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The Quarrel of Development Experts:

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Abstract

Lauchlin Currie and Albert O. Hirschman worked together as advisers to the National Planning Council in Colombia in the 1950's. Both had little experience in development economics when they arrived, and did not see eye to eye about the functioning and policy recommendations of the Council. Retracing their debates on internal and public issues allows showing how the Colombian experience marked their views on the role of policy advisers, development policy and the obstacles to development processes. Our main contribution is to show how this experience contributed to enrich their theories of development. They evolved from the technical discussions on growth mechanics to the necessity to adopt a development strategy dealing with political-economy issues.

Keywords: Lauchlin Currie, Albert O. Hirschman, Colombia, Development economics, experts.

JEL Codes: A11, B2, B31, N16, O2.

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Resumen

Lauchlin Currie y Albert O. Hirschman trabajaron juntos en Colombia durante los años cincuenta como asesores del Consejo Nacional de Planificación. A su llegada, contaban con poca experiencia en desarrollo económico y nunca concordaron en las recomendaciones de política del Consejo ni en su funcionamiento. Rastrear estos debates en asuntos internos y públicos permite mostrar cómo la experiencia colombiana marcó sus posiciones sobre el papel del asesor de políticas, las políticas y los obstáculos del proceso de desarrollo. Nuestra principal contribución es mostrar cómo esta experiencia enriqueció sus teorías sobre el desarrollo, las cuales evolucionaron de discusiones técnicas sobre la mecánica del crecimiento a la adopción de una estrategia de desarrollo capaz de lidiar con problemas de economía política.

Palabras Clave: Lauchlin Currie, Albert O. Hirschman, Colombia, Economía del desarrollo, expertos.

Códigos JEL: A11, B2, B31, N16, O2.

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1. Introduction

Lauchlin Currie and Albert O. Hirschman worked together between 1952 and 1954 in Colombia as policy advisers for the National Planning Council. Currie already had some experience in the country as he had been appointed Chief of the first mission of the International Bank for Reconstruction and Development (IBRD) to Latin America in 1949, when he spent some months there gathering information for a report containing general recommendations on the appropriate development policies for Colombia. He came back in 1950 at the request of the Colombian government to advise the institution in charge of designing the specific policies that would materialize the Survey Mission's recommendations. Hirschman arrived on 1952 as the foreign expert appointed by the IBRD to advise the Council. This short episode had important effects on both economists' later thoughts and theories on development economics. Their experience in Colombia made them development economists.

Over the years, the literature has retraced Currie's and Hirschman's work in Colombia, mostly separately, as part of the history of development economics and the history of two major figures in this field (Sandilands 1990; Bianchi 2004; Adelman 2013), in order to reconstruct the history and effect of international missions on developing countries (Alacevich 2005, 2009; Montecinos and Markoff 2009), more recently to assess the role visiting economists have played in development (Drake 1994; Flandreau 2003; Easterly 2014) and the figure of the expert (Bianchi 2011, Easterly 2014).

In this paper we focus on the way Currie and Hirschman perceived their role as experts in Colombia and the confrontations they had over specific policy issues. This allows showing they agreed on the political economy dimensions associated with implementing development policies, in general, and with their work, in particular. They agreed on the importance of decision making processes but disagreed on the role experts should play in them.

Currie and Hirschman participated in the first attempts at incorporating expert foreign advice to the formulation of development policies and planning in Colombia. In the 1940's, the Colombian government was convinced international loans were needed to trigger development, which led to the arrival of Survey missions, such as the one from the IBRD, that would assess the country's macroeconomic situation and its conditions to receive and manage investment loans (Arévalo, 1997, p. 24). The missions' policy recommendations aimed at producing

structural changes to overcome the obstacles hindering development processes so, even if they were welcomed by most economic and political actors, conflicts existed between Colombians, Mission members and foreign experts (Arévalo, 1997, p. 24).

The impact of these missions, and especially of the first one and of the actions and institutions resulting from it, was that “it showed the first generation of Colombian economists how economic analysis and theory could be applied to the specific problems of their own economy and introduced policy-makers to modern economics”(Urrutia, 1988, p. 165). Currie and Hirschman were proof of this as their approaches to development planning permeated development policies in Colombia during most of the country’s recent history but it took some time for this to happen. Even if a National Planning Department was created in 1958, following in the steps of the Committee of Economic Development and the National Planning Council, it did not prove to be very effective, things started changing in 1968 and, especially in 1972, when Currie’s development plan was adopted. Urrutia (1988, pp. 194-5) associates this inefficiency with the Department’s following “text-book macroeconomic planning” rather than adjusting and producing specific policies for the Colombian context. The Department begun concentrating on specific projects and decisions as the basis of macro planning. The strategic aspects of development, favoring a pragmatic approach, became the focus for Colombian policy-makers, following especially Hirschman’s approach (Caballero 2008, pp.187, 196). Nevertheless, “[t]he cost entailed in the short-run micro-economic approach in planning has been that no agency in the government has been concerned with the long-run” but, as Currie and Hirschman would advice, great effort was put into “improving the quality of government decision-making” (Urrutia, 1988, pp. 194–195).

The influence also worked the other way around, that is, Colombia and Colombian policy-makers also left their mark on the experts that came with the missions. Their work in the country introduced them to the realities of a developing economy and, in the case of Hirschman, led him to write “some of the most thoughtful academic works on the problems of development” (Urrutia, 1988, p. 166). But more importantly, it led both Currie and Hirschman to associate development with decision skills.

Experts and their technical knowledge, according to both, were key in the development process, but they did not agree on what the expert’s specific role was. Their opposite opinions

on specific policy issues in Colombia allow understanding their differences, which illuminate their position on the role of experts, and their views on economic planning.

We tackle these differences exploring their conflictive participation in the National Planning Council and their views on specific economic policies in Colombia, that were largely debated in the public arena. The paper is divided in six sections besides this introduction. In the second section we present the work of the 1949 IBRD Survey Mission and the Committee of Economic Development, which set the stage for the creation of the National Planning Committee and the encounter between Currie and Hirschman presented in the third section. In the fourth part we analyze their confrontation on two specific policy recommendations that generated public debate and, which, both economists would later use to illustrate their own approaches to development economics. The public controversy on the steel mill *Acerías Paz del Río*, and on a tax on unproductive lands made clear for Currie and Hirschman that development is a strategic process involving political and social dimensions that escape economic and technical analysis. The success or failure of this strategic process was based on the decision capacity present in the developing country. Thus, in the fifth section, we explore how Currie and Hirschman assessed the decision-making process and the role of experts in it. We end the paper with some concluding remarks.

2. The IBRD General Survey Mission of 1949 and the Committee of Economic Development

The background for Currie and Hirschman's encounter in Colombia, was given by an expert mission from the International Bank for Reconstruction and Development (IBRD) in 1949¹. Lauchlin Currie arrived in Colombia as head of the Mission, and came back in 1950, this time at the request of the Colombia government, who hired him to act as an expert adviser to the Committee of Economic Development, in charge of studying and putting in place policies in line with the recommendations of the Mission's report. This allowed Currie to get to know

¹ Sandilands (1990) and Alacevich (2005 and 2009) give detailed accounts about the IBRD Mission to Colombia, which lay beyond the scope of this paper. Here we focus on the issues Currie and Hirschman disagreed on during their stay in Colombia in order to show they had a common ground in their assessment of development as a decision making process embedded within specific political debates.

key economic and political figures in Colombia and to have a first hand experience in a developing country.

2.1. The Mission and the Report

On April 28, 1947, Colombian President Mariano Ospina Pérez notified John McCloy, recently elected head of the IBRD, about the arrival of a government envoy in Washington. The purpose of Emilio Toro's visit was to request a loan "for [the] indispensable urgent reconstruction [of the] Colombian economy"². Upon the request, the Bank's officers collected information about the Colombian economy and recommended a field investigation in order to assess the general conditions of the country. McCloy took advantage of an invitation by Ospina Pérez to attend the Ninth International Conference of American States in Bogotá and, in the midst of the political convulsion of April 1948³, communicated to the Colombian President the Bank's interest in conducting a general survey of the country, the first of its kind in the history of the IBRD. The semiofficial request for another Bank loan on June 1948 gave the occasion for a technical mission, which remained in the country for just a few months and reconfirmed the need for a comprehensive study. The approval of a General Survey Mission was formally communicated to Emilio Toro by Robert L. Garner, the Vice-President of the IBRD, on December 1, 1948 (Alacevich, 2009).

