Orthodox Economic Education, Ideology and Commercial Interests:

Relationships that Inhibit Poverty Alleviation

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Introduction

Since the mid 1940s the vast majority of people in most poor countries have experienced no improvement in their material and social wellbeing. Virtually all these countries, however, have received extensive financial aid and a plethora of development advice, particularly from the Word Bank, International Monetary Fund (IMF) and the United States Agency for International Development (USAID). Former World Bank senior economist William Easterly notes that the "West has spent $2.3 trillion on foreign aid over the last five decades" without appreciably improving the wellbeing of a majority of the poor (Easterly 2006, 4). According to the *World Development Report 2006,* not only have poverty conditions in these countries failed to improve appreciably, but the global inequality gap has been "widening for the slow-growing poorest countries" (Ferreira and Walton, 34). Meanwhile, in China (Angresano 2005), India, and other countries in East Asia that have not followed the World Bank and IMF development "recipes" substantial proportions of the lower income groups have been lifted out of poverty.

Many factors have been cited for the continuing, intractable poverty condition in most poor countries. One is that their governments are unstable, rife with corruption, and unwilling to reform their economies, and menaced with failure when they implement reform efforts.[1] A second actor is the combination of geography - particularly the inhibiting effect of a tropical climate on economic growth and development - and entrenched traditional attitudes that trigger resistance to what orthodox economic advisers argue is "sound" policy advice. Still other analysts (for whom economic growth is a synonym for development) have concluded that the cause of low economic growth is the presence of bad institutions (Rodrik et. al. 2002). A fourth explanatory factor cited as to why development successes "have so rarely [been] achieved" concerns the principal agent problem plaguing the large, bureaucratic development organizations (Martens et. al, xv). In this view, the agents of these organizations responsible for micro level projects are offered incentives that encourage them to act in a manner that serves their careers at the expense of pursuing achievement of the multiple broad objectives their agencies have ostensibly established. Many World Bank staffers are not promoted according to any positive evaluation of a project that indicated their work directly contributed to a reduction of poverty, but rather according to other criteria that include how many loans they facilitate. As such they function more like bankers than as reputable economists. This agent problem is aggravated by the absence of accountability on the part of the development agencies to the voters in the rich countries that provide the aid funds (Martens et. al. 1).

There is considerable evidence documenting each of these four alleged causes. However, there is still another cause that has been insufficiently elucidated. That cause is the combined and iterative impact of three unwholesome relationships: (1) the relationship between the narrow, ideological graduate economic education and the orthodox development

[1] However, even when governments are considered "good" evidence indicates that development will not occur if policies are "bad" (Easterly 2006, 44).

perspective held by the international agencies - a perspective that emphasizes growth of output without emphasizing distribution effects; (2) the relationship between international agency policies and the ideological foreign policy interests of the USA and UK, interests that some argue seek to gain control over poor countries' resources while promoting implementation of a pro-democratic, free market ideology; and (3) the relationship between development policies introduced by the international agencies and the commercial interests of multinational corporations and international banking firms, the interests of which are interlaced with USA and UK foreign policy interests.

This paper will focus on these relationships as a primary cause of the perpetuation of poverty in poor countries. Section Two provides a description of the main features of the typical graduate economics program, highlighting its narrow focus, emphasis on mathematical models, and inordinate faith in free markets reinforced by strong ideological overtones - all of which combine to effectively brainwash students to become staunch defenders of the free market ideology. This narrow education influences, and is influenced by, the orthodox development perspective held by those representing the international development agencies (that is, the people in a position to offer or withhold employment opportunities from the graduates of these programs). It will be argued that the graduate school education, when paired with the lure of a lucrative, prestigious position with the world's most powerful development agencies, tempts economics graduates to become willing participants in the perpetuation of failed orthodox development policies. Section Three examines the ways in which international agency policies are linked to the foreign policy interests of the USA and UK. This section also examines the relationship between the agencies' development policies and the commercial interests of multinational corporations and international banking firms. The next section examines the range of policies introduced by the World Bank (and IMF) over the past five decades, particularly as they appear to have become an instrument of a "free market" ideology designed to promote Anglo-Saxon business interests more than the greater good of the poor. Section Five identifies some significant points of departure from the orthodox program that characterize the heterodox approach to development. This section explains how a heterodox economist would define development and how this definition of development stimulates the advocacy of experimental, pragmatic policies designed specifically to alleviate poverty. Section Six examines the empirical evidence as to which development perspective (orthodox versus heterodox) and which corresponding policies have proven more effective in substantially improving the wellbeing of the poor. The paper concludes with some concluding remarks and a recommendation for graduate school economics program reform.

The Graduate Economics Program

Nearly all economists who work in the field of development received their graduate economics education from the highly ranked economics programs at prestigious universities (e.g., Oxford, Cambridge, Harvard, MIT, Stanford). Some have also participated in a World Bank training program. This education and training instills in recipients a faulty, misguided conception of what it means for a poor country to develop, the process by which development occurs, and the types of policies that are likely to reduce poverty among the impoverished segments of the populations in these countries. Students are also imbued with the view that the USA and UK know how the world ought to be managed, and that the way to manage it must include democracy and a "free market economy." Their education, because it is consistent with the narrow ideology of the orthodox development advocates and the USA-

controlled World Bank, significantly reduces the likelihood that new recruits enter the field with a critical eye or a fresh perspective.

Graduate economics programs are monopolized by a single approach to the field. Nearly all graduate economics students who later work for the international agencies receive a similar education built upon classical and neoclassical assumptions and orthodox growth theories. "[H]aving been thoroughly socialized into the paradigm of neo-classical theory" [the typical graduate economics student] takes assumptions such as rational economic behavior and the universality of competitive product and labor markets for granted when analyzing projects for poor countries (Mancias, 48). The typical graduate economics program is also characterized by a narrow, highly technical focus that emphasizes mathematical models and a fervent faith in free markets. Analysis of societal problems is reduced almost exclusively to their economic components, so that orthodox economists offer outdated advice that is impaired by the "abstract separation of economics from its institutional foundations" (Mehrotra et. al., 359).

A cornerstone of this reductionist approach is the belief that economic growth (considered as being synonymous with development) is "largely being driven by accumulation, by investments in capital, physical and human" (Reinert, 5). Another central tenet of orthodox economics education is that since markets tend to be efficient, the best policy for poor countries is to reduce or eliminate state intervention. Doing so, it is assumed, will automatically promote economic growth while reducing poverty through a trickle-down effect - thereby enhancing societal welfare (Mehrotra et. al., 13, 48). This belief follows from "[t]he premise of neo-classical theory that if the investments are made, the acquisition and mastery of new ways of doing things is relatively easy, even automatic . . . Even more important, the core thesis of standard economics . . . is that economic structure is irrelevant, [since] capital *per se* will lead to economic development regardless of the economic structure into which the investment is made" (Reinert, 6). Unfortunately, this thesis is supported by the fallacious belief that "the 'natural laws' of the market [will] felicitously trump the use of power by the powerful to gain unnatural market rents" (Parker, 30).

