



Introduction to international development

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Undergraduate study in
**Economics, Management,
Finance and the Social Sciences**

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Notes

Part I: A framework for the course

Part I provides essential background for this course. Chapter 1 sets out the aims and objectives of the course and the learning outcomes that we hope students will achieve. We also outline the structure of the course as a whole and offer study and examination advice.

Notes

Chapter 1: Introduction

Welcome to this course: **171 Introduction to international development**. International development refers to the processes and policies of economic, social, and political change that affect the world today, and which aim to address important problems such as poverty.

But the word ‘development’ is often misunderstood. Many activities of development take place in what we call ‘developing countries’, the ‘South’ or the ‘Third World’. Processes of development, however, should be understood as a *global* phenomenon. After all, the ‘developed world’ has undergone its own process of development over the last 250 years in order to achieve this desirable state. Moreover, actions and policies of the ‘developed world’ have shaped the prospects of less developed countries. As we shall see, developed countries have sometimes assisted ‘late developers’ to undertake industrialisation or raise living standards. But just as often (some would say *more* often!) richer countries have erected obstacles to industrialisation or other forms of development by poorer countries. Development may indeed be a global phenomenon, but the interests and priorities of different countries or regions have not always coincided.

In recent years, we have witnessed an upsurge in campaigns against world poverty around the globe. This solidarity has often gone hand-in-hand with a passionate critique of the alleged injustices that prevail in terms of the relationship between the poor and rich nations of the world. At the same time, scholars have complained that the nature of the ‘development debate’ has often been simplistic and that, accordingly, the solutions that arise are unlikely to work.

The authors of this course – all of whom teach (or have taught) International Development at The London School of Economics and Political Science – share some of this scepticism. Development is an emotive subject on which people tend to speak about before they have established a solid platform of understanding. For those who have chosen to take this course, we hope that it will build your own understanding.

This course is the core introductory course for students specialising in International Development. It does not offer quick answers to questions such as ‘What should we do about global poverty?’, or ‘Is trade liberalisation a good idea?’. Nor does this course offer a mass of statistics and figures. Instead, this course focuses on ‘first principles’. We want to provide you with the conceptual, theoretical and historical tools to put today’s debates, or your own work as a ‘development practitioner’ or activist, in a deeper context.

That all sounds good, but how will you know if this is happening? If there is one phrase that indicates to us that students are beginning to acquire the tools that they need to understand international development today, it is when they start to ask: ‘Under what conditions?’. By inserting this as a preamble to any question, students liberate themselves from the seductive but flawed world of blueprints and grand generalisations.

So, if by the end of the course you find yourself asking:

- ‘Under what conditions would trade liberalisation be the way forward?’
or
- ‘Under what conditions does democracy promote development?’ you
are heading in the right direction!

Aims and objectives

The specific objectives of the course are:

- to demonstrate that development is not just about the ‘South’ or the ‘Third World’ but that it should be understood as a global phenomenon
- to describe and evaluate the main intellectual traditions out of which ideas about international development have emerged
- to show how development can only be fully understood if its historical and political dimensions are given as much attention as its economic and social dimensions
- to illustrate how development policy and practice has evolved over time and why some options are seen as possible by governments, International Financial Institutions and civil society organisations while others are not
- to do this by looking in depth at the following key themes: ‘late’ development (i.e. industrialisation now) and industrial policy; agrarian change and rural development; governance and public policy; the international order.

Learning outcomes

By the end of the course and Essential readings, you should be able to:

- show why development should be understood as a global phenomenon
- discuss and critically evaluate the main intellectual traditions shaping international development today
- use a range of historical, political, economic and social concepts and facts in your analysis of development issues
- demonstrate a good understanding of how policy debates and practical interventions have evolved over time in the context of a number of key themes.

The structure of this guide

The syllabus topics covered in this course are organised as follows:

Part I: A framework for the course

Chapter 1 Introduction

Aims, objectives and learning outcomes; structure of the guide; how to use the guide; core readings; the learning process; examination advice; list of acronyms; useful websites.

Part II: Theories and history of development

Chapter 2 Ideas of development

Enlightenment origins; academic specialisation and colonialism; ideas of development after 1945.

Chapter 3 Theories of the state and market

Founding theories of the state; theorisations since 1945; founding theories of the market; theorisations since 1945.

Chapter 4 Theories of institutions and civil society

Founding theories of institutions; recent theorisations; founding theories of civil society; theorisations since 1945.

Chapter 5 The origins of capitalism and the rise of the West

Why Europe?; the non-European world and early European imperialism; the age of Empire.

Chapter 6 The rise and fall of the era of national development

The cold war and the long boom; political independence and 'Third Worldism'; the crisis of the 1970s and its consequences.

Part III: Key themes in development policy and practice

Chapter 7 Late development and industrial policy

Industrialisation – meaning and early approaches; implications for other aspects of development; late industrial policies; managing trade and investment.

Chapter 8 Agrarian change and rural development

Land reform and agrarian reform; the 'Green Revolution'; newer approaches to rural development.

Chapter 9 Governance and public policy

Governance; governance and corruption; understanding democracy; democracy and economic growth; democracy and poverty.

Chapter 10 The international order

Understanding globalisation; how old is globalisation?; how does globalisation affect development?; has globalisation affected poverty and inequality?; understanding the international system – the United Nations, World Bank and International Monetary Fund.

How to use this guide

Each chapter is designed to be read in conjunction with the Essential readings indicated and some of the suggested Further readings which are also listed. In many cases, the further readings correspond to authors cited during the chapter. By giving you the full details of the author's work, we are putting you in a position to explore their ideas in greater depth should you wish to do so. However, where you are asked to read something specific as part of one of the activities, please make every effort to do so. We also identify some rather Challenging readings, which are up to you to decide whether you want to try!

So, take the Essential readings as your starting point and then read Further selectively, depending on the topics you are particularly interested in and wish to revise for the examination (see below).

The best way to approach each chapter is to start by reading the Essential readings suggested at the beginning of the chapter. You will then have some ideas about the topic which you will be studying. You should then

work through the chapter sub-section by sub-section, as far as possible doing the other readings that are indicated, particularly for the activities. Give yourself enough time to work through the activities.

The activities are important self-assessment exercises. *Please do not skip them*, as they are valuable opportunities to gauge your progress.

The material covered in this course is roughly the equivalent of students being taught over the course of one academic year, working for a minimum of six hours per week. You should expect it to take you a similar amount of time to work through the material covered in this course and do the thinking and reading which is required. If it is at all possible, it is very helpful to discuss the topics and debates raised by this course with other people. This can help to clarify your own ideas. You should also look at websites and news reports to gather up-to-date examples of development problems; the work of international organisations such as the United Nations Development Programme and the World Bank; and controversies.

Reading

Essential reading

The following books are Essential readings for the course as a whole:

Desai, V. and R. Potter, (eds) *The Companion to Development Studies*. (London: Hodder, 2008 second edition – or the latest edition) [ISBN 9780340889145]

This is a useful overview of different themes of development in convenient short chapters by specialists in each field. Please note that *all* of this book is useful. In later chapters of the subject guide we recommend certain sections of this book, but students will benefit from reading all of it, and dipping into it for general background.

Todaro, M. and S. Smith *Economic Development*. (Harlow: Pearson Education, 2014) twelfth edition [ISBN 9781292002972].

This is the latest edition of a classic textbook on development, and is useful for the more economic themes of development. Please use newer editions if they are published. (Older versions were entitled *Economic Development in the Third World* and were written solely by Michael Todaro. Use the most recent one you can find.) The book is full of useful statistics and figures on development issues since 1945.

You are expected to have read these books by the end of the course. If you are able to purchase them, we recommend that you do so.

You might also find this reference work useful:

Forsyth, T. (ed.) *Encyclopedia of International Development*. (London and New York: Routledge, 2005) [ISBN 9780415253420]

This is a comprehensive reference work on Development Studies, including entries by more than 200 authors.

Detailed reading references in this subject guide refer to the editions of the set textbooks listed above. New editions of one or more of these textbooks may have been published by the time you study this course. You can use a more recent edition of any of the books; use the detailed chapter and section headings and the index to identify relevant readings. Also check the virtual learning environment (VLE) regularly for updated guidance on readings.

Further reading

As described above, each chapter also has its own list of further readings. For ease of reference we provide a full list of these readings at the back of the subject guide in Appendix 3.

Please note that as long as you read the Essential reading you are then free to read around the subject area in any text, paper or online resource. You will need to support your learning by reading as widely as possible and by thinking about how these principles apply in the real world. To help you read extensively, you have free access to the VLE and University of London Online Library (see below).

Challenging reading

Certain chapters in the guide also have a category called Challenging reading. This reading is not material that you are expected to read for this course; it is simply there if you want to read about any of the topics in more depth. For ease of reference we provide a full list of these readings at the back of the subject guide in Appendix 4.

Online study resources

In addition to the subject guide and the Essential reading, it is crucial that you take advantage of the study resources that are available online for this course, including the VLE and the Online Library.

You can access the VLE, the Online Library and your University of London email account via the Student Portal at:

<http://my.londoninternational.ac.uk>

You should have received your login details for the Student Portal with your official offer, which was emailed to the address that you gave on your application form. You have probably already logged in to the Student Portal in order to register! As soon as you registered, you will automatically have been granted access to the VLE, Online Library and your fully functional University of London email account.

If you have forgotten these login details, please click on the 'Forgotten your password' link on the login page.

The VLE

The VLE, which complements this subject guide, has been designed to enhance your learning experience, providing additional support and a sense of community. It forms an important part of your study experience with the University of London and you should access it regularly.

The VLE provides a range of resources for EMFSS courses:

- Self-testing activities: Doing these allows you to test your own understanding of subject material.
- Electronic study materials: The printed materials that you receive from the University of London are available to download, including updated reading lists and references.
- Past examination papers and *Examiners' commentaries*: These provide advice on how each examination question might best be answered.
- A student discussion forum: This is an open space for you to discuss interests and experiences, seek support from your peers, work collaboratively to solve problems and discuss subject material.

- Videos: There are recorded academic introductions to the subject, interviews and debates and, for some courses, audio-visual tutorials and conclusions.
- Recorded lectures: For some courses, where appropriate, the sessions from previous years' Study Weekends have been recorded and made available.
- Study skills: Expert advice on preparing for examinations and developing your digital literacy skills.
- Feedback forms.

Some of these resources are available for certain courses only, but we are expanding our provision all the time and you should check the VLE regularly for updates.

Making use of the Online Library

The Online Library contains a huge array of journal articles and other resources to help you read widely and extensively.

To access the majority of resources via the Online Library you will either need to use your University of London Student Portal login details, or you will be required to register and use an Athens login: <http://tinyurl.com/ollathens>

The easiest way to locate relevant content and journal articles in the Online Library is to use the **Summon** search engine.

If you are having trouble finding an article listed in a reading list, try removing any punctuation from the title, such as single quotation marks, question marks and colons.

For further advice, please see the online help pages: www.external.shl.lon.ac.uk/help/index.php

The learning process

There may be times when the approach that we have taken is a challenge for you. You need to be ready to compare and contrast arguments and weigh them up carefully, trying to determine which you find most plausible or convincing and why. Don't panic if you find something difficult – the learning process is rarely a linear one; it is much more often a kind of spiral, with moments of slow and fast progress. At times, you may wonder if you are really going anywhere at all! Don't worry – you are.

Remember that there are several stages involved in your learning, and it will take time and repeated reading and thinking in order to complete them. The stages are:

- reading the basic readings and each chapter of the subject guide
- doing the exercises in each chapter
- analysing the material in each chapter
- identifying the different ways of thinking about the material, and identifying which approach feels right to you
- doing additional reading, and research on the internet and from newspapers, to add more information to these themes, and to develop your own beliefs more, and to identify how to criticise alternative approaches.

Examination advice

Important: the information and advice given here are based on the examination structure used at the time this guide was written. Please note that subject guides may be used for several years. Because of this we strongly advise you to always check both the current *Regulations* for relevant information about the examination, and the VLE where you should be advised of any forthcoming changes. You should also carefully check the rubric/instructions on the paper you actually sit and follow those instructions.

This course is assessed by an unseen three-hour examination, in which you are expected to answer **three** questions, including *at least* one each from Sections A and B. Section A of the paper corresponds to Part II of the course; Section B of the paper corresponds to Part III.

There is no single formula for passing examinations, but one crucial precondition is to **read the instructions on the exam paper very carefully**. Make sure you **answer** the question. Please do not write about other topics, because this will earn no marks. Each year, we have students who write long essays on a subject such as ‘the state’ or ‘industrialisation’. But these long, prepared, answers do not get many marks because they do not *answer* the question set because they *describe* the subject in the question, rather than **address the specific problem set in the question**. For example, one year students were asked to write about the challenges of industrialisation in the twenty-first century, but many students simply wrote about industrialisation in general, without mentioning challenges of the twenty-first century. The best answers gave a lot of background on industrialisation, but **also** discussed the problems of industrialisation in the twenty-first century.

The **style** of answers is also important. Please write concise answers. Avoid waffly (i.e. long-winded) introductions. Make sure your answer is in the form of a well-structured argument. Do not fall into the trap of doing a literature survey. Clear abbreviations are fine, especially when a term is used often in your answer. Clear diagrams, properly labelled, are also acceptable, where appropriate. There is no need to give elaborate references to articles or books. Author (and brief title, where appropriate) will be sufficient. Beware of repeating yourself within a question or saying the same thing in two answers on the same paper. It is acceptable to refer back to what you said in answering another question on the paper.

Do remember that the point of the exam is to test your **knowledge** and **arguments** about international development. This is not the same as simply summarising each chapter in the subject guide! We want you to be able to show your own arguments, and back them up with a wide range of reading, and with information and examples that are not always reported in this guide.

Also, please do not get into the mindset of thinking that each question in the exam corresponds to a different chapter of this guide. As you will see when you read the guide, all the chapters have information and themes that relate to each other. The best answers in an exam will show a broader understanding of how the themes in each chapter relate to each other – rather than being based on one chapter alone.

