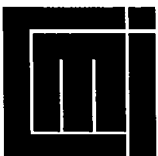


Development Theory: Recent Trends

Proceedings of the NFU Annual Conference 1992

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R 1993: 6
August 1993



Report
Chr. Michelsen Institute
Bergen Norway

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Preface

The 1992 Annual Conference of the Norwegian Association for Development Research (NFU) was hosted by the Chr. Michelsen Institute (CMI) in cooperation with the Centre for Development Studies at the University of Bergen. It took place at the Institute 21-23 May, and attracted more than 100 participants. The main theme was *Development theory*. The Conference included three sessions with invited speakers, two parallel sessions for presentation of papers, and the NFU Annual Meeting. Arve Ofstad, Arne Wiig and Marianne Serck-Hanssen (secretary) were responsible for the programme and organisation.

These Proceedings are arranged in three parts along the lines of topics discussed in the sessions at the Conference. It includes all contributions at the Conference, also the few that were not yet available at the time. Most of the papers have been revised and edited. The technical editing has been undertaken by Inger A. Nygaard.

We wish to thank the Norwegian Research Council for Science and the Humanities (NAVF) for financial support for the Conference, as well as for preparation and publication of these Proceedings.

The editors

Introduction

Arve Ofstad and Arne Wiig, Chr. Michelsen Institute, Bergen

Eight years ago, in 1985, the main topic of the Second NFU Conference was *Development theory and lessons from recent development*. Since then, momentous changes have taken place on the world scene, particularly in Europe, but also in Asia, Africa, and Latin America. The debates over development models, the role of the state, state planning and the market, private versus public ownership, as well as on systems of government, democracy, public participation and human rights, have all come back to the forefront in practically all corners of the globe. In the developing world questions are again being raised whether economic and political liberalisation will promote economic growth and development in the longer run, and whether these changes will improve the conditions and opportunities for the poor.

Parallel to this, we also observe other major trends at the global scene, which we today may not be able to fully comprehend. One element is the global environmental awareness, which already is making its impact on policies. Another is the growing fundamentalism in several places, as well as other cultural reactions to general development and modernisation. Both of these trends may be elements of a major turn in development goals and objectives, of which we today only see a beginning.

It was therefore fitting that NFU again wanted to return to the topic of *Development theory*, to ask whether these global changes had impacted on the theories of development, and what analytical contributions are made from the various corners of development theories. At the same time, we know that within many of the disciplines on which development theories are based, new theoretical models and theories are being generated, that may well represent new contributions when applied to the arena of development. The purpose of some of the invited interventions at this Conference, was therefore to bring out some of these more recent contributions.

We believe that the Conference succeeded at least to some extent, in its objectives, as documented in the 14 contributions included in these

“radical” conservative rhetoric of monetarist and free-market policy prescriptions. Toye refuted many of the basic foundations of this development “counter-revolution” as untenable from a theoretical as well as an empirical point of view, and defended what he termed basically Keynesian policies of intelligent state intervention. The purpose of his keynote speech at the NFU Conference entitled *Dilemmas of development: New challenges, new theories?* was to review this position in the light of the quite dramatic changes that have taken place on the international scene since 1987, and to consider whether the theoretical debates on development would necessitate any new paradigms.

The collapse of the post-war regimes in the Soviet Union and Eastern Europe, the dismantling of the apartheid regime in South Africa, the return to democracy in many Latin American countries, and possibly also in Africa, have all been elements of a momentous change. This has induced some analysts to claim that there are now longer any alternatives to economic liberalism and liberal democracy, and that these forms therefore constitute the end-state of human development, towards which all societies will eventually gravitate. Francis Fukuyama (1992) has even coined this phase the *End of history*.

Toye disagrees, and claims that Fukuyama has mainly added neo-Hegelianism to well-known economic modernisation theory. He reminds us that previous arguments showing the flaws of a universal homogenous, linear modernisation theory, are still valid. Global modernisation is inherently a conflictual process, and technical progress does not “guarantee” a homogenisation of all human societies. It does not help to invoke a neo-Hegelian interpretation of history as the progressive self-realisation of the human spirit, culminating in the achievement of freedom, so that once this freedom is achieved, no greater achievement is possible.

On this basis, Toye argues that Keynesian ideas of a “managed capitalism” are not only conspicuous by their absence in the new discourse on *The end of history*, but may well be reinforced by experiences in countries of rapid economic growth in East Asia. Also at the international level, the case is being made again for global Keynesian policies. Toye’s arguments for “intelligent and selective government interventions” are similar to those developed by Bardhan in his paper in this volume.

In his final section, Toye takes issue with the proponents of the “new political economy” (NPE) of development. The NPE theories are based on the assumption that rulers only act in their own rational self-interest. However, intelligent government interventions for the purpose of managing capitalism as described above, require a government which is not only intelligent, but also reflects some degree of benevolence of the state. The

problem areas, but we would have liked to see more of Hveem's efforts at operationalisation, as attempted in the contributions by Sørensen, Bardhan, Skålnes, and Nordhaug.

With respect to the two former of these issues, Hveem argues in favour of a "middle road" between the underdevelopment school which is underlining the structural constraints and believing in a mechanistic role of the state, and the neo-liberals with their disregard for structural aspects and strong belief in the self-regulatory ability of the market. The need for a stronger focus on the interaction between various social actors and processes, is exemplified by a presentation of the interplay between the state and national interest groups in South East Asian countries. Mauritius is presented as another case showing the limited validity of strict structuralist approaches. These examples should be instructive for those that still believe in only one of the "old schools".

Hveem does not go much further into the debate on the ultimate goal of development, but refers to whether democracy and environmental considerations are to be treated as additional goals or integral parts of the development concept. In his opinion, democratisation should be regarded as much as part of the goal, as it is a means to reach the goal of development. We have some problems in accepting that his overloading of the concept of development to encompass all desired goals of mankind is helpful in our analysis of social change and development processes. Hveem himself also refers to inconclusive studies as to whether democratisation promotes or delays economic development, and it is in our opinion more important to sharpen the various concepts of democratisation and development, rather than confusing them. These issues were treated in more depth in session II.

The environmental issue brings up a similar conflict. Hveem refers to viewpoints in "the South" which basically regard environmental considerations as an obstacle to development. If so, there is conflict between environmental goals and the goals of (economic) development. The concept of *sustainable development* represents an attempt to merge the two. Hveem shows us how this debate may result in "the South" obtaining a new and stronger leverage on "the North" for the first time since the wave of independence in Asia and Africa. But he also argues that this dimension underlines further that development is a complex, multi-level, multi-actor system where political, socio-cultural and economic motives meet and sometimes clash, sometimes collude.

While both Toye and Hveem discussed broad development issues, *Karl Ove Moene* who is professor of economics at the University of Oslo, concentrated his lecture on the more recent contributions to economic

Session II: Democratisation, human rights, and development

In this session we wanted to focus on theories concerning the role of the state in relation to civil society in developing societies. In particular, we were interested in the renewed debate on the connection between political regimes and economic development, and whether more recent political development theory could contribute to a better understanding of the complexities of this relationship. Three lectures and three papers discussed these and related issues.

In his presentation entitled *Democracy and authoritarianism: Consequences for economic development*, professor **Georg Sørensen** from Århus University attacked these issues head on. He starts off with a review of the main arguments insisting that authoritarian rule is more suitable for promoting economic development, as well as of the critics of this trade-off thesis. The empirical analyses that have been undertaken seem to indicate that countries with authoritarian regimes more often experience faster economic growth than democratic ones, but the results are ambiguous, and the data and definitions are far from universally accepted. Sørensen therefore argues for a more sophisticated analysis, which accepts that the type of regime may have an influence on economic performance, but finds it necessary to differentiate between the very dissimilar entities covered by the terms "authoritarian" and "democratic". This is well illustrated in his comparison between democratic India and authoritarian China's development experiences over almost 40 years.

Sørensen's contribution is to propose three main types of authoritarian systems; the *authoritarian developmentalist regime* (China, Taiwan), the *authoritarian growth regime* (Brazil), and the *authoritarian state elite enrichment regime* (Zaire). In a similar way, he postulates two main types of democratic regimes; the *elite-dominated democracy* (India, Costa Rica), and *mass-dominated democracy* (Chile 1970-73, West Bengal 1977-). By employing these categories, it might be more easy to explain why an authoritarian developmentalist regime might succeed better both in terms of economic growth and in providing economic welfare than an elite-dominated democracy, while an authoritarian regime based on an elite out to enrich itself, will not perform in those terms. It also reflects that the economic development prospects of democratic regimes, especially as regards the underprivileged, will depend on the nature of the ruling coalitions behind the regime.

We find this differentiation very useful, and probably an important stepping stone for further research into the development/democracy relationship. Sørensen does not, however, discuss how these various types of regimes may emerge, remain stable, or change over time, except for

will nurture a *democratic culture*, by culturing democratic practices as well as culture a general consensus on the basic rule of the democratic game.

Sharif Harir in his presentation on *democracy in multi-ethnic societies; the African case* ends up in a similar belief in the new multiparty movement in Africa, which is more deeply rooted in the African realities of *ethnic diversity and cultural pluralism* than previous democratic experiments. But before expressing this optimism, he paints a very grim picture of the present state of affairs for the African state.

Sharif Harir is a Sudanese national and a visiting research fellow at the Centre for Development Studies at the University of Bergen. His starting point is that the present-day states in Africa are not nation-states, but cultural pluralities. The states were artificially created by the colonial powers, and both the institutions that were formed in order to rule the new states at independence, as well as the theories on which they were founded, were Western blueprints in sharp contrast to the complex realities of ethnic and tribal diversity, cultural pluralism and the resultant multiplicity of interpretative frames of reference. There is therefore a need for an almost complete reinterpretation of recent political history in Africa.

In his presentation, Harir provides a critique of the ruling elites and their dominant ideology which is putting almost all blame for the present political and economic decay on the "original sin" of colonialism, and present external (neo-colonial) forces. He then ventures into his own interpretation of this history: The nationalist coalitions of the anti-colonial struggles soon disintegrated, partly because they were based on a theory that did not coincide with realities. The road was short to politics of clientalism based on ethnic loyalties, but without the mutual respect and consensus-building of the pre-colonial past. The new African elite which assumed the reins of power at independence consisted of a small, urban-based and educated class, themselves a product of the colonial education system. Based on some of the notions of the imported democracy, segments of this elite established a hegemonic and dominant position which was used to suppress other segments, and turn the state into a vehicle for forwarding their own interest; the "privatisation" of the state. In this process, the common social basis between the state and society disappeared, and most of what can be termed the civil society has been in a process of disengagement from the ruling elite.

Harir argues that the concept of nation-building in Africa cannot be constructed on the European epistemology which presupposes an ethnic core, or a central fund of culturally-determined shared historical experiences, on which to base a nation-state. Most African states lack this basis, and attempts by the new elite to construct it artificially, have failed.

societies is not completely new, Bayart relates changes and developments *par le bas* with an analysis of the African state. He views this state as basically dominated by an elite of political and bureaucratic "entrepreneurs", utilising the state capabilities in their own private interests.

On this basis, Amundsen makes an attempt to analyze whether and what kinds of popular action might benefit the process towards democracy in Africa, and to draw some conclusions whether these social movements might eventually represent a countervailing power to the existing state apparatus. While we find the approach utilised by Amundsen interesting, we also find that this analysis is still very incomplete. Amundsen makes use of very broad generalisations, with little or no attempt to differentiate between various forms of reactions and organisations, and with no reference to empirical cases except by mention in the passing.

Unfortunately, also in his introductory pages on the afropessimistic setting, Amundsen (as Sharif Harir) tends to over-generalise without specification and differentiation. As underlined by the author himself, the (re-)discovery of informal popular intermediate and intermediary organisations and authorities implies that "society cannot be properly understood in terms of two fundamental and antagonistic core groups, the elite and the masses". Still it is all too easy to forget this, and lapse into these more populist concepts. We hope that Amundsen in his future works will further develop these theories and his analysis of responses "from below".

The paper by *Anne Hellum* also deals with the parallel existence of several cultures in many African societies and the present trends towards (formal) democratisation, but with a much more specific focus. In her paper on *gender, law and democratisation* she shows how the state and its laws mediate the gender and class conflicts inside society. Her starting point is that in Zimbabwe (as in several other African countries) there exists at the same time a "general law" based on the notion of individual rights and freedoms, and a "customary law" as well as traditional beliefs and moral codes based on group and extended family obligations. The two systems of laws and traditions have different implications for women's rights to marriage and divorce, and for control over her sexual, reproductive and productive capacities. Hellum shows, however, that even under customary arrangements, male control cannot be complete, and many women are capable of manipulating the rules and moral codes. It is generally assumed that women are given greater individual freedoms and more equality under the new laws introduced since independence. According to Hellum, the concept of individual consent is more complex, and provides a focus on direct and indirect gender struggles.

To a large extent therefore Taiwan seems to fit the Gerschenkron theses, particularly for the first period. In the second period of liberalisation, however, the pressure came neither from the new capitalist class, nor from the growing working class as it had in most European countries. Nordhaug suggests that the Gerschenkron thesis may be modified to say that it is the civil society created by capitalist development rather than the capitalists themselves, that press for democracy. He also makes a point of the role of an outside hegemonic power, the USA, on the Taiwanese economic and political transformation. Nordhaug's paper thus provides an interesting application of an existing analytical model in a new context, and in this process modifying it.

Session III: The state and the market

After a period with opposing groups on either side of the barricades fighting for more market or more state planning, some — including the World Bank — now argue for a more balanced relationship in the development process. This implies greater weight on the institutional framework for the functional area of the market, and on the character and quality of state activities. At the same time this creates a new role for the state, and represents new challenges concerning such issues as:

- * Does a balanced relation between the state and the market require that both are “strong” and effective? What is the essence in the concept of a strong state?
- * In many instances we are confronted by atomised and ineffective states as well as ineffective markets. In such a situation the question must again be raised what role the state can realistically play in a development process, and what reforms are necessary for the state to be able to initiate a development-oriented policy. One aspect of an ineffective state may be the degree of rent-seeking activities. Externalities, imperfect information as well as informal markets may generate imperfect markets.
- * Does a balanced relation between the state and the market require institutions and interest groups which *interact* with the state sector? How do different interest groups (including interest groups in the public sector) develop, and under what conditions can they hinder or create opportunities for the state to implement a policy that promotes development? The question must also be raised of the conditions under which the state can promote institutional arrangements which increase the

a region and between regions. The question remains however, whether this force of intervention necessarily has to be the state.

We agree with Bardhan that it is impossible to give general statements of which development strategy is more likely to provide the desired results (state regulation, market economy or decentralisation). Such statements are usually made rhetorically at the political scene, without reference to the specific empirical context. In most of the Eastern Europe, we still have not seen the success of the privatisation campaign, even though there has been an almost full agreement on the need for such a reconstruction of their economy. Also in Norwegian foreign aid policy, the concept of market solution and decentralisation has been given more attention. In our view, more attention should rather be devoted to creating incentives in the economy, that imitate the good incentives both by the market and by the local communities (concerning monitoring) particularly when also the market structures are weak and imperfect. The principal-agent theory in economics is a tool which possibly can be more integrated and developed in this process.

The question whether state autonomy is necessary for development and the circumstances in which negotiation games may end up in a prisoner's dilemma situation, as mentioned by Bardhan, is further elaborated in the paper by **Tor Skålnes**. By contrasting theories of state autonomy with a contractarian theory focusing upon negotiations between different interest groups and the state, Skålnes, in the specific context of Zimbabwe, asks why the country is currently undergoing structural adjustment? Despite 25 years of protection, the manufacturing sector has lobbied for reform. Agriculture is divided between commercial farmers, who favour liberalisation, and small-scale farmers, who do not. According to Skålnes, the pressure exerted by key interest groups for policy change contrasts with a large body of theory that emphasises the need for state autonomy if liberalisation is to take place. Skålnes also illustrates that key urban interests might under certain circumstances favour such policies, and that key rural interests might oppose it in contrast to what theories of urban bias would predict.

The stringent analytic approach pursued by Skålnes together with his empirical knowledge of the current political situation in Zimbabwe, makes this paper an original contribution. We want to emphasise three points. First, relative autonomy is usually related to authoritarianism. Second, the Zimbabwean case shows that autonomy is not a necessary condition for development. Third, the case of Zimbabwe illustrates that broad-based, centralised interest groups sometimes favour policies which may increase efficiency. In the context of Zimbabwe, his inductive methodology have

From a theoretical and empirical perspective, the rent-seeking literature still lack general conclusions concerning welfare aspects of rent-seeking activities and we agree with Andvig that we have to "rely on the judgement of the specific acts and institutions" in a specific country. On the other hand, placing this issue on the research agenda, may contribute to a reversion of traditional economic analysis in many fields eg. corruption may reduce the efficiency of state regulation and also the beneficiary effects of foreign aid.

While Andvig emphasises illegal activities within a hierarchy of bureaucrats, the paper by *Morten Heide and Odd Einar Olsen* focuses on activities in the marketplace which usually are not regulated by the state. In the first section, this paper describes previous research on the informal sector in developing countries in Africa, Latin America and Asia. It also examines the various definitions of the term and the disparate views of the informal sector that have characterised research and policy in the last two decades. The main section of the paper is an evaluation of the informal sector's significance for sustainable industrial development in third world countries. It is concluded that such a segmented informal sector is of great importance in the short run in generating employment, but is not sustainable in the long run.

However, we find their definitions very unclear. We are not sure if the degree of regulation is the critical distinction between formal and informal sectors. Furthermore, when economic sustainability is defined by the authors as "economic profitability generated in the unit of the firm...", it naturally follows that there are "two opposite views on the relationship between economy and ecology" (incompatibility versus growth as a precondition for sustainability). As a consequence, the policy options analyzed become too narrow. By introducing the welfare function of the society (not the firm), it is possible to discuss how to internalise external factors through the market mechanism (through taxes and subsidies). Simply postulating a conflict or a complementarity between economy and ecology easily ends up with imprecise statements like "the logical conclusion is that the economic system does not have the potential to incorporate environmental considerations".

We also miss a more thorough reference to the relationship between the informal sector and the overall economy. The structure of the informal sector reflects the overall structure of the economy, such as capital intensity, unemployment, regulations, etc. in formal sector. In our view, more theoretical and empirical work should be done to examine whether or not the informal sector may enhance the efficiency of the overall economy, and this paper reflects one partial approach to this study. For those that

Opening address

Desmond McNeill, Chairman of NFU

Introduction

Ladies and gentlemen,

To those of you who come from abroad: Welcome to Norway.

And to all of you, on behalf of the NFU, the Norwegian Association for Development Research: Welcome to our 1992 conference, on Development Theory.

Bergen is a very beautiful and historic city. And the conference has been carefully timed to coincide with the music festival. I hope you will enjoy both the conference and the city to the full.

The host for this year's conference is the Chr. Michelsen Institute, in association with the Centre for Development Studies, University of Bergen. And I want to begin by thanking especially the Chr. Michelsen Institute, and more particularly the three from CMI who have carried the greatest part of the burden — Arve Ofstad, Arne Wiig and Marianne Serck-Hanssen. As any of you who have had to organise a conference well know, there is a great deal of work involved. And it is due to the efforts of Arve, Arne and Marianne that we are here today, and that we have such an interesting and full programme. All credit and thanks to them.

In addition to the Annual Conference we will on Saturday have the Annual Meeting of the NFU. Most of you are members, and are encouraged to attend. To those few who are not members I strongly urge you to join. You will find brochures giving more information about NFU, as well as copies of NFU-NYTT, Forum for Utviklingsstudier, the NORDREC catalogue, and the Bibliography of Norwegian Development Research.

The theme for discussion at the Annual Meeting on Saturday is the financing of Development Research in Norway. This is always an issue of interest for NFU, but it is particularly relevant now that the whole system of research councils in Norway is being reorganised. Indeed, Stortingsmelding 43 of 1991/92 "Et godt Råd for Forskning" was issued

This is a subject I could go on about at some length, having worked on both sides of the fence. But today my concern is with the implications for development research, and more particularly for its quality.

The researcher is, by training if not by nature, out to disagree — to find the exception to the rule, the subtle failing of logic, the anomaly. And many researchers are also concerned with an in-depth study of the particular. Researchers thrive on variety, on complexity, even, perhaps, on intellectual conflict. But this is no basis on which to build consensus, or to agree global prescriptions.

I suggest that researchers, *as researchers*, should be wary of policy making. They should analyse the world as they perceive it to be, untainted by how they would like it to be. They may of course take on a role as advisers, consultants, but they should recognise that they are then crossing a line — between analysis and action — and that this is likely to draw them into unwarranted generalisation, unjustified simplification. In short, being too close to policy-making constitutes a threat to good research. Policy-makers need high quality analysis carried out by good researchers, but both would do well to recognise that there is an inevitable tension, sometimes amounting even to conflict of interest, between them.

And what of my second threat to quality: the mix of different disciplines which is another notable feature of development research?

I think it is useful here to distinguish between *multi-disciplinarity*, by which I mean disciplines working together in parallel, and what I shall here refer to as *cross-disciplinarity*, which implies working in concert. The former is what is required in planning and policy-making (for example, a team planning a district development programme). The latter — *cross-disciplinarity* — is what I believe is necessary for research. This requires a meeting, perhaps even a colliding, of minds at a much more basic level; and it is, in my view — much more difficult. It is also, however, potentially very fruitful, for a confrontation between two disciplines which focuses attention on basic methodological issues can be of benefit to both. In certain circumstances it may even lead to the development of a new discipline in its own right.

But true cross-disciplinary research is not easy, and those who work between disciplines often lead an uncomfortable life.

Because they mix too closely with other disciplines, development researchers are often marginalised within their own disciplines. There is a view, whether explicitly stated or not, which is held by many — that the development economist, anthropologist, geographer, or whatever, is doing work that is certainly peripheral, and possibly of low standard — as judged by those in the mainstream of their respective disciplines. Painful as it may

body of research concerned with sustainable development, and I sincerely hope that these lessons will not be forgotten.

Development research in Norway

So far I have been speaking of development research in general, but what I have been saying here applies equally, I believe, in Norway, where development research has, to a very large extent, been both cross-disciplinary and policy-related.

I should perhaps preface my remarks by saying that I am a relative newcomer to Norway, having arrived only in January 1987. I am also an economist by training, and one thing that I think is unusual about Norway is that economics has, relative to other countries, been a minor contributor in the field of development research.

Maybe this is changing. There is evidence of increased interest in development economics as a field of study. In this context, it is relevant to point out that this conference is unusual in having a large proportion of economists among the speakers. And if we turn to policy, it is also notable that economics is beginning to exert a rather greater influence on Norwegian assistance.

Although I myself am an economist, I have some reservations about this new turn of events. When I first came here five years ago, I was struck by how few development economists there were in Norway, and how limited was their influence on Norwegian aid. This contrasts with many other countries, and may in part perhaps, be attributable to the very different basis for Norway's interest in the Third World — which springs not from strategic or economic self-interest, but from a combination of missionary activity, solidarity with countries seeking independence, and support for the United Nations, especially those UN agencies directed towards peace and humanitarian ends.

There are some signs, however, that economics may exert rather more influence on aid policy in the future. To the extent that this can reduce wastage and expensive error this is to be wholeheartedly welcomed. But there can also be a danger of going from one extreme to the other. A recent editorial in *Aftenposten*, after making some comments on the uncritical "idealistic" nature of Norwegian aid, concluded: "Profitt må bli et hedersord i stedet for et skjellsord" ("Profit must become an honourable word, instead of a term of abuse"). Now, *Aftenposten* is a conservative newspaper, but I think it both fair and important to remark that even conservative development specialists have a considerably more nuanced view of the issue than this.

countries which could obtain material support from the Eastern bloc, or play off one against another in the Cold War, no longer have that option. De-linking from the world economy is not feasible either. But that need not and should not imply an uncritical acceptance either of the market system or of those economic theories which seek to justify it.

Indeed, the searchlight should now be focused more sharply on both the theory and the practice of the market system in the West. The fact that the life expectancy of an adult male is lower in Harlem, New York than it is in Bangladesh, or that half of all children in US cities never complete their schooling, should now become even more difficult to ignore. And the philosophical underpinning of the market system, and of neo-classical economics, should become an even more important issue for discussion.

The danger is not only that the market system becomes the dominant world force, but also economics — and more specifically neo-classical economics of a crude and simplistic kind — may become the dominant discourse. And, in part as a result, the policy prescriptions laid down for developing countries, whether in the Third World or the former Eastern bloc, may be crude and simplistic.

This is not a plea for the retention of the planned economy, the parastatal, the state farm. It is a plea to economists too see in the new events that have shaken the world the opportunity and the responsibility for analysis which is more — not less — specific; analysis which takes more account of variations between countries, between households, between the sexes; rejecting over-simplification and generalisation, if the empirical evidence does not justify them — even if this does make the work of the policy-maker more difficult.

“Getting the prices right” and “rolling back the state” are slogans. And the development researcher should be wary and critical of them — not because the state, per se, is a good thing, but because broad generalisations of this kind can be so misleading. It may well make sense, in a given country at a given time, to devalue; or to liberalise the market for agricultural products. But this need not imply that all activities — health and education included — are best left to the market. Even though the World Bank as an institution can be accused of simplistic analysis and global prescriptions, many of those who work there, including economists, do recognise that the world is not so simple. And researchers should support them in this view.

In intellectual, as in political terms, as long as your position is contrasted with, and defined in relation to, another, life is simple. To exaggerate is no risk, to simplify is no danger. But being the only player gives one a very

SESSION I: GENERAL DEVELOPMENT THEORY

1. Dilemmas of development: New challenges, new theories?

John Toye, Institute of Development Studies, University of Sussex

The challenge of a new world order

A gale of radical conservative rhetoric blew through the early 1980s. It took the frustrated and demoralised nations of the West by surprise and had consequences, both good and ill, that went far beyond the realm of rhetoric. An important part of this upheaval in the political world was concerned with economics and economic policy. Post-Keynesian economics, which had become almost a consensual foundation for Western macroeconomic policy, had its ascendancy overturned by the advocates of monetarist policies. The developing countries of the world were then hit by the backwash of these doctrinal disputes. The economics of development, as it has evolved up to that time, suffered its own counter-revolution. It was aggressively disparaged as intellectually worthless and politically motivated. It was also convicted of guilt by association with the Keynesian economics which had "failed". In place of the old development economics, welfare economics was set up as the proper guide to development policy.

The first edition of *Dilemmas of Development* (Toye, 1987) had two aims. One was simply to draw attention to the development counter-revolution and to provide a brief sketch of the views of some of its leading proponents. The other was to try and assess a selection of its key propositions, separating what seemed important and valuable in its critique of the old development economics from the tendentious and over-blown claims which it also made. The development counter-revolution contained enough of the latter for the critical assessment to become — in the euphemism of the day — quite robust at times. The original book was essentially a response to a phenomenon of the early 1980s, rapidly written, quite selective in its choice of themes and exhibiting an air of unfinished business. It was a *livre de circonstance*, and showed both some of the

development process. Have the pressures of these events brought not only fresher but also better responses from the intellectual world? Are more valid and valuable theories of development emerging? Just putting this last question forcefully reminds us that a truly original idea is a great rarity. Intellectual change comes much more from re-appraising the significance of familiar ideas than from discovering ones without precedent or pedigree. Indeed, as this paper shows, the "newest" ideas of all skip right back over the whole of the twentieth century. The freshly embroidered banners of the New World Order bear the strange devices "Back to the Future" and "Forward with G W F Hegel, 1770-1823".

The rise to power of Mikhail Gorbachev in the former Soviet Union in 1985 marked the real watershed of the 1980s, although the full extent of the changes which he was to usher in did not appear at first. Political liberalisation at home was combined with renewed, but largely unsuccessful attempts to re-start economic reforms. The autumn of 1989, however, revealed Gorbachev's unwillingness to underwrite militarily those regimes in Eastern Europe which opposed this kind of reform programme. Without his support, they proceeded to collapse like dominoes in a veritable liberal revolution (Toye, 1990). One immediate result was the rushed re-unification of Germany. Even more dramatic was the result that Gorbachev had fought vainly to avoid — the break-up of the Soviet Union, as member republics began to seek the same degree of national, liberal independence as the states of Eastern Europe had achieved. A similar but much more violent process of disintegration has destroyed the former Yugoslavia. Political change has continued, in all the successor states, to be much easier to bring about than economic reform. China, North Korea and Cuba alone have managed to stay relatively aloof from the wave of political liberalisation which Gorbachev initiated (Pérez-López, 1992).

The collapse of the post-war regimes in the Soviet Union and Eastern Europe has been accompanied by a dramatic realignment in geopolitics. The Cold War competition of two large blocs headed by super-powers (the United States and the Soviet Union) first eased and then was formally ended, and the consequences are still being untangled. In turn, the ending of the Cold War led to the defusing of a whole range of conflicts around the world in which the US and the former Soviet Union had participated, directly or indirectly.¹ This has produced the most radical changes in the

¹ A partial list would include the Iran-Iraq war, the Soviet withdrawal from Afghanistan, the Ethiopian and Angolan civil wars, the conflict in El Salvador, the insurgency in Mozambique and the independence of Namibia. The hostages held in Lebanon since 1985 have all been released and the preliminaries of peace talks on the Israel-Palestinian

fighting under the flag and resolutions of the United Nations. This was the first time the UN had played such a major role in world affairs since the Korean War (1950-3). The new dangers were met with a new response, or rather with a reversion to more consensual style of international conflict management for which the mechanism had been established in the initial euphoria of the post-World War II era.

This very brief glance at world events since 1987 makes it patently obvious that many of the assumptions about the world on which *Dilemmas of Development* was based have changed beyond all recognition in a mere six years. The original book did not predict the end of US-USSR super-power confrontation; the outbreak of relative peace in many regional conflicts in LDCs; the strengthening of democratic politics in Latin America, Asia and Africa; the rapid moves towards a South Africa without apartheid; or the revival of the United Nations. On the economic reform front, it did not envisage the eager embrace of liberal market economics by Eastern Europe and Russia, or the rapidity of the spread of structural adjustment programmes in developing countries, including from 1991 onwards, in India, which was, however, extensively discussed. Like the dog which failed to bark in the night in *The Hound of the Baskervilles*, these silences raise questions. Was there enough of value in the original text to give it a continuing relevance to such altered circumstances?

