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THE ECONOMIST AND CHANGE

IN THE LESS DEVELOPED WORLD

by

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The Economist and Change in the Less Developed World*

The "sensitive" nature of a profession and of the function performed by a particular individual are closely related to the influence they are expected to exert on a society. The degree of "sensitivity" in turn influences the professional's role and the determinants of success or failure. One therefore has to be quite careful in drawing conclusions about the role of professionals in change by using the experience of a particular professional in a particular function.

At one extreme are professions which require a minimum of adaptation to be applicable to widely differing societies; which involve widely recognized skills and an accepted body of knowledge; and which exercise minimal influence on values, the political system, customary behavior and individual power relations. Many aspects of medicine are an excellent example (e.g., surgery). At the opposite extreme are professions which are inherently culture-linked and require extensive adaptation to circumstances in different societies; which involve skills, methodology and a body of knowledge that is changing and readily subject to challenge; and which can exercise a profound influence on values, politics, behavior patterns and the position of individuals. The social sciences are good examples. Economics is among the more sensitive professions.

Within each profession, a particular individual or group can perform functions in a less developed country which again are more or less sensitive, related to the same variables which influence the

* I am grateful for the extensive comments of Hanna Papanek.

relative sensitivity of different professions. Normally least sensitive are activities which are short, clearly defined and call for a foreigner acting on his own. Extreme examples would be the surgeon who visits a less developed country to perform an operation or the team called in to extinguish an oil well fire. The task is more sensitive, if it potentially influences a large number of the nationals in a country. For a foreigner this is usually the case when he comes for a longer period of time, has an amorphous assignment and works with many colleagues, assistants or students. For a national the same factors are relevant. Other things being equal, the professional who performs a job himself or does research, influences fewer nationals than the teacher, and the teacher often is potentially less influential than the government adviser.

Economists working as advisers or members of a government's central economic staff have a particularly sensitive role and can have far-reaching influence. Other social sciences may well be even more sensitive as such, but the usual functions of political scientists, sociologists, etc., are limited to teaching and research. Few of them, and even fewer foreigners, advise on government policy. But the political leadership in less developed countries often believes that their political survival, as well as the future of the country depends significantly on economic performance. Economic policy advisers therefore often play a central role and deal with extremely sensitive issues. They are concerned with such highly political questions as tax policy, and with decisions that impinge on values, institutions and power, such

as the pace of industrial development, income distribution, land tenure and the location of investment. Because they deal with policies that can profoundly affect the incentives influencing the behavior of much of the population, economists working in a central policy staff can be unusually important in change.

The influence of the government economist is not primarily an individual matter. His significant effect on change is not the result of individual influence on colleagues or clients, but of influence on government policies. For instance, in Pakistan a small group of economists significantly influenced the government's decision to increase the size of the 1957 development budget. This in turn was a major factor in the government's deficit, in rapid price rises and in an aggravation of the foreign exchange problem. The larger development budget meant substantial changes throughout the government machinery, while the resulting economic problems may have influenced the overthrow of the government in 1958. As against these consequences, the personal effect of the handful of economists on those around them were insignificant. One could cite dozens of examples about the same point.

The government economist then is an agent of change primarily because of his influence on government policy; his influence can be unusually great; and his role is a particularly sensitive one. For all three reasons, the experience of such economists is not always directly relevant to other disciplines. Generalizations from it require particular care.

Factors in Effectiveness

It is not terribly original or profound to say that the effectiveness of the professional as an agent of change depends on his professional competence, personality, status and connections, and the institution with which he works. For foreign economists it also depends on avoiding the suspicion of dual loyalty. Nor is it very useful to state that these factors are related, difficult to measure and neither all-embracing nor clearly definable.

It may be useful to point out, however, that these factors are to a considerable extent substitutable for each other. In most situations the highly competent economist will be forgiven considerable personality defects; a highly competent and effective personality can be tied to a relatively ineffective institution and is still likely to have a substantial impact and so on. There are obvious limits to this process of substitution. The personality, status and institutional affiliation of someone professionally incompetent will probably make little difference. In short, what is suggested is that one can think of these factors in terms so congenial to the economist -- inadequacies in one or more can be compensated for by more of others, though at a decreasing rate of substitution, until the rate approaches zero. If true, this is a conclusion of some operational importance, since some of the factors are more readily subject to manipulation than others. Little can be done by the usual process of professional training to change personality, for instance, and even less to influence status and connection in a particular society, but

to a considerable extent it is possible to compensate for inadequacies in these respects by the quality of professional training.

Professional Competence

It is little more than a cliche to say that professionals without professional competence usually can not play a significant role. (Some authors, however, after due obeisance in this direction, concentrate on the importance of an appropriate personality to the success of a foreign adviser, implying that professional competence is of less importance). The nature and attributes of that competence are of more interest.

The level of competence required varies directly with the influence, and sensitivity of an assignment. The individual research worker usually can do little harm, and his errors are quite readily exposed by the professional disputes which are the mainstay of some journals. The teacher, capable of producing a whole generation of graduates steeped in error can be more dangerous, but he is normally subject to the countervailing power of his colleagues. The professional economist working in a government can do the most harm. Incorrect advice on taxes can lead to budgetary crises (as in Colombia) and even widespread rioting (as in Ceylon); poor advice on foreign exchange policy can dissipate scarce resources and produce severe unemployment (as in Argentina and Pakistan in the early 1950's,) and a poorly conceived investment program can produce stagnation and discontent (as in Indonesia and Ghana).