Revision for an examination involves looking back over what you have learned and trying to relate this to the kinds of questions you will be asked in the examination. Don’t try to revise everything. Don’t just learn lots of material. Take time to clarify your position on what you are revising.

Make sure **you know what you think**. Then decide what evidence you need to use to support your argument. You will need to have knowledge of enough topics to enable you to answer four out of nine questions. To be on the safe side, you should aim to revise around two-thirds of the material and to know at least half of it well.

Many of you will have strong beliefs and arguments about subjects in international development. Some of these subjects, such as colonialism, poverty, or the international world order **are** controversial! Please **do** argue strongly if you wish. But please avoid being one-sided. You can avoid being one sided by following some basic common-sense techniques when you write essays. State your opinion. State the alternative opinion(s). Give evidence for both sides. Review this evidence. Then make a conclusion based on your evidence and discussion. Do not just give **one side** of the story.

You are advised to look at the Sample examination questions provided at the end of each chapter and the Sample examination paper at the end of this guide to give you an idea about what to expect. The Sample examination paper provides some ideas about how you could tackle specific questions. These ideas are not 'model answers'. They are intended to give you tips on how to approach the types of questions you will be asked. There is, of course, always room for you to answer the question in a different way. As long as your answer is well argued and relevant to the question asked, you will get good marks.

The Sample examination paper indicates the format and structure of the examination paper from 2011 onwards. Please note that an earlier version of this course (entitled **135 World development**) was offered from 2006 with a slightly different examination format. You will be told about any further changes to future examination papers if they occur on the VLE. The *Examiners' commentaries*, which you should use as part of your preparation for exams, are usually made available online from mid-September onwards. They contain valuable information about how to approach the examination and you are strongly advised to read them carefully.

You should also look at the advice provided in your *Student handbook* on examinations.

It is a very good idea to practise writing examination essays to a one-hour timeframe.

When you sit down to take the examination, make sure you have carefully read through the whole examination paper and understood what each question requires before you select the questions you wish to answer and beginning writing. Make sure that you allocate your time evenly over the three questions you are required to answer.

Remember, it is important to check the VLE for:

- up-to-date information on examination and assessment arrangements for this course
- where available, past examination papers and *Examiners' commentaries* for the course which give advice on how each question might best be answered.

List of acronyms

AIDS	Acquired immunodeficiency syndrome
BJP	Bharatiya Janata Party
CGIAR	Consultative Group for International Agricultural Research
CIMMYT	International Wheat and Maize Improvement Centre
CPI (M)	Communist Party of India (Marxist)
ECOSOC	Economic and Social Council
EOI	Export oriented industrialisation
ERP	Economic Recovery Programme
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FRELIMO	Front for the Liberation of Mozambique
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries programme
HIV	Human immunodeficiency virus
HYV	High-yielding varieties
IBRD	International Bank for Reconstruction and Development
ICJ	International Court of Justice
IDS	Institute of Development Studies
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IRRI	International Rice Research Institute
ISI	Import-substituting industrialisation
JEM	Justice and Equality Movement
LDC	Least Developed Countries
MAI	Multilateral Agreement on Investment
NIC	Newly Industrialised Countries
NIE	New Institutional Economics
PRSPs	Poverty Reduction Strategy Papers
PPP	Purchasing power parity
SAPs	Structural Adjustment Programmes
SLA	Sudanese Liberation Army
TNC	Transnational Corporation
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	UN High Commission for Refugees
UNICEF	UN International Children's Emergency Fund (now UN Children's Fund)

UNOCHA	United Nations Office of the Coordinator for Humanitarian Affairs
UK	United Kingdom
US	United States
USA	United States of America
USSR	Union of Soviet Socialist Republics
WFP	World Food Programme
WTO	World Trade Organization

Useful websites

You may find some of the following websites useful as you work your way through the course. If you have access to the Internet, visit these websites and explore what they have to offer.

Unless otherwise stated, all websites in this subject guide were accessed in April 2011. We cannot guarantee, however, that they will stay current and you may need to perform an internet search to find the relevant pages.

Governmental or intergovernmental websites

www.dfid.gov.uk

Website of the UK's Department for International Development

www.imf.org

Website of the International Monetary Fund

www.oecd.org

Website of the Organization for Economic Co-operation and Development

www.undp.org

Website of the United Nations Development Programme

www.usaid.org

Website of the United States Agency for International Development

www.worldbank.org

Website of the World Bank

www.who.org

Website of the World Health Organization

Non-governmental websites

www.actionaid.org

Website of Action Aid

www.brettonwoodsproject.org

Website of the Bretton Woods Project

www.cafod.org.uk

Website of the Catholic Agency for Overseas Development

www.odi.org.uk

Website of the UK Overseas Development Institute

www.oneworld.org

Website of One World, which links to a wide range of other useful sites

www.oxfam.org

Website of Oxfam

www.pambazuka.co.uk

Website of the Pambazuka Newsletter

www.reliefweb.org
Website of Reliefweb

Academic websites

www.lse.ac.uk/internationaldevelopment/home

Website of the Department of International Development, London
School of Economics

www.ids.ac.uk

Website of the Institute of Development Studies, University of Sussex

www.sed.manchester.ac.uk/idpm/

Website of the Institute for Development Policy and Management,
University of Manchester

www.unrisd.org

Website of the United Nations Research Institute for Social
Development

Notes

Part II: Theories and history of development

In Part II we look at the substantial debates about the meaning and experience of ‘development’.

First, Chapter 2 explores how ideas of development have emerged and evolved over the past 250 years, beginning with their origin in the European enlightenment

Then we look at four different key concepts which have dominated theoretical debates about development since the eighteenth century and which are still important today. These concepts are the ‘state’ and ‘market’ (Chapter 3), and then ‘institutions’ and ‘civil society’ (Chapter 4). The state and market have often been presented as opposite extremes around which development strategies may be constructed. Institutions and civil society have often been proposed as ‘missing links’ in development strategies.

Be aware, however, that all of these concepts are complex, and can overlap. Indeed, some theorists of institutions would argue that ‘state’, ‘market’ and ‘civil society’ are all ‘institutions’. Don’t worry – all will become clear. It is important, however, that you do not compartmentalise your own thinking too rigidly as choices *between* ‘states’ and ‘markets’ etc., but instead see how all of these concepts might *co-exist* under different contexts.

We then look at the history of how development has been applied in different countries and around the world. The earliest ideas of development emerged during the European Enlightenment and rise of industrial capitalism in Britain. This was no coincidence – and many theorists have seen development and capitalism as one and the same thing. Indeed this belief became popular again since the collapse of communism in 1989.

But many other theorists have seen capitalism to be part of the problem rather than as a solution. Much development thinking, therefore, has sought ways to restrict capitalism and market forces, including using principles of communism.

It is therefore important to see how far ‘development’ might be related to debates about ‘capitalism’, and on how different countries have used capitalism, or forms of communism, to achieve ‘development’. Chapter 5 therefore looks at the nature of capitalism, and its connections with European imperialism. Chapter 6 looks at responses to these, and attempts to resist capitalism and the influence of ‘the West’ during the twentieth century. This period has been called by some ‘the era of national development’.

The end of European imperialism, global economic prosperity and the dynamics of the cold war combined for nearly 30 years to generate a broadly supportive environment for states actively to promote economic growth and development. Chapter 6 ends by looking at the reasons behind the apparent closing-off of the space for such strategies since the mid-1970s and their possible future implications.

Notes

Chapter 2: Ideas of development

Essential reading

Desai and Potter (2008) Section 1 (especially Chapters 1.1 to 1.4), Section 2 (especially Chapters 2.1 to 2.2).

Further reading

- Amsden, A. *The Rise of 'the Rest'. Challenges to the West from Late-Industrializing Economies*. (Oxford and New York: Oxford University Press, 2001) [ISBN 0195139690].
- Chambers, R. *Whose Reality Counts? Putting the First Last*. (London: Intermediate Technology Productions, 1997) [ISBN 185339386X].
- Cowen, M.P. and R.W. Shenton *Doctrines of Development*. (London: Routledge, 1996) [ISBN 0415125154].
- Escobar, P. 'Planning' in Sachs, W. (ed.) *The Development Dictionary*. (London: Zed Press, 1992) [ISBN 1856490440].
- Ferguson, J. *The Anti-Politics Machine. 'Development', Depoliticization and Bureaucratic Power in Lesotho*. (Minneapolis: University of Minnesota Press, 1994) [ISBN 0816624372].
- Harriss, J. 'The case for cross-disciplinary approaches in international development', *World Development* XX, 2002.
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Aim and learning outcomes

The aim of this chapter is to provide a broad outline of the historical and intellectual origins of different ideas of development.

By the end of this chapter and having completed the Essential reading and activities, you should be able to:

- explain how ideas of development emerged during the eighteenth and nineteenth centuries, referring to key thinkers such as Adam Smith, Karl Marx and Frederick List
- show how the emergence of development as a discrete sphere of thought and activity was accelerated by the impacts of academic specialisation and colonialism in the late-nineteenth and early twentieth centuries
- provide an account of the ways in which ideas of development have changed over time since 1945, both reflecting and shaping world historical and political events
- construct some preliminary arguments of your own as to what development should be and how it is to be achieved.

Introduction

This chapter explores ideas of development. For many people, the word may seem unproblematic – a common-sense term to describe what needs to happen if the poor are to be raised out of poverty.

In fact, what the objectives of development should be and how they are to be achieved has always been passionately contested and continues to be to this day.

Box 1

Alan Thomas distinguishes three main ways in which the term 'development' is used:

1. As a vision, description or measure of the state of being of a desirable society.
2. As a historical process of social change in which societies are transformed over long periods.
3. As consisting of deliberate efforts aimed at improvement on the part of various agencies, including governments, all kinds of organisations and social movements.

In what follows, we briefly outline how ideas of development have developed over the past 250 years. The ideas featured here predominantly originated within Western traditions of thought. We make no apology for this. While there are many important non-Western traditions of thought worth exploring, they have not – for better or for worse – played an equally dominant role in shaping ideas of development today.

There is a lot to absorb here. Don't worry about understanding everything straight away. Treat this chapter as a way of beginning to think analytically and critically about development. But do look out for the ways in which many ideas have emerged, dominated, disappeared and then resurfaced, often in revised but still recognisable form, over the years. It is for this reason that we have presented this survey as a conventional chronological narrative. In later chapters you will have an opportunity to place these ideas of development in a deeper theoretical and historical framework.

Enlightenment origins

Liberalism, progress and modernity

While the term 'development' has really only become commonly used over the past 60 years – that is, since the end of the Second World War in 1945 – its origins are to be found in eighteenth- and nineteenth-century Western Europe. A generation of enlightened philosophers such as Montesquieu, Diderot and Voltaire argued in the eighteenth century that humanity was undertaking an evolutionary journey away from its primitive and uncivilised past towards a better – and by definition, more civilised – future based on the rule of reason and individual freedom. Founding exponents of a philosophy of liberalism, they described this journey as 'progress'. Modernity was the final destination. It was no coincidence, of course, that the emergence of such views occurred just as parts of Europe were embarking on periods of revolutionary change. In France, the monarchy was overthrown following the revolution of 1789 and a Republic was established. In Great Britain the industrial revolution was gathering pace. To sum up, it was believed that parts of Europe were beginning natural and predominantly spontaneous processes of social,

economic and political change at the end of which its peoples would be both wealthier and freer. The means to these ends would be capitalism and democracy.

Critics of liberalism

This optimistic conception of humanity's trajectory was undoubtedly shared by significant sections of Europe's economic and political elites throughout the nineteenth century. For them, the Scottish philosopher Adam Smith (1723–90) was one of the key thinkers and his economic and political liberalism the only viable way forward. But there were always many dissenters. There were conservatives who viewed capitalism and democracy as destroyers of the traditional economic, social and political ties that had bound communities together, offering chaos and anarchy in their place. There were also dissenting radicals. For Karl Marx (1818–83), capitalism was a violent and brutal but nonetheless progressive revolutionary force. However, it would inevitably have to be superseded by another (communist) revolution if the wealth and freedom it offered the rising middle class (or bourgeoisie) was to be enjoyed by the masses as a whole. Advocates of change could not deny that the journey towards modernity was indeed creating many economic casualties and social tensions. More conscious and explicit ideas of development began to emerge in response, reflecting the need to find non-revolutionary ways of mitigating these crises and preserving order. Important actors in the emergence of this idea of development as conscious intervention were the Saint-Simonians and the positivist philosopher August Comte in France (Cowen and Shenton in Crush (ed.), 1995).¹

There was another group of radical dissenters from the mid-nineteenth century onwards that has come to be strongly represented within present-day development debates and practice. These were populists such as the *Narodniki* in pre-revolutionary Russia. In line with the meaning of the word in Russian, the *Narodniki* advocated 'going to the people'. Like conservatives, they mourned the destructive impact on communities of capitalism; unlike them, they did not wish to preserve traditional economic or social relations but instead replace them with a world in which modern systems of production and exchange were locally controlled. These populists dreamt of a gentler, more co-operative process of development than did Marx. Whereas Marx anticipated a process of modernisation that would inevitably involve the expropriation of much of the land controlled by the peasantry and the transformation of many peasants into proletarians, populists envisioned a world where rural people remained on the land and constructed viable livelihoods.

During the nineteenth century there were other commentators, often relatively neglected at the time that they were writing, who began to see the journey towards modernity as arising out of the combined impact of nationalism and state power. As Comte and others had suggested, industrial capitalism required conscious assistance from somewhere if it was to come into being. Among these commentators was the German Frederick List (1789–1846). He was one of the first to articulate a 'statist' view of development (Cowen and Shenton in Crush (ed.), 1995). It combined subsequently in different ways with conservative and radical philosophies. For example, Stalin espoused a highly statist model of socialist modernisation in post-revolutionary Russia after 1917.

List directly addressed the crucial question of what has come to be called 'late development'. In the mid-nineteenth century, he asked: will the apparently spontaneous and free market-based policies and processes that

¹ On Comte and Saint-Simon, see also course 21 **Principles of Sociology**.

propelled the first country to industrialise (i.e. Great Britain) work for countries coming afterwards? His answer was – no, at least not initially. There would have to be a phase where the state led the way and new industries were protected by it. This question has shaped development theory and policy profoundly since then, although it is important to note that for List, ‘state-led development’ was not an appropriate strategy for the non-European world. There, free trade under the auspices of European Empires would be the only way forward.