It was agreed that the Bank would supply the technicians and cover half of the expenses. Moreover, it was expected that "if the initial study eventually resulted in a sound overall program, the International Bank would underwrite in part at least the foreign exchange costs of such a program"⁴. After receiving the favorable response of the Colombian government, the Bank's

² "Translation of the text of a cable from the President of Colombia, addressed to Mr. McCloy, received April 28," Marcus H. Elliott to Mr. A. S. G. Hoar, April 30, 1947. Cited in Alacevich (2009, p. 15)

³ The IXth Panamerican Conference held in Bogotá, led to the creation of the Organization of American States exactly at the same time that one of the most important Colombian political leaders of the time, Jorge Eliécer Gaitán, was murdered unraveling an unprecedented popular upheaval that destroyed a good part of the city and is considered as the starting point of La Violencia, a period of nationwide confrontation between the Liberal and Conservative parties in Colombia.

⁴ "'Some Economic Problems', Address of Dr. Lauchlin Currie", December 5 1950, Palacio San Carlos. RM0039, rolls 1-2, World Bank Mission, 1948-1953, *Archivo Lauchlin Currie, Biblioteca Luis Angel Arango* (BLAA), p.7.

Economic Department, under the direction of Paul Rosenstein-Rodan, started collecting information about the country. Meanwhile, the Bank struggled to put together the team of technical advisers for the mission. In fact, the mission took much longer to organize than the time spent in Colombia (Mason & Asher, 1973, p. 300). Finally, Lauchlin B. Currie was appointed as chief of the survey mission. Currie was one of Viner's "young brains" in the Treasury and, as the first economic adviser to work in the White House, was considered one of the "intellectual leaders" of the New Deal (Sandilands, 1990). In spite of his familiarity with the economics of depression—and with the economics of war, as Roosevelt's foreign adviser in China—Currie had no previous experience on the emerging problem of "developing the Third World" (Escobar, 1995). Thus Currie arrived in Colombia without much knowledge on development policies.

Together with 14 specialized technical assistants, including Jacques Torfs from the IBRD, Currie landed in Colombia on July 10, 1949. The foreign experts were supported by a team of Colombian advisers, formed by seven members of the cabinet, five officers of the Central Bank and three representatives of semi-private corporations and coordinated by Juan de Dios Ceballos, from the Institute for Industrial Development. Including representatives of semi-private corporations reflects the increasing corporatism of the Colombian government, recognizing the influence of economic groups such as the coffee-growers, for example. The composition of the Colombia team then reflects the economic and political interests at stake. The fieldwork concluded on October 28, 1949 and by November 5 all the foreign advisers had left the country to work on the survey report.

The mission completed the draft of its findings and recommendations in March, 1950⁵, but *A Basis for a Development Program for Colombia* was finally presented by Eugen Black, new President of the IBRD, to the Colombian Government on July 27 and made public on August 13. The report started by acknowledging that the "Mission's terms of reference were very simple and yet very broad. They were, in essence, to formulate a development program to raise the standard of living of the Colombian people" (IBRD, 1950b, p. ix). Even though this was not the "first mission sent out by the Bank, or even its first mission to Colombia", it was the first in charge of designing an "overall framework for development and appraising project proposals in the light of that framework" (Mason & Asher, 1973, p. 299). Given its unprecedented nature, the

⁵ "Memorandum IBRD," August 2 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

Mission interpreted the terms of reference as “calling for a comprehensive and internally consistent program (...) rather than merely a series of disconnected recommendations” (IBRD, 1950b, p. x). In an address in the City Hall of Bogotá at the end of 1950, Currie distinguished this “comprehensive and integrated approach” from the “Limited Objective Approach” that prevailed both in foreign technical assistance and in domestic policies. While the latter focused on tackling and solving one “limited problem” at a time, the former was grounded on “the thesis that economic and social affairs react and interact, and are mutually interdependent, so that the ultimate and satisfactory solution of any problem generally involves the necessity of solving a number of other and related problems”. According to the chief of the Mission, the main contribution of the Report was this comprehensive perspective and not its specific recommendations⁶.

Along these lines, the 642-page report provided a series of recommendations on specific issues, encompassed in two sections: the identification of the problem and the comprehensive program. However, the foreign advisers were emphatic in pointing out that Colombian authorities should not confuse the proposed program with a set of step-by-step instructions to raise the standards of living. Eugene Robert Black, President of IBRD, warned that the Report could be fully effective “only if it serves as a basis and guide for the Colombian authorities themselves to work out a sound, well-balanced development program, and as a means of educating public opinion” (IBRD, 1950b, p. iii). In Currie’s words, it was necessary to convert “a foreign program for Colombia, to a Colombian program for Colombians”⁷. Especially, the purpose of educating public opinion aimed at promoting a receptive political context that would favor consensus on economic policy in a country that was starting to live times of violent civil conflict.

These words reflect not only Currie’s and the IBRD’s advice on how to understand and use the report, it was a shared opinion with Colombian officers. The report should be understood as a technical starting point in order to design and implement adequate development policies for the Colombian context. Making sure the recommendations were understood, accepted and adapted was considered to be a fundamental part of the relations between the

⁶ “‘Some Economic Problems’, Address of Dr. Lauchlin Currie”, December 5 1950, Palacio San Carlos. RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA, pp. 1-2.

⁷ *Ibid.*, p. 7.

IBRD and the Colombian Government. But it meant more than just making sure recommendations were understood in the recipient country. The relations between foreign advisers and national officers were inserted in a specific political context, where interest groups played an important role in determining the room for maneuver and implementation of certain policies and policy lines the Colombian Government favored regardless of the expert advice from the IBRD.

2.2. The Committee of Economic Development

For the purpose of *colombianizing* the Survey Mission Report, the Committee of Economic Development was created by presidential decree on September 1, 1950, as a bipartisan commission “in charge of studying the report of the Mission of the International Bank for Reconstruction and Development, led by Mr. Lauchlin Currie”⁸. When Currie was still working on the final report, he suggested informally to President Ospina the creation of a “Royal Commission²-type committee to study, chapter by chapter the Bank report” (Currie, 1981, p. 60). Additionally, he expressed his desire to conduct a mission for studying the reorganization of the executive branch of the government, similar to the Hoover Commission in the United States. Right after finishing the first draft of the survey report on March 1950, Currie landed in Colombia to sign a contract with the Colombian Government, agreeing to lead a Public Administration Mission and to perform as chief adviser of the forthcoming Committee of Economic Development (Sandilands, 1990, p. 170).

The conformation of this Committee is representative of the political context of the country. More than a technical Committee, its members, were elected as representatives of the two major political parties, the only official ones at the time, and as representatives of Colombia’s political and economic centers. Formed by three liberals and three conservatives, of whom three came from the west and three from the center of the country⁹, the committee of prominent citizens started working on September 28, under Currie’s advice. By decree, the functions of the Committee were to study thoroughly the Survey Report, to analyze and prioritize its recommendations and to consider possible projects for executing the approved

⁸ Decree Number 2838 of 1950, in Comité de Desarrollo Económico [CED] (1951). Unless indicated otherwise, the translation is ours.

⁹ The liberal members of the Committee were Martín del Corral, Juan Pablo Ortega and Emilio Toro. The conservatives were Rafael Obregón, Alfredo García Cadena and Pedro Nel Ospina.

recommendations. Even though the Committee adhered to the Mission's spirit of construing a comprehensive program to raise the standard of living in Colombia, it followed a piecemeal approach¹⁰, presenting occasional reports about specific issues according to their urgency, which "had the disadvantage of distorting the coherence of the general plan"(CED, 1951, p. 15; our translation). In the end, the Committee handed 18 reports before encompassing their recommendations in a final report, delivered on August 1951: "Fortunately the presentation of this global report corrected the aforementioned disadvantage" (Ibid.).

The influence of the Committee in the short-run was ambiguous. While the recommendations on some of the most controversial issues —like the promotion of an integrated steel plant or the implementation of a tax on unproductive land, issues that would come back to public debate later on— proved to be ineffectual, the Government adopted substantial reforms on monetary policy, foreign exchange and public works, along the lines suggested by the Committee¹¹. These measures contradict the belief that the Survey Mission did not have immediate, tangible, impact on national policies¹². According to Sáenz (2001), it was the political weakness of President Laureano Gómez what made him yield to external pressures. In retrospect, however, Currie argued that these successes were more due to the expectation that adopting the recommendations from the Committee —supposedly backed by the Bank—, would result in future loans (Currie, 1981, pp. 61, 62–64). For instance, a US\$16.500.000 loan for a three-year program on highways, forwarded by the Bank before the final report was submitted, nurtured this expectation.

