

# DIGITALES ARCHIV

ZBW – Leibniz-Informationszentrum Wirtschaft  
ZBW – Leibniz Information Centre for Economics

Other Persons: Hujo, Katja; I, Il cheong

## Book

# Social policy and inclusive development

*Reference:* (2015). Social policy and inclusive development. Geneva, Switzerland : UNRISD.

This Version is available at:

<http://hdl.handle.net/11159/2277>

### Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics  
Düsternbrooker Weg 120  
24105 Kiel (Germany)  
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)  
<https://www.zbw.eu/econis-archiv/>

### Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte.

<https://zbw.eu/econis-archiv/termsfuse>

### Terms of use:

*This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence.*



UNRISD CLASSICS  
V O L . I



# Social Policy and Inclusive Development

Compiled and introduced by **Katja Hujo** and **Ilcheong Yi**



# UNRISD

United Nations Research Institute for Social Development



# **Social Policy and Inclusive Development**

*Compiled and introduced by Katja Hujo  
and Ilcheong Yi*

---

## About the Cover Art

*De paso* ("Passing") by Ima Montoya (Spain, 1963) is a painting representing migratory movements, capturing the similarities and differences of individuals within society. "This work has a positive message. It fearlessly emphasizes change, the driver that, for generations, has moved us across oceans, to advance in adverse circumstances in search of a future; the force that moves us to a more dignified and better life."

The UNRISD *Visions of Change* call encouraged creative thinkers from all over the world to submit artwork illustrating key social development values and themes of equity, sustainability, inclusion, and progressive social change.

## About UNRISD

The United Nations Research Institute for Social Development (UNRISD) is an autonomous research institute within the United Nations system that undertakes multidisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

UNRISD depends entirely on voluntary contributions from national governments, multilateral donors, foundations and other sources. The Institute receives no financial support from the regular budget of the United Nations. In supporting UNRISD, our donors contribute to the crucial but often neglected goal of assuring a diversity of views and voices on development issues at the highest level in the global system.

UNRISD gratefully acknowledges support from its institutional and project donors. For details, see [www.unrisd.org/funders](http://www.unrisd.org/funders).

UNRISD, Palais des Nations  
1211 Geneva 10, Switzerland

T: (41 22) 9173020  
[info@unrisd.org](mailto:info@unrisd.org)  
[www.unrisd.org](http://www.unrisd.org)

Book compilation © United Research Institute for Social Development (UNRISD). Published April 2015.

Permission to reuse previously published work is gratefully acknowledged as follows: chapter 1—Taylor and Francis; chapter 3, 4, 11 and 13—Palgrave Macmillan; chapters 9 and 13—Zed Books.

For rights of to print, reproduce or translate, apply to UNRISD, Palais des Nations, 1211 Geneva 10, Switzerland.

The designations employed do not imply the expression of any opinion whatsoever on the part of UNRISD concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

## Contents

<i>Acronyms/Abbreviations</i>	v
<i>Foreword</i>	vii
<i>Preface: UNRISD Classics: Celebrating 50 Years of UNRISD Research for Social Change</i> Sarah Cook	viii
<i>Introduction: Social Policy and Inclusive Development</i> Katja Hujo and Ilcheong Yi	1
<b>PART I: A SOCIAL POLICY APPROACH TO DEVELOPMENT</b>	<b>17</b>
<i>Chapter 1: Development Indicators and Development Models</i> Donald McGranahan	19
<i>Chapter 2: Economic Restructuring, Coping Strategies and Social Change: Implications for Institutional Development in Africa</i> Yusuf Bangura	31
<i>Chapter 3: Elusive Public Sector Reforms in East and Southern Africa</i> Ole Therkildsen	65
<i>Chapter 4: Health Systems and Commercialization: In Search of Good Sense</i> Maureen Mackintosh and Meri Koivusalo	87
<i>Chapter 5: Who Pays? Financing Social Development</i> UNRISD	107
<i>Chapter 6: Social Policy in a Development Context: Introduction</i> Thandika Mkandawire	131
<i>Chapter 7: Targeting and Universalism in Poverty Reduction</i> Thandika Mkandawire	159
<b>PART II: SOCIAL INTEGRATION</b>	<b>181</b>
<i>Chapter 8: Social Integration: Approaches and Issues</i> Cynthia Hewitt de Alcántara	183
<i>Chapter 9: An End to Hunger?: The Social Origins of Food Strategies</i> Solon L. Barraclough	195
<i>Chapter 10: Migration, Displacement and Social Integration</i> Nicholas Van Hear	251
<i>Chapter 11: Ethnic Inequalities and Public Sector Governance: Introduction</i> Yusuf Bangura	271
<i>Chapter 12: Illicit Drugs: Social Impacts and Policy Responses</i> LaMond Tullis and James Painter	295
<i>Chapter 13: Ageing, Development and Social Protection: Generalizations, Myths and Stereotypes</i> Peter Lloyd-Sherlock	309
<b>PART III: SOCIAL POLICY IN THE 21ST CENTURY</b>	<b>323</b>
<i>Chapter 14: Democratization and Social Policy</i> Laurence Whitehead	325
<i>Chapter 15: Social Development and Public Policy: Some Lessons from Successful Experiences</i> Dharam Ghai	340
<i>Chapter 16: After the Golden Age: The Future of the Welfare State in the New Global Order</i> Gøsta Esping-Andersen	381
<i>Chapter 17: Affluence, Poverty and the Idea of a Post-Scarcity Society</i> Anthony Giddens	407

## Tables

Table 1.1	22
Table 3.1: Changes in the size of the state from the mid-1980s to around 2000	70
Table 3.2: Changes in budget allocations	71
Table 5.1 OECD aid compared with military spending	115
Table 7.1: The redistributive effects of a universal welfare state	166

Table 7.2: Targeting in the Americas: The “success stories”	170
Table 7.3: Leakage and undercoverage for state-level targeting in three countries	170
Table 11.1 Ethnic structures and the fractionalization index	273
Table 11.2 A typology of ethnic structures	275
Table 11.3 Ethnic proportionality in public sector institutions	285
Table 13.1 Population ageing and per capita wealth for selected countries	311
Table 13.2 Population ageing in more and less developed regions	311
Table 13.3 Subnational variations of population ageing (population aged 65 or over), circa 1991	312
Table 15.3: Public expenditure on health and education	356
Table 16.1: Social security and health expenditures as a percentage of gross domestic product	389
Table 16.2: Population share of the elderly (aged 60-plus) in 1990	401

## Figures

Figure 2.1	55
Figure 4.1 Out-of-pocket as percentage of total health expenditure and log GNI per head (PPP) 2000	92
Figure 4.2 Government expenditure on health as percentage of total health expenditure and log GNI per head (PPP basis) 2000	93
Figure 4.3 Private expenditure on health as percentage of total health expenditure and log GNI per head (PPP basis) 2000	94
Figure 4.4 Healthy life expectancy (HALE) and private as percentage of total health spending, 2000	97
Figure 4.5 Log of probability of dying before five years and private expenditure on health as a percentage of GDP, 2000	98
Figure 4.6 Healthy life expectancy (HALE) and government expenditure on health as a percentage of GDP, 2000	99
Figure 4.7 Percentage of children with ARI taken for treatment, and percentage of those taken for treatment seen privately, various years 1990–2002	100
Figure 4.8 Ratio of percentage of children with ARI from the bottom quintile taken for treatment to percentage from the top quintile, and percentage of all those taken for treatment seen privately, various years 1990–2002	100
Figure 5.1 Evolution of debt, 1985–1997	108
Figure 5.2 Providing basic social services for all: Bilateral donors’ fair share, 1995	119
Figure 5.3 Tax revenue and GDP	120
Figure 5.4 Sources of tax revenue, 1991–1996	122
Figure 5.5 Population over 60, 1990–2050	124

## Boxes

Box 5.1: Uganda’s debt	109
Box 5.2: Missing targets: The price of debt	110
Box 5.3: Protests over social sector priorities	115
Box 5.4: Salutory pension lessons from Chile	126
Box 10.1: Remittances, development and integration	262

## Acknowledgements

The production of these three volumes has been a monumental task to which many people have contributed. We are very grateful for their input and would like to recognize them here.

The idea of re-issuing “classic” UNRISD texts—some of the Institute’s most influential and ground-breaking research that remains highly relevant to today’s development debates—came from Rheem Al-Adhami; the thematic three-volume approach came from Peter Utting, who also made the initial selection.

Overall coordination of UNRISD Classics was ensured by the UNRISD Communications and Outreach Unit, led by Jenifer Freedman.

Adrienne Smith, Sylvie Brenninkmeijer-Liu and Inês Schølberg Marques helped get the production process off the ground, scanning pre-digital-age printed publications, converting them using optical character recognition software and reviewing the results.

Rhonda Gibbes did several rounds of copyediting and compared electronic versions with the original printed products, ensuring we stayed as close as possible to the original published texts.

Suroor Alikhan took charge of the final copyediting and page layout, and proofread, with Jenifer Freedman, the online versions.

When they first see UNRISD Classics, many readers will be taken by the striking cover art. The covers are the winning entries from UNRISD’s 2013 *Visions of Change* competition, coordinated by Jordi Vaqué. We thank everyone who submitted their work, and especially the artists whose work was selected: Ima Montoya (Spain), *De paso* (“Passing”) for Volume I; Sana Jamlaney (India), *The Silent One* for Volume II; and Kuros Zahedi (Iran), *Human Nature* for Volume III. Sergio Sandoval Fonseca produced the covers for the online versions based on an original concept by Jordi Vaqué.

UNRISD is indebted to all its collaborating researchers—not only those whose work is reproduced here but all those who have contributed to the Institute’s work over five decades, helping to create the rich legacy represented in UNRISD Classics.

We are also grateful to the United Nations: UNRISD is able to achieve what it does because of its unique institutional location and the opportunities provided by close engagement with others in the UN family.

UNRISD thanks the publishing partners who enthusiastically supported this initiative and gave us permission to reuse work: Oxford University Press, Palgrave Macmillan, Practical Action Publishing, Taylor&Francis, Wiley-Blackwell and Zed Books.

We also acknowledge our supporters worldwide who regularly tell us that UNRISD has such a wealth of relevant work, and people need to be reminded of it.

Last, but by no means least, UNRISD is grateful for support from the following governments over the last five decades, without whose contributions our work would not have been possible: Australia, Austria, Canada, Cuba, Cyprus, Denmark, Finland, France, Germany, Hungary, Iran, Iraq, Italy, Jamaica, Mexico, the Netherlands, Nicaragua, Norway, South Africa, Sweden, Switzerland, the United Kingdom, the United States of America and Yugoslavia. It was thanks to a special grant of \$1 million from the government of the Netherlands that UNRISD was established in 1963.



## **Editors' Note**

Some changes have been made to standardize the presentation of chapters in this volume. The original texts have been reset to fit the present format. Boxes, figures and tables have been renumbered. There has been some light copyediting, mainly to standardize usage throughout the volumes and in some cases, for clarity.

# Acronyms/Abbreviations

<b>AFDC</b>	Aid for to Families with Dependent Children
<b>AIDS</b>	Acquired immunodeficiency syndrome
<b>ANC</b>	African National Congress
<b>ARI</b>	Acute respiratory infection
<b>ATP</b>	Allmän tilläggspension ( <i>General supplementary pension</i> )
<b>BTI</b>	Peasants Front of Indonesia
<b>BWIs</b>	Bretton Woods institutions
<b>CFA</b>	Communaute Financiere Africaine ( <i>African Financial Community</i> )
<b>DAC</b>	Development Assistance Committee of the OECD
<b>DHS</b>	Demographic and Health Surveys
<b>ECLAC</b>	United Nations Economic Commission for Latin America and the Caribbean
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>G-7</b>	Group of Seven
<b>GATS</b>	General Agreement on Trade in Services
<b>GDP</b>	Gross domestic product
<b>GEAR</b>	Growth, employment and redistribution
<b>GNI</b>	Gross national income
<b>GNP</b>	Gross national product
<b>HALE</b>	Healthy life expectancy
<b>HDI</b>	Human Development Index
<b>HIPC</b>	Heavily Indebted Poor Country
<b>HIV</b>	Human immunodeficiency virus
<b>HPI</b>	Human poverty index
<b>IDA</b>	International Development Association
<b>IFI</b>	International financial institution
<b>IMF</b>	International Monetary Fund
<b>IMR</b>	Infant mortality rate
<b>LDC</b>	Least developed country
<b>MDG</b>	Millennium Development Goal
<b>MNC</b>	Multinational corporation
<b>MOF</b>	Ministry of Finance
<b>MP</b>	Member of Parliament
<b>NDC</b>	National Democratic Congress
<b>NGO</b>	Non-governmental organization
<b>NIC</b>	Newly industrialized country
<b>NPM</b>	New public management
<b>NREGA</b>	National Rural Employment Guarantee Act
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PEM</b>	Minimum Employment Programme
<b>PKI</b>	Communist Party of Indonesia
<b>PNDC</b>	Provisional National Defence Council
<b>PNG</b>	Papua New Guinea
<b>POJH</b>	Occupational programme for the head of the household
<b>PPP</b>	Purchasing Power Parity
<b>PRC</b>	Presidential Review Commission
<b>PRSP</b>	Poverty Reduction Strategy Papers

<b>ROM</b>	Results-oriented management
<b>SAP</b>	Structural adjustment programme
<b>TRIPS</b>	Trade-Related Aspects of Intellectual Property Rights
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNFPA</b>	United Nations Population Fund
<b>UNICEF</b>	United Nations Children's Fund
<b>UNRISD</b>	United Nations Research Institute for Social Development
<b>US</b>	United States
<b>USSR</b>	Union of Soviet Socialist Republics
<b>WHO</b>	World Health Organization

# *Foreword*

---

To come

## **UNRISD Classics: Celebrating 50 Years of UNRISD Research for Social Change**

---

UNRISD Classics, three volumes of selected UNRISD publications prepared to celebrate 50 years of research on social development, prompts reflection on the role research plays in processes of social change and, more specifically, within the United Nations system.

Established in 1963, UNRISD was the inspiration of two intellectual giants of the United Nations: Nobel Laureates Jan Tinbergen and Gunnar Myrdal. These leading thinkers understood that neglect of social questions in development thinking and practice would compromise the “development project” itself. They also recognized the importance of an independent research function at the heart of the UN, separate from advisory and operational work, but able to feed directly into “action programmes of the United Nations system”. In its founding Bulletin, UNRISD was granted autonomous status within the United Nations system by the then Secretary-General, U Thant, to ensure that it could freely conduct critical research, even on politically sensitive issues.

Today’s realities demonstrate the continued importance of this founding vision—the need for research on social issues that is independent, directed to policy making, and responsive to changes in the global context. Equity, rights and social justice—issues that put people at the heart of the development process—have returned as the foundational principles of a new global “sustainable development” framework. But today’s realities also remind us that such an agenda must be continually revisited and renegotiated, priorities redefined and supported with new evidence. For example, in the early years, “dethroning GDP” through developing and incorporating social indicators into measures of “development” seemed a possibility; the political and ideological struggles at the heart of such an agenda appear more formidable today. Likewise, progress made in areas such as sexual and reproductive rights encounters resistance and needs to be continually defended. Autonomous spaces, such as that represented by UNRISD, for revisiting and renegotiating priorities, fostering debate and presenting alternatives are thus worth protecting.

Over five decades, UNRISD has worked—indeed, at times struggled—to keep alive the vision that drove its founders. It has expanded the ideas of “social development”, taking on more radical issues, often challenging the discourse of powerful actors, playing “David with the Goliaths of international development”. Along the way it has posed questions to the work of the United Nations itself—UNRISD work on a unified approach to development during the 1960s and 1970s “was a reaction to the way policy makers dealt with social issues as an add-on to economic policy rather than an integral part of a development strategy”, foreshadowing current discussions about “coherence”. The Institute has also shown the value of an independent space for raising critical questions and generating the evidence to challenge dominant policies and practices when they have

adverse social effects—as in its work on the Green Revolution, structural adjustment and globalization.

The three volumes of UNRISD Classics bring together a selection of critical writing, produced since the 1960s, illustrating some of the enduring themes and issues that have been central to UNRISD’s work and have shaped the UN’s social development agenda. Grouped around the contemporary themes of social policy, gender, and sustainable development, the essays present work evolving from the Institute’s early focus on social indicators and measurement issues which fed into economic planning processes, through rural and community development, environmental issues, participation and empowerment, to pioneering work on women and gender in development; studies that brought new—and at the time controversial—perspectives to formidable challenges such as illicit drugs, ethnic conflict and political violence; influential research that brought social policy back onto the development agenda; examination of the distributional impacts of macroeconomic and trade policies, and—more recently, in advance of the global community—highlighting inequality as a development problem and obstacle to poverty reduction.

These landmark publications by researchers associated with UNRISD—staff, participants in research projects, commissioned authors—illustrate the breadth, significance and relevance of the Institute’s research over 50 years. In making this selection, a vast body of UNRISD research was reviewed: the choice reflects works that have an enduring value and message, where we see the reflection in contemporary concerns, where past research and evidence have significantly shaped new ideas or policy debates that are widely accepted today, or have contributed to the generation and diffusion of alternative development thinking around the globe. The selection also illustrates key features of how the Institute works: from the early days, UNRISD developed a strong emphasis on empirical research conducted, where possible, by researchers based in developing countries, providing opportunities for them to work with researchers from other countries concerned with similar issues and to channel their findings to an international audience.

UNRISD Classics are being launched in 2015, a pivotal moment for the international community as it works towards a new global consensus on a universal sustainable development agenda. Reflections on these “50 years of research for social change” raise fundamental questions—about the social costs and consequences of economic development paths that cannot be sustained ecologically, economically or socially. The volumes remind us that today’s questions and concerns are not new, though they may now be more urgent. There is greater technical and technological know-how, and possibly more political will, to address them: but there is also awareness of the limitations of technological or “quick fix” solutions in the light of greater complexity. The essays remind us above all that development requires social progress, but that such progress is reversible; that change in other domains (economic growth, demographic transition, environmental degradation) has consequences—often unforeseen or unintended; that such change is rarely if ever neutral with regard to different social groups (by gender, ethnicity or age for example); and that processes of social change are fundamentally entangled with power relations and with politics. Continued progress requires eternal vigilance: a modest price to pay is the support of institutional spaces—often small, often fragile—with the mandate and autonomy to remain vigilant.

We hope these essays also remind readers of the legacy of United Nations ideas that have shaped and changed the world, and the role of UNRISD within this. Assessing the

impact of the intellectual endeavor represented by any body of research is not easy. Research outputs and ideas rarely translate in any immediate or easily measurable way into changes in policies, attitudes or practices. The historical record provided here shines a light on the enduring relevance and impact of such research over the long term. It provides insights for those who believe that we must continue to push the boundaries of political discourse beyond a focus on economic growth and poverty reduction towards a broader understanding of development that includes human well-being, equity, sustainability, democratic governance and social justice. It also demonstrates the continued necessity of preserving the spaces—such as UNRISD—where difficult questions can be raised and debated, bringing into the conversation diverse voices, marginalized viewpoints and different forms of knowledge in our shared efforts to make the world a more just place.

*Sarah Cook*  
*Director , UNRISD*

Geneva, April 2015

## *Introduction*

# **Social Policy and Inclusive Development<sup>1</sup>**

*Katja Hujo and Ilcheong Yi*

---

For more than five decades, UNRISD has been at the forefront of international development thinking that has reasserted the centrality of social policy in development strategies, defining social policy as a key instrument for inclusive development. Founded in 1963 to rebalance development thinking and practice which, at the time, did not pay sufficient attention to social issues and was based on the erroneous assumption that social development would “trickle down” automatically from economic growth, UNRISD has since examined the causes of and solutions to pressing social problems, explored the relationship between economic and social development, and used its independent status in the United Nations system to both undertake and foster the uptake of critical research not only on policies, but also on the “politics” of social development and processes of social change, at the highest levels of the international system.

The work of UNRISD and its collaborating researchers has shaped and shifted the international policy discourse over time and has helped to bring social issues back onto agendas, in particular after a challenging period of debt crises, structural adjustment policies and globalization pressures during which poverty and inequalities were exacerbated while economic development stagnated. Calls for “adjustment with a human face” and a stronger integration of economic and social policies culminated in the Copenhagen Declaration and Plan of Action (1995) and the Millennium Development Declaration (2000), two international agreements that reflected greater recognition of the importance of social policy in promoting inclusive patterns of development. While much has been achieved since, some of the social development concerns that UNRISD has raised over five decades remain stubbornly valid—in particular, a narrow interpretation of social policy that reduces it to the provision of a “safety net”, and the continued dichotomy between economic and social policies. It is therefore pertinent to examine the potential and limitations of the recent “social turn”, to scrutinize its macroeconomic and political underpinnings, and to assess its potential contribution to sustainable social transformations.

The present compilation of UNRISD work on social policy, selected from 50 years of critical research conducted under the auspices of the Institute by renowned scholars in the North and South, highlights key features of the UNRISD approach to social policy

---

<sup>1</sup> The introduction was revised in December 2015.



and development. In so doing it also provides conceptual and theoretical bases for analysing the contemporary social turn. The approach is characterized by its normative foundation in values associated with social justice, human rights and democracy; its interdisciplinary perspective linking political, economic and social analysis; its analytical concerns about root causes, historical processes and changing social relations and institutions; its focus on politics and power relations; and its critical stance vis-à-vis one-size-fits-all policy prescriptions and practices.

Reviewing the vast UNRISD literature provides a door through which to take stock of lessons learned during several decades of research and policy debates in the United Nations and beyond. This is especially timely in the current context, which sees the international community embarking on new global development commitments for the post-2015 period. Social goals feature prominently in the 2030 Agenda for Sustainable Development, building on the progress achieved by the MDGs and existing commitments, such as those to promote National Social Protection Floors (ILO 2012) and universal education and health. Social policy must therefore be a central element in any future development strategy, whether at local, national, regional or global levels.

But which types of social policies are most appropriate and effective? What role will social policy play in making development processes transformative and sustainable over the next 15 years? And can social policies provide solutions to the new risks and challenges of the twenty-first century, including those related to inequalities, violent conflicts and unsustainable practices?

The following chapters contribute to this debate. They put issues such as rights and empowerment, the values of the UN Charter, the functions of social policy in development and catching-up processes, the challenges of inclusive and sustainable growth, and the politics of social policy making at the centre of attention, and provide the kinds of evidence and analysis that are urgently needed to inform the implementation of the Sustainable Development Goals. They also remind us of prominent failures and unintended side-effects of development policies and interventions from the past, and draw lessons from these experiences.

The volume is divided into three parts. Part I, *Social Policy in a Development Context*, includes papers dealing with the social policy approach to development: (i) conceptualizing and measuring development and policy outcomes; (ii) the relationship between policies, social relations and institutions; (iii) financing social policy; and (iv) universalism versus targeting. The section brings together some of the early milestones of UNRISD research, including ground-breaking work on measurement and indicators that informed the Human Development Index, with more recent inquiry on the transformative role of social policy in a context of globalization and liberalization and an influential critique of targeted approaches to social protection. They demonstrate the limitations of an approach in silos—one that separates economic development from its social moorings—and the need to take into account the politics of social development. They also show that a specific type of social policy—one that relies heavily on market provisioning while targeting public support to the poor and vulnerable—has shown little effectiveness in overcoming poverty, inequality and social exclusion.

The chapters in Part II on *Social Inclusion* zoom in on the challenge of social exclusion and the drivers that prevent different social groups from participating on an equal footing in society. They show how policies affect people's livelihoods and the power relations between different social groups as well as their implications for social relations and institutions. The five chapters on (i) land reform, (ii) migration, (iii) ethnic

inequalities, (iv) illicit drugs trade, and (v) ageing analyse the challenges posed by horizontal or group inequalities for rural populations, migrants, minorities and the elderly. (UNRISD research on gender is presented in *Gendered Dimensions of Development*, Volume II of UNRISD Classics; see Staab and Razavi 2015). They illustrate the diverse patterns of integration of these groups, which are often deemed especially vulnerable, into national and global production networks, national and transnational societies, as well as local communities, illustrating how policies and institutions shape integration patterns in positive and negative ways. A common finding in these studies is that access to universal rights and entitlements in combination with specific support or “affirmative action” that helps to overcome barriers of discrimination and exclusion leads to more cohesive societies and to social integration “on better terms”.

Part III, *Social Policy in the Twenty-First Century*, brings the challenge of policy coherence to the fore. These chapters focus on the relationship between development and democracy, and on the complementary role of social policy with industrialization and growth strategies. The section includes chapters on (i) development pathways, catching up and leap-frogging; and (ii) new directions in social policy. There are a wealth of insights here to inform strategies for implementing the 2030 Agenda, both in terms of the new risks and challenges the international community is facing, and with regard to synergies and trade-offs between different development goals.

## **Part I: Social Policy in a Development Context**

In a 1965 article titled *Social Development: Key Growth Sector*, H.W. Singer, the first associate director of UNRISD, argued that “the problem of the underdeveloped countries is not just growth, but development. Development is growth plus change; change, in turn, is social and cultural as well as economic, and qualitative as well as quantitative. The key concept must be the improved quality of people’s life” (Singer 1965:5). Despite this plea, the growth-centred development paradigm continued to dominate development discourse and practice for most of the past five decades. Social aspects of development have remained secondary goals, and social policy as a tool to enhance social rights and empowerment, to protect citizens from social contingencies and poverty—and ultimately to enable them to strive for their own life goals—has often been sidelined.

UNRISD has consistently conceptualized and advocated a broader approach to development, as the papers presented in Part I of this volume illustrate. Broadening the scope of development to include social concerns has meant first and foremost developing new approaches and methodologies for measuring economic and social progress, and designing indicators to make the social visible; assessing the social consequences of economic reforms; and examining the inter-linkages between economic development and social policy.

### **Concepts and measurement of social policy in a development context**

The 2030 Agenda for Sustainable Development, a “plan of action for people, planet and prosperity” meant to “transform our world” (United Nations 2015), is highly ambitious in terms of the scope and quantity of goals, the complex understanding of sustainable development and the potential synergies and trade-offs between its three pillars (social, economic and environmental), as well as the monitoring of progress, in particular regarding those areas of social and environmental policy where success may not be easy to

measure with readily available indicators. Much thinking needs to go into how to translate this list of discrete goals into coherent strategies at the national level and to develop indicators and evaluation systems which avoid strengthening the already existing bias towards easily quantifiable targets to the detriment of longer term and more-difficult-to-quantify (but ultimately more important) achievements in social inclusion and social welfare.

Such timely concerns resonate in chapter 1 by *Donald McGranahan* and in *Thandika Mkandawire's* chapter 6 in this volume. *McGranahan* was concerned that the dominant role of economics in development studies often resulted in an analytical framework where social factors—and their interrelations with economic factors—were ignored. His reflections on human and social indicators for development in the 1960s and 1970s, and his critique of the emerging demand for quantification of social problems as evidence of their severity, underline the continuous need for a balanced approach that mixes quantitative and qualitative methods.

In a similar vein, focusing on the role and functions of social policy in a development context, chapter 6 by *Mkandawire* interrogates the theoretical and conceptual underpinnings of the dominant view of social policy as a residual policy area. *Mkandawire* is critical of equating social policy with “safety nets”—instead, he argues, it involves overall and prior concerns with social development and is a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development. Writing in the early 2000s as the role of social policy in development was gaining increasing recognition, *Mkandawire* warned against ad hoc policy solutions to the social consequences of economic crises and misconceived development strategies.

The view that social policy serves only to remedy certain social casualties has prevented researchers from undertaking a necessary fundamental interrogation of the macroeconomic models that may be partly responsible for social crisis. The concept of *transformative social policy* developed by *Mkandawire* in this research (see also UNRISD 2006) provides an analytical framework that draws attention to the multiple roles of social policy for production, reproduction, protection and redistribution, and continues to guide UNRISD social policy research. At a time when social and environmental policies are breaking out of their policy silos and merging in ways that bode well for better policy coherence and integration, this analytical framework can support policy makers in their effort to design strategies that are coherent and synergistic.

### ***The impacts of reforms on social relations and institutions***

Weak institutional capacity and “bad governance” are recurrent themes in the diagnosis of contemporary development problems. However, what the good governance agenda is largely silent about is the fact that the donor-driven policies implemented in the 1980s and 1990s to support countries to overcome economic crises—the so-called stabilization and structural adjustment programmes (SAP)—were actually undermining state capacity, exacerbating social problems and challenging further democratization in many countries of the global South. In these contexts of weakened state capacity, reforms aiming at more effective regulations, predictable transactions, rational incentives, lower costs and higher accountability were likely to fail given the absence of an enabling environment. With SDG 16 aiming to “build effective, accountable and inclusive institutions at all levels” (United Nations 2015), it is high time to consider once more the broader socioeconomic conditions that determine the success of institutional reforms, an exercise that UNRISD

has undertaken since the mid-1980s, beginning with research on the social effects of structural adjustment policies.

In chapter 2, *Yusuf Bangura* shows how the objectives of institutional reforms in the 1990s were undermined by changes in social relations which resulted from the effects of SAPs, such as increased economic polarization, fragmented social identities, a backlash against the post-independence modernization project and stalemate in the configuration of political power balances. These changes in social relations translated into a crisis of institutions, which the good governance agenda could not overcome by focusing solely on institutional reform. What he identified as an enabling environment for institutional reform—characterized by stable livelihoods, the integration of traditional mechanisms of accountability into public institutions and the rebuilding of political authority through inclusiveness and participation—is in fact the outcome of universal and rights-based social policies. These policies are therefore not only conducive to greater well-being, but are also a precondition for successful public sector reform based on strong state-citizen relations and effective institutions.

The issue of institutional reform and state capacity was again taken up more than a decade later in an UNRISD research project on public sector reform in developing countries (Bangura and Larbi 2006). Chapter 3 by *Ole Therkildsen* reflects insights from Bangura about the profound impact of neoliberal reforms on the public sector—this time through the adoption of new public management (NPM) approaches to institutional reform, which consisted mainly of fiscal stability targets (including value for money, effectiveness and efficiency) and transparency of institutions. He showed that the application of private sector management rules to public sector reforms in sub-Saharan Africa led to mixed outcomes regarding the size and accountability of the state, while reform measures were often undermined by political conflicts and poor implementation. Core functions of the state were too narrowly defined by external donors who focused on market solutions and efficiency goals, leading to weakened accountability mechanisms. Focusing on the important linkage between institutional reform and social relations that was at the heart of Bangura's chapter, Therkildsen argues that public sector reforms are “highly political and generate (often) legitimate conflicts among domestic interests (especially trade unions and state elites) and donors”.

A further demonstration of the scale and extent of public sector reform in the era of market fundamentalism comes in chapter 4 by *Maureen Mackintosh and Meri Koivusalo* on health sector reform. Under a process labelled commercialization, health systems lost their key characteristics as spheres of redistribution and solidarity in which the healthy and better-off support those in ill-health with fewer resources. Mackintosh and Koivusalo analyse the undesired outcomes of this neoliberal approach, which views health care as a private good purchased by those with the ability to pay, and leads to increased out-of-pocket payments for health care, fragmented health care systems, as well as adverse incentives and changes in the values and ethics of the public health sector. The research finding that both higher national income and lower shares of private health spending are associated with better health outcomes must be taken seriously in the pursuit of providing affordable quality health care for all in the coming sustainable development decades. Privatization and public-private-partnerships in the health sector, suggested as one potential route towards universal health coverage, need to be carefully assessed, in particular from the perspectives of equity, solidarity and accountability.

### **Financing social policy**

In recent decades, public sector reforms have largely been driven by fiscal imperatives and the need to reduce deficits and honour debt service payments that had accumulated during the “lost decade” of the 1980s, and as a consequence of liberalized capital and goods markets. This drained resources away from social expenditure and public sector employment, and increased the financial burden on families and households, leading to multiple survival and coping strategies, and adverse impacts on institutional development and public sector performance described by *Bangura* (chapter 2) and by *Therkildsen* (chapter 3). Two years before the Monterrey Consensus<sup>2</sup> was reached, UNRISD asked “who pays” for social development in its flagship report *Visible Hands*, which noted that: “Five years after Copenhagen, there is an even greater contrast between available resources and manifest need” (UNRISD 2000:20). The issues raised in the report, which go beyond discussions of different financing instruments, are still pertinent today, in particular the linkages between social policy financing and social policy design (for example, the implications of private pension schemes or user fees), international governance of financial flows (aid and taxation), and the prospects and limitations of mobilizing resources at the grassroots (microcredit and remittances).

Today, in a context of mounting uncertainty with regard to aid flows, the mobilization of *domestic* resources is increasingly important for achieving development goals and is highlighted in the Addis Ababa Action Agenda (the outcome document of the third Financing for Development Conference which took place in July 2015) as a key means for implementing the SDGs. While more attention to financing challenges is laudable, there are several biases (addressed in more recent UNRISD research on financing social policy [Hujo and McClanahan 2009; Hujo 2012] and on the politics of domestic resource mobilization [UNRISD 2012a]) including neglect of the distributional implications of different financing instruments, the consequences of power imbalances between actors engaged in fiscal bargains, and insufficient attention to political factors that impact on the potential to mobilize resources.

### **Universalism and targeting**

Inequalities and social polarization are two major problems that need to be tackled in the implementation of the 2030 Agenda for Sustainable Development. Upsurges in inequality have occurred with greater regularity since the 1980s as wages and labour markets were increasingly deregulated, progressive taxation reduced, means-tested benefits extended, social insurance weakened, and publicly owned industries and services privatized on a large scale. Important actors in this process, such as the IMF and the World Bank, tried to balance the unequal social consequences of liberalization and privatization policies as well as cuts in public expenditure with targeted assistance for the most affected groups in the population (Townsend 2004). Targeting based on means testing became the key principle guiding social policy reforms in developing countries, shifting social policy away from approaches that tended towards universalism. *Mkandawire*'s second chapter (chapter 7) in this volume discusses the forces behind the shift from universalism towards targeting in the context of poverty reduction strategies. Through a review of the lessons from such policies, he shows that targeting is much more

---

<sup>2</sup> The outcome of the 2002 Monterrey Conference—the United Nations International Conference on Financing for Development—which took place in Monterrey, Mexico, in March 2002.

costly, administratively difficult, ineffective in reducing poverty and politically undesirable compared to a universal approach.

While policy regimes are hardly ever purely universal or purely based on targeting, tending instead to lie somewhere in between, systems that tend towards the universal have better outcomes—as do targeted policies when they are used as exceptional measures within universal social policy systems. Understandings of what universalism means in practice remain varied and contested in an era where interest in such approaches is re-emerging. Two recent examples of this are the global initiative on National Social Protection Floors (ILO 2012) and the Universal Health Coverage campaign (United Nations 2012) both of which show a variety of understandings and interpretations of “being universal”. As Mkandawire pertinently observed: international development goals may be stated in universalist terms (such as education for all, health for all), but they are often implemented through selective or targeted programmes. This raises questions about the appropriate linkages between goals and means of implementation.

## Part II: Social Inclusion

Social inclusion or integration is widely accepted as a desirable development objective, in particular in contexts where inequalities, conflicts and polarization are on the rise. When social integration was identified during the World Summit for Social Development as a key objective alongside full employment and poverty reduction, UNRISD research explored different meanings of social integration, the enabling conditions for social integration or inclusion, and the types of policies most conducive to this end.

In a Briefing Paper prepared for the Social Summit in 1995, *Cynthia Hewitt de Alcántara* (chapter 8) warns against narrow and exclusively normative definitions of social integration and uncovers some assumptions that may hide unviable or unjust patterns of development. In an alternative way, she defines social integration as ways people are related to each other: as competitors for scarce resources and employment in an increasingly interdependent and integrated world economy; as migrants in search of better livelihoods in cities or abroad; as participants in illicit and illegal activities such as the global drugs trade; as members of ethnic or religious groups struggling for identity; and as citizens, elites and policy makers shaping democracy, institutions and international governance. Embedding a normative concept into real contexts shows the importance of questioning overly simple approaches to social integration as desirable in itself: “Inclusion on what terms?” is a central question to which research on social integration needs to respond, as the subsequent chapters in this section illustrate. UNRISD research on such varied topics as land reform and food security, migration, ethnic inequalities, illicit drugs trade and ageing has contributed to a more nuanced understanding of processes of social disintegration and integration. Economic, political, social and cultural factors shape the specific terms and patterns of integration and segregation that individuals and groups experience in different contexts.

UNRISD research demonstrates the important role of social policy for overcoming social exclusion, leading to more cohesive societies. For this to happen, a combination of universal social policies providing basic services and income guarantees for all, bringing together different income groups and different risk profiles into unified systems, has proved to create the type of societal ties that bind. This needs to go hand in hand with increasing economic opportunities as well as sufficient voice and genuine participation of

minority groups and identities in political decision-making and cultural life in order to overcome the economic and political drivers which perpetuate social exclusion. Social integration discussions would also miss out a crucial perspective by overlooking gender issues and the participation of women and girls in socioeconomic life. *Integration on what terms* continues to be a highly pertinent question for women entering labour markets, production systems, social security systems and political institutions in different contexts; such issues are tackled in more detail in *Gendered Dimensions of Development* (UNRISD Classics Vol. II, Staab and Razavi 2015).

### **Land reform and food security**

Poverty and hunger are consequences of socioeconomic and political structures and misconceived policies, which explains why the elimination of these ills requires profound economic and social transformation. From the perspective of transformative social policy, land reform is of interest because it distributes income and wealth and it redefines the role of rural populations in national development strategies.<sup>3</sup> In his chapter, *Solon Barraclough* takes the reader through a half-century of agrarian reform, from Latin America to Asia and sub-Saharan Africa. He assesses land reform as a strategy for improving access to food at a time when technological change and incorporation of land and labour into national and international markets led to a dissolution of self-provisioning and a severe crisis of rural livelihoods, a crisis that many countries are still struggling to tackle successfully today.

More recently, in a context of rising food prices, this ongoing crisis has prompted the introduction of social protection programmes such as employment guarantees and cash transfers targeted at the rural population (NREGA in India, for example, or the Ethiopian Productive Safety Net Programme). While Barraclough argues that social protection programmes might be more acceptable to national elites than land reform, which might partly explain the recent expansion of these programmes, certain conditions have to be in place for successful outcomes. For these strategies to achieve their objectives, a certain level of development, state capacity and state responsiveness to demands from popular classes, as well as commodification and formalization of rural livelihoods, are all necessary, because “opposition to higher taxes on the rich and income transfers to the poor is likely to be just as intractable as with land reform” (chapter 9), a hypothesis current UNRISD research is testing (UNRISD 2012a, 2013a).

### **Illicit drugs trade**

Disintegration of rural livelihoods and failures to create economic opportunities and avenues for social mobility have not only resulted in increased poverty, insecurity and exclusion, they have also provided incentives for illegal economic activities and crime to flourish, in particular where state capacity is weak. The origins and social implications of the illicit drugs trade are analysed in an UNRISD Briefing Paper prepared for the World Summit for Social Development by *LaMond Tullis and James Painter* (chapter 12), summarizing findings and lessons from a multi-country UNRISD research project (Tullis 1995; UNRISD 1995). In the words of Hewitt de Alcántara in chapter 8: “In a large number of countries, illicit and illegal activities constitute one of the very few avenues

---

<sup>3</sup> Redistributive policies such as taxation or the redistribution of assets and property rights, for example, through land reform, are part of a broad definition of social policy (UNRISD 2006).

currently open to many aspirants for inclusion in the global consumer culture”. In their chapter, Tullis and Painter follow the chain of illicit drugs production, trafficking and consumption—a multimillion-dollar global business facilitated by new communication technologies, financial globalization and porous borders. While the negative individual and societal consequences of the global drugs trade are immense, in particular for drug users and victims of drug-related violence and crime, the dominant approaches used to confront the problem—including efforts to reduce supply through crop eradication, policies targeted at demand such as legal sanctions against users, and military intervention—have not only been unsuccessful, but have compounded problems such as human rights violations, corruption and escalating violence. The authors were clearly ahead of the curve in 1994, emphasizing strategies that have only subsequently been promoted in different contexts, such as alternative development options for rural producers, demand or harm reduction policies and some liberalization measures.

The chapter concludes that, against the tendency to follow short-term solutions that are politically popular, “policy strategies need to take account of the forces contributing to the complexity of the situation and attack the problem from several angles”. This requires confronting root causes rather than symptoms—for example, unemployment and situations of deprivation in poor and marginalized communities in consumer countries, and unsustainable rural livelihoods and limited economic opportunities in producer countries. The new integrated development approach inherent in the SDGs might help to overcome previous “silo” approaches to tackling the illicit drugs trade. But in order to achieve peaceful and inclusive societies and healthy lifestyles it will also be necessary to learn from earlier unsuccessful attempts to disentangle this multifaceted problem, which remains as relevant today as it was two decades ago.

### **Migration**

Migration is certainly one of the policy areas most relevant to any discussion on social integration and social policy, as powerfully exemplified in the current refugee crisis in Europe. It prompts questions about conceptions of the nation state and national identity, models of inclusion and underlying values, and the nature and challenges of specific sets of relationships, those between migrants and host countries, between migrants and home communities and those in the transnational sphere. These linkages are studied in chapter 10 by *Nicholas van Hear*, in which migration is seen as both a driver and a consequence of processes of structural change and globalization. Just as it has led to growing disparities in actual and perceived life chances, migration also has an ambiguous impact on social integration: “the paradox of today’s migration is that it is—or may be—both disintegrative and integrative, both in migrants’ countries of origin and destination”. The research findings presented in van Hear’s chapter prompt reflection in the current context. He notes, for example, the limits of upward social mobility for most migrants in host countries or upon return, unless states take an active role in providing migrants’ access to basic services, language and vocational training, as well as legal rights and protection against discrimination, as well as the need to balance between the rights of newcomers and those of the host population.

More recently, the challenge of social integration of migrants received in developing countries (as compared to host countries in the global North) has been the subject of research at UNRISD, which explores social policy issues in relation with South-South migration flows (Hujo and Piper 2010) and internal migration in countries such as China (UNRISD 2011). Findings from this research confirm the complex drivers and social



consequences of migration, and the urgency to promote social and political rights of migrants as part of a social contract that stretches beyond national or sub-national borders and majority identities. Both drivers and consequences of migration are likely to become more relevant in the future, not least because of demographic and environmental changes, and people's legitimate motivation to improve their life chances. Better migration governance from global to regional to national levels is therefore paramount, and the required partnerships will be a test for the universality of the new global agenda.

### ***Ethnic inequalities and public sector governance***

Increased migration is often associated with ethnic diversity and so-called multicultural societies. Group difference and its implications for public policy is the subject of *Yusuf Bangura's* second contribution in this volume (chapter 11), which connects the concerns of social integration and social cohesion within societies with the quest for well-functioning and effective public institutions (as discussed in chapter 2 by *Bangura* and chapter 3 by *Therkildsen*). In chapter 11, *Bangura* contests some mainstream thinking about the adverse impacts of diversity and suggests the need to look at types of diversity and how they facilitate or constrain particular outcomes rather than evaluate diversity per se. The chapter highlights the importance of addressing issues of ethnicity proactively in public policies in order to avoid conflicts and mitigate inequalities. According to the research, accepting diversity while weakening and managing polarization seems to be the way to promote stability and intergroup cooperation. Allowing individuals to express different identities and supporting principles of universal citizenship as well as institutions that transcend narrow ethnic interests is crucial for multiethnic societies and those that receive important inflows of migrants. These are insights that continue to be of crucial importance in today's world, where increased opportunities, multiple crises and violent conflicts combine into powerful pull and push factors for migration.

### ***Social integration in ageing societies***

Social policy caters for the needs of people over the lifecycle, protecting and supporting children, youth, working-age populations and the elderly in the pursuit of their well-being, aspirations and meaningful participation in society. Whereas the integration of growing young populations into labour markets continues to be a challenge for many countries, ageing is also an increasingly relevant concern for redesigning social policies and institutions in both developed and developing countries. The dynamics and challenges associated with population ageing in contexts of rapid social change and social crisis was the theme of a research project conducted by UNRISD as a contribution to the United Nations Second World Assembly on Ageing held in Madrid in 2002. In chapter 13, *Peter Lloyd-Sherlock* debunks a range of myths and stereotypes about the linkages between ageing, development and social protection, for example, that ageing is mainly a concern for the advanced industrialized countries, that it poses a threat for economic development and for the viability of formal social protection, and that "the care economy can care for itself".

Since the UNRISD research was published, studies on the implications of ageing in developing countries have increased significantly, as have policy responses to tackle poverty of the elderly, for example, through tax- or donor-financed social pension programmes in a variety of countries (*Hujo and Cook 2012; Hujo 2014*). Nonetheless, ageing is still mainly seen as an economic and social burden, ignoring people's human

right to live their later years in dignity, and despite the visible contributions of older people in paid and unpaid work, in particular care work—for example, for their grandchildren whose parents migrated, or who are HIV orphans.

In line with UNRISD’s approach to social integration, Lloyd-Sherlock warns against portraying older people as a special interest group “whose interests are separate from, and possibly in conflict with, those of other generations”, because “their well-being is intimately bound in with that of society as a whole”. The attempt to decouple the destiny of younger age cohorts from older generations through dismantling of the generational contract of public pay-as-you-go pension systems has been one of the social policy experiments of the last decades which have clearly done more harm than good, not the least because they have ignored these fundamental truths and downplayed the risks and negative social and economic consequences of pension privatization (Hujo 2014; UNRISD 2015).

### **Part III: Social Policy in the Twenty-First Century**

Social policy varies according to the political and economic models prevalent in a specific country and during a specific historical period. And while there is a certain path dependency or continuity associated with welfare regimes, social policy also evolves in response to different external and internal challenges and risks. Over the last three decades, the results of the social policy response have been mixed. Poverty, while reduced in some countries, has not been eliminated, and inequality has actually increased in both developed and developing countries. The global economic crisis that started in 2008 has clearly shown the new global political and economic context of these risks and challenges: financialization; technological progress coupled with a growing technological divide; post-industrial demographic change; globalization; and the rise of the service sector, characterized by the sharp contrast between sophisticated services relying on new technologies and highly skilled labour, and a growing number of poor service providers struggling for livelihoods in the informal economy. These changes are interlinked with each other, and have both reinforcing and contradictory impacts on society—in the areas of global and national finance for development; employment, productivity and wages; vulnerability and poverty; inequality and the environment. Are current social policy approaches and contemporary “welfare regimes” fit for purpose given the challenges and risks, both old and new? What key elements and basic principles of social policy are relevant for the twenty-first century? And which political arrangements and development trajectories facilitate inclusive and rights-based social policies?

#### ***Development pathways and social policy: Lessons from catching up and leap-frogging***

The chapters by *Dharam Ghai* and *Laurence Whitehead* explaining the relationship between social development, development models, democracy and social policy offer valuable insights and lessons on the type of social policy that can foster democratic and rights-based models of social development.

According to *Whitehead* (chapter 14), since the end of the Cold War the understanding of political democracy and economic development has become increasingly ahistorical and reductionist. Democracy is equated with the holding of competitive elections and alternations in government, whereas economic development is

understood in terms of economic growth. In addition, the two concepts are not considered as the mutually constitutive elements of “good society”. In this narrow understanding, the deepening of democracy may have little bearing upon social development outcomes, and successful economic growth may be accompanied by retrogression in social, political and environmental terms, for example, curtailments of civil and political rights, increasing inequalities and social exclusion or environmental degradation.

Reviewing classical debates on “democracy” and “development” and the ways in which these categories have been adjusted to new contexts over time, *Whitehead* argues instead for “democratization of development” in which political democracy and economic development create synergistic values and policy commitments to social development. Shifting social policies and citizenship entitlements from the margins to the centre of the development agenda is, in his view, contingent upon the convergence of the discourses of democratization and economic development and a reconceptualization of both in an integrated analytical framework. This suggestion has lost none of its relevance in the current context which increasingly acknowledges the importance of civil society actors, social movements, participation and empowerment of marginalized groups in creating legitimate and accountable institutions and political regimes.

Current UNRISD research on women’s claims-making and gender-egalitarian policy change (UNRISD 2013b) partly answers *Whitehead*’s call for reconceptualization of democracy and development—as does research on the politics of domestic resource mobilization for social development (UNRISD 2012a) .

Just as basic freedoms should not be repressed in the name of economic growth, social policy should not be seen as unaffordable for poor countries. The existence of numerous developing countries in which social outcomes are better than one would expect based on their economic indicators, is strong evidence for the argument that social development need not wait for economic development, but can—and indeed should—be deliberately pursued by countries at every level of economic development.

*Ghai*’s case for catching up or leap-frogging (chapter 15) extends to social policy, which is remarkable because advances in welfare and social services had been conventionally considered to be the final stage in the development process (and therefore a premature “luxury” in poor developing countries). In contrast, *Ghai*’s chapter shows how social progress can occur independently of economic advancement. Focusing on the impressive performance in various areas of social development—in particular health and education—in Chile, China, Costa Rica, Cuba, India (Kerala), Sri Lanka and Viet Nam, *Ghai* argues for strong action by the public sector and recommends an initial focus on primary health care, adult literacy, basic education and sanitary and environmental improvements. Strong pressures on the government to allocate resources for these broad-based social programmes, social movements and civil society engaging in debates and political processes related to social policy, as well as the right composition of public expenditure (rather than its relative size) were identified as key factors driving success in the cases studied.

The broader lessons from *Ghai*’s research for the current context are reaffirmed by a current UNRISD inquiry on moves towards universal social security in emerging economies (UNRISD 2012b). Findings from both projects demonstrate the importance of political commitment and institutional arrangements for the delivery of effective public social services (in addition to resource mobilization, rightly considered one of the key challenges for implementing the new global development agenda). The cases of the

Republic of Korea and Taiwan Province of China, territories that are resource poor but abundant in human capital, show how institutions can be designed to be complementary to each other and to generate synergies for both economic and social development. Here, a development strategy at the centre of which were horizontal and vertical redistributive institutions and state-centred industrial policy enabled them to catch up with advanced countries and generated relatively equitable and inclusive growth.<sup>4</sup>

### ***New directions in social policy***

Over five decades UNRISD has sometimes ventured into uncharted territory in its research on social policy, identifying new issues and problems as well as their potential solutions. The chapters by *Gøsta Esping-Andersen* and *Anthony Giddens*—both of which were written around the time of the World Summit for Social Development in 1995—are two important records of such exploration.