Box 2

Smith, Marx and List in their own words:

‘...man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for them what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of.’ (Smith, 1776)

‘The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society...Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones...All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind.’ (Marx, 1848)

‘I found that the theorists kept always in view mankind and man, never separate nations. It became then obvious to me that between two advanced nations, a free competition must necessarily be advantageous to both if they were upon the same level of industrial progress; and that a nation unhappily far behind as to industry, commerce and navigation must above everything put forth all its strength to sustain a struggle with nations already in advance.’ (List, 1856)

Activity 1

Write a short answer (no more than 200 words) to the following question: Based on the above quotations, which of Smith, Marx and List do you think is most relevant to the challenges of development today and why? If you don’t feel able to answer this question yet, instead go and find out more about what these commentators thought about development.

Academic specialisation and colonialism

The emergence of disciplines

Whatever their divergent attitudes to the potential and value of capitalism and liberty, Smith, Marx and List had one very important thing in common. These eighteenth- and nineteenth-century thinkers all operated within the framework of ‘political economy’. Academic specialisation – that is, the entrenchment of separate disciplines such as political science, economics, history and philosophy – was still in its early days. As Foucault has written, ‘the “Enlightenment”, which discovered the liberties, also invented the disciplines’ (1979, p.222). The gradual emergence of development as a discrete sphere of thought and activity coincided with this process of academic specialisation in the late-nineteenth and early

twentieth century. It also laid the foundations for the institutionalisation of 'expertise' in the sphere of development. In addition, while development was never exclusively claimed by the discipline of economics, the status of the discipline certainly became that of 'first amongst equals' (Harriss, 2002).²

Impact of colonialism

The gradual 'economising' of development was powerfully advanced by another crucial factor: European colonialism. The period between the two world wars, 1918–39, saw the emergence of formal ideas of 'colonial development'. This was perhaps the first systematic use of the term 'development' in policy and practical terms. As the credibility and legitimacy of colonial rule came under question, not least by the colonial subjects themselves, it became necessary for the rulers to construct new legitimising agendas that would perpetuate it. The assumption that colonialism would automatically lead to major improvements in the living standards of the local population had not been borne out by experience. Indeed, some British colonial officials came to see their role as preserving 'traditional societies' against the turmoil and upheaval wrought by the forces of capitalism, if left to operate unmanaged. Greater state intervention and public investment was viewed as essential if the balancing act between progress and order was to be achieved. From the 1940s onwards, the term 'good government' began to be used to describe a political dimension to this legitimising agenda. What this meant in practice varied enormously from colony to colony. What is undoubtedly true is that this context demanded approaches to development that consciously played down questions of politics and freedom.

² This was the case irrespective of the type of economics being advocated. The dominant strain of economics within academia and government, inspired by Adam Smith, came to be known as 'neo-classical economics'. Neo-classical economics contained many differing viewpoints (and still does) over when and how far free markets should be interfered with. The contemporary term 'neo-liberal economics', which is more often used by its critics than its exponents, is best understood as a reference to a group of economists within the broad neo-classical tradition.

Ideas of development after 1945

A From 1945 to the mid-1970s

The cold war and state-led development

During the 1950s and 60s, development emerged as a formal and clearly delineated objective in its own right. As the struggle for political independence was gradually won in the former European and Japanese colonies, new battle-lines were drawn amongst intellectual and political elites. These battle-lines were heavily shaped by the cold war and the conflict between capitalism and communism. Between the two blocs emerged the 'Third World', which largely comprised former European colonies that were seen as relatively undeveloped.

Box 3

The value of the term 'Third World' has been heavily debated over the years. Others have preferred to use frameworks of reference such as 'North and South', or 'developing countries'. Peter Worsley (1986, p.307) describes how 'Third World' was first used in 1952 by Alfred Sauvy, a demographer. He was a supporter of the non-communist Left in France, which 'saw parallels between their own search for a "third way" between capitalism and Stalinist communism and the struggles of the new wave of militant anti-colonial movements which opposed imperialism but were by no means pro-communist'. The political embodiment of Third Worldism was the Non-Aligned Movement, established in 1961.

If you want to pursue this further, read pp.306–32 of Worsley (1986).

Activity 2

With the end of the cold war and the collapse of communism, has the idea of the Third World ceased to have any value today? Produce a table giving the reasons for and against retaining the term.

After 1945, debates about how the Third World could most successfully pursue economic development were framed by a shared assumption that this was essentially a matter of promoting ‘modernisation’. But beyond that, there were many different views about what came to be known as ‘modernisation theory’. The threat of communism moved the centre of gravity of the debate somewhat to the left. For intellectuals like Karl Polanyi and John Maynard Keynes, the state needed to step in to counteract capitalism’s tendency to destroy the social fabric and generate political crises if left to itself. Polanyi (2001), writing as the Second World War was coming to an end, saw the rise of fascism in Europe after 1918 as a desperate response to the effects of rampant capitalism. These views were extended in modified form to the Third World. So while a minority continued to argue that all that was required was to clear the ground and allow the market to do its work, the majority countered that, whether its ideology was capitalist or socialist, the state in the Third World needed to intervene actively – for example, through raising the rate of saving, public works, improvement of productivity, increased exports, better education, etc. – during the initial phases of late development. Only in this way could Third World countries make the essential transition from economies based on primary commodity export to economies with a strong industrial sector. The new nationalist elites in the Third World largely adopted this view on coming to power. Statist ideas of development found a welcoming home in post-war ‘development economics’, which was soon extremely influential within universities, governments and the new multilateral institutions dedicated to development such as the International Monetary Fund (IMF) and World Bank.

The consensus fractures

However, by the late 1960s, as the world economy slowed, widespread optimism that state-led development would do the trick in the Third World was beginning to fade. A polarisation of views took place. Many economists claimed that the problem was that the state had crowded out the market and was inefficient and corrupt. Therefore, its role needed to be reduced. An influential group believed that this reduction should be extremely far-reaching. They were the originators of what we know today as ‘neo-liberalism’. For them, development involved rigid fiscal discipline, the reorientation of public expenditure, trade and financial liberalisation, privatisation and deregulation.

By contrast, many radicals increasingly articulated different variations of what was called ‘dependency theory’. Some argued that the world economy still rigged the ‘rules of the game’ so that economic surpluses were transferred through unequal terms of trade from the ‘periphery’ (the Third World) to the ‘core’ (the advanced capitalist countries), thereby frustrating state-led strategies designed to overcome capitalism’s default tendency towards uneven development. Wide-ranging reforms were needed to revive the viability of these strategies. Many Marxists went further, claiming that the unequal terms of trade were structurally inherent within capitalism as a world system. The development of the core therefore depended upon the underdevelopment of the periphery and this could not change under capitalism. The only way out was socialist revolution. One of the best-known exponents of this view was Andre Gunder Frank (1971). A third

group echoed the populist perspective, arguing that the best response to the failure of the world economy since 1945 to bring development was to focus on building systems of sustainable local production, distribution and exchange. Ideas about culture and environmental sustainability provided strong impetus for revived populist perspectives, which were enthusiastically embraced by many within the emerging non-governmental (NGO) sector. Unfortunately for radicals of all stripes, it was the neo-liberals who were initially triumphant.

B From the mid-1970s to the present day

Globalisation and postmodernism

For some neo-liberal analysts, the defeat of ideas of state-led development has even meant the 'death of development' itself, so closely were the two concepts historically linked. The defeat of communism after 1989 provided great impetus for this view. Its advocates believe that the world has entered a historically unprecedented era of economic, political and cultural 'globalisation' in which the power and legitimacy of the state will wither away gradually. Economic growth will come only by surrendering to these global processes and allowing market forces to operate with the minimum necessary regulation. These 'hyperglobalisers' have their radical counterparts, who argue that globalisation must increase uneven development and that the challenge has become how to democratise and regulate globalisation so that the wealth generated – for example, by transnational corporations or currency traders – operates for the benefit of the many not the few.

The death of development has also been celebrated in recent decades by postmodern theorists. As a form of analysis, postmodernism argues that the philosophies of Liberalism and Marxism are 'grand narratives' rooted in the modern industrial age. Postmodernists challenge the claims that both allegedly make to objectivity and universal truth. For Pablo Escobar, the ideas of development arising out of these traditions constitute a discourse of power and knowledge through which the West has successfully imposed its exploitative and oppressive agenda upon the rest of the world (Escobar in Sachs, 1992). Others within this tradition have taken a less conspiratorial view but have explored how Western-derived discourses of power and knowledge have nonetheless been internalised by development practitioners as 'common sense' and have defined 'professional expertise' in the field. This leads to situations where there are issues 'about which it is impossible to speak' and predominantly non-Western actors who are 'powerless to speak', with damaging consequences for the effectiveness and legitimacy of development interventions.

Box 4

One of the most important Postmodernists, although he might well repudiate the label (or, indeed, any label), was the French philosopher Michel Foucault (1926–84). For Foucault, a discourse comprised the words, institutions, and practices that express a particular understanding (or knowledge) of the world and which contribute to the enforcement of a corresponding set of power relations.

Here is an extract from Foucault (Gordon, 1988, p.82) in which he is discussing 'subjugated knowledges':

'...I believe that by subjugated knowledges one should understand...a whole set of knowledges that have been disqualified as inadequate to their task or insufficiently elaborated: naïve knowledges, located low down on the hierarchy, beneath the required level of cognition or scientificity. I also

believe that it is through the re-emergence of these low-ranking knowledges, these unqualified, even directly disqualified knowledges (such as that of the psychiatric patient, of the ill person, of the nurse, of the doctor parallel and marginal as they are to the knowledge of medicine – that of the delinquent, etc.), and which involve what I would call a popular knowledge though it is far from being a general common-sense knowledge, but is on the contrary a particular, local, regional knowledge, a differential knowledge incapable of unanimity...that criticism performs its work.'

Activity 3

Do you think that development policy-makers and practitioners often ignore the experiences and opinions of women? Have things improved in this regard over the past 20 years? If you want to take this further, read Jane Parpart's article in Crush (ed.), 1995. What insights does she believe a postmodern feminist perspective offers into what she calls the 'women in development enterprise'?

Many analysts have drawn upon aspects of postmodern theory. It has certainly played an important role in highlighting issues that development theory and practice had neglected in the past. Contemporary radical populists such as Robert Chambers have incorporated elements of postmodern theory into his analysis of why 'local knowledge' is so often ignored. Feminists such as Naila Kabeer (1994) have drawn upon it in order to highlight why development has persistently been gender-blind. Anthropologists like James Ferguson (1994) have used it to explore how development can be depoliticised and the cultures of local societies systematically misunderstood. But others have been hostile, claiming that the influence of postmodernism has contributed to a crisis of confidence amongst intellectuals and practitioners in the field. The Marxist analyst Colin Leys has bemoaned the end of development theory and its replacement by 'Development Studies'. For him, this signifies a retreat from the belief that development can and should be a vehicle for large-scale social and economic transformation. Leys worries that Development Studies simply describes an eclectic mix of different disciplinary approaches – economics, political science, international relations, anthropology, history – which are rarely woven together into a coherent narrative or theory (Leys, 1996). Others are less pessimistic about Development Studies, arguing that it does not necessarily close off these possibilities (Booth in Schuurman (ed.), 1993).

Governance, democracy and institutions

Reports of the death of development have been exaggerated. The idea has undoubtedly been under heavy attack in recent decades, despite the fact that, as we shall see, neo-liberalism has been as interventionist in practice as state-based strategies for development ever were. However, by the late-1980s the neo-liberals now dominating the World Bank and the IMF were acknowledging that reducing the size of the state was not enough by itself and that economic liberalisation was leading to 'shocks' that could destabilise many countries in the Third World. Targeted social measures were required to absorb these shocks. They also increasingly accepted that there was a need to intervene to ensure that the state performed more effectively the minimal roles remaining to it. This was in order to secure property rights, tax collection, the maintenance of order and the rule of law. Out of this arose a revived agenda for 'good governance', which it was assumed would be best secured through wider processes

of democratisation. The old idea of ‘civil society’ – first articulated in the eighteenth and nineteenth centuries – was resurrected following the end of the cold war as donors and multilateral institutions sought to identify key non-state actors in democratisation processes. These changes in approach were reflected in the rise of ‘New Institutional Economics’, which sought to supplement liberal economic ideas with analyses of the costs and benefits of particular social and political institutional frameworks (Harriss, 2002).

The East Asian miracle

While highly significant in policy and practice, the move towards good governance from the late-1980s onwards involved only a relatively limited and superficial philosophical shift in the neo-liberal attitude towards the role of the state. Others were advocating a much more ambitious return to state-led approaches to development, basing their arguments on the ‘East Asian miracle’. Authors such as Chalmers Johnson looked at Japan as an example of the ‘developmental state’, asserting that nationalism was an essential precondition for successful state-led development. Others, like Robert Wade (1992) and Alice Amsden (2001), focused more upon how the dramatic development progress of South Korea and Taiwan was based on the will and capacity of the state to ‘govern the market’. Mushtaq Khan (2002) has drawn unexpected and controversial conclusions from the East Asian experience regarding corruption, arguing that it can under certain conditions be compatible with a ‘productive’ development strategy. There have been fierce debates over the last decade about the extent to which the East Asian experience is transferable to other regions of the world.

Rights and livelihoods

Donors and multilateral institutions have edged gradually further in the direction of acknowledging the importance of the role of the state since the mid-1990s. The most recent reflection of this shift – for example, in the 2005 report of the UK Government’s Commission for Africa – is the claim that countries that wish to develop need ‘effective states’. But perhaps the most significant shifts in recent thinking about development have been in the direction of ‘sustainable livelihood approaches’ and ‘rights-based approaches’ to development. Sustainable livelihood approaches reflect a conviction that routes out of poverty must be built upon the real strategies and assets that the poor do or can in future deploy. As might be expected, they often have strong links to broader ideas of sustainable development.³ Rights-based approaches reflect the penetration of development theory and practice – despite considerable ambivalence from within the field – by ideas about human rights. Both approaches have elective affinities with populist ideas of ‘putting the poorest first’ and ‘empowering the poor’ but some of their advocates argue that neither are inherently incompatible with a belief in a major role for the state in development. For them, it is rather a matter of finding how each can reinforce the other in a virtuous cycle upwards.

