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HEADLINE: Challenging the Growth Gurus, by MICHAEL MASSING

As the chief economist of the World Bank in the late 1990's, Joseph E. Stiglitz got a firsthand look at how policy was made at its sister institution, the International Monetary Fund, and he was dismayed. Decisions, he said, were made on the basis of ideology rather than sound economic reasoning.

The fund was made up of "third-rank students from first-rate universities," as he once put it. Frank discussion was discouraged, and developing countries were expected to accept fund prescriptions without question. And those prescriptions too often failed, leaving many nations sunk in poverty.

The experience convinced Mr. Stiglitz of the need to reassess the ingredients of growth. As he wrote this year in "Globalization and Its Discontents," "If the developed countries were serious about paying more attention to the voices of the developing countries, they could help fund a think tank -- independent from the international economic organizations -- that would help them formulate strategies and positions."

Now Mr. Stiglitz himself has set up such an institute. The Initiative for Policy Dialogue is at Columbia University's School for International and Public Affairs, where Mr. Stiglitz is a professor. It is bringing together economists, political scientists and policy analysts from around the world to re-examine the prevailing wisdom about development and to come up with alternative strategies. "There's not a Brookings or an American Enterprise Institute for the developing world," said Mr. Stiglitz, co-winner of the 2001 Nobel Memorial Prize in Economic Science.

It's an ambitious and controversial undertaking. Mr. Stiglitz is the I.M.F.'s most visible critic, and the fund has made little secret of its disdain for him. In a biting open letter posted on its Web site (www.imf.org), Kenneth Rogoff, the fund's director of research, calls Mr. Stiglitz's ideas about development "at best highly controversial, at worst snake oil." His "alternative medicines, involving ever more government intervention, are highly dubious in many real world settings."

Undeterred, Mr. Stiglitz is taking aim at the so-called Washington consensus, a package of free-market, free-trade policies that, critics charge, the I.M.F. and World Bank have imposed on third world nations. "We disagree with the World Bank-I.M.F. idea that there's one approach that's right for all countries," Mr. Stiglitz said. Rather, he said, there is a range of policies that must be selected based on conditions in each country.

Mr. Stiglitz's effort to rewrite the textbook on development is being conducted through 14 panels that are re-evaluating such critical issues as bankruptcy, poverty, privatization and trade. For each a dozen or so specialists from the Northern and Southern Hemispheres are meeting to compare the experiences of different countries and ponder what policies have worked where. The objective of each group is to produce a series of papers that will provide a fresh look at the components of growth.

But Mr. Stiglitz hopes his institute will be more than a paper exercise. He has accused the I.M.F. of acting like a "colonial ruler" and stifling discussion in developing countries, so in addition to the study groups, he is organizing forums in some countries. The goal is to expand the policy debate beyond the usual elite of government officials and business executives to include civic leaders, activists, academics and journalists. So far, forums have been held in Ethiopia, Moldova, Nigeria, the Philippines, Serbia and Vietnam. At the Nigeria session a key theme was the need to raise living standards in the countryside, where most Nigerians live. Soon after, Mr. Stiglitz recalled, Nigeria's agricultural minister obtained more money for agriculture.

Mr. Stiglitz spends about a third of his time advising foreign governments, providing alternatives to the ideas of the I.M.F. He has been to Argentina four times in the last four years and recently visited Bulgaria at the invitation of that country's president.

"What's amazing," Mr. Stiglitz said, "is how little information is available that is disinterested and balanced. In many cases the discussion has been very general. For instance, it's said that countries need good corporate governance. But what does that mean?"

Finding the answers to such questions is the goal of his institute's study panels. The panel on privatization, for example, is looking at the experiences governments have had in selling state-owned enterprises. Gerard Roland, a professor of economics at the University of California at Berkeley and co-chairman of the panel, said that the fund had pushed governments to give away the assets of such companies "as quickly as possible." If those assets don't immediately end up in the right hands, the reasoning goes, marketplace incentives will ensure that they eventually do, with less skilled owners selling to more able ones. But in Russia and other countries that tried this, Mr. Roland said, the new owners quickly became oligarchs who blocked future reforms. The outcome was rampant corruption and a sharp decline in output.

