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# Hirschman's Ideas as Evaluation Tools

Robert Picciotto
*Kings College*

**Background:** Albert O. Hirschman, one of the most distinguished social scientist of the past half century, is not widely known within the evaluation community. Yet he practiced the art of evaluation without acknowledging it and the influential concepts that he generated are extremely valuable as evaluation tools.

**Purpose:** The purpose of this article is to demonstrate by dint of example of example that Hirschman's ideas illuminate the development experience; inform evaluation methods and have potential as guides to evaluation practice.

**Setting:** Hirschman's unique intellectual contributions to our understanding of society have recently been recognized in a flurry of publications that followed his death in 2012.

**Intervention:** This article did not require an intervention.

**Research Design:** Three popular Hirschman concepts are dissected and used to explore a variety of evaluation policy issues.

**Data Collection and Analysis:** Not applicable.

**Findings:** Hirschman's mental constructs are interconnected; throw new light on evaluation criteria and can be used to get the most out of the evaluation function in diverse authorizing environments.

***Keywords:*** *theory; economics.*

*"In dealing with the multiple and complex problems of development we have learnt that we must fashion generalizations at all kinds of ranges and be deaf, like Ulysses, to the seductive chant of the unique paradigm" (Hirschman, 1995, p.116).*

Albert O. Hirschman, one of the most influential and original thinker of his generation, died in December 2012. He left behind a prodigious and elegant oeuvre that is hard to categorize since it spans disciplines, crosses borders, mixes mental constructs, rejects dogmas and reaches out beyond the academy to decision makers and the wider public.

## Who is Albert O. Hirschman?

Hirschman has been labeled one of the most distinguished social scientist of the past half-century, an original development thinker, a master essayist and a worldly philosopher. He is all of these things but he is also an evaluation pioneer. Let me disclose at the outset that Hirschman rejected out of hand my efforts to recruit him as a member of our fledgling profession. He considered the notion far-fetched if not impertinent when he commented on a draft essay that extolled the evaluative dimensions of his writings. But I stood by my assessment which was included in a book designed not only to celebrate but also to contest and challenge Hirschman's ideas (Rodwin and Schon, 1994).

A year earlier, I had discovered that Hirschman was equally hostile to the notion of a distinctive 'Hirschman doctrine'. When, as a newly appointed Director General of the World Bank Independent Evaluation Group, I asked him for names of individuals who might help promote his distinctive approach to the assessment of development interventions within the World Bank he wrote back: *"Unfortunately (or, I rather tend to think, fortunately) there is no Hirschman school of economic development and I cannot point to a large pool of disciples where one might fish out someone to work with you along these lines"* (Adelman, 2013).

Hirschman's resistance to being pigeon holed and called an evaluator is not surprising; evaluation is a discipline in its own right and Hirschman, a free spirit, made a virtue of trespassing across disciplinary boundaries. He used political science to inform economic thinking and experimented with economic concepts when faced with political dilemmas. He stoutly resisted the parsimony of both disciplines. He also reached out to psychology and sociology to uncover the unforeseen consequences of policy interventions. It is through his masterful interplay of the disciplines that Hirschman weaved seminal concepts that illuminate our understanding of social phenomena. By now, they have become common currency among development economists, political scientists and sociologists. In what follows I argue that these nuggets of wisdom all spring from evaluative processes.

The evaluator's job is to establish the rationale of program theories, ascertain their validity and draw the surprising implications that often arise in the systematic confrontation between theory and practice. This is precisely what Hirschman managed to do throughout the odyssey of his extraordinary life. While he was trained as an economist and was fully able to muster equations and data analyses to illustrate or demolish an argument Hirschman was partial to down to earth evaluation methods. He subjected all rigid doctrines to judicious and subtle criticism grounded in his own direct observations and real world experience.

Hirschman shares another characteristic with evaluators: his full fledged commitment to objective inquiry. Throughout his long career as a policy adviser he jousted with (and evaded capture by) the establishment – as well as the politically correct counter-establishment. He was unimpressed by power and status and debunked people who took themselves too seriously. He fiercely protected his independence of mind and appearance. Such dispositions are precisely those that evaluation excellence requires.

Equally, as a policy thinker, Hirschman engaged in systematic self-subversion of his own mental models – if only to crush in the bud any notion that he stood for any particular school of thought or ideology. The readiness to recognize and challenge one's own biases and go without hesitation where the evidence points to is also characteristic of *bona fide* evaluators.