Yet a handful of professionals can exert a tremendous influence on such policies, albeit within the limits set by political considerations. Less developed countries rarely have more than a dozen really first rate and influential economists. Often there are only 3 to six of them. If economists are consulted by government, the few good ones are so overwhelmed with work in their own sphere of responsibility that they have little energy to check the output of their colleagues. (If the handful of economists work as a team, they may also lack the inclination to be unduly critical.) The political leadership rarely has any notion of economics, and often has to accept on faith the professional advice of their economists. In developed countries critical review by colleagues in and outside government, and professional competence on the part of some political superiors, serve as check on the professional economist. In less developed countries such checks are usually absent.

At the same time the economic problems are more severe and intractable, with physical and financial resources, and knowledge, scarce. The very urgency of their problems pushes the political leadership into extensive use of economists. The importance of economic advice and the lack of professional checks mean that the government economist can be an important force for change. Unless he is unusually capable, however, the change may be for the worse.

Professional competence under these circumstances only begins with good training, a thorough grounding in the discipline. Training requires, in addition to the usual background in theory, history

and quantitative techniques, an understanding of economic policy and its formulation. Elsewhere I have discussed the differences between the economists primarily oriented towards the discipline and those oriented to problem solving.* As the theoretical and quantitative bases of economics have become more complex, and acquiring them more time-consuming, training in the profession has tended to become increasingly focussed on the discipline itself, not on its contribution to the solution of problems. The universities increasingly produce economists superbly trained in the tools, and especially the quantitative tools, of their profession, but with little knowledge of their application. Training also neglects some aspects which are of crucial importance to the less developed countries, but which are of lower theoretical interest or less subject to quantitative techniques (e.g., tax policies, industrial organization and management). Above all, students usually receive little or no training in diagnosing or prescribing for the ills of an economy. They study particular sub-fields, but not how to integrate them unless it is through a macro-model which usually cannot handle price changes and price policies, technological change, risk and uncertainty, and the variable response to different economic incentives . Yet many of the crucial decisions an economist must make in a less developed country relate to priorities and interrelationships -- for instance, granted that Indonesian inflation and stagnation resulted from government deficits, inappropriate price incentives, incorrect foreign exchange rates, inadequate and distorted investments and so on, which policies should be changed first and how are they

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* "Development Theory and DAS Experience", in Development Policy - Theory and Practice, Harvard University Press, 1968.

interrelated; should a government which has only a limited capacity to implement changes in the short run, concentrate on the money supply, the tax system, measures to increase agricultural output (which ones), steps to increase the import of industrial inputs, incentives to exports, an improvement in government salaries, steps to increase foreign aid, the development of an overall plan to assure consistency, the import control system, or some combination of these. There is little in the training of most economists that enables them to deal with such questions of priority and interrelationship under circumstances of limited information and political constraints. Even within particular sub-fields, training usually focusses on principles, techniques and theory rather than on problem-solving. This is as it should be, since most training in problem-solving should come on the job. But in many institutions this tendency is carried so far that economists are launched on an unsuspecting world with no significant exposure to that world's policy problems.

The first step to increase the supply of economists trained to work for the governments of less developed countries is to provide some policy-oriented, problem-solving courses or seminars to graduate students in the field. A number of professional schools, particularly in medicine, law and business, rely very heavily on problem-solving to teach not only the applied aspects but also the principles and theories of their field. It is doubtful that economics can usefully imitate them, but it can at least provide some

seminars with this orientation. Even students interested primarily in theory, history or methodology could profit from such seminars; many of the major advances in economic theory and techniques, from Keynes' to input-output and linear programming have resulted from an attempt to solve problems. For students planning to deal with the policy problems of less developed countries the opportunity to participate in such seminars is highly important.

The essential characteristic of these seminars would be their focus on the solution of problems by the application of economic principles and techniques. Such a seminar can be a painful, but highly educational experience. The student finds himself suddenly bereft of the assumptions which ease his intellectual labors in economic principles courses -- adequate information, ceteris paribus, the absence of transitional, political and social problems, linear relations and simplifying assumptions. "Playing" at the solution of real problems obviously does not make a student a competent policy economist, but it can be a useful first step.

The second step clearly requires the opportunity to acquire experience, preferably with guidance from a senior colleague. Fifteen years ago experience in less developed countries was an asset but not a necessity. Few economists, nationals or foreigners, had any significant experience with development problems or with economic policy in less developed countries. Those who became involved at that time learned by doing and by their own mistakes and they learned together. Economists from the less developed countries had, in most cases, only begun to return home from training abroad. Government officials had only begun to shift from concern with administrative to economic problems. Some foreigners came from universities, occasionally

with little policy experience even in their own countries. Although many who came from academia had been concerned with policy at least sometimes in their career, very few had worked in less developed countries.

The situation in the late 1960's is radically different in many less developed countries. (A few, more recently independent or with a poor educational system, are in the same position as the majority 15 years ago.) A good deal of experience has accumulated, much of it not yet recorded and therefore inaccessible to the outside scholar. The economist with little or no experience in the less developed world is seriously handicapped and if he lacks policy experience in addition his usefulness is severely limited. His colleagues, under constant pressure, always desperately overworked, usually have little time to transfer their knowledge and show little patience with the newcomer's discovery of problems and relationships they assume almost automatically.

