

# STATES, MARKETS AND SOCIETY – NEW RELATIONSHIPS FOR A NEW DEVELOPMENT ERA



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# States, Markets and Society – New Relationships for a New Development Era

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**Note**

\* Biographies for contributors to the archive articles are not available.



# Introduction: States, Markets and Society – Looking Back to Look Forward

**Melissa Leach**

**Abstract** The period since IDS was founded in 1966 has seen the rise and fall of state-led, market-led and society-focused approaches to development, accompanied by critique and counter-critique. Today, relationships are shifting amidst new interconnections and configurations of global and local power, and while in some contexts new alliances are opening up important opportunities, in others spaces are closing down. This article introduces a special issue of the *IDS Bulletin* which tracks key threads in the history and future of these major debates, and the contributions of IDS and its partners. Combining archival material with new articles drawn from debates at the IDS 50th Anniversary Conference in July 2016, this *IDS Bulletin* 'looks back to look forward', asking what combinations of state, market and citizen action in different contexts can help achieve more equal, sustainable and inclusive futures for all.

**Keywords:** state, market, civil society, citizens, inequality, sustainability.

Development has always involved the interaction of states, markets and society. Whether thought of in terms of actors or institutions, the roles and relationships of the public sector, the private sector and civil society have been central themes in analysis and action around the progressive social, economic and political change that constitutes development in its broadest terms. In various guises, this triad has also loomed large throughout the history of development studies, from its origins in the post-independence era to the present day. Not surprisingly then, it is a theme that has also run through the history and work of the Institute of Development Studies (IDS) since its founding in 1966. Engaging with many others, IDS work has explored state–market–society relationships both analytically, asking 'How does change happen?', and more normatively, asking 'How should change happen and how can it be enabled?' – recognising that the meanings of development, or 'good change', vary enormously amongst different people and over time and place.

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Ambitious and broad as it is, then, a renewed reflection on the state–market–society triad seemed an apt undertaking for the Institute's 50th Anniversary year – a year in which we have wanted to look back not for its own sake, but in order to look forward to future challenges and how to meet them. This special issue of the *IDS Bulletin* offers such a reflection. Part I looks back, drawing a selection of articles from the *IDS Bulletin* archive<sup>1</sup> to highlight key angles of debate over the decades, and some of the contributions that IDS Fellows and partners have made to these debates. Part II looks forward, drawing on contributions to our 50th Anniversary Conference, which took place 4–5 July 2016, on 'States, Markets and Society: Defining a New Era for Development'. This event brought together around 200 researchers, policymakers and practitioners from around the world – including many IDS alumni and partners – for two intense days of what proved to be enormously rich and stimulating discussion, challenging us all to think about current and future configurations of state, market and societal actors, and the politics of these relationships amidst the emerging challenges of the twenty-first century – challenges that will be key as development and development studies navigate the next 50 years.

The articles in Part II, and the debates they draw on, go some way to defining a new era for development. Going far beyond old aid-related paradigms, this era emphasises transformations to meet global challenges such as inequality, unsustainability and insecurity, and a universal agenda that affects everyone, everywhere – in Brighton and Boston as much as Beijing or Bamako. It also documents the political dynamics and tensions that characterise this particular moment, including the emergence of multipolar politics and rising powers on the world stage; the rise of right-wing nationalist politics in many countries; a closing of many forms of civic space; and the growth of less 'ruly' forms of social and political action. Changing relationships between states, markets and society are part and parcel of these political dynamics. Understanding these, and charting their implications for the emerging challenges that increasingly affect us all, presents a crucial set of opportunities for the development studies of the next 50 years.

### 1 Looking back

The last half-century has witnessed several eras of development, in which state, market and civil society actors have been attributed varying roles, and seen as significant in different ways. The articles in Part I of this *IDS Bulletin* help track these changing roles and relationships through the lens of some key contributions from IDS and its partners through different decades.

Very broadly, the period of the 1960s and 1970s, in which the Institute was founded and conducted its early work, was one of state-led development. Post-colonial state building aligned with an emphasis on national state planning – a 'state developmentalism' that had also been evident earlier in the twentieth century in colonial and non-colonial settings alike. Development ideas and practices from the 1960s focused

on supporting post-independence governments through planning, modernisation and technology transfer, towards a dominant vision of economic growth and a good society emerging from a stable, modern state. Indeed, when IDS was founded, many believed that this state-led modernisation process would be done and dusted in a couple of decades; development was to be a short-lived process of transition. That IDS is still here 50 years later – amidst development challenges that have changed but not been overcome – belies this simple technocratic and bureaucratic dream. Indeed, the greater complexity of development was already evident to the Institute's founders. Dudley Seers, IDS' first director, dismantled the idea that there was a single path that all countries would follow, with so-called developing countries catching up with the West, in his path-breaking essay on 'the limitations of the special case' (Seers 1963). Even if state-planned, pathways were, and should be, varied. Nor could development progress be assessed by economic measures such as gross domestic product (GDP) alone. In writings that now seem remarkably contemporary, questions of inequality and redistribution, employment and a rounded notion of 'need' that we might cast today as 'wellbeing' were already on the agenda of development studies and advisory missions, IDS style.

Nor was the role of the state taken at face value. The article from 1977 reproduced in this *IDS Bulletin* – Robin Luckham's introduction to an issue on 'Politics, Class and Development' (January 1977, Volume 9 Issue 1) is an early example of the political science analysis that has been a longstanding feature of the work of IDS. Arguing that 'the State is a powerful reality and a still more powerful abstraction', this issue explored how actors of different political persuasions imagined and sought to engage with the state, and how state institutions operated in practice – in diverse ways in different settings. This sense that context and diversity matter and require attention has been a persistent theme in IDS research ever since.

The 1981–2000 period saw a relative retreat of the state in dominant development discourse and practice. The publication of the World Bank report on accelerating development in sub-Saharan Africa (Berg 1981) and the so-called Washington Consensus (see Williamson 1989) helped usher in an era of market liberalism, economic reform and structural adjustment, with policies reflecting the growth of market ideologies, as well as global penetration of monopoly capital. The article by John Dearlove and Gordon White – an introduction to an *IDS Bulletin* collection on 'The Retreat of the State' (July 1987, Volume 18 Issue 3) discusses these trends. Although country contexts differ, the collection documents a fundamental process of restructuring across the world, in which states were 'rolled back' in favour of a turn to market mechanisms in the delivery of goods and services. Often reflecting aid conditionalities and donor-led economic reform programmes in so-called developing countries, but also manifested in Europe and North America, this shift – at once ideological, political and economic – had profound implications. The undervaluing of non-marketable dimensions of human worth,

activity and progress, and the restriction of service access to those who could pay, undermined human and social development and the reduction of poverty, and contributed to rising inequalities. There were many vibrant critiques and debates around the neoliberalism of this period, and IDS made significant contributions – for instance to 'Adjustment with a Human Face' (Cornia, Jolly and Stewart 1987), and in the landmark collection 'States or Markets?' (Colclough and Manor 1991) to which Christopher Colclough's article in Part II of this *IDS Bulletin* refers. These interacted with critiques from Marxist, feminist, social activist and other traditions. Along with critical analysis of market operations and outcomes, this period also saw important analyses of 'real markets' as not just economic, but fundamentally socially and politically shaped and embedded. IDS contributions such as Gordon White's article on the political analysis of markets (July 1993, Volume 24 Issue 3), reproduced here, were significant in bringing these debates into development studies.

This era also saw the rise of non-state actors, from non-governmental organisations (NGOs) and civic groups to social movements and business associations, along with a diversity of forms of democratisation taking root across the world. The rise of concern with 'civil society' in development cooperation and policy aligned with neoliberal ideals around supporting (social democratic) market societies, and became part of the 'good governance' conditionalities promoted by aid donors. The article by David Booth from this period ('Alternatives in the Restructuring of State–Society Relations: Research Issues for Tropical Africa', October 1987, Volume 18 Issue 4) explores these trends and policies in a number of African contexts, and their implications both for the particular kinds of civil society organisation that are able to flourish, and for state effectiveness.

Donor preoccupation with civil society continued into the 1990s. In some quarters, this was coupled with arguments for a return to a greater role for a 'developmental state', but now with democracy at its core (see White 1995). By this time – as the archive article by Mark Robinson, 'Strengthening Civil Society in Africa: The Role of Foreign Political Aid' (May 1995, Volume 26 Issue 2) argues – it had become evident that interventions aimed at promoting democracy were often premised on vague definitions that overlooked the highly varied, contingent and sometimes conflictual realities of civil society in practice. With the negative impacts of naive engagements emerging, donors were urged to proceed with caution. At the same time, many researchers and activists around the world were starting to draw attention to the diverse, contextually-embedded ways that different groups of citizens actually placed demands and claimed rights in relation to the state – in vibrant forms of social and political action and claims-making that extended well beyond, and sometimes bore little resemblance to, the civil society organisations imagined and promoted by aid agendas. The article by Hania Sholkamy, documenting the attempts of poor women in urban Cairo to demand their rights (January 2010, Volume 41 Issue 2), is just one example in the *IDS Bulletin* from an array of work by IDS and

partners in this period. The work of the consortium of researchers and activists who came together in the Development Research Centre on Citizenship, Participation and Accountability (2001–11) provided many others (Gaventa, Shankland and Howard 2002).

Thus, in these first three overlapping eras, mainstream development discourses and practices have respectively emphasised state-led, market-led and (civil) society-engaged processes and drivers of progressive change. These have defined and assisted development progress in different ways. There have also been many critiques and counter-critiques, addressed variously towards the normative and ideological emphasis of these approaches; at their material impacts for different groups of people; and at the disconnect between the imaginations (and therefore intervention attempts) of aid donors and policymakers, and the on-the-ground realities of people's lives and practices.

So what of current times, and of the future?

## **2 States, markets and society – changing roles and relationships**

The period from the 2000s to the present has seen many continuities with the past but also some important shifts. New global and development challenges are emerging, as established priorities around economic growth and poverty reduction are joined by pressing concerns with tackling inequalities, addressing climate change and environmental degradation, mitigating conflict and violence, and more. Global interconnectedness is also intensifying. From climate change to epidemics, finance to food, war to terrorism, recent events underscore how hazards arising in one part of the world increasingly extend through mobile ideas, people, microbes, atmospheric particles, money and information in a highly networked world to affect others elsewhere. Novel risks and hazards are generated which affect all people and places, albeit in very different ways.

The global political and economic landscape is also shifting fast. The influence of the so-called rising powers of Brazil, Russia, India, China and South Africa (BRICS) and others is fundamentally challenging old North–South axes in global governance. It is increasingly clear that global action on climate, health, economy, finance and related issues will depend fundamentally on the positions of these national players in global negotiations, while their own experiences in tackling poverty and building resilience at home are increasingly relevant as they emerge as significant development actors and donors, in relation to other countries in Africa, Asia and beyond. Meanwhile, countries of Europe and the USA – once pre-eminent in global aid and development systems – have experienced financial crisis and recession, and face interconnected problems of poverty and inequality themselves.

The global knowledge economy is also changing, as technology and increasingly complex information ecosystems have affected the flow and dissemination of ideas, data and knowledge. Old notions of North–South technology transfer as the engine of development are challenged by

vibrant grass-roots, citizen and business innovation in all corners of the world, including by aspirant young people. The Open Access and data revolutions, and technologically-savvy policy actors and practitioners, pose challenges to traditional producers and curators of knowledge.

Related to this context of complex, globally interconnected challenges is a fundamental shift away from old aid-related paradigms and their framing in North–South terms, towards an assumption that development challenges are as relevant in Europe and North America as they are in Africa, Asia or Latin America, with scope for comparative insights and learning in multiple directions. This taken-for-granted sense of what one can term a ‘universal agenda’ – where development is a matter for everyone everywhere, and comparative experiences and mutual learning in all directions are valued – was a striking feature of the IDS 50th Anniversary Conference. It signals a different set of discourses from even a decade earlier, when the IDS 40th Anniversary Conference marked out such a universal take as an aspiration (Edwards 2007). This reframing of development aligns with important changes in the international policy context; whereas the Millennium Development Goals of 2000–15 were framed in terms of North–South aid, the post-2015 agenda defines a set of universal Sustainable Development Goals (SDGs), which all countries have committed to implement in order to contribute to progressive change both for their own populations, and to meet shared global challenges.

In this context, longstanding but marginalised perspectives and debates from what was once called the global South offer new value: they are not confined to a North–South axis or a view of development just as aid; they are not underpinned by a commitment to markets or states, but suggest emergent alliances and alternatives, and they are not led by the concerns of Northern intellectuals and policymakers. On the other hand, local subaltern alternatives are not enough to address the challenges of an interconnected world, with multipolar and multilayered axes of power, and connections that are both vertical – from local to global – and horizontal, across localities, nations and regions. As the IDS conference discussions highlighted, this is a world of complex and varied capitalisms, involving a vast array of forms of wealth and financial flows, including the illicit; diverse hybrid forms linked to different political economies, and where global corporations play central roles in what some term ‘post’ politics. It is a world where diverse interconnected risks, shocks and stresses challenge the image of stable, secure societies on which earlier development eras were built. Response and innovation are happening through novel partnerships and sometimes unexpected alliances that challenge conventional divisions between market and state, public and private, formal and informal, across local to global and diverse nodes of power.

In broad terms, then, this is the context that framed the conference contributions and debates. These asked how the roles and relationships of states, markets and society are changing amidst these new

configurations of power. It was asked what these relationships should look like if challenges such as reducing inequality, accelerating sustainability and building inclusive, safe societies in a globally interconnected world are to be met. Indeed, this set of challenges – equality, sustainability and security – emerged as a second triad in the conference discussions, raising questions about how the state–market–society triad might help to meet these. The short opinion piece by Christopher Colclough draws from his plenary talk which helped to set the stage; as one of the authors of the IDS collection on ‘States or Markets’ in 1991, he reflects from a development economist’s perspective on the 25-year history of neoliberalism and on what such a volume might focus on today.

A series of five parallel streams ran throughout the conference. Each included a set of panels where presentations and discussion addressed the shifting configurations of state, market and society from different angles and in relation to particular themes, which plenary sessions also picked up in different ways. These streams focused on inequality and inclusion; finance, business and innovation; sustainability and its acceleration; institutions and accountability; and citizen voice and agency. IDS early career researchers and PhD students acted as ‘hunter-gatherers’ for each stream, collecting and collating key insights, and five of the articles in Part II of this *IDS Bulletin* are built from their work – giving voice to the syntheses and reflections of development studies’ future scholars. The other articles and short opinion pieces here build on the contributions of plenary speakers, elaborating cross-cutting arguments around emerging state–society–market relationships in current times, and for the future.

## 2.1 Inequality and inclusion

Frances Stewart’s opening plenary<sup>2</sup> on ‘the inequality paradox’ set the stage for this stream. Rising inequalities are a fundamental challenge of our era, adding to persistent problems of poverty. The figures are stark and well known: for instance, in 2015 almost half of all household wealth was owned by 1 per cent of the global population (Credit Suisse 2015), while the 62 wealthiest individuals owned as much as the bottom half of humanity (Oxfam 2016). Rising economic inequalities find their origins in the neoliberal period of the 1980s and since, and have continued even in many of the countries recording high rates of economic growth during the last decade. The character, causes and consequences of contemporary inequalities, their implications for the future, and how they might be addressed are explored in the 2016 World Social Science Report co-led by IDS (ISSC, IDS and UNESCO 2016). As Stewart’s talk emphasised, there is a need to refocus research and political attention on the challenge of rising inequalities. However, the paradox is that both states and civil society find themselves constrained by the power of the market, just when they are most needed to tackle inequality. Civil society mobilisation is increasingly around identity, not class. A key challenge for research is to identify transformative pathways that avoid inequality-increasing patterns of growth.



The conference deliberations contributed to this challenge. Violet Barasa's article (this *IDS Bulletin*), which draws from these deliberations, makes it clear that the problem of inequality goes beyond inequality between households in their incomes from work and asset ownership. Important too are intersecting inequalities along lines of gender, age and ethnicity, as well as inequalities in access to public services and security schemes. Her article looks at the challenges of addressing inequality through three focal issues that were discussed at the conference: gender inequality, youth unemployment, and inequality in access to social protection. In each sphere, part of the challenge is that inequalities are themselves embodied in the ways dominant institutions operate – for instance, labour markets are significant bearers and re-enforcers of gender relations. Furthermore, the overall dominance of market forces is producing and exacerbating inequalities. This suggests that a rebalancing is needed to enable greater power to state and civil society institutions if problems of inequality are to be addressed.

The deepening challenges of inequality and unemployment in cities received much attention, including in a panel devoted to this theme. This underlined the new importance of urbanisation as a global process creating many challenges, and a new focus on cities in IDS work. Optimism lies in the emergent forms of informal organising and work in cities across the world, and the growing importance of cities as sites of 'exemplar governance', sometimes engaging in governance, livelihood and social experiments in a semi-autonomous way from their enveloping nation states.

## 2.2 Finance, business and innovation

In the face of these changing configurations, what is the role of businesses in development and what balance of state, market and societal forces can help meet the challenge of inclusive growth?

Alluding to earlier debates on markets as political (White, this *IDS Bulletin*), deliberations on this theme placed strong emphasis on the role of the state in shaping markets. As Mariana Mazzucato's plenary talk emphasised, the financial crisis of 2008 proved that state intervention was critical to fix market failure. But states can be 'entrepreneurial' (Mazzucato 2016), shapers as well as fixers, for instance in building exploratory public sector organisations that can invest in new innovations that will push the frontiers of existing markets and lead to the creation of new ones. A combination of carefully monitored strategic public finance – whether provided by national governments, or international actors such as development banks – and public-private partnerships emerged as key in market creation.

Amrita Saha's (this *IDS Bulletin*) article picks up on this argument and on further conference deliberations, relating it to the particular challenge of promoting inclusive innovation – broadly understood as innovation that involves, meets the needs of and empowers technology users, including poor and vulnerable groups. With examples from

agriculture to health, the article draws attention to the array of factors that shape innovation, creating conditions for technology to be developed, adopted and finally diffused in ways that enable local capacity and inclusive outcomes. The factors span the triad of state, market and society, and often involve alliances between them. Inclusive and participatory approaches to innovation can valuably draw on the everyday knowledge and creativity of citizens and civic society – a theme that Dipak Gyawali and Michael Thompson pick up in the context of Nepal in their article later in this *IDS Bulletin*. They propose innovation as a distributed activity where communities can innovate and organisational structures are built on local knowledge.

Particular opportunities and challenges in this respect relate to technologies and investments promoted by the so-called rising powers in low-income countries, such as through Chinese and Indian investments in African agriculture. The interactions between firms and local actors seem to be key in whether or not such technology investments are able to build local capability that contributes to the creation of livelihoods at the level of the domestic firm or farm. Yet further questions concern how far small and medium enterprises and small-scale farmers can upgrade and link into the emerging global value chains potentially being led by the rising powers. As the conference debates underlined, critical questions concern the political economy of innovation, and how to ensure that the process is not only inclusive for all actors, including the poor and marginalised, but actually creates structural change that leads to growth and development outcomes that are more broad-based.

### 2.3 Sustainability and its acceleration

The conference stream on accelerating sustainability was driven by recognition that the world is now facing unprecedented environmental shocks and stresses. Intertwined human and natural processes, accelerating especially since the 1950s as a result of shifting and intensifying patterns of production and consumption, as well as market neoliberalism has undervalued nature, and produced deeply unsustainable development pathways. Environmental problems such as climate change, biodiversity loss, pollution, land degradation and disease emergence are all interrelated, and affect everyone – locally, nationally and globally. The current and future development era must be an era of sustainable development (Schmitz and Scoones 2015); one in which ‘green transformations’ in society and economy are required (Scoones, Leach and Newell 2015).

Sunita Narain opened this theme with a plenary talk, included as a short opinion piece in this *IDS Bulletin*, which lays out the challenge of unsustainable growth and its relationship to increased inequality and marginalisation, leading to an insecure future. She underlines that sustainability and (in)equality are inextricably linked, and addressing one without the other will be ineffective. The vivid illustrations she draws from urban India confirm that ‘solutions have to work for the poor if they are going to work for the rich’.

Following this opening, four dynamic panels discussed the intersection of states, markets and society in accelerating sustainability. Ramy Lotfy Hanna's article draws from these, offering arguments and evidence of the roles of market-led, state-led and citizen-led processes in transformations to sustainability. A particular focus is how alliances in favour of sustainability transformations are forming between state, market and civic actors, and the processes holding these together. Yet as shown in conference case studies around issues such as water and sanitation in India, renewable energy in Kenya, and agriculture in Argentina, within each part of the state–market–society triad there are forces that are against, as well as for, positive change. Understanding and engaging with these politics is essential in building green transformations.

As Hanna's article indicates, conference discussions also focused on the capitalisation of nature, exploring the unexpected alliances between NGOs, private investors, conservation entrepreneurs and states in commodifying and financializing ecosystems, carbon and biodiversity for sale in international markets. This contemporary phenomenon, based on extending neoliberal ideas and institutions into nature, nevertheless requires state and civil society alliances in its operation. The result can, however, be the undermining of ecosystem processes that are actually vital for sustainability, while such marketised 'green growth' approaches can all too easily become 'green grabs' that dispossess local land users and contribute to inequality (Fairhead, Leach and Scoones 2012).

Across the conference deliberations, a recurring theme was that sustainability is being constructed in different ways in different contexts, with implications for who gains and who loses. Such versions of sustainability – and the pathways towards or away from them – also depend very much on the politics of a particular place; in transformations to sustainability, there is no one-size-fits-all. This theme of localisation was also emphasised in a conference session on the SDGs, led by IDS alumni. Examples from Nepal, Mexico, Brazil, Tanzania and Kenya highlighted the need to make the global goals meaningful in national and local settings. In meeting the pressing challenges of implementation, citizens and businesses have roles to play, but commitment by governments – and their accountability to the public in delivery – is critical.

#### **2.4 Institutions and accountability**

States, markets and society consist of institutions and this conference stream saw panellists grappling with the institutional challenges of development at different scales. Key discussions addressed the extent to which institutions are able (or not) to update themselves to be fit for purpose, the actors which influence them most and to whom they are accountable. Across a range of issues, from taxation to global governance, two overriding questions emerged about the character of institutions for a new development era. How are institutions shaped? And how are they made accountable? Both these themes are picked up in Rachel Godfrey-Wood's article in this *IDS Bulletin*, which addresses in particular the politics of institutions in meeting the challenges of climate change.

A recurring theme is the acknowledgement that institutions are not free-floating, and are themselves the products of interventions by particular actors. As Godfrey-Wood's article emphasises, even institutions which are frequently assumed to be pre-existing, such as markets, are in fact outcomes of interventions, meaning that more attention needs to be given to the actors who have brought them about and who exert decisive influence over them. Much conference deliberation emphasised the dangers of 'capture' of key institutions by elites: for example, media outlets might be decisively influenced by private sector actors in favour of their interests rather than the right to information of citizens, while wealthy elites are often able to evade or avoid taxes because of their political connections.

However, while there was broad agreement over this, there was less consensus over the types of actors who are more likely to have both the strength and will to ensure that institutions are pro-poor and democratic. This question of how institutions are made accountable loomed large in the conference discussions. Some speakers emphasised the importance of social movements and civil society organisations in holding powerful actors to account, such as tax campaigners in Uganda who collected 4.2 million signatures to pressurise the president into vetoing a law which would have made politicians' perks tax-free. At the same time, others pointed out the importance of local-level bureaucrats, who can have surprisingly high leeway for defining the role of the state in the provision of health care, as is the case in much of rural China. Others still emphasised the re-emergence of 'strongmen' leaders in the 'developmental patrimonialism' of Ethiopia and Rwanda. This raises the question of path dependency, and whether or not particular conditions are likely to facilitate the emergence of some actors but not others, or whether on the other hand there is more margin for agency than is often assumed.

## 2.5 Citizen voice and agency

This question of accountability in turn links to the fifth conference stream on citizen voice and agency – what are the opportunities and modalities for citizens to hold powerful institutions to account? Here, a series of panels explored the contemporary nature of civil society engagement in both rhetoric and reality. A strong convergence of debates between North and South reflected the universalist perspective on development pervading the conference, and again underlined the value of comparison and cross-learning across countries. As one participant put it: '... we are all fighting the same battles now. This is an opportunity for civil society more generally – how do we change power dynamics in our own country?'

The article by Becky Faith and Pedro Prieto-Martin (this *IDS Bulletin*) that draws from this theme opens with the recognition that in many contexts this is a particularly challenging moment for civic engagement. On the one hand, formal spaces for civil society voice and participation are closing in many spheres; a phenomenon also explored in

Evelina Dagnino's article in this *IDS Bulletin*. Threats to civil society organising are being felt very keenly in many countries, whether in official moves to quell advocacy or in increasing government control of mainstream media. In other contexts, civil society organisations are being co-opted by state or business interests. Discussions identified many of the failings of conventional 'civil society', understood as NGOs, whether local, national or international, in achieving progressive change that addresses global challenges.

On the other hand, we are also seeing the emergence of alternative means to represent citizen voice and claims. Sometimes this is through 'unruly politics' and protest; sometimes through informal spontaneous forms of community organising and advocacy, and sometimes through social movements and their networks, extending from local up to national and global scales. As Faith and Prieto-Martin explore, digital technologies and social media occupy vital but ambiguous places in these new politics of citizen engagement, offering important opportunities to open up space but also selective in which voices are represented. Meanwhile, it is important to be aware of how unruly politics and digital spaces are used, not just in the service of progressive forces to redress inequality, sustainability and security, but also by extremist groups with quite different aims.

This ambiguous moment for the 'society' part of the triad highlights important agendas for future analysis and action. As Faith and Prieto-Martin suggest, these include developing a new agenda on collaborative politics, exploring the new institutional frameworks through which participation and citizen engagement can flourish locally – for instance, when the local state creates mediating spaces through community development programmes/projects, and through which citizens can hold states and businesses to account. There was also discussion of how to reconfigure and reinvigorate alliances between localised and Southern-based movements, and Northern and international NGOs and civil society – without 'sucking the oxygen out' of vibrant, engaged local politics.

### **3 Forging new alliances?**

The theme of alliances looms large in the final set of articles. These draw from plenary talks at the conference to reflect more broadly on changing state–market–society relationships in development in current times, and for the future. Each looks back to look forward. And each offers powerful arguments and illustrations of the potential of new alliances in tackling challenges such as inequality, sustainability and inclusivity – yet also some important words of caution.

Luka Biong Deng Kuol's article offers an insightful comparison between global changes over the past 50 years, and those in the USA during the decade known as the 'Roaring Twenties'. Both, he argues, saw reactions to economic downturn followed by trends that saw increasing aggregation of wealth for a small proportion of the population. He

argues that the relative roles of the state (shaping development paths), markets (the ‘Washington Consensus’ and neoliberalisation) and society (the rise of global civil society and social movements to prominence) over the last 50 years have produced a development paradox, in which massive increases in global economic growth and technological innovation have coincided with rising global wealth inequality, and divergence in prosperity and development outcomes. Yet, he suggests optimistically that new public–private–civil society alliances and hybrid forms of governance hold the potential for ‘fairer global governance, checking greed and achieving equitable growth’ in the future.

In his article, Michael Edwards warns against confusing such alliances with the blurred and blended institutions that are now becoming popular in development discourse – as donors, business leaders, philanthropists, consultants and commentators emphasise the potential of social enterprises, and social and impact investing. He sees this as an extension of the ideological turn towards the market that began in the late 1970s, ‘now being supercharged in the softer language of blending and blurring’. In practice, he argues, such blended institutions are actually less numerous and significant than many imagine. Moreover, they carry dangers, as blurred boundaries can all too easily mean blurred accountabilities. History shows us that alliances work best when government, business and civil society work as equal and complementary sets of institutions that can hold each other in mutual, constant and creative tension, rather than when they mix and merge their identities. New opportunities for radical innovations in society and economy are certainly emerging, but to make the most of these, he urges a move ‘back to the future’ by re-emphasising the differences between government and civil society and their autonomy from each other, even as they enter into alliances with business and the market.

Evelina Dagnino’s article focuses on another contemporary reaction to neoliberalism – the resurgence of arguments for strong states in shaping development. Emerging strongly in several Latin American countries (and with diverse echoes in other parts of the world, from Ethiopia and Rwanda to China), the discourse and practice of the ‘new developmentalist state’ has much in common with the older ‘developmental states’ of 1980s and 1990s development thinking – but are more than ever now expected to coexist with (and regulate) strong markets. In countries such as Brazil, the new state developmentalism has certainly helped in tackling poverty and inequality, and in promoting social exclusion. However, it has come at a cost to state–society relations, undermining and overturning several decades of innovation in participatory democracy, the involvement of citizens in public policy decisions, and institutional models to promote such engagement. Instead, there is a re-emerging conception of the state as a self-sufficient entity, in which citizen participation and voice are reduced to mechanisms of representative democracy (such as voting), many of which are dominated by elites.

Finally, the article by Dipak Gyawali and Michael Thompson links this question of the appropriate balance between state, market and societal forces to the politics of knowledge. With a focus on Nepal's recent experiences of development, they take the locally salient notion of *dharma* as a lens to suggest that the balance of complementary forces is off-track. This is partly because, they suggest, each element is distorted: in practice, the trusteeship functions of government too often become rent-seeking; the market's 'hidden hand' role with private goods too often becomes crony capitalism, and civic action and demands are too often muted within the politics of organised civil society and large NGOs. Intersecting with this problem is the disjuncture between what they term 'eagle's eye' views of development from the top down, and how everyday realities on the ground are experienced by Nepal's diverse populations. Understanding these requires a different, bottom-up 'toad's eye science' attuned to and grounded in ethnography, citizen knowledge and lived experience. Development paths and progress, and the rebalanced state–market–society triad to achieve them, must, they suggest, be defined, assessed and evaluated in ways that include such toad's eye views – requiring a different politics of knowledge in development and by implication, development studies.

#### 4 Towards the future

If 'looking back' on the last 50 years of development reveals – as the archive articles in this *IDS Bulletin* indicate – a succession of different emphases in the state–market–society triad over different eras, 'looking forward' suggests that each element, and the question of balance between them, is more important than ever. To quote Michael Edwards' article, 'Traditionally... government, business and civil society were seen as different but equally valuable parts of a healthy whole, complementary but necessarily separate from each other'. He suggests that this model is 'so unfashionable today that it is seen as retrograde or even irrelevant', yet in various forms it was the framework that underpinned shared prosperity in many parts of the world. As many articles in this *IDS Bulletin* have documented, in broad-brush terms the over-dominance of market forces with respect to the others, through the neoliberal period of the 1980s onward, accounts for the rise of many of the challenges we see today – growing inequalities, environmental degradation, exclusion of marginalised groups and rising insecurities, with all their consequences for development.

So the question arises, is this triad still relevant to tackling these challenges in the future, and what new roles and relationships are emerging, and will be required? Across the articles here, the answer to the first question is a resounding yes – this remains a highly relevant framework. But in different ways all suggest a rebalancing, to give – in both development discourse and practice – greater weight and influence to state and societal forces with respect to those of the market. The question of new roles and relationships is inevitably more complex, and the conference deliberations and articles here document numerous dilemmas and ambiguities, as well as clear directions. Much depends on the issue in question, and on the



embedded configurations of power and institutions in different places that shape what is possible, and indeed imaginable.

What is clear is that in the context of emerging global challenges such as the triad of inequality, unsustainability and insecurity, a vibrant set of agendas for development research and action is emerging. What new alliances and relationships between states, markets and society will enable the meeting of future development challenges, locally and globally? The articles in this *IDS Bulletin* and the conference debates prefigure some of the specific questions that such an agenda must address, and begin to answer them. They also suggest some cross-cutting themes, which will need to guide future agendas.

One is the importance of *transformation*. Beyond the focus on quick fixes (whether technological, or in the market) that have dominated much of the last few decades of development thinking and practice, evident is a renewed emphasis on deep structural changes in economy and social relations to meet the extent and depth of global challenges.

A second is *diversity*. The theme that ‘one-size-does-not-fit-all’ recurred, suggesting that development must be (re)conceived as a matter of plural pathways towards plural goals. A key challenge, though, remains how to connect micro-diversity plausibly and effectively with questions of macro-structural change; to relate global challenges to diverse local experiences and vice versa.

Third is the emergence of *uncertainty and complexity* as key features of a contemporary and future world beset with shocks and stresses, whether associated with climate change, conflict, financial crisis, epidemics or more. Conference discussions drew out how planning blueprints and mainstream control-focused approaches flounder amidst such uncertainties, requiring analyses and action geared more to building resilience and adaptability in turbulent times.

Fourth, and perhaps most fundamental of all, is the importance of *power and politics*. Debates about the relationships between states, markets and society are fundamentally debates about the politics of development. An analysis of power infused the conference debates, whether seen in material terms or discursive ones; in approaches emphasising political-economic structures, or those attending more to political agency and power relations. Political analysis of states, markets and civil society has infused the work of IDS and its partners since its origins, and must continue to do so in the future, in ways attentive to power’s shifting configurations and guises.

This in turn will require approaches that are both interdisciplinary and transdisciplinary, integrating high-quality research with the knowledge of people working in state, business and civil society organisations; that mobilise evidence for impact, and that are international in their partnerships, linking global understandings with local contexts and the perspectives of people on the ground. Indeed, the anniversary

conference itself, with its mix of participants from diverse international settings, academia, and policy, practice and activist backgrounds, exemplified this type of integration – and the approach that we now term 'engaged excellence' at IDS.

In such ways, I hope that the conference and this *IDS Bulletin* have charted some contours of a future map of development studies, in a new era.

### Notes

- 1 The archive, which was opened for the 50th Anniversary year, makes available online and in fully Open Access form the entire back catalogue of the *IDS Bulletin* since the journal's foundation in 1968. See <http://bulletin.ids.ac.uk/idsbo>.
- 2 See [www.ids.ac.uk/news/exploring-the-state-market-and-society-triad-for-a-new-development-era](http://www.ids.ac.uk/news/exploring-the-state-market-and-society-triad-for-a-new-development-era).

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# Politics, Class and Development (Editorial)

**Robin Luckham**

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**Abstract** The State is a powerful reality and a still more powerful abstraction. An abstraction which conservatives who believe in 'political order' affirm; which revolutionaries hope to smash or negate; which planners and technocrats make use of in order to propound ideologies of state managed development; and the influence of which others who see it as the captive of class forces minimise. All the essays in this issue of the *IDS Bulletin* attempt to penetrate behind this abstraction by looking at various state institutions in a concrete way. In concentrating on the State we may, ourselves, in conclusion contribute to the myth of its omnipotence. Development studies may be as much in need of a theory of revolutionary change as of a theory of planning.

The State is a powerful reality and a still more powerful abstraction. An abstraction which conservatives who believe in 'political order' affirm; which revolutionaries hope to smash or negate; which planners and technocrats make use of in order to propound ideologies of state-managed development; and the influence of which others – who see it as the captive of class forces – minimise.

All the essays in this issue of the *IDS Bulletin* attempt to penetrate behind this abstraction by looking at various state institutions in a concrete way. The first three articles – by Gabriel Bolaffi, Alan Lindquist and Robin Luckham – examine the phenomenon of militarism in various national and international contexts. They are followed by a paper by Geoff Lamb on the interconnection between US influence and the post-colonial State in the Caribbean and three articles – by Steven Langdon, Tom Forrest and Carlos Fortin – on various aspects of the interaction between governments, the indigenous bourgeoisie and multinational capital. Lastly, an article by José Villamil calls for a reconsideration of planning, to make it a more suitable instrument of the major structural transformation of dependent capitalist societies.

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They share the view that the State cannot simply be viewed in terms of the utilitarian calculus of conventional development economics: as providing in the bureaucracy, political parties, the military and the development agencies a set of instruments through which economic resources may be allocated and 'development' more (or less) efficiently managed.

In the first place the state machinery itself is typically badly co-ordinated, contradictory and driven by struggles for power. Such struggles are not 'externalities' which can be assumed away for the purpose of determining priorities for the allocation of resources. They are intrinsic in the state machinery itself and in the struggles for economic resources, power and cultural values between social classes over which it presides. The army for instance might seem to be the most perfect expression of the unity and power of the State. Yet as the articles by Bolaffi, Lindquist and Luckham demonstrate, in no other institution are social contradictions more sharply concentrated.

Second, the State is a repository of certain use values of a negative as well as a positive kind. To be sure it secures certain basic minimum conditions of stability and order (from which, however, all social classes do not benefit equally) and a framework of coercion within which the allocation of resources can be managed. But through it the ruling classes can also repress, terrorise and exploit.

The trend towards authoritarian government in the Third World has made many well-meaning people concerned about violations of basic human rights. But it is little use Western statesmen, newspaper editors and scholars criticising such violations without attempting to understand the economic and social forces which bring them about. The articles by Bolaffi, Lindquist, Luckham and Lamb all account for the dynamics, and consequences, of state repression. Bolaffi in particular shows how the violent exclusion of the mass of the population from politics in Brazil follows from the logic of the strategy of national development adopted by the country's military rulers and from the nature of their hegemonic pact with the multinationals and certain sections of the national bourgeoisie. And Lindquist shows how Bangladesh lost the opportunity of a more participatory kind of development after its secession from Pakistan as the result of the creation of a corrupt one-party government under Sheikh Mujib and of the seizure of power by the professional military establishment. His analysis of the forces – both domestic and international – which blocked the creation of a 'people's army' during and after the civil war is of especial interest.

Three of our contributors pursue the interaction between state managers of the economy, national ruling groups, the indigenous bourgeoisie and foreign capital in more detail. Langdon examines five case studies which illustrate the complex way in which the Kenyan State mediates between local entrepreneurs and multinational corporations, integrating the former and their political allies more fully into

transnational capitalist production. Tom Forrest asks why, despite the availability of substantial oil revenues, state intervention has not created the conditions for a productive pattern of capitalist development in the Nigerian economy; and suggests that it is partly because commercial relations with the international economy and reliance on foreign technology support the dominance of the commercial and managerial fractions of the bourgeoisie. Carlos Fortin examines the reasons why in recent years widely divergent ruling groups have come to adopt natural resource ideologies, bringing about more active state regulation of international investment in Latin American mineral production. In a number of countries the nationally dominant classes have actually succeeded in capturing an increasing share of the surplus generated by this production; though the final result may only be a new form of insertion in the world capitalist system in which multinational firms secure their profits through transfers of technology rather than by direct ownership of productive enterprises.

The ability of the nationally dominant classes to secure and allocate resources through the State should not be underestimated. But how can one ensure they are used to create a less dependent pattern of national development? In a most interesting article, José Villamil suggests that the existing structure of planning in most developing countries is inadequate for this purpose. A more realistic model would have to take account of – indeed make use of – the struggle between classes. It would have to envisage major structural change in the economy and the dislocation and uncertainty created by this change. In sum, planning would be a much more political exercise requiring major strategic choices, rather than a technological function involving the allocation of resources in order to achieve their most ‘efficient’ utilisation.

In many ways, however, Villamil’s analysis is incomplete. For he *assumes* at the beginning of his article that the political conditions for structural transformation have already been created. But in most Third World countries it is precisely this which is in question. The existing ruling classes and their international allies have little interest in a transformation which would undercut their own power and privilege. A process of mass struggle would be required to remove them or to create the conditions under which some of them would be prepared to implement genuine change. But in most countries such a struggle is in its infancy.

Not least among the difficulties it faces is international intervention by the large powers. Carlos Fortin analyses how the destabilisation of the Allende regime in Chile by the US government and multinationals ended its attempts to increase national control over copper and the national economy. Geoff Lamb examines the pervasive influence of the US in the Caribbean and the manner in which pressure is brought to bear, whether to bring down regimes unfavourable to US interests like Dr Cheddi Jagan’s in Guyana, or to stabilise more compliant regimes like that of Dr Eric Williams in Trinidad. Alan Lindquist examines



how India's help ensured the success of Bangladesh's secession, but also helped determine the nature of the groups which succeeded to power (he also examines other foreign – including US – influences on the consolidation of the national class structure). Gabriel Bolaffi and Robin Luckham examine great power influence on counter-revolutionary military doctrines of 'National Security'. Robin Luckham also takes a more general look at the various ways in which large powers may bring military and political influence to bear at the periphery.

All this does not, however, mean that change is impossible. Indeed the contributions to this issue of the *Bulletin* suggest that underdevelopment and national dependence create multiple contradictions and discontents which can be made use of to create the impetus for change. Robin Luckham examines the internal fractures which in appropriate circumstances radicalise sections of the military establishment. He also takes account of the international contradictions which lessen the ability of the large powers to intervene. Gabriel Bolaffi examines the apparent disintegration of the Brazilian military establishment and its inability to justify or sustain its hegemony. Steven Langdon and Carlos Fortin examine the factors which make the alliance between the State, local capital and multinational unstable as well as those which hold it together. Fortin also analyses the international conjuncture which made it difficult for multinational firms to mount a direct challenge against the Allende regime's nationalisation of their copper investments. And finally Geoff Lamb calls attention to the interesting differences between Guyana, where working class struggles have pushed the regime away from the imperial umbrella, and Trinidad where they have intensified the government's reliance on external support. In the former the regime is beginning to implement strategic alterations in its relations with foreign capital of a kind which might fit Villamil's model of planned self-reliance. But even in Trinidad the alliance between oil and sugar workers may bring change, though this might involve an outright confrontation with the regime.