¹⁰ It appears that, after advocating for a comprehensive approach, it was Currie who led the Committee to present partial reports on the progress accomplished in specific issues before discussing the general investment program. Torfs, who was keener on economic programming than Currie, disagreed with this approach and considered that Currie's presence prevented the Committee from asking big questions. Torfs to Rist, February 8 and February 21 1950, Colombia, General Files, Technical Assistance, Correspondence 03, 1559780, World Bank Group Archives, Washington D.C. (WBGA-TA3).

¹¹ In monetary policy, the Government accepted the diagnosis of the Mission on the causes of inflation and adopted the proposed scheme of rediscounting, which came to be known as "El Pacto de Caballeros [The Gentlemen's Pact]". In foreign exchange policy, the government abolished quotas and liberalized commerce. In public works, the Government adopted a three-year program on highways. L. Currie, "No-title", July 4 1951, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

¹² See Ospina Vásquez (1955)

Nevertheless, if the comprehensive program that resulted from the Survey Mission —and was translated by the follow-up Committee— was to have long-standing effects on the well-being of Colombian people, it needed an institutional anchor. Anticipating this need, the Currie report proposed the creation of a Resources Planning Agency “to undertake continuing analyses of the economic potentialities and needs of the nation; to review, from the standpoint of overall economic policy, the programs and proposals of the various Government agencies; and to advise the President on those matters”(IBRD, 1950b, p. 69). Along these lines, the Committee fostered the foundation of a Planning Office headed by “an outstanding Colombian”, which may “rely on the services of a foreign technician with acknowledged international distinction”(CED, 1951, p. 263).

3. The National Planning Council

Currie and Hirschman started working together in 1952, with Hirschman’s arrival in Colombia as economic policy adviser appointed by the IBRD and Currie as adviser for administrative reform appointed by the new office. Both foreign experts found themselves involved in a difficult political context, where their advices were used in internal political debates. Retracing their confrontations on policy advice and the functioning of the National Planning Council, shows their personal and technical differences¹³, which did not really reflect opposite theoretical stands. In Colombia, Currie came to be known as Mr. Program and Hirschman as Mr. Projects, referring to the first’s preference for long-term and ambitious policies and the latter’s preference for focusing on specific opportunities. However, at least at this time, their opposition does not seem to reveal conflicting theoretical views, and rather their stands on development theory seem rather to have been strongly influenced by their experience during this period. Moreover, this experience has an important effect on their following reflections on the role of experts in developing countries, that has to do with the political economy associated with the reception and use of policy recommendations. In this section, we will concentrate on their conflicts within the Council and regarding fiscal and monetary policy in order to show how they came to realize the political game they were being involved in, and the specificities of the way their expert knowledge was received and adopted in Colombia.

¹³ Alacevich (2009) offers a detailed account of the details and circumstances of the difficult relationship between Currie and Hirschman.

3.1. The Creation of the Council

The National Planning Council was created by decree 0389 of 1952 to run the National Planning Office, founded by decree-law 1928 of 1951 as a direct dependency of the Presidency. Jorge Mejía Palacio, Finance Minister under Alberto Lleras and future Executive Director of the World Bank for Colombia, who was also a recognized banker, was assigned as Secretary General and Rafael Delgado Barreneche, Jesús María Marulanda and Emilio Toro as counselors, who had been or would become members of the Board of the central bank and / or Ministers of State. The composition of the Council attested to the importance the Government gave to it, as well as to the care taken to include people with a political trajectory, recognized by the Colombian public and private sectors, and with good relations with multilateral agencies.

Upon the recommendation of the IBRD¹⁴, the *foreign technician of acknowledged international distinction* appointed as Economic Adviser to the National Planning Council was Albert O. Hirschman. As his biographer points out, Hirschman was not exactly an obvious choice, despite having collaborated as economic adviser for the Economic Cooperation Administration (ECA) in Washington, his closest experience with development was attending a conference organized by Bert Hoselitz in 1952 (Adelman, 2013). Presumably like Currie, Hirschman arrived in Colombia “without any prior knowledge of, or reading about, economic development” (Hirschman, 1984; p.88). Both experts, who had outstanding technical credentials, had little experience on on-the-ground design of development policies at the time of their arrival in Colombia.

However, when the Council held its first meeting on April 28, Hirschman seemed to have clear ideas about what he expected from his work in the office. He believed that the Council would not fulfill its proper function if it limited itself to “‘screening’ existent spending projects”; it should also focus on “stimulating neglected areas and new ways of promoting development”. Therefore, more than concentrating on evaluating existing projects, Hirschman saw his role as pointing and stimulating unexplored opportunities. This goal seemed to agree with the general

¹⁴ It is important to note that such recommendations cannot be seen only as recommendations from a foreign agency. Some figures on the Colombian side, such as Emilio Toro and Jorge Mejía Palacio, among others, had been closely related with the World Bank. The latter was Executive Director of the Bank from 1952 to 1968.

lines of the 1949 IBRD Mission report, promoting a comprehensive and integrated approach addressing the interdependency between the economic and social dimensions of development¹⁵.

In any case, he argued, the success of both the “screening” and the “stimulating” functions required good working relationships with the President, the Ministries and the Central Bank, as well as “a passion for anonymity” by the members of the Council¹⁶. In this sense, Hirschman made clear that he was aware of arriving into an ongoing policy discussion, which required acknowledging the local participants and debates.

Nevertheless, his call for “a passion for anonymity”, might appear somewhat naïve given the difficult political situation in the country, with violent events attesting to the confrontation between the Liberals and the Conservatives taking place all over the country, the raising actions of the recently created Liberal Guerillas, a weakened Conservative Government of Roberto Urdaneta, who had replaced Laureano Gómez taken ill in 1951, and was forced to negotiate trying to find unsuccessful peace agreements with all forces in arms. In spite of these official attempts to stabilize the situation in Colombia, members of the Conservative party and of the Police and Armed Forces, serving the Conservative government, took violent oppressive measures to contain the situation. The National Planning Council faced then an unstable and explosive context, where all decisions meant a delicate political negotiation. This explains the appointment of Mejía Palacio, Delgado Barreneche, Marulanda and Toro to the Council, giving it a high political profile beyond technical considerations. Moreover, this composition of the Council also shows that the experts did not arrive in a country with no technical expertise.

Hirschman’s memoirs reveal that his expectations were truncated by an unforeseen difficulty, unrelated with the unstable political context: “I felt a little frustrated. In addition, we had conflicts with other American consultants, especially with one, Lauchlin Currie, a Canadian who had been part of Roosevelt’s ‘brain trust’ and was a man of considerable intelligence” (Hirschman, 1998[1994], p. 81; cf. Adelman 2008). In spite of the IBRD’s Vice President Robert L. Garner’s warnings, arguing in a letter to Toro dated May 13 that Currie’s presence would

¹⁵ This initial agreement with a comprehensive approach to development changes for both economists as their experience in Colombia advances (Álvarez et al., 2017).

¹⁶ A. O. Hirschman, “Notes on the Planning Office”, March 25 1952, box 39, folder 1, Albert O. Hirschman Papers, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, NJ. (AOHP)

embarrass Hirschman¹⁷(Alacevich, 2009, p. 53), the members of the Council appointed the former Mission Chief as adviser on administrative reform, given his experience with the Public Administration Mission. On August 12, after concluding a departmental mission to the province of Caldas, Currie began to work for the Council. On September 18, Hirschman already found the situation unbearable:

The fact is that after one month of ‘co-existence’ we are hardly on speaking terms. Mr. Currie who was originally appointed to assist in matters concerning administrative reform has not made the slightest effort to stay within this field. In spite of prior agreements that I would deal in certain issues he has presented his own drafts to the Council in attempts (unsuccessful by the way) to override my own conclusions¹⁸.

In his remembrances, Currie shows less frustration, but still acknowledges the existence of conflicts: “except for a tendency for Hirschman, the other adviser, and me to disagree, it was an amicable period”¹⁹. The first conflict aroused just a couple of days after Currie’s arrival. On August 14, Currie issued a memorandum in which he recommended hiring an expert in statistics²⁰. This advice contradicted both a memorandum written by Hirschman on August 4²¹, and a letter sent on August 7 to Richard Demuth, from the IBRD, asking for an “economist with experience in analyzing investment projects”²². Following Currie’s advice, the Council discarded Hirschman’s proposal and both advisers settled for a general economist. Presumably, shortly after this incidence, Currie discussed with Hirschman about the “convenience of

¹⁷ On May 13 Garner sent a letter to Toro telling him that the Bank desired to have only one Economic Advisor to the Council, and other foreign experts should recognize Hirschman as the final authority. Toro answered on May 20 expressing his desire to hire Currie as a consultant in administrative reform, asserting that Currie would recognize Hirschman as the top economist. Garner responded on May 26 that Toro had the last call, but he was afraid that Currie would embarrass Hirschman, given the previous experience of the former with the situation in Colombia and the unfamiliarity of the latter with the country. Cited in Alacevich (2009, p.53-55).