The intellectual response

Of all the so-called "new theories" which have responded to the geopolitical upheavals of the last five years, Francis Fukuyama's *The End of History and the Last Man*, (1992) is the best known. Fukuyama is a former policy planner at the US State Department and a researcher at the Rand Corporation. He is very much at the heart of the Washington establishment. The thesis of Fukuyama's book is not the literal and absurd one that time has stopped, or historical events have ceased. Rather it is that recent events show that certain historical alternatives — socialist central planning and authoritarian government — have become irretrievably discredited. Liberal democracy (allied with free-market economics) is said to be left without any competition, as the only remaining ideology of potentially universal validity. The future can consist only of the continued spread of liberal democracy, albeit with the occasional temporary regression

provide a reverse image of modernisation, or, in another metaphor, stand modernisation theory on its head. This attempt to steer a middle course still seems, despite the upheavals of the last few years, both necessary and worthwhile. Leaving the flaws in the under-development account aside because of its current low profile, the modernisation story as re-told by Fukuyama also glosses over most of the basic intellectual issues which animate development studies. Let us merely indicate a few of these issues.

Development studies takes it as axiomatic that modernisation cannot be evolutionary and gradual, because it is human-directed historical process. It starts somewhere at some time because someone has so decided. Initial success confers not only increased prosperity, but also increased power on those who succeeded. It created the capability to colonize others. All subsequent modernisation efforts are, on the one hand, defensive in character for the society attempting them, and, on the other hand, threatening to the societies which have previously succeeded. Global modernisation is an inherently conflictual process. The circumstances in which the conflict is worked out is not the same in every case. But modernising countries which do not enjoy the protection of a more powerful state during the process (as Korea and Taiwan have done) often adopt a strategy of militaristic modernisation. Why, after all, has the USSR collapsed, if not because of the huge distortion of its economy to sustain a military-industrial complex? Did not a similar distortion also at one period afflict other, earlier modernisers, Germany and Japan? The logical point is that modernisation can only become gradual, evolutionary and economically rational once a universal order of liberal democracies has already been established — but never before this has happened.⁴

Development studies has persistently questioned the proposition that technical progress “guarantees” the increasing homogenisation of all human societies. The implication of this must presumably be that homogeneity will occur at levels of consumption per head at least as high as those currently enjoyed by the most developed countries. (It is an unduly conservative assumption that the current living standards of the OECD countries will stand still while those in the rest of the world catch up. But ignore that, for the sake of simplicity.) How much extra production would be needed for all of the 5.2 billion in the world to be in a position to enjoy the same level of living as the 773 million who live inside the OECD? In 1989, the GNP

⁴ The history of the United States shows that, even when a liberal democratic order already exists, economic modernisation can lead to acute military conflict — between the industrialising northern states and the traditional agrarian southern states in the American Civil War (1861-65).

The correct interpretation of the East Asian experience is, therefore, crucial for understanding the real prospects for economic modernisation. The analysis of the actual development process of the last ten years suggests, in addition to the likelihood of future constraints on growth, the partial presence of a whole range of other short-term constraints — the debt squeeze, deteriorating terms of trade, the shortage of administrative capacity, and so on. These are the real and pressing daily problems of development policy. Whatever may be true of some unspecified “longer run”, without a solution to all of these and other urgent policy problems, the vision of universal modernisation will be no more than a cruelly deceptive mirage.

The end of the Third World?

In its new version, the story of economic modernisation is supplemented by the Hegelian interpretation of history as the progressive self-realisation of the human spirit, culminating in the achievement of freedom. For Hegel, history was not merely the endless fluctuation, the rise and fall, of different political and social institutions. It had a pattern, a series of stages, each a more complete embodiment of freedom than the one before. The transition from stage to stage was driven by the psychological dissatisfaction experienced under each set of social arrangements with the recognition which people could achieve for their own sense of essential humanity. The end of history was the transcending of all the contradictions between social and political institutions and the striving for personal fulfilment.

Within this new Hegelian perspective, the collapse of central planning and authoritarian governments in East Europe and the former Soviet Union has been given a crucial significance as the final transcending of these contradictions. After slavery, feudalism and dynastic monarchy, the last plausible set of alternative institutions — state socialism or communism — has been consigned irretrievably to the past. Such a view certainly appeals to our sense of the suddenness and decisiveness of the events themselves. It also points up that they were not triggered exclusively by the failures and irrationalities of the chosen method of economic modernisation. As many commentators noted, psychological alienation was just as potent a fuel for these liberal revolutions as the (often exaggerated) deprivations of consumption.

An obvious implication of the disappearance, once and for all, of authoritarian central planning as an historically viable system of political economy is that the “Third World” has ceased to exist. If the Second World of state socialism has indeed vanished into an historical limbo, what

practices. How far this belief is correct, and how far it is illusory is something that still remains to be seen.

Foreign aid, however, is but one of the instruments which will be used to shape "the new world order" of the 1990s and beyond. World arrangements for trade are even more important. The outcome of the Uruguay Round of GATT negotiations is still awaited, keeping the issue of global free trade versus global protectionism hanging in the balance. The trade arrangements that will apply between the former Second and Third Worlds remain to be settled, and their consequences for the world's poorest remain in doubt (Stevens, 1992: 38-56). Apart from trade, the degree and nature of controls over labour migration from East to West and from South to North are climbing ever higher on the political agendas of the OECD countries. In this issue lurks at least one very pessimistic scenario, in which the old colonialist attitudes of racial superiority revive in potency to the point where they can enforce a much more ethnically divided world than has yet been seriously contemplated. Recent election results in France, Germany and Italy do not, unfortunately, allow this scenario to be rejected out of hand.

The end of Keynesianism in development economics?

The End of History regards "capitalism" and "economic liberalism" as the economic arrangement which, along with liberal democracy, constitutes the end-state for human development. The aspirations of political leaders in developing countries to work towards alternative ends by alternative means are regarded as illusory and misguided. The options for economic growth and social justice through mercantilism, socialism or a nationalist industrialisation are dismissed after relatively brief discussion (Fukuyama, 1992: 98-108). Such a brusque approach is inadequate. It glosses over too many critical distinctions. The disappearance of centrally-planned socialism for all time (if that is indeed what recent events portend) leaves many possible policy choices. Capitalism and economic liberalism are terms which can be given a wide range of different definitions. Which one is adopted in practice is a matter of the greatest importance.

The central thrust of the first edition of *Dilemmas of Development* was to counter some of the more simplistic and eccentric claims made on behalf of free-market economics in the 1980s. It pointed out how poorly anchored such claims were to economic theory, particularly the theory of welfare economics to which some, at least, of their makers seemed to think that they were tightly linked. It counter-posed to such claims the essentially Keynesian idea that economic performance can be improved by intelligent

himself directly to the analytical treatment of the problems of economic development. Nor did he claim that his short-run analysis of money, interest and employment in developed economies was relevant to developing economies. Nevertheless, scattered through his writings are many insights which are relevant to development policy today. The original edition of *Dilemmas* highlighted the objections that had been raised in the 1970s and 1980s against Keynes' influence on development policy, and rejected them as ill-considered. It is now possible to go further and to show how carefully Keynes himself distinguished between the policies of limited protection and moderate state planning which he advocated in the British context, and strategies of wholesale forced industrialisation at the expense of the rural sector which he vehemently rejected in his comments on Russian development. This part of Keynes' work has been largely neglected in the development debate. But Keynes did have clear views about Soviet economic policies in the 1920s and 1930s. It is manifest that he never believed that they provided a rational, or even tolerable, path to development (Toye, 1993). Thus the recent collapse of the Soviet system in no way undermines the Keynesian approach to managing capitalism. Rather, it testifies to Keynes' insight into the defects of the Soviet strategy. To a Keynesian, it was always the ability of the Soviet economy to survive for as long as it did that created the puzzle.

The new discourse of *The End of History* makes the alternative of managed capitalism conspicuous by its absence. It thus simply by-passes the problem of what capitalism or the liberal economy is to be like, in detail and in practice. This rather extraordinary vagueness assists the general message of teleological thinking — that only *one* end is possible, and that only *one* real choice exists whether we reach that end directly or indirectly, now or a little later.

The supposition that "capitalism" and "economic liberalism" are unitary (and indeed interchangeable) concepts is bolstered by reliance on a particular misinterpretation of economic history that *Dilemmas of Development* was at pains to refute. It lumps together the Chicagoan free-market experiment in Pinochet's Chile with the economic strategies of the newly-industrialising economies of East Asia as indistinguishable examples of liberal economics. It pays no heed to the accumulating evidence of extensive intervention by the governments of South Korea and Taiwan in their economies in order to increase rapidly their exports of non-traditional manufactures. While noticing the extremely high growth rates of South Korea and Taiwan (much higher, incidentally, than for the genuinely free-

go on to deny that it affected the way in which the economy performed. Having been forced to abandon an empirically incorrect description of Korean economic policy, free market theorists have fallen back on the claim that interventions have been self-cancelling, and so neutral in overall net effect, or that, being prescriptive only, have allowed the private sector to flourish outside the areas where the state has a directive policy. Chang finds both of these suggestions to be defective, the first because counter examples (such as the heavy and chemical industries started in the 1970s) were clearly a non-neutral intervention, and the second because it ignores the problem of opportunity cost of resources.

Both Taiwan and Korea remain, in the light of recent research, examples of countries where governments have improved economic performance by strong, but intelligent and selective, interventions in market behaviour. They show that managed capitalism remains not only a viable, but a potentially spectacular path of development. This is not to say that it is the only one, even in East Asia. The successes of the city-states of Singapore and Hong Kong have been much more the result of classic free market policies. The critical issues of the replicability of Taiwan and Korean successes outside East Asia, and their dependence for effective implementation on authoritarian rather than democratic regimes, are large ones which remain unresolved. To cite East Asian strategies under the label of Keynesianism is also liable to be confusing, given that they have resulted from long-term industrial policies, rather than the short-term demand management policies which are the hallmark of Keynesianism in its narrow (too narrow) sense. Nevertheless, Keynes was an advocate of reformed capitalism, in which the state plays a supplementary and coordinating role in a basically market economy. In this broader sense, Keynesianism is a national strategy which not only lives on in the developing world of the 1990s, but has some of the most dramatic development performances of recent times to its credit.

Global Keynesianism is also being revived in the light of recent events. The ending of the Cold War has had economic consequences, in addition to the political ones already referred to. Heavy expenditures on armaments of ever-increasing sophistication and cost have been a major driving force of economic growth over the last forty years. This particular engine of growth has now lost most of its steam. Apart from military spending growth has depended on a cycle of monetary expansion and squeeze, boom and bust, which only at the top of the cycle has been able to maintain near-full employment in the developed countries. In the 1990s, the European Community will be struggling, via its exchange-rate mechanism, to pursue a steadier and more disciplined monetary regime, at a time when the long boom in Japan is flagging, as Japanese stock market values and property

economic and political arrangements and the fundamentals of human nature — just, indeed, as Marxism-Leninism taught about the Soviet state and socialist man.

How does one take this kind of cosmic comfort? Is it really reassuring? One alternative reaction is to exclaim: the fulfilment of human freedom — us? Do we really represent the apotheosis of human nature so much better than did the Prussian citizenry of Hegel's day? Are we self-satisfied enough to believe that no more can be done to solve the problems of our environment, our economic antagonisms, our ethnic and nationalistic egotism, the deep poverty of our global neighbours than what our present-day liberal capitalism has already achieved? Surely any conception of human nature must leave room for the spirit of unsatisfied striving for self-improvement, for self-transformation without knowing in advance how, or even whether, it can be achieved? Is the Promethean element in human nature also now extinct?

Another reaction of a less Romantic kind is to raise the question of morality. Kant's teleology looked forward to the emergence of a universal moral order. The lessons of history led humanity to understand a moral imperative which could ultimately be universally agreed to be such. Kant's vision was of a set of moral values in which all humanity — irrespective of culture, colour or creed — not only could participate, but would voluntarily participate. This moral code would doubtless contain important implications for social arrangements. But it did not necessarily imply social homogenisation, and certainly did not look forward to it regardless of a moral convergence. That, however, is what the modern teleologists do.

A third reaction is to question the prospect of social homogenisation outright. Even if one grants that human societies undergo evolutionary processes, it does not follow that homogeneity rather than variety will be the inevitable consequence. If the theory of biological evolution is relevant for understanding the long vista of history, it is important to remind ourselves the biological evolution does not appear to have any pre-determined end-state. It explicitly allows 'niching', the preservation of earlier products of the evolutionary process undisturbed in an appropriate environment (Runciman, 1989: 25-37). Although the nineteenth century social Darwinists may have thought otherwise, biological evolution is a theory whose validity is independent of the worth of particular social and political ideals, and which does not indeed underwrite any of them.

Finally, do we really believe in the law of diminishing marginal surprises? Five years ago, the first edition of *Dilemmas* failed to predict so much. Of course it did. Who had predicted the campus rebellions of the 1960s, the economic shocks of the 1970s, the plunge into populist

charities, churches and what today would be called non-governmental organisations (NGOs). These all provided fora for the development of ethical social life to counter the alienation that inevitably arises from isolated self-seeking activity. They would also serve as interest groups which could be a source of group representation in political life. Hegel believed that universal suffrage would generate political apathy rather than political participation — so great was his distance from modern theorists of liberal democracy.

As for the state, it has to be based on the rule of law, embodied in a constitution that was generally accepted as legitimate. State officials were recruited by education and merit, who constituted a “universal class” capable of acting impartially in the public interest. Hegel was, therefore, at dramatic variance with modern critiques of the state which deny the very possibility of benevolent government and demand its confinement to an absolute minimum of functions. These doctrines have much more in common with the views of Hegel’s later opponents, most evidently Karl Marx.

But Hegel also recognised a problem, which he was unable to resolve, which stood in the way of a national society with a capitalist economy attaining an ethical social life — the problem of poverty. This arose through crises of over-production and the social alienation which they induce in their victims. Neither charity nor public works could, he argued, provide an adequate solution. The former failed for psychological reasons, while he could not envisage Keynesian-type interventions which did not aggravate the over-production that had caused the original problem. This difficulty was left hanging in *The Philosophy of Right*. Some modern commentators on Hegel see it as a major flaw in this philosophical project, which in time stimulated the contrasting resolutions offered by first Marx, and then Keynes (Plant, 1977: 103-113). In summary, Hegel thought that modern governments could in general act benevolently in general interest, but even so that they could not eliminate poverty. On both grounds, the modern neo-Hegelians seem to have misunderstood him.

A new political economy of development?

The first version of *Dilemmas of Development* commented critically on the work of analysts of India who based themselves on “the new political economy” of development (NPE). The NPE grew out of work by Krueger on “rent-seeking”, which showed how foreign trade controls (but not only such controls) created windfall gains, and thereby stimulated both corruption and directly unproductive activities in developing countries. The

scale not experienced for forty years. This phenomenon defies analysis by means of methodological individualism. But equally clearly it is not just an historical given, which individuals' choices are powerless to intensify or abate. A fruitful analysis of nationalism has to integrate both dimensions and explain how they act and re-act on each other. Understanding nationalism is just one example of the many intellectual tasks that remain undone in the political economy of development, and on which a more sophisticated methodology than either individualism or structuralism needs to be employed.

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2. Development theory in transition. Political and social adjustment to economic and ecological change

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The role originally assigned to me was that of a discussant. For that purpose I re-read *Dilemmas of Development*. I should like to start by saying that I found the book as stimulating the second time as I found it when it was virgin territory for me. And I do believe that John Toye could claim some credit for stemming the "gale of radical conservative rhetoric" (his own words) that dominated a large part of the 1980s. Recalling what I wrote myself in a special issue on Norwegian development research which appeared in 1986,¹ I also agree with him that the way ahead for theory-builders lies in the middle course.

Since I have now been assigned a role with greater autonomy, I will *not* resist the temptation to make a personal account on the state of the art before offering my own preferences. In doing that, I believe that I shall supply a perspective which is at least partly different from that offered by Toye and my other panellist colleagues.

No ruling paradigm

Development theory has for some time been, and still is in a "paradigmatic vacuum" — if using such a label can be permitted. As Toye concludes, the underdevelopment school is out, but strongly market-oriented economic modernisation theory is, on the other hand, not in. Some of the broad and general problems in the debate over theory remain unanswered. I would like

¹ Helge Hveem and Ingrid Schulerud, red. *Hvor går utviklingsforskningen?* Særnummer av *Internasjonal Politikk*, nr. 4-5, 1986.

your problems at the national level. Reality has proven the mechanistic and deterministic theses in the underdevelopment school to be largely wrong.²

Toye has shown why and how the neo-liberals at the other end of the theoretical spectrum also are wrong. It should perhaps be added though that some neo-liberals themselves have openly admitted this. As an example, Lucas points out that the growth-performance of the most economically liberal cases is less than that of cases with a dirigiste state following "market-compatible" or "mixed economy" strategies. This conclusion is made by one of those economists "most responsible for the downfall of interventionist Keynesian economics".³

We are therefore for practical purpose left with a variety of positions along the "middle course". They are among others the *dependent development* school, a *statist* approach emphasizing the role of the state in dialogue with *market-compatible* or *mixed economy* variants, and variations on *Another development* theme that emphasize small scale management of the development process and sustainable development.

Dependent development

The "dependent development" school advocated first of all by Cardoso and Faletto,⁴ rejects the mechanistic approach and the simplistic generalisations of the underdevelopment school by saying that integration with the international market can produce development. The preconditions are, *inter alia*, that a progressive national class alliance, a social bloc in the Gramscian sense, is created between the national bourgeoisie and the working class, and that the alliance is able and willing to pursue a strategy of national industrial development over the long term. In the political scientist's extension of Cardoso and Faletto, the "dependent development"

² Reference is made to the now classical texts of Baran and in particular Gunder Frank, and apologies are made for any slight misrepresentation caused by the need to be brief. For a good summary of theirs and other works, see Keith Griffin and John Gurley, "Radical analysis of imperialism, the Third World, and the transition to socialism: A survey article", *Journal of Economic Literature*, vol. 23 (September 1985), pp. 1089-1143.

³ Wing Thyee Woo, "The art of economic development: markets, politics and externalities", *International Organization* vol. 44, no. 3, Summer 1990. See also Robert E. Lucas, jr., "On the mechanics of economic development", *Journal of Monetary Economics*, 22, July 1988.

⁴ F. H. Cardoso and E. Faletto, *Dependency and Development*. Monthly Review Books, 1979.

they belong. The question, in other words, is not so much what level of social organisation is the more important one for development to occur — the inter-national system, the nation-state, or the level of social classes, groups or households. The main concern is rather to what extent and how processes that are taking place at different levels *interplay* to shape and determine the development outcome. The focus of the analysis is not so much the single factor as the *interaction among factors*.

Let me support this simple, but important theoretical-methodological proposition with some concrete illustrations.

In his recent book, *Democracy, Dictatorship and Development*, George Sørensen offers some interesting and to my mind convincing empirical observations on the interaction between type of national political system and (economic) development. He observes 1) that there is no clearcut causal relationship between type of national political regime and economic development, and 2) that we have to look for a more complete explanation by analysing “the complex ways in which the form of regime interacts with other factors”.⁵

Let me therefore delve into my proposed three-level analysis of those interactions. For South Korea some recent contributions point to the relative *autonomy of the state* vis a vis strong domestic interest groups as an important explanatory factor in that country’s successful economic development.⁶ Korea’s strategy during the first rapid industrialisation phase was very much built on regulation of imports including an import-substitution policy. Compared to the typical Latin American country’s import-substituting industrialisation strategy, however, Korea’s relative state autonomy, the strict conditions attached to subsidies granted to firms and the state’s conscious use of market mechanisms along with state regulation to increase efficiency and competitiveness prevented its trade policy from becoming conquered by domestic interest groups.

Compare the extreme opposite, the case of Uruguay. At the beginning of this century Uruguay was in many ways an egalitarian welfare state — the “Nordic model” in Latin-America as some has coined it (preceding in fact in some respects the model itself). Over several decades it built and skilfully maintained a consensual democratic political system based on close linkages between the state and society. It met, in other words, one of the most important conditions for a successful dependent development process to take place. Its main problem appears to have been that consensus

⁵ Sørensen, George, *Democracy, Dictatorship and Development*. Macmillan, 1991, p. 187.

⁶ See for example Frederic Deyo, ed. *The Political Economy of New East Asian Industrialism*. Cornell University Press, 1988.

Africans — contributed positively to putting an efficient (Weberian) state bureaucracy into place.⁹ The relative skills displayed by the SEA state bureaucracies have been pointed to as an important factor by several authors.

Second, foreign economic policy and the institutions implementing it was both more flexible and consistent in the East Asian case: flexible because the market mechanism was being used to promote competitiveness, consistent because the state enjoyed relative autonomy from business lobbies. Foreign economic policy in East Asia was also flexible in another sense: import substitution measures and an export-oriented industrialisation ran almost parallel throughout the 1960s and 1970s, with a gradual phasing in of less import protection. In the Latin American case and in some of the relevant African cases, there was first rather general import substitution and then, in the late 1970s and the 1980s a rather radical shift to export-oriented industrial strategy.

Third, economic growth was redistributed in order to create and maintain a relatively egalitarian social structure. We know that land reform was very much instrumental in making this relative equality possible, a lesson which further contrasts with Latin American experience which has privileged industrial and urban interests. The importance attached to rural interests in South East Asia is further illustrated by the fact that South Korea, as has Japan, has strongly opposed liberalisation of rice trade demanded by the United States and its allies in the GATT.

It is possible that in addition a fourth set of factors, socio-cultural factors, play a role in explaining the egalitarian SEA development experience, but I do not believe that we know to what extent this is true.

In making these three (four) general points, I overlook disparities that truly exist among the SEA cases even among the “first-tier” NICs. There are, for instance, important variances between South Korea and Taiwan in the way and degree by which the state intervenes in the economy.¹⁰ This applies even for the state-civil society relationship during the most authoritarian phases of their political systems.

International systemic and external factors including geopolitics and the role of transnational capital are integrated into several of these three (four) factors. I shall return to a few more observations in a moment. Many

⁹ Bruce Cumings, “World System and Authoritarian Regimes in Korea, 1948-1984”, in E. A. Winckler and S. Greenhalgh, eds., *Contending Approaches to the Political Economy of Taiwan*. London, M.E. Sharpe, 1988.

¹⁰ Yun-han Chu, “State structure and economic adjustment of the East Asian newly industrialising countries”, *International Organization*, vol. 43, no. 4, Autumn 1989.

North-South relations reverted?

During the 1980s international relations in the North-South context have assumed new dependency dimensions: that of heavy foreign debt and requests for structural adjustment, and at the same time mounting trade protectionism in the North. This has put the South in what is apparently a paradoxical situation. On the one hand the "End of history" inspired rhetoric of economistic liberalism in the North holds up more — and more liberal — integration with the North as the safest road to development. A great many development theorists and governments in the South have moved in the direction of that position. Despite its proven limited validity, thus, neo-liberal economics theory probably have more support among Southern academics today than in the 1970s.

On the other hand the North in its own economic interest has taken steps to marginalize the South by erecting more barriers to trade than before. This has among other things led to more, not less political bargaining over market shares and therefore increased emphasis on bilateral arrangements as opposed to non-discriminatory multilateralism.¹¹ And it certainly raises questions about the viability of export-led development strategies in the present and future. If access to Northern markets are blocked, then several of those countries following an export-oriented industrialisation strategy will obviously be thwarted.

But again warnings should be sent to those who feel tempted to fall back into the underdevelopment position. Take tiny Mauritius to prove that structural approaches have limited validity: When the North-South relationship started to assume crisis symptoms at the end of the 1970s, this island country had 99 percent of its exports in one commodity, sugar, and some 20 percent of the labour force unemployed. It had a political system characterised by ethnic differentiation, shifting governments and it lacked economies of scale and a viable resource base. Still, in the course of the 1980s, Mauritius managed to turn around. It diversified into textile and clothing industry with the help of local capital, a relatively skilled labour force and transnational corporate technology operating in large part through export free zones. And it made it: exports of textile products have taken off despite international barriers, and unemployment is down to some 4 percent.

What Mauritius did not manage well in its rapid turn-around was the environment.

¹¹ See Helge Hveem, *The Bargaining Economy*. Oslo, Center on Development and the Environment, 1993 (manuscript, to be published in 1994) for detailed analysis.

if markets are freed and governments adopt domestic environmental regulation, more trade-generated growth will also improve the environment.

The logic behind this conclusion appears fairly straightforward: Increased income from increased trade will provide financial means which will be used for investment in cleaner technology. The more trade and thus income grows, the more will the process of technological transformation be speeded up. A new and cleaner international product cycle will replace the old and dirty one faster with trade-generated growth than without.

What is a proper scholarly reaction to the text? Is it simply a neo-liberal trickle-down *credo* which long ago has been proven at best naive, or wrong at worst? It is tempting to answer with a yes. The *credo* does not become more true by being repeated over and over again. There is no unidirectional relationship between trade and growth, nor is there between growth and development.¹³ But if we reject the *credo* as we should, we shall probably have to realize that a great part of the South may well ally itself with the GATT secretariat. Several OECD countries will lead on in setting up stricter standards on production and products that will affect third countries. There appears to be a growing concern in the South that this is protectionism disguised as environmental protection. The anti-environment reaction is strongest among some of the up-coming industrial nations, such as Malaysia whose prime minister recently branded environment-motivated regulation of international trade as "imperialism". Mauritius on the other hand has started to take remedies to cope with the environmental degradation that followed its successful industrial diversification in the 1980s.

This brief visit to the most recent development debate shows two things. First the introduction of environment into the development debate may have recast North-South politics. Secondly the environment issue makes the necessity to look at interactions between factors and actors at different levels of social organisation even more obvious, cf. the agent-structure dilemma. Malaysia's strong environmental movement is certainly not going to accept that its government rides a neo-liberal bandwagon which this

¹³ One of the most comprehensive studies of the relationship is the World Bank's major project, see Michaely, Michael, Demetris Papageorgiou and Armeane M. Choksi, eds. *Liberalizing Foreign Trade*. Cambridge, Basil Blackwell, 1991, 7 volumes the last of which is entitled *Lessons of Experience in the Developing World*. David Evans among others, offered an in-depth critique of the study at a seminar on trade policies organised by UNCTAD in Antalya, Turkey in May, 1991. See also Dani Rodrik, "Conceptual issues in the design of trade policies for industrialization", *World Development*, Vol. 20, no. 3, March 1992 for another economist's approach to the issue.

3. Notes on equality, poverty and development

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This is an extended abstract of the lecture given at the NFU Conference.¹

Introduction

A popular conservative view claims that the failure of Soviet type communism demonstrates the impossibility of implementing egalitarianism. Therefore egalitarianism is no feasible option for development in poor countries. Logically there is of course no basis for such a sweeping inference. First of all it may be a grave mistake to associate the former command economies of Eastern Europe with egalitarian principles. Secondly, if one insisted on such an association, the collapse of the Soviet system proves the incapability of certain tools and means to achieve a sustainable development with distributional equality rather than the infeasibility of egalitarian principles as such. Thirdly, more recent evidence suggests that the view that egalitarianism is harmful to development may be a mistaken or at least incomplete description of realities. In the following I will give some reasons for an opposite view, that a high degree of inequality is not only unjust but may also be harmful to poverty alleviation and long run economic development.

The issue of justice in poor countries

One conceptualisation of justice for structuring society refers to a hypothetical contract that is fair in the sense that, when the initial agreement is made, no one knows what place in the society they will occupy. Before "the birth lottery" takes place, most people would "vote for" more egalitarian allocations than those they may accept after they

¹ I wish to thank Steinar Holden and Tone Ognedal for useful comments to the first draft.

The inequality/development relationship

Crude estimates by Datt and Ravallion (1992) may be used to illustrate the scope of redistributions to fight poverty. India has a lower per capita income than Brazil, but less inequality. The degree of poverty (measured by the head count), however, is highest in India: 44 percent as compared to 32 percent in Brazil. If one took the Brazilian mean income and implemented the Indian income distribution around that mean, the head count measure of poverty would be reduced to 1 percent. If one instead took the Indian mean income and implemented the Brazilian income distribution around that mean, the head count measure of poverty would rise to 80 percent.

The relevance of this play with numbers depends of course on whether the distribution can be improved without affecting the mean. The traditional economists' answer is that it cannot. Inequality of income is necessary to obtain work incentives and sufficient savings to generate a high enough capital accumulation to sustain the higher growth and income levels, the argument goes. In addition, the traditional view would claim that increasing inequality is an inherent part of starting off a process of modernisation.

To illustrate the latter point let us consider an economy that consists of two sectors: backward agriculture and modern industries. Modernisation implies a rising employment share in modern industries that yields higher labour incomes than backward agriculture. Accordingly, the first phase of modernisation generates an increasing inequality, while the second phase reduces inequality. This is an example of what Kuznets (1955) called the inverted U shape of the inequality-development relationship.

Kuznets openly admitted that his initial assertion (in his presidential address to the American Economic Association) was only to a small extent based on empirical evidence. The inverted U has, however, been confirmed by series of empirical cross section studies in the 60s and 70s (Kravis 1960, Kuznets 1963, Paukert 1973, Ahluwalia 1976, Chenery and Syrquin 1975 and others). More recently, however, doubt has been casted on the robustness of these results. Anand and Kanbur (1986) found that the typical pattern is that inequality first falls and then rises. Fields and Jakubsen (1990) who also give a comprehensive overview of the empirical works on this topic, include new data that in contrast to most other studies, contain more than one observation per country. They find that inequality decreases when countries move from less developed to more developed (at least till they reach per capita income levels of Singapore and Hong Kong).

All these studies have concentrated on the relationship between income levels and inequality, while the more adequate relationship may be between changes in income levels (or simply economic growth) and inequality.

With share cropping the peasant is partially insured since the rental price varies with the harvest at the same time as he is partially remunerated for his work efforts. However, even though share cropping can be viewed as an optimal arrangement (Stiglitz 1974) it is important to note the second-best nature of this optimality. With a more egalitarian ownership of the land, there would not be the same need for rental arrangements. Peasants who own their own land, would face improved work incentives and would in part be self-insured by their property rights. Moreover, with share cropping neither the landlord nor the peasants face the right incentives for land improvements and environmental protection unless they can find ways to share these costs in the same proportion as they share the harvest. (For further discussions and alternative approaches, see Reiersen 1992)

Growth performance and inequality

(i) Resource availability and poverty

Can economic growth hurt the interests of the poor? To answer this question, let us, for the sake of argument, consider a situation with a given growth rate. Economic growth increases the pie to be divided. Yet it is possible that poverty increases during the growth process. One reason why there may be no monotone relationship between resource availability and reduction in poverty has been studied by Balan and Ray (1991) and can be visualised as follows.

