

Seven

## Social Construction of Hope

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WHAT appeals to me most about Albert O. Hirschman's intellectual approach to developmental issues is his bias for hope.<sup>1</sup> It is the arguments underlying this bias that I want to probe in this chapter.

Hirschman is, of course, not the only developmental economist with an optimistic bias. International donor agencies, whose headquarters are typically decorated with colorful photographs of poor but smiling people, are filled with economists who are hopeful that if the poor countries listen to their advice, they will soon become prosperous. But Hirschman is different from these economists. He is no cheerleader. He does not root for any "system," any "theory," or any "paradigm." In fact, his hopeful worldview derives from demonstrating the opposite—that there is no one way to move toward progress.

One could, of course, argue that although Hirschman's development strategies differ from those of international donor agencies, his bias for hope is grounded in the same belief held by those agencies—namely, that the drive for modernization and progress that started with the Enlightenment in Europe is a universal objective; and that to attain this objective developing countries must transform the current structure of their socioeconomic relationships through the rational use of their resources. A logical extension of this argument might be that there is nothing unique about Hirschman's bias for hope that could justify an analysis of the kind presented in this chapter, since his hopeful approach to developmental issues goes back to the underlying assumptions of the great "modernization project" of the last two centu-

ries. And, since we are already familiar with those assumptions, why spend valuable time in reinventing them?

It would be foolish to ignore Hirschman's hopefulness on that ground. Why so? First, there is much more to Hirschman's intellectual approach than the utopian visions embedded in most writings on the Enlightenment, modernization, and progress. It is not that Hirschman is more sophisticated in articulating *his* vision of development; he has never been eager to engage in such an exercise. Instead, he has been primarily interested in understanding the intricacies of the institutional processes necessary for development. That is why Hirschman's hopefulness is not expressed in the form of a grandiose development theory. Instead, it expresses itself in his rich and often counterintuitive analysis of the developmental process—a process whose complexity has been misunderstood by many, from both the right and the left of the ideological spectrum, who have seen in such complexity the negation of their simple expectations.

A second characteristic of Hirschman's hopefulness is its political, as opposed to moral, underpinnings. Hirschman does not perceive the development process as a morally necessary struggle between "good" and "evil," at the end of which the former is bound to win. That black-and-white portrayal of social reality has never been a part of Hirschman's intellectual approach. Rather, he has been more concerned about the gray areas of life, where good and evil are difficult to delineate, where changing circumstances make one look like the other, and where the outcomes are open-ended—meaning they can be influenced by human action. It is these intricacies of human action—as expressed by interaction between human beings and the institutions they have created—that interest Hirschman. How such interactions move us forward, incrementally, toward a better quality of life is the centerpiece of the story he has been narrating for nearly six decades.

There is a political undertone to Hirschman's story, although it is not political in the sense of struggles between opposing social forces. Hirschman's story is about the politics of everyday life, best captured in his analysis of the so-called tunnel effect, which explains why and how we react to income inequality in the developmental process. In addressing this intense political issue, Hirschman does not rely on any classical model of political behavior. He interweaves strands of popular psychology, economic principles, and—most important, institutional

elements—to convey the message that the problem is neither as grave a situation as others portray nor an inevitable by-product of the developmental process. What is more, it may inadvertently produce some socially positive outcome.

What kinds of argument does Hirschman rely on in providing this complex and hopeful view of development? Which intellectual thread binds the paradoxes, surprises, and ironies into a convincing argument that, indeed, the development glass is half full? These are the questions I want to probe in the following pages. I realize that an adequate analysis of these questions would require much more space and time than can be devoted to this brief discussion. These are questions more appropriate for a full-length intellectual biography of Hirschman. So, what follows is a somewhat sketchy and tentative portrayal based on my limited reading of Hirschman's published work. It should be read more for the questions it raises than for the answers it suggests.