*Esping-Andersen's* chapter looks toward the future of the welfare state in the post-industrial age, showing how different countries respond to new challenges and risks. Many of the assumptions that guided welfare state construction in the advanced industrial world during the “Golden Age” of post-war prosperity are, he argues, no longer valid. Indeed, 20 years after the chapter was written, it is striking to find that we are still struggling with the same challenges and risks of the 1990s, some of which have become even more pressing since the financial crisis in 2008: the weak capacity of governments to regulate national economies due to the increased mobility of capital, “race to the bottom” of wages and social welfare benefits resulting from the intense competition for capital and markets, changes in the family model built around a single male breadwinner, changes in the role of women in the paid labour market, rapid population ageing, expansion of informal employment and tertiarization, and increasingly differentiated and unstable occupational trajectories.

The findings from *Esping-Andersen's* analysis emphasize the importance of political and institutional mechanisms of encompassing interest representation and political consensus building. Despite the pressure of globalization to drive the original welfare states towards the lowest common denominator of social support, countries with such political and institutional mechanisms, such as the Nordic countries, demonstrated the capacity to negotiate binding agreements between contending interests, and reconcile egalitarian welfare goals with high employment rates. His chapter analyses the different pathways groups of countries, both in the global North and global South, have taken to adjust their social systems to changing contexts, as well as the economic and social impacts of these reforms. He cautions against subordinating social policy to efficiency norms, showing that social policy has an important role to play in building solidarity and ensuring adequate welfare standards for all.

*Giddens's* chapter, “Affluence, Poverty and the Idea of a Post-Scarcity Society”, presents an equally fascinating account of changing perceptions about how we master risks and uncertainties in the context of globalization, de-traditionalization and behavioural changes, such as the increasing need to reflect upon one's personal conditions and life choices, what *Giddens* calls “expansion of social reflexivity”. The crisis of the welfare state was, in his view, a crisis of risk management, as changing contexts required responses to man-made or “manufactured” risks, from global warming to

---

<sup>4</sup> Kwon 2005; Woo-Cumings 2007; Yi and Mkandawire 2014.

unhealthy lifestyles, rather than “traditional” external risks situated in the realm of nature and traditional norms and structures. In order to do justice to the increased agency of people in the construction of their well-being, he says, it is necessary to overcome the retrenchment and privatization of the welfare state, transforming it instead into a space for the promotion of responsible decision-making and of “lifestyle bargaining” which would promote progressive redistribution and better risk management, for example, by educating people in healthy life-styles, by better redistributing paid work (and unpaid work, we could add), by subsidizing clean technologies, and by equalizing social relations such as gender—issues that are even more pertinent today than they were in the 1990s.

As the contributions to this volume show, development thinking and practice have undergone some dramatic changes over the past five decades, from state-led growth strategies in the post-war period to structural adjustment and liberalization policies in the 1980s and 1990s and quests for more inclusive and sustainable development in the last decade. In 2000, the international community launched the Millennium Development Goals (MDGs) to make poverty reduction, improved social outcomes in health and education, and gender equality the key international development objectives by the year 2015. While acting as a strong driver for reallocation of national and donor funds toward social policies, most strategies were designed as targeted interventions, such as cash transfers for the poor, instead of guaranteeing comprehensive and universal social services and income security to all. The fundamental challenges related to poverty, inequality, exclusion, conflict, power imbalances and unsustainable practices remain, and progress has been uneven. The 2030 Agenda for Sustainable Development represents a more balanced and integrated strategy for combating these vexed problems, identifying a clear role for social policy in dealing with a diverse array of issues ranging from peace building to climate change (Yi and Kim 2015). In this context, the chapters of this volume on social policy and inclusive development offer us valuable insights and lessons from 50 years of UNRISD research, addressing the specific challenges and risks of this new development era, while harnessing a vast body of knowledge and evidence that will help to find solutions to the complex development challenges we are facing today and in the coming 15 years (UNRISD 2013a).

## References

- Bangura, Y. and G.A. Larbi. 2006. *Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services*. Palgrave Macmillan, Basingstoke.
- Hujo, K. (ed.). 2014. *Reforming Pensions in Developing and Transition Countries*. Palgrave Macmillan, Basingstoke.
- (ed.). 2012. *Mineral Rents and the Financing of Social Policy: Opportunities and Challenges*. Palgrave Macmillan, Basingstoke.
- Hujo, K. and S. Cook. 2012. “The political economy of social pension reform in Asia.” In S.W. Handayani and B. Babajanian (eds.) *Social Protection for Older Persons: Social Pensions in Asia*. Asian Development Bank, Manila.
- Hujo, K. and N. Piper. 2010. *South-South Migration: Implications for Social Policy and Development*. Palgrave Macmillan, Basingstoke.
- Hujo, K. and S. McClanahan (eds.). 2009. *Financing Social Policy: Mobilizing Resources for Social Development*. Palgrave Macmillan, Basingstoke.
- ILO (International Labour Organization). 2012. *Recommendation Concerning National Floors of Social Protection (No. 202)*. ILO, Geneva. [http://ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100\\_INSTRUMENT\\_ID:3065524](http://ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_INSTRUMENT_ID:3065524), accessed in March 2015.
- Kwon, H. 2005. “Transforming the developmental welfare state in East Asia.” *Development and Change*, Vol. 36, No. 3, pp. 477–497.
- Singer, H.W. 1965. “Social development: Key growth sector—Philosophy, plans and first result of the UN Research Institute.” *International Development Review*, Vol.7, No.1, pp 3–8.
- Staab, S. and S. Razavi. *Gendered Dimensions of Development*. UNRISD Classics Vol. II. UNRISD, Geneva. <http://www.unrisd.org/classics-volume2>, accessed in April 2015.
- Townsend, P. 2004. “From universalism to safety nets: The rise and fall of Keynesian influence on social development.” In T. Mkandawire (ed.), *Social Policy in a Development Context*. Palgrave Macmillan, Basingstoke.
- Tullis, L. 1995. *Unintended Consequences: Illegal Drugs and Drug Policies in Nine Countries*. Lynne Rienner Publishers, Boulder CO.
- United Nations. 2015. *Transforming our World: The 2030 Agenda for Sustainable Development*. <https://sustainabledevelopment.un.org/post2015/transformingourworld>, accessed in December 2015.
- , 2012. General Assembly Report A/67/L.36, 67<sup>th</sup> Session, Agenda Item 123, Global Health and Foreign Policy. <http://research.un.org/en/docs/ga/quick/regular/67>, accessed in March 2015.
- UNRISD (United Nations Research Institute for Social Development). 2015. *A Global Policy Laboratory: Reforming Pensions in Developing and Transition Countries*. UNRISD Research and Policy Brief No. 19. [www.unrisd.org/rpb19e](http://www.unrisd.org/rpb19e).
- , 2013a. *New Directions in Social Policy: Alternatives from and for the Global South*. UNRISD Project Brief No. 4. <http://www.unrisd.org/pb4>, accessed in March 2015.
- , 2013b. *When and Why Do States Respond to Women's Claims? Understanding Gender-Egalitarian Policy Change in Asia*. UNRISD Project Brief No. 5. <http://www.unrisd.org/pb5>, accessed in March 2015.
- , 2012a. *Politics of Domestic Resource Mobilization for Social Development*. UNRISD Project Brief No. 1. <http://www.unrisd.org/pb1>, accessed in March 2015.
- , 2012b. *Towards Universal Social Security in Emerging Economies*. UNRISD Project Brief No. 3. <http://www.unrisd.org/pb3>, accessed in March 2015.
- , 2011. *Migration and Health in China*. UNRISD Research Project. <http://www.unrisd.org/china-migration-health>, accessed in March 2015.
- , 2010. *Combating Poverty and Inequality: Structural Change, Social Policy and Politics*. UNRISD, Geneva. <http://www.unrisd.org/publications/cpi>, accessed in March 2015.
- , 2000. *Visible Hands: Taking Responsibility for Social Development*. UNRISD, Geneva.
- , 2006. *Transformative Social Policy: Lessons from UNRISD Research*. UNRISD Research and Policy Brief No. 5. <http://www.unrisd.org/publications/rpb5e>, accessed in March 2015.
- , 1995. “No quick fix: The endless war on drugs.” *States of Disarray: The Social Effects of Globalization*. UNRISD and Earthscan, London.
- Woo-Cumings, M. 2007. *Neoliberalism and Institutional Reform in East Asia: A Comparative Study*. Palgrave Macmillan, Basingstoke.
- Yi, I. and T. Mkandawire. 2014. *Learning from the South Korean Developmental Success: Effective Developmental Cooperation and Synergistic Institutions and Policies*. Palgrave Macmillan, Basingstoke.
- Yi, I. and T. Kim. 2015. “Post-2015 development goals (SDGs) and transformative social policy.” *Oughtopia*, Vol. 31, No. 1, pp. 307–333.



---

## **PART I**

# **A SOCIAL POLICY APPROACH TO DEVELOPMENT**

---





## Chapter 1

# Development Indicators and Development Models<sup>1</sup>

Donald McGranahan<sup>2</sup>

(1972)

---

### Introduction: The Semantics of Indicators

An indicator, Oxford and Webster tell us, is something that points out something else. When an economic and social variable is used as an indicator, it is not an indicator of itself, and it is also not an “operational definition” of that to which it points. The temperature accurately given by use of a clinical thermometer is not an indicator of body temperature—it defines (is) body temperature; but it is an indicator of sickness. Similarly, death rates do not indicate relative numbers of deaths but may indicate public health levels. The school enrolment ratio is a *measure* of the amount of school enrolment but it may be used as an *indicator* of the educational level of a country, given various assumptions. In economic forecasting, orders in durable goods and plant and equipment contracts serve as indicators for detecting broad movements of the economy, but they are not indicators of what they directly measure. In other words, economic and social indicators are not simply statistics, and statistics are not ipso facto indicators—unless some theory or assumption makes them so by relating the indicator variable to a phenomenon that is not what it directly and fully measures.

That, at least, is the way it ought to be, semantically. But in practice the borderline between the indicator and the operational definition is not too clear. For example, it is often not clear whether the per capita GNP is intended in various writings as an operational *definition* of development (development is then simply and solely what is measured by per capita GNP) or as an *indicator* of development (on the

---

<sup>1</sup> Originally published as chapter 6 in *Measuring Development: The Role and Adequacy of Development Indicators*, edited by Nancy Baster (UNRISD and Frank Cass, 1972). UNRISD is grateful to Frank Cass/Taylor and Francis for permission to reproduce this work.

<sup>2</sup> At the time of writing, Donald McGranahan was Director of UNRISD.

basis of an assumed—and empirically testable—relationship of the per capita GNP to other defined aspects of general development). We can disagree with a definition of development in terms of the per capita GNP by arguing that this is too narrow and not the way the word “development” is understood and used by most people. If we question the per capita GNP as the best single indicator of development (assuming that a single indicator is desirable, which is itself questionable), the problem is then empirical and we must demonstrate (as can in fact be done) that other indicators can be found that in practice perform better in describing, estimating and predicting the totality of aspects that constitute development, and are therefore better indicators of development as a whole, than the per capita GNP.

For an economic or social variable to be called a “development indicator” commonly means that it represents some factor that is part of the process of development. This in turn implies a definition or theory as to what constitutes development. Since development tends to be an interdependent process, a good indicator in fact reflects, in varying degrees, many more things than it directly measures. For example, agricultural productivity (per adult male agricultural worker) is conditioned by and reflects a country’s level of technology, level of education, communications, etc. and in turn itself conditions a number of factors. Life expectation reflects not only the level of medical services but also, among other things, literacy, housing conditions, diet, income, occupational structure (all of which correlate more highly with it than do relative numbers of doctors or hospital beds). Conversely, if an item shows little or no relation to other aspects of development, it is questionable whether it should be called a development indicator. We shall return to this point.

What needs to be emphasized here is the fact that indicators involve two kinds of relationship to development:

- i. On the one hand, an indicator may constitute a direct and full measure—an operational definition—of a particular factor or aspect of development, and it is a “development indicator” only in the sense that the factor it measures is a recognized goal or element of development.<sup>3</sup> Certain development goals—like reduction of unemployment (in industrial societies), increase of per capita GNP, increase of school enrolment, reduction of infant mortality—can be stated quite adequately in quantitative terms. The main problem is whether they are in fact true goals or elements of development.
- ii. On the other hand, the true goal or element of development may not itself be directly and fully measurable, so that the indicator serves in the first place to point to or represent, as best as possible, this non-measurable factor. Thus it may be considered that the true goal is not reduction of infant mortality but better health, and the infant mortality index is a substitute or proxy indicator for health. Reduction of infant mortality should not then figure as the health target of the plan but as an item of diagnosis and evaluation (among other items). The true objective here cannot be stated in quantitative terms. But proxy indicators may easily be turned into ends themselves and pursued (often with unfortunate consequences) instead of the true goals. The danger is particularly great in the case of indicators that represent means or instruments to the true goal and that by acquiring the sanction and status of goals, inhibit the use of, or search for, more effective means.

---

<sup>3</sup> The indicator indicates the presence of development, one might say, but not the exact amount (unless the contribution of the factor has been weighted).

## The Problem of Social Indicators

While in the economic field many (but not all) factors of development are directly measurable or at least considered so, in the social development field most main goals like “health”, “education”, “security”, “equity” and other objects of social policy are not directly measurable in their totalities or even clearly defined, and indicators commonly serve as proxy or partial measures of these entities. The theoretical or assumed connection between the indicator and the entity to which it points in these cases is usually based on a cause-effect or part-whole relationship. Health indicators, for example, represent presumed causes or instruments of good health (relative number of doctors or hospital beds), or consequences of ill-health (deaths, days spent in hospitals), or partial forms of ill-health (contagious diseases). The assumptions underlying such indicators may, of course, be wrong or largely wrong: the relative numbers of doctors and hospital beds in a country may not be the major factor conditioning the level of health; deaths (in particular of youth) may reflect primarily accidents, not sickness; the amount of contagious disease may not be a good representative of ill-health in general; and there is something odd about measuring ill-health by the relative number of days spent in hospital beds while good health is indicated by the relative number of hospital beds. These problems concerned with the relations of the indicators to their objects of indication are quite different from statistical problems of accuracy or reliability of data.

On the other hand, an indicator that has conspicuous deficiencies may nevertheless function quite well in practice. It is conceivable that school enrolment, which to all appearances is a poor indicator of education because it does not measure actual attendance at school or quality of schooling, may nevertheless perform its function relatively well if low attendance and poor quality consistently go with low enrolment while high attendance and good quality go with high enrolment.

## The Validation of Development Indicators

Let us assume that the components, sectors or factors of development are roughly agreed upon, under a broad conception, and that several kinds of statistical data are available, or feasible to obtain, for each factor that is not directly measurable. The problem is then to determine which among these available series will provide the best indicators. Ideally, we should validate an indicator against a direct full measure of that which is being indicated. But since the reason for using an indicator of the type under discussion is the absence of such a direct measure, this is hardly possible. There are two ways of validation and selection of indicators under these circumstances: (i) use of expert consensus; (ii) use of correlational analysis technique and related multivariate techniques.

These two approaches may be used as checks against each other. The second calls for explanation. Given that we do not have a single overall measure of an entity like health against which to validate and select indicators, that units of health in fact have no meaning at present, we may nevertheless have quantitative data on various aspects of health. What we know about health as a whole quantitatively will then be provided by the collection of these separate data. The indicator that best correlates with the rest of the collection, or, more precisely, has the highest average correlation

with the others, may be considered to be the best health indicator of the group.<sup>4</sup> The procedure is illustrated by table 1.1, based on cross-national data for 1960.

Table 1.1 shows that life expectation has the highest average correlation. It is also the indicator generally chosen by experts as the best available. In fact, the list as a whole agrees with expert opinion quite closely: thus, infant mortality is usually rated second and hospital beds last.<sup>5</sup>

**Table 1.1**

Indicator	Average correlation with other (six) health indicators	Average correlation with 41 selected development indicators
Infant mortality rate	0.72	0.66
Expectation of life at birth	0.77	0.70
Crude death rate	0.56	0.45
Death rate from infectious and parasitic diseases	0.63	0.58
Inhabitants per physician	0.71	0.46
Inhabitants per hospital bed	0.43	0.43
Proportionate mortality ratio	0.65	0.65

Source: UNRISD data bank.

Any list of indicators used for such empirical testing should be a best available list (taking account of expert opinion and covering different aspects according to their judged importance). It may be objected that the seven variables listed in table 1.1 have substantial overlaps, particularly those involving death counts. If a group of indicators concerned with medical services (nurses, clinics, drugs sold, etc.) were added to the list (such data are not in fact available cross-nationally), then the average correlation of inhabitants per physician might conceivably rise and surpass that of life expectation. This is possible although physicians and hospital beds correlate better with life expectation than with each other. A major argument in favour of life expectation, however, is found in the final column of table 1.1, which shows that in a group of 41 social and economic indicators covering a wide range of developmental factors, life expectation has considerably higher average correlation than do physicians. It seems to be a generally valid proposition that the technically superior indicators for a sector tend to have the higher cross-sectoral correlations. If, as discussed above, we assume that health is part of an interdependent system of development—and is influenced by factors like literacy, housing, food consumption, water supply and personal income, as much as or more than by direct health services, while also influencing other factors—then this is understandable and a high

<sup>4</sup> If the data are sufficient for the purpose, then a synthetic indicator may perhaps be constructed from the collection. This raises complex questions of both direct and indirect weighting (the latter form of weighting being dependent on methods of scale conversion).

<sup>5</sup> This is not always the case with indicators, and discrepancy between correlations and expert opinion may call for special study. For example, educational experts tend to agree on teacher-pupil ratio as an indicator of quality of education, on the assumption that the more attention to the individual student, the better the education. But pupil-teacher ratio has relatively low correlation with other educational indicators or with development indicators in general. This may be because: (i) quality of elementary education does not in fact improve with level of development and is therefore not a developmental factor; (ii) the statistics on pupil-teacher ratio are poor or not comparable; or (iii) poor quality education lowers enrolment and attendance, boosting the ratio, while high quality education has the opposite effect, so that the index has inherent contradictions.

correlation of a health indicator with indicators for interrelated aspects of development is justified as a criterion of validation and selection.<sup>6</sup>

An indicator is a matter of enquiry and knowledge, and as better knowledge is obtained, better selection of indicators becomes possible; also an indicator may cease playing that role as new levels are reached or new relationships evolve, so that indicators must be constantly reappraised and tested in varying situations.

## Development Indicators and Statistical Systems

A statistic is not by itself an indicator and a statistical system is not a system of indicators. Any given statistical fact like a death rate or a life expectation figure can be indicative of a number of things and play as important a role in, say, social security analysis or employment analysis as in health analysis. Social research constantly uses social statistics for diverse purposes. Recent attempts to build up a system of social statistics, notably by the United Nations Statistical Office and the Conference of European Statisticians,<sup>7</sup> are attempts to introduce unifying principles into the field, as regards units or series, classifications, methods of collection and presentation of data.<sup>8</sup> These are formal and methodological tasks and should not be confused with the empirical and theoretical questions involved in building up systems of development indicators. Of course, the statistical systems will define the scope of available data for development indicators and should take account of indicator needs.

The best example of a unified statistical system is the national accounts system but it would be unfortunate to limit economic development indicators to this system. Discrepancies between monetary and “real” indicators are frequent and in themselves indicative—indicative, for example, of the differential *efficiency*, in different places or at different times, of goods and services serving the same purposes at similar costs. The fact that one country spends as much money on health or education or electricity services as another country does not mean that it has the same level of health or education or electricity usage.

## Indicators and the Definition of Development

Since indicators are an attempt to quantify some conception or definition of development, the nature and scope of the indicators, as well as the nature of the relations between them, will depend on this conception. The conception, however, may be rather vague and once the indicators are chosen, they are apt to take over the definitional function.

There are many definitions and theories of development and it is not possible to review them here. But certain major “conceptual models” used or assumed in

---

<sup>6</sup> The methodology behind the use of correlation in selection of indicators is set out in some detail in UNRISD 1970.

<sup>7</sup> Under the project entitled “A System of Demographic, Manpower and Social Statistics”.

<sup>8</sup> Efforts at systematization by use of a stock and flow scheme, which introduces a temporal dimension into social statistics, or by use of data collection schemes like the Scandinavian number system or the grid-square system which serve to unify diverse economic and social data around the individual or locality (as contrasted with the prevailing tendency towards separate streams of statistics moving upwards), promise to be highly valuable for developmental analysis (if they should be feasible in more than one or two countries).

definitions may be noted. By conceptual model is meant some relatively concrete and coherent image which underlies the theoretical framework of the definition—an image by which one arranges and orders one’s thinking about development, even if not very consciously or deliberately. A conceptual model is usually a metaphor (cf. the atom as a miniature solar system) and in the last analysis usually incorrect for that reason.

The concern here is with conceptual models applied to socioeconomic development as a whole, not with models for economic growth or for particular social sectors.

***Development defined by lists of desiderata and ideal pictures of the future***

One of the simplest and most common conceptions of development is in terms of progress towards any or all of a list of national goals or values in the economic and social fields. Development indicators in this case are quantitative expressions, as best possible, of movement towards these various goals or values.

However, if development is defined simply in terms of some list of desiderata, then it is in fact nothing more than a short-hand name for this list—which is a kind of national shopping list. There is no reason to assume, in this case, a coherent totality corresponding to the word “development” and there is little place for the idea of unity in such a definition. The list may contain arbitrary, contradictory or impractical items. The items will not necessarily have any relation to each other except perhaps through some ordering of priorities in terms of more important and less important values. Or they may be nominally brought together in some “ideal picture” of the future society.

This conception of development as progress toward a collection of desiderata (usually defined sectorally) or an ideal picture of this future, raises a fundamental question whether development is purely a matter of progress toward ideals or is to be conceived as an objective process that may even exclude certain ideals that are impractical to achieve at the moment and may embrace various changes, including structural changes and changes in attitude, that are not values in themselves but are a necessary part of the process. Presumably a lack of progress toward unrealistic goals should be reckoned as failure not of development but of judgment, and a country has not developed the less because it has failed to do what it could not in any case have done.

***The organic model***

This is the oldest conceptual model and still favoured by many sociologists. Its most influential expression was in nineteenth century philosophy and sociology where national progress or development was conceived as the organic unfolding of the “Volkgeist”.

The idea of distinctive stages or sequences is usually involved in organic models. This implies a different indicator approach from that of the continuous variable. Different stages of development call for different indicators. For example, it may be argued that employment rate is an appropriate indicator for an industrial society, but not for a pre-industrial agrarian society. (The extensive but generally unsuccessful efforts in recent years to measure unemployment—in the guise of “underemployment”—in the rural parts of developing countries would tend to support this position.)

This model has the great advantage that it stresses functional interrelationships and interdependencies and calls attention to the possibility of different styles or patterns of development. In its biological metaphor, however, it tends to assume the inevitability of the course of development of each country according to an innate genius or entelechy, so that there is not much one can do about it beyond watching it unfold. The assumption today is that development can be achieved by action, within the limits given by existing constraints. Also, experience shows that the organic model may promote a non-scientific mystique about development. The basic fact is that the organic metaphor is too far-fetched—societies do not have group minds and they do not unfold like a biological process.

### ***The technological-educational model***

Development is here likened to the learning process whereby the individual acquires new technological knowledge and skills. This conception, first evolved in France in the nineteenth century, focuses attention on what is perhaps the most critical element in development: technological change or innovation. It can be plausibly argued that if a process of change—say, improvement of agricultural production and income because of climatic conditions—does not involve technological innovation, it should not be called development. Development would not be indicated by increased agricultural production due to a run of good weather, or even when due to long-term climatic change.<sup>9</sup>

There is a problem as to how to treat “social innovations” and social progress under this model and how to deal, for example, with situations of unemployment associated with adoption of advanced capital-intensive technologies. The technological-educational model is deficient also because it does not deal satisfactorily with questions of structural changes and psychological reorientations which may be essential to development, and its emphasis is on knowing rather than doing. But it does suggest that a system of technological indicators might prove extremely valuable for developmental analysis. Unfortunately, relatively little has been done to set up a system of indicators to measure a country’s technological level.<sup>10</sup>

### ***The input-output conceptual model***

This is the basic conceptual model favoured by economists since the Second World War.<sup>11</sup> National growth is likened to factory production, and the problem of development is to get the proper inputs to achieve maximum output rates and returns. This model has the great advantage that it is action-orientated. It is a useful paradigm for planning. And it has mensurability (primarily through the GNP).

But the nation undergoing development is not a super-factory, just as it is not a super-organism or super-mind, and the input-output model fails when development is viewed in its socioeconomic totality. An input of education into a society, for

---

<sup>9</sup> To be consistent, an area that is now much worse off in production than it used to be, solely because of climatic change, should not be considered any more underdeveloped, for that reason, than it was before. Nor should one country be considered agriculturally more developed than another country simply because it produces more, if its level of agricultural technology is no higher.

<sup>10</sup> The United Nations Educational, Scientific and Cultural Organization (UNESCO) is working on this problem.

<sup>11</sup> To avoid confusion, it is perhaps necessary to stress that the concern here is with a conceptual model, a framework of thinking, extended to development as a whole, covering both social and economic aspects. The “input-output model” as a set of techniques for quite precise purposes in economic analysis is not under discussion here.



example, does not so much yield a particular output as it changes the whole society by changing the people who constitute it. That is, the response is more a change of the system than an output of the system. Similarly, the main response to an extension of communications in a socioeconomic system, or a growth of urbanization, will be a change of the system itself. It is as if an increased input in a factory caused the factory itself to change and grow as the input is assimilated. The input-output model tends to lead to universalistic thinking about development, whereas it is apparent that different countries may respond quite differently to the same stimuli (inputs), depending on their circumstances.

Under this model, the relations between social and economic variables are input-output relations and use of the model has been characterized by attempts to deal with problems of integration of economic and social development by trying to incorporate social variables into production functions. These efforts at the integration and incorporation of social variables have not been very successful for one reason—because they have been based upon an inappropriate use of regression analysis in the conditions of high interdependency that obtain among large numbers of social and economic development variables.<sup>12</sup>

### ***The capacity-performance model***

Development is here defined as enhancement of the capacity of a society to function for the well-being of its members over the long run.<sup>13</sup> The advantage of this definition is that it lays weight on substantive change rather than superficial change, on authentic development rather than the trappings of development. It accommodates the idea of “styles” of development.

This approach embraces not only technological and educational capacities but also structural and institutional capacities; it suggests the importance of structural and institutional indicators and of building up “capacity indicators” in general. At the same time it is made quite clear that quantitative indicators have their limitations and should not be confused with development as a whole. The problem is to devise a scheme of developmental analysis that combines quantitative and non-quantitative elements.

Since we really do not know what “enhancement of the capacity” is, in any definitive way, the function of the definition is to suggest a certain orientation and urge enquiry and investigation in a particular direction. It does not itself define development in such a way that by adopting it, two people will then agree today whether a particular country has developed significantly over a given period of time. That is because, in the absence of capacity indicators and other means, it does not (or not yet) provide objective criteria of enhanced capacity (actual improvements of well-being are tautological criteria of capacity).

The model postulates a capacity whereby a society provides for the well-being of its members but much of “well-being”, when examined, will turn out to be part of the capacity, under the guise of “human resources”. Enhanced capacity will flow from

---

<sup>12</sup> For example, through regression analysis one reaches the conclusion that one of the most effective means to increase national production in industrialized countries is to prolong the lives of elderly persons since a small difference in life expectation is associated with very large differences in per capita GNP in regression analysis (with per capita GNP as the dependent variable).

<sup>13</sup> This definition has been suggested by Marshall Wolfe in a working paper at UNRISD. It was not intended as a full definition of development, but as a minimum criterion.

better well-being, as well as vice versa. A difficulty with the capacity-performance model, as a theoretical framework, is that it is a one-way model (like the input-output model) in a situation of interdependence or circular causation.

### ***The system model***

Finally, a system model of development can be set up—using system in the dictionary sense of “an assemblage of objects united by some form of regular interaction or interdependence”. A system can be of various kinds—organic, social, mechanical—and it is desirable in dealing with development to avoid undue influence of the engineering type systems, which are not growth systems.

Under this model, then, development is an evolving system of factors that influence and are influenced by each other, directly or indirectly. This means, conversely, that social or economic elements that are not (or not yet or no longer) interdependent with other factors, are excluded from the definition of development, although they may have a one-way relationship as causes or consequences. In other words, the scope of development indicators is immediately reduced by elimination of any elements that are (i) wholly unrelated to the system or (ii) contributory influences but not influenced themselves by development or (iii) effects or by-products of development but having no positive influence themselves on development.

Under this approach, some other expression, such as “social progress”, would have to be used for desirable changes not part of development, such as reductions in crime, protection of the environment, certain improvements in human relations, and progress towards other ideals of human society which do not appear to be part of development as an interdependent system. These values are no less important to society if they are not part of development so defined.<sup>14</sup> They should be involved in planning which would not then be coterminous with development planning.

For such items it is evident that developed countries as a rule do not necessarily show a greater degree of realization than do developing countries. With regard to some items, the less-developed countries may even be better off precisely because they are less developed and the correlation with development may be negative. These may include indicators of undesirable consequences of development—environmental problems are the most familiar example.

Structural changes, as well as changes involving progression towards goals or values, will be involved in the system model of development, to the extent that they influence and are influenced by change in other aspects. Certain structural transformations may occur only at a particular time or in particular circumstances (for example, land reform), while other structural changes (for example, occupational change out of agriculture) may be continuous, interacting with other factors of development.

One difficulty with this model is our imperfect knowledge of the influences of different factors upon each other. However, by means of statistical correlations (which eliminate items that are not significantly related), empirical observations and

---

<sup>14</sup> If they should appear diminished because of the current value loading of the word “development”, then perhaps development should be used very broadly to include them while another word would be used for the system of interdependent factors.

common sense, it is possible to get a fair idea of what such a system would comprise as a minimum in terms of internationally measurable variables.<sup>15</sup>

In a system model, absence of development can mean: (i) stagnant systems, “vicious circles”, where generally low levels are adjusted to and reinforce each other, inhibiting change in individual factors; (ii) contradictions, discordances, in the system whereby growth of certain factors produces negative cross-effects instead of positive cross-effects—for example, increased unemployment resulting from extension of education (educated unemployed); lower agricultural production (and income) per person resulting from better health (because of population growth in conditions of land scarcity).

An increase of a given indicator does not necessarily mean there will be improvement in the rest of the system. It depends on the nature of the given change, its suitability to the rest of the system, the responsiveness of the other factors and the nature of the linkages. Development is not a matter of explosive interactions of mutually reinforcing agents but of provision of favourable environments for growth of given factors by other factors. It is dependent on both qualitative and quantitative relations among factors. There can be the wrong kind of urbanization or education or too little or too much urbanization or education in a given situation. There is implied some kind of optimum set of developmental relationships for each given country in its circumstances—or at least a limited range of optimum combinations. The assessment of this optimum balance becomes a major task of development planning.<sup>16</sup>

The idea of “balance”, however, tends to be static and may convey the wrong image. Development can also be seen as a series of “dynamic imbalances” as certain factors move ahead (because of technological innovations, new resources, redistribution of resources, etc.) and stimulate or provide opportunities for growth in other factors, depending on the linkages and responsiveness of the system and the nature of existing factor deficiencies and surpluses.

The optimum development pattern will depend on the nature of the constraints (for example, geographic size, population size) and natural advantages; different types of countries will have different styles of development. (To take an extreme example, small tropical islands will not develop as centres of heavy industry.) One function of indicators is to help establish a *typology* of development.

## Correspondence Points

Different quantitative methods of developmental analysis go with different conceptual models. It has been remarked above that at the macro level, relations between economic and social variables cannot be properly analysed through regression analysis. The different social and economic factors constituting national development cannot be divided into those that are independent variables and those

---

<sup>15</sup> In the UNRISD (1970) study, a core of 18 highly correlated indicators was isolated.

<sup>16</sup> The idea of “an appropriate balance” is emphasized in a recent paper by Arthur Lewis where he writes:

*“Development occurs in all directions simultaneously. Growth runs into bottlenecks if there is not an appropriate balance between sectors, especially between industry, agriculture and infrastructure; and between production for the home market and for exports. All sectors must expand as income grows; so the question popular twenty years ago as to which sector should have priority has been displaced by the search for the appropriate balance. Less developed countries have not handled this aspect of their affairs adequately; their neglect of agriculture and of exports has produced severe balance-of-payments constraints.”* (Lewis 1970:1)

that are dependent variables—in a system model all are dependent upon each other in varying degrees and the assumptions of regression are not valid.

For analysis of the relations between variables in a system model, instead of regression one may use a “best-fitting line” which does not assume the independence of one variable and the dependence of another.<sup>17</sup> Such a line drawn through the distribution of two variables will show, not what change in variable Y will be created by a given increment of variable X, but what level of variable Y will tend to correspond with a given level of variable X, and vice versa (“correspondence points”). By putting a best-fitting line through a set of interdependent variables in multidimensional space, correspondence points for the set of variables can be established. Different variables will be seen to change at different rates in relation to each other. When transformations and adjustments are made to flatten lines between the correspondence points, a country’s profile can be represented on the chart, showing where the country is higher and where it is lower than other countries at about the same general level of development. This can serve as a tool of *diagnosis*, which in a system approach plays a major role in developmental (cross-sectoral) analysis.

## Concluding Note

In view of the current popularity of development indicators, especially social indicators, let us note not only their advantages but also their limitations, in present circumstances.

Indicators are useful for developmental analysis, for general diagnosis of developmental conditions and needs, and for general evaluation of progress. But while they may measure progress, they should not be confused with targets for planning (this is especially true of the numerous proxy indicators). They may be used in evaluation but they should not be assumed ordinarily to reveal the impact of different factors upon each other—in spite of numerous studies attempting to show through regression the “impact” of this factor upon that factor of development. They do not automatically or ordinarily reveal programme impact over time because of the many influences at work in the interdependent process of development. Special studies are required for programme and project evaluation, perhaps using especially devised programme or project indicators. In other words, indicators are not a substitute for research but a tool of research.

While indicators can reveal progress in various separate value categories, it is not possible to convert indicators into a single value scale, to say that so much health is worth so much electricity consumption or so much education. Also, the concept of optimum styles or patterns of development introduces a value aspect over and above that of the single indicators. The problem of interdependency in a system further

---

<sup>17</sup> The best-fitting line is defined as one that minimizes the sum of the absolute deviations on both X and Y axes. It is always a median line and for that reason not derivable from a single equation. In McGranahan et al. (1970), a relatively crude moving-average method was used to derive the best-fitting line. Recent research at UNRISD has led to more exact methods (along with a computer programme) which are not much more difficult to apply than regression analysis in linear distributions.

Experiments with the best-fitting line have shown that as a rule it will estimate missing scores or predict future scores as accurately or more accurately than do regression lines—in spite of the fact that there are two regression lines (one minimizing the squares of the Y errors when X is the independent variable, and the other minimizing the squares of the X errors when Y is the independent variable). This is even true in the case of textbook examples of the proper use of regression. A report on the subject will shortly be issued at UNRISD.

complicates the picture. The value of a 10-cent piece of wire in a multi-million dollar space rocket is not just 10 cents if the entire rocket blows up when the piece of wire is defective.

The discussion in this chapter has been limited to national indicators. But for a better understanding of development, national aggregative indicators need to be supplemented by a system of measurement of real progress at the local level. Certain national indicators may prove invalid or meaningless when tested at the local level; national indicators generally fail to reflect distribution; and, particularly when social factors are involved, it is usually necessary to move down to the local level where the interactions take place in order to understand how different factors influence each other in real contexts, rather than as national abstractions.

## **References**

Lewis, A.W. 1970. *The Development Process*. United Nations, New York.

McGranahan, D., C. Richard-Proust, N.V. Sovani and M. Subramanian. 1970. *Contents and Measurement of Socioeconomic Development*. Report No. 70.10. Praeger and UNRISD, Geneva.

## Chapter 2

# **Economic Restructuring, Coping Strategies and Social Change: Implications for Institutional Development in Africa<sup>1</sup>**

*Yusuf Bangura<sup>2</sup>*

(1994)

---

### **Introduction**

Prospects for sustainable growth and improved levels of living appear slim in most African countries as they advance into their second decade of structural adjustment. Much of the optimism that accompanied the introduction of the reforms in the 1980s has given way to profound scepticism about the correctness of the approach that has been adopted for dealing with economies like Africa's, which have weak institutional foundations and which face increasing marginalization in the world market. Recent estimates of weighted average GDP growth rates for 44 African countries suggest that, at best, only a modest growth of about 2.5 per cent—less than the average rate of population growth—occurred between 1980 and 1991, and that no significant differences exist between the growth rates of 1980–1985, when the programmes were in their infancy, and 1985–1991, the period when the reforms were expected to yield greater positive results. Furthermore, countries which were believed to have applied the reform measures much more comprehensively—“the strong adjusters”—have not performed better than those which have experienced considerable slippage, the so-called weak adjusters (Mosley and Weeks 1993).

The economic crisis is, of course, very complex, as it has affected all strata and sectors of society and has been compounded, in some cases, by civil strife and environmental pressures. Despite the influence of several interlocking factors in shaping the dynamics of the crisis, concerted attempts were made in the 1980s to tackle it from a single market-oriented policy framework. During this period, African governments lost

---

<sup>1</sup> Originally published as an UNRISD Discussion Paper (UNRISD, 1994).

<sup>2</sup> At the time of writing, Yusuf Bangura was Research Coordinator at UNRISD.

effective control over economic policy making to the international financial institutions, after having enjoyed relative autonomy in this area for only about two decades since independence from colonial rule. Estimates indicate that a total of 241 World Bank/International Monetary Fund (IMF) structural adjustment programmes were initiated by African governments between 1980 and 1989 (Jespersen 1992). By the end of the 1980s, only eight African countries had not reached an agreement with these institutions, despite the relatively strong influence of Bank/Fund ideas in their development strategies. What is responsible for the poor economic record and how can it be remedied?

When confronted with evidence of negative economic performance in countries undergoing liberalization and restructuring, the international financial institutions often blame governments for not taking the reforms seriously enough or point to the lack of political will in regulating the activities of corrupt or inefficient bureaucrats and vested interests. Once issues of “lack of seriousness”, “political will”, “bureaucratic corruption” and “vested interests” are raised, it means that institutional issues are at work and need to be explained if we are to understand the problems of adjustment and economic development. This chapter seeks to focus the discussion on the social and political dimensions of the economic reforms and their implications for institutional development, drawing substantially from research work on adjustment and social change sponsored by the United Nations Research Institute for Social Development (UNRISD). The institutional issues we are concerned with relate to the capacity of state systems and interest group organizations to regulate social behaviour. Institutions are important for strategies of economic development, and knowledge of changes in social relations is a prerequisite for understanding institutional reforms. We define institutions as a bundle of rules in social relations which structure behaviour in fairly predictable ways. As systems of rules and regulations, institutions are a subset of social relations. Rules are necessary for predictable transactions, but profound changes in social relations may affect ultimately the way the rules operate.

Public institutions seek to project universal rules and regulations, establish clearly defined and predictable roles for actors to facilitate routine implementation of tasks, and develop a rational structure of incentives and sanctions to ensure institutional loyalty. The main problem is that these institutional goals have been largely ineffective in most African countries since the 1980s. A standard response by policy advisors has been to exhort leaders to get tough with bureaucrats and social actors who undermine public policies: more discipline, more probes, more policing. They recommend policies aimed at restructuring the public institutions themselves through privatization, decentralization, public expenditure cuts, retrenchment and new structures of incentives to make the state leaner and fitter.

Despite efforts at implementing these draconian measures in a number of countries, the problems of low institutional capacity remain. Two key contradictions would seem to explain why institutions have been largely ineffective in crisis economies in Africa: the first is the growing contradiction between the interests of bureaucratic actors and the goals they are supposed to defend, and the second is the contradiction between the institutional set-up itself and what goes on in the wider society. To understand the way these contradictions work, there is a need to look more closely at the sets of values and relationships that anchor institutions on social systems. These are concerned with issues of social cohesion and compromise, institutional socialization and loyalties, overarching sets of values, and political authority to enforce rules and regulations. The

crises in these four areas of social relations, which are, in turn, linked to the ways households and groups have coped with recession and restructuring, have altered Africa's state institutions in ways that make it difficult to carry out meaningful development programmes and public sector reforms without addressing the social relations themselves.

The first part of the chapter reviews discussions on structural adjustment and institutional perspectives, highlighting why a focus on institutions and social relations is important in the study of African economies in distress. The next two sections discuss coping strategies and issues of social change, and attempt to develop a framework that links issues relating to the crisis in social relations with those associated with problems of institutionalization. The last section returns to the analytical and policy questions of institutional reform and outlines issues that would need to be addressed in mapping out alternative strategies of development.

### **Structural Adjustment, Social Relations and Institutions**

The major assumptions of neoclassical theory have been criticized from three main perspectives: their perception of individuals as self-interested utility maximizers; their undersocialized conceptions of individual behaviour in which social relations are insignificant in making choices; and their belief in the power of the market to provide individuals with accurate information to enable them make rational decisions (Etzioni 1990; Granovetter 1992). Institutions play a subordinate or invisible role in these assumptions. In the context of adjustment, it was assumed by neoclassical economic theorists that trade-based beneficiaries, such as export-oriented farmers and manufacturers, would positively respond to market signals and defend the reforms without any special institutional support from the state.

Subsequent experiences with reforms in a number of countries were to cast doubt on these underinstitutionalized assumptions, leading to a host of political science studies on ways of making the reforms politically sustainable, largely through coalition-building techniques and administratively designed resource support schemes (Nelson 1989). These approaches took the institutional context as given in analysing the social and political strategies necessary for supporting economic change. They showed how reforms could be blocked by powerful "rent-losing" elites, including low-income urban populations, and why spatially dispersed peasant farmers could not be expected to offer effective support to the reforms, despite their situational positions as potential winners. However, the studies did not take into account ways in which livelihood responses and changes in structures of opportunities affected the institutional contexts in which strategies of resistance and pro-reform alliance politics were being pursued.

In the field of economics itself, significant efforts were under way at the same time to correct the weak institutional foundations of the neoclassical paradigm through work that focused specifically on how institutions develop as a response to solving efficiency problems (Williamson 1985; North 1990). The assumption that information is perfect—and that individuals not only have equal access to it but that they can make rational decisions that are unaffected by social and cultural influences—was questioned. It was pointed out that unregulated market transactions may produce chaotic outcomes because individuals have a propensity to cheat or engage in acts of wrongdoing as they struggle to secure advantages. The market, in other words, is devoid of trust and solidarity. In this new institutional economics perspective, institutions, acting through their governance



structures or regulations, are seen as specifically oriented toward solving problems of opportunism and malfeasance by reducing the potentially huge costs of quality control, reliability of employees and contract enforcement that are likely to confront economic agents if they are to be engaged in repetitive open market transactions. This approach did not challenge the neoclassical assumption of rational utility maximization and its focus on the individual in explaining economic behaviour. But the emphasis it placed upon transaction costs and imperfect information, and the low efficiency scores it accorded to collective endeavours (Williamson 1985:229), with their assumed “free-rider” problems, kindled a new wave of research on institutional constraints in economic reform. For instance, the perspective of information constraints informs some of the theoretical work on why African peasant women have been less responsive to market incentives to relocate from relatively low-paying food crop activities to high-income export crop sectors (Lockwood 1992). Also, the generally unimpressive record of agricultural production, despite consistent efforts in raising farm prices, has encouraged fresh research initiatives on rural institutions and possibilities of promoting an NGO (non-governmental organization) sector that may overcome the institutional problems of states and markets (Brett 1993; Uphoff 1993).

Significantly, the insights of transaction costs are also being felt in areas concerned with the reform of African state systems (Leonard 1993; Eggartsson 1990). The high costs of entry into national markets associated with rent-seeking activities, and the erosion of authority relations in state bureaucracies as a result of their massive penetration by private interests, could be said to have raised the costs of economic transactions in such countries and complicated the prospects for successful adjustment. Although the new institutional approach is useful in understanding how private enterprises create new organizational arrangements to overcome costs and uncertainties, it seems doubtful whether it can be applied with the same level of rigour to state sectors that are driven by a multiplicity of interests in which key decision-making actors are not always interested in promoting efficiency.<sup>3</sup> In this regard, one could interpret recent institutional reform efforts by the World Bank as an attempt to substitute Bank staff for the perceived lack of committed individuals or social groups in pushing for efficiency in African state systems.

We have, then, the emergence of an institutional perspective that is likely to have a strong influence on development thinking and policies. This perspective, as is also the case with many public administration approaches, sees institutional arrangements as an independent variable in shaping decisions and economic behaviour. Institutional reforms can be implemented by focusing almost exclusively on the internal structures of organizations, namely those relating to contracts; the structure of incentives and sanctions in the pursuit of organizational goals; the nature of institutional hierarchies, including role allocations and supervisory mechanisms; the elimination of waste in overhead costs; and the devolution of authority to lower levels of operations. These issues are important and need to be tackled if institutions are to function properly in any social system. However, the persistence of institutional inefficiency in many crisis economies that have attempted such reforms underscores the limitations of this approach and the need to look more closely at the social relations that govern behaviour within institutions and in the wider society.

---

<sup>3</sup> Williamson 1985; Granovetter 1992; Bardhan 1989.

Recent work in economic sociology offers a useful framework for analysing the links between social relations, institutions and economic behaviour.<sup>4</sup> Neo-institutionalists have been criticized for their functionalist assumptions that institutions that survive are invariably the ones that are efficient, ignoring issues of power in the defence of inefficient arrangements. They have also been criticized for ignoring questions of bureaucratic inertia, in which current actors benefit from inefficiency and continue to use institutions created by their predecessors even if they are no longer effective in carrying out bureaucratic tasks. Granovetter points out how organizational decisions and efficiency are often influenced not so much by formal governance structures but by personal or social relations within firms; and that social relations are important in regulating economic action irrespective of whether transactions take place within organizations or in the open market, and that these social relations play a powerful role in checking opportunism and malfeasance. The key concept in this attempt to reaffirm classical sociological and political economy approaches to the study of institutions and economic development is that of embeddedness: institutions and economic actions are rooted in a complex of social relations, which ought to be studied in order to gain a rich understanding of the character of institutions and their impact on development. This is especially relevant in the case of Africa where economic contraction has revealed personal relations, traditional values and networking as crucial to survival and accumulation strategies.

## **Economic Vulnerability and Coping Strategies**

Our starting point for understanding changes in Africa's social relations is the subject of coping strategies. By coping strategies, we understand the ways ordinary individuals and households organize themselves to make a living. These are largely influenced by the way individuals and groups are structured in society; their cultural values, belief systems and social networks, including their ability to mobilize family resources; the skills, assets and political connections at their disposal; the types of jobs they do; their gender; and their personal motivations. This range of possible determinants makes it difficult to talk about a unified response to changing opportunities, underscoring a need always to differentiate and classify individuals in as many ways as possible. Groups dependent on fixed incomes, such as industrial workers and state employees, are likely to pay much more attention to wages, social benefits and employment contracts than peasants and informal artisans, whose primary concern may be to improve market arrangements, prices, input and labour supplies, credit facilities and land availability. And employers of labour may be concerned with wage costs, social overheads, labour contracts, market opportunities and input supplies. The range of situational contexts also demonstrates a need to examine both individual and collective responses as the two are not always the same even for individuals in the same job situation and cultural milieu. Workers in export industries, whose real wages may have firmed up as result of company gains associated with devaluation, may behave differently from those in import-substituting industries, whose incomes may have fallen drastically as companies pass on part of the costs associated with devaluation to the work force. And within both types of industries, individual workers may have different types of social networks and motivations that may influence how they respond to incentives, or their lack. These different sources of livelihood responses underscore the

---

<sup>4</sup> Granovetter 1992; Portes and Sensenbrenner 1993; Baker 1990.

point that price stimulants may not always be decisive in influencing economic behaviour in many contexts where agents have to weigh in other considerations. Indeed, markets are always intertwined with a complex of social and political relations, producing a multiplicity of markets, rather than the idealized, abstract market found in much of the adjustment literature (Hewitt de Alcántara 1993).

Our treatment of the issues will be largely illustrative of the complexities of coping responses as they have affected social relations. Crisis and coping strategies obviously vary among and within countries, and it is difficult to make generalizations that would apply to the whole continent. For instance, in some countries where top-level salaries have not been extensively eroded, such as Côte d'Ivoire, Senegal and Togo (before the devaluation of the CFA franc), Lesotho, Swaziland and Zimbabwe, formal sector employees have not faced the same kinds of pressures for income diversification as their counterparts in other countries, although new formal employment opportunities seem to have dried up. Strategies of groups in farming sectors and informal enterprises also vary across and within countries to render generalizations difficult. They may vary, for instance, between countries with relatively large-scale plantation or capitalist agriculture, such as Kenya, Zambia and Zimbabwe, and those with predominantly peasant producers, such as Sierra Leone, Tanzania and Uganda. There may also be differences in coping strategies among different sets of farmers in semi-arid countries of the Sahel and those in countries where the land frontier has not been exhausted, such as Angola, Cameroon, Guinea, Sierra Leone and Zaire. We make no attempt, however, to carry out a detailed disaggregated country analysis as our main objective is to capture general trends which may be present to varying degrees in most countries.

The key coping strategy we seek to highlight relates to changes in the portfolio of income-generating activities, otherwise called multiple survival strategies. This refers to the tendency of agents or households to diversify sources of income as single activities prove insufficient to sustain livelihoods. Diversification strategies include migration, subsistence, remunerative work on commission or wage basis, and self-employment in farming and urban informal activities. They involve participation in a range of economic activities and social networks, and the balancing of individual and collective interests in ways that challenge conventional rules and relationships. The dramatic increase in such strategies in the 1980s stems from economic vulnerability and declining levels of expectations, and affects all income groups, including business entrepreneurs. For wage sector groups, sharp declines in real wages and social benefits, growing casualization of the workforce, periodic compulsory leaves and threats of unemployment act as catalysts to diversify employment and income sources. For peasant farmers, problems of food security related to rising inflation, shortages, ecological problems and input/infrastructural costs continue to act as pressures to diversify cropping systems and to resort to or expand off-farm operations. For informal sector artisans, large migrations of formal sector workers into the informal sector have increased competition and added pressures to diversify operations. And for many industrialists, market uncertainties, high interest rates, rising import costs and shortages of raw materials have led to new accumulation strategies involving informalization of some production activities and work relations. In order to grasp the range of situational contexts among different types of groups, we examine the dynamics of these processes in three key areas: the farming, informal and urban labouring sectors.