In inegalitarian societies economic growth may easily affect rich and poor population groups differently. According to Engel's law in consumer theory, the consumption of high quality goods, luxuries for simplicity, increases its share of the household budgets of the rich, while the poor according to the same "law" only consume basic staple food if they are poor enough. "Luxuries" may be produced by the input of staple food in for instance meat production. In this way luxuries and basic food to the poor compete for the use of the same scarce resources and the prices of basic food easily go up as the demand for luxuries increases.

To be productive, however, the wage level of poor workers has to cover a certain minimum of basic foods. Nominal wages therefore have to go up when food prices rise. As a consequence employers face higher labour costs and may in turn lower their demand for labour such that the unemployment rate goes up. Increasing unemployment means a rising number of poor families and a higher degree of poverty in the economy. In fact, it is the

(iii) Endogenous politics

Persson and Tabellini (1991) and Alesina and Rodrik (1991) provide models of how distributional considerations may affect the choice of growth in a political equilibrium with rational voters. The main idea is that inequality may lead voters to vote for more redistributive policies via the tax system. Redistributive policies of this sort may require distortive taxes that again may be harmful to human and physical capital formation. The mechanisms studied in their formal models may, however, be too stylised to capture all relevant aspects of democracy and growth. Yet they remind us of the problems that the emerging democracies in poor countries may face in the form of short-sighted populist policies unless resources and incomes are more equally distributed.

(iv) Endogenous conflicts

There are, however, more than one way to tax the rich and privileged, including banditry and other forms of extra-legal appropriation of wealth. Since the poor have little to lose and much to win by social convulsion in inegalitarian societies, they may be rationally motivated to fight harder. Conflicts of this sort which are rooted in perceived injustice in the distribution of resources, are detrimental to economic growth and welfare. Banditry means that human resources are moved from productive to appropriative activities. Banditry gives rise to defensive actions which again means that more resources are used unproductively. When property rights are not taken as given, investors cannot be sure to collect the rents of their investments. For that reason they may prefer short term projects to more profitable long term projects.

Conflicts of this kind in poor countries and throughout the world include more activities than individual banditry. Class struggle, tribal conflicts and rent seeking towards other groups, the state and other nations in the form of imperialism and war can all be understood within the same conflict approach. Most of these conflicts are at least fuelled by inequality of resources and all of them are harmful to economic growth and development. (An early formal analysis of such grabbing strategies between countries, can be found in Haavelmo 1954. See also Hirsleifer 1991.)

The traditional economic approach focusing on interaction within stable environments where agents respect the established rules and property rights, may be misplaced when one considers developing countries with weak legal institutions. A high degree of inequality in poor countries may easily give rise to harmful struggles that eliminate the potentials for development.

rises. Accordingly, there may be no conflict between equity and efficiency in the distribution of land.

Several factors may explain the variable impact of land reforms on income distribution, poverty and labour migration.

(i) To whom?

The nature of the reform in itself is important. Is the land given to smallholders or landless peasants? As compared to landless peasants smallholders are doubly blessed. They have higher incomes and a better nourishment and have therefore a higher labour productivity than landless peasants. This privileged position gives them, in addition, a competitive advantage over landless workers in the rental market for land since smallholders can afford to pay higher rental prices and still obtain a high enough income to remain productive. In this way the market widens income differentials that are due to unequal distribution of assets.

If land is transferred from large landholders to smallholders only, which is often the case, poverty and malnutrition may increase among landless workers who are replaced from their earlier employment by the more productive smallholders. To give land to landless peasants, however, may have a better impact on poverty and malnutrition.

(ii) The quantity of arable land per capita

When land is scarce the rental price of land may be so high that landless workers are unable to rent quality land. A land reform that transfers land from large landholders to landless workers may then enable them to compete on equal terms with smallholders. The consequence would be a reduction in poverty and malnutrition. When land is more abundant, landless workers may be able to rent land also before the land reform. If then some land is given to some agricultural workers, those who remain landless may lose their employment because rental prices are bid up by the increasing number of more productive smallholders.

(iii) Partial versus comprehensive reforms

Partial reforms are more likely to induce replacement of landless workers in agricultural production which may increase the number and reduce the incomes of families below the poverty line. Comprehensive reforms, which divide the land more or less equally among all agricultural workers,

compression as a way of equalising basic needs fulfilment may raise labour productivity and induce structural change towards higher growth.

An important side effect of these egalitarian policies is that distributional conflicts and wasteful struggles may be reduced. Though equity and efficiency may be improved simultaneously, there is no guarantee that egalitarian policies would not make the rich worse off.

Moreover, one may object that distributive justice should not be related only to opportunities and end states, but also to procedures. I have, however, neglected questions like to what extent outcomes can be unjust if the procedures that lead to these outcomes can be justified by voluntary trading (Nozick 1974). Also the more radical versions of procedural injustice focusing on the colonial past, imperialism and how for instance land ownership was initially established, have been disregarded. Even though there are important philosophical differences between radical end-state theories and conservative procedural theories of justice, there may be an important link between the two in practice. A sufficiently high degree of inequality of outcomes in poor countries may easily induce extra-legal appropriative activities that also violate procedural justice. Paradoxically, however, those regimes (for instance in Africa) that speak most loudly about radical reforms are sometimes the gravest sinners against the most conservative principles of justice, namely equal opportunities and respect for established rules and laws. These are violated by favouritism, corruption, rule bending, expropriation and job assignment as a loyalty device. Such practices are no doubt harmful to development as well.

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question. The notion of a general trade-off between democracy and economic development is rejected, but it will also be demonstrated why economic development and welfare improvement will not necessarily be forthcoming from the new democracies.

The debate on democracy and development

Many scholars see an incompatibility between democracy and economic growth for both economic and political reasons. The economic reasons relate to the fact that growth requires an economic surplus available for investment. Such surplus can only come out of the gross production of a given society. A given surplus can be either invested or consumed. Hence, there is only one way of increasing the investible surplus, namely by reducing consumption. The argument is that a democratic regime will not be able to pursue policies of curbing consumption (holding down real wages), because the consumers are also voters who will punish the politicians next time they get the chance at the ballot box. Therefore, in a democratic system, political leaders have to cater to the short-term demands of the population. In the words of an Indian economist: "Under a system in which lawmakers ... seek the approval of the electorate, the politician cannot afford ... to follow any policies which will not produce tangible benefits for the electorate by the time the next election comes around."³

Accordingly, there is an incompatibility in the short and medium run between economic growth (investment) and welfare (consumption): You cannot have your cake and eat it too. And the reservations against democracy have precisely to do with the tendency for democratic leaders to be "persuaded" by the electorate to promote too much welfare and, consequently, too little growth. Which in turn means that the whole basis for welfare promotion in the long run is jeopardised.

The political reservations about democracy take the starting point that economic development is best promoted when there is a high degree of political stability and order.⁴ Democracy is counterproductive in this regard, because it opens the already weak institutions of the developing

³ B.K. Nehru, "Western Democracy and the Third World", *Third World Quarterly*, vol. 1, no. 2 (1979), p. 57n. See also V. Rao, "Democracy and Economic Development", *Studies in Comparative International Development*, vol. 19, no. 4 (1984-5): 67-82.

⁴ Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

Powell: "State building and economy building are logically prior to political participation and material distribution, since power sharing and welfare sharing are dependent on there being power and welfare to share".⁸

The critics of the tradeoff-view challenge all of the arguments set forth above. First, there is the economic argument about democracy hurting growth. While it is true that a specific amount of economic surplus can be either invested or consumed, but not both, the conclusion that this means a sharp contradiction between growth and welfare is not as straightforward as it seems. For example, public expenditure in such areas as health and education constitutes investment in "human capital" which simultaneously improves welfare for large groups in the population. Indeed, many economists advocate a strategy of development emphasising "Basic Human Needs" that it is possible to have both growth and welfare simultaneously.⁹ If this is so, the argument in favour of authoritarianism because of democracy's inability to hold back on welfare weakens severely. Indeed, the choice may be, not between growth and welfare, but between two different kinds of investment policy: one which supports welfare and one which does not; and it can be argued that a democratic government is more likely to promote the former and an authoritarian government the latter.¹⁰

Second, the critics turn the argument that democracy cannot secure order and stability on its head: authoritarianism can mean arbitrary rule and undue interference in citizen's affairs. Only a democracy can provide the predictable environment where economic development can prosper. Moreover, political and economic pluralism reinforce each other. Without basic civil and political liberties, citizens will not feel secure to consistently

⁸ Gabriel Almond and G. Bingham Powell, *Comparative Politics: A Developmental Approach* (Boston: Little, Brown, 1978), p. 363. See also Samuel P. Huntington, "The Goals of Development", in Myron Weiner and Samuel P. Huntington (eds.), *Understanding Political Development* (Boston: Little, Brown, 1987), p. 19, and Irene Gendzier, *Managing Political Change. Social Scientists and the Third World* (Boulder: Westview, 1985), ch. 6.

⁹ See Hollis Chenery et al., *Redistribution With Growth* (London: Oxford University Press, 1974), and Paul Streeten et al., *First Things First. Meeting Basic Human Needs in Developing Countries* (New York: Oxford University Press, 1981).

¹⁰ See also Grace Goodell and John P. Powelson, "The Democratic Prerequisites of Development", in Raymond Gastil (ed.), *Freedom in the World: Political Rights and Civil Liberties* (New York: Freedom House, 1982): 167-76, and Atul Kohli, "Democracy and Development", in John Lewis and Valeriana Kallab (eds.), *Development Strategies Reconsidered* (New Brunswick: Transaction Books, 1986): 153-82.

political system does appear to be a luxury which hinders development".¹⁴ A similar conclusion is reached in Cohen's study of economic growth in a number of Latin American countries.¹⁵

Berg-Schlosser's analysis of African regimes finds that authoritarian systems have a "strong positive effect on the overall rate of GNP growth",¹⁶ but he also emphasises that democratic (polyarchic) regimes have done better than should be expected: Thus polyarchic systems fare quite well both in terms of GNP growth and the improvement of the basic quality of life. They also have the best record concerning normative standards (protection of civil liberties and freedom from political repression).¹⁷ Dwight King reaches a similar conclusion in his study covering six Asian countries: "If performance is evaluated in terms of material equality and welfare rather than growth, and is examined diachronically over the past decade and within differentiated population groups (rural landless, and near landless), democratic-type regimes (Malaysia, Sri Lanka) have performed better than bureaucratic-authoritarian ones (Indonesia, Philippines, Thailand)."¹⁸

G. William Dick has examined the growth record of 72 countries between 1959 and 1968. He uses a classification with three different forms of government: authoritarian, semi-competitive and competitive. He readily admits that the data are not unambiguous. Even so, the conclusion maintains that the "results certainly do not support, and tend to refute, the view that authoritarian countries are universally capable of achieving faster economic growth in the early stages of development than countries having competitive political systems..."¹⁹

No clear answer to the tradeoff question emerges from these studies, and there is little help to be had from the invoking of additional analyses as a

¹⁴ Rodney M. Marsh, "Does Democracy Hinder Economic Development in the Latecomer Developing Nations?", *Comparative Social Research* 2 (1979), p. 244.

¹⁵ Yousseff Cohen, "The Impact of Bureaucratic-Authoritarian rule on Economic Growth", *Comparative Political Studies*, vol. 18, no. 1 (1985): 123-36.

¹⁶ Dirk Berg-Schlosser, "African Political Systems: Typology and Performance", *Comparative Political Studies*, vol. 17, no. 1 (1984), p. 143.

¹⁷ *Ibid.*, p. 121.

¹⁸ Dwight Y. King, "Regime Type and Performance. Authoritarian Rule, Semi-Capitalist Development and Rural Inequality in Asia", *Comparative Political Studies*, vol. 13, no. 4 (1981), p. 477.

¹⁹ G. William Dick, "Authoritarian versus Nonauthoritarian Approaches to Economic Development", *Journal of Political Economy*, vol. 82, no. 4 (1974), p. 823.

Both of these pathways are tried out below. I look first at a pair of cases, then at different types of authoritarian and democratic systems.²¹

India versus China

India and China are both very large, populous, and predominantly agrarian countries. They were at a rather low level of social and economic development in 1950, following India's independence in 1947 and the Chinese revolution in 1949. At the same time, India is one of the most stable political democracies in the developing world, while China is under authoritarian socialist rule. It may be that India's democracy is less than perfect, and some democratic elements have been present in China, but the overall difference is clear enough. We thus have a democratic and an authoritarian country with stable regime forms for more than three decades, and with a number of basic traits in common, including similar levels of development in 1950. Therefore, they are good candidates for comparing development outcomes of democratic and authoritarian regimes.

Economic development as defined here includes two elements, growth and welfare. Let us first look at the growth results in table 1.

Growth statistics are seldom fully reliable, and there is also a problem with comparability of China and India. Note that the levels of GNP are roughly equal in the two countries in 1988 — 330 and 340 dollars respectively. If the 1965-88 growth rates are also reliable, we must conclude that for the figures to match, India's per capita income in 1965 should have been twice that of China and that is contrary to all available evidence.²² On the other hand, real GDP level in terms of PPP dollars is a more valid figure than per capita GNP, and when this is used, the difference in growth rates becomes more trustworthy.

These data problems cannot be fully settled here. Without deciding on the exact magnitudes, I see no reason to doubt that the overall growth rate in China has been substantially higher than in India. On one important dimension the difference is not dramatic, namely agricultural growth between 1950 and 1980. Before saying more on this point, a few general remarks on the growth figures are in order.

²¹ Some of these considerations draw on Sørensen, *Democracy, Dictatorship and Development*.

²² See Jean Drèze and Amartya Sen, *Hunger and Public Action* (Oxford: Clarendon Press, 1989), p. 206n.

more important. First and foremost, the regime rapidly undertook far-reaching reforms in industry and agriculture; these reforms made an economic surplus available for investment which had earlier accrued to private landowners and capitalists. At the same time the reforms increased productivity, especially in agriculture. Several analysts have pointed out that the lack of such basic reforms are responsible for a large, unrealised growth potential in Indian agriculture.²⁴ It is a main thesis in Barrington Moore's contribution that big landowners and moneylenders in India appropriate a large part of the agrarian surplus and spend it for unproductive purposes.²⁵ A number of scholars have echoed that opinion in more recent analyses and it is a fact that the taxation of agricultural income in India has been extremely low, yielding only one per cent of total tax proceeds in 1980-81.²⁶ The strategy of the "Green Revolution" adopted in some areas from the mid-sixties aimed at increasing production through the use of modern inputs, like chemical fertilisers, pesticides, irrigation and new crop varieties. The strategy has increased output where implemented, but it has not radically improved the overall growth rate in agriculture or paved the way for a substantially higher contribution from agriculture towards industrial growth.

Yet there are some less attractive elements which must be included in the Chinese growth record. The power of the authoritarian regime to organise rapid economic growth also involves the power to commit horrible mistakes and even persevere in such mistakes, as it happened during the so-called "Great Leap Forward" from 1958, which was supposed to boost production to an extent where China could be among the highly industrialised countries in ten years time. The Leap was a failure in industry and a disaster in agriculture; the production of food grain dropped in 1959 to the level of 1953. Only in 1978 did per capita output of food grain reach the level of 1956.²⁷ In industry, output first increased dramatically and then dropped at a similar speed in 1961-2. Behind the rise in output was a complete lack

²⁴ Francine Frankel, "Is Authoritarianism the Solution to India's Economic Development Problems?", in Atul Kohli (ed.), *The State and Development in the Third World* (Princeton: Princeton University Press, 1986), pp. 154-61.

²⁵ Barrington Moore Jr., *Social Origins of Dictatorship and Democracy. Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), p. 355.

²⁶ Pranab Bardhan, *The Political Economy of Development in India* (Delhi: Oxford University Press, 1984), p. 56. See also Rajni Kothari, *Politics in India* (Delhi: Orient Longman, 1982), p. 352n, and K. Subbarao, "State Policies and Regional Disparity in Indian Agriculture", *Development and Change*, vol. 16, no. 4 (1985), p. 543.

²⁷ A. Piazza, *Food Consumption and Nutritional Status in the PRC* (Boulder: Westview, 1986), p. 36.

Development Program, UNDP, has in recent years published a Human Development Report which identifies some of the best indicators. Drawing primarily on these data table 2 outlines the welfare achievements in China and India.

Table 2
Welfare in China and India

Indicators	China	India
Life expectancy at birth (years) 1990	70.1	59.1
Adult literacy rate (%) 1985	68.2	44.1
Mean years of schooling (1980)	4.8	2.2
Under-5 mortality rate (per thousand)	47	154
Human development index rank ¹	0.614	0.308

¹ The HDI is composed of three indicators: life expectancy, education and income. For each indicator, a worldwide maximum (1) and a minimum (0) is identified and the single country is then ranked according to its position. The combined average of the three positions is the HDI; the closer it is to 1, the better the ranking; see UNDP, *Human Development Report 1991* (New York and Oxford: Oxford University Press 1991): pp. 88-91.

Source: Figures from UNDP, *Human Development Report 1991*, p. 120. The Under-5 mortality rate is based on UNICEF data, quoted from Jean Drèze and Amartya Sen, *Hunger and Public Action* (Oxford: Clarendon Press 1989): p. 204.

Even when we allow for some uncertainty in the data, there is no doubt about the general tendency: China has achieved a substantially higher level of welfare according to these indicators than has India. China's rating in the composite Human Development Index is twice that of India's. Note that the figures in the table are averages. The situation for the poor is much worse. The percentage of the population living in absolute poverty, that is, at a bare minimum level of subsistence or below, is as high as forty in India and this percentage has basically remained unchanged since independence. With a population increase from 360 to more than 800 million this means, of course, that the actual number of very poor people has increased dramatically. The corresponding percentage of absolutely poor in China is twelve to fifteen.³¹

This goes squarely against the expectations in the theoretical considerations above, according to which democratic regimes were expected

³¹ See Sørensen, *Democracy, Dictatorship and Development*.

prices; public financial institutions have provided a cheap source of finance and the level of taxation has never constituted a serious burden.

Second, there are the rich farmers. They have benefitted from price support for farm products, a wide range of subsidised inputs (fertiliser, power, water). Moreover, the threat of land reform has been held in check, and there has been no significant taxation of agricultural income and wealth. The third group is the bureaucracy, that is, the professionals and white-collar workers in the public sector. The benefits to this group has come from the substantial expansion of the public sector, partly in the form of public enterprises, partly through indirect controls; the bureaucracy has the power to grant licenses, subsidies and other favours sought by the private sector.

In sum, from the viewpoint of "who benefits?" Indian governments have presided over this coalition constituting roughly the top twenty per cent of the population. It is a dominant coalition in the sense that the government policies are such as to further, in the long run, the interests of the participants.³⁵ The development policies of the state have never significantly been outside of the orbit of what is acceptable to the dominant coalition. The mass of poor people is too unorganised, divided and politically weak to radically change this state of affairs.

Why, then, the much better welfare situation in China, in spite of an authoritarian government pushing economic growth? On the one hand, the reforms in agriculture not only pushed growth, but also welfare. According to one estimate, the poorest fifth of the rural households almost doubled its share of the overall income, from six to eleven per cent, as a consequence of the agrarian reform.³⁶ On the other hand, a number of measures were taken which aimed directly at welfare improvement. Three areas stand out in this respect, namely health, education and public distribution systems. The average health situation was substantially improved by the system of public health care erected in the 1950s and expanding its coverage to the rural areas during the 1960s. This system also includes curative health care.³⁷ Ninety-three per cent of the relevant age-groups attended ground school in 1983, and even if more than one-third of the pupils from the rural areas drop out, the level of education has been considerably improved.

³⁵ See also A. Rudra, "Political Economy of Indian Non-Development", *Economic and Political Weekly*, vol. 20, no. 21, May 25 (1985), p. 916.

³⁶ Riskin, *China's Political Economy*, p. 235.

³⁷ See Piazza, *Food Consumption and Nutritional Status in the PRC*, p. 176.

Types of authoritarian systems

Comparing the cases of India and China helps shed a more nuanced light on the theoretical debate on economic development outcomes of democratic and authoritarian regimes. Yet it is clear that the theoretical debate can not be settled on the basis of one pair of cases. The comparison says nothing about the relationship between India-China and other examples of authoritarian and democratic regimes. Even if the India-China contrast does not give very high marks to Indian democracy it is necessary to know more about different types of authoritarian and democratic systems and how the cases fit into this picture before drawing further conclusions. I shall argue in this section that China is indeed not very typical of the large group of authoritarian systems. China belongs, together with a few other countries, to a rather exclusive group of authoritarian developmentalist regimes, which has been capable of pushing both economic growth and welfare. When we look at development outcomes, the large number of authoritarian systems belong in two less attractive groups: they either push growth, but not welfare, or even worse, they do neither. Regimes in this latter group do not have the promotion of economic development as their main aim: their ultimate goal is enrichment of the elite which controls the state.

Figure 1
Types of authoritarian systems: Consequences for economic development

Regime type	Aspects of economic development		Country example
	Growth	Welfare	
Authoritarian developmentalist regime	+	+	Taiwan China
Authoritarian growth regime	+	-	Brazil under military rule
Authoritarian state elite enrichment regime	-	-	Zaire under Mobuto

These three main types of authoritarian systems are further introduced in what follows.

seventies. China was internationally isolated for a long period and the ties with the Soviet Union during the fifties did not provide much economic assistance, compared to what Taiwan got from the United States.

Yet what must be stressed here is the basic similarity of China and Taiwan as members of the category of authoritarian developmentalist regimes. There are only a few other candidates for this type of authoritarian regime. The two most obvious ones are the two Koreas.⁴¹ It is clear that South Korea has many traits in common with Taiwan, while North Korea is a socialist case which has taken centralisation of political and economic control even further than has China. There are a few borderline cases which share some of the features of authoritarian developmentalist regimes; examples are Singapore on the capitalist side, and Cuba on the socialist side.

Authoritarian growth regimes

The second main type of authoritarian regime is the authoritarian growth regime, which promotes economic growth, but not welfare. Brazil during military rule, from 1964 until the present period of redemocratisation, is a good example of this type of regime. As an authoritarian growth regime, Brazil exhibits the following characteristics: economic growth objectives are pursued with the aim of building a strong national economy (which, in turn, can provide the basis for a strong military power). The long term interests (but not necessarily the immediate interests) of the dominant social forces are respected while the economic surplus to get growth underway is set to come from the workers and peasants of the poor majority.

It is thus an explicitly elite-oriented model of development, resting on an alliance between local private capital, state enterprises and transnational corporations. The elite orientation of the model applies to the supply side (emphasis on consumer durables) as well as to the demand side (capital intensive industrialisation with most benefits to a small layer of skilled and white collar employees and workers). What this means is that the poor majority of the population is not really involved in the growth process; the most urgent needs for the poor are basic health, housing, education and gainful employment.⁴² Redistributive reform measures, including agrarian

⁴¹ Jon Halliday, "The North Korean Enigma", in Gordon White et al. (eds.), *Revolutionary Socialist Development in the Third World* (Brighton: Wheatsheaf, 1983): 114-55; Clive Hamilton. *Capitalist Industrialization in Korea* (Boulder: Westview, 1986).

⁴² Peter T. Knight, "Brazilian Socio-Economic Development: Issues for the Eighties", *World Development*, vol. 9, no. 11-12 (1981).

The surplus which comes into the hands of the leadership through its control of the state is distributed among the clan or a coalition of clans which in turn provide political support for the leader. It is not, of course, an equal pattern of distribution; the lion's share of the benefits accrues to the supreme leader and a small elite around him. There is no clear distinction between politicians and civil servants; the latter are actively involved in the efforts to gain personal advantage from their public posts.

Thus, despite official claims to the contrary, the ruling elite takes no real interest in economic development, be it in terms of growth or welfare. The main aim is self-enrichment. This requires an act of balancing against potential opponents and a measure of distribution of spoils which may have side-effects in terms of promoting either welfare or growth, but this is not the main aim. Zaire under Mobutu may be the clearest example of an ASEE-regime.⁴⁶ The inner circle of the Mobutu Clan consists of a few hundred people, his "Fraternity". The lucrative positions in "state, diplomatic corps, party, army, secret police and the Presidency"⁴⁷ are reserved for clan members. The latter directly claim some twenty per cent of the national budget; the income is complemented through smuggling (diamonds and gold) and "private" sales of copper. Mobutu himself has a personal share in all foreign undertakings operating in Zaire, and his family controls sixty per cent of the domestic trade net. He has accumulated enormous wealth as is recognised to be among the three richest men in the world.

Hence, the defining characteristic of the ASEE-regime is simply that the elite which controls the state is preoccupied with enriching itself. Other examples from Africa which fit this description is the Central African Republic under Jean Bedel Bokassa and Uganda under Idi Amin. There are also examples of authoritarian regimes outside Africa which have much in common with the ASEE type of regime: Haiti under Duvalier Senior and Junior (Papa and Baby Doc); Nicaragua under Somoza, and Paraguay under Alfredo Stroessner.

⁴⁶ David Gould, "The administration of underdevelopment", in Guy Gran (ed.), *Zaire: The Political Economy of Underdevelopment* (New York: Praeger, 1979): 87-107; Salua Nour, "Zaire", in Dieter Nohlen and Franz Nuscheler (eds.), *Handbuch der Dritten Welt*, vol. 4 (Hamburg: Hoffmann und Campe): 468-522.

⁴⁷ Nour, "Zaire", p. 512.

Types of democratic systems

There is less material for a typology of democratic systems, simply because there are very few relatively stable democracies in the developing world. Not counting very small countries with a population of less than one million, only Costa Rica (with a population of three million) has been a stable democracy for as long as India. Venezuela and Colombia come close to a similar stability. Yet there is a common denominator between these stable cases and the majority of the current transitions towards democracy, which is significant for their economic development outlooks. They are all elite-dominated democracies.

Elite-dominated democracies

Indian democracy, in the vein of the current transitions towards democracy, was achieved by an elite-dominated coalition with three main groups: the urban professionals, who founded the Congress movement already in 1885; the Indian business community in trade and industry, and the rural landowning elite. The masses of poor peasants supported the elite coalition's struggle for independence and democracy; they rallied behind Gandhi as the great leading figure, instrumental in welding this alliance between elite groups and the poor masses. Yet the support of the poor peasants did not really upset the rural elite. Gandhi's vision of the future of the Indian villages included no threat to their position; and it was the rural elite, not the landless peasants, who controlled the Congress organisation at the local level.⁴⁹

We saw above that the continued elite dominance in the Indian democracy shaped and set the limits of what could be achieved in terms of economic development. The process of economic development has mainly served the interests of the elite groups in the dominant coalition. The respect for elite interests has impeded the capacity of Indian democracy to mobilise resources for economic growth and welfare improvement through basic agrarian and other reforms.

Most of the current transitions towards democracy must also be characterised as transitions from above, that is, elite-dominated transitions. This may lead to "frozen democracies" unwilling to transgress the narrow limitations imposed on them by the elite factions who engineered the transition to democracy in the first place. Against the background of the Indian experience with some forty years of elite-dominated democracy, such

⁴⁹ See Sørensen, *Democracy, Dictatorship and Development*, ch. 2.

achievements are more ordinary, especially during the crisis period in the 1980s (see table 3).

Table 3
Welfare and growth in Costa Rica

Life expectancy at birth (years) 1990		74.9
Adult literacy rate (%) 1985		91.8
Means years of schooling (1980)		5.6
Human development index rank ¹		0.876
Real GDP per capita (PPP\$) ²		4,320
Annual growth rate (GNP per capita, %)	1965-80	3.3
	1980-88	0.2

¹ The HDI-measure is explained in table 3.2. ² PPP (purchasing power parities). An attempt to measure real GDP in terms of domestic purchasing powers of currencies, thereby avoiding the distortions of official exchange rates.

Source: Figures from UNDP, *Human Development Report 1991*, pp. 119,164.

It should be noted that the average figures given here conceal a fairly large group at the bottom of the ladder which has made much less progress. While there are very few at the level of actual starvation, one estimate from 1977 put the share of the population living at subsistence level at seventeen per cent.⁵² Most of these people are rural landless or urban population from the city slums. The economic crisis of the 1980s has meant a setback for the majority of the population. Already by 1982 real wages were back at the level of 1970 and cutbacks in state expenditure has hit several social programmes.

Even if this is the case, there is reason to ask why the elite-dominated democracy of Costa Rica has fared relatively well in welfare terms. Several elements go into explaining this. First, the nature of elite rule in Costa Rica during the nineteenth and early twentieth century was different from most other countries in Latin America. Costa Rica did not have a system with Indians and slaves under the control of a rural elite; there was an independent peasantry and the rural working class was free from feudal ties binding them to rural patrons in a slave-like manner. Second, the dominant stratum of coffee-barons supported liberal values of religious freedom,

⁵² C. Hall, *Costa Rica. A Geographical Interpretation in Historical Perspective* (Boulder: Westview, 1985), p. 270.

better social and housing conditions. At the same time, measures should be taken to make the economy more effective, geared to faster growth while also increasing popular control. The policies were redistribution of land through an agrarian reform, regaining of national control over the mineral sector through nationalisation, something which was also foreseen for the largest enterprises in the private sector.⁵⁵

While successful in its first year in power, the Unidad Popular had to face rapidly growing resistance from landowners, industrialists, and the middle sectors. A process of radicalisation took place where an increasingly united opposition faced a government which was divided internally as to whether it should seek radical confrontation or moderate accommodation with its political adversaries. It was this situation that in 1973 culminated with the military coup lead by Augusto Pinochet. This underlines the fragility of mass-dominated democracies; they easily lead towards hostile confrontation which may then result in a return to authoritarian rule.

The fate of the Unidad Popular and other mass-oriented democracies in Latin America has led to rather pessimistic conclusions as regards the future possibilities for such systems in the region. Set in a broader perspective the picture may be a bit brighter. It should be possible for mass-dominated democracies to proceed more cautiously along the road of reform and avoid the kind of all-encompassing showdown that took place in Chile. One example of this is the Left Front rule in West Bengal in India from 1977.⁵⁶ At the same time, democracies have transformative capacities. In this sense it is possible to see the development of most West European democracies since the 19th century as a process beginning with elite-dominated systems and then gradually transforming towards more mass-dominated systems. The latter, in turn, are responsible for the welfare states built since the 1930s. The process of gradual transformation paved the way for elite acceptance of social reforms and equity policies.

The reasoning above as regards types of democratic systems is rather simple. It suggests that the economic development prospects, especially as regards the likelihood of improvements for the underprivileged, depend on

⁵⁵ The remarks on Chile are based on Jakob J. Simonsen and George Sørensen, *Chile 1970-73: Et eksempel på østeuropæisk udviklingsstrategi?* (Aarhus: Institute of Political Science, 1976).

⁵⁶ See Atul Kohli, *The State and Poverty in India. The Politics of Reform* (Cambridge, Mass.: Harvard University Press, 1987).