³ Sustainable development is generally understood, following the influential 1987 Brundtland Commission report, as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The return of ethics

Sustainable livelihood approaches and rights-based approaches do not simply embody ideas of ‘what will work’. They also embody ideas about ‘what is right, fair and just’. Values, norms and assumptions have underpinned all ideas of development since the Enlightenment and have never been entirely absent from debates. However, development ethics have, over the past decade, made a comeback and are today again being addressed directly and explicitly. The most important architect

of this revival has been Amartya Sen. Sen is a Nobel Prize-winning economist who has gradually moved into the terrain of political and moral philosophy. He is the inspiration behind the United Nations Development Programme's (UNDP) Human Development Index. He has challenged approaches to development that measure progress purely in terms of economic indicators such as income or Gross Domestic Product and placed at the heart of his approach the human person. He has argued that the focus of development should be on the human freedom 'to lead the kinds of lives that people have reason to value' (Sen, 2001, p.10). This freedom, if it is to be made real, requires the possession of the capabilities to exercise it. For Sen, these can only fully exist under conditions of democracy where there is respect for civil, political, social, economic and cultural rights.

For Sen, then, freedom is not just an essential precondition for development: it **is** development. It is not just poverty that constitutes an 'unfreedom'; extreme inequality is also incompatible with a truly free society. He has much to say on why therefore the USA might be considered more 'unfree' by this criterion than ostensibly poorer places like the Indian state of Kerala. He claims that free markets by themselves will not spontaneously reduce poverty or inequality. Public action by the state is necessary.

Box 5

The Human Development Index (HDI) is a composite index that measures the average achievements in a country in three basic dimensions of human development:

- a long and healthy life – as measured by life expectancy at birth
- knowledge – as measured by the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools
- a decent standard of living – as measured by Gross Domestic Product (GDP) per capita in purchasing power parity (PPP) US dollars.

Activity 4

Take a look at the latest version of the HDI on the website of the UNDP. Find its definitions of GDP and PPP. What do you think some of the problems might be in successfully measuring poverty?

Sen's emphasis upon inequality within countries and at the global level draws upon the thinking of liberal philosopher John Rawls on 'justice as fairness'. For Rawls, fairness is rooted in equality of opportunity. He does not insist on equality of outcomes on the grounds that this is likely to involve unacceptable infringements upon liberty (Rawls, 1971).

Sen's explicitly value-based (or, to put it another way, normative) approach has been criticised on a number of grounds. For some critics, it glosses over the fact that most countries historically have developed successfully under authoritarian governments. His approach has also been described as misconceived because it exaggerates the degree to which growth can be 'bad' (Ravallion, 1997); another critique claims that he overgeneralises about humanity from a Western-derived cultural model. Martha Nussbaum (1995) has challenged Sen from within a normative perspective on the grounds that Sen's definition of freedom is too minimalist. For example, she argues that a 'good human life' cannot be achieved unless an adult has opportunities for experiencing sexual satisfaction.

Conclusion

Before moving on to the next chapter, briefly go back to the introduction and remind yourself of Alan Thomas's description of the three main senses in which the term 'development' has tended to be understood: as a vision; as a historical process of social change; as deliberate efforts aimed at improvement. If you think that development is more an outcome of historical processes of social change, you may opt to become directly involved in politics; if you think that development arises mainly out of deliberate efforts aimed at improvement, you may prefer to become a policy professional. But whichever course you choose, you still have to decide which of the ideas of development we have surveyed in this chapter will shape your actions. That brings us back to the importance of the vision. So, what is your vision?

Activity 5

Write a short definition – a maximum of five sentences – of what you think the objectives of development should be and how they can be achieved. Don't take more than 20 minutes to do it. Retain it so that you can review and, if you wish, revise it at the end of this course.

Reminder of your learning outcomes

Having completed this chapter, and the Essential readings and activities, you should be able to:

- explain how ideas of development emerged during the eighteenth and nineteenth centuries, referring to key thinkers such as Adam Smith, Karl Marx and Frederick List
- show how the emergence of development as a discrete sphere of thought and activity was accelerated by the impacts of academic specialisation and colonialism in the late-nineteenth and early twentieth centuries
- provide an account of the ways in which ideas of development have changed over time since 1945, both reflecting and shaping world historical and political events
- construct some preliminary arguments of your own as to what development should be and how it is to be achieved.

Sample examination questions

1. Wolfgang Sachs has written in the following dramatic terms: 'The idea of development stands today like a ruin in the intellectual landscape.' (*The Development Dictionary*, 1). Discuss.
2. Should we try to abandon our values and assumptions about development and just focus on what will work?

Chapter 3: Theories of the state and market

Essential reading

- Desai and Potter (2008) Chapters 1.8, 2.5.
 Todaro and Smith (2014) Chapters 3 and 11.

Further reading

- Amsden, A. 'Bringing Production Back In – Understanding Government's Economic Role in Late Industrialization', *World Development* XXV(4) 1997, pp.469–80.
- Collier, P. *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It* (Oxford: Oxford University Press, 2007) [ISBN 0195374630]
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- Evans, P. 'The State as Problem and Solution: Predation, Embedded Autonomy and Structural Change' in Haggard, S. and R. Kaufman (eds) *The Politics of Economic Adjustment*. (Princeton: Princeton University Press, 1992) [ISBN 0691003947].
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- Van de Walle, N. *African Economies and the Politics of Permanent Crisis, 1979–1999*. (Cambridge: Cambridge University Press, 2001) [ISBN 0521008360].
- Wade, R.H. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. (Princeton: Princeton University Press, 1992) [ISBN 0691003971] Out of print.
- Woo-Cumings, M. 'Chalmers Johnson and the Politics of Nationalism and Development' in Woo-Cumings, M. (ed.) *The Developmental State*. (Ithaca, N.Y.; London: Cornell University Press, 1999) [ISBN 0801485665].

Challenging reading

- Bates, R. *Prosperity and Violence: The Political Economy of Development*. (London and New York: W.W. Norton, 2001) [ISBN 0393050386].
- Beetham, D. *Max Weber and the Theory of Modern Politics*. (Oxford: Blackwell Publishers Ltd, 1985) [ISBN 0745601189].
- Burki, S. *Dismantling the Populist State: The Unfinished Revolution in Latin America and the Caribbean*. (Washington DC: World Bank, 1996) [ISBN 0821336894].
- Gordon, C. (ed.) *Power/Knowledge: Selected Interviews and Other Writings, 1972–77*, by M. Foucault. (New York: Random House USA Inc., 1988) [ISBN 039473954X].
- Harriss, J. 'Institutions, Politics and Culture: A Polanyian Perspective on Economic Change', *International Review of Sociology* 13(2) 2003, pp.343–56.
- Kozul-Wright, R. and R. Rowthorn 'Spoilt for Choice? Multinational Corporations and the Geography of International Production', *Oxford Review of Economic Policy* 14(2) 1998, pp.74–92.
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- Wade, R.H. 'Wheels within Wheels: Rethinking the Asian Crisis and the Asian Model', *Annual Review of Political Science* 3, 2000, pp.85–115.

Classic texts

- Baran, P. and P. Sweezy *Monopoly capital: An essay on the American Economic and Social Order*. (New York: Monthly Review Press, 1968) [ISBN 0853450730].
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- Ricardo, D. *The Principles of Political Economy and Taxation*. (1817).
- Runciman, W. (ed.) *Max Weber: Selections in Translation*. (Cambridge: Cambridge University Press, 1978) [ISBN 0521292689].

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(New York: Modern Library, 1776).

Aim and learning outcomes

The aim of this chapter is to provide an overview of the main theories of the state and market that inform development policy and practice today.

By the end of this chapter and having completed the Essential readings and activities, you should be able to:

- describe and evaluate the main features of the founding theories of the state and market – Liberal, Marxist and Legal-Rational theories
- describe and evaluate some of the ways in which these founding theories have been adapted or extended since 1945
- use the theoretical insights gained to reflect back upon and review our discussion about ideas of development in the preceding chapter
- anticipate some of the ways in which these theoretical insights will assist you to make sense of later chapters of the course.

Introduction

Let us turn now to two key concepts in theories of development: state and market. The ways in which people have thought about the state and the market have profoundly shaped our understanding of what development is and should be – and our subsequent actions. In earlier chapters, you had some glimpses of how the state and the market have featured in ideas of development over the last 250 years. The time has come to explore theories of the state and the market in a more structured manner.

Box 1

Sample definitions of state and market:

- The state
‘The state is a distinctively *modern* and *western* way of organising political authority and the conduct of government. The idea of “the state” essentially is that there should be a single, unified source of authority in each area, drawing upon the undivided loyalties of a population, operating in a well-organised and permanently continuing way, and directed towards the interests of a whole society. Furthermore, a modern assumption is that government should be organised exclusively by states which can meet all these criteria. Indeed, very recently, the assumption has been that the whole surface of the world (which can be occupied by humanity) should be partitioned exclusively between one state or another.’
(Dunleavy, 2004, p.12)
- The market
‘A market is a system of commercial exchange that brings buyers wishing to acquire a good or service into contact with sellers offering the same for purchase. In all but the most simple markets, money is used as a convenient means of exchange, rather than barter. Markets are impersonal mechanisms in that they are regulated by price fluctuations that reflect the balance of supply and demand, so-called market forces.’
(Heywood, 2002, p.179)

Activity 1

Either:

Spend 10 minutes reflecting upon the above definitions, making notes if you wish.

- Do you agree with these definitions?
- Does the state of which you are a citizen meet all of Dunleavy's criteria? If not, does that mean that it is not really a state?
- How useful is Heywood's definition of the market? Is there anything missing?

Or:

Read Chapter 22, 'Markets and States', by Colin Crouch in Nash and Scott (eds) (2000) and then write a 50-word answer to each of the following questions:

- If you are an advocate of a strong and effective state, does this mean that you must be hostile to the market?
- To what extent might each create and sustain the other?

Founding theories of the state

The Liberal tradition

The Liberal tradition of thinking about the state can be traced back to the writings of seventeenth-century theorists such as John Locke (1632–1704). Locke argued that the state had arisen out of a voluntary 'social contract', in which individuals recognise that only the creation of a sovereign authority will protect them against the insecurity and disorder of a 'state of nature'. A state is required to guarantee order, civilisation and freedom. Unlike his contemporary, Thomas Hobbes, who argued that this could only be achieved through an absolute and unlimited state (what he called 'Leviathan'), Locke proposed a limited state whose powers should extend only to those needed to preserve 'life, liberty and property'. The rest of life was a matter for individual citizens in the realm of 'civil society'. The role of the state was to act as an umpire between competing groups in society. However, Locke, wary of the dangers of excessive state power, argued that the best protection against this was representative government (Heywood, 2002, pp.88–90).

The theories of John Locke have been taken up and further elaborated over the centuries since by many thinkers – Adam Smith, John Stuart Mill and Friederich von Hayek, to name three of the most important. Another term often used to describe Liberal theories of the state is 'pluralism'. As suggested by Locke's thinking, the Liberal tradition has always oscillated between a benign, or relatively optimistic, view of the state and a more pessimistic view, in which the state has an inherent tendency to expand beyond the minimal functions which are appropriate to it.

As we moved into the twentieth century, some liberal theorists began to wonder whether modern industrial states, as they became more complex and less immediately responsive to popular demands, might be increasingly vulnerable to capture by elites. Two groups were identified as likely culprits: big business and the state bureaucracy.

The legal-rational tradition

The most sophisticated theorist of this kind was German sociologist Max Weber (1864–1920). While a supporter of liberal democracy and capitalism, he took our understanding of the state into new territory. For Weber, the dominant system of authority in the modern world is the legal-

rational state. This state is characterised by its monopoly over violence. But its authority does not rest solely upon that monopoly. It is based on clearly – and legally – defined sets of rules. It is fundamentally impersonal in character. Weber was concerned with what gave this system of rule its legitimacy – defined as the basis upon which the people are willing to accept its authority. For him, legitimacy is achieved through elections and party competition.

Weber contrasts legal-rational authority with two other types of authority. Traditional authority is based on customs and practices transmitted from the past. It is legitimated by the fact that it has ‘always been this way’. By definition it is to be found within ‘traditional societies’. Charismatic authority is based on charm or personal power. It is legitimated by feelings of loyalty and affiliation.

Weber did see downsides to modern legal-rational authority. Above all, he was concerned that it would seek to extend its reach into all areas of economy and society in the interests of efficiency. The means through which this would be achieved was the state bureaucracy. He was convinced that this tendency would apply to all forms of the state in the modern world, whatever their ideological values. They would increasingly come to resemble each other. Industrial societies would be governed by a class of managers, technocrats and public officials whose power would lie in their technical and administrative skills (Beetham, 1985).

Box 2

Weber in his own words:

‘In its fullest development...bureaucracy specifically conforms to the principle of “neither fear nor favour”. Its distinctive characteristics, which make it so acceptable to capitalism, are developed all the more completely the more it “dehumanises” itself: that is to say, the more perfectly it succeeds in realising the distinctive characteristic which is regarded as its chief virtue, the exclusion from the conduct of official business of all love, all hatred, all elements of purely personal sentiment – in general, everything which is irrational and resists calculation. In place of the lord of older societies, who was capable of being moved by personal sympathy, kindness, favour or gratitude, modern culture requires the external apparatus which supports it to be manned by the expert, who is all the more indifferent in human terms, and so all the more completely “objective”, the more complex and specialised the culture becomes.’

Economy and Society (1922) in Runciman (ed.) (1978, p.351).

