This article analyses the work of Albert Hirschman from the standpoint of two basic concepts: trespassing and self-subversion. Hirschman turned these exercises into an art, pleading his case in a manner which combines curiosity and intellectual humility. In a world accustomed to think and think of itself through totalizing models, in a continent where so many ideological models which sought to open up (or rather, force open) the realities of countries were put together and taken apart, Hirschman’s works and intellectual attitude represent a healthy and beneficial invitation to take a different view. This is not his only merit, however. From Chile to Brazil, from Mexico to Argentina, he passed on his passion for the possible to more than a few admirers. In the last few years, a great many ministers, academics and leading members of international organizations have repeatedly praised his contributions. Likewise, many of the concepts developed by Hirschman –his “exit, voice and loyalty” triptych, the notion of the “tunnel effect”— and above all his propensity to think in terms of the possible and his efforts to trespass over and subvert theories (including his own), paradigms and models, and all the cubist and minimalist mental exercises that are constantly created and recreated, are healthy sources of inspiration and interpretation for rethinking the never-ending quest for development. Lastly, notions like community participation or social capital, which are now major subjects of discussion, can also be better appreciated, subverted and self-subverted in the light of Hirschman’s work.
I

Introduction

“Trespassing is often used in a negative sense in the United States: for example, in notice boards that say “No Trespassing!”, viewing it as a violation of private property, but in my view it can have a positive value: it can mean stepping over the borders between one discipline and another, without seeing them as rigid divisions. My last reversal of the accepted meaning is that of “subversion”, which is also generally used in a negative sense: “subversion? How terrible!”.

Albert Hirschman

In one of his most famous essays, Isaiah Berlin suggests dividing thinkers into two categories: hedgehogs and foxes (Berlin, 1979). That great philosopher aimed to include all intellectuals in that very original classification, inspired by a fragment from the Greek poet Archilochus: “The fox knows many things, the hedgehog only one thing, but on a grand scale”.

The hedgehogs are those who develop an all-embracing view of the central world: a coherent system for analysing and thinking the whole of their experiences and ideas. The foxes, in contrast, live, think and act without trying to locate their lives, ideas and actions within a coherent global system: a totalizing view of the world. Beyond any doubt, in the light of his work and life, Albert Hirschman belonged among the foxes: a tremendously free fox who kept on running incessantly, crossing both mental and real boundaries, intellectual and physical frontiers, multiplying different views of the world, constantly engaging in subversion and self-subversion, always trying to swim against the current, no matter how fierce the ideological storms to be weathered.

In the 1930s, fleeing from Nazi Germany, he crossed any number of real frontiers, journeying all over Europe and studying in France (where his dream was to study Sciences Po but he finally entered a French business school) and in England (at the London School of Economics), before finally going to Trieste in Italy and fighting against the fascists, first in the French army and later in the U.S. forces. After that, he crossed the Atlantic to settle in the United States, where he had a brilliant university

1 “Albert Hirschman. Entrevista sobre su vida y obra”, in IDES (1996, p. 658). See also Hirschman’s last book, Crossing Boundaries, whose title reflects his defence of these views and his very special intellectual makeup, with his propensity for subversion and self-subversion (Hirschman, 1998).

2 As Hirschman himself humorously confessed when receiving an Honorary Doctorate in Political Science in April 1989: “You will now understand why today’s ceremony has a special, sweet savour for me: sweet as revenge can be. After fifty-six years and a number of most unlikely detours, the doors of Sciences Po have finally swung open for me: a fairy tale come true! My heartfelt thanks for this happy end!” (Hirschman, 1995a, p. 115).
career at Columbia, Yale, Harvard and Princeton. A
tireless traveller, in the 1950s and 1960s he kept on
crossing frontiers, living for some years in Colom-
bia, to which he returned on several occasions and
which inspired his first great essay on the economics
of development: a master-work which continues to
this day to be a classic of the economic literature.

His Latin American experiences—in Chile,
Brazil, Peru, Uruguay, Ecuador: indeed, all over the
continent—kept on increasing, turning Hirschman
into the most “European” of United States Latin
Americanists. As time went by, his ideas also began
to spread to other areas of the mind, and his works
gradually crossed the frontiers of a number of other
disciplines, starting with economic science and ex-
tending to moral and political sciences. As from the
1970s, after having been responsible for one of the
greatest attempts to subvert the then prevailing theo-
ries of development and one of the most amazing at-
tempts at the self-subversion of his own theories,
Hirschman ventured off in other directions. His new
mental journeys led him to formulate original ideas
not only on the economics of development but also
on the history of ideas, on the links between econom-
ics and politics, and, in his last essays, on art, joy,
and the significance (not only economic but also po-
litical) of sharing a banquet.

Trespassing and self-subversion: Hirschman
turned these exercises into an art, pleading his case
with a combination of curiosity and intellectual hu-
mility. When he makes a critique of the dependency
school, for example, he does so on the basis of a cri-
tique of his own theories which he had defended in
the past. His repeated efforts to avoid being put in
any type of classification, to avoid being enclosed in
a globalizing paradigm which pretends to be the
master key to the understanding of all political, eco-
nomic and social realities, are hailed today both by
academics and development operators. Nevertheless,
the fox keeps on running: Hirschman continues to re-
ject all attempts to canonize his ideas or reduce his
works to a single “great central idea”, even if that
great idea were to reject the whole notion of great
ideas. In a world used to thinking and thinking of it-
self through totalizing models, whether they be
called “dependency theory” or “Washington Consen-
sus” (modelos para armar, as Cortáz would have
said), and in a continent where so many ideological
models which sought to open up (or rather, force
open) the realities of countries have been put to-
gether and taken apart, Hirschman’s works and intel-
lectual attitude represent a healthy and beneficial
invitation to take a different view.

