

Philosophy of Development Economics: Creating a Dialogue between Rawls and Development Economists

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A philosophy of development economics must acknowledge that the conceptual development of economic ideas is just as important as the (micro- and macro-) economics of development processes leading to different forms of growth and well-being. In other words, the development of economics and the economics of development are intertwined but in a way that brings together two different epistemological structures: *conceptual development* is linked to what is normally not measured by empirical investigations, namely the development of a mindset, a spirit of the times, an ethos, such as moral norms (a good German philosophical word for this descends from Hegel, namely 'Geist'); and the *economics* of development processes are measured by empirical tools available to the social sciences, particularly the field of economics where mathematical modeling and logical deductions hold sway when data support their hypotheses and theories. Needless to say, what underlies both is really a *theory of change*, which typically falls to the philosopher to articulate. Theories of change presuppose an understanding of the nature of time and cause-effect relations and also at theory of motion.

But unlike physics, which describes the laws of movement for natural phenomena (say planetary systems), historical motion and the development of societies are not as easy to understand; as a matter of fact we do not have fixed concepts to describe the phenomena of historical motion—why history is moving in the direction it is, say from antiquity to the present. When it comes to history, normative judgments (and not just brute facts) are involved. From Aristotle's *Metaphysics* to Augustine's *City of God* to Rousseau's *The Social Contract* to Hegel's *Phenomenology of Spirit* the problem of motion and historical motion has received profound philosophical treatment.

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The question is why is this philosophical heritage important for our understanding of development? How is the field of development studies linked innately with something called the philosophy of history and historical time? These are the questions we seek to pose as we read portions of *Frontiers of Development Economics: The Future in Perspective* edited by Gerald M. Meier and Joseph E. Stiglitz²

Before we do so, we must take a slight detour through Rawls's *The Law of Peoples* (1999) and *Political Liberalism* (1993). In our estimation these works carry philosophies of history within them but couched within the general fields of moral and political philosophy on theories of domestic and international justice. In contrast, *A Theory of Justice* (1971) is restricted to the domestic case in which it tries to abstract from the social contract tradition an ideal 'moral basis for a democratic society' outside the scope of historical time. *Political Liberalism*, however, deems that kind of society 'impossible' given the supervening fact of 'reasonable pluralism'—or the possibility of consensus among competing moral, philosophical and religious 'comprehensive' doctrines: within the latter, each tries to found their own 'liberal yet non-comprehensive' principles of justice regardless of whether they live in liberal-democratic or non-liberal/ non-democratic political systems.³ Reading Rawls while trying to appropriate great figures in the history of Western philosophy (Aristotle, Locke, Hobbes, Rousseau and Hegel come to mind) can provide the framework by which we dissect assumptions in *Frontiers of Development Economics*. It is our hypothesis that Rawls, while drawing from the history of philosophy, is absolutely critical if we were to examine how the philosophy of history and its questions of time, motion, transformation and change relate fundamentally to outstanding issues that arise from the philosophy of development economics.

²Gerald M. Meier and Joseph E. Stiglitz, eds., *Frontiers of Development Economics: The Future in Perspective* (Oxford: Oxford University Press, 2001).

³ John Rawls, *The Law of Peoples* (Cambridge: Harvard University Press, 1999), p. 179. On the same page, Rawls says that his two major works, *A Theory of Justice* and *Political Liberalism*, are 'asymmetrical' even though both have an 'idea of public reason.'

Rawls can serve as the bridge between the philosophy of history and the philosophy of development economics by highlighting the prominence of ideas, and moreover 'moral powers and political conceptions of justice' (whereby the 'overlapping consensus' and 'the idea of public reason' become facilitators) *prior* to the discussion of areas germane to development economics: for the latter, most prominent topics are the following—comparative development processes and assumptions, knowledge transfer through international trade, technology diffusion, foreign direct investments, tax regimes, incentives, and Schumpeter's inventions/ideas and innovation distinction.⁴

