MERCATUS CENTER
GEORGE MASON UNIVERSITY

Working Paper 3

Is Discourse Relevant for Economic Development

SCOTT BEAULIER*

* Scott Beaulier is a Mercatus Center Social Change Graduate Fellow, and a PhD student in Economics at George Mason University.

Is Discourse Relevant for Economic Development?

Scott A. Beaulier
Research Assistant
James Buchanan Center
Mercatus Center's Global Prosperity Initiative
George Mason University
sbeauli1@gmu.edu

I would like to thank Chris Coyne and Gordon Tullock for useful comments and suggestions. I would also like to acknowledge the financial assistance of the H.B. Earhart Foundation and Mercatus Center. The standard disclaimer applies.

"As much as it might like, the IMF, in its public rhetoric at least, could not be completely oblivious to the widespread demands for greater participation by the poor countries in the formulation of development strategies and for greater attention to be paid to poverty…The idea that citizens in a borrowing country might also participate was simply too much! Stories of this kind would be amusing were they not so deeply worrying.

Even if, however, the participatory poverty assessments are not perfectly implemented, they are a step in the right direction. Even if there remains a gap between the rhetoric and the reality, the recognition that those in the developing country ought to have a major voice in their programs is important. But if the gap persists for too long or remains too great, there will be a sense of disillusionment. Already, in some quarters, doubts are being raised, and increasingly loudly. While the participatory poverty assessments have engendered far more public discussion, more participation, than had previously been the case, in many countries expectations of participation and openness have not been fully realized, and there is growing discontent."

(Joseph Stiglitz, *Globalization and Its Discontents*, pp. 50-51)

I. Introduction

Economists seem to be discovering the limits of their knowledge regarding the institutional and cultural preconditions necessary for economic growth and development. This should come as no surprise given the well-documented ineffectiveness of international lending and aid programs. Those working for the World Bank and International Monetary Fund (IMF) must have been humbled by Easterly's (2001) recent account. Tracing through a 50-year history of development failure, Easterly (p. 143) concludes,

> …the search for a magic formula to turn poverty into prosperity failed. Neither aid nor investment nor education nor population control nor adjustment lending nor debt forgiveness proved to be the panacea for growth.

In a much different spirit, Joseph Stiglitz (2002) has also weighed in with his take on the development problem. Stiglitz (p. 34) criticizes the "one-size-fits-all" development approach of the International Monetary Fund. He objects (pp. 40-41) to the inherent "neocolonial" tendencies of the IMF and also scorns the IMF for a lack of sensitivity to the unique cultural conditions present in developing countries. For Stiglitz, development aid through the medium of the IMF has failed. As he sees it, the IMF is, in essence, an imperial institution. Like ruling empires of the past, the IMF has similar difficulties in getting people to behave the way they want them to.

Stiglitz is on the mark with his "neocolonial" criticism of the IMF. Economists have a great deal of knowledge of what development policies *have not* been successful; it is quite a challenge to find stories of successful development promoted by western reformers. Even though we lack the knowledge of what development policies actually work, most development economists continue to unflinchingly operate with an impositionist pretense (Coyne, 2002). In an environment where universally accepted answers regarding the *implementation* of reform are lacking[1], coupled with economists' convictions that institutional imposition will eventually work, an economist as eminent as Joseph Stiglitz (p. 50) is arguing for a shift away from impositionism towards a "participatory" development approach.

When Stiglitz argues for a more "participatory process" in economic development, he has in mind a development approach in which members of developing countries have a greater say in the reform process. Stiglitz's demand for a greater level of participation might *seem* like a noble pursuit, but why should we expect discourse to translate into economic development. This essay will take up this question. We will be

[1] We should make a distinction between implementation and understanding. There is now a mountain of evidence suggesting the institutions of private property, the rule of law, and free trade are necessary determinants of economic growth and development. Economists have been fairly successful at shedding light on what are the primary drivers of prosperity; the calamity arises when they move to the realm of reformers.

interested in examining how a more participatory approach between individuals in developing countries and lending institutions could affect economic development.