This is not his only merit, however, as we shall
see below. From Chile to Brazil, from Mexico to Ar-
gentina, he passed on his passion for the possible to
more than a few admirers. In the last few years, a
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theories (including his own), paradigms and models,
and all the cubist and minimalist mental exercises
that are constantly created and recreated, are healthy
sources of inspiration and interpretation for rethink-
ing the never-ending quest for development. Lastly,
as we shall also see below, notions like community
participation or social capital, which are now major
subjects of discussion, can also be better appreciated,
subverted and self-subverted in the light of
Hirschman’s work.

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3 See Hirschman (1986c and 1978) and also Hirschman (1968),
republished in Hirschman (1971a).

4 See, in this respect, McPherson’s article on “The social scien-
tist as constructive skeptic: On Hirschman’s role” and
Hirschman’s response, “A propensity to self-subversion”, both
included in Foxley, McPherson and O’Donnell (1986).
II

Journeys from economics to politics and beyond

From the point of view of the history of ideas and of development economics, Hirschman’s intellectual work is original in a dual sense. It is at once a central yet also a marginal body of work. Central, because his reflections on development economics, from the publication of *The Strategy* in 1958 up to *A bias for hope* in 1971 (including *Journeys*, in 1963), his reflections on unbalanced growth, and his concepts of backward and forward linkages have become inevitable pillars of discussions on economic development (Hirschman, 1958, 1963a and 1971a). Marginal, because in the mainstream thinking of his home discipline, economics, Hirschman became a highly appreciated but marginalized voice, considered to be “out of the game” (that is to say, outside game theory). He remained on the sidelines of the paths which were later to become superhighways for economists, econometrics, formalization and the paradigm of the “rational actor”.

However, even though the defeat suffered by development economics, as Krugman notes, was not so much empirical or ideological as methodological (because this branch of economics became dominated by a discursive and non-mathematical style at a time when formalization was advancing rapidly in all the other branches), Hirschman fully accepted his intellectual exile. His marginalization from this discipline—similar to that of some other development economists, such as Myrdal, for example—was voluntary: Hirschman simply opted out. He ceased to run along the superhighway (which he had travelled at one time) and left it to travel along other paths and enjoy scenery which was not as smooth and level as that of the mathematical formalizations but was much more colourful, with its economic aspects enriched by political and moral dimensions, and vice versa.

Returning to the origins of political economy, to Adam Smith before *The Wealth of Nations*, when he wrote *The Theory of Moral Sentiments*, Hirschman constantly insists in his work on the changes in individuals’ preferences, sounding their passions and interests (Hirschman, 1991) and their propensity to mobilize in common causes and undertake collective action or, on the contrary, to withdraw into the private sphere (Hirschman, 1982). The topography of economic science, as reflected each year in the award of the corresponding Nobel Prize, indicates that this type of actor, who recurs throughout Hirschman’s work, may be having better luck now (or at least not being so completely forgotten). Economists like Ronald Coase and his theory of transaction costs, Douglass North and his economic institutionalism, or Amartya Sen and his economic ethics represent a type of actor closer to that defended by Hirschman than to that preferred by Becker. Likewise, in the area of international political economy or development economics, studies are now coming out which combine *esprit de géometrie* with *esprit de finesse* and, as Hirschman would say, “complicate” the economic discourse. One example, among many others, is that of the studies of Rodrik.

5 For an epistemological analysis of this evolution towards growing formalization, see McCloskey, 1994.

7 Smith, 1976 (originally published in 1759). As Ronald Coase (Coase, 1976, pp. 545-546) says in one of his essays, it is a mistake to believe that Adam Smith saw mankind as an abstraction, as an “economic man” whose only aim is to pursue his own interest: Smith would not have considered it reasonable to treat a man simply as a maximizer of rational benefits. Curiously enough, this work by Smith was less successful and less well-known than *The Wealth of Nations*. For example, its translation into French has been out of print since 1860, when the translation made in 1789 by Sophie de Grouchy, Marquise de Condorcet, was republished.

8 Amartya Sen, in particular, expounded at length throughout his work on his concept of the economic actor, criticising the neoclassical and utilitarian view of actors as rational fools in a very well-known article (Sen, 1977); see also Sen, 1987. A more classical view of the economic actor may be found, for example, in Gary Becker’s speech when he received the Nobel Prize (Becker, 1996) and in Stigler and Becker, 1977.

9 See, for example, the most recent essays by Rodrik (1998a) or the studies assembled in Sturzenegger and Tommasi (eds.), 1998.
From being a good revolutionary to a good liberal?

What is beyond any doubt is that during the “lost decade” Hirschman’s work won a special cachet, particularly in Latin America and among academics and development operators in general.