Intent on making economics "scientific," complete with determinate solutions, orthodox economists define “scientific research” as research “formulated mathematically” (Lawson, 26). As a result, increasingly formulaic, abstract mathematical models have been brought into play for analyzing these problems. Development policies influenced by this research are long on quantitative detail but short on non economic factors. Since “[e]conomics appears to be mathematical on the surface, but underneath, it is really qualitative" (Gillies, 190), the failure of orthodox development policies to account for non economic factors constitutes a serious flaw which is made manifest in the unfortunate results of these policies.

Orthodox graduate economic education also imbues students with a dichotomous conception of the world’s economies. Adopting a reductive binary scheme, economics professors typically teach their students that only two types of economies exist: "developed capitalist" countries with a "free market economy,” and, at the opposite pole, a rather undifferentiated grouping of countries without a "free market economy," (Angresano 1996 and 1997)[2] described as "socialist", "transforming", or "underdeveloped" economies. Mainstream

[2] Here it is argued that there are no "free market economies" in existence anywhere in the world, extensive rhetoric to the contrary aside. Karl Polanyi identified the contradiction in the free market economy ideal by pointing out that in every society in which working rules establishing free markets

Western economics education considers virtually no alternative to the abstract notion of a "free market economy" for developing poor economies or transforming the formerly command-type economies.

The former Deputy Prime Minister of Poland, who actively participated in Poland's post-1989 reform movement, argues that having begun from a position that allowed for no alternative development policy, supporters of the orthodox perspective became "hostages to this thesis," discouraging any discourse regarding "third way" alternatives (Hausner, 2). Students also become hostages because this instruction traps them in an "over abstracted polarity" predicated on a set of "stylised facts" purported to be relevant to the entire world (Elson, 4). Missing from most graduate economics programs are courses in economic history, economic development, comparative economics, and the history of economic thought (Klamer and Collander).[3] One Harvard professor noted about his graduate economics program, "[m]athematical models and mathematical techniques were our meat and potatoes - and if we learned something about our ancestors [Smith, Marx, Veblen et. al.] it was almost by accident" Parker, 29).

The typical graduate economics program also devotes little attention to analyzing the non economic factors that influence an economy, particularly differences in the respective initial conditions of rich and poor economies (e.g., the wide disparities in political and economic power that are relevant to development policy making). To the extent that any economic history is taught, students are schooled in a distorted version of how the UK and USA developed that omits mention of the heavy protectionist policies (among other state policies) both countries adopted during their respective rapid economic growth periods (see Chang, Nye).[4] Further, required readings for graduate students typically exclude heterodox or culturally sensitive views not in conformity with orthodox views. Consequently, students are not encouraged to acquire an understanding of the ways in which culture,[5] politics, social psychology and social structure interact with the economy.

Some would argue that the simplistic free market economy focus contributes to the absence of critical reasoning skills in graduates whose narrow education inhibits their ability to synthesize relevant development material from many disciplines, and to think holistically. This lack of a critical eye brought to the unfamiliar sorts of initial conditions a development economist would encounter in a poor country can have disastrous consequences. In the case

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were introduced, special interest groups quickly sought protection from the state from adverse effects of such rules. USA trade policies that have included high steel tariffs and textile quotes support this point.

[3] There is little evidence of such programs requiring a broader range of mandatory reading since this book was published.

[4] Similar protectionist practices are common among rich countries today whose negotiators often take a hard line during recent world trade talks when poorer countries seek reductions in trade barriers richer countries have imposed against products for which poorer countries have a comparative advantage producing (e.g., agricultural commodities and labor-intensive goods). Even worse, poorer countries are given "unreasonable demands for 'reforms' . . . , unsupported by or in some cases counter to historical experiences, strong empirical evidence and theory - reforms which might in fact set development programs back - enhance support for these positions, especially reforms demanded by trade negotiators who otherwise have evidenced little real concern for the developing countries' welfare" (Stiglitz and Charlton, 36).

[5] A mathematical economist who is a member of a school of international studies at a prestigious university once asked me what culture meant and why I thought it was important for development policy making. After I offered a definition and about five examples where development policy making went wrong when it did not account for culture he responded by staring down at his notes and saying nothing.

of Russia one esteemed economist (having completed a study for the World Bank) concluded that "contemporary training leaves economists with a blind spot" regarding the poor country for which they are proposing policies, and that the policies they proposed tended to be based upon faulty assumptions. One such assumption is the belief that people's behavior (e.g., entrepreneurs) will conform to orthodox models and formulas regardless of the country's culture, history or values. Orthodox training, for instance, was a factor in the incorrect assumption that Russian entrepreneurs would conform to the behavioral assumptions posited by Adam Smith's economic growth model - namely, that most profits entrepreneurs earned would be reinvested.

There is a strong free market ideological bias in the orthodox economic graduate program. The systematized body of orthodox theory validates a particular institutional structure (a "free market economy"), and the corresponding values inherent in this structure. "Economics remains caught in a set of assumptions which not only serve enormously important ideological purposes, but also offers little help in understanding the modern world." This ideology is "neo-liberalism." (Mancias, 39). Further, when graduates of orthodox economics programs join one of the international agencies, particularly the World Bank, what they learned in graduate school is reinforced through Bank training programs (Goldman 2005, 231-232). World Bank and IMF economists tend to become ideologically committed to defending the free market economy, and this commitment represents the singular most defining and important form of their self-identification. They become locked into defending an idealized economy that they presume exists in a pure and undiluted state and is superior to any alternative type of economy.[6]

Graduates of economic programs rarely question the end results of failed policies because they agree with the orthodox means used to implement these policies. The lure of a lucrative, prestigious position (either full time or as a consultant) with the world's most powerful development agencies induces them to become willing participants in proselytizing the perspective and corresponding policies of those agencies. The "free market economy" becomes both their goal and their prescriptive design for reforming a poor country's economy, with reforms contained in the "Washington Consensus," purported to be the a priori universal solution. The reforms embodied in this "Consensus" include a set of ten economic policies that became the standard development recipe adopted by the World Bank and IMF. These policies included fiscal discipline, government expenditure reductions, tax reductions, exchange rates determined in open markets, liberalizing trade and foreign direct investment rules, deregulation of industries to establish more market competition, privatization of state enterprises, and property rights legislation reform.

