggregate growth is the lack of sustained reform, not a failure of the reforms themselves. […] Although adjustment can work in Africa, the report recognizes that it cannot work miracles."

23 PRS programs were to be the operational basis for concessional lending to low income countries and for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. PRS papers are prepared by governments through ‘participatory’ processes involving national stakeholders and external development partners, including the International Financial Institutions, the WB and the IMF. According to the World Bank, PRS programs should set the macro-economic, structural and social policies that a country will pursue to promote broad based growth and reduce poverty.

Hirschman did keep a strong interest in development! (Just look at his bibliography). Simply, he did not bother to argue with those who publicly claimed to reject the principle of development planning and balanced-growth model but in practice kept adopting a standard list of prescriptions, of 'one-size-fits-all' development recipes that have proved wrong or totally inadequate. Hirschman's arguments against that approach fifty years later remains as valid as before and its enemies, today as then, have not changed.

International donors are aligned with IMF and WB policies, which in turn represent the dominant view leading the public discourse on development issues. Development economists wander in the field in search of truths that can no longer come from the policy debate and they are thus reverting to methodology. The latest fashion now under discussion is that of *randomized control trials* (RCTs), under which empirical, experimental tests can be replicated and thus – purportedly – generalized and scaled-up.[24] The reasons for the success of this method is that it has been championed as a means of identifying "what works" in development. Thus, interventions that work in one place can be expected to work in another. But RCTs test "mini" questions on a deliberately limited scale. The only questions that are amenable to being answered through randomized trials are very narrow ones – since experimental testing requires strict control of all conditions and variables. The method then identifies if a specific micro intervention works under those limited conditions. This presumes not only that the results of such "micro" interventions are substantially independent of the "macro" context, but also that a focus on such interventions, as opposed to those which reshape that context, is sufficient to address a problem – poverty, for example.[25] One consequence of this approach for development economics is that the questions asked by the discipline have now become much "smaller". It is no longer a matter of which alternative institutions, programs or economic policies are appropriate and what impact those may have on social change and development. All those questions are now being pushed to the background, as what matters is whether we need malaria bed-nets for free or not and simple questions as that. Where have all the relevant questions gone under this "pianissimo" version of development economics, as Reddy called it?

While the only questions that can be answered through randomized trials are very narrow ones – having to do with the responses of individuals or households to a well-defined single “treatment” – all the questions that arise in the macroeconomic context and many, if not most, of the important questions that arise in a meso- or microeconomic context, cannot possibly be answered in such a way. Hirschman's empirical lantern remains very much needed now that no general principles are inspiring development researchers. Development has become a "technical" issue, simply and solely concerning changing in patterns of living conditions (nourishing, dwelling, clothing, transportation, etc.). This technocratic definition of development – in which change is conceived of as being brought about by technical intervention from above and relies upon the knowledge of experts as to "what works" – is the now prevailing view on development. This view holds that expert knowledge, once arrived at destination, can be applied in a modular form, making it possible to replicate elsewhere because of a mechanical understanding of causal relations. The presumption is that there are near-universal and observable empirical regularities underlying the connection between 'inputs' and 'outputs', and this notion corresponds to a narrow-minded engineering approach to causation in social issues. There is little room to take note of contextually variable social relations and their complexity, let alone the role of political factors that undermine

24 See, e.g. Banerjee and Duflo (2012) and, for a critique of the method, Deaton (2009).

25 As Reddy has argued, reviewing Banerjee and Duflo's book, "this is presumably (as it is not made explicit) because of the existence of 'deep structural' causal underpinnings that are uniformly present. It is not surprising that the authors [using randomized trials] use concepts such as that of the policy “lever”: their epistemic framework is modular, reductive, and mechanical" (2012).

such a mechanistic image of society. How far have we gotten from the delicate intricacies of Albert Otto!