Some examples of these developments may be useful. In 1954, when a Harvard advisory group first began work in Pakistan, the government had only one or two economists with advanced modern training. The Planning Commission was dominated by able civil servants with little formal training in economics. There was strong sentiment to concentrate on the preparation of an input-output table, then one of the most modern techniques, as a basis for a planning model. The few foreigners who were policy-oriented professional economists made two major contributions during this early period: first convincing their more academic colleagues -- and especially the inexperienced, recently trained Pakistani ones -- that the

more sophisticated techniques were then inappropriate; second, introducing some of the simple techniques useful in framing government policy and programs -- e.g., cost-benefit calculations, longer-term budgeting, economic appraisal of tax measures, import-forecasting, foreign exchange gap calculations. Everyone involved learned from experience how techniques, approaches and policies developed for the Marshall Plan and for the developed countries needed to be modified to be useful in Pakistan.

In the late 1960's by contrast, the Planning Commission and its Provincial counterparts have three or four times as many well-trained economists as 15 years ago. Their work is dominated by professionals. Some of the economists have had ten years or more of experience. Quite sophisticated techniques are feasible, appropriate and used. Economists who join the Commission therefore must be well trained to be accepted. But if experience has not taught them the limits of their techniques they quickly are ignored as hopelessly theoretical by their colleagues. And those among them, especially foreigners, whose memoranda stress their discovery of factors long since assimilated into the intellectual baggage of their experienced colleagues are sometimes regarded as naive time wasters. (Foreign advisers, new to the less developed world, often "discover" the importance of excess capacity resulting from the import control system or the distorting effects of law tariffs on the import of machinery, They produce long notes on the advantages of their own complex scheme for dealing with these problems. Their experienced colleagues have seen perhaps a dozen such memoranda, are fully aware of the problems and have gradually achieved a substantial modification in the policies by various half-way, pragmatic steps.)

Even more obvious is the difference between the first Harvard team and the most recent one, fielded in Indonesia. While the 1954 group had no one with extensive experience in less developed countries, in the 1968 team everyone has such experience, averaging over five years. They are working with Indonesian economists who are first rate professionals. Most important, they can draw on considerable experience with policy successes and failures in other countries.

Nowadays government economists are seriously handicapped by lack of experience. Foreign economists are further handicapped by lack of experience in a particular country. The visit by the great economist who visits for a week or a month to dispense wisdom is becoming less appropriate and less frequent. It is increasingly obvious that problems are too complex and that less great men in the country for longer can do better in dealing with them. (Countries are less eager now to ask a visiting expert after a month's experience whether they should devalue the currency. obvious reaction of organizations employing economists is to look for those with experience. This principle limits the number of economists available for work in less developed countries and makes it increasingly difficult to acquire relevant policy experience. Some economists pursue the usual academic career and become policy advisers at a later stage. However, academics who shift to government after an extensive university career sometimes find an adjustment to policy work difficult and an adjustment to a less developed country even more so. A number of steps can be taken to enable economists to acquire experience in dealing with policy problems in less developed countries.

A team approach can provide on-the-job training. In a team it is possible to combine technical competence with knowledge of how policy is made; the energy and enthusiasm of younger members with the experience of older ones; and competence in specialized fields with a broad view of the economy. A team can provide experience to the younger members, without the risk to a country which their lack of experience would involve. An apprentice relationship is widespread in the professions -- medicine and law provide examples -- and there are the beginnings of it in economics in large, well organized government offices. It is particularly needed in the amorphous, confused situation which exists in the newly established economic staffs of less developed countries. The quickest, least costly method for gaining and transmitting experience is in a team which combines experienced and less experienced members, regardless of whether they are nationals or foreigners.

The second approach to dealing with the need for experience among policy economists in less developed countries is the development of a career pattern that permits economists to work for long periods of time in governments of less developed countries without damaging their professional advancement. At the moment most institutions using economists (i.e., institutions in the developed world) do not provide a well-articulated career pattern that makes experience in less developed countries, especially in non-research activities, a major asset, rather than a drawback, to professional advancement. Economists therefore often have to look on a period as advisers in a less developed country as costly to their career and are inclined to limit the exposure.

A few economists from developed countries, principally in the foreign aid programs, often do spend a large part of their career in less developed countries. Their problems are somewhat different -- the need to spend a good deal of time on administrative and diplomatic functions, the

difficulty of remaining in touch with research and with the profession in general. Their career pattern does include a good deal of experience in less developed countries, but often it involves a gradual attenuation of their links to their profession.

The problems of economists from the less developed countries are similar. Some of them, academics concerned with their professional reputations but with limited access to research tools, data and assistance, retreat into the higher reaches of abstraction. Others, working with governments find little opportunity to write, read, reflect and, above all, to compare their experience with that of their colleagues in other countries.

Most economists still come from the developed countries. Many among them, even those specializing in development, find it difficult to include in their career extensive work with governments in less developed countries. Esteem in the profession is, above all, a function of publication, especially the publication of work which involves theoretical or methodological advances Work with governments in less developed countries has serious drawbacks for publication of this kind. Some of the work must remain confidential and work pressure leaves little time for writing. These problems are shared by all government economists. In addition, in less developed countries data are poor and non-economic factors prominent. Economists therefore spend much time in data improvement and in devising solutions that take account of non-economic factors. This makes generalization and work on the methodological/theoretical frontiers of the profession difficult. In addition auxiliary facilities are scarce -- research assistants, computers, even desk calculators and reliable help with arithmetic may be unavailable. Work in less developed countries also removes an economist from contact with

his colleagues, which is bad both for the interchange of ideas and for exposure to potential employers. Finally, there is relatively little integration between research on less developed countries and the work of economists advising governments. Even if he returns to an academic base the ex-adviser may find that his research and writing deal with subjects far removed from his field experience, simply because there is no organized research work at his university dealing with less developed countries.