In their capacity as aid advisors they "use their economic theory as a weapon in an ideological crusade" (Hodgson, xi). In the case of Russia, one expert notes that for ideological reasons a "number of Western economists and analysts responded to their sudden overt interest in Western remedies for the Soviet economy with great enthusiasm. One after another they set off (some on their own, some invited) to Moscow to prescribe economic medicine. Bank of Sweden Prize winners like Wassily Leontief, with his input-output analysis, and Milton Friedman, with his emphasis on increasing the role of money and

[6] Orthodox economists appear to have concluded that since the "free market economy" was the key to the successful economic growth and development of the USA and UK that "they not only could duplicate that success abroad but were called by Providence to do so" (Kinzer, 322).

reducing economic fine-tuning by the government, arrived with their own brand of miracle remedies; a younger generation of highly respected economists also offered their particular remedies" (Goldman 1994, 79).

Orthodox education and ideologies tend to become answers waiting for a question. The answer is that policies embodied in the Washington Consensus are the only way to promote development. They recommend and blindly impose this standard World Bank and IMF policy package with the anticipation that a prosperous free market economy will automatically ensue. As such they treat development the way an army cook follows a recipe rather than seeing development as a fascinating chess game requiring finely tuned reactions to ever changing conditions. At its worst, imposition of orthodox policies involves the coercive imposition of free market reforms in poor countries, for instance through the conditionality of World Bank and IMF loans. Further, these policies are proposed, implemented and defended in an arrogant manner. The combination of holding a degree from a prestigious university and working with the two unrivaled international development agencies (World Bank and IMF) enhances arrogant attitudes by spawning "the phenomenon of wunderkind professors in economics . . . who are then unleashed - with the compounded arrogance of youth, academic credentials, and elite associations - into the real world as ersatz 'economic reform experts' " (Ellerman). An “arrogant messianism” is projected by many international agency advisors (Koves, 17). One analyst observes that the “IMF likes to think of itself as the guardian of economic orthodoxy: a priesthood that is open only to people who command a complicated science" (Hutcherson, 106.) It has been argued that "the older men who staff the fund - and they are overwhelmingly older men - act as if they are shouldering Rudyard Kipling's white man's burden. IMF experts believe they are brighter, more educated, and less politically motivated than the economists of the countries they visit" (Stiglitz, 325). The disdain for the culture of one poor country held by one World Bank consultant is apparent from what he told one writer about his living experience there: "[t]he thing that really saves us is the advances in technology, e.g., the satellite dishes . . . We do not have to invest ourselves in the local culture, which we choose not to do" (Bornstein, 235).

Yet another analyst has concluded that "the World Bank is not well regarded in many sub-Saharan African countries not only because of the perception that it has behaved arrogantly toward many of its African borrowers, but also because of the perverse consequences of its advice" (Cornell, 3). The negative African assessment is representative of the widespread recognition that despite their impressive orthodox economic technical skills typical IMF and World Bank advisors have little knowledge of the history or details of the economies they are advising (Stiglitz).[7] This ignorance has not reduced their arrogant belief in their ability to recommend effective, appropriate development advice. The quintessential example of such arrogance is demonstrated by Jeffrey Sachs. He has been criticized by Dani Rodrik, among others, for the "lack of humility," the aggressive and nearly unmitigated rebuff of any alternatives to his way of thinking, and for the "evangelical attitude" that combine to make him a "throwback to the 1950s and 60s" (Evitar). This was the era of the "Big Push," a combination of foreign aid with Western advice and technology that was believed to be a

[7] Stiglitz notes that “[w]hen the IMF decides to assist the country, it sends a mission of economists often lacking extensive experience in that country. They are more likely to have knowledge of its five-star hotels than all the villages in that country. They work hard and look at many numbers, but the task is impossible. They are only given a week or even just a few days to develop a coherent program sensitive to the needs of the country” (Stiglitz 2005, 325).

panacea for poor countries, but that ignored obstacles to development posed by the indigenous cultures of those countries.

Interrelated Interests

A growing body of literature (Ellerman; Easterly 2006; Goldman 2005, Juhasz ; Kinzer; Stiglitz, 2) has identified aspects of the combined and iterative impact of the "set of elite power networks" (Goldman 2006, 12) - that is, the narrow, ideological graduate economic education, the ideological foreign policy interests of the USA and UK, and the commercial interests of multinational corporations and international banking firms - in shaping the orthodox development perspective and corresponding policies held by the international agencies. A summary of these relationships has been offered by an analyst who worked inside the World Bank for years. He argues that the World Bank "is much more than twenty buildings across the road form the White House and the U.S. Department of Treasury. Instead, it should be understood as a productive agent maintained through its interactions in multiple sites (from MIT's economics department to Wall Street investment firms and Cargill's agro-industrial goods division . . . enabling a diverse set of elite projects, with deeply exploitative effects" (Goldman 2006, 12). Taken together these relationships have served to establish and reinforce the ideological basis for World Bank actions that better serve the interests of the Anglo-Saxon governments and their multinational corporations and international banking firms than the poor members of the poorest countries. The common ideology (in favor of free markets and promoting economic growth) held by the wealthy country parties, including economics program faculty, means they all have a vested interest in not questioning or criticizing the World Bank or IMF actions.

Throughout the past six decades the World Bank and IMF have claimed they are apolitical institutions. Critics argue otherwise, arguing that the World Bank and IMF (along with USAID) policies are ideologically-based and effectively facilitate a post-modern form of neocolonialism rather than reducing poverty in the recipient poor countries (see Easterly 2006, Goldman 2005, Perkins). For evidence they point to World Bank and IMF policies and projects in support of sitting governments that are widely and plausibly criticized for corruption and countless human rights violations (e.g., Indonesia, the former Zambia) as being political. Another, more cynical view is that there is a "Bush and that these agencies are the primary vehicles for expanding free trade and expanding USA interests worldwide (Juhasz 2006, 51-52). In the process the USA intervenes in poor Agenda" cloaked in the rhetoric that "free trade will bring freedom, peace, and prosperity to the world" countries as an act of "commercial self interest . . . [in its world-wide] "search for markets, and for access to natural resources" (Kinzer 2006, 321). This view alleges that development of the poor is not the main concern in the allocation of aid agency resources. Rather, foreign aid is influenced by the global interests of the major world powers.[8] Evidence indicates that political allies who support (particularly) USA and UK foreign policy interests are likelier to be rewarded with foreign aid and advice from the international agencies than are countries who do not ally themselves with these interests (Easterly 2006, 192).

[8] It is alleged that during the Carter Administration the search for oil and other resources was supported by World Bank projects. Once oil had been discovered the World Bank financed oil and gas exploration projects. "When oil was found, the World Bank ushered in U.S. oil companies, who then laid their roots and stayed in place. But oil was not the only resource of interest. There were also agricultural products, copper and other ores, timber, labor, capital, land" (Juhasz , 65, 68).