No single pattern of adjustment has emerged in the farming sector, given the varieties of pre-reform development strategies across countries, the different ways in which market policies were implemented in the agricultural sector, and the differing

cropping systems and climatic conditions.<sup>5</sup> Farmers in export sectors where markets have been liberalized seem to have done better than those in food crop sectors, although both have been seriously hit by rising input costs associated with subsidy withdrawal, devaluation and erosion of infrastructural and technical support. An UNRISD study provides evidence of rising incomes and revived accumulation among all categories of farmers in the Nigerian cocoa economy, even though prospects for sustainability may be undermined by continued low international prices and demand, escalating input costs, ageing trees and ecological problems (Mustapha 1992). Similar conclusions have been reached for cocoa farmers in Ghana, who were among the early beneficiaries of structural adjustment but whose real incomes have fallen in recent years as a result of setbacks in world demand and prices, and increased production costs (Sarris and Shams 1991; Jacobeit 1991). In countries where export crop marketing arrangements have not been fully liberalized, as in Tanzania, gains associated with the reforms have been concentrated in the less regulated food crop sector, although studies suggest strong favourable weather conditions, availability of consumer goods and possibly lower opportunities in off-farm activities as among the major reasons for the improvement (Havnevik 1993; Gibbon et al. 1993). Farmers in countries where there has been some diversification from controlled staple food crops (such as maize in Zambia) to export crops such as wheat, soya beans, cotton and horticultural products, seem also to have done relatively better than those in regulated food crop sectors—who are often smallholders.

As most of the gains in agriculture are associated with the export sector, it is worth stressing the point that export crop farmers constitute a minority in most farming populations in Africa. This is the case even in countries with a long history of export crop development, such as Nigeria and Ghana, where it is reckoned that about 80 per cent of the farmers are either food or non-export crop producers.<sup>6</sup> Furthermore, a substantial percentage of smallholders—in some countries rising up to 50 per cent or more—are net food buyers, and their levels of living have been negatively affected by upward adjustments in food prices.<sup>7</sup> An empirical study in two northern Nigerian villages shows the extreme vulnerability of smallholders to price changes. Because of storage and income constraints, smallholders are forced to sell their products early when prices are low and to buy their food requirements late when prices are likely to be very high (Meagher 1991). There are reports of land pledging and crop mortgaging by smallholders to rich farmers because the latter have the financial resources and storage facilities to support large-scale production.

Economic pressures on smallholders have reinforced, therefore, the multiple survival strategies that were already an integral part of farming life in most food crop sectors in Africa. Concerns for food security have also acted as a constraint on high-income farmers who would have preferred to specialize exclusively in export crops (Mustapha 1993; Berry 1985). Data for Tanzania indicate that about 25 per cent of smallholders' income is derived from off-farm work (Sahn and Sarris 1991; Havnevik 1993). Nigerian smallholders earn more than half of their incomes from off-farm activities, with the figure rising to between 60 and 85 per cent in some food deficit areas. Many such farmers use incomes earned from off-farm activities to procure basic inputs for their farming activities. Even in the export sector, where nominal incomes have been very high, about 25 per cent of all categories of farmers continue to depend on off-farm

---

<sup>5</sup> Meagher 1991; Gibbon et al. 1993; Mosley and Smith 1989; Demery and Addison 1987.

<sup>6</sup> Meagher 1991; Weissman 1990; Pearce 1992; Sarris and Shams 1991.

<sup>7</sup> Meagher 1991; Pearce 1992; Loxley 1990.

incomes for survival and accumulation (Mustapha 1993). The choice of off-farm activities is a function of social differentiation and gender differences, with smallholders concentrating on the increasingly competitive lower ends of informal activities such as hawking, load carrying, wood collecting, weaving and barbing services; and rich peasants focusing on more remunerative activities requiring higher levels of skills, risk taking and capital: repair work, tailoring, cross-border produce trade and medium-level commerce (Meagher 1991; Mustapha 1992). Women of all categories are reported to be worse off in diversification strategies because of traditional household responsibilities, inequalities in land ownership and rights, differential access to labour, and gender ideologies discouraging participation in some of the high-paying off-farm jobs.

A similar pattern of diversification and differential response to economic vulnerability can be observed in the rapidly expanding informal sector. Neoliberal theory is less categorical about the positive effects of market reforms on the informal sector, given the differentiated character of informal enterprises, particularly as they relate to input and output product use. However, adjustment policy itself treats the informal sector in more positive terms because of political imperatives of resettling retrenched workers in remunerated work (World Bank 1989). Several UNRISD studies of informal sector coping strategies in Zambia and Nigeria underscore the highly differentiated character of informal enterprises and the varied forms of multiple income-generating strategies. Enterprises involving high levels of skills or capital outlays—such as transportation, metal fabrication, small-scale manufacturing, tailoring and photography—have been relatively shielded from competition, and their owners seem to be making substantial profits. A study on small-scale manufacturing enterprises in eastern Nigeria records new investments in land and equipment and rising levels of incomes among most operators (Dike 1992). Studies on successful informal enterprises indicate that most entrepreneurs had bought their operating machines before the reforms. They have also developed networks of social support, such as the pooling of resources for electricity generation and transportation of commodities, mechanisms for extending credit facilities to members, and solidarity support in situations of harassment by local governments or the police. The rising costs of imported goods associated with devaluation and a search for local alternatives by consumers have also contributed to their success. Middle-class groups, whose living standards have been eroded, are reported in most countries to be entering the informal sector on a large scale. These groups often have better education, technical skills and political connections, which are useful in establishing flourishing enterprises. In Nigeria and Zambia they have taken advantage of special credit facilities allocated to the informal sector to launch more sophisticated services for middle-class consumers, many of whom had previously patronized traditional informal agents who now lack the resources to operate such services or to upgrade them to meet changing middle-class tastes (Meagher and Bello-Mohammed 1993; Chiwele 1993). Even for this category of better-off informal agents, however, there are serious supply and demand constraints relating to declines in national incomes and rising costs of raw materials and capital equipment, which are likely to affect profits in the long run.

Much of the competition and stress in the informal sector is concentrated at the lower end of operations, where incomes are generally low, and activities are oriented mainly toward survival. Most informal sector agents are trapped at this basic level of survival. A 1993 study on Nigeria records trends toward new forms of ownership relations emerging as a result of pressures on low-income groups. Low-income agents are being transformed into commission workers, and there is an emerging patron-client network

between small-scale informals and more successful service agents, organized around the use of high-cost equipment and technical knowledge (Meagher and Bello-Mohammed 1993). The majority of informal sector agents are under pressure, therefore, to diversify their sources of income. Estimates for the Nigerian town of Zaria indicate that 67 per cent of low-income informals are engaged in at least a second low-income activity, such as farming or petty trading (Meagher and Bello-Mohammed 1993). The data suggest that some low-income informals who had in the past combined farming with informal sector work are being forced by competition and lack of operating capital to revert back to subsistence farming. Roughly half of high-income entrepreneurs in the Zaria study pursue at least one secondary activity. The pursuit of multiple activities is more prevalent in the more lucrative informal small-scale manufacturing sector in eastern Nigeria, where diversification of investment tends to be the norm. The data suggest that most entrepreneurs are anxious to spread their risks because of uncertainties in the economic environment. In the Nigerian towns of Aba and Nnewi, 60 per cent of the entrepreneurs sampled have diversified their investments into farming, trading, transport, real estate, restaurant services and land purchases—all high-income activities (Dike 1992).

Household strategies have been central to the diversification of income sources among all groups. In this case, diversification involves not just the expansion of the activities of an entrepreneur, but also those of other members of his/her household, including spouses, children and dependants. Historically, female participation in remunerated work was relatively low in East and Southern Africa, as compared to West Africa, where the informal sector, and women's participation in it, was central to the subsidizing of industrial wages. Zambian national household survey data indicate a rapid increase in female participation in informal sector activities, from 46 per cent in 1980 to 57 per cent in 1986, and a ninefold increase in the 12-14 year age group working in the informal sector for the same period (Chiwele 1993). Women in Zambia tend to concentrate on a range of low-income activities, such as selling street food and collecting vegetables, which do not provide a basis for savings and enrichment. The Zaria study also indicates an increase in the proportion of women doing low-income informal jobs, including Islamic women in seclusion, who are increasingly being employed to do tedious jobs like traditional cap and gown cleaning for very low monetary returns (Meagher 1991). However, informal women's groups in the south of Nigeria have been engaged in relatively high-income trading activities involving, in some cases, long-distance trade within and out of the country, lucrative fashion design and restaurant services. The Zaria study provides interesting evidence on correlations between household size, number of incomes per household and income strategies of different groups. Low-income informal households with an average household size of 8.5 are reported to have raised their average number of incomes by 55 per cent since the reform programme started. Commercial groups, with an average of 12.1 household members have raised household incomes by 75 per cent. Formal wage earning groups with an average household size of 10.3 have increased their average number of incomes by 56 per cent. By contrast, the high-income informal households with the lowest average household size (6.2) have increased their average number of incomes by only 36 per cent, indicating an intensive income maximization strategy.

It is among the industrial labouring classes that the phenomenon of multiple coping strategies has been most dramatic, given workers' attempts in the pre-crisis period to pursue a strategy of defending a "living wage". Studies on Nigerian labour highlight a progressive proletarianization of the workforce in the period of the oil boom, when, as a

result of increases in real wages, workers began to settle down to a life of full proletarians and disengage from strategies involving straddling factory work and farming/petty trading activities (Mustapha 1992; Lubeck 1986). Zambia studies confirm a similar picture, where the copper boom of the 1960s and early 1970s strengthened the trade union movement, which was able to protect real wages and social benefits, giving rise to a high level of urban family dependence on the wage.<sup>8</sup> The co-optation into government of the trade union movement in countries like Côte d'Ivoire, Senegal, Tanzania and Cameroon has been linked to state/private sector commitments to pay survival wages and salaries. Indeed, the gains made by industrial workers in wages and social benefits in the early period of independence were seen by reform advocates as having resulted in a "labour aristocracy". In the eyes of such advocates, such an aristocracy constituted a legitimate target of attack in reversing rural-urban terms of trade.<sup>9</sup>

Recent International Labour Organization (ILO) studies on African employment and incomes collected in the *African Employment Report* indicate that many of these assumed advantages were seriously reversed in the 1980s. In one study (ILO-JASPA 1990) of 28 countries for which data were available, 27 showed considerable declines in real wages (30 per cent on average) in the 1980s. The real minimum wage fell by 20 per cent during the same period. Public sector wages fell faster than those in the private sector. The share of wages and salaries in total public expenditure declined by about 14 per cent in a period of just over seven years during the 1980s (Robinson 1990). Furthermore, there has been a sharp trend toward a compression of salaries and wages in a number of countries as wages lose their significance in the political economy. The study by ILO-JASPA of real starting salaries found that they fell in all 14 countries surveyed and that the lowest and highest grades narrowed considerably over a 10-year period in 11 out of 17 countries surveyed (ILO-JASPA 1990:35-36). Unemployment data for 11 countries, with roughly 60 per cent of the sub-Saharan population, average about 20 per cent; and the proportion of formal wage employees has drastically declined in relation to both the urban and national labour force (Jamal 1993). Estimates for Sierra Leone, Tanzania and Zambia indicate that wage employees now constitute on average only about 16 per cent of the urban labour force (Jamal 1993). Not only are formal wage employees a minority even in a highly urbanized country like Zambia, but the incomes and social benefits that accrue to them have also dropped dramatically; annual incomes in many countries are hardly sufficient to support one or two weeks of subsistence (Chew 1990). On top of this, workers have been made the victims of management strategies of casualization that have become prevalent among a number of private industries which seek to reduce their overhead costs, or match labour costs to the availability of raw materials and spare parts.<sup>10</sup>

Wage employees have thus invaded the informal and farming sectors to a significant extent. Their response to the crisis constitutes the most significant source of competition to traditional low-income informals because of the lines of activities wage employees get drawn into: urban farming, petty trading, small-scale transportation, load carrying, food vending and repair work. Many of their farming activities are for subsistence and seem to be done mostly by workers in cities that are surrounded by farm land. Transport costs act as barriers to any meaningful form of rural farming. Skilled workers, such as those in vehicle assembly plants and those handling electrical, welding,

---

<sup>8</sup> Chiwele 1993; Simutanyi 1993; Bates 1971; Jamal 1993.

<sup>9</sup> Bates 1981; World Bank 1981; Jamal 1993; Bangura and Beckman 1991.

<sup>10</sup> Olukoshi 1992; Abdullah 1991; Simutanyi 1993; Andrae and Beckman 1985; Bangura and Beckman 1991.

plumbing, repair and typing activities, have been able to combine formal employment with part-time work involving the application of their skills. Successful workers in these trades have opted to forgo overtime or weekend work in order to maximize the time spent in private businesses. In some cases, this has led to conflicts with management, especially during peak periods when employers are keen to make full use of their workers' labour time. Some studies indicate an increase in the diversion of labour time and equipment to private work and a rise in industrial cases relating to dismissals (Simutanyi 1993; Mukandala 1994). In some cases, staying on a job is much more important than receiving the wage that goes with the job, since the job may allow a worker to use enterprise facilities, access resources or build contacts. Absenteeism and shirking are more prevalent among public sector workers than private sector ones because of more stringent monitoring in the latter. However, high rates of casualization in the private sector exert pressures on private sector workers to pursue alternative options in the informal sector. Because of their low educational backgrounds and overwhelming location on the production line, doing work that does not require any special type of skills, women have experienced higher levels of retrenchment than men in the private sector enterprises that have been studied. Their subordinate positions in industry and low levels of participation in trade unions have further increased their vulnerability in the period of crisis. Data from a Nigeria study capture these trends, and indicate that despite the growing proletarian consciousness among sections of female workers, more than 40 per cent of them still look forward to fully relocating to the informal sector where they believe they will be in control of their own lives and businesses (Abdullah 1991).

These fundamental shifts in African coping strategies have been the subject of some theorizing in the adjustment literature in recent years, with Jamal's being among the most perceptive (Jamal 1993; Jamal and Weeks 1993). Jamal links Africa's failure to conform to orthodox prescriptions of adjustment with changes in the structure of its labour market: rural activities have become fused with urban ones within African extended family systems, thus immunizing both rural and urban households from the anticipated shocks of price changes. The implication of this argument is that urban workers no longer behave differently from their rural counterparts, as they both produce the same kinds of goods and services. Therefore, the terms of trade which the reform programmes have sought to correct have been internalized within extended family households that straddle rural-urban and formal-informal divisions. The two classic divisions that formed the basis for theorizing how groups and households are likely to benefit or lose from adjustment have thus become meaningless. This view is perceptive and, in some ways, original. It no doubt aids our understanding of what could happen to Africa's economies if the majority of its households in urban and rural areas were exposed to the same types of employment activities and incomes. But the main question is whether this has happened to the extent suggested by Jamal's analysis. There is a tendency to assume an equalization of opportunities across households. The analysis does not take into account the profound levels of differentiation among groups engaged in multiple income activities, including the unequal ways incomes and responsibilities are distributed within—often very large—extended family households. One implication of this lack of emphasis on social differences is a tendency to underplay some of the negative effects of price changes on large sections of the urban and rural poor, and to implicitly assume that multiple survival strategies effectively cushion households from the adverse effects of adjustment. This does not capture the problems of localization, reduced consumption of goods and services, and the desperate resort to subsistence forms of livelihood that are often associated with the



strategies of marginal groups. The UNRISD studies demonstrate some of these differences in group and household responses to the changes in incentives, even when employment patterns appear to be similar among groups.

## **Coping Strategies and Changes in Social Relations**

What changes in social relations have been associated with the coping strategies outlined above? Here we focus mainly on the broad processes of change necessary for defining the parameters of the institutional crisis. We structure the discussion along four main themes: social polarization; multiple social identities; truncated modernization; and stalemates in the configurations of political power. Social polarization refers to key divisions that have emerged in social relations, which act as constraints on efforts to promote social compromise. Polarization weakens attempts to nurture a middle ground, including “middle class” support groups, whose preoccupations can be identified with the pursuit of moderation and compromise. Multiple identities refer to changes that have occurred in the values of individuals located in multiple work situations that are likely to influence institutional regulations and loyalties. Their proliferation tends to undermine efforts aimed at socializing agents in the governance structures of institutions, leading to employee indifference or sabotage of rules. Truncated modernization deals with the breakdown of the post-colonial project of development, including its underlying assumptions and values. It expresses itself in an expansion of traditional and informal practices. In institutional terms, it reflects a crisis of the overarching norms and values that are necessary for making formal rules effective in regulating employee behaviour and system-wide transactions. Furthermore, changes in the configurations of power highlight ways in which structures of power affect coalition-building strategies, institutional performance and policy implementation. These deal with the key question of political authority, whose absence in society may expose institutions to perennial conflicts and fragmented interests and loyalties.

### **Social polarization**

The complex ways in which social groups and households have responded to the crisis and reforms have sharpened old social divisions and introduced new forms of polarization. These include a widening of differentials in incomes and standards of living between major reform beneficiaries and the rest of the population; divisions and conflicts within and among beneficiary groups and losers; a weakening of rural-urban relationships; and increasing inequalities among ethnic groups and regions. The first type of polarization deals with the levelling down process that has accompanied the crisis and the pursuit of fragmented income strategies. The case studies demonstrate that this levelling down process has affected all sectors and social groups, even if some groups have done better than others and have profited from the general decline. Among those who have done exceptionally well are small groups of individuals with secure access to foreign exchange, either through the influence they exert on state institutions or the control they wield over transactions involving the export of commodities such as precious minerals, timber products, agricultural and manufactured goods, drugs, currencies, etc.<sup>11</sup> These are very diverse groups and are involved in a complex of transactions straddling the

---

<sup>11</sup> Mustapha 1993; Meagher 1991; Chachaga 1993; Mamdani 1991.

boundaries of legality and illegality. They should be distinguished from the rest of the population, including some categories of farmers, workers and informal entrepreneurs who, as we have seen, have also benefited from the reforms as a result of their association with some of these thriving sectors, but whose locations in such businesses do not allow them to capture most of the benefits. The latter groups are confronted with problems of rising costs which continue to act as pressures on profit margins and wages.

At a general level of conceptualization, one can lump these relatively better off groups with the mass of urban and rural groups which have experienced distinctly downward pressures in their standards of living. It would seem necessary also to include in this general category large sections of the middle class who currently constitute a “new poor”. A defining characteristic of the coping strategies of all these groups is the drastic cutbacks they have made on their household expenditures, their resort to cheap and inferior quality goods and services, and their pursuit of subsistence strategies for a number of commodities they previously purchased from the market. One of the best ways to capture this first level of polarization would be through data on national income distribution, but such data are unavailable for most crisis economies. In any case, even if such data were available, there still would be problems with their reliability given the informal—and in some cases, illicit—ways high incomes are currently being earned, which national statistical systems may not be able to cover adequately. Some multilateral agencies involved in the study of long-term trends in development indicators believe that more than half of the continent’s population now lives in absolute poverty, and that the incomes of two-thirds of the total labour force may have fallen below the poverty line in the 1980s (UNDP 1990; World Bank 1990).

This polarization is obviously most important when considering issues of social compromise at the national level. Societies which are highly polarized in economic terms, with small or stagnating middle-income groups, find it difficult to embark on successful growth strategies, or to construct national institutions that command the loyalty of their citizens. Such groups may be too busy trying to survive the crisis and in some cases may, in fact, provide a rallying point to disaffected groups with chauvinistic political objectives. The successful growth strategies of East Asia, for instance, have partly been linked to the existence of a stable and economically secure middle class and improvements in earnings and social services by low-income groups. Effective strategies of institution building should include, therefore, policies specifically aimed at rebuilding the middle ground and narrowing polarization. This polarization, important as it is, does not capture, however, other types of divisions that may be relevant for understanding the problems of social compromise, especially as they relate to the workplace. Our case studies and published literature suggest that patterns of divisions have emerged or deepened within each broad social category, whether it is workers, farmers, informals, business groups or middle classes. In the case of workers, for example, those in export industries, or in firms that have been able to generate a higher percentage of their raw materials from local sources (such as textiles, breweries, plastics), or those in extractive industries earning foreign exchange, have generally done better in defending wages, employment levels and social benefits than those in import substitution industries and the public service, which increasingly face high import costs that cannot be offset by foreign exchange earnings.

This has tended to affect the dynamics of labour relations and union politics, including attempts to define common union responses or solidarity in the context of the crisis. In the case of Nigeria, for instance, changes in market opportunities have strengthened unions in export-oriented industries within the national labour movement.

Unionists in weaker sectors seek affiliation to relatively more successful unions. This has led to conflicts among trade unionists within some of the not-so-successful unions in the debate over union restructuring. Furthermore, economically successful unions increasingly play mediating roles in the internal affairs of financially constrained ones. In the case of textiles in particular, which have benefited from rising export sales to neighbouring CFA currency countries, unionists have demonstrated a good record in defending workers' interests in the face of a general decline in the national real wage and employment opportunities and have come under pressure from workers in vulnerable companies for assistance in seeking employment in thriving industries. In Zambia, the Union of Mine Workers has always enjoyed a formidable presence on the Zambian labour scene because of the strategic location of the copper mines in the national economy. In recent months, it has supported management pressures for a general depreciation of the Zambian kwacha in order for salaries of workers to be paid—much to the discomfort of unions in import substitution industries, whose workers are rapidly losing their jobs as a result of high import costs associated with the depreciation of the value of the national currency.

The deepening of intragroup divisions can also be observed in the informal sector. As many individuals get pushed into the informal economy, socioeconomic divisions there become sharp. As we have seen, a relatively small group of informal entrepreneurs—with technical skills, capital assets and, in some cases, political connections—has been successful in exploiting new market opportunities, whereas the bulk of informal agents face very stiff competition in activities that can only guarantee the most basic form of survival. A general trend is for successful enterprises to employ family as opposed to wage labour<sup>12</sup> and for middle-class individuals to outcompete traditional informals in using state-subsidized credits that have been targeted at the informal sector. This has led to what Meagher and Bello-Mohammed refer to as a recomposition, as opposed to an equitable expansion, of the informal sector. Attempts to nurture and sustain work-based unions in the informal sector have faced serious constraints as a result of increasingly conflicting interests among agents in the same trade. Vulnerable agents have been less than enthusiastic about participating in such unions, which have attempted to maintain standard regulations in business practices. Hawkers in Zambia, for instance, defy pressures from more established traders and the government to restrict their trading activities to established trading zones (Chiwele 1993). More than a third of informal entrepreneurs in Zaria are reported to have withdrawn from unions formed in mechanical, metalwork and carpentry activities in the 1980s (Meagher and Bello-Mohammed 1993). In some cases, such as hairdressing activities, unionists had to mobilize local governments to get members to register with the unions. Small operators, concerned basically with survival, prefer the option of autonomy to union rule fixing, whereas large operators are worried about standards and prices, which they suspect the small operators are subverting. In Zaria's informal sector as a whole, only about 8 per cent of entrepreneurs continue to participate in work-based unions. Instead, there is a proliferation of ethnic-based unions, which focus on a number of welfare issues like burials, naming ceremonies and credit facilities.

Similar trends in polarization have been observed in the rural economy, where income differentials stemming from unequal access to labour, land, credits and inputs are widening between rich peasants and smallholders, particularly those in food deficit areas,

---

<sup>12</sup> Meagher and Bello-Mohammed 1993; Dike 1992; Chiwele 1993.

and between women and men. Such divisions take on an added dimension when we consider the plight of smallholders in food-deficit areas and rich farmers in export zones where incomes have been high;<sup>13</sup> or the divergence between sharecroppers and farm owners in the cocoa economy over control of the economic surplus and the distribution of farming responsibilities and input costs (Mustapha 1992). Sharp divisions are also emerging among professionals, academics and bureaucrats as a result of the highly unequal ways in which individual members within each category have penetrated state institutions as well as the links they have nurtured with transnational organizations and activities involving travel, consultancy and networking. The effectiveness of professional associations has been affected by these developments (Bangura 1994).

These two types of polarization have affected both ethnic relations and rural-urban configurations in a number of countries, further sharpening divisions in those areas. To start with, as social groups were already unevenly structured in most countries, the unequal distribution of adjustment-related costs and benefits has exacerbated ethnic and regional differences. Successful export crop zones often belong to specific ethnic groups as is the case with cocoa in Ghana and Nigeria, where northern groups hardly produce export commodities following the collapse of the groundnut economy and the diversion of cotton products to domestic use in textile factories. Some of the ethnic conflicts in Nigeria have centred around issues of who has rights of participation and ownership in the cocoa industry, and have affected the privatization programme in that sector (Mustapha 1992). Also, export industries may be located in specific regions and may employ a high proportion of workers from local areas as is the case with the Bemba in the copper mines of Zambia, riverine ethnic minorities in Nigeria's oil-producing states and Ashantis in Ghana's gold mines. During periods of economic uncertainties, groups from regions where such industries are sited attempt to maintain their monopoly in the labour market or increase pressures on national policy makers to raise revenues allocated to such regions. Militant protests for a greater share of national revenue by those who live in areas where most of the national revenue is derived have been particularly sharp in the oil-producing riverine communities of Nigeria in recent years. This has led to a deployment of federal government troops to quell the protests and considerable loss of lives to local populations. The most dramatic case has been that of the Ogoni people's demand in Rivers state for a greater share of the oil revenues to protect threatened livelihoods and the repressive way the government has handled their demands.

Also, some ethnic groups have had a historic advantage over others in nurturing certain types of skills and capital which are essential in taking advantage of changing structures of incentives. The dominance of Igbos in the distribution of auto-mechanic parts in all major Nigerian towns, Yorubas and Igbos in the taxi/long-distance bus service, Hausas in city bus services and in informal currency transactions, are cases in point. Many of the religious and ethnic conflicts that have taken place in northern Nigeria in recent years could be linked partly to shifts in opportunities associated with economic differentials arising from job specialization along ethnic lines. The dominance of individuals from the Middle Belt and the South in middle and lower sections of the formal sector, including middle-level enterprises, in prominent northern cities is a source of conflict between these groups and the Hausa/Fulani—as is the belief by elites from the Middle Belt that Hausa/Fulanis dominate the top echelons of most public sector establishments. The narrowing of opportunities following the collapse of oil revenues has tended to deepen

---

<sup>13</sup> Sarris and Shams 1991; Pearce 1992; Weissman 1990.

hostilities. Some ethnic groups develop tightly knit networks of solidarity to dominate particular lines of economic activity and make it difficult for outsiders to gain entry and remain sustainable. This is often the source of many conflicts, as those who feel excluded or disadvantaged activate latent hatreds among their communities. This may lead to periodic violence and feelings of insecurity among their competitors, especially if the latter constitute a minority in the contested zones. The tensions that have erupted recently between ethnic groups in the mainland of Tanzania and those in Pemba and Zanzibar are linked partly to mainland fears of alleged Zanzibari domination of Tanzanian politics, following the accession of a Zanzibari to the presidency and the belief that this group has used the institutions of the state to gain advantages in economic activities. These allegations have also been levelled against the Asian business community, which is generally seen as the main beneficiary of liberalization (Booth 1990), given the advantages it enjoyed in commerce during the pre-adjustment period. Some African elites, who dominate the bureaucracy, complain that the previous socialist development strategy prevented Africans from using the state sector to accumulate capital, and that Africans are therefore disadvantaged in current efforts to privatize the parastatals.

Rural-urban divisions have also tended to sharpen even though reformers had expected some reverse migration to rural areas following the dramatic changes in rural-urban terms of trade. Rates of urbanization have definitely slowed down for some countries in recent years, but for many others internal strife and environmental degradation have pushed many people to urban areas and complicated the picture of urbanization. Ghana's census suggests that rural-rural migration tended to be much more pronounced in the 1980s than rural-urban migration; and in Zambia there are indications of a slowing down of the rate of growth of the urban population, already very large by African standards, vis-à-vis the rural growth rate (Chiwele 1993). Surely, there have been small-scale re-migrations to rural areas as part of long-standing traditional strategies of urban dwellers aspiring to retire to the village or cultivating rural relationships that would be useful for other social and political objectives. Researchers report such special cases, but do not find any new strategies involving a massive reorientation of economic activities by urban households toward the rural sector or of plans for relocation to that sector. Where reverse migration has occurred on a massive scale, as in the case of the Ghana returnees resettlement scheme in the 1980s, evidence suggests that most of those resettled in rural agricultural schemes have found their way back to urban areas (Dei 1993). Urban families have responded to the food crisis and price changes not by going back to their villages, but by growing their own food in the cities. Most workers may find it difficult to pursue any viable large-scale farming activity in rural areas because of low incomes and rising input costs, and the economic and social problems smallholders face in the villages is well known to urban dwellers. Private firms concerned with rising import costs of raw materials, such as textiles, breweries, and beverage and cigarette companies have been active, of course, in strategies of backward integration, which involve direct farming or investing in peasant farming activities for industrial use (Andrae and Beckman 1985). Some companies and private individuals have also invested in agricultural trade, particularly export crops, and research indicates conflicts of interest between these external actors who are interested in quick profits in foreign exchange, and peasant producers who are concerned with protecting the gains of liberalization (Mustapha 1992).

Studies also indicate that rural-urban ties are weakening in a number of other ways. High transport costs have drastically reduced the number and frequency of visits to rural areas and vice versa, even including those for social ceremonies like burials, marriages and

festivals, which were traditionally seen as important occasions to renew or consolidate ties with rural/townfolk. A Zambian study of informal sector traders indicates that they have opted instead to strengthen social relations at the marketplace in order to be able to fulfil these social obligations in burials and marriages (Chiwele 1993). A number of case studies also suggest that remittances from urban to rural families through the extended family system, which in the past were important in procuring inputs for agricultural production, are in serious decline.<sup>14</sup> Urban families can no longer afford to make such payments. The circulatory patterns of rural-urban labour migration seem also to have been negatively affected by the crisis and the decline in opportunities for those trapped at the lower end of the informal sector. Many small-scale farmers used to raise part of the capital for the purchase of farm inputs by working in informal urban sectors during off-farm periods. With the economic decline and the intensification of competition in the informal sector, such opportunities are drying up. This may partly explain some of the shifts in migratory patterns along rural-rural lines that have been recorded in Ghana, where the decline in urban opportunities was very sharp in the 1980s.

### ***Multiple social identities and loyalties***

Most social groups in Africa have traditionally developed a complex of identities that encompass values based on kinship relations, ethnic affiliations and workplace socialization. Individuals often feel cross-pressured as they respond to problems at the workplace, in their ethnic environments and in national politics. Studies on group dynamics have drawn attention to problems which institutions have always faced when they try to get their members to uphold one type of identity and restrict their propensities for flexibility and ambiguity. Unions and professional associations, for instance, have been relatively more effective in mobilizing members to defend livelihoods than in getting them to follow worker/professional-based parties in national politics, where members may value other identities in structuring choice (Melson 1971); and it is common knowledge that workplace relations have often been influenced by extra-institutional affiliations.

What has changed is not the nature of the interpenetration of workplace identity and societal values, but the character of workplace identity itself. In the past, it was fairly easy to distinguish between professionals, industrial workers, farmers, entrepreneurs and informal economic agents. However, many of the characteristics that were central in defining the identities of such groups seem dated as a result of the diversification of employment strategies. As we have seen, a worker, for instance, is likely also to be a farmer, a petty trader or an artisan; and an academic or a bureaucrat could be a business entrepreneur, a farmer, a technocrat or a transnational actor who derives a substantial part of his/her income from global relationships. And it has become much more difficult to define who an informal entrepreneur is, given the large number of qualitatively different individuals who have invaded the informal economy. At a certain level of abstraction, one can talk about an emerging fusion of identities for particular sets of groups, such as certain strata of professionals, bureaucrats and academics among the middle classes; landless rural groups and the urban poor among marginal groups; and the casual strata of the industrial labour force, large sections of traditional informal sector groups and some smallholders.

---

<sup>14</sup> Meagher 1991; Chiwele 1993; Simutanyi 1993; Mushota 1993; Meagher and Bello-Mohammed 1993.

The groups classified in each of the three categories would seem to share similar types of jobs and work practices, even if they are located in different geographical and workplace settings, suggesting changes in social stratification. For example, it is becoming difficult to distinguish between certain strata of academics, bureaucrats and professionals because of the convergence of their coping strategies and work schedules. The idea of academics spending some of their time in the bureaucracy and private sector may not be surprising any more as university teachers are known to be part of an emerging technocracy for economic reform in several countries. But it is interesting to note that some bureaucrats are not only involved in the private sector and tapping overseas opportunities, but are also active in the world of academia as a result of a general shortage of full-time academic staff in some universities. Universities have been forced to hire part-time staff with an academic background from the bureaucracy and private sector to save some academic courses and departments from collapse. The labouring classes provide another example. As many industrial workers are turned into casual labourers, they come to share the characteristics of traditional informal sector groups and many smallholders, all of whom combine casual work with informal and farming activities.

As a result of these changes, the capacity of institutions to shape the workplace identities of their members has been undermined. In fact, many formal institutions have suffered a serious decline in staff time because of the fusion of work boundaries. When combined with the fusion that has also taken place in work relations among other sets of social groups at lower and upper levels of society, the implications for the functioning of regulatory regimes, codes of behaviour and the nurturing of institutional loyalties are enormous. This has implications for collective bargaining and mobilization strategies. Despite the decline in their institutional reach, most organizations continue to operate in hierarchical and non-participatory ways, further alienating the mass of their low-paid employees. However, employers increasingly find it difficult to discipline their employees since the wage/salary—although part of the overall survival strategy—may no longer be central to it. In this case, employees may be disposed to take risks that may challenge institutional regulatory mechanisms and codes of behaviour. They may not be sufficiently socialized into the *governance structures* of their organizations for the latter to be sure of their unquestioned loyalty.

Ordinarily, the power of employers is likely to increase during periods of deep recession because of high unemployment, which tends to weaken union/worker militancy or individual acts of malfeasance. This has happened in private sector enterprises where employers have been able to pay existing workers wages that are higher than what such workers might receive from alternative sources. In such situations, the threat of losing the job in the face of rising unemployment acts as an effective instrument in the hands of employers to get workers to behave properly on the shop floor. In most other cases, particularly in the public sector, where wages currently constitute a small proportion of the total income or expenditure needs of workers, the power of employers over their workforce may not be so decisive in periods of high unemployment. In the public sector, even those who are supposed to supervise and discipline subordinate employees may be caught in the search for or consolidation of alternatives, making them less enthusiastic in carrying out orders. And in many private sector firms that do not pay adequate wages, despite the existence of stringent monitoring devices, employees may still find ways of evading regulation through feigning illnesses, collaborating with supervisors to be absent from work, or clandestinely converting official resources to private ends. The main point we seek to stress is that the existence of formal regulations may not be sufficient to ensure

compliance under conditions of low remuneration and multiple income strategies. Even in cases where employers' hands may be strengthened by the existence of unemployment and the lack of viable alternatives for workers, the former may not always be able to dismiss workers at will because of the costs of paying retrenchment benefits and gratuity, which could be financially crippling during periods of recession. Socialization, not threats of dismissal, is a more effective way of securing employee commitment to institutional goals. This has been eroded under crisis and adjustment.

The experience of institutions with a middle-class component is illustrative of the problem of undersocialization. Professionals and academics in the public services, who were highly privileged groups in the 1960s and 1970s, have defied previously enforceable regulations of state loyalty by engaging in long periods of industrial strikes in the 1980s as the crisis and policies of restructuring eroded incomes and standards of living. Such groups have been central in mobilizing sections of the urban population against structural adjustment and authoritarian rule. Attempts by political leaders to enforce loyalty to the state and stem the rising opposition from such groups through enforcement of existing bureaucratic regulations have been ineffective. Furthermore, civil servants in most countries have become indifferent to bureaucratic norms of discipline as they pursue livelihood and other interests that are detrimental to the proper functioning of the public bureaucracies. This incomplete or declining socialization has implications for the way disputes may be handled. Lack of commitment to institutional goals, or alienation, may encourage either apathy or violent outbursts as a form of protest. In a way, it parallels early forms of working class incorporation into industrial life, where high levels of worker turnover, absenteeism and seasonal work practices were observed as strategies used by workers to resist the rigours of proletarianization as they opted instead for less regulated peasant and informal sector lives. Workers' militancy relating to industrial sabotage, occasional violent assault of employers during disputes and various forms of shirking on the shop floor have been linked to workplace relations of domination, low remuneration and, significantly, *exit options* available to employees (Andrae and Beckman 1991; Lubeck 1986).

Problems of regulation and loyalty can also be observed in institutions that are meant to defend the interests of employees themselves, such as unions and associations. These may not always succeed in mobilizing members for group action if members are too absorbed in pursuing alternative options and the unions/associations in question do not have a good record of defending group welfare. This seems to be the case in countries like Sierra Leone, Tanzania and Uganda where union militancy is traditionally low and workers have devised low-level subsistence strategies for dealing with the crisis. Even in countries with high levels of union militancy, such as Ghana, Nigeria and Zambia, it is possible to distinguish periods when unions were much more effective in calling their members out on strike (namely, the period of early reform when workers had not diversified their options and believed in the efficacy of union interventions) and periods when union influence in industrial relations has waned (namely, the late reform period when workers settled into alternatives and strikes lost their potency as instruments for seeking redress). Unions may still be able to organize large strikes of short duration, as demonstrated in the relatively effective Nigerian labour strike over petroleum subsidies in 1993 that contributed to a change of government, but seem highly constrained in pursuing long, drawn-out disputes which might involve continuous mobilization and use of financial resources. When disputes do drag on, as is the case with many strikes involving unpaid or badly paid teachers, satisfactory settlements are often rare and teachers seize the opportunity to consolidate their operations in the informal sector.



Spectacular eruptions, not structured negotiations leading to durable and mutually respected settlements, seem to be one of the more visible outcomes of this weakening of union power.

The erosion of regulatory mechanisms at both ends of the social spectrum may largely explain why it has been difficult to work out social pacts or reach agreements that key actors in society will honour. This problem lies at the heart of Africa's institutional crisis. Existing institutions seem unable to mediate social conflicts. Social actors are increasingly faced with a "prisoner's dilemma" of whether to abide by rules which others may not follow, especially as dominant actors seek shortcuts to the resolution of difficult conflicts by manipulating the institutions themselves.

### ***Informalization and truncated modernization***

Social relations have changed in ways that have undermined the modernization process associated with post-colonial development. The modernization project in Africa had well-defined characteristics and should not be confused with literal meanings of the term, which may identify all current activities as extensions of the march toward or away from "modernity". Modernization itself was associated with a particular way of organizing society, a distinct structure of accumulation, and a set of values and beliefs for regulating social behaviour and state systems. In terms of social organization and accumulation, a "modern" society was to be created by a gradual but progressive relocation of groups into formal institutions. The informal sector was to play a subordinate and transient role in the transition to modernity, as it was assumed that the expanding formal economy would be able eventually to absorb all groups and sectors of society. In some countries in East and Southern Africa, as opposed to those in West Africa, informal urban activities were severely restricted as both colonial and independence rulers attempted to maintain orderly and regulated businesses in the cities. The developed Western society was held up as a model for the emerging ideal African society. Peasant surpluses, rents earned from the activities of mineral-extracting companies and foreign capital were to provide the resources for the nurturing of classes of individuals who would uphold "modern" values in the public bureaucracy, industrial factories, university systems and corporate organizations. This was to be achieved through massive funding of formal educational and health systems, social protection schemes and a salary or wage that would guarantee a decent or adequate level of living. These groups were to be segregated partially from the rest of society through special housing arrangements provided by the state and private companies, and official regulations which insisted on the nuclear family model as the criterion for enjoying social support. Those who were better organized, or occupied strategic positions in the social structure, were much more successful in taking advantage of this relatively untargeted system of resource allocation, which meant that peasants fared worse than other groups—especially the governing/business elites and middle classes in state capitals.

The state was to play a central role in the economy, society and polity as the chief agent of modernization. It was to uphold a secularist view of development, essentially by relegating religion and tradition to the private arena, and pursuing a centralization strategy of national ethnic integration. Groups which saw themselves as the custodians of the traditions of society, such as chiefs, networks of elders, religious leaders, Koranic and traditional teachers, herbalists, hunters, secret society organizers, etc. were downgraded to the informal, "unseen", traditional arena, even though their influence on the wider society and on many of those in the modern sector remained enormous. State actors

recognized the ethnic diversities of their societies, but believed that the best way to maintain national unity was by concentrating power at the centre and promoting a national consciousness that would be devoid of ethnic cleavages. The state was to be a nation state as opposed to a multinational or multiethnic state. This centralization strategy delegitimized the everyday cultural and social practices of the vast majority of groups in rural and urban areas. The use of foreign languages in official discourse helped to disguise the utopian character of this strategy of integration. Agents of central power could claim linguistic/cultural neutrality at the official level, while they remained heavily imbued in ethnic consciousness and maintained themselves in power by converting the “nation state” into an ethnic state.

The crisis and changes in social relations associated with the coping strategies discussed above have dealt a blow to this modernization project. The formal economy not only employs less labour than the informal, but its capacity to absorb labour from informal and traditional sectors is severely blocked; it is unable to sustain a living or satisfactory wage or salary for its employees; and the romantic vision of the withering away of peasant and informal sector livelihoods has met with a rude shock. The formal economy is not only not growing, but it is no longer seen by the majority of those who work in it—and those it previously excluded—as the driving force of society. The conquest of the formal economy by forces acting informally has never been so comprehensive. The accumulation strategy on which the drive for modernization depended has been in crisis since the 1970s. Peasant surpluses and mineral rents have dried up as a result of factors ranging from low local producer prices and support services to falling international commodity prices and demand; and economic decline has been compounded by declining foreign investments, capital flight and high debt service obligations (Ghai 1992). States’ capacities to intervene effectively in the economy, in social policy and in the polity have been seriously eroded. A small and truncated formal sector rests uneasily on a vast network of informal and traditional activities.

With this loss in state capacity has come a distinct loss of legitimacy. The artificial boundaries that separated modern institutions from the rest of society have been broken. There is an unprecedented revival of religious, traditional, and ethnic movements in most countries. Traditional actors have entered the social stage not so much by taking over modern institutions, but by articulating a new power of relevance at local levels where states are no longer effective in mobilizing their populations for national projects. For instance, in a village in Guinea-Bissau, the failure of state agents to address the social and economic problems associated with the crisis is forcing parents to abandon modern education in favour of Koranic schooling for their children, where local religious teachers or *mallams* hold complete sway (Rudebeck 1990). Traditional herbalists, soothsayers and syncretic religious sects are thriving in most West African cities where rising poverty, problems of youth unemployment and a lowered sense of expectation push many urban dwellers to seek solace in traditional alternatives (Ibrahim 1991). Kingdoms which had been wiped out or undermined as centralization projects got under way, such as those in Uganda and the Lozi in western Zambia, seem to be enjoying support for their revival among their different subjects. Christian and Islamic religious leaders are making a strong showing in many countries where such forms of politics were subordinated in the past to other types of cleavages. In Nigeria, religious leaders entered the political centre stage in the mid- to late 1980s as religion became a primary medium of struggle among the country’s various ethnic groups. Traditional methods of organizing political discourses, such as the village *palaver* and the *Mbongi* or lineage system, are being advocated in some

places like Zaire to replace what are perceived to be failed modern forms of political representation and discourse (Wamba dia Wamba 1992). Religious revivalist sects, secret societies and traditional hunting organizations and festivals, with a high level of middle class participation, are enjoying renewed popularity in Sierra Leone as a cultural response to the crisis.

As these forces gain momentum, individuals in modern society, including state officials, increasingly turn to them to strengthen their hold on power and on society. The marabouts continue to play a key role in regulating rural electoral behaviour in Senegal and both government and opposition parties compete to enlist their support. The governing party in Zimbabwe provides official support to traditional spirit mediums as a way of regulating rural behaviour and social conflicts. And various governments have rushed to set up religious affairs departments in order to regulate the activities of the new actors. Some leaders have attempted to alter the secular character of their states by declaring official support for only one type of faith (Christianity in Zambia, Islam in Sudan) or by participating in international religious organizations, such as the Organisation of the Islamic Conference, which compromise the religious neutrality of their states (Nigeria, Sierra Leone, Tanzania). States, political parties, unions and interest group organizations increasingly have to deal with this secular process of informalization and resurgence of religious and traditional practices, but their modes and styles of operations have not been restructured in ways that will enable them to respond constructively to the new challenges. The centralizing and modernist ideology persists and acts as an obstacle to a resolution of the crisis.

This new phenomenon of fragmentation and informality has implications for the secular and impersonal norms and values that state bureaucracies and interest group organizations have attempted to develop since colonial rule. Formal rules and regulations are likely to be ineffective in situations where the social norms and values that underpin such rules are profoundly different from the substance of the formal rules themselves. Sociological studies affirm that it is often social norms and values rather than formal rules themselves that motivate individuals to behave in desirable ways. The rules mainly act as a last line of defence against non-compliance. The erosion of the modernist project calls for a major rethink of the rules of bureaucratic behaviour. It challenges theories of development and social change that were dominant in the 1960s and 1970s. Despite the major theoretical and ideological differences that existed between Marxist and modernization scholars writing on developing countries, both had a unilinear view of development in which social forces associated with the modern sector were expected eventually to overcome so-called atavistic values and develop into fully formed classes as they struggled to push the fledgling economies along lines of capitalist or socialist development. Both saw traditional values and forces as constraints on the projects of social transformation, but paid little or no attention to them in terms of how they should be nurtured and regulated, implying that they were unlikely to play any major positive role in the new societies that were evolving. They could only act as a setback, or an obstruction, to economic growth and development. Dependency scholars were less optimistic about growth and modernization because of what they saw as an essentially externally driven strategy of development which did not give national states sufficient autonomy to chart their own path of development. But the recipes for the ideal type auto-centred development paradigm which many of them advocated paid little attention to the role of traditional and informal forces in shaping the strategies of state actors expected to delink from the world market.

### ***Stalemates in the configurations of power***

Such complex changes in social development and state-society linkages are bound to alter the configurations of social forces and the balance of political power. This has happened, however, in ways that do not support the assumptions of neoliberal/development theory. Neoliberal reformers had assumed that changes in structures of incentives in favour of tradables would empower market-oriented groups, who eventually would be strong enough to enforce new rules of behaviour in state and society. Initial authoritarian and technocratic interventions to tilt the balance of opportunities in favour of trade-based beneficiaries were expected to give way to a new configuration of social forces in which beneficiaries would command a hegemonic status and legitimacy. The multilateral funding agencies obviously recognized the structural weaknesses of beneficiaries during the early phase of the reforms, which partly explains why they were unrelenting in their crusade to dismantle the policy-making traditions and development strategies associated with previous ways of organizing society. Apart from the well-known strategy of withholding international finance to recalcitrant governments, the IMF and the World Bank attempted to swing the balance of power in favour of reformers by delegitimizing opposition to structural adjustment. A myth was propounded around the idea of “no viable alternatives to adjustment” to silence or side-track critical and well-meaning intellectuals and labour unionists who were keen to promote national discourses that they hoped would lead to broad-based alternatives. The funding agencies also introduced a culture of secrecy in economic decision-making where the informed public, including persons with professional competence, was prevented from gaining access to the details of restructuring programmes, a practice that was out of step with the post-independence traditions of open discussions of development plans. They undermined research institutions and organizations that were likely to be critical of the reform programme (witness the hasty dissolution of the Prices and Incomes Commission in Zambia following the advent to power of a government that is more committed to adjustment than its predecessor), and promoted new national research institutions and regional research and training networks to provide intellectual and technical support to the new policy.

This strategy of changing the balance of forces in favour of the reforms met with a lot of resistance from many African governments and societies. In countries with fairly well-defined traditions of development strategies, such as Tanzania and Zambia, in which post-independence regime change had been low or non-existent, resistance to the reforms came from both interest groups in the state bureaucracy or ruling party and groups located in the wider society. Societal interest group resistance was strong in countries such as Zambia where urban groups were much better organized and the state’s developmentalist philosophy less penetrating. Rapid post-colonial regime change in other countries, such as in Nigeria and Ghana, made it easier for new governments to accept the reforms even though there were varying degrees of implementation. Resistance in this set of countries emanated primarily from organized interest groups. However, whichever set of countries one deals with, the evidence indicates that in no country were the configurations of social forces restructured in ways that ensured the establishment of a solid support base for the reforms. Even in the case of Ghana where the reforms were much more rigorously implemented than in any other country, the critical change in the structure of power was achieved before the reforms were put in place. The key political change occurred during the “revolutionary” phase of the regime in 1982–1983 when powerful groups in business, politics, the professions and the army were treated to a shock therapy of repression as the new government attempted to rid the society of what it

saw as corrupt practices. That earlier militant and violent intervention profoundly changed the political culture and discourse by introducing deep divisions and suspicions between state officials and critical sections of society, which the reform efforts subsequently consolidated and deepened. It may partly explain the failure to build a solid pro-reform coalition in the country after more than 10 years of adjustment, and why the business class remains staunchly opposed to the chief architects of the reforms, Rawlings and the PNDC/NDC (Provisional National Defence Council/National Democratic Congress), despite the gains many of them made during the reform years.

The changes in social relations highlighted in previous sections make it unlikely that any simple coalition of forces can be built either to support or resist the reforms or offer alternatives that can be defended over any extended period. Given the various levels of polarization and complex ways social relations are being restructured, no theory of group dynamics that is based on an assumed profile of fully formed winners and losers is likely to provide sufficient insights into the options that may be available to construct social coalitions for group or state action. There are no simple winners and losers, and a variety of social contradictions mediate economic behaviour and connect winners and losers in complex and non-deterministic ways. The only clear winners, as we have seen, are the disparate groups of individuals linked to transactions involving the movement of currencies. Many of their activities are so non-transparent that they are unlikely to provide any credible leadership to the increasingly distressed majority population in rebuilding the battered institutions. Much of society is structured in ways that require a series of trade-offs if large groups of individuals are to be fully attracted to national projects or coalitions for effective development. Such trade-offs will have to take into account not only the disparities that have emerged in levels of living and social relations among and between groups, but also the differentiation that has occurred along ethnic and regional lines and between rural and urban communities. These are tasks that are likely to demand much more time, effort and resources than the situation obtaining during the pre-crisis period when the divisions were not so complex. The new social realities call into question attempts of governments and financial institutions to impose narrowly defined reform programmes on these societies. The stalemates in the power configurations exacerbate already evident weaknesses in national structures of authority whose resolution is crucial if state institutions are to be provided with the foundations for purposeful developmental action.