Arguments for a greater level of participation in collective decision-making are far from novel. From John Stuart Mill to F.A. Hayek to Jurgen Habermas, the liberal tradition has argued for open discourse and debate. To assure the proliferation of the best ideas, a society must be open and tolerant of dissent. Through a competitive process, ideas which offer a bundle of desirable properties will be selected. In one of his most eloquent passages, Mill (1974 [1859], p. 76) summarizes this position:

> If all mankind minus one were of one opinion, mankind would be no more justified in silencing that person than he, if he had the power, would be justified in silencing mankind…the peculiar evil of silencing the expression of an opinion is that it is robbing the human race, posterity as well as the existing generation—those who dissent from the opinion, still more than those who hold it. If the opinion is right, they are deprived of the opportunity of exchanging error for truth; if wrong, they lose, what is almost as great a benefit, given the clearer perception and livelier impression of truth produced by its collision with error.

Hayek (1960, p. 29) makes a similar case for a discursive society when he writes,

> If there were omniscient men, if we could know not only all that affects the attainment of our present wishes but also our future wants and desires, there would be little case for liberty. And, in turn, liberty of the individual would, of course, make complete foresight impossible. Liberty is essential in order to leave room for the unforeseeable and unpredictable; we want it because we have learned to expect from it the opportunity of realizing many of our aims. It is because every individual knows so little and, in particular, because we rarely know which of us knows best that we trust the independent and competitive efforts of many to induce the emergence of what we shall want when we see it.

Mill and Hayek made pragmatic arguments for dissenting opinions and open discourse. For Mill and Hayek, an open society allowed for the discovery of new and better ways of living. More recently, Jurgen Habermas (1984, p. vii) has argued for a discourse ethic, which he believes should serve as the foundation of a free society. For Habermas, a discursive society does more than serve the utilitarian values of diversity and discovery. For Habermas, the discourse ethic is elevated in status. The only way a moral consensus can ever be reached is through discourse. Thus, for Habermas, a discursive society is justifiable on deontological grounds—it has intrinsic worth above and beyond the good consequences it produces.

Outside of political philosophy, the potential value of participatory processes has not received much attention. Literally hundreds of papers have been written on the determinants of economic growth, yet the issue of what kind of relationship should exist between developing countries and lending institutions is seldom taken up.[2] To what extent can the participatory process Stiglitz has in mind accommodate a developing country's culture and history? Can Stiglitz's participatory process contribute essential insights into development plans, thereby making the transition to a market economy an easier one? Or, will reform with a more human face (i.e., a participatory approach) prove irrelevant to those who seek to implement reform? In sum, can we expect discourse to be anything more than cheap talk?

II. The Participatory Process

In the limit, a perfect participatory process would be one where all of the interests of all parties affected by a decision would be satisfied—unanimous consent would be reached. Habermas maintains his discourse ethic should be the benchmark against which various institutional arrangements are judged. Habermas (1991, pp. 66, 93) defines the discourse ethic as a position maintaining that: "Only those norms can claim to be valid that meet (or could meet) with the approval of all affected in their capacity as participants

[2] There are at least three notable exceptions to this statement. Platteau (2001) maintains that each country must find its unique path to prosperity. Hayami (1997, pp. 280, 282) argues for a "non-monolithic path" to development. Boettke (1994) takes the position that the profession's preoccupation with planning and measurement are the cause of many of our growth tragedies. For Boettke, then, the growth tragedy is not due to some kind of missing factor, but rather is due to the relationship between lending institutions and individuals in developing countries.

in a practical discourse." The discourse ethic criterion of Habermas and the unanimity condition of James Buchanan (1975, 2000 [1985]) would be met if the ideal participatory process occurred.