Some of the World Bank and IMF's harshest critics argue forcefully that the concept of development adopted by these agencies' directors and staffers is a reflection of their having become "subservient to. [USA] political interests" (Goldman 2005, 18). As conceived by these international agencies, development "therefore, becomes interpreted as both a set of institutions (e.g., capitalist markets, global organizations) and discourses (i.e., fighting poverty through capital investment) that combine to engender and legitimate the highly exploitative social relations between the world's wealthy and the poor" (Goldman 2005, 23). Little of what is taught in the graduate school economics programs would counter this conception.

Exacerbating the effect of the graduate school education on economists who join the large international development agencies is the location of the IMF and World Bank headquarters in Washington, DC and the continued practice of appointing an American director of this institution. When these factors are combined with extensive USA funding for both agencies, the result is that they are eventually "thoroughly imbued with an American perspective as expressed in the variants of the Washington Consensus" (Ellerman 2005). This view can be corroborated through scrutiny of the process by which a World Bank President is appointed and of the prior work experience of those who have been appointed. The USA exerts substantial control over the selection process, arguing that by tradition an American should hold the position. Unfortunately, the appointed American tends to be someone with virtually no prior education or work experience in the field of development. Rather, the career background tends to be in international relations, trade policy, and international finance. This is illustrated by the recent appointment of Robert Zoellick, who formerly held the positions of vice chairman at Goldman Sachs and U.S. Deputy Secretary of State. Zoellick's predecessor, Paul Wolfowitz, majored in math and chemistry as an undergraduate, political science in graduate school, and then had a career similar to that of Zeollick - but no work experience in the development field. Both of these men, like many orthodox economists, suffer from the arrogance and ambition of hubris, and both men endorse the neoconservative doctrine that the USA has the right to go it alone and impose its will upon poor countries as it sees fit.

That these agencies would play such a role was forecast many decades ago soon after the 1944 Bretton Woods decision to establish the World Bank and IMF. At that time it was argued that "[t]he IMF and World Bank resemble 'much too closely the operation of power politics rather than of international cooperation, except that the power employed is financial instead of military and political" (Juhasz, 53). In this view these institutions created "free opportunity for expansion in foreign markets [that] is indispensable to the prosperity of American business" (Kinzer, 81).

Another critic argues that World Bank policies are an instrument of the ideology that reflects the "values [and interests] "of the owners and managers of financial capital" (Goldman 2005, 148). The argument goes as follows. Modern diplomacy as practiced by the USA and UK has as its chief concern the promotion of economic interests abroad" (Kinzer, 81). The "neo liberal" strategy created in the 1980s and 1990s by the World Bank and IMF is supported by "a whole network of policy elites based in Washington, as well as professional lawyers, economists, business leaders, and technocrats in capital cities like Santiago and Mexico City . . . " (Goldman 2005, 93). Noting who attends the World Bank's annual meeting would provide support for these contentions. As one analyst who did so observes, virtually none of the attendees "spoke the language of charity or of desperately poor third worlders. . . . In fact, they spoke only of business . . . [and it was apparent that] the world's central

bankers and finance ministers . . . were obviously on a shopping spree" for World Bank contracts (Goldman 2005, 47).

Meanwhile the narrow, ideological economic education influences the shape of World Bank development policy making, since the World Bank is staffed with by-products of the narrow education system. In return, World Bank selection of academic economists to whom they offer consulting contracts rewards the same education system for supporting such policies. World Bank staff positions present a lucrative incentive to graduates to select and excel at coursework that will help them obtain employment. In addition, academic economists in search of the substantial consulting contracts awarded by aid agencies will tend to advocate views that are acceptable to these agencies, even though they may become "uncomfortable with the quality of the science they produce, [having] base[d] their assumptions, models, worldviews, and hypotheses on what they learned from their mentors at elite universities" (Goldman 2005, p. 130). Such analysis is more of a rationalization of World Bank policies than valid scientific research. According to MIT's Alice Amsden, much World Bank policy analysis is not close to the level of quality academic research, but rather is "quintessentially political and ideological," and thereby in lock step with the Bank's latest policy stance (Goldman 2005, p. 147).

Orthodox Development Policies

The World Bank and IMF have implemented a range of policies over the past five decades that appear to have become an instrument of a "free market" ideology designed to promote Anglo-Saxon business interests rather than the greater good of the poor. Typically, the policy making process begins with one or more major and ostensibly altruistic goals with a broad, large-scale plan for achieving the goal(s) formulated at the international agency with little input from the targeted poor countries. Analysts who typically are unfamiliar with the local culture recommend a technical solution they assume will be easily introduced and implemented. When these grandiose projects do not result in poverty alleviation, the international agencies have tended simply to continue injecting yet more funds and uninformed advice.[9]

Outside of a small (and marginalized) circle of heterodox scholars and development practitioners, there is no real rival to the World Bank and IMF. The marginalization of heterodox perspectives is largely the result of World Bank and IMF hiring practices and the fact that few economists receive a heterodox graduate education: virtually all the economists they hire have been imbued with the orthodox economic conception of development. Having virtually silenced all dissent, the World Bank and IMF have convinced most of their constituencies that there is no alternative to development other than to their policies.[10] These policies have included requiring poor countries to open their markets in the name of free trade. Unfortunately, "placing free trade as the ideological centerpiece of development policies - to which all other goals become subservient - since the fall of the Berlin Wall has locked the non-industrialized countries into a very sub-optimal equilibrium . . . . [The result

[9] For a full account of how international agency advisors tend to behave like "planners" in formulating and implementing large-scale projects intended to satisfy multiple goals see Easterly 2002.

[10] During a 2004 conversation with the director of the UNDP program for Eastern Europe he informed me that the only way to promote development in the poor Central and Eastern European countries was for them to adopt the Washington Consensus policies.

has been] continuing world policies based on the most simplistic version of mainstream trade theory . . . " (Reinert, 4).