From the 1980s on, there are abundant tributes to his work: tributes which in no way represent a form of “totemization” of his figure, as Foxley, McPherson and O’Donnell (1986) make clear in the introduction to their book on Hirschman’s thinking. Indeed, when there were attempts at “totemization”, Hirschman himself energetically rejected them, as he did in his address at the meeting held by the World Bank in the early 1980s to pay homage to the pioneers of development.10 In April 1984, a congress devoted entirely to Hirschman was organized in the University of Notre Dame. In November 1989, with the support of the IDB, another international congress was held at the Instituto Torcuato di Tella, in Buenos Aires, which issued an invitation to rethink development strategies in the light of Hirschman’s thinking.11 Other meetings followed, such as those at ECLAC, or at MIT, where an important meeting of economists was held to re-examine development experiences in the light of his work.12

These (re-)encounters were also sometimes expressions of gratitude not only for the work of a thinker but also for the efforts made by a man who devoted time and energy, in the most difficult moments of the military dictatorships, to supporting Latin American democrats and the intellectuals and institutions of the region. With the return of democracy to Latin America, many of those intellectuals likewise returned to leading political and economic positions. For this reason, this “rediscovery” of Hirschman in the 1980s is not only something which is important from the point of view of the history of ideas, but also from that of the practical application of political economy. Many of those intellectuals who took the opportunity to express their gratitude to Hirschman and the debt they owed to him did indeed become ministers or even presidents of newly democratic republics in the late 1980s and the 1990s. Among those who participated in some of the meetings in question were, for example, the former Minister of Finance of Chile and now Senator, Alejandro Foxley, and the important Brazilian personalities Fernando Henrique Cardoso (now President of Brazil), Pedro Malan (Minister of Finance) and José Serra (Minister of Health): the last-named person was a research assistant of Hirschman in the Institute for Advanced Studies in Princeton, while he was completing his Doctorate at Cornell University.

During the “lost decade” Latin America nevertheless gained something that was very valuable. Thus, the continent underwent a conversion to possibilism.13 Sometimes voluntarily and deliberately, but other times without knowing or wanting it, like Monsieur Jourdain in Molière’s play, economic policies became eminently pragmatic. Chile, perhaps more than any other country, is a good illustration of this great transformation in Latin America. That country went through a “torrent of paradigms”, moving from a “revolution in liberty” to a “socialist revolution” and then changing once again to a “liberal revolution”. As from the 1980s, however, economic policies became more pragmatic, and the country built up a store of “heterodox approaches”. Like other countries of the region, Chile did not in fact move from the paradigm of the “good revolutionary” to that of the “good liberal”: what sank into crisis in the 1980s was precisely the “policy of the impossi-

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10 Especially when those attempts were based on erroneous interpretations of his theories (Hirschman, 1984, p. 104 et seq.).
11 All these meetings gave rise to essays which were collected in Foxley, McPherson and O’Donnell (eds.), 1986, and in Teitel (ed.), 1992.
12 This meeting gave rise to a publication which has already been mentioned earlier (Rodwin and Schön (eds.), 1994).
13 For a defence and illustration of this theory, see Santiso (1997).
ble” – the idea of promoting economic policies formulated and implemented on the basis of intangible macro-paradigms.

Thus, in the early 1980s the land of the Chicago Boys, which had been presented as the lair of neoliberalism in the region, nationalized its banks and thereby patently illustrated Hirschman’s idea of the unintended consequences of human actions and the importance of possibilism in economic policy. As Carlos Díaz-Alejandro wrote with regard to that period, “the clearest example of this paradox is Chile, which, though guided by capable economists committed to laissez-faire, has shown to the world a path which is more in the direction of a de facto socialized banking system. Argentina and Uruguay display similar tendencies, which are also clearly discernible in other developing countries” (Díaz-Alejandro, 1986). Years later, when the Chicago Boys stepped down with the fall of the military regime, the new authorities in Chile, instead of repudiating the economic legacy of that regime in the field of economic engineering and reform, have continued to combine privatization with regulation and openness to trade and capital flows with controls on capital (through the famous system of compulsory reserves which was eliminated in 1998, when everybody was pointing towards that model as the way to go in order to prevent contagion with financial crises), thus toning down the idea of growth with equity in line with possibilism.

IV

A passion for the possible

We could give many more examples of this turn towards possibilism which has taken place and continues to take place in the region. As Hirschman himself said in his last essay, on the evolution of development economics in Latin America (illustrating his ideas with examples from Argentina, Brazil and Chile): “In an earlier article, I talked about contrasting switches from one set of beliefs to another. This time I am concerned with a more fundamental, if less easily defined, shift from total confidence in the existence of a fundamental solution for social and economic problems to a more questioning, pragmatic attitude – from ideological certainty to more open-ended, eclectic, skeptical inquiry” (Hirschman, 1987).

The fact that Hirschman’s work has now taken on renewed importance is due precisely to the fact that a very profound change has taken place in Latin America in the last few decades. The ideological disarmament which culminated with the fall of the Berlin Wall in 1989 also brought into question a certain cognitive style which was particularly clear in the discussions and actions for promoting development, especially in Latin America: a style described by Hirschman in his essays (on the basis of his observations of concrete cases in Brazil, Colombia and Chile in the late 1950s and early 1960s) as “rupturist” and centered essentially on glimpsing reality through a prism of paradigms: a non-incremental style of political economy made up of repeated failed attempts which gave rise to a complex of failure and a leaning to pessimism, an obsession with failure which it was sometimes sought to overcome through ideological escalades involving what Hirschman called la rage de vouloir conclure (an urge to get things finished); attempts to speed up development through “pseudo-creative answers”, integrated, definitive and rapid solutions which took no account of possible cumulative sequences or the lessons of experience. 15

The magic key for opening the door of the paradise of development was never found, possibly because for many years the idea was to find a single master key that would open all doors. An attempt was made to apply the same recipe – sweet or savoury, depending on the culinary fashion of the moment – to all the countries of Latin America, in accordance with the guiding light being emitted by

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14 With regard to these economic policies in particular, see Edwards and Lederman (1998), and with specific regard to controls on capital, see Edwards (1998).

