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The Current Economic and Political Outlook through a Hirschmanian Lens¹¹⁰

The economics profession and the evolving democratic crisis

This conference on Albert Hirschman focusing on his articulation of and commitment to possibilism is an important tonic for the soul at the historical conjuncture in which we find ourselves. As we all know, colleagues across the social sciences have drawn usefully on Keynes, Marx, and perhaps especially on Polanyi to make sense of the dismal present conjuncture. I'd like to add one more theorist to the conversation about the present moment, and that's of course Hirschman.

Trespassing into Hirschman's intellectual terrain offers a fresh and useful lens to make sense of the role of the economics profession in the transformations associated with the evolving democratic crisis. As everyone here knows Hirschman worked across a broad range of fields and his thinking broke the mold in many ways. He was open to the ideas of the most heterodox thinkers—for instance, he wrote favorably of Althusserian overdetermination. He also shared with Hayek (and others such as Popper) an appreciation of the complexity of our social world, the limits to its intelligibility, and relatedly rejected expert hubris and social engineering. Hirschman also shared with Keynes (and Knight) a deep appreciation of ineradicable fundamental uncertainty. In all of this Hirschman conceived of the economics

¹¹⁰ Remarks drawn from Ilene Grabel, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017) and "Reflections on the Economics Profession, the Neoliberal Conjuncture, and the Emerging Democratic Crisis: An Analysis in the Spirit of Albert O. Hirschman," *Forum for Social Economics, Papers and Proceedings from the ASSA 2018 conference*, 2018, 47(2), 173-83, <https://doi.org/10.1080/07360932.2018.1451761>.

profession in ways that are at odds with professional norms. The cultivated ignorance of much of the economics profession puts its legitimacy at peril and has imperiled societies across the globe.

My recent book, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (The MIT Press, 2017), takes a broader lens than I will take in my remarks today. In the book I use Hirschman's work as a lens through which we can understand the transformations that are now unfolding across the global financial architecture. I argue that the fracturing of global neoliberalism has generated substantial incoherence in global financial governance architecture and developmental finance. In the book I work hard to demonstrate that what I term the "productive incoherence" is to be understood in part as a good thing for developing countries.

I'd like to home in today on one matter. And that is how Hirschman would have us theorize the culpability of the economics profession in the anti-democratic impulses taking root in so many parts of the world. What I have in mind is that the economics profession's neglect of the inequality produced by the radical social engineering programs of the neoliberal era has contributed to the ethnocentric, nativist, racist, and misogynist backlash that has gathered so much momentum in many national contexts. Hirschman, I think, would hold the economics profession at least partly accountable for these developments. This is not because he was opposed to this or that particular economic system. But because he was a profound critic of the pursuit of institutional and policy coherence—the pursuit of theoretical purity and the effort to realize that purity in practice. That was the project he closely tied to the hubris of the profession. And it is on the need for humility, patience, and recognition of the epistemic limitations of the profession that Hirschman was particularly insightful.

Hirschman's critique of the economics profession

I'd like to explore in broad strokes three aspects of Hirschman's critique of the profession, focusing on the most egregious behaviors during the long celebration of global neoliberalism.

A first aspect of Hirschman's critique centers on the failure of economists to appreciate complexity and the limits to knowledge. This epistemic arrogance opens the door to model building; all encompassing, universalist programs, such as neoliberalism; and to rhetorical strategies that sell a single policy regime. Hirschman's approach instead was one of improvisation in pursuit of multiple paths. He favored complexity, messiness, specificity, small-scale experimentation, and contingency in contrast to pristine, uniform policy blueprints.

The chief lesson of the neoliberal era is not just that it wrought extraordinary harm including radical inequality, that it failed by any honest standard, or that it involved a fantasy that one policy regime is appropriate for all contexts. All of these things are certainly true. But a critical and often overlooked lesson is that placing just ONE policy and institutional complex at the center of global governance puts too much demand on it; gives it too much power to shape policy; constrains pragmatic adjustments and experimentation; and magnifies the risks of failure. Centralized institutional authority also risks closed-minded, discouraging, dangerous "there is no alternative" thinking which prevents learning by doing—especially, as is so often the case, when its work is driven by a totalizing "ism" and backed by power, wealth, and ideology masquerading as science.

A second aspect of Hirschman's critique centers on his deep suspicion of what I have termed coherence, which is predicated on the notion of the social world as a simple social system, where everything fits, and where the structure determines what can and cannot work, what is and is not possible. The economists' attachment to coherence criteria adjudicates the viability of policies based on the degree to which they do or can be made to "fit" into an overarching system. Neoliberalism appeared to be a coherent system, and one that properly implemented brought myriad, self-reinforcing benefits. Against this attachment to coherence, Hirschman argued that it was imperative to learn from small-scale, gradual initiatives and from multiple examples, to recognize uniqueness and specificity of

experiences, and to appreciate the possibility of a great many sequences rather than to seek universal dictates in a reductive theory.

A third aspect of Hirschman's critique centers on the mutual distrust between the subjects and objects of economic expertise.¹¹¹ Hirschman's distrust of experts stemmed from their hubris, reductionist sensibilities, and the fiction of expert control that enabled them to devise sweeping plans, oversell benefits, and discount the likelihood and costs of failure. Hirschman's conception of the "Hiding Hand" dissects the rhetorical strategies that economists use to sell their plans. The ethical responsibility of the economic expert entails a commitment to what Hirschman termed "possibilism." Possibilism represents a radical rethinking of the idea of and processes around transformation and it also underscores the constitutive role of rhetoric and ideas—that is, words and in particular expert rhetoric have practical consequences. Central to Hirschman's possibilism is his humility and his related emphasis on uncertainty.

