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# The History, Impact and Limits of Economic Expertise

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# Abstract

The role of economists as experts is a current topic of interest with a long history. A closer examination of the historical emergence of economic expertise can help us to better understand its complexities nowadays. This Working Paper describes what constitutes an expert and explores the various factors for the rise of economists as experts. An analysis of a historical example of economic expertise and its pitfalls is followed by reflections of representatives of the discipline, which illustrate that an awareness of the risks of economic expertise has existed for as long as the phenomenon itself. The role of the general public in decision-making processes and with regard to economic expertise is also considered, since it has become increasingly important in the context of tackling current problems.

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# 1. Introduction

The current economic crisis has rekindled the question of the nature of economics. Not only has the state of the global economic system been intensely debated, but also that of economics as an academic discipline. Whereas discussions of the state of the discipline and its contribution to policymaking have increased, their impact on economic research has been very limited and economic solutions have lost none of their power in politics. Economic growth remains the panacea for various kinds of problems, and economists are still some of the most influential agents in politics.

Many voices within economics are demanding a greater emphasis on historical perspectives to render economists more sensitive to “theoretically impossible” discontinuities in the past and the need for a contextualisation of models and policies.<sup>1</sup> Peter J. Boettke et al. recently argued against the “Whig theories of the history of ideas”. Its proponents claim that it is not necessary to engage with the past, since only the best ideas would have prevailed, with the bad ideas being eliminated in the course of academic competition. Boettke et al. are convinced, on the contrary, that knowledge can get lost rather than replaced by allegedly superior knowledge and that the asserted knowledge can be inferior.<sup>2</sup> They suggest that the re-reading of works from the past and the integration of an historical analysis of economics as a sub-discipline could improve current economic theory construction.<sup>3</sup> They urge that the influence of “philosophical perspectives, political

expediency and human fallibility” on economic science should be acknowledged and reject the notion of linear progress in the evolution of economics.<sup>4</sup>

Whereas the first demand calls for a change of thinking in economics, the second would also involve the perspectives of other disciplines. A historical analysis can help us to trace the emergence of the current difficulties in economics. The focus of this paper lies not on the improvement of economics or the search for ‘omitted but better’ knowledge, but rather on the analysis of the transfer of economic knowledge from academia to politics. To understand the enduring power and impact of economists, it is important to analyse the circumstances and the contexts that favoured the rise of economists as experts, since the phenomenon of expertise in general – and economic expertise in particular – has its own history.

In the next section the interaction between politics and science, the ‘scientification’ of politics, and the functioning of economic expertise will be analysed in a historical perspective. In addition to providing an ideal-typical definition of ‘expertise’, I will show how, from the nineteenth century onwards, political decision-makers increasingly used scientific knowledge to make and legitimise decisions and I will investigate the role of experts in this process.

<sup>1</sup> O’Rourke, Kevin Hjortshøj: ‘Why Economics needs Economic History’, available at: <http://www.voxeu.org/article/why-economics-needs-economic-history>.

<sup>2</sup> Boettke, Peter J., Coyne, Christopher J. and Leeson, Peter T. (2014): ‘Earw(h)ig: I Can’t Hear you because your Ideas are Old’, in: *Cambridge Journal of Economics* 38/3, 531–544, 533–534 and 537–538.

<sup>3</sup> *Ibid.*, 538.

<sup>4</sup> *Ibid.*, 543.

## 2. The ‘scientification’ of politics and expertise

Historians have been scrutinising the interrelationship of knowledge, science, experts and policymaking in recent years. Historically, the rise of experts dates back to the 1880s when state interventions were expanded and the state and its representatives came to rely increasingly on scientific knowledge. The subsequent expansion of the welfare state also gave rise to experts. In what follows, two interrelated concepts will be discussed – the ‘scientification of the social’ and the ‘scientification of politics’ – both of which underline the importance of expert knowledge in our society. After this historical assessment, I will describe a sociological approach to expertise.

The process of ‘scientification’ and the phenomenon of expertise have to be seen against the backdrop of an emerging belief in technical and scientific solutions. The project of the Enlightenment to better people socially, politically and economically with the help of science and rationality had a major impact on the relationship between science and politics. One consequence of this is what Lutz Raphael describes as the “scientification of the social”, i.e., the presence of experts in state institutions, social services and society.<sup>5</sup> Raphael dates the beginning of the rise of experts to the nineteenth century, when physicians and psychiatrists first began to be consulted in court for the purpose of establishing a defendant’s sanity. Indeed, physicians came to rival lawyers in state ad-

ministration and the civil service.<sup>6</sup> In the process, as Raphael argues, the “practice-oriented social scientist as a distinct type of scholar” was established due to the growing public acknowledgement and societal use of scientific knowledge.<sup>7</sup>

Nowadays, scientific and technical knowledge permeates every public and private realm of our ‘knowledge society’ and the involvement of experts is a given. Margit Szöllösi-Janze has referred to the “scientification of politics”<sup>8</sup> in the political sphere, arguing that scientific and technical knowledge became the “driving force of social change” and that had repercussions for realms that were once distant from or even free of scientific knowledge.<sup>9</sup>

Hence, the spheres of science and politics became less divided and each came to influence the other. The scientification of politics went hand in hand with the politicisation of science.<sup>10</sup> Just as political decisions increasingly have to be legitimised by scientific expertise, scientific research is today judged more and more by its relevance to politics and society. In addition, scientific experts define new political fields of action and offer their knowledge to facilitate decision-making in those fields.<sup>11</sup>

<sup>5</sup>Raphael, Lutz (1996): ‘Die Verwissenschaftlichung des Sozialen als methodische und konzeptionelle Herausforderung für eine Sozialgeschichte des 20. Jahrhunderts’, in: *Geschichte und Gesellschaft* 22/2, 165–193, 166.

<sup>6</sup>Ibid., 167–168.

<sup>7</sup>“der praxisbezogene Sozialwissenschaftler als eigenständiger Gelehrtentypus” in *ibid.*, 170. All translations from the German are my own.