15 See the masterly essay “Problem solving and policy-making: A Latin American style?” (Hirschman, 1963b).
some far-off economic lighthouse of the North, and
to serve all the countries of the continent the same
highly ideologized dishes, originally warmed-up in
some distant American or European university:
dishes that were successfully and cunningly reheated
on numerous occasions for the more tropical or
mountainous climes of Latin America.

There are no absolutely suitable development
sequences: some are simply worse than others, de-
pending on the local context. There are no systematic
links between political democracy and economic de-
velopment, nor global laws of change which are
valid for all. Perhaps it would be better, adds
Hirschman, to eschew supposedly ideal sequences
and opt instead for a type of reformism which is not
only cumulative but also adaptive: “looking for uni-
form solutions to development problems invariably
leads us astray; this is so for the imperatives of si-
multaneity and sequentiality alike, for the insistence
on integrated planning as well as for the injunction to
postpone certain tasks in the name of one thing at a
time. With this conclusion I can lay claim to at least
one continuity in my thought: the refusal to define
one best way” (Hirschman, 1990).

V

A little more reverence for life

One of Hirschman’s leitmotifs ever since the Strategy
is that individuals and institutions become actors
in development if they participate actively in it: that
is to say, they do not only participate reactively but
also creatively. For Hirschman, the most important
thing is learning by doing. Successes and failures are
both valuable paths of learning; the obstacles standing
in the way of development can become vectors to
it, and there are blessings in disguise and unintended
consequences that stem from what might at first sight
seem a failure or obstacle. Likewise, Hirschman ar-

gued that in some cases development can be
achieved without having predetermined objectives or
a full knowledge of how to attain them. Indeed, the
lack of knowledge can be a blessing in disguise: if
the institutions or individuals involved in develop-
ment projects were aware of all the difficulties that
they would have to cope with, they would probably
decide to give up, or not even to start trying. This is
the famous principle of the hiding hand which he
proposes in one of his essays, referring indirectly to
Smith’s “invisible hand” (Hirschman, 1967).

This explains his ongoing interest and preference for
small changes and gradual transformations, which
have only come to be viewed as such because we have got used to living in a world that favours
spot comparisons, reduces distances and compresses
time. These mechanisms enormously encourage and
amplify the obsession with failure: a kind of complex
of impotence in the face of the work to be done and
the journey to be made (Hirschman, 1981c). It also
explains his repeated insistence on greater accep-
tance and consideration of actual situations and ex-
periences. “In all these matters”, writes Hirschman
with respect to development economics, “I would
suggest a little more reverence for life, a little less
straitjacketing of the future, a little more allowance
for the unexpected –and a little less wishful think-
ing” (Hirschman, 1971c).

This involves a broader concept of who the ac-
tors in change are (not just the “developers” but also
the “developed”), with fuller and better participation
by its main beneficiaries. Studies of concrete cases
confirm the greater effectiveness of participative
programmes. According to a World Bank report on
121 projects for providing rural areas with drinking
water, the projects with a high degree of participa-
tion (21% of the total) registered levels of up to 81%
in efficacy and achievement of their objectives,
while the projects with a low degree of participation
(31% of the total) only had a level of efficacy of

16 See in this respect the clear views expressed in Hirschman
(1994). For an analysis based on more quantitative data, see also
the essays by Rodrik (1998b), Przeworski and Limongi (1997)
and Barro (1996) and the important works by Alesina (1997),

17 These ideas were developed in an introduction to possibilism
(Hirschman, 1971d).

18 See the examples cited by Kliksberg (1998).
The participative municipal budgeting project in Porto Alegre, which has become an international reference model, also confirms this greater effectiveness of participative projects, even when they involve large groups of people (1,300,000 persons in this case). Community participation, in both the identification of problems and the selection of priorities and evaluation of results, made it possible to allocate resources more efficiently. Thus, between 1989 and 1995 the coverage of drinking water supply rose from 80% to 98% and that of sewerage systems from 46% to 74%.\(^\text{19}\)

Substantial results were also obtained in a participative rural preventive health project carried out in Ceará (in the Northeast of Brazil) from 1987 on: infant mortality was reduced by 36% (from 102 per thousand to 65 per thousand) and the rate of coverage of vaccination rose from 25% to 90% of the population.\(^\text{20}\) Finally, in the Villa El Salvador project in Peru, through a major community effort it was possible over a period of two decades to construct much of the necessary physical infrastructure in a settlement established on a stretch of sandy wasteland outside Lima. Altogether, the inhabitants constructed over 38,000 dwellings, 60 community centres, a similar number of educational centres, and 41 integrated public health and educational centres. It was also possible to reduce illiteracy drastically to only 3.5%, which is well below the national average.\(^\text{21}\)

