

The Limitations of Development Orthodoxy

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I thank you for the honour you have given to me today. I am particularly pleased that this is awarded during the ISS's 55th anniversary and in this historic hall on the occasion of the centenary of the conclusion of the Peace Conference of The Hague. This is personally most moving for me as someone who came into development as a conscientious objector to military service.

IDS is your much younger sister – only a year ago we celebrated our 40th. On this occasion my thoughts also go to the late Hans Singer who was honoured by ISS 30 years ago and of course to Jan Tinbergen who taught here. I am honoured by the presence of Jan Pronk, not only the longest serving Minister of Development of any developed country but surely the most creative – and a person of whom ISS and the Netherlands should be justly proud.

Anniversaries are a proper occasion to celebrate achievements but also to ask about the health of development studies – and this is the theme I would like to pursue in my brief remarks today.

In 1963, over a decade after ISS was founded and three years before IDS was launched, Dudley Seers wrote a much cited article – which was both highly challenging and much discussed:

the Limitations of the Special Case¹. A year later in Manchester, Kurt Martin – Kurt Mandlebaum, an early pioneer of the ISS – organized a conference on the teaching of Development Studies, to explore the implications of Dudley’s piece.²

Dudley Seers’s main argument was that economics as taught in the United States and often elsewhere in the West was mostly about the United States. In spite of the fact that economics claimed to be a *universal* science with textbooks labelled “Economics”, it was in fact mostly about a highly particular industrial economy in the mid 20th century – not about the mass of poorer underdeveloped economies of the time³. It was, Dudley continued, as if you picked up a book labelled Zoology, and found that it was in fact entirely about horses – perhaps with a comment from the author claiming that horse zoology was a universal science, with general principles and policy applicable to all animals and for treating all their ailments.

Dudley noted that Soviet textbooks were even less relevant for developing countries- not even pretending to be about the Soviet economy but instead being a Marxist critique of Great Britain in the mid 19th century.

Things today are, of course, much better in many ways. We have a number of textbooks focusing directly on developing countries – the ones by Todaro⁴ and Thirlwall⁵ are outstanding⁶, and wide-ranging in coverage of issues and analysis and with a range of relevant discussion of policy. We also have a range of books presenting a diversity of perspectives – Gerry Meier’s *Leading Issues in Economic Development*⁷ is a seventh edition classic, and there are various readers bringing together highly critical texts like Majid Rahnema’s, *The Post Development Reader*⁸ and Wolfgang Sachs’ *The Development Dictionary*⁹.

We have an array of high quality journals of development research and studies, World Development, Development and Change, Development Research which have published a long record of empirical studies.

We also have EADI, with over 100 institutional members, national and international, serving as a European network for development researchers and teachers in Europe. There are EADI's sister organizations –CODESRIA, CLACSO and ADIPA – all more than 30 years old. So the world is miles ahead of where it was when ISS and IDS were founded.

So what is the problem – if any?

The Problems today

I believe there is a problem. Development thinking is still dominated by excessive pre-occupation with neo-liberal economic orthodoxy, led by the dominant international economic institutions, notably the IMF, the WTO and the World Bank with close support from the United States, the G-1, and by most of the G-8 countries. This orthodoxy sets the frame for mainstream international policy – and also for the critiques of many of those who work outside it. Either way, it occupies too much of the centre stage.

This is related to other problems.

- A political pre-occupation with development assistance as the main policy instrument of developed countries in their relation to poverty reduction – and, indeed, to most other matters on the development agenda in developing countries.¹⁰ And this preoccupation exists in spite of discussions about policy coherence which show that politicians do



know that trade, FDI and other capital flows are more important than development assistance.¹¹

- A schizophrenia with respect to governance in developing countries – blaming these countries for weak governance and corruption while forgetting the two decades of structural adjustment in the 1980s and 1990s which did much to cut back on the size and salaries of governments and their civil servants.
- A top down approach to development policy, with too much setting of general international agendas and too little listening to the views of developing countries and too little taking account of their differences in structures and systems.
- Human Rights as important but separate from much of development strategy and analysis, with a tendency to focus mostly on political and civil rights and democracy
- The considerable neglect of the roles of Transnational Corporations, except in a few areas like pharmaceuticals.