4. Development Policy Advice in the Field and Hirschman's Lessons

Hirschman, himself an adviser, made the work of consultants a recurrent theme in his writings, starting with his 1963 *Journeys* book. 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 or country. Policy counseling by (foreign) experts was obviously seen, by Hirschman, as a problem-solving activity. Naturally, the issue was whether foreign experts were needed as *foreigners* – and thus not involved in national matters -- or simply as *experts* – knowledgeable people needed because of the lack of expertise in loco –. In writing his *Journeys*, which arose from his experience during a long trip to Latin America (see above), Hirschman asked whether the conditions for the emergence of local problem-solving capabilities were there or whether there was a need for foreign expertise. He also questioned whether the decision-makers would be able to make use of whatever expertise was to be delivered to them.

Policy advice is part of designing the right development policy tools. The lack of development in Latin American countries at the time of Hirschman's trips was not to be attributed by him to the absence of some "prerequisite", as it would have been easy to do. In his *Strategy,* he had already emphasized the disorderly nature of the development process. He was interested in “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).

Yet, as there is often no perception of changes taking place as a result of expert counseling, Hirschman associated the visiting-economist syndrome with the self-deprecatory attitudes he criticized in Latin America. As he argued later, certain ubiquitous phenomena such as bottlenecks and imbalances, in which Latin American saw the proof of their ineptness and inferiority were inevitable concomitants and sometimes even useful stimulants of development (Hirschman (1971, p. 93)). Learning from past experiences was not easy for Latin Americans, who were all too ready to issue blanket condemnations of their reality. Hirschman criticized the United States and international institutions strongly influenced by the United States for the fact that they were convinced they owned the key to progress and development for all those "backward" countries. And thus he suggested to adopt what he called *reform-mongering*, as an attitude.[26] Reform-mongering works by incremental gains and a problem-solving strategy.[27] As it has been pointed out, Hirschman pictures development as the creation of institutional means to bring potential resources to life. There is no predetermined "royal road" to this end; everything depends on creative solutions applied to concrete circumstances. 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” (Hirschman (1971, p. 7)). The search for *hidden rationalities* thus comes close to the operating mode of the *hiding hand*:

26 Meldolesi (1995, p.89) identifies the concept as denoting “the intermediate area of social transformation that lies between peaceful reform and revolution.”

27 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. It 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.

> 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. (*Projects*, p. 14)

In defining the 'visiting-economist syndrome', Hirschman characterized the development specialist as an "export product" manufactured by the advanced countries in the West. This product, typically, has some features. 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. Secondly, 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.[28] Hirschman recognized that the foreign adviser's competence often 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. And yet, Hirschman knew 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)).

The visiting economist, Hirschman pointed out, is often a scapegoat, which eventually affects him with the 'syndrome'. The foreign adviser receives the blame for unpopular measures that the government decides to take.[29] And yet, there is no active learning from past experience, which is crucial for problem-solving. Foreign advisers become scapegoats and receive the blame no matter how “wrong” their recommendations actually are. On the other hand, by conceding themselves a sort of immunity against the negative consequences of their decisions, they are incapable of building on past experience.

As I have personally witnessed in more than twenty years of advising work, things have often taken that turn. Hirschman was well aware of that. Foreign missions should not issue policy recommendations without a close examination of the social, political and economic conditions prevailing in each country or region, he claimed. 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.” (*Projects* (p.3)).

Hirschman avoided indulging himself in this “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. He realized that certain structural characteristics of developing economies made conventional analysis and the corresponding tools inapplicable and misleading.

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28 Hirschman noted that in Colombia 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 alerted 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.

29 Hirschman further argued 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)

Certainly, the discussion on the work of experts and advisers has a lot to do with how organizations work and how development assistance is structured in practice. The World Bank, for instance, is a large organization, with a staff of several thousand employees and consultants. Many of them are economists. Some of them work in the WB Research Department – the largest ensemble of PhD in economics in the world, as someone said –. And yet, if one takes a typical Poverty Reduction Strategy Paper (PRSP), not only does it always have the same structure, but it often has the same content, too. What changes, depending on the country, is the numbers – statistical indicators – and the names. Sure, to make things subtler, the Bank has given instructions to its Country Offices to do things *locally*: hiring a team of local experts, collect local data, have experts embedded in the government offices, possibly at the top level. These teams are usually trained for some time in Washington where they learn what job they have to perform. And they learn their manuals. Then they go back to their country and "apply" the recipe, by formulating a "nationally-owned" PRSP. To make things more sophisticated, they aim at having the government not only approve the document but wholeheartedly endorse it, possibly after "a consultation process that involves civil society".