### **Pessimistic Views of Social Change**

To fully appreciate Hirschman's positive view of the development process, one must remind oneself of the pessimistic rhetoric—from the right as well as the left of the ideological spectrum—that is common in development discourse. Let me take the arguments from the left first. Left-leaning developmentalists have always been deeply suspicious of small, uncoordinated reforms, arguing that such changes are really intended for cooptation of the poor and are too feeble to significantly alter basic structural relationships.<sup>2</sup> These critics, in general, advocate not only comprehensive and revolutionary changes but changes that are carefully planned to take into account all key variables and are consistently executed without any deviation from their well-defined, original goals. In this mode of thinking, unexpected and unintended effects of change are usually viewed as having a negative effect, which causes the process of planned change to deviate from its original goal.

The emphasis on planning in the leftist tradition is fairly strong. According to this tradition, good planning requires "a theory" implying full knowledge of the causal relationships among the key variables, an efficient administrative system for the consistent application of this knowledge to goal-directed action, and citizens who appreciate

the value of collective production as well as consumption and are motivated to cooperate with one another toward that end. Lacking these prerequisites, social effort in pursuit of change may not achieve the desired results, according to this school of thought.

The arguments against reform from the right of the ideological spectrum are described by Hirschman in detail in his most recent book, *The Rhetoric of Reaction*.<sup>3</sup> I will not reiterate Hirschman's arguments here, except to note that conservative critics typically rely on three arguments to discourage reform efforts: namely, that the effect of reform would be the opposite of what it intends to accomplish; that the reform efforts would jeopardize social progress on other fronts; and that the reform efforts, though well intentioned, could not be implemented well. Although Hirschman attributes these arguments to conservatives, they are not unlike critiques from the left that dismiss incremental reformist policies on similar grounds—pointing out that such policies would not resolve the problem at which they are directed but, rather, would create “new contradictions within the system.”

The right and the left also share the belief that certain prerequisites must be fulfilled before deliberate social change can be initiated. For example, many leftists argue that unless “the productive forces” of the country are liberated from the control of “private capital,” the benefits of accumulation will never reach the masses. And the liberation of productive forces—particularly labor—cannot be achieved unless workers are liberated from the bondage of “false consciousness.” On the right, the emphasis has also been on workers, but not on their “false consciousness.” Rather, the complaint here is that unless the workers are imbued with the right kind of work habits and act rationally in exploring the labor market for the highest return to their labor, neither can the speed of accumulation be increased, nor is labor likely to enjoy the benefits of its full productivity.<sup>4</sup> Although Hirschman never addressed these issues about labor directly, he categorically opposed the logical premises on which these sorts of arguments rest—one of which is that unless the prerequisites are fulfilled, poor countries will not develop. Hirschman referred to this fetishization of prerequisites as a hindrance to change, arguing that if indeed all the prerequisites were fulfilled, the country in question would not need any developmental assistance.<sup>5</sup>

Yet another similarity between the two politically opposite camps is

their use of "moral absolutes" in assessing the effects of social change. Numerous arguments have been made from the right about the socially destabilizing effects of industrialization and urbanization. There is a body of literature, started in England during the process of industrialization, that criticizes the impact of urbanization and industrialization on social order.<sup>6</sup> In the United States, as Richard Hofstadter has noted, there was an equally shrill outcry against social change as a result of industrialization, because it coincided with large-scale migration from Europe.<sup>7</sup> What is particularly noteworthy about these arguments is their strong emphasis on a moral code of conduct, which the critics feared was being eroded by the rapid social change associated with industrialization and urbanization. This anxiety about social change and its impact on the existing moral fabric of society is still very much with us. The language and rhetoric of anxiety might have changed somewhat, thanks to social policies that discourage racism, sexism, and other prejudices, but, as Alan Bloom's book demonstrated, intense anxiety about social change can provide a great rallying point for many conservative causes.<sup>8</sup>

As for the leftists, the attack on "consumerism" and "commodification" as a result of economic modernization has been a central element of their criticism of capitalist development since the early 1960s. And many on the left have heavily criticized the morally degrading and corrupting effects of urbanization, such as the densely crowded slums and shantytowns in developing countries.<sup>9</sup>

