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The 2018 Clarence Ayres Scholar

An Institutional Riposte to the "After the Washington Consensus"

John Marangos

Abstract: The Washington Consensus as conceived in 1989 by John Williamson, the initiator of the term, was the foundation of the mainstream perspective on international development. The Washington Consensus consisted of a set of ten policies to be imposed through conditionality by international financial institutions on distressed developing countries. The vast criticism that ensued brought a set of policies in the form of the *After the Washington Consensus* (hereafter the AWC) in 2003, which designated a "new" set of policy reforms and conditionalities for developing countries. The aim of this article is to contrast the two sets of controversial policies, the original Washington Consensus and AWC, to an alternative perspective of international development based on an institutionalist approach.

Keywords: development, economic Washington Consensus, institutionalism, international development

JEL Classification Codes: F55, F63, O10, O50

The term Washington Consensus, as John Williamson conceived it in 1989, was in principle geographically and historically specific — a kind of lowest common denominator of the reforms that he judged "Washington" could agree were required in Latin America at the time. "Washington," for Williamson, incorporated the International Monetary Fund (IMF), the World Bank, the U.S. executive branch, the Federal Reserve Board, the Inter-American Development Bank, those members of Congress interested in Latin America, and the think-tanks concerned with economic policy. In short, it is an amalgamation of the political, administrative, and technocratic Washington. The goal and content of the Washington Consensus was macroeconomic prudence, outward orientation, domestic liberalization, and free market policies consistent with mainstream economic theory within the Latin

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American context. However, at the end, the Washington Consensus was accepted as common wisdom on policies for development and growth in general.

The dominance of the Washington Consensus as a prescription for international development, based on orthodox economics and imposed by the international financial institutions, naturally gives rise to challenges of the dogma. In this fashion, institutionalists decry the neoclassical dominant recipe and offer a fruitful approach to international development. Institutionalists can contribute and are compelled to interject into the debate by offering a different version, interpretation, and alternative to the controversial set of policies, exposing the path-dependent institutional development of societies. An institutional inquiry into international development requires serious attention to the policies, their antecedents, interrelationships, and their place in the institutional development process of societies. Therefore, my inquiry into the interpretation and the institutional alternative to the Washington Consensus reveals the similarities and differences between the alternative views concerning policies for international economic development.

My purpose is to develop a concise institutional approach to international development by contrasting the proposed policies to the AWC. To my knowledge, such novel approach to international development from an institutional perspective has not been attempted before. Students and scholars of international development would benefit from such findings, as they would be able to distinguish in a succinct manner between the alternative set of policies and interrelationships between the two development programs. In the next section of the article, I introduce the Washington Consensus and the AWC. In section three, I develop the institutional approach to international development by responding to each policy proposed by the AWC, and I offer my conclusions in the final section.

The Washington Consensus and the AWC

The Washington Consensus policies were applied to structural crises in transition economies, newly industrialized economies, and ailing advanced economies alike (Florio 2002; Stiglitz 2002, 141). The original Washington Consensus involved:

1. *Fiscal discipline:* small budget deficit financed without resource to inflation tax.
2. *Public expenditure priorities:* redirecting expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, healthcare and infrastructure.
3. *Tax reform*: broadening the tax base and cutting the marginal tax rate.
4. *Financial liberalization*: market-determined interest rates.
5. *Exchange rates*: a unified competitive exchange rate.
6. *Trade liberalization*: replacing quantitative trade restrictions with tariffs of around 10-20 percent.
7. *Foreign direct investment (FDI)*: abolishing barriers to entry for foreign firms.
8. *Privatization*: state enterprises should be privatized.

9. *Deregulation*: abolishing regulations that impede entry of new firms or restrict competition.
10. *Property rights*: secure property rights that are also available to the informal sector.

The vast criticism directed at the Washington Consensus brought about a set of policies in the form of the AWC in 2003, which designated a "new" set of policy reforms and conditionalities for developing countries. The origin of the term, "After the Washington Consensus" (or the AWC), comes from Pedro-Pablo Kuczynski and John Williamson's (2003) work, *After the Washington Consensus: Restarting Growth and Reform in Latin America*. The goal of this new agenda was to correct all the problems identified as alternatives to the Washington Consensus. As it was demonstrated, "the Washington Consensus did not contain all the answers to the questions of 1989, let alone that it addresses all the new issues that have arisen since then. So of course we need to go beyond it" (Williamson 2009, 14). The new set of policies "is all about reforms that need to be made in Latin America" (Williamson 2003, 18) as of 2002. Nevertheless, there was no considerable change from the original Washington Consensus.