Furthermore, even in the case of the relatively few authoritarian developmentalist systems which perform well in economic development, we still need to demonstrate in more precise terms how and to which extent the suspending of civil and political rights can be justified in order to promote economic development. It may well be, for example, that socialist authoritarianism in China provided a freedom of manoeuvre for the regime which paved the way for radical redistribution of land to the benefit of the rural masses. But this hardly justifies a blanket tradeoff between development and all types of civil and political rights. As one scholar has noted, such violations as "torture, disappearances, and arbitrary executions can almost always be eliminated with no costs to development; rights to nationality and to equality before the law would also seem to have very low development costs; due process is likely to be a bit more costly, but the burden seems bearable...In other words, tradeoffs of civil and political rights must be selective, flexible, and rather specific if they are to be justified at all".⁵⁷ Therefore, even in those cases where the tradeoff seems justified, it is necessary to argue in a more precise and differentiated manner for the rights which need to be suspended in order to promote development.

The theory of a general tradeoff between democracy and development must be rejected. Yet it is also clear that this rejection does not open the door to a harmonic world where democracy and economic development automatically go hand in hand in a virtuous circle of mutual reinforcement. Behind the rejected tradeoff are other, equally serious dilemmas. First, there seems to be a fairly large number of *both* authoritarian *and* democratic systems which, for different reasons, do not perform well in terms of economic development. The ASEE-regimes and the elite-oriented growth-regimes on the authoritarian side, together with the elite-dominated "frozen" democracies, seem to hold out few promises for a process of economic development with hopes for the large mass of poor people.

This is related to a second serious dilemma. As regards the main types of democracies, there seems to be a tradeoff between stability on the one hand and the capacity for promoting rapid economic development on the other. The elite-dominated democracies by far hold the best prospects for stability as the Latin American experience illustrates; at the same time, elite-dominance can often mean support for status quo and little development progress. Mass-dominated democracies promise more rapid economic advance through reforms attacking vested elite interests. At the

⁵⁷ Jack Donnelly, "Human Rights and Development. Complementary or Competing Concerns?", *World Politics*, vol. 36, no. 2 (1984), p. 281n.

Table 4
Democracy and human rights observance 1990
Percentages of states violating selected rights

	Not free	Free
Summary executions	11	2
Disappearances	56	20
Massacres	24	3
Arbitrary arrest	88	31
No fair & decent trial	86	23
Torture	84	25

Source: Based on Berto Jongman, "Why Some States Kill and Torture While Others Do Not", *PIOOM Newsletter and Progress Report* 3, no. 1 (1991): p. 9.

However, further scrutiny reveals problems at two points. First, the relationship is not perfect. Many countries have the basic political freedoms associated with democracy while they continue to violate other human rights. Such violations of human rights are monitored by Amnesty International. In recent years even the long standing and consolidated democracy of Denmark has been mentioned in Amnesty's report on human rights violations (the case in question had to do with violating the right to humane treatment under detention for some visitors from developing countries). Therefore, if rights are defined in a very broad sense even the most democratic countries might not fully provide all of them. This is brought forward in the human freedom index constructed by United Nations Development Programme.⁶⁰ It lists no less than forty rights/freedoms, for example social and economic equality for ethnic minorities, freedom for independent newspapers and book publishing and freedom from capital punishment. It then proceeds to count the extent to which these forty different rights are respected. Based on a sample of eighty-eight countries from 1985, it appears that no single country observes all freedoms. Sweden and Denmark top the list with thirty-eight out of forty freedoms guaranteed to their people. They are followed by Netherlands with thirty-seven and Finland, New Zealand and Austria with thirty-six. Some democracies have rather low scores. This goes for India (fourteen), Colombia (fourteen), Israel

⁶⁰ UNDP (United Nations Development Programme), *Human Development Report 1991* (New York and Oxford: Oxford University Press, 1991), p. 20.

Conclusion

This paper opened with a question: is democracy really worth the trouble — does it pave the way for improvements in other spheres of life than those narrowly connected with political freedoms? A number of reasons have been given for an affirmative answer. Not only is democracy a value in itself but it helps promote other civil and political rights. Furthermore, democracies may not invariably perform better than authoritarian systems in terms of economic development, but the notion of a general tradeoff between democracy and development was rejected. Most of the authoritarian systems are not only oppressive; they are also poor performers in terms of economic development.

At the same time, transitions towards democracy do not guarantee a promised land of rapid economic development and a vastly improved human rights situation. The elite-dominated “frozen” democracies seem to hold out few promises for a process of economic development with hopes for the large groups of poor. The transitions themselves can lead to situations of instability and breakdown of authority involving higher human rights violation than before. The promise of democracy is not that of automatic improvement in other areas; it is the creation of a “window of opportunity”, a political framework where groups struggling for development and human rights have better possibilities than before for organising and expressing their demands. Democracy offers the opportunities; it does not offer guarantees of success.

The failure of the statist economy

The struggle for independence was essentially fought to gain control of the colonial state as a source of power and a provider of goods and services. It was considered necessary by the liberation movements not merely to gain access to the state but actually to take over the state machinery which had previously been used as a means of political repression and economic exploitation. As a predominantly law and order apparatus the colonial state had at its disposal an arsenal of repressive tools from legislation to the use of physical violence by means of police, army and security forces.

The economic functions of the colonial state lay mainly in its monopoly position in the pricing and marketing of agricultural produce, primarily for export, by means of marketing boards (or crop authorities as they tend to be called today). Although a certain proportion of the agricultural surplus thus extracted was used to develop the physical infrastructure of the colonies and to finance the colonial bureaucracy, little was provided in the way of goods and services to the citizenry. The colonial state was not a developmental state, but its economic functions had the potential of being transformed into one. Since the development of an indigenous class of entrepreneurs was virtually non-existent in most countries at independence, the state acquired a more prominent role in the economic sphere than would otherwise have been the case.¹ The state, therefore, came to be seen as the principal economic agent, reinforced by ideological inclinations of the new rulers towards variants of socialism which saw state intervention in the economy as paramount. The centrality of the state as an economic agent was furthermore underscored by the majority of external donors tending to enter into state-to-state relations in aid programmes. For a long time donors neglected non-state actors, be they private businesses or civic organisations. With the benefit of hindsight the statist approach to economic development turned out to yield disastrous results. Towards the end of the 1970s and the beginning of the 1980s very many African economies were in severe crisis from which they have yet to recover.

To be true, the economic crisis was not exclusively a result of ill conceived domestic economic policies or simply poor implementation of home-grown policies which were reasonably well designed. An adverse international context most certainly must be attributed a large part of the blame. External shocks like oil price hikes, volatile commodity markets and generally deteriorating terms of trade contributed to the crisis conditions

¹ Martin Doornbos, *The African State in Academic Debate: Retrospect and Prospect*, in *Journal of Modern African Studies*, vol. 28, no. 2, 1990, pp. 179-198.

narrow political ends. The colonial instruments of state repression were taken over largely intact by the new ruling class and used to consolidate its power position.

Wide-ranging security legislation including provisions for preventive detention without trial was retained as a rule and only marginally adapted to the new circumstances. Security establishments were likewise retained and in some cases modified and streamlined. New legal instruments were also created to control parts of civil society, e.g. the labour movement.

Other mechanism of political control were also used such as cooptation of leaders of oppositional forces, and the weaving of a web of patron-client relationships based on ethnic or other affiliations. These informal instruments have been the hallmark of African politics to date. They are inherently undemocratic as no accountability is built into them.

The erstwhile unity of the broad anti-colonial coalition was broken up and the seeds of dissent were sown, only to grow into widespread opposition as the wielders of state power closed their ranks in an increasingly autocratic system of governance in which the Head of State and the ruling party made it their exclusive preserve to formulate and implement policy without much participation by or consultation with those concerned. Attempts were made to give the abolition of competitive politics and the *de jure* introduction of a one-party state a semblance of legitimacy.²

Civil society: A definition and its critique

Definitions of the concept of civil society abound. They have evolved historically and from different philosophical traditions. There is today no agreed definition of the concept because the choice of definition carries with it ideological and political connotations. No attempt will be made here to reconcile the various definitions; it would hardly be possible. But a broad definition will be offered to which the present author subscribes. The paper will later return to a critique of aspects of the notion of civil society and problematise it.

² See e.g. Peter Anyang' Nyong'o, "The One-Party State and Its Apologists: The Democratic Alternative", in *Nairobi Law Monthly*, August 1991; Julius K. Nyerere, *Freedom and Unity*, (Nairobi: Oxford University Press, 1967) and *Freedom and Socialism*, (Nairobi: Oxford University Press, 1968); Kwame Nkrumah, *Ghana: The Autobiography of Kwame Nkrumah*, (London: Panaf, 1957).

will always seek autonomy, distance and protection from the state; that is its *raison d'être*.

Although this distinction may have some merit, its usefulness may be questioned. Even if certain civic organisations with a limited welfare objective confine themselves to pursuing that objective, they tend to take on an implicit political functions all the same. For what is politics if not a struggle over the allocation of resources in society, regardless of whether those resources are controlled by the state or any other entity. But in certain circumstances civic organisations, belonging to what Stepan would subsume under civil society, are likely to take on overt political roles. To use a recent example from Zambia. The Movement for Multi-Party Democracy (MMD) was initially a broad social coalition mobilising against the incumbent government. Its very name as a *movement* attests to that. It comprised such civic organisations as churches, trade unions, professional associations. It was only later that it was transformed into a party set to take over state power. After winning the elections in October 1991 a number of its constituent parts are retreating to their former roles as civic organisations although some individuals may have accepted political positions. In fact most of the churches and other civic organisations have now formed a Caucus for National Unity (CNU) which is under banning threat for assuming a stance of criticism and vigilance vis-à-vis the government it helped bring to power.

Likewise the anti-colonial coalitions which historically deposed colonial regimes comprised a plethora of civic organisations, in most cases under the leadership of organisations which in Stepan's sense would be part of political society. It should also be recalled that civic organisations serve as popular bases of political careers, but that fact does not change the character of such civic organisations. It is highly doubtful whether the distinction between political and civil society help understand such processes?

Civil society is often associated, perhaps naively, with freedom. By contrast the state is often made out to be synonymous with totalitarianism, monopoly, centralism and absolutism, whereas civil society involves pluralism and decentralisation and participation by wide segments of the population. Coercion is considered to belong to the state while freedom is rooted in civil society. Human emancipation is seen to be found in the autonomy of civil society, its expansion and enrichment, its independence of the state and its protection against the state through mechanisms of formal democracy. Such a caricature picture does not correspond to reality. The realm of civil society is marred by exploitation and oppression, sexism and racism within civic organisations, at the workplace etc. Very oppressive

nothing else to rely upon for its survival but the means of repression and violence to which it previously claimed legitimate monopoly. Social situations with a high level of violence is normally a good indication of a low level of legitimacy on the part of the state.

It is crucial to bear in mind this dialectical relationship between state and civil society. They form a contradictory and complementary unity, coexisting in a condition of creative tension. Civil society has at once a legitimising function vis-à-vis the powers of the state and a limiting function on the exercise of power.

Seizing the terrain of civil society

The ideological and political mood of the world after the end of the cold war has led to a widespread belief in the triumph of democracy across the world.¹⁰ It might prove to be wishful thinking or at least an overstatement. But in this euphoric atmosphere of the march of democracy the notion of civil society figures prominently. It is seen as a bulwark against state repression and abuse; as a vehicle for ensuring societal pluralism; as a guarantor against the authoritarian and totalitarian tendencies which states may develop. In other words, civil society is seen as a countervailing power vis-à-vis the state.

In recent years a stream of literature on civil society, democracy and governance has been published.¹¹ It has been supplemented by journal articles.¹² This reflects a new interest in this field of study by academics

¹⁰ See e.g. Dankwart A. Rustow, Democracy: A Global Revolution, in *Foreign Affairs*, vol. 69, no. 4, 1990, pp. 75-91.

¹¹ Consult *inter alia* Patrick Chabal (ed.), *Political Domination in Africa: Reflections on the Limits to Power*, (Cambridge: Cambridge University Press, 1986); Naomi Chazan, Robert Mortimer, John Ravenhill and Donald Rothchild, *Politics and Society in Contemporary Africa*, (Boulder: Lynne Rienner, 1988); Larry Diamond, Juan J. Linz and Seymour Martin Lipset (eds.), *Democracy in Developing Countries: Africa*, Vol. II, (Boulder: Lynne Rienner, 1988); Abbas Pourgerami, *Development and Democracy in the Third World*, (Boulder: Westview, 1991); Donald Rothchild and Naomi Chazan (eds.), *The Precarious Balance: State & Society in Africa*, (Boulder: Westview, 1988); Göran Hydén and Michael Bratton (eds.), *Governance and Politics in Africa*, (Boulder: Lynne Rienner, 1992).

¹² Michael Bratton, Beyond the State: Civil Society and Associational Life in Africa, in *World Politics*, vol. XLI, no. 3, April 1989, pp. 407-430; Patrick P. Molutsi and John D. Holm, Developing Democracy when Civil Society is Weak; The Case of Botswana, in *African Affairs*, vol. 89, no. 356, July 1990, pp. 323-340; Michael Bratton, The Politics of Government-NGO Relations in Africa, in *World Development*, vol. 17, no.

repressive state and possibly to secure political control over that state for both economic and political reasons.

The clash between these main strands can best be seen when policies or conditionalities of structural adjustment of the economy are pursued simultaneously with political conditionality of democratisation.¹³ The implementation of a structural adjustment programme requires a strong government, some would say an authoritarian government, because great sacrifices are demanded of large segments of the population. However, the introduction of democracy carries with it the principle of accountability. No government in its right mind would scrupulously implement a tough austerity programme, involving dramatic cuts in public expenditure for education and health as well as abolishing subsidies on basic foodstuff, and hope to be reelected! No democratic government can insulate itself from the pressures being felt from those carrying the brunt of the burden.

Democratisation and civil society

How does civil society relate to processes of democratisation in contemporary Africa? To begin with it is useful to look to the role of civic in different phases of such processes. The anti-colonial coalition and its achievement has already been referred to as "the first African revolution" which may be considered an historical phase. Having gone through a period of increasing authoritarianism since independence, there appears to be a phenomenal upsurge of popular movements in what has been dubbed "the second African revolution".¹⁴ This phase is the current one in which civil society plays a major role in the transition to some form of democratic rule, i.e. the formal system and mechanisms of democracy such as a multiple parties in a competitive political campaigns for votes, a relatively free press and constitutional guarantees in the form of a Bill of Rights. The

¹³ See Thandika Mkandawire, *Adjustment, Political Conditionality and Democratisation in Africa*, paper presented at the 7th General Assembly of CODESRIA on "Democratisation Processes in Africa: Problems and Perspectives", Dakar, 10-14 February 1992.

¹⁴ See e.g. Peter Anyang' Nyong'o (ed.), *Popular Struggles for Democracy in Africa*, (London: Zed Press, 1987); W.O. Oyugi and A. Gitonga (eds.), *Democratic Theory and Practice in Africa*, (Nairobi: Heinemann, 1987); Haroub Othman, Immanuel K. Bavu and Michael Okema (eds.), *Tanzania: Democracy in Transition*, (Dar es Salaam: Dar es Salaam University Press, 1990); Issa G. Shivji (ed.), *State and Constitutionalism: An African Debate on Democracy*, (Harare: SAPES Trust, 1991); Ibbo Mandaza and Lloyd Sachikonye (eds.), *The One-Party State and Democracy: The Zimbabwe Debate*, (Harare: SAPES Trust, 1991); and John Holm and Patrick Molutsi (eds.), *Democracy in Botswana*, (Gaborone: Macmillan, 1989).

What are the instruments of power of civil society in the face of the state? As long as the incumbent regime seeks to maintain a reasonably democratic system of governance, its legal framework acts as a restraining factor on excesses in the exercise of state power.

But much more important is the independent resource base which civic organisations must possess in order to be able to withstand the patronage of the state. These resource bases may be internal or external, or a combination of both. It is noteworthy, for instance, that trade unions and churches have generally been able to maintain an autonomous stand. Trade unions derive revenues from membership dues collected regularly at the place of work. Churches also conduct collections of various kinds and receive contributions from members. Both are affiliated to international networks which may assist financially.

The broader the social base of civic organisations, the stronger they tend to be. In Africa churches have generally reached every nook and corner. This fact has served as a protective device vis-à-vis the state. If coupled with organisational strength, the effect of a broad social base will be reinforced. Trade unions have capitalised on organisation as a tool, and to some extent on their social bases, despite the fact that the unionisable work force in most African countries is small.

A third factor is ideology, be it religious or secular. The degree of commitment to the organisation's goals and the cohesion ideology provides, is a critical factor.

Democracy is an exceedingly complex concept and indeed a very elastic and elusive one. It is a big word and therefore prone to abuse. Hardly any concept in social thought is today as universally acclaimed as democracy — but it is defined so differently. Qualifying adjectives tend to be put in front of the term: Liberal, Christian, people's, parliamentary, constitutional, participatory, social and African. Democracy can easily be abused as a cheap propaganda slogan. For instance, the notion of an African brand of democracy has been used by African autocrats to fend off grassroots demands for participation by claiming that democracy is un-African.

For democracy to have a real meaning for the vast majority of populations in Africa, the concept will have to be operationalised into concrete action in their daily lives. There has been a tendency towards neglecting the *practice* of democracy as reflected in the inadequate attention being paid to *civil society*. When discussing preconditions for democracy and the prerequisites for the continued survival of democratic governance, a strong civil society can be seen as a critical factor in a workable democratic system. Civil society constitutes the terrain in which democratic struggles take place. The shape of that terrain is a major determinant of the

6. Democracy in multi-ethnic societies: The African case

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Introduction

In the following I shall try to explain the political decay so prevalent in Africa today. In the process I shall also draw a rough picture of what went wrong in the first place with the ideals of building a nation-state of a stable democratic character, as this constituted both the development project and the agenda for shedding the fetters of colonialism in most of Africa. Explaining today's decay means positioning oneself in the "ethnographic present" of the African post-colonial state, whereas trying to sketch what went wrong means running back and forth into African history for both elucidation and interpretation. As both of these tasks necessitate addressing, at the same time, various levels of historical depths and social formations of various scales, the end result can scarcely be expected to constitute an ethnography of Africa at large; nor should this amount to a rewriting of its history.

What I propose is a reinterpretation of some aspects of the available facts. It is now obvious that both the democratic experimentation (whether of a Westminster or the French variety) that happily followed independence and the various totalitarian regimes (whether of the military or one-party varieties) which were responsible for the demise of the initially democratic periods, failed to stabilise the African nation-states into the path of any meaningful political or economic development. The phenomenal upsurge of political Islam in certain parts of the continent as well as the strong renewal of faith in multi-party democracy in other parts of it also need to be examined in the light of the initial failure of democratic experimentation as well as the failure of the totalitarian aftermath.

The backdrop is the cardinal reality that each African state (notwithstanding its pretences to be a nation-state because of its sovereignty

the last 150 years. Latterly, these histories had also produced another class, the “working class” (Davidson 1992:205). (Emphasis added.)

Such a development might have been possible, had the pre-colonial African states — i.e. the kingdoms and sultanates of the 17th and 18th centuries — not been brought to sudden subjugation by colonial forces. This, however, must remain purely speculative. African history after colonialism tended to produce regional configurations of interest groups that took an apparently ethnic organisational base. Most of the central political parties during the early period of independence coincided with such groupings, either because of the primacy of one ethnic group or out of tactical political considerations. From here to politics of clientalism was not a major step — especially as the initial trans-ethnic unity that was created by the struggle against a foreign power, yielded to an internal struggle of a severely factional character, with each faction attempting to maximise its share of the spoils in the centre that had been vacated by the departing alien rule. The extremely divisive and polarising nature of the implosion of political conflict was reflected in the numerous armed confrontations which followed independence, arresting not only the development of a meaningful civil society, but also all development in general in the new Africa.

The politics of clientalism which produced all these negative developments in the field of political life in the newly independent African states, was quite different from the politics of tribalism that had produced the pre-colonial states of Africa such as Asante in Ghana, the Fur sultanate in the Sudan, the Amhara dynasty in Ethiopia, the Rwanda kingdom of the Tutsi, the Wadai kingdom in Chad, the Zulu kingdom in South Africa, the Ankole kingdom in Uganda or those African kingdoms of Nigeria such as Hausa and Yoruba. Clientalist politics meant that “politicians at regional and national level gained and reproduced the support of local leaders by allocating to them state resources over which (these politicians) had influence or control. Each attempted to maximize this support and his access to resources in competition with the rival politicians” (Allen, 1989:24, quoted in Davidson, 1992:207).

In other words, the brief periods of liberal democratic experiments that followed independence in most of the states of Africa were inherently problematic. “Democracy” was completely transformed to represent only the ceremonial occasions of vote casting and was never extended to cover aspects of accountability or transparency of regimes. Transparency was substituted by conspiracy by the very logic of clientalistic politics, which converted vote to control over state resources, and their concurrent conversion again into the political resource of support. Even in fewer cases

Africa, with the one overthrowing the other in a vicious cycle of political instability.

The “masses”, “tribesmen”, “ethnic groups” — or the civil society — whichever way one looks at it, having lost hope in any possibility of a meaningful continuation of the social struggle underlying the nationalist movement that had led to independence, starts a process of disengagement from the ruling elite. This disengagement takes the form of various armed confrontations among itself (across social borders such as the ethnic ones) and acts of violence directed against the state itself. The state’s practice of centralised repression (as Mazrui (1986) puts it), will generate decentralised violence on the receiving end. Both the unstable regimes (and their ruling elites) and the “masses” are paralysed by this vicious cycle of political instability. The cycle of political inaction is completed by the elite inventing battles against external forces and internal tribalism — “only if tribalism and neo-colonialism or imperialism would disappear, Africa will be fine”!

Subsisting on the original sin of colonialism

It is often claimed that the African malady of political instability, economic dependence, underdevelopment and the consequent decay of institutions is a structural outcome of the European original sin of colonialism, imperialism and latter-day neo-colonialism. Thus African regimes explained away their failures by attributing the sources of frustration to external political enemies some of which (like colonialism) were long dead and fossilised. To the extent that external political enemy conceptions mystified internal weaknesses, not an ounce of self-criticism was applied. This tendency of explaining away stark internal realities by various African regimes was given scholarly depth by an academic tradition which based itself on “dependency theory”, “unequal exchange”, and Europe’s underdevelopment of Africa (see Walter Rodney (1972) among others) and which defined as its mandate to absolve the African “victim” from all responsibility in what was happening. While the underlying theories were plausible, their operationalisation by the African governing elites led to only one result: African future and present became a hostage to the past. Their argument can be summed up as follows: If the African situation of today as reflected in political instability, poverty, mass misery, underdevelopment, international indebtedness and decay of structures and institutions, was a determined outcome of historical mishaps of externally constituted nature, then the present situation is a determinate given. There seems to be very little which can be done by Africans or African regimes to undo a pre-

evolutionary process like that which brought about the states of Western Europe. Even more so is the concept of "Nation-State". The cartography of the African state came out of negotiations, compromises and agreements between European powers — sometimes reached by fatigue — and not as a result of any internally arising and gradually expanding core, which in the end came to encompass a natural whole which could become a nation-state. The African state was made abroad historically; today it stands, in many cases, as a juridical expression of international law and for no better reason than the fact that the international order is inherently reluctant to condone the formation of further new states. However, what is taking place in the Horn of Africa and Eastern Europe with the emergence of new states from the older ones, may in fact be a pointer to future political developments in Africa. The colonial borders no longer seem to carry sanctity as was assumed before. In fact they never carried any sanctity with their African populations in the areas where they overlap.

The nationalist movement that led to the departure of colonial powers and independence in Africa was strictly political, as far as the elites were concerned, and it did not include social transformation as an articulate part of its programme. In most cases, the whole programme was the achievement of political independence. Issues of social justice were long forgotten except in rhetoric. State-making being achieved by the colonial powers, the elite which assumed power at independence took the existence of a nation for granted by equating it to the state, and then settled on the easier task of importation of technology, or what is known as "modernisation". This was to have far-reaching consequences. If this elite ever reflected on the social basis of the state it inherited, it did so very fleetingly and only long enough to explain away or "taboo" the most salient social bases of their states: tribalism and ethnic affiliation, which were summarily dismissed and given pejorative connotations. Tribalism and ethnic affiliation were, and are, a part of the systematic context of the African state. Any off-hand dismissal of them cannot be defensible.

The so-called modernisation process, with its built-in bias towards the elites and the urban areas of their concentration, led to a lopsided development, where various parts of the same state would later exhibit sharply contrasting inequalities and disparities. This was very much reflected in the rural/urban divide, where relative affluence was predominant in urban areas and mass poverty and impoverishment dominated the countryside. This in turn meant a duality of economies for most of the states in the continent.

In the decades following political independence this development was to have far-reaching repercussions, kindling rural and regional discontent,

this process has allowed neither democracy nor dictatorship to take root. Political instability has become an important context of the African state. Thus system maintenance, civil order, legitimacy and effectiveness as attributes of political systems are perennial problems in this context. The prevalent extra-judicialism, extra-institutionalism and centralised repression as means of regime survival can all be understood in this light.

The dominant and the dominated

The African elite which assumed the reins of power at independence consisted mainly of a small, urban-based and educated class, themselves a product of the colonial education system. Also among this elite were urban traders and leaders of sectarian religious and traditional tribal groups. Across their divides, this elite was temporarily unified, in most cases, by the very political nationalism which informed the struggle against colonialism. As soon as independence was achieved, however, this remarkable unity quickly dissipated. The constituency that carried the elites of the newly independent African states to power, i.e. the political nationalism of anti-colonialism, was no longer a constituency: it disappeared when colonial powers departed formally. Furthermore, there was a time when the various segments of this elite were satellites orbiting around the central political authority which was represented by and exclusively occupied by the colonial authority. Each was kept in its orbit by the colonial central political authority in the individual state. No cross-overs were allowed except when the colonial authority decided to give one segment preferential treatment: This then was the cornerstone of the policy of divide-and-rule.

All the segments of the African elite rushed to fill the vacuum created by the departure of colonialism in the independent state. In the ensuing struggle, central political power in the new state was captured by some segments of this elite using the liberal democratic orientation of the post-independence era but excluding in the process other segments where it was deficient in terms of Westminster-style democracy. Most African states have plural societies, in the sense of being divided by segmental cleavages such as ethnic, racial, linguistic, religious, regional and cultural ones. Thus, most organisational vehicles (i.e. parties) used by the winning segments were naturally organised along lines in which religious, linguistic and cultural cleavages coincided with tribal or racial belonging. This coincidental-ity was much more visible among the personnel that constituted the leadership of these parties. This meant a sharp departure from the consociational existence which had characterised the pre-independence era, where separately constituted corporate collectivities were associated as

For the central difficulty of "nation-building" in much of Africa and Asia is the lack of any shared historical mythology and memory on which state elites can set about "building" the nation. The nation is not, as we see, built up only through the provision of "infrastructure" and "institutions", as "nation-building" theories assumed; but from the central fund of culture and symbolism provided by shared historical experiences (Smith, 1986:258).

While all this is a valid criticism of nation-building theory and its tendencies to "slight, if not totally ignore, problems associated with ethnic diversity" (Connor, 1972:319), it unduly emphasises the difficulties related to the lack of a central fund of culturally-determined shared historical experiences. Likewise is the problem of absence of an ethnic core. In fact, the real problem lies, in the very attempt on the part of the African elites to read into the African context models drawn from experiences which had taken place in a totally different context: European epistemology. In their attempt to read Europe into Africa, the continent's power elite embarked on what Ali Mazrui (1986) has called "turning Africa's back on previous centuries", and set in motion a process of "de-Africanising" Africa. Instead of allowing Africa's multiplicity of cultural funds and the concomitant ethnic diversity to act as an enriching source, one whose interaction might have produced a unified cultural fund giving each state its unique identity within a truly African context, the post-independence African elite set about debunking the African reality of tribal multiplicity as politically counter-productive, by attributing its very presence to colonialism and its designs in creating structures which resist the yearning of that elite to build a nation out of this multitude. Nation-building was given extreme priority, but it started in a lopsided way because it was based on the denial of the African reality and the single-minded push towards eradicating those very identities and groupings which constituted a legitimate base for socio-political action among the African people. In the process, a lot of brutalisation took place as this denial of worth by the central elite did not go down well with the generality of the African societies.

This, of course, has another side. The epistemology which informed the nation-building agenda of the elite was Western. As Smith (1986) remarks, "However, the blue-print for building a nation bit by bit remained Western where the goal was the 'National participant Society' of the democratic Western states" (230).

The tendency to ignore problems associated with ethnic diversity that permeated most of the leading nation-building theories referred to above, was carried into the African scene by the African elite without any modifications. This situation may be a natural outcome of what Mudimbe

Eastern Europe, (the former bastion of one-party systems), this multiparty democratic movement is also deeply rooted in the African realities of ethnic diversity and cultural pluralism. Representation as a means of participation has roots in its history. However, many questions arise in this connection: How are we to reconcile the two contradictory facts: on the one hand, multiparty democracy have repeatedly failed in African as contemporary history shows, and on the other the present popular drive towards multiparty democracy? Would it not be a repeat-show of a failed experience? Do Africans need yet another experience of disappointment?

To start with I concur with Lijphart (1977) in stating unequivocally that what failed in Africa was not democracy *per se* but a particular type of democracy: The British-style, Westminster type of democracy, and for a rather simple reason. With its emphasis on the supremacy of numbers rather than categories, it was not a natural historical continuum, nor was it culturally feasible. This type of democracy came to be practised only after independence; as such it was an alien concept without any roots in the former colonial societies. Hence it could not provide a natural historical continuum. But more than its historical status, what defeated Westminster-style democracy was its cultural non-feasibility. Westminster democracy takes the "enfranchised individual" as its point of departure and as a building block. By contrast, African societies take as their point of departure their "groups of identification". Each of these two stances has significantly different implications for the political game. The breakdown of the democratically-oriented constitutions inherited by African states at independence can be attributed to this slight over the nature of the building blocks of African societies. In their pursuit of nation-building, Africa's elites saw only the goal of creating an homogeneous political society, paying scant attention to the cultural feasibility of their project. It is time to recognise this fundamental difference between the evolution of political systems in the West and in Africa.