¹⁸ Hirschman to J. Burke Knapp, whom changed from Vice President of the Bank to Director of the Department of Operations for the Western Hemisphere that year, 18 September 1952, box 39, folder 1, AOHP.

¹⁹ “A talk by Lauchlin Currie”, August 31 1979, RM0029, roll 1, Talks, speeches, prologues, 1979-1988 and distinctions, forum, 1963-1992, BLAA, p. 11.

²⁰ L. Currie, “Personal notes on the history of the World Bank in Colombia”, Sept. 6 1952, Lauchlin Bernard Currie Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University, Durham, NC (LBCP). Cited in Sandilands (2015)

²¹ “Memorandum”, August 4, 1952, Box 39, Folder 2, AOHP.

²² Hirschman to Demuth, August 7 1952, Box 39, Folder 1, AOHP

avoiding disagreements in the Council and (...) reading each other's memoranda before submitting them to discussion"²³. However, it appears that the foreign advisers disregarded this pact and the conflict escalated to the situation described by Hirschman on the cited letter from September 18, which presumably he kept for himself.

Upon his arrival, Hirschman started working on the causes of—and the appropriate policies for dealing with— inflation. In three reports, submitted on June 10, June 21 and July 30, he concluded that secondary monetary expansion was unimportant *vis à vis* primary monetary expansion²⁴. In consequence, the rediscounting of public bonds from commercial banks; policies recommended by the Committee of Economic Development under Currie's advice, were ineffective for controlling inflation. Hirschman's arguments were supported upon the idea of a possible uncontrolled expansion of the means of payment potentially allocated to industries with limited expansive capacities of production. But, sometime between August 22 and August 27, Currie drafted a memorandum, which "Toro happened to see and insisted to read"²⁵, in which he presented arguments for continuing with his rediscounting scheme. This time, the Government rejected Hirschman's proposal and the Central Bank adopted Currie's advice.

The conflict finally reached its peak after September 20, when Currie and Enrique Peñalosa, a young Colombian economist who had participated in the Survey Mission, presented "Memorando preliminar sobre el presupuesto", contradicting Hirschman's advice on the next year's budget. On August 27, Hirschman had submitted a report recommending to maintain a budgetary surplus on the present year in order to avoid inflationary pressures²⁶ the following year. The main lines of his memorandum underlined the risk of excessive expansion of the money supply due to the multiplier effect of the discount policy through commercial banks. Hirschman's argument was not related with any form of opposition to the dominance of fiscal policy over monetary stability but mainly grounded on the idea of keeping a direct control over

²³ L. Currie, "Personal notes on the history of the World Bank in Colombia", Sept. 6 1952, LBCP. Cited in Sandilands (2015)

²⁴ A. Hirschman, "Memorandum", June 10 1952; "Situación Monetaria: Análisis y Recomendaciones", June 21 1952; "Nota sobre la 'expansión secundaria' de la moneda bancaria en Colombia", July 30 1952, box 39, folder 2, AOHP.

²⁵ L. Currie "Personal notes on the history of the World Bank in Colombia", Sept. 6 1952, LBCP. Cited in Sandilands (2015)

²⁶ A. Hirschman, "El presupuesto para la vigencia 1952", August 27 1952, box 39, folder 2, AOHP.

monetary supply to combat inflationary pressures. The surplus, due to the raising coffee prices, should not be used to pay public debt because this would put money in circulation as the debt corresponded to sovereign bonds in hands of private banks.

Using different estimates, Currie and Peñalosa argued for a balanced budget, suggesting a redistribution of Government expenditures among the Ministries (Alacevich, 2009, p. 85). They recommended increasing public spending in fundamental sectors, such as education, instead of productive projects. When Hirschman learned about this other memorandum, he dismissed it arguing Currie's data was flawed and focusing, especially, on Currie's inability to understand the political game associated with the planning of the budget and the use of the resources coming from the greater value of coffee exports.

Apparently, Currie's paper was published in the press and, as a result, the President received two different estimates on incomes and expenditures, one from the Council (Hirschman's) and another one from the Minister of Finance (Currie's). After submitting a statement on behalf of the Council clarifying the "role of the Council in matters of budget"²⁷, Hirschman presented a memorandum on October 31 in which he regretted that the incident had been so "damaging for the reputation of the Council and for the important task of establishing cooperative and friendly working relationships with the Minister of Finance and the Budget Department"²⁸.

3.2. The Convenient Local Use of Experts' Disagreements

As Hirschman wrote on September 18 in his unsent letter to Knapp, Currie's presence not only made "life unnecessarily hard for" him, but was "hardly prejudicial for the proper functioning of the Council"²⁹. In particular, Hirschman realized that the members of the Council were using the differences between the advisers as a way of handling their own conflicts. In a letter dated September 20 —, which Hirschman did send to Knapp, Director of the Bank's Latin American Department—, he cites Currie's appointment as a manifestation of this phenomenon:

it was perhaps not coincidence that Delgado finally gave in to Toro's continuous attempts to get Currie a job with the Council, at the moment when he (Delgado)

²⁷ Consejo Nacional de Planificación (CNP), "Interés del Consejo en el Presupuesto", October 20 1952, box 39, folder 2, AOHP.

²⁸ A. Hirschman, "Memorandum", October 31 1952, box 39, folder 2, AOHP.

²⁹ Hirschman to Knapp, 18 September 1952, box 39, folder 1, AOHP.

was slightly irritated at me for having criticized some aspects of the new exchange regulations which were recently issued here and which he favored very much³⁰

However, Currie too was aware that the members of the Council found the conflict between the advisers convenient. In late September, following Hirschman's advice, the Committee presented the draft of a decree that extended credits for livestock producers with the purpose of stimulating exports³¹. Currie opposed the recommendation and, on September 29, wrote that the members of the Council could be excused, but not Hirschman, who "was just too willing to risk inflation only to please Toro"³². Hirschman had argued that inflationary pressures could be handled through countercyclical policies because inflation in Colombia was stationary due to the exporting cycles of coffee. The solution was not to restrict credits for other sectors but rather to smoothen the cycles, reducing the monetary mass during harvest seasons. This time, the Council adopted Hirschman's recommendation instead of Currie's.

These events reveal that —no matter the topic, or the counselors involved— whenever the experts disagreed on one issue, the members of the Council took sides according to their own convenience. As Hirschman would put it in his letter to Knapp: "our Colombian friends do not mind it very much if the possibility of conflict is built into the staff organization of the Council. They just love to play one foreign expert out against the other"³³. It is clear that both experts, beyond their technical disagreements on policy recommendations, found themselves in a complex local political game, were the Colombian members of the Council, the Government and economic interest groups, used their disagreements to advance their own agendas.

In the face of these problems of governability, the Bank opted to rearrange the Planning Office³⁴ and sent Jacques Torfs to "acquaint the Council with the Bank's view on the

³⁰ Ibid.

³¹ "Memorando explicativo del decreto propuesto sobre inclusión de la ganadería en el Decreto 384", *n.d.*, box 39, folder 2, AOHP.

³² L. Currie, "Personal notes on the history of the World Bank in Colombia", Sept. 29 1952, LBCP. Cited in Sandilands (2015)

³³ Hirschman to Knapp, 18 September 1952, box 39, folder 1, AOHP.

³⁴ The Bank decided to divide the role of advising into the "Economic and Financial Adviser" and the "Planning Adviser" as "co-equals". Hirschman was assigned to the first position and, in the end, Torfs assumed the work of the Planning Adviser.

organization of the office”³⁵. Torfs was a connoisseur of the country: besides participating in the Survey Mission as representative of the Bank, he was sent in 1950 to provide technical assistance on programming for the Committee. This time, however, Torfs behaved like an informer, sending weekly reports about the work in the Council, with special emphasis on Currie’s movements. On his “First Mission Report”, sent on October 30, he wrote, “Mr. Hirschman is absolutely despondent, and seems paralyzed by the very existence of Dr. Toro and Currie”. Moreover, he added, the members of the Council agree that “he has not given the performance expected from him”³⁶. For the Bank, this confirmed Garner’s fears: the presence of Currie had succeeded in embarrassing Hirschman, hindering his job as economic adviser. Therefore, they concluded, they could not continue collaborating with the Government unless Currie was “erased from the picture”³⁷.