There is a whole culture in the development assistance world – with its language, its jargon, its buzzwords and fuzz-words, its themes and "values" –, on which I will not elaborate.[30] What is important to notice, here, is that there has been a *standardization of practices* that corresponds to the logic of the 'one-size-fits-all' policy prescription list and very little room for learning. No learning from experience, no historical memory. Development strategies forget nothing and learn nothing, every time starting from scratch. It is not so much that a development strategy should not have a 'poverty profile', an analysis of the macroeconomic conditions and the institutional setting. Obviously it should. It is the way things are interpreted, what reasons are given, that is often preposterous. Is the rate of enrollment in elementary school low? There can be many reasons: too few schools; schools are far to reach; there is no public transportation; children are discriminated and cannot go to school, even if their families want to; children do no go to school because their parents want them to help with the family farm; etcetera. Analyses are rarely taken to that degree of refinement. And maybe, the problem in the end is that the language taught in the school is not the right one... There are assumptions that are completely unwarranted and yet they are always present. What is 'civil society'? What are 'civil society organizations'? Obviously there must be some, say the World Bank functionaries!

All of these issues surface in the advisory work, particularly when big organizations, like the WB or the various UN agencies, are present on the ground. As a development advisor, when working for a government, I have often found myself in the middle of these confrontations: the government on one hand and the "donors", typically headed by the WB, on the other. The government has to respond to the WB requests – which usually represents the so-called International Community, i.e. the collection of donor countries in a recipient country – because those requests are usually the *conditio sine qua non* loans and funds will not be disbursed. Developing countries, typically, are always in the position of needing money not so much because they want to do something "new" but because they have to satisfy some past obligation, a vicious circle they can never get out of.

When I worked in Mozambique on the preparatory work that was needed for the first draft of the local PRSP[31] in 1997, most of the work to be done was to get the data right. The policy prescription were already there, they just had to be conformed to the data (not the other way around...). Three years later, Mozambique was already hailed as a success story by the World Bank

30 See a good reference in Cornwall and Eade (2010).

31 In Portuguese called the PARPA, Plano de Acção para a Redução da Pobreza Absoluta.

in sub-Saharan Africa. The macro-economic data were questionable, poverty data had been collected through a large country-wide survey and showed the dire conditions of the population in the country. Yet, the *projected* macro-data were encouraging (there was no *real* data available), and so the PRSP went and the development "strategy" was approved. The data had been generated in Washington, and much of it was made of informed "guesstimates".

In the case of Mozambique, like many other countries, overall comprehensive development *strategies* have been introduced and adopted as all-encompassing policy programs covering almost all sectors of society, from the economy to education and health, from land to roads and transportation. Under the *egida* of World Bank sponsored market-friendly initiatives in all fields, these programs have come to embrace all possible actions in the public and the private sphere targeted to 'development'. Such programs, with their frightening resemblance to soviet-style five-year plans, have become the favorite creature of World Bank Country Assistance Strategies (CAS) and their executives.[32] Everything is, obviously, market-friendly, possibly liberalized, free of State intervention, targeted to exploit the market potentials, favor private investment, particularly in the form of foreign direct investment. And yet, everything comes under the scrutiny of the very Visible Hand of the Government, which acts as the operational arm of the 'International Community', i.e. the World Bank and the donors. The funny thing is that for many countries such a daunting task of designing an overall economic and social development strategy covering all areas of society had never been even conceived before. It is all too natural that this would have required a lot of *expertise* coming from abroad. And this was not in the least ever thought to be at odd with the idea that large-scale programs were to be banned, as they would be the way for the State to get too involved.