Since the creation of the World Bank, a sequence of four different broad strategies have been adopted for alleviating poverty in poor countries. The first occurred during the late 1940s - late 1960s period. Rich countries initially were interested in expanding trade with poor countries so as to receive a greater volume of primary product exports. During trade talks at Bretton Woods little attention was given to the views of the poor country representatives concerning what policy would be in their best interest. Then the Cold War provided a justification for "defending" poor countries against communism. This ostensibly protective relationship, resembling as it did the relationship between mercantilist nation states and their colonies, evolved to become a colonial one. In an effort to promote "development" (which was considered synonymous with economic growth) foreign aid and advice to poor countries was expanded with an eye toward promoting investment in urban-based industry. Many policies were designed according to the Harrod-Domar growth model. Ironically, Evsey Domar disavowed this model and said he felt guilty it was adopted, arguing that it "made no sense for long run economic growth" (Easterly 2002, 28). The model's quantitative simplicity as well as its reductionist approach toward promoting long-run growth in poor countries appealed to Western educated orthodox economists. They used Domar's model, with its purportedly rigid link between aid, investment and growth, as an opportunistic tool for justifying massive transfers of capital and technical assistance from the developed to the poor countries. In the process this model became the basis for advocating a Marshall-type plan for poor countries. The calamity for poor countries has been that a Domar model, which "was not intended as a growth model, made no sense as a growth model, and was repudiated as a growth model over forty years ago by its creator . . . became, and continues to be today, the most widely applied growth model in economic history" (Easterly 2002, 28). Simplistic binary political ideology was also a factor in the choice of the Harrod-Domar model. Prominent economists such as Walt Rostow, who advised USA presidents, argued that the model should be used to demonstrate to poor countries that Western-style “capitalism” was superior to Soviet communism.

The 1970s saw a modification of World Bank policies with the appointment of "whiz kid" Robert McNamara as president. New economic models were created, stimulated by a fascination with data and a desire to promote wide-scale rapid change in poor countries. One focus was to expand loans to UDCs for infrastructure, agriculture, education. Another innovation was the introduction of the Green Revolution as a technical solution to poverty. The failure to recognize that cultural and political power conditions in poor countries would inhibit the effectiveness of the new miracle seeds (due to the inability of the typical poor farmer to gain access to needed credit, fertilizer, water, and markets) substantially reduced the effectiveness of these new policies in reducing poverty. It could be argued, nevertheless, that up to this point that World Bank policies, however misguided, had been introduced for the most part with good intentions.

The same cannot be said of the 1980s and early 1990s structural adjustment, then shock therapy policies embodied in the "Washington Consensus" where the ideological interests of the UK and USA influenced World Bank development policy making. The introduction of such policies coincided with the philosophical shift led by Margaret Thatcher and Ronald Reagan and their supply-side macroeconomic policies. During the 1980s about 800 "orthodox macroeconomists" were hired to replace budding development economists hired during McNamara's tenure - considered by one World Bank official to be a type of

"economic genocide" for older economists who had been learning about development during the McNamara era (Goldman 2005, 92). The new strategy was to promote economic growth through: privatization of state-owned industries and natural resource rights; reducing price controls to get the prices "right"; and liberalizing domestic markets while opening up poor country markets to rich country imports and FDI. Whether or not "development" was achieved by these policies was measured according to the extent to which structural changes occurred in the poor country's pattern of production. Ultimately the standard package of reform policies became those contained in the "Washington Consensus."

"Conditionality" was imposed, particularly for the heavily indebted poor countries, before loans were granted. Among these new conditions were that the poor country was required to privatize natural resources such as water (a policy many rich countries themselves resisted aggressively) electricity generation, and public transport. In addition, the World Bank rewrote property rights laws. It was also required that governments be downsized, more foreign ownership be permitted, and trade barriers be lowered further (without any simultaneous reciprocity by rich countries to open their markets to poor countries' exports). Finally, the World Bank would define the environmental regulations that would prevail in the country.[11] All of these post 1980s policies were rooted in the orthodox development perspective and vigorously supported by the USA and UK governments. In almost every case there was no strong evidence supporting that the imposition of such a policy in the particular poor country would promote the well being of the poor, nor was their input received from the indigenous population most likely to be affected by the new policies.

The absence of widespread improvement of the economic conditions in virtually all countries where these policies were introduced led to considerable criticism and protests from within and outside of the poor countries, particularly against the environmental damage. By 1990 these mounting criticisms stimulated still another policy shift by the World Bank in favor of "green neoliberalism" that would, it was claimed, achieve "sustainable development." One critic has argued that neo liberalism's emphasis on the environment was a smokescreen, and that the underlying objective of the policy shift was to expand the "audacious political agenda" that embodied Regan/Thatcher values while initiating and perpetuating "aggressive interventions" into poor countries - particularly through capital-intensive projects funded by the World Bank and directed by MNCs that could own the rights to resources they harvested such as gold or hardwood timber (Goldman 2005, 8). That green neoliberalism has become the dominant perspective of the World Bank towards development, is made evident throughout its massive publications and training programs. The World Bank funds an ambitious training program, which is taught not only to its own staff, but also to "parliamentarians, policymakers, technical specialists, journalists, teachers, students, and civil society leaders" in poor countries. In a given year almost 50,000 people from about 150 countries receive such training. The content of the training is imbued with the dogma that the World Bank's version of green neoliberalism is the only development strategy to pursue (Goldman 2005, p. 226).

Evaluations of World Bank proposed projects' feasibility have been alleged to lack objectivity and academic rigor. The World Bank filters all analysis from all feasibility studies and cost-benefit analyses. What appears to occur is that pre-project appraisals are done to appease potential international investors rather than to determine the likelihood of a positive impact on the wellbeing of the poorest members of the country that will be directly affected by the proposed project. Those who critique the methodology are likely either to be marginalized

[11] For an in-depth treatment of these practices, especially as they were introduced in the heavily indebted poorest countries (HIPCs) see Goldman 2005.

in terms of their input into the process, or to have their employment with the Bank terminated. The case of Herman Daly, founder of the ecological economics field and an expert in cost-benefit analysis methodology, is revealing. While employed by the Word Bank he objected to the biased, incorrect methodology that produced conclusions indicating that benefits of proposed projects far exceeded the anticipated costs. First he was threatened with dismissal, and ultimately he was marginalized by being assigned to a staff position not directly involved with such evaluations (Goldman 2005, 140-144).

Post-project evaluations suffer from a number of problems. One is the small quantity of funds devoted to such evaluations. This is not surprising given that the World Bank spends more funds on public relations than on research (Kapur, 349). The World Bank evaluates projects "in terms of their value to the proposed capital investment, and not" their impact on the local country's indigenous poor (Goldman 2005, 171). Orthodox economists who do such evaluations have been taught to measure development according to the extent to which structural change has occurred in the pattern of production as well as how much growth has increased following a project's implementation, rather than focus on the project's impact on the well being of the country's poorer inhabitants.

The evaluation process is seriously lacking objectivity.[12] The World Bank hand picks consultants rather than assigning the responsibility for evaluation to an independent agency staffed by reputable researchers with no ties to the World Bank. The World Bank thus insulates itself from outside criticism and unwelcome advice. During a conversation with a British development specialist who had done some evaluations for the World Bank he informed me that in his experience in the Balkans outside consultants were hand picked by the Bank to evaluate the efficacy of proposed projects so that, in effect, the evaluations are "staged." There were cases when analysts were hired from the local country, well paid, who knew they would very likely not be rehired if their evaluation results were not favorable.

