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Cooperative autonomy:
The dialectic of State–
NGOs relationship
in developing countries

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Research Series

100

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Foreword

“Development” is at centre stage again. This time it is no longer merely a theme for the “developing countries”, but for virtually all nations. Hardly any corner of the world is spared from economic and social ills signalling developmental deficits: strong inequalities within and between nations, shortage of employment, unemployment, poverty, social disintegration, ethnic conflicts, urban plight, drug abuse, the loss of confidence in government, and others. The feeling of “crisis” on a nearly global scale stirs enough concern to let the world come together at a “Summit for Social Development” in Copenhagen in 1995.

At the Social Summit we will see — as we did at the Earth Summit in Rio de Janeiro in 1992 and the UN Conference on Human Rights in Vienna in 1993 — governments and non-governmental organizations side by side, each claiming a role in the development process. Whether their dealings with one another can be characterized by “cooperative autonomy” remains doubtful. They appear as much rivals as partners.

“Cooperating from a position of autonomy” — this is what Bish Sanyal suggests as a promising relationship between the State and the NGOs for fashioning the developmental process. In his own words: “Development neither trickles down from the top, nor effervesces from the bottom. Development is the outcome of a synergetic process which combines the effects from the top with those from the bottom”. He arrives at this formula after reviewing four decades of thought and policy probing. In his recapitulation he shows how the prevailing paradigms of the role of the State as an agent of development changed dramatically within a short span of time — from the notion of the strong State at the apex of “planned” development, to one which likes to see the State as relegated from the development process, and NGOs instituted in its place. Sanyal documents the myths behind both views, the limitations for development emanating from relying on one dominant institution only, and the opportunities and synergies that may be derived from concerted action of private and public partnership.

His review of the history of development comes at a timely moment. Before continuing to try ever new policies and measures until the one that works is found, it may be wiser to reflect for a moment on what has gone wrong with development over the last 40 years. In this respect, the report presented here can give us some useful leads.

First, the report describes in lucid terms how quickly part of the protagonists of active state intervention became disenchanting, and abandoned their earlier tenets, when the expected results did not materialize. Such a rapid reversal of position reveals a lack of comprehension of the nature of institutions and institutional change which governs any kind of development. The same impatience is visible again nowadays with the process of transformation to market economies of the countries in Central and Eastern Europe. Creditors and donors wish to see a fast transition, overlooking perhaps that the market has to “be made”. This amounts not merely to enterprise reform, privatization, and market deregulation, but requires nothing less than a new social fabric of conventions, beliefs, behaviour, solidarity, and trust, to get the market to work. Such institutional formation necessitates long time horizons which, if ignored, may give rise to disappointment, social conflict, and ultimately anomy.

A second point of importance in this report concerns the “autonomy” of the actors. Bish Sanyal demonstrates that, without a degree of autonomy, NGOs will not be able to enter into genuinely cooperative working relations with the government. This view is in accord with the beliefs and experience of the ILO. The construct of tripartism involving government, workers’ and employers’ organizations, advocated and practised by the ILO, is built on the autonomy of each constituent group. The ILO Conventions which concern freedom of association call for independent labour organizations. Unfortunately, this norm is far from reality in various corners of the world. In countries which practise “state corporatism” (Philippe Schmitter), worker organizations tend to be creations of the State; often they receive official financing, membership is compulsory, the leadership may be designated by state officials, and candidates for union leadership are screened for political reliability. The margin of autonomous action by such unions is limited.

A third message of broad validity which the report holds is to be cautious in the use of dichotomies: the market versus the State; top down versus bottom up schemes of development; the formal sector versus the informal sector; the private versus the public sector — all these binary expressions of structural relations tend to suggest a degree of rigour, separation, and exclusiveness which in reality rarely exists. By examining the relationships between the State and NGOs, and also between NGOs and organized labour, Bish Sanyal demonstrates overlap, linkages and complementarities between these institutions. If he is right, then the prospects for alliances, and broader interest group formation and representation in the labour market should not look hopeless.

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Preamble

It is not fashionable these days to write positively about the role the State can play in the development of productive forces in poor countries. But that is precisely the objective of this report. It is written to resurrect the argument that without active state involvement in the economy and polity, no amount of effort on the part of the market and civil society can generate the momentum necessary for broad-based development.

Our argument is no rehash of old development economics. It is grounded in the reality of the last 40 years of development efforts, initially led from "the top" by an active State, and later from "the bottom" by non-governmental organizations (NGOs). We review both experiences, first tempering the currently popular and harsh criticism of state-led development in the 1950s and 1960s, and then exposing some of the equally popular myths about "development from below." At the end we are left with the conclusion that we know much about both the State and NGOs, but very little about their relationship with each other, the most crucial aspect of any development process. Our analysis indicates that neither "top-down" nor "bottom-up" efforts are sufficient for broad-based development. Development is the outcome of a synergistic process which combines the growth impulses from the top and the bottom. To create this synergy the State and NGOs must work together, but only in ways which sustain the relative autonomy of each.

In pursuing this thesis, we have divided the report into two parts. The first part traces the history of how and why development planners had initially recommended a strong role of the State, and later completely reversed their position, calling for withdrawal of the State and more involvement by NGOs. We reassess the fairness of this verdict by demonstrating that the tasks assigned to the State were often contradictory and extremely difficult; and that if this was acknowledged, then the transformations initiated by the State, however limited, would be no meagre achievement.

The second part of the report is devoted to a detailed discussion of "bottom-up" development efforts led by NGOs. We begin by describing the underlying assumptions of the bottom-up approach, particularly about the positive qualities of NGOs. These assumptions are then subjected to scrutiny based on the nearly 20 years of experience of bottom-up projects. We conclude that neither are NGOs all good, nor is the State all bad. We

also conclude that NGOs must work with the State if they are to be effective in initiating social change.

But what form should such cooperation between the State and NGO take so as to strengthen the institutional linkages between the two and yet sustain the relative autonomy of both? And what should be the ideal relationship between NGOs and market institutions? Must that relationship, too, be marked by similar dual demands of cooperation and autonomy? What about the NGO's relationship with political parties? Or with the institutions of organized formal labour? These and related questions are posed at the end of the report to encourage further research.

Part I

From the benevolent to the evil State: History of the rise of anti-government sentiment in developmental discourse

To understand the rise of anti-government sentiment in developmental discourse we need to look back to the 1950s — a time dramatically opposite in mood to the present. The Second World War had just ended; old colonies were emerging as newly independent nations, one after the other; and a new set of global institutions, created to expand and manage the global economy linking the new nation States (barring China, of course) with western industrialized countries, was in place. The mood was clearly upbeat. Both the new nation-States and the western industrialized countries looked ahead to a future of prosperity, scientific advancement, and social peace built on the foundation of western-style democracy. There were a few discordant notes: the Cold War was just beginning; the Chinese revolution as an “alternative approach to development” was showing no signs of imminent collapse; and Eastern Europe and the Soviet Union stood apart in disbelief that capitalism and western-style democracy could deliver on their promises. Nevertheless, the mood was generally positive, as many of the new nation States thought that they could combine the best of the two rival political systems.¹ Through a mixed economy, which combined the production dynamism of capitalism with the distributional emphasis of socialism, the newly independent nations were to avoid the obvious pitfalls of both. More or less everyone believed that to achieve such a mix, the principal requirement was a strong and autonomous State.

1. The strategy of unequal development

Most prominent among the western social scientists who took a keen interest in the process of nation building by newly independent, poor and

¹ I am referring to the non-aligned movement which was founded by India, Egypt, and Yugoslavia in 1953 and later expanded its membership to some 135 nations.

predominantly agrarian countries were the economists [Sunkel, 1977]. They were *the* principal advisors to the new governments [Rosen, 1985]. The economists advised these governments that nation building required, first and foremost, economic development; in turn, economic development required industrialization, agricultural modernization and urbanization. In 1954, Sir Arthur Lewis, now a Nobel Laureate, proposed a scheme which soon became the accepted model for developing agrarian economies with an “abundant supply of labour” [Lewis, 1955a]. Much has already been written about the strengths and weaknesses of Lewis’s model [Friedmann, 1988a]. We will not reiterate those arguments here, but it is important to highlight the central underlying logic of Lewis’s advice: that the triple goal of industrialization, agricultural modernization and urbanization could be achieved only by accentuating the existing inequalities in three sets of relationships: namely, sectoral relationships between industry and agriculture; spatial relationships between urban and rural areas; and social relationships between the elite and the masses. Sectorally, Lewis had argued, industry should receive investment priorities over agriculture because of the existing differential in the rate of return between the two sectors. Spatially, investment would be concentrated in large urban areas, which provided economies of scale and agglomeration benefits. Socially, the elite — whom Schumpeter [1943] had earlier identified as the entrepreneurial class behind every expansionary economy — was to be encouraged to save and invest so that the rest of the nation’s labour force could be employed. In advocating these strategies, Lewis had acknowledged that in the short run the existing inequalities between sectors, regions and social classes may be exacerbated; but he predicted that, in the long run, inequalities would lessen as the agricultural sector became mechanized, rural wages increased to the level of urban wages, and income trickled down the social hierarchy, as it had in the European countries during industrialization.² Until then, the new governments were not to take any redistributive measures; instead, they were to concentrate solely on enlarging the size of the “national pie” of economic surpluses [Singer, 1981].

Rural-urban migration was to be the primary mechanism for facilitating the developmental process. It was to be actively encouraged to transform the abundance of small, subsistence farmers into a good supply of low-cost, urban industrial workers. This transformation was essential on

² This was based on the famous inverted U-curve theory of Simon Kuznets [1955]. Some, like Leibenstein-Galenson proposed an even sharper version according to which a certain level of inequality was necessary to produce the required level of savings and investment calculated on the basis of the Harrod-Domar model.

two counts. First, it would reduce the overpopulation of the rural areas, thereby eliminating the percentage of the “disguisedly unemployed” in agricultural activities and increasing the per capita income and consumption of the remaining households. Second, the “disguisedly unemployed” could be productively utilized in the urban workforce, where they would help create a competitive labour market. This, the argument went, would reduce wages, thereby providing a comparative advantage to the newly-developing nations in the industrial market, which in turn would increase their export earnings. The foreign exchange advantage could then be used to purchase capital goods from the developed countries and to modernize the productive base of the economy.

No economists — barring Gunnar Myrdal — foresaw any problems with Lewis’ neatly logical forecast of economic growth.³ The massive dislocation of rural population that the model openly advocated did not raise a single question among the economists. They thought that since developed countries had gone through a similar process earlier to create a well-functioning urban labour market, this was the right thing to do — particularly because the “opportunity cost” of migration, to the migrant as well as to the nation, was zero.⁴ That the process of urbanization and industrialization in the now developed countries had been quite painful and difficult for the migrants was not taken into account, though a rich body of research on the topic existed at the time.⁵ Nor did anyone raise the questions of who could manage, and how they would manage, the impact of the three sets of inequalities, which would be accentuated by the implementation of Lewis’ model. Lewis would have probably argued, had this question been raised at that time, that the growing market with its “invisible hands” would take care of the inequalities in due course. Many economists think this way, even now. But, as Seers pointed out in 1969, social inequalities do not go away through the automatic “trickle down” of

³ The only person who wrote at the time in support of redistribution policy was Gunnar Myrdal [1957, p. 49].

⁴ The logic underlying this supposition was that agricultural production would not be reduced by transferring the disguisedly unemployed; on the contrary, the population remaining in the rural areas would be better off in terms of increased production and consumption in per capita terms. The migrant would gain, too. To start with, he would earn more; and some of this earning was likely to be remitted to the rural areas, further increasing their benefit. Second, the migrant, who would have remained illiterate and unskilled had he continued to live in the rural area, would learn new skills as a result of his new job.

⁵ Peattie [1981] and Sunkel [1977] in his keynote address to the Organisation for Economic Cooperation and Development made this point. On the difficulties faced by the migrants in Europe during industrialization see Thompson [1968]; Himmelfarb [1983].

income, because of the unequal access to the opportunities of producing or obtaining the income from incremental growth in gross national product (GNP) [Seers, 1969]. Moreover, once a dominant social group gains privileged access — as Lewis, Schumpeter and others had hoped the new entrepreneurs would — they are likely to appropriate the increased GNP, producing even sharper inequalities in income distribution. This possibility did not enter the calculations of Lewis or, for that matter, any economist at that time, barring Gunnar Myrdal [1957]. Lewis had described the collective mood of the economists in the following way: “Our primary interest is in analysing not distribution but growth, that is, growth of output per person” [Lewis, 1955b, p. 1].

2. Why the developmental State?

Though the economists in the 1950s almost unanimously recommended that the governments of the new nations not get involved in income or asset redistribution, they did recommend that the governments be actively involved in increasing the growth of the national economy. In that sense, these economists who advised the new nations were different from another group, known as the neo-classical economists, who preferred a very limited role of the State and believed that if the price mechanism of the market was not tampered with, growth of national income would follow.⁶ There had been a debate between the two groups of economists since the end of the Second World War; but by the early 1950s, the development economists had managed to dominate the scene, primarily through the research and writings of Rosenstein-Rodan, Singer, Nurkse, Myrdal, Mandelbaum, Prebisch and others.⁷ All of them were sceptical about the power of the underdeveloped market in the poor countries; and they had recommended that the poor countries’ governments begin a comprehensive effort in national planning to muster the savings and investment required for “the big push” which, in turn, would help these countries climb up the Rostowian S-curve of development.⁸

The newly-formed governments were also advised to perform many other functions to create the preconditions for a growing economy. The physical infrastructure for an integrated network of communication had to be laid out; the social infrastructure for education and health — the two

⁶ For a detailed review of the differences between the two groups of economists, see Hirschman [1981, Chapter 1].

⁷ For a nice review of the contribution of each of these economists, see Arendt [1987].