In 2003, I was asked by the OXFAM representative in Bosnia to help them coordinate the civil-society consultative process for the PRSP that was being drafted and contribute with a critical analysis of the document, with the aim of providing suggestions and improvements. The draft PRSP had a macro-economic section, a poverty 'profile' and a discussion of the main policy propositions. The document had been evidently drafted by separate teams of experts, each working in a vacuum, with very scarce and scattered data available. What was striking – beside the incredibly long list of "priorities" – was the lack of connections between the macro section and the analysis of poverty and living conditions. Obviously, the importance given to macroeconomic issues within poverty reduction strategies stemmed from the conviction that economic growth is arguably *the* single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth. Hence macroeconomic stability was identified as a key component of the poverty reduction strategy for the country. But was this the case? There was no such evidence in the poverty profile. The problems of Bosnia and Herzegovina, after the ruinous war that had taken the country apart between 1992 and 1995, originated in the first place from the precarious institutional setting that, after the Dayton Agreements, had frozen the partition that had been imposed on the country by the warring parties. Obviously, there were economic and social issues that were structural, dating back to the Yugoslav years, but those had only been exacerbated by the war, the "ethnic cleansing", population displacement and migration, destruction of the country infrastructure and the fragile political settlement, complicated by an overwhelming presence of international agencies and actors.

The country had a monetary authority that was headed by a foreigner, with an artificial currency tied to the Euro. So it had no monetary policy. The foreign debt contracted before the war had not been scrapped and the further debt added by the war and reconstruction was to be managed

32 All major donors – like the US or the UK – have such strategies, including the European Commission, the largest foreign aid donor.

by a 'State' government under the direct supervision of the High Representative – the de facto governing authority -.[33] No debt renegotiation was ever envisaged. The OXFAM Report, in the end, was quite critical, with statements like: "If economic growth is going to be associated with distributional effects that will have a greater impact on poverty, then policies such as land tenure reform, pro-poor public expenditure and measures to increase poor people's access to financial markets will also have to be taken into account." "The macroeconomic and fiscal framework designed for Bosnia in the PRSP does not explicitly envisage policies aimed at insulate the poor against shocks." There was no research on the causes of poverty, its link with macro and fiscal policy, no analysis of the possible social effects of policies.[34] "Most of the 'key requirements' listed in the paper appear to be more like wishes rather than actual policy prescriptions."

When I presented the main results of our analysis to a gathering of policy officials and WB representatives there was an uproar. In as much as the experts that had been recruited to draft the document were Bosnians, the document had all the vacuousness, the dreary ready-made flavor of a desk-based study duly done by some graduate student in approximate English. It was certainly "owned" by the Bosnians but there was no room for criticism or improvements. I was then invited by the WB Country Representative – a nice American fellow – to his office and for a whole day I was questioned and we discussed, together with his young enraged experts, why in the world I had been critical and I was not understanding how much good the Bank was bringing to the country.[35]

Some five years later I went back to Bosnia to work in the Prime Minister's Office for the new Development Strategy. It was a much better setting, with a team of local young motivated experts. But the framework had not changed, their expected output was to be on the same lines and drafted in the same vein as the previous one. The same list of issues to address, the same list of prescriptions. Forget nothing and learn nothing. There was something we could contribute: to get the data right, at least, in order to be able to ask the right questions, if anybody bothered to do so. And that's what we did, with a large-scale nation-wide household survey on poverty and living conditions, carried on by the local statistical offices with our assistance. A job that was properly done, effectively owned by the locals, who were in the end proud of it. But the development strategy, to be approved eventually in Washington, did not change that much neither in aim nor in scope. A pity.

In 2013, I was asked to contribute to the PRSP drafting in Sierra Leone (now called a 'development strategy'). My job was to help design a set of indicators to monitor the progress of the program in all areas. The plan, as usual, had all kinds of provisions, vaguely specified, generically addressing all kinds of issues. The bottom-line was, once again, to favor economic growth in order to reduce poverty. I had already been in Sierra Leone in 2009, when I had eventually met with the Minister of Finance and the President himself. Honest people surrounded by sharks, self-interested functionaries and motivated experts. The Head of the Statistics Office had been ousted because he did not want to comply with some requests that had to do, in the end, with how policies would look. The chief maneuvering was now done by the Deputy Minister and a young technocrat who had

33 Himself with a 'visiting-expert syndrome' ready to take the blame.

34 The draft PRSP claimed that the basic cause of the general increase of poverty was "to be found in the impact of transition, which causes an immediate rise in unemployment rates, emigration and corruption, as well as the disruption of the social security system when it is most needed". That was all.

