THE WAY FORWARD

Closing remarks

by

Alfredo Calcagno

Head, Macroeconomic and Development Policies Branch, UNCTAD

We have listened to very interesting presentations today, and to a very stimulating debate. I think the reason why this discussion has been so stimulating is not only because of its reference to the history of development thought, but also because of its relevance for understanding the economic problems and development challenges in today's world. Through three decades of providing an annual document, the *TDR* team has also come up with an alternative approach to analysing development.

If the *TDR* has become a useful instrument for understanding the development process and elaborating development strategies, it is because it has provided a pertinent critique of the approaches and policy advice of other international institutions. In accordance with UNCTAD's mandate, the *TDR* has viewed trade and development issues from the perspective of developing and least developed countries. It has enriched the debate on development by showing the feasibility of alternative policies to those proposed by the Washington-based institutions and the neoliberal thinking and tried to break the uniformity of the "pensée unique", which has been so pervasive among academia, the mass media and policymakers since the early 1980s, when the *TDR* was launched.

The *TDR* has made a valuable contribution to an understanding of complex economic and social theory and reality, not only because it has been one of the few dissonant voices for many years, but also because its analyses and policy recommendations have often proved to be more accurate and valid than those of the mainstream. In my view, this is due to the fact that the *TDR* has always followed a critical and pragmatic approach rather than one that tends to justify the status quo. Rejecting dogmatism and complacency is the only way for a social discipline to resemble a science. A critical view comes more naturally to researchers that espouse developing countries' point of view, since those countries suffer the most from the status quo.

For the team that will continue to produce the *TDR*, this critical approach is probably the most important inheritance from our predecessors.

I think it was Franz Marc, the expressionist painter, who said "tradition is not wearing your grandfather's hat; it is buying a new one, just like he did". This applies to the present *TDR* team, in the sense that we must continuously be open to new topics of importance to development strategies; we must maintain a fresh outlook and an open mind, taking nothing for granted. In the last section of the background document, Detlef Kotte outlined some important emerging issues that could be addressed in future *TDRs*. This does not mean that many "old" topics have lost their importance; on the contrary, several challenges that the world economy faces today are a continuation of traditional issues already studied in UNCTAD and in previous *TDRs*, such as financial crises, and problems relating to terms of trade, income distribution or the functioning of the international financial system. In addition, any new topics that may be taken up in the future should be studied with the same analytical and critical approach. In other words, *what* we study is one thing – though we may have to expand the scope of our analysis; another is *how* we study it. And there are no reasons for abandoning the methodological instruments and the overall analytical orientations that have characterized the *TDR*.

Economics is not an experimental science, but we can learn from experience. A critical analysis of past and present developments has been the basis for much of the *TDR*'s most valuable contributions. Its study of different situations and experiences supported its disapproval of "one size fits all" approaches, and enabled it to provide an understanding of why some policies were successful while others failed. Some of the experiences of developing countries affected by financial crises and debt may provide very useful lessons for what is happening in Europe today. The *TDRs*' policy recommendations which have advocated enlarging and using policy space and regulating financial markets do not stem from ideological preconceptions, but from an analysis of a wide spectrum of cases.

This does not mean that the *TDR* does not subscribe to any theory; as several panellists and moderators have clearly shown, the choice of theoretical framework is guided by a consideration of what is the most useful for explaining reality. Indeed, all economists, including those who produce policy-oriented reports like the *TDR*, suscribe to some kind of theory and ideology. Here, I do not mean ideology as "fausse conscience" or lack of intellectual honesty, as is frequently understood ("ideology is my opponent's ideas", said Raymond Aron); I mean ideology as part of the methodological framework that is indispensable in all economic analysis, as stated by Maurice Dobb. Not admitting the existence of any ideological and theoretical framework would be to behave like Jourdain in Molière's "Bourgeois Gentilhomme", who spoke in prose without noticing it. Or as Keynes wrote in the General Theory, "Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist".

Economists should acknowledge their affiliation to some theoretical orientations, and recognize that there may be viewpoints other than their own. And, though it may be more difficult, they should admit their mistakes resulting from an erroneous theoretical approach. As noted by Schumpeter, economists and policymakers may be familiar with some facts that contradict their theoretical beliefs, without following the logical consequences of such a contradiction. This is why many of them still support concepts such as the efficiency of financial markets, the neutrality of money or the prevalence of self-correcting markets. The reason why it is sometimes difficult to recognize the flaws of some economic dogmas is that by doing so it can affect powerful vested interests. For example, the present financial crisis has made it abundantly clear that money is not neutral. But for that matter, neither are central banks, since they have been observed to favour some agents to the detriment of others. Consequently, the main justification for the independence of central banks disappears, and this is considered complete heresy. It is more comfortable to maintain that, at least "in the long run", money is neutral.

The *TDR* has a theoretical foundation, and the discussions today mentioned the names of Prebisch, Keynes, Kalecki, Schumpeter and Minsky, thereby showing its affiliation to a structuralist and Keynesian theoretical tradition. This is a tradition that is worth continuing. It would be ironical to have resisted market fundamentalism in the 1980s and 1990s, only to surrender to it after the 2008 crisis. This latest crisis has revealed the flaws of unbridled free markets which should be evident to anyone who does not wear ideological blinkers.