To understand why the Bank assumed such a severe position towards Currie, it is necessary to go back two years, when the Bank confronted Currie while he served as adviser for the Committee of Economic Development. From the onset, Currie’s intermediate position between the Government and the IBRD resulted uncomfortable for the Bank’s Loan Department, as he did not always conform to the Bank’s policies especially considering the financing of what it considered unprofitable ventures³⁸. Before the publication of the Survey Mission Report, an article in a local newspaper asserted that the IBRD would supply US\$250,000,000 to finance the “Currie Plan”³⁹. This led the Bank to submit a public statement, dated August 2, clarifying the nature of Currie’s new assignments, making sure to point out that “at no time will he have any

³⁵ “Functions and Organization of the Colombian Planning Office”, October 7 1952, Colombia, General Negotiations, Correspondence 03, 1559875, World Bank Group Archives, Washington, D.C. (WBGA-GN3)

³⁶ J. Torfs, “First Mission Report”, October 30 1952, WBGA-GN3.

³⁷ Toro suggested sending Currie to work as adviser on regional planning in the *Departamentos*, but the Bank considered that it was not enough to end the conflicts within the Council. Knapp to Hirschman, November 7 1952, box 39, folder 1, AOHP.

³⁸ As Alacevich(2009) shows thoroughly, the process of transition of the IBRD from being a bank of reconstruction to bank of development was torn with conflicts. In particular, the comprehensive nature of the Mission Report, which included for instance recommendations on social investments, contradicted the Bank’s policy of financing exclusively “directly productive” projects.

³⁹ Mosley to Anderson, 31 July 1950, Colombia, General Files, Technical Assistance, Correspondence 02, 1559779, World Bank Group Archives, Washington D.C. (WBGA-TA2).

part in loan negotiations with the International Bank”⁴⁰. However, at a moment of great tension in which the Committee was struggling to win the battle over the controversial issue of building an integrated steel plant in Paz del Río, Currie’s name appeared in the press, once again linked to a loan from the Bank. This provoked Garner’s reproach:

Lauch (...) Any personal assurances from you about the availability of a loan from the Bank will carry added weight in the minds of Colombians because of your former connection with the Bank and the Mission (...) The story is still unfortunate from our point of view and illustrates, at least, the need for a lot of care in making public statements that involve the Bank⁴¹.

In response, Currie wrote a letter to Garner in which he explained the situation and, citing some precedents, blamed the Colombian press for being inaccurate and irresponsible. However, Garner’s reproach reveals that the problem was more fundamental. Despite the Bank’s efforts to delegate all responsibility over the Survey Mission Report —and over its consequences— on the chief economist (Mason & Asher, 1973), in *the minds of Colombians* Currie represented the Bank. Under the corporative view of the state and politics that had been developing in Colombia for some decades⁴², this proved to be a powerful weapon for the pressure groups to pursue their interests at a national scale. After this incident and despite multiple efforts from Currie —and Toro— to renew his contract, the Bank did what it could to keep Currie out of the scene⁴³.

This precedent not only explains Garner’s warnings about having Currie appointed to the Council, as well as the reaction of the Bank towards Hirschman’s complaints, but it also illuminates why both foreign advisers found themselves in a conflict-prone environment. Hirschman had admonished that the success of the Council rested on establishing good working

⁴⁰ IBRD, “Memorandum”, 2 August 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

⁴¹ Garner to Currie, December 12 1950, WBGA-TA2.

⁴² For the development of corporatism in Colombia, see Caballero Argáez (2016)

⁴³ Before Currie’s contract expired in February 1951, Garner expressed in a private letter his desire not to renew it. As Torfs explained to Martin del Corral on June 15, the Government decided not to renew Currie’s contract because it felt embarrassed by his interventions in the press. In response, Toro wrote to Garner praising Currie’s work and asking the IBRD to back his former adviser, but his intervention was ineffectual. In a letter to Garner, Currie blamed Torfs for discrediting both him and the Report, and argued that his intermediate position between the Government and the Bank was strategic for the IBRD. Garner to Burland, February 28 1951, Torfs to Del Corral, June 15 1951, Toro to Garner, June 27 1951, WBGA-TA3; Currie to Garner, July 11 1951, WBGA-TA4.

relationships with the Government in its different instances of decision-making, while displaying *a passion for anonymity*. But, as both Currie and Hirschman soon realized, the different agents involved in hallway discussions—from the members of the Council, to the President—figured out how to play the anonymous experts to canalize their conflicts and determine economic decisions. Therefore, Currie had to be *erased from the picture* in order for Colombians to solve their conflicts without playing the card of the expert. In any case, by November 28 Currie had already decided to leave the scene for working in the “DEPARTAMENTOS by express order of President Urdaneta”⁴⁴ and, after visiting the country in January, Knapp wrote on February 6: “LAUHLIN MATTER RESOLVED SATISFACTORILY WITH PRESIDENT”⁴⁵. Four months later, General Gustavo Rojas Pinilla overthrew President Urdaneta when Laureano Gómez tried to come back to the Presidency, Toro resigned the following day, and the three-man Council was replaced by a bureau in the office of the President, the “Dirección de Planeación Económica y Administrativa”⁴⁶.

4. Policy Advice and Public Debates

The details of their work in Colombia seems to show that there is an over-interpretation in the literature of the conflicts between Hirschman and Currie in the Council as early manifestations of the divergent views on development they would hold during the following decades⁴⁷. Since both advisers were newcomers to the problem of development, this reading

⁴⁴ Toro to Garner, November 28 1952, WBGA-GN3

⁴⁵ B. Knapp, “Incoming Wire”, February 1953, Colombia, General Files, General Negotiations 04, 1559779, World Bank Group Archives, Washington D.C. (WBGA-GN4).

⁴⁶ After the reorganization of the Council, Currie continued working for the Government until February 1954. In turn, Hirschman labored until May 17 1954, as “Government Adviser on Financial and Economic Policies”, in a conflictive relationship with Torfs. While the former considered that the “technique of programming” of the latter was “artificially esoteric” and “essentially arbitrary”, Torfs was bothered by “Albert Hirschman’s insistence on working on independent projects of minor practical significance”. Torfs to Knapp, December 23 1953, WBGA-GN4; Hirschman to Knapp, May 1 1954; Torfs to Knapp, November 23 1954, Colombia, General Negotiations, Correspondence 05, 1559877, World Bank Group Archives, Washington, D.C.

⁴⁷ Based on the recommendations by the Final Report of the Council, Caballero (2008) contrasts Hirschman’s strategic understanding of development to the programmatic approach followed by Currie in the Survey Mission Report. Despite acknowledging some convergence between their policy recommendations, Alacevich(2009) presupposes that these conflicts reflect Hirschman and Currie’s divergent theoretical stances towards

turns out to be misleading, for starters, because they did not hold established preconceptions on the subject before arriving in Colombia. Instead, it is possible to argue, they developed a point of view on development out of their experience as advisers; therefore, these conflicts carry the seed of future theoretical divergences. However, as we showed in the previous section, those differences aroused from day-to-day advising problems in a complex local political game — mainly about fiscal and monetary issues— that would not have clear repercussions on their reflections about development. This suggests going further than Alacevich (2009), recognizing the limits of deriving theoretical implications out of personal conflicts.

Nevertheless, this does not mean that their conflictive experience in the Council was irrelevant for their intellectual formation. The historical reconstruction of these conflicts reveals that, as foreign advisers in the midst of political struggle, they were exposed to the governmental constraints of economic advice. Not surprisingly, their retrospective reflections about this period revolve around the role of the expert in decision-making processes. But in order to appreciate how this problem would mark their intellectual projects, it is necessary to focus on two controversies of which, despite not been discussed in the Council, they were certainly aware of. Not only the cases of the steel plant in Paz del Río and the proposed tax on unproductive land were the most debated recommendations after the release of the Survey Mission Report, but they would reappear repeatedly in the writings of both Hirschman and Currie on development.