In terms of his research methods, just as good evaluation practice mandates, Hirschman observed events dispassionately, gathered evaluative information from a variety of sources and examined social interventions without preconceptions of any kind. Unlike economists who are prone to search for evidence that fits their models or confirm their grand theories he looked at the world without pre-determined hypotheses and was fond of small ideas. Similarly good evaluators search truth from facts and keep an alert eye on singularities. They appreciate that context matters enormously in the determination of outcomes and they evince deep skepticism regarding intellectual schemes that seek to explain everything.

Finally, Hirschman's engagement with the world rather than retreat in the ivory tower of the academy illustrates why he was the evaluator *"malgré lui"*. He was committed to the freewheeling exploration of complex situations. He relished confrontation with decision makers. He embraced empirical field work, patient listening and thoughtful observation. Most of all he enjoyed travelling in the zones of turmoil and transition of the developing world and turned all his assignments into journeys of discovery. His observational and evaluative skills are in evidence throughout his writings, especially the irreverent evaluation classic that he authored following a worldwide tour that he had carefully planned to probe the diverse dilemmas faced in the design and implementation of development projects (Hirschman, 1995).

This extraordinary book remains unrivalled as a source of knowledge and inspiration for the foot soldiers of the evaluation profession. Like all evaluators, Hirschman avoided sweeping policy generalizations and preferred to scrutinize the unique constellation of factors that make up individual social interventions. Yet by recollecting in tranquility about his observations, he was uniquely able in his own words to "*snatch systematic insight from casual hindsight*". Dissecting the mechanisms of social change in the way that he did is evaluation at its very best. So yes, over his objections, it is high time for Albert O. Hirschman to be inducted in the Evaluation Hall of Fame.

## Are Hirschman's ideas relevant to the evaluation discipline?

In the same spirit of dialectic exploration, this article tests whether Hirschman's pragmatic approach lives up to Keynes' conception of economics as a useful discipline akin to dentistry (Keynes, 1931). Are Hirschman's diverse and cogent concepts serviceable as policy evaluation tools? Can they clarify the role of evaluation in development? Can they contribute to its methods? To address these questions this article evokes three mental models that lie at the core of Hirschman's multi-faceted interpretation of the development experience:

1. The *hiding hand principle* holds that underestimating the costs and difficulties of a development venture can be providential since it induces worthwhile action through error by agents who routinely underestimate their own creative energies and adaptive capacities.
2. Hirschman contrasts *trait making* with *trait taking,* i.e. development interventions that seek major changes in strategies and processes with those that simply replicate and upscale successful local innovations.
3. The influential *exit, voice and loyalty triptych* distinguishes between distinct responses to decline in firms, organizations and states: *exit* which involves the swift shifting of one's allegiance; *voice* which refers to 'kicking up a fuss' and *loyalty* which defines the extent to which exit is delayed to allow time for recuperation mechanisms to take hold.

Do these concepts throw light on development evaluation methods and models?

## The "hiding hand" and the benefits of invisibility

First, I will describe the rationale of the "hiding hand" and probe its potential and limitations as an evaluation concept. It emerged out of Hirschman's observations of development projects, their vagaries and their reversals. A playful variant of Adam Smith's providential "hidden hand", the "hiding hand" posits that under uncertainty, lack of foresight is a blessing in disguise: "the hiding hand does its work essentially through ignorance of ignorance, of uncertainties and of difficulties" (Hirschman, 1967, p. 35). If as development decision makers we underestimate our resourcefulness and creativity, "it is desirable that we underestimate to a roughly similar extent the difficulties of the tasks we face so as to be tricked by these two offsetting underestimates into undertaking tasks that we can, but otherwise would not dare, tackle" (Hirschman, 1995, p.13).

While heavily criticized[1] the "hiding hand" is an ingenious and perceptive depiction of the day to day travails routinely experienced in the design and implementation of development interventions. In complex operating environments, decision makers routinely misjudge situations and subsequently stumble from error to truth and from mistake to recovery. From Hirschman's perspective, the "hiding hand" is a useful stimulant

[1] In the preface to the 1995 edition of *Development Projects Observed* Hirschman stated the metaphor had been intended as a mere provocation designed to evince a sense of wonder and mystery about the development experience. Looking back, this unnecessary confession was probably made tongue in cheek.

since as human experience suggests a vast store of capabilities usually lies untapped and can be summoned when needed to induce corrective activities. But is this assumption always valid? Is the response elicited by setbacks invariably equal or superior to the challenges faced by development practitioners?