In concentrating on the State we may, ourselves, in conclusion contribute to the myth of its omnipotence. Development studies may be as much in need of a theory of revolutionary change as of a theory of planning.

# The Retreat of the State (Editorial Introduction)

John Dearlove and Gordon White

Article originally published July 1987, Volume 18 Issue 3; original IDS editing is retained here.

**Abstract** We are currently witnessing a global process of economic restructuring in both North and South, East and West. Though country contexts may differ, there is one strikingly common element: the criticism of statist modes of development and provision and the move towards greater use of market mechanisms in the delivery of goods and services. As the case studies covered in this Bulletin suggest, this reaction against statist forms of development is common to both Western Europe and the Third World. This similarity is hardly surprising given their economic interdependence, the activity of international disciplinary institutions such as the MF and the World Bank, and the historical link between the emergence of developmental states in the newly independent territories and the system of managed capitalism practised by their former colonial masters. Do the contributors to this Bulletin offer any ways forward for both theory and practice? Certain analytical points emerge which are important guides to thinking about policy.

We are currently witnessing a global process of economic restructuring in both North and South, East and West. Though country contexts may differ, there is one strikingly common element: the criticism of statist modes of development and provision and the move towards greater use of market mechanisms in the delivery of goods and services.

The problems which this economic 'liberalisation' are designed to tackle vary widely: in Western Europe, there is a perceived need to respond to accelerating technological change, internationalisation of markets and (in the British case at least) relative economic decline, but in developing countries there is a multiple crisis, visible in economic stagnation and debt, social deterioration and governmental incapacity, and the sheer problem of hunger and starvation. Though their cases are complex, one central element stands out: the problem of *state failure*, whether this takes the form of Keynesian macro-economic management and welfare provision in the First World, 'developmental states' in Third World

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countries, or central planning and party power in socialist countries. The crisis is held to be rooted not merely in state policy, but in the state itself – its political and organisational substance and its characteristic modes of operation. Politics is thus central to our understanding of economic restructuring: in its causes, its conduct and its impact.

Concurrent with these trends in the real world has come a 'paradigm shift' in thinking about the roles of states and markets in the process of development. While earlier theorists focused on the inadequacy of the market and provided an implicit or explicit rationale for state provision, current orthodoxies highlight the inadequacy of political solutions and argue for a reduction in the role of the state. This trend of thought is true for both 'neo-liberalism' in capitalist contexts and 'economic reformism' in socialist contexts. In academic circles there has been a movement towards analytical approaches characteristic of liberal economic theory in the discipline of economics itself and in political science, as John Dearlove demonstrates in his critical review of public choice theory.

As the case studies covered in this *Bulletin* suggest, this reaction against statist forms of development is common to both Western Europe and the Third World. This similarity is hardly surprising given their economic interdependence, the activity of international disciplinary institutions such as the IMF and the World Bank, and the historical link between the emergence of developmental states in the newly independent territories and the system of managed capitalism practised by their former colonial masters, whether in the form of Anglo-American Keynesianism or French *dirigisme*, a relationship discussed by Brett and Dutkiewicz and Williams in their articles. Holmes alludes to this link when he describes the Liberation of France in 1945 as the equivalent of independence for ex-colonial states and refers to France as 'the first NIC'.

One can trace certain central politico-economic features common to both contexts. First, they share a similar critique of the deficiencies of state-led development: the incapacity of state officials to manage the economy in efficient ways (Leys documents the inability of African governments to foster agricultural growth and Morgan attributes part of the impulse to liberalisation in the telecommunications sector in Britain to the technical and commercial inadequacies of the Post Office, later British Telecom); the distortions in strategic development strategy induced by the dominance of the state (Fuhr relates this to the preference for 'bigness' in projects and enterprises in Latin American industrialisation which impeded the growth of the small-scale sector, while in the Chinese context White shows how the harnessing of Chinese agriculture to a heavy industrialisation drive imposed a 'triple subordination' on the peasantry which obstructed rural development); and the fact that the dominance of the state is often based on the emergence of a new class or stratum whose power is rooted in political or administrative office (Fuhr and Dutkiewicz and Williams point to

the rise of a political or state class in the African and Latin American contexts which uses the state for its own interests). These criticisms are particularly strong where developmental states have failed to live up to the optimistic assumptions of the post-war era. Even in France, however, where *dirigisme* is generally regarded as successful and state corporations have had a relatively good track record, by the mid 1980s the impulse towards economic liberalisation and outright privatisation had become a common plank in the platforms of *both* left and right, as Holmes points out.

Perceptions of state failure have generated powerful political impulses towards economic restructuring in both First and Third Worlds, not to mention the market-oriented economic reforms in Eastern Europe which began relatively early, in the 1960s. The variation in response, the specific nature and impact of restructuring programmes, has been greatly influenced by the particular constellation of political forces at work in each national context. Morgan argues, for example, that though the pressures operating to impel restructuring of the telecommunications regulatory regime in Britain and France were similar, their political responses have been different and the outcomes of restructuring differ markedly. It is particularly important to understand the specific pattern of political interests embedded in the previous, state-dominated system of regulation, to draw a map of winners and losers; this in turn helps us to identify the supporters and opponents of reform. In Britain, for example, the previous system of telecommunications generated widespread dissatisfaction, particularly among business users, but the move towards privatisation was opposed by a coalition of embedded interests, notably the unions worried about job security and the principal supplier firms threatened by foreign competition. Particularly important in the British context was the rise to power of the Conservative Party in 1979, a party that was committed to a neo-liberal perspective and to radical change and was prepared to override opposing interests in the telecommunications sector and elsewhere. In the Chinese context, conservative rural cadres were overridden by the Communist Party which was committed to rural reform.

In the African and Latin American contexts, the political obstacles faced by economic reforms are more impervious to change, rooted as they are in the institutionalised dominance of state interests and patron-client relations between state organisations and specific social interests. Any significant change in policy direction requires the political force necessary to challenge and if necessary dismember these networks of power and interest. Though their hand may be strengthened by the very seriousness of the problems they confront, and forced by the pressure of international institutions such as the World Bank and IMF, the political task is still prodigious. In the African context, Dutkiewicz and Williams remain pessimistic about the political capacity of governments to take on this challenge. In the Latin American context, though a move towards small-scale industry is developmentally rational in the current context of indebtedness, relative stagnation and

increasing unemployment, the politico-administrative obstacles posed by the intersecting interests of 'state segments' and powerful business pressure groups, and the characteristic nature of state administrative interventions make this industrial restructuring very difficult. It requires basic political and institutional change. It is significant, however, that where the potential beneficiaries of reform – in this case, small entrepreneurs – are better organised to press their claims, as in Ecuador as opposed to Peru, a greater degree of reform has been possible.

These examples raise the crucial issue of the political nature of *economic reform coalitions* and the relation between economic reform 'from above' (state-sponsored) and 'from below' (socially demanded). One may well doubt the capacity of state elites to transform themselves and undermine the basis of their own power and privilege (unless in unavoidably dire straits). The political basis of economic restructuring will be stronger if there is the possibility of alliances between reform-minded elements of the established regime and those social interests from below that are dissatisfied with the status quo and set to benefit from reform. White's study of the Chinese rural reforms provides a vivid example of such an (implicit) alliance – between reformist leaders in the Chinese Communist Party and large sections of the peasantry who combined to outflank conservative officials in the state and commune hierarchy.

To the extent that the political constraints embedded in the previous statist mode of development are ruptured and a more or less thoroughgoing process of economic restructuring is actually achieved, there will be important *political consequences*. New patterns of beneficiaries and losers emerge to condition the future policy agenda: for example, Morgan shows the uneven pattern of benefits deriving from the privatisation of British Telecom. More fundamentally, to the extent that economic restructuring transfers economic power from state to society and the economy operates in a more decentralised and competitive fashion (and this obviously varies greatly), there is a change in the political balance between state and civil society that may redefine the rules of the political game and the character of the political process. In socialist contexts at least, as White's analysis of China suggests, it may lead towards a more 'pluralistic' political system in the long run.

Do the contributors to this *Bulletin* offer any *ways forward* for both theory and practice? Certain analytical points emerge which are important guides to thinking about policy. The case for the market and against the state is now widely accepted, not the least among socialist economists, but there is a need for caution when faced with the policy bandwagons of 'liberalisation' and 'privatisation'. First, it is important not to accept a simple dichotomy between 'state' and 'market' but to recognise the interdependence and potential complementarity of these two modes of social organisation. To develop effective market institutions there is a need for an effective state to coordinate market sectors and set strategic directions, to set and enforce rules, handle conflicts and inequalities, correct distortions, regulate external transactions and so on – several

of our authors make this same point in different contexts. Holmes, for example, argues that state planning in France was not intended to displace the market, but to create a new, more modern type of capitalist economy which would eventually outgrow its patron, the state; Japan and South Korea are also cited as examples of the interdependence and complementarity of state and market. At the deepest level, it is the politics of a society and the interests within it which regulate the nature of this interaction between state and market.

This implies that, even where the state has failed, the developmental problem cannot be solved by turning to the market alone. There is still the need to reconstitute an effective developmental state. Creative thought is necessary here, not least, as Brett suggests, through an attempt to reconstitute that branch of inquiry formerly known as ‘development administration’. This may involve a move away from Weberian principles of ‘rational’ bureaucracy and an eclectic fusion of ideas and practices from political science, organisation theory, business and management studies and public sector economics. The central focus would be on the question of *restructuring the state*, devising new institutional forms and methods of intervention which may serve to reduce its bureaucratised power and well-established developmental deficiencies.

The second point which emerges from the studies in this *Bulletin* is the need to adopt a critical perspective on the ‘new orthodoxy’ and its policy implications. Liberal principles of economic restructuring are often presented as a simple panacea for what ails the First, Second and Third Worlds. As the articles by Dearlove and Brett point out, however, there are serious analytical deficiencies in the new paradigm. There is also the danger that the new orthodoxy counterposes a realistic view of the (vices of the) state to an idealised view of the (virtues of the) market. As Brett argues, although we can accept much of the current case against the state, it is also important not to forget the original case against the market and the concomitant rationale for state intervention, much of which is still valid, though clearly in need of rethinking. There is a common problem which crosses the state-market divide – that of monopoly power in the economy and the polity – and it is important to tackle this through plans for democratising political organisation and securing real competition in the economic sphere.

Moreover, if part of the new orthodoxy’s critique of the developmental state is that it leads to the politicisation of economics, our authors show that markets and market actors, both international and domestic, are themselves highly politicised (for example, Cawson’s analysis of Western European firms as political actors). This once more reinforces the centrality of politics *across* both state and market – a theme to be taken further in the next issue of this *Bulletin*.

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# Alternatives in the Restructuring of State–Society Relations: Research Issues for Tropical Africa<sup>1</sup>

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**Abstract** This article considers the possible long run implications of the liberalisation programme currently under way throughout Tropical Africa. A strengthening of private sector institutions and a corresponding shift in the relationship between the state and civil society is clearly on the agenda, but – the paper argues – it would not be fruitful for research to remain focused on the public private or state society balances as such. The more challenging and important questions have to do with (i) the substantially different kinds of private sector and civil society development which might result from the current policies, and (ii) the implications of any strengthening of civil societies for the emergence of more autonomous and effective states.

The existence on a world scale of an apparent trend towards more market-oriented approaches implying the withdrawal of the state from certain long-established areas of activity is hard to deny. To the extent that they are effective such processes of ‘liberalisation’, ‘privatisation’ or ‘economic reform’ may entail a shift in the relationship between the state and civil society,<sup>2</sup> with important implications for long-run political and social dynamics.<sup>3</sup> However, the apparent parallelism between these processes currently under way in widely different parts of the globe may be deceptive – more the result of the undoubted ascendancy of free-market economic theories and political discourse in some of the central capitalist states than a faithful reflection of their objective sources and significance.

While obviously influenced by world-wide ideological trends as well as directly and indirectly by the policies of the central states, the ‘retreat of the state’ in Tropical Africa in the 1980s has its roots in quite specific features of the profound crisis which has developed in the region since the end of the last decade. The timing and intensity of this crisis owe



much to international economic factors which have also been relevant elsewhere, but in its fundamental features, I would argue, the African crisis cannot be understood apart from the continent's own economic, political and social transformations over the last 25 years or more. The long-run political and social implications of the recovery measures now being adopted seem similarly *sui generis*.

To the extent that it does place a rearrangement of the fundamentals of state-society relations squarely on the agenda of change, the current economic and social malaise in Tropical Africa is clearly of momentous significance for the development of the region. It deserves to be researched with adequate attention to detail and to the 'view from below'; and it also needs to be theorised about, calling for some initial sharpening of our conceptual vocabulary and analytical sensibilities. We need studies of the micro- and macro-politics of, for example, stabilisation programmes, new marketing arrangements and administrative reforms in individual countries, but we also need a better idea than we presently have of the terms in which to evaluate the data produced by such studies. To be worthwhile, work on particular topics of the above kind needs to be informed by a clear conception of the major structural issues upon which they bear.

The discussion in the literature to date has taken us some way towards such a clarification of issues. At least it allows us to dispose of a few red herrings, to establish some directions in which it would not be fruitful to proceed any further. It also suggests, mainly by implication, some alternative lines of enquiry which are potentially both theoretically interesting and of some considerable practical relevance. This paper identifies, not for the first time [Brett 1986; Sender and Smith 1984], one major pair of non-starters in the recent discussion about Africa, and begins to sketch, in what I hope is a suggestive form, some of the genuine research issues which underlie its unhelpful clichés. I am aware that the requirements of this critique and the generality of the subject make the whole discussion appallingly abstract, but the risk of losing contact entirely with the national and local realities with which the theoretical categories are ultimately concerned seems, in the context, to be a risk worth taking.

### **1. The State versus Civil Society? The Argument Outlined**

The notion I wish to dispose of straightaway is that there is much mileage from a research point of view in focusing on the state-society balance as such. In other words, the hesitant steps currently being taken in Africa towards the replacement of state-led development models with more market-based arrangements are not suitably or interestingly analysed in terms of a simple conceptual polarity of the 'regulation versus free enterprise', 'plan versus market' or 'state versus civil society' type. At a preliminary level of documentation and analysis we obviously do need to know to what degree these balances have been altered by the changes set in motion. However, unless the results of a changeover to 'market solutions' are held to be entirely predictable and positive, or unless one

accepts a wholly zero-sum view of the relation between private enterprise and the developmental role of state in the African context, the really interesting questions are those which arise next. It is important not to allow these to be closed off by the poverty of our conceptual resources.

Intellectual influences which have just this effect are unfortunately not lacking, and not restricted to a single point on the ideological spectrum. On the one hand, free-market liberals are inclined to see the removal of price controls, the stimulation of the private economy and the restriction of the state to a narrow range of 'proper' concerns, as a wholly reliable means of dealing with the market distortion and inefficiencies which lie at the back of the economic deterioration in Africa. In this perspective – admittedly a minority view, probably even in such institutions as the World Bank – there are major obstacles on the path to a satisfactory outcome, but no real false turnings or dead-ends. This vision obviously takes strength from the continuing fashionableness of the economic liberalism of the past century, with its emphasis on rugged individualism and its view of the state as a parasitic excrescence on the market. But while there is of course much in the African situation to confirm neo-liberal prejudices about the state, there is not enough to support such unrestricted optimism about the private-enterprise alternative.

Radical critics of the trend of policy in Africa unfortunately tend simply to invert the terms of the liberal view. Evidence of the unreliability of private-sector models and of the complicity of the World Bank and other Western aid donors in Africa's development disasters is used to pour cold water on the whole idea of rethinking the role of the state in development. The adoption of reform programmes to revive agriculture and stimulate exports is viewed – despite much evidence to the contrary – as an externally-imposed and retrograde trend, with roots in the world political balance, but without genuine relevance to the actual problems of raising the capacity of African economies for sustained and equitable growth. While acknowledging for form's sake that much needs to be done to improve the quality of planning and the efficiency of parastatal enterprises, radical critics often seem to cling to a Fabian-type vision of the post-colonial African state as an all-seeing promoter of long-run comparative advantage besieged by local – and especially international – supporters of free-market capitalism personified by the IMF and the Bank. In practice, while they are prepared to discuss reform, they are very short on proposals in this area, and are often particularly weak on the possible politics of a non-market attack on the anti-developmental roles of African states.

The debate between the liberals and the radicals (in the specific sense just defined) has so dominated the scene since the publication of the Berg Report [World Bank 1981] that it has sometimes seemed that the only real issue to which research might be addressed is which 'side' is likely to come out on top in any particular case. Fortunately or otherwise, the real issues are more complicated, both from a practical

point of view and conceptually. In the African context, the 'retreat of the state', if such it is, is neither a panacea nor an irrelevance, and what a sustained economic liberalisation might mean for the relationship between state and civil society is a complex issue calling for both empirical research and greater clarity about the central concepts. The remainder of this article elaborates this contention with reference to recent literature, arguing in particular two things.

First, there is certainly a case for thinking that the emergence and the political entrenchment of new private-sector groups may be the best or only way of sustaining a more balanced and equitable pattern of development in Tropical Africa (particularly, a pattern less hostile to the raising of agricultural marketing and productivity). However, it cannot be said that *any* kind of private-sector development and any ensuing flowering of civil society whatsoever would be progressive from this point of view. Several different possibilities need to be distinguished. As well as drawing on my own limited knowledge of comparative class formation and politics in African societies, this part of the argument draws strongly on the 'urban bias' debate, particularly on the work on Africa undertaken by the political scientist Robert Bates [1981].

Second, the matter of the state and its development needs to be distinguished analytically from the question of the state's relation to civil society. While it is trivially, even tautologically, true that any strengthening of civil society weakens the state (i.e. in its relations with civil society), the strength of the state in the sense of its capacity to realise given objectives is related in no obvious and univocal way to developments in civil society. The strengthening of state *capacity* is very much on the agenda in most countries of Tropical Africa in the 1980s. Moreover, it may be that the possible resurgence of private-sector activity is important not just because of its more or less direct contributions to economic revival, but also – and in the longer run, more importantly – as a stimulus to the development of state capacities. In even the best surveys of the African literature in this area [Crook 1986; Mars and White 1986; Ravenhill 1986b], I find insufficient sensitivity to this possible interdependence between processes of class formation and state development, even when the independent significance of the latter is acknowledged.

## **II. Two Paths of Civil Society Development for Tropical Africa**

I do not want to say anything in this article which might be construed as reopening the important but long-running debate about the technical merits of alternative policy-reform packages for economic recovery in Africa [Allison and Green 1983, 1985; Lawrence 1986; Mellor *et al* 1987; Rose 1985]. The outstanding issues between those specialists who emphasise pricing issues, institutional problems and inter-sectoral resource allocation, and those on the other hand who insist on longer-run structural and technological constraints and the continuing need for planning, are not unimportant. But underlying the controversy there is a considerable measure of tacit agreement both about what has gone

wrong in post-independence African states and about the immediate measures that need to be taken. There is wide agreement, notably, that in many countries the institutional and economic-policy regime has been hostile to either food production or agricultural exports or both – for reasons that have little to do with either equity or industrialisation, and that as a result African economies have done so poorly that the long-run constraints barely enter the picture.<sup>4</sup> Although there is controversy about the likely efficacy of a recovery strategy that relies heavily or exclusively on getting the prices right, there are no widely-canvassed proposals that do rely wholly on measures of this type, and none in which action on prices and exchange rates does not play a fairly substantial part.

While there is in this sense a fair amount of shared understanding about the economic and technical side of what needs to be done, there is almost no consensus, and very little direct discussion, about the sociology and politics of successful reform. Serious research is now needed not just on the politics of past economic failure, but on the types of political realignments and social changes that are occurring, and which may or may not provide a stable basis for the implementation of a well-designed reform package over the medium and longer terms. To begin with this means investigating in some detail the ways socio-economic differentiation, interest-articulation and policy ‘implementation’ are interacting in the context of reform in different countries.

Hypotheses which might guide work of this kind are not entirely lacking in the literature. Michael Lipton’s pioneering attempt to bring together the economic and social-structural aspects of ‘urban bias’ into a single synthesis is obviously relevant here [Lipton 1977, 1982, 1984]. So is Bates’ analysis of the way African governments use agricultural policies to appease powerful constituencies and confer benefits on their supporters [Bates 1981; also Bates and Lofchie 1980; Bienen 1987; Commins *et al* 1986; Lofchie 1985]. On the whole I find the latter a more sensible starting point for a discussion like the present one, not only because it accommodates more fully the specificities of the African situation,<sup>5</sup> but also on theoretical grounds. Although the argument has not yet been made in a fully convincing fashion, Lipton’s treatment of the politics of ‘urban bias’ is in my view correctly accused of socio-economic reductionism. In other words, the interests which lie behind urban biased policies and institutions are taken too much as given by the structural locations of socio-economic groups, and not enough as having been defined or constructed in action, either, so to speak, within civil society or, more significantly, through the operations of a political system. The result is a rather unstable and self-contradictory estimation of the intractability of urban bias and the possible means of defeating it [cf. Corbridge 1982; Lipton 1984; Moore 1985].

Bates may perhaps be accused of the contrasting failing, of ultimately dodging the important sociological questions his work raises [Konings 1986:1–6], but his basic analysis is useful in providing a non-reductionist context into which it is possible to reintroduce the role

of socio-economic differentiation and class formation in the shaping of development policies and institutions.<sup>6</sup> One major question that arises from Bates' discussion is: what is the possible role of socio-economic differentiation, and in particular the emergence or re-emergence of rich peasant or elite farmer groups, in consolidating given changes in the framework of agricultural development? The central idea I want to propose in this section is that the Bates/Lipton framework suggests at least two quite contradictory answers to questions of this type.

On the one hand it is a major theme in both Lipton and Bates that the better-off rural sectors are frequently beneficiaries of the policies which are responsible for depressing agriculture at large. Not only is biased resource allocation the result of interlocking public and private-sector activities (so that economic liberalisation *per se* cannot be expected to do away with the problem), but the richer peasantry are 'bought off' by selective subsidies and preferential access to inputs and credit. Privileged agricultural groups or regions also benefit from special projects and programmes which help to undermine the general conditions for agricultural growth. To the extent that these kinds of arrangements remain a part of the picture in these more austere times, we obviously cannot discount the possibility that policy shifts achieved or consolidated with the support of emergent elite farmer groups will turn out to entail large regionally and socially concentrated concessions to rural interests funded more out of cuts in basic needs provision and other services benefiting the rural poor than out of a genuine reversal of urban/rural priorities. In this sense, some African countries may go overboard in the direction of 'capitalism' as the solution to their current difficulties, and end up creating no more than a new version of the same thing [cf. Brett 1986; Ravenhill 1986:28].

Although widespread, the incorporation of the potential leadership of the rural sector into an anti-rural coalition is not, however, an absolutely invariant pattern. In any given case where the rural elite has come to be 'bought off' in this particular way, the explanation tends to involve subtle political factors, often highly specific to the country in question. In different political contexts other patterns seem possible. Indeed, Bates [1981:119–28] and others [e.g. Barker 1984:24, citing Hart 1982] have concluded from comparative historical evidence that a key to the adoption and permanence of relatively unbiased policies towards agriculture has been the emergence and political entrenchment of a significant group of elite farmers from among the African peasantry. Crucially, under certain conditions the influence exercised by rich-farmer groups within post-colonial political systems has inhibited the use of output pricing and other policies to turn the internal terms of trade against agriculture. This suggests the possibility that in conditions of high bias such as continue to prevail throughout much of the region in the mid-1980s, the activation or reactivation of links between such groups and other forces within the national political arena may be important, and even perhaps a *sine qua non*, in securing a transition towards a policy regime more favourable to agriculture.

A flowering of civil society as a result of the economic strengthening of the private sector in the rural areas of Tropical Africa *may*, then, be the key to a more satisfactory and sustainable form of development. Albeit in the pursuit of their own particular interests, new pressure groups arising from liberalised economic sectors may contribute to the consolidation of economic-policy regimes which favour general interests both at the sectoral and at the societal level. In this case other things too may become possible (on which more later). But the 'turn towards capitalism' in rural areas of the continent may also turn out to be a dead end, economically and politically, leading to nothing more than new pockets of politically-bestowed privilege and support for the *status quo*. Under which conditions each of these possibilities becomes the more likely would seem to be a research issue of the greatest importance.

### **III. Taking the State Seriously in the African Context**

Among the numerous critics of Berg-inspired liberalisation packages for Africa there are many who are clear-sighted enough to recognise that while the inefficiency of African developmental states has been exaggerated in certain respects in the liberal case, there is a real need to increase the effectiveness of state institutions, especially in their relation to agriculture. In this context it is sometimes pointed out that African states are to a greater or lesser degree 'soft states'<sup>7</sup> and more or less thoroughly penetrated, corruptly and otherwise, by particularistic social claims, suggesting that far from being overdeveloped and in need of curtailment, they need in crucial respects to be strengthened and given greater autonomy in relation to civil society. The point is an important one, but it suffers from a lack of conceptual clarity which results in a rather superficial appreciation of the possible long-run consequences of economic liberalisation.

As is now becoming fairly widely recognised [Evans *et al* 1985a; Hall 1986] Western – especially post-war Anglo-American – social science has been powerfully influenced by what have been called 'society-centred' as opposed to 'state-focussed' approaches to the analysis of historical change. In different ways, it is argued, both the pluralist and structural-functionalist tradition and Marxist and neo-Marxist theorising have been preoccupied with the influences upon politics and state action emanating from civil society (interest groups, classes) to the detriment of investigation of the specific structures of states, of the development of those structures and of their impact upon the evolution of economies and societies [Skocpol 1985]. In other terms, interest in modes of production and their transformation has not usually been accompanied by a parallel interest in modes of political domination and their dynamics [Mouzelis 1986]. As a result of these influences, questions about the variable aspects of state organisation – notably, the development of state autonomy and the capacities of states in different areas of activity – have only fairly recently come to be formulated as problems for historical and comparative research. I would argue that those engaged in the current controversies about Tropical Africa have

something to learn from this 'neo-Weberian' point of view and the new avenues of research that it suggests.

In the present context it implies a critique of two types of thinking in particular. One, obviously, is the reductionism of the Marxist tradition, in either its class-instrumentalist or functionalist variants, in which state autonomy is treated by conceptual fiat as a limited and largely invariant feature of all states within a mode of production. This closes off almost entirely comparative research into such questions as why some states do and other states do not develop a high degree of autonomy [Skocpol 1985], including any evaluation of the contribution to state development of different patterns of economic change and class formation. The problem extends of course to the whole relation of 'the political' to 'the economic'. As Mouzelis puts it, we need to 'try to deal with political phenomena in a way that does not build into their very definition (and therefore excludes from empirical investigation) the type of relationship they are supposed to have with the economy'. It seems possible to Mouzelis to avoid this reductionism 'without abandoning the "political economy" holistic approach, that is, without falling into the type of compartmentalisation of the political and economic spheres which is to be found in neoclassical economics and in non-Marxist political science' [1986:203–4].

Perhaps less obviously, this trend of thought also implies a break with what has been called a crudely Weberian imagery producing straightforwardly zero-sum propositions about state autonomy [Evans *et al* 1985b:353]. In this perspective, as described by Evans *et al*, 'the increased ability of a bureaucratic state to realise internally generated goals supposedly reduces the power of all societal groups "outside" the state; conversely, the existence of well-organised social groups with control over the disposition of politically relevant resources implies a less autonomous state'. A further assumption, shared by the vulgar Weberian perspective and some Marxist treatments (Poulantzas), is that state autonomy and state capacities for effective socio-economic interventions invariably go hand in hand. Contrary to all of these notions, the research assembled by Skocpol and her collaborators suggests a complex, dialectical relationship, both between state autonomy and the power of groups in civil society ('state autonomy and the power of social groups can increase or decrease together') and between state autonomy and state capacities (while in general one might assume these to vary together, sometimes they are in contradiction) [*ibid.*:353–5].

All this, I think, is highly suggestive of research themes for Tropical Africa during the next decade or so.<sup>8</sup> With reference back to the observation with which I began this section, it is plainly time we stopped talking about the 'strength' of states as if this had a single and straightforward meaning, and about the strength or weakness of civil society as if developments in civil society had an obvious and univocal impact upon the evolution of the state. We also need to consider more carefully the distinction between 'civil society' and plain 'society' and



its implications for analyses of state development.<sup>9</sup> It seems perfectly consistent to say, for example, that while by general assent civil societies in most countries of Tropical Africa are very poorly developed (whence the old theme of the ‘overdeveloped state’), it is also the case that states have, comparatively speaking, very little autonomy; they are in Myrdal’s sense soft, and more generally uninsulated from the particularistic loyalties and ‘role diffuseness’ which prevail in African societies, perhaps precisely to the extent that they have not developed as *civil* societies.<sup>10</sup> The most likely route towards increasing the state’s autonomy with respect to pressures of these kinds – which seems in this case a precondition for raising its effectiveness as an agent of development – is not completely clear. However a number of hypotheses suggest themselves.

We cannot exclude in principle the possibility that African states will prove capable of self-reform. It is, after all, by no means the case that there are no historical examples of successful developmental states emerging out of processes of state development in which the role of civil society was scant. Outside Africa, the most unambiguously successful developmental states from the Meiji Restoration onwards seem to have emerged out of ‘revolutions from above’ in which non-state groups played an almost entirely passive role [Ruggie 1983; Trimberger 1978; White and Wade 1985]. On the other hand, one looks in vain in recent African experience for signs that within the military or civilian bureaucracies of the continent there are the seeds of a comparable transformation. Admittedly such things are by their nature hard to detect in advance, but the East Asian cases themselves indicate that there is a certain threshold of state-bureaucratic autonomy which has to be reached before an effective revolution from above becomes a possibility, and it is at least doubtful whether this threshold has been crossed anywhere in Tropical Africa.

This being the case, a very different avenue seems worth exploring. For a long time some students of the African scene interested in such matters as bureaucratic corruption have seemed to suggest that it is not inappropriate to put the African situation against the background of the long struggle against corrupt practices in British history between the 17th and 19th centuries [Wraith and Simpkins 1963]. The implication appears to be that the development in civil society of groups – thrusting self-made entrepreneurs, new-style professional associations – which are capable of imposing new standards of public morality on politicians and bureaucrats may be the best or only route to higher levels of state development in Africa as in some otherwise very different industrialising societies.

This type of idea has been developed in one form<sup>11</sup> in Goran Hyden’s *No Shortcuts to Progress* [1983] which argues that despite a superficial structural resemblance with its colonial predecessor, the post-colonial African state is ‘a state with no structural roots in society’. It is like ‘a balloon suspended in mid-air’, and thus prone to be punctured by excessive demands as the ‘economy of affection’ (i.e. the sphere of anti-bureaucratic, particularistic loyalties) swamps the public realm,



rendering it unable to function without an indiscriminate and wasteful use of resources. According to Hyden, the only long-term solution to this state of affairs lies in the adoption of market-oriented economic policies which permit the growth of new social forces that will battle against the pressures of 'clan' politics. 'The essence of these new policies must be to strengthen the market, and through such measures, the development of a core of people ready to defend the market at any cost and to withstand the pressures of the economy of affection and its ensuing clan politics. These people will constitute the core of a local capitalist class...' [Hyden 1983:19, 52–3].

It must be said that a part of Hyden's case for capitalism in Africa rests upon ideas about the intrinsic limitations of peasant production and the virtues of large-scale enterprise which, although now more nuanced or perhaps contradictory, than in his earlier book on Tanzania [1980], remain highly questionable [cf. Kasfir 1986]. Nevertheless, the thesis that the state needs to become more effectively bureaucratised (in the Weber sense) and that this will happen, for social and political rather than economic reasons, only as society becomes more capitalist, is interesting.<sup>12</sup> Again, recalling our earlier discussion of the prospects of sustaining a new economic policy regime, it is by no means certain that in practice new 'bourgeois' groups would be as implacably opposed to the politics of special favours for ethnicity and region and the corresponding forms of state as Hyden hopes.<sup>13</sup> Much, presumably, would depend on the precise terms on which the new forms of enterprise were put in place. At the very least, though, Hyden's vision is a hypothesis to which researchers will need to give attention in exploring and assessing the more permanent, long-term effects of economic liberalisation.

My purpose, once again, is not to legislate about these issues but to give an indication of just how much there is going to be to find out about the pattern of change in post-crisis African societies. As I have argued in this section, the newer forms of civil-society development throughout the region are becoming vital subjects of research not just for their own sake or in terms of their implications for economic recovery in the short or medium term, but also, and perhaps above all, with a view to their eventual consequences for the development of politics and the state. In the spirit of Bayart's [1986] review of the prospects for democracy, there is a sense in which those interested in the future of the state in Africa should begin by studying civil society.

#### **IV. A Concluding Note on Elitism and Participation**

In the interests of simplicity and brevity, this article has concentrated on the major reasons for not viewing the current trend in Africa in terms of a simple polarity of state versus civil society. This has meant dwelling on certain extreme alternative possibilities outlined in very stark as well as abstract terms. Since the resulting scenarios may seem unduly limiting and depressing, I should like before concluding to register two points about one aspect of the matter – the strong emphasis given to the roles of emergent elite or dominant-class groups to the apparent exclusion

of the development of new and effective forms of democratic mass participation in the politics of development.

First, I would say that this initial stab at the problem does not at all exclude the possibility that reforms in the institutional framework for local political representation will enhance peasant political influence in some places to the point where the more oppressive aspects of the state-led model of agricultural development can be replaced by a pattern based on more decentralised but non-market types of organisation [Barker 1985; Brett 1986; Mackintosh 1985]. I note only that the literature is fairly uniformly discouraging about effective peasant political organisation, whereas the role and position of elite farmer groups seems to have been critical almost everywhere.

Second, more encouragingly, all such developments have to be viewed in a dynamic political context; they are not once-and-for-all changes which are likely to remain frozen in permanence. In particular, economic changes and institutional rearrangements which permit the expression of elite farmer views in favour of particular rural interests and limited improvements in the functioning of state institutions, may in time generate irresistible pressures towards the broadening of such participation. This at least seems to be one of the lessons of the Indian experience [Blair 1985]. I think it is at least worth considering that socially limited but strongly institutionalised arrangements for 'self-help' and local political representation such as have existed for example in Kenya may prove as productive of wide participation in the long run as the theoretically more inclusive arrangements which exist elsewhere – for example, Tanzania [Holmquist 1984; Kleemeier 1986; Leonard 1984]. In all events, these are important further issues to which research needs to be addressed.

### Notes

- 1 This paper outlines some of the author's thoughts at the beginning of a major research project, not the results of completed work; I am very conscious that it contains many questions, often of an extremely general kind, and relatively few answers, especially in the form of detailed and well-founded illustrations from the experience of particular countries or regions. I am grateful to Teddy Brett, Jean-Marc Fontaine, Moises Ikonikoff, Jim Manor, Subrata Mitra, Mick Moore, Hugh Roberts, Paul Sutton and Gordon White for helpful comments on the first draft, which was presented to the IDS/EADI Workshop on 'The Developmental State in Retreat?', IDS, June 30–July 1, 1987.
- 2 Here and in what follows I take the expression 'civil society' in the now conventional sense derived from Hegel as referring to the social space 'intermediate... between the close-knit, immediate dependency of the family bond, and the universal interest and perspective of the state', or more simply as 'socio-economic life as distinct from the state' [Mann 1983:45].
- 3 Hugh Roberts and Gordon White, invitation to the Workshop.

- 4 The essential facts are laid out in different but consistent ways by Fieldhouse [1986] and Sender and Smith [1986].
- 5 While suggestive in other ways, the attempts to theorise the sources of the present crisis in terms of concepts of neo-patrimonialism or 'personal rule' [Callaghy 1986a, 1986b; Medard 1982; Sandbrook 1985, 1986] seem insufficiently general in their application.
- 6 With Mick Moore [1986], I would reject the suggestion that finding Bates' political analysis useful logically entails either agreement with his somewhat oversimplified economic analysis, or acceptance of the wider claims of the rational choice school of political science to which he claims to belong.
- 7 That is, where policies decided upon are often not enforced and where the authorities are systematically reluctant to place obligations on people [Myrdal 1968].
- 8 Although perhaps not quite the same thing, asking questions about state capacities would seem to be consistent with approaching states as organisations [Mars 1986].
- 9 I owe this important further clarification and the points which follow from it to Hugh Roberts.
- 10 The distinction here is between the sphere of voluntary association and market-oriented behaviour regulated by law – 'where individuals pursue their own self-interest within universally recognized bounds' [Mann 1983:45] – and that of the family and its extensions. However, in the African context, where the ramifications of kinship and ethnicity are so widespread, it is probably not sensible to maintain such a sharp distinction. Bayart, who defines civil society as 'society in its relations with the state... in so far as it is in confrontation with the state' [1986:111], develops a conception of civil society in Africa in which the elements of particularism appear extremely strong.
- 11 An alternative formulation would be that it is important to measure processes of change in Africa against the yardstick of a rigorous, if seemingly ethnocentric, conception of civil society [cf. fn. 10] because the development of a 'true' civil society is a crucial precondition for the achievement of higher levels of state autonomy and capacity – for example, because of the way it helps to strengthen the distinction between the public and private domains.
- 12 As applies more generally to the substance of this section, it is a question of recovering some of the essential insights of modernisation theory, themselves mostly taken from the classics of European social theory, without reinventing the evolutionism and ethnocentrism with which that tradition has tended to be associated. Hyden, like Bill Warren, goes out of his way to identify with the most strongly evolutionist tradition within Marxism, but it does not follow that the connection is inevitable.
- 13 As Ravenhill points out, moreover, to advocate capitalism as a solution to Africa's political problems 'is merely to move the argument one step backwards to the question of how political coalitions can be constructed that will favour giving a greater role to markets' [1986b:27].

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# Towards a Political Analysis of Markets

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**Abstract** This Bulletin stems from a dissatisfaction with the way in which the idea of ‘the market’ or ‘the free market’ is currently used in conventional discourse on development issues. One notion is particularly dominant, implicitly or explicitly: ‘the market’ seen as a flexible, atomistic realm of impersonal exchange and dispersed competition, characterized by voluntary transactions on an equal basis between autonomous, usually private, entities with material motivations. This etiolated model of the market derives from the universe of neo-classical economists and, in the world of development policy, serves to provide intellectual support for their prescriptions. This ‘ideal-type’ market has been elevated to the level of an ideological principle and ethical ideal, providing a policy panacea which promises both efficiency, prosperity and freedom. The main theme of this Bulletin reflects my own concern as a political scientist that, by and large, conventional economic theory, in most of its manifold incarnations, has either ignored or downplayed the role of power in economic processes generally and in markets in particular.

## 1 INTRODUCTION

The basic rationale for attempting a political analysis of markets has been briefly laid out in the Editorial Introduction to this Bulletin. During the 1980s, ‘the market’, or the ‘free market’ became the key catchword of international development discourse and took on virtually magical qualities as a developmental panacea. In the world of ideas, it was an intellectual juggernaut given political force (and therefore intellectual credibility) not only by the dominance of neo-liberalism in the key metropolitan countries (notably ‘Reaganomics’ and ‘Thatcherism’), but also by the notion of ‘market socialism’ in the former (and, in the case of China, still) state socialist countries. As a powerful ideological slogan, it had to rely only partly on its intellectual and practical plausibility. I have been constantly appalled by the simplistic way in which ‘the market’ is introduced into policy debates, not the least in the Chinese context with which I am the most



familiar, where 'the market' has taken on the aura of an unproblematic economic and political saviour.

Fortunately, some of the ideological dust seems to be settling in the early 1990s and the time is ripe for a basic reconsideration of both the concept and the reality of markets. Much of the intellectual and practical case for the beneficial economic consequences of markets is now widely accepted across the political spectrum. Now we need to take our understanding of markets one step further. At the conceptual level, it is important to move analysis away from an overly abstract, simplified and ideologically loaded conception of markets which, when fed into policy, can have damaging results. To do this, it is necessary to go beyond the rarefied categories of conventional economic analysis: through innovation within economics itself and the introduction of ideas from other disciplines, ideally fused or overlapping in a cross-disciplinary fashion. At the empirical level, an effort to 'deconstruct' the market is all the more pressing in a new global politico-economic context in which the old polarity between 'centrally planned' and 'market economies' has been replaced by a situation in which, while only 'market economies' are on offer, it is becoming increasingly clear that there is a wide range of variation between market economies. Today, we talk about the differences between Japanese and Western capitalist market economies; in future we will have to talk with much more precision about a far wider variety of market economies which differ in fundamental ways (Korean capitalism, Chinese capitalism, Brazilian capitalism). If the neo-classically derived paradigm of 'the market' was inadequate in the past in elucidating the dynamics of real markets, so much more in the future as the range of systemic diversity increases. The kind of analysis presented in this Bulletin represents merely one component of a much wider intellectual and practical dissatisfaction with the conventional paradigm of the market and its practical effects in the industrialized, industrializing and Third Worlds.

