THE MISSING LINK BETWEEN ECONOMISTS AND ECONOMIC DEVELOPMENT: INDIGENOUS INSTITUTIONS MATTERS

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1.0 Introduction

Economic development has been at the centre of economics, with monolithic literature chronicling the way States can grow their economies. On one hand, Adam Smith, writing in 1776, attempted to determine the factors that led to the wealth of nations. He concluded that low taxes, peace and a workable system of justice would lead to economic growth (Smith, 1776). On the other hand, Robert Lucas, discussing the economic development of India more than two centuries later wrote:

> …the consequences for human welfare involved in questions like these are simply staggering…(that) once one starts to think about them, it is hard to think about anything else… (Lucas, 1988).

This assertion, is indicative to the importance attached to economic development. In fact, the economic development establishment has changed greatly since the time of Smith (1776). As this field has evolved, one critical question has been overlooked, '…where is the economist in all this?'

In other words, what role is the economist to play in understanding and contributing to economic development? This question is rarely, if ever, considered. Is it the job of the economist to research and discuss historical successes and failures? Must he/she go further and make policy recommendations based on the results? If so, what does economic science offer him/her in terms of fulfilling his/her duties? The mainstream literature on the topic would lead one to think that not only is the economist in a position to analyse past occurrences, but also that he/she has access to an economic oracle allowing him to predict future developments and provide invaluable advice to reach these goals.

This contention is evident when one looks at Joseph Stiglitz's (2002) best-selling book, '…Globalization and its Discontents'. Stiglitz's (2002) book is a good representation of the current mindset in much of the development literature and has been popular among both academics and non-academic alike. Stiglitz's (2002) book also provides key insights into how those in the development establishment, view the role of the economist given that the he was both chairman of the Council of Economic Advisors and Chief Economist at the World Bank. After discussing the failures of various attempts at generating economic growth in developing countries, Stiglitz (2002) concludes with recommendations of how to correct these failures.

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Included in his list of recommendations are: the creation of international public institutions, a change in the governance and mind set of the WTO and IMF, acceptance of the dangers of capital markets, bankruptcy reforms and standstills, less reliance on bailouts, improved banking regulations, improved risk management, improved safety nets, improved responses to crises, and refining conditionality of assistance and debt forgiveness. Underlying these recommendations is the assumption that policymakers and economists can design effective policies and interventions to generate the desired outcomes.

It is, the failure, by both Stiglitz (2002) and the development community in general, to consider the role of the economist that serves as the foundation of this paper. It is, the author of this paper's contention that the true role of the economist in economic development has been obscured. The development community has misused the science of economics as the basis for piecemeal planning. This paper reconsiders both the field of economic development and the economist's role within that field.

As mentioned above, the issue of the wealth of nations can be traced back to Adam Smith (1776). However, it was only after World War II that economists began to pay particular attention to the needs of poor countries. Prior to World War II, economists studying growth theory focused mainly on wealthy countries (Arndt, 1997). These economists, influenced by the Great Depression in the United States and the Industrialization of the Soviet Union, through forced investment and saving, focused on a labour surplus which they concluded had to be absorbed. The result was what became known as the investment gap theory. According to this view, capital accumulation was critical because growth was proportional to investment. How was this gap to be filled?

Development economists at the time postulated that poor countries would be unable to save enough to grow. Foreign aid and investment from wealthy countries were needed to fill the gap. This aid would, in theory, increase investment in capital in the poor countries and lead to greater output and growth. Because foreign aid would flow from the governments of wealthy countries to the governments of poor countries, the state was placed at the centre of all efforts at economic development. Indeed, the intellectual climate in the 1950s was grounded in the belief that state planning within both developed and developing countries was critical for economic success. The Investment Gap Theory took firm in the United States (U.S). At the time, the Soviet Union was viewed as an economic power. The U.S. wanted to demonstrate an alternative to growth via forced savings and investment.