At the level of national economies, a large reserve of energy and talent often comes into the open following natural or man-made emergencies. Witness the remarkable recoveries of many disadvantaged regions following bouts of financial distress, natural disasters or violent conflict. But numerous counter-examples can also be brought to bear. While a vast policy research literature points to some remarkable returns to normalcy following a natural disaster, the overall record is gloomy (Harris, Keen & Mitchell, 2013).

The hiding hand reflects Hirschman's "bias for hope". But in the real world hope is not always rewarded. One is therefore driven to draw a two by two matrix that relates the intensity of the risks with the capacity to handle them (Table 1). For example, more often than not natural disasters exacerbate preexisting conflicts. Especially in weak states, they deepen grievances, create opportunities for illegal activities, increase horizontal inequalities and raise the risks of corruption associated with sudden increases in international aid flows. The stark reality is that initial conditions do matter and that the authorizing environment is not always characterized by a willingness to serve citizens or protect the poor.

Table 1: Risks and rewards of external intervention following complex emergencies

| | High domestic capacity to protect the poor | Low domestic capacity to protect the poor |
|---|---|---|
| High domestic willingness to protect the poor | High rewards and low risks to intervention | High risks and high rewards to intervention |
| Low domestic willingness to protect the poor | High risks and low rewards to intervention | Low rewards and high risks to intervention |

To be sure, the "hiding hand" does induce interventions that would not otherwise have taken place in high risk circumstances. Without it, no large and ambitious undertaking such as Christopher Columbus' voyage or the construction of railways across the United States would have materialized. In development this is highly desirable for cases that fit in the northeast corner of Table 1 but not for those that belong in the southwest corner. Of course, development aid differs from humanitarian assistance in that it aims to increase both the willingness and the capacity of countries to address their development problems. Thus, one may be able to induce institutional changes or forge coalitions that induce movement from the south and/or the west to the northeast.

Getting there calls on the mobilization of other Hirschman concepts. But before calling on them it is appropriate to outline the logic used by evaluators to assess the effectiveness of development interventions. First, they test the *relevance* of goals. Second, they examine the likelihood of achieving them (*efficacy)*. Third, they assess whether resources have been used economically (*efficiency*). At the design stage, goals are agreed and the content of the intervention is defined.

Good *ex ante* evaluation practice instructs designers to consider the values and interests of all stakeholders so as to maximize the relevance of the intervention in the public interest. At the implementation phase on the other hand *efficacy*, i.e. the capabilities required to achieve the agreed goals comes to the centre stage. Thus, satisfactory development outcomes are associated with interventions that achieve their relevant objectives efficiently.

## Trait Taking and Trait Making

The concept of relevance is what most distinguishes evaluation from auditing since evaluators take explicit account of stakeholders' values and interests, whereas auditors tend to take goals for granted. Evaluation tackles the dilemma of assessing the relevance of development interventions frontally. This is the domain of situation analyses—the first phase of formative evaluation.

Typically some stakeholders will view local habits and processes as appropriate to the context and worthy of protection. Such stakeholders favor *trait taking* interventions that accept wholesale most of the constraints imposed by the socio-political context, the local culture, the prevailing customs, and so on. This is consistent with a *low risk* approach to development assistance. In some circumstances, it deprives developing countries' citizens of the bracing effects of innovation secured through external injections of ideas and skills.

Other stakeholders advocate *trait making*. They proceed on the assumption that changes in local mores and time-honored practices are the way to achieve rapid progress. They promote a frontal attack on all the technological and institutional obstacles perceived to stand in the way of development. In a headlong pursuit of rapid change, they advocate filling gaps in capital assets and technologies through imports and overcoming skills gaps and management weaknesses through access to external technical assistance.

This approach is riskier since it may not take adequate account of local voices and in extreme cases it may stunt local initiative, undercut incentives to learn and encourage dependency on outsiders. Whether the *trait makers*, who argue for major changes in the ways things are done or the *trait takers*, who argue for sticking with existing practices should control the design of the intervention depends on the characteristics of the operating environment.

If the institutional context is rigid, leadership skills are in short supply, and domestic capacities are scarce trait making may be too risky. Not so if leaders are willing to take and manage risks and if the society has ample hidden resources that can be summoned and brought to bear in short order so as to overcome unforeseen development obstacles. In such cases, trait making is a good bet. *Latitude* is the Hirschman concept that best captures these contextual characteristics. It is used in Table 2 to identify the balance of risks and rewards involved in innovative trait making. Narrow latitude environments are inimical to change. Broad latitude environments are receptive to trait making change.