On the other side of the fence, applied institutional economics had a significant influence on international development policy in the form of an explanation of international differences in economic development. A marginal topic by the early 1990s, institutions have now become a "hot topic" of research in development economics. While initially "Washington" did not embrace wholeheartedly the new research recommendations and was even hostile to them, it subsequently came to support the role of institutions in influencing economic development. Whereas this was reflected in the AWC, it was overlooked in the original Washington Consensus. "Washington" started to impose "governance-related conditionalities," based on which borrowing countries had to embrace "better" institutions that advance "governance" (Chang 2011a, 473).

Indeed, as I have demonstrated in previous works (Marangos 2008, 2009a, 2009b), the AWC can effectively be portrayed as comprising the original Washington Consensus and institution building. Institutional building in the AWC designated policies regarding the following: (i) the role of the state in maintaining effective institutions, providing public goods, internalizing externalities, correcting income distribution, decent infrastructure, a stable and predictable macroeconomic, legal and political environment and a strong human resource base; and (ii) reforming the judiciary, education and civil services, building a national innovation system, modernizing the market institutional structure and institutional reform in the financial sector. In the next section, I discuss the institutional perspective on international development, aimed at bringing developing countries out of their currently depressed economic conditions, by reacting to the AWC (Washington Consensus plus institution building) policies in the order displayed by the authors of the term.

The Institutional Riposte to the AWC

From an institutional perspective, the Washington Consensus and the AWC policies concerning the budget deficit and the level of public debt are both misguided and perverse. The assumption of the Washington Consensus and the AWC is that all debt is intrinsically bad, and debt and deficits are the result of irresponsible governance. However, fiscal policy is nothing but a large collection of different transfer programs. Government expenditures can be construed as an in-kind transfer programs (Waller 1989, 1047). The deficit will only be eliminated by a long period of sustained growth that would start generating surpluses. Cutting public expenditure means that essential programs for development will be eliminated, thereby causing recession. Consequently, institutionalists are interested in fiscal policy because it is a policy instrument that might allow the solving of pressing economic and social problems, while providing full employment and sustaining economic stability (Waller 1989, 1051-1052).

The contribution of institutions to development is not measured by their impact on GDP or industrialization, but rather by their capacity to increase the standard of living, quality of life, and self-realization (Castellano and Garcia-Quero 2012, 934). Consequently, an intuitionalist approach to development requires the public provision of healthcare, education, and incomes high enough to eliminate poverty and allow the fulfillment of basic necessities. Improving education and providing universal access to higher education and/or vocational training becomes a key factor of development because it promotes technology, improves human productivity, increases personal income, and improves the quality of the political process (Castellano and Garcia-Quero 2012, 934; Waller 1989, 1054). Consequently, public expenditure priorities of the aforementioned form also indirectly promote institutional development, further advancing economic development (Chang 2011a, 477).

The state's incapacity in developing countries to implement a comprehensive, non-discriminatory, and enforceable taxation system was the primary constraint to improving the standards of living, the quality of life, and self-realization. Insufficient collection of taxes in developing countries reveals the impediment to obtaining political legitimacy when the state is too weak to manage taxation (Castellano and Garcia-Quero 2012, 927). The institutional-tax environment determines whether people engage in productive, unproductive, or destructive behavior. When the institutional environment rewards productive behavior, people then enjoy the benefits of economic development. Due to this telling contribution, an analysis of individual incentives is vital. To buttress this point, an analysis of the institutions is also paramount (Boettke and Fink 2011, 500). In this context, politicians (the tax dispersers) often have weak incentives to prevent predatory behavior and to pursue the economic wellbeing of all citizens (Keefer 2011, 543).

For development to occur based on the institutional approach, financial flows need to feed into the real sector of the economy to enhance expansion and accumulation (Nissanke and Stein 2003, 288). However, there are substantial costs

associated with financial liberalization as there is a loss of fiscal autonomy, increasing inequality of income distribution, and increased susceptibility to financial instability, leading to financial crisis. "Thus financial globalization is well recognized to entail genuine costs, risks and hazards" (Nissanke and Stein 2003, 290). A corollary of financial liberalization was the dismantling of national developmental strategies due to volatile capital inflows that diminished the role of domestic credit as a mechanism of influencing investments. In the same way, national industrial capital lost its dominant position in developing countries to exporters and the financial sector (de Medeiros 2011, 293).