From the ethnographic record of Africa we see that many of the new states have precolonial traditions based on what M.G. Smith (Kuper and Smith, 1969) has termed "consociation", which he defines as "an association of separately constituted corporate collectivities as equal and internally autonomous partners in a common society". The basic assumption to be tested by Smith was the hypothesis that domination by one group in a segmentally plural polity was inevitable. However, in reaching the above conclusion of consociational existence of collectivities as equal and internally autonomous partners in a common polity, he also falsified the hypothesis of inevitability of domination. Most of the kingdoms of pre-colonial Africa, and especially those of the Sudanic belt and West Africa,

(including the recent political Islamism) have *not* led to national cohesion. On the contrary, they have stimulated segmental cohesion and inter-segmental violence, as evidenced by various ethnic wars. On the inter-segmental level, attempts to eradicate diversity by repressing it lead to decentralised violence only equalled by the centralised repression practised by the state. It is time to recognize explicitly the diversity of African societies, and to use those very groups to build stable democracies. That is the reason for the recent popular upsurge of the multi-party movement in the continent. Recent developments in Ethiopia may constitute a pointer. To end this paper on a note of caution, let me warn that political consociationalism is no panacea unless it can be linked with other measures mainly of a socio-economic nature, which I refrain from pursuing now.

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7. Afropessimism. A response from below?

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The recent developments in black Africa, even the unmistakable demise of authoritarian rule in several African countries, has for some time been analysed by development theorists predominantly in pessimistic terms, leaving little hope for a better future for the African masses. In the exigent search for other development paths and other development agents, some French Africanists have, however, suggested a research approach called "*le politique par le bas*", politics from below, or popular modes of political action,¹ which is somewhat more optimistic on Africa's behalf.

Both the background for the widespread *afropessimism*, and the *response from below*-approach will be reconsidered in this article, in the light of the recent democratisation process in Africa. The question is; is there any hope for political and economic development in the demise of authoritarian rule and in the downscaling of the state apparatus, or will this simply lead to political disintegration and further aggravate the economic crisis?

The afropessimistic setting

It seems as if development theory as such is in a state of fatigue, and certainly the debate over the future of Africa is rather pessimistic. It is pessimistic since Africa is especially hard hit both by the external and internal conditions unfavourable to development, and it is pessimistic because other parts of the third world are doing better. Africa scores the worst on almost every record, and seems to be trapped in a vicious circle.

According to Richard Sandbrook, in one of the most discouraging pictures drawn on African politics,² the only hope lies in some reasonably authoritarian, development oriented management. He leaves few hints,

¹ Different terms for this, and similar ideas certainly exist in other development writing.

² Richard Sandbrook; *The Politics of Africa's Economic Stagnation* (Cambridge, 1985, Cambridge University Press).

The state in crisis

Internal factors, however, must also be taken into consideration to explain Africa's economic downturn. Internal factors like bad management, political instability, authoritarianism (despotism, patrimonialism) and disintegration, occur to be the major obstacles to the potentialities of foreign investments, loans and development projects, as these depend upon a "sound" economic climate.

Africa's bad management problems are widespread and epidemic, and therefore destructive also to domestic economic life in general. The level of corruption and incompetence is sometimes astonishing. African governments are weak, lacking the necessary techno-administrative and managerial capacity to implement plans and programmes.

Too often, also the willingness to give national development the highest political priority is missing. Preoccupied with keeping themselves in power, few African governments are in fact primarily concerned with development as a priority area.

When the shrinking surplus is spent on regime security, little is left for welfare redistribution and legitimation purposes. African governments' expenditure on internal security is considerable. In other words, the African state is excessively authoritarian to compensate for the fact that it is inadequately authoritative.

Due to its lack of legitimacy and authority, the post-colonial state is in a destitute situation in Africa. In some countries the state has for all practical purposes even ceased to exist.

Zaire is the prototype of the non-existent state, together with civil strife dissolved states like Ethiopia, Somalia, the Sudan, Chad, Angola, Uganda and Liberia. In Zaire the central government has full control over the capital city and a few other urban areas only. The president is perpetually absent from the political scene, and higher officials, military and administrative personnel, are deserting the country.⁴

Social disturbances

In addition the political distress, the social problems multiply; a population growth and an urbanisation rate far exceeding the economic growth and the rate of new jobs created. More than one hundred million people in Africa are unemployed or under-employed. Besides, those happy enough to have

⁴ See for an elaboration on Zaire in Jean-Claud Willame: *L'automne d'un despotisme* (Paris, 1992, Éditions Karthala).

The economic and political crises are also making other problems insurmountable. Islamic fundamentalism, not only in Algeria, but also in the sub-Saharan countries, Senegal and Nigeria included, and other anti-democratic movements are almost exclusively met by force. Other social problems, like hunger, drought, epidemics (AIDS), and the increasing number of refugees, cannot be settled without external assistance.

Three impediments to democracy

According to the "afropessimistic" view of the process towards democracy in Africa, there is reason to fear that this movement may contain within itself the seeds of its own undoing. Three of the most serious obstacles to the transitions to democracy need a closer study.⁹

Disintegration

First of all, there is uncertainty as to the outcome of any political liberalisation process. Liberalisation can occur without democratisation, as a process initiated and controlled from above with prolonged domination as its intention and outcome. Otherwise, the demise of authoritarian rule may be followed by disintegration and confusion, as we have seen for instance in Uganda, Liberia, Chad, Congo, and Somalia.

The resurgence of religious and ethnic strife is as evident in Africa as in the former communist countries of Eastern Europe when the absolutist regime is gone. Cultural cleavages, of which almost every African country is plentiful, are awakened, and old strife revitalised.

Most African countries contain more than one religion. Usually, Islam and Christianity (each with several denominations) coexist with various forms of animism. In most of West Africa, the political borders are north-south, while the religious borders are east-west, leaving these countries with substantial Muslim minorities in the northern regions. Additionally, many

Adjustment in Africa (Basingstoke, 1989, Macmillan), pp. 152-153.

⁹ I am grateful to professor René Lemarchand, University of Florida, for this classification, which is taken from his seminar paper *African Transitions to Democracy: An Interim (and Mostly Pessimistic) Assessment*, and discussions at the Centre for Development and the Environment (SUM)/NUPI seminar on Democracy and Economic Development in the Third World, Oslo, February 10, 1992.

unique nor distinct to Africa; the non-violent means, however, have some noteworthy characteristics.

Direct and indirect control of production and capital accumulation is frequently employed by the African state class to broaden its social power base, as extracted surplus is spent on prebends, co-optation, and clientelism. By employing these different forms of bribery, the appetites of rivals and opposition leaders are usually satisfied, and the opposition thus silenced through non-violent procedures.

In Senegal during the presidency of former President Senghor, the practice of co-optation was brought to perfection. Originally, different ethnic groups and local communities were brought into control by offering their chiefs and notables positions in the official hierarchy, as ministers, administrators, prefects, governors, etc. Later, this method of co-optation was successfully applied to attract and pacify the leading figures of still other groups, such as students, clergy, labour unions, and other politically active groups.

This strategy usually leaves the opposition subsequently splintered and marginalised for some time. Most commonly employed is the "divide and rule" strategy, however, and this strategy will never run out of possible internal divisions to manipulate.

Even political reforms permitting party pluralism seem to fit into this strategy. An unrestricted right to form parties can for instance breed ethnic hatred because party leaders find latent ethnic divisions so easy to exploit. Instances of insupportable and unjustifiable number of parties, like the total of 84 registered parties in Cameroon and 257 in Zaire, make any concerted opposition impossible and facilitate the domination by the formerly single party establishment.

We have also seen attempts at authoritarian restoration after a period of democratisation. In Togo late 1991 and in Congo early 1992, the army, loyal to the president put aside by the national conference, was harassing the authority of the transitional government.¹³ Other countries, like Côte d'Ivoire, Niger, and Cameroon have run into political stalemate situations because of fervent regime resistance to any real change in the existing power relation.

Autocratic regimes of Africa also have to defend themselves against pressures from outside. Through the *structural adjustment programmes* (SAPs) and other conditionalities the IMF, the World Bank and other money lenders are demanding the building down of the state-apparatus into

¹³ See *Jeune Afrique* nos. 1614-1615 and 1621 for further details on Togo and Congo respectively.

most part allocate resources to external interests¹⁶ or to the *fidèles* of the privatising regime.

These individuals are more often than not former politicians and civil servants, some are even preserving their position within the power structure, only seeking additional opportunities outside the administrative apparatus because of shrinking wages and halted careers in the public sphere, or accepting these private positions as some kind of patronage. This makes them less independent as capitalist entrepreneurs, and one must expect that it will at least take some time before these people no longer identify themselves with the regime.

Liberalised economies also facilitate the expatriation of money earned in political office or elsewhere. The problems of capital flight and tax evasion increases with liberalisations, resulting in reduced investment, and reduced national income and employment.¹⁷

The poverty dimension

Thirdly, will the economic crisis and adjustment, and the implied "rolling back of the state", lead to a strengthening of "civil society" and thereby for democratisation? Will there be economic decentralisation and better opportunities, both for informal sector entrepreneurs to arise and for medium and large private/privatised enterprise to prosper? Will class configurations be altered in a favourable way, creating a balance of power, which is a democratic necessity? Will the new democratic regimes be able to "deliver", or will there be infinite overthrows of inevitably powerless and unpopular democratic regimes?

Behind questions like these, lie the prevalent belief that democracy will remain impossible as long as minimal standards of economic well-being are not met. This implies that a certain standard of education, of information and participation is needed to maintain a democracy, and that poor people are too concerned with survival to participate as politically active citizens.

When politics is a mere strife over ebbing resources, will the struggle inevitably grow more intense and end up in violence? Is it possible that democracy can be the result of a bitter fight over diminishing resources, or

¹⁶ Several major public enterprises in Africa has been bought by the French multinational *Bouygues*, and made more cost-efficient through staff reductions and salary freezes. See for example Laurent Marcaillou: "*Une (autre) réussite pour Bouygues*" in *Jeune Afrique* no. 1614, December 1991, pp.59-60.

¹⁷ Rune Skarstein: "Pengene og livet! Om Valutafondets kondisjonalitet" in *Vardøger*, no.19, 1990, pp.80-81.

This has nothing to do with revolutionary ideas or even populist sympathies, however, neither with folklore nor traditionalism. This approach does neither suggest any existence of a fundamental force or antagonism in society. It rather reflects an unwillingness to reduce popular political action to a residual, to an answer to pressures from above only.

According to Bayart, studies employing this approach might indeed be better performed by historians, sociologists and ethnologists, than by political scientists or economists. This is because popular modes of political action is about the informal, the unexpected and fugitive. It is a domain where sentiments, ambivalence, and other unmeasurable elements prevail. Central themes of this focus are, for instance, religious beliefs and movements (including the use/misuse of witchcraft, religious symbolism and metaphors), the complex relationship between culture and politics (like the cultural repertoires of politics), and the sociology of domination.²⁰

Bayart says the local historical experiences have a greater impact on the present political reality than do the international economic structures (i.e. colonialism and neo-imperialism). Formal political institutions, usually imposed on African societies from outside (from the colonial power), might just not be the most important political structures and arenas, because ancient forms of domination and authority survive.

Thus, the political systems of today's Africa should be seen as a continuation of ancient (pre-colonial) modes of domination and exploitation. Even the harshest colonialism implied some sort of mutual, although unequal, exchange and bargaining, giving some profit also to the existing local elite, like education and positions in the new power structure for their sons, for instance.

(..) contemporary political dynamics should be understood in the light of their historical setting, (..) the ancient cleavages mould the modern social relationships, and also the political system, in strict terms.²¹

This implies the intermediary political levels should be taken into consideration, along with the popular modes of political action. Obviously,

²⁰ Bayart, op.cit., p.259.

²¹ Bayart, op.cit., p.55, in my translation. For further elaboration on this theme, see also Bayart, op.cit., pp. 40-41, 44, and 54-55, and the chapter "L'historicité des sociétés africaines" in his book *L'État en Afrique* (Paris 1989, Fayard), and his article "L'État" in C. Coulon & D.-C. Martin: *Les Afriques politiques* (Paris, 1991, Éditions la Découverte).

“State against society”

At the same time, the state-society struggle has been of central importance in Bayart's studies, as well as in other studies of the African state.²³ In this approach, the image of the state struggling against society is crucial. Here, the state is seen as a ruling and dominant class with a hegemonic project (i.e. domination; social, cultural and institutional autonomy; and accumulation).

Most of these regimes (...) resist the autonomous and pluralist organisation of socially subordinated groups, either by striving to integrate the different social forces into unitary movements, or by more or less implicitly amplifying a pseudo-competitive logic, usually by adopting intermediary and mixed forms of domination.²⁴

Moreover, this analysis fits well in with the popularly understood distance between the ruled and the rulers in Africa, the commonly felt and frequently expressed difference between “us” and “them”, between the ordinary people and the governing few.²⁵

Representative for this approach is the idea of a state apparatus dominated by an elite of political and bureaucratic “entrepreneurs”, utilising the state capabilities in their own interests. The state is seen as a rather autonomous group, distinct from other segments of society, almost exclusively in control of the means of production, the means of distribution, the means of coercion, and certainly the means of consumption. This political/bureaucratic elite is subsequently perceived to be persistently in search for hegemony and accumulation; usually articulated ideologically as national construction and integration.

State power in Africa is seen as fundamentally tied up with the welfare of the ruling elite, and the exclusive right to pillage and plunder. This is

²³ See Bayart, *Le politique par le bas*, which is an insightful book on the “politics from below”, like his former book *L'Etat en Afrique. La politique du ventre* (Paris, 1989, Ed. Fayard) is on the African state, presenting and elaborating the “state against society”-approach.

Other development writing do also present the “state against society” theme, see for instance the two excellent articles: Larry Diamond: “Class Formation and the Swollen African State” in *The Journal of Modern African Studies*, vol.25, no.4, 1987, pp.567-596, and Richard L. Sklar: “The Nature of Class Domination in Africa”, in *The Journal of Modern African Studies*, vol.17, no.4, 1979, pp. 531-552.

²⁴ Bayart; *Politique par le bas*, p.73, in my translation.

²⁵ In Cameroon and in Côte d'Ivoire, for instance, the political elite is frequently referred to as “*les gens à décret*” and “*les en-haut des en-haut*”, respectively.

all over Africa the state has based its extraction on primitive accumulation from over-exploited peasants.

Simultaneously, nationalisations and state control of the economy gave additional extraction potentials by turning public property and public services into personal fiefdoms of the administrators running them. Many positions of power were turned into a position of enrichment and personal advantages. The maximisation of the state economic role cannot be separated from the individual accumulation permitted at all levels, including (definitely) at the top.

This state apparatus is frequently referred to as a neo-patrimonial state. Neo-patrimonialism is defined as a confusion of public and private, as a system where access to state power represents the major entry to riches. At the same time, it is rather routinised, institutionalised and bureaucratised (or technocratised), and less arbitrary than ordinary dictatorships.²⁷

The neo-patrimonial state systems in Africa are, however, in crisis. The economic downturn makes it difficult to preserve the system, and therefore the neo-patrimonial state will utilise any means possible in order to maintain its hegemony and its extraction capacity. Thus, the state seems to be struggling against society itself, to defend the vested interests of the state elite.

Politics from below and development

The outcome of conflict

The interaction between the elites and the masses is of essential interest in most social science, however. Any search for democracy should consider the state-society relation. Some researchers claim that any kind of development, whether it be economic development in general or democratisation in particular, should be recognised as the outcome of conflict between competing interests. In Björn Hettne's words:

Development is *not* the fulfilment of a historically immanent logic, that can be studied by development theory. It is something as simple as the

²⁷ For a discussion on the neo-patrimonial state and its definitions and denominations, see Médard: "L'État néo-patrimonial en Afrique noire" in Jean-François Médard (ed): *États d'Afrique noire. Formations, mécanismes et crise* (Paris, 1991, Karthala).

the will and capacity of such popular movements to “turn into politics”, i.e. to mobilise and unify the society in opposing and contending the hegemony of the bureaucratised state, and thus to ensure the restructuring of the political order.³⁰

Popular movements in Africa have, of course, also some external ties. International events have raised the spirit of popular struggles in Africa, like the fall of the authoritarian regimes in eastern Europe, and certainly the release of Nelson Mandela in South Africa. The democratic wave throughout Africa inspires. Besides, important external political and economic links exist, as well as direct interference from outside with different political agents in each country. Support are given to both regimes in place and opposition groups.

However, of even greater importance are changing internal conditions, like new alliances of forces, resourceful new leaders standing up, formation of other political associations and parties, liberalisation, release of political detainees, presidential succession and several other possible openings in a closed system. Initiative, mobilisation and leadership will have to emerge from below in order to be authentic and successful.

Bayart has suggested that the distrusted ethnic based political parties are not necessarily so bad, because they might be expressing local desires and comprise a political tool for the masses.³¹ However, each instance of popular movements, of collective will to separate from the state and to contest its predominance, should be considered, separately and collectively.

The social grouping most inclined to affront the state seems to be the young, male, underemployed, urban population. Insurrections emanating from this group is increasingly reported from throughout Africa. They are more likely to incite political change, however, than to administer political remodelling.

The working class and the peasantry, traditionally considered to be the revolutionary classes, are also little likely to organise the struggle, according to several observers, including Bayart;

The peasantry is weakened by its internal cleavages and by the sometimes dramatic deterioration in their standard of living, (...). Although combative, the working class is not necessarily pursuing a counter-hegemonic project, at any rate it stays numerably impotent.³²

³⁰ Bayart; op.cit., p.18-19.

³¹ Bayart, op.cit., p.20. See also his book *L'État en Afrique*, chapter I, on this.

³² Bayart, op.cit., p.95, in my translation.

domination, generally by demanding obedience and fidelity and political realities. In this respect, religious leaders might be an important intermediary agent for the rulers, mediating the mode of rule and legitimising the system of domination.

Other forms of religious beliefs and movements might be contemplating and inward-oriented, rejecting political realities, thus encouraging political passivity. Witchcraft and black magic are sometimes used to pacify, confuse, and split, especially in the battle against political rivals. Widespread prejudices and the fear of evil spirits might deny certain politicians popular support.

Intermediaries are characteristically strengthening status quo. People often prefer to support the established structures of domination, structures with which they are familiar and which they can master. The insecurities and hazards of altered social settings are normally avoided. This can to a certain extent explain the prevalence of clientelism.

Clientelism attaches the ruled to their rulers by ambivalent bonds of domination, and makes the restructuring of society along civil lines problematic. The ties between the primary units of society, and certain key institutions of the state, notably the presidency and the armed forces, make the bargaining between state and society, on economic terms, a singularly futile enterprise. Patron-client ties are hardly compatible with the autonomy, corporateness and capacity for self-governance that one must expect from the intermediary organisations.

Conclusion

There is some hope for Africa, even if much research and theorising on Africa have been biased towards an overvaluation of the state in the state-society struggle, and consequently rather pessimistic. Blinded by this pessimism, some africanists have been unable to foresee the many democratic transformations in Africa, like most *kremnologists* were unable to predict the fall of communism in the Soviet Union.

The best hope for Africa lies with the possible social and political organisation from below, according to the "politics from below" approach. One possibility, not touched upon here, is politics from below *spatially*, i.e. decentralised government. Even more promising are, however, politics from below, in the form of spontaneous as well as organised popular political action, emanating from cultural, social or economic interests, as these might develop into a counter-power strong enough to balance and democratise the hegemonic state.

8. Gender, law and democratisation: Reproductive regulation and legal pluralism in Zimbabwe

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Introduction

Today, western governments, international donor aid agencies and development researchers are emphasising the importance of accountable and democratic governments in their negotiations with and studies of developing countries. The ideal of liberal democracy, with its emphasis upon constitutionalism and law is becoming a main concern. A number of African states, particularly those indebted to the International Monetary Fund (IMF), are reconsidering their legal systems and administration of justice. Women's concerns have been recognised in anti-discrimination conventions, transformed into human rights and are gradually becoming a part of international and national democracy and development discourses.

This paper focuses on gender and law as a part of democratisation and development processes, with special reference to the situation at national and local levels in Zimbabwe. In line with a number of studies of state and law in Southern Africa, it explores how state and law mediate gender and class conflicts (Armstrong and Ncube 1987, Armstrong and Stewart 1990, Stitche and Parpart 1988, Parpart and Staudt 1989). By linking a women's law approach to gender and development theory, the paper discusses different implications of state and law for women and men, as well as for women within different social groups.¹

¹ Three main trends/paradigms in women and development research and practice have been termed WID, WAD and GAD (Rathgeber 1988). In the following these are summarised and linked to different frameworks concerning women and law.

Women in Development (WID) emerged from Esther Boserup's "Women's Role in Economic Development" (1970) and is closely linked to the dominant modernisation paradigm of the 1950s. This approach emphasises egalitarianism. An aim is to develop legal and economic strategies which will remove discrimination of women in the

legal situation is, like in many other post-colonial African states, characterised by a combination of de jure and de facto legal pluralism. *De jure legal pluralism* refers to a situation where several legal orders are formally recognised within the state legal order. *De facto legal pluralism* refers to situations where some of the coexisting legal orders are not recognised by the national legal order. The latter is often referred to as legal pluralism in a descriptive or sociological sense. It is seen as characterised by "...the presence in one social field of more than one legal order" (Griffiths 1986: 1).

In order to understand how democratisation through legal reform affects gender relations in pluralistic legal systems it is here argued that interplay between coexisting normative structures ought to be examined. In the following the case of changing and coexisting modes of regulation of human reproduction serves as illustration. Attention is paid to whether and how the post-colonial Zimbabwean state, through its increasingly gender neutral and unified national legal framework, provides continuity and discontinuity with regard to male control over female sexuality and reproductivity. With particular reference to sexual and reproductive interaction in situations of childlessness, the paper examines interplay between coexisting statutory, customary and religious normative structures on international, national and local levels. It is argued that an understanding of gendered sexual and reproductive interaction and conflict also sheds light on female and male positioning and participation in society's modern democratic institutions where statutes and policies are determined.

Communal and individualistic modes of regulation of human reproduction

In the following, I will focus on the integration and coexistence of what is termed communal and individualistic modes of regulation of human reproduction in Zimbabwe. These categories correspond to the terms extended and nuclear family organisation. The extended family constituted the backbone of the procapitalist mode of production, while the nuclear family came into being through British colonisation and gradual

and voluntarily consent" to their marriage. In *Chawa v/Bwuta* (SR 1928: 98) the High Court of Southern Rhodesia laid down that within customary law women should have an individual right to divorce an impotent or sterile husband. These developments facilitated the establishment of nuclear households and undermined the rule of male elders over sons, daughters and wives.⁴

Upon independence, the Zimbabwean government adopted a law reform strategy based on an individualistic mode of regulation of human reproduction. A fragmented law reform programme in the area of personal and family law overruled a number of gender inequalities embedded in the communal customary regulation of reproduction. In Zimbabwean national law, a husband and wife, regardless of whether they have contracted a valid customary or civil marriage, are seen as formally equal sexual and reproductive partners. Paternal rule in terms of rule of fathers over sons and daughters is formally abolished. A valid marriage can be concluded without the consent of male elders or payment of *lobolo* (bride price). In terms of national law, marriage is a legal relation between the individual husband and wife, not between two extended families.

Consent as political construction and empirical focus

In order to explore how male control over female sexuality and fertility is perpetuated and resisted in situations where statutory, customary and religious normative structures coexist, there is need of a theoretical framework and an empirical focus which links the different organisational and normative structures.

In the following, consent is seen as a mediating mechanism between coexisting communal and individualistic legal structures and gendered human actors on different levels. To this end I combine two frameworks: western feminist critique of social contract theory and an actor-oriented process analysis which in women's research has been termed a feminist

⁴ Colonial legal history is a rich source of how gender conflicts helped to shape the character of the colonial state. Historians have identified the first phase of colonialism as receptive to African women (Chanock 1982, 1985, Parpart 1988, Lovett 1989, Mittelbeler 1976). Through colonial legislation, women gained certain individual rights and access to courts. It was later, when women began to use their advantages, that men began to realise that women were threatening the indigenous male control. Martin Chanock, analysing case law in Rhodesia/Nyasaland/Malawi, argues that male elders allied themselves with colonial administrators and rulers to reestablish control over women through the emerging state customary law.

liberal contract theorists of the 18th century: the slave contract and the marriage contract. Through the fiction of consent, women were included in "the social contract" as free and equal, yet men's sex-right over women was upheld as a conjugal right embedded in the marriage contract. The paradox, that women were seen as free to enter into contracts, yet on the other hand became the object of the husband's power through marital consent, is the hidden agenda which Pateman terms "*the sexual contract*". Through the construction of consent, she argues that patriarchy as paternal rule was replaced by patriarchy as male sex right over women. As statutory law gradually eliminated male superiority within marriage, Pateman argues that male sex-right is exercised through other forms of contract. In contemporary society women are consenting to subordination and exploitation through other forms of contract such as the prostitution contract and the surrogate contract.

In my view, Pateman's theoretical assumptions must be confronted and modified on the basis of actual sexual and reproductive practices. Do underlying patriarchal normative structures always "force" women into sexual subordination and reproductive exploitation? I assume that sexuality and fertility is an area where complete male control over female is impossible. In order to investigate meetings between men and women through sexual and reproductive practices I will use *consent as an empirical focus*. In my view, the introduction of normative structures implying individual agreement and consent also provides a tool which enables women to resist subordination and exploitation.

On the international level I will briefly describe the ideals of freedom and consent laid down in the UN Convention on the Elimination of All Forms of Discrimination Against Women. On the level of the national legal system, I will explore how the legal construction of consent serves as an integrative mechanism between communal and individualistic modes of regulation of human reproduction. On the local level, I will examine the integration of coexisting regulations through actual case studies, from family and local court level. Here, I use consent as a meeting point between male and female actors who through sexual and reproductive interaction respond to coexisting legal and moral structures.

Law material and the case studies illustrate how the legal system and women and men from different social groups respond to the situation of marital childlessness. The situation of marital childlessness is chosen

National legal level

On the national legal level, Zimbabwe is moving from a communal towards an individualistic mode of regulation of human reproduction. The legal system in Zimbabwe is still characterised by *de jure* legal pluralism. The relationship between the different systems of law is regulated by choice of law criteria laid down in the Customary Law and Local Courts Act of 1990. Upon independence, a social mode of life criterion replaced the racial choice of law criterion. As already mentioned, in the area of personal and family law, customary law has undergone profound changes due to legislative intervention. On the formal level it has been argued that Zimbabwe almost has a unified and equality based system of family and personal law (Ncube 1989).

Statutory marriage regulations lay down the principle of individual freedom and consent. A series of legal reforms in the area of family law have levelled out gender inequalities within customary law. Marriage is seen as contracted between individual parties, not between extended families headed by male elders. The African Marriages Act of 1951 and the Legal Age of Majority Act of 1982 imply that a valid marriage can be contracted without payment of *lobolo* (bride-price payment) and parental consent. Parental rights and duties are, regardless of whether the marriage has been contracted under customary or general law, determined on the basis of the Customary Law and Primary Courts Act of 1989. "The best interest of the child" is the decisive criterion. Whether *lobolo* has been paid is legally irrelevant. The Matrimonial Causes Act, which applies to marriages contracted under general and customary law alike, is based on the principle of "irretrievable breakdown". Failure to fulfil conjugal obligations, sterility, barrenness and impotence are no longer considered formal grounds for divorce under customary law. Through legislative and court intervention, the individualistic mode of regulation of reproduction has been implemented in the context of customary law. Formally, patriarchy in terms of rule of elder men over sons, daughters and wives has been abolished.

Legal space for the integration and combination of communal and individualistic — customary and general — patriarchal and gender neutral regulations of marriage and reproduction is, however, provided by the concept of individual marital consent. Through some examples, I will illustrate how consent may provide an inroad to male-sex right over women, and thereby access to reproductive issue.

By consenting to the conclusion of a valid marriage under the African Marriages Act of 1951, a so called "customary registered union", the bride and groom consent to a potentially polygamous marriage. This has different legal implications for the bride and the groom. The groom may take a

partly paid before registration took place. This implies that three sets of parties and three sets of regulations are integrated.

Firstly, registration implies that the marriage becomes a legally binding relationship between the individual husband and wife. Formally this relation is regulated by a mixture of statutory and customary law.

Secondly, payment of *lobolo* creates a contractual relationship, guided by custom and moral, between two male headed extended families.

Thirdly, payment of *lobolo* implies that a link between past, present and future generations is established. Through symbolic payments and rituals, the ancestral spirits are involved. In this respect, the relationship is regulated by the procreative beliefs and values underlying the traditional marriage contract and payment of *lobolo*. By equating the bride's sexual, reproductive and productive capacities, *lobolo* payments give rise to gendered fertility expectations, assumptions and considerations. Personhood and status of women and men were, within traditional Shona world view, linked to fertility and procreation (Aschwanden 1982). A person was someone who would one day become a *mudzimu*, a spirit of a dead parent or grandparent. According to this world view men and women became male and female ancestral spirits through procreation. Male superiority was established through a monogenetic theory of procreation, which implied that there was only one principle in procreation. According to Aschwanden, the man was seen as the main procreator. Through contributing semen, he was seen as sowing his seeds in the woman's uterus, which was the field. On this basis it is still argued that it is the male lineage and the male spirits which are perpetuated through procreation.

How do childless women and men in different social groups integrate the various forms of regulation through their sexual and reproductive interactions? Three case studies, one from a rural, one from a densely populated and one from an urban setting, will illustrate a complex, varied and dynamic picture of interplay through direct and indirect gender struggles.

Polygamy, childlessness and consent in a rural setting

If a couple who have registered their *lobolo* marriage are childless, the three above-mentioned sets of legal and moral rights and obligations may be evoked by the various parties involved. According to the African Marriages Act of 1951 and the Matrimonial Causes Act, the reproductive capacity of the parties is irrelevant as far as conclusion and dissolution of marriage is concerned. However, in practice, the wife, the husband and

Male sterility

If a man cannot have children, the para-legals told me, his elder relatives will sometimes arrange for an older or younger brother to stay with the wife of the sterile husband when the husband is away. According to the written customary law which was practised by the colonial courts, the legality of such an arrangement depended on the consent of the husband. According to Holleman's Customary Law the husband's consent was necessary. In the absence of such consent, the wife's sexual act will be deemed to be adultery (Holleman 1952: 218). In *Mondiwo v. Muwirimi* (SRN 1952) the Native Court of Appeal of Southern Rhodesia stated that the procedure according to custom must be as follows:

According to Native Custom, however, the matter is first discussed between husband and wife, and if agreement is reached the husband then contacts a member of his family and hands him a token to signify acceptance of the arrangement.

In local practice today such arrangements are often kept secret for the husband:

I know a couple in this neighbourhood. They did not have some children. Some of the elders talked with the younger brother and told him to go to the wife. He went. Now they have 5 children. The husband does not know. Neither does the wife of the younger brother. Even if it is kept a secret for the husband people will see the younger brother coming from the wife's hut. So they will know.