35 One day I was summoned by the Government representative in the team that had drafted the PRSP (and main author), a man who stroke me for his shallow economic knowledge, for an interview. I was questioned in an inquisitive manner in a large room where I had to sit on one side of a wide table and he was sitting at the other, flanked by two women who did not introduce themselves. I also remember that a friend of mine, who was the Head of the Civil Service Agency, told me that that same person had told him that they were prepared to deny me permission to enter the country as "an enemy of the Bosnian people". It all sounded so "soviet"!

taken the job of the old wise finance Minister. A few young sharp fellows paid by Tony Blair's Africa Governance Initiative (AGI) were advising the Minister, working in his office, spin doctors for his humble staff.

In my task, I was not able to work *directly* with the Minister's staff, but I could only access the AGI experts who told me that all they were doing was "to assist the country and the Minister" as they had "no personal interest at stake". In the end, before I could even think of what indicators for what actions, I had to identify what actions were possibly needed. I thus had to go to the various Ministries and Departments and collect data and information on their policy preferences. The whole plan had been drafted on paper, as a desk-study, with no feedback whatsoever from the Offices down the line. If that was to be the Government plan, owned by the whole Government, it certainly needed not just their feedbacks, it needed their approval and ownership.

The plan was in bad need of fixes of all sorts. Objectives and expected outcomes were vaguely defined, target indicators for outputs were not specified. Most importantly, the policy objectives for each sectors were defined only in terms of "improvements" and no priority objective was identified – there were actually 211 in all! –. With a couple of colleagues from the Minister's staff, I was able to interview functionaries and top officials at all levels. Sierra Leone is a small country with a recent history of atrocities whose scars are still very much alive. Yet, it has traditions, a history of knowledge dissemination and education building, like other African countries. Freetown had been hailed as "the Athens of West Africa" in the initial colonial times, because of its schools and universities, before slavery came to disembody the soul of a country of diverse cultures. I was certainly not knowledgeable in any of that, not a *connoisseur* in any sense, the only expertise I had was a technical and rather specific one. And I had Alberto Otto in mind who, I always thought, was someone who does not think of himself as an expert, but, rather, wants to learn from his interlocutors. Hirschman was profoundly interested in what people already knew (and sometimes could not act on) and on what they wanted to do. In the design and implementation of a plan, this required a careful assessment of the particular circumstances to which the plan would apply. I tried to do the same.

Hirschman argued that people in this *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." (Hirschman (1984, p. 93)). In Sierra Leone I brought that empirical lantern with me, the same lantern I carried since I had learned to use it. In working in developing countries as an 'expert', the best lesson that I had learned from Hirschman, to me, has always been: "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." (Hirschman (1984, p. 91)).

In the recent years, associated with the discussion on aid effectiveness, a growing literature has questioned the role of experts and technical assistance. The most provocative contribution, in that sense, is probably William Easterly's latest book, entitled *The Tiranny of Experts* (2013). The book raises many arguments, the most important probably being that "the Western focus on material suffering of the world's poor has all too often come at the cost of neglecting the rights of the poor". What I would like to mention here is Easterly's point about experts. "Over the last century, poverty has largely been viewed as a technical problem that merely requires the right 'technical' solutions. Yet all too often, experts recommend solutions that fix immediate problems without addressing the political oppression that created the problems in the first place". I believe that the whole thesis of the book is somewhat naive. Even though the emphasis on individual rights is appropriate, claiming that underdevelopment is the result of authoritarian regimes and the lack of rights is just too simplistic, or narrow-sighted. True, many African and post-colonial countries have suffered authoritarian rulers, but that was certainly not the only and maybe not even the main reason for their backwardness.