For Weber, the antidote to excessive bureaucratic power was to remain vigilant in promoting electoral competition and ensure that power and authority did not become overly-concentrated in any one institution. Checks and balances between the executive, judiciary and legislature would mitigate the impact of bureaucratic power. On these grounds, he was much more pessimistic about the prospects for defying this trend in communist societies, where he predicted the ‘dictatorship of the official’. Other theorists, taking their cue from Weber, have been even less hopeful. Inspired by the work of the theorist of political parties, Robert Michels, they have argued that there is an ‘iron law of oligarchy’, that applies in all modern societies. Oligarchy means domination by the few.

The Marxist tradition

Marxist theories of the state reject outright any notion that the modern state might be a neutral umpire between competing groups in society. For Karl Marx, the founder of this tradition, the state in a capitalist society was controlled by the *bourgeoisie* – those who owned the productive wealth of that society. However, Marx was not entirely clear or consistent in his theorisation of the capitalist state. In *The Communist Manifesto* (1848) he described the state as nothing more than ‘a committee for managing the common affairs of the whole bourgeoisie’. This was a rigidly instrumentalist view of the state. In other writings he suggested that the state might have a degree of ‘relative autonomy’ from the class system, to a certain extent mediating between contesting classes in a society. Finally, while Marx envisioned that the state would wither away under a classless communist society, he nonetheless believed that it would serve an important function as a vehicle for the ‘dictatorship of the proletariat’ during the transition from capitalism to communism.

Vladimir Lenin, the leader of the Russian Revolution in 1917, also adopted a rather instrumentalist attitude to the state, arguing that it should be led by a vanguard party and should control the economy in all its aspects. It was he rather than Marx who created the philosophical basis for the ‘command economy’ approach that came to dominate the socialist bloc.

A less instrumentalist approach, developing Marx’s idea of ‘relative autonomy’, was taken by the Italian Antonio Gramsci. He analysed the ways in which ruling class power is achieved through manufacturing consent among the subordinated classes. According to Gramsci, this consent is a more effective and less-costly alternative to the perpetual exercise of force and is the basis for ruling class **hegemony**. In this conception, class power becomes partially internalised as a set of common values and beliefs (Heywood, 2002, pp.90–92). If instrumentalist theories of the state predominated in the first half of the twentieth century amongst Marxist thinkers, those of Gramsci and other followers of the ‘relative autonomy’ approach have enjoyed the ascendancy since then. Gramsci’s ideas about consent and hegemony also created a basis for some convergence with Weber’s concept of legitimacy.

Many Marxists were relatively slow to engage with the theories of bureaucratic power pioneered by Max Weber. However, as the state showed no signs of withering away in the Soviet Union after 1917 – indeed, its power and extent appeared to be dramatically growing under Stalin – it became impossible to ignore the issue. Leon Trotsky developed the most influential analysis of post-revolutionary bureaucracy during his years of exile. For Trotsky, Russian backwardness and an authoritarian political leadership had created conditions in which the bureaucracy could increase its power and stall revolutionary change. His analysis created the basis for subsequent arguments that the bureaucracy under communism could itself become a ‘new class’.

Theorisations since 1945

Since 1945 there has been a dramatic proliferation of the ways in which the state has been theorised, explained and described by academics and practitioners concerned with development. Many of these variations owe something to the main theoretical traditions that we have already explored. In what follows, we discuss in some depth two of the most important variations. We then briefly describe some of the other terms that you might encounter in the course of your reading.

The developmental state

The originator of this term was the American political scientist Chalmers Johnson. In the early 1980s, he analysed the characteristics of the East Asian capitalist developmental state since 1945, focusing on the ‘brand leader’ of the time, Japan.

Box 3

‘Chalmers Johnson laid out the characteristics of the “East Asian developmental state”, which included:

- economic development (meaning growth, productivity and competitiveness rather than welfare) is a top priority for the state
- the state is committed to private property and the market, but guides the market with instruments formulated by an elite economic bureaucracy
- the state consults with and coordinates the private sector through numerous institutions, and this is an essential part of the policymaking process
- state bureaucrats rule, politicians reign, so that the latter create the political space for the former to act, but also require bureaucrats to respond to groups on which the stability of the system rests
- there is heavy and consistent investment in education.’

(Lockwood, 2005, p.35)

Chalmers Johnson placed great emphasis on the importance of there being a cohesive ‘national project’ with regard to development. Indeed, he wondered aloud whether development might not be a product of nationalism. Building upon his work, others have claimed that a key factor is that East Asian states have sought to ‘govern the market’ (Wade, 1990) and that the state has combined both autonomy and ‘embeddedness’ in its relationship with wider society (Evans, 1992). Kohli (2004, pp.10–11), in an important recent book, prefers to define such states as ‘cohesive-capitalist states’. The developmental state thesis poses a number of sharp questions: is it a historically specific experience that cannot be replicated or is it what we should be looking to create, say, in Africa? Others, like Khan (1997), suggest that the developmental state thesis is often less a theorisation than a description. For him, the key is to identify the balance of political power (his phrase is the ‘political settlement’) between different classes or groups in society that might lead to the emergence of a developmental state. For his part, Kohli argues that relatively few states in the early phases of development display strong characteristics of the developmental state; most start out as ‘fragmented-multiclass states’.

The neopatrimonial state

This term has been extensively used by analysts to denote states that operate on the basis of patron–client relations and personal rule. Drawing on studies of medieval Europe, neopatrimonialism has been applied to Latin America, South-East Asia but, above all, to Africa. African states are often portrayed as having a facade of modern government – budgets, laws, bureaucracy, cabinet and parliament. Real decisions and power are located outside this formal realm and are shaped by kin, clan and ethnic loyalties. Writing about Africa, de Walle argues against posing things so starkly, arguing that both formal (legal-rational) and informal (patrimonial) realms closely interact. He counters claims that these arrangements are in some way not ‘modern’, arguing that contemporary trends towards globalisation, by weakening the formal state, have

strengthened neopatrimonial politics in Africa. While the formal state loses its developmental capacity, it nonetheless remains important to processes of elite accumulation of wealth and as a source of legitimacy. Statehood and sovereignty are resources. Donors place a value on them in a world of states. Internally, the state is also an instrument for regulating the division of the spoils. This is, of course, an inherently unstable situation.

The value of theories of the neopatrimonial state has in turn been criticised. For example, Mamdani accuses exponents of undertaking analysis by analogy, importing a concept that derives from Europe into other parts of the world where it is irrelevant. He prefers to focus on the impact of colonialism in Africa, which in his view created a 'bifurcated state' in which the urban arena was governed on a centralised, legal-rational basis but the countryside was effectively ruled by traditional African leaders (1996, pp.11–12). With the end of colonialism, only the urban arena was 'liberated', leaving African states partially undemocratised. Despite such criticisms, theories of the neopatrimonial state continue to be widely applied to explain why African states have so often been 'anti-developmental'.

Activity 2

De Walle writes of Sierra Leone: 'the descent to state collapse is mostly the unintentional result of increasingly desperate leaders who have progressively sawn off the state branch on which they based their neo-patrimonial rule' (2001, p.185).

To what extent do you agree with de Walle's analysis? Read pp.114–37 of de Walle and write a 300-word assessment of the strengths and weaknesses of this interpretation. Draw on your own country/regional experience where appropriate. If you want to take this further, also read pp.4–23 of Mamdani.

Other variations

Some analysts have used the term 'predatory state' in relation to Africa to describe situations where processes of elite accumulation and theft have reached a particularly uncontrolled level. Reno (1995) talks of the 'shadow state' to describe the informal realm within which real power is exercised in Africa. Others, including writers on Latin America, have talked about the 'rentier state', referring to states where elites live off the profits generated by their control over power and resources. Since the 1960s feminist theory has generated a range of theories about the state. This has led some to argue that male power – or patriarchy – is no less important than class power and that it is possible to talk in terms of the 'patriarchal state'. Analysts have also used terms such as 'soft' or 'weak state'. For example, India has been characterised as a 'soft state', by which is meant the inability of the state to insulate itself successfully from vested interests within society (Myrdal, 1972). In the context of Latin America, this 'softness' has also been expressed in the term 'populist state', referring to one of the dominant political traditions in the region, in which elites form alliances with the urban working class and are unable to insulate the state from its welfarist demands sufficiently to achieve a developmental trajectory (Burki, 1996). In the context of globalisation, the reduced capacity of states to control their economies has led to descriptions of the state as 'hollow' and even as irrelevant. This debate has tended to take place in relation to developed world states rather than their counterparts in the developing world, where effective states have sometimes never existed (Heywood, 2002, pp.98–100).

Olson (1993) and Bates (2001) offer similar theorisations of state formation that originate in the idea that the state may be in some way an ‘unintended consequence’ of elite needs in pre-modern times. For Olson, state formation happens because the elite finds itself able to generate wealth more effectively when it moves from being a ‘roving bandit’ (under conditions of anarchy and arbitrary violence) to ‘a stationary bandit’ (where life is subject to at least a minimally rule-based authority). It becomes possible overall for elites to increase their economic take when they become stationary because, in return for moderating their predation, their erstwhile victims feel secure enough to increase their production. For Bates (2001), who draws on the work of Charles Tilly (1975), the indirect incentive for state formation is the need of elites to mobilise armies for war, which is the primary means through which wealth accumulation takes place in pre-modern times. Benefits or protection are offered to those who join their armies. Over time, particular sections within the elite reach the point where they become capable of monopolising violence. At this point, the state is born.

Finally, Michel Foucault has directly challenged us to move away entirely from traditional approaches which seek to understand the state in terms of who holds power and who does not, or who enjoys freedom within a society and who does not. Instead, he views the state as an important **effect** of power (or one of its vehicles). This power flows throughout the entire social organism establishing multiple forms of subjugation, of which the state is but one. It follows that Foucault also views the market and civil society, amongst others, as forms of subjugation (Gordon (ed.), 1988, pp.92–99).¹

¹ Foucault is difficult to summarise briefly. If you want to explore his ideas on power in more depth, perhaps the most accessible source is Colin Gordon's edited collection of selected interviews and other writings (1980).

Founding theories of the market

The Liberal tradition

If Locke is the pioneer of political liberalism, Adam Smith is his counterpart in the economic sphere. For Smith, political liberty is inextricably linked to the existence of a market economy. Individuals bring goods to a market in order to engage in a process of exchange, whether for money or for other goods. As a contemporary economist has put it: ‘we depend for our survival on a network of exchange that in this respect is like a living thing or an eco-system: it is highly ordered, but no one has ordered it...The idea of spontaneous order is fundamental to economics’ (Sugden, 1989). This is a modern reworking of Smith’s idea of the market as the ‘invisible hand’.

For Smith, as people freely trade goods on the market, there develops a division of labour in the economy. People seek to supply goods that other people want. Some excel at producing one or more types of good, others excel at producing different goods.

Box 4

At the level of countries, David Ricardo (1772–1823) developed a theory of ‘comparative advantage’ that would be the basis for economic growth through free trade. A country has a comparative advantage in the production of a good if the opportunity cost of producing one of that good, in terms of other goods forgone, is lower in that country than abroad.

His most famous example involved England and Portugal. In Portugal it was possible to produce both wine and cloth with less work than it takes in England. However, the **relative costs** of producing those two goods are different in the

two countries. In England it is very hard to produce wine, and only moderately difficult to produce cloth. In Portugal both are easy to produce. Therefore, while it is cheaper to produce cloth in Portugal than England, it is cheaper still for Portugal to produce excess wine, and trade that for English cloth. And conversely England benefits from this trade because its cost for producing cloth has not changed but it can now get wine at closer to the cost of cloth.²

² See Ricardo's *The Principles of Political Economy and Taxation* (1817).

Smith argues that if people fail to supply goods that other people want, they will not find buyers for those goods in the marketplace. In this way, efficiency and innovation are encouraged by the market. The animating principle behind market exchange for Smith is individual self-interest. The social benefits of a market system do not require any planning of these outcomes. All that is required is that people should be free to act selfishly on their own behalf. In the economic sphere, that means that the right of private property should be sacrosanct. One of the roles of the state is to guarantee that right.

Of course, the market, as a vital means of organising economic activity, predated capitalism and also operated in some form or other in most of the communist states of the twentieth century. However, for Smith and others from the Liberal tradition, it is in modern capitalist society that the virtues of the market are given their fullest expression. Indeed, the two become virtually synonymous. Market relations penetrate all spheres of economy and society to the point where land and labour become commodities to be traded like any other. The relentless search for profit drives on competition for market share, which in turn spurs further innovation. Those who cannot compete in the market go bust.

Neither Smith nor those who followed him were unaware that the market could sometimes fail to work as it should and that it produced losers as well as winners. Neo-classical economists within the Liberal tradition have expended much energy over the past 100 years or so trying to understand the circumstances in which markets, however freely operating, do not function well and when external intervention – for example, by the state – might be justified. Diagnoses of the origins and extent of ‘market failure’ have differed. For some, there have been relatively few circumstances in which external intervention is likely to improve matters. Indeed, it may be these interventions that create the problem in the first place. For others – such as John Maynard Keynes – the scale of the internal malfunction could be so socially destructive that regular state intervention may be justified. For Keynes, shaped by the experience of the 1928–33 Great Depression, the social phenomenon that above all justified such intervention was unemployment.

Karl Polanyi (1886–1964) was also strongly affected by the events of the interwar years. First published in 1944, *The Great Transformation* (2001) explores the dangers inherent in the utopian idea of the ‘self-regulating market’ – that is, markets in which prices are purely based on the unrestricted operation of the forces of supply and demand. He argues that modern industrial society is the first human society in which markets have been freed from social regulation and control. Under these conditions, ‘[I]nstead of economy being embedded in social relations, social relations are embedded in the economic system’ (Polanyi, 2001, p.57). The idea of the economy becoming ‘disembedded’ so that the market can no longer be subject to wider social relationships that would interfere with its free operation is central to Polanyi’s analysis. For him, the social costs of this process can be so high that it produces a political backlash. It falls to the modern state to mitigate these social costs.

Activity 3

What value does Polanyi's analysis have in terms of thinking about development today? If you want to take this further, read pp.72–76 of Polanyi's *The Great Transformation* and make notes on his reasons why the key elements in economic activity – labour, land and natural resources, and money – ensure that ideas of the 'self-regulating market' can only ever be utopian.