Hirschmanian proscriptions

Looking at the responsibility of our profession for the neoliberal revolution and the democratic crisis through a Hirschmanian lens leads me to offer what I term "Hirschmanian proscriptions." These are injunctions against deep-seated academic habits and sensibilities that today infuse the social sciences, especially economics. Most simply put, these proscriptions mean that we should refuse to know too much and we should refuse to rush to judgment.

¹¹¹ One can only imagine what Hirschman would have made of randomized control trials, all the vogue these days in development economics (as highlighted by the 2019 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, commonly known as the Nobel Prize in Economics). See discussion in Ilene Grabel, *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (Cambridge, MA: The MIT Press, pp. 32-33) and George DeMartino, "The Specter of Irreparable Ignorance: The Confounding Problem of the Counterfactual in Economic Explanation," paper prepared for the Arizona State University Winter Institute for the History of Economic Thought, sponsored by The Center for the Study of Economic Liberty and the School for Civic and Economic Thought and Leadership at ASU, and the History of Economics Society, January 2020.

One category of Hirschmanian proscriptions requires us to reject evaluative criteria that purport to determine *ex ante* or *ex post* whether innovations should be parsed against the standard of coherence, viability, sufficiency, scalability, and significance. By coherence I mean we should not vet new initiatives by adjudicating their viability based on the degree to which they “fit” into an overarching system. Seamless, coherent systems are neither possible nor ideal. Indeed, they are inherently risky. By viability I mean that we should not presume to know whether proposed or existing innovations can exist and survive over the long term, or whether some or all innovations are unviable in the context of pressures from the global economy or powerful actors. Learning happens, Hirschman reminds us, through confrontation with obstacles and failures and not just or primarily through success. By sufficiency I mean we should not be concerned with whether observed innovations are adequate in the sense of addressing global capitalism’s full range of challenges. By scalability I mean we should not judge innovations against the standard of whether they are scalable and even universalizable, or speculate as to whether they are doomed to remain small, barely surviving, and even then only in the environments where they have arisen. Finally, by significance of change I mean we must not impose a “test” of fundamental change, such as whether any endeavor disrupts structural power. With Hirschman, we might recognize that each of these criteria reflects the drive of social scientists to repress uncertainty in pursuit of understanding and, ultimately, control. Far better to intervene in ways that acknowledge the possibility that each might evolve with the effect of addressing pressing problems and deepening capacities, provided they are not strangled by closed mindedness that deprives them of recognition, legitimacy, and support.

Another Hirschmanian proscription is to avoid pre-narrating history. In this sense we must keep in mind the negative nature of Hirschman’s intervention—to reject approaches to social science in general and the study of change in particular that presume to know in advance what is and is not possible, viable, and beneficial. We must avoid not just prediction but pre-narration.

A final Hirschmanian proscription is that we should avoid thinking about the design of economic regimes in terms of their fidelity to an overarching model, or what we may think of as the pursuit of purity. I don't want to be misunderstood as suggesting that previous eras were internally consistent or all encompassing. Despite the best efforts of the most committed neoliberal ideologues nothing like the neoliberal **ideal** could or ever did emerge in practice. The range and extent of departures from the neoliberal ideal—such as through bailouts to firms—reveals that regimes that aspire to coherence are inherently risky and on that account, unsustainable. Moreover, to say that the neoliberal project ultimately failed in its grandest ambitions is hardly to say that it was ineffective in reshaping economies, locally to globally. The neoliberal ideal was also effective by acting as a dead weight around the ankles of less powerful actors who sought to pursue initiatives that were significantly inconsistent with its dictates.

Incoherence and aperture

The presence of incoherence itself does not distinguish the present from the immediate past. What does distinguish the present is the relative absence of a consensus around any unified theoretical ideal toward which the institutions of financial governance are to hew. Today's "post-neoliberal era" is not at all free of neoliberalism—indeed, aspects of neoliberalism appear to be restored with each recent national election—and it is not characterized by an alternative coherent doctrine or a corresponding set of institutional and policy arrangements. Recent political developments in many economies promise a dangerous mix of neoliberalism and economic nationalism. Hirschmanian sensibilities urge us to recognize the risks of incoherence, while avoiding the deep-seated fastidiousness (among economists) that values order and consistency for their own sake. Legitimate concern over risk should drive the pursuit of a new mindset that focuses on managing risks rather than enforcing conformity.

We look out at a world where incoherence and aperture appears everywhere. The present incoherence and is not without risks.

But it is naïve to think that coherent regimes avoid this problem. The global neoliberalism that was bought and sold by the economics profession offered the greatest benefits to the advanced economies, and especially to economic elites and large industrial and financial firms in wealthy and developing economies, despite its purported neutral and fair rules of economic engagement. In this regard neoliberalism exemplifies the kinds of power asymmetries that Hirschman worried about.

The point is that the most coherent economic regimes of the past century have arguably been both nationalist (and in the case of neoliberalism, elitist) in substance despite their internationalist form. That said, those advocating Hirschmanian principles can't dodge the nationalist risks associated with a weakening of the authority of the institutions at the center of global governance, such as the Bretton Woods institutions, the WTO, and the UN. Especially today, in the wake of Brexit, the Trump administration, and nationalist parties in Europe, it is not difficult to imagine a de-globalized world of increased autonomy marked by the proliferation of nationalist policies and the deepening of kleptocratic states. It is clear that the economics profession has much to answer for and that progressive social scientists have much to do. I'm heartened in these dismal times by work of those who continue press for possibilities in the domain of theory and for progressive social reform in the domain of practice. I'm thinking of the youth-led global environmental movement, the #Me Too Movement, gay marriage and LBGQT rights, the Diverse Economies project that is constructing non exploitative economic experiments such as worker coops, and the campaigns around inequality and tax justice.