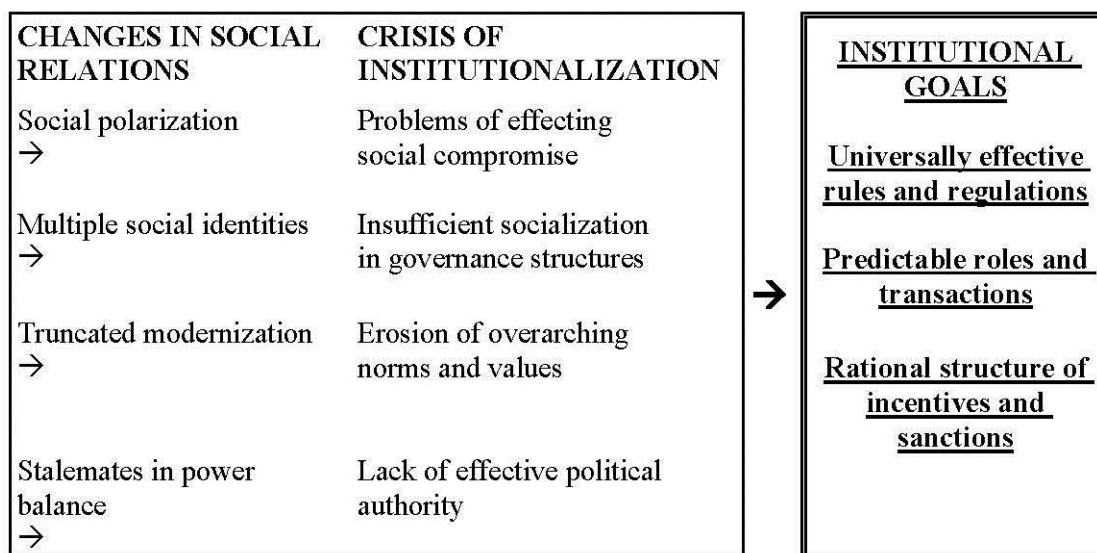
## **Social Change and Institutional Development**

What general conclusions can be drawn from this discussion that will contribute to an understanding of the problems of institution building in crisis economies? As we stated in the introduction, by “institutions” we understand a bundle of rules in social relations which structure behaviour in predictable ways. These need not take organizational forms, although the institutions we are concerned with, namely states and interest group formations, are organizational in character. Institutions are necessary for the proper functioning of markets and political systems. They ensure that outcomes in economic and political transactions are converted into the conventions, norms, and ultimately traditions which are necessary in regulating conflicts and allocating benefits and punishments. Institutions can act as constraints on individuals who may wish to impose their will on society, while at the same time they can facilitate orderly programmes of transition to new

social arrangements. While creating spaces in civil society through rising state incapacity to control dissent, Africa's institutional crisis simultaneously makes it difficult for recent gains in civil liberties to be extended to other critical sectors of the political system, and to push through viable economic development programmes.

The previous section attempted to establish a connection between changes in social relations and problems of institutionalization. It posited a link between, on the one hand, issues of polarization, multiple identities, truncated modernization and stalemates in the power balance, and on the other hand, problems of social compromise, socialization in governance structures, overarching norms and political authority. The linkages at these four levels would need to be kept in mind in any discussion of institutional development, particularly as it relates to state systems. The first part of the linkage provides the social context in which current institutions function, and the second highlights the structural constraints which influence the pursuit of institutional goals—i.e., the third part of the linkage. A successful strategy of institutional reform must focus on all three dimensions of the problem: changes in social relations, the crisis of institutionalization and institutional goals. A focus on just the institutional goals is unlikely to grasp the significance of the qualitatively different pressures that are being brought to bear upon formal institutional actors who are expected to defend the goals. An exclusive focus on the goals or the internal arrangements of organizations would be justified only in situations where external social processes and values are in fundamental agreement with the values and objectives of the institutions. Where these diverge, policy would need to pay great attention to social relations and institutionalization constraints. These linkages are highlighted in figure 2.1.

**Figure 2.1**



Indeed, the institutional goals themselves will need rethinking and profound reform if they are to be relevant in the context of current changes in social relations. There are three basic elements of the institutional goals that are worth considering. The first concerns the establishment of *rules and regulations* which have the same meaning and relevance for social groups and individuals acting within different organizational settings in a given territorial space. In the context of the changes we are dealing with, such rules

and regulations must attempt to break the hollow dichotomy between formal and informal transactions by making informal and traditional interests and values central to national standards. They must aim to legitimize the traditional and open up issues in those areas for public discourse so that national laws will be both just and non-discriminatory in the way they allocate advantages and disadvantages among groups and communities. Part of this effort would require a new approach to national programmes of education which, in most countries, have largely ignored traditional rights and legal/belief systems. While upholding the principles of human rights and civil liberties, national institutional rules and regulations must make sense to all segments of society in order for individuals and office holders to be held accountable for their actions in different social contexts. This is all the more relevant under conditions of multiple coping strategies where individuals move in and out of a complex of socioeconomic settings. It will help regulate current practices in which dominant elites and office holders commit crimes or acts of malfeasance in the public arena and seek refuge and support in traditional settings.

Institutional goals also concern the development of *predictable roles and transactions* as embodied in organizations with a high level of bureaucratization, or in village/tightly knit community settings where trust and personal interactions help to check opportunism. How such predictable transactions can be established in largely informalized societies undergoing rapid change is one of the contemporary challenges of development theory and practice. Using the impersonal market instruments of legal contracts and the institutions of private property rights seems insufficient for the complex transactions and levels of market penetration that exist in such societies. Finally, institutional goals deal with the pursuit of *rational structures of incentives and sanctions* necessary for influencing the behaviour of actors who are expected to enforce institutional rules and objectives. This includes issues of salaries, social benefits, training, career advancement, accountability and participation. Issues of incentives cannot be handled effectively outside of the context of social pressures affecting institutional actors as they try to cope with changing economic opportunities and respond to the coping strategies of other groups.

As we can see, some of the tasks of institution building are internal to the institutions themselves, while others have a much more societal dimension and may require more long-term strategies of regulating social behaviour. The nature of the crisis and social change suggests that a focus on just the internal institutional goals is likely to produce inadequate results and evade the need for fundamental reform. Many of the Bank's efforts in the area of institutional reforms have concentrated on the internal governance structures of bureaucracies. The excessive focus on the internal has been informed by earlier assumptions of the need for a passive state in promoting a market economy that reformers believed was ready to be liberated. In this view, African states were seen as inefficient and overextended, unable to serve society equitably and effectively, and blocking the emergence of private entrepreneurs whose profit maximizing strategies would minimize inefficient transactions and raise national income levels. Institutional reforms were concerned, therefore, with rolling back the state and have focused on retrenchment, privatization, decentralization, organizational restructuring and the promotion of NGOs. Of these five areas, the only policy that deals with wider societal issues is that on NGOs. Furthermore, none focuses directly on questions of democracy except the policy on decentralization, which has tended to be formalistic as it hardly challenges existing power structures in national and local government bureaucracies.

The major work in institutional reform has been in the areas of retrenchment and privatization. Retrenchment is seen as necessary to reduce budget deficits and inflationary trends, and to introduce higher remuneration to motivate existing staff. Despite the strong focus on this area of reform, the empirical evidence indicates that most countries failed to reduce their budget deficits and inflation rates in the 1980s (Jespersen 1992). Expenditures on salaries and wages declined relative to total public expenditures in the 1980s (ILO-JASPA, 1990), and they constituted much smaller proportions of national expenditures than those incurred on debt servicing and military obligations. Furthermore, payments of retrenchment benefits compounded the problems of attaining budgetary balance and had to be rescheduled or scaled down in a number of countries. Much more importantly, there is no country where the policy of retrenchment has been offset by a pay and benefits policy that is adequate for maintaining staff livelihoods. Retrenchment and salary realignments have not weakened multiple survival strategies, nor have they won back the institutional loyalties of staff in any significant way.

The policy of privatization has proceeded rather unevenly across Africa. Quite apart from the weak or non-existent financial institutions in most countries, which make it difficult for markets to discipline private entrepreneurs, many of the companies that have been put up for sale have not been bought, partly because of their loss-making records and low levels of optimism in investment decisions pertaining to manufacturing. In some cases, uncertainties over the future of the companies and the status of their personnel have aggravated the institutional crisis and affected the supply of critical goods and services. The attempt to sponsor NGOs to take over the delivery of some key services, particularly in rural areas, has been fraught with problems. NGOs, like the states they wish to supplant, are faced with problems of efficiency and accountability (Brett 1993; Vivian and Maseko 1994) and it is doubtful whether they can substitute local organizations and states in rebuilding national institutions. Recipients tend to see NGOs as donors who ultimately may disappear from the scene, as their activities are not embedded in the social traditions of the communities they serve. A Zimbabwe study found that rural people were much more prepared to make claims on government institutions—even when they did not always get what they demanded—than they were with regard to NGOs, suggesting a very low level of NGO institutionalization (Vivian and Maseko 1994).

Strategies aimed at supporting a process of institutionalization that would lead to effective rules, predictable transactions and viable incentives for institutional actors would need to address three main issues. These have a bearing on the four dimensions of social change highlighted in previous sections. The first concerns questions of livelihood, social polarization and multiple identities. A crisis in livelihoods affects the internal functioning of institutions in two fundamental ways: employees' use of office time to pursue non-institutional goals, and the channelling of institutional resources to private ends. Given the massive erosion of living standards among most social groups, and the shifts that have occurred in strategies of income maximization, it would seem unlikely that any one institution, let alone the state, would be able to guarantee secure livelihoods to its employees in the foreseeable future. Even if incomes were raised to "satisfactory levels", the widening gulf between international and national incomes would suggest that most individuals in bureaucracies, some of whom have developed transnational linkages, would resist attempts to restrict their income sources to one institution. At one level, this trend is not unique. Flexible work specialization has also been observed in industrial economies undergoing profound changes in accumulation. The rise of post-modernism has been



associated, in fact, with shifts in work practices (Harvey 1989). However, a major difference in the changing structures of work between developing and industrial countries is the presence in the latter of social regulations and remuneration which ensure that staff time and resources are allocated more or less according to institutional requirements. A key issue that would need to be confronted in highly informal developing economies is how to create standard societal rules and regulations that individuals would be accountable to as they move from one set of institutions to another. In order that such rules may be effective, organizations may need to be restructured in ways that would encourage transparency in transactions and internal democracy in decision making. This will enable concerned bureaucrats and their allies in society to expose institutional malpractice.

A related problem is the issue of remuneration and how this is linked to the deepening processes of polarization. Poverty in most countries is so extensive, and the divisions among groups, sectors and regions so deep and pervasive, that it simply would not make sense to recreate a privileged minority in the formal economy and institutions. What may be required is a massive intervention in the social sector to guarantee fulfilment of basic needs in education, health, transportation and nutrition. Much of the traumatic experience of hitherto privileged groups relates to the very large expenditures they have had to incur by way of private provisioning to maintain satisfactory standards in basic social services. The response that is required in promoting and protecting social standards should not be bogged down by the kind of debate over universalism and targeting in which the World Bank and other agencies have been involved recently, but should take a hard look at the crisis of social provisioning in specific countries as it affects families, social groups, regions, ethnic groups and urban and rural areas. Such national systems of provisioning should have solid in-built arrangements for community and social group participation in order to prevent more powerful groups from diverting funds and services to their own ends. The social crisis is so deep and extensive in some sectors of provisioning that to focus social policy only on “vulnerable groups” undermines the vision that is required to come to terms with the crisis. In some cases, vulnerable groups are not a minority group, but encompass the majority of the population itself. Furthermore, institutional actors are connected to a wide range of families and social networks, which affect the way such actors are likely to perform their bureaucratic roles. Some basic level of social protection for all categories of individuals in key areas of basic health, education and transportation would seem necessary to ease some of the social pressures on institutional actors. The recent shift in IMF/World Bank thinking to incorporate social provisioning issues in policies of economic reform represents a positive move, but work in this area is still very limited and seems to be driven by a single ideology. Not enough funds and analytical resources have been allocated by states to their national social programmes, and the key ministry responsible for planning the interventions—social affairs—continues to occupy a very peripheral place in the bureaucratic structures of most governments. The kinds of interventions necessary in this field would require properly functioning statistical systems to monitor progress, and well-trained and committed individuals with an excellent knowledge of the social stratification and traditions of their societies.

The second issue that would need to be addressed in order to support a viable process of institutionalization concerns the role of culture in social development and institution building. This has both theoretical and policy relevance. At the theoretical level, it would seem obvious that a narrow focus on a single utility paradigm is unlikely to

capture complex patterns of socioeconomic behaviour in economies undergoing rapid change. Furthermore, state practices are not determined or shaped by only one type of rational behaviour. As we have seen, economic transactions are embedded in complex webs of social relations and state actors respond to various, often conflicting, demands. When societies experience prolonged periods of crisis, traditional/cultural practices become key elements in the economic decisions of social actors. These traditions are not static, however, but are constructed by different actors as they respond to new problems and needs. Relations of domination and subordination are reproduced and restructured in complex ways as actors attempt to interpret, utilize and mobilize traditional values to support their economic goals. This produces outcomes that may not correspond to a priori assumptions, underlying a need to always ground theoretical insights on strong empirical foundations when dealing with such societies.

At the policy level, a focus on culture has implications for the way the public/private dichotomy that has afflicted African state systems can be managed in ways that will promote institutionalization. One of the ways neoliberals have tried to handle rent-seeking problems is through liberalization and marketization. This strategy is often combined with conventional approaches that emphasize public probes on corruption and imposition of penalties on wrong doers. The fact that problems of rent-seeking have persisted in economies undergoing reform indicates a need to consider alternatives. Rent-seeking agents have always relied on informal traditional networks to frustrate efforts at regulating their activities in the public sphere. The point, of course, is that these traditional networks are not private, but have been made to look that way by government policies which provide legitimacy only to formal networks (Ekeh 1975).

All social systems have mechanisms for ensuring accountability and for disciplining wrongdoing. Traditional mechanisms of accountability will need to become an integral part of national systems of accountability if anti-institutional practices of dominant groups are to be regulated. Legitimizing the traditional public sphere as an integral part of national accountability systems will not, of course, on its own, produce positive results. Many local societies are deeply divided and patron-client networks may ensure that small privileged groups continue to pilfer public resources by playing off one set of communities against another. Effective processes of accountability also need some level of awareness by community members of public issues and readiness to criticize public policies and actions of officials. Such traditions of critical scrutiny of local authorities may be absent in some societies, but they already exist in a number of others, where traditional rulers have to ensure that public functions and services are carried out to maintain their legitimacy among their subjects, even when they allocate to themselves a larger share of the resources. Given the low levels of literacy in such societies, budgets will have to be translated into tangibles (such as number of bore holes, drugs, educational materials, fertilizers, farm implements, etc.) for members to be able to monitor their disbursement and be interested in defending their entitlements. This means that low-income groups in traditional/informal sectors, which constitute the majority of the population, will have to be given large concessions in resource allocation and political leverage for them to feel part of national development efforts and be concerned with disciplining rent-seeking individuals who claim to represent their communities. The fact that rent-seeking activities make most people worse off suggests that efforts aimed at tilting the system of resource allocation and decision making in favour of underprivileged groups are likely to generate considerable support. Anti-corruption probes have always been popular among most sections of society when new governments come to power.

Such probes have been ineffective, however, because of the missing elements of resource distribution and political control in favour of groups in traditional and informal settings. This analysis also has implications for activist individuals concerned with probity and positive social change. They would need to focus a good part of their struggles in informal and traditional sectors to prevent rent-seeking and neotraditionalist groups from monopolizing the discourse on culture and tradition.

The third issue concerns the role of social forces in disciplining institutions. Social struggles are central to the process of institutionalization, and organized interest groups play a key role in this process. Pressures from groups disadvantaged by policies of exclusion and institutional inefficiencies are essential for the setting of boundaries to state and private corporate power, ensuring public probity, and promoting individual rights and good governance. This relates to the issue of establishing effective authority relations. Institutions are likely to be ineffective in situations where political authority is absent or largely inoperative. Throughout the 1980s, the IMF and the World Bank were sceptical about the positive roles of social groups in promoting development and good governance, since the activities of such groups tended to put many of the reform policies into question. All organized groups were seen as having vested interests which needed to be repressed if the reforms were to have any chance of being implemented (World Bank 1989; Beckman 1992). Given the fragmentation dynamic and the presence of diverse groups and interests in society, it seems highly unlikely that centralized dictatorship would provide the political authority necessary for rebuilding the weakened institutions. Political liberalization and real devolution of power to lower levels of authority are the logical policy frameworks for responding to fragmentation and informalization.

In this regard, there have been shifts in World Bank policy toward some support for democratization in recent years as struggles for political liberalization intensified in most African countries in the 1990s, and as major bilateral donors tried to tie international assistance to issues of democratization and human rights. However, the pattern of democratization has been highly uneven and prospects for the creation of stable and effective political authority seem ambiguous because of a failure to rethink the question of power and its distribution among social groups and ethnic/regional formations under new circumstances. As in the policy of structural adjustment, there has been an attempt to impose on these societies a single political formula with strong "winner takes all" electoral arrangements, which might make sense only in relatively more homogenous, stable and economically prosperous societies. Relatively free and fair elections have been held in 10 countries (Benin, Burundi, Cape Verde, Lesotho, Madagascar, Malawi, Mali, Niger, South Africa and Zambia) even though the military has attempted a come-back in two of these, with considerable loss of lives to local populations in Burundi. Civil strife or wars rage on in eight others (Angola, Chad, Liberia, Mozambique, Rwanda, Sierra Leone, Somalia and Sudan). And incumbents have refused to let go of power in a majority of the remaining cases as elections are either rigged or opposition groups are frustrated in long, drawn-out national conferences. Even in countries that have conducted free elections, winning parties continue to flout basic procedures of democratic practices, and it is doubtful whether future elections will be as free as the first ones. Existing institutional arrangements seem unable to mediate interest group and state strategies, which will break the deadlock that informs most political processes in the continent. Political authority, the backbone of institutional development, cannot be nurtured under conditions of stalemate.

The key problem is how to ensure that key institutions are sufficiently insulated from the control of any single group, or coalitions of narrowly defined groups, while they continue to serve the public interest. Based on the evidence of social fragmentation and anxieties over exclusion and vulnerability, it would seem counter-productive to impose a single formula of democratization on these societies. Electoral systems and political frameworks would need to be devised that would have in-built provisions for power-sharing among ethnic groups under competitive party arrangements, so that potential losers in electoral contests would not always feel threatened by the possible negative consequences of defeat. These would need to be backed up by programmes of devolution of real power and resources to the lowest strata of society where groups are much more likely to have effective control over their representatives. Such transparently administered political pacts at various levels of society, reviewed periodically, would allow political parties, interest groups and NGOs to protect some of the gains they have made in civil liberty in recent years, and deepen their work of mobilization and organization without the ever-present threat of state or opposition violence/arbitrariness, much of which is associated with feelings of insecurity by office holders/seekers and their allies in society. Such arrangements might also allow institutional actors to develop some degree of autonomy from the governments they serve. They might help to demystify the electoral process which currently blocks discussions of other pressing issues of social accountability in the allocation and administration of public resources, and facilitate the nurturing of an independent media and judiciary.

Finally, two conditions are necessary to promote the kinds of institutional reforms discussed in this chapter. The first concerns the retrieval of national sovereignty in policy making from the international financial institutions. Successful national institutions can only be built by those who run, benefit or suffer from their operations. External agencies and interests should facilitate, not lead, processes of national development and institution building. Where national actors have failed to grasp the need for and direction of change, no external force, however powerful and well-meaning, can substitute for the missing national capacity and vision. It will only postpone the necessity of building that capacity. What happened in the 1980s with respect to structural adjustment should not be allowed to repeat itself in the search for effective institutional arrangements to promote economic development and democracy. The second condition concerns the need to approach development issues from a multifaceted perspective and avoid the temptation to indulge in single formula ideological prejudices. The problems are so complex and the changes under way so profound that a standard prescription cannot work in one country, let alone for all countries. To paraphrase Barraclough's (1991) imagery of markets and states: markets can be good servants when properly supervised, but they have been historically bad masters when they have been allowed to dictate the course of development in social life. The key issue in social development is not whether there should be state or market interventions, but "what kind of interventions and how much" (Barraclough 1991:258).

## References

- Abdullah, H.J. 1991. *Women in Development: A Study of Female Wage Labour in Kano's Manufacturing Sector, 1945-1990*. Unpublished PhD thesis. University of Hull, Hull.
- Andræ, G. and B. Beckman. 1991. "Textile unions and industrial crisis in Nigeria: Labour structure, organisation and strategies." In I. Brandell (ed.), *Workers in Third World Industrialisation: Struggles and Strategies*. Macmillan, London.

- . 1985. *Industry Goes Farming: The Nigerian Raw Material Crisis and the Case of Textiles and Cotton*. Research Report No. 80. Scandinavian Institute of African Studies, Uppsala.
- Baker, W. 1990. "Market networks and corporate behavior." *American Journal of Sociology*, Vol. 96, No. 3, pp. 589–625.
- Bangura, Y. 1994. "Intellectuals, economic reform and social change: Constraints and opportunities in the formation of a Nigerian technocracy." *Development and Change*, Vol. 25, No. 2, pp. 261–305.
- Bangura, Y., and B. Beckman. 1991. "African workers and structural adjustment: A Nigerian case study." In D. Ghai (ed.), *The IMF and the South: The Social Impact of Crisis and Adjustment*. Zed Books/UNRISD/UWI, London.
- Bardhan, P.K. 1989. "The new institutional economics and development theory: A brief critical assessment." *World Development*, Vol. 17, No. 9, pp. 1389–1395.
- Barracough, S. 1991. *An End to Hunger? The Social Origins of Food Strategies*. Zed Books/UNRISD/SouthCentre, London.
- Bates, R.H. 1981. *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. University of California Press, Berkeley CA.
- . 1971. *Unions, Parties and Political Development: A Study of Mineworkers in Zambia*. Yale University Press, New Haven CT.
- Beckman, B. 1992. "Empowerment or repression: The World Bank and structural adjustment in Africa." In P. Gibbon, Y. Bangura and A. Ofstad (eds.), *Authoritarianism, Democracy and Adjustment: The Politics of Economic Reform in Africa*, Seminar Proceedings No. 26. Scandinavian Institute of African Studies, Uppsala.
- Berry, S. 1985. *Fathers Work for Their Sons: Accumulation, Mobility and Class Formation in an Extended Yoruba Community*. University of California Press, Berkeley.
- Booth, D. 1990. *Structural Adjustment in Socio-Political Context: Some Findings from a Local Study in Tanzania*. Hull Papers in Developing Areas No. 4. Centre of Developing Area Studies, University of Hull, Hull.
- Brett, E.A. 1993. "Voluntary agencies as development organisations: Theorising the problem of efficiency and accountability." *Development and Change*, Vol. 24, No. 2, pp. 269–303.
- Chachaga, C.S.L. 1993. "Forms of accumulation, agriculture and structural adjustment in Tanzania." In P. Gibbon (ed.), *Social Change and Economic Reform in Africa*. Scandinavian Institute of African Studies, Uppsala.
- Chew, D.C.E. 1990. "Internal adjustments to falling civil service salaries: Insights from Uganda." *World Development*, Vol. 18, No. 7, pp. 1003–1014.
- Chiwele, D. 1993. *Crisis, Adjustment and Social Change in Zambia's Urban Informal Sector*. UNRISD, Geneva. Mimeo.
- Dei, G.J.S. 1993. *Hardships and Survival in Rural West Africa: A Case Study of a Ghanaian Community*. CODESRIA, Dakar.
- Demery, L. and T. Addison. 1987. "Food insecurity and adjustment policies in sub-Saharan Africa: A review of the evidence." *Development Policy Review*, No. 5, pp. 177–196.
- Dike, E. 1992. *Economic Crisis, Structural Adjustment and Micro-Level Coping Strategies: Urban Informal Sector Small-Scale Industrial Entrepreneurs in Nigeria*. UNRISD, Geneva. Mimeo.
- Eggertsson, T. 1990. *Economic Behavior and Institutions: Principles of Neoinstitutional Economics*. Cambridge University Press, Cambridge.
- Ekeh, P.P. 1975. "Colonialism and the two publics in Africa: A theoretical statement." *Comparative Studies in Society and History*, Vol. 17, No. 1, pp. 91–112.
- Etzioni, A. 1990. *The Moral Dimension: Toward a New Economics*. The Free Press, New York.
- Ghai, D. 1992. *Structural Adjustment, Global Integration and Social Democracy*. Discussion Paper No. 37. UNRISD, Geneva.
- Gibbon, P., K. Havnevik and K. Hermele. 1993. *A Blighted Harvest? The World Bank and African Agriculture in the 1980s*. James Currey, London.
- Granovetter, M. 1992. "Economic action and social structure: The problem of embeddedness." In M. Granovetter and R. Swedberg (eds.), *The Sociology of Economic Life*. Westview Press, Boulder CO.
- Harvey, D. 1989. "From Fordism to flexible specialization." In D. Harvey (ed.), *The Condition of Post-Modernity: An Enquiry into the Origins of Cultural Change*. Blackwell, London.
- Havnevik, K.J. 1993. *Tanzania: The Limits to Development from Above*. Scandinavian Institute of African Studies, Uppsala.
- Hewitt de Alcántara, C. (ed.) 1993. *Real Markets: Social and Political Issues of Food Policy Reform*. Frank Cass, London.
- Ibrahim, J. 1991. "Religion and political turbulence in Nigeria." *Journal of Modern African Studies*, Vol. 29, No. 1, pp. 115–136.
- ILO-JASPA (International Labour Organization—Jobs and Skills Programme for Africa). 1990. *African Employment Report*. ILO-JASPA, Addis Ababa.
- Jacobeit, C. 1991. "Reviving cocoa: Policies and perspectives on structural adjustment in Ghana's key agricultural sector." In D. Rothchild (ed.), *Ghana: The Political Economy of Recovery*. Lynne Rienner Publishers, Boulder CO.
- Jamal, V. 1993. *Adjustment Programmes and Adjustment: Confronting the Parameters of African Economies*. Paper presented at the Rural Development Studies Research Seminars, Institute of Social Studies, The Hague, Netherlands, 24 November.

- Jamal, V., and J. Weeks. 1993. *Africa Misunderstood or Whatever Happened to the Rural-Urban Gap?* Macmillan, London.
- Jespersen, E. 1992. "External shocks, adjustment policies and economic and social performance." In G.A. Cornia, R. van der Hoeven and T. Mkandawire (eds.), *Africa's Recovery in the 1990s: From Stagnation and Adjustment to Human Development*. A UNICEF study. Macmillan, London.
- Leonard, D.K. 1993. "Structural reform of the veterinary profession in Africa and the new institutional economics." *Development and Change*, Vol. 24, No. 2, pp. 227–267.
- Lockwood, M. 1992. *Engendering Adjustment or Adjusting Gender? Some New Approaches to Women and Development in Africa*. Discussion Paper No. 315, Institute of Development Studies, Brighton.
- Loxley, J. 1990. "Structural adjustment programmes in Africa: Reflections on Ghana and Zambia." *Review of African Political Economy*, Vol. 17, No. 47, pp. 8–27.
- Lubeck, P. 1986. *Islam and Urban Labour in Northern Nigeria: The Making of a Muslim Working Class*. Cambridge University Press, Cambridge.
- Mamdani, M. 1991. "Uganda: Contradictions in the IMF programme and perspective." In D. Ghai (ed.), *The IMF and the South: The Social Impact of Crisis and Adjustment*. Zed Books/UNRISD/UWI, London.
- Meagher, K. 1991. *Priced out of the Market: The Effects of Parallel Trade and Market Liberalisation on Smallholder Incomes in Northern Nigeria*. Research report prepared under a Robert McNamara Fellowship. Zaria, Nigeria.
- Meagher K., and Y. Bello-Mohammed. 1993. *Informalisation and its Discontents: Coping with Crisis and Adjustment in Nigeria's Informal Sector*. UNRISD, Geneva. Mimeo.
- Melson, R. 1971. "Ideology and inconsistency: The 'cross-pressured' Nigerian worker." *The American Political Science Review*, Vol. 65, No. 1, March, pp. 161–171.
- Mosley, P. and L. Smith. 1989. "Structural adjustment and agricultural performance in sub-Saharan Africa." *Journal of International Development*, Vol. 1, No. 3, pp. 321–355.
- Mosley, P. and J. Weeks. 1993. "Has recovery begun? 'Africa's adjustment in the 1980's' revisited." *World Development*, Vol. 21, No. 10, pp. 1583–1606.
- Mukandala, R.S. 1994. *Alternative Livelihood Strategies Among Current and Former Parastatal Employees in Tanzania*. UNRISD, Geneva. Mimeo.
- Mushota, R. 1993. *Crisis, Adjustment and Social Change among the Urban Poor in Zambia*. UNRISD, Geneva. Mimeo.
- Mustapha, A. R. 1993. *Cocoa, Farming Households and Structural Adjustment in Nigeria*. UNRISD, Geneva. Mimeo.
- . 1992. "Structural adjustment and multiple modes of livelihood in Nigeria." In P. Gibbon, Y. Bangura and A. Ofstad (eds.), *Authoritarianism, Democracy and Adjustment: The Politics of Economic Reform in Africa*. Seminar Proceedings No. 26. Scandinavian Institute of African Studies/UNRISD/CMI, Uppsala.
- Nelson, J. 1989. *Fragile Coalitions: The Politics of Economic Adjustment*. Transaction Books, New Brunswick NJ.
- North, D. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge University Press, Cambridge.
- Olukoshi, A. 1992. *Crisis, Adjustment and Social Change: The Experience of the Kano Manufacturing Class*. UNRISD, Geneva. Mimeo.
- Pearce, P. 1992. "Ghana." In A. Duncan and J. Howell, *Structural Adjustment and the African Farmer*. ODI/James Currey/Heinemann, London.
- Portes, A. and J. Sensenbrenner. 1993. "Embeddedness and immigration: Notes on the social determinants of economic action." *American Journal of Sociology*, Vol. 98, No. 6, pp. 1320–1350.
- Robinson, D. 1990. *Civil Service Pay in Africa*. International Labour Office, Geneva.
- Rudebeck, L. 1990. "The effects of structural adjustment in Kandjadja, Guinea-Bissau." *Review of African Political Economy*, No. 49, pp. 73–78.
- Sarris A. and H. Shams. 1991. *Ghana Under Structural Adjustment: The Impact on Agriculture and the Rural Poor*. New York University Press, New York.
- Sahn, D.E. and A.H. Sarris. 1991. "Structural adjustment and the welfare of rural smallholders: A comparative analysis from sub-Saharan Africa." *World Bank Economic Review*, Vol. 5, No. 2, pp. 259–289.
- Simutanyi, N. 1993. *Crisis, Adjustment and Survival Strategies of Workers in Zambia: A Case Study of Railway Workers, Kabwe*. UNRISD, Geneva. Mimeo.
- UNDP (United Nations Development Programme). 1990. *Human Development Report: Concept and Measurement of Human Development*. Oxford University Press, New York.
- Uphoff, N. 1993. "Grassroots organisations and NGOs in rural development: Opportunities with diminishing states and expanding markets." *World Development*, Vol. 21, No. 4, pp. 607–622.
- Vivian, J. and G. Maseko. 1994. *NGOs, Participation and Rural Development: Testing the Assumptions with Evidence from Zimbabwe*. Discussion Paper No. 49. UNRISD, Geneva.
- Wamba dia Wamba, E. 1992. "Beyond élite politics of democracy in Africa." *Quest Philosophical Discussions*, Vol. VI, No. 1.
- Weissman, S. R. 1990. "Structural adjustment in Africa: Insights from the experiences of Ghana and Senegal." *World Development*, Vol. 18, No. 2, pp. 1621–1634.

**SOCIAL POLICY AND INCLUSIVE DEVELOPMENT**

Williamson, O.E. 1985. *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*. The Free Press, New York.

World Bank. 1990. *World Development Report 1990: Poverty*. Oxford University Press, Oxford

———.1989. *Sub-Saharan Africa: From Crisis to Sustainable Growth*. World Bank, Washington DC.

———. 1981. *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. World Bank, Washington DC.

## Chapter 3

# Elusive Public Sector Reforms in East and Southern Africa<sup>1</sup>

*Ole Therkildsen*<sup>2</sup>

(2006)

---

### Introduction

Few independent observers are prepared to defend the status quo of public sector arrangements in sub-Saharan Africa. As Mkandawire and Soludo (1999:135) write, the “need to reform African administrative structures to ensure efficiency and reduce the likelihood of corruption is obvious”; so is the need to increase democratic accountability. Such concerns are linked to debates about the proper role of the state and the market in countries where the prospects for significant economic growth are uncertain and state institutions are weak; where there are significant gaps between demand and supply of public services; where inequities in access to the services actually delivered are considerable; and where the legitimacy of many states is questioned.<sup>3</sup>

Three main questions derived from these debates are addressed in this chapter: Has the size of the state changed and its activities become more focused? Has public sector accountability improved? Is there political support for the reform initiatives? Kenya, Malawi, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe are included in the analyses. The period from the mid-1980s to around 2000 is covered.

As shown in the following, the answers to these questions are elusive and vary considerably across countries. On the one hand, official government and donor documents, consultancy reports and academic writings are full of visions and ideas about how to improve the public sector. On the other hand, seemingly well-designed reform

---

<sup>1</sup> Originally published as chapter 2 in *Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services*, edited by Yusuf Bangura and George A. Larbi (UNRISD and Palgrave Macmillan, 2006). UNRISD is grateful to Palgrave Macmillan for permission to reproduce this work.

<sup>2</sup> At the time of writing, Ole Therkildsen was Senior Research Fellow, Danish Institute for International Studies, Copenhagen, Denmark.

<sup>3</sup> Mutahaba et al. 1993; Bangura 1999; Batley and Larbi 2004.



measures are often undermined by political conflicts and poor implementation—or no implementation at all.

The analyses presented here are based on a literature review and on interviews with politicians and civil servants directly engaged in the reform work in the region. Available information does not, however, cover all countries and relevant issues equally well. Moreover, comparisons across countries and time are affected by problems of methodology and data, which this chapter shares with other writings on the subject. Analyses of more specific measures, such as reform of public enterprises, local government reform, sector and tax reforms, pay reform and changes in public expenditure management are not explicitly dealt with.

The chapter is divided into six sections. The first presents the general context of public sector reform in the region. Then each of the above questions is addressed in turn, followed by conclusions.

## **Reform Context**

The eight countries included in this analysis are very different with respect to political, economic, administrative, social and cultural history. They also differ in the size of the public sector, domestic resource base, donor dependency and level of service delivery. Four countries—Malawi, Mozambique, Tanzania and Uganda—are among the poorest in the world. Except for South Africa, all are heavily indebted, in particular Zambia. Six of the eight countries (apart from South Africa and Zimbabwe) had been approved for HIPC relief by the end of 2003 (Addison et al. 2004:7). During the past decade, democratization has affected political life in all the countries. However, prolonged civil war has afflicted Mozambique, South Africa and Uganda in the recent past. Moreover, several countries in the region are still engaged in armed conflicts or threatened by internal unrest. But even considering these difficult circumstances, most independent observers agree that public sector organizations in the region do not perform well. For many citizens the provision of law and order, education, health care, road maintenance, agricultural extension and other services has deteriorated. For the African public sectors to reach the Millennium Development Goals (MDGs) by 2015 is, therefore, an enormous challenge.

The roots of the public sector problems in Africa are contested. Some point to the importance of the marginalization of the continent in the global capitalist economy. Contrary to neoliberal claims, economic liberalization in Africa combined with the continued protection and subsidization in the North (especially of agricultural products) may undermine the economic growth of poor countries (Leys 1994; Wade 2004). These countries are also susceptible to extreme large-scale external shocks, such as volatile and declining terms of trade (Nissanke and Ferrarini 2004). This contributes significantly to the extreme resource scarcity of public sector operations and to their poor performance. Others single out poor macroeconomic policies as a major cause of fiscal instability, deteriorating economic growth and increased inflation that contribute to declining state capacity. In addition, the problems of the public sector in Africa are increasingly regarded as institutional and caused by inappropriate governance arrangements. They cause varying degrees of well-known “bureau-pathologies” (Caiden 1991:27): inefficiency, centralization, fragmentation, poor leadership, lack of capacity, patrimonialism, rent-seeking, corruption,

as well as poor accountability and legitimacy.<sup>4</sup> Some regard these problems as specifically related to “African” culture and ethnically segmented societies (Haque 1996; Chabal and Daloz 1999). Others challenge such generalizations (Therkildsen 2005).

Contested and changing views of the state and its role in development underlie these diagnoses. Donors, the World Bank and the IMF in particular, have been especially influential in defining the “problems” of the African public sector and the required remedies. Around the time of independence, in the 1950s and 1960s, the World Bank emphasized the state as a planner. In the 1970s, it focused on the state as the facilitator of development. This was replaced, in the 1980s, by the view of the state as a main problem. By the 1990s the view had changed once again: the state was now seen as an enabler of development (Marquette 2003:17). With the introduction of poverty-oriented debt relief (and the emphasis on Poverty Reduction Strategy Papers—PRSP—and MDGs), the donor view of the state is changing once again: the state is important and must play a more active role if the new poverty targets are to be achieved. Further changes lurk on the horizon. The emerging concerns about terrorism and its possible links to failed states may bring security issues onto the reform agenda (Fukuyama 2004).

The focus in this chapter is on the last two decades. During this period many reform initiatives have been driven by fiscal stability targets with the new public management (NPM) approach providing the conceptual basis for several reform measures as far as efficiency and accountability initiatives are concerned. NPM focuses strongly on performance (“value for money”, “economy, effectiveness and efficiency”) and transparency.<sup>5</sup> Specific NPM initiatives include the introduction of private sector styles of management practice; marketization and the introduction of competition in service provision; explicit standards and measures of performance; greater transparency; pay reform; and emphasis on outputs (Hood 1991). A number of measures that run counter to NPM are, however, also used. These include strengthening public expenditure and revenue management through increased central-level control over budgeting within specified budget frameworks; improving central financial controls and audits; and sharpening staff classification, establishment and recruitment procedures and the central control over these (Polidano 1999).

Whatever the particular circumstances of individual countries may be, the official language of reform reflects apparently similar efficiency and accountability concerns in all countries in the region. Indeed, it reflects an internationalization of that language. In South Africa, for example, the government aims to make the public sector

“needs based, designed to meet the needs of all citizens-customers...mission-driven and results-oriented...focusing on...results and outputs...based on a facilitative...state to mobilise the potential of civil society...thereby empowering the citizens to share the responsibilities of governance” (PRC 1998:chapter 3.1.3). The Ugandan vision statement (a fashionable word in many official reform documents) emphasizes “improved service delivery”, “smaller”, “more efficient and effective”, “performance-based”, “responsive”, “fully accountable for outputs” and “transparent” (MPS 1993).

In the current Public Service Reform Programme the focus is on “least cost...quality...and appropriateness” of services, and on a public sector that facilitates the “growth of a wealth creating private sector” (Mitaka and Katuramu 2002:82).

<sup>4</sup> Mukandala 1992; Kiggundu 1998; van de Walle 2001.

<sup>5</sup> Jann 1997:96; Larbi 1999; see also Larbi 2006.

There are several reasons for such similarities in stated visions. No doubt the language serves to “sell” reforms by seeking to convince domestic and external audiences that change is taking place, is desirable, or—failing that—is necessary or inevitable. Furthermore, many key decision makers regard the problems facing the public sectors in the region as similar (see, for example, the articles in Kiragu and Mambo 2002). A final reason is that most reform activities in the region are funded by donors (South Africa and, recently, Zimbabwe, being the exceptions). Thus, Africa has hosted the majority of World Bank projects with a civil service reform component since 1980 (Mukherjee 2003:table 2). Compared to similar World Bank reform projects elsewhere, the African ones have been the most intensive in terms of number and breadth (Berg 1999:2-4). Bilateral donors are also increasingly active. In poor, aid-dependent African countries donors should, therefore, be regarded as key actors in the policy and implementation processes.

This does not imply that public sector reforms are simply imposed by donors. There is often cooperation with domestic members of pro-reform political and bureaucratic elites. And there are conflicts with reluctant or anti-reformer elites about the content, speed and depth of reforms. Interest groups outside the political and administrative establishment often play a less prominent role in the reform processes, with labour unions being a clear exception in some countries in the region.

A final feature of the change processes in the region should be mentioned. A gradual shift in the functional responsibilities between the public and the private and voluntary sectors is taking place. It is mainly pushed by capacity declines of the former and pulled by increasing domestic and foreign financing of the latter (Semboja and Therkildsen 1995). Moreover, while reform-driven retrenchments have largely reduced employment at the lower levels of the public sector, professional and managerial staff are drained away from the upper levels by more attractive employment conditions in the private sector, among NGOs and donors, or in the international labour market. Brain drain is an increasingly serious problem (Commission for Africa 2005). Moreover, staff either abandon public employment entirely or straddle by combining a job in the public sector with private endeavours. In addition, the HIV/AIDS pandemic is increasingly taking its toll (de Waal 2003). These changes erode public sector efficiency and accountability, although their impacts differ widely across countries in the region.

Thus, despite similarities in public sector problems, reform language and objectives, and despite significant donor influence on the reforms in most countries in the region, there are significant differences in the scope, content, speed and impact of the actual reform work on the ground. The following empirical analyses of reform experiences in the region clearly illustrate this.

## **Have the Size and Activities of the State Changed since the Mid-1980s?**

Improved efficiency is the overriding aim of present public sector reforms in most African countries, as it is the holy grail of reform efforts in the North (Wright 1997:11). Reduction and refocusing of state activities are said to be needed because the state is overextended.

Arguments for such views are inspired by public (rational) choice theory, which emphasizes government rather than market failure. It focuses on rent-seeking in the public sector and on the need to contain the self-serving private interests of politicians

and bureaucrats. Principal-agent theory provides additional arguments for reform by identifying the problems of multilayered bureaucratic hierarchies, multiple principals with conflicting objectives, long-term and unspecified contracts between principal and agent, and monopolistic agents that are difficult to motivate and control. Finally, an institutional economics perspective is influential. The economic characteristics of goods and services—such as the excludability and rivalry in consumption, and the monopoly, scale-economy and externalities in production—are used to identify those goods and services that are most relevant for state involvement.<sup>6</sup>

The influences of these theoretical arguments have changed over the years concurrent with changing World Bank views. Thus, just a decade ago the World Bank (1994:99) argued that the “public sector lies at the core of the stagnation and decline in growth in Africa”. It has “taken on too much” in providing essential services such as primary schools, with too few resources and little capability, and it has failed as a result. The capability of the state—its ability to promote and undertake collective action efficiently—is overextended. Consequently, governments should concentrate their efforts less on direct intervention and more on enabling others to be productive. Furthermore, increased competition in service provision, both within the private sector and within the public sector itself, is required to raise efficiency. That means not just “less government” but “better government”. This focus on government failure dates back to the “Berg Report” (World Bank 1981). It overturned the conventional view of the previous 20 years during which a substantial interventionist role of the state was considered critical to overcome widespread market failures. More recently, the World Bank (1997:chapter 3 and p. 158) has taken a more balanced view of the role of the state in development. It now argues that “without an effective state, sustainable development, both economic and social, is impossible”. It proposes the following “core” functions: safeguarding law and order, protecting property rights, managing the macroeconomy to promote and regulate the market, providing basic social services and infrastructure, and protecting the vulnerable and destitute. In short, to improve state capability and efficiency requires macroeconomic stabilization and a refocusing of the role of the state on “the fundamentals” so as to increase efficiency.

Such views are contested. The faith in market solutions has been dented by the often disastrous socioeconomic consequences of liberalization in many of the post-communist transitional economies. The very uneven impact of structural adjustment programmes in sub-Saharan Africa has not helped either (Botchwey et al. 1998). Increased efficiency does not always proceed with increased effectiveness (the extent to which the objectives of a policy or programme are achieved). Proponents of the developmental state are, therefore, particularly concerned with its role in promoting development. They argue that “the fundamentals” for African countries cover a wider range of activities than those proposed by the World Bank and the IMF. They also argue that normative and political considerations are central to such decisions. An active and effective state is critical for equitable development in the poorest countries where the private sector is weak and where poor infrastructure, social service delivery and market structures are major constraints for development (Rapley 1996:124–125; Mkandawire and Soludo 1999:126–134).

In practice, the narrower view of core state functions has formed the basis for much of the actual reform work until recently. Consequently, the refocusing of public sector

---

<sup>6</sup> See also Batley and Larbi 2004:ch. 3.

functions is regarded as important in order to achieve capacity improvements. A variety of measures are used. These include staff reductions and changes/cuts in budgetary allocations among activities; restructuring of public organizations through the reorganization of ministries; and privatizing, decentralizing, delinking or hiving off of central government functions to local governments, other public bodies and NGOs or to the private sector.

Tables 3.1 and 3.2 present various indicators for changes over time in the size of the state and in its activities. The data are from different periods, depending on the specific country and indicator in question. Moreover, the time periods chosen (before and after the mid-1990s) reflect the fact that it was around this time that reforms in many countries moved from a focus on reductions and cost-containment to a focus on service performance. The recent emphasis on poverty alleviation, from around 2000, has not yet been captured by the statistics presented here. Moreover, the statistics are not always consistent across countries or between time periods. The quality and scope of data are still deficient despite a decade-long focus on government operations. Comparisons of trends should therefore be done with caution (Therkildsen 1999a:appendix 1).

**Table 3.1: Changes in the size of the state from the mid-1980s to around 2000 (compounded per cent change per year)**

	Government employment		Military employment		Real government consumption per capita	
	(mid-1980s to mid-1990s)	(mid-1990s to around 2000)	(mid-1980s to mid-1990s)	(mid-1990s to around 2000)	(mid-1980s to mid-1990s)	(mid-1990s to around 2000)
Kenya	1.4	0.4	4.2	0.0	-2.3	1.9
Malawi	2.0	2.8	-0.4	0.0	0.0	1.4
Mozambique	-0.8	1.2	-3.8	15.9	-0.6	13.8
South Africa	0.0	-3.9	-1.6	-7.5	0.3	3.1
Tanzania	-1.2	-6.1	-1.1	-5.6	-2.8	-9.7
Uganda	-3.0	3.0	5.5	8.3	5.6	8.7
Zambia	2.2	0.9	2.8	0.0	-6.1	-2.5
Zimbabwe	0.4	1.5	-0.3	-2.0	-4.0	0.4

**Notes:** Data for the period mid-1980s to mid-1990s from Therkildsen 1999a:appendices 2 and 3, which also indicates the exact periods to which the changes refer. Malawi data from Valentine 2003. Data for the period mid-1990s to around 2000 are from IISS 2003, the IMF (latest issue of country "Statistical Appendix"), the World Bank Africa database and the World Bank 2003. The exact period varies across countries and indicators. Data for Malawi, Mozambique and Tanzania are from Valentine 1999, 2001, 2002 and 2003.

With respect to changes in the size of the state, three indicators are used here. Table 3.1 shows that until the mid-1990s the size of the state—measured in terms of government employment—shrank in Mozambique, Tanzania and Uganda. The size remained fairly stable or increased in the remaining five countries during that period. Nevertheless, government employment measured in relation to population declined in all countries. Measured as general government consumption per capita, the size of the state has also declined significantly in all countries except Uganda (and remained fairly stable in Malawi, Mozambique and South Africa). After the mid-1990s, more countries are recording upwards trends in government and military employment as well as in per capita real government consumption. This reflects that the earlier strong focus on retrenchment has been replaced with new concerns about service delivery and (military) security. In

particular, Mozambique and Uganda, two countries that experienced civil conflicts in the past, have increased the size of their military employment significantly in recent years.

**Table 3.2: Changes in budget allocations (compounded per cent change per year)**

	Government wages and salaries/expenditures		Military spending (real per capita)		Government education spending (real per capita)		Government health spending (real per capita)	
	Wage bill (% of recurrent expenditures; mid-1980s to mid-1990s)	Real wages/salaries 1992-2001	Mid-1980s to mid-1990s	Mid-1990s to 2000	Mid-1980s to mid-1990s	Mid-1990s to around 2000	Mid-1980s to mid-1990s	Mid-1990s to around 2000
Kenya	-0.4	-5.8	-7.1	2.5	1.2	-0.9	2.0	0.0
Malawi	1.1	2.1	-6.1	-37.7	-1.1	5.7	1.4	-1.7
Mozambique	2.3	18.7	-15.4	5.0	n.i.	4.1	n.i.	15.5
South Africa	2.7	n.i.	-4.4	-6.8	0.8	n.i.	0.8	-2.0
Tanzania	1.0	8.1	-2.0	2.0	3.3	24.0	5.7	n.i.
Uganda	7.0	21.1	4.4	-10.1	4.0	10.9	8.5	38.4
Zambia	9.1	n.i.	-2.6	-23.5	-3.1	-12.0	-5.7	-0.9
Zimbabwe	1.7	1.3	-2.9	-5.6	-0.9	-35.0	-0.3	-16.4

**Notes:** Data for the period mid-1980s to the mid-1990s from Therkildsen 1999a:appendices 2 and 3, which also indicates the exact periods for which the changes refer. Data for the period mid-1990s to around 2000 are from IISS 1999, 2003, the World Bank Africa database, World Bank 2003 and WHO 2004. The health spending figures for the period after the mid-1990s are based on international dollar rates. The exact periods vary across countries and indicators.