Another important aspect noted by Hirschman is that it is not only the concrete obstacles to change that prevent people from following the paths to development; in many cases it is the obstacles represented by the “perceptions” of change that prevent this (Hirschman, 1971b). The obsession with “reforms from above”, with macro-reforms that promise a great leap forward rather than a mere step ahead, increases the risk of disappointment, in some cases because the goals are hard to achieve, in other cases because the dazzling leap forward that was announced turns into an embarrassing fall or the initial energetic impulse gets bogged down in a mass of unforeseen impediments. This propensity causes a kind of cognitive fog which covers up or blurs the authorities’ vision of past examples and future possibilities not only of “reforms from below” but also of the valuable lessons that can be drawn from concrete experiences. This is why it is essential not only to be aware of past examples of successful development but also to disseminate them, to highlight possibilities, and perhaps help in this way to self-subvert some of our most deeply-rooted beliefs.

These considerations have some practical consequences. Firstly, dynamically involving the beneficiaries of development programmes means not only ensuring their participation in the implementation of the programmes but also integrating them ex ante into the design process and ex post into subsequent control and evaluation. Like the samba or the tango, development is not something one can learn by correspondence. It requires a shared process of active and retroactive learning by doing. Likewise, development cannot be danced alone: it calls for a couple –“the developer” and “the developed”– who learn by doing: they learn about themselves, about their partner, and about the action which has been outlined, implemented and evaluated between them, so that both of them thus increase their accumulated store of knowledge: their savoir faire and faire savoir. Finally, the dance of participative development also means respecting the three steps in the participation process: one, the preparation of the list of priorities; two, the implementation of the sequence thus established, and three, the evaluation of the achievements, errors and omissions. In each of these three steps there must be discussion and negotiation between the two partners.

Participative processes undoubtedly involve difficulties and costs: in terms of time, for example, decisions and actions may take longer. However, their virtues outweigh these disadvantages not only from the point of view of operational efficiency but also in terms of economic ethics, for as the recent studies by Alesina (1997) and Boone (1994) show, there is a considerable waste of outside aid when there is an increase in the number of intermediate links (Alesina and Dollar, 1998). Ensuring greater participation by the final beneficiaries means ensuring a form of development which really does benefit them rather than the intermediaries. Furthermore, involving the population not only from the beginning of the project but also from the stage of its conception and preparation makes it possible to weigh not only its economic but

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\(^{19}\) For details of this experiment in participative democracy, see the doctoral thesis by Marques (1997).

\(^{20}\) See, in this respect, Tendler and Freedheim (1986 and 1994) and, in particular, Tendler (1997).

\(^{21}\) With particular respect to this case, see Franco (1993).
also its political and social impact: how will outside aid change the local political balance? how will it affect individual social capital? how may it consolidate or, on the other hand, adversely affect the social cohesion of the community?

Secondly, making known successful examples allows the range of possibilities to be expanded. It makes it possible to introduce a bias for hope and to pay greater attention to unexpected effects which might otherwise have remained concealed, covered by the mantle of theories and theorems. Above all, however, making successful past experiences known makes possible feedback in the learning process. Cognition is also recognition. Not only should there be external publicity, but also internal publicity, both inward and outward, aimed both at the community of “developers” and at the communities of “developed”.

In many cases, one learns by doing, inventing and imitating. Making experience known means opening up other possibilities of learning through imitation: when one learns about other people’s experience one can try to imitate or repeat them, to invent new things on the basis of them, to take another step forward, to improve on what has already been done.

Both the Ceará project in the Northeast of Brazil and the Villa El Salvador project in Peru illustrate the virtues not only of community participation but also of “cognition which is recognition” – knowledge which is acknowledged by others who come after. In both these cases, a participative learning process was set in motion which contained components of promotion (by the “developers”) and imitation (by the “developed”). Above all, however, these examples display imitative components. Both projects have received world awards: the Villa El Salvador project received an award from UNESCO, in addition to the “Príncipe de Asturias” prize, while the Ceará project received the Maurice Paté Prize from UNICEF. These awards gave a shot in the arm both to cognition and to recognition and raised the individual and collective self-esteem of all the participants, strengthening their degree of involvement and encouraging other similar actions. A major exercise of living memory remains to be carried out in order to identify, document, review and disseminate these successful experiences and increase the stock of accumulated and shared knowledge. This could be achieved through, for example, the award of an international prize. As Bernardo Kliksberg notes, the establishment of a prize of this kind in Canada led to the submission of 68 applications. This proposal could be self-subverted by also ensuring feedback based on unsuccessful experiences, where the award would be made for the relevance of the analysis in question or the indication of a possible solution to the problem thus revealed.

VI

Social capital, concord and discord: the social virtues of times of sharing and of conflict

One of the central themes in Hirschman’s last essays is that of the shifts in human actions between private interest and public action. In a first essay, the division between the two spheres was categorically asserted. Hirschman’s aim was to understand how people passed (trespassed) from one sphere to the other and what were the final motives of those shifts in preferences (Hirschman, 1982). In later essays he gradually toned down this dichotomy, ending up by self-subverting his thesis and showing how the two spheres could merge and combine with each other (using in particular the example of public banquets, as we shall see below). These last essays offer some particularly stimulating ideas that could enrich the current debates on social capital.