Solutions to these career problems can make an important contribution to increasing the number of experienced economists working with governments of less developed countries. Such solutions essentially require a recognition that policy work can be highly rewarding in advancing the discipline. That is, it is good for economists and for an understanding of economic causality, not just for the governments advised. Given this recognition it is possible to devise institutional means to provide career rewards for those engaged in advisory or other overseas work. Arrangements under which economists returning from overseas work are supported and encouraged while they draw on their experience for further research and writing would be an important first step. More difficult, but also more useful, would be widespread arrangements by academic institutions of career possibilities which clearly envisage alternation between periods in the less developed and the developed countries, the former devoted to research and advising, the latter to teaching, research, writing and catching up. Less developed countries would be able to obtain advisers who are experienced yet familiar with recent developments in their profession; the academic institutions would gain faculty members who can bring to teaching and research the extensive field experience now so often lacking.

Increased professional competence for government economic advisers involves not only some change in training and provision for acquiring experience without losing touch with the profession, it increasingly requires specialization and a team effort. The group approach has been lauded earlier because it makes an apprentice program possible. It is needed also because an economic policy staff in a government requires a critical mass to be professionally effective. One of the staff's major functions is to consider priorities and interrelationships and to do this effectively simply requires a number of professionals. Rarely can much be accomplished by fewer than 5-6 good professionals in a small country. A large economy usually needs a minimum of 10 or more competent and experienced economists, nationals and foreigners.

Another example may be useful. In the early 1960's, Pakistan's Planning Commission was doing much of the staff work on a major increase in the level of the development effort -- it was laying the basis for a six percent rather than a three or four percent rate of growth. This required careful analysis of the policies and programs that could step up the rate of agricultural growth -- what would be the effect of higher and more stable prices; what were the storage requirements to permit price stabilization; what was holding up the fertilizer program and how could the bottlenecks be removed; what would be the effect of price changes on imports, exports and internal consumption; and so on. Second, someone had to look at industry to forecast the requirements for additional imports and their most likely composition; to devise a sensible strategy for further industrial investment; to consider the role of private enterprise and the government development corporation in carrying it out; and to examine the policy changes required. Some work also had to go on with respect to investment in other sectors -- power and transport principally. Then the govern-

ment development program had to be put together. Third, a careful analysis of the foreign sector was required: what increase in exports could be expected and what was the lag with which it might take place; what imports would be required; what private foreign investment might be induced and what foreign public funds would be needed. To calculate foreign aid needs requires a large effort since it called for time phasing of commitments and actual expenditures, a scheduling of different forms of loans and grants and some consideration of the various sources involved. Fourth, all of the policies and programs had to be translated into financial terms. Their effect on budgetary requirements and credit policy had to be examined and the level of government borrowing considered. Tax policy alone required a major effort. Finally all the major individual pieces of analysis, plus innumerable minor ones not mentioned, had to be put together in a consistent and feasible package. The amount of foreign aid expected obviously affected tax, import, and monetary policy, but the amount of aid in turn was likely to depend to some extent on the tax, import and monetary policies the government was prepared to undertake. These were related to likely agricultural output, which in turn depended on price and subsidy policy. Priority decisions had to be made and reasonable consistency assured. Then the whole package and individual pieces had to be discussed with the relevant departments, ministries, provinces, foreigners and international organizations, most of them skeptics. Compromises were made, requiring adjustments in many parts of the package, while new information required changes in others. Mistakes were inevitable. Some mistakes, weaknesses and inadequacies could be tolerated, but if they had been

extensive the package would have fallen apart. For instance -- the U.S. provided $100 million at one time to underwrite Pakistan's decision to reduce import controls and free imports. If the forecast of import requirements had been too low, the $100 million would have proved inadequate. Controls might have had to be reimposed, jeopardizing all other parts of the package.

The example was designed to emphasize that major economic decisions may involve a complex package of policies and programs that can be put together only by a group or team of economists working together and learning from each other. The need for a team with a critical mass -- to permit the transfer of experience and specialization and to cover all important issues -- has implications for the effectiveness of the economist under different circumstances. The individual can enhance his effectiveness by joining an economic team. Foreign institutions supplying economists to less developed countries are likely to be more effective if they press for a team approach. The proportion of the team supplied by the foreign institution obviously would depend on the number of nationals available.

Personality

So much for various facets of a prime factor in success as a change agent, the professional competence of the economist. Much has been written about personality traits desirable in foreigners engaged in technical assistance, little about indigenous professionals. Much of the literature on technical assistance leads to the conclusion that paragons of all virtues are required, veritable saints, though hard-headed ones to be sure. Little can be added by an economist on the subject of adaptability, self-confidence, maturity, humility, energy and a satisfactory family and sexual life. Three aspects bear stressing, however -- commitment, staff character, and controlled compassion.

Most economists work with a political leadership that often has to take their recommendations on faith. The relationship is in this respect very similar to the doctor - patient one. The political leader, like the patient, does not really know whether the advice is good, and will strengthen his political "health", as well as helping the country, or whether it will get him thrown out of office (or worse). He can, however, judge somewhat better whether the economist -- again like the doctor -- is seriously committed to a country and its development, or regards them with detachment. Economists have been forgiven many personality defects, if they were clearly dedicated, concerned about the results of their advice, and not detached clinicians, who find failure as interesting as success. There are foreign economists who have worked with highly sensitive government officials, who were

short-tempered, stubborn and offended local sensibilities yet who were respected and even liked because of their obvious commitment. There are, in less developed countries as elsewhere, a surprising number of civil servants and politicians, who are prepared to tolerate, sometimes with an amused smile, general abrasiveness, as long as it is combined with both competence and dedication.