<sup>8</sup>Szöllösi-Janze, Margit (2004): ‘Politisierung der Wissenschaften – Verwissenschaftlichung der Politik. Wissenschaftliche Politikberatung zwischen Kaiserreich und Nationalsozialismus’, in: Stefan Fischer and Wilfried Rudloff (eds): *Experten und Politik: Wissenschaftliche Politikberatung in geschichtlicher Perspektive*. Duncker und Humblot, Berlin, 79–100, 86.

<sup>9</sup>Ibid., 81.

<sup>10</sup>Ibid., 82.

<sup>11</sup>Ibid., 81.

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There are many different theoretical discussions of expertise and experts in the social sciences. Nico Stehr and Reiner Grundmann, on whose analysis the following remarks are based, define experts broadly as people in knowledge-based professions “who have gained experience in relevant contexts of action due to their routine dealings with certain topics and therefore enjoy trust and social prestige.”<sup>12</sup> Experts are therefore people with specialised knowledge of and experience in their field.<sup>13</sup> Furthermore, the social dimensions of privilege and power play an important role in constituting experts, since they distinguish experts from their counterparts, i.e., laypeople, in the field.<sup>14</sup> Given the focus of this paper on the history of scientific policy advice, I define experts here as intermediators of knowledge between science and politics.

Expert knowledge has a practical relevance. Unlike theoretical knowledge, it is always concerned with application and implementation.<sup>15</sup> Experts need to have knowledge at their disposal that solves social or political problems, and they should formulate concrete instructions.<sup>16</sup> It is their task to identify situations that demand action, rank different options and reduce the number of possible interpretations of ambiguous knowledge.<sup>17</sup>

Stehr and Grundmann emphasise that the transfer and application of knowledge is a process in which knowledge is reproduced and new knowledge produced. The intermediators always learn something new in the process, since it is nearly impossible for knowledge not to be modified while it is being transferred.<sup>18</sup> The main challenge for scientists is to switch between the two different systems and ‘mindsets’ of science and politics.

Stehr and Grundmann argue that since experts are responsible for both selecting and interpreting knowledge, they can either enable someone to exert power or exert power themselves.<sup>19</sup> This makes the expert and their advice vulnerable. Since knowledge and options deduced from it are always contested, every expertise gives rise to a counter-expertise.<sup>20</sup> Politics is dependent on experts’ knowledge and has to rely on their assessments and recommendations. But politicians can, at the same time, choose which expertise they trust most or which expertise best fits their political needs.

Thus, the intermediary role of experts who adapt scientific knowledge for politics is complex, and the scientific knowledge for politics and the politicisation of science are by no means linear. Both developments were and still are highly contested and fragmented. The various forms of political advice by scientific experts in turn produce different functions of expertise and its content.<sup>21</sup>

To be in a position to advise, experts must be accepted as such by the group they want to advise. The power, function and influence of an expert vary not just according to the academic field and the political realm they work in, but also according to the period in which they live(d). To specify the role of the expert with reference to a concrete example, the following section takes a closer look at economic expertise after World War II. After sketching the historical reasons for the rise of economics in policy advice, I will describe the special features of economic knowledge that supported its acceptance in the political realm. The functioning of economic expertise will be illustrated with reference to the work of the economist Albert O. Hirschman in Bogotá, Colombia (1952–1954).

<sup>12</sup> “dass sie aufgrund ihres routinemäßigen Umgangs mit bestimmten Themen Erfahrungen in relevanten Handlungskontexten gesammelt haben und daher Vertrauen sowie gesellschaftliches Ansehen genießen” in Nico Stehr and Reiner Grundmann (2010): *Expertenwissen: Die Kultur und die Macht von Experten, Beratern und Ratgebern*. Velbrück Wissenschaft, Weilerswist, 9.

<sup>13</sup> *Ibid.*, 16–17.

<sup>14</sup> Evetts, Julia, Mieg, Harald A. and Felt, Ulrike (2006): ‘Professionalization, Scientific Expertise and Elitism. A Sociological Perspective’, in: *The Cambridge Handbook of Expertise and Expert Performance*. (Edited by Ericsson, K. Anders, Charness, Neil, Feltovich, Paul J. and Hoffman, Robert R.), University of Cambridge Press, Cambridge, 105–123, 105.

<sup>15</sup> Stehr and Grundmann: *Expertenwissen*, 14.

<sup>16</sup> *Ibid.*, 45–46

<sup>17</sup> *Ibid.*, 48.

<sup>18</sup> *Ibid.*, 20.

<sup>19</sup> *Ibid.*, 59.

<sup>20</sup> *Ibid.*, 50.

<sup>21</sup> The same is true of the various forms of non-scientific expertise in politics and other realms.

# 3. The rise of economics and economic expertise

With the modern industrial state and its alleged responsibility for the “economic well-being of its citizens and for the country’s competitive position in the international economy” came a growing dependence of the state on economic knowledge, as Mary O. Furner and Barry Supple made clear.<sup>22</sup> Thus, economists, too, benefitted from the scientification of the social and politics.

After World War I, the first steps were already taken towards institutionalising the use of economic statistics. J. Adam Tooze has shown with the German example of the Statistisches Reichsamt and the Institut für Konjunkturforschung under the direction of Ernst Wagemann that economic research in the Weimar Republic was “an integral part of the effort to construct a new national apparatus of economic government.”<sup>23</sup> The decisive moment for the institutionalised cooperation between economic experts and the state was the economic crisis during the 1930s. Only against this backdrop can the development of such economic indicators as GDP or the establishment of economic planning institutions in France and Great Britain be explained.<sup>24</sup> With the help of statistical analysis and the theory of business cycles, political decision-makers were continuously informed about the economic state of affairs. Moreover, Tooze stresses that “[e]conomic expertise entered into a new relationship with political power.”<sup>25</sup>

After World War II, this strong position of economists was reinforced. Alexander Nützenadel has described the different factors that resulted in the rise of economic experts after World War II in the case of Germany, which hold true for most Western countries in this period. The *Wirtschaftswunder* was not only seen as the basis for a strong democracy in the Federal Republic of Germany but also as a major constituent part of the German self-conception. The professionalisation of economics also led to the discipline’s expansion at universities and research institutes. The doors to careers in academia and civil service were now open for economists.