Hirschman does not mention the notion of “social capital” directly.22 He only mentions it on one occasion, and that is in an essay devoted not to the

22 Indeed, this is a concept which is hard to catch in the conceptual net. See Santiso, 1998.
virtues of cooperation but to those of social conflict. In his essays, Putnam stresses the virtues of social capital such as the links of confidence that individuals forge with each other and the propensity to cooperation and peaceful coexistence. Similarly, the essays corroborating the existence of correlations between economic performance and the density of associative life and the confidence in themselves and in others that individuals in different societies possess are presented ultimately as a more elaborated version of the old theory of le doux commerce.

Hirschman invites us to indulge in a healthy exercise of self-subversion. It is perfectly true that horizontal or vertical links of confidence between individuals, or between them and institutions, are essential for cementing coexistence. Likewise, as Knack and Keefer point out, a high level of mutual confidence allows individuals to reduce the time and cost involved in protecting themselves against the possible risks arising from commercial or non-commercial transactions with others. However, just like concord, discord can also foster social capital. Conflict and discrepancy, says Hirschman, may be even more effective in creating social capital than the peaceful cooperation referred to by Putnam, and they may also finally be more relevant indicators of the vitality and cohesion of a society. “The secret of vitality”, writes Hirschman, “of pluralistic market society and of its ability to renew itself may lie in this conjunction (of both bargaining and arguing) and in the successive eruption of problems and crises”. [society] "cannot pretend to establish any permanent order or harmony; all it can aspire to accomplish is to ‘muddle through’ from one conflict to the next" (Hirschman, 1995a).

In order to understand the mechanisms of the creation of social capital, then, we must pay due attention to conflicts. We must discriminate between conflicts which create such capital and those which destroy it; we must combine quantitative and qualitative analysis in order to measure the real importance of this virtuous conflict, and we must take account not only of the quantity but also the quality of conflicts. Although it is necessary to analyse in economic, political and moral terms how societies ensure coexistence (by sharing time, for example, attending a concert or visiting a café, sharing attendance at a play or sharing a coffee in a public place), it is also necessary to gain a better understanding of the institutions and mechanisms that regulate social conflicts in Latin America. At the national level, democratic regulation mechanisms are one example, while judicial mechanisms are another. All of these have to do with vertical confidence, between individuals and the national institutions. Attention should also be paid, however, to the mechanisms of horizontal confidence –i.e., between individuals–, especially in Latin America. In this region, as Roberto Da Matta emphasizes in his works, special importance is assumed not so much by the vertical confidence mechanisms as by those governing horizontal confidence: that is to say, inter-personal, informal relations rather than institutionalized or formalized relations (Da Matta, 1983).

Likewise, these generalizations should be self-subverted on the basis of comparative analyses between the different Latin American countries. The studies on mechanisms for the regulation of trade conflicts suggest that there are differences between countries like Argentina, where businessmen, like

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23 See Hirschman (1995b). In that essay he mentions Putnam (1993). This idea of conflicts as essential factors in socialization has also been developed by authors such as the early 20th century sociologist Georg Simmel, who was a contemporary of Max Weber, or the French philosopher Marcel Gauchet. See in this respect Simmel (1995) and Gauchet (1980).

24 This theory was extensively analysed by Hirschman (1997) in one of his most interesting essays.


26 Although there is extensive sociological literature on coexistence, and especially on the sociological aspects of cafés, analyses in economic terms are much fewer, with the notable exception of those by some economists such as Tibor Scitovsky. In an admirable work, Scitovsky notes that in the so-called developed economies there is some degree of atrophy of social capital if we measure it as time capital: that is to say, activities involving the sharing of time. Time budget studies indicate that between 1934 and 1996 (the period covered by the data given by that author), the time devoted to meals in those countries went down considerably, from 107 to 70 minutes per day, while the time devoted to recreational strolls went down from 22 to 1 minute; Scitovsky also mentions in his study the frequency and length of Frenchmen’s visits to cafés (see Scitovsky, 1976, especially pp. 161-163 and 241-245). These studies represent an invitation to make more detailed comparative studies, in terms of time budgeting, on the forms of cultural behaviour observed in Latin America and perhaps thereby confirm the idea that social capital, in the sense of “time capital”, may be distributed better in more traditional societies where “holistic” activities predominate over “individualistic” ones. For an introduction to the economic analysis of the arts, see Throsby (1994), pp. 1-29.
those in Spain and France, prefer to settle their disputes out of court, and Colombia, where businessmen (as in the Scandinavian or English-speaking countries) prefer judicial settlements. It is necessary—not only at the national but also at the local level—to gain a better understanding of how the different rules of coexistence which regulate discord and concord and which help to create or destroy the famous “social capital” are linked up, assimilated and implemented.

VII

The economic, social and political virtues of banquets

Although economists are agreed on the importance of “civism”, “confidence” or respect for shared “ethical rules” in order for the economy to operate efficiently, it is not so easy to understand what actually takes place when these inputs are activated. The “learning by doing” model proposed by Hirschman and originally inspired by Arrow (1962) allows us to reconsider this aspect, with emphasis on the accumulative process that is set in motion when that very special resource or capability called “social capital” is activated.

Just like physical, economic, financial and also human capital, social capital can be created or destroyed, increased or diminished. All societies—both poor and rich, both those that lack efficient educational systems and those that do have them—possess this very special kind of capital which, unlike other forms of capital, increases with use and diminishes if not used. “Love”, “civism”, “confidence” or “ethical rules” are not limited resources and do not decrease with use, as also is the case of skills, which increase when they are used. “Love or civism” writes Hirschman “are not limited or fixed resources as other factors of production may be”, they are “resources whose availability, far from diminishing, increases with use” (Hirschman, 1986a).