The second aspect of personality is required of anyone serving in a staff function -- an ability to be self-effacing, yet an effective advocate. Almost inevitably, credit for successful economic policies goes, and usually should go, primarily to the political leadership. The staff member who is not satisfied with the plaudits of his professional colleagues and who insists on publicly stressing his role will often find his access to his superiors sharply reduced. Yet some individuals are simply unable to play a reasonably retiring role. It is especially difficult to find individuals who have firm convictions and an ability to express them effectively in staff meetings and to the political or administrative leadership, who at the same time have their convictions under sufficient control to be reticent outside their own agency.

Finally economists working in less developed countries, especially in really poor ones, must be compassionate, but their compassion must be controlled. Without compassion the inevitable frustrations are more difficult to bear, political sensitivity is likely to be weakened, and the economist's advice will take on a harshness which will not endear him to his colleagues or superiors. (For instance, an economist,

who recommended a policy of permitting real wages to drop in a country where per capita income is $70 a year, was thoroughly disliked by all in the government with a social conscience.) But the compassion must be controlled, for if poverty and misery mean constant, sharp blows to the psyche, it becomes difficult to function. At least one American economist stated flatly that he could not return to South Asia after a three-week visit, because he simply could not stand seeing extreme poverty day after day. Here again there is some resemblance between the doctor and the economist -- the physician who regards his patients simply as interesting diagnostic problems is probably not a very effective doctor, but the surgeon who weeps as he cuts would be worse.

All of these personality factors are especially important for the foreign economist. Since he is an outsider, his commitment is more suspect because he suffers less from any unfortunate consequences of his advice. He is especially visible and vulnerable if he is not reticent and he is particularly prone to become hardened or overwhelmed by the problems and poverty he encounters. His dedication, controlled compassion, commitment, and self-effacement combined with advocacy must be especially well developed.

It is not clear that much can be done to develop these personality traits by training. Participation in a group effort, however, can provide effective personality training, by exposing the individual to the behavior of his colleagues and by giving him support in handling the problems he encounters. For instance, even a dedicated individual will lose some of his dedication if he is in an utterly cynical and corrupt environment. But a dozen professionals working together have a chance

of preserving their dedication, even if the rest of the government is a disaster area. The personality of government economists depends even more on the selection procedure. At present, the personality traits important for an effective government adviser play little role in selection at most stages of their career. Where academic criteria apply, some of the personality traits desirable for a government economist may actually be something of a handicap since academics are more likely to stress detachment and self-assertion than commitment and self-effacement. However, if increasing provision is made for careers as government economists, it would greatly facilitate the selection of personality traits which are desirable in such a career.

Status and Connections

In addition to the personality of the government economist, another set of non-professional attributes plays a considerable role in his effectiveness -- his status and connections. This aspect has rarely been discussed, and for pretty obvious reasons. Such non-professional aspects of a professional role should not exist, the profession asserts, and are therefore better ignored. Personality factors are recognized, partly because they can be regarded as the responsibility of the individual concerned. The effect of status and connections is less obvious and, if based on non-professional considerations, not under the individual's control. It is congenial to ignore them. Yet under most circumstances they are important to an economist's effectiveness and sometimes they are crucial.

Status is especially important to the effectiveness of the foreigner who comes for a short time. The professional who is well-known, whose name itself carries weight, has a considerable asset in obtaining attention for his ideas. In the instance, cited earlier, when a foreign group tried to discourage a major effort to prepare an input-output table, the clinching argument was that the father of this technique, Wassily Leontief, himself argued against its use under the circumstances. What could be more persuasive? Again, a team approach can often exploit the asset of status most fully. The prestigious outsider, usually unwilling to spend much time on a country or a problem, obtains attention and support of the political leadership. Long-term members of the team can do the analysis and can have the knowledge on which sensible recommendations must be based, and they can follow up on recommendation with the massive interpretation, specific analysis and administrative arrangements required to implement them. The less prestigious long-term advisers might have found it difficult to get anyone to pay attention. Alone they can be correct but ineffective. The great man on a short visit, on the other hand, can only make standard recommendations without regard to the particular circumstances of a country, and therefore is likely to be either fatuous or wrong. In combination they can be both effective and in the right direction.

The effectiveness of the indigenous economist will depend to some extent on his status and family and other group connections. This is certainly true in all societies, but especially in less developed countries where family and group loyalties are often stronger

and ascriptive status of more importance. The importance of status and connections to a professional government economist may appear to be an anomaly. His contribution comes from his analysis, explanation and advocacy of economic rationality. Logically his status or connections should play no role. The fact that they do is as incongruous as the physician who accompanies his penicillin shot with an amulet obtained from the witch doctor. Yet both incongruities exist. For instance, a radical proposal for a change in a government's economic relationship with a powerful interest group was facilitated because one of the professionals working on it was the nephew of the President of the country. In another case, an absolutely crucial development program had been completely stymied by widespread bureaucratic and political opposition, resulting from ignorance, a power struggle and fear that it would strengthen alternative power centers. All formal channels to the President were controlled by those opposing the program, but one of the strong advocates could obtain access to the President through personal connections. The President made his decision and the program is flourishing. This kind of channel, and the development which has taken place, is the stuff of which novels are made, but it is usually ignored in analytical treatments of the effectiveness of professional change agents. We hate to recognise that the most effective agent of change may be one most fully acceptable to the existing hierarchy.