4.1. Acerías Paz del Río

One of the most controversial recommendations of the Survey Report was to replace the original project of building an integrated plant for the production of national steel in a backward region of Boyacá with a smaller plant that would allow using imported scrap in the coastal city of Barranquilla. The argument for building an integrated plant in Belencito was twofold. On the one hand, the Plant could draw raw materials from the near neighborhood of Paz del Río, rich in coal, iron and limestone deposits, allowing for national autonomy in steel production. On the other hand, it was expected to spur the development of a depressed region by generating employment and subsidiary industries. According to reports submitted by the Koopers

development projects and programs, and balanced and unbalanced growth. Sandilands (2015), in turn, sustains that these early conflicts reveal a profound theoretical difference: while Hirschman privileged technological linkages, Currie focused on the size of real demand.

Company in January and August 1949, the estimated cost for building a plant producing 193,350 tons of steel per year was U.S \$94,870,000, while a smaller plant producing 104,600 tons would cost U.S \$41,000,000.

The Mission report was critical about the Paz del Río project on two grounds. In the first place, it considered that the Koopers Company's reports underestimated the economic costs of the project. For one thing, it omitted the operational costs derived from building a plant in a remote region, such as housing and community facilities and personnel training. Moreover, similar international experiences had shown that building the plant would take twice the effective time and the materials estimated by Koopers. Overall, the Mission calculated that the total costs of the plant would amount to \$140,000,000. In the second place, given increased production costs, the selling price of steel would not be competitive in international markets, placing a burden on national industrial production, unless the government kept guaranteeing artificial low prices with permanent subsidies. In any case, the report concluded that, on economic grounds, the social benefits of the project "would not justify the large expenditures which the entire country would have to pay" (IBRD, 1950b, p. 20).

As an alternative, the report recommended building a smaller plant in the coastal city of Barranquilla for processing imported scrap⁴⁸. The report estimated that the plant would be able to transform 65,000 tons of scrap per year into 5,000 tons of light structural, 30,000 tons of reinforcing rod and 25,000 tons of wire products—deemed sufficient for supplying the local market—at a competitive price, for just U.S \$9,000,000, without incurring in the operational costs of the integrated plant. Besides, this did not mean abandoning the goal of autonomy in steel production: as the case of Japan suggested, it was possible to build up a large steel industry on the basis of imported scrap under free competition (IBRD, 1950a, p. 426).

At least in the case of Paz del Río, the Mission report was effective in stimulating public debate on economic matters. As soon as the final report was released to the public, the issue aroused heated discussions in the local press. On August 14, an article in *El Espectador* informed that Currie qualified the Paz del Río project as "absurd and impracticable". The Board of

⁴⁸ In addition to this plant, the report endorses the provision of additional melting facilities for the existing plant in Medellín

Directors of the National Steel Corporation of Paz del Río swiftly replied that the concepts of the Currie Mission “were the product of the lack of accurate information”, and announced a

broad dissemination campaign to demonstrate to the public opinion (...) that [the project] is not only viable but absolutely convenient for the Colombian economy”. Even *El Siglo*, founded by President Laureano Gómez, presented an assessment of the controversy: the opinions found in the report were still “premature and should be considered as simple contributions for a broader study”⁴⁹.

The semi-official statement of the President in the press foreshadowed the difficulties the Committee of Economic Development would face in implementing the recommendations on iron and steel. As Currie would later declare, the Committee “was under tremendous pressure from the press and the government on regional and patriotic grounds to approve the Koopers report”(Currie, 1981, p. 154). Paz del Río was the “sore point”⁵⁰ from the first meeting, so the Committee urged the Bank for technical assistance in the sensitive issue of steel⁵¹. The IBRD decided to send Carl Flesher, who had previously participated in the Mission as technical adviser on Industry, Fuels and Power. Flesher arrived at a crucial moment, because the National Steel Corporation had hired Arthur G. McKee Engineering Company to influence the hearings on Paz del Río, besides buying “space in the newspapers to present their case to the public (...) at a time of extreme stringency in the scrap market”⁵². As Torfs wrote to Leonard B. Rist, Head of the IBRD’s Economic Department, one week later, the success of the whole enterprise was at stake: “the reputation of the Committee, the acceptance of the Currie Mission Report and the influence of the International Bank in Colombia may be in balance [sic]”⁵³.

Moreover, the members of the Committee were not entirely convinced by the scrap plant proposal. Even though they seemed to reject the estimates Koopers had presented, they also appreciated the deep commitment the government had with Boyacá and were in favor of the

⁴⁹ El Espectador, “Es impracticable el Plan Paz del Río, dice Currie”, August 14 1950; El Tiempo, La Junta Directiva de Paz del Río Rectifica los Conceptos de Currie”, August 14, 1950; El Liberal, “Reacciones en el país por el Plan Currie”, August 16, 1950; El Siglo, “Controversia Prematura”, August 16. 1950, RM0021, roll 1, Recortes de prensa sobre economía colombiana, publicados entre 1950-1992, BLAA.

⁵⁰ Currie to Garner, September 28 1950, WBGA-TA3.

⁵¹ Committee to Black, October 2 1950, WBGA-TA3.

⁵² Currie to Garner, November 9 1950, WBGA-TA2.

⁵³ Torfs to Rist, November 16 1950, WBGA-TA2.

argument for national self-sufficiency in times of war⁵⁴. Having reached a stalemate, Flesher came up with the proposal of a small, nonintegrated plant in Belencito, which shared the sociopolitical benefits of the National Steel Company's proposal, but was less demanding in capital requirements⁵⁵. The Committee finally rejected the plant in Barranquilla and —without reaching a unanimous decision⁵⁶— submitted a report recommending to the President the suspension of all decisions on Paz del Río until the Salem Engineering Company finished its prefeasibility study of Flesher's proposal (CED, 1951; ch. X).

Currie thought he could finally turn the page on Paz del Río when the President accepted the report's recommendations⁵⁷. However, a few days later, the "Paz de Río Boys (...) pulled a rather fast one"⁵⁸, reverting the situation in their favor. On December 19, Alberto Jaramillo Ferro, Manager of the National Steel Company, asked Currie to send him promptly his "wishes and arguments" for supporting the contract with Salem Engineering in order that he could present them to the Board of Directors before the holidays⁵⁹. That same day, Currie complied⁶⁰ and the National Steel Company used this information to publish one day later a resolution "to the effect that they will not enter into such contract"⁶¹. To compound the matters, the local newspapers interpreted the situation as an official rejection by the Government of the Committee's public recommendation. Two days later, Rafael Obregón, President of the Committee, wrote personally to the President, and the Committee⁶² made a public statement clarifying the issue. However, it was too late. Despite the efforts of both the Bank and the Committee to dissuade the Government from adopting the original project, a construction

⁵⁴ Currie to Garner, November 16 1950, WBGA-TA2.

⁵⁵ Currie to Garner, December 6 1950, WBGA-TA2.

⁵⁶ After an initial consensus, Ortega and García inclined for the Koopers proposal. Currie to Flesher, November 23 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

⁵⁷ Currie to Garner, December 15 1950, WBGA-TA2.

⁵⁸ Currie to Garner, December 22 1950, WBGA-TA2.

⁵⁹ Jaramillo to Currie, December 19 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

⁶⁰ Currie to Jaramillo, December 19 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

⁶¹ Currie to Garner, December 22 1950, WBGA-TA2.

⁶² Obregón to Laureano Gómez, and CED, December 22 1950, RM0039, rolls 1-2, World Bank Mission, 1948-1953, BLAA.

contract was awarded to the Arthur G. McKee Company and a small, short-term suppliers' credit was obtained in France (Currie, 1981, p. 154).

This episode would lead both, Currie and Hirschman to elaborate on the political economy of development, and, especially, on the role of experts. For both economists, Paz del Río was an importante lesson to understand the intricacies of the political game associated with development policies and projects. Currie used it to show the obstacle political interest represented for economic policies, and, even if Hirschman did not participate, he would later write about the Paz del Río debate as an example of the inconvenience of assessing a project without considering alternatives.

For Currie, the decision about Paz del Río was taken on noneconomic grounds. It was regional and national considerations, and especially, national pride that led to approve the construction of the steel plant in Belencito, implying building a whole new city with all the costs associated: "Our cost-benefit studies made the committee members most unhappy, but it was asking a lot to suggest opposing the aspirations of one of the poorest areas of the country, which were, moreover, supported by a high-powered press campaign"(Currie, 1981, p. 155). Hirschman agreed on the influence the "patriotic fervor and nationalistic élan" associated with these kind of projects, he classified as site-bound, had on adopting them with little or no technical analysis (Hirschman 1967a, p. 92). Even if such projects are the "prime candidate for the white elephant", a positive aspect could also be found because "site-bound investments teach a country to take large-scale investment decisions, whereas non-site bound investment can become a school for constructive political compromise and for rational choice among alternative" (Hirschman 1967a, p.92).