Furthermore, the foreign exchange market is not always "right." The workings of the foreign exchange market, from an institutional perspective, are founded on rules of the market and on the way of thinking of the participants (Harvey 1993, 689). Due to the world dominance of the AWC, the suitable exchange rate regime is determined by the needs of financial globalization. Indeed, based on the AWC, financial openness should not be challenged by the exchange rate regime, because of the allegedly considerable benefits of openness to developing economies (Nissanke and Stein 2003, 294). For all intents and purposes, the international monetary system of the AWC mold aggravates — rather than relieves — the exchange rate volatility. The international monetary system and the exchange rate are a major constraint on the local autonomy of developing countries. Consequently, to avoid exchange rate volatility, a fixed exchange rate system becomes indispensable.

Institutional theory explains why societies adopt certain rules with respect to international trade. To increase participation in international trade, a developing economy will have to bring its exchange practices into harmony with international practices. International trade fosters adjustments in internal institutional arrangements. On one hand, the more similar (or different) two societies' exchange institutions are, the more (or less) intensively they will trade. On the other hand, societies and international financial institutions like "Washington" impose their own methods of exchange insofar as they are powerful and influential. A characteristic example of the divergence of perspectives on international trade between developing and developed countries is the attempt to incorporate labor and environmental standards in the WTO negotiation agenda. Developing countries argued that these "standards" are concealed protectionist measures against WTO's free trade principles, while developed countries insisted that these are general "standards" consistent with free trade (Chang 2002, 543-543). In addition, the WTO has forced developing countries to adopt American-style intellectual property rights laws, while NAFTA has completely changed the institutions that governments use to regulate corporations (Chang 2011a, 474). In view of this, institutionalists advocate reconstructing international institutions on the basis of globally shared values in order to attain greater freedom in international exchanges (Adams 1987, 1860).

Transactions that rely on informal institutions are regulated by a set of expectations derived from a common understanding of the rules of the game and the penalties for violation. While formal institutions largely rely on penalties to punish violators for non-compliance, informal institutions rely on norms of trust and

reputation to ensure compliance with contractual obligations (Seyoum 2011, 933). Informal institutions often shape, elaborate, and extend formal rules. Furthermore, the cost of relying on informal institutions is often lower than the cost of activating formal rules to resolve conflicts. In many developing countries, due to the lack of formal institutions, informal institutions predominantly guide individual behavior. Subsequently, informal institutions have greater effect on inward FDI flows than formal institutions in developing countries (Seyoum 2011, 934). An important challenge for many developing countries is to develop formal institutional structures without weakening the efficiency-enhancing aspects of informal institutions on inward FDI flows.

There is a role for state property in areas where private property does not function efficiently, such as whenever there was market failure. The contentious issue is whether state property should be instituted beyond the areas of market failure. Institutionalists argue that there is a role for state property beyond market failure. In addition, institutionalists claim that market failure is extensive and encompasses, for example, market power and information. John Vickers and George Yarrow (1991, 113-114) argued that empirical evidence demonstrates that private property has efficiency advantages in competitive conditions, but is not superior when there is market power. Because monopolistic markets often complement state ownership, state-owned managers' incentives to reduce costs and increase productivity are lower (Keefer 2011, 544). Meanwhile, when state-owned firms are subjected to competition similar to private firms, state-owned firms' performance is superior (Comiso 1992, 228). An important question is whether state or market enhances innovation (Brouwer 2011, 506). The experience of developed economies has demonstrated the variety of ownership structures and the changing character of ownership structure over time. As such, the framework of political and social institutions, traditions and history, and the state of economic development of the particular country have to be included in the analysis of the development of property relations. Consequently, there is no single ideal strategy with respect to privatization. If it needs to be done, it has to be done on a case-by-case basis, depending on the type of asset, the internal organizational structure, the level of technology, and the need for capital. Consequently, there is a role for state property in areas where private property does not function efficiently, which is more or less widespread.