To the extent that status is ascriptive and connections are inherited, little can be done by the training process to enhance them.

However, selection and the team approach can still play a role in increasing the effectiveness of government economists in this respect. It is hardly necessary to advocate that well-connected aspirants be preferred for training as professional economists. The normal working of the educational and selection systems in all countries, and especially less-developed ones, assures all too well that the son of the president has a much greater chance of training and advancement than the son of a farmer. But again a team approach can much more effectively put connections and status at the service of change. The prestigious scion of the local aristocracy, working together with competent, but less prestigious colleagues, can help assure that their joint product will be sympathetically considered by the powers-that-be. In the examples previously cited, neither excellent staff work, nor access to a president alone would have sufficed. What made the difference was a first rate product in terms of good staff analysis and a suitable channel to present it to the top political leadership.

Institutional Affiliation

These examples of the advantages of a team approach can be elevated to a principle -- rarely are important changes in a less developed country the work of a single professional. What matters are institutions that promote change, and an individual's effectiveness depends crucially on the institution of which he is part. The more difficult it is to bring about change, the more it depends on the unremitting pressure which only a continuing organization, tied

into the regular machinery of government, can provide.

The advantages of a team approach have been stressed throughout. A government institution not only has a number of professionals with related functions, as does a team, but it also is expected to have longevity a definite role in government and connection to other parts of the government structure.

One can cite innumerable examples of economists with impeccable professional and personal credentials, whose effectiveness was negligible and whose frustration was incredible, simply because their tie was to a powerless and stagnant institution. A widespread pattern is to attach foreign economists to universities, on the logical notion that change will result from improved training for the next generation. However, university administrators in many countries are essentially powerless to improve training. They are government officials, subject to government instructions. Government determines the employment criteria for most university graduates and government officials decide the examination system. The university administrators cannot change the curriculum under these circumstances, even if they wanted to. Students, and colleagues, then exert strong pressure on any maverick, whether national or foreigner, to conform to the system. Any attempt to teach material outside the prescribed, standard syllabus simply means that students will fail exams and lose out in the job market. Even if the system is less constrained, or if a whole team of outsiders comes in to set up a new school, the task may be hopeless if crucial aspects outside the university remain unchanged. For instance, in Pakistan, a new school of business and public administration was set up, following all the latest principles for a technical assistance effort. Finances were ample, a good backstopping organization in the U.S. was selected, Pakistanis were carefully

trained at the backstopping
/university and faculty was supplied by it. The school followed the U.S. model, with a good curriculum and suitable teaching methods. But the examination for government officials was not changed. Clever Pakistani students soon discovered that they could do better in preparing for the exam by studying some standard Arts and Sciences courses than by concentrating on public administration. This part of the new school withered. University reform in this case had to follow government change. The only effective lever of power was in the government.

The effectiveness of government economists, like that of their colleagues in the universities, can be nullified by inappropriate institutional ties. The literature is full of examples of paper plans, produced at considerable cost, which gather dust on library shelves. These examples are sometimes cited to show that planning in less developed countries is wasteful and hopeless. All they really show though is that the preparation of a document called a plan serves little purpose if the government is not prepared to act on the document and its authors have no power to compel attention to it. For instance, in Colombia in the recent past the planning agency had lost most of its influence and staff. The plan it had produced was ignored. The few economists, foreigners and nationals, led professional lives of frustration. The government's economic policy was largely framed in the Central Bank, the Ministry of Finance, the Monetary Board and in other agencies. Even the most competent and able economist could have only a limited effectiveness if he was attached to the planning agency.

The planning organization of Iran is another example. In the late 1950's it was extremely powerful, controlling directly the bulk of development revenues. Its director was dynamic, its staff competent. A few years later it was in a shambles, its director in jail, much of its senior staff dispersed to other agencies, many of them outside the country. The remainder was ineffective for some time.

The examples are designed to demonstrate a very simple-minded, yet often forgotten proposition -- the effectiveness of any professional always depends substantially, and sometimes completely, on the institution of which he is a part. Substantial change in a less developed country, as in developed ones, is too complex, too difficult, to be much affected by any individual professional.

The best advice to an economist who wants to be effective in the less developed world is "go, find an effective institution to join, young man." If he is a national, he can choose among the President or Prime Minister's staff, the planning agency, the ministries of finance, commerce, industry, and (very occasionally) agriculture, as well as regional, semi-autonomous and local government agencies. The foreigner, in addition can choose his country.

But how can one tell whether a particular agency will be effective in the future, since history is such an uncertain guide in this field (vide Iran)? The prophet in this respect is foolhardy in the extreme. No good models have been devised for forecasting institutional effectiveness, but some checks have been proved useful by experience.

The first question to consider is the interest of the national leadership in economic issues. If the government is primarily concerned with national -- or individual -- glory, foreign policy or other non-economic matters, it will be difficult for any organization concerned with economic rationality to obtain support for difficult decisions. (Only rarely does a government need professional economists to help on easy decisions.) In general a government that is likely to have only a short lease on life, is also likely to have little interest in economic policies and programs, which rarely produce short-run benefits.

It is sometimes argued that the attitude of the national government should not be overemphasized, that an economist can make his contribution at the provincial or local level, or by working with a particularly dedicated individual or organization. But most of the competent manpower and almost all of the crucial decisions are usually concentrated in the national government, and enclaves of rationality and dedication do not last long if the national government is uninterested or incompetent. For instance, by 1965 practically no development organization in Indonesia was functioning effectively -- with rapid and erratic inflation, with incredibly distorted foreign exchange rates and with continuing disinvestment, even the best organizations suffered from interrupted supplies, uncertain demand and labor disruptions. An extreme example, to be sure, but not a unique one. If the incentive system is ineffective or perverse, it is hard for any public organization to operate effectively anywhere in the economy.