Concurrent with such changes there has been some refocusing of government expenditures (table 3.2). A shift in recurrent expenditures towards wages took place in all countries until the mid-1990s. Efficiency may have suffered as a result because relatively fewer funds are available for non-wage recurrent expenditures. Except in Mozambique and Uganda<sup>7</sup> (and possibly South Africa and Tanzania), pay reform may not have raised real take-home pay for civil servants significantly, although past declines may have stopped in some countries (although not in Kenya, where declines have been substantial). The reason is that although nominal wage increases often result from consolidation of allowances into wages, these are taxed. Real take-home pay may, therefore, decrease as a result. Only in South Africa do civil servants generally get something approaching a “living wage”.

Real per capita government spending on education and health (where such information is available) has generally increased from the mid-1980s to around 2000, although not in Zambia and Zimbabwe (where declines have been dramatic). Military expenditures have generally fallen except, lately, in Kenya, Mozambique and Tanzania. Obviously, the sustainability of these resource allocation trends is difficult to assess, and little is known about refocusing in other sectors than those mentioned above. Moreover, increased resource allocation does not automatically translate into improved service outcomes because of reallocations at the organizational level, including corruption (Reinikka and Svensson 2002), and because households, not the state, typically account for a substantial share of spending on social services. However, the HIPC debt relief has

<sup>7</sup> Nevertheless, more than twice the total Ugandan wage bill for core ministries is spent on consultancies according to the *Background to the Budget, 2004/2005*, Ministry of Finance, p. 39.

affected social spending positively since 2001 in countries that reached the decision point (Malawi, Mozambique, Tanzania, Uganda and Zambia). The MDG initiatives—and the increasing aid allocation to Africa that started around 2000—will also improve funding of the public sector.

Attempts to refocus government activities through restructuring have also led to mixed results. The restructuring of ministries is a general feature of reform in the region. It has often led to reductions in the number of ministries and to attempts at refocusing ministerial roles on policy making, regulation and monitoring. At the same time, the establishment of executive agencies (e.g. for taxation, health, roads, water) is strongly pushed. There is now a growing concern, however, that many of the new agencies risk becoming second-generation parastatals that drain government budgets without providing effective services (Kassami et al. 2002). Contracting out is emerging in various sectors in South Africa, Zambia and Zimbabwe, but apparently only on a limited scale. Various degrees of devolution of ministerial implementation functions to local government are also typical. Uganda has moved decisively in that direction, while trends are more mixed in the other countries, and Kenya maintains the status quo (Ndegwa 2002). Coordination of central and local government restructuring is generally poor, as is the coordination of sectoral reform work.

### **Has Public Sector Accountability Improved?**

Improved accountability in the conduct of public affairs is another reform objective in many countries inside and outside Africa (Wright 1997; Olowu 1998:619–620). The accountability of the state to society is about those with authority being answerable for their actions to the citizens, whether directly or indirectly. It is one of the defining features of a democracy. Thus a polity is democratic to the extent that “institutionalised mechanisms [exist] through which the mass of the population exercise control over the political elite in an organised fashion” (Moore 1998:86). Day and Klein (1987:26–27), furthermore, make an important distinction between political and managerial accountability. The latter refers to making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance.

The desired basic accountability mechanisms are as follows. Political representatives are elected. These, in turn, elect political heads of administrations that are supposed to control and steer public organizations via hierarchy, rules and procedures right down to the bottom of the bureaucracy. But in practice this does not work well. Administrative systems are not tightly controlled, rule-based hierarchies, but complicated and more or less closely integrated networks. Nor are states any longer externally and internally sovereign. Moreover, the basic accountability mechanism assumes that politicians make decisions upfront, and that bureaucrats loyally implement them. In practice it is often difficult or impossible to separate policy making and implementation. Many important policy decisions are actually made by officials and other stakeholders during implementation. It is, furthermore, unrealistic to assume that policy decisions are made in agreement and with full operational knowledge about means-ends links. To the contrary, there are frequent political conflicts about ends, and uncertainty about means. Finally, the accountability problem is complicated by deficiencies in the political process itself. Civil servants may have legitimate reasons to override decisions of their opportunistic, self-serving or irresponsible political masters.

There is plenty of empirical evidence to show that even in consolidated democratic states there are major deficits in accountability.<sup>8</sup> Such problems of accountability are generally deeper in the countries considered here.<sup>9</sup> Moreover, the exercise of citizens' influence over state revenues and expenditures is an important component of effective democracy (Moore 1998:85). But in aid-dependent countries, of which there are several in the region, donors provide a substantial share of government funding and are de facto an integrated part of both the policy-making and the budgetary processes. Typically, therefore, donors require that recipient governments are accountable to them for the use of aid funds. This further weakens already fragile domestic accountability mechanisms. In aid-dependent countries the issue of accountability, therefore, includes the role of donors.

Various political and economic reform initiatives of the 1990s and the recent PRSP approaches address some of the accountability problems discussed above. The focus in this analysis is, however, on performance management inspired by NPM concepts. It points to new ways of addressing age-old problems of accountability.<sup>10</sup>

## Performance Management

Unfortunately, independent research on the accountability implications of NPM-inspired reform measures in African countries is very limited. The approach taken in the following is, therefore, to assess key assumptions of NPM against conditions in a poor, aid-dependent country so as to answer the initial question: has public sector accountability improved?

Accountability is assumed to be enhanced by performance management. The basic idea is that public sector managers undertake to meet explicit targets or carry out specific activities. In return, government commits itself to providing various resource inputs and to give more authority to public managers over operations, including budgeting, purchasing and personnel. Thus, making targets transparent makes it easier to establish the basis for managerial accountability and to achieve outputs without which the notion of accountability becomes irrelevant (Hill and Gillespie 1996:167). This requires that political visions are translated into clear and explicit managerial targets combined with increased managerial autonomy and incentives to perform. Political accountability is thereby enhanced in two ways. Explicit targets help managers—in dialogue with politicians—to match them with political priorities. And by monitoring the extent to which targets are met, politicians can, in turn, hold managers accountable for their performance or lack. Finally, performance targets and their monitoring can make service provision more transparent to customers.

According to this line of argument, increased transparency and explicit performance targets are further steps towards better democratic control and accountability of bureaucracy. It is a point that often gets lost in the rhetoric about “value for money” so closely associated with recent NPM-inspired reforms (Jann 1997:87).

---

<sup>8</sup> Hill and Gillespie 1996; Jann 1997; de Leon 1997.

<sup>9</sup> Caiden 1991:280–281; Dia 1993:13; Mkandawire and Soludo 1999:135; Olowu 1999.

<sup>10</sup> Another major initiative to improve accountability concerns the empowerment of the public and the citizens vis-à-vis service providers and the public sector. It includes measures to strengthen community-based organizations, increase choice of service providers, Citizen's charters, ethical codes of conduct for public servants, user surveys, etc. (see Therkildsen 1999a for analyses).



Several countries are in the process of establishing performance management arrangements.

In *South Africa*, for example, new public service regulations came into effect in early 1998. They form the basis for establishing performance contracts between ministers and their chief executives. Performance management mechanisms per se will also be effected for all employees. Moreover, the *White Paper on the Transformation of the Public Service* (Republic of South Africa 1995) requires national and provincial departments to redirect resources to areas and groups previously neglected, to set service standards, to define outputs, targets and performance indicators, and to benchmark them against comparable international standards (Singh et al. 1998:17 and 32). This is combined with moves towards larger managerial autonomy for departments (PRC 1998:chapter 4.5). However, implementation proceeds cautiously and recent analyses indicate that “the culture of accountability to citizens” will, at best, take a long time to emerge (Ramaite 2002).

In *Tanzania*, a performance improvement component is now the central plank of the reform programme in the future (Government of Tanzania 1998:chapter 4). Each ministry will make an annual plan within its total budget ceiling so that output-based budgets can be matched to objectives and targets, performance indicators can be established, and activities planned accordingly. If a ministry meets its performance targets, the Ministry of Finance will promote that ministry from the cash budgeting system to a more predictable resource base. A significant degree of autonomy in the allocation of funds will also be given. Performance management systems have been installed in most ministries and performance agreements have been signed with several of them. Experiences so far have shown, as Mollél and Yambesi (2002:78) conclude, that the “road to performance improvement is long and rough, but not impossible”. Rugumyamheto (2004) provides a more optimistic assessment.

In *Uganda*, the implementation of results-oriented management (ROM) is a major reform objective. Specific and measurable performance targets are to be established for each ministry, department, unit and individual officer. ROM will also be introduced in local governments. Moreover, there are plans to introduce annual performance contracts with the more than 100 proposed autonomous and semi-autonomous bodies (Ministry of Public Service 1998:40). The system will be linked to the budget process and will form the basis for making annual plans based on agreement with the Ministry of Finance. A service delivery survey was made in 1992 with World Bank assistance to provide a baseline against which to measure the reform progress and allow policy makers “to assess reform inputs and outcomes in terms of the highest net marginal benefits to the public” (Langseth 1996:61). Progress on ROM has been limited, however, except for a wave of facilitation and training workshops. ROM and output-oriented budgeting re-emerged on the reform agenda in 1996, following the further devolution of functions to local governments. However, ministries argue strongly that they cannot deliver because they are understaffed, and they request extra staff whenever shortfalls in performance arise (Okutho 1998:15–17). Nevertheless, the increasing uses of performance indicators at sector level—and the tying of donor inputs to performance targets—have emerged as central features of the public policy debate including the dialogue with donors (Adam and Gunning 2002).

In *Zimbabwe*, a performance management system was introduced in 1994. It included top civil servants only, but was supposed to be extended to the entire service. The system required that heads of ministries prepare work plans specifying outputs and targets and a review by the respective minister and the Office of the President and the

Cabinet (Moyo et al. 1998). Although the system was supposed to be a key element in the country's Civil Service Reform Programme, it was abandoned prematurely in 1996 "as it was realised that a lot more ground work needed to be carried out first". Furthermore, many top civil servants were against the system. They wanted power to hire and fire their junior staff if their own tenure in office was to depend on the performance of their ministries and/or departments. This was resisted due to dangers of creating "personal empires", "regional cliques", and even "ethnic enclaves". In the end, therefore, the status quo prevailed. Control of the civil service is still held by the Public Service Commission and "only the most mundane of administrative activities" related to recruitment, training and staff promotion are decentralized to ministries (Makumbe 1997:10-11). The performance management system appears now to be implemented extremely cautiously (Zondo 2002).

As indicated by the experiences of Uganda and Zimbabwe, there are major problems in applying these performance management principles. This is not surprising given the controversial track record of such principles elsewhere (Pollitt 1995). A major reason is that the political and managerial implications of performance-based contract arrangements are complex and controversial. They are based on assumptions that are not generally met under prevailing conditions.

Thus, meaningful contracts cannot be established without predictability of resources. But in countries that have operated a cash budget system—such as Malawi, Tanzania, Uganda and Zambia—resource allocations depend on the actual revenues collected during the preceding period. Revenues are heavily dependent on rainfall and/or donor funding, both of which are erratic. Indeed, aid flows are even more volatile than tax revenues.

The measurability of performance is problematic too, in both sectors with soft and varied outputs and especially in the absence of a common and broadly accepted framework for defining what "good" performance means. As a result, information about actions, including statistical data, becomes less meaningful to the actors (citizens, politicians or managers) in the accountability arena. It may also affect bureaucrats in unexpected ways. Montgomery (1986:411-412) argues that, without strong countervailing political forces and strong constitutional or institutional restraints for ensuring accountability, officials—although formally being free to take risks—seldom do so, because they are uncertain about which public priorities and values they are expected to advance by such action. The framework may develop through the political process and through a dialogue with users, but if such processes are weak, it is unlikely that greater transparency and more information will increase accountability. The only thing that has been made more visible "is ambiguity" (Day and Klein 1987:243).

Accountability is further weakened by uncertainties about causal links between means and ends. When this is the case, a performance contract cannot specify the service delivery outcomes of specified amounts of inputs in advance with precision. Equally important, such contracts will not work as intended if there is insufficient political will to enforce compliance. An analysis of experiences with performance contracts in state-owned enterprises concluded that they "rarely improve incentives and may do more harm than good" because the political costs of enforcement are often considerable (World Bank 1995:7). This is precisely the problem. The assumption in NPM is that transparency promotes political accountability because politicians will be better informed about what is actually delivered, and they will act on such information. The opposite may also happen,

as Wright (1997:11) notes with respect to Western Europe: politicians conveniently hide behind managerial discretion and autonomy.

Where such problems prevail, performance-based arrangements linked to increased management authority may not improve accountability. Indeed, they may contribute to further corruption because regulatory and monitoring mechanisms often are weak (Szeftel 1998). This has been a concern in many Western countries where such mechanisms are generally stronger. It would therefore appear that the applicability of performance management is rather limited in the region. General use—as seems to be the aim in South Africa, Tanzania and Uganda—is questionable. Performance contracts and empowerment measures cannot replace political accountability. The cart cannot push the horse.

## **Is There Political Support for the Reforms?**

Reform is basically about inducing changes in relations of power between state and society, between politicians and bureaucrats, and between government organizations (Caiden 1991:66). Implementation of reforms, therefore, involves varying degrees of enforcement of change against resistance. This resistance tends to take place during implementation rather than during the policy-making phase, and makes it important to understand the politics of reform implementation (leaving aside the substantial implementation issues related to reform funding, management, and coordination and monitoring). Three important actors in the reform process—interest groups, state elites and donors—are discussed below.

### ***Interest groups***

The stakes of interest groups in public sector reforms tend to be ambiguous and conflictual. Even when they have clear interests in specific reform measures, their power to influence them does not depend only on their economic and other interests, but also on their capacity to organize, which is often low. Moreover, the institutional mechanisms through which interests are translated into political demands are often weak or non-existent (Haggard and Kaufmann 1992). Batley (1999:11) confirms the weak fingerprints of interest groups in reform implementation, particularly of the poor, whom he calls the “silent stakeholders of reform”. Such observations are, however, only partly confirmed in the case studies presented here.

First of all, there have been several instances of organized demands for public sector reform in the region. The influence of unions in South Africa is an example. Here the Congress of South African Trade Unions, through its close relations with the African National Congress (ANC), has some influence on the framework for the reform of the public sector. Corporatist institutions have also been set up. They allow business and unions to influence economic, social and labour policies, although they leave out the voices of the unemployed and the poor (Nattrass and Seekings 1998).

More generally, popular protests (or the fear of them), combined with the ruling elites’ concern about electoral support, do influence the reforms in significant ways. During the transition to multiparty rule in Malawi, for example, significant changes in pay and education policy took place in the wake of public protests. In Tanzania the run-up to the presidential, national and local elections in the year 2000 influenced pay policy decisions and the speed and scope of local government reform (Therkildsen 1999b). But the political pressures are contradictory. On the one hand, the standard argument that

salaries of government employees must be raised to contain corruption may not find wide political support with a public that regards civil servants as already well paid. Indeed, using the average incomes of the population at large as the yardstick, the civil service in Africa is relatively the best paid in the world (Schiavo-Campo 1998). On the other hand, the importance of the 110,000-member strong teachers' union in Tanzania is reflected in the unexpected pay raise for teachers in 1997 decided against the technical recommendations to the Cabinet. This was a politically motivated move intended to attract support for the ruling party from the largest group of civil servants. Through direct contacts to the president, this union has also succeeded in halting present government plans to transfer all primary school teachers from central to local government service as part of the efforts to devolve personnel management to urban and rural councils.

It is also noteworthy that in 1990 a Ministry of Health proposal to introduce user charges in health services in Uganda was stopped due to widespread public opposition. This did not prevent the local authorities from raising revenues in this way, and a nationwide system was eventually introduced in 1992 when the World Bank made it a condition for new loans to the health sector. But Uganda also provides an interesting example of how public opinion may support reform measures. Thus, the "absence of popular uproar" against the massive retrenchments in the 1990s is partly explained by the lack of public sympathy for civil servants and the negative image of its perceived laxity and poor service delivery (Brown et al. 1995:33).

In Zimbabwe, student unrest in 1992 against raising the private costs of university education—and a wave of riots in 1993 in low-income suburbs in Harare to protest against price increases on bread and flour—contributed to weakening the government's commitment to reform (Botchwey et al. 1998:109). Moreover, the adverse effects of the economic reform programmes on real wages in the public sector have resulted in multiple strikes. Health sector personnel, for example, went on strike in 1988, 1989, 1994 and twice in 1996 (Bennett et al. 1999:9). There were new strikes in 1998. The 1996 strikes involved most of the civil service. According to Makumbe (1997:11–16), they were caused not only by dissatisfaction with pay increases and proposed new salary scales, but were also a protest against the blatant display of wealth among top government leaders, generally deteriorating living standards, dwindling funds to the public services, and a lack of machinery for union negotiation with government about terms and conditions in government service. Despite the deepening economic crisis in Zimbabwe, civil servants have benefited from several pay raises, while expenditure on health and education has declined; see table 3.2. This is a clear pointer to the political importance of civil servants, which is the focus of the next section.

### **State elites**

Although specific circumstances are important, most reform initiatives in the region tend to be designed and implemented in a top-down fashion by political and bureaucratic elites (the role of donors are dealt with below). There are several reasons for this. Such elites have substantial power over the policy agenda because of their unique position in both the policy process and in important political institutions, including the state itself. This position is amplified by the weaknesses of the institutional framework for dialogue and negotiations with various interest groups about reform issues. Moreover, state elites engage in crucial mediating roles between international and domestic stakeholders of reform, and donors are important actors, as shown in the next section.

It is, however, striking that the role of political elites often seems rather inconspicuous and limited, while that of the technocrats is significant. This is perhaps not surprising because of the strong emphasis on fiscal stability and the use of budgetary instruments to change the size and functions of the public sector. This focus has generally strengthened the power of the Ministry of Finance (MOF). Botchwey et al. (1998:81–82) observed, for example, that despite the initial pro-reform posture of the ruling party in Malawi, it was the MOF that pushed through the reforms of the mid-1990s (with funds from the IMF). As hardship set in, this quickly led to a sense of “hopelessness...and imposition” in the top levels of government, as they struggled with the political implications. The bureaucracy, for its part, “remained half-hearted at best and mostly cynical about the reforms and about the role of the rising number of well-paid external advisors”. The MOF left the rest of the ministries “marginalized and resentful”. In South Africa, the MOF designed a macroeconomic strategy for growth, employment and redistribution (GEAR) (Republic of South Africa 1996), which is central to the current reform efforts. In Zambia, the MOF has become the de facto lead agency for reform, instead of the formally designed Management Development Division in the Cabinet Office. The same trend is obvious in Uganda and emerging in Tanzania.

While the influence of bureaucratic elites is easy to verify, it is more difficult to find clear cases of active political elites in reforms, apart from two countries. In South Africa, the transformation of the public sector inherited from the apartheid regime is clearly politically led. Support for the longer term reform aspects is likely to be more conflictual, as pointed out by the Presidential Review Commission (PRC 1998). In Uganda there has also been substantial support for reforms from the political leadership with the president in the lead (Okutho 1998). He sacked, for example, 10 principal secretaries in July 1996, some of them allegedly because of their poor performance in reform activities. Since then the president’s attention has moved from reform issues to the conflict in the north, the ongoing controversies about constitutional reform and the implications of the moves to increased political competition. However, the parliament has become more influential in reform issues. It has, for example, been very active in drafting the legislation for the local government reform. In addition, parliamentary committees now oversee (as yet feebly) the implementation of many public sector reform activities.

In all countries, even where reforms seem to be pushed most decisively by political-administrative elites, there are many conflicts. For one of the many reform paradoxes is that it is often the very elites—whose past decisions and present privileges and rent-seeking possibilities are now challenged by reform initiatives—who are also deeply involved in reform implementation. Reform commitment is therefore often contingent for personal or ideological reasons. It also depends on larger political considerations as well as on results on the ground.

Thus, even in Uganda, where reforms are most decisively implemented, Botchwey et al. (1998:91) note that the “most significant, even if unorganised, source of opposition to...reforms are mid-to-senior level civil servants” who have lost their rent-seeking opportunities. Oyugi (1990:69) argues that “the ‘class’ orientation of the bureaucracy...stands in the way of any change effort that is not in their interest...Invariably, the bureaucracy would ignore everything but the salary increases!” Da Silva and Solimano (1999:47–48) claim that self-interest is an acute problem in war economies like that of Mozambique, where “the commitment to reforms by ruling elites is a function of the perception of what would happen to their individual utility, not to social welfare”.

Such conflicts are not limited to countries with unchanged political leadership. Even where this has changed significantly, many top civil servants remain. In Malawi, for example, there were profound disagreements between politicians and the majority of top civil servants inherited from the one-party era about their respective roles and about what their loyalty and professionalism should mean in a career civil service (Adamolekun et al. 1997:216–217). Similarly, in Zimbabwe, “[a]lthough the [reform] programme was conceived by politicians, communication broke down during its implementation”, according to senior civil servants (Moyo et al. 1998:5). In South Africa, the Constitution forces the government to retain many senior civil servants from the old regime, many of whom are demotivated and, in some cases, hostile to the reform (PRC 1998:section 2.1.3).

Public sector reforms also give rise to inter-organizational conflicts. The control over local-level activities is a prominent arena. This is especially the case where substantial local government reforms are underway. In Uganda, for example, where the formal devolution of power is considerable, “practically all ministries...put up...silent or quasi-active resistance to letting go of many of the decentralized functions” (MPS 1998:60). In some countries, sector ministries may seek to retain or increase their control by proposing service boards to be in charge of specialized services such as health, water and roads, as mentioned earlier. Health service boards, delinked from local governments, are, for example, part of health sector reforms in Tanzania, Zambia and Zimbabwe. Another contentious issue concerns the extent to which central government transfers of funds to local authorities should be earmarked for specific purposes (making the authorities agents of central government), or be provided as block grants (allowing the authorities to allocate funds on the basis of local priorities). Often donors are key stakeholders in this issue, since they provide substantial recurrent and investment costs to health, education and water in many countries in the region.

General interpretations of the various conflicts are therefore difficult to make. Elite resistance to reforms is not based on self-interest alone, nor is it fixed once and for all. Thus the Ugandan leadership changed its views on reform towards the positive while that of Zimbabwe changed towards the negative during the course of implementation (Botchwey et al. 1998:88–90 and 109–110). But perhaps the most problematic assumption in much of the literature is that reforms are often regarded as intrinsically good, and resistance to them therefore motivated by suspect motives of self-interest.

This view is difficult to defend in light of the limited success of the public sector reforms so far in improving service delivery. Reforms are often politically unattractive, because of their frequent association with cutbacks in service provision, retrenchment (the public sector being the single largest employer in the formal sector) and the introduction of user charges (Radoki 1999:12). Indeed, the strong emphasis on cutbacks in the reforms until recently is a main cause of resistance among officials, as Mkandawire and Soludo (1999:135) argue. The observations by Adamolekun et al. (1997:220) that “no champion for reform has emerged at the political level” in Malawi, and by Makumbe (1997:7) that there is a “lack of political commitment to the [civil service reform] programme by senior policy-makers” in Zimbabwe, are valid for other countries in the region as well. In fact, lack of clear political commitment to public sector reform was identified as a major problem by top civil servants engaged in this work in the region (Therkildsen 1998:5).

## Donors

Despite much talk about partnership and “common interests”, the reality is that the prominent roles of donors in many countries de facto make them part of the policy-making and implementation processes, while their accountability to recipient citizens, bureaucrats and politicians is limited. For the external influences on public sector reforms in most African countries are substantial (Haggard and Kaufmann 1992). They are transmitted through trade links with international markets (exclusion, economic crises and external shocks), through leverage (conditionality and aid dependency) and through social and political networks (shared ideological and professional views).

Economic crisis has been a key factor in bringing public sector reforms and the need for additional external funding on the agenda (see Bangura and Larbi 2006). Typically, such reforms are closely linked to the structural adjustment programmes negotiated with the World Bank and the IMF. These institutions often make access to funding conditional on changes in the public sector and on the provision of substantial technical inputs. Obviously, such influences are pronounced in the poor, aid-dependent countries where multilateral and bilateral donors typically are major stakeholders in the reforms (as is the case in all countries in the region except South Africa). Thus in a recent IMF study, Abed et al. (1998:27) note that “civil service reforms constituted an important element of fiscal reform, with the World Bank mostly taking the lead”. Ellis (1999:4) simply states that “reforms are externally driven”. Also Batley (1997:22) sees donor imposition as a major driving force in many reforms. In a comparative study of the changing role of governments in adjusting economies, he found that developing countries with the least capacity to resist external demands for change and to carry them through, tend to be engaged in (or at least plan) the most far-reaching reforms.

These general observations are supported by country evidence. Botchwey et al. (1998:81) found that in Malawi “too many initiatives were being initiated by different donors...nobody seems in charge...donors often push agendas of their own.... Given the government’s limited technical capacity and the pressures on such capacity...the entire policy agenda has tended to be dominated unduly by the Fund.” Adamolekun et al. (1997:218) add that “capacity overload” resulted from the numerous donor interventions in Malawi. For example, in 1996, six donors were involved in civil service reform-oriented activities in the MOF alone (IMF, UNDP, DfID, EU, CIDA and the World Bank). Although commenting on economic reforms, da Silva and Solimano (1999:42) note that “reform in Mozambique was mainly triggered by an exceptional conjunction of external political factors and did not come from a strong commitment for reform”. In Tanzania, more than a dozen major reform initiatives are presently being implemented with donor assistance, although the political support for reform is fragile (Therkildsen 1999b). In Zimbabwe, the government adopted the Civil Service Reform Programme in reaction to the “dictates” of some of the structural adjustment conditionalities (Makumbe 1997:5). This is confirmed by the IMF’s own analyses, which found that the fiscal measures demanded by the Fund required “an astonishing contraction” of non-debt payments and “a massive underestimation” of its social costs (Botchwey et al. 1998:102–110).

However, there is also another important dimension to the government-donor relationship: that of collusion. In Tanzania, for example, resource-starved ministries sometimes make specific reform proposals in order to attract donor funding, while institutional changes are often a condition for donor support. Both parties, therefore, have a joint interest in reforms, although their motivations may differ (Therkildsen 1999b). Similarly, Wuyts (1996:742) describes how sector ministries in Mozambique

collude with donors to protect their specific sectoral programmes, because availability or promises of donor funds strengthen a sector's bargaining power with the central authorities. Senior civil servants from Zimbabwe report that some ministries accept donor financing for reform purposes "regardless of the priority of the project, but simply because the donor wished to provide the funding" (Moyo et al. 1998:15).

It is also well known that lack of coordination between donor-funded activities often gives recipient organizations some leeway vis-à-vis donors. The same donor may even have conflicting interests, which may provide recipients with room for manoeuvre. Wuyts (1996:743) illustrates this by showing how the World Bank helped to impose local counterpart fund requirements on ministries in Mozambique, and then sought to circumvent these conditions to protect its loan-financed programmes, when the MOF tried to reduce such programmes in favour of grant-supported activities. The PRSP process, where it has taken some root, is, however, evolving as a useful mechanism for better coordination, although it is still a very technocratic exercise with recipient country politicians looking on from the sideline.

Finally, the effects of donor imposition are sometimes difficult to distinguish from the effects of the adaptation of ideas from elsewhere. Indirect and diffuse pressures are exerted on domestic reform agents through increasingly global professional, political and social networks. Ingraham (1996:248) argues that such pressures constrain the possibilities for innovation and home-grown responses to public sector problems. As noted earlier, ideas about reform are, indeed, remarkably similar despite diversities in national contexts and domestic influences. South Africa, for example, receives limited aid for public sector reforms, but has assiduously followed the Washington Consensus with respect to structural adjustment. Similarly, many proposals concerning the transformation of its public sector are inspired by the NPM model and not imposed by donors. The recent proposals for reform in Tanzania made by the reform agency of the government also illustrate a considerable inspiration of such measures (Government of Tanzania 1998). No doubt key international institutions, such as the OECD and the World Bank, try to influence the scope and content of reforms through a "mass propaganda type of diffusion" (Hood 1996:273). Economies of scale encourage such organizations (and the bilaterals) to search for and promote "best practices" models, and public sector reforms are no exception.

It is, therefore, obvious that donors are as often part of the problem of the public sector in many countries in the region as they are part of the solution (Birdsall 2004). Reform of the public sectors in donor-dependent countries must go hand in hand with aid reforms.

## **Elusive Reforms**

Three main questions are addressed in this chapter: Has the size of the state changed and its activities become more focused? Has public sector accountability improved? Is there political support for the reform initiatives?

The analyses show that public sector reform efforts in east and southern Africa have produced rather mixed results over the last 20 years. However, the goalposts have changed over time. While cost-cutting and containment of the state were high on the formal reform agenda in most countries from the mid-1980s and until recently, the emphasis now is also on improved public sector performance with respect to poverty



alleviation and the MDGs. The fight against terrorism may result in additional demands. Thus, the reform agendas in the region do not just reflect national and local concerns. They also reflect international priorities, approaches and pressures.

To assume that the public sector changes analysed here are driven just by simple notions of efficiency, effectiveness and accountability is therefore problematic. The analyses show that reforms are highly political and generate (often) legitimate conflicts among domestic interests (especially trade unions and state elites) and donors. Moreover, reforms are shaped by the national and local contexts in which they are implemented. Consequently, the future of public sector reforms and their outcomes will depend on the politics of reform to a considerable degree. This has several implications.

First, fiscally driven reductions of state employment and functions have gone too far, as various observers now agree, although they otherwise have sharply different opinions about public sector reforms. Thus, the IMF study by Lienert and Modi (1997:10) states that present reforms have been “overemphasizing downward quantitative adjustments”. The World Bank (1997:24) finds that governments mired in debt tended to go too far in removing themselves from “vital functions” in infrastructure, health and education to meet interest obligations (an overshoot often pushed by donors, it should be added). Mkandawire and Soludo (1999:136) conclude that “the emphasis should be on reconstruction rather than retrenchment” (although this analysis shows that retrenchments have been relatively modest except in Uganda and Tanzania). A better focus on and understanding of the developmental role of the state in very resource-poor countries is, therefore, needed. Increased spending on service delivery is a necessary, although not a sufficient, condition for service improvements. But as long as fiscal stability remains the overriding reform concern in practice, and with limited progress on economic growth, trade negotiations and revenue collection, significant efficiency gains are very difficult to achieve.

Second, much more attention should be given to the political dynamics of reform. Unfortunately, the basic premise in much of the literature is that reform of the public sector is intrinsically desirable, and resistance to change therefore motivated by suspect motives of self-interest among state elites. But domestic resistance against reform is not just based on entrenched self-interests, nor is it fixed once and for all, as proponents of the overextended state seem to assume. Ambivalence, if not resistance, is understandable in light of the mixed improvements of reforms for service levels for citizens, and for real take-home pay increases for civil servants in the region.

Third, donors influence the political dynamics of reform too, although they do not suffer the consequences of their action when things go wrong. Donors should not become more directly involved in the politics of reform. Instead, they should take the domestic political dimension of their support (or withdrawal) from domestic reform processes seriously. This would also help to bring the limited domestic political (and technical) capacity to implement them to the fore. Conditionality, as is now increasingly acknowledged, is not the answer to resistance to reform. The track record of donors in reform work suggests that they do not have privileged knowledge about how to redress efficiency, accountability and service delivery problems in the region. An aid reform is urgently needed.

This points, finally, to a blind spot in present reform work: the lack of attention to and understanding of the “ground level” of the public sector. The problems of the lower levels of the political-administrative machinery, and their relations with urban, village and community-based groups, are particularly relevant from a broader efficiency,

accountability and service delivery perspective. The co-production and co-financing at this level, mediated through social relations, have been the backbone of numerous developmental initiatives in many countries in the region over the years, as Semboja and Therkildsen (1995) and White and Robinson (1998) show. Yet present reforms tend not only to be top-down in design and implementation, but they also tend to focus on the upper levels of central and local government. That is to start at the wrong end of the stick. A better understanding of the interactions between government agencies and citizens at the service delivery points is necessary in order to improve future reform work.

Meanwhile, it is clear that poor African countries will not meet the Millennium Development Goals by 2015. They simply have the longest way to go to reach them. Unfortunately, the MDGs were set globally without much regard for each country's actual public sector capacity and other specific conditions. This neglects one of the key lessons about public sector reforms in Africa (and elsewhere): the design and implementation of reforms must be based on and reflect actual political, economic and social conditions on the ground. Not only may the MDGs create undue pessimism about the development progress that has occurred in many countries in the region, but they may also put harmful pressure on the public sectors in African countries to try to meet unrealistic MDGs. A much more context- and country-specific approach to poverty alleviation is clearly needed. The MDGs should not be viewed as realistic targets but as reminders of increasing global inequality and injustice that urgently need to be addressed.

## References

- Abed, G.T., S. Gupta, L.P.Ebrill, A.J. Pellechio, J.A.Schiff, B.J. Clements, R.T. McMorran and M. Verhoeven. 1998. *Fiscal Reforms in Low-income Countries: Experience under IMF-Supported Programs*. Occasional paper No. 160. IMF, Washington DC.
- Adam, C.S. and J.W. Gunning. 2002. "Redesigning the aid contract: Donors' use of performance indicators in Uganda." *World Development*, Vol. 30, No. 12, pp. 2045–2056.
- Adamolekun, L., N. Kulemeka and M. Laleye. 1997. "Political transition, economic liberalization and civil service reform in Malawi." *Public Administration and Development*, Vol. 17, No. 2, pp. 209–222.
- Addison, T., H. Hansen and F. Tarp (eds.). 2004. *Debt Relief for Poor Countries*. Palgrave, Basingstoke.
- Bangura, Y. 1999. *Public Sector Restructuring: The Institutional and Social Effects of Fiscal, Managerial and Capacity Building Reforms*. Geneva 2000 Occasional Paper No. 3. UNRISD, Geneva.
- Bangura, Y. and G.A. Larbi. 2006. "Introduction: Globalization and Public Sector Reform." In *Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services*. Palgrave Macmillan, Basingstoke.
- Batley, R. 1997. "A research framework for analysing capacity to undertake the 'new roles' of government." In *The Changing Role of Government in Adjusting Economies*, Paper No. 23. University of Birmingham, September.
- Batley, R. 1999. *An Overview of Findings*. Summary Paper No.2 presented at the School of Public Policy Workshop on the Changing Role of Government in Adjusting Economies, University of Birmingham, Edgbaston, United Kingdom, 28–30 March.
- Batley, R. and G. Larbi. 2004. *The Changing Role of Government: The Reform of Public Services in Developing Countries*. Palgrave Macmillan, Basingstoke.
- Bekke, H.A.G.M., J.L. Perry and T.A.J. Toonen (eds.). 1996. *Civil Service Systems in a Comparative Perspective*. Indiana University Press, Bloomington.
- Bennett, S., S. Russell and A. Mills. 1999. *Health Sector*. Summary Paper No. 3 presented at the School of Public Policy Workshop on the Changing Role of Government in Adjusting Economies, University of Birmingham, Edgbaston, United Kingdom, 28–30 March.
- Berg, E. 1999. *Aid Failure: The Case of Public Sector Reform*. Revision of October Aid Conference paper, University of Copenhagen. April.
- Birdsall, N. 2004. *Seven Deadly Sins: Reflections on Donor Failings*. Working Paper No. 50. Center for Global Development, Washington DC.
- Botchwey, K., P. Collier, J.W. Gunning and K. Hamada. 1998. *Report of the Group of Independent Persons Appointed to Conduct an Evaluation of Certain Aspects of the Enhanced Structural Adjustment Facility*. IMF, Washington DC.

- Brown, K., K. Kiragu and S. Villadsen. 1995. *Uganda Civil Service Reform Case Study*. Overseas Development Administration and Danida, London.
- Caiden, G. 1991. *Administrative Reform Comes of Age*. Elsevier, Amsterdam.
- Chabal, P. and J. Daloz. 1999. *Africa Works: Disorder as Political Instrument*. James Currey, London.
- Commission for Africa. 2005. *Our Common Interest: Report of the Commission for Africa*. London.
- Da Silva, L.A.P. and A. Solimano. 1999. "The transition and the political economy of African socialist countries at war (Angola and Mozambique)." In J.A. Paulson (ed.), *African Economies in Transition. Volume 2: The Reform Experience*. University of Oxford, Oxford.
- Day, P. and R. Klein. 1987. *Accountabilities: Five Public Services*. Tavistock Publications, London.
- De Leon, L. 1997. "Administrative reform and democratic accountability." In W.J.M. Kickert (ed.), *Public Management and Administrative Reform in Western Europe*. Edward Elgar, Cheltenham.
- De Waal, A. 2003. "How will HIV/AIDS transform African governance?" *African Affairs*, Vol. 102, No. 406, pp. 1–23.
- Dia, M. 1993. *A Governance Approach to Civil Service Reform in Sub-Saharan Africa*. Technical Paper No. 225. World Bank, Washington DC.
- Duffield, M. 2002. "Reprising durable disorder: Network war and the securisation of aid." In B. Hettne and B. Oden (eds.), *Global Governance in the 21st Century: Alternative Perspectives on World Order*. Expert Group on Development Issues, SIDA, Stockholm.
- Ellis, F. 1999. *An Overview of Policy Implications*. Paper presented at the School of Public Policy Workshop on the Changing Role of Government in Adjusting Economies, University of Birmingham, 28–30 March.
- Fukuyama, F. 2004. *State-Building: Governance and World Order in the 21st Century*. Profile Books, London.
- Government of Tanzania. 1998. *Strategy and Action Plan, 1998–2003*. Public Sector Reform Programme, Civil Service Department, President's Office, Dar-es-Salaam, December. Draft.
- . 1996. *Vision, Strategy and Action Plan, 1996–1999*. Civil Service Reform Programme, Civil Service Department, President's Office, Dar-es-Salaam. March.
- Haggard, S. and R.R. Kaufman. 1992. "Institutions and economic adjustments." In S. Haggard and R. Kaufmann (eds.), *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*. Princeton University Press, Princeton NJ.
- Haque, M.S. 1996. "The contextless nature of public administration in Third World countries." *International Review of Administrative Sciences*, Vol. 62, No. 3, pp. 315–329.
- Hill, M. and D. Gillespie. 1996. "Social control of civil service systems." In H.A.G.M. Bekke, J.L. Perry and T.A.J. Toonen (eds.), *Civil Service System in a Comparative Perspective*. Indiana University Press, Bloomington IN.
- Hood, C. 1991. "A public management for all seasons?" *Public Administration*, Vol. 69, No. 1, pp. 3–19.
- . 1996. "Exploring variations in public management reform of the 1980s." In H.A.G.M. Bekke, J.L. Perry and T.A.J. Toonen (eds.), *Civil Service System in a Comparative Perspective*. Indiana University Press, Bloomington IN.
- Ingraham, P.W. 1996. "The reform agenda for national civil service systems: External stress and internal strain." In H.A.G.M. Bekke, J.L. Perry and T.A.J. Toonen (eds.), *Civil Service System in a Comparative Perspective*. Indiana University Press, Bloomington.
- IISS (International Institute for Strategic Studies). 2003. *The Military Balance*, Vol. 103. Oxford University Press, Oxford.
- . 1999. *The Military Balance*, Vol. 99. Oxford University Press, Oxford.
- Jann, W. 1997. "Public management reform in Germany: A revolution without a theory?" In W. Kickert (ed.), *Public Management and Administrative Reform in Western Europe*. Edward Elgar, Cheltenham.
- Kassami, C., F. Mugasha, B. van Arkadie and A.M. Berger. 2002. *Final Report of the Committee to Advise the President on More Effective Public Administration Budgeting*. Office of the Prime Minister, Kampala. Mimeo.
- Kickert, W. (ed.) 1997. *Public Management and Administrative Reform in Western Europe*. Edward Elgar Cheltenham.
- Kiggundu, M.N. 1998. "Civil service reforms: Limping into the twenty-first century." In M. Minogue, C. Polidano and D. Hulme (eds.), *Beyond the New Public Management: Changing Ideas and Practices in Governance*. Edward Elgar, Cheltenham.
- Kiragu, K. and H.L. Mambo (eds.). 2002. *Public Service Reform Comes of Age in Africa*. Mkukina Nyota Publishers, Dar-es-Salaam.
- Langseth, P. 1996. "The civil service reform programme." In P. Langseth and J. Mugaju (eds.), *Post-Conflict Uganda: Towards an Effective Civil Service*. Fountain Publishers, Kampala.
- Larbi, G.A. 2006. "Applying the new public management in developing countries." In Y. Bangura and G.A. Larbi (eds.), *Public Sector Reform in Developing Countries: Capacity Challenges to Improve Services*. Palgrave Macmillan, Houndmills.
- . 1999. *The New Public Management Approach and Crisis States*. Discussion Paper No. 112. UNRISD, Geneva.
- Leys, C. 1994. "Confronting the African tragedy." *New Left Review*, No. 204, pp. 33–47.

- Lienert, I. and J. Modi. 1997. *A Decade of Civil Service Reform in Sub-Saharan Africa*. IMF Working Paper No. 97/179. December.
- Makumbe, J.M. 1997. *The Zimbabwe Civil Service Reform Programme: A Critical Perspective*. The Changing Role of Government in Adjusting Economies, Paper No. 16. Development Administration Group, University of Birmingham, Edgbaston.
- Marquette, H. 2003. *Corruption, Politics and Development: The Role of the World Bank*. Palgrave Macmillan, Basingstoke.
- MPS (Ministry of Public Service). 1998. *Re-structuring of Government Ministries/ Departments: Final Report*. MPS, Kampala, March.
- . 1993. *Uganda Civil Service Reform: Visions, Objectives, Strategy and Plan*. MPS, Kampala, May.
- Mitaka, J. and D. Katuramu. 2002. "Uganda: Pursuing a results-oriented management culture." In K. Kiragu and H.L. Mambo, *Public Service Reform Comes of Age in Africa*. Mkukina Nyota Publishers, Dar-es-Salaam.
- Mkandawire, T. and C.C. Soludo. 1999. *Our Continent, Our Future: African Perspectives on Structural Adjustment*. Africa World Press, Trenton.
- Molle, R.H. and G.D. Yambesi. 2002. Tanzania: Focus on performance improvement and incentives." In K. Kiragu and H.L. Mambo, *Public Service Reform Comes of Age in Africa*. Mkukina Nyota Publishers, Dar-es-Salaam.
- Montgomery, J.D. 1986. "Bureaucratic politics in Southern Africa." *Public Administration Review*, Vol. 46, No.5, pp. 407–413.
- Moore, M. 1998. "Death without taxes: Democracy, state capacity and aid dependence in the Fourth World." In M. Robinson and G. White (eds.), *The Democratic Developmental State: Politics and Institutional Design*. Oxford University Press, Oxford.
- Moyo, J.G. et al. 1998. *Civil Service Reform in Zimbabwe*. Paper presented at the Consultative Workshop on Civil Service Reform in East and Southern Africa, Arusha, Tanzania, 4–6 March.
- Mukandala, R.S. 1992. "To be or not to be: The paradoxes of African bureaucracies." *International Review of Administrative Sciences*, Vol. 58, No.4: 555–576.
- Mukherjee, H. 2003. *Recent Lending for Civil Service Reform: Discernible Trends*. World Bank, Washington DC. Mimeo.
- Mutahaba, G., R. Baguma, and M. Halfani. 1993. *Vitalizing African Public Administration for Recovery and Development*. Kumarian Press, West Hartford.
- Nattrass, N. and J. Seekings. 1998. "Democratic institutions and development in post-apartheid South Africa." In M. Robinson and G. White (eds.), *The Democratic Developmental State: Politics and Institutional Design*. Oxford University Press, Oxford.
- Ndegwa, S.N. 2002. *Decentralization in Africa: A Stocktaking Survey*. Africa Region Working Paper Series No. 40. World Bank, Washington DC.
- Nissanke, M. and B. Ferrarini. 2004. "Debt dynamics and contingency financing: Theoretical reappraisal of the HIPC initiative." In T. Addison, H. Hansen and F. Tarp (eds.), *Debt Relief for Poor Countries*. Palgrave Macmillan, Basingstoke.
- Okutho, G. 1998. *Public Service Reform in Africa: The Experience of Uganda*. Paper presented at the Consultative Workshop on Civil Service Reform in East and Southern Africa, Arusha, Tanzania, 4–6 March.
- Olowu, B. 1999. "Redesigning African civil service reforms." *Journal of Modern African Studies*, Vol. 37, No. 1, pp. 1–23.
- . 1998. "Strategies for improving administrative efficiency in the democratizing states of Africa." *International Review of Administrative Sciences*, Vol. 64, No. 4, pp. 611–623.
- Oyugi, W. 1990. "Civil bureaucracy in East Africa: A critical analysis of role performance since independence. In O.P. Dwiwedi and K.M. Henderson (eds.), *Public Administration in World Perspective*. Iowa University Press, Ames.
- Polidano, C. 1999. *The New Public Management in Developing Countries*. Paper presented at the Third International Research Symposium on Public Management (IRSPM III), Aston Business School, Birmingham, United Kingdom, 25–26 March.
- Pollitt, C. 1995. "Justification by works or by faith? Evaluating new public management." *Evaluation*, Vol. 1, No.2, pp. 133–154.
- PRC (Presidential Review Commission). 1998. *Developing a Culture of Good Governance: Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa*. PRC, South Africa.
- Radoki, C. 1999. *Water and Health Care Provision: The Views of Users*. Paper presented at the Workshop on the Changing Role of Government in Adjusting Economies, School of Public Policy, University of Birmingham, 28–30 March.
- Ramaite, M.R. 2002. "South Africa: Accelerating the transformation process." In K. Kiragu and H.L. Mambo, *Public Service Reform Comes of Age in Africa*. Mkukina Nyota Publishers, Dar-es-Salaam.
- Rapley, J. 1996. *Understanding Development: Theory and Practice in the Third World*. UCL Press, London.
- Reinikka, R. and J. Svensson. 2002. *Local Capture and the Political Economy of School Financing*. World Bank Discussion Paper 2227. World Bank, Washington DC.
- Republic of South Africa. 1996. *Growth, Employment and Redistribution: A Macroeconomic Strategy (GEAR)*. Ministry of Finance, Pretoria.
- . 1995. *White Paper on the Transformation of the Public Service*. Government Gazette, Vol. 365, No. 16838, 24 November.

- Robinson, M. and G. White (eds.). 1998. *The Democratic Developmental State: Politics and Institutional Design*. Oxford University Press, Oxford.
- Rugumyamheto, J. 2004. "Innovative approaches to reforming public services in Tanzania." *Public Administration and Development*, Vol. 24, No. 5, pp. 437–446.
- Schiavo-Campo, S. 1998. "Government employment and pay: The global and the regional evidence." *Public Administration and Development*, Vol. 18, No. 5: 457–478.
- Semboja, J. and O. Therikildsen. 1995. *Service Provision under Stress in East Africa: The State, NGOs and People's Organizations in Kenya, Tanzania and Uganda*. James Currey, London.
- Singh, M., D. du Toit and T. Masilela. 1998. *Public Service Reform in South Africa*. Paper presented at the Consultative Workshop on Civil Service Reform in East and Southern Africa, Arusha, Tanzania, 4–6 March.
- Szeftel, M. 1998. "Misunderstanding African politics: Corruption and the governance Agenda." *Review of African Political Economy*, Vol. 25, No. 76, pp. 221–240.
- Therikildsen, O. 2005. "Understanding public management through neopatrimonialism: A paradigm for all African seasons?" In U. Engel and G.R. Olsen (eds.), *The African Exception*. Ashgate, Abingdon.
- . 1999a. *Efficiency, Accountability and Implementation: Public Sector Reform in East and Southern Africa*. Programme on Democracy, Governance and Human Rights, Paper No. 3. UNRISD, Geneva.
- . 1999b. "Public sector reform in a poor, aid-dependent country: Tanzania." *Public Administration and Development*, Vol. 20, No. 1, pp. 61–71.
- . 1998. *Consultative Workshop on Civil Service Reforms in Eastern and Southern Africa: Means, Ends and Lessons*. Report prepared for the Danish Ministry of Foreign Affairs. Centre for Development Research, Copenhagen.
- Valentine, T.R. 2003. *Towards a Medium-term Pay Policy for the Malawi Civil Service: Final Report*. Report prepared for the Department of Human Resource Management and Development. Ministry of Finance, June.
- . 2002. *Revisiting and Revising Tanzania's Medium-Term Pay Reform Strategy*. Final report prepared for the Civil Service Department. April.
- . 2001. *Towards a Medium-Term Pay Reform Strategy for the Mozambique Public Service: Final Report*. Report prepared for the Technical Unit for Public Sector Reforms. October.
- . 1999. *Pay Reform Implementation Study: Operationalising the Medium-Term Public Service Pay Policy*. Final report prepared for the Public Service Reform Programme, Tanzania. June.
- Van de Walle, N. 2001. *African Economics and the Politics of Permanent Crisis, 1979–1999*. Cambridge University Press, Cambridge.
- Wade, R. 2004. "Is globalization reducing poverty and inequality?" *World Development*, Vol. 32, No. 4, pp. 567–589.
- White, G. and M. Robinson. 1998. "Civil society and social provision: The role of civic organizations." In M. Minogue, C. Polidano and D. Hulme (eds.), *Beyond the New Public Management: Changing Ideas and Practices in Governance*. Edward Elgar, Cheltenham.
- World Bank. 2003. *African Development Indicators 2003*. Oxford University Press, Oxford.
- . 1997. *World Development Report 1997: The State in a Changing World*. Oxford University Press, Oxford.
- . 1995. *Bureaucrats in Business: The Economics and Politics of Government Ownership*. World Bank, Washington DC.
- . 1994. *Adjustment in Africa: Reforms, Results and the Road Ahead*. Oxford University Press, Oxford.
- . 1981. *Accelerated Development in Sub-Saharan Africa*. World Bank, Washington DC.
- WHO (World Health Organization). 2004. *World Health Report*. WHO, Geneva.
- Wright, V. 1997. "The paradoxes of administrative reforms." In W. Kickert (ed.), *Public Management and Administrative Reform in Western Europe*. Edward Elgar Cheltenham.
- Wuyts, M. 1996. "Foreign aid, structural adjustment, and public management: The Mozambican experience." *Development and Change*, Vol. 27, No.4: 717–750.
- Zondo, M.A.R. 2002. "Zimbabwe: Building on effective leadership and participation." In K. Kiragu and H.L. Mambo, *Public Service Reform Comes of Age in Africa*. Mkukina Nyota Publishers, Dar-es-Salaam.