We acknowledge the power of ideas (cultural, political and philosophical) as the precondition for economic development or progress. So what does Rawls say about this in his *Political Liberalism* and *The Law of Peoples* and why is that important for a philosophical elaboration of the field of 'development economics?' Before getting to issues of 'ideas vs. innovations,' and the 'proper' relation between states and markets, and relations between developed and developing countries in the global economic system of international trade and natural resource provisioning, extraction and consumption, we can ask the following question: what does Rawls say about a purely non-metaphysical, 'political conception of justice,' one that avoids the emotional pull of ideological constructions of development?⁵

⁴Meier and Stiglitz, p. 4. As Meier discusses in his introductory chapter, Schumpeter distinguished between ideas and inventions on the one hand and how ideas create 'new combinations of productive means' or what are called 'innovations' on the other. Innovations can include the following: introducing "a new good or quality of good, the introduction of a new method of production, the opening of a new market, the introduction of a new source of supply, or the carrying out of a new organization of an industry." Ibid. 'Entrepreneurial ability' lies at the heart of this Schumpeterian notion of competition based on innovations. Ibid. It is not hard to see that the Internet would be an example of an idea that turned out new innovations shaping economic exchanges.

⁵ Meier says that after decolonization, development economics was plagued by ideological interventions from both the left and the right, marked by 'emotional assumptions rather than logical categories.' See *Frontiers of Economic Development*, p. 6. He is suggesting a new type of analysis and a new epistemological rigor in the wake of all the 'discontent' of 20th century theories and paradigms. For more on a critical history of 20th century economic thought, particularly in relation to development, see Richard Peet and Elaine Peet, *Theories of Development* (1999) and Arturo Escobar, *Encountering Development: The Making and the Unmaking of the Third World* (1995). In *Frontiers of Development Economics*, Meier's own contribution to the anthology (beyond the introduction) summarizes the major topics, 'unsettled questions' and 'unfinished tasks' facing the next generation of development economists in contrast to the founding generation (1950 to 1975). He states "recognition of an expanded meaning of 'economic development'; more attention to residual (total factor productivity) in the production-function approach to the sources of growth; refinement and extension of new growth theories in relation to the economics of ideas and knowledge; interpretation of 'right' institutions; determinations of the sources

Rawls's *The Law of Peoples* is a philosophical exploration of the problem of international justice, a delineation of the roles and responsibilities of different sovereign nations in their treatment of one another in a larger 'international society,' the scope of duties owed to other countries, a moral and philosophical setting of limits with regard to the justification of war based on self-defense, and the entire ethics debate on assistance to disadvantaged or 'burdened' societies with regard to development and wealth accrual. This small work, when compared to the lengthy, mammoth treatises of *A Theory of Justice* and *Political Liberalism*, has several germs, or elements than can be appropriated for a philosophical construction of the meaning, intention and goal of development economics when interpreting the assumptions of economists. For example, Meier states in his introduction a more 'comprehensive approach' in contrast to traditional and neoclassical economics: he "distinguishes between ordinary neoclassical economic analysis of development and a more comprehensive approach that looks to the operation of large, innovative changes and to political-economic issues in development policymaking. All these are subsumed in the general question of whether development economics is to be regarded simply as applied economics or whether there is a need for a special development theory to supplement general economic theory."⁶

There are two issues at stake here. First a general distinction is made between traditional, neoclassical economic analysis on the one hand and a more 'comprehensive' approach on the other, which has to take in to account larger issues in political-economy in relationship to development policymaking. And then the sub-question beneath is whether development economics is an applied form of available mainstream economic theories or whether we need to articulate a 'special development theory' as a 'supplement' to economic theory. There is the neoclassical vs. political-economic development policy dichotomy, and then there is a distinction between applied economics as a *subset* of economics as a whole vs. a 'special development theory' as a *supplement* to the panoply of economic theories.

But even these statements occlude deep assumptions about how the future of the *conceptual development* of development economics is supposed to unfold.

and consequences of social capital; undertaking of multidisciplinary analysis; recognition of historical lessons; examination of the opportunities and problems being created by globalization; and attention to new perspectives on the interdependence of the state and the market in the development process." Ibid., p. 6. The question for the philosopher of history is not how to add to this list by economists, but in imagining what the goal and task of a subfield called the 'philosophy of development economics' would say about such a list, its moral and epistemological assumptions, its conceptual-research horizon for expansion or exclusion.