## 2 A POLITICAL ANALYSIS OF MARKETS

The main points of my argument have already been stated in the Introduction to this Bulletin. The abstract conception of the market deriving from neoclassical economics overrides **variations in real markets** which are very important for considering and tackling practical problems of development. (For this issue, see Mackintosh 1990.) It also abstracts from **social, political and institutional aspects** of real markets which cannot be dismissed as 'exogenous' factors but are inherent, and indeed may be essential, characteristics of the functioning of markets in the real world. In particular, conventional economic analysis of markets by and large ignores or marginalizes the presence of power which is a glaringly visible characteristic of real markets and a political analysis of markets is needed to reveal the manifold ways in which power and power relations influence the structure and operation of real markets. Using a power-based notion of the 'political', one can classify the politics of markets into at least four major forms: the politics of state involvement; the politics of market organization; the politics of

market structure; and the politics of social embeddedness. My purpose here is to discuss these ideas and arguments in more detail.

First, we need to be more clear about the notion of power. The concept is much discussed and contested. (For valuable treatments of the concept, see Bardhan 1991 and Lukes 1986.) Much of the discussion tends to revolve around what could be called a **behavioural** and a **structural** view of power. The first concentrates on power mainly in dyadic relationships between two agents; superior power is reflected in the ability of agent A to influence the calculations and behaviour of agent B to the effect that agent B chooses to do something which he/she otherwise would not have done (with the implication that B is somehow worse off as a consequence). If one views a market as made up of a myriad of individual exchanges, this micro-level notion of power is essential for understanding the specific dynamics of each exchange event. However, the behavioural notion of power has severe limitations. It tends to take the initial endowments of power resources of each agent as given and is not concerned to inquire whence they came, preferring to focus on the mechanics whereby power is exercised. However, each real market is a patterned set of social relations with its own specific constellation of power; if the power relation involved in a micro-level market exchange is to be understood, therefore, it must be situated in the context of a structural analysis of this wider system. The power-patterning of markets affects an agent's choice by determining the boundaries of available choices, influencing the operational calculus of the chooser and shaping the relative attractiveness of various choices. A combination of behavioural and structural analysis also allows us to capture the dynamics of the operation of power within markets as a systemic **process** in which agents make their own market history, as it were, though not within circumstances of their own choosing. Just as spectacles are usually preferable to monocles for good vision, the behavioural and the structural conceptions of power are both essential to understanding power in markets.

If we incorporate this idea of power within our understanding of markets, their characteristic economic features embody political processes of conflict and cooperation and political relations of domination and subordination. From this viewpoint, therefore, market man or woman is less interested in bartering and trucking<sup>7</sup> or making rational choices in response to given signals and more interested in seeking to protect, consolidate or extend their power within the market. For example, Victor Keegan (*The Guardian*, 9 June, 1991), commenting on an OECD report warning about the escalating dangers of oligopoly in the industrialized world, notes wryly that 'The natural state of the sentient capitalist is one of unqualified monopoly, with qualified monopoly as decidedly second-best, but often the condition to which competition and regulation reduce him'.

This notion of the market as an arena of power struggle between competing interests is conveyed well by Alan Cawson who notes (1988)

that: 'The real world of trade politics is a far cry from the notion of competition as an impersonal mechanism for allocating resources, and much closer to the idea of economics as war pursued by peaceful means'. Here Cawson is drawing explicitly on an intellectual tradition deriving from Max Weber who made a similar analysis of prices and money:

Money prices are the product of conflicts of interest and of compromises; they thus result from power constellations. Money is not a mere 'voucher for unspecified utilities', which could be altered at will without any fundamental effect on the character of the price system as a struggle of man against man. 'Money' is, rather, primarily a weapon in this struggle; [money prices] are instruments of calculation only as estimated quantifications of relative chances in this struggle of interests:  
(Weber (1922) 1978: 108, cited in Granovetter 1992:8–9)

Weber is referring here to the specific instrumentalities of economic power. However, power is a protean phenomenon and power resources in markets are many and various. We would therefore wish to extend our analysis to involve **four dimensions of market power** – the state, association, economic assets and socio-cultural status (labelled p1 to p4 for ease of reference). Each of these constitutes the basis for a specific **form** of market politics. The **substance** of market politics is characteristically about a number of issues: about the position of an agent or agents in relation to others within a market and their differential ability to extract resources through exchanges with other market participants; about the rules of the game and the nature of market institutions; and about the boundaries of the market (for example, with the public sector or the household). **Participants** in the politics of a specific market may involve both actors in that market, actors in other markets with intersecting exchanges and interests, and in other social spheres, such as the family or the state.

With these analytical clarifications in mind, we can now investigate each of the four categories of market politics in more detail.

#### **p1 The Politics of State Involvement**

This is the most familiar arena of market politics since it is commonly discussed under the rubric of the state-market paradigm. Our analysis differs from the latter in two respects. First, the conventional state-market paradigm predisposes us to think in dichotomous terms of two distinct spheres: on the one side, there is the realm of politics which has to do with the state and other institutions making up the system of formal public politics; on the other side, there is the realm of economics in which economic agents of diverse kinds produce, exchange and distribute through the modality of markets. In the real world, of course, the realms of state and market, public political and economic systems, are densely and inextricably intertwined. Second, rather than separate the realms of politics and economics as the state-market paradigm does, we regard **both** the state/public political system **and** the economy

as matrices of politics – from this perspective, ‘economic’ events and processes are not ‘outside politics’ or ‘non-political’ but themselves embody diverse forms of politics.

State involvement in markets takes two common forms. The first is when the state, usually through one of its specific institutional components, is a **direct participant** in a market through direct control over production, accumulation or exchange (for example, industrial parastatals or state farms, state banks, agricultural marketing boards). State enterprises may play a monopolistic role in the provision of key industrial inputs to downstream private firms, notably energy and basic raw materials such as steel and coal. The state may play a crucial monopsonistic or hegemonic purchasing role in a variety of markets: for example, as contractor for the services of private defence and telecommunications industries in Western European nations (Cawson *et al.* 1990) or in the purchase of agricultural produce in many developing countries. In the latter case, the work of Jonathan Barker (1989) and Robert Bates (1981) has been particularly valuable in tracing the political dynamics of interactions between state agencies and peasant producers in the context of African agricultural markets. Bates, for example, analysed African agricultural markets as political arenas characterized by specific constellations of conflicting political actors and interests and showed how these political dynamics led to consequences which were economically deleterious but, from the point of view of state actors at least, political rational.

The second dimension of state involvement in markets is that of **regulation**, a phenomenon which has several layers of market penetration. The first layer is the relatively superficial one of **parametric** policy intervention by the government of the day to facilitate market operations, correct market distortions, achieve social or developmental goals and the like. At a deeper level, the state’s involvement is **pervasive**; it is the source of a complex network of institutionalized arrangements which permeate markets and influence the way they operate: for example, the legal definition of property rights, licensing laws, standardization of weights and measures, creation and validation of money and the regulation of contracts. At an even deeper level, state power **saturates** market exchange in invisible ways, an immanent quality which is redolent of Michel Foucault’s ‘capillary’ notion of power which acts to ‘permeate, characterise and constitute the social body’ (Foucault 1976, in Lukes 1986, 228). For example, in the context of a highly developed consumer market characterized by a dense network of state regulation built up coral-like over a long period, a simple transaction such as buying a bar of chocolate is saturated by state power, which may regulate hours of sale, precise measurement or description of contents, the positioning of chocolate on the counter and its proximity to other goods, the environmental soundness of its wrapping, the price paid and the nature and value of the money used to pay for it, and so on (and this is disregarding other provisions regarding its production and distribution).

The nature and degree of this institutionalized saturation by state power is intellectually important for classifying different types of markets and measuring their degree of 'maturity' and practically important in conditioning their operational effectiveness. This 'institutional patterning' of markets by state power needs more investigation since one of the features of the development of markets seems to be that this role is increasingly transferred from more traditional social institutions such as kinship, religion or locality (which we discuss under the heading of  $\pi 4$ ) to the modern state, a process of historical 're-embedding'.

## $\pi 2$ The Politics of Market Organization

This is a form of power and politics internal to the market, whereby participants in the market act to alter the operation of the market to favour their own interests and enhance their capacity to pursue them. They may do this among themselves or in cooperation/conflict with actors outside their specific market (in the state or in other markets). To the extent that their action results in the creation of established rules of the game or institutionalized practices within the market, this form of politics can result in what might be called '**endogenous regulation**'. At its roots, this represents an attempt to achieve 'organizational transcendence' of the market through various forms of collective action.

From a Weberian perspective, this can be seen in terms of two concomitant and competing processes: **social closure** or **usurpation**. Successful social closure undertaken through the collective action of market participants results in the establishment of conditions which protect or extend the market position of those actors, often at the expense of other groups within the market. Usurpation represents a counter-attack by threatened or subordinated actors, such as workers or consumers, to improve their power within the market (these notions are discussed in depth by Parkin 1979). As Cawson (1988) remarks, these 'social bonds which develop out of self-interest between "competitors"... are not an aberration from the free market but define the essence of the exercise of power in the market'.

The exercise of associational power takes a number of commonly observable forms, of which three are particularly important: formal association, network and hierarchy.

**Formal association** provides much of the substance of the politics of 'civil society' and takes a wide variety of forms, e.g. business associations, commodity cartels, trade unions, consumer groups and professional associations. For example, highly skilled professionals provide classic examples of occupational groups which feel themselves threatened by a potentially fully-functioning competitive market and organize to evade or transcend it. Their strategy is based on what is called 'credentialism' (which is a major symptom of the 'diploma disease') which gives rise to institutionalized mechanisms operating to define and protect their own privileged position in the market and to limit the claims of other (actual or potential) market participants.

Obvious cases which spring to mind are the medical and the legal professions.

This phenomenon raises interesting questions about the role played by the formal associations of ‘civil society’ within the market. Current political discourse tends to regard civil society as a ‘good thing’, particularly as a bulwark for freedom and autonomy in the face of potential state Leviathans. But what about its role in relation to the market? Opinion is much more divided on this issue. Some argue that the exercise of associational power has a **negative** economic or developmental effect since it creates unearned rents and thereby distorts the ‘proper’ operation of markets; others argue that such organizations may have many **positive** effects, for example in amassing and distributing information, setting and monitoring standards, and providing mechanisms for arbitration or sanctions. This needs more thought and investigation.

**Networks** take a variety of forms, the basic idea being that of **informal coordination** and **cooperation** between market participants, individuals or firms, who are ostensibly competitors in the market. Powell (1990), who has documented the importance of networks in the craft, construction, publishing, film and recording industries in the United States, calls this ‘patterned exchange’ which ‘looks more like a marriage than a one-night stand but there is no marriage licence, no common household, no pooling of assets’. The network is a distinctive, semi-institutionalized form of interaction which counteracts the workings of a competitive market. (For a useful discussion of the idea, see Granovetter 1992: 9–13.) Examples would include collaborative ventures between firms, or agreements about market share or price based on reciprocity, trust and mutual dependence. Industrial economists have identified networks as a crucial ingredient in the success of local industrial regions in Western Europe, notably the cases of Baden-Württemberg in Germany and Emilia Romagna in Italy. (For example, see Schmitz 1992, and Best 1990). Students of East Asian business systems have also documented the crucial importance of networks in coordinating activity between firms in Japan (in fact, Kumon 1992 has called Japan a ‘network society’) and between business and government in China (Wank 1992). In current discourse on industrial development, the economic role of networks is regarded as positive, not the least because they have been identified as one component of a number of highly successful economic experiences in Western Europe and East Asia. As in the case of formal associations, however, networks could well function as ways of amassing unproductive rent as ‘conspiracies against the public’, so the phenomenon needs more investigation before any form of policy prescription can be advanced with confidence.

**Hierarchy:** I am using Oliver Williamson’s word here (1975) to describe the most fundamental form of social closure within the market, the firm. In Williamson’s view, the firm, and the hierarchy which it embodies, should be seen as an attempt to internalise transactions and

resource flows that might otherwise be conducted in a more costly fashion in the market; it is the substitution of the visible hand of the manager for the invisible hand of the market. In other words, firms are 'islands of planned coordination in the sea of market relations' (Richardson 1972). While Williamson does not incorporate power into his analysis, the firm is in fact acting as a '**governance structure**' (Coase 1937) and as such is a node of power and a rich field of micropolitics – of authority, control, cooperation and domination. From a power perspective, the firm can be seen as a kind of 'combat unit' designed for battle in the market; hierarchical controls operate internally to maintain the discipline necessary to carry on the market struggle, competitive or otherwise, in ways which are economically advantageous to the firm's owners, private or otherwise (in the Marxist tradition this involves the extraction of surplus value). The firm expands and contracts, and changes its 'foreign policy' and internal organization in response to changing conditions in the market. As recent discussion of the rise of 'post-Fordism' in the industrialized countries has suggested, the relationship between the micro-politics of markets at the firm level and the politics and economics of markets at meso/macro levels is interactive and highly dynamic.

### $\pi_3$ The Politics of Market Structure

This is a conception of markets as a structure of power relations between agents with differential control over market-relevant material and mental assets. At the micro level, participants come to specific markets with unequal endowments in terms of resources (cf. Sen's notions of capabilities and entitlements; 1984, chaps. 13 and 20). At the macro level, this results in widely different market structures characterized by more or less equal or unequal power; each specific structure of power conditions the way markets operate at the macro-level, shapes the character of exchange relations between individual market participants and influences their relative returns from exchange. As Bardhan points out in a recent paper on power in economics (1991:267), 'power may be centrally involved in causing the existing pattern (and in defining the existing parameters) of trade in the first place'. This idea is also present in Bhaduri's idea of 'forced commerce' wherein 'the "market mechanism" is... better understood not in terms of its allocative efficiency, but as the mechanism for extraction of surplus by one class from another... the function of exchange is not to "clear" the market in some cases, but simply to gain advantage to one party **at the cost** of another'; he talks about the 'class efficiency' of markets.

Whereas in  $\pi_1$  and  $\pi_2$ , we were looking at the transcendence of market exchanges by means of conscious, organized political action, in  $\pi_3$  the politics is a process which is one aspect of the relationship between market participants in the act of exchange, operating whatever the degree of competitiveness within that market. Markets can thus be analysed as political games in which outcomes are structured in terms of choices taken in the context of variable but structured asymmetries in the capacities of participants, which vary across specific markets and



which may in certain contexts result in systematic exploitation through unequal exchange. Dyadic market exchanges may thus be expressions of relations between dominant and subordinate classes.

Conventional economic analysis, through its work on monopoly, oligopoly and ‘market power’, and more recently game theoretical work on bargaining within markets, has made some limited contribution to understanding this process. (For assessments, see Bardhan 1991 and the article by Baland and Platteau in this Bulletin.) In the context of agricultural markets, the work by Indian economists on ‘fused’ or ‘interlocking’ markets involving ‘triadic power relations’ (for example, Bhaduri 1986 and Bharadwaj 1974, discussed by Janakarajan and Olsen in this Bulletin) has analysed the ways in which the interlocking of markets for credit, product, leasing, labour, processing and transportation in rural contexts serves to give certain strategically situated groups an ability to dominate transactions with other market actors and benefit from unequal exchange. As a means to track these locations of strategic control, the method of tracing **filières** is useful in that it identifies the chain of exchange from production through various links in marketing, processing and circulation. A **filière** map helps one to pinpoint precise locations of profit and accumulation (for example, Barker (1989) has argued that trade is a more favourable location than production for accumulation in agricultural markets in Africa) and thereby identify precise points at which privileged positions can form and, more generally, relations between super- and subordinate classes or strata can coalesce.

The above models of ‘fused’ and ‘interlocking’ markets are limited in their application because they have emerged from and been applied to relatively undeveloped agrarian markets still in transition from pre-capitalist systems of economic exchange. However, recent work in the Marxian tradition on more advanced markets in the industrialized countries has attempted to demonstrate how asymmetrical power relations exert influence, and domination and exploitation take place, in markets which are operating in ways more closely approximating the standard model of a competitive market. For example John Roemer (1982, 1988) has argued that ‘capitalist exploitation’ takes place within a context of ‘free’, ‘voluntary’ competitive exchange by virtue of unequal ownership of property. In their theory of ‘contested exchange’, Samuel Bowles and Herb Gintis (1990) have attempted to establish ‘new micro-foundations for political economy, one that illuminates rather than obscures the exercise of power’. There is also work on international exchange by David Evans where he argues (1990: 1295) that ‘systematic consideration of class, inequality and power can be brought to bear on trade and development issues without loss of analytical rigour’.

From the point of view of a strict economist, this last methodological point is important since one of the usual arguments against the incorporation of power into economic analysis is that it cannot be done rigorously. However, conventional analyses of monopoly and



game-theoretical approaches have far more potential for incorporating a rigorous analysis of power than they have so far demonstrated. The triadic power relations characteristic of interlocked markets have been modelled formally by Subramanian (as an appendix to Janakarajan 1992) and it has been suggested that the methodology of neo-classical economics can provide a precise and empirically testable measure of power by extending the theory of monopoly (Ritson 1977). One is tempted to conclude that it is really a question of whether or not economists are willing to put their minds to it. A 'power theoretic' and a 'choice theoretic' approach seem logically inextricable and empirically necessary. Take the **prisoners' dilemma**, for instance, – the dilemma lies not merely in the fact that their choices have sub-optimal outcomes, but also in the fact that they are prisoners in the first place.

#### π4 The Politics of Social 'Embeddedness'

This idea is drawn from (but goes beyond) Karl Polanyi's notion (1957) of markets as 'embedded' in wider social values and institutions. It implies that other principles of social organization permeate markets and shape their structure and dynamics. It also implies that the motives of market actors cannot be reduced to mere considerations of maximising self-interest and making profit. The latter sentiment is echoed in de Gregori's exasperated remark (1979: 55) that 'the economic man in the marketplace of conventional economics is an individual without culture and therefore without existence'. Much recent analysis, for example, has emphasized the crucial importance of trust and moral conceptions such as fairness or duty in regulating exchange between actors in a wide variety of markets in more 'traditional' and more 'modern' contexts. (For a discussion of these issues, see Granovetter 1992: 58–63.)

The notion of embeddedness opens up a vast area of interaction between markets and social processes, uniting the terrain of economics with the traditional concerns of anthropologists, sociologists and psychologists: kinship systems, cultural values, religious beliefs and institutions, social differentiation based on gender, ethnicity and race, and so on. My own concern here is far narrower: with the effect on the operation of markets of the power relations which may themselves be embedded in these social beliefs and institutions. One example is the impact of gender on the role of women within markets – both materially through the influence of the gender division of labour in the economy at large and attitudinally through the influence of gender ideologies inherent in established cultural or religious beliefs. (For an analysis, see the article by Alison Evans in this Bulletin.) These social factors often operate to subordinate women by restricting their access to markets, limiting the resources they can use in market exchange, defining rules of the market game which are prejudicial to their interests and distributing them invidiously between markets. From this point of view, markets are one social arena in which the pervasive power game between male and female interests is played out. Similar analyses could deal, for instance, with the role of race in the operation of markets in South Africa, or the role of religion in the operation of markets in Iran.

### 3 CONCLUDING REMARKS

At the analytical level, we hope to have convinced the reader that real markets are social amalgams interacting with and pervaded by the state and society at large, and political entities permeated by power relations of diverse kinds. Though we have described the political nature of markets in terms of four separate categories, there are, of course, complex 'boundary exchanges' between them. For example, while we have emphasized the impact of state politics ( $\pi 1$ ) on markets, we have not discussed the ways in which the associational politics of  $\pi 2$  affect state politics (for example, through the influence of powerful economic lobbies on officials or the 'pull' exerted by personal networks linking business people and politicians). There is also a systematic relationship between the power relations of  $\pi 3$  and the associational possibilities of  $\pi 2$ : a small group of large landlords, for example, may well find it easier and more productive to organize in their own interests than a much larger number of small tenants. The power definitions and distribution inherent in a religiously-based caste system (in category  $\pi 4$ ) may well structure the allocation of market power in  $\pi 3$ . We can thus conceive of **class formation** in political terms as the result of a process of mutually enforcing interaction between power differentials in these four spheres. By contrast, power relations in each sphere may be in conflict, as when powerful trade-unions arise to challenge the power vested in unequal ownership of the means of production, or when workers influence state power, through votes or revolution, to secure regulation of markets in their interests or to bring about a redistribution of marketable assets (as through land reform). Using these categories, we can also approach the explanation of market **institutions** in political terms, as a necessary complement to theories which stress transaction costs or information. Market institutions can be seen as a consequence and expression of power relations and political struggle in and between these four areas of market politics.

But does the political analysis of markets have any practical value for the world of development in which analysis exists for the purposes of action? In relation to successful policy intervention, it should caution against operating with too starveling or utopian a conception of 'the market' or the 'free market' and sensitize policy-makers to the structural and institutional diversity of real markets and the complex political processes which shape and underpin them. Any one-sided and/or economic definition of market 'distortion', for example, runs the risk of coming up with simplistic policy conclusions which mis-specify the problem and underestimate the possibilities of change. It not only faces the familiar problem that, even where markets may be working 'well', they may have unacceptable welfare consequences, for example by increasing the vulnerability of the poor to market fluctuations. It also faces awkward questions about the existence of apparently highly successful markets which are systematically 'distorted' in ways analysed above. There is here an important range of questions about how variations in the power structuring of specific markets affects developmental outcomes. This goes beyond the usual questions about

the nature and extent of state regulation to include the 'endogenous' regulation of markets: for example, the pervasiveness of networks in Japanese or Italian industrial markets; the function of industry/trade associations in improving their members' ability to compete in international markets; or the role of professional organizations in regulating skilled-labour markets. The problems for investigation here are why some of these forms of markets organization are developmentally beneficial and some not, and how the former can be encouraged and the latter discouraged through policy.

Moreover, the manipulation (and in the Eastern European case, the creation *ex nihilo*) of markets through policy intervention would seem to require far more than the application of an analytical blanchmange mould derived from conventional economics: a knowledge of context and variation, and of the complex social, political and institutional dimensions of real markets. As I remarked at the outset, variations in markets partly reflect a wider differentiation between market systems, between forms of capitalism, which offers a range of alternative institutional incarnations of markets. (For an example of this range of options in the context of current Chinese financial reforms, see Bowles and White 1993.) This variation does not bedevil analysis because these variations and processes can be classified and analysed systematically, ideally through inter-disciplinary endeavour.

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# Strengthening Civil Society in Africa: The Role of Foreign Political Aid

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**Abstract** Strengthening civil society through the provision of financial resources and technical assistance is viewed by aid donors as an effective means of fostering political pluralism and consolidating fragile democracies in developing countries. Starting from the premise that donors lack a well defined notion of civil society which obscures its conflictual nature, this article considers a range of potential problems that aid donors might encounter in relation to the process of democratic consolidation when supporting civil society organizations. It argues that since donors are not well equipped to handle these types of interventions, they need to avoid undermining the autonomy and legitimacy of recipient organizations: their absorptive capacity is limited, only certain types of organization are able to contribute effectively to democracy promotion, and little is known about their impact. The objective of strengthening civil society may be laudable but since it is a difficult and potentially hazardous area for external intervention, donors should proceed cautiously and with modest expectations about what might be achieved.

Strengthening civil society constitutes an increasingly important element in the array of positive aid measures adopted by aid donors as part of the good government agenda. Although donors have long supported civic associations, often through non-governmental organizations (NGOs), the volume of aid allocated for this purpose has generally been small and it has been peripheral to the main aid policy agenda. The article begins by exploring the rationale behind this shift in emphasis, highlighting the interplay of domestic and international factors. It then surveys the range of meanings attributed to the concept in academic debate and the role of civil society in the process of democratic consolidation. The nature of the relationship between civil society and the state in Africa provides a basis for assessing the role of foreign aid and its potential impact on the internal dynamics of civic associations and their capacity to contribute

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to political pluralism and democratic consolidation. The conclusion considers the benefits and limitations of this type of aid in strengthening civil society and the types of interventions and funding mechanisms that hold most promise in this regard.

### **1 THE RESURGENCE OF CIVIL SOCIETY**

The 1990s have seen a major upsurge of interest in the concept of civil society and its relevance to understanding democratic transition and consolidation in the developing world. Although the civic realm was acknowledged to be an important locus of organizational activity, few commentators gave the concept serious attention in view of a general preoccupation with the role of the state and authoritarian forms of government which prevailed in most developing countries. A number of factors help to explain a marked revival of interest in a concept that had received limited attention in scholarly and aid policy circles, especially in Africa.<sup>1</sup>

The experience of democratization in most regions of the developing world starting from the early 1980s was a major factor in shifting academic concerns from the state to societal institutions. It brought with it an interest in the capacity of civic organizations and new social movements to play an active role in undermining authoritarian rule and contributing to the process of democratic consolidation. This was especially important in Eastern Europe where the all-pervasive state had circumscribed an autonomous sphere of associational life, but in which civil society provided the well-spring for the successful democracy movements of the late 1980s, and a source of inspiration for democracy movements elsewhere in the developing world.

A second explanation stems from economic factors which have political implications. Sustained economic decline and mismanagement in much of Africa in the 1980s under the aegis of statist regimes was often accompanied by disengagement from the formal economy, marked by the withdrawal of the peasantry from the market back into subsistence production, outward migration and the spread of the parallel economy characterized by hoarding, currency exchange, smuggling and other illegal activities. This process of disengagement further undermined the legitimacy of the state and weakened its links with societal institutions (Chazan 1988). In some contexts, such as Zambia, Côte D'Ivoire and Benin, the weakening of the state's legitimacy and its control over society gave succour to pro-democracy movements, whereas in countries such as Liberia and Somalia it gave rise to destructive tendencies promoted by ethnic and regional interests competing for political power (Bratton and van de Walle 1992).

Third, the trend towards privatization and the rolling back of the state as an integral element of donor aid policy has focused attention on the scope for the provision of public services through private sector organizations. In Africa, this has invariably centred the capacity of the voluntary sector and local self-help organizations to contribute towards

health and educational provision given the unevenness of formal sector provision, which has further shifted the balance of power and social responsibility away from the state in favour of societal institutions. This is reinforced by expectations on the part of aid donors that NGOs in particular will play an increasingly significant role in service delivery and poverty alleviation programmes.

Fourth, problems encountered in the application of political conditionality as a means of fostering political reform and good government have focused donor attention on the potential for promoting these objectives through positive aid measures (Moore and Robinson 1994). This has included channelling aid to civic associations and organized interest groups with a view to enhancing democratic consolidation and political participation. The success of these types of initiatives in Chile and South Africa has increased donors' confidence in their potential elsewhere. Recipients of such assistance typically include NGOs, business and professional associations (principally lawyers and journalists), trade unions, womens' organizations, and human rights groups. All of these are deemed as constituting key organizations in civil society, but there is little agreement about what is conveyed by the term or the objectives of directing aid to such organizations.

## **2 CIVIL SOCIETY AND DEMOCRATIC CONSOLIDATION**

There are many competing interpretations of civil society, which have their origins in various currents of western political philosophy.<sup>2</sup> In the liberal tradition, civil society is defined as a public realm located between the family and the state, consisting of a plurality of civil associations. The formation of such associations by citizens of their own volition can counteract the potential abuse of power and wealth. They also function to nurture civil and political rights, to advocate popular demands and to promote democratic values. These ideas were challenged by theorists such as Hegel and Marx who espoused an historicist approach, in which civil society is seen as the product of a long process of historical transformation governed by the emergence of a sphere of market relations under capitalism. This notion was developed further by Antonio Gramsci, who treated civil society as an inherently conflictual arena, where civic institutions reproduce and disseminate the hegemonic ideas and values associated with capitalism, but which are subject to contestation.

Clearly these two traditions are associated with very different interpretations of civil society, which have significant operational implications, since most aid donors are inclined towards the liberal interpretation. However, some writers have discerned a degree of convergence between the two traditions centring on the claim that civil society is a distinct public realm located between the family and the state, where individuals join together to pursue collective goals (Bratton 1994: 55-6). Civil society therefore includes a wide array of organizations which have a range of objectives stemming from the shared interests of their members. According to Stepan (1988), it is distinct from political society,



which includes political parties, legislatures and elections, through which organized interests enter into coalitions and compete for political power.

Diamond (1994) has classified civil society organizations into seven categories depending on their goals and membership: (1) economic (productive and commercial associations and networks); (2) cultural (religious, communal and ethnic associations); (3) informational and educational (organizations dedicated to the production and circulation of ideas and information); (4) interest-based (designed to advance the interests of workers, professionals, etc.); (5) developmental (NGOs and self-help groups); (6) issue-oriented (movements for environmental protection, womens' rights, etc.) and (7) civic (aimed at strengthening the political system and imparting democratic values). According to Diamond civil society also encompasses the mass media and other institutions which contribute to the flow of information and ideas (such as universities, publishing houses etc.) but which do not represent associations formed by organized interests. Such a typology resonates with the pluralist approach favoured by most aid donors who conceive civil society as an aggregation of organized interests pursuing a benign and rational political agenda. For example, according to the UNDP:

Civil society is the sphere in which social movements become organized. The organizations of civil society, which represent many diverse and sometimes contradictory social interests are shaped to fit their social base, constituency, thematic orientations (e.g. environment, gender, human rights) and types of activity. They include church related groups, trade unions, cooperatives, service organizations, community groups and youth organizations, as well as academic institutions and others

(Riddell and Bebbington 1995: 23).

For many commentators, the concept only attains practical significance when considered in relation to the state, and more specifically, the process of democratization. As indicated in the previous section, civil society emerged into popular discourse in the late 1980s by virtue of the prominent role played by civic associations in democratic transitions in Latin America and Eastern Europe, especially by those representing the working class, professionals, students and new social movements which, in many instances, joined forces into a 'popular upsurge' against incumbent authoritarian regimes (O'Donnell and Schmitter 1986). The pivotal role played by mass protest in political transition in Africa has also received attention. According to Bratton (1994), three broad, primarily urban-based, groups have been important in the African context: the popular classes of self-employed peasants, artisans and vendors; the unionized working class; and the middle classes consisting of entrepreneurs, administrators and professionals. Prompted by a combination of economic malaise and political atrophy, these strata joined forces to challenge the authority and legitimacy of authoritarian regimes across the continent, in many cases giving rise to a process of democratic transition. This process was generally short-lived, culminating

in multi-party elections or in the installation of a caretaker government to negotiate the form of a successor regime. At this point, the institutions of political society assumed a more prominent role in completing the transition from authoritarian rule, centred on political parties competing for power through elections. Having achieved their political objective, civic organizations, especially those representing professionals and the middle class, assumed a more neutral role, taking on responsibility for voter registration, election monitoring and human rights work.

Now that this phase is largely complete, interest is increasingly focusing on the role played by civil society in democratic consolidation, defined as the process whereby democracy attains widespread acceptance as the preferred system for the conduct of political affairs, since this has yet to be achieved in most African countries which have undergone a political transition. According to Diamond (1994: 7):

Civil society is ... a vital instrument for containing the power of democratic governments, checking their potential abuses and violations of the law, and subjecting them to public scrutiny. Indeed, a vibrant civil society is probably more essential for consolidating and maintaining democracy than for initiating it.

This type of approach finds resonance among bilateral aid agencies. According a recent paper published by the Development Assistance Committee of the OECD (1994: 11).

[B]asic to democratization is the development of a pluralist civil society comprised of a range of institutions and associations which represent diverse interests and provide a counterweight to government. Interaction between the formal political regime and civil society contributes to, and also requires, a responsive government, which is one of the characteristics of a functioning democracy. Supporting pluralism, e.g. the development of autonomous civil associations, professional and interest organizations, is an important step in fostering democratization.

White (1994) argues that the growth of civil society can contribute to democratic governance in four complementary ways: altering the balance of power between state and society to achieve a balanced opposition in favour of the latter; enforcing standards of public morality and performance and improving the accountability of politicians and state officials; transmitting the demands and articulating the interests of organized groups, in the process providing an alternative sphere of representation; and instilling and upholding democratic values. However, as White points out, while civil society holds real potential to influence the process of democratic consolidation, its role and significance in any given context is contingent on the specific character and power of the state and the international political environment.

Civil society organizations in Africa vary considerably in their capacity to contribute to democratic consolidation and, in any case, many

of these are neither equipped nor inclined to perform the various roles outlined by White. Indeed, the task of improving the political system and making it more democratic is assigned by Diamond (1994) to a special category of 'civic' organizations, although a range of organizations might be expected to contribute to this process, including womens' groups, business associations and peasant organizations. At the same time it is important to recognize that not all organized interests will share a common view about the desirability of democratic forms of politics; indeed, the experience of post-colonial rule in Africa suggests that in some circumstances social élites might perceive the reinstallation of a democratic regime as an opportunity to gain special favours from corrupt politicians. Other sections of civil society are likely to feel threatened by the prospect of a civilian regime which commands authority and widespread popular support, especially those engaged in illegal or harmful activities such as smuggling and gun-running. Moreover, there are many groups in African society who have no interest in politics or lack the time and resources to enable them to play an effective role in consensus-building. On the other hand, grassroots activity might act as a constraint on democracy by separating people from meaningful political participation at the national level. Finally, while the growth of associational activity and the proliferation of voluntary organizations can reinforce societal institutions they may undermine state capacity (Chazan 1992). Despite these qualifications, there may exist a particular set of conditions in which a wide range of civil society organizations can take on constitutive and disciplinary roles which are supportive of the process of democratic consolidation.

Bratton (1994) has identified three such conditions – material, organizational and ideological – which support the emergence of active civil societies in the context of political transition by giving them a base which is independent from that of the state. Following the classical Marxist tradition, material conditions are a function of the ability of groups and individuals to accumulate capital and hence are contingent on the growth of an indigenous bourgeoisie. The political affiliations of this class are substantially affected by economic performance and the ability of the government to create the conditions in which independent enterprises can prosper. Moreover, the existence of a middle class is often held to be key to the consolidation of a functioning democracy. The organizational realm refers to intermediate associations in civil society and the organizational linkages between them; this would typically include churches, trade union federations and business associations. The scope for these networks to emerge and establish an independent base is usually contingent on political and historical circumstances; clearly, the ending of authoritarian rule provides them with political space to flourish and develop. Finally, the ideological dimension is a function of the level of discourse which mobilizes critical debate. In Africa, this invariably centres on problems of economic mismanagement and élite corruption, although the rallying cry might take the form of moral condemnation as opposed to popular mobilization depending on the organization which assumes the lead

role in the process of political transition. But it can also take the form of irredentism and fundamentalist movements which have little interest in democracy, as the case of Algeria convincingly demonstrates, which should serve as a reminder of the contradictory roles played by civil society organizations in this regard.

While these three factors are important, access to resources is a critical determinant of the ability of civic organizations to make an effective contribution to democratic consolidation. These take the form of financial as well as organizational and ideological resources. The resources available to civic organizations emerging from a protracted period of authoritarian rule are usually fairly meagre on account of suppression and limited access to outside information. Many organizations are formed during the process of political liberalization and do not have strong social foundations. These will have considerable experience of challenging authoritarian regimes but little knowledge of building democratic government since; mobilizing public opinion against authoritarian rule is far easier than active promotion of democratic values and political participation. The absence of a strong organizational base can limit the legitimacy they possess and the skills base on which they are able to draw. At the same time, while insufficient financial resources and limited technical expertise have posed problems for civil society organizations, the mobilization of funds through membership contributions has proved possible, especially for local credit unions and development groups, but also for trade unions and professional associations, and can enhance their legitimacy and accountability. In this respect Chazan (1992: 290) notes that ‘associational autonomy is more central to the vitality of civil societies than the availability of adequate means’. Nevertheless, in situations where the ability to mobilize domestic financial resources is highly circumscribed, outside support can play a vital role in strengthening the capacity of civic organizations to build and sustain democracy in the fragile conditions that many contemporary African societies are facing. External support derives principally from official aid donors, but historically assistance from political foundations, non-governmental organizations, international federations representing business and the professions (for example through the Rotarians and the Lions Clubs), trade unions, and churches have made a significant contribution. Although aid designed to strengthen civil society can be interpreted very broadly, the principal focus of donor efforts in the context of democratic consolidation have been on urban-based organizations in six main categories: business and professional bodies, trade unions, womens’ organizations, human rights groups, religious organizations and advocacy-based NGOs.<sup>3</sup>

### **3 THE ROLE OF FOREIGN AID DONORS**

For reasons outlined earlier, strengthening civil society has become a major objective of aid donors in the 1990s, but there are historical precedents. The US government, for example, has funded civic organizations in developing countries in the past, but not always

with the intention of deepening democracy. A prominent objective of American political aid in the 1950s and 1960s was to counter Communist influence in the international trade union movement. Much of this was provided by USAID and channelled through four regional labour institutes of the International Department of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) created in the 1960s. US democracy assistance programmes were formalized and expanded in the early 1980s and a variety of organizations assumed responsibility for publicly funded foreign political aid (see Carothers in this volume). The funds allocated for this purpose have increased rapidly, from US\$93 million in 1990 to some \$400 million in 1994.

Germany has also long been involved in democracy promotion centring on support for political parties, trade unions and civil society organizations. The German Stiftungen (political foundations) aligned to the three major political parties, were originally founded for internal political education after World War II, but became active in international political projects in the 1950s. After the creation of the German ministry for overseas development in 1961, the government channelled funds to the foundations for 'socio-political education' in developing countries. The bulk of the funds are in the form of grants to party-based organizations, but projects to promote trade unions, cooperatives and other civil society organizations are also important. In 1989, funding from the German development ministry to the political foundations amounted to \$156 million; a further \$183 million was provided to German non-governmental organizations (Pinto-Duschinsky 1991).

The British government has since adopted a similar model, but on a much smaller scale, in the form of the Westminster Foundation for Democracy, which was established in 1992. Its objectives are to build democratic institutions overseas through support for political parties, human rights groups, trade unions, journalists' and lawyers' organizations, womens' groups, and other civil society organizations. Half the budget is allocated to British political parties to support counterparts in other countries, while the remainder is for all-party or no-party projects. In 1992/93 the Foundation provided grants totalling US\$1,400,000 for 140 projects in three priority regions: Central and Eastern Europe, the former Soviet Union, and Anglophone Africa.

Other bilateral aid donors and private foundations have supported similar activities in the past, but not on such a large scale as the American and German governments, and through a variety of institutional mechanisms.<sup>4</sup> Most support trade union development, either through domestic trade union federations or through multilateral bodies like the ILO and the International Confederation of Free Trade Unions (ICFTU). In 1991 support from bilateral agencies for trade union development amounted to US\$69 million (out of US\$92 million from all sources); almost half of this went to trade unions in Africa,

for a variety of projects spanning education, health and safety, and capacity building (ICFTU 1993). The Danish government is among the larger donors in this area, allocating US\$5 million annually to the Danish Trade Union Council for International Development Co-operation. USAID has assisted in the growth and development of business associations in several African countries as part of an initiative to increase the profile of the private sector. Canada and the Netherlands have given positive support to human rights organizations over a number of years, usually with NGOs serving as intermediaries. Another important area of donor intervention is the promotion of women's rights, especially in the form of legal awareness programmes, but also through more general capacity building and training programmes for women's organizations.

A large proportion of donor funding for civil society organizations is channelled through NGOs, although it is difficult to distinguish projects designed to strengthen institutional capacity and promote democratic development from those which have more narrowly focused development objectives. Examples of the former are the special budget lines created by the European Commission which are open to NGOs: in 1992 US\$8 million was allocated for human rights and democracy initiatives, and a further US\$8 million for supporting the democratization process in Chile and Central America, primarily through Latin American and European NGOs.<sup>5</sup> Special funds such as these are less common among the bilateral donors (the Dutch government is an exception in this regard since it has special programmes for human rights, trade unions and the media), although a number of NGO projects funded through conventional co-financing mechanisms have similar objectives. For example, most human rights work supported by CIDA has been undertaken by NGOs, and funds for this have amounted to over US\$100 million over the past decade (Riddell and Bebbington 1995: 54).

Some donors concentrate their efforts on fostering a political and legislative environment which is conducive to the work of civil society organizations, by ensuring that freedoms of expression and association are enshrined in law, and pressing for changes in the legislative framework which govern their activities. A number support civic organizations for discrete democracy-building purposes, in the form of election-monitoring, fostering accountability and transparency in government, and strengthening democratic political institutions. Another approach has been to increase the capacity of organized interest groups to assume a more prominent role in policy dialogue and implementation, by improving their research and advocacy skills, strengthening their organizational base and providing them with equipment and office space. In some cases, increasing the involvement of civic organizations in policy dialogue is designed to broaden the consensus behind a particular development strategy, which in much of Africa centres on economic liberalization and an enhanced role for the private sector.

#### 4 THE IMPACT OF FOREIGN POLITICAL AID

Although many donors are rapidly increasing the volume of foreign political aid, the overall objectives of projects designed to strengthen civil society organizations are not always clearly stated. For most donors, assisting the growth and development of such organizations is intrinsically a good thing, since it contributes to political pluralism and draws more people into associational life. The expectation is that a vibrant civil society can facilitate political participation and inculcate democratic values by involving marginalized groups and providing them with access to those holding positions of power, although in Africa this potential is generally latent rather than proven (Chazan 1992). Landell-Mills (1992: 552) identifies four ways in which civil society might be nurtured: (1) by facilitating the dissemination of information; (2) by strengthening the rule of law; (3) by expanding education and the capacity for self-expression and (4) by generating surplus resources to support associational activities without compromising their autonomy. Donor assistance efforts have ranged across all four areas, but in practice most support comes in the form of financial resources and technical assistance.

However, since the overall objectives of foreign political aid are often vague and ill-defined, it is difficult to assess the probable impact of interventions designed to strengthen civil society with any degree of precision. Nevertheless, it is possible to indicate what the probable effects might be in order to highlight problems that might arise if donors persist with a strategy premised on the pluralist notion that civil society organizations are working towards a common goal of strengthening democracy without a conflict of interests. This would enable one to identify the most appropriate mechanisms for such assistance and to avoid interventions which might be counter-productive from the point of view of democratic consolidation or damaging in other respects.