⁸ On the theory of the S-curve, see Rostow [1960].

vital requirements for a productive labour force — had to be in place; and, as Gerschenkron [1962] pointed out, the State had to help private industries adopt industrial technology, the capital requirements of which were beyond the means of private industries. Much has already been written about these and various other tasks to be performed by the new States.⁹ For our purpose, what is important to remember is that the shift from a semi-feudal to a fully developed capitalist economy which the economists recommended required not only the construction of new institutions and new social and economic networks, but also the destruction of some old institutions and old networks. Among all the development economists, only two foresaw this dual nature of the task ahead. Schumpeter called it “creative-destruction” and believed that the market forces would take care of the destruction as well as the construction of the new institutions [Schumpeter, 1943]. Myrdal, on the other hand, argued for a strong State, without which, he was afraid, the result could be disastrous [Myrdal, 1957, p. 49]. At that time, no-one, except Paul Baron, objected to Myrdal’s call for a strong State.¹⁰ Trained in political economy, Baron was deeply sceptical of the motives of “the political and social composition of the governments in power.” He argued that “the injection of planning into a society living in the twilight between capitalism and feudalism could not but result in corruption” [Baron, 1952, p. 86].

3. The State and political modernization

Paul Baron did not receive much attention in the 1950s. His criticism of the semi-feudal/semi-capitalist State was ignored by development scholars — both economists and political scientists — who then strongly believed in the interdependent relationship between capitalism and western-style democracy.¹¹ The logic underlying this belief was that western experience had proved that capitalism and democracy went hand in hand, that the expansion of one also required the expansion of the other.¹² Capitalism, through the expansion of the market and exchange relationship, generates new types of social groups, based not on tribal loyalties but on material interests; and democracy allows individuals and groups to exercise their preferences, which is the primary driving force in the functioning of

⁹ For a review see Meier & Seers [1984]; Arendt [1987].

¹⁰ Even David Apter, who later became one of the most vocal critics of a strong State, argued then in favour of one [Apter, 1959].

¹¹ On the views of political scientists at the time, see Weiner & Huntington [1987].

¹² The research by Lipset [1959] was critical in establishing this relationship.

markets. This had been the history of western nations — in particular, the United States, where the marriage between democracy and capitalist development had been a happy one, without any disruption.¹³ And this would be the course, the political scientists thought, for the newly independent countries as well.

The consolidation of democracy, however, was to be an evolutionary process: much like the consolidation of capitalist development, which Rostow [1971] had shown requires a series of successive stages. At the early stage of this evolutionary process, the State had to be strong, and it had to imbue its new citizens — who had previously been “subjects” — with a sense of nationalism that would bind them together against the fragmenting forces of old loyalties to their tribes, clans, castes or religious groups [Geertz, 1973]. The new nationalism was to help the penetration of market relationships to all corners of the national territory, without any disruption from territorially based clans, tribes or ethnic groups. Nationalism was to perform the role of a homogenizing and integrative force that would facilitate the emergence of a national market by ensuring complete mobility of capital, labour and commodities.

Of course, the political scientists of the 1950s recognized that democracy required more than nationalism. They advocated increased political participation by the citizens of the new States in influencing the outcome of government policies [Lerner, 1958; Almond & Coleman, 1958; Verba et al., 1978]. There was complete consensus among the political scientists about two aspects of political participation. First, participation was to be based on class and sectoral interests, not on parochial ties of tribal, ethnic or religious groups. And second, it was to occur through organized political parties, petition writing, voting and such other officially sanctioned forms, not through protests or violent demonstrations [Nelson, 1987]. The political scientists of the time were generally hopeful that political participation in the new form would become more prevalent with the spread of communication and education, urbanization, industrialization, factory experience and other modernizing trends [Almond & Verba, 1963].

Much has already been written about various other aspects of political modernization.¹⁴ For our purposes we need to remember one central element: that is, how the State’s role in political mobilization was defined by the political scientists at that time. Surprisingly, during the 1950s and

¹³ Packenham [1973] argued that much of American foreign aid policy at the time was based on America’s own happy history of the marriage of capitalism and democracy.

¹⁴ For a nice overview on the political modernization literature see Huntington [1987, pp. 3-32].

even the early part of the 1960s, very little was written analysing the role of the State or its internal composition. Creation of democracy was the dominant theme of the time, and most political scientists were busy confirming the positive relationship between capitalist economic development and western-style democracy. Though as Huntington pointed out later, the best selection at the time showed only correlation, and not causality, between the two.¹⁵ Much later, Huntington also pointed out that, if history was to serve as evidence of the positive relationship between capitalism and democracy, one had to acknowledge the reversal of the democratic process in many European countries during the period of 1920 to 1940.¹⁶

In the political climate of the 1950s, with the Cold War and McCarthyism on the rise in the United States, American political scientists, in general, were reluctant to question whether the major tasks of economic, political and social transformation that were expected of the new nations could be achieved by any political system other than western-style democracy. So they focused on understanding various aspects of political participation as a central element in a democratic process. How this participation by different groups was to affect the ability of the new State to govern was rarely mentioned until much later. Underlying this fetishism of democracy, however, was an implicit notion of the State, much influenced by the United States' own history.¹⁷ In the implicit notion, the State was assumed to be the guardian of public interest. It stood above petty fighting among all social groups, and protected the national interest. The State was also supposed to be based on strong structures which transcended the authority of particular regimes in ensuring capitalist development [Eisenstadt, 1966].

4. *Social modernization and the State*

As may be apparent to the reader by now, social modernization was supposed to go hand in hand with political and economic modernization. One could argue, however, that social modernization — which meant changes in social structures, relationships and values — was the central and most important prerequisite for “the great transformation” of the 1950s. Both capitalism and western-style democracy required a new type of indi-

¹⁵ Huntington [1987, p. 19] referred to the seminal article by Lipset [1959].

¹⁶ S. Huntington, “The Third Wave of Democracy”, talk delivered at the Joint Seminar on Political Development at MIT, autumn 1989.

¹⁷ See Footnote 13.

vidual who was to be independent of old loyalties of castes, tribes or religious affiliation and would develop an outlook similar to that of the “western economic man”. Talcot Parsons’ (1951) writings on the role of individuals in modern, industrialized societies provided the theoretical rationale in a definitive way. The message was clear. To be part of a modern, industrial society individuals could no longer be bound to the irrational, communal arrangements that had been the hallmark of traditional societies. Industrialization and modernization required a new type of person: relatively autonomous, dedicated to economic maximization and self-fulfilment, and comfortable with the contractual relationships required of efficient market operations [McCalland, 1961].

In writing about the sociological transformation required of the newly independent nations, the development sociologists relied on conceptual categories that Apter has rightly called “a plundered version of combinational binaries.” [Apter, 1987, p. 27]. “Preindustrial-industrial”, “*Gemeinschaft-Gesellschaft*”, “status-contract”, “folk-urban”, and similar terms were used to describe the sociological make-up of the new nation-States and the goals they should be striving for. In moving from one pole of the binary to the other, the sociologists argued, the new nations could not rely on their old cultural and social institutions; on the contrary, these were considered the greatest obstacles to change [Peattie, 1981].

So, what were the new nations to depend on in making the transition? Not much was written about that, perhaps because the process of change was thought to be an evolutionary one, almost automatically changing old values as new ones were being created. That this process could be painful, alienating and destabilizing was not a concern of most sociologists, barring Durkheim [1960]. But even Durkheim called for a transformation, using yet another combinational binary of “organic-mechanical” solidarity which was to keep society together under the new condition. Who was to manage such transitions and how they would do so were questions not addressed by Durkheim either. Perhaps because everyone at the time believed in the notion of social progress and development, the transitional agony was thought to be only a minor side effect.

But the issue was more complicated than that: though the expansionary market relationships were to create an evolutionary process of change, breaking old ties and re-establishing new ones, the expansion of the political process through the use of universal suffrage often solidified existing relationships. Politicians in search of votes often appealed to old loyalties though, after they were elected, they preached the values of nationalism.

One way to manage this contradiction was through the educational system. Much was written in the 1950s — mostly in the form of advice to

the new nations — about restructuring of the educational system and the curriculum to produce a labour force that would help in the task of nation building [Hagen, 1962; Singer, 1961]. The State was to play a central role in shaping this curriculum. The purpose was to cultivate a new set of values: secularism, nationalism, a modern work ethic (how to come to work on time, and so on), and a strong respect for politically neutral technical skills. In many countries the State passed legislation to increase the access of “disadvantaged groups”, meaning ethnic minorities, low castes or tribal people, to the new schools and colleges [Chakrabarty, 1987]. Special books were published by government-run presses and sold at subsidized prices. A central theme that ran through many of these books was unity in diversity. This term implied a dual objective that the State was expected to achieve in the cultural domain: it was to create a spirit of nationalism and, at the same time, it was to respect the distinctly different identities of separate groups. Both objectives were important for development [Waterson, 1965]. Without a national market, scale economies could not be achieved; yet without recognition of the identities derived from old loyalties, a stable political order based on democratic principles could not be established.

5. Inspiration for national planning and the strong State

Though economic, political and social modernization were all considered important objectives of the new nation-States, their primary emphasis was on the economic aspect of the process, partly because economic transformation was thought to be the key to political and social transformations as well [Rostow, 1975]. To initiate the economic transformation, most nations and their foreign advisors agreed that some form of national planning was required. This faith in state planning — as a mechanism to foster capitalist development — drew its inspiration from four historical events: the rapid industrialization of the USSR after the 1917 Bolshevik Revolution; the post-Depression national planning in the western countries during the 1930s; sectoral planning in the colonial countries as well as in the colonies during the Second World War; and, after the war, the reconstruction of Europe aided by the Marshall Plan [Meier, 1984]. All four events had demonstrated that the economic performance of the market can be influenced significantly by strong state initiatives.

By the end of the 1950s, most newly independent nations, led by India, had adopted the five-year planning model of the Soviet style. This

preference for the Soviet style of planning, however, did not meet objections from the western nations and their advisors, even at the peak of the Cold War.¹⁸ Perhaps this was because national planning, which identified in a rather objective way the gap between the levels of savings and investment required (to achieve a certain growth rate) and what was available domestically, provided a nice basis for the calculation of foreign aid which the western nations were eager to provide.¹⁹ In other words, the national plans convinced the donors that there was a logically grounded rationale for providing aid.

The national plans also provided a snapshot of where foreign investments were most required. The plans often served as a basis for national level decisions regarding export and import policies which might have been of interest to western nations eager to export both commodities and capital. The five-year plans provided a document that the western nations could use to urge the new nation-States not to vacillate in their policies and objectives, because such vacillation reduced the predictability of return on all kinds of investments.

Of course, not all western advice and support for planning and a strong State can be reduced to such instrumentalist thinking. Many of the economists at the time, some of whose names I mentioned earlier, sincerely believed that without state planning the price mechanism was unable to allocate national resources efficiently.²⁰ Some, like Prebisch, went a step further. They argued that if the new nation-States, as late-comers to industrialization, were to change their economy from producing only raw materials to manufactured products, they could not simply depend on the market. Thus emerged the policies for "import substitution" which, in essence, called for strong state initiative in creating a manufacturing-oriented productive base [Love, 1980].

In summary, during the 1950s, virtually everyone who thought about the development process of the new nation-States argued for a strong State. The consensus was that a strong State would be autonomous, meaning its

¹⁸ The United States objected to "the non-alignment movement" started by Egypt, India and Yugoslavia; but as far as national planning was concerned, it was not seen as a sign of preference for aligning with the Soviet Union. See Sima Sharna [1989].

¹⁹ In *The nature of mass poverty* [1979], J.K. Galbraith argues that the problem of developing countries was seen as a problem of lack of capital because, by defining the problem that way, western nations could help, since surplus capital was what they had at that time.

²⁰ Among economists, this group, which includes Rosenstein-Radan, Singer, Seers, and now Lance Taylor, is known as "the structuralists". For a thorough review of structuralist ideas, see Arendt [1985].

power to initiate change in the economic, political and even social domain could not be curbed by any particular social group. And, being autonomous, the State would be free to pursue "public interest" which, for the moment, was economic growth. There was, of course, a need for a bureaucracy to initiate and implement state policies. The bureaucracy would be like that Max Weber had in mind [Weber, 1979]. It would be impersonal and neutral in *modus operandi*; it would be hierarchical in internal structure; and, above all, it would represent general social interest.

6. *The rude awakening*

By the late 1960s, the great expectations for the State's role in the development process had turned into strong condemnation of its inability to manage economic, political or social change. The criticisms came from both ends of the ideological spectrum — the left and the right. By the beginning of the 1970s, it seemed that the State, which was to be the principal facilitator of change, had become its greatest obstacle. What had gone wrong? Why were both the left and the right upset at the performance of the State?

On the face of it, it seemed that the State had indeed failed. After nearly two decades of planning, economic development had still not taken firm roots; instead of being broadly based, it was confined to a few enclaves of growth, surrounded by stagnating and, in some cases, even declining productivity [Seers, 1969]. Politically, the picture was grim, too. By the beginning of the 1970s, all Latin American nations except Colombia and Venezuela had changed from democratic to authoritarian regimes [O'Donnell, 1973]. And in Africa nearly 35 nations did not have democratic regimes. Sociologically, modernization had yet to create the rational man and "the achieving society". What's more, ethnic, religious and linguistic conflicts had become the norm in many of these countries [Eisenstadt, 1964].

The disappointing economic performance was most apparent, and much has already been written about it.²¹ For our purposes, we will scrutinize only the increased income inequality, which apparently surprised many economists in the late 1960s. It was Albert Fishlow's research in Brazil which, to my knowledge, first documented the fact that income

²¹ Typically, the critics wrote about decline in food production, as a result of selective migration out of the rural areas, and rising unemployment, underemployment, squatter housing and so on in the urban areas. For example, see Griffin & Khan [1976]; Gugler [1988].

equality in that country had increased sharply despite high rates of economic growth [Fishlow, 1972]. Later, Chenery and Adelman pointed out that not only was there a curvilinear relationship between the levels of growth and inequity, there was also a significant negative relationship between the rate of economic growth and income inequality [Chenery & Adelman, 1975].

In other words, contrary to Lewis' prediction, income had not trickled down; on the contrary, in some countries, the poor had even less income share than before [Faber & Seers, 1972].

On the political front there were many surprises, too. For one, the compatibility thesis, that capitalism and democracy are causally interlinked, proved to be an illusion [Huntington, 1987]. And, as Arthur Schlesinger (1975) noted, in the short run there may be conflict between these two objectives.²²

Related to Schlesinger's comment was Mancur Olson's observation that rapid economic growth, instead of easing social tensions, exacerbated them [Olson, 1963]. This finding led Huntington (1968) and others to look beyond the compatibility thesis and focus instead on the issue of political order: specifically, why the State was unable to maintain political order.²³ And what was the relationship between economic growth, mass participation and political order?