It is easiest to understand the discourse ethic if we shift to something concrete. When it comes to issues related to economic development, the ideal participatory result would be one where the interests of officials from lending institutions, leaders in developing countries, and all other individuals in developing countries were in agreement. For instance, suppose the World Bank wants to eliminate certain trade barriers in a developing country. A participatory approach would require the leadership of the developing country, farmers, manufacturers, consumers, and the lending community all to be on board with the proposal. As we can see, coming to a consensus when all affected parties are involved in the participatory process is quite unlikely. The participatory approach is designed to bring individuals with unique and diverse preferences to the table to formulate social policy. The hope is that discourse will succeed in producing a social welfare function with fewer blemishes than a strict majority rule mechanism.

The discourse ethic serves a much more important function than constructing a more representative social welfare function, however. By guaranteeing that all individuals will have a voice, the ethic protects against potential rights infringements. All collective choice mechanisms should account for the fact that different groups of people have different wants and desires. When collective choice is left to majority rule or some other mechanism, minority rights are left unprotected. In a fundamental sense, the purpose of the discourse ethic is to assure equal treatment of *all* groups of people.

The participatory process is, furthermore, supposed to protect against value impositions and the "tyranny of the majority". No group shall be poorly situated in the discourse, or marginalized, just because they are dissenting or different from others. Or, as Habermas (1993, p. 10) eloquently puts it:

> Someone who wishes to attain clarity about his life as a whole—to justify important value decisions and to gain assurance concerning his identity—cannot allow himself to be represented by someone else in ethical-existential discourse, whether in his capacity as the one involved or as the one who must weigh competing claims.

Stiglitz (p. 49) has a similar concern with potential rights violations associated with impositions when he argues that participation helps produce consensus. Like Habermas, Stiglitz understands the deeper morality of consensus building when he writes,

> …for the programs to be implemented in an effective and sustainable manner, there must be a commitment of the country behind the program, based on a broad consensus. Such a consensus can only be arrived at through discussion—the kind of open discussion that, in the past, the IMF shunned.
>
> At the World Bank…there was an increasing conviction that participation mattered, that policies and programs could not be imposed on countries but to be successful had to be "owned" by them, that consensus building was essential, that policies and development strategies had to be adapted to the situation in the country, that there should be a shift from "conditionality" to "selectivity," rewarding countries that had proven track records for using funds well with more funds, trusting them to continue to make good use of their funds, and providing them with strong incentives.

If we were to use Habermas's standard to assess development interventions, many previously accepted interventions would now be off the table. As Stiglitz understands, the implementation of a participatory approach to economic development precludes many "neo-colonial" practices and "puts countries in the driver's seat" (Stiglitz, p. 49). Rather than *telling* developing countries what they have to do to receive money, a participatory approach *asks* individuals living in the developing countries what reforms would be best for them. The lending institution can still express its desires in the discourse, but it is constrained from any value impositions.

Before we turn to the next section, we should keep in mind that a participatory approach to economic development could do a better job of harnessing the "knowledge of time and place". As Hayek (1944, pp. 54-56, 1948 [1945], 1983 [1973], pp. 11-17) frequently points out, this local, contextual knowledge is the kind of specific information which "top-down" planners cannot obtain. In large part, the collapse of development planning has been due to a lack of dispersed and specialized information. Lending officials have mountains of technical data summarizing the plight of the poor, yet often they are desperately lacking the specialized information which is crucial in formulating incentive compatible plans. Stiglitz (p. 49) summarizes this argument nicely when he writes, "Those within the country are likely to know more about the economy than the IMF staffers". Thus, discourse not only leads to broad-based consensus among the players; it also helps unlock the local knowledge which development planners would otherwise overlook.