True, some see in these aesthetically ugly changes the positive seeds of revolution; but at times even they have complained that these changes undermine the development of a working-class identity and political consciousness. To put it simply: both the left and the right have evaluated the effects of changes in social values against a set of fixed moral norms that guided their theorizing about development. The relationship between moral norms and theorizing, however, was not one-way. Insofar as certain types of moral norms led to certain types of theories, the relationship worked the other way also: the need to construct neat and conceptually tight "theories" could only be met by adhering to fixed and well-defined moral norms against which the effects of social changes could be evaluated. It did not occur to many individuals in either camp that this form of theorizing can miss much of the complexity of social change.

## The Joyful Explanation of Social Change

Hirschman's intellectual approach to developmental issues differs from the dominant views in several respects. For one thing, he has rarely, if ever, written about development and change with apprehension about its outcome. On the contrary, his writing is marked by an almost insatiable curiosity about the development process, which he views as having no fixed destination and no set path. Hirschman has also been more appreciative than others of the effects of development, often pointing out positive, unintended side effects that were neither planned nor foreseen. What is more, these good effects were often the result of a breakdown in the planning and implementation process.

These types of counterintuitive findings have allowed Hirschman to argue against the notion of planned change. This is not to say that he believes planning has no constructive role to play in nudging the economy strategically, through small pushes. Rather, what he argues against is all-encompassing planning of the Soviet variety, which drew its inspiration from German war planning during World War I. Unlike many who perceive developmental tasks to be similar to a war—on poverty, illiteracy, child mortality, or whatever—Hirschman believes they are very different in nature. He has argued that there is no prerequisite to development; and what others have specified as prerequisites, he considers to be the outcome of development.<sup>10</sup> He has also suggested that, unlike war, which requires much planning and coordination between the different components of the defense forces, development efforts can rarely be coordinated, primarily for institutional reasons. In fact, an attempt at all-encompassing coordination and planning in pursuit of so-called integrated development would be bound to falter and create more problems than it solved.

Hirschman has therefore focused on the benefits of small, incremental changes, which, as I pointed out earlier, were considered inconsequential by many developmental experts of the postwar period. In Hirschman's view, small changes appear to be small only because planners envision development as a process of immense changes; however, this perception is not grounded in the history of small changes through which Europe and North America have gradually evolved over many, many years. Development planners were simply astounded by looking at the huge differences in living standards between the developed and developing countries after World War II, and that led them to define

the developmental task as one requiring "major transformation." This way of defining the developmental task, Hirschman says, may be well intentioned but counterproductive, as it could make the task appear so great that the planners would never attain the confidence to engage in it in a strategic way.

A third way in which Hirschman differs from most of his peers, both to his left and right, is in his position that progress can be achieved without premeditated goals and without prior knowledge of how to achieve those goals. Implicit in many of Hirschman's writings is the notion that institutions come to define their goals in a more precise way as a result of engaging in action, often with very limited knowledge about the possible consequences of their action. He has even argued, explicitly, that this lack of knowledge on the part of institutions might be a blessing in disguise, because if the institutions engaged in developmental efforts were fully aware of the various difficulties of the task ahead, they would have probably decided not to engage in those efforts.<sup>11</sup>

Underlying this approach to development—without well-defined goals, without "a theory" of action, and without the information necessary to proceed—is Hirschman's deep trust in the ability of both people and institutions to learn from their action. In fact, one could go a step further and suggest that to Hirschman, action is probably the key to knowledge. It is in the act of doing that people and institutions come to define and modify their goals and learn, through fumbling, about how to proceed.<sup>12</sup> Most interestingly, they do all this not by mobilizing new resources, but by discovering and utilizing existing resources, which, until the need arises, are hidden from their own eyes.