John R. Commons (1909) holds that free competition, especially in the labor market, is in reality a destructive competition that eventually pulls all down to the least costly set of practices — the "menace of competition." When price competition became intense, employers began to cut labor standards in order to cut costs because they could not meet price competition. Safety and other standards were lowered and work was speeded up to sweat the production out of the bottom, "the race to the bottom." Therefore, it was Commons's position that, to the extent that free labor market competition facilitates destructive competition, it should be prevented by means of substituting labor market outcomes for "reasonable level outcomes" (Ramstad 1987, 19). Commons's understanding of the market economic system is that it can be viewed as a set of practices that lead not to natural values and

outcomes, but to reasonable values and outcomes emerging from the conception of fairness. In view of this, the market is regulated not by autonomous market forces, but by collective action. This is visible in the form of judicial decisions enforced through sanctions of violence. The end result is not free labor market outcomes, but rather reasonable labor outcomes (Ramstad 1987, 12-13). In this context, "'opportunity cost is, in fact, the legal theory of value" (Commons 1950, 139). Paraphrasing Yngve Ramstad (1987, 26), the problem of labor market barriers is actually a problem associated with the reasonable value of labor. So, restricting individual business freedom may be good for the business sector after all (Chang 2011a, 479). On reflection, there is no market that can be really free from politics as markets are fundamentally political constructs. It is not feasible and even desirable to remove politics from the market, since it is dangerous and antidemocratic (Chang 2002, 551, 555), as the AWC holds.

How can someone objectively define the free market, without knowing the institutional arrangements that will maximize economic freedom (Chang 2011, 478)? For the AWC, the ideal market is the "perfectly competitive market" of mainstream economics. However, such a market, based on perfect information and no market power, is an absolute failure to Joseph Schumpeter (1942), since there would be no incentive for entrepreneurs to innovate and generate new knowledge and new wealth. Institutionalists consider the market and state intervention in a small number of the numerous institutions that exist, based on which economic activities are organized. Actually, most economic interactions are handled within and not between organizations through the market (Chang 2002, 546). At any rate, concentrating on the market and subsequently market failure, as the AWC does, ignores a large number of institutions while focusing on the insignificant ones. Institutionalism "incorporates non-market, non-state institutions as integral elements, and not simply as add-ons" (Chang 2002, 546). Understanding the market requires consideration of numerous institutions than what is normally put forward by the AWC, as markets are institutionally very under-specified by the AWC.

Ultimately, "defining a free market is at the deepest level a pointless exercise, because no market is in the end 'free', as all markets have some state regulations about who can participate in which markets and on what terms" (Chang 2002, 544). Paradoxically, for the supporters of the AWC, price is the major point of competition. Schumpeter (1942, 84) rejected the textbook depiction of competition as restricted to price competition: "But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest-scale unit of control for instance) — competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives." Adolph Berle and Gardiner Means (1932, ch.3) reached similar conclusions. Under these circumstances, the only solution is to establish not a "natural equilibrium" through deregulation, but rather a "managed or administrative equilibrium" through working rules, customs, and institutions (Gruchy 1951, 143; Marangos 2007, 65).

For institutionalists, property is an important source of economic activity. Carrie B. Kerekes and Claudia R. Williamson (2008, 299, 301) concur that improved property rights in developing countries lead to increases in credit through the collateral effect (de Soto's hypothesis), driving substantial improvements in capital formation in both short-term and long-term. Importantly, improved property rights provide incentives to make long term investments in land, factories, and innovations, thereby driving economic development. The AWC associates development with two key institutions: (i) protecting property rights and (ii) enforcing contracts. Nevertheless, the institution of private property requires rationalization. New institutional economics (NIE) holds that private property and the introduction of property law by civil authorities arises spontaneously through individual interactions. However, in the presence of a large number of individuals and uncertainty, the possibility of property rights emerging in such complex society without any role for the state has been challenged by institutionalists. NIE cannot explain the emergence of private property rights and thus cannot offer property reform programs to developing countries. The understanding of the relationship between the institutions of private property, markets, and economic development in NIE is rather unsophisticated (Chang 2011a, 475), similarly to the AWC. Property rights impose a duty on others to obey that right. Thus, property rights/duties are born out of conflict and require authoritative institutions (courts) to establish and to enforce the right/duty.