III. General Causes for Concern

The arguments of Stiglitz and Habermas[3] have a great deal of confidence in the participatory process' potential to produce a more coherent social welfare function.[4]

[3] Prychitko (2002, p. 165) suggests that Stiglitz "ignore[s] the grand constitutional questions." According to Prychitko (pp. 165-66), Stiglitz needs to address the "post-communist socialist literature of Habermas" and the "constitutional economics" of Buchanan. Though he still has not explicitly addressed the broader questions of political economy, there is no question that Stiglitz's recent argument for a participatory approach to development is clearly Habermasian in form.

[4] In the secondary literature concerned with Habermas's work, some question whether the participatory process is solely instrumental in value. Perhaps, the participatory process produces something more important than a well-behaved social welfare function. For instance, Ingram (1993, p. 294) finds Habermas's defense of discourse ethics contains a subtle argument for "moral self-development". For Habermas, the discourse ethic does more than produce a rational collective choice mechanism;

Those who defend the participatory process on instrumental grounds believe the participatory approach does a better job of converting individual preferences into public policy. For Habermas, this will lead to political rationality and individual self-realization; for Stiglitz, economic development policies will be better aligned with the desires of individuals in the developing countries. Unfortunately, both Habermas and Stiglitz fail to appreciate the public choice problems which will still be present in even the most open and vocal participatory forums.

Unless there is unanimity among all members involved in the discourse, problems related to the tyranny of some interests dominating those of others remains present. Furthermore, the subjective nature of desires prohibits us from saying anything about agreements short of unanimity. 95% agreement among members of the discourse could be worse overall than 55% agreement. The only requirement would be that the 5% of individuals in the former case ended more unhappy with the participatory outcome overall than the 45% in the latter case. Thus, the difficulty in judging outcomes which fall short of unanimity is the first major problem with the participatory approach.

Without unanimity in the participatory process, the political outcome reached will depend in large part on the procedural rules of the process, the agenda setter, and the power positions of participants. Advocates of the participatory approach argue that all individuals deserve equal voice and representation of their interests. While this might seem like a romantic and highly desirable form of collective decision-making in theory, there are reasons to expect serious operational difficulties. Stiglitz and Habermas fail to appreciate the difficulties involved in giving appropriate voice to any kind of collective

participation in the discourse promotes moral autonomy. We should put the convoluted Habermas aside on this point. Clearly, Stiglitz's argument for a participatory approach to development is an instrumental one. His defense is limited to the argument that a participatory approach will produce more incentive-compatible development policies and produce a more rational social welfare function.

choice. In particular, neither Habermas nor Stiglitz recognizes the insurmountable challenges of "the chairman's problem" (de Jouvenel, 1961).

Summarizing the "chairman's problem", de Jouvenel (p. 368) writes,

> [Suppose you are] chairman of an assembly, and regard all participants as formally equal, which commits [you] to treating them equally. Feeling bound by this principle, [you] decide as follows: the duration of the meeting is *m*, the number of participants *n*. [You] shall give the floor to each participant for *m/n*; thus the equal right of speech will receive practical application.
>
> [Suppose that] *m* [is set] at three hours, and *n* [is set] at 5,400. Then, adhering to the same rule for the allocation of time [equal treatment for all], [you] shall give the floor to each participant for 2 seconds, which is absurd.

De Jouvenel continues with a comparative political institutions exercise, which produces no satisfactory collective decision-making process for relatively small groups with a finite amount of time. Even Athens, the classic example of participatory democracy, did not come close to providing equal voice for all. This reality led de Jouvenel to conclude with the following:

> Individuals are told at every moment that they have an equal right of speech, and they find out in any concrete instance that the opportunity of expression is denied to them. This breeds the feeling that democratic principles are a lie. And indeed if the of right of speech is so formulated as to convey the impression "you shall have the opportunity of being heard by the congregation, equal to anyone else's" then it is a lie, because it is *impossible* to give such an opportunity.

The chairman's problem raises a serious challenge to advocates of any kind of complicated discourse. Habermas (1998) has responded to pragmatic challenges concerning his system. For Habermas, the ideal forum for his discourse ethic would be the old town hall meetings. In such an arena, all affected parties would be able to voice their objections over the course of one evening. We are left to wonder whether Stiglitz envisions the ideal participatory process to development being one so local in nature.