Table 2: Risks and rewards of trait making

| | Broad latitude of operating environment | Narrow latitude of operating environment |
|---|---|---|
| Trait making | High rewards and low risks to intervention | Low rewards and high risks to intervention |
| Trait taking | Low rewards and low risks to intervention | High rewards and high risks to intervention |

## Evaluation as a complement to the "hiding hand"

I will now show how evaluation is itself an attribute or a function that vastly improves the effectiveness of responses by guiding the periodic re-design of development interventions in response to unforeseen or evolving circumstances. In other words, evaluation complements the "hiding hand" by helping to manage risks, design recuperative interventions and contribute to creative adaptation to evolving conditions by striking the right balance between trait taking and trait making.

More often than not, the development context is volatile and uncertainties abound. In such circumstances an important attribute is the resolve and capacity of actors responsible for the intervention to adapt the goals and the design parameters of the intervention including the extent to which, based on early experience some trait making, features can be introduced and others withdrawn and replaced by existing traits. This assumes of course that the inherent nature of the intervention or the operating context do not impose *tight latitude* constraints on what to do and how to go about it. The more complex and uncertain the operating environment is the greater the value of *adaptability*.

The numerous portfolio evaluation reports prepared by the World Bank and other development assistance agencies amply demonstrate that the vast majority of development projects have to be restructured at least once in mid-course (often more often) so that they may succeed. This is because it is a frequent occurrence that the naïve and misleading assumptions embedded in the original intervention need to be corrected. Hence, *adaptability* presumes a capacity for summative evaluation combined with formative evaluation in real time. Whereas summative evaluations help to ascertain whether interventions are still worth implementing, formative evaluations help shape the restructuring of troubled interventions and the design of new interventions.

Once goals are set and a relevant design is approved, the implementation phase gets underway. This calls on vastly different skills and capabilities than those required at the design phase. Whereas managers are given wide latitude at the design phase, they are subjected to narrower latitude constraints at the implementation phase. It is the combination of *adaptability* associated with wide latitude tasks and *discipline* associated with narrow latitude tasks that generates development effectiveness – the economic achievement of relevant goals (Table 3).

Table 3: Development attributes and quality of outcomes

| | High discipline | Low discipline |
|---|---|---|
| High adaptability | Satisfactory outcome (high relevance and high efficacy) | Marginal outcome (High relevance, low efficacy) |
| Low adaptability | Marginal outcome (low relevance and high efficacy) | Unsatisfactory outcome (low relevance, low efficacy) |

At the goal setting and design phase, decision makers must rely on political savvy, principled mediation, creativity, innovation and adaptability. At the implementation phase, different requirements are needed since project execution involves operational planning, coordination, human resource management, choice of contractors, quality assurance, etc. Attention to detail and above all discipline are critical so that agreed schedules are met, costs are minimized and intended outcomes are secured.

Monitoring informed by evaluation (i.e. real time evaluation) is a key management instrument at the implementation phase. The overarching goal is to ensure that the main relevant goals of the intervention have been achieved. This performance criterion is called efficacy while efficiency has to do with the economy of resources used to achieve the goals. It is the combination of adaptability associated with the creative wide latitude phase and the discipline associated with the narrow latitude phase that generates development effectiveness—the economic achievement of relevant goals.

## Linking the "hiding hand" principle with the latitudes and disciplines model

Realist evaluators have long pointed out that context is as important as process in generating outcomes from development interventions. Unsurprisingly, ingenious and timely responses are most likely to be evinced in contexts where the profile of sponsors is high, the risks of failure are close to unacceptable and the damages that poor performance will inflict on reputations and career are significant.

It follows that the beneficial effects of the "hiding hand" are especially pronounced in authorizing environments characterized by transparency, independent evaluation and contestability at all stages of the intervention cycle. This is how initial misjudgments are best identified and corrected and the veil of mistaken assumptions is lifted so that projects can be restructured in a timely way in order to deliver their intended results efficiently.

By brazenly appearing to tolerate carelessness in the formulation of projects, the "hiding hand principle" when it was first unveiled by Hirschman was stoutly and understandably resisted by development practitioners not only because it seemed to invite the assumption of unnecessary risks but also because it could easily be perceived as an inducement to complacency and consequent neglect of risks, for example, in conflicted or disaster prone environments (Adelman, 2013).