Which term should be used to characterize this approach to action and learning? Marxists, when they discuss action as a basis for verifying and building theory, use the term "praxis" to capture the dialectical nature of the relationship between practice (action) and theory. Although Hirschman's approach to knowing is somewhat similar to what this term denotes, it also differs in the sense that he does not subscribe to any specific theory of development and change that could be perfected through cumulative knowledge. To Hirschman, this absence of theory is the basis for creativity and innovation.<sup>13</sup> It is a source of intellectual curiosity and provides the joy of discovery—two key factors that are somewhat similar to what John Dewey, William James, and other so-called pragmatists at the turn of the century identified as

essential elements of learning.<sup>14</sup> Like them, Hirschman, in his approach to the issues of development and change, is not guided either by strong normative principles based on some kind of definite philosophy of individuals and society or by any "laws of motion," or even by any dictums such as "history repeats itself." As Louis Menand has remarked, the pragmatism of John Dewey, William James, Randolph Bourne—and I would include Hirschman—follows from the view "that there is nothing external to experience—no world of Forms, City of God, independent cognito, a priori category, transcendental mind, or far off divine event to which the whole creation moves, but only the mundane business of making our way as best we can in a universe shot through with contingency."<sup>15</sup>

This intellectual approach to social processes is what underlies Hirschman's open-ended view of development and change. His deep awareness of contingencies of the moment made him reject moral absolutes, led him to downscale planners' grand expectations of the "great transformation" of poor countries, and is behind the wisdom embodied in several of his insights: namely, that all good things do not go together; that what many consider critical prerequisites for development are, in fact, the outcome of development; and that because most developmental problems result from an interconnected set of causes, the response to these problems does not necessarily need to be a set of integrated policies.<sup>16</sup> Such integration is neither feasible nor desirable in a context fraught with contingencies. These insights account for Hirschman's hopeful view of development—which, for want of a better term, might be described as "pragmatism." And the culture whose ethos seems most marked by this essence is that found in North America, on whose shores Hirschman arrived in 1941.

### **The European Hirschman?**

Hirschman is not entirely like the North American pragmatist, however. His writings on the industrialization process in Latin America and even on various economic issues in the United States reveal a strong penchant for the use of history in critical thinking. This is not to say that the pragmatists did not use any form of historical analysis; but, as Hofstadter has pointed out, there was an ahistorical component to pragmatist thinking because of its preoccupation with the here and now.<sup>17</sup> Hirschman, in contrast, frequently relies on historical evidence



and historicism as a methodology in arguing for an intellectually open-ended approach to issues of social change.

I want to emphasize the term "open-ended approach" because historical analysis has been used by many others—including Karl Marx—to demonstrate a fixed and predetermined pattern of social evolution. Hirschman's use of history conveys the opposite: it is meant to demonstrate how institutions and ideas evolve and change with time, how what was once considered a good trend may become a target of intense criticism over the years; how people's passions for social causes and interest in their own well-being swing, like a pendulum, creating new opportunities for progressive reforms. In all these cases history is used to provide hope, not in the Marxian sense of an eventual victory of the proletariat, but of a transformation of social reality, which is by and large the result of small, invisible, and often unplanned changes. This description of social evolution does not make one unabashedly hopeful about the future. Rather, it heightens one's appreciation for what is often rejected as mundane, inconsequential, or unnecessary. In other words, it imparts wisdom—wisdom that provides intellectual patience, a sense of irony, and a resilience against small as well as big surprises.

Hirschman also differs from the pragmatists in their position on the role of the state in social change. Unlike the pragmatists—who strongly believed that individuals are capable of improving their well-being if undeterred by a regulatory state and were generally skeptical of the state's ability to foster social progress—Hirschman, as a development economist, approved of a necessary role for the state in the development of late industrializing countries.<sup>18</sup> But Hirschman was also "a dissenter" among the development economists of the early 1950s, many of whom subscribed to the notion that without a strong and comprehensive push by the government, late industrializing countries in Asia, Africa, and Latin America would not be able to improve the living standards of their citizens. Hirschman's argument against the big-push theory, however, was not a moral one; it was not the type of argument Hayek, Popper, and others had used after World War II to discourage continuing state involvement in the economy.<sup>19</sup> Hirschman's argument was primarily institutional in nature. Unlike the pragmatists, he did not distrust the intention of the government but did question its institutional capability to mount an integrated "big push" for achieving a "great transformation" of the European kind.