If the "participatory process" Stiglitz has in mind is large-scale in nature, then it necessarily runs into the chairman's problem of "whose voice is to be heard?" If, instead, Stiglitz's "participatory process" is one in which literally millions of local meetings are held throughout a developing country, then we run into a more severe problem of aggregating all of these local agreements. In order to formulate a development policy for Botswana, officials would have to weight the local, participatory consensus reached in Gaborone against a different consensus reached in, say, Mamuno. How do we avoid conflicts of value in this kind of environment?

Another concern which arises when we concern ourselves with participatory processes in practice relates to the limited *ex ante* knowledge of participants in the discourse. What if individuals lack the knowledge necessary to make a fully informed decision? Suppose a group of poor individuals initially come to the discourse advocating a minimum wage policy. Suppose a consensus emerges where the poor get exactly what they want. How long should this policy remain binding *ex post*? What if the poor soon discover that, contrary to what they previously believed, minimum wage laws are the cause of their unemployed status? Since the potential for error abounds, Habermas wants the discourse to be ongoing. Whenever the participatory process fails to reflect the interests of affected parties, it can be manipulated and changed. If the poor would like to reverse a minimum wage policy, they can return to the discourse and push for its abolition.

Unfortunately, we should not expect things to be so simple. The entire balance will be upset whenever participants are unhappy with outcomes. When the poor come to the table seeking the abolition of the minimum wage, there will now be other parties unwilling to compromise. It is hard enough to imagine the participatory process producing unanimity at one moment in time; it is inconceivable to think of how unanimity will persist when participants can file grievances whenever they please.

The problems related to individual conduct after unanimity has been reached are closely tied to our next concern. Specifically, what are we to do if strategic bargaining pervades the discourse? How will we know that an interest is really an interest? Within public choice writings, there is a vast literature on deterring strategic interests.[5] We should not be optimistic that individuals will all come to the discourse with the most idealistic of interests and best of intentions. In fact, most individuals will likely overstate the actual value they place on different collective projects.[6] To protect against these strategic behaviors, some additional collective mechanism—whether a Thompson insurance[7], "VCG mechanism[8], or Lindahl tax scheme—is necessary. In spite of the enormous problems strategic behavior raises in any public choice, the possibility of this problem arising in the discourse receives little attention from Habermas and no discussion by Stiglitz.

Finally, if more participation is desired, then we had better be prepared for the kinds of outcomes which might result. There is no *a priori* reason to expect policy improvements simply because more people have been involved in policy design. In fact, there is reason to think policy would get worse as we allow for a more discursive development approach. If the layman, the preacher, and the policeman are all to be

---

[5] Bailey (2001) provides a nice overview and discussion of this literature.

[6] Margolis (1982) argues that voters will tend to exaggerate their willingness to pay to obtain budget changes even when they are not colluding.

[7] Originally published by Earl Thompson (1966), this insurance is a scheme which aims to marginal cost price different political outcomes.

[8] Bailey (2001) coins the "VCG mechanism". The "VCG" acronym recognizes the independent contributions of Vickrey (1961), Clarke (1971), and Groves (1973). Combined, the three developed a collective choice mechanism which does a better job at revealing the honest preferences of individuals in the public sector.

involved in the discourse, then many more "free lunch" policies, lacking economic insight could result.[9]

Let us illustrate through example two instances in which potential atrocities could certainly result from the participatory process. In 1984, Ethiopia was ruled by a Marxist oligarchy. That same year, the people of Ethiopia were battling one of the worst famines their impoverished nation has ever experienced. Rather than openly addressing the problem, the leadership denied the severity of the famine.[10] Only later did we come to learn that more than one million people died as a result of this political arrogance.