Easterly's approach is indicative of a tendency among some 'progressive' economists and, more generally, shows how economists, to a good degree, look at the problems of the world. Easterly's book is full of detailed episodes, historical facts, news pieces taken from newspapers or even from history books. And yet, it lacks a proper *historical background* to put things in perspective. Claiming that the recent problems with Ethiopian farmers have to do with Meles Zenawi authoritarian rule is certainly correct but incomplete, to say the least. Were they better off under Menghistu? That's out of the question, we presume, as he was a dictator, a communist dictator! Were they better off under Haile Selassie? There are serious reasons to doubt it, as he was, purportedly, an Emperor directly appointed by God. Is it because they have never had a proper *democracy*? But hen, how many "democratic" countries live in dire poverty conditions? Was Ethiopia, as many other African countries, never touched by industrialization or economic progress *just because* of their authoritarian rulers while there were hundreds of potential entrepreneurs there ready to start a factory or a private business? What about social and human capital, the cultural milieu, and all that it takes to get an economy going? The argument will take us too far. True, it has been shown that democracy and civil and human right awareness together do contribute to a big leap towards the preconditions for development. And yet, in as much as they (might) be necessary conditions they are not sufficient.

One of the arguments all through Easterly's book is that State intervention, by interfering with individual rights and private initiative, almost by definition tends to be authoritarian and, therefore, bad. History is turned on its head. Democratic developments are themselves the results of a certain social (and economic) progress. Concepts like 'rights', 'private initiative', 'democratic institutions', 'State', and so on, have a precise *historical* meaning, which depends on the context and the epoch. The whole discussion on 'backwardness', from Gerschenkron on, is missing from Easterly's picture, even in the background of his arguments. Likewise, many of his points are too *thin*, as they lack that deep conceptualization and historical perspective. Easterly's main argument, in the end, is that Governments are authoritarian because they have the power to buy the expertise that allows them to exploit their people, to extract wealth from the countries they rule and maintain inequality and oppression. And experts who work for them are contributing to the perpetuation of the tyranny – and this would explain why it is "a tyranny of the experts" –. The West connives with the "Rest" this way, by protecting its own interests thanks to the elites that in the various developing countries accept that exchange. I believe this is not an *explanation* of underdevelopment, backwardness, and lack of progress. Nor of why some nations and countries are ultimately poorer than others. There is no historical complexity in Easterly's approach, no awareness of the subtlety of the threads of history, all of which makes his arguments too weak and untenable. Easterly does criticize, as did Hirschman, experts' lack of historical and empirical perspective. And yet, by willy-nilly putting easy blame on ‘authoritarianism” he himself reduces the analysis and does not make use of the "lantern" sufficiently. Apparently, Easterly should have read Hirschman. Or, if he did, he forgot him. How far we have got from the 'visiting-economist syndrome'!

For all the advisers that I have myself met – who, like Hirschman would say, often wanted to "*épater*" the native with the latest policy gadget *(Journeys*, p. 119) – and just served the international agency that would pay them well to do their 'technical' job without caring about complexities and consequences, there are others who wanted to do the job in earnest, 'transfer their knowledge', help and contribute. Being an expert in a developing country often leads to a sense of belonging, if one cares, if one is interested in the people and the country. That 'malady of belonging' is also frequent, almost as often as the visiting-expert syndrome. And one would end up siding with the locals and justifying all kinds of mistakes, misunderstandings and even misdeeds. And then, a report would come from Washington announcing a new expert mission for checking progress and negotiating the next actions. Once more, the foreign experts would land in a distant airport in whatever country they were sent to and would do their job of reminding the locals to stick to the prescribed policies. And negotiations would then again drag on to show why things had not progressed the way they were supposed to.

5. Conclusions

After more than half a century, the reflections of Albert O. Hirschman on development assistance, the role of consultant 'experts' in providing policy advice and the 'visiting economist's syndrome' are still very current. In as much as Hirschman argued against all-encompassing policy frameworks, overall development plans and universal models, 'one-size-fits-all' models abstracting from the local, historical, geographic and institutional conditions have remained the prevailing modus operandi of international development agencies and governments in development assistance. In spite of Paul Krugman's criticism of Hirschman's lack of a mathematically-consistent approach in favor of an ad hoc pragmatism, Hirschman's avoidance of assuming a toy model to deal with practical issues and the specificities of development problems in different countries – while still using rigorous and detailed analysis– appears to be an attitude of enormous relevance even today.