The discipline itself changed: economics became more formalised and orientated towards the natural sciences. At the same time, econometric methods gained acceptance and made applied economic research appear more ‘scientific’.<sup>26</sup> In the process, the notion that economics was objective and timeless, i.e., universally valid, took hold. Due to new economic indicators such as GDP, the analysis and categorisation of different countries according to their material wealth seemed to be more possible than ever, as Philipp Lepenies has recently shown in his history of GDP.<sup>27</sup>

<sup>22</sup>Furner, Mary O. and Supple, Barry (1990): ‘Ideas, Institutions, and State in the United States and Britain. An Introduction’, in: idem (eds): *The State and Economic Knowledge: The American and British Experiences*. Cambridge University Press, Cambridge, 3–39, 5.

<sup>23</sup>Tooze, J. Adam (1999): ‘Weimar’s Statistical Economics. Ernst Wagemann, the Reich’s Statistical Office, and the Institute for Business-Cycle Research, 1925–1933’, in: *The Economic History Review* 52/3, 523–543, 525.

<sup>24</sup>See Gosewinkel, Dieter (2008): ‘Zwischen Diktatur und Demokratie: Wirtschaftliches Planungsdenken in Deutschland und Frankreich. Vom Ersten Weltkrieg bis zur Mitte der 1970er Jahre’, in: *Geschichte und Gesellschaft*, 34/3, 327–359; Clavin, Patricia (2013): *Securing the World Economy: The Reinvention of the League of Nations, 1920–1946*. Oxford University Press, Oxford; Ritschel, Daniel (1997): *The Politics of Planning: The Debate on Economic Planning in Britain in the 1930s*. Oxford University Press, Oxford. During World War II other disciplines, including engineering, also became important for the state. See Camprubi, Lino (2014): *Engineers and the Making of the Francoist Regime*. MIT Press, Cambridge, MA.

<sup>25</sup>Tooze, J. Adam (2001): *Statistics and the German State, 1900–1945: The Making of Modern Economic Knowledge*. Cambridge University Press, Cambridge, 104.

<sup>26</sup>Nützenadel, Alexander (2002): ‘Wissenschaftliche Politikberatung in der Bundesrepublik: Die Gründung des Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Lage 1963’, in: *Vierteljahreshefte für Sozial- und Wirtschaftsgeschichte* 89/3, 288–306, 290–291.

<sup>27</sup>Lepenies, Philipp (2013): *Die Macht der einen Zahl: Eine politische Geschichte des Bruttoinlandsprodukts*. Suhrkamp Verlag, Berlin.

In this context, complex economic processes such as economic growth were not only perceived as being easy to measure but also feasible to plan. Martin Daunton and Frank Trentmann have interpreted this as a “growing asymmetry” between the professionalisation of economics and the growing availability of data on the one hand, and the requirement “to communicate economic knowledge in an accessible manner” on the other.<sup>28</sup>

Nützenadel summarises this process as the emergence of a specific culture of experts, where not only the frontiers between theoretical analysis, applied research and political expertise became blurred, but also those between “normative” and “positive” theory.<sup>29</sup> Economists became indispensable to explain economic contexts and translate that knowledge into policy recommendations. Simultaneously, numerous economic advisory bodies were established, like the Council of Economic Advisors in the United States in 1946, and the Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung in Germany in 1963.<sup>30</sup>

Timothy Mitchell argues that the economy as we understand it nowadays, i.e., as a “self-contained, internally dynamic, and statistically measurable sphere of social action, scientific analysis, and political regulation”, only emerged between the 1930s and 1950s, when “economists, sociologists, national statistical agencies, international and corporate organizations, and government programs formulated the concept of the economy, meaning the totality of monetarized exchanges within a defined space.”<sup>31</sup> The prevailing notion of the economy as a system went hand in hand with the conviction that one could intervene in the

economy as required. As Mitchell writes, in the twentieth century

*the politics of national development and economic growth was a politics of techno-science, which claimed to bring the expertise of modern engineering, technology, and social science to improve the defects of nature, to transform peasant agriculture, to repair the ills of society, and to fix the economy.*<sup>32</sup>

One policy field for which the qualitative and quantitative expansion of economics was constituent was the ‘development’ of ‘underdeveloped countries’ after World War II. Experts and economic reasoning played a major role in the development of so-called ‘backward’ countries since the 1940s. Development has its roots in colonialism; it was supposed to strengthen colonial power by making the French and British colonies more productive and more politically stable. For this purpose, the French and British governments sent numerous experts to Africa. “Post-war imperialism was the imperialism of knowledge”, as Frederick Cooper put it.<sup>33</sup> Yet development was not just a field of intervention, but also a worldwide goal of international organisations and the leaders of ‘backward’ countries. Experts were engaged to apply their knowledge to the modernisation of these countries.<sup>34</sup> Thus, the perception that a promising future could be guaranteed by applying scientific solutions prompted greater demand for expertise across the globe. Experts were vital not only for the production of development knowledge within scientific institutions but also for its circulation and implementation.

The stay of the economist Albert O. Hirschman (1915–2012) in Colombia will serve to illustrate the functioning of expertise and the role of economists after World War II.<sup>35</sup>

<sup>28</sup> Daunton, Martin and Trentmann, Frank (2004): ‘Worlds of Political Economy: Knowledge, Practices and Contestation’, in: idem (eds): *Worlds of Political Economy. Knowledge and Power in the Nineteenth and Twentieth Centuries*, Palgrave Macmillan, Basingstoke, 1–23, 16–17.

<sup>29</sup> Nützenadel, Alexander (2005): *Stunde der Ökonomen: Wissenschaft, Politik und Expertenkultur in der Bundesrepublik Deutschland 1949–1974*. Vandenhoeck und Ruprecht, Göttingen, 12.

<sup>30</sup> Nützenadel, Wissenschaftliche Politikberatung, 291.

<sup>31</sup> Mitchell, Timothy (2002): *Rule of Experts: Egypt, Techno-Politics, and Modernity*. University of California Press, Berkeley, CA, 4.

<sup>32</sup> Ibid., 15.

<sup>33</sup> Cooper, Frederick (1997): ‘Modernizing Bureaucrats, Backward Africans, and the Development Concept’, in: idem and Packard, Randall (eds): *International Development and the Social Sciences: Essays in the History and Politics of Knowledge*, University of California Press, Berkeley, CA, 67–92, 67.

