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ROBERT WADE ON ZOMBIE IDEAS, BEING INSIDE THE WORLD BANK, AND THE DEATH OF ETHICS IN ECONOMICS AFTER THE MARGINAL REVOLUTION

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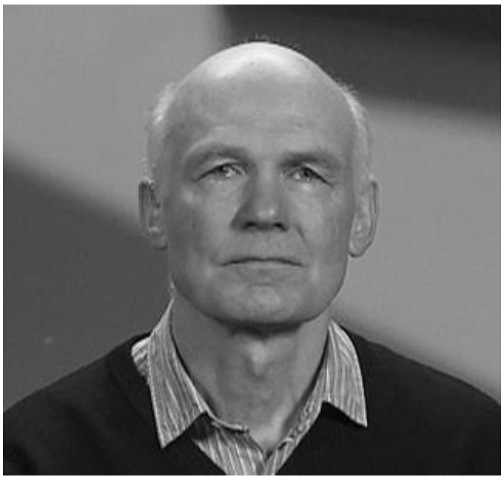
Robert Wade on Zombie Ideas, Being Inside the World Bank, and the Death of Ethics in Economics after the Marginal Revolution



The global economy is at the core of some of the main issues in contemporary International Relations. But how do we understand the global economy and what impact does that have on how we deal with the power politics around it? A fault line seems to have emerged between those who take economic theory seriously and those who denounce it for being part of the problem. Informed by his training as an anthropologist, Robert H. Wade—professor at the LSE—takes a different tack: he bases his engagement with the way in which Adam Smith has been appropriated to advocate for a dominant view of 'free markets' on real-world economics and in-depth accounts of insiders. In this *Talk*, Wade—among others—discusses experimentation in international economic regimes, why the International Financial Institutions don't fight economic crises, and the powers and perils of being inside the World Bank.

What is, according to you, the biggest challenge / principal debate in current International Relations? What is your position or answer to this challenge / in this debate?

If we'd reframe your question as being more broadly about global studies, I think that one of the really fundamental questions is how and why it is that the precepts of neoliberalism have penetrated into every nook and cranny of Western societies, and have penetrated to a very large extent many non-Western countries.

This has happened especially, but not only, through the agency of the IMF and the World bank, which have imbued these neoliberal principles; through the mechanism of graduate education: children of the elites in developing countries go out to American, British, other Western universities, and they learn that this is 'true' economics, or 'true' IPE, or 'true' Political Science, and then they come back and implement these same principles and make them a reality back home. But across the globe, this even holds for the Nordic countries. In Iceland and other Nordic countries, from the 1980s, networks of people sharing a belief in neo-liberal precepts, began to form and sort of place each other in key positions within the state, and in politics, and built a momentum in this direction. These precepts have become understood as just natural, as in Margaret Thatcher's 'there is no alternative'.

I live in the UK, and the great bulk of the British public really does believe that the government is just like a household writ large, and the same rules of budgeting that apply to the household should apply to the state. That when times are tough the household has to tighten its belt, cut back on spending, and it is only fair that the government does the same, and if the government does not, if the government runs a deficit in hard times, then the government is being irresponsible. And this is a completely mistaken and pre-Keynesian idea, but it is a 'zombie idea'—that is, however much arguments and evidence may be mounted against it, it just keeps coming up and up and up, and governments come to power riding on this zombie idea and a flotilla of related ideas.