Finally, the World Bank has tended to deny or ignore unfavorable evaluations without fear of criticism,[13] "hav[ing] attained an aura of inevitability" so that anyone who challenges them from within the organization faces being ostracized (Juhasz, 59). The Bank has been accused of refusing to acknowledge publicly the conclusions of some reports written by internal staff that the Bank's policies are not working (Goldman 2005, 120). Worse still, in the face of growing evidence that most of their projects have failed to alleviate poverty, the Bank "keeps doing the same thing over and over again to reach a never-reached objective. Judging from the continuation of past failed policies it can be concluded that the more its policies are ineffective in alleviating poverty in poor countries the greater "the motivation for the West to become even more intrusive" (Easterly 2006, 272).

The Heterodox Development Perspective

Heterodox development economists such as Mohammed Yunus, Gunnar Myrdal, Michael Todaro and Easterly rejected the basic tenets taught by the orthodox graduate

[12] This evaluation critique is based upon an interview with a consultant for the World Bank with extensive experience throughout the Balkan countries, and the experience of a colleague who consulted for the World Bank in Russia.

[13] One analyst hired by the World Bank about 2001to evaluate progress of projects introduced in Russia told me the report he submitted that was critical of the World Bank development strategy and policies would not be published by the Bank (although another publisher later agreed to publish it).

economics programs after they began working in the development field. This rejection occurred after each of these scholars attempted to apply what he had learned in graduate school to a real development experience and then realized that his education left him ill prepared to suggest effective development policies. Yunus, after completing a Ph. D. in economics at Vanderbilt University and assuming a faculty position in Bangladesh came to realize that the study of economic theory had made him "totally blinded" and that the theory was "all fairy tales" (Bornstein, 33-4). Myrdal, having previously published numerous orthodox theoretical works that drew praise from such eminent economists as Irving Fischer, developed his own heterodox perspective, theories and policies when he shifted his career focus to poverty and equality problems. In shifting he decided to "close the account books" of neoclassical economics and cancel once and for all the supposedly inviolable economic principles" he had learned (Angresano 1997, 61). He argued that the orthodox economic perspective and its simplistic closed growth models inappropriately and illogically isolated on economic factors. This artificial disjunction isolated one part of the social system, which in fact integrated, along with economic factors, important non economic factors "which are of much greater importance not only for development, but primarily for growth of production" (Myrdal 1975, 195-6). The process of orthodox analysis, he emphasized, would omit the vital coefficients of interrelations among the various factors determining the movement of the social system as a whole (Angresano 1997, 96). Myrdal argued that by attempting to treat development, especially poverty reduction, solely as an economic problem orthodox economic theory was doomed to failure.

Other heterodox development economists, like Yunus and Myrdal, have recognized the need to adopt a non ideological, eclectic development perspective that is not wedded to any paradigm. Heterodox development economists' experience in the field has led them to emphasize the importance of first learning about the local culture's social system. They caution development specialists to be wary of market failures, believe in the importance of interdisciplinary analysis of the target poor country, and expand their view of development beyond "economic" problems. They consider development to have occurred only when there have been substantial reductions in the incidence of poverty (as indicated by measures such as the Ahluwalia-Chenery "poverty-weighted index of social welfare" (Todaro, 258-61), and improvements in the poor country's Human Development Index value. Some heterodox economists also include greater gender empowerment and the creation of a sustainable environment (as defined by heterodox ecological economists) in their definition of development. Heterodox economists underscore the centrality to development of improving the economic wellbeing of the poorest 60% of the population: not only should their incomes rise, but the typical family needs to have sufficient savings for both their children's education and for inevitable contingencies. Furthermore, housing must be improved and mosquito netting made available. Finally, clean, affordable water must be obtainable and latrines must be sanitary.

Heterodox economists use an inductive methodology for their country-specific analysis. They begin with historical analysis to determine "initial conditions", then identify important non economic factors that serve as impediments to development. These factors could include unique cultural traits and geographical conditions. They are searching for patterns "teased" out of the data - that not only explain the country's previous development experience, but also point to prerequisites for reducing poverty and inequality. This country-specific knowledge is used to devise a package of reform policies, whose focus tends to be on rural development, especially on improving the wellbeing of women and children, who comprise a disproportionate number of the impoverished in poor countries. Acknowledging

explicitly from the outset that no panacea exists, they see it as vital that during the policy creation and implementation process that input be solicited from members of the indigenous population, and feasible suggestions be adhered to. In determining criteria for measuring the efficaciousness of their policies, heterodox economists tend to agree that growth, while necessary, is not sufficient for promoting development. Further, they believe that any policies proposed must be experimental, pragmatic, and measured. Development policy thus resembles a game of chess that is played over many decades.

Heterodox development economists reject preconceived theoretical models purported to be useful for development analysis and policy making. Similarly, they avoid proposing of grandiose capital-intensive projects formulated from well above the local level by visiting "experts." Easterly argues that successful development advisors need to be "searchers" who do not cling to any preconceived development answers. Searchers recognize that (1) poverty is a "complicated tangle of political, social, historical, institutional, and technological factors;" (2) alleviation of many specific problems requires community projects developed through a process of trial and error by members of the indigenous population knowledgeable of the local conditions; (3) foreign advisors can be helpful only if they first study the local culture by talking to the poor to learn about the important "informal social arrangements," and then make recommendations in the form of "piecemeal improvements that work;" and (4) foreign advisors also can assist by designing feedback mechanisms such as surveys, and experimenting with what works in local conditions (Easterly 2006, 6, 33 87, 169, 307).

The quintessential example of a successful heterodox development strategy is Yunus' Grameen Bank project.[14] A similar strategy has been recommended by Paul Harrison based upon his extensive experience studying indigenously created development projects in Sub Saharan Africa (Harrison). This strategy recommends small scale projects, to be introduced after considerable local participation in defining the projects' objectives and means. Such projects must be low cost, and easy to sustain at the local level, provide potentially high benefits for the local beneficiaries, and feature networks that enable the easy dissemination of information concerning successful and unsuccessful aspects projects to nearby villages. Harrison emphasizes that development comprises a learning process that includes regular feedback, flexibility in the project, and local testing of pragmatic pilot projects, with regular evaluation of this feedback. Projects must be flexible so they can be modified as necessary. Finally, the role of foreign aid providers should be limited, although one important contribution should be to guarantee financial backing of specific local projects for at least a ten-year period.