<sup>34</sup> See, for example, Hodge, Joseph Morgan (2007): *Triumph of the Expert: Agrarian Doctrines of Development and the Legacies of British Colonialism*. Ohio University Press, Athens, OH.

<sup>35</sup> For a detailed description and analysis of Albert O. Hirschman’s life and work, see Adelman, Jeremy (2013): *Worldly Philosopher: The Odyssey of Albert O. Hirschman*. Princeton University Press, Princeton, NJ.

Hirschman worked as an expert for the Colombian government in Bogotá from 1952 to 1954 and was part of the Consejo Nacional de Planificación.<sup>36</sup>

This advisory body had been founded on the recommendation of a mission sent by the International Bank for Reconstruction and Development.<sup>37</sup> Under the direction of the economist Lauchlin Currie, a World Bank mission was sent to Colombia with a view to raising the standard of living of the Colombians.<sup>38</sup> The President of the World Bank Eugene R. Black subsequently wrote that the “objective, unbiased analysis” had been performed by a “competent group of independent experts”.<sup>39</sup> The mission consisted of 15 members, who were accompanied and supported by 16 Colombian officials, and was “assigned to the task of working up the framework for a comprehensive, integrated development program for Colombia.”<sup>40</sup> After a four-month stay in the country in 1949, a comprehensive report – *The Basis of a Development Program for Colombia* – was published in 1950.

The report was divided into two main parts. In the first part (The Problem), 16 aspects of Colombia were investigated: the country and the people; factors accounting for the standard of living; national income and product; capital formation; agriculture; industry and fuels; surface transport; air transport; health and welfare; electric power and community facilities; housing; education and training; public finance; money, deficits and inflation; the international economic position of Colombia and the organisation for planning and administration. The second part (The Program) described how problems in the different

realms should be tackled. Finally, details of an “overall program and its implementation” were presented.<sup>41</sup>

The report and its recommendations are representative of the post-war approach to developing ‘backward’ countries by way of financial and technical assistance. The “vicious circle of poverty, ignorance, ill health and low productivity” was identified as Colombia’s most pressing problem.<sup>42</sup> The authors pointed to several barriers to economic expansion, including “traditional” elements of the system of land-ownership, the credit system, the energy supply and transport facilities, which needed to be eliminated.<sup>43</sup> For that purpose, “a generalized attack throughout the whole economy on education, health, housing, food and productivity” was formulated.<sup>44</sup>

The mission was convinced that in addition to financial help, technical support from experts was required. Whereas foreign capital would fill the financial gap between domestic savings and required investments to generate a high growth rate, foreign experts would translate scientific knowledge into implementable policies. The prerequisites for growth had to be created. The lack of data was increasingly seen as an obstacle to successful economic policy, since it was the basis for classifying countries and implementing appropriate policy measures. To overcome this shortage, the mission asked the Colombian government to form a “strong cadre of analytical economists, statisticians and accountants” and to make “every effort [...] to improve the quality of basic statistics.”<sup>45</sup> This was necessary to make the economy ‘readable’. The argumentation also illustrates the growing importance

<sup>36</sup>For a more detailed analysis of Hirschman as an economic expert in Columbia, see Sum, Anna Barbara (2014): “A New Brand of Magicians”: Albert O. Hirschman und entwicklungsökonomische Expertise in Kolumbien, 1946–1958”, in: Stefan Rinke and Delia González de Reufels (eds): *Expert Knowledge in Latin American History: Local, Transnational, and Global Perspectives*. Hans-Dieter Heinz Akademischer Verlag, Stuttgart, 255–280.

<sup>37</sup>On the role of the World Bank in Colombia during the 1940s and 1950s, see Alacevich, Michele (2009): *The Political Economy of the World Bank: The Early Years*. Stanford University Press and the World Bank, Stanford, CA; Adelman: *Worldly Philosopher*, chapter 10; and Easterly, William (2013): *The Tyranny of the Experts: Economists, Dictators, and the Forgotten Rights of the Poor*. Basic Books, New York City, chapter 5.

<sup>38</sup>International Bank of Reconstruction and Development (ed.) (1950): *The Basis of a Development Program for Colombia. Report of a Mission. The Comprehensive Report*. World Bank, Washington, DC, xv.

<sup>39</sup>Ibid., ix.

<sup>40</sup>Ibid., xv.

<sup>41</sup>Ibid., xix–xxxi.

<sup>42</sup>Ibid., 356.

<sup>43</sup>International Bank of Reconstruction and Development (ed.) (1950): *The Basis of a Development Program for Colombia. Report of a Mission. The Summary*. World Bank, Washington, DC, 75.

<sup>44</sup>Ibid.

<sup>45</sup>IBRD, *Comprehensive Report*, 591.



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of economic indicators such as GDP and national income accounting, which were increasingly leading states to demand economic expertise.<sup>46</sup>

The authors of the mission's report emphasised that they could not provide "ultimate solutions" for any problems and that "such solutions must derive from the experience and will and intelligence of the Colombian people themselves." Yet, they saw their contribution in "stimulating Colombians to think in terms of the whole economy." They also hoped that the Latin American country would benefit from the "experience of other countries" and would manage to adapt "that experience realistically to Colombian conditions."<sup>47</sup>

The World Bank was fully aware that a development plan could only be implemented if the responsible state officials backed it. The authors tended to "formulate a sound and internally consistent program of development which will enlist the broadest possible support."<sup>48</sup> This was based on the notion that development actions should be orchestrated and organised by the state.

In his cover letter, World Bank President Black welcomed the fact that the recommendation to use expert assistance had already been taken on board.<sup>49</sup> The Consejo was established to "prepare a broad platform for economic and social development for the country, mediate between different positions in civil society, and filter requests presented to the president."<sup>50</sup> It was directly assigned to the president and headed by Emilio Toro. In addition to the two Colombian advisers Jesús María Marulanda and Rafael Delgado Barreneche, a foreign expert was requested. Albert O. Hirschman thus arrived in Bogotá for his assignment in 1952.