In fact, a major driver of the focus on development economics was aggregate techniques developed in the Keynesian revolution. These techniques provided economists with a way to easily measure economic development through per capita income. On the topic of economic development, Nobel Laureate Gunnar Myrdal wrote:

> …the special advisors to underdeveloped countries who have taken the time and trouble to acquaint themselves with the problem, no matter who they are…all recommend central planning

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as the first condition of progress… (Myrdal, 1956:201).

Bauer, in his review of Mydral's (1956) three books on development economics wrote:

> …the main instruments of development policy envisaged by the author are clear…(that) he considers comprehensive development planning, in the sense of government determination and control of economic activity…as indispensable and presumably sufficient for that increase in output which is the essence of economic improvement for the masses…(Bauer, 1972:467).

Amidst the widespread acceptance of the investment gap theory, Robert Solow (1957) published his famous growth model he referred to as, Solow Growth Model. The underlying argument was that investment cannot sustain growth due to diminishing returns. Simply put, the incentive to invest falls as an individual invests more. He stated that long-term growth could only be sustained with technological change, not investment. Solow's model was fiercely debated in the literature and while it had a large impact, development economists were hesitant to accept that investment was not the dominant cause of long-term growth.

With the advent of the computer in the 1970s, economists attempted to calculate the exact amount of foreign aid necessary to fill the investment gap. The revised standard minimum model was developed with the growth part of the model known as Harrod-Domar. The Harrod-Domar model postulated that the growth rate of GDP was proportional to last year's investment level (Easterly, 2001). It is, interesting to note that the Harrod-Domar model was directly influenced by the debates of the Soviet economists in the 1920s (Boettke, 1994).

In fact, the planned economy, was a valuable source of ideas for the development of Domar's (1957) own approach. However, it was realized over time that investment was not the key to sustained growth. The assumptions of the aforementioned models were simply unrealistic. For instance, it was assumed that aid would correlate with investment one-to-one. It was also assumed that the country receiving aid would increase its level of national saving. Finally, a linear relationship between investment and GDP growth was assumed.

The major issue was that there was no incentive for individuals in the country receiving aid to increase their own level of savings. There were incentive issues in terms of the government as well. Most importantly, government officials, when operating under the investment gap theory, have the incentive to maintain or increase budget deficits since doing so widens the gap leading to more aid. Although the investment gap theory eventually fell out of favour in the academic literature, Easterly (2001) notes that it is still widely used in the many international financial institutions who make decisions regarding aid, investment and growth.

In contrast, Zambia had a high level of investment prior to receiving aid and investment moved inversely to

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the level of aid. A shift in the trend of economic development occurred in the 1980s and 1990s when it was argued that investment in physical capital was not the only factor of production, also important was investment in human capital. Given this, the Solow Growth Model was augmented to control for the education of workers.

The trendy in development economics became pushing an agenda of government sponsored education. Adriaan Verspoor of the World Bank perhaps summarizes this position best:

> …the education and training of man and although often neglected of woman, contributes to the economic growth through its effects on productivity, earnings, job mobility, entrepreneurial skills, and technological innovation… (Verspoor, 1990:20-21).

With the human capital model gaining momentum, there was an explosion in education spending. As of 1960 and only 28 percent of countries worldwide had 100 percent primary enrolment. The worldwide median primary school enrolment increased to 99 percent in 1990, up from 80 percent in 1960. Furthermore, between 1960 and 1990, the college enrolment rate of countries worldwide increased from 1 percent to 7.5 percent (Easterly, 2001). Despite the growth in education, it is widely agreed that the actual correlation between growth and schooling is highly disappointing (Verspoor, 1990).

Barro and Sali-i-Martin (1995) have found that growth is related to initial schooling, although this is usually assumed to be temporary. To understand why the investment in education failed, this paper posits that education and skills provide a benefit in an uninhibited marketplace where labour resources are free to move and where institutions create a relatively high payoff to an ethic of workmanship and entrepreneurship. If these conditions do not exist, the incentive to take full advantage of educational opportunities remains small. With little incentive to develop one's skills, few individuals become educated and the circle of poverty continues. It follows, therefore, that simply forcing education has little or no effect without the other contributing factors. This paper concludes that transferring resources to build schools and provide teachers does not lead to growth. Instead, a country's environment must provide a set of incentives that creates a high payoff to investing in one's future.