The last fifty years or so have witnessed the active pursuit of a paradigm that, sidelining Hirschman's unorthodox approach, has confirmed Hirschman's statement that we have 'forgotten nothing and learned nothing. While various Hirschmanian concepts and some of his famous parables have left an enduring mark on economists' perspectives, his 'unbalanced-growth' has been dismissed on ineffectual grounds, while his 'empirical lantern' has been derided and abandoned. Nonetheless, three main lessons from Hirschman's overall contribution remain: his critique of development models and his approach to development; his emphasis on the importance of local and historical conditions; his empiricism and his view of the experience on the ground.

1. Large-scale development models were rejected and, yet, Hirschman's critique is as current as ever. While the rejection of large-scale macro models of the heydays of development theory had been due to the monetarist revolution and the economic policy wave that had led to the neoliberal approaches characterizing the 'Washington consensus' – more market and less State –, development assistance has remained firmly entrenched in the principles of balanced growth, all-encompassing liberalizing market-oriented policy reforms and diffused marketization with an increasingly limited role for the State. Development assistance approaches have maintained a standard list of prescriptions – the same for all countries –, policy-reform recipes for all sectors, social, institutional and even political objectives, under the justification that 'everything depends on everything'.

The rejection of the approach to development based on the idea of development *planning* had ideological, analytical and methodological reasons that brought on the decline of *development economics* altogether. The possibility of giving the State a prominent and central role ultimately undermined that development approach. However, Hirschman's view of development was rejected for reasons that have more to do with Hirschman's genuine inspiration – that of a planner that tries to look for the best solution at hand for the specific case he is dealing with – than with his policy prescriptions. His *hidden rationalities*, his *induction mechanisms* would call for planned State intervention to support. But that kind of intervention is no longer on the development agenda.

As Hirschman showed, the best way to assure that a reform process has some internal – i.e. domestic – motivation, is is not to start it, but to find it. He questioned the *laissez-faire* doctrine in economics, which assumes that public decision-making is in average of poorer quality than private decision-making. Hirschman did not develop a model, a theory of economic development. He proposed a 'method' to tackle specific problems by means of specific policy actions. He argued in favor of an 'unbalanced' approach, pointing out that policy actions should try to focus on what's most promising and elicit the best out of it, exploiting the rationalities hidden behind the normality of practices and then taking advantage of the backward and forward linkages to come.

Rather than a *model*, Hirschman has bestowed a *corpus* of ideas, concepts and formulations on development, with a variety of propositions and interpretations. The principle of the *hiding hand*, a metaphor in the vein of Smith's invisible hand, referring to Weber's concept of unintended consequences of human action, was at the basis of possible *hidden rationalities*. Also, *disequilibrium* is bound to be an intentional result of development policy, and the balance can only be restored through pressures, incentives and compulsions. The efficient path toward economic development can be attained if a country finds solutions for bottlenecks and shortages of skills, facilities, services, and products. In other words, *it depends*: there is no 'one-size-fits-all' solution, and every country and every situation is different. Hirschman admitted that the emphasis he had put on the importance and creative virtue attributed to pressures, tensions, and disequilibrium would generate a certain uneasiness. And he conceded that the response to such situations might at times be destructive. But this does not imply that such tensions should be undesirable and should not occur. The positive relation between development and the tensions it creates can be exploited by extending technical assistance and policy advice to underdeveloped countries, that was Hirschman's view.

If Hirschman's unbalanced-growth was not taken to heart in the development agenda, it was because 'one-size-fits-all' models abstracting from the local, historical, geographic and institutional conditions remained the prevailing modus operandi of international development agencies and governments in development assistance. Development assistance emptied development policies of their potentially "progressive" and effective content, by designing negotiated (imposed) plans and attaching all kind of conditions that developing country governments had to meet in order for the programs to be funded and supported.