In practice, women sometimes take lovers outside the husband's family. Such extra-marital affairs are closely guarded secrets. According to one of the para-legals:

Yes, once the husband knows the wife has had another man, they may kill each other. There are very few who can accept anything like that. Men do not accept that his wife sleeps with another man. Once he knows about it he gets angry.

By taking a procreator outside the husband's family and without any family consultation, the wife also breaks a spiritually sanctioned moral rule. By conceiving with a man outside the husband's family she brings in alien spirits. One of the para-legals told me the following story:

I know a family. This couple stayed together. The woman did not conceive. She went to her older sister. The sister's husband made her

Conjugal rights, childlessness and consent in a densely populated area

In situations where the parties fail to find a practical solution to the problem it is often assumed by the husband and his family that it is the wife who is the causer of the childlessness. They usually demand that she should leave the matrimonial home empty handed. However, not all childless women consent to such arrangements, but instead take the matter to the community court. By taking marital conflicts to the community court, many women are treated in a less biased way than is often the case at the patrilineal family level. A number of cases show that childless wives, through court action, sometimes twist the argument of conjugal rights to their own advantage. In the court records from Seke Community Court, which has jurisdiction in Seke Communal Lands and Chitungwiza High Density Area, I noted several cases where childless wives sued their husbands for conjugal rights. In some of these cases, the community court agreed with the wife that the situation of childlessness could not suspend the husbands conjugal duties, such as housing the wife and showing her respect.

Concluding remarks

Consent has been seen as a mediating mechanism between external and internal legal relations. On the level of the national legal system, its function as integrative mechanism between coexisting international/national equal rights and customary male sexual and reproductive privileges has been described. At the local level, case histories illustrate how consent in certain contexts promotes female resistance, and in others perpetuates male sexual and reproductive control. Consent, in other words, provides a local focus of direct and indirect gender struggles. It provides insight into complex, varied and dynamic processes where men are unable to exercise complete sexual and reproductive domination:

1. Women's choices and actions are not mechanically determined by patriarchal normative structures. A number of women do not consent to arrangements dictated by lovers, husbands, extended families or spiritual ancestors. Some women utilize court structures in order to promote their own individual interests. In order to resist and regain control some women manoeuvre on the outskirts of law, custom and spiritually sanctioned moral beliefs.

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partly inspired by Guillermo O'Donnell's early analyses of bureaucratic authoritarianism in the most developed Latin American states. O'Donnell emphasised the autonomy of these regimes towards civil society. They did not only repress underclasses, they also made decisions that violated the interests of national industrial upper classes (O'Donnell 1979). Similarly, Bruce Cumings has argued that there is a connection between a high degree of state intervention, dictatorial rule and state autonomy towards local elites in the "bureaucratic-authoritarian industrialisation regimes" of South Korea and Taiwan (Cumings 1984, 1988).

The second part of Gerschenkron's thesis deals with the transition from state led development to development led by private capitalists. A follow-up of the "Gerschenkronian" approach would be to expect a regime transition to parliamentary democracy in line with the rise of a new industrial bourgeoisie independent of the state that challenges state capitalism and authoritarian rule. In this paper I will see how well this Gerschenkronian argument can account for the economic and political transformations of Taiwan since World War II. The Taiwanese development is briefly outlined in the periodisation below:

A periodisation of Taiwanese development

Period	Regime type, geo-political relations	Agrarian relations	Economic policy, position within IDL ¹
1895-1945	Japanese colonialism, bureaucratic authoritarian regime	Agrarian reforms: Private property relations, modernisation policy by corporatist networks	Specialised production and exports of rice and sugar for Japan, some local industry, Japanese policy of economic self sufficiency within the empire
1945-1949	Chinese take-over; predatory state	Colonial agrarian structure remains	Loss of Japanese markets, new markets on the Chinese, mainland, no coherent economic policy
1949-c. 1960	Kuomintang evacuation to Taiwan. Bureaucratic authoritarianism oriented towards military targets. Included into US sphere of interest in the Cold War	Agrarian reforms resulting in egalitarian agrarian relations, state led modernisation policy combined with resource extraction from agriculture	Loss of traditional export markets, dependence on US aid, policy of import substitution, considerable state ownership and state intervention

had to ally with several of them that continued to control local administration and even had some degree of military sovereignty within their territories. Local elite groups within Kuomintang core areas were also able to avoid central control, for instance in matters of taxation, whether this was the result of alliances with local civil servants, corruption or simply insufficient public supervision capacity (Eastman 1984: ch. 1).

During the first post-war years Taiwan was run as a military conquest by a corrupt Kuomintang administration from the mainland. Taiwanese elites were politically excluded. The islanders reacted strongly against confiscations, discrimination of islanders, corruption and arbitrary rule. A spontaneous rebellion began the 27th of February, 1947, and lasted for some time during the month of March. In May 1947 Nationalist troops from the mainland were used against the islanders. The terror that now began, was in particular directed against intellectuals and urban middle classes that were regarded to be the leaders of the island opposition. According to a recent estimate somewhere between 18,000 and 28,000 were killed during these actions (Gold 1986: 50; Haggard 1990: 80; Far Eastern Economic Review, March 19, 1992: 30-31).

In December 1948 Chiang Kai-shek's son Chiang Ching-kuo was sent to Taiwan. His task was to stabilise the island politically to prepare for the possible evacuation of the Kuomintang forces from the mainland. Martial law was declared in 1949. Remaining Taiwanese opposition and suspected refugees from the mainland were imprisoned or executed in large numbers. An effective internal security apparatus was constructed and coordinated by the Political Action Committee led by Chiang (Gold 1986: 50-51, 54; Haggard 1990: 80).

Most of the formal provisions for representative democracy were suspended by the martial laws, that gave great extra-constitutional powers to the President and postponed new national elections until the retaking of the mainland. The mainlanders that had been elected before the martial laws continued to hold their seats. Kuomintang rule was based on the myth that the Taipei government was the sole government of China. This myth also implied the doubling of political institutions. In theory Taiwan was only a province within the Republic of China. The Taiwanese Provincial Government was therefore beneath and subordinated to the national level. A limited democracy was permitted locally with direct elections at county, township and village levels, and since 1959, direct elections for the provincial assembly.

Political power was to a large extent located within the Kuomintang Party. The party was organised according to Leninist principles in party cells intended to preserve Kuomintang hegemony within schools, the

National self reliance was an important part of Kuomintang's military strategy and it was supported by a strategy of industrialisation by import substitution. Other non-market interventions of the 1950s were agrarian reforms with state led modernisation and forced resource transfer from agriculture to industry. These policies benefited from the preceding Japanese colonialism.

Colonial inheritance, agrarian bureaucracy and agrarian modernisation

During the Japanese colonial period on Taiwan from 1895 to 1945, a highly competent administration combined authoritarian rule with a policy of agricultural modernisation and infrastructure constructions. Japanese authorities restructured Taiwanese agriculture to specialised production of sugar and rice for the Japanese market. Agrarian reforms were implemented with capitalist private property rights and the removal of the former absentee landlord class whereas the former tenant landlords were made legal owners of land, directly responsible for taxes. A new flat tax on land replaced the former proportional tax on output. This served as an incentive for the new owners to raise their tenants' surplus production. A "Green Revolution" was implemented based on agrarian research with scientific improvement of seeds, use of fertilizers and irrigation construction. The new techniques of cultivation were spread by local agricultural associations lead by the administration in close cooperation with greater landlords. In 1938 the Japanese created the "Taiwan Farmers' Association" to control these local agricultural associations. In this way a model of "indirect-mixed-with-direct-rule" emerged. The resulting agrarian modernisations did not only include relatively large farming units but also tenant agriculture (Amsden 1979: 344-347; Apthorpe 1989: 527; Myers & Ching 1964: 360-361).

The legacy of the Japanese colonial administration was to some degree preserved after World War II., since Japanese officials on Taiwan continued to function during a transition period (Cumings 1984: 22; Cumings 1988: 259). The Japanese combination of authoritarianism and high state capacity was extended by Kuomintang authorities that also implemented new egalitarian reforms.

Agrarian reforms had always been on the Kuomintang agenda, but on the mainland "land-to-the-tiller" never amounted to much more than propaganda. On Taiwan on the other hand, the state elites were more motivated to implement agrarian reforms and there was a considerable U.S. pressure on Taiwan's government to implement agrarian reforms. The

The agrarian bureaucracy on Taiwan combined modernisation of agriculture from above with a considerable resource transfer from agriculture to the urban sector. This resource transfer was facilitated by state monopolies on sales of fertilizers that was bartered with rice, at terms of trade highly unfavourable to agriculture. Various other means were also used to extract a surplus from agriculture; land taxes, compulsory rice purchases, loan repayments and repayments for land resold to tenants under "land-to-the tiller". All such collections were made in kind, mainly in the form of rice. They amounted to "hidden rice taxes" since government purchases were made at considerable lower prices than market prices. The rice collected by the government in this way was rationed to the military and civil servants, sold on the free market for revenue and price stabilisation purposes or exported (Amsden 1979: 356-358).

Government sales kept internal rice prices low. This contributed to industrialisation based on cheap labour since rice was the most important consumer good of the labour force until the late 1940s, whereas rice exports provided much needed foreign exchanges. Still, exploitation of agriculture did not lead to impoverishment of Taiwanese agriculture, the standard of living in the countryside was steadily rising from the 1960s as a result of increasing off-farm employment within the farmer families (Amsden 1979: 359-360). The rise in industrial employment came as a result of a new strategy of labour intensive export oriented industrialisation in the 1960s. To explain this strategy of industrialisation, the impact of the United States should be taken into account.

The liberal influences of the United States on economic policy and economic bureaucracy

According to Richard Barrett a short-lived alliance emerged within the U.S. Foreign Department around 1950 between geopolitical interests of containment and roll-back and a reformist ideology associated with the legacy of Roosevelt. The Rooseveltian ideology had survived in the foreign policy bureaucracy long after its disappearance from domestic politics, since it was able to justify foreign aid with geopolitical arguments of U.S. national interests. The Foreign Department tried to fashion an aid program for Taiwan without making any clear commitment to the Kuomintang regime.

This policy would allow the United States to continue to pursue opportunities to detach China from the Soviet orbit, or failing that, to *develop a group of "liberal reformers" who could take power in Taiwan* [emphasis mine, KN] (Barrett 1988: 131).

substitution was stimulated by multiple exchange rates, tariffs and import restrictions. The policy was tolerated by the United States that allowed the Taiwanese economy a "breathing space" throughout the 1950s. Private capitalism emerged within light industry sectors, notably cotton textiles and flour milling, as a result of the combined pressure of AID-officials and the pro-private sector bureaucrats (Amsden 1979: 364-365; Gold 1986: 71-72).

The U.S. authorities contributed with experts, advice and funds in the difficult processes of land transfers during the land reforms through the "Joint Commission on Rural Reconstruction" (JCRR). The land reforms also included the issue of compensating the former landowners. Despite the resistance of "statist" factions within Kuomintang, the landowners were partly compensated with industrial bonds in nationalised Japanese enterprises. In this way the JCRR aimed at creating a class of islander capitalists to counter the mainlander Kuomintang state elites (Simon 1988: 139-148).

By the middle of the decade the AID mission changed from supply of key commodities to project support. The project support was mainly oriented towards key infrastructure provisions within power, transportation, communications and provisions of R.&D. services. These activities of the AID mission together with the short-lived economic hothouse climate of import substitution helped to promote new capitalist groups that to a large extent were islanders (Gold 1986: 71; Simon 1988: 148-149). Gradually Taiwanese small capitalists gained importance and dominated Taiwanese industry.

The new private capitalists did in no way challenge the political order. The most important systemic changes came rather from within the state, as a new technocratic economic bureaucracy elite gradually replaced the military Kuomintang elites from the late 1950s. This change of power within administration was sparked off by The United States in the 1950s through the joint Sino-American agency, the Council on U.S. Aid (CUSA), that had been formed on the mainland in 1948. CUSA was the key organ of administering U.S. aid. It was composed of U.S. aid officials and Taiwanese cabinet members and chaired by the premier minister. The agency was financially independent and it was not connected with any particular ministry. It was therefore well protected from interference from other state agencies and party factions (Gold 1986: 69; Haggard 1990: 86).

As the Chinese members went back to other bureaucracy agencies, they carried with them the ideology and methods learned from CUSA. The highly competent CUSA elites now challenged the old Kuomintang elites and their anti-capitalist military goals. In this way, development oriented bureaucratic values gradually gained force inside the Kuomintang bureau-

with each other" (Amsden 1979: 365). This protection was done by cartellisation organised by the state.

Export oriented capitalist economic transformation and democracy

From the mid-1960s a well prepared public relation campaign for Taiwanese investments was launched to attract foreign capital. Taiwan now received an inflow of foreign capital that was responding on the new favourable investment climate. Foreign investments were mainly divided between "Fordist" export industries such as consumer electronics and plastics and old light industries such as textiles. Japanese and U.S. producers relocated labour intensive and technologically simple production to Taiwan to benefit from low wages and a relatively highly skilled labour force. Overseas Chinese invested within old light industry such as textiles. Taiwanese authorities stimulated this development further by the Kaohsiung Export Provision Zone that provided infrastructure facilities and various fiscal incentives (Gold 1986: 78-81).

Taiwanese private capital within old sectors such as textiles and new ones such as electronics also reacted on the new export opportunities. Textiles exports boomed throughout the 1960s. Production was gradually turned to synthetic textiles. The electronics industry on Taiwan was implanted by foreign capital as a typical peripheral enclave assembly industry. A new group of Taiwanese entrepreneurs, relatively independent of the state, emerged from various types of cooperation with foreign capital (Gold 1986: 81-84). As Taiwan approached full employment in the late 1960s, industrial wages started to rise. The average rise of real wage rates from 1964 to 1973 was 5.4 per cent a year. This was well below the gains in productivity, but rising wages and increasing employment within labour intensive industry and various other modern sector activities still sustained a rise in mass consumption with considerable linkages to home industries.

The export led growth of the 1960s took place within a docile political atmosphere of nearly unchallenged authoritarian rule by Kuomintang. No organised class mobilisation took place in the 1960s. The peasantry remained effectively suppressed by the state. No working class opposition to the state emerged, although a repressive labour regime was in force; martial laws prohibited strikes and unions were manipulated by the state. There were no widespread proletarian class consciousness among industrial workers, who often did not picture themselves as lifetime industrial workers. The male workers generally regarded industrial work as a spring-

good working relations with a new generation of politicians with similar backgrounds (Gold 1986: 102-106).

The dividing line between the mainlander state and Taiwanese civil society has also become more blurred. Local elections served as a channel to integrate mainlanders and islanders. But Kuomintang also faced questions of legitimation and popular demands — and periodically strong opposition — as it worked to control the outcomes of these elections. The elite tensions between islanders and mainlanders were somewhat relaxed as Kuomintang elites allied with the islander capitalist class and islanders began to fill the ranks within party and state (Gold 1986: 90, 92). The new Taiwanese Kuomintang elites took a relatively conciliatory stance towards the opposition. A new generation of young highly educated Taiwanese has been exposed to the liberal influences of American culture through mass media and education; consumerism, individualism, human rights, electoral policy, democracy and economic liberalism (Gold 1986: 113). The expanding civic and economic associations connected with capitalist economic transformation — some of them international — have also made party monitoring and control a much more difficult task than before (Cheng 1989: 482). An organised Taiwanese civil society emerged that gradually mobilised for democratisation:

... society began aggressively to press its interests against the state. The *tangwai* through magazines, organisations, electoral campaigns, and demonstrations, articulate aspirations of a large segment of the middle class and bourgeoisie ... New faces invigorate moribund tame bodies such as the Legislative Yuan and provincial local assemblies, raising pointed questions about the dividing line between party and state, the necessity for martial law, prohibition for new political parties, mainlander hegemony, corruption, incompetence, a criminal underworld, lack of social welfare programs, and so on. ... Taiwanese abroad organize and exert external pressure, often through foreign press releases embarrassing the government. Young party members demand changes in the KMT's gerontocratic centralist structure. Businessmen through trade associations and elected officials, press for further liberalisation plus mercantilist support in foreign markets. They also demand more freedom to do business, including with the mainland. Returned experts desire an environment similar to that in the West where they resided for years. The state is increasingly becoming an model for social conflict on the Western pluralist model (Gold 1986: 130).

The main force for political change in Taiwan was a new generation of middle class-intellectuals that had grown up with the Taiwanese "economic miracle". Tun-jen Cheng suggests that these groups had relatively close ties

the establishment of a new political party, the Democratic Progressive Party. After internal conflicts between hardliners and softliners the leadership of the Kuomintang proclaimed the ending of the martial laws and ended the prohibition of political associations. Then in 1987 Kuomintang allowed regular elections for three national representative organs and a two-party system emerged (Cheng 1989: 488-490). Although Kuomintang still holds the upper hand within Taiwanese politics by means of clientelism and advantages from its previous rule, the state on Taiwan is no longer simply the Kuomintang state.

Conclusions: Taiwan and the Gerschenkron approach

I will now return to the issues raised at the beginning of this paper. How well does the Taiwan case fit the sequence of a state interventionist development dictatorship, followed by private capitalist economic transformation and economic and political liberalisation? It should be noted that Gerschenkron's theory deals with internal development in *de facto* sovereign countries. But in the case of Taiwan various types of geopolitical dependency — first Japanese colonial rule, later American hegemony — have influenced political development and economic transformation considerably.

The Japanese legacy of state control may be explained reasonably well by the Gerschenkronian approach. As emphasised by Bruce Cumings, Japan was a case of late economic transformation that transferred its autocratic state interventionist development model to Taiwan. In line with the Gerschenkronian predictions, the late-late developing Kuomintang state on Taiwan increased state control further, as seen in agriculture.

A central issue in Gerschenkron's argument is the resource transfer by political means from agriculture to industry. The Kuomintang state inherited the Japanese tradition of state intervention within agriculture and used it to further national economic transformation. The Japanese system of cooperation between landlords and administration was transformed into a fully fledged system of state control. State control was enhanced by land reforms that first broke the control of the landlord class of the agrarian surplus. The agrarian surplus was transferred to the state by means of hidden rice taxes. To a large extent this surplus was used by the state to further industrialisation by subsidising wages and providing investment funds for industry (Apthorpe 1988: 520; Grabowski 1988: 62-64).

As for industry, there were considerable state intervention and state ownership during the 1950s. On the other hand the "take-off" during the export led economic transformation of the 1960s was led by local and

China concept and its mythological functions of justifying Martial Laws at the national level until the retaking of the mainland.

The Gerschenkronian framework may perhaps be modified so that it is the civil society created by capitalist development, rather than the capitalists themselves that press for democracy. But it would still be difficult to fit into this framework that private capitalist development and the associated development of civil society on Taiwan were not simply the outcomes of internal forces. Economic and political developments were heavily influenced by the United States. The postwar Kuomintang state on Taiwan did not only receive enormous amounts of military and economic aid from the United States, but U.S. authorities also influenced agrarian reforms, economic strategy, bureaucratisation and power struggles inside the state administration. In general the U.S. influence worked in the direction of liberal capitalist or *petit bourgeoisie* values. The economic policy and economic bureaucracy of the 1950s and 1960s reflected a blend of the Japanese legacy, the statism associated with Kuomintang on the mainland and liberal or reformist U.S. influence. U.S. influence has perhaps been decisive in tipping Taiwanese development in the direction of the private capitalist Gerschenkronian phase, led by a bureaucratic elite committed to capitalist growth.

The United States has been less influential to forward Taiwanese political liberalisation. But it should be noted that U.S. pressure led to the system of local elections in Taiwan. Although Kuomintang control remained firm, the long time effects of this "putting on a democratic face" was to train an articulated local civil society, including an increasingly well organised political opposition. In addition, political liberalisation was to some extent an indirect consequence of the ideological influence of U.S. hegemony. Thus, it was not capitalist economic transformation in general that led to democratisation on Taiwan. We need to be far more precise, and relate Taiwanese democratisation to the direct and indirect influences of American political and ideological hegemony on Taiwanese economic and political transformation.

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As has been shown by Dani Rodrik, a weak state will over-invest in the wrong kinds of intervention, and under-invest in the right kinds of intervention, while a strong state acts in the opposite way. It should be noted, however, that authoritarianism is neither necessary nor sufficient for this relative insulation.

The existence of many heterogenous interest groups in a country may inhibit the Stackelberg solution of a non-cooperative game, and the state has to participate in a negotiation game. Under such circumstances, the state does not have the same possibility to make pre-commitments as in the Stackelberg game. This kind of negotiation game can easily result in a prisoner's dilemma situation.

The following examples will illustrate different types of state intervention, correlated to the concept of relative state autonomy:

- i) *Infant industry protection.* In East Asia this kind of intervention has succeeded. The case of Taiwan shows how an autonomous state can make pre-commitments to temporary support, and stick to this commitment. When the industry became internationally competitive, the government support was withdrawn.
- ii) *Soft budget constraint.* If the regime emphasises the need for short run political responsiveness rather than economic accountability, non-autonomous states will be unable to make credible pre-commitments.
- iii) *Signals of pre-commitment.* Structural adjustment programmes can be used by soft states, by "blaming the IMF" to secure a higher autonomy of the state from pressure groups.
- iv) *Uniform tariffs.* A soft state may establish a system of uniform tariffs, which will make it more difficult for special interest group to "break the rule", than in a case without such a rule.

The quality of intervention, imperfect information and externalities

Problems concerning imperfect information and externalities are often used as arguments in favour of state interventions. Bardhan showed, however, that we have to qualify this general argument, and that state interventions do not necessarily solve the problems.

Imperfect information. Bardhan argued that lack of information or informational externalities in the market place usually are correlated with insufficient information also for the state. In such cases, both market and state equilibria are Pareto-inefficient.

alternative may be to devote more emphasis on ways of monitoring state owned enterprises, rather than focusing on the ownership structure (privatisation). More emphasis should then be devoted to creating "high power incentives" internally within the company.

One positive result of this debate is that decentralisation has been placed on the agenda. Decentralisation may reduce problems related to informational inefficiency. On the other hand, a system based on strong decentralisation to local and regional self-government, may need external intervention due to:

- * internal distributional differences. How may local power groups and unequal internal distributions be counterbalanced?
- * co-variate risks in projects within a region
- * territorial externalities and common property
- * power in negotiation. Local government has less power in an international context.
- * regional distribution. Who has the commitment to distribute between regions?

In his closing remark, Bardhan maintained that even if decentralisation may require a "third party" intervention to help solve these problems, his above analysis of the quality of state interventions will imply that this "third party" does not necessarily have to be the state!

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11. The state, interest groups and structural adjustment in Zimbabwe¹

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In 1990, the Zimbabwean Government led by the proclaimed Marxist-Leninist, President Robert Mugabe, embarked upon a World Bank-sponsored Economic Structural Adjustment Programme (ESAP). This happened after a decade of independence characterised by the pursuit of policies of economic nationalism which differed little in principle from those followed for fifteen years by the "right-wing" regime of Ian Smith's Rhodesian Front. These protectionist policies had long benefitted the white-dominated sectors of manufacturing and commercial agriculture in particular. This article searches for an explanation as to why the shift in economic strategy occurred. Did the government perhaps give up hope of riding through an economic crisis on its own, and yield to pressures from the World Bank and the IMF? Had it perhaps been able to extricate itself from the grip of protectionist domestic industrialists, farmers and others and increase state autonomy? Or can a contractarian theory emphasising changing societal pressures contribute to our understanding of policy-making in Zimbabwe?

Recently, political science has been heavily influenced by a liberal political economy which posits models of "free trade" and limited state intervention as normative standards of "rationality" in economic policy. At the same time, there is continued and widespread failure of governments throughout the world, and in the developing part of it especially, to abide

¹ This article is also published in *The Journal of Development Studies*, vol. 29, no. 3, April 1993, and is reproduced here by permission of Frank Cass & Co. Ltd, London. Financial support for the research was obtained from the Norwegian Research Council for Social Science and the Humanities and from the Chr. Michelsen Institute. SAPES Trust provided help during fieldwork in Zimbabwe in 1991. Peter Gibbon, Michael Lofchie, Richard Sklar, John Teye and two anonymous reviewers made helpful comments on an earlier version of this article.

form of "interest group politics" rather than having promoted state autonomy. With respect to Zimbabwe, however, it is argued that the particular organisational and institutional form that interest group politics has taken facilitates discussion around national policy issues and may be promotive of policy flexibility and change. The particular positions adopted by Zimbabwean interest groups on structural adjustment and trade liberalisation are then discussed in some detail, since these positions do not *fully* correspond to common expectations that agricultural and extractive industries will favour liberalisation, while domestically oriented producers will oppose it.

Interest groups and political economy

In the 1970s, harsh political repression of the "popular sectors", including domestic businessmen and workers, was said to be a necessary condition for a successful state strategy of "forced" industrialisation in Latin America. An alliance of the "bureaucratic-authoritarian" state, international capital and large domestic firms was held to account for a mixed economic strategy of macro-economic stabilisation, selective export promotion by way of subsidies and increased import-substitution focusing on capital goods and other industrial inputs ("deepening" of ISI) [Cardoso and Falletto, 1979; O'Donnell, 1973; Evans, 1979]. The posited link between "deepening" of import-substitution — i.e., the "heterodox" aspect of the strategy — and political authoritarianism was criticised by a number of authors, a representative sample of which are found in Collier [1979]. However, several studies upheld the proclaimed causal link between political authoritarianism and policies of macro-economic stabilisation (the "orthodox" aspect), later also full-fledged structural adjustment [Skidmore, 1977; Diaz-Alejandro, 1981; Kaufman, 1985]. The collapse of authoritarian regimes in Latin America and the economic chaos that many of them left behind led, however, to a reconsideration of these issues in the late 1980s. Many authoritarian regimes, it was found, were hopelessly incapable of putting sound economic policies into effect, while the new democratic regimes often did little better. Some authors found that more refined categories than those of "authoritarianism" and "democracy" were needed [Haggard and Kaufman, 1989 a and b; Stallings and Kaufman, 1989].

The failures of "bureaucratic-authoritarian" regimes in Latin America undermined the thesis that a high degree of state autonomy facilitates economic progress. At the same time, however, the notable success of certain highly repressive East Asian regimes in achieving rapid economic growth reinforced the popularity of state-autonomy arguments among

and growth, in the context of an analysis, *inter alia*, of differential growth rates in Western countries after the Second World War. According to Olson, interest groups can be usefully seen as "distributional coalitions". Such coalitions are formed with a view to enlarging their own share of a country's economic "pie" rather than promote greater and more efficient production among their members. The costs of policies of protection and of other restrictions upon competition can be distributed among all members of society, while the benefits accrue only to the members of the successful lobby group. However, the larger the group, the more are the adverse consequences of lobbying for various measures of state intervention felt by its own members. Such "encompassing" coalitions may therefore be interested in adopting a more long-term attitude in which efficiency criteria are incorporated into the calculation of self-interest. Nevertheless, Olson felt that other factors would tend to cancel out this beneficial consequence of "encompassingness". His data on differential rates of growth among Western countries indicated to him that the less organised the society, the higher the growth rates. Rogowski [1983], however, challenged Olson's empirical findings by pointing out that it was exactly in countries with long-established, broad-based and centralised interest groups that growth had been most rapid.

This debate indicates that whether or not interest groups will act to promote efficient economic policies may depend on the particular way in which these groups are organised, and how they are linked into the policy-making process. If the studies on patrimonialism and personal rule in Africa are anything to go by, one might say that the form of political authoritarianism that Africa has seen, has stimulated exactly the creation of numerous small and localised "pressure groups" which are linked to the state by means of patron-client ties. Such groups frequently demand limited, particular favours such as subsidies, a particular tariff, a share of government expenditure, and the like. Autonomous interest groups organising whole sectors of the economy or social classes are relatively rare in Africa, since most governments made it their project immediately after independence to register labour unions, farmers' cooperatives and other organisations of civil society, frequently turning them into ineffective adjuncts of an illegitimate ruling party.

Robert Bates's *Markets and States in Tropical Africa* [1981] can be read as a discussion of how political authoritarianism stifles the organisation and expression of potentially society-wide economic interests, in particular the agricultural interest. African rulers have regularly banned opposition parties, and created one-party electoral arrangements whereby only localised, narrow interests are allowed representation. These interests are then

within the Government, although many politicians and bureaucrats still seem less than reconciled to the new programme of structural adjustment. In Zimbabwe, interest groups form alliances for the purpose of inducing change in public policy. Although initiative for such change is shared with the Government (or parts of it) as well as external actors such as the World Bank, a contractarian explanation must form a significant part of our understanding of economic reform in Zimbabwe. The societal coalition for economic change in Zimbabwe includes not only mining, commerce and commercial agriculture, as one would expect on the basis of theories of the "urban bias" of protectionism, but also, and prominently, the manufacturing sector. The coalition for the status quo includes not only civil servants and workers threatened with a loss of jobs and an erosion of real wages, but also small-scale farmers. Some plausible reasons for this state of affairs are outlined below.

Zimbabwe's economic policies 1980-92

Zimbabwe's history offers both examples of periods in which an open economy strategy was successfully pursued (generally up until 1965) and of intervals in which import-substituting industrialisation was carried out with some salutary effect (from 1965 onwards, with particularly high growth in the 1967-1974 years). Zimbabwe today has a highly diversified economy, and a relatively advanced (for Africa) manufacturing sector that contributed 26.4 per cent of GDP in 1990, compared to agriculture's 12.9 per cent and mining's 8.2 per cent [Economist Intelligence Unit, 1992a: 3]. After formal independence from Great Britain in 1980 and the end to white settler rule, the Gross Domestic Product has grown erratically, but by a possible average 3.4 per cent in the 1980-1992 period. Key problems have been a persistently high budget deficit, averaging 10 per cent of GDP, the channelling of a large share of respectable savings rates of around 20 per cent of GDP into government debt, strict foreign exchange rationing which has reduced private investment to levels below those needed for replacement, and consequent lack of new employment creation in the formal sector.

Zimbabwe experienced a brief "boom" just after independence, spurred by the lifting of international sanctions. Domestic demand expanded rapidly, while export incentives were eliminated and the real exchange rate allowed to appreciate by 20 per cent [Riddell, 1990a: 376]. Consequently, exports suffered, especially those of manufactured goods. In 1981-82, the world recession led to further sharp declines in export earnings. The 1982-84 drought exacerbated the crisis. Zimbabwe introduced an IMF-sponsored

addition of competing imported finished products in the final years of the programme. Tariff protection will average 30 per cent for finished goods and domestic price controls will be gradually abolished.