For development decision makers, it stands to reason that good practice dictates the provision of contingencies in cost estimates, the inclusion of ample redundancies in engineering designs, the deliberate selection of contractors and suppliers qualified by experience to deal with unexpected mishaps as well as the use of reasoned conflict assessments prior to engagement with fragile situations.

These are sound operational principles: prudence is a characteristic of good development management. But risk management should not be confused with risk aversion. Indeed, the hiding hand points to the limitations of evaluation models that give priority to the achievement of pre-determined goals rather than to the evolving relevance of intervention goals and designs that help deal with risks. In fact the hiding hand model illustrates a well-known lesson of business management: high risks and high rewards sometimes go together so that the "hiding hand" makes embarking on ambitious and transformative development ventures more likely than would otherwise be the case.

## The Benefits of Timely Visibility

This lesson is far reaching since it argues for a dynamic view of the development process. Given the difficulty faced in comparing development rewards across sectors and types of activities, practitioners routinely fall back on performance based decision making which is predicated on the notion that past is prologue—a manifestation of suboptimal risk averting management cultures.

In development, an excessively conservative stance underlies the phenomenon of "aid darlings" and "aid orphans." Giving excessive weight to past performance in aid allocations has contributed to this problem. Thus, Andrew Rogerson and Susanne Steensen (2009) note that

> Behind these benchmarks lies an ongoing debate about the significance of past country performance ratings as a valid predictor of future poverty outcomes and it is now widely accepted that this relationship is not straightforward. For example in the case of fragile states low institutional capacity in the recovery phase can be seen more as a leveraging opportunity than as a deterrent (p.1).

Performance based aid allocations widely used by aid donors fly in the face of ample policy research evidence to the effect that the largest rewards from aid are to be found in vulnerable situations (Guillaumont & Chauvet, 2001). To be sure, not all development stories in risky environments have a happy ending. But the chances of positive outcomes are vastly improved when relevant information is publicly available about the costs and benefits of projects and their indirect as well as secondary consequences.

In fact, the routine and unglamorous tasks of inspection and auditing play a very useful role in allowing project owners and stakeholders to peek behind the "hiding hand". With respect to social and environmental aspects, non-governmental organizations play a similar role. It is through such fiduciary and contestability functions complemented by evaluation that the negative effects of the "hiding hand" are mitigated and that public pressures for remedial or compensatory measures affecting "problem projects" build up. These dynamics underlie the reversal in the deteriorating trends of development initiatives through intensified implementation efforts or a reorientation of the original scheme. In sum, it is the visibility of performance shortfalls that encourages the design of corrective actions in learning environments.

Paradoxically therefore, the benefits of the "hiding hand" derived from operating in high risks and high rewards contexts are amplified when transparency penetrates the darkest recesses of the operating environment since this is where major hindrances to development effectiveness lurk. In other words, it is the dialectic of light and darkness that help to tap the beneficial effects of the hiding hand. Only through visibility is public attention eventually drawn to the defects of worthwhile projects that would never have been undertaken had their downside risks been visible at the outset. Visibility leads to public scrutiny facilitated by independent inspection and evaluation as well as accountability for results buttressed by contractual arrangements.

In sum, as confirmed by numerous development evaluations, positive outcomes are more likely to take place in organizational environments characterized by transparency and contestability. Thus, the *paradox of visibility* turns out to be the essential corollary of the "hiding hand" principle. Through visibility, the latitude for performance shortfalls is narrowed and forward and backward linkages are identified to help reshape imperfectly designed operations and achieve worthwhile development outcomes.

Ironically, therefore, the "hiding hand" works best if it prevails at the outset and eventually gives way to let the light in. This "sleight of hand" maneuver allows the generation of early enthusiasm for ambitious projects approved in the twilight of necessarily imperfect information to be followed by a thorough reconsideration of the innocent assumptions that generated them and their virtuous re-design in the harsh light of experience. To paraphrase the great poet John Milton, in the business of development, timely transparency is the singular virtue that makes "darkness visible."

## Exit, Voice, and Loyalty

It is now time to turn to Hirschman's celebrated exit, voice and loyalty model. It throws evaluative light on how stakeholders react to performance shortfalls by firms, organizations, and states. The *exit* option is central to economic theory. It calls on customers to abstain from purchasing products that are too costly or of inadequate quality so that as demand for the outputs of inefficient suppliers vanishes and only efficient producers survive. This market mechanism is individualistic, impersonal, and indirect. Under precise and idealistic conditions of effective exchange (including perfect competition), it leads to optimal outcomes for the society.