The four categories outlined by White (1994) provide a framework through which these questions can be addressed. The first centres on altering the balance of power between the state and society in favour of the latter through the creation of a dense network of civil society organizations. The availability of foreign aid can provide a powerful stimulus for new organizations to be formed, and can assist in increasing the size and membership of existing organizations. Whether this type of external assistance can contribute to democratic consolidation by increasing the scope for political participation is a function of the types of groups receiving external assistance, the nature of their membership and the degree of popular legitimacy. Simply encouraging the formation of new groups and organizations may generate little visible return unless the assistance is directed towards organizations which have clear objectives and real potential to advance the democracy agenda. In this respect Chazan (1992: 303) cautions that 'while the voluntary sector has helped to undermine statism and to provide a political opening for specific interests and norms, it has yet to establish institutional



foundations and normative principles essential to the consolidation of civil society and hence democracy.’

The dangers inherent in indiscriminate funding of civil society organizations to promote political pluralism are in some ways rather obvious. Different donors may encourage the formation of organizations which are seeking to root themselves in a similar constituency, or support organizations which have conflicting objectives (for example business associations versus trade unions). There is also a danger that the availability of external aid might attract unscrupulous organizations possessing agendas which are antithetical to democracy, either because their leaders are intent on using the organization as a means of furthering personal political objectives, or because the organization in question has goals which serve to undermine political consensus and generate social conflict.

These problems can be mitigated or avoided if donors are willing to coordinate their actions, possibly by focusing their assistance programmes on organizations with which they have a particular affinity or for which relevant expertise is available within their own country. They also focus attention on the importance of rigorous appraisal and informed local knowledge in preference to the rather *ad hoc* procedures utilized by most donors in which aid or diplomatic staff try to spot eligible organizations or filter unsolicited requests in a more reactive mode. This underlines the need for building capacity in donor organizations which may not possess the staff resources or operational structure to enable them to adopt such procedures.<sup>6</sup>

The second category concerns the disciplinary function performed by civil society organizations to ensure that the state is operating along democratic principles. This takes several forms: the introduction and enforcement of mechanisms for holding politicians or public officials accountable for their actions; the protection and extension of civil and political rights; and monitoring state behaviour in relation to human rights. These functions can only be performed by a fairly narrow range of civic organizations with specialist skills, such as lawyers’ and journalists’ associations, and civil rights groups. The main problem here might be that of too much money being made available to relatively few capable organizations, which could encourage the formation of rival associations, or detract existing organizations from their primary objectives. Heavy reliance on donor funding might also undermine their wider legitimacy and inhibit their sustainability. Landell-Mills (1992: 554) notes in this regard:

External funding should always take the form of supplementary assistance and ought never to be the main source of what is needed. Members are easy to attract when given access to free resources, but if outside grants become absolutely indispensable, then the sustainability of the organization or institution becomes highly questionable.



Another problem relates to the limited political agendas of these organizations, especially those representing lawyers, which might ultimately be more interested in pursuing the narrow self-interests of their members from the point of view of widening opportunities for monetary gain and enhanced status than democratic goals *per se*. Moreover, as Chazan has observed, some of the urban-based middle-class groups which assumed a prominent role in movements campaigning for the restoration of democratic rule were active in supporting authoritarian rule in the past (Chazan 1992: 303). These problems point to the need to establish channels for facilitating dialogue between donors and potential recipients to identify joint priorities and to enable donors to respond to requests for assistance in line with these priorities rather than with donor-driven policy objectives requiring quick and demonstrable results which could result in inappropriate funding decisions.

The third category of intervention lies in the intermediary role performed by civic organizations between the state and society by transmitting and articulating interest group demands. In this capacity civil society organizations seek to promote greater consultation and popular involvement in the process of policy formulation, especially by disadvantaged groups which have traditionally been denied access to political power. It also embraces more activist forms of engagement with the state, where civic organizations employ a variety of means to provide their constituents with greater 'voice' in order to influence state officials and policy decisions. These can range from advocacy efforts centred on the media and political lobbying through to more confrontational approaches involving demonstrations and other forms of non-violent protest.

Donors have placed particular emphasis on improving the scope for participation by marginalized social groups in the public policy process. At the level of development projects this takes the form of popular participation in decision making and policy implementation and NGOs are seen to play an important role in this regard. This concern extends to policy dialogue on the national plane and donors have sought to enhance the capacity of organized interest groups for research and policy analysis to enable them to make more effective interventions in the policy process. Democratization presents new opportunities for interest groups to gain access to state policy makers and public officials, in order to present their particular viewpoint on policy decisions which are likely to affect their members. Donor assistance in the form of training, technical assistance and equipment is complemented by helping governments set up forums through which formal policy dialogue can take place.

One problem with these types of interventions is that relatively small amounts of foreign funding can have a considerable impact on organizational capacity, and create an imbalance in the power and resources available to different organizations. For example, the proclivity

of the United States to support business associations is in line with its policy stance of promoting free enterprise and a higher level of support to such organizations can give them privileged access to policy makers and heightened visibility in public policy arenas. This can give rise to special pleading on the part of sectional business interests in favour of policies which are of immediate short-term benefit to their members but potentially harmful to others.

Second, strengthening the capacity of private sector lobby groups and other influential civic organizations for policy dialogue often carries with it an implicit ideological agenda. Efforts to involve more organized interests in the policy process are frequently directed towards creating a more active consensus in favour of economic reform, by giving the potential beneficiaries of reform a greater stake in policy outcomes, but also by mitigating potential opposition from the losers of reform, or at least channelling active opposition into passive acceptance. This is obviously desirable from the point of view of the proponents and funders of structural adjustment programmes since it increases the likelihood of political sustainability, but it might squeeze out room for alternative perspectives and feedback on the adverse impact of economic reform unless provision is made for this. It might also conflict with the ambitions of other donors to promote a redistributive agenda centred on increasing the access of the poor and politically disenfranchised groups to the policy process. Hence, groups which resist or criticize the policy agenda of the government might find themselves marginalized or deliberately sidelined as a result of a desire among donors to strengthen supporters of the prevailing agenda.

A third problem is the possibility of overloading the capacity of government policy-makers to accommodate interest group pressure without damaging the technical consistency of policy initiatives. Most policy makers in adjusting economies in Africa are already under serious pressure of work and those concerned with economic policy spend a considerable amount of time attending to donor requirements and policy conditions; they are often not in a position to respond sympathetically even if they are well disposed to increased policy dialogue. A more serious prospect is that of gridlock where sustained interest group pressure fosters inertia and undermines the capacity of the government to pursue a sustained development strategy (Migdal 1988). This is unlikely in most African contexts since organized interests are neither sufficiently well organized or numerous to pose a serious threat to state policy making capacity, but it does highlight the need to create some degree of insulation for key policy makers balanced by the creation of formal channels for policy dialogue.

The fourth category of donor intervention concerns the constitutive role performed by civil society organizations, which takes a number of different forms: increasing the legitimacy of the political system by instilling and upholding democratic values through civic education programmes; providing people with experience of participating

in democratic debate within these organizations; and in recruiting and training new political leaders. This is a less contentious area for donor intervention, since these types of activities have been a historic function of civic organizations in democratic societies. Many donors are supporting civic education programmes, voter registration drives and election monitoring. Such interventions have helped to ensure that elections have been reasonably free and fair, but the longer term impact of civic education programmes are more difficult to assess. The problem might come with indiscriminate funding of organizations which do not have a strong base of legitimacy or developed membership, or which do not possess the technical skills and technical expertise to enable them to carry out such functions. Some groups might be formed in response to the availability of donor funding and to further individual political agendas which again highlights the importance of careful appraisal and the need for a thorough understanding of the composition of civil society in the countries in question.

## 5 CONCLUSIONS

Many of the problems identified in the previous section are latent and there is as yet insufficient documented evidence to provide a clear picture on the impact of donor interventions designed to strengthen civil society organizations. Some of these problems have been encountered by donors in directly funding development NGOs, especially those concerning a possible erosion of independence and autonomy, and there may be lessons which are of relevance here (Riddell and Bebbington 1995).

There are, of course, positive reasons why supporting civil society organizations is a laudable objective for aid donors, if they are able to make a more effective contribution to the process of democratic consolidation as a result of external assistance. But there are also a number of caveats. These fall into two groups: following on from the previous section, there are a series of operational concerns relating to the funding relationship, but there are also a set of more fundamental questions stemming from the premises on which donor interventions in this area are founded.

As was argued earlier, most donors adhere to a definition of civil society steeped in the liberal political tradition which holds that civic associations occupy a public domain located between the family and the state, in which there is a shared consensus on democratic norms and respect for political pluralism. This approach tends to obscure conflicts between different categories of civic associations and fails to give adequate recognition to the existence of divisive social forces which are averse to democracy, but nevertheless form part of 'civil' society. Hence interventions founded on the notion that merely altering the balance between the state and civil society in favour of the latter in some quantitative sense will contribute to democratic consolidation, overlook potentially destructive elements in civil society which make such interventions both difficult and hazardous. One

might therefore conclude that most donors, as presently constituted, are poorly-equipped to intervene directly without either exacerbating such tendencies or creating imbalances of power between different organizations. But this ignores the fact that most donors have already embarked on this path, and that some have amassed considerable experience. Given this scenario, there are a series of operational issues that merit attention, which can help to ensure that donors proceed cautiously with modest expectations of what might be achieved in view of the limitations and potential problems sketched out earlier.

First, many of the organizations that donors would like to support are small and fairly new. Large quantities of aid resources in relation to their actual requirements could swamp these organizations before they are in a position to map out their objectives, build up an independent membership and gain wider legitimacy. At the same time aid interventions directed towards civil society strengthening are unlikely to be very substantial, either in terms of the size of projects funded or in terms of their share of official development assistance, and pressure on donors to allocate increased levels of resources to meet overall good government policy objectives may induce recipient organizations to accept more funds than they require. Donor coordination is clearly essential when the supply of funding exceeds the requirements of recipient organizations in order to avoid a situation where there is competition for the more attractive counterparts or where unscrupulous organizations can gain access to these funds.

Second, it takes time for these activities to bear fruit, and the development of a mature and robust set of civil society organizations that are able to perform the various roles set out above can be an extremely protracted process. External funding can assist in this process and perhaps give it a boost, but it would be folly to presume that civil societies can be artificially induced when the material, organizational and ideological conditions prevailing in many African countries undergoing political transition are not conducive to the rapid growth of civil society. The availability of material resources is certainly important, but it may not be central to building up a robust civil society, since in situations where associational life has long been suppressed, building organizational capacity and developing a distinctive ideological stance are essential prerequisites for enabling civil society organizations to contribute effectively to the process of democratic consolidation.

Third, it is difficult to assess the contribution made by civil society organizations given the absence of an established framework for evaluation. By their very nature, many organizations may not have developed internal procedures for documenting their work or assessing their impact. Insistence by donors on rigorous monitoring procedures could lead to the imposition of inappropriate practices which might divert energy away from the main goals of the organization and undermine its effectiveness. At the same time it will be necessary for donors to account for the use of these funds, and evaluation can in

turn induce greater accountability from recipient organizations, but this should not be at the expense of internal accountability to their members.

This last caveat raises the question of the most appropriate mechanism for channelling funds and other resources to civil society organizations. Donors employ a variety of mechanisms for this purpose, ranging from using intermediaries such as NGOs and political foundations, through to direct funding from overseas mission funds. NGOs are a tried and tested intermediary for working with local membership organizations and advocacy groups, but have less experience in civic and political education, and in supporting specialized interest groups such as trade unions and business associations. Political foundations often have this type of expertise, but they have the disadvantage of being perceived as partisan or as a potential threat by state authorities. Donors usually channel trade union funding through domestic trade union bodies which have the links and the expertise but which often lack an in-country presence. Using mission funds to provide support in response to locally generated requests is favoured by some donors but has its limitations, especially if there is not good donor coordination. These various mechanisms will continue to be used by donors, but there are other mechanisms and approaches which have not been explored and which could help to obviate some of the potential problems highlighted earlier.

For example, it may be more productive for donors to specialize in certain categories of organization with whom they have a certain familiarity or which have a particular expertise. Linking up or twinning domestic organizations with counterparts in developing countries, or between organizations from the same region is a good route to follow since there is much relevant experience that can be shared and they have skills which donors do not possess. Creating forums through which recipient organizations can exert some degree of influence over the terms on which the support is provided can increase the legitimacy of external funding and ensure that it corresponds to locally defined needs.

On balance, while democracy promotion may be a laudable objective in its own right, there are a number of potential pitfalls confronting donors who are seeking to expand political aid programmes. Some indication of the sorts of problems that might arise has been given along with suggestions about action that could be taken to mitigate these. Although positive support for strengthening civil society organizations has many advantages over political conditionality as a means of advancing good government objectives, donors will need to be realistic about the volume of assistance that can channelled through this mechanism since civil society organizations cannot absorb large quantities of funding and it takes time for the results to become apparent. Donor efforts in this field will therefore need to proceed in a cautious and in well-informed manner in order to avoid forcing the agenda at a pace that would run counter to the twin objectives of democratic consolidation and promoting a pluralistic political culture in developing countries.

## NOTES

- 1 Important exceptions were Bayart (1986) and various essays in Rothchild and Chazan (1988).
- 2 For a comprehensive review see Keane (1988) and Bobbio (1988).
- 3 NGOs represent only one category within the panoply of organizations supported by donors for furthering democratic goals, and it is primarily advocacy-based organizations rather than development NGOs engaged in service delivery which perform this role. It is also doubtful whether NGOs actually form part of civil society, since they are generally function as intermediaries between donors and civil society organizations, as conduits of resources and information. See Frantz (1987) and Fowler (1991).
- 4 The Ford Foundation has played a very important role in this regard, having provided grants to a range of civil society organizations in developing countries over a number of years.
- 5 In 1992 a new budget line of US\$0.8 million was established to support local authorities, trade unions and grassroots organizations, but this is small in comparison with other budget lines open to NGOs.
- 6 Riddell and Bebbington (1995: 53) make a similar point in the context of donor funding for southern NGOs, in arguing that effective support 'requires local knowledge and an in-country presence over an extended period'.

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# No Path to Power: Civil Society, State Services, and the Poverty of City Women

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**Abstract** In focusing on Ain el-Sira, a low-income neighbourhood of Cairo, this article challenges development theorists' ideas that civil society as a development partner is best able to promote women's empowerment, community development and justice. This article contests that development can avoid the machinations of the state or ignore the power imbalances that litter the relationships between state, civil society, citizens and donors! In Egypt, where the state relegates its development duties to civil society, women in Ain el-Sira experience service initiatives which are duplicated, microcredit loans they often cannot afford to repay, and benefit criteria which are strict and limiting. Programmes remain unchanged for years and long-term plans to relieve the burdens of disempowerment and destitution are non-existent. To achieve real gendered justice which provides women with the assets and capabilities to make choices requires citizenship rights. This can only be gained by engaging critically with state and civil society dynamics and challenging the structures that obstruct empowerment.

## 1 Introduction

The literature on women's empowerment has conceptualised empowerment as an outcome of certain ideal institutional arrangements. Quotas in elected councils will yield political power, access to finance and markets will bring about economic empowerment and the right laws, and rights, education and freedom can liberate the body. But the outcome of an institutional arrangement is never a foregone conclusion. The road that should lead to gender justice can lead its travellers astray. This article considers the path recommended by development theorists and activists that commends civil society as a development partner better able to promote community development, social justice and women's empowerment. Like most formulas, this preconceived idealised remedy has failed to have an effect on people's daily lives and needs. The theory may sound right but in practice, the

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assumption that civil society is a more capable, progressive, democratic, or effective development partner is flawed (Jad 2007; Abdel Rahman 2005; Bayat and Denis 2000; Joseph 1996; Al-Sayyed 1993).

The State is ever-present and ever strong in Egypt. Yet this presence has yet to champion women. Poverty alleviation, income generation, gender awareness, women's empowerment and skills development, are domains in which the state has relegated its duties to civil society organisations (CSOs). CSOs are assumed to be community-based and community-driven, close to the grassroots and able to express their needs, trusted by their clients and able to deliver better quality services at lower costs in a decentralised and therefore more responsive manner. Gender justice has been an item on the long list of community development and poverty alleviation priorities. Accordingly, the role of civil society in realising women's empowerment has been a near given. Civil society can provide basic services for women. They can also advocate on their behalf and help them act collectively or organise locally. While there have been calls to better define what type of civil society or community group can best achieve which intervention, the assumption of civil society as being the catalyst and activist in the process of development and citizen empowerment persists in much of development literature. This bias has percolated into Egyptian national discourses on poverty alleviation. Current initiatives that address poverty and citizenship rights all have a civil society component. The Social Contract Unit of the cabinet is a United Nations Development Programme (UNDP) funded project tasked with marketing the concept of a social contract and monitoring the government's progress towards realising this contract and working towards pro-poor and inclusive growth works with civil society (see [www.socialcontract.gov.eg](http://www.socialcontract.gov.eg)). Poverty reduction strategies and successive *Egypt Human Development Reports* also rely on civil society to implement poverty reduction and citizen empowerment projects (UNDP 2004, 2005, 2007).

This article challenges the assumption that pervades international development policy discourse that implies easy transferability of ideas and ideals, and ignores the fact that politics and development are eternally intertwined. It focuses on the role of CSOs in enabling and empowering women (or not) in a low-income neighbourhood of Cairo called Ain el-Sira. The organisations active in this area have programmes that include gender justice and women's empowerment as either strategic or basic objectives. Some address empowerment as a poverty alleviation strategy, others work with women so as to empower them; both kinds of organisations use the idiom of gender to realise their goals. Both also provide their beneficiaries/clients with an array of similar services and initiatives and both identify poverty as the obstacle and burden that prevents women realising their personal and citizenship rights. On the ground and far away from the centre, the distinctions between civil society and the State become blurred (Joseph 1996). Class stratifications keep service providers, whether state or civil, on one side and beneficiaries on the other. The ideals and objectives of civil

society service providers and activists are dictated by professional and personal considerations in which class identity and ideology play a role. Empowerment for the very poor, this article suggests, is conditioned by the nature of the State, of society and community and by the challenges of implementation and sustainability.

## **2 Women, state and civil society in Ain el-Sira**

Ain el-Sira is a *shiyakha*, or district, located in Old Cairo, or *Misr el Qadima*. It is home to approximately 29,349 individuals and covers an area of 0.71 km<sup>2</sup>. The inhabitants are not exclusively poor, but the area has deep pockets of extreme poverty. Consequently it has been the site of choice for several CSOs that have been active in poverty reduction alleviation efforts there for decades. The area was originally the site of the first low-income housing project in Cairo. Popular accommodations or *Masakin Sha'biya* were built between 1958 and 1960 and comprised of four- or five-storey building blocks for low-income families eligible for subsidised housing. They were gradually sold to their inhabitants as of the 1980s. Adjacent to this nucleus of buildings, private homes began to appear, some of which were connected to the *Masakin*. Other types of dwelling also sprang up in Ain el-Sira during that same period. Little more than urban slums, they comprised shelters built from corrugated iron, wood and mud brick. In some areas these were originally temporary shelters built for earthquake victims and victims of other natural disasters. They have become permanent features of the area, with electricity and running water connected, and they house approximately 1,000 families. Moreover, many of these dwellings have been sold or rented to their current occupants. These sales are informal and unregistered so there is no legal entitlement to their homes.

There are over 12 registered organisations with offices located in and around the study area, some inactive, as well as two community service centres. Other active organisations are located outside the vicinity of the study area. Most of these associations are geared towards servicing the poor and providing philanthropic as well as developmental programmes for families. They are a halfway solution for state civil society animosities. Civil associations that are subsidised by the state, they are best described as the state's representatives in civil society. The oldest was founded in 1975 and is a community development association (CDA), headed by a respected community leader. The association owns large areas of land which it has used for its services and parts of which are leased as shops to micro-entrepreneurs. The CDA runs a kindergarten, a medical centre and sports activities for youth. It receives funds from the Ministry of Social Solidarity (MOSS), *zakat* money and donations, as well as its own revenue from rents on land and property.

There are another ten CSOs in the area, most of which were set up in the past decade. All of them are privately incorporated and funded by private and international donors. They are service providers and not particularly active in the field of advocacy. None are explicitly feminist associations, but all have a gender narrative. Two of these

organisations have an explicitly religious identity by virtue of their names and location in mosques. Another two represent specific interests. The Street Food Vendors Association was founded over 15 years ago with the objective of helping vendors get licences to sell food and enable them to run successful businesses. It teaches hygiene and the basics of supply chains and small business management. The Association originated as a USAID project undertaken by a well-established Egyptian social consultancy office but is now independent. The Association has participated in a number of programmes, some through the Social Fund for Development (SFD) or donors, mostly providing microcredit, illiteracy eradication classes, and health awareness initiatives. It is a participant in the New Horizons umbrella network that provides local CSOs with training in management and finance. The other organisation is the Al-Jeel Centre which was established in 1994 by one of the pioneers in the service of street and working children. The Centre is currently inactive due to the sudden death of its founder. Previously, it undertook research on and services activities in counselling, shelter, support, education and training, as well as providing play areas for street children. It has its own publication and organises lectures and conferences.

Despite the large number of CSOs which provide poverty alleviation and welfare to inhabitants of Ain el-Sira, there remains a profound unmet need among the families. Every CSO interviewed expressed a belief that its work on its own could not make a dent in poverty and need in the area. Yet most associations appear to be duplicating each other's work, in some instances working with the same families. Projects vary slightly with some associations having a clearer target audience and constituency such as the Street Food Vendors Association, but on the whole the majority offer microcredit, some form of training or education and/or direct handouts. As a corollary to these basic programmes, many undertake health promotion activities and a little environmental or human rights/civic rights training. All except the Street Food Vendors Association see women as their primary audience and beneficiaries.

Women interviewed in Ain el-Sira identified these associations most frequently as sources of microcredit. Those interviewed in slums had taken microcredit and used it with varying degrees of satisfaction and endorsement. Some complained of the debts incurred and the need to sell basic household items such as mattresses and pots and pans so as to repay their loans and remain creditworthy. Both men and women have taken loans but there are more such schemes available to women through the local CSOs. Several men interviewed said that the interest rates on microcredit were too high and the credit cycle too short to benefit them. Women put up with these terms, as they consider it to be the only source of credit they have and one of the few avenues to cash that they can access. Microcredit has kept some families afloat but for others has also caused crises and cash crunches. It appears to be a survival strategy for some but a redeemer from poverty for none.

Vocational training and literacy classes have also been offered by many CSOs, but personnel training is less effective than it could be because of market conditions. That is, skills acquired do not guarantee employment. Literacy classes are common but one woman claimed that she had signed up more than three times because ‘... we do it to take the Ramadan food bags and other distributions’. Other women interviewed said that getting the certificate of literacy helped them find jobs as hospital and school cleaners. Street food vendors were frustrated because, despite getting the training and hardware from the association, they had still not been able to secure licences to sell food on the streets. Jobs that are available do not necessarily require the skills offered by CSOs and cannot compete with the lucrative pay of dangerous work (which includes illicit trade in drugs) or with the security provided by government work. Few CSOs offer vocational training that can provide high earnings or sustainable financial security. Meanwhile, women are excluded from skills development and are confined to making veils and headscarves and applying sequins and embroidery for private producers.

The direct hand-outs offered by CSOs and by religious foundations or committees/associations are very small but deemed to be essential by those who take them. 20LE (20 Egyptian pounds = approximately US\$3) a month does little for a family but it is better than nothing. The only criterion for getting these cash transfers is to prove, or rather display, abject poverty. Some families have complained that the slightest evidence of an acquisition, no matter how meagre, is enough to terminate their cash transfers. The women benefiting from these hand-outs, as far as this research project could ascertain, were almost exclusively widows. They are clearly deserving, as they have no male supporters. Individuals in religious organisations expressed doubt as to the eligibility of single or deserted women and heads of households for charity. A woman living with her partner is clearly excluded from their charity.

Despite an admirable level of activity and spending, CSOs have not made a significant difference in addressing the welfare needs of families and communities. The community services provided by CSOs such as environmental upgrading through rubbish collection, street cleaning, upgrading schools, small grants to fix home sanitation, etc. are sporadic and have not proved sustainable. The area is in desperate need of more systematic efforts to address endemic problems such as the sewage and water leakages, the mounds of rotting rubbish and refuse as well as the insecurity on the streets. Whether because of the magnitude of the need or the duplication in provision efforts, the problems of poverty, low capacity, unemployment, ill-health and disability are ever-present. Activists and CSO staff and volunteers have good working relations with the various communities of Ain el-Sira, some knowing their clients well. What they do not have are long-term goals or objectives to sustainably deliver people out of dire need. They view their role as providers of a variety of services, the choice of which is contingent on donor funding and CSO management decisions. One day they may be distributing school clothes or providing school fees, and the next day the task might

be microcredit arrangements or health awareness. All those interviewed nevertheless said that the needs and the scale of poverty were so huge that any service, however small, is appreciated.

All the CSOs about which we obtained details are in compliance with the current association law and have an elected board, annual meetings, proper records and accounting procedures. However, since the law does not make CSOs accountable to their clients, all expressed an understanding of accountability that excludes their clients and is focused only on financial and legal requirements of donors and of the Ministry of Social Solidarity. Some of the smaller less well-funded CSOs also admitted to not having a clear mandate. As is common practice, they list a range of foci to ensure that their licence is not revoked to be free to respond to and benefit from the open calls that donors and larger umbrella non-governmental organisations (NGOs) make to partners in whichever project they happen to give priority. The welfare activities of CSOs on the whole are fragmented and seem to have precipitated dependence rather than to have liberated people from needs. It is fair to say that no welfare actors profess to have poverty eradication, empowerment or independence from charity and hand-outs as an outright or reachable goal.

### **3 The possibility of empowerment**

Over the course of two years a sense of women's everyday lives and challenges began to emerge and demonstrate the weakness of empowerment or justice as merely a civil society initiative rather than a national project. The 'irrelevance' of the services and transfers that women access through these projects and programmes became clear and so did the dominance of these institutions. Life is hard and every bit of help is important. But as long as this help is impossible to secure in a predictable manner it can be no more than an occasional opportunity or perk.

A representative sample of families from Ain el-Sira were surveyed with a tool that aimed to gauge the extent to which families in general, and women in particular, felt that their needs were addressed by CSOs, the state welfare provisions and/or religious organisations. The three sources of assistance in the area:

- The Ministry of Social Solidarity represented by the local Ministry office gives social assistance and insurance payments
- CSOs in the area offer microcredit loans, school fees, cash transfers, Ramadan bags, school needs (books, pencils, bags, shoes), wedding trousseau for newly-weds, health awareness and assistance, illiteracy classes
- Religious organisations and institutions such as mosques and *zakat* committees offer microcredit, school fees, monthly cash transfers, Ramadan bags, school needs, wedding trousseau, food bank distribution, hearse services, health assistance and illiteracy classes.

Each source of assistance has different eligibility criteria. For state benefits, eligibility is confined to three criteria. The first and most prevalent is widowhood and divorce or desertion, followed by disability or chronic ill-health and old age. The other criteria for eligibility concern children and orphans. The amount of these transfers is very small. Beneficiaries claim that the transfers represent less than half and more like one quarter of their monthly expenditure. Elderly women pay their share of family expenditures from these transfers. The cash helps make them less of a burden on their families. Women with pensions are fought over by sons and daughters because they are an asset for the family. Women without pensions face desertion and neglect and become a burden. Elderly men keep their pensions ‘... for their cigarettes!’, as one woman explained. These cash transfers are important because they also bring to the beneficiaries other entitlements such as access to healthcare, the occasional distribution of food bags, blankets, and grants.

Religious institutions have very strict notions of who is a ‘deserving’ person. In focus group discussions with beneficiaries of these institutions *all* the women invited by the CSO were widows. One of the workers confessed that they have difficulty believing that a married woman needs support and said that Islam is clear in identifying widows and orphans as deserving of charity. These benefits were sourced from 12 mosques, two committees and three individuals associated with religious institutions. The procedures for getting these services were described as simple. A person needs to fill in forms and bring in proof of eligibility. A medical examination is also sometimes required. The grounds for eligibility are similar to those of the Ministry and include widowhood, dire poverty, being an orphan, old age, disability or absence of steady income. Fourteen families said they had tried but failed to get help from these institutions. The reasons for failure included absence of formal papers, possession of a television (which was taken as proof that they were not that poor) and the unavailability of the applied for assistance.

For other CSOs, their preference was to support women and children. They use microcredit to help women and impose group discussions or *nadawat* (lectures) for which they pay the women 10LE per attendance to enlighten them on issues to do with civil rights, reproductive health and family planning, women’s political participation and whatever else required by their donors. For example, in one of the qualitative study interviews, women in the slums said that Ramadan bags are tied to illiteracy class attendance. Many were told to get voting cards, one claiming that she had been told who to vote for as well, and that receiving certain benefits was contingent on getting voting cards.

The services were deemed to be satisfactory but unreliable, as CSOs often change their programmes and benefits. Moreover, people complained particularly of the terms imposed on microcredit lending. Families who take from CSOs said that the terms were harsh, the interest was high, the repayment schedule too tight and the amount too small. Borrowing and credit are heavy burdens that women bear in the

course of their daily lives. Women borrow from each other, from money lenders (women not men) and from CSOs.

While the microcredit movement may be a development success story in some parts of the world and possibly in parts of Egypt, the same cannot be said for Ain el-Sira. All CSOs have offered forms of microcredit and lending. Some dispense SFD grants which are used to fix sewage and water supplies but can only be used by people who live in registered premises that they own or have some form of legal title to, or are paying rent to a formal owner. That arrangement excludes practically all slum dwellers who bought their premises from others who did not have the right to sell these shacks in the first place.<sup>1</sup> Other loans are made to women in particular to encourage entrepreneurial activities. But these are the loans that have led to debt and the liquidation of assets. Mattresses, pots, pans, bangles and rings, are typical of the household items and belongings that women can sell to repay debts. The interest on NGO small loans is high. One organisation run by a local parliamentarian gives loans of 500LE over a ten-month period and requires women to repay 30LE every 15 days. Not only is this a high interest rate but the repayment schedule is harsh and unvarying. The women who take loans have to borrow to repay due instalments to the organisation. On this, one woman explained, 'We sometimes go hungry!' Women are torn between the need to maintain their credit worthiness in the eyes of the CSO and the needs of their families and homes. It is a lot to ask of women living under such stress to keep apart their business and private finances and accounts. There are also reports of loan sharks in the area. One woman interviewed in the area is paying off a 5,000LE loan that she made when her husband was injured in a work accident and was made redundant without benefits. She pays an interest rate of 10 per cent a month on the loan and has been paying off the interest for years.<sup>2</sup>

Women also borrow from each other, from food vendors, vegetable sellers, and from wholesale suppliers. The cycle of debt is relentless and causes friction and fighting. When women borrow from each other they feel constrained in their ability to spend money, enjoy a meal, or wear something nice. If they do, the neighbour or relative to whom they owe money will want to claim it back immediately. CSOs are similarly attentive as to how their money is spent and use threats of credit worthiness and the possibility of excluding women who default on an instalment from future projects and benefits. In recent interviews in the area, all women asked said they had no savings and no CSO in the area encourages savings or supports saving groups. The one loan programme that women found 'enabling' (but not empowering) is one through which they borrow money to buy needles, thread, sequins and material to make and embroider veils and headscarves which are then marketed by the CSO. They go to the CSO offices to sew and embroider and then are paid by the piece. In fact they prefer the security that comes with this arrangement, whereby the CSO purchases the materials and markets the products (and pockets the profits) then pays them for their labour. This limits women's liability and permits them to work when they can and make as much income as they need.



#### 4 Women and work

Because eligibility criteria for assistance favour the unemployed, women will claim that they do not work. It is hard, however, to find a woman in the area who does not work. Like many women all over the world, they are mostly involved in informal low paid and occasional work, for example Sayedda Groppi<sup>3</sup> buys broken cakes from an intermediary and sells them to her neighbours and others. She feeds her children with them when they have nothing else to eat. Om Mohamed from Upper Egypt is a widow with two girls getting married and a 17-year-old in vocational industrial training. She escaped her village as she did not want to remarry and have her children taken from her. She lived with relatives and made her living by cleaning. She used to sew, but she cannot do this anymore as she has eye problems. She now works as a cleaning lady in a hospital some distance away. She is illiterate so cannot get a proper contract. She is on medication for three medical conditions: diabetes, chronic back and gallbladder problems. Shadia is 39 and has four children. She trades and rears goats, salts fish, peddles clothes, cleans houses, lends money and frequents many CSO classes and programmes. Some women have tiny kiosks in the slums, others trade in vegetables, some are domestic workers, others are tea ladies in offices, and many do home-based jobs such as crocheting, sealing plastic bags, applying sequins and making headscarves.

CSOs ignore the rights and needs of working women. They hold their ‘awareness’ sessions during the day. They make distributions and visits when women are likely to be at work, and no one has a programme that addresses job security, workers’ rights, or offers private pensions or encourages savings. The theoretical construction of a beneficiary seems to be that of an unemployed healthy female: a rarity in Ain el-Sira, where the real barrier to work is poor health or disability. Injuries from work, fading eyesight, ageing limbs and joints, diabetes, high blood pressure and other chronic conditions not only prevent women from work but they also impose heavy burdens on the household budget. The survey showed a high burden of chronic and serious health conditions and disabilities (over 56 per cent of households). Those lucky enough to have access to subsidised or nominally free healthcare said that they still had to make out-of-pocket expenditures on health.

Conversation on violence came easily when the subject of work was under discussion. When women work they become tired and may not be able to respond to the partner’s requests for sex. Women work for up to 15 hours a day, then have to tend to the needs of their families. Children have to perform some of the mother’s responsibilities, either household chores or helping out at work. But the intimate aspects of being a wife cannot be relegated to kin or kids. This article cannot speak of the prevalence of domestic violence, but can certainly attest to its acceptability among women. ‘Some men do and some don’t’, said Mervat. ‘Some women accept it from their husbands, fathers and sons and some don’t’, she added. Interviewed women accepted that husbands and brothers who are under pressure because they have



no cash or job can become violent. They also conceded that when women work, they are entitled to have their dignity and bodily integrity respected. But if women annoy their husbands or detract from their manhood by being tired, unavailable or snooty, 'then they have a few slaps or punches coming their way'.

These burdens of disempowerment and destitution are rarely addressed by CSOs. They supply certain programmes that are devised according to rather static notions of what justice and entitlements should be and how the poor experience the burdens of poverty. The mere fact that programmes can continue unchanged for years if not decades and that all CSOs have similar tools and messages intimates a problem of relevance and initiative.

CSOs in Ain el-Sira most certainly have a higher level of activity than that evinced by the survey. The Al-Jeel Centre for example is well known for its efforts with children who work. Moreover, many NGOs for women have undertaken a number of highly acclaimed projects in reproductive health awareness and female genital mutilation (FGM) campaigns, issuing voting and identity cards for women, medical services, microcredit and illiteracy classes. They have also engaged in a number of gender empowerment projects to encourage women to fight domestic violence, early marriage and access rights such as social security. But the lack of sustainability of these campaigns and interventions has mitigated their impact.

## 5 Poverty and power

Poverty and power are intertwined in the account given above of families in Ain el-Sira. Similarly, state, civil society and social services interlace to further complicate the image. In this part of Cairo, poverty and the stress of slum life have created a need for services and support. Families will take what is offered in terms of material support and will also take on the trappings that encase this support. If food bags are contingent on attending reproductive health sessions or illiteracy classes, then women will attend these sessions/classes. If loans require proof of destitution, prayer or other forms of devotion, then this price will be paid. The state seems to be the provider with least requirements. Social protection entitlements rest on criteria of eligibility that are, by and large, clear and consistent. But in all cases, the aspects of poverty alleviation and community development that seek to forge and promote agency, citizenship, rights-based entitlements or gender justice have become routinised and even 'corrupted'.

The limitations of civil society in Ain el-Sira illustrate a larger story from Egypt; one in which the state and international donors have been wrestling over the prerogatives of power. At one point, the state had succeeded in controlling CSOs through restrictive laws, supervision and regulation. Donors have sought to impose ideas concerning the legitimacy, efficacy and progressive nature of CSOs and thus have made much funding contingent on CSO partnerships and participation. The

result in Ain el-Sira has been a disappointment for the families who are neither partners in, nor beneficiaries of, development.

In the midst of such a struggle, should women's empowerment initiatives and campaigns hold on to ideals of civil society and reservations about the state, despite the complications that are precipitated by politics and historical context? To realise a more gendered justice that provides them with substantive assets and capabilities that enable them to make real choices, women need to secure their citizenship rights. As Phillips (2002: 136) puts it, 'Choice depends on substantive conditions'. They need the enabling environment that is secured through state support. If the state is a patriarchal one, civil society will not feminise it through development, but through advocacy and agitation. CSOs cannot facilitate, realise or support women's empowerment through service provision. The supply of cash, transient work opportunities, market spurned skills and credit is a weak band-aid that cannot transform the lives of women and their families. Advocacy and collective action can change mentalities and structures that obstruct empowerment and which halt social justice.

Gender and development must engage with the state as well as with civil society when seeking to realise justice and empowerment for women and their families. Reproducing the patriarchal power relations that shape communities is a sure consequence of an un-critical engagement with the reality of state/citizen/civil society dynamics. The case of Ain el-Sira illustrates the profound power of such reproductions and the complicity of international donors and analysts in funding and promoting disempowerment. Despite the best intentions of all parties, the results bear witness to the importance of grounded, contextualised, and critical engagement with the institutional arrangements that are an assumed infrastructure for citizen empowerment and gender justice.

### Notes

- \* Some of the interviews cited in this text were conducted by Heba Gawayed and members of the Ain el-Sira research team.
- 1 The shacks that were built as emergency shelters for earthquake victims legally belong to the state and are not meant for sale or subletting. Some families have to leave shacks that they have paid for when council supervisors visit the area. They live on the street for a day or so until the bureaucrats finish their inspection. The families that have built their shacks have done so on land that they do not own so they do not have any legal title over the shack and when they sell it the new owners cannot register this property.
- 2 As reported in interviews conducted by Heba Gawayad for the Ain el-Sira project.
- 3 'Groppi' is the name of Egypt's famous Patisserie.

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# States or Markets – Twenty-Five Years On

Christopher Colclough

**Abstract** Pricist approaches to development policy reached their apogee under the influence of neoliberal economists in the post-Reagan/Thatcher years. Their version of state-minimalism was more extreme than that conceived by the very founders of economic liberalism two centuries earlier. Revisiting the themes of a critique published 25 years ago, this article finds that its thesis remains vitally relevant today. It argues, however, that its analytic approach needs to be reset to focus more sharply upon the macro consequences of the neoliberal legacy.

**Keywords:** development theory, development policy, neoliberalism, structuralism, markets, states.

In 1991 a number of us at the Institute of Development Studies (IDS) came together to produce a book called *States or Markets? Neoliberalism and the Development Policy Debate* (Colclough and Manor 1991). Edited by James Manor and myself, it included contributions by 14 other IDS Fellows, so it was really very much an IDS volume (and a commentary on the state of development studies at that time). The theme of the IDS 50th Anniversary Conference prompts us to look back and ask why we were highlighting this topic, and to what extent the themes of the book are still relevant today. This is the focus of this short article, which deliberately takes a broad sweep – albeit at some risk to the nicety of detail. It begins by asking why, and in what sense, we should counterpose states and markets as alternatives.

The case for liberalism in economics and politics goes back to the Enlightenment. John Locke argued that every person had a right to life, health, liberty and property (Locke 1689). In economics Adam Smith, a century later, showed that, under free competition, the market produces prices as low as is consistent with supplying the product (Smith 1776). He argued that life should be as untrammelled by constitutional legal and administrative constraints as possible, and government action should be limited to ensuring the maintenance of a stable society and marketplace. The relative place of states and markets in determining desired outcomes has been a major fulcrum for policy debate ever since.

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Neoclassical analysis is centrally about how markets would work if perfect competition were to prevail. But much of its power is gained from analysing ways in which output, employment and pricing outcomes vary in the presence of market imperfections – increasing returns to scale, externalities, monopoly and many others. Generally, these imperfections have a negative impact on desired outcomes, so policies to remove them should have positive results. But, as development economists have shown, this is less certain where they are widely prevalent. For example, in low-income countries, laws against monopoly might mean that production could never start. Some environmental protection policies might undermine the chance of industrialising. Ballots presuppose access to full and fair information if they are justly to reflect people's perceptions of their own interests (arguably a lesson that should be close to our minds in the UK in 2016, where lack of such information may have affected the result of the referendum over whether to leave the European Union).

This structuralist tradition in economics showed that selective intervention is needed to achieve development goals, and by the mid-1970s even the World Bank president had announced that development should not be judged by economic growth alone but by the extent to which poverty was reduced in the world (McNamara 1973).

However, during the 1970s the post-war Keynesian consensus on economic policy was breaking down. Fiscal and monetary instruments began to have greater impact on levels of inflation than on output and employment. A series of oil crises fuelled recession in the West and shifts to the right in national and in global politics began to take hold. Reductions in state expenditure and emphasis on the importance of 'getting prices right' became increasingly a unifying message for economic policy reform in the countries of the North.