The current dominant international development program of the AWC suffers from a rather deficient theory of how institutions themselves change (Chang 2011a, 475). The AWC singularly assumes that the causality runs from institutions to economic development, overlooking the reverse direction that economic development transforms culturally embedded institutions. Economic development increases wealth that demands and funds higher quality institutions, crucially creating new agents of change which demand new institutions (Chang 2011a, 476). It is worthy of note that economic development generated by non-institutional sources can produce desirable institutional change (Clague 2011, 521). Thus, reverse causation and endogeneity are characteristics of the relationship between institutions and economic development (Nugent 2011, 562). Given that institutions and economic development go hand in hand, a state does not need all institutions of a developed country in the form of the AWC to begin to develop (Brouwer, 2011, 506). In light of this, a state that is a latecomer to development requires different institutions than the original comer to development (Maseland 2011, 557). Overall, "the most promising approach of the international community for contributing to the prosperity of the developing world is a marginal one" (Boettke and Fink 2011, 502).

"Local knowledge" is superior to the imposition of external development programs, such as the Washington Consensus and the AWC, as both programs are unfamiliar with the indigenous institutions and beliefs. An adequate understanding of a country's institutions requires history and ethnography (John and Storr 2011, 586). Local knowledge is expected to provide the right combination of institutional change in mentality that can encourage development (Jameson 2006). Institutional

change depends on the institutional presence and the existing belief systems of the people. Consequently, official rules imposed top-down from outside that do not complement unofficial rules are not expected to succeed (John and Storr 2011, 586). Institutional change that is introduced indigenously, and evolves endogenously, is most likely to last.

Dynamic societies built novel institutions to encourage investments with uncertain outcomes having high social payoffs (Brouwer 2011, 505). The internal forces defending the existing institutions based on local knowledge have proven to be reasonably strong, as endogenously evolved institutions are founded in the existing institutions and beliefs both in developing and developed countries. The institutional differences among developed countries still remain very significant, even though they may have been somewhat reduced despite international pressure, since that pressure did not have enough financial leverage over these countries (Chang 2011a, 474). Institutionalists emphasize the purging of institutional hindrances to development and rebuilding social institutions to permit wider democratic participation in setting development goals that accelerate technological progress (Street 1987, 1862). In contrast to the AWC, "institutions rule, not policies" and successful institutional change emanates from within society (Boettke and Fink 2011, 501). A cursory look at the emerged themes clearly demonstrates the correlation between institutional policies for development with institutional development. Nevertheless, it takes longer to evaluate institutional development than the effectiveness of economic policies.

Empirical evidence regarding the impact of institutions on economic development suffers from the inability to effectively measure the quality of institutions, thus rendering the variables concerning institutional quality untrustworthy (Chang 2011a, 484-485). Mwangi Kimenyi (2011, 549) holds that, to overcome the inherent problems of cross-country empirical analysis of institutional quality, an effective alternative is to concentrate on the positive microeconomic analysis of institutions. An analysis at the micro-level can meritoriously unravel the effects of various institutional arrangements. "Such an approach avoids ideologically driven normative judgements about the superiority of particular institutional arrangements and also offers a more credible and tractable avenue to investigate institutional change" (Kimenyi 2011, 549). Naturally, the results of a microeconomic analysis cannot be added up to reveal the macroeconomic value of institutions (fallacy of composition), as the consequences are not similar among countries.

The institutional structures that advance economic performance cannot be externally and deliberately designed structures.[1] "Institutional monocropping," such as the universal adoption of the Anglo-American institutional architectural model in developing countries, in the form of the AWC, cannot be operative (Castellano and Garcia-Quero 2012, 922). Developing countries had their own culture, but their government structures were imposed by the colonists demanding that they simply

[1] The multinational corporate structure makes it difficult for a developing country to avoid significant constraints on its development choice. Most importantly, the multinational firm and its power make it very hard for developing countries to build autonomous institutions and policies.

adopt the imperial institutions. Developing countries, therefore, need to stimulate governance institutions based on their own cultures, recognizing that conflicting subcultures may be present.