The third surprise about political change concerned the role of the poor. Through the Bolshevik Revolution, and later the Chinese and Cuban revolutions, the poor had become closely associated with revolutionary change.²⁴ In the 1950s and even much of the 1960s, it was commonly believed that increased poverty and income inequality create the condition for protest, and eventually revolt, by the poor. This was clearly the logic underlying the "Alliance for Progress" initiative taken by President John F. Kennedy [Eckstein, 1976]. It was also the logic underlying most Marxist writing at the time [Gutkind, 1968; Frank, 1969]. But, by the early 1970s, with the rise of army-controlled, authoritarian regimes,

²² Arthur Schlesinger made this comment reminiscing about the "Alliance for Progress" which was designed on the basis of the compatibility thesis. On this see Huntington [1987, p. 9], who refers to Schlesinger [1975].

²³ See Offe [1985a]. Offe argues that the more development and modernization, the more disequilibrating are the consequences: that is, protest, violence, coups, insurrection, military regimes and petty despotism.

²⁴ Of course, Karl Marx and his thesis on class struggle was the first to propose that the poor would be in the forefront of socialist revolution. But, except for some European countries, Marx's ideas did not become widely known until the Bolshevik revolution of 1917.

political scientists came to realize that the poor, in most instances, did not advocate radical reform. On the contrary, they often supported authoritarian regimes and the return of "political order" after the collapse of democratically elected governments [Apter, 1987, p. 18; O'Donnell, 1973]. Also, the social and economic expectations of the urban poor were found to be rather conservative. As Peattie [1979, p. 7] reported, based on her field work in Bogota, Colombia, "The informal workers looked upward at a system of enormous inequality but one which presented itself as a ladder, rather than as sharply bounded social strata".

Just because the poor lacked revolutionary zeal, and hence did not launch political struggle in the Marxian mode, does not mean that the new nation-States enjoyed a relatively peaceful and harmonious process of social change. To the surprise of the development experts, who had predicted a steady homogenization of social identity and psyche with economic growth and spread of mass communication, social differentiation based on primordial loyalties had been accentuated by the end of the 1960s [Bendix, 1967]. Ethnic riots, religious fundamentalism and tribal conflicts — all thought to be manifestations of traditional societies — were on the rise, even in countries with rapid economic growth [Banuazizi, 1988]. This raised serious doubts about the validity of the modernization paradigm, according to which the citizens of the new nations were to group themselves based on their economic interests and not on traditional beliefs and values [Shilo, 1981]. And there was an added anomaly: some of the countries, like Japan, Taiwan and South Korea, which had strong cultural and religious traditions very different from the Calvinist and Protestant work ethic of the western industrialized nations, had performed remarkably well in terms of economic growth. This made the relationships among culture, economy and modernization appear more complex than that suggested by Weberian analysis.

In summary, by the end of the 1960s there were major surprises, mostly unpleasant, in all three aspects of modernization: economic, political and socio-cultural. These surprises led to a rude awakening among development scholars, advisers and planners who, until then, had relied upon various types of models of economic growth, political democracy and cultural modernization in devising policies for the new nation-States. Awakened, the development scholars and professionals began to search for reasons why the outcome differed so significantly from their predictions. Who was to be blamed for the differences? And, what was to be done now?

7. *From the benevolent to the evil State*

There were at least four sets of responses to the rude awakening among development scholars and practitioners. In three out of the four, the State was blamed for many of the problems. The fourth group, which represented a tiny minority of the responses, did not blame anyone in particular and argued that the results of the first two “development decades”²⁵ had not been all disappointing; and that instead of over-reacting to the problems of the time, the planners should stay the course, with some minor adjustments in the basic policy thrust.²⁶

Among the three types of response that were critical of the government, two were particularly harsh in their judgement. Interestingly, these critics represented opposite polarities of the ideological spectrum. The Marxist criticisms emerged in the mid-1960s under the title of dependency theory. Their polar opposites — the neo-classical economists — voiced their criticisms a little later, in the early 1970s, couched in the terms of “public choice theory”. The third group, which was instrumental in devising an alternative proposal under the title of “bottom-up development” borrowed from both the Marxists and the neo-classical economists. They were also influenced to some extent by anarchism, anti-industrialism of the Tolstoy and Ruskin variety, and Gandhian ideas of self-reliance. We will review the interpretation of the three approaches in the historical order of their emergence, focusing primarily on their analysis of how the State was to blame for many of the problems confronting the poor countries by the beginning of the 1970s.

²⁵ The term “development decade” was coined by the United Nations General Secretariat, which named the period of 1950-1960 as the first development decade. See United Nations [1965].

²⁶ See Morawetz [1977]; Paauw & Fei [1973]. Even Hans Singer, who was quite critical of the 1950s growth paradigm, wrote: “The current fashion of talking about a ‘decade of frustration’ is somewhat exaggerated. If anything, statistics of GDP growth understated the improvements that had occurred. When we substitute other more indirect indicators, such as improvement in the literacy rate, increases in the stock of educational capital within the population, or health indicators such as incidence of certain diseases, the picture of the 1960s is by no means of slower progress than in the 1950s; rather the contrary.” See Singer [1968, p. 51]. In a similar vein, Albert Hirschmann [1971] wrote in support of a “bias for hope” and argued that the criticism against the development paradigm was creating the impression that no progress was possible unless some very basic structural conditions were met.

8. *The dependent, capitalist State*

Much has already been written about the Marxian approach and dependency theory [Cardoso & Faletto, 1979; Chilcote & Edelstein, 1974; Dos Santos, 1970; Frank, 1972; Amin, 1977]. In a nutshell, the theory argued that broad-based economic development had not occurred in the poor countries because of their linkage to the global capitalist economy, dominated by the rich countries which, through a process of “unequal exchange”, had acquired a disproportionately large share of the surplus created in the poor countries. As a corollary to that, the poor countries were dependent on the rich countries for investment, capital and consumer goods, technology and so on; and these dependencies strongly influenced the “enclave pattern” of development within the poor countries. The growing income inequality within these countries was due in part to the growing income inequality between the rich and poor countries, and in part to the capitalist nature of the national economy, which *required* unequal income distribution so as to create a surplus for the local elite to trade in the international capitalist market primarily for luxury goods.

The collapse of democracy in most poor countries was explained by the need for the local elite to continue by force the exploitative process of surplus extraction from their countrymen. And in this the poor countries’ elite and their armies were aided, the critics argued, directly and indirectly, by the rich countries’ governments, which took full advantage of the vulnerability and dependency of the poor countries.

The Marxists dismissed socio-cultural problems as epiphenomena, arguing that the “real” basis for antagonistic relationships was the capitalist production relationships in which the poor, irrespective of caste, religion or tribal background, were all exploited. And, if they failed to understand this and, instead, fought among themselves, it was because either they suffered from “false consciousness” or the State encouraged such divisions among the poor. The issues of tradition, belief and values which had emerged as rallying points for group solidarity were dismissed by the Marxists on similar grounds. They insisted that the class identity of social groups was what mattered most in bringing social change, and that the notion of tradition was being used by the State to divert the attention of the poor from the possibilities for class struggle [Hobsbawm & Ranger, 1983].

As is apparent to the reader by now, the Marxian interpretation of the State’s role was very different from the 1950s description of the benign State. According to the Marxists, the State was neither the protector of public interest, nor did it have the autonomy to restructure the capitalist

relations of production and reproduction so as to genuinely help the poor.²⁷ The State was captive to the dominant class, both national and international; and it would use its monopoly power over the means of coercion to further their interests.

State planning, according to the Marxists, was not intended for facilitating broad-based development: its primary purpose was to help the capitalist system survive the periodic crises it created for itself [Harvey, 1978]. And the state planners, who are supposed to be part of the “central intelligence cluster” guiding public policy, were in reality handmaidens of the dominant powers in society. With their petit-bourgeois outlook, acquired partly through the educational process and partly in their class upbringing, the state planners would never use the state machinery to alter the basic relations of capitalist production. They would, instead, tinker at the margins with disjointed incremental policies to avert direct class struggle. But this “reform mongering” at the margin does not work well to pacify the poor, because each state policy creates a new “contradiction” which threatens to destabilize the capitalist system [Benton, 1985].

9. Whatever happened to the revolution?

Despite the many “contradictions” of capitalism, by the mid-1970s revolution had not occurred in most poor countries.²⁸ This was frustrating to the Marxist scholars who had been greatly inspired by the Chinese and Cuban revolutions, and had hoped that other poor capitalist countries would experience similar revolutions, sooner or later. The Marxian “laws of motion” provided the theoretical rationale for much of that hope. As for empirical evidence, the Marxists argued that the so-called green revolution would accentuate income inequality and the rate of landlessness in the rural areas; and, coupled with the growing discontent among the urban poor due to the exhaustion of the import substitution strategy, the conditions would be ripe for revolutionary overthrow of the dependent, capitalist State.

On writing about the revolutionary potential of the urban poor, the Marxists had pinned their hopes not on the small traders, hawkers and others who earned their living in “the lower circuit” [Santos, 1975a] of the urban economy, but on industrial workers who were believed to be much more class-conscious. This was in line with Marx’s original thesis that the

²⁷ There are many variations of this general theme in the Marxist and neo-Marxist literature. For a thorough review see, Jessop [1990]; Harvey [1976]; Conroy [1984].

²⁸ Barring Cuba and Nicaragua, no other country in Central and Latin America had experienced revolution by the mid-1970s.

industrial workers were *the* proletariat with nothing to lose but their chains; and that they should be in the vanguard of the revolution. The poor in the lower circuit, even if they were more numerous, were not given much importance because they were thought to be “peasants in the city”, going through a transition that did not provide the material conditions for revolutionary consciousness. Some on the left went even further; they argued that the poor in the “lower circuit” who earned their living through small, unregistered businesses were *petit-bourgeois* in their expectations; and that they were likely to be on the wrong side when the revolution came [Burgess, 1978].

The revolution did not come by the early 1970s, even after a sharp decline in the economic performance of most poor countries.²⁹ Its absence was explained, again, by blaming the dependent, capitalist State. The grievances against the State were many. In a few cases, the critics argued — and rightly so — that, through the use of strong repression, the State had managed to subdue social uprising [Frank, 1981; Rouquie, 1987]. But, in most cases, there was no uprising by the poor — and that had to be explained. Some argued that by creating a patron-client relationship with the poor, politicians and state actors had undermined the possibilities of group solidarity among the poor [Sandbrook, 1982; Thomas, 1985; Eckstein, 1977; Nelson, 1979].³⁰ Others argued that industrial workers had been “incorporated” into the system by striking deals with their leaders [O’Donnell, 1977; Davis, 1990]. Still others, who studied urban squatter improvements and other poverty alleviation policies, complained that the poor — or at least, a segment of them — had been co-opted; that the reformist policies of the State were merely symbolic gestures, token recognitions of the poor’s need; and that this was another way of establishing social control [Michel, 1973; Burgess, 1978]. The critics argued that the State’s basic intention was to continue the capitalist accumulation process; and if state policies were directed towards helping the poor it was because the State felt threatened, or because poverty alleviation measures also contributed to accumulation by some sections of the elite, or because

²⁹ That most poor countries experienced a sharp decline in economic growth by the early 1970s is documented clearly by the World Bank [1980]. There was more than one reason for the decline. For example, some attributed it to the oil price hike; others blamed the recession in industrialized countries; still others argued that import substitution policies of the 1960s had, in effect, run out of steam. See Fishlow et al. [1980]; Helleiner [1980]; Seers [1979].

³⁰ For a detailed review of the literature on patron-client relationship see Eisenstadt & Roniger [1984].

such policies, like awarding land titles to the squatters, were really intended to increase state revenue through taxation [Gilbert & Ward, 1985].

The fact that the World Bank played a leading role in the early 1970s in assisting poverty alleviation measures by poor countries' governments did not go unnoticed. The critics argued that the World Bank as a global institution controlled by the rich, capitalist countries was in the business of strengthening the global capitalist system, which transferred "surplus value" from the poor to the rich countries [Leys, 1975; Payer, 1982]. So the World Bank, which supported poverty alleviation projects and policies such as self-help housing projects or loans for petty traders and small manufacturers, was criticized for aiding in "surplus extraction" from the poor [Portes & Walton, 1981; Wallerstein, 1984]. Some criticized these schemes for keeping the poor busy so they could not participate in political mobilization.

Deeply disappointed that the revolution had not happened, the Marxist critics were unanimous in their condemnation of the "reform-mongering" by the State. They were convinced that such policies would create "new contradictions" for the capitalist State, which will vacillate, forever, between the dual demands of accumulation and legitimation [O'Connor, 1973].

10. *The rent-seeking State*

If the absence of revolution was the *problematique* that motivated much of the neo-Marxian theorizing about state-society relationships in poor, capitalist countries, the sharp decline in economic growth in the early 1970s in poor as well as rich countries was the primary reason for neo-liberal theorizing about state-market relationships. As Killick [1989] describes in great detail, the early 1970s was marked by significant slowing down of the global economy, increasing internal debt in poor as well as rich countries, and "stagflation" — which meant high inflation and high unemployment at the same time, a peculiar juxtaposition of trends which could not be adequately explained by the conventional "Phillips curve" and Keynesian macro-economic theory.

How were these adverse economic trends to be explained? Wasn't global economic growth supposed to continue unabated, as Rostow and others had predicted?³¹ Who was to blame for this "disjuncture" in

³¹ Rostow [1971] had predicted a steady rate of growth and a steady rate of high consumption for the rich countries which were supposed to be at the top of the famous S-curve. The poor countries which were at various points in the lower part of the S-curve were

capitalist growth? The poor countries, which were hurt more as a result of the global economic downturn, blamed “the international economic order”, borrowing part of their arguments from the neo-Marxian world system theory. They argued that the existing global economic arrangements dominated by the rich, capitalist countries had become dysfunctional, and that only a new international economic order (NIEO), more egalitarian and responsive to the structural disadvantages of the poor countries, was required to regenerate economic growth [Fishlow et al., 1980]. The neo-liberal response, formulated in the logic of “monetarism” and a resurgence of neo-classical economic theory, counteracted the call for NIEO by blaming the governments of poor and rich countries for much of the problem. And in contrast to the Marxian argument that the economic problems were signs of the structural crisis of “monopoly capitalism” dominated by multinational firms of rich countries, the neo-liberals argued that the functioning of national and global capitalism had been distorted by heavy-handed government intervention, which is to be blamed solely for the unexpected outcome. To put it another way: while the neo-Marxists criticized the State for doing too little in altering the basic structure of capitalist production, the neo-liberals attacked the State for doing too much!