Currie thought that in situations such as the decision process on the steel plant in Boyacá, the expert is powerless and his advice ignored (Currie 1981, p. 200-1), especially when the economic adviser is a foreigner (Currie 1981, p.158), giving precedence to political reasons. Such reasons ignored alternatives or opportunity costs, leading to costly and economically inconvenient decisions, which for Currie, made expert advice and "a rigorous and searching cost-benefit analysis for every public investment" (Currie, 1981, p. 156) even more indispensable.

Hirschman also remarked this lack of studies on alternatives for the use of investment resources. However, he found fault with the International Bank's report rather than with the Colombian government:

the report of the International Bank Mission, which objected to the project, carried only one extremely vague sentence about the fact that the money involved in Paz de Rio might be put to better use elsewhere in the economy, while several pages were devoted to specific technical strictures against the project. Thus (...) it was sensed that an effective attack against it could only be made in terms of the imperfections of the project itself rather than in terms of some undefined alternative uses of resources(Hirschman, 1954, p. 49).

Hirschman used this example to illustrate his critique on “overall planning”, which actually, instead of providing a wide view about development policies and assessing projects, even if well conceived, on the grounds of its opportunity cost rather than on its technical characteristics (Hirschman 1954, p.49).

Currie added that this episode was an excellent example of the negative consequences of involving public opinion in debates about investment projects when “the public is neither competent nor interested in deciding on the most efficient allocation of scarce resources” (Currie, 1981, p. 158). Therefore the government or interest groups could use the public opinion involving it through scandalous news in order to advance the projects they were interested in. In the end, part of Currie’s argument joined Hirschman’s about the limits of planning, because this particular project made a strong case “for leaving investment in commercial projects to the market” (Currie, 1981, p. 158). Experts’ technical arguments, in contrast to the political arguments of national governments or interest groups, proved unpersuasive when addressing the public, who had no elements to compare the economic and political argument on their own.

Hirschman saw the political dimensions with another eye. Paz del Río was a “show piece” that forced adopting skills that had not been developed in Colombia before. The lesson for developing countries here was that large ventures could counteract “a tendency for new ventures to be undertaken without sufficient advance consideration of the technical, economic, and social conditions essential to their success” as show pieces “require careful advance planning because of the complex nature of the investment and the amount of money and prestige committed.” (Hirschman, 1958, pp. 143–144). In this sense, this project served to show Colombia it was capable of developing big projects working as a political school (Hirschman 1967a, p.92).

Thus, even if Currie and Hirschman agreed on the absence of technical and economic dimensions in the decision that led to build the steel mill, they disagreed on the political consequences of this endeavor. Currie considered including public participation in what should be mainly technical debates led to costly and risky projects that endangered development, whereas Hirschman saw in large ventures the possibility of developing the necessary planning skills for the government to effectively lead a development process. The divergence between them attests to aspects that escape from merely theoretical views and rather focus on the decision processes involved in the political economy of development.

4.2. Tax on Unproductive Land

Another of the Survey Mission's recommendations also lingered in Currie's and Hirschman's analysis of development policies, and marked their future writings on development economics, and can be considered "emblematic for the type of disagreements that might occur between two visiting-economists working in the same geographical area"(Bianchi 2011, p.228). According to the IBRD Mission, the major challenge in raising the standards of living in Colombia was to "bring about an increase in production considerably in excess of the increase in population". Given that Colombia was "still preponderantly an agricultural economy", this depended "in large part on the possibility of so improving agricultural productivity". Along these lines, President Ospina directed the attention of the Mission to "the importance of getting the farming people off the hillsides and onto the level plains and valley floors". After finishing their studies, the experts concluded that the real problem was the "uneconomic use of land". Therefore, the final report recommended penalizing underutilization by charging a progressively higher tax rate on the market value of land —over the present rate of \$4 per thousand valuation— whenever the land yielded less than the "normal' rate of return for land utilized reasonably efficiently in area" (IBRD, 1950b, pp. 4, 8, 10, 11). Both the valuation of land and the definition of the "normal" rate of return considered efficient would have to be determined by the *Instituto Militar Geográfico y Catastral*(IBRD, 1950a, p. 385).

Like the recommendations on Paz del Río, the land tax proposal produced immediate reactions in the local press. In an article entitled "The Currie Report wounds regional interests but is a Big Plan" the former Minister of Finance, Hernán Jaramillo Ocampo, who had signed the contract between the Bank and the Government, gave his opinion on the matter. He

considered that a progressive tax on unproductive land was not viable. For starters, he argued, it was “not possible to determine which are those lands” that should be penalized. Moreover, even if these lands were “qualified”, it would be “difficult to acclimatize that levy”⁶³. In conclusion, Currie’s land tax proposal faced technical and political obstacles that seemed to make it unfeasible.

The opinion of the former Minister anticipated the discussions that took place in the Committee a few months later, just after the defeat on Paz del Río. As soon as February 3, 1951, once again motivated by an article presented in the official newspaper —El Siglo— that argued for extending rural credits to solve the agrarian problem, the Director of the Loan Department expressed his skepticism about Currie’s tax proposal⁶⁴. In turn, the members of the Committee were at odds with this skepticism, for in late April they recommended the tax scheme to the Government, against the opinion of both Torfs and some United Nations experts. However, something must have changed during the following months, because on July 11, Currie wrote a frustrated letter to Garner, “the tax on unused large tracks of land near cities has been lost when I had every reason to believe that the Committee would recommend it”⁶⁵.

It is not clear what made the members of the Committee change their mind, if it was the opinion of the Bank or local opposition, but the truth is that the report submitted on June 4 echoed the concerns presented by Jaramillo Ocampo nearly one year before. After a careful analysis, the Committee “did not arrive to a satisfactory conclusion because the complexity of the problem requires previous analyses of lands and detailed technical information”. Therefore, it recommended focusing on “adequate credit systems, technical assistance, transportation, rural security, distribution and storage” in order to achieve an economic use of land. In case this did not prove to be effective, then “the Government should consider the possibility of establishing a tax on sub-utilized cultivated land”(CED, 1951, pp. 116–117). From being the first priority of the Mission, the land tax became an alternative of last resort.

Hirschman agreed on the impossibility of implementing the tax for political reasons leading to the technical problem of valuing land. This problem could not be overcome unless

⁶³ “El informe Currie hiere intereses pero es un Plan Grande, n.d., RM0021, roll 1, Recortes de prensa sobre economía colombiana, publicados entre 1950-1992, BLAA.

⁶⁴ Anderson to Hoar, February 3 1951, WBGA-TA3.

⁶⁵ Currie to Garner, July 11 1951, WBGA-TA3.

the immediate use of the resources levied with the tax was clear, which it was not (Hirschman, 1963a, pp. 183–184). The partisan violence that stroke the cities but especially the Colombian countryside was increasingly taking a turn towards an open confrontation between landless peasants and large land owners. It was far from clear for the latter group how this tax would better the conditions of the former, and would promote an increase in agricultural productivity. In delicate political contexts such as this one, the foreign expert can be useful because she gives room to try measures (Hirschman 1963a, pp.161-4) and make political experiments that would be too costly for national actors.

This greater independence the foreign expert enjoyed led Currie and Hirschman to favor different policies to increase productivity in the agricultural sector and to be very critical on the other's advice. After the tax on unproductive land, Currie, according to Hirschman, changed his mind and became more conservative:

he has now decided that *latifundia* is no longer a problem. Commercial agriculture is taking over and there is no longer any need to improve land tenure institutions; what one must do now is to get the inefficient Andean peasant into the cities and give him work there(Hirschman, 1963b, p. 5).

Currie turned away from plans of increasing productivity to attack rural poverty and started promoting the idea of increased urbanization. Cities were, in his expert opinion, the motors of development.

Hirschman, on his side, held on to the need of reforming land tenure institutions. But he thought taxes were not the way to go. Rather, he strongly supported land reform that would take land from big landowners and divide it between peasants, who would, with the economic and technical support of the government, make a productive use of the land. Currie considered this was a bad idea: “For a contrary view in which the enactment of land reform in Colombia is characterized rather extravagantly as ‘surely one of its finest hours,’ see Albert Hirschman”(Currie, 1966, p. 210). It is clear then that this was an open confrontation between the two experts, on which they came back in later years accusing each other of doing bad economics.

Currie considered

[a] ‘direct assault’ on the problem of mass rural poverty that attempts to accomplish a generalized increase in physical productivity not only rests on faulty theory, but also runs counter to the argument that the less developed an economy, the less likely

it will be able to execute effectively programs requiring a high degree of administrative expertise, as would programs dealing directly with small farmers (Currie, 1981, p. 134).