Anglo-American institutions — the institutions of today that are considered to be the best practice — have emerged through a long process of adjustment due to path-dependency influencing the degree of change. Institutions indeed change slowly, they are not easily reformed (especially through outside intervention), and there is little support that any major growth increases were spurred by major institutional changes (Clague 2011, 522; Dutt 2011, 530, 533; Rodrik 2007). This prohibits any pre-established institutional model from being mimicked in developing countries. Thus, the possibility of institutional transplanting is effectively put off with a heavy expression of skepticism (Castellano and Garcia-Quero 2012, 932; North 2005; Shirley 2008). The striking feature is that the same countries, which are considered the best institutional practice today, did not have most of those institutions in their initial stages of development and acquired them during the process of development (Chang 2011a, 476). Overall, similar policies and institutions can produce very different growth outcomes, while similar growth outcomes can be produced by different policies and institutions (Ros 2011, 570). The AWC assumes that the advisee domestic governments of developing countries have the vital knowledge to engineer positive institutional change and are interested in the social good. However, the AWC assumption "that first best governments are available in the developing world is at least misguided and at worst deadly" (Boettke and Fink 2011, 502).

Fundamentally, institutional economics is comparative economics. Institutionalism attempts to position the institutional diversity of economies into a multidimensional model, permitting the comparison and evaluation of economies. "This methodology creates pitfalls and limitations" (Maseland 2011, 557), as "society is too complex and cultures and institutions are too diverse to expect simple new conclusions" (Clague 2011, 522). Deriving straightforward suppositions is an unfathomable challenge due to the methodological difficulties of institutions that are multilayered, slow to change, and their effectiveness depends on social and environmental conditions (Nugent 2011, 561). The universal framework and single-peak thinking of economics cannot be applied to the fundamental diversity of institutions (Maseland 2011, 558). Economists also have to stop looking at developing economies from a developed-country institutional perspective. Instead, a fruitful focus of analysis is to start looking the reverse way (Maseland 2011, 559).

In addition, economists need to consider the opportunity costs of institutional reform and that institutions, time and again, have built mechanisms against change (Chang 2011a, 488, 490). Matched with incomplete information and imperfect information processing capabilities (Ostrom 2007, 256), strategies designed to alter the institutional structure may produce unpredictable results. As institutional change is costly, it is possible to assume that the cost of the top-down AWC institutional change may outweigh the benefits. By and large, individuals are (in part) a product of existing institutions and it is these same individuals that change the stubborn and complementary institutions, albeit not necessarily into the institutional environment of their preference (Chang 2011a, 491).

Conclusion

Institutionalists riposte to the original Washington Consensus and the AWC on several key points. Fiscal policy contributes to solving pressing economic and social problems, while providing full employment and contributing to economic stability. Public expenditure priorities should provide healthcare, education, and high incomes to eliminate poverty that allows the fulfillment of basic necessities. Tax reform should have a goal to establish a comprehensive, non-discriminatory, and enforceable taxation system. The financial structure should target the development of institutions that create conditions that are conducive to stable long term finance for productive investment. To avoid exchange rate volatility, a fixed exchange rate system is indispensable. International trade should be reconstructed according to the institutions of international trade and based on globally shared values in order to attain greater freedom on international exchanges. To encourage FDI, formal institutional structures should be developed without weakening the efficiency enhancing aspects of informal institutions on inward FDI flows. Instead of privatization, there is a role for state property in areas where private property does not function efficiently. In contrast to deregulation, institutionalists propose a "managed or administrative equilibrium" in the labor market through working rules, customs, and institutions. Property rights/duties are born out of conflict and requires authoritative institutions (courts) to establish and enforce the right/duty. Finally, institutional building should be based on the following premises: (i) there should be a reverse causation and endogeneity between institutions and development, (ii) local knowledge is superior, (iii) institutions rules and not policies (iv) rebuild social institutions to permit wider democratic participation in setting development goals that accelerate technological progress and (v) against "institutional monocropping" of the dominant Anglo-American institutions,

In corroborating this point of view in most countries — for example, in Latin America and South Africa — the relationship between institutions, development, and economic policy has generally moved far beyond the AWC. Examples do not provide conclusive proof, but "they are powerful enough to show that the orthodox interpretation of the empirical evidence is seriously questionable, if not downright wrong" (Chang 2011b, 607-608). Effort should be focused on finding the right mix of institutions for development without prejudice. The result has been innovative processes to address issues like inequality, property rights, and international economic institutions (Jameson 2011, 535). In the end, "a country fate lies in its own hands, if it can 'get its act together'" (Clague 2011, 518).

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