In fact, the emphasis on human capital and education, while failing to produce results in terms of sustained growth, has remained one of the key focuses of both development economists and international organizations involved with development. It is true, that no unskilled country has become rich. But then, why have efforts to invest in education failed? There must be something else that the development community is overlooking.

While the emphasis on human capital is still a major component of development economics, the latest trend can be simply summed up as 'institutions matter'. This trend is in response to the work of Nobel Laureate Douglass North (1994), who emphasized the importance of institutions and institutional change. However,

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this realization leads to the question, '…which institutions matter?

Currently, the literature focuses on the role of exogenous institutions, oftentimes, international agencies, in promoting economic growth in underdeveloped countries. Within this context, the focus has become finding the right policy mix for growth. For instance, emphasis is often placed on attempting to determine the extent of government involvement and intervention in the economy, that is, through policy recommendations.

Interestingly, one can also see that the past trends discussed above are still very present. There is still an emphasis on investment, foreign aid and education, but now under the guise of institutions. Given the failure of past attempts to impose institutions resulting in economic development, why should we assume that current recommendations to do more of the same would lead to better results?

The critical oversight of the development community is that it is, both indigenous and exogenous institutions that matter. While focusing on exogenously imposed institutions (i.e., government agencies, educational systems, infrastructure, etc.), the discipline of economics has invested few resources in understanding indigenous institutions. Much of this results from confusion over the role of the economist and the demands of the state on economists. The discussion that follows, focuses on why indigenous institutions are important and provide a framework for understanding them.

What exactly is our goal when undertaking issues of economic development? Presumably, it is to understand why certain economies progress while others are stagnant or regress. As discussed above, it is, widely agreed that the institutional framework of any economy will influence its progress or lack thereof.

When using the term 'institutions', this paper follow the new institutionalist literature to indicate both formal and informal rules which serve to govern human behaviour and the enforcement of those rules (Kasper and Streit, 1999; North, 1994; Platteau, 2000; and Scully, 1992). Most authors agree that the capitalist institutions of private property, rule of law, and some degree of stability, are necessary for progress to occur. However, there is still much debate regarding the extent of government involvement in these institutions.

This of course leads to a critical question. Given that we know what it takes for an economy to develop and become prosperous, '…are these institutions transportable?' Can institutions that are successful in one country be exported and imposed in other countries in the hopes that the results will be the same? This is the question that underlies the entire endeavour of economic development. In fact, economic theory provides the means to analyse the consequences of differing rule regimes. But what can it offer in terms of helping the economist understand why some rules sustain while others fail to do so?

As discussed above, the development community currently emphasizes the role of exogenous institutions while overlooking the critical role played by indigenous institutions. Achieving an understanding of indigenous institutions not only requires a comprehension of institutional change, but also a theory of why

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certain institutions are accepted or rejected. The anthropologist, James Scott of 1998, has revived the Greek word ‘metis’ which will serve as the foundation for understanding of indigenous institutions.

Metis includes skills, culture, norms and conventions that are shaped by the experiences of the individual. This concept applies to both interactions between people that is, interpreting the gestures and actions of others and between people and the physical environment. The notion of metis is not one that can be written down neatly as a systematic set of instructions, but rather evolves through experience and practice. In terms of a concrete example, this paper takes metis as the set of informal practices and expectations that allow ethnic groups to construct successful trade networks. For instance, the foreigners dominating grocery shops along Leopold Takawira Avenue and Bank Street Harare, Zimbabwe, use complex set of signals, cues, and bonding mechanisms to determine price of their goods. The trade would not function nearly as well if one simply drops random traders into the same setting. That difference can be ascribed to metis.