More recently, many countries in sub-Saharan Africa are plagued with HIV and AIDS rates in excess of 25% of the population. While many nations are taking this problem very seriously, other nations are outright denying the existence of the problem! Nowhere is this more evident than in South Africa where President Thomas Mbecki has openly rejected medical aid, because he is convinced there really is no problem.[11] Unlike the Ethiopian case where denying the starvation was, in large part, an isolated political problem, the denial of the HIV/AIDS problem throughout sub-Saharan Africa is something more pervasive—large fractions of the population are ambivalent and skeptical of the HIV/AIDS problem. As a matter of fact, in many regions of sub-Saharan Africa, males suffering from HIV/AIDS symptoms believe they can cure themselves by engaging in sexual intercourse with virgin females.

[9] Mueller (1996) takes the position that the collective choice mechanism should be *more* restricted, rather than less. According to Mueller, if more people are involved in the collective decision-making process, outcomes will worsen.

[10] The literature highlighting the attitude of Ethiopian political leaders to famine is vast. Two outstanding accounts are Clay and Holcomb (1987) and Korn (1990).

[11] Similar to South Africa, Botswana denied the existence of the HIV and AIDS problem until very recently. In a recent column, Thurow (2002) documents Botswana's general attitude towards the HIV/AIDS problem and offers speculations about the long-run growth effects of a 35% HIV/AIDS rate.

When these kinds of backward beliefs are being brought to the bargaining table, will Habermas, Stiglitz, and lending institutions be willing to live with whatever results from the participatory process? *Anything* could go when diverse individuals sit down and debate various reforms. Will lending institutions sit on their hands if the participatory process produces hands-off or non-western solutions to serious problems? If we are not willing to live with whatever the participants agree to, then the "neocolonialism" which Stiglitz finds appalling will persist. The frequency and severity of impositions by lending institutions might be less if we become committed to a participatory approach, but, to Stiglitz's discontent, development policies will remain shadowed by the lending institutions' demands.[12]

IV. The Participatory Test

The previous section has offered arguments for why the participatory process will fail to produce a desirable consensus. Let us now turn to an examination of whether we should expect the participatory process to be conducive to economic development. The proof of the participatory process's effectiveness will be in the pudding. Specifically, why should we expect greater participation to translate into more economic development? The previous section provided reasons to be skeptical of the participatory approach's efficacy, but let us look more closely at why participation might be important for economic development.

[12] There are many additional criticisms which could be brought up in this section. Unfortunately, space constrains us from further criticisms. One criticism, which I thank Gordon Tullock for bringing to my attention, is an even more basic one: What if we cannot even get the people agree to participate in the discourse? As Tullock has privately pointed out, "Iraqi dissident groups, who all share a common goal of supplanting Sadaam Hussein's regime, cannot even sit in the same room with each other." Clearly, such circumstances seriously inhibit the possibility of effective discourse.

If we see developing countries where individuals have greater involvement in reform decisions (i.e. engaging in more participation) performing better, then Stiglitz's argument carries greater weight. The easy way to test Stiglitz's hypothesis would be to just examine the correlation between participation levels and economic development. If there is a positive correlation between high participation and economic development, then Stiglitz might be on to something. However, this kind of an examination suffers from serious limitations.

First, how should we measure the relationship between a developing country and lending institutions? Should the number of times officials from lending institutions meet with leaders in developing countries serve as our standard? Currently, economists have no satisfactory measure indicating the *quality* of the relationship between individuals in developing countries and officials from lending institutions. Perhaps some kind of participation grade is right around the corner. Even so, we should be wary of any kind of participation metric, because it is unclear what our standard of a "high" participation or a "good" relationship should be.

Second, *even if* we were to get past these measurement problems, *and* we found a correlation between participation and economic development, there would still be reason to be skeptical. There still remains a tremendous endogeneity problem, which would be difficult to control for. To clarify this point, let us consider the following example. Suppose we found that countries with "higher" or "better" levels of participation grew faster. There is a good possibility that we might be misplacing the causal mechanism. Perhaps it is not participation *per se* which is driving the economic development, but rather deeper, underlying factors. In other words, a positive relationship between participation and economic development might actually be picking up something else.