Two other heterodox economists who have offered strong critiques of orthodox economic education and the role played by its graduates in poor countries merit inclusion. Paulo Freire emigrated from Brazil to the USA where he studied the philosophy of education. During the 1970s he developed a theory for teaching poor, illiterate members of society. Freire identified numerous weaknesses in the orthodox economics and the educational programs sponsored by international agencies. He pointed out that international agencies foster the incorporation of ideological indoctrination throughout the entire economics curriculum. This curriculum, he argued, then serves as a means of injustice, oppression, and exploitation by further entrenching a status quo that oppresses the poor class of society. Freire is also critical of orthodox economics ducation for feeding the students only the information that the elite class wants them to learn. Student involvement is limited to

[14] For an excellent presentation of the creation, implementation, administration, and impact of the Grameen Bank's development strategy see Bornstein 2005.

listening, memorizing, and repeating the formulas of orthodox economics. Finally, Freire criticizes this type of education because it fails to engage students in an inclusive dialogue to diagnose and devise policies for development problems. Freire's critiques of economics education offered to students from poor countries are still valid. Development policy makers educated in this system can be expected to apply the standard orthodox development models and policies to deal with their country's poverty problems without first taking into account, much less analyzing the initial conditions of their own country.

Alfred Hirschman's extensive experience throughout Latin America led him to question the effectiveness of the “visiting economist” sent to poor countries on a specialist mission to give development assistance. Hirschman criticized the application of “highly simplified” orthodox economic remedies to Latin America’s complex development problems. He recommended that development analysts and policy makers begin by first doing extensive empirical research of the country in question so as to ascertain its culturally specific institutional, historical, geographical, political and economic conditions (Bianchi, 306-308).

Despite mounting criticism from heterodox development scholars regarding the costs and ineffectiveness (or, worse, undesirable consequences) of their development recipe, most international agency officials have steadfastly rejected proposals for alternative strategies. They still cling to a narrow range of indicators (such as the extent of privatization after their recipe is implemented) to evaluate the success of their policies. As the following section demonstrates this refusal to rethink their development advice is becoming increasingly indefensible to do so in view of the evidence documenting the inadequacies of orthodox development policies.

The Evidence

Mounting evidence indicates that in poor countries "[o]rthodox policies (based on neoclassical assumptions) have almost invariably resulted in no growth advantage, higher volatility, increased inequality, little social progress, higher unemployment and financial crises" (Mehrotra, Santosh & Delamonica, 21). In the typical poor country there is no positive correlation between their having received an increase in such "aid" (defined as a combination of financial aid and the standard World Bank and IMF package [the "Washington Consensus"] and an improvement in either their GDP growth rates or poverty reduction. One study argues “that a higher IMF loan-participation rate reduces economic growth” (Barro and Lee, 1). A high ranking United Nations official points out that empirical evidence indicates the World Bank or IMF "cannot point to any region in the world as having succeeded by adopting the policies that they promote or require in borrowing countries” (Jomo). Easterly reaches similar conclusions. He argues that "[o]ver 1959-2001, countries with below-average aid had the same growth rate as countries with above-average foreign aid. Poor countries without aid had no trouble having positive growth" (Easterly 2006, 39). Some IMF economists reached a similar conclusion, as they "found no evidence that either 'short-impact aid' or any other type of aid had a positive effect on growth" (Easterly 2006, 49). In fact, there are numerous cases (e.g., Angola, Burundi, Liberia, Sierra Leone, Somalia, Sudan, Zaire) where an increase in IMF involvement can be associated with subsequent economic collapse (Easterly 2006, 218). In the case of Africa, most poor countries subject to the international agencies' "structural adjustment" experienced negative or zero growth" (Easterly 2006, 68).

An internal World Bank report released in December, 2006 by its own Independent Evaluation Group reported on some poor countries where the World Bank was active. "Among 25 poor countries probed in detail . . . only 11 experienced reductions in poverty from the mid 1990s to the early 2000s, while 14 had the same or worsening rates over that term. The group said the sample was representative of the global picture" (Goodman, x).[15] One study evaluating the impact of orthodox aid designed to stimulate investment (and thereby promote growth while reducing poverty) in 88 poor countries between 1965 and 1995 concluded that the outcome was rarely positive. In only 17 of the 88 countries did investment increase after the injection of aid was received, and in only 6 countries (each of which received only "trivial aid") did the increased investment as a percentage of GDP equal or exceed the percentage increase in the aid (Easterly 2002, 37-8). Another study completed in 1994 "found no relationship between aid and investment across countries" (Easterly 2002 p. 38).

Further, although studies have indicated that during the 1975-2001 period GDP growth rates for the poor countries did not decline, when the analysis begins around 1985 there is evidence that "the poorest did worse" (Easterly 2002, 40). Growth reversals were not uncommon after 1975, particularly in Latin American and African countries. "Per capita income rose continuously from 2000 to 2005 in only two in five of the countries that borrowed from the World Bank, . . . and it increased for the full decade, from 1995 to 2005, in only one in five" (Goodman). Meanwhile, the Southeast Asian countries that did not adhere entirely to the orthodox development policies were experiencing exceptional GDP growth. Countries (South Korea and Taiwan) which have been put forth as exemplary success stories for the "Washington Consensus" in fact adopted only four or five of the ten elements advocated by the Consensus (Todaro, 538).

Other evidence suggests that there is little or no correlation between the imposition of democracy (one ideological element of the orthodox policies) either improved GDP growth or poverty reduction in the poor countries. There are indications that the extension of democracy is correlated with higher rates of GDP growth in only about one third of poor country cases (Todaro, 546). This has not reduced the zeal of Western powers who cite the need to spread democracy as justification for military intervention in a poor country because democracy will supposedly foster economic development. Typically, however neither is democracy established in the aftermath of these interventions nor poverty reduced. One study analyzed "sixteen American nation-building efforts [by the USA military] over the past century. Only four were democracies after the U.S. military left - Japan and Germany . . . Grenada . . . and Panama" (Easterly 2006, 332

While examples of improvements in the well being of the poorest 60% living in countries that received World Bank and IMF aid are few, there is considerable evidence that Western aid and policies appear to have primarily benefited "political insiders, often corrupt insiders, who . . . vigorously oppose[d] democracy that would lead to more equal distribution of aid" (Easterly 2006, 135). Cambodia is a case in point. Although the World Bank Cambodian Country Director argued that "[m]oney is being made in this country - you can

[15] The Independent Evaluation report criticized the Bank for failing to help cushion poor people against price and currency liberalizations, for focusing on the fiscal sustainability of pension systems to the detriment of the poor, and for promoting the privatization of power industries without thinking enough about wiring up the indigent" . . .[and for] failing to tailor projects to local conditions" (Goodman 2006, x).

now use the word Cambodia and prosperity in the same breath," the World Bank's own report concludes that in the past decade "incomes for the top 20 per cent of Cambodia's 13 m[illion] people rose 45 per cent, those of the poorest 20 per cent [increased] just 8 per cent. About 20 per cent of the population still lives in acute poverty. Most rural Cambodians remain desperately poor" (Kazmin, 6). In Laos most of the benefit of World Bank projects is being reaped by multinational corporations not only at the expense of the indigenous people removed from areas where such projects have occurred, but also to the detriment of the environment (Goldman 2005, 184, 200). In Ecuador multinational corporations have been able to "utilize international financial organizations to foment conditions" that make Ecuador subservient to the international aid agencies and private corporations. (Perkins). One result of this situation is that oil companies receive about 75 per cent of all revenue produced from the extraction of Ecuadorian oil, while less than 3 per cent of this revenue is devoted to programs designed to directly assist poor Ecuadorians.

