

RETHINKING THE DEVELOPMENT EXPERIENCE: ESSAYS PROVOKED BY THE WORK OF ALBERT O. HIRSCHMAN. *Edited by Loyd Rodwin and Donald A. Schön.* Washington, D.C., and Cambridge, Mass.: Brookings Institution and The Lincoln Institute of Land Policy, 1994. Pp. x, 369.

DEVELOPMENT PROJECTS OBSERVED. *By Albert O. Hirschman.* (New edition). Washington, D.C.: Brookings Institution, 1995. Pp. xviii, 197.

It is highly fitting that the contributions of Albert Hirschman to development economics are being honored, discussed, and reinterpreted in these two volumes in his 80th year. The first contains the proceedings of what must have been a lively conference on his work, in which he actively participated; the second is a reprint of one of his major works in the field with a new preface by himself. Hirschman's own comments on his reprinted volume, and on the interpretations of his work by the conference participants, contribute to making this retrospective especially interesting.

One of the striking points from the conference is the sharp difference in the approaches toward economic development between Hirschman and other founders of the field in the postwar period and Paul Krugman, a leading contemporary international trade economist. Hirschman and his contemporaries saw economic development as a continuously dynamic process with no movement toward equilibrium. They were interested in what initiated and drove this process and in how it might be accelerated in a particular country with its own culture and institutional framework. In his new preface to *Development Projects Observed* [pp. VIII and IX], Hirschman writes, "I came to see [my work] as having the latent, hidden but over-riding . . . intent to celebrate, to 'sing' the epic adventure of development . . . its challenge, drama and grandeur . . . to endow and surround the development story with a sense of wonder and mystery that would reveal it to have much in common with the highest quests undertaken by mankind." He emphasizes too the need for a country, in choosing among possible projects, to distinguish between a project that ". . . fits easily into a given social and cultural structure and does not attempt to modify it" and one that "must change some aspect of that structure somewhere if it is going to be successful" [p. XI].

Hirschman points out that the methodological assumptions of natural scientists studying the physical world may not be appropriate for social scientists studying the social world. "Whether the sun turns around the earth or the earth circles around the sun, we are certain that both of these propositions cannot be true at the same time. We tend to forget that, in the social world, things are much more complicated and ambiguous. Here any connection . . . between events . . . could be found simultaneously to hold and not to hold (or to hold in a very different form) in various

subsections of human society—for the simple reason that some underlying assumptions previously implicit and thought to be general, apply in one subsection but not in another" [*Rethinking*, pp. 281, 282]. In this methodological approach, Hirschman appears to be writing in the tradition of Joseph Schumpeter. He would, I expect, agree with Wolfgang Stolper's interpretation of Schumpeter's assumptions: "The fact that there is nothing deterministic about development does not mean that it is not logical or understandable, or that it is not subject to scientific inquiry . . . The extension of the argument from the purely economic to the socio-logical-political-institutional level is the logical consequence of the analysis of the developing economy itself which necessarily produces constant change in its institutional and non-economic bases" [Stolper 1994, 106, 108].

Krugman argues that it is the non-mathematical indeterminacy of Hirschman and other founders of the field that explains the decline of development economics as a field within economics for the present generation of economists. Whatever revival has occurred arises from the development of mathematical models of key relationships that had been expressed in non-mathematical terms. For Krugman, "economies of scale" is the key relationship underlying development economics, and the recent mathematical formulation of that concept is behind the revival of the field. But I suspect that for Hirschman, and certainly for this reviewer, Krugman's thesis says far more about the limits of mainstream economics today than it does about development economics. In its effort to become a "science" by developing mathematical theories that claim universal truth, economics has abandoned its claim to understand the dynamics of economic development and change, including the appropriate policymaking for development in a specific country. For economics to contribute requires a grasp of the specific societies that are seeking to develop economically and of the institutions that set the policy framework for their development process. The result of this deliberate bypassing of a developing country's institutional environment has made the economist increasingly marginal in formulating policies for development in all too many countries. Schumpeter, Keynes, and Veblen were aware of the social and even artistic character of economics. Hirschman and the early development economists followed in that tradition; it is a tradition that Krugman and many of his contemporaries seem to have all too often ignored.