The persistence of this zombie idea is all the more amazing as we just had a global financial crisis in 2007/8, which would prompt a rethinking of these ideas. But these neoliberal precepts have been, if anything, more strongly reinforced. In previous hard times—and obviously the 1930s depression is the exemplary case—there has been a stronger move towards, what you could call, social democratic precepts. But not this time! Indeed, even after the crisis, the whole of the European Union with 500 million people is even more thoroughly structured on the basis of these ideas. I am thinking of what is popularly known as the Fiscal Compact signed by the EU Member States in 2012, which commits all governments to balance budgets all the time—that is, first, the structural deficit may not rise above 0.5 percent of GDP. Second, the public debt may not rise above 60 percent of GDP. Third, automatic financial sanctions are levied on governments that exceed these two thresholds. Fourth, the whole procedure is supervised by the European Commission, and this is presented as in the name of sound budgeting. This package is presented as justified by the proposition that government is a household writ large. The most elementary principles of Keynesian macroeconomics show why this is not simply mistaken, but a disaster, and will keep generating recessionary pressures. It is sold as a kind of excuse for avoiding to put in place the essential conditions for the monetary union, namely, a common budget and a sizable transfer mechanism to the regions just as exists in the United States. But they do not want to do that, but still they call this agreement 'cooperation', which is all about not cooperation, but about writing these dictates around this zombie idea written into the very basic architecture of the EU. Beyond EU politics, it materializes all the way down to, I don't know, the function of the privatization of the Post Office, it goes all the way down to the sort of capillaries of how universities are run, and the incentive systems that have placed upon academics, and there is very little pushback. The one reason, why I am almost completely delighted about Jeremy Corbyn's election as the leader of the Labour party, is that this is one small case of where there seems to be some concerted pushback against these zombie ideas. The point being that the established Labour party basically bought into this whole set of neo-liberal ideas. It combined maintaining the overall structure of inequality in society with more emphasis on providing some help to the poor, but they had to be hardworking poor.

Yet, one knows that there can be dramatic changes in the prevailing zeitgeist of norms. One knows that there can be big changes in the space of a few decades and the question is can one imagine a scenario in which they might be a big change in norms back to a more kind of social-democratic direction. So where will this take place? Because of technological change in the labor market, there is a real big crisis of employment with many middle-class jobs cut out and polarization in the labor market. This might then induce a political movement to have a much bigger change in income distribution than anybody with power is now talking about. Talk of re-distribution these days is really almost entirely around redistribution through the state, but the point I would make is that if there is to be any significant reduction of inequality, especially inequality at the top, there has to be more attention to changes in market-income distribution.

Let me explain. The share of profits in national income has been going up and the share of labor income has been going down. So we should harness the shareholder structure of the market to affect a more equal income distribution by enabling a much wider section of the population to buy into the profit share. At the moment the profit share goes to senior executives and equity holders, but equity holders are highly concentrating at the top of the income and wealth distribution. If equity earners could be spread much more equally, then a much wider section of the population would get income, while they sleep so to speak. We could institute something like trusts, whose members could be the employees of a company, the customers, the neighbors of the company, and the trust would borrow on capital markets and take out insurance against the repayment of the lending of loan and then it would buy shares, it would use that borrowed money to buy shares in the company, and the company would pay out dividends on the shares and then that dividend income coming out of profits would be distributed to the members of the trust. That would be a way of getting the rising share of profits in national income distributed out to the population at large. I particularly like this metaphor of "earning income while you sleep", since at the moment it is only the rich people, who are earning income while they sleep. Somehow that facility of earning income while you sleep has to be made much more widely and available—by using the market against itself, so to speak.

How did you arrive at where you currently are in your thinking about International Relations?

I suppose the starting point was really this; my father was a New Zealand diplomat, so we moved quite often. By that time I was twelve my parents were posted to Colombo, Ceylon as it was called then. After having lived just in Western countries, I suddenly encountered at this very formative age Colombo and Sri Lanka. I was just amazed by that experience; by the color, the taste, the exoticness, but I was also very struck by how the many boys at the same age as me, were walking around with no shoes. I particular remember this boy carrying a baby on his shoulder, the baby looked half-dead and covered in scabs, and I think it was then I got the idea of just how unequal the world was. Then at university I studied economics, but I also visited my parents in Kuala Lumpur, Malaysia and I got another sense of that great disparity in wealth and living standards. At this time I had come across Adam Smith and the wealth of nations question and that helped to encapsulate or to crystalize my interests. So I wanted to go the Institute of Development Studies in Sussex and got enrolled for a PhD in economics, but en route I spent several weeks in India and during that time I began to dwell upon just how boring and how useless everything I studied under the name of microeconomics. I kept thinking of these dreadfully dry textbooks of marginal cost curves and marginal revenue curves and utility function and difference curves etc., which I had forced myself to sit exams in. By this time I had done a little bit of fieldwork, living on Pitcairn Island in the middle of the Pacific.