One can see a connection between metis and the work of Hayek (1948), especially the role of prices in economizing on tacit knowledge of time and place (Hayek, 1948). Metis is not static in nature. Obtaining and acting on knowledge should be viewed as a changing process over time. As knowledge travels between groups and international borders, new metis is created and old metis fades away and loses relevance. Therefore, a key problem in economic development is whether metis has adapted to the new and changing circumstances. As propounded in this paper, if the underlying metis does not align with reforms and formal institutions, these institutions will fail to sustain and be effective even if they are growth-inducing institutions. It should also be noted that all societies have metis of some nature and its mere existence does not guarantee successful economic development. If metis aligns with institutions that are growth retarding, economic development will not be achieved.

The solution commonly offered by development economists is that we must impose the correct formal structure in developing countries. However, the realization of the role of metis illustrates why this reasoning is wrong. Stiglitz (2002) realizes that part of the problem with the current globalization process is that it ‘undermines traditional values’. Unfortunately, he fails to make the connection that acceptance of institutional change requires a shift in these underlying values. Instead, he calls for the gradual implementation of reforms so that the populace can adjust slowly. This relationship can, therefore, only move from left to right. Formal institutions must be based on the metis of the people acting within them. If metis fails to align with the formal institutions, then they will fail to sustain and be effective.

For example, if the populace fails to have any belief of property rights, attempting to impose such a system will ultimately fail as individuals will not respect or utilize the system as it was intended. This serves to explain why institutions that are effective in one context cannot simply be transported and imposed in other contexts. There is no guarantee that the transported institutions will yield the desired result because the underlying metis differs across societies.

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Metis provides the knowledge necessary for individuals to coordinate around mutually beneficial ends. If the metis aligns with the institutional structure, individuals will coordinate around the institutions and they will sustain with little or no external involvement. If, however, metis fails to align with the institutions, they will fail to stick and operate in the desired manner. The formal institutions will either unravel or will require continual external support. It is, critical to remember that metis is not static. This paper is not proposing that social change can never take place.

Furthermore, activities taken by exogenous actors can influence the nature of metis. The contention of this paper is that if the underlying metis fails to align with institutional changes, they will fail to be effective. As such, one must either introduce institutional changes which align with the underlying metis or the metis must change such that the desired institutional changes can be effectively made. If at some point in time, metis fails to align with growth-enhancing institutions, it does not mean that the society is doomed. It does mean, however, that a shift in metis is necessary before the growth-enhancing institutions can become fully effective.

This contention is supported by the work of Boettke and Leeson (2003) who describe the repeated failures of attempted market reforms in Russia, as a result of planning and imposing, instead of recognizing the social processes necessary for the acceptance of such institutions. In fact, the failure of attempts at imposing institutions is not limited to market reforms. Scott (1998) cited other examples such as government interventions in forestry and agriculture, urban planning, and language. The question that follows is '…how then are we to understand and analyse this connection between metis, exogenous institutions and outcomes in the context of economic theory?'

This paper asserts that the recognition of the role of metis indicates that context matters. In other words, certain institutions cannot be planned by some central organization and imposed upon the populace. Applying this realization to institutional change, Boettke writes:

> …it is not due to an intellectual argument against 'Western imperialism'…(that) we must recognize that development is not an issue of simply either writing down the constitutional rules of a Western-style democracy or copying the economic institutions of capitalism, but rather an epistemological argument about rules…(that) economics may establish the properties of alternative rules, but culture and the imprint of history determine which rules can stick in certain environments. The problem is not one of private property and freedom of contract generating perverse consequences, but the fact that some social conventions and customary practices simply do not legitimate these institutions…(Boettke, 1996: 257-58)

Similarly, as Bauer and Yamay write,

> …it is clear that economic progress requires and causes significant changes in social institutions and

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> in the people who are served by them… (Bauer and Yamay 1957: 68-69).

This assertion have broad and significant implications for development economics as they are widely accepted today. One cannot step out of the historical context of a country and design and impose the appropriate institutional structure in the hopes that it will be accepted. Despite the fact that we know what institutions are necessary for growth (i.e., capitalist institutions), we are still unable to impose them because they may not be supported by the underlying metis enabling their widespread acceptance. A connection exists between our framework and the work of Mises (2000) on the issue of post-war reconstruction. Mises, writing on the economic reconstruction of Europe, argued that:

> …this reconstruction cannot be undertaken from without, it must come from within. It is not simply a matter of economic technique, still less of engineering…it is, a matter of social morale and of social ideologies… (Mises, 2000:29).