At about the same time, a major challenge to the development policy orthodoxy came from a group of economists, who sought to reassert the major tenets of economic liberalism in the analysis of development, extending a tradition of economics whose origins were in Chicago and whose pre-eminent exponent had been Harry Johnson. These 'neoliberal' economists (particularly Béla Balassa, Peter Bauer, Anne Krueger, Deepak Lal and Ian Little) advocated a more thoroughgoing rejection of state intervention than even Adam Smith would have allowed. Their central message was that 'imperfect markets are better, in settling matters of resource allocation, than imperfect states' – not that markets were perfect, but that, warts and all, they will allocate resources more efficiently than alternative mechanisms (Bauer 1981: 255–66; Lal 1983: 106; Little 1982).

The intellectual foundations of their position were provided by orthodox neoclassical economic theory. But as *States or Markets?*<sup>2</sup> argued, they differ from careful neoclassical analysts in two very important ways. First, neoliberals concentrate entirely on the costs imposed by

ill-advised government interventionism – yet precisely the same methods demonstrate the costs of imperfections which are not policy induced. So, ‘hoist by their own petard’, where there are serious imperfections in the market, liberalising could actually make matters *worse*.

Second, neoliberals claim more for the long-run impact of short-run optimisation than both classical and other neoclassical writers would presume. Variables with enormous influence upon long-run outcomes – technology, labour supply, capital stock – are relegated to a category which will look after itself. It is not that these things are judged unimportant – rather, they need no separate attention other than that which they will get by consequence of short-run price signals.

In these two respects, neoliberals were incautious – laying themselves open to attack from more careful analysts working within the orthodox tradition – as well as from those providing a more structuralist critique, as in *States or Markets?*, covering agriculture, industry, trade, education, gender, health, international finance, aid and other matters.

As we know, much progress was made during the 1990s and 2000s with moves to get human development more strongly enshrined as the major development paradigm. But orthodoxy remained resilient to these attacks, certainly until the financial crisis, and many neoliberal elements were present in the so-called Washington Consensus policy reforms, summarised well by Dani Rodrik as: ‘stabilise, liberalise, privatise’ (Rodrik 2006).

To conclude, the macro strategy of neoliberals is: let the market do its work; remove tariffs and let comparative advantage hold sway; trade imbalances should be settled by domestic adjustment rather than by international concessionary finance but where there is reason to provide finance, the private banks will do so. This mantra is not quite so brutally held by the international financial institutions (IFIs), which accept the needs for concessionary financing and to recycle funds from surplus countries. But the costs of such recycling continue to fall mainly on the deficit countries and, as the experience of Greece has shown, there has been only limited progress in getting a wider Keynesian view accepted.

Meanwhile, inequality has risen enormously over the past two generations. Its consequences are patent everywhere from the ballot boxes of the rich industrialised nations to the migrant boats from Africa and Asia. Its impact is felt in the rise of nationalism in countries of both the South and the North and even, partly, in the growth of terrorism. These matters would, I think, be a closer focus for a new ‘States or Markets’ volume – a continued critique of sectoral strategy, but a new and much sharper focus on the macro consequences of a theory and policy set which assumes that those outside the reach of the market are there mainly because of their own lack of effort, and thus deserve neither rights nor viable opportunities to contribute to it.

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# Inequality and Exclusion in the New Era of Capital

**Violet Barasa**

**Abstract** The IDS 50th Anniversary Conference held in July 2016 revisited the age-old debate concerning the changing nature of the relationship between states, markets and society in relation to the problem of inequality. The deliberations at the conference made it clear that inequalities go beyond disparities between households in their income or asset ownership, to intersecting inequalities along the lines of age, gender, location and access to public services such as healthcare and education. This article addresses three areas of inequality that were given pre-eminence at the conference, namely, gender inequality, youth unemployment and social protection. The conclusion recaptures the main argument and suggests a rebalancing of power between states, markets and society because the key problem is that market forces have become too dominant.

**Keywords:** gender, inequality, youth, unemployment, social protection.

## 1 Introduction

The nature of state–market–society relations and their impact on inequality and exclusion are of perennial concern to scholars of development studies. From the end of the Second World War into the 1960s, the formative period of what is now called ‘development economics’, the long-running debate on development centred on why some countries grew rich while others languished. Thus, the relative merits of financial liberalisation have come under heavy criticism especially in the wake of bank panics and collapses, and the resultant recessions, high inflation and the accumulation of excessive foreign debt in less developed countries (McKinnon 1991).

This article looks at the problem of inequality and exclusion by revisiting the deliberations of the Institute of Development Studies (IDS) 50th Anniversary Conference held in July 2016. In particular, it looks at the challenges of addressing inequality through three issues that were given pre-eminence at the conference, namely, gender inequality, youth unemployment and social protection. The main focus of the article is how the empirical material from the conference challenges existing theories and conceptual frameworks that underpin state–



market–society relations within development processes. The conclusion draws from this critique and suggests possible directions towards rebalancing power between states, markets and society.

## **2 The problem of inequality**

Inequality is a serious issue – both for economic efficiency and for social stability. Inequality is rising, both horizontally and vertically between and within countries. Addressing the IDS 50th Anniversary Conference, economist Frances Stewart opened the plenary on inequality with a presentation on the 'Inequality Paradox' in which she highlighted the stark statistics of growing disparities in income, employment, access to health care and education across a wide spectrum of intersecting factors such as race, gender, location and age. Between countries, she noted that inequalities have increased 11 per cent in developing countries in the period 1990–2015 (see also UNDP 2015). Yet, paradoxically, state and society actors find themselves constrained by market forces to tackle the challenges of inequality and exclusion. Today, almost half of all the world's household wealth is owned by 1 per cent of the global population (Credit Suisse 2015), and the richest 62 individuals own as much as the bottom half of humanity (Oxfam 2016).

UN Sustainable Development Goal 10 embraces the challenge of inequality and exclusion, and commits to 'reducing inequality within and among countries'. Inequality cuts across multiple dimensions, including but not limited to: economic, social, cultural, political, spatial, environmental and knowledge-based, and these operate differently depending on contexts, and affect individuals and communities in varying ways. Social relations of different cultures affect levels of inequality, in the same way that the political climate in different countries creates enabling or disabling environments for justice to thrive. Many scholars have advanced explanatory frameworks that address the role of states, markets and society actors in economic development and in reducing inequalities to help in the understanding of cross-country variations in development trajectories (see Underhill and Zhang 2005; Clark and Chan 1998; Weiss and Hobson 1995). In what follows, I apply these frameworks to empirical material from the conference deliberations on gender inequality, youth unemployment and social protection, in order to build a nuanced understanding of the complex variables at play in producing and sustaining these inequalities.

## **3 Gender inequality**

Gender constitutes a major factor in explaining the complexity of inequality in many contexts. Gender inequalities are embodied in the way dominant institutions operate; for instance, as we move away from developmental state paradigms, where states and markets operate as distinctive entities and market forces become more dominant, labour markets are increasingly becoming significant bearers of gender. During the IDS conference, experts on gender and sexuality expressed that gender inequalities have been exacerbated by dominant market forces, and that states have become too constrained to reverse these trends. Bafana Khumalo and

Wanja Wamuguongo, gender and minority sexual rights activists from South Africa and Kenya respectively, noted that individual men and women's rights are shrinking while the power of markets are expanding exponentially at the same time. Khumalo noted that in South Africa the state is becoming more accountable to markets and not to the people, and that society actors are being marginalised in the process.

This is perhaps best understood using neostatist theories that view the development process as necessarily influenced by bureaucratic linkages between state bureaucrats and private business in what Weiss and Hobson (1995) appropriately termed 'embedded autonomy' of states and markets. Although proponents of these approaches view the interaction between states and markets as reciprocal, complementary and mutually reinforcing, it is clear that markets have become too dominant and the state has been unable to prevent particularistic interests from subverting the interest of minority social actors, including advancing gender equality and minority sexual rights.

In a similar vein, civil society mobilisation increasingly revolves around identity, not class, and the main challenge for development is how to open up and broaden out pathways towards equal representation of minority sexual rights and gender equality regardless of class, religion, race or creed.

Experts at the conference cautioned that without structural reforms of state and market institutions, gender and sexual inequalities were likely to persist, because women's empowerment requires female autonomy in all areas of life – financial, economic, political, social and cultural, in and outside the home. Panellists in the session also noted that although some measures to accelerate gender parity are improving – reduction in gender pay gap, improved political representation, stiffer penalties for rape and sexual assault – this does not automatically lead to empowerment of women, particularly in countries where overall development is low. In other words, development and gender equality go hand in hand.

Furthermore, questions need to be asked about the nature of autonomy and empowerment itself: who is being empowered, individuals or communities? Which society is being empowered and for what? Increasing accountability of those working towards gender equality goes beyond 'adding women/gay people with an asterisk' to interrogating the power relations and structures of inequality within and across society.

#### **4 Youth unemployment**

This issue was a central theme during the IDS conference, where experts working with young people presented their experiences. In his inaugural IDS Annual Lecture at the conference on 'Not Working: Rethinking and Redistribution in the Jobless City', Stanford University professor James Ferguson highlighted the challenge of unemployment in cities, particularly in the global South. He argued that the destructive

market forces driving urbanisation has given rise to slums and slum dwellers, a high proportion of whom are youth, who are effectively becoming victims of a decaying society. He called for alternative pathways to those based on wage labour, and provoked conference participants to start thinking of what he termed 'improvised livelihoods'. He challenged the dominant market-led narrative of 'real jobs', which he referred to as the 'catastrophe' narrative, and used the example of Ethiopia to make a case for a return to social relationships and gift-giving practices where appropriate reciprocities sustain societies.

Echoing James Ferguson's sentiments, University of Sussex professor Andy McKay and IDS professor Jim Sumberg noted that the challenge of youth unemployment was serious, particularly for sub-Saharan Africa where the population is mainly made up of young people and the burden of unemployment is highest. Dinah Rajak, also from the University of Sussex, noted that youth, unemployment and urbanisation was a triple economic and social crisis but also a market opportunity, where bottom-of-the pyramid schemes can offer alternatives to jobs through youth entrepreneurship. However, Meredith Lee from the MasterCard Foundation observed that, while entrepreneurship can play a role in alleviating youth unemployment, it offers little hope as it is fragmented and remains at micro-levels in the developing countries of Africa, where there are high failure rates due to a lack of access to critical infrastructure such as roads, markets and capital. In addition, for young people already living in poverty, multiple insecurities in different areas of their lives such as homelessness, long-term illness or death of family members are likely to exacerbate the failure of running a successful business. McKay noted that there is also a great diversity of contextual factors affecting youth unemployment, such as gender, age, social connection, rural–urban divide and so forth, and these need to be taken into account by policymakers. In Africa, the secure salaried work available is often the preserve of the well-connected, young, educated men living in urban areas. Young women are more likely to work in unpaid family labour (Kingdon, Sandefur and Teal 2006).

In other words, entrepreneurship ought not to be perceived as a blanket solution for youth unemployment, nor should it be used as a scapegoat for states' failure to leverage market conditions and implement labour policies that absorb a more diverse range of young people into paid work.

Although access to higher education around the world has improved for young people, the transition into the labour market is far from easy for many (ILO 2016). In 2015, a record 204 million people worldwide, including 74 million young people (ages 15–24), were unemployed (UNDP 2015; ILO 2016). Youth unemployment in European countries such as Spain, Portugal and Croatia stands at 53 per cent, 35 per cent and 46 per cent, respectively. In Africa, the figures are much higher, standing at 59 per cent in Egypt and 80 per cent in Zimbabwe, to mention but a few.

With a projected 1.1 billion people under the age of 30 entering the labour market by the year 2020 (UNDP 2015), tackling youth unemployment is now more urgent than ever. In terms of how states, markets and society can intervene to alleviate youth unemployment, it is crucial for states to play an activist role and harness the contributions of business and society actors as functional equivalents in their ability to build up ties between government and the private sector (Clark and Chan 1998). For instance, labour unions, inter-sector networks, business associations and private–public consultative fora facilitate the exchange of information, and enhance trust and cooperation between government and market actors (cited in Underhill and Zhang 2005).

### **5 Inequality and social protection**

Social protection systems have been hailed as success stories of development. However, they are coming under insurmountable pressure in most countries both in the developed and the developing world as states target welfare budgets for cuts as part of austerity measures.

Speaking during the IDS conference, Armando Barrientos, Professor of Poverty and Social Justice at the University of Manchester, decried the state's lax attitude to promoting social protection, arguing that private businesses were driving the move towards commercialisation of welfare in many countries. He stressed that social protection need not be seen as a form of state benevolence but should be rooted in the political conception of justice and be integrated in state social economic policy. Isabel Ortiz, Director of Social Protection at the International Labour Organization (ILO), reiterated that welfare coverage was low and fragmented across the world, and that in fact, states in approximately 132 countries were cutting social welfare budgets at present.

In European countries such as Greece and Portugal, the impact of these cuts has been severe, but they have also been met with protests, as has been the case elsewhere around the world. This has included food riots in sub-Saharan Africa, the Caribbean and South East Asia after prices sky-rocketed between 2008–12, heralding new forms of public accountability for hunger and malnutrition (Hossain 2009).

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#### **Box 1 Inequality in Europe**

European countries have reduced a range of social protection benefits and limited access to quality public services; together with persistent unemployment, lower wages and higher taxes, these measures have contributed to increases in poverty and social exclusion, now affecting *123 million* people in the European Union – 24 per cent of the population, many of them children, women and persons with disabilities. Several European courts have found cuts unconstitutional.

Source: ILO (2014) based on EUROSTAT data (in Ortiz *et al.* 2015).

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Riots and protests have targeted the state, international financial institutions, elites, the police, and regional administrative bodies challenging rigid technocratic solutions to development. The state has been accused of reneging on its responsibility to provide social protection for its most vulnerable populations, and it has instead left it to the market, often without regulation. As a result, there have been mass privatisations of pension schemes in many countries including many in Africa such as Nigeria, where the state privatised the pension fund in 2005.

Panellists were in agreement that the state is the only institution that can pull resources together and strengthen its collaboration with the market and society in order to reinforce structural reforms towards universal welfare coverage. Ortiz cited some examples in developing countries where such collaborations have been successful, including in Lesotho, where the state pays a universal pension, and in Mongolia, a small state which has successfully restored universal child tax credits.

## 6 Conclusion

Power and politics constitute a two-way relationship between structures and agents in particular institutional settings. On the one hand, institutions shape existing structures, and on the other, institutional structures can limit the power of states, markets and society actors from pursuing their development goals. In other words, and as this article has articulated, it is not the institutions of states, markets or society that are the problem in the current state of inequality and inclusion, but rather, it is the political processes and power dynamics within them that are to blame.

The central argument in this article then is that, rather than the view that states and markets work best in 'embedded autonomy', as some theorists suggest (i.e. that they are separate entities operating in a dichotomous relationship with little influence over each other, and society actors are an 'add on' to this equation), there is a need to approach this triad as a part of the same integrated ensemble, separated by interests, whether individual or group. These interests in turn influence the types of debate that are prioritised, how power is exercised and how economic and social policy choices are made. However, in the current capital-based configuration, the evidence suggests that market forces have become both too dominant and the 'senior partners' in the triad, and inequalities are an inevitable result of this dominance. Thus, in order to address state, market and society relations, and effectively tackle the challenge of inequalities in their various forms, there is a need to rebalance the power within the triad through the integration of its key social constituents and their interests. This includes harnessing and strengthening democratic institutions and enhancing accountability at all levels of state, market and societal governance. However challenging this may be, it is the most realistic way of helping to generate a collective vision for a fair and a sustainable world.

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# Inclusive Innovation, Development and Policy: Four Key Themes

**Amrita Saha**

**Abstract** There is widespread recognition of political economy factors that underline 'inclusive innovation'. Key among these include the trio of states, markets and society; the conditions that lead to technology transfer, adoption and finally diffusion in a new context; the corresponding creation of indigenous capacity with participation from local actors and stakeholders; and socially inclusive outcomes that can thrive from complementarities of technology and social innovation. Building on these ideas from the IDS 50th Anniversary Conference in July 2016, this article links them with the Heeks Ladder of Inclusive Innovation to discuss the prospects for further inclusive innovation and development.

**Keywords:** inclusive innovation, development, policy.

## 1 Introduction

There is widespread recognition of political economy factors that underline innovation and its role in development. Key among these are interactions that span the trio of states, markets and society governed by a set of rules and institutional frameworks (Altenburg 2009); conditions that lead technology to be transferred, adopted and finally diffused in a new context; the corresponding creation of indigenous capacity with participation from local actors; and socially inclusive outcomes that can thrive from complementarities of technology and social innovation. The Institute of Development Studies (IDS) 50th Anniversary Conference debated these key themes in furthering the agenda of inclusive innovation and development.

As early as the 1970s, IDS and the Science Policy Research Unit (SPRU) at the University of Sussex collaborated to produce the so-called *Sussex Manifesto* (Singer *et al.* 1970). This brought innovation into the centre of the development discussion, stressing the role played by technology and research. In 2010, IDS and SPRU collaborated again to produce a follow-up *Innovation, Sustainability, Development: A New Manifesto* (STEPS Centre 2010). This laid emphasis on organising innovation as being networked, distributed and inclusive, where various groups of people and stakeholders are included, especially the poor and marginalised.

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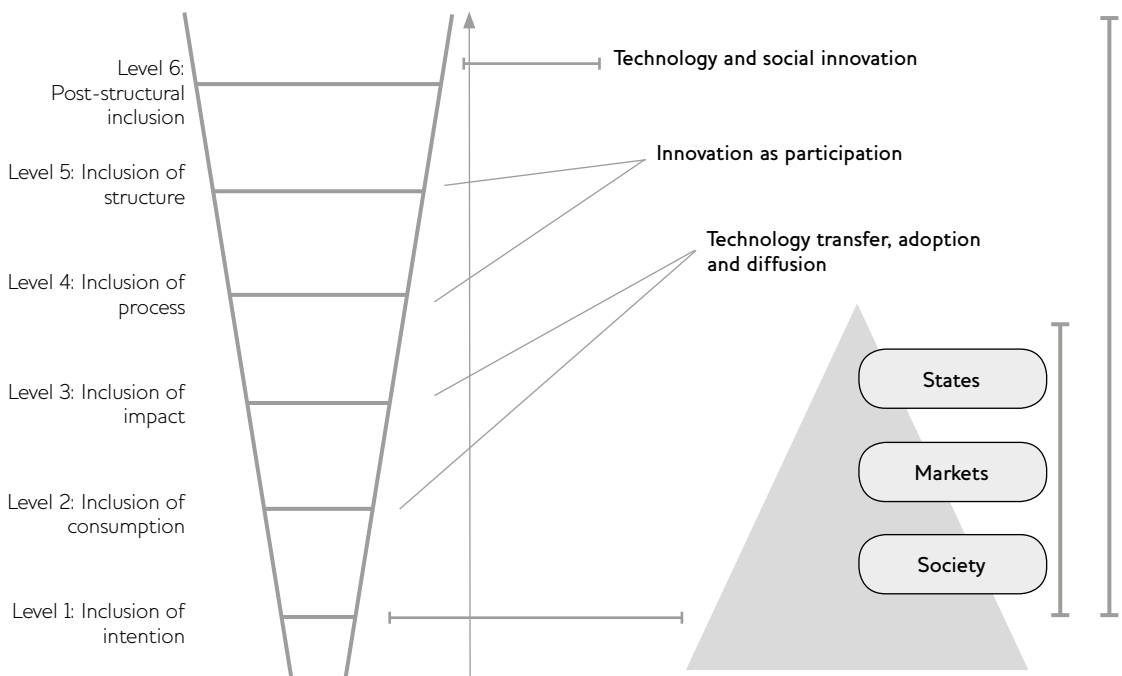
In this entire period, innovation has been hypothesised as an amalgamation of various processes that emerge from the interactions among various actors that are involved in those processes.<sup>1</sup> A parallel can be drawn with the concept of global value chains where various innovations come together to bring a product or service from conception to the final consumers (Kaplinsky and Morris 2001). However, weak institutions and less formal definitions of interactions among the actors often present challenges for innovation to be inclusive at various nodes of the chain. As a result, excluded groups (for instance, smallholder farmers or the marginalised without access to health services) may fall outside the domain of creation and impact from conventional innovations. 'Inclusive innovation' emerged in response to these challenges that emerged for excluded sections of society.

There have been various developments of the concept of inclusive innovations since 2010. In this article, I draw on the work of Foster and Heeks (2013), where inclusive innovation is defined such that marginalised groups are incorporated within the structures and processes that underline an innovation activity. The key questions stressed in their work are 'who is included in innovation?', and 'where to include them?'. Both acquire importance from the perspective of the political economy of innovation that creates inclusive outcomes and is also inclusive in terms of the innovation process itself, the latter alluding to the social shaping of technologies (Smith 2014). This approach helps support the frame of analysis for the ideas discussed in this article.

Heeks, Foster and Nugroho (2014) developed their work on innovation further as the 'Ladder of Inclusive Innovation', outlining six levels to help ascertain if an innovation was inclusive: 'intention' (intends to address the needs of the excluded); 'consumption' (adopted and used by the excluded); 'impact' (positive impact on the livelihoods of the excluded); 'process' (if the excluded are involved in the development of the innovation); 'structure' (created within a structure that is itself inclusive); and 'post-structure' (created within a frame of inclusive knowledge). Each level involves gradual broadening of the extent of inclusion of the excluded groups and presents a useful framework to evaluate the extent of inclusion encompassed in a specific innovation.

Saha (2016) outlined six aspects of inclusive innovation and development that were discussed and debated at the IDS 50th Anniversary Conference. Attempting to draw key themes that can feed into the Heeks Ladder of Inclusive Innovation, here I discuss four, as depicted in Figure 1. First, interactions among the trio of states, markets and society with links to the bottom of the ladder; second, technology adoption, diffusion and upgrading in parallel with the middle of the ladder; third, innovation as participation towards the top; and fourth, the complementarities of technology and social innovation, right at the top of the ladder.

In discussing the four themes, I draw on recent developments in the field of innovation that were also vibrant in the debate at the conference.

**Figure 1** Four key themes from the IDS 50th Anniversary Conference to feed into the Heeks Ladder of Inclusive Innovation

Source Representation by author adapting Heeks *et al.* (2014) and ideas from the IDS 50th Anniversary Conference in Saha (2016).

These include the emphasis on political economy of interactions leading to innovations, the global systems of innovation (Martin 2015), thinking of innovation in terms of new or incremental improvements, not only in products, but in terms of processes/markets/organisation, and finally the social framing of innovations (Smith 2014).

The remainder of the article is organised as follows. Section 2 outlines key literature and analysis around the trio of states, markets and society. In Section 3, I draw from key debates on technology transfer, adoption and diffusion. Section 4 discusses the idea of innovation as participation. Section 5 hypothesises the complementarities of technology and social innovation. Section 6 concludes and highlights topics for further research in these areas.

## **2 The trio of states, markets and society**

The literature on innovation has identified the range of actors that are involved, varying across sectors and countries. These actors are drawn from state-owned institutions involved in developing new products or supporting them (state), the private sector that also undertake similar initiatives (markets); and research and education systems (Chataway, Hanlin and Kaplinsky 2014) as well as not-for-profit organisations (society).

To work towards the goal of inclusive inclusion, the trio of states, markets and society play not only a primary role but comprise the set of actors that are in fact an imperative to the process of innovation for any country. In the Heeks *et al.* (2014) ladder, this trio can be situated in parallel with the first level of 'intention', with essential support to ensure outcomes for the following levels, and especially to push the existing frontiers leading to the fourth level of inclusion in 'process'.

The role of the state in innovation has received immense emphasis in Mazzucato (2011), where the author draws attention to the role of the state in not only fixing markets but also in shaping and in fact creating them. She outlines 'mission-oriented' finance as strategic public sector investment to trigger economic activity and innovation, and to create opportunities for markets and economic growth. Such finance begins on the premise of problem-specific challenges that need to be solved, and requires coordination across different sectors and the state. While the example of the iPhone is the most popular example in Mazzucato's work, the ideas are also reverberant in several other less documented instances.

One such example is the evolving progress in anti-retroviral drugs and therapy in Mozambique (Pfeiffer *et al.* 2010) where donor funding has been coordinated by the government following national health objectives on HIV/AIDS with positive spillovers to overall primary health care for the country. Even though the finance came from international agencies, the commitment to tackle the disease on the part of the Mozambique government has led to significant reductions in disease burdens. The most recent success has been a Brazilian collaboration for a factory that is producing anti-retroviral drugs (Russo and de Oliveira 2016).

Innovation policy is often attributed to being about supporting discovery processes that necessarily involve significant trial and error (Rodrik 2004). However, countries may find themselves trapped in situations where poverty can limit the scope of investment capacity to further innovation on the one hand, while the absence of efficient institutions may inhibit the process further (Altenburg 2009) on the other. In this scenario, while the state must play a greater role to regulate markets and prevent market failure, it is also important that there are institutions that can carefully evaluate potential winners and lessons to learn in the playing field (Mazzucato 2011).

Therefore, arguments from existing literature point towards the role of the state in furthering inclusive innovation to especially ascertain 'intention' in the Heeks *et al.* (2014) ladder. Such 'intention' can be discovered by means of exploratory public sector organisations that can identify opportunities where investments in new innovations can address the needs of excluded groups. On the lines of Mazzucato (2011), while strategic public finance led by the state can be key here, there is an essential room for careful monitoring of such institutions to overcome gaps between intentions that are outlined and those that are actualised. Further, the role played by markets and public-private partnerships

cannot be discounted. Private actors often support large-scale investments that may include donor aid in cooperation with national governments to facilitate the correct channelling of resources. Again, there is the need to strengthen checks and balances to prevent this from being skewed in the favour of powerful corporations.

What will be key in future policies aimed at assessing the ‘intention’ to achieve inclusive innovation will be the synergies of partnerships between states and markets. The role of non-governmental organisations (NGOs) is also of importance as agents of policy implementation for increased inclusion that act independently of states or markets. Therefore, for the trio of actors, each stands to make an essential contribution in ‘intention’ going forward with inclusive innovation, and to overcome gaps between stated intentions and actualising them.

### **3 Technology transfer, adoption and diffusion**

Technology transfer, adoption and diffusion play a crucial role following up from the creation of a new technology or innovation. How technology transfer in developing countries can lead to adoption and actual diffusion in terms of building local capabilities is of importance for ‘consumption’ and ‘impact’ in the Heeks *et al.* (2014) ladder.

To enable low-income producers and consumers to adopt the innovation, emerging productive activities that replace less efficient ones should be accessible for the most marginalised actors. Altenburg (2009) outlines that labour market rigidities and skills development may be the key binding constraints for integrating low-income workers in competitive industries.

Once the new technology or innovation is created and transferred to new settings, innovation still occurs at every stage from production or adoption of the new good or service to distribution or diffusion of the good or service along the value chain. Also, further innovations may occur on feedback from surrounding social systems that lead to the creation of further innovations (Foster and Heeks 2013).

Taking the case of agriculture as an example, transfer of technologies can solve specific problems at the farm level, such as adoption of new seed varieties, irrigation systems, etc. for smallholder farmers. However, for innovations to be inclusive, significant changes are essential in supporting social systems such as input services, marketing systems, intermediaries and others. These are necessary to support consumption such that small-scale farmers can adapt the innovations to local conditions and create positive impacts on their livelihoods.

While new technology can improve productivity and thereby create improved livelihoods for the excluded, investments in local capability are essential for the impact to be sustainable. Thereby investments in national technology need to focus on the objective of diffusion such that adopted innovations can enable the creation of design and capabilities for transforming existing knowledge into new configurations by local

stakeholders (Bell 2007). Therefore, while technology transfer and adoption is criticised for increasing reliance on foreign sources of innovation, investment in local capability for diffusion of knowledge is necessary.

Technology transfer may, however, stop at adoption without creating any diffusion. One example is the cut-flower industry in Ethiopia, where the introduction of seed varieties and other technologies such as glass greenhouses from abroad created jobs for the local population and sparked a significant rise in cut-flower exports of the country (Perry 2011). However, this has not been followed by the building of significant local research capacities as most technology continues to be foreign sourced. Although the cut-flower value chain has witnessed some local innovations in other linked sectors of transport in the use of chilling trucks and warehouses, local diffusion for innovations has only been limited.

For technology transfer to lead to diffusion, innovation policies should focus on reaching out to wider sections of the population of excluded groups. Various types of technology transfer and their corresponding pathways to diffusion lead to varied outcomes on inclusion. For example, the adoption of foreign seed varieties in agriculture can lead to further investments in research and creation of local production capability that then creates jobs for the local population, but the creation of inclusion will depend on the wellbeing of workers, impact for excluded groups, gender effects, etc.

In the context of global value chains, this can be assessed for instance by the extent to which the small and medium enterprises and the small-scale farmers in least developed countries (LDCs) can actually upgrade and link into the existing global value chains being led by China and India.<sup>2</sup> This can be key to unlocking the potential of technology transfer, leading to adoption and finally diffusion, especially for poorer countries that face constraints in forwarding the goals of inclusive innovation.

An important policy lesson is that adoption of foreign technology needs to be supported by national policies and investments in research capabilities to catalyse local diffusion and create wider impact for 'consumption' and 'impact'. Altenburg (2009) has emphasised the importance of sustainable policies that can support the adoption and diffusion of new technology to speed up the process of learning and shifting resources to more productive uses. This includes developing markets for subsidies, improved governance of financial markets, competition policy, simplification of business procedures, property rights reforms, labour market reforms, etc. Thereby, it also outlines the importance of the design of institutions to enable technological learning in a socially inclusive way.

#### **4 Innovation as participation**

Innovation as a process based on 'participation' can occur within a structure that is inclusive by being a combination of new or external technology that adds value to existing or local structures and includes the excluded groups in the creation of innovation. This furthers the

goal of inclusive innovation and calls for policy conducive to creating structures that support the goals of inclusivity. The emphasis on building local capacity can be traced to ideas of ‘putting the last first’ (Chambers 1983) and of ‘development as freedom’ (Sen 1999).

In the Heeks *et al.* (2014) ladder, the levels of ‘process’ and ‘structure’ essentially point to the creation of new technology or innovation with participation from local actors. The role of local entrepreneurs and local research organisations that are better aware of local needs creates actors that can contribute to this participation, and creates knowledge to cater to local and national needs supported by local stakeholder involvement. The role of local actors is exemplified in the engagement of communities and especially community health workers in health services provision in resource-poor countries such as the case of anti-retroviral treatment (ART) in Mozambique (Hog 2014).

Heeks *et al.* (2013) stress the hybridity of inclusive innovations expressed as the combination of external and local knowledge, seen to take place within a single individual, within a group, within an organisation, via collaboration or via intermediaries. This hybridity is important from the perspective of ‘innovation as participation’ that implies broadening the very foundation of innovation, to begin from neglected issues faced by excluded groups, but often built in collaboration with external support.

Development policy to build on the view of innovation driven by local needs with support from external agencies is not without its critiques. Arora and Romijn (2009) discuss the nature of participatory practice that determines local knowledge situated within structures of asymmetric power distribution. This includes development experts and communities on the one hand, and the global/national corporate capital on the other. Therefore, for the active role of communities in ART provision in Mozambique situated within donor–government–local community structures, the balance between the exercise of power by international bodies and the potential disempowerment of public services and local actors needs to be kept in check for ensuring effective participation.

Therefore, innovation seen as participation not only involves reaching out to the marginalised but also working with them such that technology is seen in its capability of being empowering. This suggests innovation as a distributed activity where innovations and organisational structures are built on local knowledge, but also to ensure excluded groups are included in the process of innovation with balanced power equations. Innovation can then occur within a structure that is inclusive by being a combination of new or external technology that adds value to existing or local structures.

## **5 Technology and social innovation**

The collaboration of technological innovation and contribution from social innovation puts light on framing innovations in a social context. ‘Social innovation’ can be defined as innovation that leads to broad-

based outcomes for society (Gaventa and Mathie 2015). Bringing together the idea of innovation that creates smart growth, with a social context that leads to inclusive growth and improved social welfare can be set within the argument that there is in fact nothing natural or inevitable about technological trajectories, and that these are shaped by social forces and actor interests (Smith 2014).

A linked concern about design–reality gaps from Heeks (2002) emphasises that innovation designs mismatched to the realities of low-income consumers can fail in adoption. The need for innovation to be matched with the realities of low-income consumers is an important component of the final top level of 'post-structure' in the Heeks *et al.* (2014) ladder. Creation of new ideas in an inclusive knowledge frame where excluded groups are involved in creation of the knowledge that can build on the unmet needs of the marginalised.

Smith (2014) outlines the role of community-based networks, where access to technical advice and prototyping services to develop socially useful products enabled tapping into the scientific and innovation knowledge of communities and social networks. Examples of community-led provision of services, especially in the health sector in several African countries such as Kenya, Ethiopia and Mozambique, have created wider access to health provision for people outside the coverage of primary health care. While there are often limitations to achieving socially inclusive frames of knowledge creation, the role of development policy can support initiatives to overcome these and create a combination of smart and inclusive growth.

The role of cooperatives comprising smallholder farmers producing livestock and small-scale milk vendors is another example that stands out as a social frame where people-led initiatives have created success in dairy production in Kenya, leading to improved milk yield and nutrition outcomes (Staal, Pratt and Jabbar 2008). Cooperative groups have filled in gaps especially in providing crucial input services to small-scale farmers in production and transport services along the milk value chain. These organisation and marketing innovations have emerged from the unmet needs of marginalised farmers and actors, where local research organisations further supported the development of innovations. While small-scale farmers and the role of women have been significant, there are still unmet challenges from the affordability of input services that lie outside of the scope of public services and cooperatives.

Therefore, innovation created on the premise of inclusive networks of knowledge can contribute to activity that consciously shapes technology for social benefit, creating inclusive outcomes in innovation. Development policy, by facilitating support systems for these networks, has a valuable role to play in furthering inclusion.

## 6 Conclusion

There is now widespread recognition of the role of inclusive innovation in development and the importance of political economy factors. This article

has analysed four key aspects of inclusive innovation and shows how they help elaborate and modify the Heeks Ladder of Inclusive Innovation.

The particular interactions among the trio of states, markets and society is strategic for creating new technology and innovations for any country. State-led support, markets and donors and not-for-profit organisations are important contributors to its creation. What will be key in future policies and research aimed at inclusive innovation is not only to assess 'intention', but also to find the means to fill the gaps between merely stated intentions and actualised intentions, possibly using the synergies of partnerships between states and markets, as well as non-governmental agencies.

Technology adoption, diffusion and upgrading are discussed as fundamental steps following the creation of new technology or innovation. The adoption and actual diffusion in building local capabilities is emphasised for 'consumption' and 'impact'. Sustainable policies by way of institutions and social systems are identified as important to facilitate adoption and diffusion. The institutions and support to enable the creation of local capability will be key in policy design.

'Innovation as participation' contributes to 'process' and 'structure' for inclusive innovation. Local entrepreneurs and research organisations can create knowledge that caters to local and national needs by means of local stakeholder involvement. Therefore, this can ensure that innovation is inclusive also in terms of the process of creating the innovation within a structure that is itself inclusive. Further research in this area needs a special emphasis on the system of checks and balances for the exercise of power by external agents and the potential disempowerment of domestic actors to ensure effective participation.

Finally, the complementarities of technology and social innovation is an overarching theme for inclusive innovation. The social frame for innovation with emphasis on the 'post-structure' of inclusive knowledge stands out in the conscious shaping of technology for social benefit, towards creating inclusive outcomes in innovation.

The four themes above are identified as essentials for furthering the agenda of inclusive innovation, development and policy. These could provide valuable foci for future research to disaggregate finer nuances, and to relate these to policies and practices to further inclusive innovations.

### Notes

- 1 Innovation has been outlined as emerging from a broad network of dynamically linked actors within a particular institutional context (Lundvall 2011).
- 2 See for instance Banga and Saha (forthcoming), where LDCs are examined as potential links into existing global value chains for India.



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# Consequences of Inequality for Sustainability

**Sunita Narain**

**Abstract** In this article, I argue that sustainable development is not possible without affordable and inclusive growth. Inequality and unsustainability are linked and unless the world is able to look for environmental solutions that are affordable and can meet the needs of all, these will not work.

**Keywords:** air pollution, Delhi, inequality, sustainability, water pollution, development.

Fifty years of the Institute of Development Studies (IDS) marks an important opportunity to think and rethink development as the world practises it today. In this short opinion piece, I offer some reflections on the twin challenges of inequality and unsustainability, the relationship between them, and the implications for understanding and action around states, markets and society.

We currently stand at a crossroads. The challenge of unsustainable growth means that we are hurtling towards climate catastrophe, and the challenge of inequitable growth means that we are hurtling towards increased poverty, increased marginalisation and increased anger.

The problem has been that we have believed (and continue to do so with conviction) that we can practise unsustainable development and then clean it up, make the pollution go away. Or we have believed that we can make environmental management a part of growth; investment in pollution control is an economic activity after all. But these approaches do not work. We end up managing small fallouts and stay behind the problem: they are technocratic, and not political.

We have learnt that growth that is not affordable or in other words equitable, cannot be sustainable. We cannot push away the *politics of development* when we discuss sustainability.

## 1 The case of air pollution

Air pollution illustrates these points. Today, a miniscule number of people in Delhi (and indeed most other cities of the global South) drive a

car. In Delhi, the proportion is 15 per cent, but air pollution is at a very high level and the congestion has become intolerable. The question is how will Delhi combat air pollution as more and more people start to drive? What contingencies can be put in place for the remaining 85 per cent? Is there space on the road and corresponding space in the airshed?

Clearly a simple technical solution is not feasible. We cannot fix the tailpipes of individual cars. Instead we have to change the way people drive (or do not drive). We need to plan for sustainability for all, and for this we need to re-invent mobility at a scale not seen before. Without this we cannot clean our air for anybody, regardless of their economic position. It is clear that solutions must work for the poor, for them to work for the rich. In this, managing local air pollution is no different from the management of the global commons – the atmosphere mirrors the air pollution of Delhi's roads on a grand scale. Climate change cannot be mitigated unless we address issues of equity and find ways of growth that work for all, without destroying the planet.

## **2 The case of water pollution**

Indian rivers are increasingly polluted, but the question is, again, can we clean up when large numbers of people are unconnected to sanitation and do not have access to clean water? We know that the current system of water and waste management in cities like Delhi is both capital-intensive and divisive. The state has limited resources and can only invest in providing for some – and this is too often the rich and not the poor. But if only a part of the city has access to sanitation and underground sewage, pollution control will not work. The reason is simple – the treated waste of a few will be mixed with the untreated waste of many. The end result is pollution (Narain 2016: 138).

The greater the pollution, the higher the costs of cleaning the water – even the rich cannot afford the current costs of delivery of water or of taking back waste. This example therefore underlines again that solutions must work for the poor, for them to work for the rich.

## **3 States, markets and society – for whom?**

So in the next 50 years of development it is important to rethink the question of states, markets and society. In recent decades we have dismembered the state, grown the market and believed that we have empowered society. We believed that people would be the moderating voices over the market, but we forgot to ask whose society is being empowered and for what? Slowly, the circle has closed – the state–market and aspiring, consuming society have merged and become one. Anyone outside this circle has stopped being counted: these people are being slowly erased. The current state–market–society configuration is about the survival of the fittest, in a way that drives both growing inequalities, and ultimately unsustainability too.

So, in the coming years, we must also ask – deliberately and insistently – whose society are we talking about, that of the poor or that of the rich? In most settings, electoral democracy is not proving sufficient to

represent the poor; it is delayed in response, and politicians can polarise communities and still win. It is necessary but not sufficient. A further, central part of the development challenge is therefore deepening and strengthening democracy, not just for the socially connected but for all.

In conclusion, it is increasingly clear that sustainable development is not possible if it is not equitable. Growth has to be affordable and inclusive for it to be sustainable. Yet none of this will happen unless we articulate that the environmental challenge is not technocratic but political. We cannot neuter the politics of access, justice and rights and hope to fix environmental – or indeed development – problems.

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# Accelerating Sustainability: The Variations of State, Market and Society Dynamics in Diverse Contexts

Ramy Lotfy Hanna

**Abstract** The normative aims of sustainability seen in terms of matching environmental integrity, equality and social justice are clear. Yet, questioning how to get there is centrally about politics. This article presents two examples that illustrate the tensions and synergies across state, market and society alliances in accelerating sustainability. The first example addresses the question of financialization of nature by exploring the alliances created around offsets in international carbon markets under REDD+. The second example presents alliances for green transformation in Africa through Kenya's pro-poor renewable energy experience. Both cases explore the importance of the political economy of the tripartite relationship between states, markets and society in tackling inequality. They also show the importance of inclusive transformation and the relevance of context in diverse sustainability pathways.

**Keywords:** sustainability, green transformation, financialization, alliances, pathways.

## 1 Introduction

Looking back over the last quarter of a century since the Brundtland Commission report *Our Common Future* (WCED 1987) and the United Nations Conference on Environment and Development in Rio in 1992, 'sustainable development' and 'environmental sustainability' have gained momentum in development circles globally. The recently adopted Sustainable Development Goals (SDGs) in 2015 have further elaborated on these notions, emphasising the integration of social, economic and environmental dimensions. Yet, the mainstreaming of these terms has given rise to some confusion and fuzziness regarding 'sustainability', leading to 'inappropriately managerial and bureaucratic attempts to solve problems which are actually far more complex and political' (Leach, Scoones and Stirling 2010).