## Chapter 4

# Health Systems and Commercialization: In Search of Good Sense<sup>1</sup>

*Maureen Mackintosh and Meri Koivusalo*<sup>2</sup>

(2006)

---

### Introduction: Health Systems' Objectives and Health Care Commercialization<sup>3</sup>

It is the argument of *Commercialization of Health Care* that health systems exist to fulfil purposes, including protecting and improving health and the provision of professional, ethical, accountable and accessible health care for all. Therefore policies that influence the nature and extent of health care commercialization should be designed to further those purposes. To achieve this, better economic, social and technical analysis of health care commercialization is required as a foundation for effective health policy.

Based on original research, the book's contributors, predominantly researchers based outside the high-income countries, build up an analysis of the growing scale of commercialization of health care worldwide, its sources and consequences, and examine more and less effective policy responses across the world. Commercialization, this research demonstrates, is a powerful force for change in health systems, and one that is currently being actively promoted; we argue that it should instead be reshaped, directed, and in part blocked, in the interests of better health.

We employ the concept of "commercialization" to encompass, and to allow us to examine within a single framework, a number of related processes. By "commercialized" health care we mean: the provision of health care services through market relationships to those able to pay; investment in, and production of, those services, and of inputs to them, for

---

<sup>1</sup> Originally published as the introduction to *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*, edited by Maureen Mackintosh and Meri Koivusalo (UNRISD and Palgrave Macmillan, 2005). UNRISD is grateful to Palgrave Macmillan for permission to reproduce this work.

<sup>2</sup> At the time of writing, Maureen Mackintosh was External Research Co-ordinator at UNRISD and Professor of Economics at the Open University in London. Meri Koivusalo was a senior researcher at the Finnish National Research and Development Centre for Welfare and Health (STAKES) programme on Globalism and Social Policy.

<sup>3</sup> The authors are grateful to all the participants in a workshop in Geneva, March 2003, and in the Helsinki conference, March 2004, for comments and debate; the views expressed are solely our own.

cash income or profit, including private contracting and supply to publicly financed health care; and health care finance derived from individual payment and private insurance.

This concept of commercialization is thus wider than the “private sector” of provision and finance, encompassing, for example, commercial behaviour by publicly owned bodies. It is also broader than “liberalization” and “marketization”, each of which refers to a shift to market-led provision from state-led or state-constrained systems, and broader than “privatization”, which refers to the sale or transfer of state-owned assets into private hands.

It has been well understood for many years that markets in health services and health insurance are problematic: bedevilled by incentives for overtreatment, withholding of information and inefficient exclusion from access to insurance (Barr 1998). It is also well understood that redistribution towards those unable to pay is an essential element of health system design. In the current context of expanding commercialization, the challenge is therefore to develop an institutionally and contextually differentiated understanding of the evolution and effects of commercialization in input supply and health service provision, in countries at different levels of national income per head, and in global markets, as an essential basis for health policy. This book is a response to that challenge.

Pressures for health care commercialization, we argue throughout, stem from an interactive mix of policy (and policy failures) and of private responses to shifting economic opportunities and incentives. Globally, corporate restructuring to take advantage of international market integration and new incentives for international investment have influenced local patterns of commercialization.<sup>4</sup> So have international and regional regulatory changes and commitments that open up these investment and trade opportunities, and associated national regulatory accommodation.<sup>5</sup>

Commercialization of national health systems has interacted with changing international health policies, including public-private partnerships that take commercial firms into new policy roles (Ollila 2005). The rapid integration and commercialization of the international labour market for health care professionals have been driven by broader health system commercialization and by changing global hiring processes across the world (Mensah 2005).

A different set of commercializing pressures have been constituted by acute economic crisis in some countries and periods, associated with public sector deterioration and collapse. In sub-Saharan Africa the “health sector reform” requirements of liberalized clinical provision and public sector commercialization have generated and legitimated high levels of out-of-pocket health spending by the poor as well as the better off.<sup>6</sup> In middle-income contexts of economic and social crisis, greater reliance on private health finance and provision has generated high-cost, socially polarizing health systems (Iriart 2005; Sen and Mehio-Sibai 2005). The pressures exerted by widespread health system commercialization can alter the values and operation of the public sector, and may undermine national health insurance (Baru 2005; Blam and Kovalev 2005).

Effective policy responses generally have to move away from the “health sector reform” framework, towards policies that influence and constrain the impact of commercialization. Examples in *Commercialization of Health Care* include national health insurance in a context of highly commercialized service provision (Kwon and Tchoe 2005), and rebuilding public sector provision to guarantee universal access in a context of

---

<sup>4</sup> Lethbridge 2005; Jasso-Aguilar et al. 2005; Iriart 2005.

<sup>5</sup> Koivusalo 2003a, 2003b; Sun 2005; Chaudhuri 2005; Altenstetter 2005.

<sup>6</sup> Gilson and Mills 1995; Mackintosh 2001; Konaté and Kanté 2005; Mbaga Kida and Mackintosh 2005.

mixed finance and provision (Laurell et al. 2005). Less ambitious restructuring, such as private wards in public hospitals, has to be very carefully designed if it is to generate redistribution against the grain of commercial pressure (Wadee and Gilson 2005), while fee-charging primary care can undermine efforts to achieve redistributive tax-based finance (Mbagi Kida and Mackintosh 2005).

Commercialization of health care is therefore *both* a powerful, self-generating economic process *and also* a process that responds to effective policies and political choices. In health policy terms, it is a means not an end, its promotion a policy direction to be judged on its merits, not a premise on which policy can be built.

In the rest of this chapter we explain what we mean by health systems and their purposes, survey the extent and nature of commercialization in health care, and present a critical examination of the extent to which cross-country evidence can legitimate the promotion of commercialization. Our ambition, as the final section explains, is that this book should contribute to the emergence of a better “common sense” in international and national health policy, focused on the construction of ethical and inclusive health systems, rooted in evidence and expertise, and drawing on more effective collaboration between economists and health policy analysts to underpin effective public policy for health.

## Health Systems and Commercialization

Health policy is part of normative policy making within a society, and is therefore embedded in legal rights and commitments made as part of public policies. Health policies are typically based both on values (not always made explicit) and on evidence, experience, knowledge and technical expertise, which are key aspects of health policies. Health systems are the institutional basis and expression of health policies, since the structure of health systems, their organization and governance, have fundamental implications for methods and costs of policy implementation.

Health systems cover more than health services for individuals. They include functions for which health is the first priority, and are essentially population-based, including public health, health promotion and assessment of health implications of other policies. The legitimacy of health systems is derived from political commitments made to citizens, so that accountability and responsibility for their proper functioning lie in the public domain and cannot be left solely to consumer choice and action. Crucially, the organization and functioning of health systems are grounded in and constrained by the culture, resources and values of a country, yet operate in a field of medical care and normative policies which is open to international exchange and learning.

The continuing support for the World Health Organization’s Health for All strategy and principles of primary health care has shown that values such as universal, equitable access to services have been adopted, and continue to be acknowledged, in very different countries (WHO 2003a; WHA 1998, 2003). While the World Health Organization (WHO) took a different approach to health systems in the *World Health Report 2000* (WHO 2000), it seems that it has changed course. In the *World Health Report 2003* (WHO 2003b), WHO returned to an emphasis on integrated health systems and called for the reinforcement of health systems to be based on the core principles of primary health care as



outlined at Alma Ata<sup>7</sup> in 1978: universal access and coverage on the basis of need; health equity as part of development oriented to social justice; community participation in defining and implementing health agendas; and intersectoral approaches to health.

Our definition builds on the same principles of primary health care, but also focuses on what health systems *do*. This can become lost in management terminology or overemphasis on health services. Health systems we believe should address:

- Protection and promotion of population health and provision of preventive services, intersectoral action and emergency preparedness (“public health”).
- Provision of health services and care for all according to need, and financing of these according to ability to pay (“health services”).
- Ensuring training, surveillance and research for the maintenance and improvement of population health and health services and availability of a skilled labour force (“human resources and knowledge”).
- Ensuring ethical integrity and professionalism, mechanisms of policy development, planning and accountability, citizen rights, participation and involvement of users and respect of confidentiality and dignity in provision of services (“ethics, accountability and policy”).

Embedded in this definition is an understanding that health services must aim for universality of access according to need, and solidarity in provision and financing, and that health systems should be judged against these objectives. Solidarity here is about robust redistribution and cross-subsidy to sustain access on the basis of need. This implies that health system performance should not be exclusively defined in terms of health outcomes. Health systems do promote health, but they should also invest resources in chronically and terminally ill people. This is a fundamental matter of human dignity: health systems are not only about improving health and curing illness, but also about care, rehabilitation and alleviation of pain and disability. To assess these aspects requires attention to how systems function, including the balance with home care, which is a burden largely carried by women.

Commercialization has not only influenced health systems’ operation, but has also influenced how they are defined. While health systems do cover different functions, the strong separation frequently made between public health measures (“public good”) and health services (“private good”) is not useful in the context of health systems functions. A narrow economic definition of public goods limits the scope of public health measures and provides an insufficiently explored presumption of an expanding role for markets in health services. This retreat from the traditional broader concept of public health has been found problematic in terms of logic, ethics and effectiveness of services, since there is no clear boundary between aspects of public health such as immunization, prevention of epidemics and environmental health, and personal health services that must also have the capacity to respond to emergencies (Qadeer 2001).

Health systems have been too readily reimagined as a collection of cost-effective interventions and strategic purchasing. Rather, sustaining effective health services requires a balancing of the different requirements of primary and outpatient and hospital care. Regulatory and organizational effectiveness is needed not only in relation to quality of care, but also for health technology and pharmaceuticals (Chaudhuri 2005; Altenstetter 2005). These are too often treated separately from health services, even

---

<sup>7</sup> See the Declaration of Alma Ata. International Conference on Primary Health Care, Alma Ata, USSR, 6-12 September 1978. Available at <http://apps.who.int/medicinedocs/documents/s21369en/s21369en.pdf>.

though they are of increasing importance to costs and quality of care in all countries, not only in the developing world (OECD 2003). Health systems have been transformed in the last 50 years, in terms of what they can do, by industrial innovation and investment in pharmaceuticals and medical technology. Yet more interventions do not always imply better care. The *laissez-faire* approach too often proposed at present for the commercial “sector” should be replaced by active policies to direct research and development more towards public health needs, and to conserve scarce resources through rational use of drugs and technology.

Too close a focus on interventions and outcomes, furthermore, obscures the importance for evidence-based health systems of local gathering and evaluation of information. Data collection and surveillance functions rely on traditional aspects of medical care such as accurate diagnosis, pathology departments and undertaking obductions, crucial aspects of health systems rarely contributing directly to health outcomes. A health systems perspective brings into view the needs of the human resource base of the health system, including sustained training of nurses, auxiliaries and medical doctors, and capacities in management, research and the legal expertise for regulatory measures.

Health systems should aim to meet political and ethical commitments in the context of a legal framework of social rights of citizens. These commitments include forms of accountability and principles such as confidentiality, respect and communication, and response to malpractice. The emphasis on rights overlaps with, but is distinct from, consumerist models that emphasize response to expectations and ensuring choice. Citizens’ capacity to act as informed consumers is always constrained, most severely when ill; professionalism is essential to address the limits of consumerism in health care.

## **The Extent of Commercialization in Health Systems**

Commercialization of health care long predates the current wave of international market integration, or “globalization”. To measure the extent of commercialization we need a framework within which to interpret evidence. This section uses the currently dominant approach, part of the common sense in the international literature, of the “public/private mix” (Bennett et al. 1997a, 1997b). The following section takes an alternative approach.

The “public/private mix” is a metaphor; it places each health system along an imagined continuum between more “public” and less “private” expenditure and provision. One indicator of commercialization in this framework is therefore the percentage of a country’s total health *expenditure* spent directly by private individuals (out of pocket or through private insurance). We examine this here using health expenditure data and other economic indicators for 2000, from the WHO and World Bank.<sup>8</sup> “Private expenditure” is not of course spent only in the private sector; much also goes on fees for religious, other NGO- and government-provided care.

Three findings stand out from the cross-country data analysis. First, commercialized health care, on this expenditure measure of commercialization, is not a choice of the better-off countries; it is better described as an affliction of the poor. Higher shares of private in total health spending are strongly associated, across countries, with lower

---

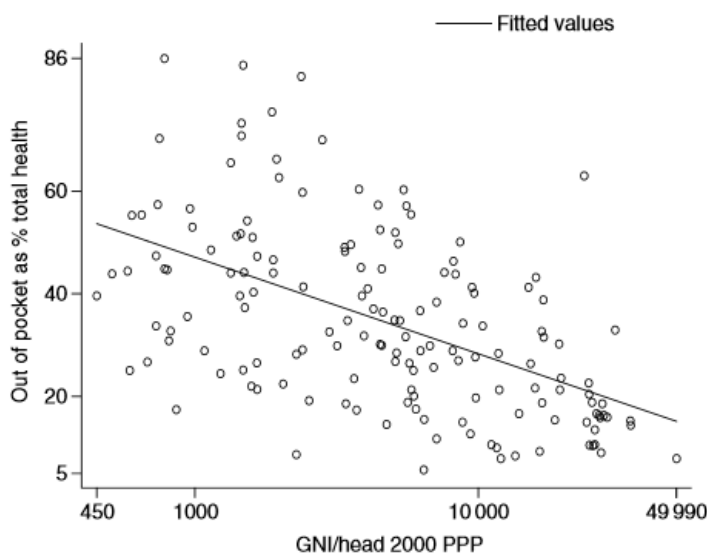
<sup>8</sup> WHO data online for 2000 ([www.who.int/whosis](http://www.who.int/whosis)) and World Development Indicators online ([www.worldbank.org](http://www.worldbank.org)). For more details, see Koivusalo and Mackintosh (2004).

average incomes per head. Among rich countries, only Singapore and the United States have private expenditure shares over 50 per cent, while all but one of the countries with private health expenditure shares over 70 per cent have national incomes per head under USD 1,000 per year.<sup>9</sup>

Worse, the poorer a country, the more likely the population is to face the most regressive form of health finance: out-of-pocket expenditure (figure 4.1).<sup>10</sup> Where this is a predominant means of access to health care across the social scale, it weighs most heavily on those with lower incomes and excludes the very poor. In many low- and middle-income countries, including India and China, but in no rich countries except Singapore, over 40 per cent of health care spending is out of pocket and/or over 3.5 per cent of GDP is spent out of pocket on health care.

Third, “socialized medicine”—health care financed through tax-based public expenditure and social insurance—is a “luxury good” in economic terms, that is, it is purchased proportionately more *relative to GDP* in countries with higher incomes per head (figure 4.2).<sup>11</sup> Economists’ usual examples of “luxury goods”, on which more is spent relative to income at higher incomes, are things such as expensive cars (Begg et al. 2000:66), but ironically government/socially purchased health care fits the definition well at a national level. The irony lies in the association frequently drawn between privately purchased health care and quality of provision, since, strikingly, private spending on health care is *not* a luxury good in this sense; its share in GDP is completely uncorrelated with countries’ income per head (figure 4.3).<sup>12</sup>

**Figure 4.1 Out-of-pocket as percentage of total health expenditure and log GNI per head (PPP) 2000**



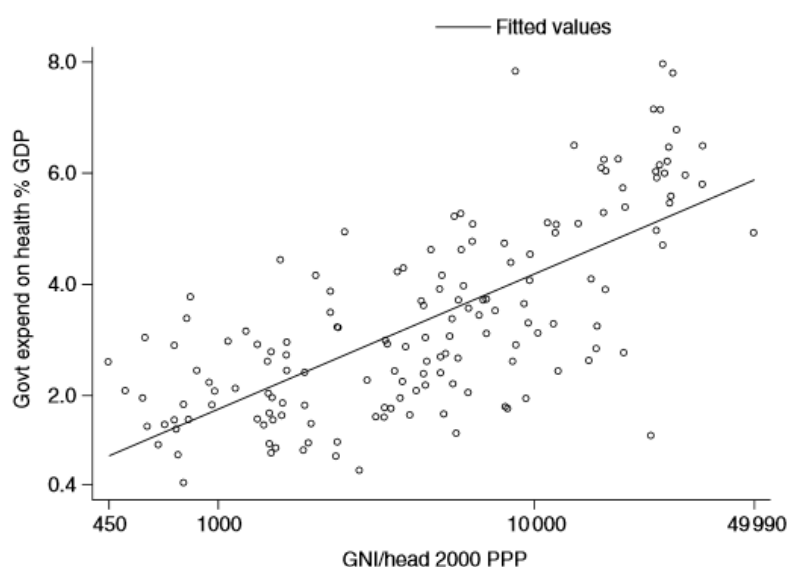
<sup>9</sup> 163 countries; regression of private as percentage of total health expenditure on GNI/head (Atlas method); coefficient is negative and significant at 1 per cent level; the negative association is considerably *strengthened* using PPP data for GNI/head.

<sup>10</sup> 155 countries; coefficient is significant at 1 per cent level; horizontal axis log scale; regression x variable is log GNI per head (PPP); result unchanged using Atlas method exchange rate data for GNI/head.

<sup>11</sup> 155 countries; the coefficient is highly significant on both measures of GNI/head; note that the rich countries predominantly lie above the regression line; an additional dummy variable for rich countries is also significant.

<sup>12</sup> 155 countries; no significant relationship between the variables; the use of GNI/head (Atlas method) data does not change the result.

**Figure 4.2 Government expenditure on health as percentage of total health expenditure and log GNI per head (PPP basis) 2000**



The public/private mix in health care *provision* is much harder to measure. The multilateral data collection effort has concentrated on expenditure, and there are also conceptual and practical difficulties in collecting data on ownership of health services. We use two indicators: the proportion of hospital beds in the public and private sectors<sup>13</sup> and an intermediate indicator of primary care commercialization, the public/private split in use of ambulatory care for specified illnesses of children in 44 low- and middle-income countries for which there have been Demographic and Health Surveys (DHS).<sup>14</sup> Both data sets refer to a range of dates in the 1990s and early 2000s. In each case “private” includes all non-government provision.

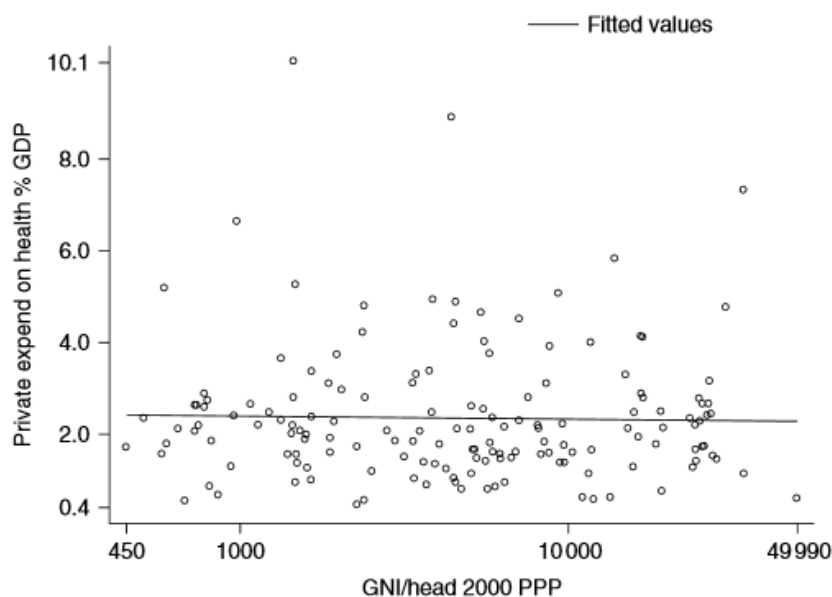
These indicators show that in developing countries, primary care provision is in general highly commercialized, while hospital, and more generally in-patient, care is not. In almost all<sup>15</sup> of 44 largely low-income countries, over 50 per cent of children treated for acute respiratory infection (ARI) or diarrhoea were treated privately, and the percentage was unrelated to GNI per head. This finding of quite highly commercialized low-income primary care is well supported by qualitative evidence (see the following section), and has serious implications for public health.

<sup>13</sup> New data set drawn from a wide variety of sources; our thanks to Seife Ayele for research assistance. Beds data provide a less biased indicator than ownership of facilities, since private hospitals tend to be smaller than government hospitals.

<sup>14</sup> Source: Demographic and Health Surveys; data accessed online at [www.worldbank.org](http://www.worldbank.org). This analysis was done in 2003 before a 45th country was added to the online data.

<sup>15</sup> 43/44 countries in the case of diarrhoea, 41/44 for ARI.

**Figure 4.3 Private expenditure on health as percentage of total health expenditure and log GNI per head (PPP basis) 2000**



Conversely, in none of the 44 countries did deliveries of babies in private facilities make up over 25 per cent of total deliveries. Further evidence of lower commercialization of in-patient care is provided by the data on private share of hospital beds. Of 32 countries for which we have data, only four (two rich countries, Germany and Japan, and two middle-income) have more than 50 per cent of hospital beds in non-government sectors; the middle-income countries, Lebanon and South Korea, stand out very sharply as highly commercialized on this indicator, with around 90 per cent of beds non-government owned; the median is 23.5 per cent. Government hospitals thus provide, in this subset of countries, the bulk of hospital-based in-patient care.

Finally, and strikingly, there is *no* correlation between the public/private mix of provision and of finance: existing health care systems are not generally segmented into a “private” sector funded privately and a “public” sector funded by the government. In the 1980s (Hanson and Berman 1998), as today, health systems in low- and middle-income countries display mixed funding of mixed provision. Much public and some private expenditure goes on direct provision (government hospitals, company clinics) while private spending goes on purchase of services in all sectors: government, NGO and private.

### **Paths of Commercialization: Informalization, Corporatization and Globalization**

An alternative policy-relevant approach to assessing the extent of commercialization in health care would replace the “mix” concept with a model of different “paths” of institutional change in health care. The metaphor in this case is an evolutionary one, inviting attention to feedback and cumulative change in the commercialization process over time. We sketch here three widely observed paths of health care commercialization within countries and across national borders, drawing on evidence of characteristics of

the firms and other actors involved, and market characteristics such as the level and nature of competition and the payment processes. Each of these “paths” is policy-influenced but not policy-determined. Each has an economic life of its own, driven by market dynamics, profitability and incentives, the costs of information, trading and job search, levels of income and changing patterns of competition.

### ***Informal commercialization in low-income primary care***

In most low-income countries in sub-Saharan Africa and South Asia, and in the Asian transitional economies, this is the predominant form of health care commercialization. Private, small-scale, largely unregulated provision has come to play an important role in urban primary care, for the poor and slightly less poor, in much of Africa (Konaté and Kanté 2005; Mbagi Kida and Mackintosh 2005). In India, 80 per cent of outpatient consultations are in the private sector in both urban and rural areas, and there is no effective licensing of practitioners (Narayana 2003). Viet Nam has seen rapid growth of independent provision at primary level, with a strong bias towards urban areas, and widespread unlicensed practice (Nguyen Hong Tu et al. 2003). Unlicensed and off-prescription sale of drugs is widespread in all these areas. Payment is largely out of pocket, generating exclusion and impoverishment, and price-focused competition and repeated financial failure strengthen incentives for unethical practice (Tibandebage and Mackintosh 2002).

### ***Corporatization and segmentation in middle-income hospital care***

Corporatization of hospital care, in the sense of hospitals run by quoted corporations for privately paying patients, has a higher policy profile than its extent within developing countries yet warrants. Lethbridge (2005), Jasso-Aguilar et al. (2005) and Iriart (2005) document the reluctance of corporations to sustain ownership and provision of hospital care, and the extensive profit taking, risk shedding and corporate exit the sector has experienced in recent years. The high profile is in part the result of the active promotion by the World Bank of corporatization of hospitals, in the broader sense including more commercial behaviour by public hospitals (Preker and Harding 2003). The World Bank has also promoted “managed care” initiatives whereby corporate insurers commission privately provided care, and there is pressure on developing countries to open markets to private insurers (Jasso-Aguilar et al. 2005; Sun 2005). The development of a fully separate high-income segment of commercial health care in developing countries is a strong aspiration for some multilateral commentators (Gwatkin 2003). In practice, however, these private high-income market segments in middle-income contexts tend to be financially fragile, with firms constantly in search of public subsidy and public contracting opportunities.

### ***Globalization in input supply and labour markets in the health sector***

While globalization in the sense of corporate investment across national borders associated with rising cross-border trade is fragile and patchy in hospital services, it has long been strong and is increasingly dominant in medical technology and pharmaceuticals. Multinational corporations (MNCs) operate in increasingly integrated markets and their role in shaping global and regional norm-setting on trade in goods and

intellectual property rights has been substantial.<sup>16</sup> Trade and industrial policies including plurilateral and bilateral trade agreements and trade-related agreements on trade in services, investments and competition, profoundly influence health care. At the global level US and European-based MNCs actively pursue protection of corporate interests through international agreements, such as the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), which have substantial implications for health.<sup>17</sup> TRIPS, as Chaudhuri (2005) shows, has little to do with market liberalization but may rather increase the monopoly power of currently dominant firms, with severe consequences for access to drugs for the low-income majority of the world's population.

It has long been argued that, because health care is a labour-intensive system, its costs are substantially lower in developing than in high-income countries (Drèze and Sen 1989; Sen 2001). However, as the migration of doctors and nurses from low-income contexts to work in higher income systems accelerates, globalization of the health professional labour market—so far largely independent of international regulatory changes under the General Agreement on Trade in Services (GATS)—is undermining the staffing and financing of low-income health systems. Mensah (2005) argues that policy responses should not undermine the human rights of professional staff from low-income countries by preventing migration, but address the problem by rebuilding low-income health care systems.

### **Evaluating Health Care Commercialization: No Comfort for Commercializers**

Health care commercialization needs to be evaluated in terms of stated objectives and values. In this section, we examine further the cross-country data used in the section on Extent of Commercialization in Health Systems and ask to what extent higher levels of commercialization of expenditure and provision, in the public/private mix sense, are observed to be associated with better health outcomes. As measures of health outcomes we use two widely employed indicators: healthy life expectancy and child mortality (the probability of dying before five years).

We present our findings in the form of six “stylized facts” about the associations between commercialization and these health outcomes. Stylized facts are empirical generalizations, sometimes invoked by economic theorists to underpin model building: observed regularities that require explanation or explanation-away. Cross-country regressions such as these are not unproblematic, and the observed relationships vary in strength; we do not draw conclusions about causality. Rather, we simply seek to demonstrate that the cross-country evidence carries *no* comfort for those promoting commercialization as a generally beneficial process.

#### **Countries with better health outcomes have significantly lower commercialization of health expenditure**

Healthy life expectancy (HALE) was significantly higher and child mortality significantly lower, in 2000, in countries with lower ratios of private to total health expenditure (figure 4.4 shows the plot for HALE), and this remains the case if we allow separately for the

<sup>16</sup> Greenwood 1997; Chaudhuri 2005; Altenstetter 2005.

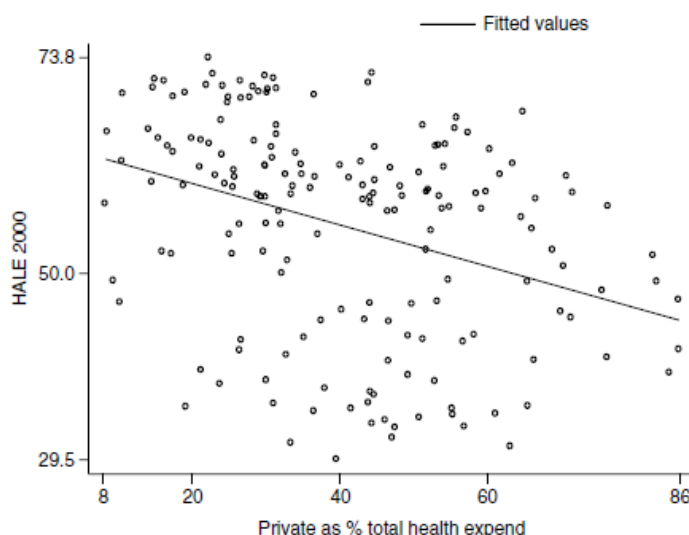
<sup>17</sup> Drahos 1995, 1997, Koivusalo 2003b; Correa 2002; CIPR 2003.

strong influence of the AIDS pandemic on life expectancy in sub-Saharan Africa.<sup>18</sup> Commercialization of expenditure is thus significantly associated with worse health outcomes. Higher income countries have, as noted above, relatively less commercialized health spending; higher income and less commercialized health expenditure are each associated with better health outcomes.

**Countries that spend more of their GDP on private health expenditure do not display better health outcomes**

Spending more of a country's total income privately on health care is not associated with better healthy life expectancy or lower child mortality, whether or not one allows separately for the effect of higher incomes on health outcomes. Higher commercialization in the sense of more of GDP spent on private care is very mildly associated with worse outcomes, but the association is not significant (figure 4.5 shows the plot for child mortality).<sup>19</sup>

**Figure 4.4 Healthy life expectancy (HALE) and private as percentage of total health spending, 2000**

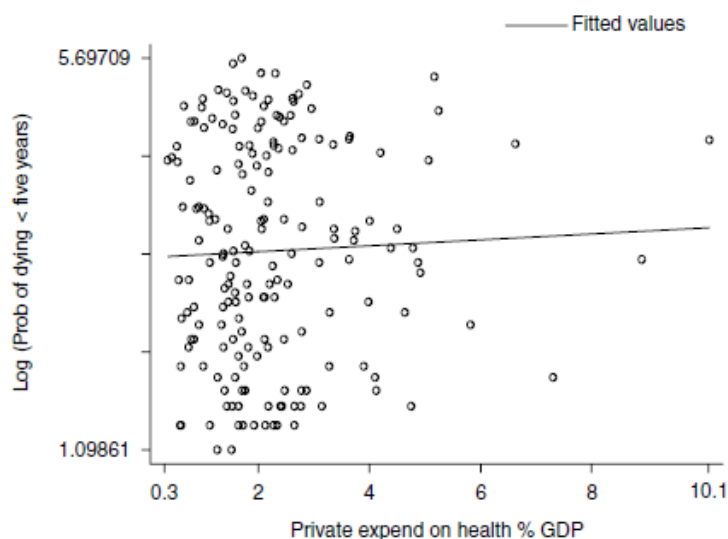


<sup>18</sup> 178 countries. In a regression of HALE on private as percentage of health expenditure and on a dummy variable for sub-Saharan Africa both coefficients are negative and significant.

<sup>19</sup> 178 countries. The indicator of child mortality is strongly skewed, hence fit is (mildly) improved by using the log of the dependent variable. The coefficient on the independent variable is insignificant. R<sup>2</sup> is 0.0001.



**Figure 4.5 Log of probability of dying before five years and private expenditure on health as a percentage of GDP, 2000**



**Countries that spend more of their GDP on health through public expenditure or social insurance do, however, have significantly better health outcomes**

Healthy life expectancy is significantly higher and child mortality significantly lower in countries that spend more of their GDP on health care through government and social insurance funding (figure 4.6 shows the plot for health life expectancy).<sup>20</sup> Health outcomes in richer countries are positively associated with both higher incomes, and more public and social health expenditure relative to GDP.

The last three stylized facts link indicators of commercialization to indicators of health care access in 44 low- and middle-income countries in the Demographic and Health Survey (DHS) data set.

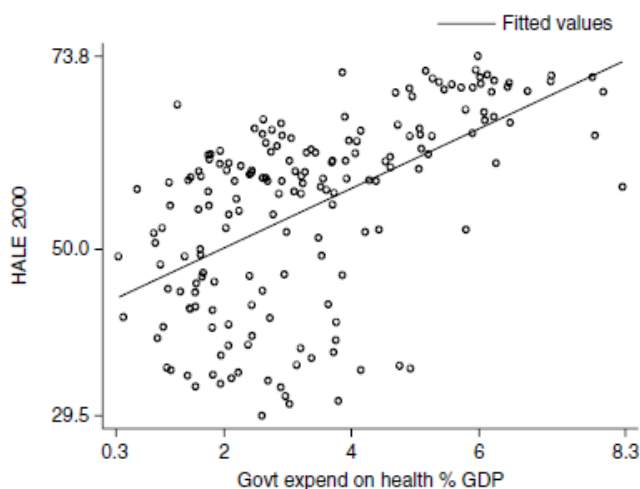
**Better care at birth is associated with more of GDP spent by government or social insurance funds on health care, but not with more private health spending/GDP**

This finding supports the last two: among 44 DHS countries, the share of births that occur with a trained attendant is strongly associated with government health expenditure as a share of GDP, but has no significant association with private health spending as a share of GDP.<sup>21</sup>

<sup>20</sup> 178 countries; coefficient is significant at 1 per cent level.

<sup>21</sup> Regression of percentage of deliveries with a trained attendant on both government and private health expenditure as percentage of GDP, 44 countries; only the first coefficient is both positive and significant.

**Figure 4.6 Healthy life expectancy (HALE) and government expenditure on health as a percentage of GDP, 2000**



***Higher primary care commercialization is associated with greater exclusion of children from treatment when ill***

The percentage of children who, when taken for treatment for acute respiratory infection (ARI) or diarrhoea, were seen privately can be used as a proxy for health care commercialization. In the DHS data set, a higher percentage of children with ARI or diarrhoea seen privately is significantly associated with a lower percentage of children who are treated at all. Figure 4.7 shows the plot for ARI.<sup>22</sup> Greater commercialization on this measure appears to be associated with higher levels of exclusion from access to care.

***Commercialization of primary care is associated with greater inequality in rates of consultation for children when ill***

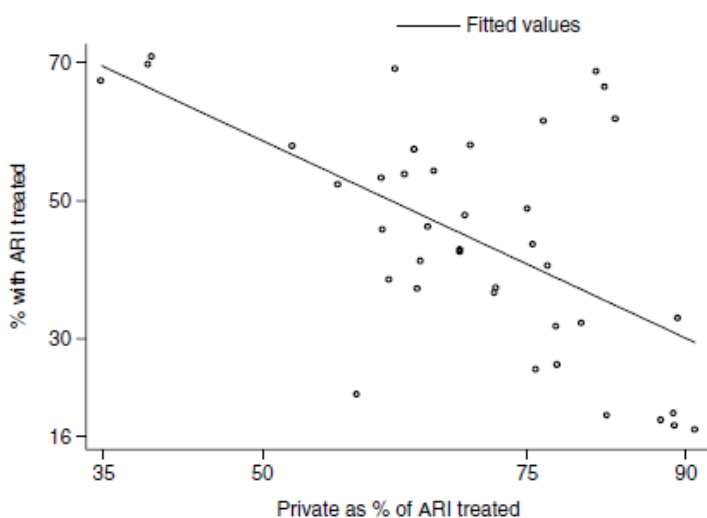
In the DHS data set one measure of equality of access to health care can be constructed from the ratio of the percentage of children with ARI or diarrhoea in the bottom asset quintile<sup>23</sup> who were taken for treatment to the percentage of children in the top quintile who were treated. The higher this measure the more *equal* the treatment rates. For ARI this measure of inequality is negatively and significantly associated with primary care commercialization as measured by the proportion of children treated who are seen privately (figure 4.8).<sup>24</sup> However, for diarrhoea the association, though also negative, is not significant.

<sup>22</sup> 39 countries; coefficient is negative and significant at 1 per cent level, R<sup>2</sup> 0.34.

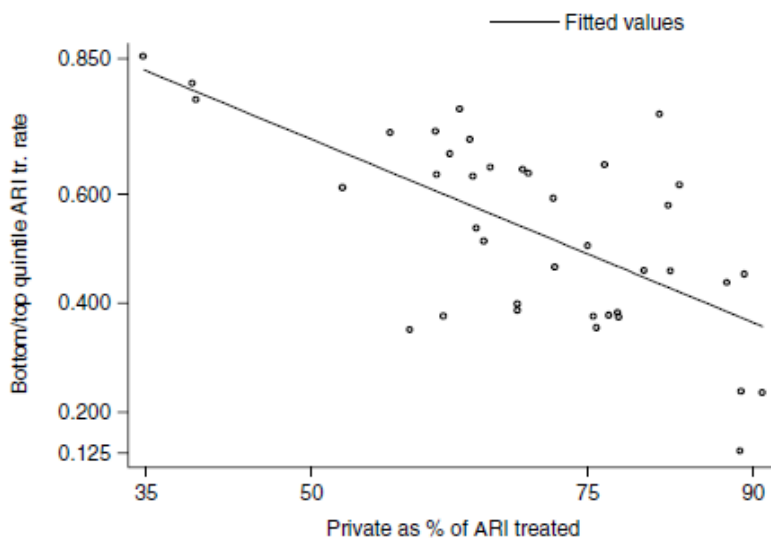
<sup>23</sup> The bottom 20 per cent of the population in terms of asset ownership.

<sup>24</sup> 39 countries; coefficient is negative and significant at 1 per cent level, R<sup>2</sup> 0.43.

**Figure 4.7 Percentage of children with ARI taken for treatment, and percentage of those taken for treatment seen privately, various years 1990–2002**



**Figure 4.8 Ratio of percentage of children with ARI from the bottom quintile taken for treatment to percentage from the top quintile, and percentage of all those taken for treatment seen privately, various years 1990–2002**



Our aim in presenting these stylized facts is modest: to generate some empirically founded doubt about the assumed benefits of commercialization. The stylized facts illustrate the striking lack of evidence, in very widely used comparative data sets, for positive benefits from commercialization.

### **Conclusion: A Better Common Sense for Health Policy—In Search of Good Sense**

Health care systems are thus quite highly, though unevenly, commercialized in developing countries. Further commercialization has been relentlessly promoted by international

financial institutions, pushing to the margins of dominant health policy debate a set of issues that national health policy makers and users of health services continue to be concerned with, notably health system integration and effectiveness and redistributive health finance. Yet the evidence base for the benefits of system-wide commercialization of health systems is largely lacking. We therefore end this chapter with some propositions, rooted in the research presented in *Commercialization of Health Care*, that can contribute to a better “common sense” for international and national health policy.

### **“Common sense” and “good sense” in health policy and politics**

First, a brief reflection on our concepts of “common sense” and “good sense”. In *Prison Notebooks*, the innovative Italian Marxist philosopher Antonio Gramsci defined “common sense” as “a generic form of thought common to a particular period and a particular popular environment” (Gramsci 1971:330), and identified within it a core of “good sense”, rooted in experience and systematic thought. A “philosophy” he characterized as a coherent system of ideas that may become the common sense of intellectuals in a given place and period (Gramsci 1971:330).

The promotion of commercialization in the 1980s and 1990s, supported as it was by repeated appeal to elementary economic models of competitive markets, can be understood as a deliberative exercise in influencing the intellectual common sense, or philosophy, of national health policy makers (Iriart et al. 2001). The pro-commercialization arguments even came to seem “good sense” in many contexts, because of popular experience of deteriorated and even abusive public sectors. A presumption of commercialization as a basis for policy came to obscure the extent to which health success stories in developing countries relied on effective public sector initiatives in primary care, adult literacy and public health, and the reasons why many democratic countries turn to public initiatives and public and social insurance forms of health care finance.<sup>25</sup>

We aim therefore in *Commercialization of Health Care* to contribute to what we believe is a re-emergence of a more effective and inclusive common sense in health policy that links up with popular and political “good sense” for health. The shift is visible, for example, in WHO’s *World Health Report 2003* (WHO 2003), which returns to the integrated primary health care approach to the development of health systems. We summarize here key policy-related aspects of this emerging good sense.

### **A better common sense for health**

First, commercialization is an important element of many health systems, but health systems should not be market-led. They should be governed on the basis of public priorities and accountability. The roles and limits of commercial activity in health are core decisions for national and local health policy makers, and the capacity to make those decisions therefore needs to be safeguarded for democratic arenas. This implies the active protection of policy autonomy, avoiding too much “lock-in” by international economic integration and global and regional regulatory constraint. It also implies the maintenance of the technical, institutional, research and resource base in health systems for decision making.

It follows that the public sector itself should not be allowed to become commercialized, that is, driven by market incentives, whether by policy or by default.

---

<sup>25</sup> Ghai 2000; Laurell et al. 2005; Kwon and Tchoe 2005.

Public, non-market health care provision works in many countries as part of a “mixed” health system. But failure to protect the public sector from the erosion of public values and purpose undermines its capacity to work for public benefit.<sup>26</sup> Public provision or publicly managed health finance can only play their role in universalizing health systems if their principle of operation is non-commercial (Laurell et al 2005; Kwon and Tchoe 2005).

Second, do not allow the health care system to be segmented by creating a high income segment of private insurance for private provision. Such a strategy will raise health system costs and tend to leach resources from other parts of the health system, driving out cross-subsidy and undermining the finances of both private and government segments (Iriart 2005; Sen and Mehio-Sibai 2005). If health care provision is highly commercialized, then universalization will rely on keeping commercial insurance at bay. Conversely, with substantial private finance, effective public services are required as a low-cost basis for social insurance and for universalizing access by direct provision; and social insurance will have to be legally protected from “cherry picking” by private insurers.<sup>27</sup>

Treat health systems, therefore, as a sphere of redistribution. Reducing risk pooling increases the burden on public financing, since “buying” access for low-income and seriously ill people to private provision becomes increasingly expensive. Instead, recognize that redistribution *within* health systems is widely regarded as politically legitimate and ethically desirable. It is also economically efficient to embed redistribution in national insurance against health risk (Barr 1998). Developing greater cross-subsidy *can* be done effectively in partially commercialized systems.<sup>28</sup>

Third, use public and non-profit provision to influence the health system as a whole in the direction of integrated and accessible care. The proper role of the public and non-governmental non-profit service providers is *not* (despite the private companies’ negotiating stance) to compete on a “level playing field” with private providers; rather it is to create regulatory leverage over the operation of the system as a whole by influencing the incentives faced by the private sector. This argument implies a retreat from the mindset that separates public provision—or “interventions” to address specific diseases—wholly from the regulatory and planning roles; in very low-resource contexts, this separation can collapse capacity for policy implementation (Mackintosh and Tibandebage 2002). It re-emphasizes the importance of public action to ensure the infrastructural aspects of systems such as training and research.

Finally, integrate health policy priorities into trade and industrial policy decisions. Commitments made in bilateral and multilateral trade agreements, and national industrial and regulatory decisions, affect many aspects of health policies from public health measures and standard setting to service provision and pricing of pharmaceuticals.<sup>29</sup> Decisions on health-related aspects of trade treaties need to be made on health grounds, and where flexibilities exist these should be utilized (Chaudhuri 2005; Altenstetter 2005). And health policy makers therefore need to recognize as part of their concerns the industrial and market behaviour of large and small firms in health care supply and services. Understanding private firms’ behaviour is essential to avoid, for

---

<sup>26</sup> Baru 2005; Blam and Kovalev 2005; Konaté and Kanté 2005; Mbagi Kida and Mackintosh.

<sup>27</sup> Sun 2005; Laurell et al. 2005; Kwon and Tchoe 2005.

<sup>28</sup> Laurell et al. 2005; Kwon and Tchoe 2005; Wadee and Gilson 2005.

<sup>29</sup> Luff 2003; Koivusalo 2003a, 2003b; Fidler 2003.

example, public-private interactions and partnerships draining public resources, or regulatory changes in pharmaceuticals generating higher prices for poor patients.<sup>30</sup>

Countries' health systems, we noted at the beginning, reflect strongly their different history, resources, culture and administrative traditions and capacities. They also reflect the particular evolution of commercialization and industrial investment in each country and region. Globalization has brought new forms of international market integration and new policy pressures, with widely differing effects in different regions and at different income levels.<sup>31</sup> In this context, the construction of ethical and inclusive health systems remains possible. Policy needs to be rooted in a concept of health systems, in evidence and expertise, and also in appropriate economic analysis capable of underpinning effective industrial and regulatory policy for health. Our central theme is that health systems are part of the public policy sphere and that policies towards commercialization within health systems should and can be within national and local democratic control.

## References

- Altenstetter, C. 2005. "International collaboration on medical device regulation: Issues, problems and stakeholders." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Barr, N. 1998. *The Economics of the Welfare State*, 3rd edition. Oxford University Press, Oxford.
- Baru, R.V. 2005. "Commercialization in the public sector in India: Implications for values and aspirations." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Begg, D., R. Dornbusch and F. Fisher. 2000. *Economics*, 6th edition. McGraw-Hill, London.
- Bennett, S., B. McPake and A. Mills. 1997a. "The public/private mix debate in health care." In S. Bennett, B. McPake and A. Mills, *Private Health Providers in Developing Countries: Serving the Public Interest?* Zed Books, London.
- . 1997b. *Private Health Providers in Developing Countries: Serving the Public Interest?* Zed Books, London.
- Blam, I. and S. Kovalev. 2005. "On shadow commercialization of health care in Russia." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Chaudhuri, S. 2005. "Indian pharmaceutical companies and accessibility of drugs under TRIPS." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- CIPR (Commission on Intellectual Property Rights). 2002. *Integrating Intellectual Property Rights and Development Policy: Report of the Commission on Intellectual Property Rights*. CIPR, London.
- Correa, C.M. 2002. *Implications of the Doha Declaration on the TRIPS Agreement and Public Health*. WHO Health Economics and Drugs EDM Series No. 12. WHO/EDM/PAR/2002.3.
- Drahos, P. 1997. "Thinking strategically about intellectual property rights." *Telecommunications Policy*, Vol. 21, No. 3, pp. 201–211.
- . 1995. "Global property rights in information: The story of TRIPS and the GATT." *Prometheus*, Vol. 13, No. 1, pp. 6–19.
- Drèze, J. and A.K. Sen. 1989. *Hunger and Public Action*. Clarendon Press, Oxford.
- Fidler, D. 2003. *Legal Review of the General Agreement on Trade in Services (GATS) from a Health Policy Perspective*. Globalization, Trade and Health Working Paper Series. WHO, Geneva.
- Ghai, D. 2000. *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, Basingstoke.
- Gilson, I. and A. Mills. 1995. "Health sector reforms in sub-Saharan Africa: Lessons of the last ten years." *Health Policy*, Vol. 32, pp. 215–243.
- Gramsci, A. [1929–1935] 1971. *Selections from the Prison Notebooks of Antonio Gramsci*. Q. Hoare and G. Nowell Smith (eds.). Lawrence and Wishart, London.
- Greenwood, J. 1997. *Representing Interests in the European Union*. Macmillan, Basingstoke.

---

<sup>30</sup> Lethbridge 2005; Jasso-Aguilar et al. 2005; Chaudhuri 2005; Altenstetter 2005; Ollila 2005.

<sup>31</sup> Lethbridge 2005; Jasso-Aguilar et al. 2005; Iriart 2005; Chaudhuri 2005; Altenstetter 2005; Mensah 2005.

- Gwatkin, D. 2003. *Free Government Health Services: Are They the Best Way to Reach the Poor?* World Bank, Washington DC. <http://www.worldbank.org/en/topic/poverty>.
- Hanson, K. and P. Berman. 1998. "Private health care provision in developing countries: A preliminary analysis of levels and composition." *Health Policy and Planning*, Vol. 13, No. 3, pp. 195–211.
- Iriart, C. 2005. "The transnationalization of the health care system in Argentina." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Iriart, C., E.E. Merhy and H. Waitzkin. 2001. "Managed care in Latin America: The new common sense in health policy reform." *Social Science and Medicine*, Vol. 52, No. 8, pp. 1243–1253.
- Jasso-Aguilar, R., H. Waitzkin and A. Landwehr. 2005. "Multinational companies and health care in the United States and Latin America: Strategies, Actions and Effects." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Kida, T.M. and M. Mackintosh. 2005. "Public expenditure allocation and incidence under health care market liberalization: A Tanzanian case study" In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Koivusalo, M. 2003a. "Health system solidarity and European Community policies." In K. Sen (ed.), *Restructuring Health Services: Changing Context and Comparative Perspectives*. Zed Books, London.
- . 2003b. "The impact of WTO Agreements on health and development policies." In B. Deacon, E. Ollila, M. Koivusalo and P. Stubbs (eds.), *Global Social Governance: Themes and Prospects*. Globalism and Social Policy Programme, Helsinki.
- Koivusalo, M. and M. Mackintosh. 2004. *Health Systems and Commercialization: In Search of Good Sense*. Paper presented at the UNRISD Conference on Commercialization of Health Care: Global and Local Dynamics and Policy Responses, Helsinki, Finland, March.
- Konaté, M.K. and B. Kanté. 2005. "Commercialization of health care in Mali: Community health centres, fees for service and the rise of private providers." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Kwon, H.-J. and B. Tchoe. 2005. "The political economy of national health insurance in Korea." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Laurell, A.C., E. Zepeda and L. Mussot. 2005. "Eliminating economic barriers in health care: The Mexico City government's experience." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Lethbridge, J. 2005. "Strategies of multinational health care companies in Europe and Asia." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Luff, D. 2003. "Regulation of health services and international trade law." In A. Mattoo and P. Sauvé (eds.), *Domestic Regulation and Service Trade Liberalisation*. World Bank, Washington DC.
- Mackintosh, M. 2001. "Do health care systems contribute to inequalities?" In D. Leon and G. Walt (eds.), *Poverty, Inequality and Health: An International Perspective*. Oxford University Press, Oxford.
- Mackintosh, M. and P. Tibandebage. 2002. "Inclusion by design? Rethinking health care market regulation in the Tanzanian context." *Journal of Development Studies*, Vol. 39, No. 1, pp. 1–20.
- Mensah, K. 2005. "International migration of health care staff: Extent and policy responses, with illustrations from Ghana." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Narayana, K. 2003. "The role of the state in the privatisation and corporatisation of medical care in Andhra Pradesh, India." In K. Sen (ed.), *Restructuring Health Services: Changing Contexts and Comparative Perspectives*. Zed Press, London.
- Nguyen Hong Tu, Nguyen Thi Lien Huong and Nguyen Bich Diep. 2003. *Globalization and its Effects on Health and Occupational Care in Vietnam*. Paper prepared for the RUIG/UNRISD project on Globalization, Inequality and Health Care. UNRISD, Geneva.
- OECD (Organisation for Economic Co-operation and Development). 2003. *OECD Health Data 2003: A Comparative Analysis of 30 Countries*. OECD, Paris.
- Ollila, E. 2005. "Restructuring global health policy making: The role of global public-private partnerships." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Preker, A. and A. Harding. 2003. *Innovations in Health Service Delivery: The Corporatization of Public Hospitals*. World Bank, Washington DC.
- Qadeer, I. 2001. "Impact of structural adjustment programmes on concepts in public health." In I. Qadeer, K. Sen and K.R. Nayar (eds.), *Public Health and the Poverty of Reforms*. Sage, New Delhi.
- Sen, A. 2001. "Economic progress and health." In D. Leon and G. Walt (eds.), *Poverty, Inequality and Health: An International Perspective*. Oxford University Press, Oxford.
- Sen, K. and A. Mehio-Sibai. 2005. "The dynamics of commercial health care in the Lebanon." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.