Mises (2000) clearly recognized that social change was not merely a matter of central planning and engineering, but rather had a substantial indigenous element. Along similar lines, Mises (2000) focuses on public opinion and ideology as the foundation of social change, when he writes:

> …what determines the course of a nation's economic policies is always the economic ideas held by public opinion…(that) no government, whether democratic or dictatorial, can free itself from the sway of the generally accepted ideology… and later, the supremacy of public opinion determines not only the singular role that economics occupies in the complex of thought and knowledge…(that) it determines the whole process of human history (Mises, 1996:850-863).

The notion of metis is, therefore, broader than the notion of public opinion. Nonetheless, public opinion and ideology can be seen as one critical element of metis. Indeed, as presented in this paper, changes in public opinion, and hence metis, are critical to social change.

As our discussion of metis demonstrates, indigenous institutions are the product of social processes. In order for indigenous institutional change to take place, a change in the metis must precede it. Institutional imposition from above cannot work. Under such circumstances, whether the imposed institutions are growth-inducing or not, they will fail to be effective. Institutional effectiveness is a function of endogenous, not exogenous, social processes.

Why has the development community overlooked this dichotomy of formal and informal institutions and chosen to focus on the former, while discarding the latter? An answer can be found when this paper considers the role of the economist. It is, the contention of this paper that the true role of the economist in economic development has been obscured.

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2.0 The Role of an Economist

The science of economics provides us with true laws of the world. The role of the economic theorist is, to identify and elaborate on these laws and to use them to explain complex economic facts. When attempting to predict future events, the economist is no longer a theorist or historian, but rather assumes the role of forecaster. This forecasting can take two forms, qualitative or quantitative. A qualitative forecast relies on economic laws to explain relationships, while a quantitative forecast places a numerical value on some future occurrence. It is, often forgotten that economic laws, by their very nature, are qualitative rather than quantitative.

When the forecaster engages in quantitative predictions, he has gone beyond the knowledge that the science of economics is able to provide. To illustrate this, the laws provided by the science of economics tell us that *ceteris paribus*, when price increases, quantity demanded decreases (a qualitative forecast). This law fails to tell us that an RTGS$X increase in price leads to a Y percent decrease in demand, indicative to quantitative forecast. In fact, this is a critical realization because all of the development organizations such as, the World Bank, IMF, WTO, rely heavily on quantitative forecasts for their various programs, as well as their analysis of economic development in general. In short, the economist's comparative advantage is not in forecasting but in understanding economic laws and the specific situations where they are applicable.

The active role of the development agencies provides insight into why the conventional role of the economist persists. This persistence is grounded in a fundamental misunderstanding of the nature of economics and, hence, the role of the economist. This paper also contends that the emphasis on government intervention and scientific management has led economists to seek to accomplish tasks which they cannot possibly achieve.

In reaching for heaven on earth, Nelson (1991) argues that modern economics has taken on a theological significance that was denied other social sciences. It is, Nelson's (1991) contention that since economic progress was seen as the solution to social ills, the discipline of economics was given a special status as the harbinger of economic progress. Economists have been elevated to the level of 'ecclesiastics' who utilize economic science to transform the liberal State to the administrative State with the goal of eradicating social ills.

This special status given to economists includes, privileged positions in advising policymakers as to the social and economic programs that should be undertaken. What then does this mean for the economist, specifically in the realm of economic development? The following dichotomy serves to explain the role of the economist and highlight the point made by Nelson (1991). In the first instance, as Rothbard writes:

> …the pretensions of econometricians and other 'model-builders' that they can precisely forecast the economy will always flounder on the simple but devastating query…(that) if you can

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> forecast so well, why are you not doing so on the stock market, where accurate forecasting reaps such rich rewards?...(that) it is beside the point to dismiss such a query…by calling it 'anti-intellectual', for this is precisely the acid test of the would-be economic oracle (Rothbard, 1970:257).