All this leads to limited and one-sided international perspectives of priorities and policy in developing countries. Whatever agreement existed around the Washington Consensus there was little doubt that it was made in Washington, reflecting Washington views and Washington interests.

My point here will not be to debate the specifics of each of these points but to relate them to our roles as research and teaching institutions. To what extent do we explore the limitations of these perspectives and priorities – and explore alternatives, fully and adequately?

I suspect many in this hall will feel reasonably confident that they can give fairly positive answers to this question – and indeed there are many good examples in the work of the ISS, IDS and other development institutions in Europe and EADI to

justify this claim. Work on the UN Intellectual History – co-directed led by a former Rector of the ISS, Louis Emmerij, Tom Weiss and myself – shows that the UN itself has many times drawn attention to the limitations of Bretton Woods approaches and proposed well argued alternatives.

But before we rush to a feeling of self-satisfaction, let me provide a few recent experiences which raise questions in my mind:

- CODESRIA. I took part in the all-Africa triennial conference in Maputo two years ago. Some 500 African social scientists attended, 170 papers were presented, many excellent and most electronically available on CD-ROM before the conference. Sessions ran to time and most reported high quality research on a wide range of economic, social, political and development issues. What was wrong? There was no one from the World Bank or the IMF to listen – though there was a double-size bookstall to sell Bretton Woods publications. This echoed the point made by Nick Stern in the World Bank history¹² – that World Bank research, though of high quality, is mainly self-referential, paying too little attention to work outside.
- Africa research outside the orthodox frame is desperately under-funded. In contrast, consultancies and research institutions working within a frame of orthodox neo-classical economics are both well funded – and have received special and generous support from the Bank over the last decade or two. We need better data – probably a survey or two – to document exactly who is providing such funding and how much – but I gather from friends in CODESRIA that those working outside the orthodox frame are frequently strapped for funds, struggling in under-funded universities – many tempted to take well paid consultancies available

for those willing to deliver the type of research the mainstream wants.

- How many opportunities are there for high level economic study outside the neo-liberal, neo-classical frame? Mainstream graduate economics in the US and the UK is now almost all taught within the neo-liberal frame – even Keynesianism has largely if not entirely been abandoned. How many textbooks present analysis outside the neo-liberal frame?
- Most recruitment to the Bretton Woods Institutions, with salaries well above those of the UN, is now of very bright economists with a good mixture of persons from different countries round the world. But in spite of the diversity of their nationalities, most have been schooled within a common orthodoxy of neo-classical economic education and mostly have had little training in other disciplines let alone professional experience of working in developing countries before graduate school.¹³ This experience they will receive later visiting countries as Bretton Woods staff members.

What makes this serious are precisely the often negative effects of neo-classical orthodoxy and the Washington consensus on development in poorer countries. I will not go back to the desperate worsening of nutrition, health and education during the first rounds of adjustment in the 1980s – which we in UNICEF, with help from the ECA and the ILO – tried to expose in our appeal for Adjustment with a Human Face.

Let me quote here the brief, excellent and up-to-date summary of research on the impact on economic growth of IMF programmes and conditionalities over the last 25 years, published this year by James Vreeland in his book on the IMF¹⁴.

Vreeland asks; “How effective has the IMF been at promoting economic growth?” he answers: “ Not very. Not only is the evi-

dence of growth promotion weak, recent studies show that IMF programs have a significant *negative* effect on economic growth.¹⁵

In their study, published in 2005, Robert Barro and Jong-Wha Lee (highly distinguished and mainstream economists) “found that IMF programs have a negative effect in the short run that is not statistically significant, and a strong statistically significant negative effect on economic growth in the long run.” So, concludes Vreeland, “the newly emerging consensus is that IMF programs hurt economic growth.”¹⁶

This seriousness of this finding can hardly be over-emphasized. Over 70 countries suffered catastrophic declines in per capita income in the 1980s and 1990s – and many are still poorer today than they were 10 or 20 years ago- and in nearly 20 countries, poorer than some 30 years ago. Bretton Woods orthodoxy is not the only cause of this economic and human catastrophe – but surely it is an important one.¹⁷ Over 50 developing countries have had spells of 10 to 20 or more years under IMF conditionality over this period¹⁸.