Poland initially planned to have a similar program, Mr. Roland continued, but it was blocked by the Polish parliament. So privatization there proceeded more gradually. As a result Polish enterprises ended up with more seasoned owners, and its economy grew more briskly. By comparing such experiences, Mr. Roland's group is trying to determine which approaches work best in which circumstances.

"When the I.M.F. says that these are the particular policies you should follow," Mr.

Roland said, "those policies often aren't thought through and don't have a scientific basis. Policies have to be adjusted to each country's environment."

Similarly, the panel on trade is examining the effect of efforts to lower trade barriers. "The I.M.F. and World Bank are pushing across-the-board trade liberalization," said Dani Rodrik, a professor of economics at Harvard University and co-chairman of the committee. In reality, he added, "Trade reform is something that has to be tailored to each country's circumstances, taking into account its geographic advantage, its institutional needs, its relations with its main trading partners." He added: "What are the best policies to encourage foreign investment? Is this good for all countries, or are some countries throwing away resources through tax subsidies? And how can trade policy be targeted to reduce poverty? We're not trying to present a particular take but to summarize and describe what we know about these issues."

Such an approach troubles Jagdish Bhagwati, a colleague of Mr. Stiglitz's at Columbia and a strong advocate of free trade. "Joe assumes that there's a monolithic view at the fund and the bank, but that's not the case," he said. The whole idea that there's a Washington consensus that promotes a one-size-fits-all policy is absurd, he said, adding, "In practice shoe sizes are bound to vary and do. The real choice is between wearing shoes and going barefoot. Socialism didn't work. In countries like India, Egypt, Brazil and China, the market was absent. The debate is moving away from knee-jerk interventionism and excessive controls."

Mr. Stiglitz's institute, Mr. Bhagwati went on, is not including people "who really have alternative points of view." Its trade group, he said, "has none of the big trade people," including himself. "The Initiative for Policy Dialogue is in danger of turning into the Initiative for Policy Monologue."

Mr. Rodrik disputed this. Of the five economists from developed nations invited to join his panel, he said, two -- Gene Grossman of Princeton and Rob Feenstra of the University of California at Davis -- are former students of Mr. Bhagwati. (Mr. Feenstra declined to join because of time constraints; Mr. Grossman has yet to decide.) The three other economists "are also utterly mainstream," Mr. Rodrik said. Mr. Bhagwati himself may be asked to join the group. "We have no intention of keeping certain views off the table," Mr. Rodrik added. "That would defeat the purpose."

The institute's architects deny any inclination to turn the clock back to an era of state farms and five-year plans. Thomas Heller, a professor of international law at Stanford University and co-chairman of the committee studying the rule of law, said that while it has become clear that the wholesale withdrawal of government from the economy is ill-considered, no one would deny the value of the market. The institute, he said, "is attempting to make a series of adjustments without getting countries to go back to the state-heavy systems of the past. We don't want to throw out the baby with the bath water."

Is the institute likely to have any impact? That depends on how confrontational it becomes, said Robert Solow, an emeritus professor of economics at the Massachusetts Institute of Technology. A recipient of the Nobel in economic science who has long argued that governments must be prepared to intervene in the market, Mr. Solow said the idea that a Washington consensus forces cookie-cutter-type policies on every country is overdrawn. "If you look at the way the World Bank and I.M.F. operate," he said, "you will see that they have regional and country specialists who know their way around. When they deal with a country, they study it very knowledgeably, and their prescriptions do pay attention to local conditions."

On the other hand, he said, I.M.F. programs "do tend to have an awful lot in common, whether they're aimed at Turkey or Thailand." So the institute's effort to look at how different policies work in different environments could prove useful, Mr. Solow said. If, however, it "starts with the notion that it's going to turn everything upside down, that it's going to be the dark destroyer of the I.M.F. and the World Bank, then it won't succeed.'

Rather, he said, the institute should try "to bring around the international financial institutions, to present a reasonable case and induce them to move a little bit."