The statement by Rothbard (1970) was not said to discount the role of model building and econometrics as an economic tool for use in analysing historical events. Rather, it is, only to highlight the point that using such tools to forecast future occurrences is outside the realm of the science of economics. For an example of the IMF's use of forecasts and projections, when analysing the pure market in which the government plays a passive role, the economist is left only to understand and explain the workings of the economy.

From this assertion, it follows, therefore, that the economist is a 'student' of the economy. The economist is able to explain the consequential chain for some occurrence, if X occurs, then Y, then Z, etc. In the context of development economics, the economist as a 'student' is primarily concerned with understanding how the indigenous institutions of a particular country evolved to meet certain social needs and how they function within the unique cultural context of the country in question to coordinate economic activity.

However, the role of the economist changes drastically when development agencies are introduced, whose goal is to influence the operation of the market. Given that their aim is to actively intervene in the economy, the consequences of these acts are far more widespread and intricate than a simple causal connection.

Given the longer chains of reasoning needed to determine the impacts of various policies, the economist becomes even more important to the decision makers who take on an active role in intervening in the economic order. In this context, the economist becomes a 'saviour'. As a 'saviour', the economist is guided more by his, and his employer's desire to effect successful change than his ability to actually do so. The economist as 'saviour' is overly ambitious regarding the effectiveness of his or her policy recommendations.

These recommendations are not only limited to how government may be able to better enforce existing rules, but also are primarily concerned with what new institutional arrangements should be imposed to replace 'inefficient' indigenous ones. What this means is that as government becomes increasingly interventionist, it requires economists to act as 'saviours' in order to provide recommendations as to how the government should intervene.

The government can act either as a 'referee' or a 'player'. As a 'referee', the state is limited to enforcing indigenously emergent institutional rules. Its capacity as 'institutional builder' is restricted to the mechanisms of enforcement and its presence in the social order is passive. As a 'player', the State not only enforces endogenously emergent rules of the game, but also actively creates these rules and the institutional composition of society itself. In this capacity, government exogenously imposes institutional order from above instead of merely recognizing and providing a network of enforcement for indigenous institutional

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arrangements that evolve spontaneously from below.

As alluded to in the previous discussions of this paper, the economist can either take on the role of a 'student' or of a 'saviour'. In fact, without active policy recommendations from saviorminded economists, the government cannot effectively act as 'player'. In other words, when the government assumes the role of 'player', there is a strong incentive to employ economists as 'saviours'. These saviour-oriented economists provide recommendations for social and economic intervention and control to correct social ills.

3.0 What is the Proper Role of the Economist?

Given our framework for understanding indigenous institutions and our reconsideration of the nature of economics, what does this mean for the role of the economist in economic development? This paper posits that given the nature of the science of economics, there is clearly a role for the economist both in situations where he/she must explain the causal chain, the pure market, and where he/she is called upon to analyse actions that influence market activity, the results of policy.

The economist is first and foremost a student of the economic order. He/she not only needs to understand economic theory, but must also study both formal and informal institutions to understand their economic implications. Part of the study of the economic order involves understanding the metis that enables rational economic agents to coordinate their activities.

A full understanding of metis involves moving beyond the standard methods of looking at aggregate data and instead engaging in on-the-ground fieldwork to construct an analytical narrative. This fieldwork entails detailed case studies and ethnographic data intertwined in a narrative to understand the everyday life of those in developing and transition countries. Through the use of surveys, directed interviews and participant-observer, make the work of an economist plausible.

This claim, does not, however, preclude the presence of economists who support government intervention. However, because government activity is limited, there is little role for saviour-oriented economists in the public space. As presented before, a society's metis will limit the effectiveness of policies. This limitation works in both directions. Government interventions will fail to operate effectively in the absence of metis to support those policies. Likewise, in the absence of a metis conducive to liberal orders, free-market policies will fail to operate as desired.