A particularly interesting example of the foregoing is that of banquets, whose virtues are not only alimentary but also political and social, as Hirschman points out in an inspired article (Hirschman, 1997). Banquets allow him to self-subvert his idea of the clear and categorical difference between the public and private spheres, while at the same time highlighting the “virtuous” dynamic that they activate. Although traditionally considered as private acts, banquets have in fact played, and continue to play, an eminently public role. They represent notable social acts in which it is sometimes just as important to know who you are eating with as what you are eating. They create and recreate social capital and promote coexistence among their various participants; their virtues are not only “civilizing”—according to sociologists such as Simmel and Elias, among others—but also eminently political. The experience of sharing a meal is frequent, repeated and lasts a certain length of time, and it allows the participants to get used to seeing each other, talking to each other and gathering together around a table or a barbecue, indoors or out.

Such an experience is above all an action of time-sharing, a community action par excellence, whose external benefits would of themselves justify some form of subversion (like those justified by Scitovsky, as Hirschman recalls, for the benefit of the arts). Indeed, in Ancient Greece, as banquets were considered the maximum manifestation of social and public links, they were subsidized by wealthy families; eating together was considered an institution which brought out the continuing ex-

27 With regard to the importance of legal systems for settling business conflicts, see the pioneering comparative studies by La Porta and López de Silanes (1998).
28 Originally in French.
istence of political power in democracy. Likewise, in the early years of the French Republic banquets also had political functions and were seen as evidence of an ethic of coexistence which could help to consolidate a feeling of belonging and were occasions for learning in the political sphere.29

Although the foregoing should not be taken as an invitation to subsidize banquets in order to create and recreate “social capital” (as Hirschman points out, there have also been banquets which were not virtuous at all, such as for example those held by the Nazis), it does prompt one final question: how can we ensure greater participation?

VIII
Social capital and participation.
A reinterpretation on the basis of Hirschman’s triptych: exit, voice and loyalty

Finally, the following is an interpretative exercise based on the triptych prepared by Hirschman in the early 1970s in his famous essay Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations and States. In that work, Hirschman seeks to understand how economic systems (firms) and political systems (states) deal with the defection of their clients or citizens. He seeks to do so on the basis of three possible responses by dissatisfied clients or citizens: exit (the client or citizen leaves, stops buying the product or ceases to participate in his national community of origin); voice (the client protests and expresses his dissatisfaction; the citizen engages in demonstrations or organizes a strike), or the client or citizen remains loyal in spite of everything (he sticks with the product or continues to function as a citizen).

This interpretative model has been widely used and re-used to explain not only economic but also political phenomena. For example, shareholders may very easily decide to get rid of their stocks on the stock exchange (exit), especially when they do not have any influence on the running of the firm (corporate governance), that is to say, they have no possibility of raising their voice. The same interpretative model also makes it possible to explain the mechanisms whereby international financial crises spread, as we ourselves have suggested (Santiso, 1999). In the case of a married couple, when there are facilities for obtaining a divorce the propensity for expressing their feelings (voice) may be less, and fewer efforts will be made to communicate and to seek a reconciliation. On the basis of this triptych, Hirschman himself has given us an original interpretation of the fall of the Berlin Wall, which sparked off a massive exit from Communist systems in general (Hirschman, 1993).30 In that same study he also took the opportunity to self-subvert his initial thesis, demonstrating in particular that in this case exit and voice are not strictly contradictory phenomena or mutually exclusive responses, but adaptive or reactive responses which can be combined or even strengthen each other.

This analytical scheme can also be applied to many of the problems that arise in the field of development. The dilemma is always the same: how to foster loyalty when, for example, trying to introduce participative models. One of the most important aspects is that of encouraging the beneficiaries to ex-

29 With regard to Ancient Greece and French Republicanism, see Schmitt Pantel (1992) and Ihl (1996 and 1998). Not only is it important to know what one is eating, and with whom, but also how one is eating; the different forms of cuisine are characteristic of different types of societies, as the anthropologist Jack Goody pointed out in Cooking, cuisine and class. A study in comparative sociology (Goody, 1982).

30 For other examples, see Hirschman, 1981a and 1986b.
press their views (voice), both in the formulation of participative programmes and in their implementation and evaluation. In this way it is possible to reduce the likelihood of exit, i.e., the likelihood of failure and defection. The key lies in creating a mechanism which makes it possible to strengthen loyalty and confidence and thus ensure more and better participation. As Hirschman says, fostering “voice” is not an easy matter: it usually costs more than exit in terms of time, effort and money. Only in configurations where there is a high level of loyalty can voice be less costly than exit, when the latter means giving up the essence of one’s own identity. At all events, voice is preferable to exit, however. Favouring voice in participative programmes makes it possible, throughout the “three steps of the dance”, to collect more information on the real needs of the beneficiaries of such programmes and to ensure better execution and evaluation of the programme by favouring immediate feedback.