When I got back to Sussex after fieldwork I announced that I wished to not do a PhD in economics, but to do one in anthropology thinking all the time, that this would actually be more use for understanding why for example India, where I had been, was so very poor. So that's what I did: a PhD in anthropology… In some ways I regard that as having been a mistake, because the sort of mainstream of anthropology is very far away from the Adam Smith questions. Having done the degree in anthropology, pretty soon I began to change direction and pay much more attention to the state, to the state bureaucracy. I went to India and I studied the Irrigation Department and other related departments. I went to South Korea and I studied state irrigation agencies and I went to Taiwan and I studied the state more broadly. So I was kind of moving up from my Italian village, moving kind of up the scale in terms of state agencies and then the state as a whole.

Then I went to work for the World Bank in the 1980s and my main reason for doing that was not to do the research the World Bank wanted me to do, but rather to study the World Bank from the inside as fieldwork. If in some ways switching to anthropology was a mistake, in other ways it was not, because I approached those kind of Wealth-of-Nations-questions in a way very different from how economists approached them. For example when I went to Taiwan and studied the trade regime, the first thing I did was to go and talk to people who operated through the trade regime, whereas I noticed that the published works by economists celebrating Taiwan's free trade regime was based on what the rules said and what certain government officials told them was the case. They had never actually *talked to people* who traded through the trade regime. If they would have, they would have learned about all the covert controls that went on such that there was quite a distinction between the liberal face of the trade regime and the reality of the trade regime. The reality was that the government was managing trade in line with industrial policy, but the government absolutely did not want the world to know that. So all this was kept hidden and I was really regarded as rather unwelcome visitor—and in fact to this day my book *Governing the Market* (1990, read the introduction here) is not well received in Taiwan. It says the government of Taiwan did a good job of managing the market, but they want the world to believe that Taiwan is a free trade country. So that is the kind of intellectual trajectory that I have been on.

So I think that the value of the anthropology PhD was that it really taught me, in practical terms, the meaning of the anthropological maxim, which is 'soaking and poking'. To put it another way—I love this—anthropologists are social scientists, who believe that the plural of anecdote is evidence. And indeed I place a lot of weight on anecdotes, on gossip, on the stories people tell, whereas economists would be much happier reducing, let us say, South Korea's trade regime to one data point in a matrix, and then compare that data point with, let us say, Malaysia's data point to see how the trade regimes are correlated with growth, or something like that, and that is really not my interest.

What would a student need to become a specialist in IR or understand the world in a global way?

Despite what I've just said, I do think that a graduate training in economics is very useful, provided one does not *believe* it. And that is really difficult, because the socialization pressures are intense: if you do not say the right things—which are neoliberal type things on the whole—then you will likely not get a high grade. But I have noticed that economists tend to know how to *think*, how to make arguments, they tend to understand the idea of causality, and that may seem an astonishing thing to say on my part, because it implies that students coming from other disciplines are often weak in understanding the very basic ideas of causality, but that is my experience. I had many students coming from, who knows, IR or Political Science or Sociology or Anthropology, who clearly do not have much idea of causality; they can describe things, but they find thinking in terms of cause and effect, in terms of independent and dependent variables, in terms of left and right side, they just find it difficult. So I do think that there is a lot to be said for studying economics, and mastering the maths, provided that the critical facility is not lost. That is point number one.