The Marxist tradition

While recognising the importance of the market and processes of exchange, the Marxist tradition has tended to view them as a source of mystification and 'fetishisation'. For Marx and his followers, it is in the ownership of production and capital accumulation that the distinctive nature of capitalism is to be found. Class power is rooted in these spheres and then expressed through transactions in the marketplace.

Marx argues that money and market exchange mask social relationships between things through the 'fetishisation of commodities'. As Harvey, writing over 100 years later states: 'The conditions of labour and life, the sense of joy, anger, or frustration that lie behind the production of commodities, the states of mind of the producers, are all hidden to us as we exchange one object (money) for another (the commodity). We can take our daily breakfast without a thought for the myriad people who engaged in its production' (Harvey, 1990, p.101).

Marx accepts that the market is a key mechanism in encouraging a highly organised technical and social division of labour under capitalism. He also accepts that it encourages profit-seeking and innovation. But he argues that certain prior historical conditions are required before the fully capitalist market can emerge. The crucial prior condition for Marx is the predominance of wage labour. The loss of alternative means of production by the mass of the people, often as a result of violence and coercion, forces them into a position where they have nothing to sell on the market but their labour. The labour market under capitalism is an unequal one, despite the fact that employer and employee formally agree a contract and the latter (unlike slaves or serfs) are free to leave and take a better job elsewhere if they can find one. Capitalists can use their power to impose all kinds of conditions on labourers and entirely possess the value of the fruit of their efforts. The only constraints are the degree to which those labourers will resist through class struggle and whether there is a surplus or shortage of labour across the economy. In his view, capitalism has a natural tendency to maintain a 'reserve army of labour' in order to keep down wage levels. For Marx, then, the exploitation of labour is the primary location where profit is generated. The market is merely a surface reflection of this deeper phenomenon.

Theorisations since 1945

Since 1945, debates about the nature and role of the market amongst academics and practitioners have continued to be intense. These debates have remained heavily informed by the founding theories outlined above. In what follows, we discuss in some depth two of the most important recent debates.

Towards a single world market?

Debates have raged over the past 30 years about how far markets are becoming globalised. After 1945, state intervention to prevent 'market

failure', for example through tariffs or capital controls, was accepted as orthodox policy. Despite this, radical theorists complained that a world market already existed in which the 'Third World', or 'South' tended to be in a structurally dependent relationship with the 'First World', or 'North'. In the view of many, the advent of the era of economic liberalisation since the 1980s has deepened globalisation, in particular through the deregulation of financial markets across the world. David Harvey (1990: 161) argues: 'The formation of a global stock market, of global commodity (even debt) futures markets, of currency and interest rate swaps, together with accelerated geographical mobility of funds, meant, for the first time, the formation of a single world market for money and credit supply'.

Box 5

For Marx, the development of a single world market would have come as little surprise. His late-twentieth-century followers, as they came to question dependency theory, linked this process to the crisis of Fordism in the 1960s and 1970s – a system of large-scale mass production, automated assembly lines and hierarchically organised firms on a predominantly national basis, in which labour is tightly disciplined, together with mass consumption, secured by welfare states – and its gradual replacement by regimes of flexible accumulation.

Under these regimes of flexible accumulation, new ways of organising the control of labour have emerged, for example, through self-disciplining teams, that offer much less security to workers. Founded on the application of new information technology, production today is now often to be found in multiple locations around the world. Immensely powerful transnational corporations have come to dominate the world economy. A commitment to welfarism has been replaced by an acceptance of the inevitability of greater inequality both within and between nations. This restructuring of capitalism is bringing about great social changes such as the weakening of traditional class politics and the emergence of new forms of identity politics.

Activity 4

Do you think that the revival of free market theory under globalisation has led to greater economic inequality and insecurity? Write a short answer to this question. If you want to take this further, read 'From Fordism to Flexible Accumulation', Chapter 9 of David Harvey's *The Condition of Postmodernity*, and make some notes.

While many Liberal and Marxist theorists now agree that market-based globalisation is proceeding apace, they still tend to differ dramatically, of course, in terms of how they interpret it. Liberal theorists are usually positive about its overall impact for economic growth and poverty-reduction across the world economy. Marxists tend to view it as deepening the unevenness of economic and social development. But there are also sceptics who do not believe that market-based globalisation is as far advanced as has been claimed. For example, some claim that most trade is within and between a triad of regional economic blocs – Europe, North America and East Asia (Kozul-Wright and Rowthorn, 1998). They also point to the fact that foreign direct investment goes mainly to advanced capitalist countries and to a select but small number of countries in the developing world. Finally, other observers argue that behind apparently abstract market processes are very specific national capitalist interests. For example, behind the growth of world financial markets is the 'US Wall Street-Treasury Complex' (Wade, 2000).

'Real markets'

An important debate has been taking place in recent decades about whether the often polarised debate between the Liberal and Marxist traditions has led us to ask the wrong questions about markets. Maureen Mackintosh has argued that the two traditions, for all their differences, both depend upon abstract and static models of the market. For Liberals, the market is a benevolent arena of exchange; for Marxists, it is a fetishised arena of exploitation. Mackintosh suggests that it might be more useful to analyse markets as 'different ways of buying and selling... as they operate in the world'. She continues: 'Markets in this sense of the term have widely varying institutions and economic contexts, they operate on limited information, they involve and help to create a variety of social classes, power relations, and complex patterns of needs and responses. All of this generates real effects in terms of people's survival: in short, real markets' (1990, p.47).

She is not arguing that you do not need abstract models of the market – simply that it is vital to test them against concrete evidence. Mackintosh initially raised these problems in connection with food and agricultural markets but they apply more widely. In fact, important work on 'real markets' was already under way at the time she was writing, as she acknowledged. Amartya Sen, investigating the 1974 famine in Bangladesh, had argued that the normal working of markets can be an important factor in the creation of hunger and famine. Increased market participation by individuals and communities can leave them more vulnerable to drought and pests, as they sell more of their product for cash than before. In addition, price rises on volatile markets can price them out of the market when they are dependent upon it to secure their food needs. He directs us towards the 'non-market determinants of the ability to command goods on the market: ownership of resources and the terms on which people come to market and which influence their ability to trade' (Mackintosh, 1990, pp.43–44).

Sen demonstrates that the Liberal tradition is capable of making important contributions to our understanding of how markets 'really work'. He is a strong advocate of appropriate state intervention to address the insecurity that markets will inevitably generate. Radical thinkers and Marxists are today also undertaking valuable studies into how real markets are structured by class and power and arguing how it may be possible to improve the terms upon which people 'come to the market'.

It is important not to lose sight of the fact that real markets do not always operate 'normally'. Indeed, analysts of civil wars and other internal conflicts in many parts of the world have shown how powerful groups, often armed, are able to compel the less powerful to trade in markets on terms that directly strip the less powerful – for example, refugees and internally displaced people – of assets and wealth. As Keen has argued in relation to Sudan in the mid-1980s, in such situations 'market forces' are replaced by 'forced markets' (Keen, 1994).

Activity 5

Try to identify some of the 'real markets' in your country or region and assess their effects in terms of people's livelihoods. If you want to take this further, read and make notes on Maureen Mackintosh's 'Abstract Markets and Real Needs', which is Chapter 4 of Bernstein et al. *The Food Question* (1990).

Conclusion

Theoretical and political arguments about the relationship between the state and the market often seem to imply that if you are an advocate of one you must be hostile to the other. As we have seen, there are major elements of the Liberal and Marxist traditions that have helped to frame the argument in such terms. The conflict between capitalism and communism during the twentieth century also certainly encouraged such a polarisation. Now that the cold war is over, has the time come to move beyond this 'either-or' approach? Our answer to this question would be – Yes. But this does not mean that we should swing to the other extreme and assume that the two will always co-exist harmoniously.

Equally, we would argue that there is no single 'right relationship' between state and market for countries seeking to develop. The right relationship between the state and the market will vary between countries and regions. To complicate things further, getting the right relationship is not something that can be entirely engineered through implementing the 'right policies'. Much will depend on the balance of forces within society. We would endorse Mackintosh's assertion that we need to think in terms of 'real markets' – and, for that matter, 'real states'.

Some of you may be wondering what the point of all this grand theory has been if ultimately we cannot draw many concrete conclusions from it. The point of high-order thinking of this kind is that it represents an attempt to uncover the purest and deepest characteristics of a particular economic, political or social phenomenon. How these phenomena operate in practice will invariably be different – and will require what Harriss (2003) has called 'middle-range theorising' – but efforts to understand the 'real world' will be fatally compromised if we do not take these grand theoretical models as a key point of departure.

Let us try again to reach a concrete conclusion by asking another question that is also important for policymakers and practitioners: which of the state and the market is more central today to processes of **getting development started**? Getting started is the most difficult part of development. Countries and regions that have not really begun to develop yet are struggling to 'catch up'. They lack both resources and power. Markets are weak and local firms often few in number. Both theory and practice strongly suggest that the state is particularly crucial in overcoming such initial impediments. Indeed, states are often instrumental in **creating** markets and the economic actors which operate in them. To do this, states must have the will and capacity not just to support beneficiaries of such processes, but also to enforce unwelcome outcomes upon 'losers'. Foreign aid will never be sufficient by itself to promote 'developmental' economic and social change. This leads us to conclude that, even where the circumstances do not particularly appear to encourage it and allowing for the limits of what can be achieved through policy interventions, there is no alternative but to try to build a developmental state.

Reminder of your learning outcomes

Having completed this chapter, and the Essential readings and activities, you should be able to:

- describe and evaluate the main features of the founding theories of the state and market – Liberal, Marxist and Legal-Rational theories
- describe and evaluate some of the ways in which these founding theories have been adapted or extended since 1945
- use the theoretical insights gained to reflect back upon and review our discussion about ideas of development in the preceding chapter
- anticipate some of the ways in which these theoretical insights will assist you to make sense of later chapters of the course.

Sample examination questions

1. 'Historically, the state has always been the main engine of development; in the future, it will be too.' Discuss.
2. 'Market-based development is the worst type of development – apart from all the others.' To what extent do you agree with this statement?

Notes

Chapter 4: Theories of institutions and civil society

Essential reading

Desai and Potter (2008), Chapters 1.5, 2.15, 10.5 to 10.8, 10.11.
 Todaro and Smith (2014), Chapters 1 and 11.

Further reading

- Chandhoke, N. *The Conceits of Civil Society*. (New Delhi: Oxford University Press, 2003) [ISBN 01956661958].
- Chatterjee, P. *The Nation and its Fragments: Colonial and Postcolonial Histories*. (Princeton: Princeton University Press, 1993) [ISBN 0691019436].
- Edwards, M. *Civil Society*. (Cambridge: Polity Press, 2004) [ISBN 0745631339] Chapters 1 and 5.
- Goodin, R.E. 'Institutions and their Design' in Goodin, R.E. (ed.) *The Theory of Institutional Design*. (Cambridge: Cambridge University Press, 1998) [ISBN 0521636434].
- Hall, J.A. and F. Trentmann (eds) *Civil Society: A Reader in History, Theory and Global Politics*. (Basingstoke: Palgrave Macmillan, 2005) [ISBN 1403915431].
- Hardoy J.E. and D. Satterthwaite *Squatter Citizen: Life in the Urban Third World*. (London: Earthscan, 1989) [ISBN 1853830208].
- Harriss, J. *Depoliticizing Development: The World Bank and Social Capital*. (London: Anthem Press, 2002) [ISBN 184331049X].
- Harriss, J. 'Institutions, Politics and Culture: A Polanyian Perspective on Economic Change', *International Review of Sociology* 13(2) 2003, pp.343–56.
- Howell, J. and J. Pearce *Civil Society and Development: A Critical Exploration*. (Boulder and London: Lynne Rienner Publishers, 2001) [ISBN 1555876196].
- Khan, M. 'State Failure in Weak States: A Critique of New Institutional Explanations' in Harriss, J., J. Hunter and C. Lewis (eds) *The New Institutional Economics and Third World Development*. (London and New York: Routledge, 1997) [ISBN 0415157919].
- North, D. 'The New Institutional Economics and Third World Development' in Harriss, J., J. Hunter and C. Lewis *The New Institutional Economics and Third World Development*. (London: Routledge, 1997) [ISBN 0415157919].
- Przeworski, A., M. Alvarez, J. Cheibub and F. Limongi *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1980* (Cambridge: Cambridge University Press, 2000) [ISBN 0521793793].
- Rodrik, D. (ed.) *In Search of Prosperity. Analytic Narratives on Economic Growth*. (Princeton: Princeton University Press, 2003) [ISBN 0691092699] Read the Introduction.
- Rodrik, D., A. Subramanian, and F. Trebbi 'Institutions rule: the primacy of institutions over integration and geography in economic development' *Journal of Economic Growth* 9(2) 2004, pp.131–65.
- Rueschemeyer, D., E. Stephens and J. Stephens *Capitalist Development and Democracy*. (Cambridge: Polity Press, 1992) [ISBN 0745609457].

Challenging reading

- Berman, B. 'Ethnicity, Patronage and the African State: The Politics of Uncivil Nationalism', *African Affairs* 97(388) 1998, pp.305–41.
- Hanlon, J. *Mozambique: Who Calls the Shots?* (London: James Currey, 1991) [ISBN 0852553463].
- Putnam, R. *Making Democracy Work: Civic Traditions in Modern Italy*. (Princeton: Princeton University Press, 1993) [ISBN 0691037388].
- Schaffer, B.B. 'Towards Responsibility: Public Policy in Concept and Practice' in Clay E.J. and B.B. Schaffer (eds) *Room for Manoeuvre: An Exploration of Public Policy in Agricultural and Rural Development*. (London: Heinemann Educational Books, 1984) [ISBN 0435837605].
- Wade, R.H. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. (Princeton: Princeton University Press, 1992) [ISBN 0691003971]

Classic texts

- Marx, K. *The 18th Brumaire of Louis Bonaparte*. (New York, 1852).
- Nowell-Smith, G. (ed.) *Antonio Gramsci. Selections from The Prison Notebooks of Antonio Gramsci*. (London: Lawrence and Wishart, 1973) [ISBN 0853152802].