- Sun, Q. 2005. "The Interactions between social and commercial health insurance after China's entry into the World Trade Organization." In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- Tibandebage, P. and M. Mackintosh. 2002. "Institutional reform and regulatory relationships in a liberalising health care system: A Tanzanian case study." In J. Heyer, R. Thorp and F. Stewart (eds.), *Group Behaviour and Development: Is the Market Destroying Cooperation?* Oxford University Press, Oxford.
- Wadee, H. and L. Gilson. 2005. "The search for cross subsidy in segmented health systems: Can private wards in public hospitals secure equity gains?" In M. Mackintosh and M. Koivusalo, eds. *Commercialization of Health Care: Global and Local Dynamics and Policy Responses*. Palgrave, Basingstoke.
- WHA (World Health Assembly). 2003. Resolution of the World Health Assembly International Conference on Primary Health Care. Fifty-sixth World Health Assembly. Doc. No. WHA56.6. 26 May. WHO, Geneva. Available at: <http://apps.who.int/medicinedocs/documents/s15362e/s15362e.pdf> (accessed in April 2014).
- . 1998. "Health-for-all policy for the twenty-first century." *World Health Declaration*, Doc. No. WHA 51.7. 16 May. WHO, Geneva.
- WHO (World Health Organization). 2003a. *Evidence for Information and Policy, Health Services Provision Briefing Note*. WHO, Geneva.
- . 2003b. *The World Health Report 2003: Shaping the Future*. WHO, Geneva.
- . 2000. *The World Health Report 2000—Health Systems: Improving Performance*. WHO, Geneva.





## Chapter 5

# Who Pays? Financing Social Development<sup>1</sup>

*UNRISD*  
(2000)

---

If governments are to achieve more equitable development, they will have to resolve the debt crisis and reorient development assistance. They will also need to adopt new approaches to taxation and pensions and find ways of generating more resources locally.

More wealth has been generated over the past few decades than ever before. But the world does not yet have ways to channel enough of this into social development. Five years after Copenhagen, there is an even greater contrast between available resources and manifest need.

Most of the damage has been concentrated in developing and transition countries. There is less of a problem in the industrialized countries whose governments have generally sustained their social spending. The United States has been able to do this because its economy has been growing strongly. And the governments of Western Europe and Japan have given priority to social programmes. This contrast between resources available for social provision in industrial and developing countries threatens to widen disparities between rich and poor still further. An important goal for the years ahead must be to reverse this destructive trend.

### **Debt Relief for the Poorest Countries**

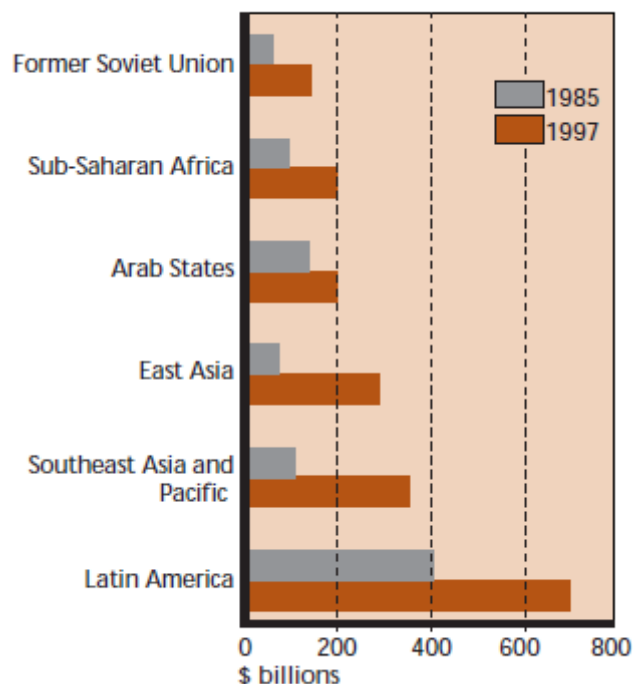
At the time of the Social Summit, the debt of the Third World and the former Soviet Union had reached USD 2.2 trillion and was climbing steadily, both through the inexorable magic of compound interest and the need to borrow yet more money to meet the most pressing demands for payment (figure 5.1). By 1994, annual debt service payments for a number of African countries were already equivalent to more than 40 per cent of their total exports of goods and services; and governments were often paying more in interest to foreign creditors than they were allocating to basic social services such as health and education, whose quality was declining markedly.

---

<sup>1</sup> Originally published as chapter 2 in *Visible Hands: Taking Responsibility for Social Development* (UNRISD, 2000).

Many delegates at the Social Summit highlighted the seriousness of the problem and argued that it would be impossible to improve the living standards of millions of poor people when their governments were saddled with such an enormous burden of debt. This concern was reflected in the Copenhagen Declaration, which committed all signatories to “ensure the urgent implementation of existing debt relief agreements and negotiate further initiatives...to alleviate the debts of the poorest and heavily indebted low-income countries at an early date” (United Nations 1995).

**Figure 5.1 Evolution of debt, 1985–1997**



Source: UNDP 1999; World Bank 1999.

**The HIPC initiative**

The most elaborate response to these concerns emerged in 1996, when the International Monetary Fund (IMF) and the World Bank launched the Heavily Indebted Poor Country (HIPC) initiative. This was promising for a number of reasons. First, it raised the prospect of cancelling debt owed to the multilateral institutions; previous debt relief schemes had been concerned only with bilateral or private debt. Second, it established a different criterion for debt forgiveness—based not on the magnanimity of the creditor but on the debtor’s real capacity to pay. The aim was to reduce the debts of the poorest countries to levels that were “sustainable”—repayable out of export revenues over a reasonable period. On this criterion, 41 countries were classified as HIPCs—whose debt was judged too high a multiple of their likely exports of goods and services—and who should thus be considered for debt relief.

In the event, the HIPC initiative has achieved little. It places such onerous conditions and requires so many different levels of certification that few of the 41 countries have so far qualified for relief. First, the country has needed to prove that, after all other avenues of debt relief have been exhausted, the net present value of public and publicly guaranteed debt would still be 200 to 250 per cent greater than the value of

exports of goods and services. For most countries this is an unreasonably high threshold. Second, the country has to prove its commitment to neoliberal policy prescriptions. It must demonstrate a six-year track record of structural adjustment and submit to close inspection of its economic management. Finally, following a series of debt reductions by bilateral donors and commercial creditors, the multilateral agencies may step in to provide additional relief.

Unsurprisingly, only a few countries have survived the course. Within the first two years (1996–1998), only Bolivia and Uganda managed to meet the criteria. Burkina Faso, Côte d’Ivoire, Guyana, Mali and Mozambique are scheduled to follow shortly. But the relief they can expect to receive is hardly generous. As a result of the HIPC initiative, Mozambique, for example, would see its annual debt service payments fall by only USD 13 million—from USD 113 million to USD 100 million. Uganda’s experience, too, suggests that the HIPC initiative is unlikely to produce lasting benefits (box 5.1).

**Box 5.1: Uganda’s debt**

Between 1980 and 1996, Uganda’s total debt rose from USD 0.7 billion to USD 3.6 billion. This was despite a sequence of debt-relief efforts, mostly arranged through the Paris Club—a group of bilateral creditors who have provided relief on increasingly concessional terms. By 1996, the country’s debt was equivalent to 61 per cent of GNP. Sixty-two per cent of the total was owed to multilateral creditors.

Uganda could point to a long and satisfactory record of structural adjustment, dating from 1987. Therefore it was accepted as a candidate for HIPC relief in 1996, with a “completion point” set for 1998. In the interim, it underwent monitoring by the World Bank and the IMF, to ensure that it continued to implement structural reforms. The former included further reform of the financial sector, rapid advance in privatizing state enterprises, continuing civil service reform and strengthening the tax regime. The capital account was entirely liberalized in July 1997, and remaining non-tariff barriers to trade were lifted in April 1998. In the social field, the government adopted a Poverty Eradication Action Plan in June 1997.

Having satisfactorily completed these reforms, Uganda became the first country to be granted debt relief under the HIPC initiative, in April 1998. Through a series of negotiations, the total stock of debt (outstanding by end-June 1997) was reduced by approximately 19 per cent.

Although this relief is welcome—amounting in the early years to USD 42 million annually—it is far from meeting Uganda’s social development needs. President Museveni’s Universal Primary Education initiative, for example, cost USD 120 million in 1997 alone. Such initiatives will remain dependent on external funding. Some of this will come in the form of grants, but the rest will be loans. As a result, the breathing space created by HIPC stands to be wiped out in a few years, as Uganda acquires more debts.

**Pressure for alternatives**

By 1998, criticisms of the HIPC initiative were mounting. Many people, particularly in the NGO community, were outraged at the lack of progress—especially during a period of booming global financial markets. Between 1996 and 1999, the rich countries saw their total stock market wealth increase by over USD 5 trillion, yet they seemed unwilling to deal with the HIPC debt of only USD 245 billion.

This groundswell of opinion took its most effective form in Jubilee 2000, which has proved one of the largest and most influential international NGO coalitions. With activists in over 40 countries, it called for “a debt-free start to the millennium for a billion people”.

Responding to pressure from Jubilee 2000, and others, the Group of Seven (G-7) industrialized countries announced that their June 1999 meeting in Cologne would include a comprehensive debt relief package. To concentrate their minds on this issue, thousands of activists also converged on Cologne for an alternative economic summit—bringing with them a petition signed by 17 million people.

At the end of their meeting, the G-7 members presented the Cologne Debt Initiative, which included limited debt write-offs: up to USD 90 billion for the poorest and most indebted countries. They also called on individual countries to cancel debts and requested the international financial institutions to provide faster, deeper relief. In addition, they changed existing HIPC rules, modifying the definition of debtors in distress to those with a ratio of debt to exports of 150 per cent or more.

But, overall, the response was disappointing. The G-7 countries avoided any large-scale debt cancellation and, if anything, they added to the conditions for debt relief. Administration of the initiative was placed in the hands of the IMF, which was to demand not just proof of continued structural adjustment but also evidence of progress in poverty reduction. The annual cost to the G-7 countries of the Cologne reforms will be USD 2 billion to USD 3 billion—less than one-third of the amount cut from aid budgets since 1992. Although international progress toward writing off all HIPC debt has been slow, individual countries have taken positive steps. Following earlier leads by the Nordic countries and the Netherlands, the governments of the United Kingdom, France and the United States announced plans in 1999 and 2000 to cancel all debts owed them by the poorest countries. But there is still a long bureaucratic and political road to travel before the infamous chapter of debt renegotiation can be closed. In the meantime, debt payments flow relentlessly out of poor countries toward creditors who have long since developed the financial means to write them off (box 5.2).

**Box 5.2: Missing targets: The price of debt**

The current levels of debt in the HIPCs make it virtually impossible for them to achieve the goals set at the Social Summit. The Summit target for child mortality by 2015, for example, was 52 deaths per 1,000 live births. UNICEF estimates, however, that in the HIPCs the child mortality rate at that time will be 134 deaths per 1,000—equivalent to 2 million additional child deaths annually. The prospects are no better in education. UNESCO estimates that up to 40 million primary school-aged children in HIPCs will remain out of school in 2010—a figure likely to rise further by 2015. On the basis of primary education trends since 1990, Oxfam estimates that only seven of the HIPCs are likely to achieve their 2015 goals.

## Debt Relief for Middle-Income Countries

Though the HIPCs are urgently in need of debt relief, they account for only around 10 per cent of total Third World debt. The remainder is owed by less-poor or middle-income developing countries whose development has also been shaped—and distorted—by decades of continuous restructuring under the discipline of debt.

The problems for these countries, typically in Latin America, originated in the 1970s. At that point, commercial banks were flush with capital from the oil-exporting countries and lent fairly indiscriminately to many developing countries. This transformed financial flows to Latin America. In the period 1966–1970, commercial banks had supplied only 8 per cent of the flow of resources from the United States to Latin America, but by 1978 they were responsible for 57 per cent.

The banks made minimal efforts to evaluate the risks associated with these loans. Many of the loans were used to finance investment in public and private enterprises, infrastructure and development programmes. But others were used to import consumer goods, to speculate on foreign exchange markets, or simply for private ends. The banks were sanguine about this. After all, much of their lending was going to governments, and “governments never default”.

### ***The debt crisis***

Most of these loans were short-term, usually to be renewed annually, and the banks charged variable rates of interest. While interest rates remained low, repayment was less of a problem. But in 1979 the US Federal Reserve launched a historic assault on inflation. As a result, interest rates suddenly jumped to 20 per cent and, virtually overnight, projects whose business plans might have looked eminently reasonable—given their original assumptions—became unviable. A collapse in the prices of major Latin American commodity exports at this time further worsened the economic climate.

This was not just a crisis for the borrowers. It also threatened the stability of Northern commercial banks. In 1982, the Argentine debt alone represented 18 per cent of the capital of the nine biggest banks in the United States. Debtors and lenders thus found themselves locked into a classic debt trap: the banks had to continue lending to keep their debtors sufficiently above water to service earlier loans; and the debtor countries had to continue to accept additional loans at the new, high rates of interest.

The Third World debt crisis became headline news—a drama directed by the IMF that was to be played out in numerous acts. The plot was based on a series of threatened defaults that were followed by last-minute moratoria, most of which were conditional on debtors following the classic IMF prescriptions, devaluing their currencies to encourage exports and cutting public expenditure.

Over the course of the 1980s, the crisis eventually subsided—at least for the banks. They steadily set aside funds that would enable them to survive debt write-offs, while also exchanging some of the debt for stakes in state-owned enterprises. And by the early 1990s, the worst seemed to be over—particularly following agreement on the Brady Plan, which included an ingenious device that converted a considerable part of the remaining debt into bonds, backed by US government securities.

The banks were relieved at having outstanding loans transformed into bonds, which could be listed as an asset and traded in financial markets. But the debtor countries had less to celebrate. Their debt had not disappeared; it had merely changed form. Instead of paying interest to the banks, governments now had to pay it to holders of bonds. That meant continued sacrifices. People would need to tighten their belts still further. And governments would have to continue cutting public expenditure while stepping up exports, with the added pressure of keeping on the right side of the international investors, on whom they would depend for future funds.

### ***The new bondage***

Spurred by the unexpected success of the Brady bonds, for which there appeared to be a ready market, Latin American governments saw a way of relieving some of their problems by issuing yet more bonds on their own account. This transformed the debt picture yet again. Between 1992 and 1996, for example, Argentina's total debt rose from USD 43 billion to USD 100 billion. Of this, 3 per cent was owed to banks and 15 per cent to financial institutions, but 60 per cent now took the form of bonds.

These bonds still must be serviced—both the guaranteed interest, or coupon, and ultimately the principal. The crisis for the indebted middle-income countries has therefore become more diffuse. Now they must not only satisfy the IMF, when they need its support, but also keep the international capital markets on their side.

Since the bond markets in most of these countries do not accept large issues, governments can only borrow a few billion dollars at a time. This ensures permanent vulnerability. If international bond rating agencies, such as Moody's or Standard &

Poor's, take a pessimistic view of a country's prospects, investors will require that the latter's next bond issue offer higher interest. Debt service will become still more costly. And the proportion of the national budget that can be allocated to non-debt-related projects will shrink. Borrowers thus find themselves continually dependent on the rating agencies.

This not only ties the hands of governments, but also dampens democratic debate. Citizens or politicians who protest against the effects of mounting debt now find they risk retaliation from market forces. Even to mention publicly that the debt overhang is a constraint on social spending—or that social and economic policy must change—will flash warning signals to investors around the world. This induces an unhealthy form of self-censorship throughout the political systems of many indebted middle-income countries. Both the general public and their representatives avoid touching on questions of elemental social justice that could promote yet another round of capital flight, or contribute to yet another period of economic instability.

The new bondage also makes it more difficult to present a united front when negotiating with creditors. When governments owed money to a small number of banks, they could exert some pressure by threatening a concerted default. But bondholders are highly dispersed and mobile. To negotiate with them is a far more daunting task.

Desperation can still lead to default. A portent of things to come appeared in September 1999 when Ecuador, with a foreign debt of more than USD 13 billion, defaulted on the interest payments due on one class of its Brady bonds. The government attempted to negotiate with bondholders but only persuaded 8 per cent to support a plan that would give Ecuador more breathing space. Instead, 25 per cent of them voted to demand accelerated payments. Ecuador decided to default and suffered the consequences—which included a collapse in its currency and little prospect of attracting new funds. Other indebted countries were quick to distance themselves from Ecuador's action. Indeed, both Mexico and the Philippines at the same time bought back some of their own Brady bonds.

Confronting the problem of debt bondage in middle-income market economies is difficult and complex. Yet a way will have to be found both to head off impending crises and to protect the millions of people who are suffering long-term declines in their standards of living and in social welfare.

## **Fresh Departures for Debt**

Continuing poverty and the likelihood of further crises in both HIPCs and middle-income countries demand not just urgent attention to their immediate debt problems but also a fresh approach to future borrowing.

### ***New institutions for dealing with debt***

Past debt activities have largely been driven by crisis and have resulted in ad hoc rescue packages. This is not only inefficient, but has caused untold, and unnecessary, suffering for millions of people. What is needed to lessen the seriousness of future debt crises is a new institutional structure. For this to emerge, however, the industrialized countries have to mobilize behind one clear idea.

A number of governments and international bodies, including the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Economic

Commission for Latin America and the Caribbean (ECLAC), support the development of procedures for the orderly workout of debt, including a temporary suspension of payments by beleaguered governments—a move to be given legitimacy by an independent arbitration panel—combined with encouragement for further lending during the period of debt restructuring. Going further still, others have proposed the establishment of a treaty-based international bankruptcy court. A crucial element of such proposals is that the burden of restructuring should be shared between borrowers and lenders.

### **Sovereign debt and bankruptcy**

When it comes to debts owed by enterprises, most industrialized countries have effective bankruptcy laws. These ensure that bad decisions or bad luck do not condemn debtors to paying for their mistakes for the rest of their lives. Indeed, the dynamism of the US economy is often ascribed to the opportunities it offers risk-takers to wipe the slate clean and start again. Should there not be something equivalent for sovereign debt?

Jubilee 2000 and others have proposed that states should have recourse to an international bankruptcy court. Rather than having debt problems discussed in the secretive corridors of the Paris Club or the international financial institutions, they should be aired formally and publicly in a new institution. This would have many advantages, but establishing such a mechanism will not be easy. It is not clear, for example, how such a court could establish the necessary jurisdiction over both creditors and debtors. And debtors might be tempted to capricious default.

But it can be argued that the present system, or non-system, has its own forms of moral hazard. In fact, unclear arrangements for dealing with crisis encourage all creditors to protect their own interests at the expense of someone else. The strongest creditors win such contests. And it is often ordinary taxpayers—including relatively poor ones—who foot the bill. Moreover, in both borrowing and lending countries, government bailouts of failing financial institutions frequently have to be paid for by cutting social expenditures—robbing the poor to pay the rich.

### **Conditionality**

Attempts to deal with international debt have always been associated with conditionality—though lately the conditions have been changing. In the 1980s, debt renegotiation generally required the borrowers to carry out neoliberal reforms; in the late 1990s, these stipulations have been supplemented with requirements that any relief be targeted toward reducing poverty.

This is understandable. Some of the original debts were incurred by corrupt or authoritarian regimes that used the funds to benefit elites. Donor governments and NGOs want to ensure that future funds do not disappear down the same drain. Thus members of the Jubilee 2000 coalition link their proposals for debt cancellation to requirements that funds freed for use by debt renegotiation be used to improve health, education and other social benefits. Creditor countries also insist that debt forgiveness carry similar social conditionality.

But this raises a number of difficulties. The most familiar is fungibility—governments receiving relief may claim to be using the freed-up funds on social expenditure they would have made anyway.

A second, equally familiar concern is that of excessive interference in local decision making. Those involved in debt relief efforts need to use caution in the ways they



monitor and influence the use of resources. Apart from stifling local autonomy, too much conditionality can also exhaust time and money that might be better employed elsewhere.

A further, less obvious issue is that social conditionality may be over-simplistic. All governments nowadays find their room for manoeuvre constrained by international markets. They are under constant pressure to keep wages, taxes and public expenditure low—and interest rates high. This can seriously limit their ability to invest, to stimulate employment, to fund essential infrastructure, and generally to promote longer term development. Therefore, if they do get debt relief, governments may have good reason to use these resources to overcome key restraints on growth, and not simply to increase direct social expenditure. Rather than defining a specific use for the funds, it might be better to insist that governments make their decisions openly and democratically.

Indeed, one of the most important benefits of effective debt relief may be to open up larger democratic spaces. High indebtedness fosters a crisis mentality that inhibits open debate on public affairs. This allows lenders to collude with debtors in seeking solutions behind closed doors. The population at large feels disempowered and nervous about rocking a boat that always seems in imminent danger of capsizing. People may therefore swing between cycles of apathy and protest, rather than engaging in reasoned debate about how the country can best move forward (box 5.3).

Citizens should also have the opportunity to consider debt relief in a much broader context—seeing how it fits into the global economic system. Even if their country's debts are cancelled, this will not protect them from future drops in commodity prices, or wild increases in interest rates, or a sudden shift in investor sentiment—any one of which could again wreak havoc in their fragile economies and plunge them back into debt. It is vital to find a way out of the current crisis, but it is just as important to foresee, and prevent, the next one.

## Development Assistance

The poorest countries urgently need debt relief, but this is not enough. To strengthen their economies, there must be an inflow of new resources; and a large proportion of these can only be obtained in the form of development assistance. Aid is needed not just to fund critical development projects, but also to attract foreign private capital, which is unlikely to arrive in the poorest countries unless backed by guarantees from donor governments or multilateral agencies.

At the time of the Social Summit, prospects for development assistance were gloomy. Flows had already declined markedly, and only four donor countries—Denmark, the Netherlands, Norway and Sweden—were meeting or surpassing the agreed UN target of 0.7 per cent of their GNP. The Social Summit recognized the need to halt the slide, and delegates resolved to “strive for the fulfilment of the agreed target of 0.7 per cent of gross national product for official development assistance as soon as possible”.

This resolve had little practical effect. Indeed, as indicated in table 5.1, official aid flows continued to dwindle. In 1995 the member countries of the Development Assistance Committee (DAC) of the OECD gave USD 59 billion. But by 1997 the figure had dropped to USD 48.3 billion. In 1998 the figure improved—to USD 51.9 billion—but this is still considerably less than the 1995 level. The table sets this in the context of the military spending of DAC members.

**Box 5.3: Protests over social sector priorities**

People in many poorer countries have become resigned to the cuts in public services they have had to endure. But, as the press regularly reports, their anger frequently boils over into protests and strikes.

“Jamaica’s capital, Kingston, was closed down as anti-government protesters blocked main roads across the island. ...The wave of protests was sparked by last week’s budget, which increased the price of petrol by 30%. The government expects to spend 62% of tax revenue on debt service, and is struggling to protect spending on health, education and the police.”—*The Economist*, 24 April 1999

“Since the fall of communism, academic freedom and government interest in higher education [in Russia] have mushroomed, although this has not been matched by increased resources. In response, student and industrial militancy have risen markedly. Besides strikes, demonstrations and pickets, students and lecturers have taken the state to court for unpaid salaries and begged outside Yeltsin’s house. When in 1996 the government announced an indefinite delay in the payment of salaries and bursaries, 22 lecturers went on hunger strike. Within a week the government had given in. These are small victories against a background of defeat in a country where neoliberalism is running an education system into the ground.”—*The Guardian*, 19 October 1999

“The strike [in Zimbabwe] began at the end of September when 400 junior doctors refused to go to work, demanding significant increases in their meagre monthly salaries and better hospital conditions. Nyasha Masuke, spokesman for the junior doctors, says: ‘The hospitals are so badly equipped that we watch malaria patients die because there is no chloroquine. We see others die because there is no blood for transfusions.’ Once the pride of Africa and a model for other developing countries, Zimbabwe’s government health facilities have been starved of funds for nearly a decade.

“A continuation of decline is likely as a result of Zimbabwe’s new budget for 2000. The health ministry had requested Z\$10bn (USD 250m) but was only allocated Z\$6bn. In contrast, the defence ministry received a whopping Z\$9bn. ‘The government does not see any urgency in ending our strike,’ says Dr Masuke. ‘The cabinet ministers and the rich can go to their private hospitals. It is the poor of Zimbabwe who suffer.’”  
—*The Guardian*, 1 November 1999

**Table 5.1 OECD aid compared with military spending**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
OECD official development assistance (USD billions) <sup>a</sup>	52.9	56.7	60.9	56.5	59.2	59.0	55.4	48.3	51.9
OECD military spending (USD billions) <sup>b</sup>	657	612	620	595	572	548	553	550	539
ODA as percentage of military spending	8.0	9.3	9.8	9.5	9.7	9.3	10.0	8.8	9.6
ODA as percentage of DAC members’ GNP <sup>c,d</sup>	0.33	0.33	0.33	0.30	0.30	0.27	0.25	0.22	0.23
ODA average annual real percentage change, 1991–1997 <sup>a</sup>							–4.6		

**Source and notes:** <sup>a</sup> OECD/DAC 1999a, 1999b; <sup>b</sup> SIPRI 1999; <sup>c</sup> Randel et al. 1998, 2000; <sup>d</sup> The target for overall official development assistance is 0.7 percent of GNP (Commitment 9 (I) of the Copenhagen Declaration on Social Development).

**Donor fatigue**

The decline in ODA has commonly been attributed to “donor fatigue”. One aid evaluation after another has pointed to wasted or misused funds, corruption in both public and private circles, and to the general institutional weakness in developing countries that makes it difficult for them to use aid effectively. As a result, donors have become increasingly dissatisfied. The World Bank, for example, in a widely read publication *Assessing Aid*, concluded: “Donors should be more willing to cut back financing to countries with persistently low-quality public sectors” (Dollar and Pritchett 1998:21).

But the problems with aid are not entirely due to the weakness of Third World institutions. In recent years, development assistance has had to operate in such a generally hostile global climate that its limited success is hardly surprising.

One of the most debilitating factors, as indicated in the previous section, has been debt. At the time of the Social Summit, around one-quarter of bilateral aid was being

used to repay multilateral lenders. And for World Bank aid the position was even worse. In 1993–1994, out of every USD 3 that the World Bank offered as IDA (International Development Association) loans and grants, it reclaimed USD 2 as debt repayment. Of the remaining dollar, the IMF pocketed part. Aid has also been diverted to cope with a string of humanitarian crises—some of them climatic, some of them man-made. The proportion of bilateral aid devoted to emergency relief rose from 1.5 to 8.4 per cent between 1991 and 1994.

Aid has also failed because of donor errors. An increasing proportion of aid has been used in coordination with the World Bank and the IMF to support policy reforms that ultimately have produced meagre results. Far too often, assistance has also been accompanied by such time-consuming demands for reporting that donor fatigue has probably been matched by “recipient fatigue”. Each year, for example, Tanzania prepares as many as 2,400 progress reports per quarter for all its donor partners.

### ***Reorienting development assistance***

One way of reorienting development assistance is to require that a much larger proportion of aid be dedicated to social development. In the past, the bulk of non-military aid was used to stimulate economic development, through infrastructure projects, agricultural development, and various kinds of budgetary support. Social sector spending has lagged behind. Each country has had different priorities, but few have tried to ensure that large volumes of aid reach the poor. This was especially true while governments were preoccupied with adjustment. At that point, the best the poor could hope for were partial measures, such as social safety nets.

Moved by the desperate situation of large numbers of people deeply affected by crisis and adjustment, participants in the Social Summit focused a great deal of attention on the persistence of poverty. They committed themselves not only to reduce it, but also to eradicate it. And in consequence, all members of the international development community have now given poverty alleviation central importance in their programmes. But, given different traditions of social welfare and social policy in donor countries, it has not been easy for the aid establishment to develop an integrated approach to this goal. On one side are those who see poverty reduction in narrow terms—best achieved by targeting remedial action at the poor. On the other side are those of the welfare state tradition, who believe that poverty reduction should be a part of broader efforts by the state to improve social conditions and promote social justice. This division was clearly visible in the Social Summit’s Declaration and Programme of Action and remains evident in the divergent policies of donors and their contrasting development assistance programmes.

### ***The 20/20 initiative***

The problems encountered in redirecting aid toward social development are well illustrated by experience with the 20/20 initiative. The final chapter of the Copenhagen Programme of Action includes a “mutual commitment between developed and developing country partners to allocate, on average, 20 per cent of ODA and 20 per cent of the national budget...to basic social programmes”. Many people regard this mutual commitment as one of the most important achievements of the Social Summit. It has been taken up not just by bilateral donors and the major multilateral development

agencies—including UNICEF, UNDP and the World Bank—but also by many NGOs in both North and South.

A great merit of the 20/20 approach is its apparent simplicity—which helps make it a sharp tool for advocacy. But the general unanimity starts to unravel when it comes to execution. There are problems right at the outset in agreeing on the definition of basic social services. While all donors agree that these include basic education, basic health, sanitation and clean water, not all of them see the need to deal with nutrition as a category separate from health. There are also different approaches to targeting. Some donors take 20 per cent as an overall target for their global development assistance programme, while others add the stipulation that it also has to be achieved in each recipient country. Then there is the question of conditionality. Some see 20/20 merely as a broad policy commitment—a long-term goal around which to organize collaboration. Other donors declare that if recipient governments do not achieve the 20/20 target they can expect to be penalized.

These disagreements make it difficult to coordinate donor activity or even to gauge progress. NGO monitoring projects, such as Social Watch and Reality of Aid, point to striking differences between reporting agencies. Not only do they employ different definitions, but they also use incompatible accounting systems and statistical methods. This makes it almost impossible to determine the proportion of development assistance going to basic social services or to compare spending among donors. The situation becomes even more complex when differences in reporting in Third World countries are taken into account.

Nevertheless, the 1998/1999 *Reality of Aid* report (Randel et al. 1998) attempted to measure the performance of bilateral donors. The project estimated what contribution bilateral aid should make to financing basic social services and what each donor's share should be, based on each country's GNP. The conclusion is summarized in figure 5.2. This shows that in 1995 the DAC countries as a whole were giving only 49 per cent of what was needed. Sharing out the overall bilateral target by country on the basis of GNP, the project found that only Sweden and Norway were contributing more than their fair share. While most countries fall short of what they should be contributing, however, it does appear that the proportions going to basic social services are slowly increasing.

But an increase in aid flows is only a part of the story. Much depends on the response of recipient governments. Here again there are problems of fungibility: governments that receive funds earmarked for basic social services may simply seize the opportunity to shift their own funds elsewhere. A World Bank study of 14 countries found strong evidence for this, though there was considerable variation between countries. Thus when Sri Lanka received aid for education and health, it took the opportunity to withdraw an even greater amount from these sectors—so the net effect was to reduce basic social sector spending. Indonesia, on the other hand, received a similar amount but supplemented this from its own funds, producing a substantial increase.

Regardless of the level of expenditure, one also has to take into account how effectively the funds are used. Again there can be enormous variations. In Bolivia, for example, donor contributions, along with national funds, appear to have been channelled very effectively to local groups for social services. But this case seems to be exceptional. More typical perhaps is Côte d'Ivoire, where reports indicate that most public services are failing to reach the poor.

Even when funds are used well, there can still be doubts about focusing so rigidly on basic social services. One danger is that other important social services will be

sacrificed in order to meet imposed targets. A number of Third World governments, anxious to prove to donors and international creditors that they are spending more on primary education—at a time when budgetary resources are not increasing—have achieved the goals required of them by reducing the coverage and quality of other social services, like secondary or vocational education. Some have met international goals by budgeting for many new primary school buildings without having the capacity to provide additional teachers (especially if the secondary and tertiary systems are starved of funds). Ensuring universal access to primary education is obviously extremely important. But single-minded insistence on this, within an environment of very limited resources, can distort social policy.

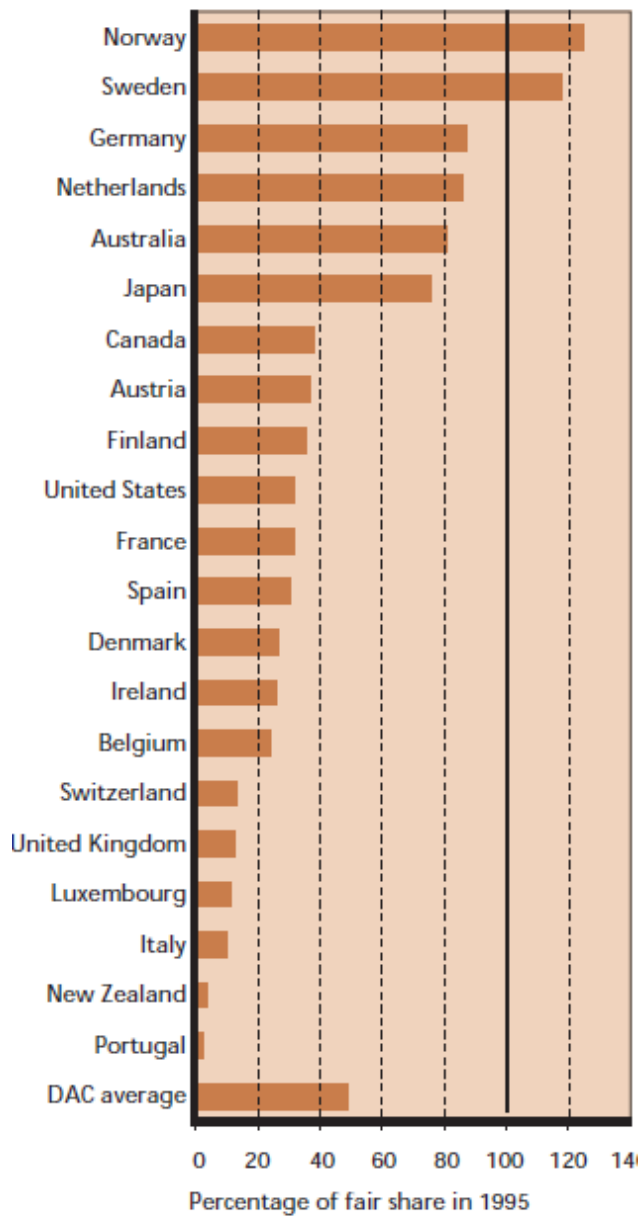
There is also a significant political price to pay when governments give special attention to improving basic education and health services at the cost of existing programmes that benefit a wider cross-section of the population. Working-class and middle-class citizens who depend on public services have often seen their levels of living decline sharply over the past decade or more; and they are justly upset by deterioration in public schools, clinics and social security systems. International advice that all but the poorest turn to the private sector for these services presents them with a new financial burden and an affront to their sense of citizenship. Pro-poor conditionality in the context of scarce resources can thus be an explosive political issue.

### ***Alternatives to rigid targeting***

Rigid targeting clearly has fundamental weaknesses. The data are unreliable, funds fungible, and long-term effects unpredictable. In the end, what seems to matter more is not how the international development community targets its funds, but how they are actually used. They are likely to achieve more if each society is allowed to pursue realistic and appropriate options.

Some donors who have recognized this, and concede their inability to influence the precise use of their funds, are now considering a change of tactics. Instead of being selective within countries, they are being more selective between them. In future they will be concentrating their aid in countries that have the greatest potential for progress—typically those with a commitment to economic reform, along with a good record on human rights. After choosing countries with which they share a common vision of progress, donors then enter into partnerships in which both states and citizens' groups exert greater control over the use of funds. Countries that do not meet the minimum requirements for good governance and economic reform will no longer receive aid.

Figure 5.2 Providing basic social services for all: Bilateral donors' fair share, 1995

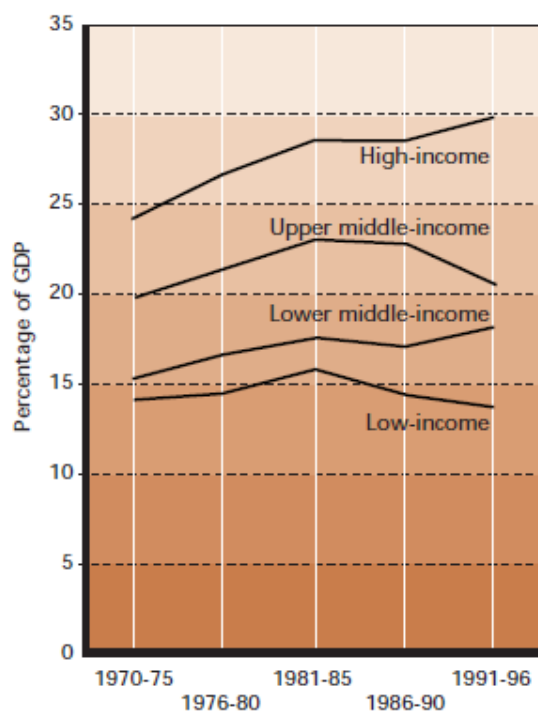


Note: The Reality of Aid project estimated the total additional amount required to meet the target of providing basic social services for all. This amount was allocated among bilateral donors in proportion to their GNP, and the resulting "fair share" compared with actual contributions. As the chart indicates, the average achievement for all DAC countries was 49 per cent. Only Norway and Sweden exceeded the necessary contribution.

Source: Randel et al. 1998.

This new approach—which is progressively reducing the number of countries to which bilateral donors provide assistance—has practical advantages, but like all aspects of the current development assistance framework it also poses difficult moral and practical dilemmas. A large number of poor people live under regimes that do not fulfil these requirements for effective use of aid. Eliminating development assistance to these countries is difficult to square with a broad-ranging commitment to poverty eradication.

Figure 5.3 Tax revenue and GDP



Note: The figure shows how tax revenue as a proportion of GDP is higher in the richer countries—and the gap is getting wider.

Source: Rao 1999.

### Alternatives to aid

One way to avoid the dilemmas associated with foreign aid is simply to replace it. For example, instead of the current system of discretionary giving there could be a mechanism for automatic transfers from rich countries to poor. Much of the new thinking in this area is rooted in the principles of human rights. International conventions on human rights have long recognized the right of every human being to a minimum standard of living, for example—and asserted that the duty to fulfil human rights transcends national borders. Now a number of groups are trying to work out how this broader view of rights and responsibilities can be put into practice.

One proposal is to establish a new international development fund. Each high-income country could contribute a fixed percentage of its GNP to such a fund, which could be governed by representatives from both better-off and worse-off nations. This council would decide on the transfers required to bring each country's average per capita income up to an agreed minimum. Even if contributions to the fund never exceeded half the current UN target of 0.7 per cent of the GNP of rich countries, it would raise far more money than is currently available in conventional aid programmes.

A variant of this would have three “windows”. Poor countries would achieve a basic social safety net through the first window. Through a second window, they could receive extra payments for services that benefit the whole of the global community, such as protecting biodiversity or fighting narcotic drugs. The third window would enable the richer countries to offer compensation for damage that they might continue to inflict on poor countries by maintaining trade barriers, for example, or by refusing to accept immigrants.

Another approach is to establish new forms of global taxation. One of the most familiar proposals is the Tobin Tax on foreign exchange transactions, which globally now run at USD 1.5 trillion per day. Similar suggestions have been made for taxing air travel, Internet use or other services that have strong international dimensions. Such charges could be levied by national tax authorities and some of the revenue used by national governments. But a certain proportion—perhaps half—could be allocated to the United Nations for a range of activities, including social programmes, environmental protection or humanitarian interventions. A part might also be distributed among developing countries, so that countries with the lowest per capita income received the largest amount.

New proposals on global citizenship and international taxation are likely to be aired at the Geneva 2000 meeting of the UN General Assembly, as well as at the 2001 Financing for Development conference. Most industrialized countries will doubtless oppose any such moves. But the idea of an international development fund is gaining greater support, particularly from NGOs. The growing intersection between human rights and poverty eradication could become a significant force for change.

## **Tax Reform**

Even if international taxation transferred some funds to developing countries, they would still need to rely primarily on generating their own resources. Unfortunately, governments in many of the poorer countries have seen their revenues eroded. Much of this is due to economic decline. When business enterprises are producing less, and more people are out of work, there is less income to tax.

The poorer countries are also generally less successful at tax collection. Not only do they collect less in absolute terms, but they also gather less as a proportion of GDP. This is illustrated in figure 5.3, which shows that high-income countries collect more than twice as much as a proportion of GDP—and that the gap seems to be widening.

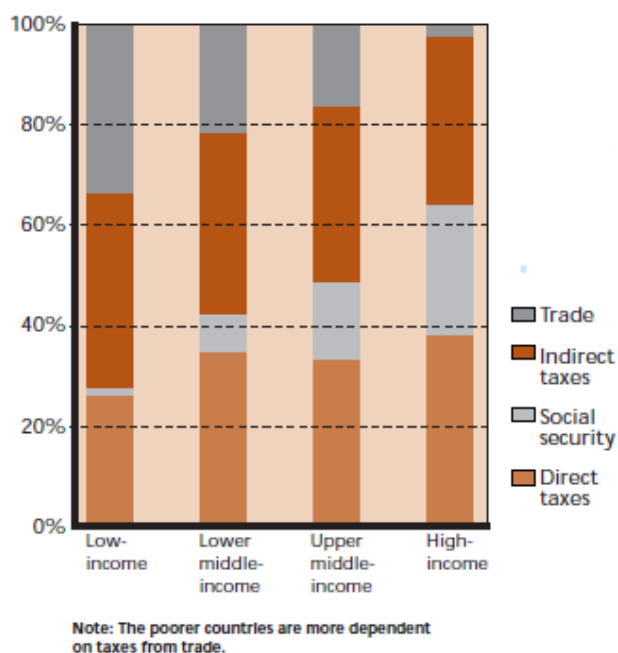
A second difference between richer and poorer countries is in the source of tax revenues. This is illustrated in figure 5.4. The limited extent of formal employment in developing countries reduces the potential for collecting social security contributions or personal income tax. In Bangladesh, for example, only 0.5 per cent of the population was liable for personal income tax in 1991. Many developing countries have had to make up for the shortage of personal taxpayers by focusing direct taxation on larger enterprises, particularly those involved in mineral extraction.

### ***The eroding tax base***

But the main difference between rich and poor countries is that the poor rely more on taxes on imports and exports. This is partly because customs duties are easier to collect. The World Bank has estimated that levying trade taxes costs 1 to 3 per cent of the expected revenue—compared with 5 per cent for value added taxes and up to 10 per cent for income taxes. On average, developing countries derive around one-third of tax revenues from taxes on trade, though in some cases the proportion is far higher: for Lesotho and Madagascar, the proportion is around one-half.



**Figure 5.4 Sources of tax revenue, 1991–1996**



Source: Rao 1999.

The drive toward globalization and trade liberalization is therefore likely to hit developing country revenues hardest. As tariff rates have been falling, so have their incomes. Between 1993 and 1998, for example, India reduced average tariffs from 71 to 35 per cent. In 1998, however, a new government had to raise the tariffs again, claiming that this was not to protect Indian businesses but to protect government revenue. Even as staunch a free trade advocate as Chile has worried about the revenue implications of trade liberalization. In 1997 the government postponed a reduction in import tariffs because the parliament could not decide how the anticipated USD 420 million cost was to be met.

A second revenue-weakening effect of liberalization is tax competition. Global competitive pressures make governments wary of raising taxes—for fear that foreign, or even national, businesses will flee elsewhere. This has resulted in falling tax rates around the world, both for individuals and corporations. Some experts suggest that in future this race to the bottom could see corporate tax rates sink to zero.

The tax base is also being weakened by the increasing informalization of economies. Even in the European Union, it has been estimated that between 7 and 16 per cent of the labour force now operates in the black economy. In developing and transition economies, the proportion is much higher and seems to be rising. In Latin America between 1990 and 1996, the proportion of the non-agricultural workforce to be found in the informal economy rose in almost every country: in Peru, for example, from 52 per cent to 58 per cent; and in Paraguay from 61 per cent to 68 per cent.

**Taxing the consumer**

Governments nervous about taxing businesses have set their sights elsewhere. Many have increased taxes on consumption, particularly through value added taxes—regressive taxes that hit hardest at the poor. One 1990 study of 39 countries undergoing structural adjustment found that almost all were shifting toward such indirect taxation. Pakistan is one of the latest countries to take this step. Here the ratio of tax to GDP is only 13 per cent—significantly below the 20 per cent ratio thought necessary to sustain public

spending levels. Attempts in 1999 to introduce a sales tax faltered, however, after a general strike by small businesses. In Ghana, the imposition of a value added tax and subsequent price increases led to riots in May 1995 in which five people were killed.

A similar turn from taxing capital to taxing consumption is evident in transition countries. Hungary, for example, has been reducing taxation on corporations, particularly foreign ones: between 1988 and 1996, the contribution of taxes on business profits dropped from 30 to 10 per cent. Instead the government has increased personal taxation, which now accounts for 36 per cent of total revenue, and taxes on consumption, which now contribute one-third of revenue. Payroll taxes are also high—the equivalent of more than half a worker's wage. Not surprisingly, Hungary also has a proliferating black economy, now estimated to account for around 30 per cent of GDP.

### ***International avoidance***

Another effect of liberalization is that individuals and businesses have increasingly sophisticated options for moving their funds internationally so as to elude, or at least minimize, taxation. The growth of electronic commerce will further expand opportunities for bypassing local and national tax systems.

Many of these funds are disappearing into tax-free offshore accounts. The IMF estimates that such accounts now contain around USD 8 trillion—equivalent to the GDP of the United States. If tax were to be paid on these funds, it could make an enormous contribution to social programmes. For example, if these deposits earned income of around 5 per cent per year and this were taxed at 40 per cent, around USD 160 billion annually would be raised—almost double what it would take for all countries to guarantee basic social services.

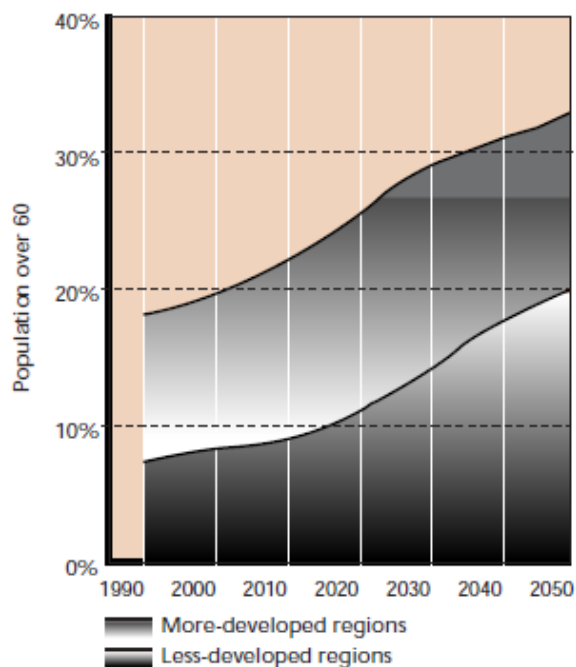
Recovering the resources lost through tax avoidance by the rich is thus essential to strengthening the resource base for social development. At the national level, one of the most important measures would be to improve the efficiency of tax collection. But the increasingly global nature of tax avoidance means that solutions must also be international. One of the first steps in countering cross-border avoidance must be to ensure a better exchange of information among countries. In addition, states will have to consider harmonizing their tax systems to reduce the benefits of capital flight. They could, for example, agree on common ways to tax interest income, so that funds would not inevitably rush toward destinations where such taxes are either very low or non-existent. This has been a problem for Latin American governments, which find it difficult to tax interest and dividends while their citizens can earn tax-free interest on deposits in the United States.

States must also take concerted measures to eliminate tax havens. Major industrialized countries are working toward this goal. Since 1998, in fact, the OECD Forum on Harmful Tax Practices has been conducting a review of tax havens, defined as “tax poaching schemes...that impede the ability of home countries to enforce their own tax laws”. Preliminary findings were presented to the senior tax policy body of the OECD in January 2000, and might be followed by public banking legislation prohibiting receipt of funds from tax havens. A number of international NGOs are lobbying for such an outcome.

Growing awareness of the international dimensions of tax avoidance also stands behind the proposal to create a World Tax Organization. Like the World Trade Organization, this would provide a framework within which governments could work out a set of rules they would be willing to observe. Such an institution is unlikely to emerge

any time soon—and will encounter fierce opposition from transnational corporations and speculators. But in the longer term, the needs of governments could drive the international community in this direction.

**Figure 5.5 Population over 60, 1990–2050**



Source: United Nations 1998.

## Pension Reform

Many of the same factors that have weakened governments’ capacity to tax have also affected pension schemes—particularly in middle-income developing countries and countries in transition. These programmes are essential elements of social protection, shielding recipients from hardship in old age. They are often the largest social transfer schemes and, along with health and education, absorb the largest amounts of social expenditure. But like taxation, they are vulnerable to economic crisis, rising unemployment in the formal sector and the growth of the informal sector.

Pension schemes are also affected by demographic changes. If the proportion of older to younger people in the population covered by any programme rises, the government needs to make appropriate adjustments to contributions and benefits. The industrialized countries’ populations have aged markedly over the past few decades. But, as figure 5.5 shows, populations are also set to age rapidly in less developed regions in the first half of the twenty-first century.

During the past two decades, public pension schemes have been hit by a combination of shrinking resources and growing needs. Rather than undertaking wholesale restructuring, the advanced industrial democracies have responded with a number of innovative reforms. For the developing and transition countries, however, the international financial institutions have demanded far more radical change. And, as in the case of many prescriptions for institutional reform meted out during the 1980s and early 1990s, this advice has often proved misguided.

The central element in international prescriptions for pension fund reform in indebted middle-income and transition societies has been privatization. Encouraged by the Chilean experience during the 1980s, neoliberal reformers at both national and international levels have attempted to replace public social security systems with private retirement accounts. Their approach was supported by an influential 1994 World Bank report, *Averting the Old Age Crisis*. And it was backed up by the exercise of conditionality: discussions of structural adjustment loans gave a high priority to privatizing pension funds.