Land reform was a bad idea, according to Currie, not only because it needed an administrative capacity far beyond Colombia's reach but also because there seemed to be no theoretical basis to support it. Once again, it is possible to see that the only good thing Hirschman saw in the Paz del Río venture, that is, the possibility of working as a political school where the country would develop planning skills did not appear in Currie's considerations. Instead, Currie seemed to see this lack of planning and managerial skills as almost an insurmountable obstacle or, at least, that would not be overcome in the short run.

Hirschman defended his view on the same lines:

What seems the hardest to accept is the insistence that not only land reform, but almost any allocation of resources for agricultural growth is to be avoided and the correlative assurance that the supply of agricultural output is highly elastic (...). Currie's apparent belief that in agriculture size is closely correlated with productivity is strangely uninformed (Hirschman, 1967b, p. 613).

It is not high development theory that is only involved in this discussion but plain economic theory. Currie and Hirschman accuse each other of bad economics. Even if they agree that the problem is the use of resources, they disagree on the way to mobilize them, and, looking backwards, they consider each other's recommendations to lack solid theoretical basis but also ignoring the conditions in Colombia that would favor or hinder the implementation of any policy.

Currie abandoned the idea of rural reform because he believed only technification schemes should be adopted, regardless of the land tenure structure, and any other investment would be useless as "the growth of agricultural output depends, within narrow limits, on the growth of effective demand, regardless of the *resources poured into agriculture*." (Currie, 1966, p. 38). Market dynamics would then take over, driving marginal lands and farmers from cultivation and producing an increase in subsistence farming and in urban migration (Currie, 1966, p. 38). Development policy should follow this trend and focus on cities.

Hirschman considered this move as "an entirely different if no less sweeping formula" (Hirschman, 1963a, p. 207). Currie, with the 'operation Colombia', proposed to make the country an industrialized and urban one, "since, so he argued, the hilly mountainous parts of the country could never provide decent living to those who work them and since the flatlands are

best organized as large-scale mechanized farm units, Colombia's peasants really have nowhere to go but to the cities." (Hirschman, 1963a, p. 207). This operation meant providing "the new city-dwellers with houses and jobs" (Hirschman, 1963a, p. 207), which required massive investment and a detailed, orderly and rigorous government planning. But, Hirschman insisted, serious rural research, as that produced by the Colombia Institute for Land Reform (INCORA for its Spanish acronym), proved Currie was exaggerating in his dim portrayal of Colombian agriculture (Hirschman, 1963a, p. 207).

The public debate and their divergence on Paz del Río and on land reform led Currie and Hirschman to underscore the importance of solid analytical foundations for policy recommendations. Their differences were less about magnitude of the projects or on focusing on projects rather than programs. The steel mill was a project both agreed was decided on the basis of political considerations, leaving aside technical and economic analysis, and the land tax recommendation made them think about the best general development policy for the country in order to mobilize underused resources. Both cases had to do with decision making processes and the input to take such decisions.

5. Economic Education and the Role of Experts

According to Currie, economic illiteracy would lead to adopting mistaken policies, and combined with "various cultural characteristics in complex economies" was part of "the answer to the question 'Why is the standard of living so low for so many people in countries with great natural advantages?'" (Currie, 1966, pp. 29–31). Currie believed Hirschman shared this view of economic illiteracy and cultural factors as major obstacles to development processes:

It is interesting that another writer profoundly influenced by his experience in Colombia, Albert O. Hirschman, stresses an analogous point: 'Our diagnosis is simply that countries fail to take advantage of their development potential because, for reasons largely related to their image of change, they find it difficult to take the decisions needed for development in the required number and at a required speed' (Currie, 1966, p. 31; f.n 9).

Overcoming this obstacle proved to be particularly difficult because, for one, economic research did not lead to consensus on goals, diagnoses or programs among leading economists, and, for the other, there were no incentives for economists in developing countries to pursue serious research due to their little prestige and the ensuing difficulty to reach a scientific audience

(Currie, 1966, p. 144). Therefore, one of the most needed inputs, good economic theory and serious economic research, lacked in countries as Colombia promoting “the perpetuation of economic fallacies”(Currie, 1981, p. 38). This is why one of the most important roles the expert should play was that of educating those in charge of taking key decisions and, as much as possible, public opinion. In this sense, the expert appeared as an enlightened and transformative agent, who could bring light to policy debates, using sound economic theory.

As much as Hirschman shared this view on the difficulties of decision making processes in Colombia, he criticized Currie’s idea of the role of experts, which he called the visiting economist syndrome⁶⁶. Instead of illuminating, the expert should strive at exploiting hidden rationalities, not spreading her knowledge. Instead, he believed it was necessary for visiting economists to understand thoroughly how decision making processes took place in the developing country. This understanding would allow them to promote other dynamics and discover hidden rationalities. His close observation of the decision making process in Colombia, and afterwards in other developing countries, led him to identify two characteristic attitudes in Latin America that hindered the development process: *fracasomanía*, the failure complex, and *la rage de vouloir conclure*, the rage to conclude. The first referred to the tendency to discard everything that had been said, done or proposed before as wrong, and the second, with the anxiety of concluding a project or not seeing it through to its end and rather moving on to something else. Actually, Hirschman considered Currie, especially in the tax land episode, was a good example of this rage: “[t]his attitude is very well demonstrated in the behavior of Lauchlin Currie, not actually a Latin American himself, but who, after living in Colombia for the past fourteen years, has become part of the *ambiente*” (Hirschman, 1963b, p. 5). The problem with *fracasomanía* and *la rage de vouloir conclure* was that “[i]n either attitude, public policy is not conceived as a tool that supplements other efforts at resolving long-term situations, but more as a sovereign weapon of attack for each new policy maker” (Hirschman, 1963b, p. 5).

Hirschman advanced, and Currie could be an example of this, that the visiting expert failed to take the particular characteristics of local decision making processes into account. Even if the expert could bring a fresh view to local problems, she could too easily label “absurd any order that is unfamiliar to him” considering it backward looking or the result of a cultural trend that opposed development. The little attention the expert paid to the characteristics of local decision

⁶⁶ See Bianchi (2011) for a detailed analysis of Hirschman’s assessment of visiting economists.

making processes could explain her “inability to perceive the processes of change already at work in the society which he attempts to comprehend” because the foreign policy adviser was too convinced of the superiority of her expert knowledge and was “not aware of the political constraints under which policy-making operates in the country which they advise” (Hirschman, 1963a, pp. 161–162, 164). This failure to understand the local political economy of development policies explained the experts “habit of issuing peremptory advice and prescription by calling on universally valid economic principles and remedies –be they old or brand new- after a strictly minimal acquaintance with the ‘patient.’” (Hirschman, 1984, p. 93).

As his own experienced had shown, the expert’s “Olympian point of view” led them to favor impractical measures that local policy-makers used to their own advantage, modifying them and making the whole process their own without really producing new alternatives that could uncover hidden rationalities favorable to development processes (Hirschman, 1963a, p. 164). Instead of assuming the illuminating and transformative role Currie expected, experts could become part of the vicious circle that hindered effective decision making processes, and rather strengthened the prevailing political economy equilibrium hindering change.

6. Concluding Remarks

Currie and Hirschman arrived as foreign experts appointed by the IBRD to Colombia. Currie arrived first as the Chief of the Survey Mission in charge of assessing the economic situation in the country and making recommendations on possible paths that would put Colombia in the path towards development. The Colombian government hired him to advice the National Planing Council in charge of designing the policies needed to implement the Survey Mission’s recommendations. He joined Hirschman who had been appointed by the IBRD as the international economic adviser to the Council.

Their relationship was not easy, and they clashed on internal and public discussions dealing with the organization of the Council, monetary and fiscal policy and two major recommendations from the Survey Mission that were brought to the public debate, *Acerías Paz del Río*, a steel mill, and a tax on unproductive land. The internal debates did not leave a mark on their views on development but those recommendations that caused heated public debates did. Analyzing their views on these debates shows, on the one hand, their assessment of the political

economy of development policies, and on the other, how these assessments had a common element.

They both believed development had to do with decision making processes and the skills the Colombia society had to make decisions on development policies and projects. They both realized during their work in the country that development exceeded expert advice or technical and economic arguments, and was strongly determined by the political context that favored or hindered development decisions. Currie and Hirschman had little experience in designing and making policy recommendations in developing countries, and their work in Colombia led them to formulate development proposals and theories that they did not have in arriving in the country.

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