Aim and learning outcomes

The aim of this chapter is to provide an overview of the main theories of institutions and civil society that inform development policy and practice today.

By the end of this chapter and having completed the Essential readings and activities, you should be able to:

- describe and evaluate the main features of the founding theories of institutions and civil society
- describe and evaluate some of the ways in which these founding theories have been adapted or extended since 1945
- use the theoretical insights gained to reflect back upon and review our discussions about ideas of development
- anticipate some of the ways in which these theoretical insights will assist you to make sense of later chapters of the course.

Introduction

In Chapter 3 we looked at two key concepts in theories of development: state and market. We now turn to the two other concepts that we have identified as warranting serious attention – namely, institutions and civil society.

In Chapter 2 we saw that these concepts returned to the top of the development agenda in the 1980s, as policymakers and practitioners began to focus on governance issues. However, as with state and market, how they should be defined, their relationship to the other key forms we are studying here and their potential role in promoting development have all been heavily contested.

Activity 1

Here are sample definitions of institutions and civil society:

1. 'Institutions are the rules of the game of a society, or, more formally, are the humanly devised constraints that structure human interaction. They are composed of formal rules (statute law, common law, regulations), informal constraints (conventions, norms of behaviour and self-imposed codes of conduct), and the enforcement characteristics of both.'

(North in Harriss et al., 1997, p.23)

Do you agree with this definition? For example, where does it leave organisations such as the state or the firm?

2. 'Civil society... is the totality of social institutions and associations, both formal and informal, that are not strictly production-related nor governmental nor familial in character. The concept includes, then, everything from the informal card-playing groups to the parent-teacher association, from the local pub to the trade union, from church groups to political parties.'

(Rueschemeyer et al., 1992, p.50)

Do you agree with this definition? For example, should political parties be included?

Now make some brief notes about how the two definitions overlap; where they differ.

Founding theories of institutions

Institutions have been a central concern of philosophers and thinkers throughout human history. For example, the German philosopher Georg Hegel sought to provide a systematic understanding of the nature of – and relationship between – the institutions of state, market and civil society. Smith and Marx also certainly had much to say about institutions without deliberately using the concept. However, the conscious theorisation of institutions really began with the emergence in the late-nineteenth century of the different academic disciplines that today collectively constitute the social sciences: history, political science, sociology and economics. Each approached the phenomenon in different ways. In these early days, history was essentially the story of the origins of political institutions – as Goodin describes it, 'Kings and courts, states constituted around them, and wars between them'. Political science was mainly concerned with core political institutions – for example, the state, legislature, judiciary and parties – in the present. Sociology focused on 'the ways in which collective institutions subsume and subordinate the individual'. In economics, the emphasis was on the 'institutions and mechanisms – property law and the rules of the courts enforcing them, particular exchanges and the practices governing them, credit institutions and merchant banks, trade unions and trade associations and so on – which create and control economic life' (Goodin, 1998, pp.2–12). During the early twentieth century, the emerging discipline of anthropology addressed itself to 'cultural institutions', mainly in the context of 'traditional societies'. It is important to note that, by contrast with North's relatively recent definition of institutions, all of the disciplines brought organisations within their framework of reference. In doing so, they are probably closer to the 'common-sense assumptions' that most people today would have about what the term means.

Many of the best early theorists of institutions drew upon the insights of the different disciplines. For example, Thorsten Veblen, an American sociologist, and John Commons, an American economist, were both keen to analyse institutions in ways that simultaneously took into account the

full range of historical, political, social, economic and cultural factors (Harriss, 2003).

Box 1

Thorsten Veblen (1857–1929), like Weber, identified tensions in contemporary society between acquisition, display and a technocratic management. His writings encompassed social mores, phenomenology, business structures, the interaction of commerce and universities, and US and German imperialism. He is best known for his 1899 *Theory of the Leisure Class* (responsible for introducing ‘conspicuous consumption’ into the sociological and economic literature). In his work on technocracy, Veblen made a distinction between the owners of ‘business’ (who are focused upon profit maximisation through market manipulation, restriction of production and other similar practices) and ‘engineers’ or other managers in ‘industry’ (who are concerned with efficiency per se and with production for the satisfaction of human needs).¹

John Commons (1862–1945) developed an analysis of collective action by the State, and a wide range of other institutions, which he saw as essential to understanding economic life. John Commons was an opponent of mainstream neo-classical economics, with its universal laws based on rational individualism. His best known work is *Institutional Economics* (1934). He was also a prominent historian of American labour.²

¹ www.caslon.com.au/biographies/veblen.htm

² www.cooperativeindividualism.org/commonsbio.html

Writing in the present, John Harriss (2003) has defended the ‘old institutionalism’ of Veblen and Commons against attempts over the past two decades to resolve the tensions between institutional theory and mainstream neo-classical economics by creating a New Institutional Economics (NIE) that can then be used successfully to promote development.

Activity 2

Make a list of the 10 most important political, economic, social and cultural institutions in your own country or region that development policymakers and practitioners should attempt to understand before they begin to implement their policies. For each of the 10 institutions, add a sentence explaining why you chose it. If you want to take this further, read Harriss’s article.

Recent theorisations

Each of the disciplines we looked at above have created their own ‘new institutionalisms’ in recent decades, according to Goodin (1998: pp.2–20). How far they differ from the older versions has been much debated. Here we focus on the ‘new’ version that has had perhaps the most direct impact upon development theory and practice over the past 25 years – New Institutional Economics. We then go on briefly to discuss the advances that have been made over recent decades in theories of ‘institutional design’.

One of NIE’s leading lights is the Nobel prize-winning economist Douglas North. He is certainly its most ambitious practitioner. For North, ‘the new institutional economics (NIE) builds on, modifies and extends neo-classical theory to permit it to come to grips and deal with an entire range of issues heretofore beyond its ken’.

A central concern for North is the relationship between state and market. He accepts that those neo-classical theorists who posit a rule-free world based purely on voluntary individual contracts fail to recognise that reality rarely conforms to this model. The distance between their abstract utopia and harsh reality is particularly great in countries that are still in

the initial phases of development. He asserts that while individuals try to act rationally and on the basis of self-interest, 'information is incomplete and there is limited mental capacity by which to process information'. The result is that people 'impose constraints on human interaction in order to structure exchange'. However, 'there is no implication that the consequent institutions are efficient'. North argues that this is because the 'mental models' that people construct in order to interpret the world are in part culturally and environmentally derived.

North goes on to argue that '[T]he incomplete information and limited mental capacity by which to process information determines the cost of transacting which underlies the formation of institutions'. These costs arise for parties to an exchange because information is costly and not everybody has access to the same amount or quality of information. Institutions 'are formed to reduce uncertainty in human exchange' and, along with the technology employed, determine the cost of transactions.

According to North, efficient property rights is the main institution that will reduce transaction costs but other institutions are also required (in particular, an effective state) if it is to do so. However, institutions are not necessarily created because they will be efficient but because they serve the interests of those with the power to create them. In addition, because people suffer from incomplete information, they may also lack the ability to change these institutions even when they wish to do so. This leads to the problem of what North calls 'institutional path dependence' (North in Harriss et al., 1997, p.17).

NIE significantly modifies the ideas of 'spontaneous order' that are so central to mainstream neo-classical economic thinking. It acknowledges that processes of development, which are by definition about institutional change – that is to say, changes in the 'rules of the game' – are likely to be complex and difficult to achieve. The institutional context is often hostile. For example, 'traditional' institutions may well resist the implantation and spread of new institutional frameworks. Put another way, the transaction costs of economic, social, political and cultural change may largely fall upon groups in society that are in a position to block that change. Benefits are not guaranteed and often depend on others keeping their side of the bargain – or being forced to comply – over a prolonged period. This is the problem of 'collective action'.

Informal constraints will be more difficult to change than formal rules. Formal rules that have worked in one country or region will not necessarily work elsewhere. North concludes: 'It is politics that shape economic performance because they define and enforce the economic rules of the game. Therefore the heart of development policy must be the creation of politics that will create and enforce efficient property rights' (North in Harriss et al., 1997, pp.23–25).

To its critics, NIE promises much more than it delivers. Harriss complains that, although it has identified the key problem, NIE does not really provide a theory 'of how and why politics differ. It offers no explanation of the fact that the same economic institutions can have very different consequences in distinct contexts'. For Harriss, then, history, politics and culture are still being placed at the service of economics, rather than being treated as genuinely equal partners in the quest for understanding (Harriss, 2003).

On a similar note, other critics have argued that many of those who claim to be adopting an NIE approach retain general assumptions about what the optimal institutional arrangements for development are. For

example, they often equate ‘efficient property rights’ with those in which private ownership is wholly secure. Yet scholars have identified many contexts where ‘efficient property rights’ have fallen short of this assumed institutional optimum. In China today, the state has created ‘hybrid’ regimes of property rights that fall short of this standard and yet they appear for the moment to be working well. Other assumed institutional optima whose value in promoting development have been strongly questioned are **democracy** and **decentralisation** (the devolution of power by the central state to the provincial, district or community levels). Rodrik instead proposes a bottom line on ‘institutional quality’ that is much less prescriptive: ‘institutions that provide dependable property rights, manage conflict, maintain law and order and align economic incentives with social costs and benefits are the foundations of long-term growth’ (2003, p.10).

Box 2

Mushtaq Khan has looked at NIE theories of state failure. He is highly critical of its emphasis on ‘political transaction costs’ – for example, concessions to losers to facilitate a process of change – and the assumption it makes that, the higher they are, the less likely it is that institutional change that promotes development will take place. He argues instead that it is much more useful to think in terms of ‘transition costs’ as the key variable. He writes:

‘The great danger with the NIE approach is that by ignoring transition costs it presents what are essentially transitions as processes which can be managed judiciously by states which have the right models or the right ‘vision’...States, when they are involved in processes of transition, are attempting some transitions rather than others. The justification for this must be based on a politics that should be made explicit. Moreover, transitions which had low transition costs in one context may not in another. The difference between South Korea and Pakistan had little to do with the quality of their leaders or their conflict management skills. The real difference was in the balance of power in these societies in the 1960s.

(Khan in Harriss et al., 1997, p.85).

It follows from this that in some societies a successful transition to institutional arrangements that promote development may involve very high political transaction costs, even if NIE would consider these ‘inefficient’.

Activity 3

Do you agree with Khan that what matters most when trying to explain development success or failure is ‘the balance of power’ in societies? Write a 100-word answer, supplying evidence from at least one specific country to back up your argument. If you want to take this further, read the Khan article. His arguments are complex and challenging, so do not worry if you feel by the end if you have not understood everything. Try to make as much sense of it as you can and then move on!

Khan, amongst other things, is challenging the degree to which institutional change can be managed. In doing so, he points towards another way in which our thinking about institutions has advanced over recent decades, which has been in relation to theories of institutional design. Scholars have debated the degree to which institutions emerge or change accidentally, through evolution or through ‘intentional intervention’ (leading to both intended and unintended consequences). While there is general agreement that a combination of all three factors is usually at work, there are disagreements over what are the most common or significant ‘real world’ combinations.

Theorists who have studied the domain of intentional intervention have been at pains to oppose the ‘myth of the intentional designer’. Goodin argues: ‘Typically, there is no single design or designer. There are just lots of localised attempts at partial design cutting across one another...Thus, even within the realm of our intentional interventions, what we should be aiming at is not the design of institutions directly. Rather, we should be aiming at designing schemes for designing institutions – schemes which will pay due regard to the multiplicity of designers and to the inevitably cross-cutting nature of their intentional interventions in the design process’ (Goodin, 1998, pp.24–28). This raises important questions about the extent to which the entire post-1945 ‘development project’ has been based on a poor understanding of institutional design. Is there still a default assumption that Design A will produce Action B, leading to Outcome C?

Schaffer has illuminatingly explored what can be seen as a particularly important dimension of institutional design. This is how organisations seeking to promote development and their interventions are themselves designed. He looks at how these organisations, when generating policies, tend to adopt ways of thinking and operating that can produce only a limited range of outcomes. A ‘pretendedly non-political’ view of policy dominates. Processes of design and implementation are often artificially separated out. If interventions ultimately ‘fail’, policymakers blame those responsible for implementation, implementers blame those responsible for design. To resolve internal tensions, ‘forces beyond the control of the organisation’ are often invoked. Real lessons are all too rarely learnt, even where there is an official culture of evaluating performance. Organisations as a whole rarely take responsibility for failure. Schaffer ends with a plea for development organisations to recognise that what they do is profoundly political, to recognise that there are always other choices and to take responsibility for the consequences of their interventions (Schaffer in Clay and Schaffer, 1984, pp.142–89). Schaffer made his plea over 20 years ago. We leave it to you to reflect on how far it has been heeded.

Founding theories of civil society

As we saw in Chapter 3, the Liberal tradition of thinking about the state also gave birth to the concept of civil society. Locke was deeply concerned with how (propertied) men could accept the legitimacy of a public authority over them. Part of the process of doing so was defining the boundaries between that authority and society – in other words, how authority should be limited. Civil society was also explored as an arena within which the potential threat of a rampant capitalism could be tamed. In a world dominated by profit, civil society would ensure that selfish individualism would be translated into the public good and so secure the freedom of all. For Hegel, the associations of civil society should mediate between the self-centred individual and the state, which is the highest ethical universal community. De Tocqueville, writing about American society, saw civil society as the essential training ground for active political and public life. Over time, ideas of civil society became increasingly sharply distinguished from ‘political society’, ‘commercial society’ and the family.

Box 3

The French theorist and politician Alexis de Tocqueville (1805–59) became a convinced admirer of associational life following his travels around the United States. In *Democracy in America* (1835) he explains why:

‘The most natural privilege of man, next to the right of acting for himself, is that of combining his exertions with those of his fellow-creatures, and of acting in common with them. I am therefore led to conclude that the right of association is almost as inalienable as the right of personal liberty...The greater part of Europeans look upon an association as a weapon which is to be hastily fashioned, and immediately tried in the conflict...Such, however, is not the manner in which the right of association is understood in the United States. In America the citizens who form the minority associate, in order, in the first place, to show their numerical strength, and so diminish the moral authority of the majority; and, in the second place, to stimulate competition, and to discover those arguments which are most fitted to act upon the majority; for they always entertain hopes of drawing over their opponents to their own side, and of afterwards disposing of the supreme power in their name. Political associations in the United States are therefore peaceable in their intentions, and strictly legal in the means which they employ; and they assent with perfect truth that they only aim at success by lawful expedients.’