This will give the manufacturing sector an opportunity to increase output from existing plant and machinery while refurbishing and retooling (by means, initially, of the rationing of credit supplied by the African Development Bank and the World Bank). Expanded export incentives will reorient sales towards the external market. Later, when capital goods are put on OGIL, further machinery and equipment can be imported for the expansion of the productive base. Domestic manufacturers will be shielded from competition on their output of finished goods until the last phase of the programme. Trade liberalisation was originally to be phased over five years [Government of Zimbabwe, 1991]. The programme commenced in October 1990 and was supposed to be completed by 1995, but it is now clear that this was overoptimistic. The fact that liberalisation is already behind schedule is probably due in large part to the slow implementation of government expenditure reduction, caused by slow planning and political difficulties that arise when a large number of civil servants are to be laid off. An even more important reason is the drought. So far, it does not seem that industrialists have developed "cold feet". Although competition will hurt some of them eventually, a certain degree of tariff protection will remain when the programme is completed. But their continued support is probably contingent on real progress in the cutting of the budget deficit and the furnishing of capital for new investment in manufacturing.

Import liberalisation seems to have put immediate pressure on the balance of payments. The current account deficit was large in 1990 and 1991, and may approach 1 billion in 1992 [Economist Intelligence Unit, 1992b: 3], overshooting targets two-and-a-half times [cf. Government of Zimbabwe, 1991: 25, table 4] and threatening to derail the programme. A debilitating drought has made it necessary to import much of this year's requirement for maize, wheat, sugar and other foods. Recently the International Monetary Fund (IMF) was brought in, contrary to the earlier wish of the Government to rely solely on the World Bank and bilateral donors. In January 1992 the IMF agreed to supply an SDR 343.4 million (US\$ 484 million) Extended Facility over three years. In addition, other donors have apparently agreed to raise their contributions from an initially agreed upon US\$ 700 million to US\$ 1 billion a year [Economist Intelligence Unit, 1992b: 12].

Import liberalisation is dangerous when the budget deficit is large, as it still is in Zimbabwe. The excess demand in the economy may spur inflation and lead to unsustainable levels of imports. Inflation has gone up from 13

and preserve effective dominance of political office in Zimbabwe. Authoritarian tendencies are evident in the manipulation of electoral arrangements and undisguised intimidation of opposition politicians and their supporters. Nevertheless, a potential remains for opposition parties to challenge ZANU (PF) rule on a constitutional basis. However, the failure so far of Zimbabwean parties to turn elections into effective contests over alternative policy programmes has limited the impact of the electoral channel as a means by which to translate popular demands into public policy.

Limited contestation in the party political arena combines with the retention and expansion of opportunities for autonomous interest groups to form and to exercise extensive influence upon public policies through a system of bureaucratic consultation. This particular manner of structuring the political system puts the interests represented by the white-dominated economic sectors of commercial agriculture, manufacturing, mining and commerce at an advantage over numerically larger but economically, educationally and organisationally more disadvantaged segments of the population such as unskilled workers and poor peasants. Nevertheless, majority rule, the retention of formal democracy, and ZANU (PF) hesitation to impose strict authoritarian, corporatist controls on interest organisations — initially in the name of racial “reconciliation” — has created space for the exercise of some influence by labour unions and peasants’ associations as well. ZANU (PF) seems more preoccupied with preserving its monopoly of formal political office than with stifling the expression of societal demands that challenge some aspect of governmental policy without presenting an outright challenge to the Government itself.

Interest groups representing important white-dominated economic interests include the Confederation of Zimbabwe Industries (CZI), the Commercial Farmers’ Union (CFU), the Chamber of Mines and the Zimbabwe National Chamber of Commerce (ZNCC). All of these organisations hark back many decades before independence, and are firmly rooted in a relatively advanced and differentiated economy. Each generally enjoys significant access to the various ministries. Immediately after independence organisations representing black peasants (the National Farmers’ Association of Zimbabwe — NFAZ) and workers (the Zimbabwe Congress of Trade Unions — ZCTU) established themselves at a national level. Notwithstanding ZANU (PF)’s intermittent attempts to direct the internal affairs of the black organisations, a partial autonomy has been possible to achieve. Interest groups have access to the public’s ear through an independent weekly and monthly printed press. With the abandonment of the drive for a one-party state, Government-owned dailies have also

of the Zimbabwean state was at best of a temporary and limited nature and does not well explain the inauguration of structural adjustment. The key domestic force for liberalisation has been the manufacturing sector.

Manufacturing was the major beneficiary of the system of foreign exchange allocations and import controls that was installed after 1965. In the interest of defeating economic sanctions by the international community, the illegal white regime created hot-house conditions so that industry could diversify and expand, and thus substitute the imports that could not be expected to flow easily to the country or be paid for through dwindling export earnings. Growth in the initial years was rapid. Although the manufacturing sector had been fearful of the consequences of the Unilateral Declaration of Independence, UDI paradoxically forced the Government to introduce the import quotas that the Association of Rhodesian Industries, the forerunner to the CZI, had been lobbying for since the early 1960s.

Although commercial agriculture suffered heavily from sanctions on tobacco exports, UDI led to a large-scale programme of diversification in white agriculture. Quotas were established on tobacco production and incentive prices paid for a range of other products such as wheat, soyabeans, cotton, etc. Prices were set through negotiation between the Government and the Rhodesian National Farmers Union (the later CFU) and sale was organised through parastatal marketing boards.

The system worked to the overall advantage of manufacturing and commercial agriculture, in that increased production for the domestic market more than made up for reduced exports. Simply extrapolating from this fact one would expect manufacturing and commercial agriculture to be wary of current changes and to resist large-scale liberalisation of the economy. One would further expect such resistance to be especially pronounced on the part of manufacturing, due to its heavy investment in production for the home market. Agriculture, perhaps, would be better able to regain its position on the world market for tobacco and thus become more interested again in policies which would promote such exports (a devalued currency, easier access to imports), although one might also expect a resistance to types of liberalisation that would threaten the sector's production of import-substituting crops such as wheat, soyabeans, sunflowers, etc.

Such an analysis would lead one to expect wide-spread resistance to ESAP on the part of important productive sectors, bolstered by the opposition of labour and civil servants. The World Bank, IMF and other donors would then appear to be the main forces for change, collaborating with parts of the Government in implementing reform. Such an analysis

The manufacturing sector in Zimbabwe in the mid-1980s was wary of liberalising imports of goods produced in the country but resented most other controls, especially ever stricter price controls and indeed extended price freezes, as well as restrictions upon the ability to retrench workers. Furthermore, it saw increased taxes being used to finance a growing budget deficit that supported recurrent expenditure rather than public investment in infrastructure. Foreign exchange continued to be strictly rationed, with little hope for significant long-term expansion. Improved economic growth in 1985-86 was offset by renewed recession in 1987. It gradually became clear that export incentives were proving insufficient to break the foreign exchange bottleneck. According to a former CZI economist interviewed by this author in 1991, around 1985 the CZI preferred export incentives but resisted an expanded Open General Import Licence. What shifted manufacturers' position away from maintaining the old system was the unavailability of forex except on the black market. Furthermore, the level of net investment in the economy reached an all-time low, equipment became ever more obsolete and little new employment was being created.

In 1987-88, the CZI's position on trade liberalisation underwent a substantial change. The annual congresses of the CZI are well publicised and well-visited affairs at which Government ministers meet with the country's top-ranking industrialists as well as with representatives of other economic sectors in the country. The congresses in 1987 and 1988 were in large part devoted to the issue of liberalisation. The Government had held discussions for some time with the World Bank and the IMF on the liberalisation issue, but there was strong feeling within the Government that the appropriate strategy for Zimbabwe was one of deepening import-substitution rather than opening the economy to competition. This strategy had for instance been outlined in the First Five-Year National Development Plan, 1986-90. At the CZI's annual congress in 1987, then Deputy Prime Minister Simon Muzenda called in his opening statement for increased import-substitution, arguing that foreign exchange problems were due to exogenous factors, not to any shortcomings of public policy. Although Minister of Finance Bernard Chidzero had foreseen *some form of trade liberalisation* in his 1987 Budget Speech, it is fair to say that almost all Government officials supported continued import-substitution at the time.

The CZI itself, however, while also emphasising continued import-substitution, added a new element to its thinking when calling for a "planned, selective and gradual approach [to trade liberalisation] in conjunction with tariffs... Competing imports will have to be carefully handled to ensure gradual exposure, and relaxation of restrictive local conditions (labour laws and forex to upgrade equipment) [is needed] to give

considerations as to prospects on the world market, competitiveness of local industry against potential imports, availability of investment finance, and a host of other things. In 1987-88, then, a large number of technocrats sided with the "ideologues" in calling for continued and increased "self-reliance".

Even in the Ministry of Finance, there was great scepticism in 1987 and later of trade liberalisation. The minister himself, Bernard Chidzero, has always been held up as a prime example of a pure technocrat and the one who steered the new economic philosophy through the Cabinet, in alliance of course with the World Bank in particular. This may be an apt description of his role. However, in 1987 it is hard to detect a pro-structural-adjustment stance within the ministry as a whole. If Chidzero was in favour, he appeared isolated at the time. Permanent Secretary Mushayakarara for instance expressed the opinion that foreign investment might not be needed since Zimbabwe had so much of it already, unless it were to fill gaps created by the failure of local people to invest. Few such gaps were perceived, as apparent in this astounding statement: "I can only imagine possibly that if we decided to manufacture atomic bombs, maybe that's where we might fail [to be self-reliant]" [Financial Gazette, 1987: 2]. The Deputy Secretary in the Ministry of Finance also stayed firmly within the old framework when he said that the most important role assigned to the manufacturing sector was making the things which Zimbabwe was now importing [*Ibid.*]. These views were strongly supported by the Minister of Industry and Technology, Callistus Ndlovu, for instance at the congresses of the Commercial Farmers' Union in 1987 and 1988. The intra-governmental division at the early stage of the debate was not between the economic ministries and the others, but rather between Chidzero and perhaps the Reserve Bank on the one hand and most of the rest of the Government on the other.

The CZI and the private sector was well ahead of the Government in adjusting its policy position in 1987-88. The World Bank utilised the new momentum by pressing the case for reform. In May 1987 it had finalised its report on the manufacturing sector, arguing that within every sub-sector of the industry there were firms who stood a good chance of competing in a more liberal environment [World Bank, 1987a]. In November that year the Bank published a review of the whole economy, outlining its case for liberalisation [World Bank, 1987b]. The case for a gradual programme that the CZI had put forward was supported by the Bank when a team visited the country in February 1988 and indicated that a useful time frame would be five years [CZI Industrial Review, 1988: 48]. The World Bank support for gradualism was reiterated at the CZI annual congress in 1988 by the Bank's representative in Harare, M.A. Burney [*Ibid.*: 55]. Some months

streamlined investment controls, and the expansion of export incentives in an intermediary period in order to increase foreign exchange earnings for the financing of the programme. In basic outline this is what the ESAP programme launched in October 1990 came to entail.

There is thus little doubt that the CZI lobbied very effectively for a programme of economic reform which would maximise the manufacturing sector's chances of competing against future imports and redirecting itself to the export market. In doing so it had the support of other white-dominated productive sectors which might be thought to disagree with the strong emphasis on manufacturing's needs to the detriment of their own immediate requirements. The Commercial Farmers' Union had for instance clashed with the manufacturing sector in 1986 when the CFU argued for liberalisation of agricultural inputs (many of which are produced domestically). Agriculture and mining were only marginally involved in consultation prior to the implementation of ESAP. But both sectors collaborated with the CZI on a joint approach to Government from 1988 on, and clearly perceived that the manufacturing sector would be the key to success of pressures for reform, both because it is the most important economic sector in the country in terms of contribution to the GDP and because, strongly protected as it has been, it would have to be the focus of attention if the restructuring exercise were to be successful. Zimbabwe's ESAP is perhaps notable for its strong emphasis on manufacturing, and for the way it has left issues of agricultural pricing and marketing to be decided at a later point in time.

Given the fact that some manufacturing firms look relatively competitive on the "world market", while others are clearly much less so and have grown as a result of quota and tariff protection only, one might have expected a much greater divergence of opinion on the issue of trade liberalisation within the CZI than has actually been the case from the late 1980s on. What accounts for the turn-around of the sector as a whole? During UDI, import substitution had worked to the advantage of the manufacturing sector. But at the time, black interests could be ignored, especially insofar as public expenditure was involved. Macro-economic stability was ensured until the guerrilla war started to take its toll in the late 1970s. The budget was generally balanced, inflation was low, and the currency stable. Savings were channelled into investment to a much greater degree than in the 1980s, taxes were much lower, and price controls much less strict. The need after 1980 to increase expenditure on education and health for the blacks, as well as to extend credit, subsidies and infrastructural support to small-scale farmers, put much pressure on the system. The large budget deficits increased inflationary pressures, mopped

civil service, and unfortuitous circumstances all seem to play a role in delaying the implementation of the most basic of structural adjustment reforms, namely that of public expenditure reductions.

Government and other interest groups

In a short article such as this, it is impossible to adequately analyse the positions and political influence of all Zimbabwean interest groups. However, a few points must be made since the pattern of support and opposition to structural adjustment in Zimbabwe does not correspond fully to the expectations that "urban" interests will oppose liberalisation while rural, agricultural interest will favour it [Bates, 1981]. Unfortunately, limited space demands that many of our assertions must remain unsupported by detailed analysis and data.

The Commercial Farmers' Union, by many seen as the most well-organised and influential of white-dominated interest groups, has been faced with a number of problems in the late 1980s. Originally supportive of a system of officially-determined producer prices and state marketing monopolies, the CFU had by the late 1980s clearly become exasperated with a system of controls which failed to keep down input price rises while limiting increases on regulated output prices (especially maize). Large-scale farmers started to diversify out of the numerous controlled crops and into non-regulated tobacco and horticultural products.

In 1989, the CFU started lobbying for the complete dismantling of the present system of controls — a process parallel to that which had taken place within the CZI, and stimulated as in the case of the manufacturing sector by the changing political context within which the system of controls operated. If the CFU had earlier been a beneficiary of controlled marketing and administrative price-setting, it no longer saw this to be the case. During UDI, the need for diversification of commercial farming meant that incentive prices were set for a range of products. Subsidy of irrigation and inputs was extended, all within the context of a virtual exclusion of black farmers from the market. After 1980, black farmers became heavily involved in marketing of maize and cotton in particular, and this tended to increase the pressures on the system. Operating costs of the marketing boards soared because of the larger number of depots that were required for the handling of communal farmer produce. Also, storage costs rose markedly because black farmers who lacked irrigation could achieve record production in years of good rainfall but experienced disastrous harvests in years of drought. To achieve price stability hence also became much more difficult. In drought years the Government felt compelled to increase

to counter the influence of ZAPU-, UANC-, and ZANU (Sithole)-affiliated trade unions and to undermine their attempt to merge into an independent national umbrella organisation, the United Trade Unions of Zimbabwe (UTUZ) [Wood, 1987; Mitchell, 1987].

The ZCTU has from its inception been plagued by corruption and nepotism, and its grass-roots following is seriously in doubt. Although from 1985 on more independent-sounding leaders have been elected to the top positions, the ZCTU has continued to be weak in relation to both the Government and the employers.

In 1985, the Labour Relations Act was gazetted. The Act consolidated labour legislation on wages, employment conditions, bargaining arrangements, etc. Although an improvement from the point of view of workers as far as minimum wages, maximum hours, and health and safety were concerned, cumbersome industrial conciliation procedures originally introduced by white settler governments remain in place, and the right to strike is virtually abolished. The Labour Relations Act conferred upon the Minister of Labour broad powers to interfere in the internal management of trade unions as well as the right to register and deregister unions [Sachikonye, 1986].

In the first few years of independence, the Government seemed prepared to grant workers some concessions, notably in the case of minimum wages, but it is perhaps instructive that these gains came through legislation and unilateral executive action rather than by allowing trade unions an independent role in negotiating for improvements with employers. Real wage gains in 1980-82 have been undermined by later developments; especially since 1986, and in any case long before ESAP, wages have fallen behind inflation [Herbst, 1990: 203-205]. In 1986, a machinery for negotiating wages was set up for the first time, on the basis of "tripartism" between the employers, employees and Government. The Cabinet reserved for itself the right to have the final word. The tripartite machinery served to weaken the labour unions by exposing it to a formidable coalition of Government and employers [Ibid.: 209].

Somewhat paradoxically in view of the strong opposition of the ZCTU towards ESAP, structural adjustment promises to increase the autonomy and freedom of manoeuvre for unions. Collective bargaining between workers and employers has now replaced Government-imposed wage settlements. Employers are as willing as the unions to work within the new framework. The result of the 1991 collective wage negotiations was wage increases generally around 20 per cent, within the context of an inflation rate which at the time was officially below 20 per cent, but rising rapidly, probably to above 30 per cent as of now. For workers, this might be considered an

and the ZCTU is hardly consulted on the great issues of economic policy in Zimbabwe.

Conclusion

What this analysis has attempted to show, is the considerable influence exercised in Zimbabwe by certain societal groups upon governmental economic policy. Structural adjustment and trade liberalisation began to be implemented in a context not of overriding external dependency nor of state autonomy vis-à-vis significant interest groups. The manufacturing sector has been key to the design of the new policies, and commercial agriculture, mining and commerce have played supporting roles. The manufacturing sector has backed reform as a whole, and support is not limited to those who are already competitive on the external markets. Interest groups in Zimbabwe seem generally to be able to formulate coherent but flexible overall policy positions despite internal differences. The case of Zimbabwe illustrates that broad-based, centralised interest groups sometimes favour policies which may increase their members' productivity and efficiency as opposed to policies that mainly achieve some redistribution of already created wealth.

Commercial farmers have as yet been ineffective in broadening the thrust of liberalisation to include sectoral policies in agriculture, due in part to the opposition of small farmers. The case of Zimbabwe therefore illustrates not only that state autonomy is not always a necessary condition for liberalisation, but also that key urban interests might under certain circumstances favour such policies, and that key rural interests might oppose it.

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This does not imply that it will be impossible to do anything about corruption in countries where there are reasons to suspect that the top leadership is corrupt. Klitgaard (1988) reports from a fairly successful anti-corruption campaign in the tax bureaucracy in the Philippines during the reign of Marcos.

It is possible to establish situations where corruption may have beneficial effects — a few examples are indicated in the analytical part of this paper — and describe regimes which are completely corrupt; the basic policy assumption in this paper is, nevertheless that corruption is normally harmful, and that it is possible to influence and change it.

It is sometimes claimed that corruption does not make much sense in an African sense — what is designated corruption is simply the fact that bureaucrats and politicians are adhering to traditional gift-giving norms when they conflict with modern bureaucratic rules. While this may well happen for certain kinds of fairly harmless corrupt acts, I will not accept this as a starting point but assume that there are many acts that will be considered corrupt in most cultures and countries, including the African ones.¹

On average, African countries appear to have fairly high levels of corruption. Nevertheless, the levels seem to vary as much here as what is the case in the other continents, so many of the mechanisms that I outline in order to explain the variation of the corruption levels should also be relevant within an African cultural context. Moreover, it is my impression that corruption may not be more common in African countries than certain other areas. What may be exceptional, is rather that corruption in Africa may have more harmful consequences than elsewhere, perhaps due to lack of competence in many parts of the bureaucracies. For example, when a sector is governed by bureaucracy that is bordering on not being technically competent for a certain set of tasks, it may be exceptionally harmful if people are not promoted on the basis of merit but on the basis of bribes or political pushing.

In the following I will mainly discuss economic forms of corruption that may take place in any parts of the world, including Africa. There are, of course, many peculiarities with African corruption which could be highlighted, but of which I am hardly an expert. Most experts mention, however, the fact that most African bureaucrats and politicians are tied to larger and tighter *personal networks* either of horizontal or patron-client types that cut across their formal hierarchic relationships, than public servants elsewhere. The existence of such strong ties may modify some of

¹ This paper was first presented at a conference in Arusha Tanzania.

bureaucratic structure would simply execute the implied orders without any will of their own.

Second, these apparatuses were sometimes considered exogenous for the simple, intellectually honest reason that the behaviour of public officials (and politicians) was not amenable to economic analysis. At the time economists had not much systematic to say about any kind of economic behaviour which was taking place inside organisations.

Third, while Myrdal (1968) and others had pointed to the importance of corruption in the context of developing countries, in general, development research was heavily influenced by diplomatic considerations which tended to make researchers avoid subjects that could appear embarrassing for newly established states, a discussion of which might also hurt the recently established economic aid programs that most development researchers supported. It is a sign of intellectual progress that we are able to set the phenomena of corruption on the agenda today and discuss it in a fairly cool and detached way.

Corruption is one of the more important and clear forms of norm breaking behaviour observed among politicians and public officials. Explaining it may shed light on other, less obvious ways to break the codes for appropriate behaviour within the public sector which is so important for making the decisions of politicians and public officials at least roughly predictable and efficient, limiting arbitrary applications of power.

Some starting questions

Corruption has been a persistent problem of hierarchic organisations throughout history with manysided and sometimes important economic consequences. It has been discussed and remedies have been tried in all the ancient civilisations such as Egypt and Mesopotamia, India and China. Many of the public institutions in Greece were deliberately constructed in order to lessen the extent and impact of corruption.² What is a more striking fact about the situation today, however, is not that corruption takes place in practically every country in the world, and should be considered as a potential problem everywhere, but the wide variation in the degree to which corruption is observed. So the starting questions are:

How to explain the fact that levels of corruption seem to vary strongly across societies? Why may similar situations almost always give rise to a

² A recent historical discussion of the problem may be found in John T. Noonan (1984).

If the engagement of Another is not essential, we may talk about economic disloyalty, which is a wider category. Money is, of course, the most marketable good. Let us briefly note what is *not* included in our definition:

Illegal markets as such are not included, since at least one of the participants of corrupt schemes owe their participation to their position in hierarchies, which is not generally the case in illegal markets. Prostitution, drugdealing, etc. may generally take place without breaking any hierarchic rule, indeed no hierarchy may be involved at all. So such markets are generally outside our domain of discourse, but may sometimes be involved as forms of payment for corrupt services, for example in order to seal the secrecy of a transaction. The main reason for this exclusion is our focus on hierarchy. If we had only been interested in the breaking of rules within hierarchies, however, we had to deal with phenomenon like embezzlement, pilfering, position-related stealing etc. Because of our interest in the transactional structure of corruption, which I believe gives much of the clue to any economic explanation of the variation in corruption frequencies, such phenomena are excluded. More importantly, purely political forms of corruption are also defined away. For example, when a politician uses his office against the rules in order to gain some political asset, it is not corruption as defined here, neither is nepotism as such. One may disagree with our way to restrict the scope of the analysis, but it is certainly legitimate in a formal way. It will prove to be less fruitful, however, if in fact political and economic forms of corruption are too closely intertwined in the empirical world. Hence, I will claim that rather pure forms of economic corruption exist and may exist without being mixed into all kinds of complicated political games.

Some existing ways to explain variation in corruption rates

One way to set out for an explanation of this variation is to point to the fact that countries do have different *economic systems*. Under one set of institutions, economic rules may yield higher incidence of corruption than others. For example, some experts of the Soviet Union claim that much of the corruption in the traditional system there could be explained as a consequence of the economic and political system. An extreme expression of this point of view may be found in Konstantin Simis (1982).

Some claims of plausibility can be made for that point of view. Since a larger fraction of the whole set of economic decisions in a socialist economy is centrally directed, it is also almost only a matter of definition that a larger fraction of the transactions taken place are conceivably corrupt.

way to try to explain variation in the incidence of corruption in different African countries. It will not be pursued in the following, however, since it will lead into various purely political mechanisms and variables which are outside the focus of the paper.

Level of economic development. The first systematic attempt to explain variation in corruption levels, and then by introducing the level of economic development, was made in political science by Huntington (1968). The explanation was almost embarrassingly old-fashioned, a nineteenth-century type of stage theory, also called the "modernisation" hypothesis. It is based upon the stylised "fact" that in the "traditional" stage corruption is rare or meaningless, while it increases during the modernisation process and culminates when that process is at its fastest pace. Corruption then subsides and reaches a low and stable size at the modern stage.

The major mechanism that makes this work is that somehow during modernisation the level of political participation increases faster than political institutionalisation. It is not clear, at least not for an economist, what this means, but the explanation was a kind of quasi-functionalistic one; corruption was explained through the political function it has in containing the antagonistic forces released through modernisation, although he accepted that corruption as such would have a large number of negative direct effects. Huntington also suggested many minor, but less vague mechanisms: new norms and new values held by new elites that defined old practices as corrupt, new regulations and larger states that created new opportunities, etc. The policy implication of this view is repugnant since it tells us to wait and do nothing significant about corruption until the country in question has become sufficiently developed.

Since many less developed countries apparently have more extensive corruption than most industrialised countries, it may be tempting to look in the same direction as Huntington. Few convincing explanations of why the level of economic development may be so important have so far been supplied, however. And an eventual relationship cannot be a one-to-one relationship. For example, many Italian observers tend to conclude that a developed region like Piedmonte has more corruption, while some less developed areas, like Sardinia and Basilicata, have less corruption than the national average. As pointed out by Ben-Dor (1974), corruption is not a phenomenon that automatically disappears when political organisations become more complex and institutionalised.

Culture. Social anthropologists have, of course, frequently come across corruption during field work and have also tried to explain it. To be very brief, their major way of dealing with corruption is to regard it as mainly

may give rise to inconsistent norm systems in many contexts, not only in rapidly changing societies.

Around most activities, job tasks, institutions, etc. in any given society, the public holds expectations about how office holders should perform their roles, how the institutions should work. *Myth systems* are created, but they are too vague and idealistic to be practical as a guide for behaviour. Operators have to do something else, and *operational codes* are developed among them, which then guide their behaviour. Certain forms of deviance between prescribed and actual behaviour may be condemned as corruption according to the myth system. There is no obvious reason why the deviance between the myth systems and operational codes has to be less in industrialised countries than in transitions from “traditional” to “modern” economies.

Economic explanations of corruption

When economists started to explore questions related to corruption, they naturally started from a different angle since they have no traditions for considering any piece of behaviour as “explained” when relating it to some kind of rules or norms or supernorms. Instead, the standard micro-economic way to explain behaviour, was applied also in this case.

Situational analyses

Most of the analytical work on corruption has described particular situations — the constraints that agents had to take into account — with relatively great care. Noting that politicians, higher-level and lower-level bureaucrats operate under systematically different sets of constraints, Rose-Ackerman (1978) started to develop different types of models for these groups. The advantage of the situational approach is that it is relatively easy to construct realistic and detailed models. The disadvantage is that there are so many conceivable situations where corrupt transactions may take place, that detailed situational analyses are difficult to generalise. It has proved impossible to construct such typical situations for members of an hierarchy as the ones of the representative consumer and profit maximising firm. That research strategy copied standard micro-economics perhaps too directly. Moreover, the models set up a too easy task for themselves in the sense that they often make it trivial that a corrupt transaction would be the dominant strategy for the given situation.

Most economic models of this kind study situations where lower-level bureaucrats administer a supply of a public good or penalty or a purchase

of cases has to be dealt with separately, while the others have to wait. Although the cases waiting may not be formally organised as a queue, in many cases they are. Of course, there may exist parts of the administration which have practically nothing to do, hence no cases waiting, no queue. Pure hold-ups may then be necessary in order to elicit a bribe.

Status of agents. The status of the agents may be of importance both by influencing their motivational structures and situational constraints. So far, we have only considered the behaviour of lower-ranking bureaucrats that only need to consider the impact of actions on their own situation. A *higher-ranking* bureaucrat, on the other hand, is likely to consider the effects of bribes not only on his own position, but that on his office as well. Will, for example, the acceptance of corruption in his office increase or decrease its level of activity? Other characteristics that normally are strongly correlated to the rank of the officials and which would systematically influence their eventual corrupt behaviour, are job security, the possibility of manipulating the control apparatus, and the exposure to eventual media attention and peer pressure. They are mainly working through the constraints of the situation.

Politicians' preferences, on the other hand, will be influenced by their job insecurity. They are likely to watch closely the effects of engaging in corrupt activities on the probability of their political survival. As indicated above, trade-offs between their survival probability and the level of corruptly generated income would normally exist.

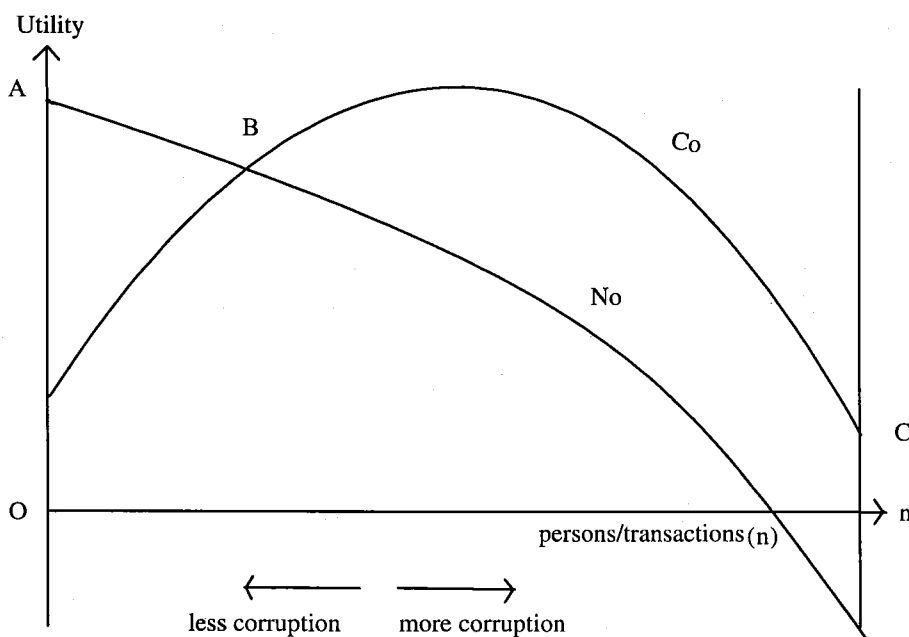
Economic explanations of the variation in corruption frequency

When seeking to explain variation in frequency, economists have kept the assumptions about rationality of the situational analyses of corruption. Everybody are opportunistic in the sense that they can imagine themselves performing corrupt acts and calculate whether these acts will increase their utility or not. To assume that they may imagine that, is already a strong statement about behaviour. As indicated by Jon Elster (1989) it may be inappropriate in this context to assume that norms have already lost so much of their emotional grip when trying to explain the degree to which they are observed. Nevertheless, we will stick to this assumption in the following.