Point number two is that I think that there is a huge premium on doing fieldwork, and the field work maybe in developing countries, but when I say field work, I don't just mean going out to villages, going out to see poor people 'over there'. I am talking of fieldwork inside bureaucracies: to try and understand the culture, the incentive systems that people are working under—fieldwork at home so to speak, in the countries one comes from. From the students' point of view, it is clearly much easier to sit in the LSE library to do the research. So in my marking I give quite a premium to a student actually doing fieldwork, going out and interviewing, and having the experience of writing up and interpreting the interviews and somehow fitting it back into a larger argument—but really few students actually do that, and I think that that is a real, real big mistake. Mind you, the same risk holds for fieldwork in economics as it does for studying economics: I encourage students to work for (do fieldwork in, experience) the World Bank; and several have—but to the best of my knowledge almost none of them has kept their critical perspective. They really come to buy into it.

The relations between states are settled either through diplomacy or warfare. Why would we have to focus on economics to understand IR?

Because economics—such as for example balances of payment, surpluses and deficits—set the constraints and incentives on countries in terms of their relationships with each other. A great deal of diplomacy is driven by economic pressures: diplomacy to get other countries to for example open their markets, or to cut deals with countries—'if you do this, we will do that'—deals that may relate to areas that are rather different, for instance if you buy more of these of our exports, we will help you fight such and such country, because the manufactures are in my constituency.

So, in a way, the way you framed the question is part of the reason why I react against the discipline of IR: because it tends to treat diplomacy, war, and so on, as somehow rather separate from economic pressures, and I see these economic pressures as very powerful drivers of both of the other two things. As another example, one of the drivers of the Syrian conflict was that there was an acute drought (like Weizman observed in *Theory Talk #69*, *red*), which meant that many people were rendered destitute; rural areas flooded into the cities, and the Assad regime just was—understandably—unable to cope; and large numbers of young men, concentrated in cities, rootless and with no jobs, just were recruiting fodder for the Wahhabi sect. I have always thought of economics—not so much as in the making choices in conditions of scarcity, that is sort of Lionel Robin's definition—in the sense ofAlfred Marshal, about how people make a living, as a very fundamental driver of a lot of what happens in International Relations.

Pikkety recently published *Capital in the 21st Century*, causing quite the stir. But why would inequality between people matter for IR?

Let me comment by invoking a very contemporary exhibit—the migration crisis in Europe now. Maybe a decade ago I looked at the figures and if you took the average income of the EU-15 prior to latest extensions and then expressed the average income of countries outside of the EU—including sub-Sahara Africa—as a percentage, then there was a really dramatic falling away of income levels relative to the EU, in countries all around the EU and whether you took market exchange rates or purchasing power parity. If you went round to sub-Sahara Africa and took the average, it was more like two percent in market exchange rates and seven percent in purchasing power parity; and the 'problem' is that there is certainly here a rather thin slither of sea between Africa and the promised land of Europe and to the east there are these great open planes, where armies can go up and down to the speed of light, so to speak, but people can *also* move pretty quickly across these planes.

So all one has to do—and this might just be only a bit of an exaggeration—if one is on the poor end of this poverty pyramid is hop across the border and you have a chance at least of getting a very appreciable increase in living conditions and income, with which you can then get savings to remit back to home. So the migrations pressures are just huge. So that is one reason for linking inequality to issues in International Relations—really fundamental issues, and very very difficult to dissolve.

You've done anthropological fieldwork inside the World Bank—an institution drawing a lot of criticism from its detractors in IR. Can you shed some kind of light about what kind of 'animal' the World Bank is?

First of all, let me say that at the micro-level—the level of the people you know and the people I know inside the World Bank—I agree that there are people doing a lot of good work. But if you look at the organization more generally—the World Bank and also the IMF—they are clearly instruments mainly of US foreign policy—and any number of US senators, members of the House, have basically said that. When they are defending the International Financial Institutions (they often criticize them), they do so by saying they are important for US foreign policy. And you have to look at the governance structures to see how it is that the US in particular—but Western states more generally—have from the beginning, through the very Articles of Agreement, created a structure which locks in their power, and has made it very difficult for other countries (including Japan) to significantly increase their shareholdings. The US has kept the presidency of the Bank and the much less recognized Number Two position of the IMF, and has used these positions to have a very strong influence.