A more encouraging picture emerges from examining the outcome of heterodox development policies that were implemented during the same period. These policies rejected orthodox theoretical growth or trade models while adopting a gradual development strategy (e.g., slowly reducing trade barriers while controlling the exchange rate, and experimenting with pragmatic policies on a small scale before generalizing their application) so as to avoid or at least mitigate the social and economic costs of rapid structural changes, and soliciting advice from many interest groups in creating pragmatic policies and culturally specific institutions. Finally, heterodox policies advocated maintaining considerable national control over their natural resources.

One example is Japan's whose development strategy (like that of South Korea and China) was not devised by orthodox economists. It is noteworthy that Japan was not subjected to the World Bank development recipe. The same can be said for China and South Korea. Cambridge economist Ha-Joon Chang told a colleague that the architects of South Korea's development strategy were lawyers and engineers who had not received orthodox economic training, but instead acted in a pragmatic manner. He contrasted this to the Latin American experience where ideologically charged, USA-educated economists were instrumental in crafting their countries development strategies.

Botswana's experience is interesting, for the nation's "incomes soared" after foreign aid declined (Easterly 2006, 28). Its leaders gained considerable control over diamond extraction revenue by negotiating a favorable agreement with the De Beers mining company. Another successful case is that of rural Bangladesh, where the Grameen Bank's brilliant microfinance strategy, which defied orthodox principles, has promoted the wellbeing of a majority of the nation's poorest 60%.

Concluding Remarks

The previous section provides substantial evidence that "[t]he poor in developing countries are often better off when their governments ignore the policy advice of the IMF and World Bank. . . . China, India and other countries in East Asia that have not followed IMF economic programs and prescriptions have seen more of their people lifted out of poverty in times of economic growth than have nations that take the advice of the Washington-based lenders" (Jomo). Unfortunately, although the impact of aid programs such as the IMF's structural adjustment loan programs can be likened to the "Flight of Icarus" (Easterly 2006,

65) that aimed for the sun but ended in a sea of failure, the international development agencies steadfastly advocate large-scale market reforms to promote poor countries' development while continuing to justify and propagate their policies through academic indoctrination. What the international agencies fail to recognize, or admit to, is that their orthodox development policies and inherent values "had provided an effective ideological shield during the Cold War, but no nation had ever been built on this type of theoretical framework" (Reinert, 10).

These agencies should have learned from empirical evidence that the successful cases of development have relied heavily on strategies emphasizing self reliance and experimentation with piecemeal policies and institutions. These strategies include borrowing technology (but not values) from the West and grafting it onto the local culture according to decisions made by country citizens rather than foreign experts. Another lesson for orthodox development economists is that rapidly introduced free market reforms have not promoted development. World Bank and IMF policy makers continually underestimate the difficulty of introducing markets into poor countries persist in introducing misguided large-scale plans, many of which entail substantial undesirable consequences. Unfortunately, "the neo-liberal approach carries with it a distinct danger of excessive faith in the market in terms of economic efficiency" (Duquette, 319).

There is a pressing need to dismantle the messiah complex of some World Bank and IMF staffers and to overcome their disdain for other cultures. Further, the role of these agencies in development needs to be dramatically reduced. In addition, reform of graduate school economics education is necessary for a number of reasons. One is that if orthodox economics education and the associated development perspective "is allowed to appear (even by default) as the appropriate economics . . . then any reconstituted 'development economics' will continue to be marginalized, both in the policy arena and in the curriculum (Elson).

How might economics education be reformed so that the development perspective and policies adopted by economists in this field would be likelier to promote development in the poor countries? First, by shifting away from their exclusive focus on economic theory, particularly open macroeconomics, rational expectations and supply-side economics (Jomo). The shift must also include (1) a rejection of the assumption that the Anglo-Saxon model of a free market economy is universally applicable, in view of the "reams" of evidence indicating "that policies that work wonders in one place may have . . . unintended, or negative effects in other places" (Hausmann, Rodrik and Velasco, 12); (2) the recognition that development cannot be prescribed as a cook prepares a recipe, and that development is not limited to GDP growth; and (3) the understanding that transforming cultures is a daunting and multidisciplinary task that cannot be achieved simply by some application of technology.[16]

This shift can be facilitated by adding heterodox development and economic history literature to the curriculum. Methodology courses should incorporate the "qualitative causal" methodology used in the medical field: first acquire in-depth knowledge of the economy in question to discover the root causes of a specific problem within a specific cultural

[16] This will be difficult, as recognized by John Kenneth Galbraith who once argued (in a different context) that economists are highly prone to retain the perspective they were taught in graduate school throughout their professional lives (Noble and Martin).

environment, then use those causes as the basis for introducing appropriate institutions, rules and policies to alleviate the problem (Gillies, 196). Students should be exposed to case studies in which policymakers are shown to have relied on the essence of heterodox development policies to create culturally specific institutions. Including economic history courses is vital so that students avoid historical myths about free market economies. Poor countries need to establish their own studies centers that include an alternative, heterodox development education as well as required field experience to learn about specific local cultures and their respective problems. In the process students will learn that development is a slow, complex process, requiring pragmatic, creative policies specific to the particular local conditions at which it is aimed.

A point that must be emphasized in courses specifically related to development is that policies that are "homegrown" and "market based" have proven more successful in poverty reduction (Easterly 2006, 77) than grandiose plans with multiple broad objectives formulated by foreign "experts" representing the World Bank and IMF. Concerning evaluation of policies, a firm focus on local level problems permits the collection of reliable social and economic benchmark data for use in (obligatory) post project evaluation to measure the particular policy's effectiveness. These evaluations should be carried out by an honest, independent agency not beholden to the policy makers or those funding the project. Adopting these recommended reforms will improve the chances of increasing the well being of the poorest 60% much more than adherence to the stale, ineffective, ideologically charged orthodox development policies currently imposed by the international agencies.

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