Hirschman is not libertarian, either: he never wrote about government as if it were a barrier to the free expression of individual will. On the contrary, having lived through the Great Depression of the 1920s, and having been trained as an economist in Italy and England at the height of the Keynesian revolution, Hirschman's view of the state and the role it can play in strengthening "the hiding hand" has been, generally, quite positive. There is a European texture to Hirschman's view of the state that is distinctly different from the one that marks popular and, in many instances, academic discourse in North America about the inherently negative role of the government in social progress.<sup>20</sup> Kenneth Dyson and others have traced this difference—not between Hirschman and his North American contemporaries, but between Western Europeans in general and North Americans—to the different intellectual traditions about the state on the two continents.<sup>21</sup> Likewise, Bernard Bailyn has suggested that whereas North Americans had envisioned a "no-state state" as the ideal form of institution, needed primarily to protect private property, the Europeans had experienced, firsthand, the transformation of the royalty to "the imperial state."<sup>22</sup> Although Hirschman can hardly be characterized as one whose intellectual approach to the relationship between state and society is guided by the notion of "the imperial state," it is true that he never subscribed to the idea of "the no-state state," which, since the 1980s, has gained a new popularity under the guise of public choice theory.

On the issue of the relationship between state and society, Hirschman is somewhat in the middle: he is skeptical of the ability of the state to orchestrate the process of "great transformation," yet appreciative of the strategic role it can play at critical moments in the process. To what extent is this intellectual middle ground the product of Hirschman's upbringing, until well beyond his formative years, in Germany—the country of Max Weber, the first to theorize about the productive role of the bureaucracy in capitalist development, as well as of Adolph Hitler, the first to use a modern bureaucracy for the annihilation of millions of innocent people? Or, is Hirschman's balanced position on the state's role a product of some other factor, such as his intellectual associations with Gershenkron at Harvard? And what about his brief stint in Europe as an economist employed by the U.S. State Department to supervise the implementation of the Marshall Plan? How did that return journey to war-ravaged Europe shape his thinking about the state's role in the reconstruction of market and civil society?

### Anthropological Economist?

So far, I have argued that a uniquely North American pragmatism, enriched by an appreciation of history and a European *statism*—if I may use that word without its pejorative connotation—are the two hallmarks of Hirschman's approach to developmental issues. Yet a third intellectual strand differentiates Hirschman from most of his contemporary economists—that is the way he incorporates anthropological analysis of institutions in his explanations of macrolevel, economic trends. But my primary interest here is not the hybrid quality of his methodology, which results from the unique blending of two distinctly different epistemological traditions—one relying on a detailed understanding of individual and collective human behavior without the dictates of any "theory," and the other virtually the opposite, an inclination to aggregate human behavior so as to explain broad, macrotrends that either validate or modify preconceived theories.<sup>23</sup> What is intriguing is how this blending influences Hirschman's view of why individuals and collectives act the way they do, and whether that, in any way, leads to his bias for hope.

That Hirschman is, first and foremost, an economist is evident. He has written extensively on the behavior of firms and the functioning of national economies; and the conceptual categories he has chosen to explain these fall squarely within the disciplinary boundary of economics. He even relied on economic categories—as can be seen in his use of the term "consumers"—to explain social phenomena that at first glance do not appear to be driven by economic logic. For example, his account of why social preferences swing between preoccupation with private interests and passion for public causes relies heavily on the notion of consumer preferences, as if political choices could be reduced to the same level as buying and selling goods and services. To a large extent, this use of conceptual categories familiar to economists can be explained by Hirschman's desire to communicate with other economists. But Hirschman is also an economist at heart, in that his "natural" inclination is to explain any social phenomenon by drawing an analogy with the functioning of the market.