Just to illustrate what the Bank and the Fund do: at the time of the East-Asian crisis—specifically the Korean crisis in 1997-1998—the IMF mission was in Seoul. The negotiations were in a hotel there. David Lipton from the US Treasury (and a former student of Larry Summers who was by then Deputy Secretary) was just down the corridor of where the negotiations took place, and every so often the IMF people would walk out of the negotiations and consult with David Lipton, then come back in and—as Paul Blustein reports in his book called *The Chastening*—often said something rather different from what they had been saying before they consulted with David Lipton.

Just to take another example, the US being able to appoint the president of the Bank—to appoint a person known personally to the Treasury Secretary or to the Secretary of the State, or both—is really of great value: when there is a 'trustful relationship'—or a relationship of dependency, the president being dependent on those who appointed him in the Administration—it is possible for those people in the Administration, or people close to them, to just ring up the president of the Bank, and talk in a very informal, confidential, trustful way about what is happening in Latin America, or what is happening in the Middle East, and what the US thinks the Bank should or should not be doing in those places. Larry Summers appointed a protégé of his to one of the regional development banks, and this person—who is very senior in the bank—told me that Larry would frequently ring him, while he is being driven home in the evening from the Treasury, just to have a chat about how things were going in her region, and to pass on suggestions about what the Bank should be doing there, and to get intelligence from her about what was happening in the region, and so on. The point is that, making these personal connections is of immense value, but at the same time, the US Congress, in particular, is very much against having a big Bank against allowing a capital increase for the World Bank—so that the bank could, as it should be doing, increase its lending for infrastructure investment ten times. It is just a complete scandal how little the Bank has been lending for the past 20 years or more for infrastructure, for roads and power stations and so on. The US does not want the Bank providing socialistic competition with the private sector: it says these things are for the private sector to do, and the Bank has to take care of poverty, because the private sector is not interested in poverty.

So the US wants to keep the presidency of the Bank, it wants to keep, secondly, its unique veto right on the big decisions, such as decisions on whether to increase the capital base—but provided those two things are met it does not care that much about the Bank. In the case of the

Fund, the US is also very powerful, but of course the Europeans have a bit more relative power. Right now I think the world is in an even more dangerous sort if financial condition than might appear, because the IMF is acutely short of secure or guaranteed lending resources, so if there is to be another round of crisis—as I think is entirely likely within the next five years—the Fund depends upon borrowing short-term from member countries, like on six months terms, but member countries can say 'no', and that means that the Fund's ability to fight crises is quite constrained. The Fund should implement what was agreed in 2010 by all the member countries represented on the board of the IMF: to roughly double the quote of the guaranteed lending resources, that is, resources the countries actually hand over to the Fund, over which they actually give up country control. All the relevant capitals ratified it with one exception—the US—because Congress refused because the individual barons, who are not under that much party discipline, each said to the Treasury: 'look, the question of the IMF is of zero significance to my electorate, so if you want my vote on the IMF, you have to give me things that I want like projects in my constituency and so on'. The Treasury added up the demands of the people, whose vote had to be won, and it considered those demands were just way, way, way over the top. As long as a Democrat is in the presidency, while the House is controlled by Republicans the world is sort of held hostage to this. Beyond this example, this actually entails a structural problem: the US blocking or producing a gridlock in international organizations, because the Congress is hostile to international organizations, because Congress sees it to imply a loss of US sovereignty. The only way to end this gridlock is to end the US veto in the Fund and the Bank, but the problem is that the US can veto any measures.

One response of the big developing countries is to create bypass organizations—such as the Asian Infrastructure Investment Banks, such as the new Development Bank, such as the Contingent Reserve arrangement the BRICs have established, and then a growing number of sort of regional development banks. And I think that that is a good thing, but it does raise questions about coordination, about who is looking after, if you will, the global interests, global issues such as climate change. In short, we need a genuine *World* Bank, rather than the *American*-Bank-in-the-World we have today.

You engage thoroughly with economics and economic theory. Now there seem to be two kinds of critical approaches to economics in IPE: one criticizes its rationality as flawed, and another buys into its rationality but attempts to point out where actual policy gets it wrong. Where do you stand in this?