⁶ Ibid., 7.

Our investigation requires that we take a step back and look at the phenomenon in a more primordial way, i.e. something apriori that conditions thinking about the future of development economics. It is our intuition that a 'special' development theory is in fact needed, one that is sensitive to general and particular questions that arise in political-economy in relation to development, and this special theory is neither an 'applied' form of economics nor a 'supplement' to mainstream economic theories. The 'special development theory' is far more expansive: it draws from the philosophy of history and the history of philosophy to critically question the epistemological, normative and scientific assumptions of 'development economics.' Our project in contrast to Meier's, for example, is an attempt to fashion a new field called the 'philosophy of development economics' by way of the resources available in moral and political philosophies of justice and global ethics, namely Rawls's endeavor in *The Law of Peoples*. And prior to such construction, one must keep in mind advanced problems in the philosophy of history, namely time, transformation, motion and causality. If development does not inherit basic problems in metaphysics (being, becoming, time, motion, rest, the thing in motion, the thing as motion, substance, permanence), then we are forgetting an important historical precedent that made the idea of 'development' even possible, particularly in its 20th century expression. Rawls takes up questions for moral and political philosophy intrinsic to discussions of international justice, but he does so in a way that does not prioritize a single philosophical or metaphysical or religious comprehensive doctrine; the point is to see how these doctrines can be maintained from the standpoint of individual proponents but be subjected to reasonable and rational debate on which non-metaphysical or purely 'political conceptions of justice' become possible to which a single international order can adhere, i.e. a 'society of peoples.' This way the idea of justice as fairness for the basic structure of a single society can be expanded to justify principles of fairness and decency for the entire human species and the international order within which all human beings live.

The metaphysical heritage of the idea of development therefore has to dialogue with both the non-metaphysical basis of contemporary development economics, which is entirely technical, scientific if not scientific⁷, and empirical at its core, and the non-metaphysical political and moral philosophies of someone like John Rawls, who accepts the fact of 'reasonable pluralism' in today's international order.

⁷ If development economics is not entirely scientific like biology, chemistry and physics, but aspires to the scientific method as practiced in the hard or natural sciences, then one can say minimally that it is 'scientific.' It certainly is not philosophy or the fine arts.

It is this creative encounter between the non-metaphysical, contemporary sciences and analytic philosophies on the one hand and the metaphysical heritage of Western philosophy on the other that a *contemporary* self-aware philosophy of history must recognize precisely as it leaves the realm of metaphysics and enters the technical realm of development economics. How a contemporary philosophy of history negotiates its own time horizon and what the trade-offs are (metaphysics vs. non-metaphysics) is just as much a moral matter as it is a speculative creation to advance our understanding of the proper foundations of development economics.

Meier does an admirable job of summarizing the differences between the first and second generations of development economists roughly divided between the 1950s to the 1970s and the 1970s to the present. He states: "The first generation of development economists was visionary and dedicated to grand theories and general strategies, the second generation was almost moralistic, dedicated to somber realism grounded on the fundamental principles of neoclassical economics."⁸ Before speculating whether a third generation has emerged after neoclassical economics, it is important to note two things about Meier's distinction. The first generation was 'visionary' and amenable to 'grand theories.' It is interesting to note that the second generation was deemed 'moralistic' but grounded in the 'realism of the principles of neoclassical economics.'

Many would subscribe to the notion that ethics and values and morals apply to today's landscape of development scholars, particularly development ethics.⁹ But the question is this: if one is not going to turn to the existing landscape of how morality and ethics functions in today's complex human development capabilities approaches, particularly in its pragmatic and empirical dimensions, on the one hand and the equally interesting realm of 'development ethics' on the other, then where else can we go? If we can imagine the possibility of the return of the first generation's values for 'grand theories and visions' regarding the foundations and goals of development economics, then what more is needed in an attempt to articulate a new conception, i.e. a conception that transcends the contemporary horizon?