In what follows, the focus lies on discussions of the right strategy for industrialisation in Colombia. The controversy about the location and size of the iron and steel industry was "one of the most intense, heated and biased controversies in the country's history", as the Colombian economist Eduardo Wiesner Durán stated in 1963.<sup>51</sup> The Colombian government had been planning to build a large-scale plant in Paz de Río since the late 1940s.<sup>52</sup> Due to the assumed importance of industrialisation in the economic process in general and the development process in particular, the enterprise was seen as a crucial factor for growth for Colombia.<sup>53</sup> The Colombian government had already consulted different companies on options for expanding the country's iron and steel industry before the World Bank mission visited Colombia. One option was to build a new integrated iron and steel plant and another was to build a "steel fabricating facility" in Barranquilla in addition to an already existing plant in Medellín.<sup>54</sup>

The World Bank recommended the latter option, i.e., the opposite of what the government wanted. The decision was accompanied by a lengthy explanation as to why the surveys on which the government had based its prioritisation were wrong.<sup>55</sup> Here, doubts were raised about the estimated construction costs, the forecasted demand for steel in Colombia and the profitability of the enterprise. The decision did not go down particularly well with the Empresa Nacional de Paz de Río, which had been founded on the government's initiative to build the iron and steel plant. The Junta Directiva de Paz de Río therefore commissioned another US consultancy firm to provide counter-expertise. The latter discredited the mission, claiming that it did not have the required competences to plan an iron and steel plant. With the Empresa insisting on the capacity of 140 000 tons per

<sup>46</sup>Speich, Daniel (2011): 'The Use of Global Abstractions: National Income Accounting in the Period of Imperial Decline', in: *The Journal of Global History* 6/1, 7–28, 20.

<sup>47</sup>IBRD, *Comprehensive Report*, xviii.

<sup>48</sup>Ibid., xviii.

<sup>49</sup>Ibid., x.

<sup>50</sup>Quoted in Alacevich, *The Political Economy of the World Bank*, 49.

<sup>51</sup>"una de las controversias más intensas, acaloradas y parcializadas de que se tenga historia en el país" in: Wiesner Durán, Eduardo (ed.) (1963): *Paz del Río: Un estudio sobre sus orígenes, su financiación, su experiencia y sus relaciones con el banco internacional para la reconstrucción y fomento*, Bogotá, 37.

<sup>52</sup>For a detailed analysis of the discussions, see Alacevich, *The Political Economy of the World Bank*, 87–122.

<sup>53</sup>It was noted in the report that "[t]he possibility of establishing an integrated steel industry in Colombia has fired the imagination of Colombians for years," in IBRD: *Comprehensive Report*, 419.

<sup>54</sup>Ibid., 419 and 426.

<sup>55</sup>Ibid., 420–426.

annum, the World Bank saw no possibility of preventing the integrated iron and steel plant and realised that “Paz de Río had become a national symbol.”<sup>56</sup> The expert opinions of both the World Bank and the private consultancy firm used the same language of efficiency, growth rates and production capacities. By drawing on counter-expertise, the Colombian government was able to ignore the World Bank’s expertise. Using the same language as the World Bank, it was able to realise its own interests and legitimise its own interventions.

The authors of the World Bank report followed a specific economic approach and argued in line with the theory of balanced growth. According to this theory, the whole economy was supposed to experience a ‘big push’ through simultaneous investments in every sector. This was not possible without a great deal of planning and coordination.

In retrospect, Hirschman attacked this approach to Paz de Río and presented an entirely different interpretation of the context, advantages and possible outcomes of the integrated iron and steel plant to that of the World Bank:

*In spite of all the insistence on ‘overall’ planning, I have yet to see a project that is thus well conceived rejected by national or international agencies disposing of investment funds on the ground that the investment required is too high considering the need for monetary stability and for ‘balanced’ development. In Colombia, the only case to my knowledge into which this kind of consideration has thus far entered at all was that of Paz de Río steel mill. Nevertheless, the report of the International Bank Mission, which objected to the project, carried only one extremely vague sentence about the fact that the money involved in Paz de Río might be put to better use elsewhere in the economy [...].<sup>57</sup>*

Instead of downplaying the motivation of the Colombian government as politically driven and therefore economically unreasonable, he stated in his book, *The Strategy of Economic Development* (1958): “Perhaps the underdeveloped countries are not so foolish and so exclusively prestige-motivated in attributing prime importance to this industry!”<sup>58</sup> This insight constituted his approach to the development of unbalanced growth, which favoured sequencing investments in different sectors according to emerging input needs. He backed up his position with a statistic that showed that the iron and steel sector had the most backward and forward linkages of all industries.

From the beginning of his stay, Hirschman called the approach of the World Bank into question. Shortly after he arrived in Bogotá, he felt under pressure to compile an all-encompassing development plan along the lines of integrated planning, as he stated retrospectively.<sup>59</sup> The affinity of World Bank officials for development plans reflected the aforementioned scientification of politics. With the help of experts, every realm of society was supposed to be planned. In the words of a contemporary witness, “[c]omprehensive planning has the capacity of exciting a planner’s imagination because it can encompass an entire economy in a single model in which all potential problems can receive an objectively optimum resolution.”<sup>60</sup> This was easier said than done for several reasons. Hirschman continuously came into conflict with other foreign experts who interfered in his fields of action. In particular, the former head of the World Bank mission Lauchlin Currie, who was still present as an adviser to the Consejo undermined Hirschman’s expertise. But after the World Bank intervened and made sure that Currie gave ground, Jacques Torfs, another expert from the World Bank, arrived.<sup>61</sup> Apart from that hostile work environment, Hirschman complained that the Consejo was consulted very little. Neither

<sup>56</sup> Quoted in: Alacevich, *The Political Economy of the World Bank*, 98.

<sup>57</sup> Hirschman, Albert O. (1971): ‘Economics and Investment Planning: Reflections Based on Experience in Colombia’ [1954], in: idem: *A Bias for Hope: Essays on Development and Latin America*. Yale University Press, New Haven, 41–62, here 49.

<sup>58</sup> Idem (1958): *Strategy of Economic Development*, Yale University Press, New Haven, CT, 108.