If the government is reasonably concerned with economic issues, the next question is whether a particular organization has some access to government decision makers. Is it sometimes consulted on important issues and is its leadership reasonably trusted by those who actually make the political decisions?

Finally, how competent is the agency itself, as a government economic staff? This is quite a different question from the professional competence of staff members. A competent economic staff above all has a sense of priority. It can distinguish the issues that are crucial for the economy at a particular time from those which are merely important or interesting or exciting. Since there are always too many of the latter to deal with, any staff that lets itself get diverted from the crucial issues is likely to lose influence. Second, it must be able to suggest feasible policies and programs, not merely those that could work in theory, but those that can work in practice. Third, it must be able to make its suggestions on time. A staff will quickly lose influence, even if composed of brilliant economists, if it does not produce feasible and timely solutions to crucial problems.

Government concern, access to government and competent staff work are related and substitutable, to a considerable extent. A new government often will experiment with initiatives in several directions. If it receives good economic advice and scores economic successes, it is likely to concentrate increasingly on economic matters. The opposite effect, the government that fails in the

economic sphere and embarks on foreign adventures to divert the attention of the population, is a well known phenomenon in newspaper analyses, but the government that follows up economic successes is rarely described. Yet this is what happened in Pakistan after 1958. The new regime struck out in various directions, determined to change many aspects of a society it denounced. Its initial economic measures were often ill-considered, substituting potentially drastic penalties for careful analysis. (Excess profits in theory could bring the full range of martial law penalties). Its initial policy package did not work well. Fortunately the regime was pragmatic and it was likely to be in office for some time. It also had confidence in 2 or 3 senior officials who dealt with economic matters and those officials in turn could rely on a competent economic staff. The regime was willing to try alternative policies recommended by the officials it respected. Several of the new policies were highly successful. This increased the regime's confidence in the economic team. It also meant that the economic staffs could be strengthened -- the government agreed to promotions and better salaries, and people were attracted by the chance of working with the most influential and exciting group in the government. The stronger staff produced better proposals, its superiors had learned from experience and the regime trusted their advice, and thus one of the beneficial cycles was set up which helped produce an excellent set of economic policies in Pakistan.

In Colombia the process started from the other end. A President determined to improve the economic policy machinery, as well as economic

policy, picked an economic team he trusted and backed them in acquiring the personnel necessary to develop good staff institutions.

A strong institution can be built in various ways and from variou directions, but only a wild optimist would expect to work effectively through an institution if all the circumstances are inauspicious -- little interest by the political leadership, little confidence in the economic leadership and unrealistic or not very competent economic staffs. The economist who wants to be effective therefore must first appraise the outlook for the institution he will be associated with.

Second, since the institution's strength will depend to a considerable extent on the competence of its staff, and staff competence depends on numbers as well as individual quality, chances for effectiveness are increased, if a group or team join the institution, rather than a single individual. In other words, five economists added to a staff contribute more than five-fold strength compared to a single individual. Third, the economist, especially if he is a foreigner or comes as part of a group, must try to strengthen the institution before joining as well as afterwards. Sometimes, as a condition of participating in the work of an organization, additional staff can be obtained. Equally important, the foreign economist on the staff of an organization must avoid any suspicion of dual loyalty, which can undermine the confidence in its staff work.

Foreign Professionals and Dual Loyalty

The more sensitive the work of an organization the more important that there be no question of dual loyalty. No government will pay attention to the recommendations of its economic staff on foreign trade policy, if it suspects that influential members of that staff have to consider the trade interests of the U.S., the U.K., or France. Similarly, no government can rely on staff advice on utility pricing if that staff owes some loyalty to the World Bank which lent money for the utility. Advice on multiple exchange rates will be suspect if advisers are borrowed from the IMF which opposes such rates as a matter of principle. In short, foreigners working on major economic issues must be as little subject to the suspicion of dual loyalty as possible. In effect they must behave and must be known to behave like national civil servants.

A number of rules have proved valuable in avoiding even the suspicion of dual loyalty: financing of the technical assistance program by international or private organizations rather than by bilateral government programs (to avoid the suspicion and temptation that he who pays the piper may sometimes want to select the tune); international recruiting and an international composition of a team (it is hard to see conspiracy in a team sponsored by an American institution, headed by a Norwegian and staffed partly with Dutchmen); and insistence that any technical assistance effort result from a strong government request, and be subject to frequent review during which the outside agency is always ready to terminate its assistance.

There is another side to the coin of a quasi-civil servant status. A civil servant is expected to advocate the policies he considers right, to carry out the policies finally decided on and to resign if the gap between his recommendations and a government's decision becomes too great. If foreigners are to be loyal staff members of a government, the government has to be one they can be loyal to. When its actions differ too greatly from the foreigner's moral principles or professional views, he, and any organization which provided him, need to end the relationship

Is this a realistic prescription? Is it realistic, first of all, to suggest that a foreigner can even be professionally loyal to another government, and second, are there more than a handful of governments in the less developed world whose policies can command such loyalty? In some ultimate philosophical sense these are difficult questions, but perhaps such ultimate questions can be avoided.