The arguments against state intervention were many.³² Briefly, critics argued that state attempts to plan, regulate and control the economy had a perverse effect: instead of creating the conditions for economic growth, they had distorted the functioning of the capital, labour and commodities market, created disincentives for private investment, given rise to parallel markets, and overextended the involvement of the public sector, especially in the sphere of production. To put it another way, state intervention which was originally intended to correct “market failures” has, instead, led to “state failures”, retarding economic growth to a much higher degree than what could have been achieved even with market failures. Among the various forms of state intervention, the common targets of attack were import substitution policies, which were criticized for artificially closing the economy against external competition; creation of public and quasi-public enterprises, which were shown to be inefficient and to contribute to fiscal deficits; overemphasis by the State on physical capital formation and largely inequitable “social sector” spending; and, most importantly,

to eventually climb to the top, where they, too, would have steady growth and high consumption.

³² For a good review of the arguments see Toye [1987, pp. 71-94]; Arendt [1987, pp. 149-164]; Meier [1987].

various forms of controls and quotas, such as are used in the allocation of import licences, which increased transaction costs for private businesses.

As I mentioned earlier, the arguments against state intervention by neo-liberals were not confined to poor countries only; the rich countries' governments were blamed for slowing down their own domestic economies, which could no longer be the engine of growth for the global capitalist economy. Though the political-economic contexts in the rich and poor countries were significantly different, there was surprising similarity in the arguments against state intervention in both contexts. For example, in both the rich and poor countries, the State was criticized for pursuing deficit-driven fiscal policies in the Keynesian mode. Similarly, the State in both contexts was criticized for creating disincentives for private capital by high taxation and increasing the share of government spending in the GNP.³³ This similarity in the analyses was, in part, due to the use, and the misuse, of the theoretical frameworks of "monetarism" and "supply-side economics" which were introduced first in the rich countries, and later exported to poor countries under the ideological tutelage of President Ronald Reagan and Prime Minister Margaret Thatcher. And, as a corollary to that, the simultaneous collapse of the "Keynesian consensus," as Killick [1989] calls it, and that of the discipline of development economics led to a virtually universal celebration of the power of the market forces and an equally universal condemnation of the role of the State.³⁴

In condemning the State, the neo-liberal economists constructed a theory of the State using economic logic. The purpose was to explain why the State was pursuing policies which were clearly irrational in economic terms. Since much has also been written about this aspect [see Collander, 1984; Srinivaran, 1985; Bates, 1981; Bauer, 1984; Dealone, 1987; Inman, 1985; Whyne & Bowles, 1981], I will not attempt to recapitulate all the arguments, except one, which is central to neo-liberal theorizing: namely, the Rational Choice model and the related notion of the rent-seeking State. The neo-liberal economists argued that what appear to be economically irrational policies were politically as well as economically rational for the state actors to adopt. Policies that may be economically irrational from the point of view of the general, public interest were rational in terms of serving the private interests of the politicians and the bureaucrats

³³ This is the classical "crowding out" argument according to which state investment in the process of production crowds out private investment, which cannot compete with the State because of its monopoly power. For a detailed review of this argument, see Friedman [1970].

³⁴ On the decline of development economics, see Hirschman [1981]. Not all development economists, however, agree with Hirschman. For a dissenting view see Sen [1983, p. 372].

[Niskanen, 1971; Hehn, 1986; Austen & Silver, 1979]. That it was of private interest to the politicians to be elected to office was hardly a new insight by the economists — except for the way in which they described the “market for political office phenomenon”. But the interpretation of bureaucratic behaviour was new: it rested on the assumption that bureaucrats act in their own interest instead of public interest, as was commonly believed in the 1950s; and that one way they further their own interests is by creating regulations which restrict free market transactions and by charging “a rent” from the market participants who would like to earn “scarcity premia” as a result of the regulations [Krueger, 1974; Buchanan et al., 1980; Bhagwati, 1982]. There are many variations of the central idea, but what is important for our purposes is to understand how the “rent-seeking” portrayal of the State adversely affects its legitimacy as an institution concerned with the public good. In essence, the rent-seeking approach argues that the State is not an autonomous and benign actor, but has been captured by a “special-interest group” whose members are part of a new class which controls some of the means of production and all the means of distribution by controlling the state apparatus.³⁵

The notion of the predatory State is partially based on the concept of rent-seeking bureaucrats; it relies also, in part, on other charges against poor countries: namely, that in these countries the State is unaccountable and has a legal monopoly over the means of violence, which it uses against any potential competitor who can challenge the State’s monopoly in the sphere of economic or political activities [Lal, 1984; Evans, 1992]. Added to this main criticism are related charges that the State is corrupt, that its activities are influenced by nepotism and often based on a patrimonial or personal rule system [Sandbrook, 1986; Jackson & Rosberg, 1984; Harrison, 1980], and that it is the biggest obstacle to the development of productive forces.

Drawing on all these criticisms of the State, the neo-liberal economists argued that the low economic growth and increasing income inequality which marked most poor countries by the beginning of the 1970s was not a consequence of either national or global capitalism; on the contrary, because capitalism was not allowed to take its natural course by the predatory State, the poor countries were able neither to increase the size of their “national pie” nor to distribute it in an egalitarian way.³⁶

³⁵ On the notion of the emergence of a class which controls the means of distribution, see Sklar [1979].

³⁶ Although this argument is implicit in much of the neo-liberal literature, it is most explicitly stated in Berger [1987]. In his introductory essay, Berger argues that “whatever the driving force of ‘Kuznets effect’, it is unlikely to be capitalism” [p. 6]. Berger then

11. Political precondition for capitalist development

In contrast to the 1950s, when democracy and development were assumed to be interdependent, in the early 1970s both political scientists and economists began to question the efficacy of democracy. In this 180° turnaround, political scientists used the evidence of authoritarianism in increasing numbers of poor countries to argue that perhaps establishment of a “political order” was a more important prerequisite than democracy for capitalist development [Huntington, 1950]; and that the emergence of political order required a strong State which could withstand the decay of old political institutions as a result of growth [Olson, 1963], and counter the centrifugal tendencies of various factional forces, old and new. This support of authoritarianism by the non-Marxist political scientists was so widespread that, in 1979, Soedjatmoko, while delivering the Ishizaka Memorial Lecture, commented that “a majority of Western development theorists seem to have come to accept, with some regrets to be sure, the seeming inevitability of development to be accompanied by authoritarian government”.³⁷

The neo-liberal economists, along with their “public choice” and “New Institutionalism” friends, criticized the efficacy of democracy on other grounds. For evidence, they relied primarily on the experience of rich countries which, as I mentioned earlier, were also facing growing economic problems by the middle of the 1970s. The economists argued that the problems of the larger economy were largely due to the problems of the welfare State which needed an increasing level of taxation to pay for the demands of various social groups.³⁸ And, as an extension of that argument, the economists, using their theories to explain political trends, argued that democracy did not produce a State that could represent “the public interest”; instead, a few interest groups imposed their preferences on the rest of society by using the coercive monopoly power of the State [Buchanan & Tullock, 1962; Rowley, 1987; Olson, 1971]. This line of argument led the economists to propose that most decisions should be left to the market and there should be only a minimalist State to protect individual rights, persons and property and enforce voluntarily negotiated

proceeds to argue that capitalist development generates powerful equalizing forces and that it tends to do so more reliably and more humanely than socialist regimes [p. 15]. In another article on the volume by Fei & Ranis, “Capitalist development in Taiwan”, pp. 223-247, the authors argue that Taiwan and Korea attained both high growth and income equality because these countries pursued an export-oriented development strategy.

³⁷ This quotation is referred to by Huntington [1987, p. 15].

³⁸ See Offe [1987] for a detailed discussion of this argument.

private contracts [Buchanan et al., 1980; North, 1981]. This alone could guarantee “freedom” from political tyranny; it would lead to higher rates of private investment and economic growth [Friedman et al., 1985; Buchanan, 1986].

12. Cultural preconditions of economic growth

The neo-liberal economists did not have much to say about the cultural prerequisites of economic growth, although by the early 1970s both rich and poor countries were experiencing increasing social protests against the culturally homogenizing tendencies of the market and the State. This silence on the cultural aspects of economic development was also a major turnaround. Only 20 years before, most economists had argued that cultural change was a prerequisite to economic development and, thus, had recommended that the State play a key role in fostering nationalism and market-oriented behaviour. But, by the beginning of the 1970s, culture had become a non-issue in the resurgence of neo-classical economics. Why was this? In part, because, neo-liberal economists assume *all* individuals to be rational actors with a utilitarian approach to life. In such an approach, personal interest guides action in the economic as well as political marketplace. All social protests, even the type based on beliefs rather than interests, are assumed to be interest driven; and the individuals who are likely to benefit from such protests are assumed to be interested not in protesting as such but in the outcome, which in most cases would involve some form of concession or subsidies by the State for the entire group. In this scenario, what worried the neo-liberal economists was the so-called “free riders” problem. It is this issue that drew their attention to the cultural movements that marked so many poor countries by the beginning of the 1970s.

13. North American influence on anti-state sentiments

Although the poor countries’ problems were the focus of debate between the neo-Marxists and the neo-liberals — and both blamed the State for their problems — the problems confronting the rich countries by the early 1970s added an extra punch to the worldwide popularity of “government-bashing”. I have already discussed one aspect of this growing anti-government sentiment among political scientists and economists who blamed the welfare State for much of the problem; but there were other factors which contributed to the discrediting of the State. In North America, for example, the confidence in government had sunk to an all-

time low by the mid-1970s [Dyckman, 1986]; partly because of the government's "other war" on urban poverty which, many argued, the government had lost in some measure because of the Vietnam War in which nearly 55,000 United States soldiers died; and partly because of the infamous Watergate scandal. To average North Americans, who are generally much more distrustful of government than, say, the Europeans,³⁹ these events, coupled with the high inflation and slow economic growth at the time, were enough evidence that their government had become unaccountable. There were, of course, other reasons. As Castells [1975] argued, by the early 1970s the State, both in the United States and Europe, had become deeply involved in many aspects of society which were previously managed by families and communities. These involvements, which Castells argues were inevitable in advanced capitalism riddled with internal contradictions, had politicized average citizens against what they considered state intrusions in their lives. By the end of the 1970s, the North Americans and, for that matter, even some European countries had elected political leaders who had promised to reduce the State's influence. These leaders were also instrumental in propagating their anti-government sentiments to the poor countries by using bilateral and even multilateral aid institutions [see Sanyal, 1986].

Among the rich countries, the role of the United States is of particular importance to us because much of the development discourse after the Second World War was heavily influenced by ideas as well as financing from the US [Rosen, 1985]. I mentioned earlier one element of the early development doctrine — namely, the mutually supportive role of capitalism and democracy — which was based largely on the American experience.⁴⁰ Although this relationship came to be questioned by the early 1970s, there were other US experiences which influenced the tone of development discourse even then. The US experience that had the strongest influence in the early 1970s was the anti-poverty programme of the Johnson administration. This programme, started with much fanfare in 1964, was expected to increase the income, consumption and general quality of life of the poor in US cities. The programme was funded primarily by the federal government, and involved various schemes, ranging from income generation to housing provision, some of which were administered by the federal government and others by the State and local

³⁹ See Barylon [1983] for an elaboration of this point. Barylon argues that the North American notion of the ideal State is "non-State" whereas the Europeans are motivated by the notion of the "imperial State".

⁴⁰ See Footnote 13.

governments. But by the early 1970s, there was a growing perception among North American planners that the anti-poverty programme had failed to deliver on its promises [Dyckman, 1978; Friedmann, 1973; Goodman, 1971]. The attacks on the anti-poverty programme came from both the left and the right of the ideological spectrum, just as development planning was being attacked at the time from two ideologically opposing camps [Patterson, 1987]. And, as with development planning, the government received the most blame for the failure of the anti-poverty programme. The criticisms of the government were similar in form, too: some criticized the government either for doing too little, or for co-opting the poor [Piven & Cloward, 1979]; others criticized the government for too much intervention, and for ignoring the magic of the market [Kristol, 1978; Glazer, 1970].

Partly as a result of these criticisms, President Nixon drastically reduced the federal government allocation for revenue sharing with cities; and by the time he left Washington in disgrace, the eclipse of government legitimacy was nearly complete. By 1974, a majority of North Americans had concluded that, instead of solving socio-economic problems, the government, particularly at the federal and state levels, was the primary contributor to such problems [Sarbib, 1978].

14. Anti-state theorizing: Construction of political myths or representation of reality?

Should the numerous criticisms of the poor countries' governments, by both neo-Marxists and neo-liberal critics be taken seriously? Or are they of minor importance because they are merely socially constructed ideas, primarily of academics who have very little to do with day-to-day governance and administration of poor countries?

Even if the criticisms are treated merely as ideas, they are powerful because they influence the decisions of institutions that shape economic relationships. The cause and effect linkage between ideas and institutions is, of course, dialectical: each influences the other. Powerful institutions often create hegemonic ideas and, at the same time, derive their power from such ideas. John Maynard Keynes had understood the importance of this relationship between ideas and institutions when he wrote the famous "General Theory" during the worldwide recession of the early 1930s. To quote Keynes: "The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else." [Keynes, 1936, p. 383]. Perhaps Keynes went a little too far in emphasizing the

primacy of ideas; nevertheless, his comment was insightful, as history was to prove by the powerful influence of his ideas, in rich as well as poor countries, for the next 50 years.