If you take the example of how the EU attempted to impose fiscal rules on Greece, you see a notion of rationality which draws upon these very primitive notions that I referred to right at the beginning, where the government is just a household writ large, and the same set of rules that apply to the budgeting of the household must apply to the government as well. Here, the assumption is that any macroeconomic proposition must have microeconomic foundations, that it must be derivable from propositions about microeconomic agents acting in this sort of self-maximizing way, and if you cannot derive macroeconomic propositions from those micro foundations, then there is something unreliable, un-rigorous about your macroeconomics. So what are then the sources of these micro-economic assumptions?

This leads us to one fundamental and almost completely unaddressed weaknesses of economics can be traced back to the Marginal Revolution in the late 19th century. From that moment onwards, there has been an attempt to model economics on physics, and that was very explicit on the part of people like Pareto and Walras, and Jevons, early Marginalist thinkers. They even drew up tables with terms of physics, like velocity, on one side, and then corresponding terms in economics on the other. That had a huge benefit in terms of the 'science' of economics, because it cut economics loose from Adam Smith's and other classical economists' preoccupations with issues of morality and ethics. Adam Smith thought his most important book was not the *Wealth of Nations* but his *Theory of Moral Sentiments*, on which he was working, revising yet again, when he died. For Smith, economics and morals were never separate worlds, but intimately related. So for him, the *Theory of Moral Sentiments* and the *Wealth of Nations*were just twins. The point about the marginalist revolution, and the embrace of physics as the model, was that it cut economics free of all that sort of subjective stuff about values. So economics after the marginalist revolution set off with the assumption that not production, but the movement of individuals in markets engaged in trading with each other became the center of gravity of economics. Making the study of exchange rather than the study of production central was analogous to, say, Boyle's Law in physics. Boyle's Law in physics explained the movement of molecules in gasses, as a function of the pressure applied to the gas. So why did they make that analogy?

The point of likening of individuals in microeconomic actions with molecules in gasses was the following.*Everybody* knows that we do not apply any consideration of ethics or moral sentiments to the movement of the molecules in gas, so neither should we apply any notions of ethics or moral sentiments to the movements of individuals in market exchanges. And that was the way that all considerations of ethics, of morality were just removed from economics. I for instance asked the question to well-known American growth theorist, as we were walking down the street in Providence at Brown University: 'is it moral for people to freeride?' And he said, 'yes of course, provided they do not break the law'. So ethics and questions of morality have been almost completely expunged from economics in a way that would horrify classical economists including Smith; and a particular idea of rationality has been an important part of cleansing economics from those moral considerations. George DeMartino, editor of the *Oxford Handbook of Professional Economics Ethics* which just appeared has a wonderful phrase to capture this—'econogenic harm': the harm built into the way that economics, professional economists work.

Haven't specific fields, like development economics—a field you engage with yourself—advanced to overcome these weaknesses in economic theory?

Let me root my answer again in observations about the linkages between theory and practice, for it is in practice that economic theory really does its work and its politics becomes visible. It always amazes me we have had a development industry in place for roughly the past 70 years with vast numbers of people, organizations, money all orchestrated underneath this umbrella of development; yet if you go back and read what the early writers about development and economic growth said—I am thinking of people like Paul Rosenstein-Rodan, Myrdal, Hirschman, Prebisch, but also Moses Abramovitz. If you go back and look at what they were saying, it seems to me that we have not advanced all that much. Sure, we have advanced a lot in terms of econometric techniques, but in terms of substance we have not. One conclusion I draw from that is that it is really important that international regimes—for example, World Bank and IMF loan conditions, but also WTO regimes—give room for experimentation, because it is really not the case that 'there is no alternative'. This Washington Consensus agenda has clearly not been effective in accelerating production, upgrading it, and production diversification, or export upgrading, or export diversification. So, there should be written into the regimes a lot of room for experimentation. But this isn't there because of the political origin of these regimes; because of what western countries want for the rest world, namely, to open the rest of the world to their markets.