By contrast, the *voice* option is the domain of politics. It is amplified by participation and works best where visibility is present, that is, in governance environments that combine accountability, transparency, and the rule of law. Voice may be conceived either as an alternative or a supplement to exit (e.g. through boycotts). It allows customers and other stakeholders to express their views and exercise influence through protest, advice, voting, or representation. Through diverse voice instruments, improved performance and higher value of goods and services is expected.[2]

The third leg of the stool is *loyalty*—the tendency to give suppliers the benefit of the doubt through postponement of exit. Loyalty gives breathing space to policy makers. It helps to sustain hope in difficult circumstances. Exit retarding behavior occurs when expectations about improvements triggered by voice ride high. Loyalty supports the "hiding hand" since it conceals the obstacles that lie in the way of regeneration. It is enhanced by cultural symbols and sustained by habit, reputation and attachment to shared values. It is associated with respect for tradition, precedent and social hierarchy.

This seminal trio of concepts emerged when Hirschman observed that a Nigerian railways project had failed to overcome its glaring inefficiencies despite active competition from trucks. It transpired that the ready availability of an alternative transport mode had facilitated customers' exodus from the railways and deprived its management of the feedback that would have been prevalent had the customers been securely locked in.

In other words, exit had dampened public reactions by muting the voice option while railway users' loyalty to the institution, weakened by years of poor and unreliable service, did not delay exit long enough to make space for gradual reform of railways policies and practices. Users' easy access to the exit option dampened the propensity to protest in ways that would inevitably have materialized absent an exit option.

The counterfactual is that in the absence of a road transport alternative such protests especially from influential users would have induced management to take corrective action. In addition, access to government subsidies had compensated for the revenue losses resulting from customers' switch to another transport mode and hindered managerial reform incentives.

Choosing the right admixture of exit, voice and loyalty in designing interventions is the central challenge of public policy since the objective of sound governance is to help the society sustain shocks, produce self-correcting behaviors and/or elicit effective contributions from existing or potential participants in order to sustain development.

## Evaluation as an Antidote to Fads

How then does the exit-voice-loyalty triad connect with evaluation? In a nutshell, evaluation makes responses to declining performance more effective. First, it facilitates exit where necessary. Second, it amplifies voice where appropriate. Third, it sets judicious limits on loyalty. In some contexts loyalty is close to absolute, that is, exit is treated as treason and forbidden, irrespective of performance. Such is the organizational culture that favors slavish compliance with the latest fad. This phenomenon is all too prevalent in government and business where wave after wave of management fads have come and gone: Management by Objectives, Total Quality Management, Balanced Score Cards, Knowledge Management, Big Data Analytics, etc.

Heady enthusiasm for a fad (e.g. integrated rural development) does not tolerate dissent and suppresses voice as well as exit. It prevents adaptation to the local context until the grim reality of the situation is such that deep disenchantment eventually takes over. This lays the groundwork for yet another fad (e.g. the Training and Visit agricultural extension system) that is usually ill fated as well so that the process of new fads replacing old fads goes on.

The disastrous cyclical pattern of fads is rooted in a blind faith towards innovation as a central objective of policy. To be sure, economic productivity will not grow without innovation. But not all innovations are in the public interest and even the most successful innovations are necessarily disruptive. While they benefit some entrepreneurs, they hurt existing firms and their employees, make the existing capital stock redundant, affect market structures, and render existing processes and products obsolete.

Economists such as Joseph Schumpeter perceive such *creative destruction* as the price that must be paid to secure the benefits of a capitalist economy. Evaluation makes *exit* from fads more likely. It does so by amplifying the *voice* of beneficiaries and by accelerating social learning. Specifically, it decreases the costs and increases the rewards of voice and reduces the need for premature and disruptive exit by showing the way towards adapted intervention designs. It amplifies users' voices, accelerates exit from doomed innovations and encourages adaptation of externally imposed models to take account of local

[2] In some circumstances, consumers or employees may take over the entire enterprise and manage it collaboratively through voluntary action.

realities – i.e. by helping to strike the right balance between trait taking and trait making.

Purely economic models assume that markets function smoothly. All economic agents are supposed to behave rationally. The models do not incorporate transaction costs. They take no account of the inefficiencies imposed by monopolies and oligopolies. This helps explain why simulating market mechanisms in the public sector is fraught with difficulties and why management fads fare worse in the public sector than in the private sector.