Perhaps the country is developing because of deep cultural factors, such as toleration for dissent, which also make the participatory approach more feasible. If this is the case, then participation is clearly not driving the economic development.

Finally, why should we expect greater levels of participation to result in anything more than cheap talk? As Easterly (2001) has clearly pointed out, the history of international lending institutions can best be summarized as a history of mistaken pretenses. Throughout this tragic history, the voices of the consumers of aid—namely, poor individuals of developing countries—have never been heard. On the one hand, then, arguments for a participatory approach seem like a tremendous improvement over previous development approaches. On the other hand, perhaps the lessons of history should lead us to be extremely pessimistic of reform in development approaches.

Stiglitz and other officials from lending institutions can talk all they want about a more humane development approach. When push comes to shove, however, will we really observe any significant change in the policies adopted? We can say we will give the poor greater voice in development decisions, but how will development officials react the first time the poor demand policies which depart from the development consensus? Do we have any reason to believe that the kind of discursive development advocated by Stiglitz will actually break out of the black box? That is, will policies actually be determined by the discourse, or will it be an extremely constrained participatory approach where policies are suitable so long as they are consistent with the overarching goals of international lending institutions? Furthermore, who will serve as the check upon development officials? What kind of incentive do international lending institutions have to promote a more participatory approach?

V. Conclusions

Joseph Stiglitz's argument for a participatory approach to economic development should lead those of us skeptical of the latest fashion in economic development to question just how outcomes will improve through participation. To the uninitiated, the discursive approach to development, which Stiglitz is advocating, might sound like a principled and fresh alternative. This approach *seems* to have a more human face than the impositionist options currently being offered by the IMF and World Bank. But, unfortunately, the noble *vision* of Habermas, Stiglitz, and other advocates of a discursive political economy is lacking in *analysis*.

In examining the *vision* of Habermas and Stiglitz, we explored whether discourse is relevant for economic development. It has been suggested that because discourse can help overcome "knowledge problems" and produces policies with larger consensuses, it is *possible* that participation will promote economic development. While it may be possible, this essay has suggested that it is highly improbable that participation will matter.

We should be skeptical of Stiglitz's participatory approach, because it is hard to picture it working in *practice*. It should be evident to the reader that most of the criticisms in this essay have been pragmatic ones—unless we assume the best of possible worlds, it is hard to imagine Stiglitz's approach working. We can only hope that this line of pragmatic criticism is not discounted. In the spirit of de Jouvenel (1961, p. 372), "[i]t is essential to lay stress upon feasibility problems." In summarizing Habermas's system, Prychitko (2000, p. 29) writes, "Habermas believes he justifies a particular set of western constitutional principles that are morally legitimate, and universally valid." Similarly, Stiglitz thinks he is in solid ground in advocating the participatory approach.

This analysis has maintained that the legitimacy of any new development approach or grand constitutional project rests squarely on its practicality—legitimacy and practicality are not separable. In the case of the Habermasian and Stiglitzian participatory approaches, there seem to be insurmountable "feasibility problems" at the level of implementation.

Habermas (1991, pp. 179-182) has said that all universal theories must deal with the difficulties which arise at the level of implementation. As he points out, "moral norms do not contain their own rules of application." In the spirit of Habermas's program, this analysis has attempted to analyze the "rules of application" of both Habermas's system and that of Joseph Stiglitz. In so doing, we have found that Habermas's discourse ethic and Stiglitz's participatory approach to development are both romantic pictures of what we would like the world to be like. Unfortunately, when these romantic systems are met with a does of reality, things fall apart.

Bibliography

Bailey, Martin. (2001). *Constitution for a Future* Country. Great Britain: Palgrave.

Boettke, Peter (ed.). (1994). *The Collapse of Development Planning*. New York: New York University Press.