Lance Taylor, himself a distinguished contemporary development economist who makes use of econometric techniques, raises more complex issues than Krugman does to explain the decline of development economics as a field. He agrees as to the consequences of the non-mathematical approach of Hirschman and his contemporaries and their use of metaphors, rather than crisp mathematical formulas, to express their ideas. "[The economics] profession . . . does not cope easily with admittedly exploratory, conditional approaches that learn from their own mistakes; historically based lore is not nearly so compelling as theorems, and unbalanced growth looks suspiciously like unbalanced thinking to the mainstream mind" [p. 66].

Taylor, however, notes that Hirschman's work on linkages influenced Hollis Chenery's use of input-output tables and analysis of interdependencies and scale effects for purposes of programming projects and policies, and that this in turn contributed to Chenery's support of state intervention for development purposes in South Korea. However, Taylor argues that a second major reason for the decline of development economics as a field was the intellectual movement against the role of the state in favor of the market among development economists. Hirschman, Chenery, and most of the older development economists recognize the important role that the state plays in the economic development process, bringing "the pros and cons of both public and private economic activity into one train of thought" [p. 61]. From the 1970s on, however, the major policy emphasis among leading Western development economists has been on the key role of the market, culminating in the World Bank's 1991 World Development Report with its argument for a strong market-friendly approach to policy. This resulted in the downplaying among economists of the less ideological approach of Hirschman and his contemporaries and of development economics as a separate field distinct from mainstream market economics.

Hirschman's experimental approach to project formulation and policymaking comes through in these essays. There is a continued stress upon learning from experience while preparing and carrying out a project or policy and on using that learning to improve the results of the effort in order to raise the probability of success from the project itself and from its possible and often unexpected by-products. Success is measured not in terms of just a single project, but also by that project's stimulus to a continuous series of backward and forward linkages in a sustained development process. The state's role is looked at not in an ideological fashion, but in a pragmatic manner depending on the need in the particular situation.

One of the most interesting papers in the volume on the influence of Hirschman's ideas is that of Robert Picciotto of the World Bank on the Bank's project and post-project evaluation procedures. He points out that the Bank has moved away from narrow cost-benefit analyses of projects, which relied all too often on inadequate statistics and guesses of direct and indirect costs and benefits, to achieve a "false precision . . . (and) and misleading sense of security . . . [Rather] evaluation is moving in other directions. It is being increasingly pressed to consider the processes out of which development projects emerge and . . . are executed, the legal and regulatory environments in which they operate, and especially the growing role that local authorities, non-governmental organizations, and other elements of the civil society play in development" [p. 227]. What holds true of project decision-making also holds true of policymaking. One hopes that in recommending policy, the World Bank and other international aid-givers have moved from sterile market vs. plan ideological arguments on all policies to the examination of specific problems and related policy issues, followed by a determination of the best policy, looking at the role of both state and market in the particular situation. This calls for

learning from past experience in the country concerned, and possibly other countries, and recognizing the effect of that country's history, institutional framework, and social system upon the policy process.

But national and international institutions are not the only learners from Hirschman's ideas and experiences. What comes through stronger than anything else is Hirschman's own continuous learning and relearning and willingness to re-think his ideas. The title of his forthcoming collection of essays is "A Propensity to Self-Subversion." It is that continuous exploration of his own ideas that has proven so stimulating to other thinkers and policymakers at the same time that it may have turned away those looking for the revealed truth in the form of a single, always-applicable answer that he does not have or claim to have. This continuous relearning on his part reflects constant reconsideration of the psychological and social bases of individual and social behavior. The results are both more complex and often more hopeful than the single-answer approaches of many of his contemporaries. It is that complexity and open-mindedness and hopefulness that is especially clear in two essays. The first is a general essay by B. Sanyal on Hirschman's broader influence on policymaking in developing countries. The second is a highly specific essay by Judith Tendler and Sarah Freedheim on a single project. This project was a health program introduced in one of Brazil's poorest states, which turned out to be successful, contrary to most expectations. I would recommend that essay in particular to any economist seeking to understand what makes a successful project in a developing country in terms of gaining popular support for a project, providing careful supervision of it, and finally, getting the desired results from it.

These books should be widely read by development economists and would-be economists. One hopes that will help to open the minds of not only development economists, but of all practitioners in the field of development to continuously learn from their experiences and, as a result, reach the goal of a better life for the people in the country in which they are working. Albert Hirschman, by his openness and breadth of vision, is one of the best guides in that effort.

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### References

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