If ideas are powerful, then they should be scrutinized closely for their intentions, validity and impact. Our purpose in analysing the two ideologically opposite ideas about the nature of the State in poor countries was to take the first step towards that larger objective. Based on a historical analysis of the two ideas of neo-Marxism and neo-liberal economics, we argued that their equally severe criticism of the State in poor countries led to an ideological convergence in the early 1970s, creating a new ideological hegemony of anti-government sentiment in development discourse. We also argued that the two strands of criticism were motivated partly by their need for validity in the face of failed predictions. Revolutionary uprisings had not swept across all poor capitalist countries, as the neo-Marxists had predicted, nor had the global capitalist economy grown by leaps and bounds, pulling up the poor countries on the Rostowian S-curve of steadily higher income and consumption. It is possible that the failed predictions were frustrating to both camps, who vented their frustration by pointing fingers at the culprit — the State — that kept their theories from working. And by attacking the State, the two ideologically opposite camps were also attacking each other. The attack on the dependent capitalist State by the neo-Marxists was as much an attack on the evils of the capitalist global economy whose exhaustion by the early 1970s must have been of some satisfaction to them. The neo-liberal economists — strong believers in the inherent goodness of the global capitalist economy — responded to its stagnation by blaming state intervention, which in their minds is associated with anti-market urges.

In the early 1970s not many came to the ideological defence of the State, caught in the crossfire between the neo-Marxists and the neo-liberals. Even development economists belonging to the “structural school”, who had earlier argued for a strong role of the State, did not have much to say in its defence; on the contrary, some of their most vocal members became intensely critical of their earlier theoretical allegiance.⁴¹ Perhaps the absence of support for the State was also a function of the intellectual fashion of the time, shaped by a number of events, in both rich and poor countries: for example, the clear turn towards authoritarian regimes in Latin America; the severe criticism of the bureaucracy by Mao-Ze-Dung as a part of the cultural revolution; the invasion of Czecho-

⁴¹ Toye [1987, p. 33] substantiates this argument by comparing the work of a number of structuralist economists, including that of Dudley Seers, his colleague at the Institute of Development Studies at Sussex.

slovakia in 1968 by the Soviets; the realization by Krushchev of the atrocities committed by Stalin in the name of the State; and, as we mentioned in some detail earlier, the growing disillusionment among the North Americans with their own government at the time. All these events, we propose, gradually eroded the legitimacy of strong state action, particularly among the intellectuals and academics.

To be sure, there was much to criticize about the State's role in poor countries; and there was some truth in both the neo-Marxist and neo-liberal economists' criticism. But there was also much exaggeration and unfair criticism. For example, the neo-Marxists argued that the poor countries' States, in conjunction with international capital, had "underdeveloped" the poor countries. But what about the investment by the State in both physical and social infrastructure? Morawetz's [1977] empirical study of 25 years of economic development demonstrates that though most poor countries failed to fulfil all their promises, much was achieved despite numerous unforeseen problems, like droughts, floods, or other natural calamities. This is also supported by a recent study by Nancy Birdsall [1989] which demonstrates significant progress by the poor countries in increasing longevity and reducing illiteracy and many other social problems. For example, Birdsall documents that life expectancy in India in 1980 exceeded life expectancy in France in 1930, despite much lower levels of income and educational levels in India than in France at that time.⁴²

In the past, the neo-Marxists characteristically either ignored or rejected any evidence of this sort that did not validate their theory. But, more recently, some among them have begun to acknowledge that the picture is not totally black and white. Bill Warren's [1980] research, for example, has clearly demonstrated that the underdevelopment argument, made popular by Frank, Cardoso and others, has many shortcomings, particularly when subjected to empirically based evaluations of the poor countries' performance in developing infrastructure, making capital investments and so on. Similarly, Keith Griffin — another vocal critic of "rural maldevelopment" — has acknowledged that, despite numerous problems that remain to be solved, on the whole the rural poor in most developing countries are better off now than prior to these countries' independence from colonial rule [Griffin, 1988].

It is intriguing that when the neo-Marxist critics are modifying their stance on the "development question" by rejecting orthodox Marxist-Leninist interpretations, the neo-liberal critics, who in the past had always blamed the neo-Marxists for advocating totalitarianism, are becoming

⁴² Birdsall [1989, p. 10] cites a study by Golladay & Luise [1980].

totalitarian themselves in their advocacy of the free market solution to all developmental problems. And in pursuing this totalitarian approach, the neo-liberals have been unfair, we would argue, in their criticism of state intervention in the development process. One should remember that during the 1950s virtually every economist was recommending that poor countries' governments intervene in creating the productive base for a growing capitalist economy. Interestingly, the word "intervention" was not much used then: economists, when advocating state involvement, used softer terms like facilitation, encouragement, or promotion in describing the State's role in the creation of markets. There was no debate then about "State versus market" — which is a common theme now. The common wisdom was that without state initiative in and guarantee of investment, largely subsistence economies were unlikely to transform into markets. To put it another way, the creation of market was expected to be neither free of cost nor spontaneous in spirit: there was a consensus that without a strong State a strong market could never emerge.⁴³

Where was the State to find the revenue to invest in the creation of market? And, more importantly, how was the State to manage the inequalities which, as Kuznets [1955] rightly pointed out, were to accompany the emergence of capitalism? The economists did not have much to say on the second question. On the first question, they had emphasized some borrowing, some foreign aid, and only very reluctantly did they propose progressive taxation. Remember the argument Schumpeter [1943] had made about encouraging budding entrepreneurs to save and invest? That meant low taxation of upper income groups whose desire to invest was not to be discouraged. Yet, at the same time, the newly formed governments were asked to encourage democracy; which meant subjecting the government to demands for resources from different groups. That such contradictory advice could create a major problem of legitimacy for the State was, of course, not foreseen by anyone.

By the time the economists — particularly the neo-liberals — began to complain about growing state expenditures on social sectors, about crowding out of private investment by public investment, and about excessive state control of foreign investment, most poor countries had somehow managed to cope with the problems of social, sectoral and spatial inequalities which we mentioned earlier. True, there was repression of opposition to these inequalities in some countries; and that is what made

⁴³ Polanyi [1944] in his famous book, *The great transformation: The political and economic origins of our time*, describes a very similar process of market creation by the State in Europe during the emergence of capitalism.

the political scientists worry about political order rather than democracy. But, on the whole, poor countries' governments managed to extend and deepen market operation without revolutionary upheaval. To what extent this was made possible by increased social spending and various types of state subsidies we will probably never know for sure. But we do know that the tasks demanded of poor countries' governments in the 1950s were incredibly difficult, often involving conflicting objectives: between rapid accumulation and broad-based legitimacy, between creation of a national identity and support of cultural diversity, or between the need for political stability essential for encouraging private investment and the equally important need for "creative destruction" of old institutions. It seems that a full awareness of the difficulties involved in achieving these multiple and conflicting objectives would result in a little more appreciation of the ability of poor countries' governments than the neo-liberal economists currently exhibit.

It is possible that the neo-liberal economists are critical of poor countries' governments not because they are ignorant of the complexities involved in the development process, but because they blame these governments for slowing down the growth of the global capitalist economy in the early 1970s. It is true that by the early 1970s poor countries' governments had gone beyond the role they were expected to play in the development process. As Evans [1979] has so well documented in the case of Brazil, many poor countries' governments did not simply create markets, as the economists had hoped, they also demanded part of the surplus these markets produced for the strengthening of state activities. This required negotiation with domestic as well as international firms about various regulations, taxation rates and so on. This role of the State in a powerful negotiating position was not the image of the State the economists had envisioned earlier. To them it might have appeared as if the State, which was supposed to facilitate market expansion, was hurting it instead.

This issue of State-market relationships came to the fore in the early 1970s with the slowing down of the global economy. Global institutions, such as the International Monetary Fund (IMF) and the World Bank, were instrumental in drawing attention to the issue, hoping that the global economy's lost momentum could be regained by relaxing the State's control over market operations [see Helleiner, 1983; Dell, 1982]. And because these institutions had resources that were greatly needed by the financially troubled poor countries' governments, the neo-liberal economists, who worked for these institutions, might have become rather arrogant in their advice to these governments. The intensity of criticism of poor countries' governments increased even more in the early 1980s, with

President Ronald Reagan championing “the magic of the market forces” as the only solution to national and global economic problems.

This was the time when Non-Governmental Organizations (NGOs) as a new participant in socio-economic change became popular among bilateral as well as multilateral donor agencies.⁴⁴ The development literature at the time described the emergence of NGOs as civil societies’ response to the failure of the State in fostering development. Many argued that, with the assistance of NGOs, a new approach to development, moving closer to the people and their real needs, was in the making. “Development from below” became a popular slogan in the development discourse. There were, of course, many assumptions that underlined the growing support for NGOs and grassroots development, about why NGOs emerged, about the comparative advantage of NGOs in fostering development, their role in enhancing the political awareness of the poor, and so on. For our purposes, the crucial assumption deals with the relationship between NGOs and the State. It is to this issue we turn next.

⁴⁴ On the growth of non-governmental organizations and support for them see Drabek [1987].

Part II

Cooperative autonomy: Linkages and distances between the State and civil society

The rise of anti-government sentiment around the world in the 1980s seems to be directly linked with an equal rise in the popularity of civil society — or what is commonly thought of as “the people”. The notion of the people as a counterbalancing force to the State emerged in development planning discourse around the early 1970s, along with criticisms of Third World governments. Until then, the developmental State had been considered responsible for influencing people’s lives by various planning mechanisms ranging from family planning to human resources planning. The notion of community, which implied a small group of like-minded people living near each other, was also part of the development discourse from as early as the 1950s; but until the 1970s, the community and the State were never thought of in oppositional terms [Robertson, 1984]. On the contrary, the community was considered to act as a catalyst for the developmental efforts of the State; and conversely, the State was to facilitate the consolidation of new communities as they emerged through a process of industrialization and urbanization.⁴⁵

The idea that the State and the people could be in conflict with each other as a result of urbanization and industrialization was introduced by Peter Gutkind in his study of urban Africans [Gutkind, 1968]. Prior to Gutkind, a few others had warned of similar conflicts, but their concern was solely with peasant revolts and peasant movements against the landed elite who were thought to be closely aligned with the State. Gutkind was the first to draw the attention of development planners to the revolutionary potential of the urban poor.⁴⁶ After Gutkind, a rapidly increasing number

⁴⁵ The best example of this synergistic relationship between the State and the community, as embodied in a national planning document, was in India. See Dube [1958].

⁴⁶ Gutkind [1968] blamed African governments for creating urban poverty and unemployment by pursuing wrong economic policies which benefited only a small minority of African elite.

of scholars began to write about the plight of the urban poor, primarily by focusing on the squatters and hawkers who were at the time regularly harassed by the State [Mangin, 1967; McGee, 1973]. John Turner's research in Peru was probably the most influential work of that time [Turner, 1965]. Turner's influence was twofold. First, he helped to alter the image of the urban poor from "peasants in the cities" to self-supporting urban workers who built their own homes and communities. More importantly, he created a David and Goliath-like image of "the people" and the State. By early 1967, his remark that Third World States had done so little about housing with so many resources while "the people" had done so much with so little had become a popular slogan for government. It also served to verify the notion of "the people" as a creative force that, if only liberated from oppression by the State, could fully develop the productive potential of poor countries.

By the beginning of the 1970s, the notion that "the people" and the State are antagonistic to each other became solidified, in part because of a new body of research on the concept of "social movement" by North American and French social scientists. The social movement research was based largely on the experience of industrialized countries; but many of the scholars who studied social movements in industrialized countries also worked on developing countries and they soon began to utilize the same theoretical framework to interpret events in both contexts [Castells, 1983; Touraine, 1985; Slater, 1985].

The social movement literature was strongly anti-State and equally strongly "pro-people" in orientation.⁴⁷ Its basic theme was that social movements are a symbol of "the people's" resistance to state encroachment on their lives; and this resistance cannot be expressed through conventional political institutions, such as political parties, because such institutions act as cohorts with the State to impose a hegemonic ideology of progress which justifies state encroachment on people's lives [Offe, 1985b]. This new form of resistance by "the people" was creating a new type of politics, the social movement advocates argued; and by this new politics, "the people" would regain the autonomy they had lost to the ever-encroaching and domineering State [Peattie, 1987].

The anti-State sentiment of the social movement advocates blended well with John Turner's criticism of state-led housing policies in the developing countries. Though at the theoretical level many incongruities

⁴⁷ For a good summary of the literature on social movements see Eckstein [1989, pp. 1-60; Kitschelt [1989].

between the two strands of state criticism existed,⁴⁸ together they interjected a strong anti-government attitude into development discourse. When these criticisms of government were added to those of the neo-Marxists, as well as the neo-liberals, which I described in the last section, the outcome was a sharply polarized notion of State-society relationships whereby "the people" and the State were viewed solely in oppositional terms. This was in sharp contrast to the 1950s notion of the benevolent developmental State. Now the State was thought to be interested, at best, in creating a patron-client relationship with the poor by co-opting them and, at worst, in tightening social control through blatant forms of coercion. As a result, the autonomy of "the people" from the State came to be regarded as a vital precondition for development [Schurman & van Naerssen, 1989; Friedmann, 1988b].

1. Development from below: The fashion of the 1970s

By the mid-1970s a whole range of new slogans appeared in development discourse. Development from below, bottom-up development, grass-roots development, development as if people mattered — these are some of the slogans that social scientists, planners and international donor institutions coined to advocate an alternative development model which would shift the emphasis away from the State to the people [Pugwash Symposium, 1977; 1980; 1981]. The alternative model was to be counter-hegemonic to the "top-down/trickle-down" approach of the 1950s, the central objective of which, the critics argued, had been to achieve state-led accelerated industrialization [Korten & Klauss, 1984; Max-Neef, 1985]. The top-down model had failed, the critics claimed, because the institutions that were created to foster development from the top had themselves become the greatest hindrances to development. The primary target in this criticism was, of course, the State; but others were blamed too. For example, market institutions such as large private firms were criticized for taking advantage of various types of state protection which made them capital intensive and inefficient [Little, 1982; Myint, 1987]. Established political parties were criticized for merely seeking power by manipulation of the poor and collusion with the army and the elite [Nelson, 1979, pp. 125-167; Gugler, 1982]. Trade unions were chastised for protecting the interests of only the "labour aristocracy" and for being incorporated by the State into "the system" [Arrighi, 1970; Sandbrook, 1982].