Brennan, Geoffrey, and James Buchanan. (2000 [1985]). *The Reason of Rules*. Indianapolis: Liberty Fund.

Buchanan, James. (1975). *The Limits of Liberty*. Chicago: University of Chicago Press.

Clarke, Edward. (1971). "Multipart Pricing of Public Goods," *Public Choice* 11: 17-33.

Clay, Jason and Bonnie Holcomb. (1987). *Politics and the Ethiopian Famine, 1984-1985*. Cambridge, MA: Cultural Survival.

Coyne, Christopher. (2002). "The Role of the Economist in Economic Development". Fairfax, VA: George Mason University, Working Paper.

de Jouvenel, Bertrand. (1961). "Seminar Exercise: The Chairman's Problem," *American Political Science Review* 55 (2): 368-372.

Easterly, William. (2001). *The Elusive Quest for Growth*. Cambridge, MA: MIT Press.

Groves, Theodore. (1973). "Incentives in Teams," *Econometrica* 41: 617-31.

Habermas, Jurgen. (1998). *Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy*. Cambridge, MA: MIT Press.

-------. (1993). *Justification and Application*. Cambridge, MA: MIT Press.

-------. (1991). *The Structural Transformation of the Public Sphere*. Cambridge, MA: MIT Press.

-------. (1986). "Interviews" in P. Dews (ed.) *Autonomy and Solidarity: Interviews*. London: Verso.

-------. (1984). *The Theory of Communicative Action, Vol. 1*. Boston: Beacon Press.

Hayami, Yujir. (1997). *Development Economics: From the Poverty to the Wealth of Nations*. New York: Clarendon Press.

Hayek, F.A. (1944). *The Road to Serfdom*. Chicago: University of Chicago Press.

-------. (1948 [1945]). "The Use of Knowledge in Society," in F.A. Hayek's (ed.) *Individualism and Economic Order*. Chicago: University of Chicago Press.

-------. (1960). *The Constitution of Liberty*. Chicago: University of Chicago Press.

-------. (1983 [1973]). *Law, Legislation, and Liberty: Rules and Order, vol. 1*. Chicago: University of Chicago Press.

Ingram, David. (1993). "The Limits and Possibilities of Communicative Ethics for Democratic Theory," *Political Theory* 21 (2): 294-321.

Korn, David. (1990). *Ethiopia: The Politics of Famine*. University Press of America.

Margolis, H. (1982). "A Thought Experiment on Demand-Revealing

Mechanisms," *Public Choice* 38: 87-91.

Mill, John Stuart. (1974 [1859]). *On Liberty*. London: Penguin Books.

Mueller, Dennis. (1996). *Constitutional Democracy*. New York: Oxford University Press.

Platteau, Jean-Phillipe. (2000). *Institutions, Social Norms, and Economic Development*. Australia: Harwood Academic Publishers.

Prychitko, David. (2002). *Markets, Planning, and Democracy*. Cheltenham, UK: Edward Elgar.

-------. (2000). "Communicative Action and the Radical Constitution: The Habermasian Challenge". Marquette, MI: Northern Michigan University, Working Paper.

Stiglitz, Joseph. (2002). *Globalization and Its Discontents*. New York: W.W. Norton & Company.

Thompson, Earl. A. (1966). "A Pareto-Efficient Group Decision Process," in G. Tullock (ed.) *Papers on Non-Market Decision-Making*. Charlottesville, VA: University of Virginia Press.

Thurow, Roger. (2002). "Botswana Sees Economic Rise Leveled by Raging AIDS Crisis," *The Wall Street Journal*. August 29: A1.

Tullock, Gordon (ed.). (1966). *Papers on Non-Market Decision-Making*. Charlottesville, VA: University of Virginia Press.

Vickrey, William. (1961). "Counterspeculation, Auctions, and Competitive Sealed Tenders," *Journal of Finance* 16: 8-37.