<sup>59</sup> Idem (1992): ‘A Dissenter’s Confession. “The Strategy of Economic Development” Revisited’ [1984], in: idem: *Rival Views of Market Society and Other Recent Essays*. Harvard University Press, Cambridge, MA 1992, 3–35, 7.

<sup>60</sup> Waterston, Albert (1965): *Development Planning: Lessons of Experience*. The Johns Hopkins Press, Baltimore, MA, 88.

<sup>61</sup> Adelman, *Worldly Philosopher*, 300–302.

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the president nor the government departments asked for advice before they implemented economic or development policies. As a member of the Consejo and an expert, Hirschman had little impact.<sup>62</sup> As he later recollected, the government sometimes issued his recommendations directly as ‘decrees’, but he was not systematically consulted.<sup>63</sup>

The example of Albert O. Hirschman appears to suggest that economists as experts did not have much of a say or that their economic expertise was ineffective. Indeed, he is not the only expert whose advice went unheeded.<sup>64</sup> But as Stehr and Grundmann emphasise, the important point is that the general mode of the exercise of power became more and more knowledge-based. According to them, the importance of expertise lies less in the central position of the expert in decision-making structures than in the impact of expert discourses on the way we understand and organise the world.<sup>65</sup>

William Easterly claims that the ‘Tyranny of the Experts’ already began in the 1940s and that “authoritarian development” with technocratic and ahistorical solutions was a given in the 1950s.<sup>66</sup> He draws not only on the example of the World Bank’s work in Colombia, but also on Hirschman as an expert to underline that the approach of “free development” was not even being discussed anymore.<sup>67</sup> For Easterly, Hirschman was one of those who had “ignored and forgotten” Latin American liberals in favour of a strong state, which would plan and implement development initiatives from the top.

Easterly’s analysis of Hirschman’s attitude towards the state and “liberal ideas of free development” is based on an article by Hirschman from 1961.<sup>68</sup> Here, the economist quoted Hernán Echavarría Ológaza, a Colombian economist and industrialist, and described his aversion to the state as the main actor for development planning: “In the Latin American countries there exists an important school which maintains that economic progress must necessarily be directed by the State.[...]. What foundation is there for such a statement? None.”<sup>69</sup> Hirschman called those forces that were against all controls and public investment in industry and development planning “a bit hysterical and old-fashioned.” Easterly is right in characterising development initiatives in the 1950s as state-led and often authoritarian, but his assessment of Hirschman needs further adjustments. Hirschman’s expertise – like that of anybody else – was dependent on recognition by his client, in this case the government and to some extent the World Bank. The scope to realise his own ideas as an economic expert was narrow. But later on as a scholar, Hirschman became a sceptical, yet constructive critic of his own discipline in general and of economists as experts in particular. Both had been criticised for as long as they had existed. Hirschman’s own thoughts as well as other critical voices from inside the discipline will serve to illuminate this discussion in the next section.

<sup>62</sup> Ibid., 309.

<sup>63</sup> Hirschman, Albert O., Geertz, Clifford and Cardoso, Fernando Enrique (2010): ‘The Hungry, Crowded, Competitive World: Conversation, Archives, Princeton January 1976’, in: *The Tocqueville Review/La Revue Tocqueville* 31/2, 19–34, 32.

<sup>64</sup> For example, W. Arthur Lewis, who advised the first president of Ghana Kwame Nkrumah from 1957–58. See Robert L. Tignor (2006): *W. Arthur Lewis and the Birth of Development Economics*. Princeton University Press, Princeton, NJ.

<sup>65</sup> Stehr and Grundmann, *Expertenwissen*, 58.

<sup>66</sup> Easterly, *The Tyranny of Experts*, 6–8 and 10–11.

<sup>67</sup> Ibid., chapter 5; on Hirschman 119–121.

<sup>68</sup> Ibid., 121.

<sup>69</sup> Hirschman, Albert O. (1971): ‘Ideologies of Economic Development in Latin America’ [1961], in: idem: *A Bias for Hope*, 270–311, here 294

## 4. Reflections on the limits of economic expertise

After leaving his job as an economic expert in Colombia in 1954, Hirschman attended the conference “Investment Criteria and Economic Growth” organised by the Massachusetts Institute of Technology in Cambridge, Massachusetts. The event brought together several economists with practical experience of advising governments. Hirschman gave a talk on “Economics and Investment Planning: Reflections Based on Experience in Colombia”. Given the increasing number of economists employed in development planning, he thought that they owed it to the public and themselves to reflect more about the contribution that economics could make to politics and warned his colleagues:

*To entertain and encourage exaggerated notions of our abilities will sooner or later invite reactions of the type: ‘But the emperor has nothing on!’ To refuse to take a stand on a country’s vital development problems, on the other hand, would be an avowal of bankruptcy on the part of the social science.*

Hirschman favoured a task sharing between politicians and engineers on the one hand and politicians and economists on the other. He admitted that this would be difficult, “because the economist naturally partakes in the universal desire for power and finds it difficult to admit that there are limits to his prowess.”<sup>70</sup> Politicians would demand planning decisions based on scientific evidence, and this would result in development plans being formulated mainly by economists. This in turn would create the illusion that economics as a science could provide detailed blueprints for the development of underdeveloped countries.<sup>71</sup> Hirschman demanded “a body of principles and meaningful generalizations which would permit the economist to be concretely helpful in the location.”<sup>72</sup> He perceived “integrated overall planning”

as the main problem of economists in development planning. Since the economist’s skill was a scarce resource in underdeveloped countries, it should not be dedicated totally to integrated planning. Otherwise, the economist would risk a “contrast between fine theory and wretched practice” and “the pretense of total, integrated economic planning” that coexisted with and covered up “unregenerated total improvisation in the actual undertaking and carrying out of investment projects.”<sup>73</sup> To improve the criteria for the latter, Hirschman proposed not only cooperating with engineers but also with anthropologists. According to Jeremy Adelman, Hirschman’s biographer, his talk did not go down well with the audience.<sup>74</sup> One explanation for this could be that his listeners were representatives of a relatively new discipline that was in the process of establishing its interpretational sovereignty.