And is it not significant that many of the economies that do well economically, such as China and other Asian countries pursue policies that do not fit the Washington Consensus or neo-liberal policies in general?

Alternatives

Let me move to more positive themes. It is not only a better understanding of the development process that is needed but a broader agenda for policy.

- Human Rights and democracy need to be integral elements of the analysis and of conclusions for development policy – not add-ons or elements totally neglected.
- Issues of gender and care need to be an integral part of the focus for analysis and policy recommendations – again not as add-ons or elements totally neglected.
- On the macro-side, issues of public goods need to be made integral to the analysis of sustainable development, including global warming and climate chaos and others beside.
- Issues and the emerging research on happiness need to be incorporated into analysis

More generally, we need to move the global frame of analysis from moving ever closer to a global free market run on neo-classical lines and, instead move towards an international welfare state as the frame for long run development, poverty reduction and human rights in the 21st century. We may all agree that globalisation is a good thing but let us disagree on the policy content of globalisation.

All these are issues which, in my view, should be on the agenda for development research today. We need not only to explore critically the weaknesses of today's international and national approaches – but to explore more positively the alternative approaches needed for the world of tomorrow.

What is needed is a vision for the future with exploration of the political economy of how to get there – the limitations of present approaches, the interests which can be mobilized in moving to a new ones and the role of education and the media in building understanding and support. Research is also needed on the roles for leadership, NGOs and academics for such a future.

Thinking and research has already begun on a number of these issues – including some within orthodox frames of neo-classi-

cal economic analysis. Although I believe neo-classical analysis is too narrow a frame fully to encompass issues of human rights, gender, care, climate change and sustainability, even issues of happiness, there is no need to discard careful empirical analysis where it exists. In particular, the tools of econometric analysis, if handled with sensitivity to the structural context of issues, can provide useful and important evidence and understanding. The neo-classical toolbox has within it many instruments which can be used in areas such as economic incentives, cost analysis, conditions for effective competition and consumer choice.

However, when it comes to a wide range of policy issues relating to long run strategy, one needs to go beyond the neo-classical paradigm. It is here, the paradigm of human development deserves more mainstream attention than it has so far received. The Human Development Report every year receives headlines, over 140 countries have prepared one or more national human development reports about their own situation more and more work is underway by members of the Human Development and Capability Association, much reported in the Journal of Human Development. With the intellectual leadership of Nobel laureate Amartya Sen, the human development paradigm has been carried into other areas – resulting in pioneering approaches to human security and to new understandings of the links between human development and human rights.

I believe the human development paradigm has intellectual depth and robustness and the sparks of intellectual creativity and energy to provide a frame which links together many of priority concerns in development thinking: participation, human security, human rights, the non-market dimensions of gender and care and a broader approach to dynamic change and economic growth. The human development frame also

serves to analyze issues and policy for the populations in developed countries, not merely for poor people in poorer ones.

In short, I believe human development is the paradigm which can and should be used much more as an integrating frame for work in development. It can also be useful for linking work in developing countries ever more with work on development challenges in developed countries.

This is both a challenge and an opportunity for institutions in Europe. Most European countries follow some version of the European social model – often in contradiction to the core principles of neo-classical economic analysis. With a paradigm of human development, there would be a harmony of values and priorities, without the paradigmatic contradiction. There would still remain important areas where trade-offs would need to be analyzed, but within the paradigm, rather than as exceptions to it.

I believe European institutions working together could develop an intellectual partnership and strength to develop the human development paradigm further – to extend its analytical range and applications and to develop further its theoretical underpinnings, both in relation to issues of developing countries and to those of developed country ones.

A particular need is for more research and analysis of the macro dimensions of human development, as was recognized last month in the Human Development and Capability Association in New York. Both nationally and internationally, inequalities have risen sharply over the last two or three decades – the recent and triumphant heyday of neo-liberalism. Human development provides a frame within which strategies of redistribution with growth can and need to be explored, nationally and internationally.