In the public sector when voice fails to deliver, chronic disappointment risks a crisis of faith or a wholesale rebellion against the existing order occasioning wholesale exit from a program that may lead to high social disruption and prohibitive costs. Equally, exit operating on its own is not sufficient to generate a positive outcome since absent voice the capacity to adapt is limited by information asymmetry.

## Using the Exit-Voice-Loyalty Construct to Make Effective Use of Evaluation

The exit-voice- loyalty model also helps to manage the evaluation function. It does so by clarifying the comparative advantages of the social science disciplines on which evaluation depends. Evaluation is at its best when it transgresses disciplinary boundaries and bridges three distinct intellectual traditions. The first one is held by economists, for whom exit is the most effective response to declining performance of firms, organizations and states. For them, competition is a uniquely useful recuperation mechanism when performance falters. This is because they believe that Adam Smith's hidden hand generates socially useful ends as the indirect result of free-wheeling competition among large number of self-interested individuals and profit maximizing firms.

By contrast, political scientists are partial to the voice option as a reform inducing mechanism especially in contexts where performance lapses plague organizations in the public, semi-public, or voluntary sectors. They are not altogether convinced that individuals and organizations are mostly driven by rationality or profit maximization goals. Being mostly preoccupied with the state and its relationships with citizens they assert that the logic of free market economics does not operate in situations where services are offered without direct monetary counterpart or where the state stands behind a large supplier of social services.

Finally, sociologists and anthropologists concentrate on the loyalty dimension of Hirschman's triangle. They probe the traditions, structures, and mechanisms that induce socially responsible behavior. They use social capital concepts to show how trust keeps transaction costs in check. They are vitally interested in the origins of customs and the motivations of individuals committed to their families' and communities' welfare. They examine the reasons why altruistic behavior within groups does not always hold among groups. In particular they study the circumstances where divergent group interests lead to social strife or violent conflict.

If the Hirschman triangle is a powerful evaluative tool, it is because it puts all social science disciplines to work. The exit-voice-loyalty trilogy induces evaluators to overcome the cultural idiosyncrasies and intellectual biases associated with parsimonious silo thinking. Here as elsewhere Hirschman's uniquely nimble intellectual approach spans disciplines. Applying the famous trilogy to evaluation is instructive. First, evaluation approaches and models favored by economists are partial to the exit option. Experimental methods and cost benefit analysis simulate a market mechanism. They conceive of policy making as the outcome of a competitive process that helps to shed unproductive interventions and keeps resources flowing towards economically productive programs.

Conversely, evaluators schooled in political science emphasize the voice option. They tend to favor participatory and democratic evaluation models that rely on improving the interplay between policy makers and citizens through the generation and dissemination of valid knowledge and the amplification of underprivileged groups. Finally, sociologists and anthropologists turned evaluators favor adaptive forms of social intervention and bring out the unique role that the social context plays in shaping policy outcomes. They lean towards realist approaches that probe how loyalty to a group or a world view can trump self-interest and influence the political process.

In the real world of practice, the selection of one or more evaluation models is guided by the nature of the entity being evaluated and the characteristics of the authorizing environment. Accordingly, the exit, voice and loyalty trilogy helps to fight disciplinary bias. Specifically it helps to guide the design of evaluations in judicious ways. This leads us to yet another 2x2 matrix that relates different evaluation models to diverse organizations in terms of their sensitivity to exit and voice mechanisms (Table 4).

Table 4: Choice of evaluation models

| | Entities being evaluated react strongly to exit | Entities being evaluated react weakly to exit |
|---|---|---|
| Entities being evaluated react strongly to voice | *Evaluands:* Social programs in liberal democracies, voluntary associations evaluation<br>*Evaluation models:* mix of models, goal free evaluation, democratic evaluation | *Evaluands:* Developmental states, local communities:<br>*Evaluation models:* participatory evaluation, empowerment evaluation |
| Entities being evaluated react weakly to voice | *Evaluands:* Illiberal democracies and private corporations.<br>*Evaluation models*: goal based models, experimental methods, market research, etc. | *Evaluands:* authoritarian regimes, democracies captured by vested interests<br>*Evaluation models:* transformative evaluation, independent democratic evaluation |

## Pulling Things Together

It is time to tie the strands of my argument and draw the policy implications of Hirschman's fertile evaluation ideas. First, I have argued that a shifting balance between concealment and visibility characterizes successful use of the "hiding hand" principle. Through it, the costs and risks are underestimated so as to generate broad based support for an ambitious venture. But as implementation proceeds and unexpected problems arise, corrective action guided by evaluation is needed in order to achieve development effectiveness.