⁴⁸ See review by Davis of Eckstein [1989] in *Journal of InterAmerican Studies and World Affairs*, Vol. 31, No. 4, 1989, pp. 225-234.

To initiate broad-based development, the proponents of the alternative paradigm suggested a different constellation of actors, issues, values and modes of action. In contrast to the top-down model's central objective of accelerated industrialization and economic growth, the bottom-up model advocated new emphasis on rural development and distributional issues [Friedmann & Douglass, 1975; Ghai & Alftan, 1977]. Instead of the state-administered, large-scale infrastructure projects which were central to the top-down model, it advocated small-scale, bottom-up projects that directly involved the urban and rural poor in income-generating schemes. Typically, these projects involved small groups of poor families who had neither any assets nor a steady source of income. Subsidized credit was made easily available to these families for starting small business enterprises [Mann et al., 1989; Bromley, 1985a]. These enterprises ranged from basket-making and similar non-agricultural activities in rural areas to the production of low-cost wage goods and the provision of various services in urban areas. The assumption was that these activities would generate profit, savings, and investment at the bottom, thereby eliminating the need for income to trickle down through the social hierarchy [Stearns, 1985; Ashe, 1981].

The bottom-up approach to development was expected to have a political impact as well [E. Bhatt, 1989; Nojonen, 1989]. It was commonly believed that the income-generating projects would empower the poor by making them self-reliant. These projects were also to serve as the basis for organization of the poor into small solidarity groups, which would enable them to break away from the traditionally exploitative relationships with local money-lenders, middlemen, and landlords [Everett & Savara, 1987; Ashe, 1989]. The need for solidarity groups was justified on the grounds that the mainstream political process, controlled and manipulated by the State, the official political parties, the elite and in some cases the army, was not responsive to the needs of the poor. Hence, the poor needed to organize themselves, not as another political party that could be coopted by the system, but as small, territorially bounded, autonomous groups. Some thought that these groups would eventually function as "democratic cells", culminating in a system of self-governance [Frantz, 1987; A. Bhatt, 1989; Ralston et al., 1983a].

2. Non-governmental organizations: The new agents of development

Although self-governance and economic self-sufficiency of the poor were the central objectives of "development from below", proponents of

this paradigm argued that to achieve these objectives the poor needed the assistance of non-governmental organizations (NGOs), at least in the short run. There were many arguments in support of NGOs, and I will discuss them later in this report; but for now I want to emphasize the central assumption underlying these arguments: that NGOs are the most appropriate catalytic agent for fostering development from below because their organizational priorities and procedures are diametrically opposite to those of the institutions at "the top" [Nyoni, 1987; Gorman, 1984, pp. 1-22]. Unlike state and market institutions, which are assumed to be driven by the need for social control and profit-making, respectively, NGOs are assumed to be interested primarily in community building [Padron, 1988; Cheema, 1983]. And in their community-building effort, NGOs rely neither upon the coercive forces used by the State, nor do they adopt the profit-seeking mechanisms of the market institutions. Rather, NGOs rely solely on bondings of solidarity among the members of civil society; and this is achieved through decentralized forms of management sustained by voluntary local participation [Brown & Convey, 1987; Korten, 1980].

A second assumption, a corollary to the first one, was the notion that to be truly effective NGOs had to function independently of both the state and market institutions. The need for NGOs to be relatively autonomous was argued in the following way. First, if NGOs were to work jointly with the State, eventually they would be either controlled or co-opted by the State, thereby losing their legitimacy and effectiveness [Uphoff, 1986a; Fernandes, 1981; Wortman, 1989]. Second, if NGOs were to work with market institutions, they would be influenced by profit-seeking motives which would cause community solidarity bondings to degenerate into market-based exchange relationships. Third, the autonomy of NGOs from both state and market institutions would encourage self-sufficiency, self-reliance and social innovation on their part, thereby enhancing the chances of self-reproduction of this grassroots-based institutional form.

3. Preference for NGOs over state institutions

There were other reasons why NGOs were considered to be better equipped than state institutions to foster "development from below". These assumptions, which I list below, not only emphasized the positive qualities of NGOs but also implied that state institutions lacked all such qualities. In fact, the criticism of state institutions implicit in the praise of NGOs went even further: for each positive quality of the NGOs, the state institutions were portrayed as having the opposite, negative quality. This "good guy/bad guy" image of NGOs and the State served the NGOs'

interests well: it gave them a sense of identity sharply different from the State — an identity that they used effectively in mobilizing resources from national and international donor communities which, by then, as I described in the last section, had become disillusioned with state-led development from above.

There were at least five arguments in favour of NGOs:⁴⁹

- (1) Because of their small size, NGOs are less bureaucratic in their operation than the State; and being less bureaucratic, NGOs can be more responsive to specialized needs, more efficient in operation, and more innovative in their response to local problems.
- (2) Because of their local base, NGOs are closer to the people, and understand their needs better. Implicit in this argument is the assumption that the NGO leaders and volunteers belong to the locality, but are linked neither to the local elite nor local government officials who are known to be corrupt and eager to syphon off the benefits of developmental efforts. To counteract such possibilities, NGOs involve the people in their decision-making process and encourage widespread participation by the poor in the design as well as implementation of bottom-up development projects. This, in turn, makes the NGOs accountable to the people, who usually lack any control over their government.
- (3) Because of the NGOs' deep knowledge of local resources and of indigenous technology, they are able to identify innovative and inexpensive responses to local problems. The NGOs are also better than the government in learning from their own mistakes or failures. The small size of their operation, the decentralized and bottom-up nature of their internal decision-making procedures, and their volunteers' deep commitment create the organizational flexibility required for rapid organizational learning. All those qualities are in sharp contrast to those of the rigid and gigantic bureaucracy which imposes solutions from the top down and never learns from its colossal failures.
- (4) Because of their disassociation from state and market institutions, NGOs are neither coercive nor profit-seeking. Rather, they are genuinely interested in raising the political consciousness and in

⁴⁹ There is a vast body of literature on non-governmental organizations which has contributed to these arguments. For example, see Ralston et al. [1983b]; Gorman [1984]; Korten [1984]; Fruhling [1985]; Anheier [1987]; Rice [1983]; Berger & Neuhaus [1977]; Hellinger et al. [1983]; McCarthy [1990]; Douglas [1983].

improving the economic well-being of the people. These dual objectives require multi-component projects designed to alleviate the economic poverty and political powerlessness which result from a set of integrated factors. NGOs are particularly good at managing integrated projects because, unlike government ministries, which are sectoral in orientation, NGOs operate with a holistic, cross-sectoral vision of development.

- (5) Although NGOs function autonomously of the State and political parties, they are able to counteract the regressive outcome of government policies by influencing the implementation of such policies at the local level. The assumption underlying this argument is that government policies, which are generally badly crafted and equally badly implemented, could be resisted at the local level, not by opposition political parties, but by NGO-led solidarity groups. Such opposition at the local level would eventually enhance the sensitivity of the government planners to local needs and constraints and perhaps they, too, in the long run, would incorporate this "learning from opposition" in the formulation of better policies.

4. Does development trickle up?

What is the record of NGO-led, bottom-up development efforts? And does the record validate the five assumptions that have been made about the positive qualities of NGOs?

Nearly 15 years and more than 1,000 projects later, the economic impact of the bottom-up approach has been marginal [Levitsky, 1989; McKee, 1989; Bromley, 1985b]. Barring a few exceptions,⁵⁰ these projects have provided neither employment and income-earning opportunities to large numbers of people, nor have they been able to increase significantly the income of those fortunate few who were given easy loans. The barriers to success have been many [see Tendler, 1989; Annis, 1987]. The main barrier, however, has been the lack of demand for the goods and services produced by the small businesses. One factor that contributed to the low demand was the rather low growth rate of the overall economy in

⁵⁰ The Grameen Bank in Bangladesh is usually mentioned as a major success story of development from below; see Rahman & Wahid [1992]. However, the Grameen Bank is not an NGO: it is now a government bank which was started by an NGO that had received significant support from the government. Later in the report we will provide a more detailed account of this symbiotic relationship between the government of Bangladesh and the Grameen Bank.

most developing countries during the last decade.⁵¹ Most of the proponents of development from below, however, never took into account this connection between overall economic performance of the country and the bottom-up projects, in part because they assumed that the economy at “the top” was not connected to the economy at “the bottom”.⁵² And the few who did believe that such a connection existed argued that it exploited the small producers at the bottom and, hence, should not be encouraged.⁵³

The political impact of bottom-up projects has been even less striking than their economic impact. Though the solidarity groups functioned reasonably well in many instances, they served mainly as social pressure groups to ensure repayment of loans by the group members.⁵⁴ In no one case, to my knowledge, did the solidarity groups function as political organisms joined together to put pressure on either the local elite or the local government. This is true even for the few economically successful projects, such as the Grameen Bank.⁵⁵

The lack of political impact of bottom-up projects can be attributed to at least two causes. First, to be successfully implemented, the projects often required the support of the local elite, whose political power could not be challenged. In many instances the local elite captured some of the benefits of the projects in return for their support. Second, the local elite could not be confronted because the NGOs that implemented the bottom-up

⁵¹ See World Bank [1992]. One reason for the low growth rate is the problem of balance of payments that required strong stabilization measures. On that issue, see Taylor [1988]; Singer [1992].

⁵² The economy at “the top” used to be thought of as an enclave economy, geared towards export and a very small section of the domestic elite’s needs for luxury goods. The economy at “the bottom” was thought to be geared towards production of low-wage goods predominantly in the informal sector. For a review, see Santos [1975b].

⁵³ For elaboration of this view, see Burgess [1978]. The main argument for exploitation was based on the notion that connection between “the top” and “the bottom” led to transfer of “value” from the latter to the former. For a more recent elaboration of the view, see Portes et al. [1989].

⁵⁴ The social pressure group works in the following way. Before any member of the group (which usually includes from 5 to 10 individuals) is provided a loan, the other members must guarantee that the loan will be repaid. So, in the case of default by any member of the group, others apply social pressure on him/her for repayment. See Otero [1986].

⁵⁵ Some may disagree with this view by pointing out that in the case of the Grameen Bank, the solidarity groups discuss many issues, such as problems of dowry, wife beating and so on, which raise the social and political consciousness of their group. See Rahman [1986]. Although that may be true, the members of the Grameen Bank have had no impact whatsoever on either local or national politics. For a detailed review of Grameen Bank’s experience, see Cohen [1989].

projects usually lacked institutional linkages with political parties and the government.⁵⁶

This lack of linkage was not an oversight on the part of the NGOs. As I mentioned earlier, such linkages were avoided on the grounds that they would reduce the NGOs' autonomy and, hence, the effectiveness of their operation; and linkages with corrupt and opportunistic political parties would require compromises regarding the ends as well as the means of bottom-up development. But lack of linkages with the ruling political party — or, for that matter, any political party — left the NGOs without any sustained political backing and made them vulnerable to pressure from local political bosses and strong men.

5. *The limits of NGOs*

One factor that contributed to the political vulnerability of NGOs was their inability to cooperate with each other [Sanyal, 1991a]. This is particularly surprising because the NGOs are thought to represent models of cooperation. In reality, though, the NGOs turned out to be extremely competitive with each other and rarely formed institutional linkages among themselves. This was primarily due to the dependence on donations and grants which made every NGO claim that its particular organization was the most effective in helping the poor. To support such claims, each NGO tried to demonstrate to the donor community how it alone had succeeded at designing and implementing innovative projects [Tendler, 1982].

The lack of cooperation among the NGOs, and also their unwillingness to forge institutional linkages with the government, greatly limited the impact of their activities. At best, their efforts created small, isolated projects which lacked the institutional support necessary for large-scale replication. The NGOs were particularly effective in managing small projects away from the official eye, yet they also recognized that unless their scale of operation was expanded, they could not make a significant impact on the problem they wanted to solve. Most NGOs tried to resolve this dilemma not through cooperation with other NGOs, but by expanding their own operations. In the process, they lost the comparative advantages of being small and focused on one activity or one geographic location.

⁵⁶ We realize that linkage with the government does not necessarily provide an NGO the power to confront local elites, particularly if the local elites have strong connections to the government. But the nature of connection between the elite and the government varies widely; and in cases where the government has relative autonomy from the elites, the bureaucrats at the bottom may be used effectively for counteracting the elites. On this see Sanyal [1994].

Typically, they fell apart as either the scale and array of problems became unmanageable, or the original leaders were challenged by others who broke away from the parent organization, taking with them some of the best workers. This, in turn, made cooperation among the NGOs even more difficult, thus undermining their ability to create a unified, broad-based institutional form independent of the government [Sanyal, 1987].

There were a few other surprises for the proponents of NGOs who had envisioned them as leading, from below, an alternative approach to development. These surprises, which I list below, raised questions about the validity of the assumptions regarding NGOs — particularly, their strengths vis-à-vis the government's. Gradually, it became clear to even the strongest supporters of NGOs that the starkly contrasting good guy/bad guy image of NGOs and the State was incorrect: that in reality neither are NGOs all good nor is the government all bad. This assessment, more complex and intellectually sophisticated than the broad generalizations of the previous decade, was the result of the following findings:

- (1) The priorities that guided the action of NGOs — namely, responsiveness, equity concerns, efficiency and accountability — were not that different from those of the government; in fact, government-administered projects had the same four priorities [Lipsky & Smith, 1988]. There was a difference, however, in the emphasis that NGOs and governments gave to these four priorities. NGOs were generally more concerned about responsiveness and efficiency, while government projects took issues of equity and accountability more seriously.

What explains this mixed pattern of emphasis? First, NGOs are pressured by their donors to show results quickly; that is why they are reluctant to focus on the most difficult task, as would be required to assist the poorest of the poor. In other words, though NGOs are generally concerned about the poor, rarely do they create projects aimed at the lowest income decile. Responsibility for that group is usually left to the government, while NGOs focus on groups at a slightly higher level of income.

Second, though NGOs give the impression that they are more accountable to the people, in reality they follow far fewer procedures than governments to ensure accountability. The absence of such procedures is not necessarily harmful; in fact it allows flexibility in operation and even increases project efficiency. Lately, however, the donor community has been demanding a higher level of accountability on the part of NGOs regarding project expenses. Not surprisingly, the

NGOs have resisted this demand on the grounds that detailed record-keeping takes time away from more important grassroots organizing activities [Hellinger, 1987].