In the 80s there were a lot of experts in industrial development in the World Bank and they did good work, promoting industrial growth and investment in productive infrastructure. But then Anne Krueger came in as chief economist, and brought in a whole lot of people with her—who, like here, were arch-neoliberals. The industrial growth people were invited to find employment elsewhere, or to rebrand themselves as experts in who knows what, environmental assessment, primary education, or good governance. There was no room for them. This also fitted well with some bad experiences the Bank had had with investing in infrastructure. It had gotten into a lot of trouble with large-scale infrastructural interventions such as roads and dams and the like from, especially, US NGOs mobilizing Congress—which then put pressure on the Treasury and so on. My lament throughout this whole conversation has been that we seem to have become just locked into this direction that was set in the 1980s, and it is very difficult to see what kind of economic catastrophe would be necessary to give a sufficient shock to reroute the global system of economic governance.

So after the 1980s, the Bank sort of backed off and began saying that development, economic development, was about poverty reduction—the slogan of the Bank became, 'our dream is a world free of poverty'. You can understand that shift partly in terms of pulling out of the concern with production to get into safe territory, but also because poverty reduction seemed to sort of take care of inequality, because you reduced inequality to poverty—to the poor 'over there', and we can feel good about helping them; but we do not want talk about inequality, which involves us, because then there is the question of justice of our income.

But then the most recent turn is that we're seeing a renewed push for infrastructure in the World Bank and western development agencies. I think that you can link this recent infrastructure push to uncertainty about the sources of economic growth. In the West there is a real question about sustaining economic growth without housing bubbles and stock market bubbles—in other words, without endogenously building financial instability. There may well be a similar sort of issue in terms of the growth of developing countries.

Last question. Adam Smith seems to be constantly present in your work as a critical interlocutor. How come?

I kind of engage in a critical debate with Adam Smith, but especially with people today, who believe his ideas. I often start to frame arguments in terms of his famous 40 word summary of the causes of the relative wealth of nations, which he actually wrote in 1755, which is to say long before the first edition of the *Wealth of Nations*. I will just tell you what these 40 words say, and then I will tell you the significance of them. He said:

'Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism than peace, easy taxes, and tolerable administration of justice; all the rest being brought about by the natural course of things.'

So I am struck by how today many economists say or imply that this is essentially right; you need some qualifications of course, but essentially that is the nub of it. You might have to translate peace, easy taxes, tolerable administration of justice into more modern terms, but that is the essence of it. For example, Gregory Mankiw—Professor of economics at Harvard, former chair of the National Council of Economic Advisers during the Bush administration, and author of a very popular textbook in economics—said in the Wall Street Journal in 2006: Adam Smith was right to say that – and then he gave the 40 word quote. The renowned economists Timothy Besley and Torsten Persson wrote *Pillars of Prosperity*, which also begins with Smith's 40 words, and they even see the book as a kind of elaboration, but in that same kind of spirit, of Smith's basic idea. So my point is that these ideas are still current; they are still the sort of front of a lot of neoliberal thinking. I am just astonished these ideas all these centuries later remain so powerful. I have had at the back of my mind the idea of organizing an international competition to provide a contemporary 40 word statement, which is sort of equivalent to Smith's, which would obviously have to be of a more global character, encompassing the globalized world economy.

Robert Hunter Wade worked at the Institute of Development Studies, Sussex, 1972-95, World Bank, 1984-88, Princeton Woodrow Wilson School 1989/90, MIT Sloan School 1992, Brown University 1996-2000. Fellow of Institute for Advanced Study, Princeton 1992/93, Russell Sage Foundation 1997/98, Institute for Advanced Study, Berlin 2000/01. Fieldwork in Pitcairn Is., Italy, India, Korea, Taiwan. Research on World Bank 1995-continuing. Author of *Irrigation and Politics in South Korea* (1982), *Village Republics: The Economic Conditions of Collective Action in India* (1988, 1994), *Governing the Market: Economic Theory and the Role of Government in East Asia's Industrialization* (1990, 2003). Latter won American Political Science Association's award of Best Book in Political Economy, 1992.

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