To some extent, contemporary environmental problems reflect 'success resulting from the reduction of poverty and increasing prosperity of ever more people' (Schmitz and Scoones 2015: 2). This starting point was emphasised during the Institute of Development Studies (IDS) 50th Anniversary Conference. Prominent scholars such as Frances Stewart and Sunita Narain (see this *IDS Bulletin*) highlighted that environmental sustainability is one of the most overriding issues relevant to today's global development priorities, whereby the challenge of unsustainable growth results in increased inequality and marginalisation, thus leading to an insecure future. Sustainable development is therefore a fundamental challenge of our age, requiring 'green transformations' (Scoones, Leach and Newell 2015), and moreover, needs to be linked with equity and social justice. Yet seeking 'just sustainabilities' (Agyeman, Bullard and Evans 2003; Swilling and Anneck 2012; Newell and Mulvaney 2013), in dynamic and differentiated socioecological contexts, is not straightforward (Schmitz and Scoones 2015). The meaning of 'green', and so sustainability, is inevitably highly contested, framed by different people in different ways (Leach 2015). The ideal of a green or 'sustainable' economy and society may therefore look very different if you are poor and marginalised, from an ethnic minority, or as a man, woman, or younger or older person (Schmitz and Scoones 2015), or even from the private sector with a dire need to justify certain corporate agendas and practices.

This article offers some reflections on the challenges of embracing equity and diversity in accelerating sustainability, and the roles of state–market–society alliances. It draws on the 'pathways approach' developed by the Economic and Social Research Council (ESRC) Social, Technological and Environmental Pathways to Sustainability (STEPS) Centre. This approach pays special attention to the 'framing' of problems and solutions, as well as the politics of knowledge in opening up and broadening out pathways to sustainability (Leach *et al.* 2010). It starts with the assumption that different people, depending on their standpoint, position and interests, perceive sustainability in different ways, thus generating competing framings in a complex and diverse world. Exposing these framings and generating a debate about them is therefore an essential first step (Scoones 2015). From these framings, pathways to action emerge, whereby all perspectives are inevitably wrapped up in politics, and the interests that govern them (*ibid.*).

Given this background, the article presents two different examples that illustrate the alliances of state, market and society in accelerating sustainability. The examples showcase how context-specific parameters and dynamics often dictate different alliances, whereby sustainability transformations may take different shapes and forms and are loaded by politics and power dynamics across geographical, political and socioeconomic scales. The first example addresses the question of 'financialization of nature' by exploring the alliances created around offsets in international carbon markets under the Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism. The

second example presents alliances for green transformation in Africa through Kenya's pro-poor renewable energy experience. Both cases explore how coalitions form, highlighting the tensions and synergies with tackling inequality, the importance of inclusive transformation, and the relevance of context. They also show that there is no one-size-fits all in the development of diverse sustainability pathways.

## **2 Financialization of nature: new alliances and REDD+ offsets in international carbon markets**

Voluntary offsets in international carbon markets provide an interesting illustration of the alliances between the state, market and society in sustainability transformations, specifically relevant to the financialization of nature. Financialization here refers to 'how the financial system itself has become a centre of redistributive activity, drawing into financial circulation aspects of life that previously lay outside it' (Fairhead, Leach and Scoones 2012). In other words, financialization or commodification reflect how nature is being linked to a tradeable commodity in a financialized world, for instance, as a critical precondition for the emergence and operation of green offset markets (*ibid.*). A good example in this respect is the development of the mechanism prompted by deforestation and forest degradation known as REDD+ under the 1992 United Nations Framework Convention on Climate Change (UNFCCC).

The purpose of REDD+ is to provide developing countries with a financial incentive to reduce their level of deforestation and forest degradation, and to increase their forest carbon stocks (International Climate Initiative 2012; REDD+ 2015). REDD+ is based on 'results-based finance' (RBF) principles, whereby finance is an '*ex-post* reward' conditional upon a reduction of forest-based emissions as to incentivise recipient countries to take the necessary actions towards transition to a low-deforestation pathway (KfW 2015). As such, there are different possibilities for establishing REDD+ systems, which vary particularly in terms of their scale and financing. In 'national' approaches it is expected that governments will receive payments linked to emissions reductions across the whole forest estate, whereby finance could either come from selling emissions reductions into global carbon markets or from public international funds. On the other hand, in 'project-based' approaches it is expected that those implementing the projects will receive payments linked to emissions reductions in the project area, through selling carbon credits into global carbon markets (Peskett and Brodnig 2011). It should be noted, however, that the REDD+ RBF programmes under the UNFCCC have been agreed relatively recently, and do not provide operational levels of detail.

Accordingly, these RBF programmes open the door for a wide range of state–market–society alliances under the umbrella of accelerating sustainability and climate change mitigation. Examples of these alliances include the climate-related memorandums of understanding (MoUs) signed by the California governor's office with Acre (Brazil) and Chiapas (Mexico), as well as the carbon deals and alliances

in Hurungwe in Zimbabwe through the Kariba REDD+ project (Dzingirai and Mangwanya 2015). Although in most of these cases the implementation of REDD+ is integrated into national biodiversity action plans, green economy strategies, and the global fight against climate change, the 'alliances' created behind them are open to question. In these alliances, the state is often viewed as creating a government-facilitated territory, yielding rights for polluting companies to grow in a weak regulatory environment on the one hand, while capital plays a key role in favouring corporate actors at the expense of the participating countries of the global South on the other. In this respect, the alliances created in international carbon markets between non-governmental organisations (NGOs), brokers, conservation entrepreneurs, big private banks, transnational firms, greenhouse gas (GHG) credit traders, and the state, are often described as 'forcing polluters to buy more credit to make more pollution' (McAfee 2016).

Luttrell *et al.* (2013) further indicate that 'REDD+ is heavily loaded with a wide range of expectations on outcomes beyond carbon emission reductions, and expectations that lie behind the diversity of rationales concerning who should benefit from REDD+'. As a result, one of the key questions that has arisen in the context of this debate surrounds which actors have the right to exploit the benefits of GHG emissions reductions in REDD+, and the associated rights to international payments. As carbon is stored in trees and land, in many cases the answer will entail an understanding of rights over the resources and services they provide, often included in the widely used but normally poorly defined term 'carbon rights' (Pesckett and Brodnig 2011). These rights can also vary based on a range of benefit-sharing rationales including legal rights, emissions reductions, stewardship, cost-compensation, facilitation and pro-poor rationales (Luttrell *et al.* 2013). Who decides what value to be attributed to these carbon rights, however, often remains unclear within the architecture of this financialization process.

Amidst all the existing ambiguity, emissions reductions from REDD+ projects are already created and traded within voluntary carbon markets. Most offsets are undertaken on a voluntary basis by corporations for PR purposes, or by conservation charities, and in some cases for speculation. Offset buyers include various corporate actors such as eBay, Walt Disney, Credit Agricole and Microsoft, amongst others. With the participation of corporate actors from industrialised nations, the REDD+ mechanism is viewed as one that allows corporate emitters to buy more credit by paying rent to the state for the use of atmospheric carbon sinks to make more pollution in the global South. In this respect, a key critique of market-based mechanisms is that it allows emitters to *pollute more* if they pay for activities *elsewhere* that store carbon or prevent GHGs, hence resulting in a legitimised 'right to pollute'. Another critique of the REDD+ mechanism is that in these voluntary markets, there is an oversupply of projects *vis-à-vis* offset buyers, thus resulting in low prices of forest offsets in the 'global carbon

market' based on the simple economic rule of demand and supply. Accordingly, prices of forest offsets on global carbon markets remain too low to pay for the desired conservation efforts. As such, as long as there is no global 'cap', the supply of offsets will exceed demand and prices will stay too low to pay for much conservation.

Consequently, in a financialized modern economy, it is important to critically examine these state–market–society alliances in accelerating sustainability under REDD+. Doing so is essential in order to ensure that those implicated in the accumulation of value are not also those implicated in the attribution of value itself, whereby value of the commodity is constructed and co-produced within the architecture of its financialization (Fairhead *et al.* 2012). Otherwise, these alliances created under the RBF programmes may not necessarily positively contribute to a pathway of 'just sustainabilities'.

### **3 Green transformations and African renewable energy initiatives**

In terms of state, market and society alliances for green transformations, debate often arises between the priorities of environmental sustainability on the one hand, and equality, social justice and inclusion on the other. Green transformations in this sense do not just imply a shift towards green or sustainable technology that can deliver on environmental objectives; rather the politics shaping transformations such as towards renewable energy also implicate issues of access, use and equity in these processes (Scoones, Leach, and Newell 2015). In African countries for instance, questions of renewable energy require consideration of pro-poor access to electricity, as well as inequalities, and affordability in energy supply.

In this respect, there are two dominant paradigms overtaking the issue of green transformations and electricity access in Africa. The first is a traditional paradigm that claims that Africa cannot afford the luxury of providing renewable energy due to its high cost. This view is well expressed by an African official as follows: 'We don't have the luxury of saying that electrification should only be done with green electricity. Our villages are desperate for electricity, they don't care whether the electrons are green, purple, or black' (Tenenbaum *et al.* 2014 in Pueyo 2016). Based on this view, governments tend to move towards fossil fuel for electricity generation, thus abandoning green transformation opportunities. An alternative, optimistic paradigm on the other hand claims that access to renewable energy is possible in Africa despite the many challenges related to high initial investment cost. Multiple challenges also remain, which require functioning states, including regulation, domestic finance, regional cooperation and credible off-takers, as well as coherent planning of centralised and decentralised power.

But even when adopting the optimists' views about green transformation, trade-offs exist between 'greening' and 'accessing' electricity in Africa (Pueyo 2016). There is still an ongoing struggle between large-scale infrastructure schemes – even those providing renewable energy – which often exclude the poor, *vis-à-vis* decentralised pro-poor solutions

facilitating access to affordable clean energy sources. Kenya is a good example to illustrate the tensions between these two approaches to green transformation in the energy sector. Electricity generation in Kenya comes from both renewable and non-renewable sources: the former accounts for about 72 per cent of the total electricity, most of which is hydro and geothermal, while thermal energy from fossil-fuel sources accounts for most of the rest of the country's energy supply (Spratt *et al.* 2016). It is worth noting, however, that solar power in Kenya is mainly from off-grid, so it is not included in these estimates. As such, given the traditional approach based on the government's conception of energy production as dependent on large-scale infrastructure, only 30 per cent of households have access to grid electricity. In this sense, despite the government's efforts towards green transformation manifested in a larger share of renewable energy supplies, the question of access for the country's poor and marginalised communities remains problematic.

By contrast, pro-poor solutions provided by civil society, and external funding to promote 'off-grid' access to solar energy, have achieved quite different results, reaching around 60 per cent of electricity access across the country. At present, access to electricity in Kenya is driven by five solar segments: solar home systems, standalone institutional photovoltaic (PV) systems, telecoms and tourism, mini-grid and large-scale grid-connected PV systems. This green transformation in Kenya's solar PV market has evolved through different phases, involving diverse alliances between state, business and citizens. Such alliances have formed through financing (albeit from external sources) and technological innovation, which in turn have supported policy and market innovations leading to enhanced access to renewable energy by a larger base of the country's poor.

As such, the diverse solar PV segments in Kenya can be considered to add up to the most transformational of the country's low-carbon energy developments, not because they are the most widely used but because of the way they have transformed access to energy by the poor. In this respect, this transformative alliance has entailed 'sequential' evolution of technologies, markets and policies. Alliances in accelerating sustainability have thus challenged traditional political, economic and social structures, while creating a more just and sustainable pathway towards green transformation.

#### 4 Conclusion

State–market–society dynamics unfold differently in different contexts, through specific forms of alliance. The REDD+ example reflects how alliances associated with accelerating sustainability may establish new green markets, thus installing a model of financialization of nature, whereby 'those exerting power over the markets play them with loaded dice' (Fairhead *et al.* 2012). On the other hand, the Kenya example shows us how low-carbon transformation in Africa is subject to the political economy of the tripartite relationship between state, markets and society. Variation in progress in both examples often depends on the technical, institutional, financial, and above all, political will to

achieve the desired progress. The social and political negotiation of sustainability transformations will therefore always be complex and contested, compounded by uncertainties, ambiguities and forms of ignorance (Stirling 2008) around patterns and trends in environmental change. Attention to how alliances form, and the specific ways they emerge in different contexts, nevertheless generates the possibilities of lesson-learning across issues and places, towards building pathways to sustainability that also work for social justice.

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# Political Challenges of Addressing Climate Change through the ‘Entrepreneurial State’

Rachel Godfrey-Wood

**Abstract** This article outlines some of the limitations of existing institutions and their inadequacy in bringing about ‘green transformations’ to address climate change in order to explain the need for alternative approaches to institutions. It outlines the ‘entrepreneurial state’ approach, as outlined by Mariana Mazzucato as a promising conceptual approach with potentially transformative policy implications to address the issues of innovation. It identifies some of the political challenges to achieving entrepreneurial state-type institutions in contexts where configurations of power and existing actor networks are unfavourable. It argues that although entrepreneurial state-type institutions are often framed as operating by harnessing high degrees of cooperation between different actors according to commonly-held long-term objectives, achieving the right types of institutions is likely to require a high degree of contestation in order to overcome existing vested interests. Moreover, it discusses the relationship between green transformations and democratic participation.

**Keywords:** entrepreneurial state, green transformations, renewable energy, climate change, elite capture, path dependency.

The Institute of Development Studies (IDS) 50th Anniversary Conference drew attention to the inadequacy of the world’s institutions and conceptual approaches towards institutions in addressing pressing global challenges. In part this is due to changes in the world economy. Whilst conventional development studies programmes have tended to view challenges in developing countries as existing either in a separate sphere, requiring a specific type of expertise and knowledge, or alternatively as representing an ideal set of institutions to which developing countries should aspire, there is increasing agreement that these demarcations are outdated (Schmitz and Scoones 2015). The rise of some middle-income countries, and in particular the middle classes within those countries, has led to a degree of convergence in incomes between those groups enjoying greater income in developing countries and those in the middle and lower-middle classes of the developed



world who have seen their incomes stagnate (Milanovic 2016). Second, it has become increasingly clear that, far from representing an ideal set of institutions to which developing countries should aspire, developed country institutions frequently exhibit the same types of flaws commonly associated with developing countries. Third, the challenges posed by phenomena such as inequality and climate change, which fundamentally threaten human wellbeing, require serious institutional responses, and are unlikely to be resolved by institutions which are based on inadequate and unrealistic conceptual frameworks.

In this article, I briefly outline some of the limitations of existing institutions and their inadequacy in bringing about 'green transformations' to address climate change in order to explain the need for alternative approaches to institutions. Subsequently, I outline the 'entrepreneurial state' approach, as outlined by Mariana Mazzucato (2013) as a superior conceptual approach with more realistic and at the same time transformative policy implications to address the issues of innovation. I identify some of the political challenges to achieving entrepreneurial state-type institutions in contexts where configurations of power and existing actor networks are unfavourable, comparing the experiences of renewable energy policy in Germany and the UK to illustrate the influence of path dependency and contextual factors on policymaking processes and subsequently on the long-term impacts of policies. I argue that although entrepreneurial state-type institutions are often framed as operating by harnessing high degrees of cooperation between different actors according to commonly-held long-term objectives, achieving the right types of institutions is likely to require a high degree of contestation in order to overcome existing vested interests. Moreover, I highlight that there are only limited lessons which can be drawn from past examples of heterodox approaches to bring about economic transformations, and discuss the relationship between green transformations and democratic participation.

### **1 The dysfunctionality of existing institutions**

The 2008 financial crash and its aftermath, characterised by austerity programmes pushing the cost of the crisis onto the majority of the population, has drawn attention to the dysfunctionality of developed country institutions. Existing institutions in developed countries have allowed for massive concentrations of wealth at the top end of wealth distribution, and the parallel dominance of financial elites and their ideas in other key sectors of society such as the media and politics. Elite capture is reflected most clearly in legislation which systematically favours capital over labour, thus institutionalising the accentuation and perpetuation of inequality in law (Hsu 2014). As Stiglitz and Greenwald (2014) argue, economic orthodoxy has not been a positive development in terms of technological or institutional innovation, as companies have massive incentives to focus on gaining and protecting market and political power rather than engaging in the riskier and more uncertain challenge of long-term innovation. Far from creating the conditions for long-term investment, they have encouraged firms to prioritise

rent-seeking and the maximisation of shareholder value, with companies increasingly investing more and more in buying back their own shares and less in long-term investment (Lazonick 2014; Haldane 2016).

Catastrophically, this has all happened at the precise moment in history when the world faces the unprecedented challenge of decarbonising economic growth and human development. Greenhouse gas emissions are so heavily embedded within current paradigms of economic growth that nothing less than a fundamental transformation of policies, technology, institutions and modes of innovation is necessary if human wellbeing is to be secured without breaching the ‘safe operating space’ imposed by environmental limits (Leach *et al.* 2012; Zenghelis 2016). Achieving the target of reducing global greenhouse gas emissions by 50 per cent below 1990 levels by 2050 requires bringing about a ‘green transformation’, defined as ‘the process of restructuring that brings the economy within the planetary boundaries’ (Schmitz 2015). Unlike historical energy transformations, green transformations will have to be driven explicitly by environmental concerns as opposed to profit motives or increased consumer benefits (Newell 2015). Such transformations will depend to a large degree on the capacity of societies to direct processes of technological innovation towards advances which prioritise sustainability.

## **2 Innovation, the ‘entrepreneurial state’ and climate change**

Awareness of the inadequacies of conventional economic and institutional approaches to addressing climate change has led to a reassessment of how processes of innovation and institutional development have actually functioned in practice. Central in this reassessment is the work of Mariana Mazzucato (2013, 2016), who has challenged conventional narratives of how technological innovation has occurred in practice, arguing that virtually all substantial technological advances in modern history have owed themselves to state support and collaboration between public and private sectors rather than the competition and entrepreneurialism of self-interested actors. Central to this account is the understanding that markets are institutions which are outcomes of interactions between different public and private actors and institutions rather than pre-existing ‘natural’ institutions, and are embedded in wider institutional structures (Mazzucato 2016; Polanyi 1944 [2001]). Moreover, technological innovation is not the result of ‘exogenous’ technological opportunities, but rather of active government policy. Key examples of the ‘entrepreneurial state’ in practice include the railroads, the Internet, modern-day pharmaceutical companies and nanotechnology, all of which ‘trace their most courageous, early and capital intensive “entrepreneurial” investments back to the state’ (Mazzucato 2013). This narrative therefore gives the state a far greater prominence in influencing not only the rate but also the direction of innovation, allowing it to shape markets in favour of innovations which are likely to promote equality and environmental sustainability (Atkinson 2015; Mazzucato 2016). According to Mazzucato, the direction is influenced by ‘mission-oriented’ public policies and institutions, which establish their objectives and contribute

their own resources in order to fundamentally tilt the direction of innovation in favour of publicly chosen goals.

### 3 Political challenges

The question the entrepreneurial state approach raises is precisely how the political conditions to allow for this are to be created. The intellectual argument for an alternative paradigm might be strong, but is likely to require disruption to come to fruition, because dominant narratives have a tendency to maintain power through particular framings of problems, forms of knowledge, organisational arrangements and bureaucratic routines, all of which tend towards the perpetuation of certain pathways and the marginalisation of others (Leach, Scoones and Stirling 2010). Moreover, there are clear limitations in using historical examples of entrepreneurial states to shape future green transformations.

The historical examples provided by Mazzucato are contingent on particular historical contexts, economic and social conditions and coalitions of interests which are not likely to be replicated. For example, the post-war conditions that facilitated the rise of a social democratic consensus in much of the Western world were facilitated by a combination of a section of the industrial capitalist class seeing benefits in bolstering the purchasing power of the majority of the population, the destruction of manufacturing capacity during the war allowing for massive increases in expansion, and the fear of communism. In the current context in the UK, for example, it is not entirely clear who would be the potential partners in the creation of institutions who could act in the way Mazzucato envisages. Moreover, public institutions can be 'mission-oriented' in perverse ways, for example when they are directed towards supporting the development of fracking, or the arms trade (Mazzucato 2016). In many developed countries, political capture of the key institutions on which any alternative project would depend is extensive, ranging from the mainstream media to political parties and supposedly neutral public institutions such as tax collection authorities and regulators (Stiglitz 2012; Fuentes-Neiva and Galasso 2014). Such interest groups are capable of forming powerful networks which have strong vested interests in the promotion of problematic types of solutions to climate change, such as emissions trading, which has been criticised for avoiding any structural transformation of energy systems. In spite of its manifest problems, emissions trading has achieved a prominent place in attempts to address climate change thanks largely to an alliance of large investors, professional accountants and consultants, and key sectors of the aid industry (Schmitz and Scoones 2015).

Therefore, while there are unquestionably potential private sector allies for a progressive political project aiming to promote decarbonisation (Newell and Paterson 2011), forming a viable and transformative alliance with them may require contestatory processes because the actor networks in favour of the *status quo* are often extremely well positioned and organised within structures of power. Moreover, new political subjects need to be empowered to drive any serious process in order to

counter the inevitably conservative nature of the nation state, captured as it is by key elite interests. The nation state is far from being a neutral, benevolent actor, and exists and intermeshes within a broader context in conditions fundamentally hostile to any transformative change (Miliband 1969 [2009]). This is particularly the case in Anglo-Saxon countries where neoliberal narratives have become particularly hegemonic. This suggests that the opportunities for building an entrepreneurial state vary significantly across different countries and historical contexts, depending on the nature of particular configurations of power and capitalist interests at certain moments. This is borne out by the history of major economic transformations, which shows that transformation occurs due to multiple changes occurring at the same time (Schmitz and Scoones 2015).

#### **4 Renewable energy policy in Germany and the UK**

The opportunities for green transformations in different countries, and the different challenges faced as a result, is well illustrated by the divergent experiences of Germany and the UK in the development of renewable energy policy. In 2012, whilst renewable energy in Germany accounted for 24 per cent of total energy demand, it was under half this in the UK. This difference owes itself both to major differences in the approaches taken by policymakers, divergences in the types of coalitions of interest groups which were formed around renewable energy policies, and contextual factors which facilitated better policy in Germany than in the UK (Lockwood 2014). Whereas German renewable energy policy secured the active participation of a broad range of actors by offering attractive returns with low risk and a guaranteed market, thus building up a broad coalition behind renewable energy, UK policy only provided incentives for large energy companies to invest. As a result, Germany has established a relatively vibrant renewable energy sector with substantial employment effects and broad political buy-in, and efforts to reverse the policies have been countered by a broad coalition of actors including environmental groups, solar industry associations and companies, trade unions and local politicians. By contrast, British policy has allowed subsidies to be captured by large and unpopular energy companies, making green energy policy politically unpopular and vulnerable to cutbacks (*ibid.*).

The implications of the contrasting experiences of Germany and the UK are twofold. On the one hand, as Lockwood argues, policymakers need to consider policy feedback effects, and need to implement policies which are likely to generate new coalitions and interest groups which will strive to scale up a given policy and make it successful. The second implication, however, is that some countries experience greater levels of path dependency than others. The fact that Germany established more far-reaching policies in the first place was partly a consequence of contextual factors. Whereas Germany could count on a network of regional banks, a legacy of policy coordination between private actors and the state, a willingness to use non-market mechanisms to promote renewable energy, and a federal, decentralised democracy, the UK had none of these things due to its more doctrinaire adherence to neoliberalism and scepticism of deliberate industrial policy (Lockwood 2014).

Moreover, Germany's renewable energy policy was consistently promoted by the country's relatively strong Green Party, which benefited from a proportional representation system, allowing smaller parties to exercise influence, in contrast with the UK where environmental concerns have been consistently marginalised in Parliament. These contextual differences manifested in divergences in policymaking which had far-reaching feedback effects.

Furthermore, high levels of inequality which prevail in the UK make it harder to build the broad-based alliances necessary to address the challenges of sustainability (Wilkinson, Pickett and De Vogli 2010), and may have caused stronger negative policy feedback effects against green policies, because of greater fears of their adverse distributional consequences (Lockwood 2014). The case study thus illustrates the ways that dominant economic structures, narratives and understandings of the economy are likely to have a decisive influence over the types of policies used to address climate change (*ibid.*). This suggests that countries such as the UK which suffer from high levels of negative path dependency are likely to require even more thoroughgoing, radical and contestatory institutional transformation than other countries if they are to make a serious contribution to addressing climate change.

### **5 The green economy and democracy**

Given that achieving green transformations will inevitably require a degree of contestation, it is necessary to examine the precise relationship between contestation, democracy and institution building in the formation of the entrepreneurial state-type institutions advocated by Mazzucato. Mazzucato emphasises the importance of having a state which can avoid bowing to the interest groups seeking rents and privileges in the form of tax cuts. However, it is unclear how a state capable of this degree of autonomy can be brought into being if it is already subject to a high degree of elite capture, and how 'mission-oriented' public institutions capable of decisively tilting the playing field in favour of democratically chosen objectives can be forged in the absence of elite acquiescence. In fact, many of the positive examples of the entrepreneurial state provided by Mazzucato come from contexts of relative elite consensus around the need for entrepreneurial state-type institutions, in some cases linked to unaccountable and militaristic programmes such as the Defence Advanced Research Projects Agency (DARPA).

Meanwhile, in developing countries virtually all the successful examples of the application of heterodox economics are associated with right-wing authoritarian regimes which actively repressed civil society, especially trade unions (Selwyn 2014). Recent years have seen a continuation of this trend, with Ethiopia and Rwanda increasingly lauded for their progress in incorporating aspects of the success of the East Asian developmentalist states whilst simultaneously charting out paths towards a 'green economy' through authoritarian models of 'developmental patrimonialism' (Booth 2011; Kelsall 2013). Furthermore, most of the successful examples of developmental transformation clearly emerged

from processes which were experimental, context-specific, and based on transitional arrangements rather than driven by an overarching vision (Hobday 2003; Qian 2003), limiting the extent to which they provide a clear blueprint for green transformations in the future.

In other instances, governments which have successfully implemented elements of the state-led developmentalism advocated by Mazzucato may see it in their interest to crush the nascent efforts of other governments to do the same, as the German government did to Greece's Syriza-led government in 2015. This indicates the limitations of methodological nationalist approaches which see approaches taken in countries in isolation from one another. Meanwhile, there are few examples of countries which have successfully employed heterodox economics through democratic mandates and in the face of elite opposition, with Ecuador standing out as a possible recent rare exception (see Ordóñez *et al.* 2015). The August 2016 coup in Brazil and subsequent threats of privatisation of the Brazilian Development Bank (BNDES), a historically successful example of an institution that has channelled finance towards long-term clean energy projects, show that even relatively established and institutionalised cases of the entrepreneurial state can still be vulnerable to reversal due to elite opposition.

This raises questions of the relationship between the green economy and democratic participation, as well as the potential and limitations of attempting to repeat models of innovation which were effective under particular configurations of power in a different context. While there are historical examples of the formation of the types of collaborative institutions that are likely to be necessary to bring about genuinely transformative change, green coalitions depend on particular convergences of different interest groups which do not exist equally across all societies at all times (Newell 2015). As a result, there is nothing even approaching a historical blueprint for processes of change to form institutions which are equipped to address the challenges of the twenty-first century. This would require institutions which incorporate both elements of long-term strategic planning, on the one hand, and are also capable of democratically challenging vested interests and empowering the poorest and historically most excluded sectors of society on the other. To date, however, most discussions of innovation for the green economy have taken a top-down direction, barely considering the possibility that solutions could come from local people themselves (Ely *et al.* 2013).

In contrast with the notion of transformation as a carefully controlled, strategic 'transition', others argue in favour of bottom-up, unpredictable, unruly processes of change – which are inherently more democratic and hold more transformative potential in any case (Stirling 2014). Involving a more diverse range of actors and considering different approaches may allow better responses to complexity than top-down ones, as well as avoiding unwelcome path dependency and the dangers of major errors that emerge from the exclusion of key actors at key moments of the innovation process (Leach *et al.* 2012). Top-down approaches

to innovation and policy change often overlook the historical role of grass-roots innovators in building up the actor networks, political pressure and technological knowledge necessary for renewable energy to get off the ground in the first place, as occurred with the Danish wind sector (Ely *et al.* 2013).

There are, of course, dangers associated with the potential for romanticisation of the participation of local 'communities', namely that decades of uneven and in some cases contradictory experiences of community-based or participatory policymaking are forgotten, simply due to a determination to disassociate from 'top-down' models. As Immerwahr (2015) argues, community-based approaches to policymaking have a history which goes back far further than is commonly recognised, and have frequently been associated with local-level elite capture, exclusion, and perverse forms of disempowerment which may actually inhibit people from engaging in broader structural issues (see, for example, Mansuri and Rao 2012, for a review of attempts to promote community-based approaches in developing countries). Even when community politics is deeply embedded in a society and serves as an effective instrument for achieving a variety of objectives, this needs to be underpinned by a practical logic rather than a purely ideological or 'visionary' one, and may exact major constraints on individuals' actions (Godfrey-Wood and Mamani-Vargas 2016). Such initiatives also need to be genuinely political if they are to avoid contradictions and have a chance at achieving lasting structural change, rather than becoming depoliticised, over-reliant on compromise and vulnerable to co-optation as occurred with the Transition Towns movement in the UK (Connors and McDonald 2010). In spite of these significant caveats, the challenges of climate change, the complexity of twenty-first century societies, the limits of approaches which depend on centrally-managed, technocratic approaches, as well as the distributed nature of much renewable energy means that the argument for decentralised, locally-run energy systems is likely to get stronger rather than weaker. Crucially, broad-based participation and engagement is a pre-requisite for green policies to be sustained, rather than experienced as impositions by technocrats (Schmitz and Scoones 2015).

This takes us to the role of social movements, including trade unions, who have a stake in wanting to direct processes of innovation in favour of skilled and secure jobs. Historically, there is evidence to suggest that successful organisation by workers for better wages and working conditions can be used to force firms to invest in productivity-enhancing technology which drives the overall economy (Riley and Rosazza Bondibene 2015). The political sustainability of green transformations is likely to depend heavily on the extent and quality of job creation or destruction (Newell 2015). Massive unionisation of the workplace, as well as worker representation in directing processes of innovation, seems like the most direct way in which the direction of the green economy can be genuinely democratised. A key example of participatory decentralised green policymaking is that of the Lucas Plan of the 1970s,



which was devised by workers who proposed rechanneling public financing from arms production to socially useful production including renewable energy (Smith 2014). Of course, advocating for this sort of approach will be challenging, in societies where workers' rights have been relentlessly attacked, labour has been flexibilised and restructured away from manufacturing industries (which are most likely to mobilise), and the very notion of union organisation has been undermined.

## 6 Conclusion

In this article, I have outlined the inadequacy of existing institutions and institutional approaches to addressing the challenges of the twenty-first century, with specific reference to climate change. Subsequently, I have discussed the potential of employing Mazzucato's 'entrepreneurial state' approach as a means of allowing governments to democratically determine not only the rate but also the direction of technological innovation in accordance with publicly defined objectives. The main challenges of this approach are twofold: firstly, forging an entrepreneurial state in the face of substantial elite resistance from actors which have a stake in perpetuating short-termist, speculative and polluting activities; secondly, employing it in a way which is both sufficiently democratic to fully harness the range of ideas and capacities that exist in a society, as well as securing broad-based buy-in from diverse groups for a sustainable transition. In order to meet these challenges, processes attempting to forge 'entrepreneurial state'-type institutions will necessarily have to be contestatory, and will have to actively involve non-elite actors in the formulation of policy, in order to drive processes which are as 'unruly' and 'hope inspired' as they are 'strategic' and 'mission-oriented'.

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# Civil Society and Civic Engagement in a Time of Change

Becky Faith and Pedro Prieto-Martin

**Abstract** This article draws on contributions to the IDS 50th Anniversary Conference stream dedicated to citizen voice, agency and accountability to explore the shifting relationship between civil society, the state and the private sector, as well as looking at the nature of civic engagement. The role of digital technologies in civic engagement in the context of a turbulent new political landscape is also examined in order to understand the spaces that might be opened and closed by these technologies.

**Keywords:** digital, technology, civil society, social media, citizen engagement.

## 1 Introduction

The Institute of Development Studies (IDS) 50th Anniversary Conference ‘States, Markets and Society’ was a chance to reflect from a global perspective on the meaning of citizen voice, agency and accountability in a post-Brexit era. Through four conference sessions on ‘Pumping Life into Civil Society’ we saw a convergence of debates between North and South, reflecting IDS’ universalist perspective on development. As Deborah Doane, consultant and ex-Director of World Development Movement, described it at the conference: ‘... we are all fighting the same battles now’. Three issues in particular loomed large at the IDS conference: the 2016 Brexit referendum vote in the UK and its implications; the rise of populist social movements; and the failure of the architectures of participation to challenge political and economic inequality, even in promising cases like Brazil. Against the backdrop of these events, participants asked – what is the role for civil society?

While the very concept of civil society is contested (Edwards 2014), at the conference civil society was broadly considered as an amalgamation of citizen groups, networks, organisations and social movements, together with institutions and non-governmental organisations (NGOs) which operate at local, country or international level. Each country’s civil society results from completely different political histories and regimes of governance, and as such are complex, multi-faceted and

replicate the wider society they are part of; expressing progressive as well as conservative aims and ideologies.

This article reflects on contributions to the conference stream dedicated to citizen voice, agency and accountability which explored the shifting relationship between civil society, the state and the private sector as well as looking at the nature of civic engagement. As the authors are both members of IDS' Digital and Technology research cluster, the article broadens out to reflect on the role of digital technologies in civic engagement in the context of a new political landscape in which 'new dynamics of collective action are injecting turbulence into politics' (Margetts 2016).

## 2 Spaces for civil society

A conference panel discussing the role of civil society in the relationship between society, markets and the state saw participants sharing experiences of current political threats to civil society, and the potential strengths and weaknesses of partnerships with the private sector.

In terms of the relationship between the state and civil society, we heard how threats to civil society are being felt very keenly in Mozambique, with an increase in government control of mainstream media and social media. These threats have also seen lives lost; a law professor who was a central figure in a sensitive debate about autonomy for Mozambique's provinces and decentralising power was shot dead in 2015 (*BBC News* 2015). Civil society's traditional modes of operation and entry points are under attack (CIVICUS 2016).

Numerous calls are being made for a shift in the roles and dynamics within the humanitarian and development landscape, whereby international NGOs and other more formal development and humanitarian organisations put themselves in the service of social movements and other expressions of local civil society. The 'Charter 4 Change' is one such manifestation of this movement which argues that civil society organisations (CSOs) should play a critical convening, bridge-building and catalytic role as supporters of local capacities. The charter includes commitments to 'support local actors to become robust organisations that continuously improve their role' (C4C 2015). An Oxfam discussion paper suggests that the 'supertankers' of big international NGOs might 'back local CSOs to become more effective rafts' (Green 2015: 15). However, this could be seen as implying that international NGOs can *control* social movements and local CSOs to direct their trajectory, which can in reality go in all kinds of directions.

Conference participants explored ways in which civil society might positively influence the private sector by working together with it, while avoiding being co-opted. Civil society researcher Michael Edwards argues elsewhere in this *IDS Bulletin* that the most interesting examples of contemporary citizen action – be they Black Lives Matter in the USA or Podemos in Spain – are able to engage the market 'within a framework

that is governed by democracy and the transformation of power relations' (see Edwards, this *IDS Bulletin*). Yet this could be seen to be a misrepresentation of the economic policy programme issued by Black Lives Matter in 2016 which, rather than discussing engagement with the market, makes a demand for 'economic justice for all and a reconstruction of the economy to ensure Black communities have collective ownership, not merely access' (The Movement for Black Lives 2016).

Reflections at the conference illuminated the positives and negatives of CSO engagement with the private sector. One speaker from an international NGO saw that economic interests were typically underlying threats to organisers when they were campaigning on issues such as the exposure of land grabs, suggesting that there was a company behind it. But another international NGO professional, reflecting on his experiences of negotiating private sector/CSO partnerships, saw the possibility of 'win/win' in these relationships and gave the examples of the banking sector in financial inclusion issues and the telecoms sector on emergency response. Their work around youth savings in partnership with Barclays is reported to have had positive development impacts that include enabling young women to save for their education (Care International, Plan UK and Barclays 2016).

However, in response to these 'win/win' scenarios others raised concerns about the ability of NGOs to maintain their values. Representatives of the right to food movement in India speaking at the conference talked in disparaging terms about the CSOs such as Save the Children taking money from 'Big Cola' in the form of a grant from the soft drinks company Pepsi but simultaneously working on nutrition advocacy (PepsiCo India 2009). And while a recent Oxfam report on their work with Unilever on workers' rights and conditions highlights the value of working with companies to influence their agency in lobbying governments or working in multi-stakeholder fora, it also calls attention to the limits to this influence, indicating that the company has 'not yet addressed the barriers to decent work in its employment, let alone found a blueprint to do so in its supply chain of 76,000 suppliers' (Wilshaw *et al.* 2016: 7) and recognising that the challenges that remain to ensure that human and labour rights are respected are 'systemic in nature' (*ibid.*: 71).

In terms of civil society's relationship with the state, discussions identified the failures of conventional 'civil society' to achieve progressive change that addresses global challenges. Recent publications from the World Bank focusing on politics and governance (Khemani 2016; World Bank 2017, forthcoming) signal a growing awareness by CSOs of the importance of politics for development. This represents a return to ideas proposed 20 years earlier in the World Bank's World Development Reports (World Bank 1997), but it nonetheless recognises the unique role of the state as a politically conscious actor, which moderates the role of the private sector and, ultimately, is responsible for sustaining a healthy balance within the society, market and state triad. According to the World Bank, the key to achieving good

governance is first to obtain 'good governments', which are led by effective political leaders. Thus, civil society and the development sector should concentrate their efforts on enabling environments that promote the selection of good political leadership at all administrative levels, by providing the public with specific, reliable and impartial information on the performance of leaders (Devarajan and Khemani 2016). This 'technical' fix is clearly not enough, however, given that politics is, by definition, political. Ideological and power-related dimensions cannot be so easily factored-out. There are many other reasons to explain why bad politicians frequently lead governments, and why good leaders with ethical, democratic and progressive credentials are kept out of office.

In most of the world, however, states are failing to play this moderator role, or rather, are doing the opposite. Conference participants discussed increasing controls on mainstream and social media, and a reduction in the space available for civil society space for agency in the name of security and internal stability (Sherwood 2015). Elsewhere, governments have adopted control tactics in digital spaces such as legal pushback, and attempts to complicate navigation of social media sites by 'flooding the space with supporters and sometimes paid 'trolls'' (Tufekci 2014: 6). Internet shutdowns during moments of political tension have become commonplace in recent years (Kihara and Njeri 2016): in the first eight months of 2016 alone the advocacy organisation Access Now documented 20 incidences of governments ordering companies to cut off access to communications tools – like Twitter, SMS or Facebook (Access Now 2016). But we have also seen a rise in challenges to these threats, with people using virtual private networks (VPNs) to continue to organise and exchange information over social networks during these shutdowns (Olukotun and Kenyanito 2016).

### **3 Citizen voice and claims in digital spaces**

The growing divide between political institutions and political change and the diffusion of digital technologies has given rise to new kinds of networked social movements (Castells 2015) that provide new means for the articulation of 'citizen voice', mostly outside the frameworks of what we historically understand as 'civil society'. These informal networks often refuse to engage in the ways officially recognised as political and civil, resorting instead to 'unruly politics' (Khanna *et al.* 2013) that attract mass support. Citizen voice and claims are manifested both through formal means such as pressure group membership and activism, and through informal means of participation such as the 'promotion, investigation, discussion, and curation of political material' online, which could in itself be seen as an informal means of activism (Koc-Michalska, Lilleker and Vedel 2016).

Mass movements coordinated by social media which have emerged in recent years are a 'general phenomenon that ranges from global political movements to neighbourhood campaigns' (Margetts *et al.* 2015). These new species of social movement have emerged thanks to digital tools described by Manuel Castells as 'the fastest and most

autonomous, interactive, reprogrammable and self-expanding means of communication in history' (Castells 2015). These movements gather momentum rapidly, yet, as in the case of Egypt, many have proved to be unstable and difficult to sustain. An interview with Wael Ghonim, the Google executive in Cairo who helped launch the Egyptian revolution, described recently how the promise of the power of networked social movements had not delivered: 'Five years ago I thought the Internet was a power that was granted to the people and that would never be weakened. But I was wrong' (Tufekci and Talbot 2016). These movements lack the organisational capacity, formalised or not, of older movements which impacts their effectiveness after the initial phases of protest (Tufekci 2014).

The affordances and design of social networking platforms play an important role in shaping new forms of citizen engagement and political mobilisation. On these platforms filter bubbles (Pariser 2011) control the content that users are exposed to online, and can render political opinions which contradict your own, invisible on social media. Writing on digital citizenship, Isin and Ruppert discuss what they describe as the 'soft' control of digital spaces in which 'the performative force of filters involves directing the knowledge of citizen subjects and closes off and encloses their worlds' (Isin and Ruppert 2015). In the wake of the June 2016 Brexit vote, in which the UK voted to leave the European Union, civic technology expert Tom Steinberg reflected on the political implications of the filter bubble, which prevented him from being exposed to opposing views during the campaign, and suggested that the issue has now taken on greater urgency in the current political moment (Steinberg 2016). Looking at the role of social media in movement-building, Geert Lovink described how earlier gains by networked social movements were being undermined by the affordances of social media which limit the agency of users: '[E]verything you say is rendered an "update" or "status." All we can do in the current social media architectures is transmit news' (Lovink and Meyer 2016).