In the following years, Hirschman increasingly followed his own conviction to work in an interdisciplinary manner on development problems, not leaving them exclusively to the economists. In 1976, when sufficient evidence indicated that the transfer of economic knowledge into politics was much more difficult than expected, Hirschman participated in a panel discussion with the anthropologist Clifford Geertz about the “hungry, crowded, competitive world”. Geertz stated: “If you ask an economist he will give you a policy recommendation. He always has something to say. If you ask the anthropologist or sociologist, he says ‘I’m confused’. If you ask a sociologist [...], he would give a long answer that would go on for several hours” Due to the “deductive approach” of economists, they could always offer a policy recommendation. Geertz argued that the main reason why economists outnumbered other experts in politics

<sup>70</sup> Hirschman: *Economics and Investment Planning*, all quotes 41.

<sup>71</sup> *Ibid.*, 42.

<sup>72</sup> *Ibid.*, 44.

<sup>73</sup> *Ibid.*, 47.

<sup>74</sup> Adelman, *Worldly Philosopher*, 323.

lay in the fact that the latter “can’t answer questions in the afternoon they were asked in the morning.”<sup>75</sup> Hirschman did not contradict his colleague. On the contrary, he admitted that during the 1950s economists had assumed that “we can have economic development and political development and political democracy.” Back then, he and his colleagues thought that “we knew how to grind out new GNP by investing a certain amount, and everything would be fine.” He now criticised this approach as “terribly simplistic and outright foolish.”<sup>76</sup> Daniel Speich has recently suggested that a focus on GDP was a reason for the multiple failure of economic expertise. Whereas most experts would blame politicians for not listening to their advice properly, he points out that “localizing the abstractions of macroeconomic theory was a lengthy process that did not produce the required setting of political guidelines quickly enough.”<sup>77</sup>

Deirdre McCloskey, herself an economist, is one of the best-known internal critics of economics and economic expertise.<sup>78</sup> She has worked extensively on the rhetoric used by economists to persuade their audience, namely politicians and the wider public. She claims that economists use all four rhetorical devices, i.e., fact, logic, metaphor and story, and an economist is only a good scientist if they use all of them.<sup>79</sup> Whereas economists think thoroughly about their metaphors, i.e., their models, they fail to reflect sufficiently on whether the stories they tell, their stylised facts, correspond to the “rigorous standards of fact”.<sup>80</sup> Since economists are not aware that they are telling stories, they are unable to assess whether the stories they use are good or bad.<sup>81</sup> Like Hirschman, she accuses economists of forgetting their “scientific duty” and “promis[ing] magical stories”. The public expects “social engineering” by the “magic of expertise” of economists.<sup>82</sup> McCloskey calls on economists not to feign “omniscience” and instead provide “real wisdom, wisdom to tell the stories testing metaphors

and to frame the metaphors that test the stories.”<sup>83</sup> McCloskey also holds the general public responsible for the influence of economic experts, arguing that the public wants simple stories and forecasts or “economic snake oil”, because it does not know the limits of the stories of economists.<sup>84</sup>

Recently, the economist Dani Rodrik, Albert O. Hirschman Professor in the School of Social Science of the Institute for Advanced Study in Princeton, weighed in on the debate about what economists could contribute to policymaking.<sup>85</sup> In his account, too, the public plays an important role. For Rodrik, the “technical expertise” of economists made them highly accepted opinion makers not only among the public but also in the realm of political decision-making. At the same time, he claims that economists do not lack the models to explain (and solve) current economic problems. On the contrary, there are many different models, all of which point in “radically different directions”.

Similar to Hirschman, Rodrik argues that the economists “became over-confident in their preferred models of the moment”. Particularly when it comes to applying models to reality, they tend to give simplified solutions instead of communicating the “full panoply of perspectives that their discipline offers.” Moreover, for the sake of stylised assumptions such as market efficiency and comparative advantage, economists do not mention “real-world complications and nuances”, the “contextual nature of its reasoning” and the “if-then statements” that all economic propositions are. Hence, Rodrik claims that what economists really have to do is choose the right model out of the pool of various and plausible ones in a specific context, a task he calls “economic diagnostics”. He is also wary of the unjustifiably high prestige attributed to economists and their skills by politicians, journalists and the general public.

<sup>75</sup> Hirschman et al., *The Hungry, Crowded, Competitive World*, 30.

<sup>76</sup> *Ibid.*, 21.

<sup>77</sup> Speich, *The Use of Global Abstractions*, 26.

<sup>78</sup> See McCloskey, Deirdre (1985): *The Rhetoric of Economics*. University of Wisconsin Press, Madison, WI and idem (1994): *Knowledge and Persuasion in Economics*. Cambridge University Press, Cambridge.

<sup>79</sup> Idem (1990): *If You're So Smart: The Narrative of Economic Expertise*. University of Chicago Press, Chicago, IL, 1–2.

<sup>80</sup> *Ibid.*, 23.

<sup>81</sup> *Ibid.*, 3.

<sup>82</sup> *Ibid.*, 111.

<sup>83</sup> *Ibid.*, 162.

<sup>84</sup> *Ibid.*, 3.

<sup>85</sup> Rodrik, Dani (2013): ‘Economics: Science, Craft, or Snake Oil?’, available at: <https://www.ias.edu/ias-letter/rodrik-economics>

## 5. Conclusions

According to Raphael, numerous problems of the world society resulted from an ongoing scientific-technical revolution and its implementation in various social, political and cultural contexts.<sup>86</sup> Several developments that were originally seen as progressive and desirable have had negative side effects and caused the problems we continue to grapple with today. Environmental pollution and declining growth rates in the 1970s showed that technical and scientific ‘progress’ came at a price and that the high growth rates of the post-war period could not continue indefinitely. Thus progress, understood as a result of scientific enquiry and expert intervention, has been increasingly called into question and acknowledged as a source of risk.<sup>87</sup>

A discussion of the Janus-faced character of progress has also given rise to greater scrutiny of the role of scientific knowledge in the process. Although these questions were by no means unprecedented, they were discussed with a new intensity during the 1970s. Furthermore, the public claimed to be more involved, as evidenced, for example, by the rise of the ecological movement. The precise impact of the events of the 1970s on the belief in progress and scientific knowledge is unclear, but in general one can say that research was expanded to examine the functioning of expertise and how knowledge was applied in politics.