At the same time, in explaining individual and collective behavior Hirschman has never been restricted by the traditional economist's view of social reality. He is not obsessed, as many economists are, by the need to change the status quo so it may move closer to the ideal

state of a perfectly competitive market, whether in the case of capital, labor, or commodities. Hirschman rarely writes about either "market imperfections" or "market distortions" and how such problems can be rectified. On the contrary, if one were to adopt his approach, one would probably search for the unexpected benefits such problems may yield. Like most anthropologists who search for hidden rationalities in individual and group behavior that, on the surface, may appear to be odd, Hirschman also searches for unexposed social logic not anticipated by orthodox economists.<sup>24</sup> This curiosity about why individuals and institutions may not act in expected ways demonstrates Hirschman's misgivings about the explanatory power of orthodox economics, which reduces all human behavior to market-based calculations. This is not to say that Hirschman does not believe in the notion of "market"; rather, he skillfully moves beyond the traditional definition, modifying it to incorporate the influence of institutions in the way market actors operate.

This ability to transcend orthodox economic logic in explaining social phenomena is in part due to Hirschman's affinity for microlevel interactions between individuals and institutions, which he observes with an anthropological eye. It is an eye guided not by normative principles of what the world should look like—as is common among economists and planners who prescribe the modernization theories—but by an understanding and appreciation of the way the world is. As Hirschman recognizes, embedded in that world are numerous surprises, paradoxes, and ironies that usually escape the ordinary eye. In articulating these surprises and paradoxes, however, Hirschman does not urge development planners to abandon their normative vision; instead, he suggests that planners ground their normative vision in the existing world and learn from its hidden rationalities. In this way, Hirschman believes, planners may gain the confidence to act in a strategic and selective way and not be disillusioned by the enormity of developmental problems.

## Epilogue

The ability to strike a middle ground between apparently opposing worldviews—between that of an economist and that of an anthropologist, between that of a here-and-now pragmatist and that of a historicist, between that of a protagonist of change and that of one curious

about the status quo, and between that of a statist of the European variety and that of a libertarian North American—is what provides the intellectual sophistication to Hirschman's bias of hope. It would be a pity if this unique hopefulness about the developmental process was appreciated by only a few scholars. As Hirschman noted himself, many planners and economists in Latin America are afflicted with a deep sense of pessimism, a sense that they can never succeed in any of their efforts to foster social change.<sup>25</sup> Hirschman's writings are not unfamiliar to this group.<sup>26</sup> Many of them are grateful for Hirschman's nuggets of hopeful evidence in the face of their largely pessimistic assessment of their own actions. They are also aware that unlike most U.S. advisers to Latin America in the 1950s, Hirschman did not impose his "theory" of development on them; instead, he constantly searched for the rationale implicit in their action, however disorganized it appeared on the surface.

Still, one can now barely see the imprint of Hirschman's advice on the Latin America countries. This has been particularly true since the middle of the 1970s, when developing countries in general, and Latin American countries in particular, began to move away from "import-substitution" to "export-promotion" policies. Much of the complexity of Hirschman's approach to developmental issues was lost in this shift. As one country after another joined the bandwagon of export promotion in shaping their economic policy, Hirschman, along with other development economists, was not simply ignored, but was loudly blamed for all the economic problems facing these countries.

It seems, however, that the times are changing again. With the general slowing down of the global economy and the corresponding decline of the ideology dominant during much of the economic boom of the 1980s, the complexity of Hirschman's approach may again appeal to policymakers who do not see the world in black-and-white terms. Fortunately, the collapse of the former Soviet Union and the Eastern bloc countries has created a political climate in which policymakers in the developing world can pick and choose a mix of economic strategies without being branded communist sympathizers. In other words, both the political and economic conditions in the world now seem right for a Hirschmanesque approach to developmental issues. In fact, I can go one step further and argue that the complexity of Hirschman's intellectual approach is appropriate not only for the developing countries but also for the developed countries. The latter can benefit as much as

the former from Hirschman's creative synthesis of apparently opposing worldviews. And if that fosters a hopeful view of social change in developed countries currently struggling for a new wave of development in the face of deindustrialization, it will benefit the developing countries as well.