⁸ Some could argue that a 3rd generation has emerged but one that has embraced multidisciplinary given the contributions of the economist Amartya Sen and the philosopher Martha Nussbaum in widening the compass of development beyond utilitarianism, neoclassical economics, resource distribution and basic needs to incorporate issues of freedom, agency, capabilities and functions so that lives can be led based on the choices that individuals have regarding what they value. As we all know this has become foundational for the Human Development and Capabilities Approach taken up by the UNDP. Sen has a contribution in the *Frontiers of Development Economics*.

⁹ See the work of Des Gasper, *The Ethics of Development* (2004), David Crocker, *The Ethics of Global Development* (2008) and Nigel Dower, *World Ethics: The New Agenda* (1998)

Indeed a return to moral and political philosophy, not only of our metaphysical tradition (Aristotle to Hegel) but an attempt to pick up where Rawls left off in terms of the limits and conditions of possibility for international justice based on the articulation of new categories and concepts.

To fuse economics and ethics into a new theoretical conception does not mean a simple recapitulation of the values and perspectives of the first generation and how residues of their assumptions may or may not have seeped into the second generation. Sure, we can look at major assumptions of both generations as Meier does so eloquently, but what is required for the task at hand is truly a philosophical - dialectical examination of both sides of any given assumption and within and between the two generations.¹⁰ What the second generation abandoned and what the current landscape of human development/capabilities on the one hand and development ethics on the other hand are not addressing is a philosophical theory of change appropriate for the philosophy of history, questions of time, change, motion and changes in epochs.

What Meier's says about 'grand theories' and 'visions' and the 'process of development itself' as a theoretical conception is precisely what the second generation dismissed and what many folks today deem impossible.¹¹ But one group's impossibility is another's possibility.

¹⁰ Meier summarizes some of the basic differences between the two generations: "In accordance with neoclassical economic theory, the second generation moved from highly aggressive models to disaggregated microstudies in which the units of analysis were production units and households. For offering policy advice, 'grand theories' came to be viewed as less useful than highly specific applications. Microstudies, rather than the broader visionary models of the earlier period, could provide more direct policy implications for specific policies such as a change in tariffs or agricultural subsidies (Arrow 1998). There was a marked change from a focus on the process of development to an emphasis on particular features of underdevelopment. Quantitative analytical tools were used more extensively, especially for empirical analysis of microphenomena that were country specific, sector specific, or project specific. The greater availability of microdata sets allowed the modeling of household behavior and of human capital investments in education and health."

¹¹ Take for example, Sen's critique of any attempts at a 'transcendental' conception of justice (like Rawls). Instead, he inquires into a move to real measurement based on empirical findings about capabilities and functions of individual lives rather than utilities, desire and subjective choices on the one hand or abstract conceptions of rights and moral norms on the other. See *The Idea of Justice* (Cambridge: Harvard University Press, 2009).

To undertake a grand vision or theory, one must have the ambition to go to the ground of something: this means reaching the conditions in which knowing a phenomenon reveal themselves in new and exotic ways based on the encounter with the phenomenon precisely as the phenomenon reveals itself to both aspects of our experience of it and dimensions and elements that seem to appear on their own, i.e. independent of what we think our experience of the phenomenon is. The conditions for knowing the thing intermingle with the thing itself animating our imagination to foster different representations of what we think the thing is and what the thing is willing to reveal to us based on our encounters.¹² Needless to say, 'development' as a *process* is not something the second generation of economists engages in the study of and furthermore, the epistemological commitment to anything grandiose is questioned because of key shift in values towards an empirical micro-analysis and data set analysis to get at the specific facts of a complex situation. The concept of economic development requires a philosophical development of a concept.

¹² This is not the space to in to the enormous problem of knowledge and experience as it is played out in great philosophers—say Plato, Aristotle, Kant, and Hegel or philosophical movements and methods—Husserl's phenomenology or Heidegger's fundamental ontology.