In addition, to being a student, the economist can also engage in the role of educator, in which he explains the workings of the market to the general public as well as those involved in policy. In this role, the economist plays a critical role in shaping public opinion and ideology which, as indicated by Mises (1949), are critical for social change to take place.

In the context of public policy, there have been various views on the role of the economist. Milton Friedman

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stated the following:

> …the role of the economist in discussions of public policy seems to me to be to prescribe what should be done in the light of what can be done, politics aside, and not to predict what is 'politically feasible' and then recommend it…(Friedman 1953: 264).

In other words, Friedman (1953) suggests that the economist should focus on the best realistic alternative rather than the politically expedient course of action. In contrast, Hutt (1971) described a dual role for the economist. He contends that the economist should suggest the politically feasible course of action as well. In other words, Hutt (1971) argued that the economist's policy advice should be along the following lines:

> …in our judgment, the best you will be able to get away with is programme 'A', along the following lines; but if you could find a convincing way of really explaining the issue to the electorate, our advice would have to be quite different… we should have to recommend programme 'B', along the following lines… (Hutt, 1971:23).

Hutt's (1971) dual role for the economist seems to be plausible. In the absence of political constraints, it would be feasible for the economist to prescribe the best possible alternative action. However, if the economist knows that there are certain political constraints on what can and cannot be achieved, his/her advice may change to achieve the desired ends given those constraints.

This is in line with Bauer (1972) who called for interdisciplinary cooperation especially between anthropologists, economists and historians in understanding the plight of underdeveloped countries and, more specifically, to understand:

> …the extremely important and interesting range of issues in the transmission of knowledge, skills, attitudes and inducements between countries and groups among the benefits of this interdisciplinary approach…(that) it may help to convey the value of direct observation and of unprocessed material, and conversely, the pitfalls of reliance on second-hand and third hand material, including reliance on statistics without examination of their sources and background… (Bauer, 1972:305).

The economist can engage in a study of the economic system as well as the indigenous and formal institutions which influence economic activity. He/she is also able to communicate economic laws and the suitability of various means in achieving stated ends. The most important realization is that the economist is not a saviour. He/she cannot recommend a policy that can be simply imposed via government intervention that guarantees economic growth.

Conclusion

This paper provided a reconsideration of the role of the economist in economic development. In doing so,

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the paper first considered the evolution of development economics to understand how the role of the economist has become what it is today. It argued that economists and policy makers alike overlook the role that indigenous institutions play in economic development. The paper concluded that the informal institutions, which underlie formal institutions, cannot be imposed from above but must develop from the ground up. Imposing formal institutions that do not align with the underlying metis will not be effective.

The paper also provided a framework for understanding why the conventional view of the economist in economic development persists. The paper's reconsideration of the role of the economist in economic development, concluded that there is a significant role for the economist to play in this area. The discipline of economics provides the economist with the tools to be a student of the economic system. He/she is suited to understand the interplay of both formal and informal institutions and their impact on economic activity.

In addition to economist role as a student, the economist can serve a critical function as an educator and adviser to both the general public and policy makers. In this capacity, the economist plays an important role in shaping public opinion and ideology which is critical in achieving long-lasting institutional and social change. The framework developed here has widespread applications for understanding underdeveloped countries or countries currently in the process of transition. It can be applied to cases of both success and failure to aid in understanding the current institutions of these countries. Often, studies of these countries focus on the speed of reform and policy changes.

The debate on 'shock therapy' versus 'gradualism' is one clear example of this. The analysis presented here, sheds new light on these studies because it highlights that it is not simply the speed that matters, but whether changes in the formal institutions are aligned with the underlying metis, that is indigenous institutions. Truly, understanding the plight of underdeveloped nations requires a complete comprehension of both formal and informal institutions. Grasping what economists can do to remedy the situation of these underdeveloped nations requires a complete understanding of the role of the economist and what the discipline of economics enables him/her to achieve. This paper has provided key insights into achieving success in both of these areas.

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