But despite these changes, there are important continuities. Influence, authority and power are increasingly transported through knowledge.<sup>88</sup> The ongoing discussions show that experts are more eminent than ever and that economic knowledge in

particular wields immense power in politics and the public sphere. The manifold objections raised in the 1970s did not change the demand for expertise; on the contrary, nowadays every political decision-maker draws heavily on expert knowledge.

The main reason for the huge influence of economists lies in the seemingly simple conclusions economists draw from their research, which are allegedly presented in a way that is easy for the public to understand. Although the economic methods are complex, the resulting policy advice can be understood by nearly everyone. Indeed, providing such advice may even be the *raison d’être* of economists.

Sheila Jasanoff has discussed the complex relationship between experts, policymakers and the public nowadays. She urges that the public be better integrated into the process of transferring expertise. In her analysis of expertise she identifies two models – the relativist and the elitist. While in the former politicians simply pick one expertise with which to legitimise their policy, in the latter the expertise is regarded as providing objective and universally valid knowledge. Jasanoff claims that there is a huge gap between aspiration and reality: the relativist concept is practised, whereas the elitist concept corresponds to the “official understanding” of expertise. Expertise thus becomes “politics by other means”.<sup>89</sup> Jasanoff’s ideal model of expertise foresees a supervisory role for the public on expert bodies to make them more accountable and allow for the expression of different and divergent views. Instead of seeing expert knowledge as superior and objective, she argues that its

<sup>86</sup> Raphael, *Verwissenschaftlichung des Sozialen*, 165.

<sup>87</sup> Martinsen, Renate (2010): ‘Politik. Demokratisierung von Expertise’, in: Engelhardt, Anina and Kajetzke, Laura (eds): *Handbuch Wissensgesellschaft: Theorien, Themen und Probleme*. Transcript Verlag, Bielefeld, 113–126, 115.

<sup>88</sup> Stehr and Grundmann, *Expertenwissen*, 58.

<sup>89</sup> Jasanoff, Sheila (2003): ‘Accountability: (No?) Accounting for Expertise’, in: *Science and Public Policy* 30/3, 157–162, 159.

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“political power to define the issues and select the very terms of deliberation” should be scrutinised and “notions of delegation and democratic representation” should be imported into expert debates.<sup>90</sup>

Since contemporary history is conceived as the “pre-history of current problem constellations”, historical analyses of economic expertise can help us to better understand the role of economic experts and their knowledge nowadays.<sup>91</sup> The triumph of the economists as experts has never been uncontested, as both the historical analysis and current debates show. In addition to studies on the non-transparency of advising processes, further research is needed on how expert knowledge translates into decisions by, for example, members of parliament or governments. For Wilfried Rudloff, the difficulty of evaluating the concrete influence of experts and advisers on politicians stems from the fact that the decision-making process is long and fragmented.<sup>92</sup> Historical analyses based on archival material can help us to better understand processes of knowledge transfer and implementation in the past. To sharpen our understanding of these issues in the present, we can use surveys of political decision-makers.

In the discussion of current problems and in historical analyses, the practices of economics should be incorporated, too. This helps us to understand how different forms of knowledge came to be considered as superior and were therefore applied. In their historical analysis of the political economy, Trentmann

and Daunton have proposed a joint examination of economic knowledge and practices as opposed to an intellectual history of economic thought, where economic ideas and thoughts are analysed divorced from their context.<sup>93</sup> By focusing on practices, one can reconstruct the use of economic knowledge and the reasons for its implementation or condemnation. As underlined at the beginning of this paper, taking the various existing forms of knowledge into consideration is important for the analysis of current challenges and for the historical analysis of economic knowledge. The concept of the ‘knowledge society’ makes it possible to integrate non-scientific knowledge, for example, to solve social problems. Historically, the same concept shows how society’s definition of science changed over time and takes account of both scientific and non-scientific knowledge, even though scientific knowledge remains the most important part of “socially relevant knowledge”, as Szöllösi-Janze emphasises.<sup>94</sup>

If we take the call for more participation seriously, we have to ask how the public can be integrated into economic discussions and decision-making processes. The aim of the concept of transdisciplinarity is to use both scientific and non-scientific knowledge for the production of knowledge. This approach is central to how research is conducted at the IASS and could help to increase public participation, integrate different perspectives and contribute to solving current economic problems. ■

<sup>90</sup> The elitist and relativist models and the introduction of the supervision of experts through the public are reminiscent of Jürgen Habermas’s contribution to the debates on technocracy in Germany during the 1960s. He differentiated between the “decisionistic” (= relativistic), “technocratic” (= elitist) and “pragmatic” model, where he also assigned the public a kind of supervisory role. See Habermas, Jürgen (1969): ‘Verwissenschaftlichte Politik und öffentliche Meinung’ [1963], in: idem, *Technik und Wissenschaft als “Ideologie”*. Suhrkamp Verlag, Frankfurt am Main.

<sup>91</sup> Hockerts, Hans Günter (1993): *Zeitgeschichte in Deutschland. Begriff, Methoden, Themenfelder*, in: *Historisches Jahrbuch* 113, 98–127, 124.

<sup>92</sup> Rudloff, Wilfried (2004): ‘Einleitung. Politikberatung als Gegenstand historischer Betrachtung’, in: Fischer, Stefan and Rudloff, Wilfried (eds): *Experten und Politik: Wissenschaftliche Politikberatung in geschichtlicher Perspektive*. Duncker und Humblot, Berlin, 16.

<sup>93</sup> Trentmann and Daunton: *Worlds of Political Economy*, 2.

<sup>94</sup> Szöllösi-Janze, Margit (2004): ‘Wissensgesellschaft in Deutschland. Überlegungen zur Neubestimmung der deutschen Zeitgeschichte über Verwissenschaftlichungsprozesse’, in: *Geschichte und Gesellschaft* 30/2, 275–311, 280. In a similar vein, see Weingart, Peter (2001): *Stunde der Wahrheit? Zum Verhältnis der Wissenschaft zu Politik, Wirtschaft und Medien in der Wissensgesellschaft*. Velbrück Wissenschaft, Weilerswist, 20–21.



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