2. The importance of the local and historical conditions. Hirschman was well aware of the disorderly nature of the development process. He was interested in “how a society can begin to move forward *as it is, in spite of what it is and because of what it is*”. The lack of historical background and contextualization certainly contributed to the failure of development models *in practice*. But then, 'mainstream' approaches to development – both in theory and in practice – have continued to be made of prepackaged list of requirements and prescriptions, whatever the country and the conditions. The principles of development planning and balanced-growth models were publicly rejected but in practice development strategies kept resorting to standard lists of prescriptions or 'one-size-fits-all' development recipes that proved wrong or totally inadequate. Hirschman's arguments against that approach fifty years later remains as valid as before and its enemies, today as then, have not changed.

We should be ready to look at what *other ways to development* are still tried around the world. If *we* developed a given way, that was the fundamental lesson from Hirschman, it does not mean that *others have to* develop the same way. And besides, they should be able to learn from us (and our mistakes). The performance of many developing countries in the last fifty years or so has not been dismaying because of the adoption of wrong policies, nor was it because of the wrong implementation of otherwise good policies. The truth is that Hirschman's reflections on the need to learn from past mistakes (and history) was not even taken into consideration and the vicious circle of bad policies, more aid and more debt kept spiraling in.

Development economics has become a vanishing discipline, lost in the meanders of "practical" applications to be explained and "empirics with no theory". It has been subsumed by economic growth theory and lost almost all of its extra-disciplinary content and contamination from other disciplines. However, economists concerned with development issues should focus on the general context in which economic decisions are made, that's Hirschman's lesson. There exists structural characteristics of underdeveloped economies that make orthodox analysis inapplicable and misleading. He never endorsed the idea that the basic job of a social scientist is to discover and stress regularities, stable relationships, uniform sequences, and so forth. He relied on direct observation – visiting projects, listening to people, meeting with government officials – and on historical analysis of relevant institutions.

Lesson 3. Hirschman's empirical lantern remains very much needed now that no general principles are inspiring development researchers. Development has become a "technical" issue, simply and solely concerning changing in patterns of living conditions (nourishing, dwelling, clothing, transportation, etc.). This technocratic definition of development – in which change is conceived of as being brought about by technical intervention from above and relies upon the knowledge of experts as to "what works" – is the now prevailing view on development. This view holds that expert knowledge can be applied in a modular form, making it possible to replicate elsewhere because of a mechanical understanding of causal relations. The presumption is that there are near-universal and observable empirical regularities underlying the connection between 'inputs' and 'outputs', and this notion corresponds to a narrow-minded engineering approach to causation in social issues. No consideration of contextually variable social relations and their complexity or of the role of political factors that might undermine such a mechanistic image of society.

The visiting economist, as Hirschman pointed out, is often a scapegoat, which eventually affects him with the 'syndrome'. The foreign adviser receives the blame for unpopular measures that the government decides to take. And yet, there is no active learning from past experience, which is crucial for problem-solving. Foreign advisers become scapegoats and receive the blame no matter how "wrong" their recommendations actually are. On the other hand, by conceding themselves a sort of immunity against the negative consequences of their decisions, they are incapable of building on past experience.

Hirschman was someone who never thought of himself as an expert, but, rather, wanted to learn from his interlocutors. He was profoundly interested in what people already knew (and sometimes could not act on) and on what they wanted to do. In the design and implementation of a plan, this required a careful assessment of the particular circumstances to which the plan would apply. Thus, the lessons of Hirschman's consultant experience in the tropics have left a legacy that goes beyond his prescriptions: we can see it as a philosophy, a conception of the world, a guiding sets of principles that survives time. From that wilderness where Hirschman led his followers, it is only by re-igniting that empirical lantern that we can wisely contribute to the 'development' of others as savvy and informed 'experts'. The legacy of Albert Hirschman, and his lessons, in spite of the changes occurred in the discipline and in the world economy, have endured a life beyond expectations. One above all: the importance of learning, of not taking anything for granted and forever, of venturing into unchartered territories of knowledge to gain from experience.

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Alma Mater Studiorum - Università di Bologna
DEPARTMENT OF ECONOMICS

Strada Maggiore 45
40125 Bologna - Italy
Tel. +39 051 2092604
Fax +39 051 2092664
http://www.dse.unibo.it