The general idea. The basic new idea which has been brought into play when variation in corruption frequencies has been explained by economists is simple and straightforward: The expected profitability of engaging in a corrupt transaction compared to not engaging in it hinges upon the number of other people who do it. In some way or other all the analytical models

due to the fact that the capacity of public investigations and prosecution may be strained.

Figure 1
The utility of corrup and non-corrupt transactions



Another set of factors is dealing with transaction costs. Since corrupt deals are illegal, they have somehow to be hidden. If few people are corrupt, they are difficult to find. A person who has discovered an opportunity for a corrupt deal must then try to establish contact with several people on the other side of the “market” before succeeding. Each unsuccessful contact is risky and non-profitable. This “thin” market is likely to remain unorganised when corruption is rare. No middleman activity and no standardised contracts are likely to arise at these frequencies, which implies that the search costs associated with the matching of two corrupt individuals are likely to decrease rapidly as the fraction of the population which is corrupt increases.

Why will the Co curve eventually turn? Let us first note that as the number of corrupt officials increases, and after the negative shifts in search costs associated with organisational changes (middlemen, standard

towards the stable high equilibrium level, the "dirty" point C; if it starts off with a lower level than B it will end up at the clean point, A. What does this conception imply for the observable phenomena of corruption?

First of all, it is quite conceivable that one may observe widely different levels of corruption with the same set of preferences, the same economic system, etc. Secondly, small changes may have a large impact if the economy starts out at points close to B. For example, the departure of a colonial administration may make it slightly more profitable to engage in corrupt acts than before, and this may be sufficient to move the economy towards very high corruption levels. Or more optimistically, a slightly better control system may be sufficient to move the economy towards a clean point.

Another optimistic implication is that if one by a short-lived, but strong anti-corruption campaign is able to move the economy from C and beyond B the economy will drive through on its own momentum to A. The campaign may then be lifted without any serious consequences. Another, more worrisome, implication is that although the economy may be close to a clean point, one should still take corruption seriously; if B is in fact close to A, small shocks may then be sufficient to make the economy slide down into a high corruption level trap.

Note that in the way the figure is drawn, I assume that corruption has negative welfare consequences in the sense that everybody is better off in A than in C although corruption may increase welfare in a restricted area of corruption frequencies.

Although suggestive, a Schelling diagram is hardly precise. It does not specify actual mechanisms through which its conclusions may be reached. The theory suggested above is compatible with several different economic mechanisms. In addition, it is also evident that the diagram drawn may be compatible with more purely sociological mechanisms. For example, Schlicht (1981) explores the idea that reference groups may be important in economic behaviour. In our case one may simply assume that the probability of one official making the corrupt choice be dependent on what he considers the average behaviour of his reference group to be, in order to generate the behaviour pattern visualised above. Inter alia, Schlicht's idea implies that small changes in the economic profitability of single acts of corruption may cause large changes in observed behaviour through the sociological reference group mechanism. The sociological mechanism may multiply the economic effects of changes in economic variables.

Feedback mechanisms between observed behaviour, reputation and intrinsic moral values will also lead to similar kind of behaviour in our context of corruption.

not pocketed by the government, but by one of its officials. In his 1990 article Lien modifies that conclusion somewhat by pointing out that more personalised, more "traditional" forms of corruption may lead to inefficient buying decisions.

Queuing models represent a more direct attack on the problems discussed by Leff and Myrdal. Although the queuing models, like the multiple equilibria models do not bring in the third-party effects either, they nevertheless open up for the possibility that corruption may be inefficient even for the agents directly involved.

An important focus of interest is the question whether the usual bribing procedures would speed up or slow down queues. As indicated above, while open queues are relatively rare in most countries, occurring at airports, harbours, admission to hospitals etc., almost any administrative process have some queue-like features. We will in fact discover that some of the models suggested, which appear utterly implausible as a description of open, public queues make sense in such closed administrative contexts.

On a common sense basis, it is not difficult to imagine situations where one should expect bribery to increase the speed of a queue and other situations where the opposite should apply. If a fixed price for each finished case has been established as custom, for example for a driver's licence, the bribes are likely to increase the speed, if the supply of new applicants is large. On the other hand, if the queue is thin, and there are possibilities for discriminating among the queue standers, the organiser would need time to test each individual's willingness to pay. He will thereby increase the average waiting time and thereby also the value of gaining priority in the queue. In many cases a queue may only form if application time is increased.

As one might suspect at the beginning, analytical specification of models as such, is not sufficient to settle this matter, although the analytically best specified models tend to favour the conclusion that an increase in speed is more likely.

Public commission reports tend to draw the opposite conclusions. They may even regard a slowing down of the speed of administrative processes as an independent cause of corruption, since any slowing down implies that the bribers and bribees get better time to bargain the corrupt deals and to hide them, reducing the probability of detection (Malaysia, 1955 pp.13-14). Their overall conclusion with respect to the efficiency is clearly stated in the Indian committee (Santhanam, 1964, p.10) which concluded that "this custom of speed money has become one of the most serious causes of delay and inefficiency".

Empirical investigations of corruption

While there exist, scattered all over the world, interesting journalistic investigations of particular cases of corruption, studies that are thorough and really able to address the theoretical questions raised in the academic literature, are almost non-existing. There are exceptions, however.

I have already mentioned one such study by Oldenburg (1987) which illustrates how important beliefs about the incidence of corruption may be for the actual occurrence of the phenomenon. Discrepancy between beliefs and observed rates is important for the dynamics of almost all the multiple equilibria models.

Wade (1982, 1985, 1989) gives a lot of detail about a specific irrigation administration which shows how the efficiency of that specific institution is linked to the specific forms of corruption which permeate it. He also shows how the behaviour of politicians, lower- and higher-level officials may be interlinked, payment systems centralised, and transaction costs reduced as corruption becomes institutionalised.

The *Knapp Commission Report* (1973) about police corruption in New York also contains systematic observations about the size and regularity of bribes in various sectors of the New York police, which can shed light on the role of moral restraints and the risk of detection for the bribe sizes claimed. For example, earnings and extent of corruption in the gambling sector used to be much larger than in the narcotics division mainly because policemen themselves considered narcotics to be a more harmful trade to protect. Here it may be of interest to note that the Hong Kong police did not feel that way about narcotics, and the narcotics protection used to be the largest and most lucrative business of the Hong Kong police before the crackdown on police corruption in that city (Klitgaard, 1988). Restaurants in New York were fairly lucrative, while control of prostitutes yielded almost nothing due to the complete lack of mutual trust between the prostitutes and the policemen, and was a much smaller trade than one should expect.

Graham and McKean (*Economist*, Nov. 19 1988) have made a study of US import shares in corrupt countries before and after the passing of the Foreign Corrupt Practices Act in 1977, which forbid most corrupt payments by U.S. citizens to foreign officials and politicians. That study has two interesting aspects. Based upon information from U.S. embassies they could make an assessment of corruption levels in different countries. Secondly, their study has some impact on the question whether corruption may be efficient or not since they showed that the U.S. did not lose its import shares in the high-corrupt areas, and they had reason to believe that the law at least to some extent had been implemented.

Second, it may in certain situations become an alternative to economically motivated corruption: I may either hand out a scholarship to a student of my tribe or get a 100 dollar bribe.

In general, one should expect "positive" spillover effects, however. If more engage in corruption for friendship, the transaction costs for economic corruption will also decline, the respect for the rules will also be reduced, etc. In addition, the more extensive networks may themselves be used in order to facilitate economically motivated corruption. More decisions have to be made on the basis of political games and it becomes difficult to distinguish between corrupt acts made on the basis of political necessity or economic opportunism. But, again, these personal networks do not have to work that way. They could be used as mechanisms for destroying the public servants' reputation when they engaged in corrupt acts. Alas, so far this has not been the dominant tendency in an African context, but that may change?

Policy implications: How to fight corruption?

It may be difficult to read strong policy implications from the preceding rather abstract analysis. Nevertheless, there is at least one clear implication: the shock approach of anti-corruption campaigns may be successful. If the government by any means is able to force down the frequency of corrupt acts, corruption also becomes less profitable, and may stay at the low level equilibrium. Is this a relevant implication in an African context? It may not, for if the personal networks are strong enough and the governmental apparatus is mainly regarded as an arena for gaining personal advantages, the purely economic and individualistic mechanisms are not likely to be strong enough to tie the situation at the low level.

There have also been many anti-corruption campaigns in countries like Ghana, Nigeria and Kenya to make one sceptical. Nevertheless, there have been campaigns that show the relevance of the mechanisms outlined. For example, the strong anti-corruption campaign which was undertaken in the Zaria province of Nigeria in 1958-59, and referred to above, the fact that the public's manifest attitude changed in the expected direction, and that their hostility to corrupt officials became open, may be a supporting case. Williams (1987, p. 124) mentions Murtala Muhammed's campaign in 1976 in Nigeria as successful in many ways, but he had insufficient political support to turn the situation. Rawlings' campaigns in Ghana have also been reported as partly successful by some observers.

However, the analysis is obviously too abstract to give many clues to be used in practical anti-corruption policies. Nevertheless, our basic starting

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decade later USAID/Senegal employed Nihan's framework as the basis for a similar study in Dakar, Senegal (Zarour, 1989; Lubell and Zarour, 1990).

The ILO's Jobs and Skills Program for Africa carried out several informal sector studies in the late 1970's and the early 1980's in the urban areas of both anglophone and francophone countries like Burkina Faso, the Gambia, Tanzania, Congo, Djibouti, Niger and Zambia. The results from the studies are summarised in an ILO publication on the Informal Sector in Africa (ILO, 1985).

Various studies have focused on the informal sector in Latin America and the Caribbean. The ILO Urbanization and Employment Research Project commissioned studies of the urban informal sector in three cities of Latin America in the mid-1970's: Bogota (Columbia), Campinas (Brazil) and Cordoba (Argentina). ILO's Program on Employment in Latin America and the Caribbean (PREALC) has initiated extensive studies in this region of the world. According to Lubell (1991) these studies were characterised by a labour market approach, i.e., that PREALC viewed informality primarily as a result of an excess availability of labour for employment in the formal sector and that informal sector activity is entered only as an alternative to open unemployment. The PREALC series of surveys was conducted in the 1970's and included three major cities of Mexico (Mexico City, Guadalajara and Monterrey), Asuncion (Paraguay), San Salvador (El Salvador), Quito and Guayaquil (Ecuador), Kingston (Jamaica) and Santiago (Chile). The results are summarised in PREALC (1978). Other institutions and individuals have also conducted studies of the informal sector in Latin America. Of particular importance is Hernando de Soto's (1989) well-known book "The Other Path" (El Otro Sendero) that describes the informal sector in Lima (Peru) in the 1980's.

Lubell (1991) states that the informal sector in Asia has received less attention than is the case for the other two continents of the developing world. Still, ILO has directed two research programs toward the informal sector in Asian countries. Its Urbanization and Employment Research Project Studies (Sethuraman, 1981a) included surveys in Jakarta (Indonesia), Manila (Philippines) and Colombo (Sri Lanka) in the mid-1970's. Under the Asian Regional Training and Employment Programme, ILO organised a two-stage survey in Dhaka (Bangladesh) in 1979 (see Amin, 1987) as well as a sample survey of self-employed and small proprietors in Bangkok (Thailand) in 1986 (see ILO/ARTEP, 1988). Other Asian informal sector surveys include the 1986 study of four Indian provincial cities conducted by the National Institute of Urban Affairs, New Delhi and a 1987 survey of the informal sector in Delhi and five other

However, the ILO Kenya Mission (ILO, 1972) defined informal sector by certain characteristics: a) Ease of entry; b) Reliance on indigenous resources; c) Family ownership of resources; d) Small scale of operation; e) Labour-intensive and adapted technology; f) Skills acquired outside the formal school system; and g) Unregulated and competitive markets. According to Lubell (1991) subsequent research definitions have only been variants of the Kenya report's list. In particular later studies have suggested that listed characteristics should be qualified with the adverb "relatively". It may for instance turn out that often entry is not particularly easy, or that resource inputs may be of foreign origin etc.

Sethuraman (1981b) has stated that the multiplicity of criteria in the ILO Kenya report causes ambiguity because each criterion can be used to create a universe of its own. He therefore proposed a general definition of informal sector as small-scale units engaged in the production and distribution of goods and services whose primary objective is to generate employment for the participants rather than to maximize profits. The ILO studies on the informal sector in Latin America and the Caribbean used two alternative definitions of informal sector activity; the first was based on labour force status while the other used an income criterion. Mazumdar (1976) viewed informality as a labour market phenomenon that could explain differences in incomes at the lower end of the income distribution, while several recent studies (see Lubell, 1991) have identified informality with illegality. Studies especially from Latin America define informal sector as illegal in the sense that informal activities do not comply with regulations pertaining to fiscal, employment, health and other matters.

All scholars do not seem to accept the informal/formal dichotomy. Mingione (1985) has for instance replaced the dichotomy with a "spectrum of human activities contributing to reproduction". He distinguished seven types of human (re)productive activities: formal, mixed formal/informal, pure informal, illegal activities, work not exchanged for income, extraordinary work for self-consumption and "normal" domestic work. Mingione's (1985) approach is interesting because it breaks away from the informal/formal dichotomy, and according to Boer (1990) it could be a useful guide to theory formation and empirical research into the dynamics of (in)formalisation processes.

Informal sector: Different viewpoints

The informal sector is controversial because there are many different viewpoints from which one can observe this sector (ILO, 1991). The *negative* view of the informal sector is perhaps the most traditional way of

The other claims that economic growth is a precondition for solving environmental problems.

Since one of the most visible external consequences of the present western economic systems is environmental problems, it has been easy and rational to blame the production systems for the observed difficulties. The argument is that economic growth induces environmental destruction because the main goal of production is profit and not the needs of people or the tolerance of nature. The circulation of money in the system does not correspond to the circulation of energy and natural resources, which creates an exhausting consumption of energy and natural resources. Resource utilisation is determined by profit potential, and because the main driving force in the production system is profit and not needs or nature, environmental concerns are bound to lose when they have to compete with economic considerations. This is strengthened by the fact that environmental consequences of production are regarded as external factors for the production unit. The costs of pollution or resource exhaustion are not included in the firm's accounts, and environmental considerations are thus considered as extra costs, which the firms do not want to cover (until they are forced to do so). The logical conclusion is that the economic system does not have the potential to incorporate environmental considerations.

The quite opposite view arises from the same techno-economic philosophical heritage. The argument is that economic profit and growth provide the society with technologies and resources so that it is possible to solve the environmental problems. The radical position here is that it is necessary to incorporate environmental considerations in the production and resource decision and utilisation process, rather than concentrating on cleaning up the mess created during the production process. Perhaps some of the explanation for the popularity of the Brundtland report is that it has shown a way where the politicians do not need to choose between economic growth or environment. They can have both.

In assessing the history of industrialisation in the third world, it appears that one of the main failures (or explanations for failures), is that the industrial units have been producing without a sufficient profit margin to allow reinvestment or improved performance. This is typically a problem for aid supported industries, which often lean on subsidies instead of their own performance. The absence of profitability as an indicator of success, has led to misdirected use of scarce resources which has gradually drained the industrial sector for its own potential. At the same time, the availability of resources for improving and upgrading already existing industries to be environmentally sound, are scarce in most third world countries.

the threat to the environment. The third criterion for sustainable industrial development should therefore be:

3. Social Sustainability:

An industrial activity which generates income possibilities and distribution of resources to a large number of people in the local society.

Accepting this argument, there is still a problem of implementing this criterion because of the owner-structure, control and knowledge of production methods, organisation and finance necessary to produce. One of the main constraints for developing an industrial base which distributes resources to the local population and takes environmental considerations into account, is the distribution of knowledge. Without the basic knowledge to run and maintain an industry, there will be a constant need for infusion of foreign knowledge and capital which in turn leaves the control of the production to people and bodies with their own interests in short term profitability. And at the same time, using expatriates to compensate for the lack of local knowledge, also means that a great deal of the resources available, will be spent on satisfying the needs and demands of the expatriates and the local elite. The distribution process will thus not take place.

Therefore, our final statement is that in order to have sustainable industrial development, the production technologies and also the potentials for production improvements, should be controlled locally. One of the core factors to achieve this, implies that the knowledge of the technologies and the capabilities to improve the processes and the products, are locally available and controlled. Therefore the fourth criterion for sustainable industrial development should be:

4. Technological Sustainability:

An industrial development appropriate to the local level and availability of knowledge and technologies.

Together the four criteria form a concept for sustainable industrial development. We will now make an attempt to evaluate the informal sector's role for sustainable industrial development in third world countries with regard to these four criteria.

sector products comes from within the informal sector itself. However, although the informal sector plays an important role in satisfying the needs of the urban poor, the extremely low purchasing power of these people is an inadequate base for growth. A large proportion of informal sector output is consumed by people who derive their income from the formal sector of the economy, but according to ILO (1991) this is not enough. If the demand for informal sector output is to grow significantly, it is necessary to strengthen market linkages with the rest of the economy. Subcontracting by formal sector enterprises to informal enterprises may be one solution. In fact, this type of subcontracting is already a major source of demand for informal sector products in some Latin America and Asian developing countries. In other countries, particularly in Africa, this kind of subcontracting is much less prevalent (Lubell, 1991).

Informal sector enterprises often compete against each other on the local market, resulting in tough price competition and declining profitability. In some countries, like, e.g., the Philippines informal sector businesses are able to produce for export (Heide, 1991). However, most of these sales are handled by monopsonistic intermediaries who to a great extent determine the prices. Teszler (1990) argues that assistance in quality improvement and cooperative marketing as well as improved market information are key elements in improving the market situation for informal sector enterprises.

Other key elements of economic sustainability are *finance and credit*. There seems to be consensus in that the difficulties informal sector producers face in obtaining credit constitute one of the main barriers to their growth. Most informal sector businesses have little or no collateral to offer and as a result they are forced to borrowing from money-lenders on highly unfavourable terms. Since many informal enterprises run on a near to subsistence level, the equity base is rather slim as is the potential for capital accumulation through savings.

There are numerous examples of credit systems for informal sector entities, created by NGOs, governments or donor organisations. However, ILO (1991) argues that while such schemes have proved to be useful in tapping and channelling resources from outside to the informal sector, they also run the risk of becoming too dependent on external financing and assistance. According to ILO (1991) the problem of inadequate credit will not be solved unless the informal enterprises have access to modern financial institutions. Cooperative-types banks and savings schemes or similar arrangements should have an important role in this respect, since they can act as intermediaries between the informal sector entities and the formal banking system. However, while such schemes usually require assistance from the government or a donor organisation, it is important that

with which exhaustible resources are utilised should be optimised, subject to substitutability among resources and technological progress. (2) The renewable resources should be utilised at rates less than or equal to the natural or managed rate at which they can be continuously regenerated. (3) Wastes should be emitted at rates less than or equal to the natural or managed rates at which they can be continuously generated.

It can be argued that the informal sector is an appropriate mechanism for sustainable *extraction* of resources. The extraction rate of non-renewable resources such as oil, gas and coal in the informal sector is certainly less than is the case for formal sector companies. In fact, the scale advantages found in the exploration and exploitation of these resources usually exclude any informal sector participation. When it comes to extraction of renewables, the situation is more complex. Most researchers agree that informal sector entrepreneurs generally are masters in "making much out of little". The budget restriction that most of these entrepreneurs face, ensures an efficient allocation of input resources.

However, there are at least two exceptions to this rule. The first is related to the fact that most informal sector entrepreneurs rely on a local market for their inputs. If the inputs are extracted in the local region and few alternative sources exist, overexploitation of the local resource base may occur, as a result of, e.g., a sudden increase in demand for finished products. The other exception is related to external costs. If inputs are free, the entrepreneurs will face no cost in overexploiting the resource base. In the Philippines for examples, informal sector brick producers tend to cut down and burn the local trees at a much higher rate than the forests can regenerate (Heide, 1991). The informal sector is almost by definition non-controllable. If few economic motives exist for sustainable resource extraction, it is difficult for the authorities to prevent the informal sector entrepreneurs from overexploiting the resource base.

In the *refinement* phase, there are at least two aspects that can threaten the environmental sustainability of the informal sector; non-controllability and limited resources. The problem of non-controllability stems both from the large number of entrepreneurs and the informality of the sector itself. It seems evident that at least in principle it is easier for an environmental control agency to monitor a small number of large scale production plants than is the case with numerous informal sector enterprises. The fact that the informal enterprises rarely are registered makes monitoring as well sanctioning more of a problem compared to dealing with the formal sector.

However, there are some advantages as well. It is likely that the *small scale* of the production and the *simple technologies* employed in the informal sector, can be characterised as being less environmentally harmful

sector should contribute in reducing the differences between rich and poor in these countries.

It has been argued that the informal sector is socially unsustainable in the *absolute* sense. Biggs (1991) argues that historical evidence from most developed and developing countries indicates that the very small enterprises are largely displaced by small and medium factories as industrialisation proceeds. Over time the developing society will experience what Biggs (1991) calls the efficient structural transformation process. In other words the formalisation process seems to be closely interlinked with industrial development. Indeed significant characteristics of the developed welfare state with almost full employment, are a high degree of formalisation of activities and regulations that discriminate against the informal sector (Boer, 1990).

The social sustainability of the informal sector can also be questioned in the *relative* sense. In a long term perspective informal sector activities may in fact increase rather than diminish inequalities in living conditions. Informal sector employment may offer temporary gains for those who work there, but as we have discussed earlier, much of the profit potential is often extracted by middle-men. Similarly, in cases where informal sector enterprises act as subcontractors for formal sector corporations, chances are that the larger firm draws off the profit. The fact that the majority of informal sector enterprises operate beyond the law, implies that the workers receive little or no legal protection. Poor working conditions and abusive forms of exploitation are not uncommon in the informal sector. Within this sector, two groups stand out as being particularly vulnerable: women and children (ILO, 1991). Data from a number of countries show that half or more of total women's employment is in the informal sector. Moreover, within the informal sector, they tend to be concentrated in the most insecure and lowest paid forms of employment. The plight of children in the informal sector is perhaps the most tragic aspect of the problem. Although child labour is prohibited in most countries, millions of them are working, often in the most deplorable and hazardous conditions in the informal sector. ILO (1991) states:

Whatever form it takes, child labour is an extreme manifestation of poverty, since the poorest families have to rely on their children's labour in order to survive; but it also results in a perpetuation of poverty, since it prevents children from acquiring the education and skills that would equip them for better employment and better paid jobs, in their adult life (p. 8).

learning process they acquire skills in “modern” technologies and organisations. However, from the mid 1970’s, which is the long lasting stagnation period of the formal industrial sector in Africa, a growing part of the industrial training and skills-acquisition takes place in the informal sector. The indigenous apprenticeship-systems in Africa now provide a majority of the urban workforce with vocational training (Lubell, 1991). This training is based on traditional systems, where new workers are trained by their masters. The informal sector thereby contributes in a significant way to the local learning process and provides new workers with some basic skills. These skills are to a large extent based on traditional technologies and knowledge. We would argue that informal sector today is one of the most important arenas for maintaining traditional skills and technological knowledge.

At the same time, there are also some elements of “modern” technologies in the sector as such, which justify that the informal sector to some extent provides a necessary linkage between traditional technologies and modern improvements. At the same time, the informal sector suffers from poor performance because of inadequate equipment and insufficient levels of technological and managerial skills. One of the characteristics the informal sector is the low capital per worker ratio, and a correlating low quality on products and productivity. The informal sector remains on a fairly unproductive level where people can survive, but hardly develop. And the development of knowledge and skills beyond the elementary level is marginal. Lubell (1991) states that there is some evidence which indicates that the rates of innovations and development are positively correlated with the level of education among the artisans. The low level of education may thus partly explain, as we have discussed earlier, why entrepreneurs in the informal sector tend to copy and reproduce imported products, rather than improving them.

Several types of technological and managerial skills are needed in the informal sector. Most of all, there is a need for training in bookkeeping, marketing and organisational development among the informal sector entrepreneurs. There is also a need for adaptation of non-traditional technologies and innovations to improve the level of performance. Schumacher (1973) launched his famous term “intermediate technology” as a strategy for upgrading the traditional technologies and know-how in the informal sector for filling the observed gap between traditional and “modern” technologies. The strategy of the “appropriate technology” movement is to build on the local level of know-how and technologies, and thereby integrate more productive technologies into the traditional knowledge base. The main problem encountered in this strategy, is how to

there. *Technological sustainability* in the informal sector is to a large extent restricted to maintenance of existing knowledge and traditional technology, rather than a dynamic basis for technological development. The role of the informal sector as the carrier of traditional knowledge, could represent an important starting point for acquiring industrial skills. However, the main challenge in this respect, will be to create systems where it is possible to combine the traditional knowledge base with modern industrial know-how.

From our arguments it should be clear that we do not consider the informal sector to be sustainable in a long term view. We will thus argue that maintaining a large informal sector should be no goal for any country. The long term aim should be to convert informal sector activities to formal sector enterprises. How then can this transformation be accomplished, without creating disastrous side-effects?

In our opinion, there are three necessary conditions that need to be fulfilled:

1. Strengthening of formal sector
2. Elimination of entry barriers in formal sector.
3. Support for informal sector entrepreneurs

There are clear indications that the *formal sector* needs to be *strengthened* in many developing countries. In several African countries, for instance, salaries in the formal sector are too low to maintain a decent living standard for its employees. This implies that formal sector employees have to engage in informal sector activities for earning extra income. Corruption, extra jobs and outside income are known practices among e.g. civil servants in a number of African countries. A formal sector which is unable to sustain its own employees can hardly be expected to attract entrepreneurs and workers from the informal sector.

Secondly, emphasis should be put on establishing *predictable* patterns of enterprise development. The aim should be to create equal rights for all to establish, develop and expand their businesses, in full confidence that the state bureaucracy will support their activities as long as they act in accordance with official laws and regulations.

The *elimination of entry barriers* in the formal sector is another important task. Perhaps the most important determinant for successful growth of micro-enterprises is the general business environment. The regulatory framework and administrative practices in a great number of developing countries seriously hamper the transition of enterprises from informal to formal sector.

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economics in an Islamic state. The minister of finance should play much the same role as the traditional *muhtasib* in matters of economic policy, his main objective being to secure the general adherence to religious rules and norms in the economy.

Islamic economists themselves claim to represent something new in the field of economic thinking — an alternative to existing ideologies. Their papers typically open with a declaration that Islam is neither capitalism nor communism. Not communism because Islam stresses the right to private ownership and the spiritual dimension. And not capitalism because this system is associated with a *laissez-faire* where solidarity and ethical values are ousted in the competition.

I shall in this paper present the role of the state according to Islamic economics. A neoclassical analysis of the role of the state would typically take market failure as point of departure. In Islamic economics it is more natural to focus on ethics. I shall therefore introduce the concept of *norm failure* as central to our understanding of the Islamic state. It will be a presentation of principle rather than practice. But before I go on with the Islamic ideas, let me say some words on ethics in the western economic tradition.

Ethics in the western economic tradition

Economics in the western tradition is not foreign to moral issues. Indeed, at the universities economics used to be a branch of ethics. And although most of us probably associate Adam Smith with the “invisible hand”, the Professor of Moral Philosophy and the founder of modern economics was himself no believer in pure self-interest. He stressed the virtue of sympathy and a set of generally accepted norms for the efficiency of the market: The hand works better in a market of self-interested but honest people.

In developing the science of economics towards technical perfection, its ethical dimension came more and more in the background. Neoclassical economics largely ignores other sentiments than self-interest, focusing on prices as the only guide to human behaviour. It is up to the Walrasian auctioneer rather than an Islamic *muhtasib* to clear the markets! Amartya Sen in his “On Ethics and Economics” argues that “the nature of modern economics has been substantially impoverished by the distance that has grown between economics and ethics”.

Of course, the neoclassical school recognizes that prices can be wrong. Since Adam Smith, economists have spent a lot of time investigating into when the invisible hand is unable to guide the economy towards an efficient outcome. The result of this research is the theory of market failure.

but rather that of a mediator and a moral guide. According to Islamic economics of today, this should be the approach for dealing with norm failure in modern economies too:

For establishing economic justice, Islam does not rely on law alone. Great importance is attached for this purpose to reforming the inner man through faith, prayers, education and moral training, to changing his preferences and ways of thinking and inculcating in him a strong moral sense that keeps him just.³

Religious education is seen as the most important economic policy of an Islamic state. Extensive use of force will not be necessary, it is argued, because through education economic man will be converted into Islamic man.

Islamic man

Islamic man is altruistic and honest, has a modest lifestyle, charges a reasonable price in trade, does not involve himself in gambling and speculation and avoids alcohol and pork. These attitudes, it is stressed, lead to both spiritual and material progress for all. Monopolists will understand that charging a high price is unjust and refrain from taking advantage of market power, polluting firms will take into account the well-being of society and reduce emissions of toxic waste, the rich will adhere to the injunctions concerning a modest lifestyle and sympathy for the deprived and share of their wealth. Conflicts will be solved in "the spirit of cooperation and collaboration, the eagerness to avoid all injurious effects, ...the common interest of furthering the general good, ...and the altruistic tendency to help and sacrifice one's own interest".⁴ In short, adherence to the Islamic principles would achieve rapid economic growth and a fair distribution of income at the same time.

The role of the state

In such an Islamic equilibrium, there is not much room for government intervention. The equilibrium is upheld by norms, enforced by the individual conscience. This is not to say that Islamic scholars have an

³ Sayyid Abul A'la Mawdudi in Muhammad Nejatullah Siddiqi (1981).

⁴ Siddiqi in Timur Kuran (1983).

The majority of Islamic scholars, however, argue that Islamic institutions such as interest free banking and religious taxation should be introduced, and that people's attitudes will change together with the institutions.

Concluding remarks

The main contribution of the Islamic literature to our understanding of economic development is its emphasis on the role played by norms in ensuring social cooperation. Religion can no doubt reduce transaction costs and contribute to overcome free rider problems by inducing a sense of solidarity and encouraging honesty and cooperation in economic matters. But religious institutions are conservative bodies not prone to change. Since institutional change is an important determinant of economic development, there is a risk that religious institutions, by upholding *status quo*, will become a bottleneck to economic growth and prosperity.

Omar Asghar Khan, commenting on the Islamisation policies of the former Pakistani military regime, claims that Islam in his country was being used by a government devoid of popular mandate, as a means of preserving *status quo*. "Aware of the attachment of the masses to Islam, the ruling classes hope to secure a future for themselves by establishing an authoritarian and exploitative system, which they can claim to be Islamic." In this presentation I have focused on the theoretical aspects of the Islamic state. As for the Islamic state in practice, well, that's a completely different story.

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Annex

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