A serious moral problem would arise if the interest of the country advised and of the country of the adviser are fundamentally divergent. Presumably this would make it impossible for the adviser to render wholly disinterested advice as a loyal civil servant, if he retains some loyalty to his country of citizenship. At present an Israeli adviser in the UAR would face such an insoluble conflict. But in many countries an adviser can operate on the assumption that economic development is in the long-term interest of the country advised, the country of his citizenship and the world community.

There may be short term divergences between the interests of the advised country and the citizenship country, but if the adviser regards these as unimportant compared to the joint and fundamental interest in growth, he can serve loyally despite the divergence. For instance, in Pakistan the short-term narrow U.S. interest may be to increase trade with the U.S., even at the cost of other countries. But Pakistan clearly benefits from expanding trade with all countries, including Russia and China. There is therefore a clear conflict between short-term Pakistan and U.S. interests. But if the adviser operates on the assumption that the quantity of U.S. trade with Pakistan is not an important issue, but that the U.S. and Pakistan share a fundamental interest in Pakistan's growth, he can with a clear conscience advise Pakistan to increase trade with Russia and China.

More important in permitting a good many economists to work as advisers in less developed countries is the existence of the fifth or technocratic, International. This is a startling development of the last 15 years-- the existence in important positions in the governments of developed and less developed countries of economists with a similar professional training and outlook. In the early 1950's economists played any role in governments. Among them, and their colleagues on the fringes of policy, ideological differences were often fiercely debated. There were strong advocates of widespread government ownership and control, and equally strong advocates of unbridled private enterprise. Now there are more economists with an influence on policy. With greater government experience has come greater

flexibility and pragmatism, more concern with policies that work, rather than policies that are ideologically pure. Substantial government intervention, accompanied by a widespread use of the price system is increasingly accepted. Other disputes, often all the fiercer when both sides possessed little evidence, have also become more muted, as facts accumulated. For instance there is less debate now about models and other mathematical techniques. They are generally accepted as highly useful for some purposes, but not as the answer to all problems. The dispute on whether cultivators in less developed countries respond to economic incentives has died down--it is pretty clear that they do, within some definite limits imposed by risk, ignorance and land tenure problems. One could cite other examples. As a result of progress towards a professional consensus, foreign economists working in many less developed countries have immediate and natural allies in their national colleagues, who share their professional language, and often their goals. Increasingly the governments of less developed countries are not monoliths, but a combination of groups with somewhat different approaches and objectives. This greatly eases the moral, as well as the practical, problems of the foreign economist or the foreign economic group. The organizations they are attached to are increasingly pragmatic advocates of economic ratinnality, professionals acting as "agents of change". The foreign economists then find it easy to be loyal to the organization and to its vision of the country's future, even if the government served includes other tendencies whose objectives and methods are a good deal less congenial. The differences between foreign and national economists are disappearing.

The universities' future training, research and institutional involvement in the less developed world needs to take this development into account.

Some Conclusions for the Profession

The number of economists professionally involved in the less developed countries has increased at a phenomenal rate in the last 10-15 years. A majority have probably not performed the traditional academic functions of the profession but have been working with governments and semi-governmental agencies. A very rough guess would be that some 1,500 economists around the world now have a substantial concern with economic policy in and for the less developed countries. With economic performance of particular importance in poor countries, and sometimes crucial to a government's survival, these economists often play a major role in government decisions. Professional training in the broad sense and the universities as institutions have only begun to catch up with these developments. A good deal more could be done in both respects.

Training has been almost exclusively focussed on theory, principles and methods and little on practice and application. If economists are going to prescribe on major policy issues, under conditions of uncertainty, handicapped by inadequate data and forced to deal with complex, interrelated issues, they will need some training in problem-solving and an opportunity to acquire experience. Analogies are dangerous, but sometimes useful. In terms of medical education, economists now usually stop after the first two years of training in anatomy, biology, etc. They need the

third, "clinical" year, which gives them practice in diagnosing economic ills and prescribing for them. Beyond that, they need a period of internship and residence, when they apply their training under guidance and supervision, which minimizes dangers to the "patient".

To develop training along these lines would involve the introduction or expansion of policy-oriented, problem-solving courses and seminars as a regular part of graduate training in economics. It also requires the use of teams or groups of economists working together, to provide the required opportunity for apprenticeship or internship training for the younger members of the team.

The group or team approach is also desirable for other reasons -- it permits the specialization and simultaneous solution of inter-related issues necessary to deal with the really crucial problems of an economy which require a policy and program package, and it can provide psychological and professional support to the team members. Universities in the developed countries who recognize the substantial benefits derived by their economists from participation in government staff work in the less developed countries need to take account of the advantages of the team approach. Individually, jointly or in cooperation with other agencies they need to participate in team efforts to increase the effectiveness of their faculty members overseas.

Some cooperation is also desirable in many cases to deal with the career problems of development economists. To acquire the necessary experience in the government of less developed countries while retaining contact with professional advances in the developed ones, and to do so without detrimental effects on one's professional careers, requires a

career pattern which accepts and rewards an alternation between two worlds -- government in the less developed countries and academia in the developed ones. Such a career pattern is now quite rare. Universities may find that it is easier to provide a flexible career pattern by joint, or cooperative effort.

The adjustments in training patterns and in university practices were discussed above with reference to development economists with a substantial interest in government policy, but I think they apply as well to development economists who contemplate an academic career, thou with somewhat less force. They too will probably spend some part of th career in less developed countries and would benefit from training in the applied aspects of their profession, an apprentice system and a team approach. It even seems likely that these proposals have some applicability to the economics profession, not just to the field of development.