- (2) A second surprising finding about the NGOs — particularly the ones that were somewhat successful in assisting low-income groups — is that they were led by individuals from the higher social echelon, with strong but informal linkages to bureaucracy, political parties and other institutions at “the top” [Sanyal, 1994]. Also, these leaders did not choose to oppose any state policy; on the contrary, they were very skilful in using existing government policies and programmes to strengthen their own organizations. In India, for example, an NGO called SEWA (Self-Employed Women’s Association) helped distribute small loans from government banks; but all households that received loans with SEWA’s assistance had to become members of SEWA [Sebstad, 1982].

The case of SEWA, probably one of the most successful NGOs in India, provides yet another interesting finding: that successful grassroots efforts are not necessarily based on new and innovative ideas, but on relatively old ideas which may have been tried, even by the government, unsuccessfully in another context.⁵⁷ What’s more, in administering grassroots projects, successful NGOs did not adopt a mode of action totally different from that used by government. In other words, successful NGOs did not pursue only a decentralized and participatory approach: their success was due to a skilful blending of centralization and decentralization of decisions, cooperation and competitiveness, participation by project beneficiaries in certain aspects and very little participation in other aspects [Biddle, 1984].

- (3) Contrary to the NGOs’ claim that they are adept at pursuing an integrated and multi-pronged approach to poverty alleviation, most successful NGOs, with one or two exceptions, concentrated their efforts on one activity only [Tendler, 1989]. Instead of being involved in multiple activities, such as credit delivery, training, consciousness-raising, and so on, NGOs that were successful in reaching a large number of poor families usually performed one task — mainly, credit delivery. And, even in the exceptional cases — such as an NGO called BRAC in Bangladesh — which pursued a multi-pronged strategy, individual units within these NGOs were responsible for separate and

⁵⁷ This is similar to the finding described in Kramer [1989].

well-defined tasks. Coordination of these separate units usually required a multi-tiered internal structure with a fairly high degree of centralization of decision-making at the top level.

On a related topic: successful NGOs rarely started with multiple activities; and the ones that expanded their operation usually did so either to absorb donor funding, or to take advantage of government programmes which provided a relatively predictable source of income for the NGOs. Much has already been written about the way competition among the Northern donors for funding “innovative projects” influenced the nature of Southern NGO activities [i.e. Van der Heijden, 1987], which I will not repeat here. As for the government’s role in influencing NGO activities, recent research on the topic has demonstrated that, contrary to the NGOs’ rhetoric of autonomy, self-reliance and self-sufficiency, many of them rely heavily on multiple grants from various government agencies and structure their programmes to qualify for such grants [Kothari, 1988]. This is particularly true in Asia and Africa. In Latin America, too, this has become the trend after the collapse of authoritarian regimes.

6. The synergistic relationship between NGOs and the State: Three case studies

Much of the development planning literature in the 1980s portrayed NGOs and governments as having opposite qualities, and recommended that NGOs keep as much distance as possible from the government, but in reality the successful NGOs had worked fairly closely with government entities [Sanyal, 1987]. This finding, which is now recognized even by the NGOs themselves [Stearns & Otero, 1990], added a new twist to the popular rhetoric of bottom-up development. It indicated that as development does not trickle down from “the top”, neither does it effervesce up from “the bottom”. Development requires a synergy between “the top” and “the bottom”, a collaborative effort between the government and NGOs, each with a different comparative advantage in the development process. And market institutions — both big and small, at “the top” as well as at “the bottom” — also need to be integrated with the government and NGOs to create the synergy required for broad-based development. Market institutions provide a third kind of strength to development efforts. Unlike the government and NGOs, they heighten the sensitivity of development efforts to the preferences of consumers and producers and inject a sense of “market discipline” in the organization of development efforts [Tendler, 1989; Hunt, 1984].

The triple alliance between the government, NGOs, and market institutions was rare in the 1980s; and even in instances where it happened, it fell short of generating a positive, cumulative dynamic. Still, for our purposes, it may be important to review these exceptional cases. Even though they are not representative samples of the 1980s development efforts, as exceptions they provide some illumination to our still fairly limited understanding of the general process of socio-economic development. It is for that purpose we describe below three brief and somewhat sketchy examples of the triple alliance between government, NGOs and market institutions.

*A. The Grameen Bank in Bangladesh*⁵⁸

Although in the development-related literature the success of the Grameen Bank in Bangladesh is attributed only to the effort of Dr. Muhammad Yunus and his grassroots-based organization, the Grameen Bank is an excellent example of tripartite alliance between the government, market institutions and a grassroots-based NGO. True, the origin of the Grameen Bank goes back to 1976 when Dr. Yunus and his colleague, Dr. H.I. Latifee, returned from the United States and started a small organization to provide loans to 25 poor farmers in the Chittagong District of Bangladesh. Both Dr. Yunus and Dr. Latifee, however, were institutionally based at that time in the Department of Economics at Chittagong University, clearly an institution at "the top". That institutional association provided not only legitimacy but also a steady source of income to the two organizers. In addition, Dr. Yunus was able to convince a local bank to provide loans of very small amounts to the 25 farmers, not because he was leading a grassroots-based effort, but because his family had a long-standing relationship with the bank where, at the time, his father kept a fairly large amount of money on deposit.⁵⁹

This close relationship between Dr. Yunus and the bank, however, did not affect the interest rate the bank charged for the loans. The bank had insisted, and Dr. Yunus had agreed, that the borrowers would repay the loans at the market interest rate. This provided a sense of market discipline for the ways the funds were used by the farmers. Aided by Dr. Yunus' close supervision of their activities, the farmers were able to increase their production and repay the loans on time. The scale of operation expanded

⁵⁸ There is a growing body of literature on the Grameen Bank. For example, see Harrington [1987]; Hossain [1988]; Rahman [1986]; Roy [1987].

⁵⁹ Personal conversation with Dr. H.I. Latifee in Cambridge, Massachusetts, on 3 June 1987.

significantly when the Government of Bangladesh provided the local bank with both technical assistance and cash for loans to a large number of poor, landless families. The interest rate was maintained at the market level, and Dr. Yunus continued his close supervision of the project beneficiaries by insisting that they begin to save from their earnings for future investment. As the scale of operation expanded, the Government of Bangladesh created a new bank, named the Grameen Bank, to provide credit to a steadily increasing poor clientele.

B. *Proshika in Bangladesh*⁶⁰

Similar cooperation between the Government of Bangladesh and an NGO named Proshika led to yet another successful effort in poverty alleviation. In this case poor, landless farmers were brought together by Proshika and were encouraged to purchase water pumps, which they used to provide irrigation to large and medium-sized farmers in return for payment. This project was successful for two reasons. First, the Government of Bangladesh had passed a directive requiring private banks to provide credit-in-kind to poor, landless farmers. The Government had also imposed a large tariff on private purchase of water pumps to dissuade the medium and large farmers from purchasing their own water pumps. Also, the plot sizes of these farmers were not big enough for them to purchase these water pumps for individual use.

Second, Proshika had not only organized the landless farmers but also had done a careful market feasibility study of the use of these water pumps for irrigation. This study indicated that the introduction of high-yielding varieties of seed had created a high demand for irrigation which the conventional water supply system could not meet. When Proshika organized the landless farmers into small groups and encouraged these groups to apply for bank loans, this study became an effective tool in convincing the banks that the loans they were providing could be paid back. This astute understanding of how market institutions operate, aided by the right kind of government policies and NGO effort, raised the landless families' income significantly.

⁶⁰ For more information on Proshika Manobik Unnayan Kendra, see *Proshika: A Centre for Human Development* (1988) Program Report; Alanddin [1986]; Biggs & Griffith [1985]; *Proshika Manobik Unnayan Kendra, Combating Rural Underdevelopment* (1985), Annual Report; Marshall [1984].

C. *Self-Employed Women's Association in India*

The Self-Employed Women's Association (SEWA) is one of the three most successful NGOs in India. Its success is commonly attributed to the exceptional leadership of Mrs. Ela Bhatt, a Gandhian, who is known to have created SEWA against the wishes of a powerful trade union of organized labour with strong linkages to the government. But, on close scrutiny, the story of SEWA's birth, growth and success turns out to be more complicated and fascinating than the conventional wisdom regarding this organization. Research indicates that SEWA had worked closely with the government more than once during its 17 years of existence and, as a result, had significantly influenced government policy for poor, self-employed women.⁶¹

There was considerable evidence of SEWA-government cooperation: SEWA had worked with nationalized banks distributing subsidized credit to poor women, and the government had procured handicrafts made by SEWA members and sold them in government-run stores. Government-run hospitals and prisons regularly purchased vegetables from SEWA vendors. At SEWA's suggestion, the government created a national-level maternity benefit scheme for poor women; similarly, the government backed a life insurance scheme for self-employed women.

In popular explanations of SEWA's phenomenal success the Indian Government is never given any credit.⁶² On the contrary, the impression is created that the government assisted only because it was forced to succumb to persistent protests by SEWA. But the evidence does not support such a simplistic good guy/bad guy image of SEWA and the Indian Government. For example, SEWA's fight for higher piece rates for members who sold scrap clothing to private merchants was successful, in part, because of strong support from a state government minister. Similarly, the national government had positively responded to the requests of SEWA to make the national five-year plans more responsive to the special needs of poor, self-employed women. What's more, it was the central government that created a national commission to investigate the problems of self-employed women and asked Mrs. Ela Bhatt, the leader of SEWA, to chair the commission. In the NGO community in India the

⁶¹ On SEWA, see Rose [1992]; Sebstad [1982]; Selliah [1989]; Bhatnager [1987]; Jain [1980]; Uphoff [1986b]; Jamari [1991].

⁶² None of the books and reports mentioned in footnote 61 give any credit to the Indian government for SEWA's success. Sanyal's forthcoming book [1994] attempts to correct this record by describing at length the different ways the central as well as state governments have helped SEWA in the past.

creation of this national commission is usually described as a triumph for Mrs. Ela Bhatt; the government's role in creating the commission is quickly dismissed as a mere political ploy on the part of the then prime minister to capture poor women's votes.

7. *The search for cooperative autonomy: The new research agenda*

Despite the growing criticism of government and the concurrent rise in the popularity of NGOs during the 1970s and 1980s, by the beginning of the 1990s it had become evident that, without some form of state involvement, developmental efforts of NGOs, however well intentioned, cannot flourish. Even the staunchest supporters of NGOs who had earlier advocated their total autonomy and delinking from the government began to insist that NGOs *must* work with the government [Korten, 1987; Hirono, 1987]. There was not, however, a recognition of the supportive role the government had played in the success of some NGOs. The argument for cooperation with the government was still couched in anti-government rhetoric. It ran as follows: NGOs have not been successful in generating broad-based and sustainable development because their positive efforts at the micro-level were adversely affected by wrong government policies at the macro-level [Korten, 1987; Haggblade et al., 1986; Schuh, 1987]. To succeed, the argument went, NGOs must influence policy-making at the macro-level, and that requires that they work closely with high-level policy-makers instead of confining their activities to working with the poor.

What will it take for NGOs to work successfully with the government — whether the purpose is to receive government support, as in the three examples cited earlier, or to reform government policies?

One school of thought in the field of development planning, subscribed to mainly by economists, argues that the government and NGOs should work in ways which draw on their distinctly different comparative advantages [Fowler, 1988; Cernea, 1988]. For example, the government is supposed to be best equipped for policy formulation and to have the administrative machinery for large-scale implementation of projects and policies. Although NGOs lack these qualities, their strength is in their ability to reach citizens who are beyond the reach of the government. They are better than the government at ensuring the citizens' commitment to and participation in the development process by engaging them in a learning process, as opposed to a rules-driven, hierarchically structural process, which is preferred by the government. Development efforts should be

based on tapping and combining the comparative advantages of both types of institutions, as well as those of the market, so as to maximize the return from the use of all private and public resources.

The problem with the comparative advantage approach is that it is normative in orientation. It prescribes how the three types of institutions *should* act and interact; it does not explain how they actually do act, and why they do not act the way they should. This shortcoming of the comparative advantage approach first became clear to me during research on the government-NGO relationship in Bangladesh [Sanyal, 1991a]. We came to realize, as a result of extensive interviews with both government officials and NGO leaders, that the government-NGO relationship in Bangladesh at that particular historical moment could best be described as antagonistic cooperation, shaped more strongly by the different institutions' interests at that moment than by their comparative advantages. I could also see that the interests of both groups changed over time in response to changes in the structure of the economy, the institutional environment of laws and regulations, and, most importantly, the political process at the local and national levels.

A second shortcoming of the comparative advantage approach is that it takes into account only one aspect of inter-institutional dynamics: namely, how the institutions of the government and NGOs cooperate. But another, equally important, aspect of inter-institutional dynamics creates a virtually opposite demand: the need for the institutions to be relatively autonomous of each other, which may require some form of distancing.⁶³ So, the important question is what kinds of strategies are adopted by each type of institution to achieve this dual and contradictory objective of cooperation and autonomy. This key question cannot be answered adequately by relying on the theories of comparative advantage.

8. A two-part research strategy

To understand the dialectical tension of cooperation and autonomy between the government and NGOs one must analyse the strategies adopted by both institutions, because the strategies adopted by one (say the NGO) to strike a balance between incorporation and autonomy must influence, and at the same time be influenced by, the strategies that the other — the government — adopts towards it. What this means for research strategy is that for every NGO whose strategies we may want to understand, we must

⁶³ On this issue, see *NGO-Government relations: A breath of life or kiss of death*, 1989, New Delhi, PRIA; Uphoff [1986a].

also analyse how the policies of the governments with which it has interacted emerged. So, there must always be two parts to any research design on this topic, one focusing on the NGO leaders and the strategies they might have adopted to create institutional linkages as well as distances, and the other focusing on government officials — commonly criticized as either “rent seekers” or “handmaidens of the capitalist class” — and their motivation and strategies for cooperation with and autonomy from NGOs.

To pursue such research questions one must necessarily analyse only those NGOs that have been somewhat successful in striking a balance between incorporation and autonomy and also in being a catalyst for a broad-based development effort. Not many NGOs would meet these dual criteria. But that should not deter us because, juxtaposed with our already quite good understanding of why the “representative cases” failed, the few, unrepresentative success stories at the margin may be quite useful.