New research approaches which use data science methods are also needed to help us understand political activity in digital spaces, as they can analyse the large-scale transactional data produced by platforms such as Twitter. For example, whilst opinion polls failed to predict the recent Brexit victory, an analysis of the 'leave' campaign across social media platforms showed that the number of tweets containing the term 'leave' was nearly double the number containing 'remain' between February and June 2016 (Siegel and Tucker 2016).

Digital spaces – or the 'networked public sphere' (Benkler *et al.* 2015) – are also used by extremist groups with quite different aims. A new kind of 'unruly politics' sees networked technologies used by far-right and anti-Muslim groups, to support their mobilisation efforts. For example, in Germany the Patriotic Europeans Against the Islamization of the Occident (PEGIDA) were rapidly mobilised between 2014 and 2015 (Peschlová 2015), achieving more than 200,000 likes on their Facebook page (Puschmann *et al.* 2016). However, the same tools that PEGIDA



used to mobilise also proved instrumental in its undoing, when its leader was forced to resign because of details from a leaked private Facebook conversation.

The rapid evolution of these dynamic and diverse forms of digitally mediated political activity highlight the shortcomings in both our current models of governance and the theoretical frames we use to understand civic engagement. Political institutions struggle in the face of 'emotional bursts and populist movements that unfold on the Internet' (Polonski 2016). Recent work by Koc-Michalska *et al.* on civic engagement in the digital age argues for an abandonment of the conceptual barrier between traditional and non-traditional forms of engagement. So while political institutions using digital platforms 'follow the political logic of traditional campaigning' (Koc-Michalska *et al.* 2016: 1807) informal forms of participation by citizens such as accessing news on Facebook can lead to new forms of participation, engagement and political impact.

#### 4 Future agendas for analysis and action

These new modes of engagement sparked debate at the conference, where participants expressed a need for new mediating structures and 'Habermasian' (Habermas 1991) spaces for dialogue in light of the Brexit vote. Given the threats to the role of civil society discussed above it is necessary to understand the spaces, institutions and frameworks in which citizen voice can effectively be heard. Might these enabling environments be found in the cities? Sheela Patel of the Society for the Promotion of Area Resource Centers (SPARC), India spoke at a conference session on 'Radical Social, Political and Theoretical Innovation from Cities of the "South"', about successes in organising at local level with women's collectives and slum dwellers, which then scaled up to national and global impact. Finally, this might be a time for an evolution in our theoretical frameworks to understand the new forms of 'unruly politics' and social movements we have seen in recent years and the 'openings and closings' that digital spaces offer for political engagement and alliances (Isin and Ruppert 2015).

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# State, Market and Society Relations: The Roaring Last Fifty Years

Luka Biong Deng Kuol

**Abstract** During the last 50 years, the world has experienced increased growth, inequality and a change in state–market–civil society relations similar to the ‘Roaring Twenties’ in the 1920s. This growing inequality can be attributed to the hegemony of neoliberalism that has been confronted by rising civil society as a ‘global conscience’ for fairer world governance. The high economic growth achieved in the emerging economies shows the centrality of the state to achieving more shared growth in developing countries. A new hybrid state–market–society alliance holds the potential for fairer global governance, checking greed and achieving equitable growth in the future.

**Keywords:** state, market, society, neoliberalism, left-wing, right-wing.

## 1 Introduction

Since 1966 when the Institute of Development Studies (IDS) was founded, development outcomes have been encouraging but alarming as well. The world gross domestic product (GDP) that was US\$2.125 trillion in 1966 increased to US\$73.434 trillion in 2015, while the GDP of sub-Saharan Africa that was US\$0.027 trillion in 1960 increased to US\$1.573 trillion in 2015 but its share of the world GDP remained almost the same (World Bank 2016). Despite such impressive economic growth, the majority of developing countries experienced slow growth with only a few of them witnessing unprecedented robust growth (Edigheji 2007).

Alarmingly, the gap between rich and poor has been widening, particularly in advanced economies, and with a mixed picture in emerging economies and developing countries (Dabla-Norris *et al.* 2015). Interestingly, the level of poverty has increased in the advanced economies since the 1990s, while it has paradoxically declined in emerging economies and developing countries (OECD 2011a). Inequality is more prevalent in wealth distribution as 1 per cent of the world’s population is estimated to own almost half of the world’s wealth – equivalent to 65 times the total wealth owned by the bottom half of the world’s population (Fuentes-Nieva and Galasso 2014).

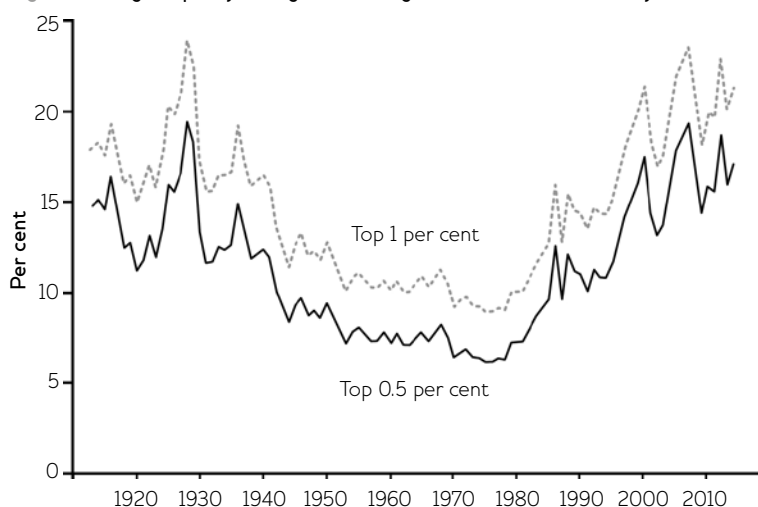
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Figure 1 Rising inequality during the Roaring Twenties and the last 50 years



Source Adapted from Stone *et al.* (2015).

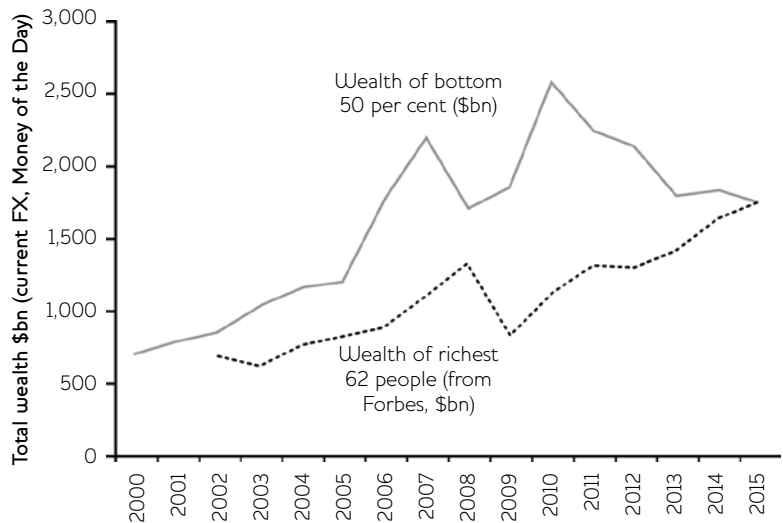
While this rapid economic growth can be explained by exceptional technological and scientific innovation and improved human capital development, there is no consensus on the brute causes of rising inequality and diverse development outcomes. Some argue that the low economic growth in some developing economies reflects increased reliance on markets (Edigheji 2007), while others see the unbalanced relationship between state, market and society as the main reason for this rising inequality (Keping 2014).

This article offers some reflections on the implications for development policies and outcomes of the relations between state–market–society over the last 50 years, and how such relations may evolve in the future. In Section 2, the hegemony of neoliberal economic policies during the last 50 years is discussed and compared with the period of the 1920s known as the ‘Roaring Twenties’. The rise of global civil society to confront the outcomes of neoliberal economic policies is discussed in Section 3. The centrality of the state in equitable development in the emerging economies is discussed in Section 4. The article concludes by reflecting on the future trend of new hybrids and alliances between state, market and society in driving the future global development agenda for fairer global governance.

## 2 Developed economies: rising inequality and the hegemony of neoliberalism

The pattern of economic performance and the rising inequality observed during the last 50 years resemble a similar pattern that can be observed during the Roaring Twenties in 1920s USA (Stone *et al.* 2015). While the decade of the 1920s started briefly with economic recession, the economy started booming with total national wealth doubling

**Figure 2** The wealth of the richest 62 people and wealth of the bottom 50 per cent, 2000–15



Source Oxfam (2016).

between 1920 and 1929. The share of the richest households of total income reached its highest level of almost 25 per cent before the end of the decade (Figure 1).

Similar to the Roaring Twenties in the USA, income and wealth concentration at the top as well as unshared prosperity has become predominant in recent decades. Specifically, the concentration of income at the very top of the distribution rose to the levels observed in the 1920s (Stone *et al.* 2015). The recent work of Oxfam (2016) shows that wealth inequality is a global crisis that is reaching new extremes. Specifically, while the wealth of the richest 62 people has been increasing since 2002, the wealth of the bottom 50 per cent has been increasing since 2000 and reached its peak in 2010 when it started declining until it became equal to that of the richest 62 people in 2015 (see Figure 2).

The last 50 years can be termed ‘roaring’ not only because of this growing unshared prosperity but also because of digital prosperity and the information technology revolution that have been driving economic growth and innovation (Atkinson and McKay 2007). Furthermore, the world has witnessed a surge of international migration and the emergence of a widespread global concern about immigration (IPSOS 2016) similar to the 1920s in the USA when there was extreme anxiety about immigration, resulting in the passing of an extremely restrictive immigration law in 1924.

The real question is which politics have been shaping the observed income inequality of the last 50 years? This question can be partially answered by looking at the political parties that have been governing

Table 1 Who was governing during the last 50 years and the 1920s?

| The governing political parties | Number of years 1966–2015 | Number of years in the 1920s |
|---------------------------------|---------------------------|------------------------------|
| <b>US Presidents*</b>           |                           |                              |
| Republican                      | 28 (56%)                  | 9 (90%)                      |
| Democratic                      | 22 (44%)                  | 1 (10%)                      |
| <b>UK Prime Ministers**</b>     |                           |                              |
| Labour                          | 22 (44%)                  | 1 (10%)                      |
| Conservative                    | 28 (56%)                  | 7 (70%)                      |
| Liberal                         | 0                         | 2 (20%)                      |

Source \*Johnson (2016) and \*\*AustralianPolitics.com (2016).

during the last 50 years, particularly in the USA and UK (see Table 1). In comparison to the 1920s that was monopolised by conservative politics such a monopoly has shrunk but the politics of economic neoliberalism has grown. Neoliberal economic policies have largely dominated the management of economies during the last 50 years (Plehwe, Walpen and Neunhoffer 2006), particularly in developed economies. Meanwhile, neoliberal economic policies in the form of the 'Washington Consensus' have been directly or indirectly implemented in emerging economies and developing countries through multilateral organisations (Prasad 2006).

As the main thrust of neoliberalism is that through markets the private sector is the most efficient and effective way to manage the economy (Noam 1999), rising inequality is attributed to the market failure caused by imperfect property rights and information (Stiglitz 2002). This criticism of neoliberalism became more pronounced during the economic crisis in 2007–09 and the financial crises that resulted in states having to rescue banks in the USA and Europe.

The bank bailout raised a fundamental question about how such greed went undetected (Gwyn 2009) while also renewing debate about the future of capitalism and liberal democracy. Some argue that increasing inequality, declining productivity growth and fading trust in governing elites may make democracy increasingly intolerant and capitalism illegitimate, and that both may be headed for a divorce (Wolf 2016; Carter 2016). Specifically, Wolf (2016) argues that the democratic political system that promotes the interests of the few and not the many may founder.

Despite the increased attack on neoliberal policies, right-wing parties are even consolidating their hegemony through the politics of immigration. With the rise in international migration and refugees to

Europe and the USA, certain right-wing parties and politicians are using this effectively to consolidate their popularity by championing anti-immigration agendas and projecting immigration as a threat to the future of Europe and the USA (Yilmaz 2012).

### **3 Confronting neoliberalism: the emergence of a global conscience**

This hegemony of neoliberalism has been resisted and confronted in multiple ways during the last 50 years, not only by modern left-wing liberalism but also by the rising civil society movement, itself informed by rigorous academic thinking and research. Thus the rise of neoliberalism in the 1970s came under attack not only from the political left but also from myriad activists and academics (Plehwe *et al.* 2006). Since the 1980s, the work of Robert Chambers has helped inspire a shift in focus to people-centred participatory development (Chambers 1983), while also helping to revolutionise research work through participatory methods that recognise people as the central custodians of knowledge of their life and conditions (Chambers 1994). From a contrasting standpoint, the work of economists such as Joseph Stiglitz (2011, 2012) has also contributed to awakening civil society to the global threat of rising inequality.

Despite the attempt by neoliberalism to co-opt civil society as part of its agenda of building the 'market state', the micro-traditional role of civil society has evolved into a role of nurturing a 'global conscience' through global advocacy work (Evans and Shields 2000). The number of international non-governmental organisations (NGOs) has increased astronomically from only 6,000 in 1990 to more than 68,000 in 2015 (UIA 2015). The rise of civil society to confront the outcomes of economic neoliberal policies is vividly manifested in its advocacy to fight corruption, debt crisis, poverty, inequality and unfair trade, as well as the failure of the market in addressing global threats such as to the environment.

The formation of Transparency International in 1993 to annually produce a corruption perception index was the first attempt by civil society to mobilise a global movement against corruption (Florini and Simmons 2000), as contributing to the empowerment of citizens to have a voice in the performance of their governments. Another example occurred in late 1999 during the meeting of World Trade Organization (WTO) in Seattle when civil society mobilised thousands of people to advocate for fairer global trade (Florini and Simmons 2000: 1). Civil society also succeeded in mobilising in the late 1990s a petition of 24 million signatures through the Jubilee 2000 campaign to create awareness about the debt crisis in developing countries (Pettifor and Greenhill 2002).

Civil society organisations (CSOs) also ran an effective advocacy campaign during the Millennium Summit in 2000 to support the recognition of participatory and people-centred development approaches in the adoption of the Millennium Development Goals



(MDGs). They played a leading role through the UN Millennium Campaign in 2002 in mobilising global efforts to combat poverty and ensure that governments complied with their commitments to achieve the MDGs by 2015. Recently, global civil society has also been successful in engaging with the international and regional processes that have resulted in the adoption of the Sustainable Development Goals (SDGs) in 2015, with reduced inequality and improved social justice amongst the important new global goals (CIVICUS 2016: 4).

Meanwhile, the academic work of Stiglitz (2011), Krugman (2011) and others, as well as the evidence-based advocacy work of civil society (Oxfam 2016), have contributed to awakening world attention to the threats of growing inequality. This resulted in the emergence in 2011 of 'We are the 99 per cent' as a populist movement against growing inequality. This movement initially gained momentum in the USA but expanded to Europe and beyond, and its messages have started resonating gradually in the political discourse of left-wing and democratic parties.

The international climate agreement that was reached in Paris in 2015 was recognition not only of the failure of markets in addressing such global threats, but also a clear acknowledgement of civil society as a real third force in forging a new politics of climate change that business and government were previously unable to agree on. Jacobs (2016) describes the Paris Climate Agreement not only as a huge diplomatic achievement but also the product of the emergence of a new and strategic quadruple alliance of governments, civil society, the academic community and the business community.

#### **4 Emerging economies: the centrality of the state**

During the last 50 years, developing countries have experienced different paths of development. In the 1970s, in broad terms development thinking shifted from right-wing modernisation theory to the left-wing dependency theory of state-led development that was easily entertained by the post-independent ruling elites (Edigheji 2007). However, state-led development frequently did not produce good economic outcomes as post-colonial states were largely weak and dependent on institutions that were often alien to indigenous contexts (Menocal 2004: 768). Some attributed poor economic performance in post-independent Africa to the failure of liberators because of the 'curse of liberation' (Clapham 2012), leading some to argue that Africa needs a second liberation from the liberators themselves (Herbst and Mills 2012).

As the state-led development approach lost intellectual and political legitimacy (Hirschman 1981: 7) and with a rising coalition of reform-minded academics, policymakers and political elites (Leftwich 2000), the market-led development approach re-emerged and came to dominate the development agenda from the 1980s in developing countries. Yet, neoliberalism politics in the form of the 'Washington Consensus' and a market-led development approach has equally failed to produce

good economic outcomes and has produced instead low growth, high unemployment and inequalities (Edigheji 2007).

With the disappointing performance of market-led development approaches in developing countries, the role of the state in development was revisited and reconsidered in the 1990s. In particular, the World Bank softened its position towards the role of the state in development and recognised more fully the centrality of states in economic and social development – not as a direct provider of growth but as a catalyst and facilitator (Leftwich 2000: 51). In the case of Africa, it is argued that the real challenge to development is less about the inability of states to implement neoliberal economic policies but more about building autonomous bureaucracy and institutions that have capacity to act on behalf of society (Menocal 2004: 775). Some studies have shown that the weak capacity of the state may explain poor economic performance in many developing countries, but that this weak capacity may not justify markets as an alternative, as markets are so reliant upon the state to create a conducive and enabling environment (Luiz 2000: 12).

The revival of the role of the state in development has been well informed by the experience of some emerging economies in developing countries that have shown impressive economic performance. On the basis of the comparative analysis of state-capacity theory, Edigheji (2007: 225) shows in the case of emerging economies a strong link between better economic performance and a high degree of autonomous state institutions with established inclusive connections and synergistic relations with social actors. In other words, Edigheji (2007) has shown the centrality of synergistic autonomous state institutions in achieving egalitarianism, equality and economic growth in developing countries.

In addition to the experience of the emerging economies, China provides another good example of impressive economic performance in terms of high economic growth and progress in fighting poverty since its adoption of economic reforms in 1978. This swift economic development is partly attributed to China's prioritisation of modernisation of state governance, and establishment and restructuring of synergistic relations that were carefully sequenced; first restructuring relations between state and market, then state and society and finally market and society (Keping 2014). Yet despite their robust growth and considerable progress in the fight against poverty, there are growing concerns about the increasing level of income inequality in the emerging economies, including China, that is significantly higher than the OECD average (OECD 2011b).

## **5 Conclusion: future strategic and hybrid alliances**

The neoliberal economic policies that have been driving the global economy during the last 50 years have created increasing inequality, global social capital deficiency and global political unrest that may threaten the very survival of humanity. With increasing inequality, capitalism has come under serious attack and some fear that its fate may be heading in the same direction as communism. Media commentary

illustrates this. Out of dismay at the bank bailout, for instance, journalist Richard Gwyn (2009) argues that although capitalism may not head for the dustbin of history like communism has, it needs to be subjected to radical changes so as to have an efficient and ethical economic system, of the sort that Adam Smith dreamed of. With the disappointing performance of capitalism and dwindling trust in governing elites, Wolf (2016) paints a rather bleak picture of either a rise of a global plutocracy, illiberal democracies or outright plebiscitary dictatorships if liberal democracy and capitalism are not nurtured to serve the interests of the many instead of the few.

There is a growing sentiment amongst youth and the middle class against capitalism and neoliberalism in developed and democratic countries. At the time of writing, the 2016 US general election campaign shows that youth and the middle class have become increasingly receptive to a socialist agenda (Sheehan 2016). The US Democratic presidential candidate, Bernie Sanders, was the most-liked presidential candidate with about 61 per cent of registered voters ready to vote for him (Prupis 2016). This surge of popularity shows dissatisfaction with the establishment as well as the appeal of left-wing election campaign messages. Messages around democratic socialism as the basis for creating government that works for the middle class and not just for a handful of billionaires at the top, as well as around regulating Wall Street, all resonate with the feelings of many young and middle-class people. Although Bernie Sanders did not make it to the White House, his popular election campaign messages will shape and continue to shape the political discourse in the US and may mark the beginning of the rise of democratic socialism and modern liberal economic policies in the USA and beyond.

Despite this rising left-wing agenda, Donald Trump, the US Republican presidential candidate, emerged in 2016 with growing popularity despite his controversial statements about women, immigrants, refugees and other minorities (Cherkaoui 2016). Interestingly, supporters of Donald Trump come from a wide political spectrum including liberal, moderate and conservative groups as well as the Tea Party Movements (Brady and Rivers 2015). His growing popularity may be attributed to his success in moving immigration to the centre of political discourse by projecting it as a real threat to the future of the USA. As opinion polls leading up to Election Day in 2016 showed a narrowing gap between him and his contestant, the emergence of the Donald Trump phenomenon can be seen as marking the beginning of an emergent right-wing populism, centred on immigration very much as it happened during the Roaring Twenties.

A similar trend of public acceptance of a left-wing agenda has been observed in other European countries, particularly in the UK. The election of Jeremy Corbyn in 2015 as the new leader of the UK Labour Party, with a landslide victory amongst party members, marks not only that the party is being led by the most left-wing leader of the UK's recent history, but an embracing of a radical shift towards left-wing

agendas by some sections of the public. Certain 'left-wing' policies of Jeremy Corbyn such as renationalisation of the railways, imposing more taxes on the rich, rent controls on landlords, a mandatory living wage and cuts in university tuition fees were popular and backed by the public (Dathan and Stone 2015).

Despite this increased support for more left-wing policies in the UK, there is also growing support for right-wing populist policies, as illustrated in the 2016 referendum about the status of the UK in Europe. Although all political parties supported the choice to remain in Europe, the extreme right wing supported the agenda to leave Europe and mobilised popular support largely around the fear of immigration (Vina 2016). This decision and subsequent changes in government have strengthened the hegemony and popularity of right-wing agendas and weakened the support to the left-wing agenda.

The surge of the hegemony and popularity of right-wing politics is visible not only in the UK and the USA, but also in many other countries in Europe and even in some in Asia. As in the USA, the far right have succeeded not only in presenting immigration as a threat to the future of Europe as the populist right wing did in the mid-1980s, but have managed to move the issue of immigration to the centre of political discourse through the appeal of populist messages (Yilmaz 2012). If this toxic and acrimonious debate about immigration continues, right-wing political parties may come to dominate most governments in advanced economies in a way similar to the period of the Roaring Twenties.

Alongside this rising left-wing movement and the increasing hegemony of right-wing agendas under the umbrella of immigration, civil society movements are emerging as a formidable third force in championing a global agenda that is in defiance of neoliberal economic policies. With the information revolution, civil society may come to play an even more influential role in driving the global agenda. As rightly mentioned by Florini and Simmons (2000: 4), the world badly needs *someone* to act as the 'global conscience' to articulate the interests of large publics that are hardly addressed by governments or markets. Equally important, the academic community has become a key player and a 'global mind' in informing debate about global challenges, as well as providing options for overcoming these challenges.

It is likely that this emerging 'global conscience' movement that is increasingly being informed by evidence from 'global minds' may forge a new alliance with the rising left-wing movement in developed countries to drive the future global agenda towards fairer global governance, checking greed and achieving equitable growth. The failure of 'self-regulated' markets, the rising left-wing agenda, the emergence of the global conscience and mind and the centrality of the state in emerging economies could all have important implications for restructuring new relations between state, market and society that will lead to a fairer global governance that serves the interests of the many and not the few.

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# State–Society Relations and the Dilemmas of the New Developmentalist State

Evelina Dagnino

**Abstract** In confronting neoliberal models and their emphasis on state–market alliances, new developmentalism has emerged as a powerful alternative, received with enthusiasm by progressive forces. It has certainly been responsible for unquestionable advances in fighting inequalities, particularly in Latin America where it has been adopted by leftist governments from 2000 on. However, it has been unable to redefine the old formula of a ‘strong, self-sufficient state’ and the centralising political practices characteristic of the ‘old’ developmentalism. Therefore, the article argues that the new developmental state has ended up by draining the potential of participatory democracy, which had brought together hopes for inclusive and sustainable development policies and had announced a new alliance between state and society through which rights could be ensured and democracy deepened.

**Keywords:** new developmentalist state, participatory democracy, Latin America, leftist governments.

## 1 Introduction

The new developmentalist state has been received with enthusiasm as an alternative to neoliberal models and their emphasis on state–market alliances. Whereas it has been responsible for unquestionable advances in fighting inequalities, particularly in Latin America where it has been adopted by leftist governments from 2000 on, I argue that the integration of social participation in its decision-making processes and the building of a new balance between state and society has faced significant limits. Centralising political practices characteristic of the ‘old’ developmentalism resist confronting the alleged ‘novelty’ of the new model, and drain the potential of participatory democracy, which had brought together hopes for inclusive and sustainable development policies, and had announced a new alliance between state and society through which rights could be ensured and democracy deepened. This article will first discuss the trajectory of participatory democracy and the limits and difficulties it has faced; it will then examine the



emergence of leftist governments in the continent, and will conclude by arguing that their adoption of a new developmental conception of the state has undermined the participation of society in sharing decisions concerning development directions.

## **2 The institutional participation of civil society: promises of a new relation between state and society**

During at least the last two decades, the institutional participation of civil society<sup>1</sup> became largely accepted in many parts of the world as a principle to ensure the deepening of democratic construction. In Latin America, between the early 1990s and the early 2000s, new constitutions in 19 countries included some provision for citizen participation, 17 of them incorporated mechanisms of direct political participation, and 14 provided for public spaces with both state and civil society representation (Hevia 2006).

Obviously, the meanings and intentions as well as the practices of these provisions vary. Different conceptions of social participation and social control of the state have been in dispute, according to different existing political projects (Dagnino 2004; Dagnino *et al.* 2006). From more radical views such as participation as 'sharing power' to notions of participation as a tool to provide information and increase the state's efficiency, or even as a mere rhetorical instrument for electoral purposes, a quite diverse set of meanings has been attributed to the term by different political forces, with equally different practical political implications.<sup>2</sup>

Brazil is frequently pointed out as the country with the largest and most advanced experiments in participatory democracy. The creation of the Workers' Party (Partido dos Trabalhadores, PT) in 1980, with its original strong commitment to social participation, was a central element in the gradual establishment of what came to be referred to as the 'architecture of participation' (Dagnino and Teixeira 2014). It began with the well-known Participatory Budget created in 1989 in Porto Alegre, under the government of the Workers' Party, which became a model that was internationally praised, including by the World Bank. This 'architecture' comprises public policy management councils and conferences, established at municipal, state and national levels, involving millions of people to discuss public policies in several policy areas such as education, health, social services, children and adolescents, women, the environment, food security, racial equality, culture, etc. as well as a myriad of other participatory mechanisms. It is worth mentioning, however, that central economic policies have remained immune to civil society participation.

Participatory experiments spread throughout Latin America<sup>3</sup> in varied formats and travelled to many parts of the world. Although they became the focus of attention and, in countries like Brazil, had heavily concentrated the efforts of social movements, given their novelty and the potential they represented, they did not exhaust all other modalities of social participation, such as protests and other forms of pressure towards the state.

Bringing together representatives of both state and civil society to discuss and deliberate about public policies in several areas, these institutions have been seen as *new models for the relations between them*. They can be considered new at least in two aspects: they opened space for excluded voices, including and mainly from popular sectors, to be heard, as compared to the previous monopoly of access to decisions by dominant sectors. In addition, they intended to provide channels of representation additional to representative electoral democracy, the traditional and dominant formula for relations between state and society. The already age-old – and now aggravated – ‘crisis of representation’ was already present in that intention.

To what extent these institutions have been effective, their successes and failures, is a question that has already produced a vast literature, which shows largely mixed results from hundreds of case studies throughout the continent. After a first wave of enthusiasm and praise, more recent studies present much more nuanced and critical views, emphasising the limits and difficulties faced by participatory democracy.

The formats of participatory experiments, their degrees of formalisation, scope and resources, their either consulting or decision-making character, as well as their permanence, vary very much throughout the continent. Their effectiveness also varies and is deeply affected by many factors. These should be mentioned in order to make clear that there are multiple sources of limits and difficulties faced by such experiments: the specific political contexts in which deliberation takes place, the political forces involved and the power correlation between them, and how conflictive are the interests at stake. Furthermore, the commitment and qualification of state representatives, the organisational density of the sectors of civil society that are represented, the technical and political qualifications of civil society’s representatives, and most importantly the frequently scarce resources available for policy implementation, are all relevant elements bearing on the effectiveness of participatory spaces.

For civil society itself, institutional participation also brought mixed consequences. On the one hand, it required the acquisition of new capacities, very different from the usual repertoires of collective action; a demanding learning process, which tended to encourage a ‘professionalisation’ of civil society representatives. This aggravated the proliferation of non-governmental organisations (NGOs), already under way under the neoliberal model, in which they had been selected as the reliable, loyal, non-conflictive interlocutors of the state, especially in taking charge of formerly public responsibilities. The relationship between representatives and their social bases suffered from this professionalisation as social mobilisation and political organisation tended to take second place. On the other hand, more positively, representatives have been able to learn the modes of state operation, improve their negotiation and deliberation skills and extend their networking. Research has shown that, successes or failures notwithstanding, civil society representatives assess their participation in the Brazilian Policy Councils, for example, as positive

(Szwako 2012). On the negative side, more critical analyses point out the risks of 'co-optation', instrumentalisation by political parties and clientelism emerging in this closer relationship with different political and economic actors.

Effectiveness, that is to say, the extent to which civil society representatives have impact on public policies formulated in participatory spaces, is very difficult to measure (Pires 2011), not least because results reflect so many different factors. However, despite the extremely unequal weight of popular social sectors as compared to the market, participatory institutions did provide space for the building of alliances between civil society and sectors of the state, especially when similar political projects brought them together on specific issues (Dagnino 2002).

### **3 The emergence of leftist governments: promises renewed**

This last assertion has been precisely what underlay the expectations of progressive sectors of civil society when, from the 2000s on, leftist governments emerged in Latin America. Social movements heavily supported these new governments in Argentina, Bolivia, Brazil, Chile, Ecuador, Uruguay and Venezuela,<sup>4</sup> renewing their hopes for the consolidation and expansion of mechanisms of participation of civil society as well as of democratising alliances with the state. These new forces occupying the state were seen as possibilities of rupture with the neoliberal cycle that had increased inequalities, eliminated rights and taken to an extreme the alliance between state and markets.

Although this emergence of leftist governments has been generalised as a 'red' or 'pink' tide, there are significant differences between them. Participatory experiments, in spite of their continental and even global diffusion and adoption by different political forces, have traditionally been associated with the left. However, the emphasis they have received within the new governments has varied. In some cases, new mechanisms have been created (Uruguay and Venezuela); in others, existing participatory institutions have been strengthened and/or extended from local to national levels; in others yet these institutions 'have been relatively scarce' (Argentina and Chile) (Goldfrank 2016: 5) or appear prominent in the new constitutions but not so much in practice (Bolivia and Ecuador).<sup>5</sup> In Brazil, changes in the conception of participation itself, from more radical views of participation as sharing power to milder versions of 'consultation' and 'dialogue' closer to neoliberal procedures, became evident along President Lula's mandates (2003–10) (Dagnino and Teixeira 2014), whereas his successor, President Dilma Rousseff (2011–16), has been clearly insensitive to the issue. According to Boaventura de Souza Santos, a Portuguese scholar well known for his defence of democratic deepening,

[T]he tools of participatory democracy that were the hallmark of popular government (participatory budgeting, sectorial policy councils, national conferences) have been worn down, losing the capacity for renovation, and above all, they were relegated more

and more to deciding over less and less important issues. The major investments and large public works projects were left out of the reach of participatory democracy (Souza Santos 2014).

How to explain this relative fading of participatory democracy when expectations foresaw a different trajectory? In addition to the general factors influencing its effectiveness, a number of specific reasons can be highlighted. The correlation of forces *vis-à-vis* dominant conservative sectors, including members of representative democracy who felt their power threatened,<sup>6</sup> the priority given to so-called 'governability', and the different degrees of commitment to participatory democracy amongst leftist forces themselves (Goldfrank 2016) may help to explain the declining progress. However, an often-neglected but central factor, I argue, lies in the reconfiguration of the state undertaken by leftist governments under neo-developmentalism.

#### **4 What is new about the new developmental state?**

In spite of their differences, what all those governments had in common was the adoption of a proactive conception of the role of the state towards development policies: even with different emphases and degrees of consistency, the new developmentalist state re-emerged in Latin America in reaction to the central feature of neoliberalism: a 'reduced' state, increasingly subordinated to the market. That conception of the new developmentalist state, in a rather perverse manner, contributed to the declining trajectory of participatory democracy and installed an alliance between state and society that did not favour the deepening of democracy.

New developmentalism has been the object of heated debate in Latin America, involving economists almost exclusively. Efforts to distinguish it from both the 'old' developmentalism and the neoliberal model it is supposed/intended to replace have been key in this debate. Differences and similarities or ruptures and continuities with respect to the latter have been emphasised, particularly about the relations between state and market, defined by the new approach as one of 'complementarity', with reinforced regulatory capacities of the state, and the explicit refusal of any interventionist or protectionist features. To critics that stressed the 'ambiguity' of the new model, Bresser Pereira,<sup>7</sup> a Brazilian economist who is one of its leading defenders, states: '[N]ew developmentalism is pragmatic', it 'desires a strong market and a strong state and doesn't see any contradiction between the two' (Bresser Pereira 2010: 26, 51).

There is no ambiguity, however, in the new developmentalism's statement about its redistributive goals. And indeed, it has been responsible for unquestionable advances in fighting inequalities, significantly abandoning the neoliberal targeted/focused social policies and adopting more universalising ones, recognising the rights of excluded groups such as of the poor, indigenous people, black minorities, women, homosexuals, etc. The Brazilian experience offers abundant examples of these directions.

Rather than discussing here the several economic dimensions in this debate, what I want to explore is the character of the state in neo-developmentalism and the kind of alliance between state and society that it represents. More interested in asserting the central rupture with neoliberalism, neo-developmentalists basically limit this specific discussion to the simple affirmation of a protagonist 'strong state'. Therefore, it is in their efforts to assert the distinction between new and old developmentalism (Bresser Pereira 2012) that we can find interesting clues with respect to the new developmental conception of the state.

The 'old' developmentalist model, also known as national developmentalism, was first established in Latin America during the 1930s and 1940s, with the governments of Vargas in Brazil (1930–45 and 1950–54), Perón in Argentina (1946–55 and 1973–74) and Cárdenas in Mexico (1934–40). In very different economic, political, social and international contexts, the need for a 'strong state', again, was its key feature. At its beginning, in the Brazilian experience, where the model continued to prevail, more in theory than in practice, until the military coup in 1964, it was intended to face two main tasks: the building of the nation and of the state itself. This assessment saw Brazil as plagued by regionalisms, fragmentation of political parties (*partidarismos*) and particularisms that needed a strong unifying state, able not only to promote development but also 'to organise' society and build a proper nation. In the huge and dense theoretical production of the time, defenders of national developmentalism considered the state as the 'main agent of social transformation' (Dagnino 1986).

After a period of limited democratic rule, the 'strong state' became an openly authoritarian regime, from 1937 to 1945. The installation of industrial capitalism and the organisation of society along corporative lines, yet coupled with the delivery of social rights and the recognition of labour as a legitimate political interlocutor, even if subordinated to the state, were the main results of the first Vargas period,<sup>8</sup> also recognised as establishing the beginnings of populism.

Almost 80 years later, the discourse of new developmentalism seems to bring back the same conceptions, strikingly repeating the same vocabulary: the 'strong state is the par excellence instrument of the nation's collective action', states Bresser Pereira (2010: 3). More explicitly, other authors, referring to a needed 'certain degree of decentralisation' of the state, add:

It should be noted, however, that this doesn't mean that the most important decisions referring to public policies to be implemented should be equally decentralized, since governmental agents, democratically elected, should be responsible for their definition. (Sicsú, Paula and Michel 2007: 513, author's translation from the Portuguese)

Here, representative democracy seems to be the only envisaged channel for participation.

The meaning and the implications of the characterisation of the nature of the developmental state are perhaps further clarified by *what is absent* in them: in the discourse of its proponents there isn't any reference to the role of society's participation in the formulation of public policies, after, in the Brazilian case, more than 20 years of accumulated experience. The reduction of social participation to representative democracy through voting is very much linked to the recurrence of a conception of the state as an almighty, self-sufficient entity, still very much rooted in the Latin American political imaginary and adopted and promoted by leftist governments. Having been elected with the strong support of social movements, leftist governments see themselves as legitimately representing the interests and claims of excluded sectors of society, given basically their distributive commitment – what they rightfully were to a significant extent. Capitalising on their social policies of recognition and distribution, there has been a gradual increasing closure of decision-making in the state. The new alliance between state and excluded sectors of society, announced by the experiments in participatory democracy, and based on sharing power and on the social control of the state, has gradually assumed a limited character.

Instead, traits of the old paternalistic alliance have showed their resilience. Strong charismatic leaders have transferred their legitimacy to a progressively self-contained state, a mechanism whose initial effectiveness has tended to erode as contradictions between state policies and social movements' demands have become increasingly evident. As Gallegos states about Ecuador, 'the articulation between *decisionismo* and new developmentalism didn't seem favourable to the effective participation of a wider sector of social actors in the conduction of the transformation process' (Gallegos 2008: 195).

References to the 'nation' also resonate with old developmentalism. The *Patria Bolivariana* of Hugo Chávez, García Linera's Bolivian Nation and Rousseff's *Patria Educadora* indicate attempts to formulate a national identity from above, where the state – and not society – defines and incarnates the 'nation'. The return to these conceptions maintains an odd relationship, to say the least, to the primacy of social participation asserted in official discourse, as well as, in some cases, to the recognition of pluri-culturalism (Rivera Cusicanqui 2014).

Other perverse implications followed from a conception of the state that sees itself as the 'fundamental agent of transformation'. The tendency to replace their original political projects with 'power projects' is visible in the present decline of leftist governments. Holding state power and particularly remaining in power at any cost (and costs may include corruption and authoritarian measures, as well as all kinds of alliances and concessions in order to ensure so-called 'governability') seem to be justified in the name of that cause.

The basic requirement of neo-developmentalism, as put by its defenders, is 'the primacy of the role of the state as a pro-development political

conscious action' (Carneiro 2012: 776). There is no question that the definition of such a protagonist role configured an encouraging premise towards the replacement of the dominant neoliberal model. What is in question is how this premise has unfolded to constitute a real rupture, not only with neoliberal pillars but also with the statist conception of politics (Lechner 1990) that has historically plagued Latin America.

Economic policies under neo-developmentalism showed clear limits in pointing towards a radically new model of development. Based on growing processes of financialization and on 'extractive rent', through the intensification of mining and other extractive industries, including soy agriculture (Gago and Mezzadra 2015), the neo-developmental states have been particularly ambiguous with respect to their environmental policies. This is also one area, among others, where the participation of civil society and social movements has been remarkably bypassed. In Brazil, the approval of the Forest Code and the building of the Belo Monte hydropower plant have been clear examples of long and intense social mobilisation, ignored by the government. In spite of heavy protest, conflicting economic and environmental policies have led to devastating environmental consequences as in Bolivia and Ecuador. In these countries, as in others, initial progressive discourses gave way to contradictory practices, both with respect to citizen voice and to sustainability concerns.

Social movements and popular sectors have become increasingly critical of governments' actions. Resort to 'direct action' through protests, occupations and invasions have intensified as the negotiation practices made possible by the institutional channels of participation show their paralysis and inefficiency. The initial support from those sectors, sustained by distributive and recognition policies, is at stake. The advance of neoliberal forces in countries like Brazil and Argentina show a backward movement that can be explained by a number of factors. However, the contradictions of the developmental state format adopted by leftist governments with respect to the role of people's voice in that configuration are certainly part of that explanation.

## 5 Conclusion

The ambiguities and contradictions of neo-developmentalism in Latin America, which has culminated in defeats and a crisis of the left, impose a sober political analysis. Among the various features that can help us to understand such a trajectory, I have focused on the features of its self-defined main agent, the 'strong state'. I have argued that the dilemmatic paradox of new developmentalism implemented by leftist governments lies in its very conception of the state: while its new protagonist role could have represented new paths towards a more equal and sustainable development, it has implied the 'downgrading' of participatory democracy and the confining of participation to representative democracy. By relying on 'old' ways of doing politics, reviving the traditional state monopoly of decision-making and emphasising the role of a deteriorated mode of social representation, new developmentalism



has failed to fully incorporate what represented a crucial innovative change in patterns of Latin American democracy. It is not by chance that claims for substantive participation have been reiterated by recent protests throughout the continent, as in Brazil, where millions of people filled up the streets of several cities in June 2013, expressing a clear discrediting of parliamentary representatives and of an unresponsive and corrupted political system.

Lessons from the crises of leftist governments under new developmentalism must be learned in order to push back the full resumption of neoliberal models, already on course in countries such as Brazil and Argentina. The struggles of social movements for participation in decision-making processes, intended to ensure democratic deepening and truly new routes for development, should not be ignored. The challenge posed by the construction of democratic new alliances between state and society cannot be ignored, therefore, amidst a reconfiguration of the role of the state as a 'pro-development political conscious action' that is aligning with a radical redefinition of the decision-making power of society.