This analytical scheme is particularly important for going more deeply into a problem currently encountered when dealing with development. In a globalized, interconnected world in which frontiers are much less clearly marked than before, differences in standards of living stand out even more vividly: even in the remotest villages in the Mayan reserve of Sian Ka’an, for example, the inhabitants are aware through some satellite that there is something more out there in the world. The satellite dishes are continually and insistently focussed on that “outer space”. Although exit phenomena (migrations) were always important factors, nowadays the challenge of the brain drain is even greater. Latin America, for example, has gone from a situation where it was a recipient of immigrants to one where it is suffering from massive emigration, especially of its most highly qualified citizens. In other words, it is losing its most vital forces of human and social capital, especially in the case of Central America.

A recent study by the International Monetary Fund shows that emigrants from those countries to the United States tend to be more highly qualified than the national average of their countries of origin. Generally speaking, the rates of emigration of highly qualified inhabitants from the countries of Latin America and the Caribbean are high (generally over 10% and in some cases even over 50%). The country with the biggest brain drain is Guyana, where over 70% of the inhabitants with higher (tertiary) education have gone to the United States. It is followed by Trinidad and Tobago (60%), El Salvador (26%), Panama (19.5%), Nicaragua (19%), Honduras (16%), the Dominican Republic (14%) and Guatemala (13.5%). Mexico and Colombia also register substantial rates (10.5% and 6%, respectively, in contrast with the rates for Argentina, Chile and Uruguay, which are 2%, 3.5% and 4% respectively (Carington and Detragiache, 1998).

In the field of education, as the last report by the Inter-American Development Bank shows, this Hirschmanian reading of the situation suggests that there are difficulties in terms of exit, voice and loyalty. The studies show that the high-income families avoid using public education. In these higher income groups, only 40% of their children, and in some countries as little as 25%, attend public schools. There are cases of forced withdrawal from school, such as those caused by financial crises or macroeconomic shocks, which lead to a serious loss of human capital by obliging young people to enter the labour market before their time (premature exit of students) or by causing the dismissal of workers and thus depriving firms of the capital represented by the workers’ accumulated knowledge (exit from the labour market) (see Marquez, 1998).

Here, as in the examples given earlier, a central aspect is the need to give voice priority over exit. In the case of education, for example, greater rights could be given to beneficiaries in order to provide them with opportunities to make their voices heard and make known their dissatisfaction with the school system and the reasons for it. The school councils set up in El Salvador, Nicaragua, Brazil and Bolivia are an example of a possible response to this, as they ensure the participation of parents by giving them responsibilities that extend from the election of directors to the management of financial resources and participation in mechanisms for the evaluation of the teaching staff. Likewise, at the level of higher education, participative systems could be established for the involvement of students in the process, especially in the evaluation of professors and of proposed

31 The following examples are taken from the Inter-American Development Bank’s 1998-1999 report on economic and social progress in Latin America (IDB, 1998, pp. 57, 109 and 142 et seq.).
study programmes, while taking a number of precautions to ensure that there is no involuntary self-subversion of the purpose of these evaluative mechanisms.

The analysis could be self-subverted by noting that in many cases the problem is not to prevent people from leaving but rather to favour their entry. For example, measures could be taken to promote the incorporation of micro-entrepreneurs into credit markets (through micro-credit banks, among other initiatives) or to promote the entry of women into stable labour markets.

IX

Conclusion

“As in dealing with the multiple and complex problems of development we have learnt that we must fashion generalizations at all kinds of ranges and be deaf, like Ulysses, to the seductive chant of the unique paradigm”

Albert Hirschman (1995a)

As we have tried to show here, Hirschman’s works encourage us to review the road ahead and the paths already travelled in the light of practical experience. The distribution of income and wealth is very unequal in Latin America, as noted in the IDB report, which calls upon us to take advantage of the demographic opportunities existing today in order to speed up development.

The region’s achievements in terms of structural change contrast sharply, however, with the uneven progress made in the solution of these distributional disparities. The structural reforms which have been made have succeeded in synchronizing the clocks of the Latin American countries with world time. Many inhabitants of the region, however, still lack the minimum instruments needed for taking advantage of that synchronization, in terms of education, health and income. The 1990s brought surprising structural achievements, with far-reaching reforms, but they were also years of brutal crises, with growth rates that did not benefit all sectors of the Latin American population alike. The most amazing feature has been the tolerant attitude of the sectors whose situation did not improve.

Perhaps this is yet another example of the tunnel effect, which we want to overcome. As long as people are in the tunnel of underdevelopment but have some reason to hope that they may eventually emerge from it, because they know that some passengers have done so, moving up from economy to business class—in other words, as long as there are mechanisms for rising socially—the tunnel effect works and the capacity for tolerating inequality may be very great. That capacity for toleration may be eroded, however, if the end of the tunnel is never reached and there are no more cases of moving up from economy to business class. “As long as the tunnel effect lasts” writes Hirschman, “everybody thinks they are doing better, both those who have got rich and those who have not….But this tolerance is a loan which eventually expires. It is granted in the expectation that, with time, the disparities will grow smaller. But if this does not happen there will undoubtedly be problems and maybe even disaster” (Hirschman and Rothschild, 1973).

It may be that the tunnel effect is wearing off in Latin America. It may also be that this will not lead to disaster. Once again it will be necessary to invent and imagine forms of trespass and self-subversion and to keep on searching, with curiosity and humility, ignoring like Ulysses the sirens’ insistent song. In order to do this, it will not be enough merely to put wax in our ears. Perhaps what we will really need is a bias for hope and a little more reverence for life.

(Original: Spanish)
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