(Hall and Trentmann (eds) 2005, pp.106–07).

From the start, the idea of civil society as wholly benign and desirable had its critics. Rousseau noted that out of the associations of men had come extreme inequality. For him, civil society was the means by which the wealthy sought to deal with disorder and therefore protect their privileges. He wrote memorably: ‘The true founder of civil society was the first man who, having enclosed a piece of land, thought of saying, “This is mine” and came across people simple enough to believe him’ (Hall and Trentmann (eds), 2005, p.77).

Marx followed in Rousseau’s footsteps but took his critique much further. Instead of reconciling selfish individualism with the universal community of the state, Marx saw civil society as the main site of class power. Civil society was nothing more than an expression of the social relations of production within it and, as such, could not be a means through which individual self-interest and the public good could be reconciled.

As we shall see, Marx’s entirely negative view of civil society has been modified by later Marxists. But it is important to recognise that he raised a vital question for those development theorists and practitioners who are advocates of civil society today. How do you reconcile the inequalities that arise in market economies with the idea of equality of political participation inherent in ideas of democracy? Poverty and inequality inevitably affects the terms upon which an individual is able to engage in public or political life, potentially reducing ‘citizenship’ to a hollow shell (Howell and Pearce, 2001, pp.31–33).

Of course, democracy was in short supply around the world between the early-nineteenth and mid-twentieth century. Civil society gradually became more inclusive as campaigns for the franchise brought the white working class and women the vote in advanced capitalist countries and British dominions such as Canada, Australia and New Zealand. The non-white subject peoples of the European colonies had to wait until after 1945. But for many, the main motor for achieving greater inclusion was political society (parties and the state) rather than civil society. For a long time, the concept fell into relative disuse.

It did not revive again until the 1970s. However, many of the arguments that would be deployed to revive it had been articulated long before by Antonio Gramsci (1891–1937) in the 1920s. Although a Marxist revolutionary, Gramsci viewed Marx's interpretation of civil society as too reductionist. Just as he restored the state to a position of 'relative autonomy' from economy and society, so he restored civil society to a position of relative autonomy from economy and state. He was above all concerned to understand why communist revolution had failed to take place in advanced capitalist countries like Britain and France. For Gramsci, the capitalist state sustained its hegemony not just through coercion but also through consent, which it established through the institutions and associations of civil society. But while civil society was therefore the site of a particular, more subtle, form of domination, it was also potentially a terrain where capitalist hegemony could be contested and overthrown.

Activity 4

Antonio Gramsci wrote his *Prison Notebooks* while jailed by fascist dictator Mussolini. They were only published after his death.³ Here is a taster:

'In Russia the state was everything, civil society was primordial and gelatinous; in the West, there was a proper relationship between state and civil society, and when the state trembled a sturdy structure of civil society was at once revealed. The state was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks...' (Hall and Trentmann, 2005, p.187).

What do you think Gramsci means by his description of Russian civil society as 'primordial and gelatinous'? Do you agree with his suggestion that a state cannot be strong unless it is backed up by a strong civil society? Are there any implications you can see that arise out of Gramsci's ideas for development strategies today? Write short answers to these three questions.

³ For an excellent edited collection of Gramsci's *Prison Notebooks*, see Nowell-Smith (1973).

Theorisations since 1945

Gramsci's conceptualisation of civil society has proven very attractive to social movements since the 1970s. However, others have taken more inspiration from older liberal currents of thought on civil society. There is a world of difference between those who retain Gramsci's conviction that the point of civil society is to replace capitalism and those with more reformist inclinations who see it as a vehicle for 'civilising' or taming capitalism.

For some liberal theorists, civil society was also seen as a means of replacing communism. Their objective was to bring down communist dictatorships in the Soviet Union and Eastern Europe, and replace them with political systems in which individual freedoms were guaranteed. Some were clear that this could only be achieved if a market economy was simultaneously introduced. By pushing for an opening up of a 'civic space' between the individual and the state, they hoped that the state would ultimately have to give ground on political liberty.

Radical reformists and liberals committed to a progressive politics have found some common ground during the post-1945 period through approaches that see 'civil society as an arena for public deliberation, rational dialogue and the exercise of 'active citizenship' in pursuit of the common interest – in other words, as the 'public sphere' (Edwards, 2004: p.viii). The most important exponent of this conception of civil society has been Jürgen Habermas. For Habermas, a healthy civil society is one that is 'steered by its members through shared meanings' that are constructed democratically through the communications structures of the public sphere – for example, the media (Hall and Trentmann, 2005, pp.222–26).

Processes of globalisation – above all, the reduced power of the national state and the rise of new information technologies such as the internet – have led some analysts, such as John Keane, to argue that the conditions are being created in the present day for the emergence of a ‘global civil society’.

Box 4

John Keane defines global civil society as ‘the contemporary thickening and stretching of networks of socio-economic institutions across borders to all four corners of the earth, such that the peaceful or ‘civil’ effects of these non-governmental networks are felt everywhere, here and there, far and wide, to and from local levels, through wider regions to the planetary level itself’.

Keane believes that we must move away from a state-centred approach to civil society, in which it is always seen through its relationship to the state. As the importance of the state is reduced, civil society is slipping its ‘national moorings’ and operating less and less with reference to it. As structures and processes of global governance develop, for example, through the UN, global civil society will have a major role to play in democratising them. Indeed, until that democratisation is complete, global civil society ‘is a wish that has not yet been granted to the world’.

Keane does not see the victory of global civil society as inevitable. He writes: ‘It is not only that the plural freedoms of global civil society are severely threatened by a political underworld of secretive, unelected, publicly unaccountable institutions, symbolised by bodies like the IMF and the WTO. The problem of hubris is internal to global civil society as well: just like the domestic civil societies that form its habitats, global civil society produces concentrations of arrogant power that threatens its own openness and pluralism’ (all quotes from Hall and Trentmann, 2005, pp.287–92).

With even a prominent supporter warning against hubris, it is hardly surprising that there are many scholars and activists who are highly dubious about the emancipatory claims often made for civil society. Such sceptics argue that contemporary social movements should refuse to be labelled as part of civil society precisely because it is a force for depoliticisation and demobilisation rather than social justice. Some theorists, many of them influenced by postmodernism, have expressed a straightforwardly hostile attitude to the very idea of civil society, seeing it as the expression of a continuing Western imperial hegemony over the postcolonial world.

Activity 5

Partha Chatterjee has written: ‘The institutions of civil society, in the forms in which they had arisen in Europe...made their appearance in the colonies precisely to create a public domain for the legitimisation of colonial rule. This process was, however, fundamentally limited by the fact that the colonial state could confer only subjecthood on the colonised; it could not grant them citizenship...The crucial break in the history of anticolonial nationalism comes when the colonised refuse to accept membership of this civil society of subjects. They construct their national identities within a different narrative, that of the community’ (Chatterjee, 1993, pp.237–39).

Do you agree with Chatterjee when he advocates the scrapping of the idea of civil society in former European colonies and its replacement with the idea of community?

If so, why? Write a 200-word answer, drawing on the experience of your own country or region where appropriate.

Development policymakers and practitioners have responded to the revival of the idea of civil society since the 1970s in a range of ways. The more

optimistic of them have viewed civil society as a counterweight to vested interests, promoting accountability between state, market and society as a whole. It provides services and helps to build livelihoods where states and markets are weak and promotes trust and cooperation. It teaches people the skills of citizenship and encourages transparency. It is the predominant means, in its many forms, through which ordinary people make their voice heard. It is a crucial source of 'people power' where societies are seeking to throw off authoritarianism and replace it with democracy. Donor governments and multilateral institutions have viewed these characteristics as the distinctive contribution of civil society to the quest for 'good governance'.

It may turn out that the 1990s were a high watermark of enthusiasm for the idea of civil society. Even at the height of its popularity, many expressed doubts about it. In addition to those sceptics already described, others explored how far the survival or renewal of ethnic, clan, religious or communal loyalties hindered the emergence of a strong civil society (Berman, 1998). Scholars have also argued that the historical evidence shows that political parties and the state are far more dynamic sources of poverty reduction than is civil society. They have also pointed to the fact that civil society in the Third World has often been coopted by elites or has largely been the preferred arena for those parts of the elite that find themselves excluded from power at any particular time. Others have wondered whether the creation of developmental states might require a period of active state predominance over civil society (Wade, 1990). Finally, sceptics have argued that civil society has sometimes allowed itself to become a **substitute** for the state. Donor governments and multilateral institutions have turned increasingly to civil society for the delivery of services for a mixture of ideological and pragmatic reasons (Hanlon, 1991). Yet, despite these doubts, it is the relative eclipse of the idea of civil society during much of the twentieth century, rather than its recent re-emergence, that appears aberrational to most scholars today.

Conclusion

Perhaps the great unresolved question in theorising about institutions and civil society is over where each should begin and end. Think back to North's definition of institutions. It appears to include virtually everything. Certainly, it covers the 'holy trinity' of state, market and society. As for civil society, recent debates have largely reproduced older debates about it. It is as contested as ever. Edwards claims that we continue to confuse three ways of understanding civil society: analytically, as forms of associational life; normatively, as a model of the kind of society we wish to see; and as the 'public sphere' (Edwards, 2004, p.vii). Confusion between the analytical and normative also applies sometimes to the concept of institution. It is remarkable how often behind apparently objective phrases such as 'efficient institutions' or 'a healthy civil society' lie implicit assumptions about what 'good institutions' or 'the good society' should be. The most common example of this is the assumption that development and democracy, that most normative of concepts, go together when the evidence for this is weak.

Dispute or confusion over the meaning and significance of institutions and civil society may not be ideal. But it is infinitely preferable to a false consensus that may do more harm than good. Neera Chandhoke has written persuasively about how concepts such as civil society become 'flattened out' once they are taken into the policy domain. She

writes provocatively that '[T]oday wherever and whenever civil society is invoked, most of us, submerged as we are in a mass of tiresomely consensual acclaim, are overcome by a sleepy ennui'. Chandhoke ascribes this process to a post-cold war 'liberal triumphalism' which has yoked the concept to 'the project of minimalist democracy' – that is, an idea of democracy as periodic elections and not much more. She concludes: 'people struggling against authoritarian regimes demanded civil society, what they got were NGOs!' (Chandhoke, 2003).

Somebody might adapt this phrase with reference to institutions to say that people struggling to overcome poverty demanded deep-rooted change – what they got was public sector reform. Chandhoke argues that the flattening out of concepts derives from the need of donors and national elites to depoliticise (or, to be more precise, suppress radical political ideas about) development. A similar case has been made against 'social capital', which has become an equally popular concept amongst donors in recent years (Harriss, 2002).⁴

We should not be naïve. Some simplification of complex theories of institutions and civil society is inevitable in policy and practical contexts. And as we have seen, something will usually be lost in processes of 'institutional design' – not to mention their implementation. The key is to be aware of this 'leakage' and devise strategies that seek to mitigate its impact.

So, how important are institutions or civil society for development? With regard to institutions, the answer might seem obvious. They are a quintessential product of human society. Their 'informal constraints' (conventions, norms of behaviour and self-imposed codes of conduct), to use North's terminology, are particularly crucial to explaining why 'formal rules' so often do not work. Hardoy and Satterthwaite put it well: 'There must be something wrong with a law or code if it is broken daily by so many people as they go about their daily lives' (1989: p.31). These constraints also help to explain why changes in the 'formal rules', even when they do happen, often prove to be less transformative than their advocates expect or produce unintended consequences.⁵ In our view, it is through their explorations of the complex relationship between the formal and informal realms that institutionalisms – old and new – make their biggest contribution to our understanding of development issues.

With regard to civil society, the answer again might seem obvious – mainly perhaps because the power of its normative claims. After all, how many of us would enthusiastically choose to live in a society where there was little independent associational life or the absence of an active 'public sphere'? Yet the historical evidence for a general causal link between a strong, autonomous, civil society and **getting development started** is weak. It is drawn mainly from an idealised interpretation of the experience of some (but far from all) European countries. For late-developers, the evidence suggests that the state has tended to be the dominant driver of change in the initial stages of development. As social and economic development progresses, a strong, autonomous civil society may then emerge – and, indeed, play a crucial role in deepening and sustaining development.

Of course, the future may well be different from the past. After all, despite Marx's famous claim to the contrary in his 1852 *The 18th Brumaire of Louis Bonaparte*, another lesson from history is that humanity is not always destined to repeat itself – nor need the outcomes be entirely tragic or farcical.⁶

⁴ We do not have the space here to discuss social capital in detail. However, it is important to note that it overlaps extensively with concepts of institution and civil society. Its primary theorist and advocate is Robert Putnam, who has defined it as 'features of social organisation, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions'. He states: 'voluntary cooperation is easier in a community that has inherited a substantial stock of social capital, in the form of norms of reciprocity and networks of civic engagement' (Putnam, 1993: 167).

⁵ One powerful example is titling schemes to establish legally-recognised private property rights. Their gender-blindness has often led to women losing control over land.

⁶ Marx's original words are: 'Hegel remarks somewhere that all great, world-historical facts and personages occur, as it were, twice. He has forgotten to add: the first time as tragedy, the second time as farce.'

Reminder of your learning outcomes

Having completed this chapter, and the Essential readings and activities, you should be able to:

- describe and evaluate the main features of the founding theories of institutions and civil society
- describe and evaluate some of the ways in which these founding theories have been adapted or extended since 1945
- use the theoretical insights gained to reflect back upon and review our discussions about ideas of development
- anticipate some of the ways in which these theoretical insights will assist you to make sense of later chapters of the course.

Sample examination questions

1. 'Institutional theory is so broad in its coverage that ultimately its value for development policymakers is limited.' Discuss.
2. Should donor governments and multilateral agencies prioritise building a strong civil society in countries where states are corrupt and ineffective?

Notes