### Notes

- 1 Civil society is understood here as the space occupied by organised sectors of society, such as social movements, non-governmental organisations (NGOs) and a multiplicity of other organisations, whose common characteristic is the search for access to the public space in order to achieve their objectives. Civil society is characterised by its heterogeneity and by the competition between different interests and projects in conflict, being, therefore, a political space by definition (Dagnino 2011).
- 2 For both radical democratic and neoliberal notions of participation, see Dagnino (2004) and Dagnino *et al.* (2006).
- 3 For a thorough survey of participatory instances in Latin America, including a reading list, see Eng and Perron (2013), *Citizen Participation in Latin America: Innovations to Strengthen Governance*.
- 4 The emergence of leftist governments in the continent began with the presidency of Hugo Chávez in Venezuela (1999–2013). The election of Luis Inácio Lula da Silva in 2003 launched the Workers' Party governments: he was re-elected in 2006 and followed by Dilma Rousseff, who was elected in 2010 and again in 2014, and governed until 2016, when she was ousted from power. The *peronista* Nestor Kirchner governed Argentina from 2003 until his death and was succeeded by Cristina Kirchner (2007–15). In Uruguay, Tabaré Vazquez, candidate of the Frente Amplio, was elected in 2005, succeeded in 2010 by Pepe Mujica and returned to the presidency in 2015. Evo Morales and Vice-President Alvaro Garcia Linera, from the Movimiento al Socialismo (Movement to Socialism, MAS), have governed Bolivia since 2006, having been re-elected in 2009 and 2015. Rafael Correa founded the movement Alianza PAIS (Patria Activa y Soberana, Proud and Sovereign *Patria*) to run for presidential election in 2006, and is now in his third mandate as president.



- of Ecuador. In Chile, the Socialist Party's Michelle Bachelet was president from 2006 to 2010, and elected again in 2014.
- 5 In Ecuador, for example, the moderately radical initial establishment of the Council of Citizen Participation and Social Control, denominated the Fifth Power, has been undermined, according to Moscos (2014), by 'executive intrusions' and 'hyper-presidentialism'.
  - 6 In 2014, when the Brazilian government proposed the institution of a National System of Social Participation to the Congress that was intended to establish common rules for the different existing participatory institutions, there was a very strong reaction and it has been accused of trying to install a Bolivarian Revolution in the country. Although the System was aimed at instituting participation as 'a method of government' (Presidency of the Republic 2014), President Dilma Rousseff never engaged herself in assuring the political conditions for its approval. The Congress did not even put the proposal to a vote.
  - 7 Bresser Pereira, curiously, was the minister of state reform who, under the Cardoso government in the 1990s, led neoliberal state reform in 1995, the jewel of the crown in the implementation of the model in Brazil. Among other things, it regulated the 'social organisations' in charge of the implementation of targeted, and restricted social policies while lacking any decision-making power over them.
  - 8 Vargas became a mythical figure in the Brazilian popular imaginary, known as the 'Father of the Poor'. In Dilma Rousseff's first electoral campaign in 2010, she was presented as the 'Mother of the Poor' (see <http://politica.estadao.com.br/noticias/geral,lula-vai-apresentar-dilma-na-tv-como-mae-dos-pobres,596194>).

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# Back to the Future?

**Michael Edwards**

**Abstract** It has become fashionable to claim that institutions that blend elements together from civil society and the market such as social enterprises and social impact investing are (a) widespread empirical realities and (b) beneficial trends in terms of welfare, rights and equality. Neither assumption is correct. Confronting the key problems of development and transformation requires a return to traditional, separate-but-connected patterns of interaction between states, markets and civil societies – though updated to take account of new opportunities and threats.

**Keywords:** blended institutions, hybrids, social enterprise, civil society, collective action, democracy.

Blended institutions which incorporate elements of civil society and business *inside* their own governance and operations are important elements of social and economic policy today in both high- and lower-income settings. Social enterprises, and social and environmental impact investing, are prime examples. Although definitions vary – with European models emphasising social impact and US models prioritising earned income – the consensus is that these institutions represent something that is qualitatively new, different and important (Ridley-Duff and Bull 2015). Such institutions are often praised for their effectiveness and efficiency in delivering human services and promoting social innovation, yet we know comparatively little about their macro-level effects on poverty, inequality, democracy and collective action.

These organisational hybrids are different to straightforward privatisation (which involves the wholesale displacement of functions into the private sector), public-private partnerships for delivery and decision-making, and the co-production of social and economic value by different institutions. In all three of these cases, the boundaries between public, private and civic actors are maintained even if they decide to work together more closely. In the case of blended institutions these boundaries are deliberately blurred or removed completely. That's what makes them especially interesting from a practical and philosophical point of view; they provide a radical departure from the belief that civil society and business, or 'doing good and doing well', are and should be kept separate from one another (Edwards 2014).

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But how important are they as compared to more traditional institutions, and is the enthusiasm for their achievements well founded? What does the rise of blending and blurring imply for the balance of power in society and for the changing relationships between states, civil societies and markets?

### **1 What do the data tell us?**

These are difficult questions to answer, partly because it is impossible to measure hybridisation with any great accuracy – the data aren't classified in this way and the definitions of the terms involved are often elastic. But if we use social enterprises as a rough proxy and compare them with conventional enterprises and conventional charities in the UK (which is thought to have the most developed social economy in the world), we find that in 2015 there were 70,000 social enterprises (or 1.29 per cent of all privately registered companies) and they contributed 0.96 per cent of total gross domestic product (GDP) (Social Enterprise UK 2016; FSB 2016). Only around 2,000 social enterprises were added to the total between 2012 and 2015 (Floyd 2013).

By comparison there were at least 200,000 registered charities in the UK in 2015 and another 200,000 or so that weren't registered (like church and community groups), together outnumbering social enterprises by almost six to one (Ainsworth 2015). They actually showed a much higher growth rate than social enterprises with over 60,000 being added during the same period (*The Guardian* 2012).

To take another rough proxy, one can compare social and environmental impact investing with commercial investment and philanthropy, and again I will use the most developed context we know of, which in this case is the USA. For 2015 we find that US\$10 billion went into social and environmental impact investing versus US\$15.1 trillion for total private investment (or 0.06 per cent of the total (Global Impact Investing Network 2016; Federal Reserve Bank of St Louis 2016)). By comparison, private philanthropy generated US\$358.38 billion, with giving by individuals making up 72 per cent of that amount, an increase of almost 6 per cent over 2013 (Giving USA 2016).

The conclusion from these figures is clear: the vast majority of enterprises in the UK and the USA are traditional businesses; the vast majority of civil society organisations are conventional charities; the vast majority of resources for this sector come from giving and not from investment; and these patterns have not changed significantly in the last five years. Data from lower-income settings would no doubt paint a different picture, but given the much smaller size of the social economy in all countries outside of North America and Europe, it is doubtful whether these conclusions would be invalidated.

However, if the numbers are small, why is there so much excitement around social enterprise, impact investing and related experiments? That question provides a clue as to what is really happening, which is as

much ideological as empirical – in the form of an aggressive campaign to promote the philosophy of blending as a more effective way of dealing with social and economic problems. However, there isn't much evidence or logic to support that broader claim.

## **2 Is blending or separation best for tackling inequality?**

Traditionally – think of the old image of a three-legged stool or the separation of powers in a constitution – government, business and civil society were seen as different but equally valuable parts of a healthy whole, complementary but necessarily separate from each other because they undertook different tasks and ran on different principles: the legal or bureaucratic authority of government, the free market competitive mechanisms of business, and the voluntary spirit and cooperative values of non-profits and community groups. Each provided at least some level of counterweight to the others.

This model – so unfashionable today that it is seen as retrograde or even irrelevant – was the framework that underpinned the longest period of shared prosperity the North has ever seen from the late 1940s to the mid-1970s, and in various forms it also helped to anchor the East Asian 'miracle' and the later growth of China, Vietnam and the more successful economies of Latin America (Edwards 1999; Wade 2003).

Scaled up from the level of individual organisations to a general principle, the rise of hybridisation might weaken the ability of society to function in this way when those counterweights are removed and the differences between institutions are watered down: blurred boundaries mean blurred accountability; blended institutions mean less of a single-minded focus on social considerations; and distributed governance signifies a weakening of central or legal authority to redistribute resources, curb abuses and regulate the market. In a miracle of social science, enthusiasts for hybrids want to make civil society stronger by weakening its most important characteristics, which are its independence and attachment to non-market, non-bureaucratic values.

To illustrate this thesis, consider the long-term trajectory of income inequality in the USA. Between 1947 and 1979, the bottom 95 per cent of families in the USA received three quarters of the growth in incomes that took place during that period (Center on Budget and Policy Priorities 2015). Fast forward to the three years between 2009 and 2011 when the top 1 per cent of American families captured *all* the growth in incomes that occurred (*ibid.*). That is a remarkable turnaround in terms of inequality and its associated costs. What happened?

Tax rates were much higher from the 1940s to the 1970s so governments were able to redistribute wealth and opportunity. Business was more highly regulated so the costs and benefits of a growing economy could be managed more effectively. And civil society groups were stronger, more independent, more highly connected, more political in their activities, and largely financed by their own members or supporters.

This last point is especially important to the argument I want to make, because these characteristics underpinned the ability of civil society groups to exert their influence separate from, but connected to, businesses and the state.

Just prior to the Second World War for example, there were well over 1 million members of the National Federation of Women's Clubs in the USA (Skocpol 2004). By 1955, 9 per cent of all adult Americans were members of a Parent Teacher Association (PTA) and 12 per cent were active in a labour union (*ibid.*). By today's standards these figures represent a very high degree of popular involvement in the nation's social and political affairs.

Cross-class, non-partisan, membership-based, internally democratic and nationally federated networks of voluntary organisations helped to animate debates and conversations in the public sphere and provided avenues for leadership development and accountability from the bottom up so that ordinary Americans were not simply governed by elites acting on their behalf, but were able to participate in the system directly. These networks helped to cement a consensus across political and religious interests and identities concerning the direction of society (though they were heavily segregated by race), providing a strong platform from which pressure could be exerted on state and federal governments to adopt measures such as the GI Bill of 1944 which had hugely beneficial, broadly-based welfare effects (in that case by providing free college education for returning military personnel).

From the late 1950s to the mid-1970s, these achievements were extended by new social movements for civil rights, gay rights, equality for women and the birth of environmentalism, but the 25 years or so after 1975 were marked by a fundamental turn away from these kinds of broad-based, democratic forms of civic action (Edwards 2014). One strand of the non-profit sector moved into service delivery on contract to governments, and another strand moved into professional advocacy work which required high levels of legal and policy expertise but much less of a connection to the grass roots. Labour Union membership in the USA has fallen by half since 1945, for example, and the decline is even greater for PTAs (which have lost 60 per cent of their members (Skocpol 2004)).

The rise of blending and blurring represents the next stage in the evolution of these processes of professionalisation, corporatisation and distancing from community control, with even more of a focus on hierarchical, market-oriented civil society activity as states are retrenched and business is invited deeper and deeper into the world of human services. Many of those businesses are more mindful of social concerns, at least if 'social' is defined as serving target groups that are considered vulnerable – as opposed to social transformation or deep-rooted social change. But in the process the characteristics that previously made civil society groups important actors may be eroded.

The result is what Skocpol (2004) calls ‘diminished democracy’, or a hollowing out of civil society and a loss of capacity, connectedness and independence, which is linked in at least three ways to the trends that began to emerge in the USA in the 1970s towards rising inequality, concentrated economic and political power, and partisan polarisation (Edwards 2016).

### **3 Why is blending problematic?**

Firstly, blending social and financial considerations together automatically reduces the priority that is given to one side or the other, since one can’t have more than 100 per cent of anything at one time. Is 50 per cent good enough to make real progress on deeply embedded problems like inequality? What if social considerations fall even further below that level? In theory, it is possible to give equal weight to social and financial criteria, but in practice that is very difficult to do because of a second reason: money is nearly always the more powerful force in the equation.

The mangling of altruism with self-interest is supposed to achieve the perfect mix of both, but in reality, it usually leads to the erosion of social objectives over time – or their immiseration as social concerns become reduced to a target group in society rather than the full range of social considerations concerning power, values and relationships. Social enterprises begin to ignore clients who are more difficult to reach, a problem that has also emerged with charter schools in the USA which are privately managed public institutions with a tendency to prioritise children from higher-income families (Cohen 2015; Decker 2015). Social impact investors are more patient than the stereotype of Wall Street financiers or those in the City of London, but they still need to make some money from their investments and that limits what they can support (Bugg-Levine and Emerson 2011).

The reason this happens isn’t complicated: money doesn’t only ‘talk’ as the old saying puts it, it jabbars incessantly in your ears until even the socially conscious begin to listen. There may not be a need to sacrifice financial returns in order to achieve a positive social impact, but there *is* a need to sacrifice *social* returns in order to make a profit (Edwards 2009). And that imperative excludes huge areas of important social action that need more time and patience than can be ‘afforded’, or that prioritise quality over quantity regardless of the cost, or that simply can’t be monetised.

That leads on to reason number three: social change and market mechanisms are not easily interchangeable. They are fundamentally different – more like ‘oil and water’ than the ‘perfect cocktail’ that is presented by advocates of ‘blended value’. Take, for example, cooperation and competition. These are not points along the same continuum but opposing principles and values. This implies that choices must be made between such alternatives rather than assuming that they can be blended harmoniously together. It is the same for individualism



and collective action, or intrinsic and instrumental value, or gifts versus investments, or democratic versus market accountability.

One of the most pernicious effects of intrusions by market thinking into civil society is to make gifts and gift relationships seem suspect, second-rate or backward. But these relationships – expressed through community and solidarity and social movements – are the basis of all healthy human interaction. In many societies, people's imaginations have become so colonised by market thinking that they no longer know or care what it means to be fully human in this sense – to give freely with no expectation of return; to show solidarity without the need for a reward; or to hold a conversation that does not degenerate into a transaction or a deal. The truth of the matter – demonstrated time and again through the history of privatisation and the decline of public or civic values – is that markets have little useful role to play in any humanistic endeavour (Guinan and Hanna 2013). That includes health, education, politics, civil society and the arts.

#### **4 Conclusions: alliances or blends?**

By way of conclusion let me anticipate two obvious objections to my argument. The first is that I am over-generalising in a way that paints all experiments in blended value in negative terms, whereas there is at least a possibility that a 'progressive wing' of social enterprise and the like exists which combines economic and social criteria rather than substituting one for the other. Perhaps by promoting greater economic security among marginalised populations in new ways these experiments can actually strengthen civic and political engagement. There is certainly something to that argument, and it represents an interesting area for research.

These more positive blends, if that is what they are, would need to build on and defend traditions that have been inherited from the past *without* rejecting new opportunities and innovations out of hand, which would be foolish – to be *as* enthusiastic about community organising and popular protest as they are about social enterprise and social media. I would argue that the most interesting examples of citizen action in the world today exhibit these characteristics, such as Black Lives Matter (2016) or Making Change at Walmart (2016) in the USA, or Podemos (Iglesias 2015) in Spain. Crucially, however, these examples engage the market within a framework that is governed by democracy and the transformation of power relations. A case could also be made that older blended institutions like cooperatives have been more successful than newer social enterprises in generating a supportive mix of economic security and political activism (Ridley-Duff and Bull 2015).

The second objection is that I am just being unrealistic – there is no alternative, no going back in time to a healthier configuration of states, markets and civil societies, especially because of the impacts of globalisation and the relative decline of national state authority and autonomy. But this ignores the fact that the emerging orthodoxy around

these questions is itself manufactured, the result of the ideological turn towards the market that began in the late 1970s and has continued ever since, and is now being supercharged in the softer language of blending and blurring by a well-resourced echo chamber of consultants, writers, donors, business leaders and philanthropists (Edwards 2008, 2010).

If that is true, then it must be possible to consciously deconstruct what is going on now and increase the space for more radical innovations in the social economy which could have positive macro-level results. And if that does happen, it would represent a turn ‘back to the future’ by re-emphasising the difference and independence of government and civil society even as they enter into alliances with business and the market. Alliances constitute a very different modality to hybrids, and they correspond much more closely to the kinds of relationships I am recommending, so long as they are composed of equal and independent partners to avoid problems of co-option. In an alliance, each member does not have to stop being what they are in order to be something else – in fact the opposite is true. The value of the participants lies precisely in the different properties, perspectives, constituencies and capacities they can bring to the table. Each member can also decide to enter or leave at any time.

These things are not true of blended institutions, though in terms of the potential reconfiguration of state–market–civil society relations at the macro level, it may be that non-blended institutional arrangements such as privatisation and public–private partnerships (which are much more extensive) are more powerful influences than the growth of blending and blurring. But that is an analytical question that needs to be tested over time through careful, comparative research. In the meantime, and as history shows, alliances work best when government, business and civil society work as equal and complementary sets of institutions that can hold each other in mutual, constant and creative tension. That is a better way forward than hybridisation because it creates relationships that add value overall rather than taking it away from one sector or another, with all the associated costs of that exchange. In other words, it is the difference between institutions that *makes* the difference to development and social change.

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# Restoring Development *Dharma* with Toad's Eye Science?

Dipak Gyawali and Michael Thompson

**Abstract** While the Millennium Development Goals (and their successors, the Sustainable Development Goals) loom large among those who take a global-level approach, they elicit, at best, a confused shrug from the Nepali villager. We unpack this paradox by way of the distinction between *eagle's eye science* and *toad's eye science*, and go on to show how vital it is that the latter is not neglected. It is, for instance, household-level decisions that have resulted in a substantial proportion of Nepali citizens working in the Gulf States and elsewhere, thereby quickly establishing a remittance economy that makes a nonsense of the long-held view, among the proponents of *eagle's eye science*, that it is lack of money that is the problem. Rather, it is the constructive engagement of the three 'solidarities' – market, state and civil society – that is needed: a task (we call it '*dharma restoration*') that simply cannot be accomplished without the bringing-in of *toad's eye science*.

**Keywords:** cultural theory, foreign aid, development, informal economy.

Ask any Nepali villager about the Millennium Development Goals (MDGs) and you will be met with a confused shrug. *Sahasrabdi Bikas Lakshya* – the goals translated into Nepali – is a mouthful that only classical Sanskrit scholars can properly articulate and understand. On top of that, it expresses a concern that has never figured in the everyday lives and decisions of these citizens. This may come as a surprise to those who focus on the MDGs (and on their successors, the Sustainable Development Goals (SDGs)) because Nepal is frequently cited at international gatherings as a country that, to use the old Soviet-era terminology, has 'over-fulfilled' its planned targets: all the way from female child school enrolment to infant mortality reduction and increased electricity access (NPC 2013; Alkire *et al.* 2015). Even more surprisingly, this success (if that is indeed what it is) has happened over the last decade and a half, during which time the country was engulfed in a Maoist insurgency, followed by an ongoing political and constitutional crisis that has seen nine prime ministers in almost as many years. Five-Year Plans, together with the aid programmes that are intended to prop them up, have stalled and the ratio of aid

disbursement to aid commitment has reached an all-time low. And if we look at one of those 'successes' – electricity access – we find that this has happened even as those who are served (if you can call it that) by the national grid continue to endure power cuts for 15 hours a day. In consequence, the private sector – hotels, offices, shopping complexes and apartment blocks – have given up on the national grid and resorted to diesel generators. These generators, in total, now rival the supply via the grid, with the country spending some 137 per cent of its export earnings on the importation of this climate-unfriendly petroleum product.<sup>1</sup> So what, we should ask, is *really* going on?

Nepal, with its multitude of rivers cascading down the Himalaya, is indeed blessed with a rich hydropower potential.<sup>2</sup> However, even after more than a half-century of development assistance, that potential has not been realised. The official figure, according to the Nepal Electricity Authority (NEA), for the population's access to electricity in 2003 was just 18 per cent; in the same year the country's central bank (Nepal Rashtra Bank) declared, on the basis of its own survey data, that access was double that amount: 36 per cent. The NEA, it turns out, had taken the number of meters it had installed and then (assuming that these were almost all in households, with negligible numbers in government offices, hospitals and so on) multiplied it by the average Nepali family size of 5.5 persons. The Rashtra Bank, in its survey, had asked the simple question 'Do you have access to electricity?', without going on to enquire whether that electricity came from an off-grid community-owned micro-hydro installation, or was stolen from the grid (by creative hooking: 'unmetered consumption' in World Bankese), or from a privately-owned solar panel, or from a neighbour who was metered and (because you could not afford the NEA's installation charge) had let you pull a wire across for a couple of bulbs and charged you the going 'village rate'. Whether an MDG/SDG is being over-fulfilled or hopelessly fallen short of, evidently depends on which set of official figures you choose to consider.<sup>3</sup> With facts as malleable as that, you can have whatever you like!

### **1 Eagle's eye science versus toad's eye science**

The NEA was using an *eagle's eye approach*, defining the problem from the high perches of its Kathmandu headquarters; the Rashtra Bank, though even more highly placed, was, it turns out, using a much more *toad's eye approach*: figuring out what was actually happening down there on the ground.<sup>4</sup> If you are working in a UN or western development agency, or a National Planning Commission, you will very likely gravitate towards the eagle's eye view, since your bosses will be thinking about policy measures at a global scale.<sup>5</sup> If, on the other hand, you are working for a village council you will probably see the problem not so much for its global consequence (climate change being the current favourite) as for how it matters for those who are suffering from it. We can mention a few instances.

Bihari Krishna Shrestha – the doyen of Nepal's ethnographers, and who can claim much of the credit for introducing to government policy the

Irrigation pump converted into a *Jugad* truck

Source DST (2008), reproduced with kind permission. Photographer M. Moench.

concept of ‘user groups’ in the forestry and health sectors – recounts how rice is grown at the highest altitude in the world in Jumla District: 6,000 feet above sea level, where rice normally should not be growing. A complex nexus of social and agricultural practices enables the Jumlis to make maximum use of the short summer: they first soak the seeds in gunny sacks in the river and then prepare the seedling beds, not in the open, but inside their houses and close to the hearth. They then spread branches over them, placing their bedding on top so as to allow their body heat to transfer to the seedlings. They also require all male members who have migrated out for seasonal labour to come back to the village for Chaitra 12th (around 25 March) for the transplanting of the seedlings. If they do not show up they face being declared dead, with their relatives being allowed to conduct their funeral rites. If any one of these complex and demanding practices fails, the entire system fails. None of this crucial knowledge is accessible by way of the eagle’s eye approach; it is discernible only to those who take the toad’s eye view.<sup>6</sup>

If a high-resolution satellite was hovering over Rajasthan it could clearly make out what it would think was a truck (see photo). It would take a toad’s eye scientist, using ethnographic methods, to go down to the village level, look at the vehicle, talk to its owner and realise that it is actually an irrigation pump that has been fitted onto a makeshift chassis. With no registration plate, and no licensed driver, it is popularly known as a *Jugad*: literally ‘make do with’ (DST 2008). And there is a story behind this remarkable and now widespread innovation: India’s Rural Development Bank, it transpires, gives subsidised loans to farmers to enable them to buy three-horsepower pumps. However, the farmers will even pawn their wives’ jewellery so as to top up and buy a ten-horsepower pump. They know what India’s central planners and economists don’t: that a three-horsepower pump can only pump water for maybe 2,000 hours a year and will remain rusting in the shed for the remaining 6,740 hours, whereas a ten-horsepower pump can pump water *and* run as a truck, ferrying goods and earning money for the remaining part of the year. Again, these facts, crucial for development, can only be ferreted out through toad’s eye science.

Much the same sort of story holds for domestic water supply in Nepal’s Middle Hills, where villagers avoid drinking water from the streams



because they are often polluted with domestic and wild animal waste. Hill hamlets rely on nearby springs for their water supply. However, no proper study has ever been done on springs, nor has there been any attempt by the national authorities to map them. The assumption has been that the springs are simply *there*, with water supply projects being defined as the procurement and laying of PVC pipes from the springs to the settlements. 'Access to safe drinking water' is then seen as having been achieved, and it is on that assumption that the astounding increase in safe water coverage claimed by both national and international officials has been based: from 17 per cent to 90 per cent in the United Nations Development Programme's (UNDP) one International Drinking Water Supply and Sanitation Decade ending in 1990. Nepal would thus have 'over-fulfilled' its MDG (73 per cent coverage) almost before it had even been set! Pokhrel (2017, forthcoming) provides a more nuanced breakdown which shows, by way of field surveys, that the criteria – fetching time of less than 15 minutes, at least 45 litres per person per day, supply available even in the dry season and so on – are such that the chance of Nepal meeting this goal is vanishingly small. And newspaper report after report tell us that most of these water supply schemes that were built during the International Decade have already gone dry. Villagers call them *bikasey chihan*: 'development tombs'.

Since then, the springs themselves, from which the PVC pipes had been laid, have started drying up across the Middle Hills, with eagle's eye scientists quickly jumping to the conclusion that it is climate change that is to blame (in much the same way that, back in the 1980s, all the region's environmental woes were blamed on 'the ignorant and fecund peasant' cutting trees on fragile hill slopes and deforesting the Himalaya; see Thompson and Gyawali 2007). However, a toad's eye study (Sharma *et al.* 2016) has revealed that other drivers are responsible: rampant use of PVC pipes and electric pumps (where previously women carried water to their houses in pots and carried no more than was necessary); changed cropping patterns (a move away from dryland maize and millet and into water-intensive marketable vegetables); a decline in livestock-keeping and hence in wallowing ponds for buffaloes (which contributes to the recharge of the groundwater that fed the springs); the filling in of such ponds (for malaria eradication or for building schools thereon), and so on. True, climate change, when it eventually impacts, will likely make things worse, but it is these here-and-now drivers – drivers that are discernible only to those who take the toad's eye view – that need to be addressed. Eagle's eye science, by itself, will foster the delusion that, if it wasn't for climate change, all would be fine.

## 2 Economic growth, but not as planned

Even as many were celebrating the End of History (Fukuyama 1992) and the global triumph of the neoliberal and market-led order, Nepal saw its first communist prime minister (in 1994) and in successive elections the total parliamentary strength of parties with the words 'Communist', 'Marxist' or 'Maoist' in their titles has risen to almost two-thirds. Concurrently, almost 3 million Nepali citizens (out of a

total population of around 28 million) are working in the Gulf States, Malaysia and South Korea (up from around half a million in 2002, and not counting almost 6 million working in India as seasonal or long-term migrants from many, many decades back at much lower salaries).<sup>7</sup> With higher income remittances pouring back home, families have seen their incomes boosted: keeping them afloat in the midst of all the political chaos (and natural disasters: e.g. earthquakes) and enabling them to purchase better schooling and health services, along with food and consumer (and, in some instances, luxury) items. Remittances now make up almost 30 per cent of gross domestic product (GDP), but they are far from an unmixed blessing. The haemorrhaging of the country's youth, compounded by three million or more citizens having now migrated to Kathmandu and other urban centres from the rural hinterlands, has left many a village depopulated (apart from the elderly), the land uncultivated and the livestock much diminished: social dislocation at a scale and speed rarely experienced anywhere, outside of war. But, for all that, people are now much richer (or, at least, much less poor) than they were (see Shrestha 2017, forthcoming).

Nepal's banking system, including those institutions that provide microcredit to the poorest of farmers, has also expanded dramatically with remittance inflow: from 178 such 'outfits' in 2008 to over 13,000 in 2015 (see Chaulagain 2015). While the Nepal Rashtra Bank, understandably, is pushing for some merging and consolidation of these evermore numerous financial institutions, the country's banking system, unlike in so many other parts of the world, has certainly not had to be bailed out. Even more remarkably, given the political instability and high level of corruption, government revenues, between 2010 and 2015, have recorded an annual growth rate of 20 per cent. This has been largely thanks to the import and value-added taxes levied on many of the goods that have been purchased with the increased remittances, with internal uptake being as high as 90 per cent in 2014, with foreign grants falling to less than 9 per cent.<sup>8</sup> That a public call, aimed at raising 2 billion rupees for the construction of a hydropower plant, was over-subscribed by 42 billion rupees proves the point made by toad's eye scientists, but not their eagle's eye counterparts: that a lack of money – the premise on which the aid industry has been built and the recipient government's aid addiction fed – is no longer the problem.

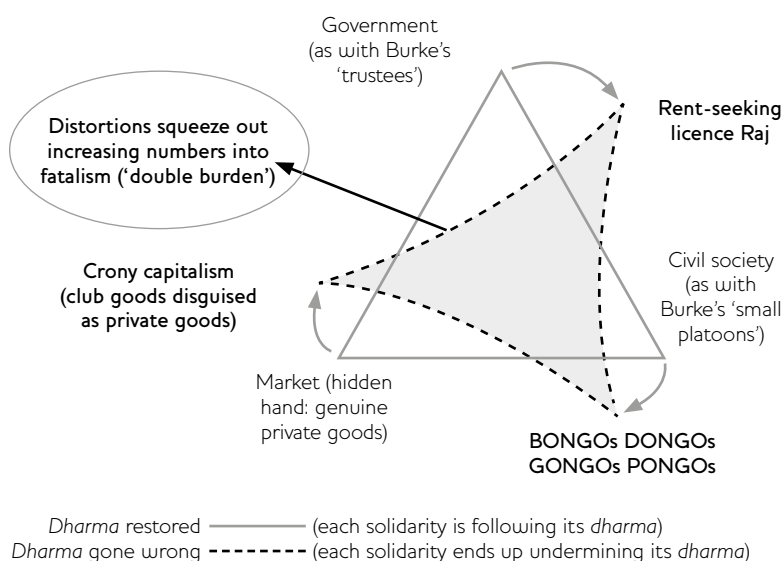
### **3 Restoring the *dharma*, kicking the habit**

Some of us have argued that the Age of Aid ended (or at least lost its *élan vital*) with the collapse of the Soviet Union in 1989 (Sharma *et al.* 2004). Aid, as an industry, was born at the end of the Second World War, with the setting up of the Bretton Woods 'architecture' in 1944/5. An underlying goal, once the Cold War had taken hold, was to ensure that the 'Third World' did not become part of the 'Second World', and it was that imperative that gave us aid as we know it. But, after 1989, that imperative was no longer present, and the 'First World' was able to redefine development as something that could best be done by the market. The state, especially in the global South, was forced

into something of a 'hollowed-out' retreat, with structural adjustment programmes and the 'Washington Consensus' tightening their grip. A quarter-century on, there is now a growing realisation that this lurch into institutional monism has not delivered on its promise. And even the later correction that brought the state back in by way of PPPs – public–private partnerships – has proved inadequate. The public, at best, has been subsumed under the private; at worst, it has confirmed Karl Polanyi's fear that things will evolve into a kind of fascism in which the interest of the market overrides that of the society of which it should be just one vital part (Polanyi 1944).

A more wholesome (and more democratic) approach, we would argue, drawing on the *theory of plural rationality*,<sup>9</sup> is to go beyond both the monisms and the dualisms and look for a more pluralistic framing: a triad of public, private and civic engagement. This, we hasten to add, is not an entirely new idea. Polanyi (1944), for instance, saw the *exchange* of the profit-focused market being balanced by the *redistributive* interventions of the state only if both were being goaded by the *reciprocity* that is fostered by civic forces. And Lukes (2005) sees three types of power at work, each needing the others: the *persuasive* power of market seduction, the *procedural* coercive power of the state and the *ethical* power exercised, through moral critique, by truly civic movements (the 'small platoons', as Edmund Burke (1790) called them). And Nepal's Hindu Samkhya philosophers (Gyawali 2009), reaching back two-and-a-half millennia, distinguish between actors (*patras*) and the mix of subtle characteristics (*gunas*) that together give rise to the different powers (*shakti*). These are: *rajasik* (active), *tamasik* (brute and inert) and *satwik* (leading the ethical way, as it were, between *rajasik* inducement and *tamasik* threat). Indeed, Nepal's Constituent Assembly, elected in 2008 to frame the country's new constitution, debated the development model in these plural rationality terms and concluded that it would have to be led by all three of these primary forces: market, state and cooperatives (Figure 1).

In an ideal (that is, genuinely democratic) world – represented by the grey bordered equilateral triangle in Figure 1 – each set of actors (each *solidarity*, as they are called) follows its *dharma*: markets are competitive and efficient (with Adam Smith's 'hidden hand' ensuring that people do well only when others also benefit), governments behave (as Edmund Burke famously urged) as 'trustees' for the greater public good, and civil society's small platoons, like watchdogs, are perpetually alert to any signs of injustice (to both man and Mother Nature). However, in much of the global South, Nepal included, just one voice (the overbearing hierarchism of governments), or at best, some PPP duet, drowns out the civic voice that calls for fair play and moral accountability: '*dharma* gone wrong' (the distorted shaded triangle in Figure 1). Government bureaucracies morph into a rent-extorting 'licence raj', markets slide into a 'crony capitalism' in which their actors do well even when others most certainly do not benefit, and non-governmental organisations (NGOs), abandoning their higher cause, become conniving fronts for

Figure 1 *Dharma* and its dynamics

Source Gyawali, Thompson and Verweij (2017, forthcoming).

business and politics 'by other means'. Each solidarity thus ends up undermining its *dharma* – its distinctive righteousness – and is thereby corrupted in its essence. Development, this plural rationality framing insists, will remain elusive for as long as the *dharma* is unrestored: for as long, that is, as things are out-of-line with the grey bordered equilateral triangle in Figure 1.

For the *dharma* to be restored each solidarity has to be present at the policy table (have *accessibility*, that is) and also to be engaging constructively, albeit argumentatively, with the others (*responsiveness*, that is). This is because, even though they are mutually antagonistic in the way they are organised, each seeking to disorganise the others and perceiving the risks they face very differently, all three are essential to the body politic. Markets innovate (especially in the technological realm), hierarchies regulate (while also needing to innovate in order to address new challenges with new management approaches), and civic movements too need to find behavioural innovations if they are to identify and meet new dangers. That is where their strengths lie: in not doing what the others should be doing. And they would re-discover those strengths if each of them chose to practise some toad's eye science. What, for instance, is the vast informal economy of the global South doing? How are user groups managing complicated technologies such as electricity distribution, as the Mothers' Group<sup>10</sup> in Nepali villages are now doing? And why is it that radical ideologies, be they of a Maoist or more orthodox religious flavour, are finding so much resonance at the local level?

And what finally, returning to our starting point, does such a reorientation of thinking mean for the current global efforts in development? In

particular, what does it mean for the SDGs: the successors to the MDGs? Yes, those goals do matter, in so far as twenty-first century problems such as climate change, new pollutants, new diseases and so on are so immense and global in their scope as to be unsolvable without common effort, and such effort requires some common goals. No, they do not matter to the vast majority of marginal and poor farmers, who can be counted on to do what they perceive themselves as having to do anyway, SDGs notwithstanding. And governments, as we have seen with remittances in Nepal, will find themselves struggling to catch up with the public mood and its often rapid swings. Maybe SDGs will also matter if lessons are learnt, past failures are critically analysed, and corrective measures are taken. Failure to do these vital things, however, will mean that development will be hijacked by the smoothest operators, with the goals being debased into platitudes and with ministries of SDGs popping up all over the world so as to give a sense – false, of course – of action. So, with these daunting tasks and alarming pitfalls identified, it is a fundamental re-thinking of development that is called for: a re-thinking that will place a sharpened, and often uncomfortable, focus on toad's eye science.

### Notes

- 1 Survey conducted by Professor Amrit Nakarmi of the Centre for Renewable Energy, Institute of Engineering, Tribhuvan University, Kathmandu and presented at the 41st *Pani Satsang* (public policy discourse forum) on 'Carbon Neutral Pathways in Nepal with Special Focus on Ropeways and Electric Transport' by the Nepal Water Conservation Foundation, Nepal Academy of Science and Technology, LUCSUS/Lund University and Toni Hagen Foundation on 23 November 2014. See also [www.ktm2day.com/2012/05/07/diesel-provides-531-mw-of-electricity/](http://www.ktm2day.com/2012/05/07/diesel-provides-531-mw-of-electricity/).
- 2 Nepal's national grid, with a capacity of about 800+MW, is mostly hydro (some 700MW) that took over 100 years to develop since 1911 when electricity was first generated in Nepal. Since 2008, with increasing power cuts plaguing the national grid, private enterprises have resorted to installing diesel generators that now total almost 700MW (and growing). Hydro development programmes supported by foreign aid agencies, as well as by the Nepal government and private developers are mired in conflicts, cost and time over-runs, political extortion and interference, and a host of other ills.
- 3 One of us (DG) was Minister of Water Resources then and *ex-officio* chair of the NEA board where the first reaction to this new figure from the Rashtra Bank was: 'Look at how many people are stealing our electricity!'
- 4 The term 'toad's eye' is borrowed from Rudyard Kipling (1919: 53): *The toad beneath the harrow knows where every separate tooth-point goes. The next line describes our 'eagle's eye': The butterfly upon the road preaches contentment to that toad.*
- 5 In the case of Rashtra Bank's fortuitous use of toad's eye science, the wider policy implications are immense regarding the decentralisation and democratisation of the electricity grid. However, they were

- not the Bank's concern (they still are not, as they still are not of the energy ministry or the international development agencies supporting the government) but they are among reformers, who use them to point out the anomalies in the centralised system.
- 6 Recounted by Bihari Krishna Shrestha (at a Fulbright/ICIMOD/NWCF meeting on the water–energy–food nexus) based on his earlier ethnographic work in Jumla (see Vasily *et al.* 2015).
  - 7 See DoFE (2014) as well as the Centre for the Study of Labour and Mobility website ([www.ceslam.org](http://www.ceslam.org)).
  - 8 See MoF (2015). In that year, recovery of irregularities and defaults also jumped up to one and a half per cent of the total government revenue.
  - 9 This integrative social science theory, originally developed by Mary Douglas, goes by various names, including cultural theory and neo-Durkheimian institutionalism (Douglas 1986; Thompson, Ellis and Wildavsky 1990; Verweij and Thompson 2006; Thompson 2008; Thompson and Beck 2015).
  - 10 Mothers' Group (in Nepali *Aama Samuha*) is a civic self-help users' group movement in rural Nepal that organises women to manage their pressing needs, from childcare and cooperative shops to electricity distribution (see Gyawali 2014).

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# Glossary

**AfDB** African Development Bank  
**ART** anti-retroviral treatment  
**BNDES** Brazilian Development Bank  
**BRICS** Brazil, Russia, India, China and South Africa  
**CENAA** centrum pre európske a severoatlantické vzťahy [Centre for European and Atlantic Affairs, Bratislava]  
**CEPR** Centre for Economic Policy Research  
**CIDA** Canadian International Development Agency  
**CGIAR** Consultative Group on International Agricultural Research  
**CSE** Center for Science and Environment  
**CSO** civil society organisation  
**DARPA** Defence Advanced Research Projects Agency  
**DFID** Department for International Development  
**DoFE** Department of Foreign Employment [Nepal]  
**DST** Desakota Study Team  
**ESPA** Ecosystem Services for Poverty Alleviation  
**ESRC** Economic and Social Research Council  
**FAO** Food and Agriculture Organization  
**FLACSO** Universidad Latinoamericana de Postgrado Líder en Ciencias Sociales [Latin American Social Sciences Institute]  
**GDP** gross domestic product  
**GHG** greenhouse gas  
**ICIMOD** International Centre for Integrated Mountain Development  
**ICT** information and communications technology  
**IDES** Instituto de Desarrollo Económico y Social  
**IFI** International Financial Institution  
**IIASA** International Institute for Applied Systems Analysis  
**IIED** International Institute for Environment and Development  
**ILO** International Labour Organization  
**ILRI** International Livestock Research Institute  
**IMF** International Monetary Fund  
**ISSC** International Social Science Council  
**ITIF** Information Technology and Innovation Foundation  
**MDG** Millennium Development Goal  
**MENA** Middle East and North Africa  
**MoF** Ministry of Finance [Nepal]  
**NEA** Nepal Electricity Authority  
**NERC** Natural Environment Research Council  
**NIESR** National Institute of Economic and Social Research  
**NGO** non-governmental organisation  
**NPC** National Planning Commission  
**NWCF** Nepal Water Conservation Foundation  
**ODI** Overseas Development Institute  
**OECD** Organisation for Economic Co-operation and Development

**OPHI** Oxford Poverty and Human Development Initiative  
**PPP** public-private partnership  
**PT** Partido dos Trabalhadores [Workers' Party, Brazil]  
**PTA** Parent Teacher Association  
**PV** fotovoltaic  
**RBF** results-based finance  
**REDD** Reducing Emissions from Deforestation and Forest Degradation  
**SOAS** School of Oriental and African Studies  
**SPARC** Society for the Promotion of Area Resource Centers [Mumbai]  
**SPRU** Science Policy Research Unit  
**STEPS** Social, Technological and Environmental Pathways to Sustainability  
**UIA** Union of International Associations  
**UNDP** United Nations Development Programme  
**UNECA** United Nations Economic Commission for Africa  
**UNESCAP** United Nations Economic and Social Commission for Asia and the Pacific  
**UNESCO** United Nations Educational, Scientific and Cultural Organization  
**UNFCCC** United Nations Framework Convention on Climate Change  
**UNGS** Universidad Nacional de General Sarmiento [National University of General Sarmiento]  
**USEF** United States Educational Foundation  
**VPN** virtual private network  
**WCED** World Commission on Environment and Development  
**WTO** World Trade Organization

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