At that stage, visibility is critical since without a clear view of development obstacles, a transparent diagnostic of the weaknesses of the intervention cannot be rendered and suitable response mechanisms cannot be designed. Nor is visibility enhanced by evaluation sufficient on its own. Adaptation of operational designs will only materialize when participatory evaluation voice is triggered. This is especially likely to take place once a threshold of public dissatisfaction is crossed in response to the observed shortcomings of the venture and (assuming a responsive authorizing environment) once the unsatisfactory state of affairs made evident by evaluation convinces decision makers that adjustments in the development intervention are imperative.

Hence, public disappointment emerges as a vital source of recuperative energy and as an incentive for policy reform in the development process. In such circumstances, visibility and disappointment are mutually reinforcing and they are made more effective by evaluation. Low tolerance for performance shortcomings generates frequent and intense disappointment. This goes together with a greater demand for visibility. Shortcomings made visible by principled and rigorous evaluation trigger earlier and sharper disappointments. Conversely, the demanding attitudes that generate and amplify disappointment induce more intrusive and nimble approaches to monitoring in order to illuminate implementation difficulties and facilitate timely corrective action.

There are exceptions to this harmonious state of affairs. If disappointment is excessive and if evaluation is punitive and unfair, it can yield dysfunctional public responses. For example, ideologically driven evaluations may be make development costs more visible than development benefits and block the development process altogether through well-meaning but ultimately self-defeating boycotts and sanctions. Equally, where capacities for remedial measures are limited, high visibility combined with intense disappointment may put so much pressure on public authorities that no space is left for the authorities to adapt or improve the development design. Violence—an extreme form of exit and voice—may even be triggered.

This is where resilience or the capacity to adapt to diverse ranges of latitudes comes in. Resilience is the societal characteristic that allows the collective stresses and pains inevitably associated with development to be absorbed without major upheavals. It requires a mix of public, private and voluntary action. All too often, these institutional approaches are perceived as competitive rather than complementary. Yet, resilient solutions to development problems are usually achieved through a mix of modes. The precise balance between exit, voice, and loyalty depends on the mix of goods and services needed to sustain the momentum of development in particular contexts.

In practice, the mix varies from sector to sector, place to place, and time to time. Different admixtures are needed depending on the stage of development and the latitudes to declines in performance of the society. Whereas strong states are energized by the powerful pressures brought about by globalization, fragile states may wither or fail when brutally exposed to the winds of global competition. This is why for example it was counterproductive to impose blue print policy solutions (e.g. "The Washington Consensus") across diverse developing country contexts during the adjustment era of the late twentieth century.

It is also why, rather than succumbing to the lure of fads, reasoned adaptation to new trends guided by evaluation is at the core of effective development policy. Getting everything done at once through trait making is an ideal that does not fit the reality of constrained operating environments where resources are scarce and priorities must be set. Nor is stubborn opposition to external stimuli conducive to development. Sequencing of policy actions is needed to generate the critical mass of inputs needed to trigger progress within a constrained budget.

Hence, scarce resources should not privilege the generation of private goods at the expense of public goods or the regeneration of common pool resources. A balanced approach requires the build-up of government capacities for the supply of public goods, a process described in Hirschman's treatise on private interest and public action (Hirschman, 1982). Voluntary action may also need to be summoned in order to achieve the cooperative actions needed for environmental sustainability. The strategy in order to be successful requires the assembly of tailor made political coalitions needed to overcome the opposition of vested interests.

Thus, development is likely to proceed in a crablike pattern that oscillates between the antagonistic pressures of distinct social groups. Retrogression in one sector will generate countervailing forces that will for a time call for reorientation of the ship of state towards new horizons. Assuming the ship of the state has not been captured by vested interests the development trajectory will resemble the tacking pattern used by experienced sailors who sailing against the wind are able to reach port safely. In the stormy and volatile global economy of an interconnected world, shifting reliance on public, private, and voluntary action is the way to pilot the ship of state and evaluation is the lighthouse that ensures that the vessel does not go astray.[3]

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[3] In writing this paper, I was reminded of Albert O. Hirschman's notion that the most significant and durable effect of ideas may be indirect. This is the recruitment effect, as opposed to the direct, persuasion effect of ideas. By implicitly giving allure and impetus to development thinking we can thank Hirschman not in having solved all the problems of the fledgling evaluation discipline "but in having contributed to attracting into our field a large number of people who will carry on" (Hirschman, 1992, p.34).