Once such success stories are identified, what specific questions must we pursue to better understand the dialectic of incorporation and autonomy? To start, we may need to investigate three phases in the institutional development of the successful NGOs — namely, their origin, growth and expansion, and post-success phase. In each phase we need to probe the nature of linkages/distances between the NGO and the government, and try to understand how they were created and what impact they had on the NGO’s internal operation at each stage. Also, what did it take on the part of the NGO to strike a balance between incorporation and autonomy? What kind of obstacles did it face in striking the balance? How was the balance retained? And so on.

9. Are there good bureaucrats?

A study of successful NGOs will not only enrich our understanding of NGOs, but also may generate some interesting and counter-intuitive findings about good bureaucrats who assisted these NGOs at critical moments. A systematic study of these bureaucrats is essential if we are to go beyond the anti-state bias I described in the first part of this report. These good bureaucrats are not really that rare: most NGOs which have worked with the government in one way or another have a few stories about good bureaucrats and socially conscious politicians who helped them at critical moments. When asked about these “good bureaucrats”, NGO personnel usually describe them as exceptions. But when asked why these exceptional bureaucrats could help the NGOs at one time but not at other times, NGO representatives are rarely able to answer in a convincing way.

They would simply say that these bureaucrats are usually senior-level administrators, in some cases personally related to the NGO leadership, and belong to “good families” who happen to be wealthy.

If synergistic development efforts combining the strengths of NGOs and government are to be formulated, we need to go beyond this simplistic notion of bureaucratic behaviour. One way to begin would be to ask whether the action of good bureaucrats is motivated solely by their own interest, as rational choice theorists claim, or by the interests of the dominant class, as neo-Marxists have long argued. A study of such bureaucrats in India who assisted the Self-Employed Women’s Association (SEWA) — one of the three successful NGOs described earlier — indicates that their actions and motivations cannot be understood in these simple terms [Sanyal, 1994]. The study shows that these bureaucrats are quite aware of the internal workings and divisions within the government and of how these divisions, when influenced by change internal and external to the government, indicate the possibilities as well as limits for pro-NGO policies. Under such circumstances, the actions of good bureaucrats are guided, to some extent, by their own interests, but self-interest alone does not determine all their actions. Similarly, the interests of dominant social groups do influence the content of government policies, but are not the only causal factor. Good bureaucrats are aware of these subtleties. They take all these factors into account in supporting pro-NGO policies, and their motivations may be multiple and overlapping: for example, a sense of public interest, pride in getting a job done well, simple altruism, or deep respect for grassroots leaders. These factors and a concern for self-interest jointly provide a sense of meaning to good bureaucrats, who may then act in support of pro-NGO policies.

10. Additional research questions

The incorporation/autonomy dialectic between the government and NGOs is a key relationship to understand, but it is not the only issue to be probed if we are to be more effective in initiating socio-economic change in poor countries. Many other issues, different from but related to the NGO-government relationship, need to be investigated as well. It is beyond the scope of this report to list *all* such issues; but it may be appropriate to conclude by highlighting three issues that require immediate attention.

A. Relationship between market institutions and NGOs

As I noted earlier, broad-based development requires not only a relationship between NGOs and government but also a tripartite alliance

with market institutions. So far, we have discussed mainly the relationship between NGOs and government and have proposed that, in its most productive form, this relationship is characterized by cooperation as well as autonomy. Could that be true also for the relationship between NGOs and market institutions? If not, then what would be the ideal form of relationship between them?

The question of an ideal relationship between NGOs and market institutions is intriguing because in the past most NGOs, as non-profit institutions, had been reluctant to work with profit-seeking institutions. But the NGOs could not avoid discussing the issue of profit-making for long because as they tried to achieve one of their central objectives — namely, self-sufficiency — they had to probe different ways of generating resources, requiring in some cases that they operate at least some of their activities on a profit-making basis [Milofsky, 1988; Otero, 1989]. This dilemma of how to generate a profit without becoming yet another market institution is one that remains unresolved [Taylor, 1992; Coney & Brown, 1985].

B. Relationship between NGOs and political parties

According to conventional wisdom, NGOs should avoid all forms of alliance with political parties, because such alliances are likely to undermine the NGOs' autonomy to advocate their own agenda. Many in the NGO community believe that an apolitical stance on their part best serves their interest because in a politically unstable and unpredictable environment, as is the case in most developing countries, alignment with any political party — even the one in power — could prove to be a burden once the political regime changed [Kothari, 1987; Moha, 1986].

It is true that overt political connection with political parties can hurt NGOs, but it is equally true that, without some form of support and backing from political parties, NGOs by themselves are unlikely to influence the nature of public policies, particularly with redistributive objectives. What's more, without the support of political parties, NGOs become vulnerable to pressure from the local elite and strong men and, as a consequence, the redistributive aim of their projects might be compromised to ensure the projects' rapid implementation.

What, then, should NGOs do to receive strategic political support without committing themselves to a political party? How should they strike a balance between autonomy and incorporation? What kind of obstacles must they override to achieve this balance? What kind of resources must they muster to override such obstacles? These critical questions have received virtually no attention so far in development planning research.

C. Relationship between NGOs and organized labour

A third area of research that has received very little attention is the relationship between trade unions of formal sector workers and NGOs which have attempted to organize urban and/or rural informal sector workers. According to conventional wisdom, formal and informal sector workers are two distinct groups with antithetical interests. This argument runs as follows: labour markets in developing countries are characterized by a strongly divided duality, where formal workers are skilled, receive high and stable wages, and are protected by various labour laws, while informal workers are unskilled, earn low and unstable wages and do not receive any of the benefits of labour legislation [Sethuraman, 1981; Richardson, 1984]. This duality is attributed to a number of factors, including the political power of the organized formal labour force.

Organized formal sector labour, according to the published literature, is very protective of its privileges and views the growing number of informal workers as a potential threat to these privileges [see Sandbrook, 1982; Harrod, 1987]. Conversely, the informal workers perceive their chances of joining the formal labour market as restricted by the high wages that organized formal workers have managed to extract from their employer. As a result, the two labour sectors are inherently antithetical, and it is virtually impossible to create institutional linkages between them. Some have taken this argument further by suggesting that even if the level of antagonism between the two labour sectors were reduced, NGOs of informal workers should never join trade unions of formal workers because the former would be "swallowed up" and used by the latter to pursue their own agenda.

The intriguing aspect of this issue of formal and informal workers is that, despite their antagonism, the two labour groups have rarely confronted each other in open and direct conflict. Some have explained this anomaly by pointing out that formal and informal workers' interests are not always antithetical and may actually be largely overlapping [Sanyal, 1991b]. The evidence provided to support this view is as follows:

- (a) Not all informal workers are interested in a job in the formal sector; on the contrary, many formal sector workers would like to move to the informal sector to start their own enterprises.
- (b) A growing percentage of workers may belong to both sectors.
- (c) Within the same household one member — usually a male — may work in the formal sector while another member, generally a female, may either work in an informal sector job or run an informal sector business.

- (d) Low-income formal and informal sector workers usually live in the same neighborhoods and experience similar problems associated with lack of basic services.

If, indeed, formal and informal workers' interests overlap in so many ways, should NGOs that help organize informal workers try to form alliances with organizations of formal workers? What would it take on the part of these NGOs to form an alliance with trade unions of formal workers and, at the same time, retain relative autonomy from them? Are NGOs organized in ways that are conducive to on-going relationship with large trade unions? NGOs of informal workers are usually loosely organized internally, while trade unions are required by law to have a well-established internal hierarchy. Can these two different modes of internal organization be reconciled? Further, NGOs are usually much less financially stable than national trade unions of formal workers. How would this differential in economic power affect the possibilities for cooperative autonomy on the part of NGOs?

One way to begin to address these questions is to search for examples of institutional cooperation between NGOs and trade unions. Unfortunately, the published literature on either NGOs or trade unions is not of much use in this regard. What is of some use, although only to a very limited extent, is my personal knowledge of one such case of cooperation in India between the Self-Employed Women's Association (SEWA), referred to earlier in this report, and the Textile Labour Association (TLA), which is the largest union of organized labour in India. The SEWA-TLA story is, of course, unique, and no generalizable lesson may be extrapolated from that case alone. Still, in the absence of either case studies or theoretical literature on the issue, it provides some tentative clues about what it takes to foster institutional cooperation between NGOs of informal workers and trade unions of organized labour. The following three lessons from the SEWA-TLA story are provided in that spirit.⁶⁴

- (a) SEWA evolved from within TLA where it had been the "women's wing". The original purpose of the women's wing was to provide education in home economics and household management for the textile workers' wives. Gradually, increasing numbers of these women began to enter the informal labour market because their husbands were being laid off due to the sharp decline of the handloom industry.

⁶⁴ The description of the SEWA-TLA relationship is based on published literature and personal interviews conducted by the author in March 1989. Among the published literature a detailed account of SEWA-TLA relationship is provided in Rose [1992]; Sebstad [1982].

As SEWA's strength and scope of activities increased, the organizers sought to create a semi-autonomous institution that would assist self-employed women. The TLA leadership suggested that SEWA should function as either an NGO or a charitable organization. But the SEWA leadership argued that they, too, wanted to function as a trade union, so they would be taken seriously by the government and the labour movement in the country.

It was a long and difficult battle for SEWA to win the title of a trade union. The existing laws in the country allowed the formation of labour unions only for formal sector employed labour. There was no institutional provision for informal sector self-employed workers, although the majority of the labour force belonged to the informal sector. In its battle with the government SEWA was assisted, however, by TLA leaders who were quite familiar to the top-level bureaucrats in the Ministry of Labour. The obvious question is why TLA assisted SEWA in becoming the first union of informal workers. The answer to this interesting question is complex and requires a detailed understanding of the Indian political situation at that time.⁶⁵ It is beyond the scope of this report to discuss this; our aim is to draw attention to the fact that, without TLA's assistance, SEWA could not have convinced the government to change the labour laws.

- (b) Nearly a decade after SEWA became a semi-autonomous trade union under the leadership of TLA, it declared itself independent of TLA. The separation of SEWA from TLA is a long story, too, and is beyond the scope of this report. What is relevant for our purposes, however, is how SEWA managed to create legitimacy for itself in the face of hostile attacks from the TLA leadership, which withdrew TLA's financial backing of SEWA and tried generally to discredit SEWA's leaders.

The SEWA leaders used a two-pronged strategy. At home they relied on the support of the government, which at that time was led by individuals who had been opposed by the TLA. And, more interestingly, SEWA made a strong effort to win international recognition by affiliating with the International Federation of Food, Beverages, Tobacco and Allied Workers (IUF) and also joined the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW).

⁶⁵ On this, see B. Sanyal (1993), "The Conservative Origin of a Progressive Movement: The Case of SEWA, India", talk delivered at the Center for Population Studies, Harvard University, 18 May.

These external recognitions and the accompanying financial and legal assistance they provided helped SEWA gain institutional stature within India. As Mrs. Ela Bhatt, the President of SEWA, told the author in a personal interview: "Trade unions of formal sector labourers in India never treated us as equal partners until we sat next to them in international forums." This indicates the crucial role international organizations can play in bringing formal and informal workers together.

- (c) SEWA is currently the largest trade union of self-employed women in India. But it is more than a trade union: it has four institutional components, each with its own institutional identity. In addition to the union, SEWA runs a cooperative bank for its members; it manages 20 or so cooperatives which produce and sell various types of goods and services; and it is involved, as an NGO, in implementing various developmental schemes in urban and rural areas.

Through such diversification of its activities, SEWA has managed to survive the institutional uncertainties it faced when it first became independent of the TLA. In its diversification effort, SEWA has been assisted by many, including the Government of India. International institutions such as the International Labour Organization (ILO), International Confederation of Free Trade Unions (ICFTU), World Women's Banking (WWB) and many others have also assisted SEWA in many different ways as well as providing finances for the various activities. Again, it is beyond the scope of this report to discuss in detail all such efforts by international agencies. We could, however, still draw a lesson from such efforts, which is: international institutions can play a critical role in facilitating the interaction of informal workers' organizations with both trade unions of formal labour and governments. They can make it possible for informal workers to cooperate with dominant institutions and yet retain some autonomy from them.

Epilogue

If our objective is to enhance the quality of life of the vast majority of the poor in developing countries, we must go beyond the currently popular anti-state/pro-NGO rhetoric. This does not mean, however, that we should not critically assess the record of past state activities, many of which floundered and were counter-productive. What may be useful, if our goal is to enhance the effectiveness of public policies, is a type of assessment which is: (i) informed by a historical understanding of the causes which shape public policies; (ii) based on reasonable and pragmatic expectations, again drawing on historical experiences; and (iii) relies on institutional evaluation which identifies the key institutional variables affecting policy outcomes.

If we were to adopt this approach to evaluate the developmental efforts of the last 40 years, we would conclude that the tasks assigned to poor countries' governments in the wake of their independence from colonial rule was not only extremely difficult, but, at times, contradictory. Considering this, the record of governmental effort in the developmental process, however flawed, cannot be dismissed as a meagre achievement. We would also conclude that the popular rhetoric about the adverse effect of the "top-down" approaches and the great benefit of the "bottom-up" efforts is not particularly insightful. Development neither trickles down from the top, nor effervesces from the bottom. Development is the outcome of a synergetic process which combines the efforts from the top with those from the bottom. And, to create this synergy, institutions at the top must work together with institutions at the bottom, but only in ways which sustain the relative autonomy of each from the other.

What kind of institutional design and strategies are necessary to achieve this cooperative autonomy? This is a question for which we currently lack an adequate response. To overcome this shortcoming, we need to encourage a new type of multi-disciplinary research which would focus on successful cases of cooperation between institutions at "the top" and "the bottom", and probe the institutional reasons for such success. Such an inquiry is likely to demonstrate that the conventional wisdom about the distinctly different qualities of the market, State, and communities needs rethinking. The participants in the market are not only competitive, but also cooperative. The State is not merely preoccupied with social control and business regulations, but may actually encourage

innovation in the market and civil society. And, finally, communities may borrow market principles and assume some governmental responsibilities while still retaining their communitarian objectives.

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