In Latin America, this pressure proved least effective in the more democratic countries. In Costa Rica, for example, citizens preferred to reform the public system—eliminating the last pockets of privilege for public sector workers and ensuring that new levels of contribution would be adequate to provide minimum benefits for the aged and infirm. In Uruguay, citizens forced a public referendum, through which they rejected a proposal for privatization. At a later stage, they did permit the introduction of private investment accounts, but not at the cost of eliminating the public programme. In Argentina and Peru, after the legislature refused to authorize partial privatization, it was eventually pushed through by presidential decree. Only in Chile and Mexico has there been a complete shift to private pension funds—but interestingly enough, in both cases influential sectors of the elite, including the military, have been allowed to keep their previous, publicly managed funds.

The struggle over pension reform reflects a broader debate about the meaning of solidarity and the nature of risk. First, should there be room in old-age protection schemes for some degree of redistribution between those who are better-off and those who are not? Almost all public pension systems have an element of redistribution, but privately managed individual accounts do not. Second, should pension programmes ensure some degree of security for all members, whatever the immediate circumstances surrounding their retirement? Public pension schemes establish a minimum benefit, based on the length and magnitude of contribution, and bear the risk for delivering that benefit. In fully private programmes, the amount of each pension depends entirely on the size of the individual's investment and the performance of the market.

There is, of course, no reason why the pension programmes developed in any country should be either entirely private or entirely public. Combinations of both abound. Indeed, some of the most creative attempts to deal with an aging population and falling tax revenue have involved innovative combinations of public and private spheres. Thus some industrial democracies have added individually funded accounts to basic public pension schemes; some private investment accounts are managed by business or trade union associations; and some public schemes invest in private markets. In addition, many countries have chosen not to dismantle their public system but have raised the pension age or introduced incentives for later retirement.

It is time to introduce a note of caution and realism into what has often been a highly ideological debate. This shift in thinking has already begun, as practical lessons are drawn from 20 years' experience with full privatization in Chile (box 5.4). In addition, a number of people are re-examining the technical arguments—economic and actuarial—for radical privatization. A recent paper from the Office of the Chief Economist of the World Bank insists that “the complexity of optimal pension policy should caution us against believing that a similar set of recommendations would be appropriate in countries ranging from Argentina to Azerbaijan, from China to Costa Rica, from Sierra Leone to

Sweden” (Orszag and Stiglitz 1999:1). And it goes on to address “10 myths” that underlie past Bank support of mandatory private pension schemes.

#### **Box 5.4: Salutory pension lessons from Chile**

In the 1990s, Chile was in the forefront of pension reform—phasing out the public system and shifting all formal sector workers above a minimum poverty line from public to private pension schemes. Countries tempted to follow the same path should consider the discrepancies between claims originally made for this experiment and the reality after almost 20 years of experience. Discrepancies have emerged in the following areas.

- **Efficiency**—Though it was claimed that privatization would improve efficiency, this is highly questionable. Private individual accounts have proved more expensive to manage than collective claims. In fact, according to the Inter-American Development Bank, administration of the Chilean system was, by the mid-1990s, the most expensive in Latin America.
- **Yield**—Private pension funds were supposed to offer pensioners a good rate of return. But between 1982 and 1998—and after deducting administrative costs—privately held and administered pension funds in Chile showed an average annual real return of only 5.1 per cent. Since part of the fees and commissions are charged at a flat rate on all accounts, these charges have also proved highly regressive. When levied against a relatively modest retirement account, standard fees reduced the latter by approximately 18 per cent. When applied to the deposit of an individual investing 10 times more, the reduction was slightly less than 1 per cent.
- **Competition**—Since the public pension system was a monopoly, it was assumed that privatization would promote efficiency by opening the way for sharp competition between pension providers. In the event, Chile’s “pension industry” has become highly concentrated. The three largest pension fund administrators handle 70 per cent of the insured. And account holders have limited opportunities for transferring between them: to reduce spending on advertising, public regulators are limiting the number of transfers that any individual can make from one company to another.
- **Coverage**—It was assumed that a private scheme would draw more people into the pension system by offering the prospect of profitable investments. This has not happened. Coverage and compliance rates have remained virtually constant.
- **Stronger capital markets**—Another claim was that the conversion of the public pension system into privately held and administered accounts would strengthen capital markets, savings and investment. But a number of studies have recently concluded that, at best, this effect has been marginal.
- **Gender equity**—Pension benefits in private, funded systems are determined strictly by the amount of money contributed. Since women typically earn less money and work fewer years than men, they receive considerably lower benefits. Public pension systems—as in Sweden, for example—can counter this disadvantage by providing credits for child care. Private pension systems cannot.

#### **Other issues in social protection**

Public pension programmes are generally part of broader social protection schemes, including sickness, accident and unemployment insurance. Of the 172 countries included in the 1997 edition of *Social Security Programs throughout the World*, only six (Bangladesh, Botswana, Malawi, Myanmar, Sierra Leone and Somalia) lack any kind of public social insurance programme. But in the poorer countries, coverage is often restricted to a relatively small group of formal sector workers and civil servants. And hundreds of millions of people—particularly in developing countries—have been affected by more generalized reductions in the coverage and quality of services.

As an alternative form of support for those in greatest need, some countries provide social assistance pensions. Governments, which finance these small payments not through contributions but through taxes, thus aim to support those whose income is too low to qualify for social security. But like other areas of social protection in the 1990s, the real value of such pensions in developing and transition countries has often plummeted; and the number of people receiving benefits has declined. The ILO estimates that about one-third of all the world’s people lack any type of formal social protection—whether contribution-based social insurance or tax-financed social assistance. In Africa, this applies to 90 per cent of the population of working age.

The social protection agenda in the years ahead must include efforts to deal with this problem. This could be achieved by extending existing social security programmes to cover informal sector workers. Or it could be done by supporting innovative voluntary initiatives. Many self-employed people in developing countries have devised schemes that provide some hedge against risk: cooperative insurance schemes, communal grain storage programmes, savings clubs and rotating credit societies. Many NGOs and donors are supporting these efforts.

In the last analysis, however, voluntary, community-based schemes will always be vulnerable to external shocks—sharp shifts in the economic environment, for example, or in the weather. And they can be fundamentally affected by changes in social relations among members as well. If they are to be more resilient they need to affiliate with large, professionally run institutions. Public social security systems are the obvious choice in this regard, though many now lack the financial or administrative capacity to incorporate a broad range of low-income, self-employed groups.

### **Mobilizing Resources at the Grassroots**

Hit by rising debt repayments, declining development assistance and falling tax revenues, many Third World governments find it increasingly difficult to provide social services and social protection. They have therefore been trying to decentralize—to shift the burden of obtaining and managing resources from national to local authorities, often as part of structural adjustment programmes.

But there is a limit to what this can achieve. When governments decentralize, they may, of course, be strengthening democratic governance. But they may also be using this as a pretext for cutting financial support. And they may be demanding too much of local administrations whose institutions are ill prepared to take over. Decentralization is thus as likely to encourage inefficiency as efficiency, and can compound, rather than offset, the difficulties associated with declining social spending.

Another way of rationalizing the use of scarce resources for social development is through targeting. But this, too, has proved problematic. Most countries use targeting to some extent, and it does seem logical to direct scarce resources toward the neediest. In many situations, however, it is difficult to locate the individuals or households that have the best claim. Moreover, a growing number of studies have shown that in many areas of the developing world, targeting is not only haphazard but also expensive: often it would be cheaper to provide benefits to the population at large. And in towns or villages where the majority of the population obviously requires assistance, this form of rationing makes little sense.

A further option is to charge for social services. Donors and creditors have encouraged cash-strapped governments to recuperate a part of the cost of social services by charging, or increasing, fees for public education and health services. Of all the measures proposed for raising revenue from local people, this is probably the most ill-advised. One study of 39 developing countries found that the introduction of user fees had increased revenues only slightly, while significantly reducing the access of low-income people to basic social services. Other studies have shown that fees reinforce gender inequality, particularly in education. When forced to choose which child can go to school most families are likely to favour boys.

Many citizens' groups and NGOs made these points forcefully at Copenhagen, and their views are now broadly accepted by the international development community. Yet, in fact, more governments are resorting to such charges than ever before.

### **Microfinance**

Governments can attempt to mobilize resources at the grassroots. But so can local people. And they are increasingly likely to do so, with the help of NGOs, donors and international financial institutions that are either investing in microcredit or attempting more generally to strengthen grassroots financial systems.

Influenced by pioneering experiments like the Grameen Bank in Bangladesh, microcredit organizations provide small loans at relatively low interest rates to poor people—most frequently women who use the loans for money-making projects. They organize borrowers into small groups and their loan officers monitor the clientele. Although no collateral is required, repayment is virtually guaranteed by peer pressure. Clients with good records are also eligible for better terms on future loans.

Thousands of small enterprises have been started with microcredit; and by the time of the Social Summit, proponents of this approach were claiming that in the next few decades microcredit could entirely eliminate poverty. At the Micro-Credit Summit of 1997, presidents and prime ministers, business and financial leaders, and representatives from 1,500 NGOs pledged to provide 100 million of the world's poorest families with small loans by the year 2005. Their programme was noted and approved by international bodies ranging from the Non-Aligned Movement and the Commonwealth Heads of Government to the G-7. In December 1997 the UN General Assembly adopted a resolution recognizing the importance of microcredit in fighting Third World poverty.

Nevertheless, activists involved in the movement are becoming increasingly sceptical. Small loans may help many people live better in poverty, but they are generally not sufficient to provide an escape from poverty. Nor do they offer clear answers to poor women's deeper problems of disempowerment, since other members of the family frequently use loans made to women. One study of Grameen Bank villages in Bangladesh found that men used 60 per cent of loans granted to women, and that three-quarters of the loans were not used in the ways that the Grameen Bank had sanctioned.

There are also doubts about long-term viability, since many microcredit ventures are financially unsustainable and would collapse without continuing outside support. If these programmes did charge rates of interest sufficiently high to enable them be self-supporting, their loans would be too expensive for most poor borrowers.

Microcredit is an important tool but, on its own, it is no solution to poverty. Communities do need access to affordable credit, but they also need a broader range of services, including facilities for saving small amounts, as well as institutions that can turn those savings into investments. Thus efforts to improve grassroots financial services in areas that are vastly underserved may provide more solid foundations for social development than targeted microcredit schemes can ever build.

Such institutions would be particularly useful for investing remittances—income sent back home by migrant workers in foreign countries. The amount of money pumped into the economies of developing countries by nationals working abroad has been growing rapidly. Between 1970 and 1995, global flows of remittances increased from USD 2 billion to around USD 70 billion—considerably greater than flows of development assistance. Remittances serve as vital lifelines for hundreds of millions of families. Yet they could have a much greater impact if they could be captured by local

financial institutions operating along modern lines, rather than flowing into traditional moneylending circuits or leaking out into large corporations in distant cities.

To meet this need, local institutions would have to count on greater expertise and sufficient start-up capital. They would also need to see changes in national regulatory structures and banking laws. The growing microfinance movement is attempting to deal with these issues, and it is receiving support from many international organizations. For example, the Asian Development Bank has recently announced that it intends to shift the emphasis in its lending from large infrastructure projects to microfinance, rural electrification and farm-to-market roads. It will not give money directly to small banking organizations, but instead will promote regulatory reform so that local financial institutions can flourish.

Grassroots cooperative banks and mutual societies were motors of local progress in today's advanced industrial democracies. Can this experience be repeated at the turn of the twenty-first century, when electronic banking is erasing financial borders? Development organizations need to look more closely at the connection between microfinance and the rapid evolution of the global financial industry.

## A Balance Sheet

Individuals, households and communities have always taken the primary responsibility for financing social development. Their success depends, however, on broader economic and political trends. They will be in a much stronger position if their national economies are growing and if their social rights are being met. And they will advance more consistently and rapidly in a society that encourages solidarity and redistribution.

In many ways, the current environment is not encouraging. National debts are rising, aid is falling as a proportion of donors' GNP, and social protection and social services have weakened. Difficulties in taxing immense wealth have grown more severe, and—relatively speaking—those with less income are paying more.

But the picture is not entirely bleak. At least people in many parts of the world are more aware of the dangers of globalization and are mobilizing to confront them. Creditors and donors are offering debt relief in fits and starts. Governments are considering ways to make better use of the world's wealth by working together to curb tax abuses by individuals and transnational corporations. And even the international financial institutions are starting to doubt many of the hitherto unquestioned truths of neoliberal social policy—including privatization, user fees and targeting.

More generally, there seems to be a greater openness and a willingness to reassess some of the older and increasingly discredited preconceptions of development finance. This is certainly related to increasing pressure from those who have borne the burden of economic crisis and restructuring over the past few decades. They are often struggling to create or strengthen democratic governance under very difficult conditions.

## References

- Dollar, D. and L. Pritchett. 1998. *Assessing Aid: What Works, What Doesn't and Why*. A World Bank Policy Research Report. Oxford University Press, New York.
- OECD/DAC (Organisation for Economic Co-operation and Development/Development Assistance Committee). 1999a. *Net ODA Flows 1950-1997*. OECD, Paris.
- . 1999b. *A Comparison of Management Systems for Development Co-operation in OECD/DAC Members*. OECD, Paris.



## **SOCIAL POLICY AND INCLUSIVE DEVELOPMENT**

- Orszag, P.R. and J.E. Stiglitz. 1999. *Rethinking Pension Reform: Ten Myths About Social Security Systems*. Paper presented at the World Bank Conference, "New Ideas about Old Age Security", Washington DC, 14–15 September 1999.
- Randel, J., T. German and D. Ewing. 2000. *The Reality of Aid 2000: An Independent Review of Poverty Reduction and Development Assistance*. London: Earthscan.
- . 1998. *The Reality of Aid 1998/1999: An Independent Review of Poverty Reduction and Development Assistance*. London: Earthscan and EUROSTEP-ICVA.
- Rao, J. 1999. *Globalization and the Fiscal Autonomy of the State*. Background paper for the *Human Development Report 1999*. UNDP, New York.
- SIPRI (Stockholm International Peace Research Institute). 1999. *1999 Yearbook*. Oxford: Oxford University Press.
- United Nations. 1998. *World Population Prospects: The 1998 Revision*. Department for Economic and Social Information and Policy Analysis, New York.
- . 1995. *Copenhagen Declaration on Social Development—Annex 1*. 14 March. UN Doc. No. A/CONF.166/9.
- UNDP (United Nations Development Programme). 1999. *Human Development Report 1999*. Oxford University Press, New York.
- World Bank 1999. *World Development Report 1999/2000*. Washington, DC.
- . 1994. *Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth*. A World Bank Policy Research Report. Oxford University Press, Oxford.

## Chapter 6

# Social Policy in a Development Context: Introduction<sup>1</sup>

*Thandika Mkandawire*<sup>2</sup>

(2004)

---

### Background

Both the contemporary normative discourse and the emerging consensus on development insist on putting in place social institutions (including states) that are developmental (in that they sustain high rates of growth and the structural transformation of economies), that are socially inclusive and that are sanctioned by democratic processes that fully respect the human rights of all citizens. Such an understanding can be surmised from the many resolutions of major international conferences of the 1990s and is reflected at the national level in struggles for democracy, equity and the clamour for bringing development back onto the economic policy agenda. On a more theoretical level, this understanding of development has been succinctly stated by Amartya Sen (1999) in his book *Development as Freedom* in which he argues that economic development, equity and democracy are mutually constitutive.

Social policy is collective interventions in the economy to influence the access to and the incidence of adequate and secure livelihoods and income. As such, social policy has always played redistributive, protective and transformative or developmental roles. Although these different roles always work in tandem and synergistically, the weight given to each of these elements of social policies has varied widely across countries and, within countries, over time. In the context of development, there can be no doubt that the transformative role of social policy needs to receive greater attention than it is usually accorded in the developed countries and much more than it does in the current focus on “safety nets”. The leitmotif of *Social Policy in a Development Context* is the following problem: how can social policies be used to enhance social capacities for economic

---

<sup>1</sup> Originally published as the introduction to *Social Policy in a Development Context*, edited by Thandika Mkandawire (UNRISD and Palgrave Macmillan, 2004). UNRISD is grateful to Palgrave Macmillan for permission to reproduce this work.

<sup>2</sup> At the time of writing, Thandika Mkandawire was Director of UNRISD.

development without, in the process, eroding the intrinsic values of the social ends that policy makers purport to address? This problem of the relationship between social welfare and economic performance has a long pedigree, having occupied the minds of some of the luminaries of classical political economy—Smith, Turgot, Condorcet—who were acutely aware of the positive link between social welfare and economic progress, the reputation of economics as a “dismal science” notwithstanding. The economic historian Emma Rothschild (2001) argues that the “cruel reputation” of political economy is quite undeserved:

The political economy of the late Enlightenment provides no support for the view of many contemporary proponents of laissez faire that social security is inimical to economic development, or that social equality is a form of luxury, to be promoted only in countries which are already rich. The characteristic presumption of Smith’s early friends and followers in France was rather that political liberty, and the social integration of the poor, were causes (as well consequences) of economic development. (Rothschild 2001:121)

In opposition to this view was the argument of a trade-off between social and economic development, and between equity and efficiency. And it is the latter view that took precedence, as that of Smith, Turgot and Condorcet (which Rothschild describes as “the road not taken”) lost out.

Although much contemporary criticism of economic development is directed at the absence of “social dimensions” among its core concerns, most of the “pioneers” of economic development were drawn to the subject because it addressed issues of poverty. They considered elimination of poverty the central preoccupation of development, and economic growth an important instrument for achieving that goal. Various social policy measures were to be adopted in tandem with economic growth as instruments for the elimination of poverty. Gunnar Myrdal, one of the “pioneers in development” (Meier and Seers 1984), was probably the most articulate advocate of this “road not taken”. In the 1930s, Myrdal pointed out that social expenditure was not merely public consumption, but constituted an important instrument for development. He was quite adamant about this position, and in a reflective, biographical article he insisted:

The productivity of higher consumption levels stands as a major motivation for the direction of development policy in underdeveloped countries. Higher consumption levels are a condition for a more rapid and stable growth. (Myrdal 1984:154)

Thus “human resource” development and social progress were seen as an important aspect of the economic developmental process. This view was not exclusive to development studies, but was actually derived from the Keynesian macroeconomics whose understanding was that the relation between macroeconomic policy and social policy was a positive one, a point stressed by Peter Townsend in *Social Policy in a Development Context* (Townsend 2004).

Over the years, these insights on the mutually constitutive nature of social and economic development have been rejected, downplayed or ignored for a wide range of reasons. For some, social welfare may be an end of development, but it is a poor instrument because it is seen as essentially obstructive largely because of postulated “equity-efficiency” or “equity-growth” trade-offs. Attempts to address social needs in the process of development are thus seen as premature because they fail to address the issue of resource constraints and are, therefore, ultimately self-defeating since they can only induce the unsustainable and inefficient deployment of resources (for example, through

“macroeconomic-populist”<sup>3</sup> fiscal policies, which lead to cumulative deficits, and through perverse incentive effects). Social expenditure is seen as merely paying for social consumption. As such it is considered to have a negative impact on economic development because it reduces savings and, therefore, investment. And if social policy is introduced at all, it is often as a way of “correcting” the pathologies of economic development.

The opposing point of view restates the trade-off thesis in favour of equity. Here the use of social policy as an instrument is unacceptable on principle, because it downplays the importance of social goals. Advocates of this position caution that such “instrumentalization” of important ends may erode or dilute their intrinsic value. Usually, critics of instrumentalization are engaged in project or micro-level activities to empower social groups or directly address problems of poverty. With their attention thus fixed on the livelihood strategies of individual households or communities, however, many critics of instrumentalization fail to relate these micro-level strategies to macro-level social policies or economic performance. More specifically, as a consequence of this “projectizing and micro-izing”—to borrow Judith Tendler’s apt characterization in her chapter (Tendler 2004)—they tend not to address the impact of their activities on efficiency in the allocation of scarce resources, their incentive compatibility in largely market economies, or their effects on long-term economic growth. While the aversion to the “handmaiden model” of social policy that relegates social services to an adjunct of economic policies is a healthy reminder of what the purpose of economic development is, it has tended to give social policy a passive role with respect to resource mobilization and generation and unnecessarily inhibited study of the contribution of social policy to economic development. The result has been that less attention has been paid to social development as involving enhancement and deployment of “social capacities” on the supply side for further social progress.

A starting point is to re-think social policy and move it away from its conception as a residual category of “safety nets” that merely counteract policy failures or developmental disasters. Social policy should be conceived as involving overall and prior concerns with social development, and as a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development. Social policy must not only be designed residually, to cater for social casualties, but also be integrated as a central component of policies, to ensure the wherewithal for their sustainability. More specifically, social policy must not confine itself to only the “social inclusion” part but must also directly address the issues of economic development and the consolidation of the democratic order. It definitely must not be conceived so as to undermine either of them. In this context it must also be among other social constraints that set limits to what instruments can be used in macroeconomic policy. Much of the new social policy consists of attempts to find ad hoc solutions to the social consequences of both economic decline and economic policy. In this reactive role, social policy does not constitute a fundamental interrogation of the macroeconomic models that may be partly responsible for the social crisis.

## **Structure of the Book**

Although, given the cross-cutting nature of the themes, it is difficult to group the essays in *Social Policy in a Development Context* into distinct categories, the book is divided into three

---

<sup>3</sup> On macroeconomic populism, see Dornbusch and Edwards 1990.

parts. The first part deals with more conceptual issues. The focus is on the relationship between economic policy and social policy. The chapters in the first section also cover issues of the political and ideological contexts of social policy and the reason behind the new interest in social policy. In the second part, the book considers meso- and micro-level arguments for social policy, taking up issues of income distribution and social protection. The third part is more historical, drawing lessons from experiences of “late industrializers” and looking at some contemporary experiences. The essays consider the role of social policy in late industrialization, and one chapter makes a theoretical case for social policy in late industrialization. A comparative study on social policy in late industrialization, and case studies of South Korea, India and Zambia, provide further material on social policy.

### **Conceptual Underpinnings of Social Policy**

One remarkable feature of writing on social policy is its lack of theoretical and conceptual underpinnings—beyond the general suggestions that social policy must be somehow holistic and integrated with economic policy. There is little in social policy studies in developing countries that is as heuristically potent as Esping-Andersen’s work on welfare regimes. Studies on social policy in the developing countries have tended to be excessively descriptive. Maureen Mackintosh and Paula Tibandebage (2004) highlight this absence of theoretical underpinning which has led to what they call “thick descriptions, thin explanation” syndrome. They observe that in the development context, the health policy literature, for example, is strongly characterized by an emphasis on egalitarian objectives and by repeated demonstration of redistributive failure, but that there is remarkably little expended in researching explanations of the observed regressive distributional behaviour. One immediate consequence of this is the privileging of prescription and evaluation over explanation. Prescriptions are made for greater equality without any tackling of the problem of the persistent redistributive failure. This methodological “thinness” of the literature on social policy is contrasted to the situation in Europe, where social policy debates are embedded in theoretical discourses on the welfare state. Paradoxically, one says this while recognizing the seminal work of researchers like Amartya Sen, Partha Dasgupta and Jean Drèze, whose theorizing of social conditions of poverty is now influencing work on social policy in the developed countries. Part of this gap can be explained by the mistaken view of social policy in the developed countries as being largely an aspect of the end-state of development—the welfare state—and therefore not relevant to developing countries. And so little of the theoretical insight from the study of welfare regimes has found its way into the field of social policy in developmental contexts. However, as the essays in the volume underscore, both the history and the current use of social policy in the developed countries can provide useful insights and lessons for developing countries. It has definite value in aiding the conceptual understanding of the relationship between economic and social policy in market economies, and can lend depth to analysis as a result of the diverse historical paths taken and the wide range of current practices.<sup>4</sup>

---

<sup>4</sup> Ian Gough (2000) makes this case for the seminal work of Gøsta Esping-Andersen on welfare regimes in OECD countries as ways of conceptualizing the programmes, outcomes and effects of those capitalist countries that have been transformed into welfare states.

One point that is emphasized in most of the chapters in *Social Policy in a Development Context* is the fact that the “social” and “economic” are inherently inseparably intertwined so that economic policy is social policy and social policy is economic policy. However, for both ideological and institutional reasons, the two are often separated with the “economic” often treated as more fundamental than the “social”. Indeed, in the current policy discourse social policy assumes a residual category. Exigencies of “good social policy” impose no constraints on macroeconomic policy instruments. Ha-joon Chang (2004) reminds us of Karl Polanyi’s message, when he notes that the “economic is inseparably linked to the social” which legitimizes the market and defines its boundaries on the basis of the complex interaction between political bargaining, moral values and technical considerations of the markets. And Diane Elson (2004) points out that the separation of social policy from economic policy is more a reflection of institutional division of labour than how people live the “economic” and “social”. The separation of the social from the economic has led, in the extreme, to an economic theorizing that has sought to expunge from its purview the “social”—values, conflicts, employment, poverty and so on.

### ***The macroeconomic problem and social policy***

Keynesian economics insisted on: (i) the autonomous existence of macroeconomics as a policy domain not reducible to “microfoundations”; and (ii) that government was a necessary condition and determinant of operating markets and consequently economics must incorporate governments as a “structural assumption” of political economies. It also directly took on board issues of distribution which impacted on growth through aggregate demand and propensities to save and invest. Peter Townsend’s contribution (2004) reminds us of the deep social and economic imagination that gave the world Keynesian economics. Keynes was preoccupied with the social misery that the Depression of the 1930s had caused, the devastating economic and social consequences of war and the need for social ease in a capitalist world whose foundations had been rudely shaken by social revolutions, depressions and war. The message from Keynes was that macroeconomic policy had to be sensitive to its social impact and that social expenditures could be one of the instruments for addressing macroeconomic problems. The social objective could not only set constraints on what macroeconomic policy instruments can be used but could also serve as an important policy instrument for eventually broadening macroeconomic options (through economic recovery and growth).

Once macroeconomics is understood as being embedded in society, the main challenge then is not “adding-on” the social to the macroeconomic but “mainstreaming social issues into macroeconomic”, as has been suggested in the context of “engendering” macroeconomics. Such mainstreaming touches on the core of the dominant paradigms and has far-reaching implications on “the rethinking of macroeconomics *and* of the organization of macroeconomic policy processes in order to recognize the salience of social issues and social policy”.

This, however, has not been the view informing macroeconomics during the last two decades. For much of the 1980s and 1990s, two views characterized macroeconomic understanding. The first was its self-limitation to stabilization and its neglect of economic growth and equity. The second was a return to a pre-Keynesian view of the microfoundations of macroeconomics in which macroeconomics was a simple aggregation of individual decision making or only necessary because there are market distortions. Such a view has had a profound effect on both the diagnosis of the causes of

the economic malaise and the solutions advanced. And, more pertinent to social policy, it has also contributed to the failure to find room for social policy at the macrolevel and to tend to treat it as a source of “distortions” at the microlevel that somehow added up to the macroeconomic crisis. Significantly, the general understanding is that social arrangements must be made to conform to the exigencies of sacrosanct economic fundamentals while no social constraints are imposed on both the instruments and scale of macroeconomic policies. They are not considered to be part of the “fundamentals” that must be got right if development is to take place.

By the mid-1980s, in the new ideological dispensation of stabilization and structural adjustment, social policy was associated with the fiscal crisis of the state and was thus treated as one more source of economic instability and inflation. Moreover, the association of social policy with state intervention opened it to neoliberal attack as one of the sources of economic failure. Social expenditures were seen to detract from stabilization and would have to be curtailed if fiscal deficits were to be checked. This policy shift led to cutbacks in social investment, the privatization of social programmes and the abandonment of social planning as an integral part of policy making. It should be added at this point that pressures from non-governmental organizations (NGOs) for popular participation have also contributed to a growing sense of marginalization of social policy as a state preoccupation, let alone responsibility. Pressures for cutting public social expenditures have thus been unrelenting, with the result that the long-run effects on growth of such cutbacks have been obscured. And when social expenditure has been condoned at all, it has been as a remedial measure, limited to “safety nets” for vulnerable groups, with no consideration of the implications for future growth.

It should be noted that these arguments were buttressed by the general critique of the welfare state, which is often accused of inefficiency for: (i) “crowding out” the more efficient private sector; (ii) distorting labour markets by introducing all kinds of rigidities; and (iii) blunting incentives for unemployed workers to seek employment.<sup>5</sup> In the developing countries, moral and ideological premises of social policies were impugned by associating such policies with rent seeking, urban bias and clientelism. This followed from the neoliberal scepticism about social solidarity, given its view of human action as motivated by self-interest and devoid of any moral basis.

### ***Social biases of macroeconomics***

Although macroeconomic policy is often given an aura of technocratic neutrality, implicit in any economic policies are policies about gender, about full employment and about equity. Diane Elson (2004) argues that conventional macroeconomics contains biases that not only reflect its social project but that also have far-reaching social consequences. Elson lists three such biases: (i) deflationary bias; (ii) male breadwinner bias; and (iii) the commodification bias. The deflationary bias shows up in the fact that the era of liberalization has been generally associated with lower rates of investment and growth. The “fundamentals” insisted upon by orthodox macroeconomics may have been adequate for stabilization (a highly questionable proposition in itself), but they have clearly worked against growth and development, a fact grudgingly acknowledged in appeals for a “post-Washington Consensus”. The “male breadwinner bias” comes from the assumption that articulation of the unpaid care economy to the market economy is mediated by a male

---

<sup>5</sup> For a succinct review of this literature, see Atkinson 1999.

breadwinner whose income is large enough to provide for the cash needs of a set of dependents. These biases shape what is considered as viable or sound social policy by defining targets of social policy, possible instruments to be used and the economic resources and fiscal envelope available. Implicit in any social policy is a structure of distribution which spells out the incidence of both costs and benefits.

And yet, despite such socially salient biases, macroeconomics is often treated as merely a technocratic framework which establishes the economic framework to which social policy must conform. Much macroeconomic policy making is totally oblivious of the normative discourse on social and human rights. A more holistic approach would simultaneously consider the “social” as posing political and social limits on what values macroeconomic variables can assume. In addition, a whole range of macroeconomic goals can be achieved by different combinations of instruments and under varying welfare regimes. The choice of these instruments is highly political, since each instrument contains within it certain implications for a specific allocation of costs and benefits of adjustment, which in turn are reflections of biases, social arrangements and ideological predispositions that must be squarely addressed. The recognition of the social nature of macroeconomic policy making, the “biases” that go along with it and the political nature of choice of policy instruments and goals highlight the need for social dialogue that rejects the view that “sound” macroeconomic policies are beyond social scrutiny, to be taken as an immutable given to which social actors must simply adjust. Elson suggests that this social dialogue can be facilitated by more heterodox economics that goes beyond neo-Keynesian economics to include insights from feminist economics, which has insisted on the articulation between economic production and social reproduction.

### ***The rediscovery of poverty and development***

One factor accounting for the increasing recognition of the important role of social policy has been the persistence of poverty even in situations of economic “success”. The introduction of metrics of development other than gross domestic product (such as the Human Development Indices) has underscored the essentially *social* nature of development. Such metrics have problematized the link between growth and welfare by stressing that growth should be part of a whole series of measures intended to widen the scope of choice of individuals and communities. It is now widely accepted that sustainable attacks on poverty will demand fairly high levels of economic growth even in situations of significant redistribution of existing resources. While some countries or regions have achieved laudable social progress even in times of poor economic performance (Ghai 2000), such achievements have generally proved unsustainable in the long run in the absence of good overall economic performance. Social development arguably occurs faster and in a more sustainable way in situations of economic progress, which itself is facilitated by social development and provides the wherewithal for further social development.<sup>6</sup>

As Diane Elson notes, the adjustment programmes adopted by many countries in the 1980s and 1990s undermined economic growth because of their “deflationary bias” (Elson 2004). While these policies, with their anti-growth biases, dominated policy making, there was revived interest in academic circles in growth economics—the “catch-up hypothesis” and so-called “new growth theories” or “endogenous growth” models—which

---

<sup>6</sup> This is a central message of the studies in Mehrotra and Jolly 1997.



now recognizes that social development contains crucial instruments for economic development. The catch-up hypothesis states that “being backward in level of productivity carries a *potential* for rapid advance” (Abramovitz 1995:386). However, this is conditional on the “social capability” of the countries in the less technologically advanced group. Although the definition of such capability remains elusive, several of its components have been identified. They include educational levels, physical infrastructure, corporate governance, competitive conditions (including openness to foreign competition), political stability, labour market structure, and “social capital” (understood to include, among other things, institutions, interpersonal trust, national or social cohesion, norms of civic cooperation, associational activities and formal institutions). A broader argument is stated by Frances Stewart et al. (2000) who consider the two-way influence of economic growth and human development. They argue that those countries which have leaned towards human development through a whole range of social policies affecting education, health and equity tend eventually to enjoy higher rates of growth. Macro-level studies also provide robust evidence that initial income inequality and subsequent growth are inversely related, and that better income and wealth distribution helps growth.<sup>7</sup>

The important message in “New Growth Theory models” is that social policy constitutes one of the most important determinants of economic growth. For a while there was the hope that recognition of the “social” might lead to increased interest in social policy, and “fill out the analytical space in which to construct the social as a complement to economic policy” (Fine 2004). However, recognition of the transformative and productivity-enhancing quality of measures that contribute to social development does not necessarily lead to their adoption, not even in democratic political settings where numbers would tend to favour the poor. Even the widespread recognition of “social capital” has not been sufficient to place social policy at the core of development policies. There are many impediments to the translation of new insights into policy measures. The first of these impediments is the persistence of economic policy making based on a “leader/follower” model, where macroeconomic policy (stability and growth) is determined first and social policy is left to address the social consequences (Atkinson 1999). Such an approach clearly goes against the insights of the literature, which argues that the exploitation of synergies between welfare-enhancing measures and economic growth requires a holistic approach to development policies. In addition, there is the tendency to treat the many variables identified by “growth accounting” separately, although the fact that these are complementary and synergic indicates that they must be harnessed simultaneously. Ultimately, the issue is not just “health policy” or “education policy”, but “social policy” within which these measures are coherently embedded. In the absence of such a holistic understanding of social policies, there is the distinct danger that various specialized agencies, ministries or non-governmental organizations (NGOs) will pick up their own “variable”, completely oblivious of its crucial relationships with others.

The second impediment is the uncertainty over the exact nature of these relations and the many reservations about the robustness of empirical results. Much research on growth and elements of social policy is still dominated by cross-section and panel data regression analysis. There are few time-series analyses using institutional or historical information to trace the interactions among the variables in specific contexts. One difficulty with drawing lessons from simple cross-country comparative studies is that social policy is context-specific and is often explicitly or implicitly embedded in the overall

---

<sup>7</sup> Alesina and Perotti 1994; Birdsall 1997; Woojin Lee and Roemer 1998.

macro-policy model, so that its separate influence on economic development is not easily decipherable, let alone quantifiable. And—even among those countries that have done well in both economic and social indicators, and reached similar endpoints—over the years the sequencing and weight attached to these indicators have varied between countries and within each country, making the drawing of lessons for policy singularly treacherous. In addition, what may appear as social policy *ex post* may be an unintended consequence of a set of policies intended to address entirely different issues. For instance, education programmes to address gender or ethnic differences may lead to an overall improvement in human capital that may not have been the explicit objective of the policy. It is also clear that measures that are apparently similar may have entirely different implications for development, depending upon a country's political and institutional arrangements, and the historical trajectories traversed by its institutions. This points to the need for in-depth historical and time-series studies of the experiences of individual countries with social policy and development.

The third impediment arises partly as a result of ambiguities of concepts such as “social capital” (succinctly discussed by Ben Fine in his chapter) and the complexity and ambiguity of the policy implications of both the new growth theories and the institutionalist growth paths (Fine 2004). Neither of these analyses points to a particular form of social organization, let alone social policy proposals. One reason for the tentativeness and weak articulation of these ideas in the policy realm is the possibility of multiple trajectories—equilibria—which are often “path-dependent”. The economy and the variables that account for its transformation are permeated by social relations and are embedded in social institutions, the improvement of both of which constitutes a cornerstone of social development. This, of course, opens the route to the study of a whole range of variables that affect long-run growth and that are amenable to or reflective of social policies. However, there is no clear theory of how social policy acts on development-enhancing social factors so as to induce growth, nor is there agreement on the patterns of growth that are most appropriate to meeting the spectrum of social goals that are now on both national and international agendas. In addition there is the ahistorical nature of the concept of social capital. There are no accounts of how societies have deliberately accumulated “social capital”. Indeed, the “social” is defined so as to exclude socioeconomic forces and conflicts that are known to have underpinned the emergence and evolution of the welfare state. As both Ben Fine and Jayati Ghosh argue, social policy has not simply emerged to correct market failures; rather, it has emerged from responses to the contradictory economic and social reproduction of capitalist societies (Fine 2004; Ghosh 2004).

And, finally, there are political and ideological impediments. Social policy is a highly political process, touching upon power relations, access to resources and ideological predilections about the role of state and markets. We still need to know what societal variables facilitate the placement of these items on national policy agendas. Economics is usually murky as to how issues are placed on the political agenda or how certain institutions emerge. Yet macroeconomists increasingly recognize that political variables and institutions are important determinants of policy choices and outcomes. However, for ideological reasons, there is aversion to drawing out the full policy implications toward which empirical analysis points.

Partly in response to the criticisms of their deflationary bias, the growing political salience of poverty and inequality and the growing literature on the dynamics of growth and development that points to the failure of adjustment to address problems of poverty

and to place economies on a long-term growth path, the Bretton Woods institutions (BWIs) have signalled something tantamount to a paradigmatic shift. The World Bank has begun to shift its focus toward poverty alleviation and to argue for support to social sectors on developmental grounds. Even the IMF has been compelled to give explicit recognition to the importance of social policy. And has accordingly relabelled the extended structural adjustment facility as “Poverty Reduction Strategy Papers” and “Poverty Reduction and Growth Facility”. The stated aim of these changes is a “coherent strategy to help poor countries move on to a sustainable faster growth path, bringing a substantial reduction in poverty” (IMF 2000). The new strategy is intended to ensure consistency between a country’s macroeconomic, structural and social policies, and the goals of poverty reduction and social development. The leverage of the BWIs with respect to all these is assured by the close link between the PRSPs and debt relief under the HIPC initiative.

### **The political contexts of social policy**

Which social policies are adopted does not entirely depend upon their perceived instrumental efficacy in improving economic growth. No amount of evidence of the instrumental efficacy or of the intrinsic value of particular social policies will lead to their adoption if they are not deemed to be politically feasible. To the extent that such policies are driven by the values of different social actors with different ideological positions, and to the extent that they invariably entail intra- and intergenerational redistribution issues, they are the outcomes of political bargains and conflicts since they touch upon power in society—its distribution and accessibility to different political actors. In any society, it is obvious that the state will not institutionalize social policies that conflict fundamentally and consistently with principles of the dominant economic system and power relations. Consequently, the study of social policies in *developmental* contexts must be sensitive to the *political* contexts within which they are formulated and implemented.

Different political institutions and arrangements tend to favour particular social policy regimes. They also tend to produce different political capacities for extraction of the resources necessary for financing social programmes. Thus, the type of political regime has enormous implications for social policy. It is therefore necessary for research to take on board the *politics of social policy*. Comparative research on history and the “path dependence” it induces, as well as how current political arrangements impinge on social policy regimes, is required.

Social policy has been formulated under the aegis of a wide range of political regimes—elitist/populist, democratic/authoritarian, right fascist/Stalinist, colonialist/*nationalist*, etc. The scope for popular pressure for the institution of social welfare has varied widely in these arrangements. In some societies, social welfare has been an essentially elite project to achieve goals determined by the ruling elite. Such goals have usually included nation building, development or co-optation of subordinate classes. In some cases, social welfare has been the result of popular pressures for equity and inclusion. Cultural values have also played an important role in conceiving or rationalizing social policies. In East Asia, for example, the limited role of the state in providing social welfare services was justified on the grounds of “oriental” family values.

Problems of the legitimacy of the state, “ownership” of policies and political stability highlight the importance of the social regimes within which growth is presumed to take place. It is notable that this realization has been reinforced by the current wave of democratization, and by popular pressures to place social issues on national policy

agendas. In early “modernization” theories, the establishment of political stability as a prerequisite for development was one of the intractable problems of rapid social change. Operating on the assumption of a trade-off between equity and growth, much of the writing of the time tended to advocate “political order” of an authoritarian nature, which would not be encumbered by the clamour for social welfare (Huntington 1968). Redistributive social policy, being inimical to accumulation, was not considered possible as an instrument for ensuring the stability necessary for accumulation. Indeed, it was often dreaded for leading to “revolutions of rising expectations”, which would stifle economic growth. In reality, states, including the most authoritarian, have had to be concerned with reconciling the exigencies of accumulation with those of legitimacy and national cohesion. Consequently, the pursuit of social policies that enhance accumulation while securing the state the necessary legitimacy for political stability has constituted the cornerstone of developmental management. Indeed, there have been cases in which unelected regimes in “developmental states”, lacking political legitimacy or facing “democratic deficits”, have sought legitimacy through social and economic “performance”, with the result that some of the most dramatic improvements in welfare have taken place in undemocratic contexts.

It is important to recall that the successful developmental states of East Asia were largely authoritarian. The power of the state was used to suppress popular claims over a long period of time, and those public welfare measures that were introduced were largely unaccountable to the public and reflected the political logic of authoritarian rule and its understanding of developmental imperatives (Goodman et al. 1998). In the current normative discourse, the growing consensus is that the developmental model chosen must respect both human rights and rights to development. This can be construed as a case for development under political regimes that are democratic. Thus the developmental and redistributive policies of states will be shaped to some extent by this new democratic dispensation, which is politically more inclusive and, consequently, broadens the constituency likely to call for more wide-ranging social policy. What will be the type of social policy compatible with the “democratic developmental model” pursued by such states?

One of the posited trade-offs in the process of development has been that between “development” and “democracy”. In the current normative discourse, democracy and development are not considered as mutually constitutive components of the “good society”. However, the historical record is that such an association is contingent on a number of factors including, significantly, *social policy*. Laurence Whitehead (2004) examines the lines of interaction between democracy and development, their “connectedness” and “elective affinity”. Although both democracy and development have a long genealogy, both their substantive content and relationships have varied over time. The post-Second World War context of the Cold War has had an enormous impact upon the fortunes of the relationship. Significantly, a common understanding of development led to its apoliticization and the belief that it could be achieved through technical means. In some accounts, the encumbrances of democratic policies were considered as decidedly inimical to the development project. It is only with the end of the Cold War and the emergence of a generation not beholden to the “developmentalist” ideologies which downplayed democracy that we see a renewed interest in the “democratization of development”. Whitehead argues that if the new view that democracy and development are inseparably intertwined and mutually constitutive is to hold, then it will be necessary to reconceptualize both of them. This could very well entail

incorporating some very considerable elements drawn from democratic theory into economic development. Likewise, future conceptions of “democracy”, appropriately understood and updated, could quite properly include much that has recently been studied within the limiting confines of the subdiscipline of “economic development”:

When the application of knowledge, rather than mechanical power, provides the main key to economic prosperity the most effective producers can be expected to set a high standard of demand for citizenship rights and governmental accountability. When a central task of modern democratic government is to secure informed assent to complex public choices in the era of economic management, our conception of ‘development’ can hardly continue to omit consideration of the social acceptability and legitimacy of the policies to be selected. It is in this area of convergence between notions of ‘democracy’ and ‘development’ that the best future of development studies lies. (Whitehead 2004:103)

However, the conventional definitions of democracy (as no more than holding competitive elections) and development (consisting of high rates of growth) and their compartmentalization in both theory and practice does not suggest that either of these conceptions is in need of the other. Whitehead suggests that social development provides a key point of intersection between the separate discourses of democratization and economic development: “To the extent that these discourses converge social policies and citizenship entitlements will move from the margins to the centre of attention in these scholarly communities” (Whitehead 2004). However, the convergence of the discourses is still at a rhetorical level.

Although the current normative discourse insists that social policy must obtain its legitimacy from democratic and participatory processes, a number of factors tend to militate against such an outcome. One is the technocratic nature of policy making. The other is an exclusionary process of identification of worthy partners that often deliberately seeks to isolate the most organized and most articulate groups that have historically pushed for progressive social policies. Judith Tendler (2004) points to the often-ignored question of what coalitions can be built at the national level in support of social programmes. Largely because much of the discussion on poverty alleviation is tethered to debt relief, it tends to be oblivious of the political basis for such programmes. Where the finance is external, there seems to be no need for building or identifying coalitions to sustain such programmes. Indeed the new formulation of anti-poverty programmes tends to be opposed to existing social movements, especially labour movements, being content with the participation of a few NGOs that end up being beneficiaries as service providers. Tendler points to the inadvertent translation of an anti-poverty agenda into an anti-labour agenda. When critical social organizations such as labour movements are sidelined, the programme becomes donor driven and lacking national anchoring.

The anti-labour argument is often couched in populist terms in which organized labour is seen as a kind of “labour aristocracy” whose defence of labour standards undermines employment creation and the competitiveness of the economy in the global market. In this era of globalization, many developing countries fear that labour and environmental standards will undermine their competitiveness. This is an understandable reaction to the protectionism parading as social concerns, but it should not be used to distract from national demands for socially acceptable labour standards and the real possibility for participation in the global market without violations of fundamental workers’ rights. If countries are to avoid the “race to the bottom” or being trapped in a low productivity-low wage “sweatshop equilibrium” they will have to introduce social policies that address both the equity and productivity considerations.

## Sectoral and Micro-Level Issues

Ben Fine, Judith Tandler and Diane Elson remind us that the “social” has been easier to absorb at the microlevel than at the macrolevel through concepts such as “participation” and “social capital” and that the revalidation of the “social” as having more than a residual status has been accepted more at the microlevel than at the macrolevel where the “social” is still seen as an afterthought.<sup>8</sup> Such a narrowing of the role of social policy—ignoring its overall redistributive and developmental roles—can be attributed to a number of factors. Ben Fine suggests that the acceptance of the “social” at the microlevel comes from interpreting the macroeconomic crisis as emanating from micro-level failures, and assuming that the orthodox policies are fundamentally sound, there have been attempts to find faults at the level of state failure, market failure or societal failure. The realization of the pervasiveness of these failures has led to a recognition of the “social” as an essential means to correct them. And thus “social capital” is fully embraced as the “missing link”. In the process the concept of social capital has assumed a protean character consisting not only of the positive side, but revealing a dark side as its definition includes virtually any social arrangement. Although “social capital” relates to both the macro and micro levels, it has tended to be used in relationship to the latter often in isolation from the economy, formal politics and social conflicts. Within the Bretton Woods institutions, “social capital” is conceptually and administratively separated from debates on macroeconomic policy with the consequence that while sections of the BWIs claim to be constructing “social capital” at the microlevel, macroeconomic policies are dismantling the social contracts that may have sustained past political stability.

In her contribution, Judith Tandler identifies four such factors (Tandler 2004). The first of these is what she calls “projectization” whereby all initiatives in the realm of social policy are to be conducted at the microlevel. This has tended to distract attention from broader social reforms. Such a position has been encouraged both by the onslaught on central government authorities and by the rise of NGOs in social provision. The second is the demise of development policy within which social policies were embedded. The salience of concerns with employment and labour market conditions gave social policy a prominent role in the development process. Such policies as those on local procurement were not merely aimed at technological acquisition or mastery but were intended also to address issues of employment and redistribution. Third, there is the focus on the informal sector and small enterprises and the belief that social policy, because of its insistence on certain standards, constitutes one of the “distortions” that have hurt this sector. State legislation of standards in labour markets is anathema in the current orthodoxy. And, finally, there is the downplaying or neglect of some of the central preoccupations of nation building for which social cohesion, and the role of social policy in that was important; especially the conception of development as a national project requiring adhesion of many actors.

In addition, there has been a tendency to downplay the redistributive content of both sectoral and micro-level interventions, partly by simply assuming that market forces will handle such issues. Thus, Maureen Macintosh and Paula Tibandebage (2004) argue that in the area of health, the egalitarian thrust of health policy has led to the conclusion that public expenditure ought to be targeted towards the poor. The point of departure has been the view that curative care is nearly a pure private good and thus quite

---

<sup>8</sup> Fine 2004; Tandler 2004; Elson 2004.

appropriate for allocation by the market. Public support should therefore be targeted towards those who do not have any means to purchase health services. This reliance on markets for providing many health services is based on a leap of faith attributable to ideological predisposition or a conflation of textbook markets with real markets. It also assumes away the redistributive function of health provision itself by relegating such a role to the government budget to “target” those unable to pay for health services. Such a view sharply diverges from the health care system approach which takes into account the redistributive role and considers cross-subsidization and risk-pooling as the primary functional method for tacking distribution and equity outcomes.

Microeconomic concerns need not obviate social policy. New trends in microeconomics, whether informed by the transaction cost school or theories of imperfect knowledge, have challenged some of the principal results of mainstream economics—for instance the Walrasian neoclassical view of the separability of equity and efficiency—because the terms and conditions of contracts that directly affect the efficiency of resource allocation now crucially depend upon ownership structures and property and social relations. This research argues that inequality can lead to the perpetuation of dysfunctional arrangements at the community, firm and national levels.

Gender studies have provided another important micro-level argument for rethinking social policy in the context of development. The work on gender and economics clearly suggests the potency of socially sensitive analysis in incorporating social divisions of labour, power and choice in the analysis of growth and structural adjustment and of overcoming the dichotomization between “economic analysis” and “social analysis” without dissolving the difference and tension between the two aspects of life. An argument for a wide range of policies subsumed under the heading “social welfare” is that they contribute to labour productivity.<sup>9</sup> Researchers working on gender and development hold that labour is a “reproduced means of production”—in other words, that effective labour is not an exogenous or biological given, but a socially constructed capacity or potential resulting from deliberate investment in human capital or institutional arrangements that determine the participation of individuals from different social groups in labour markets. In this, the reproductive and nurturing roles of women are central to understanding the well-being of individuals, households, communities and indeed nations (Elson 1991; Folbre 1994). Conventional theory, which treats the supply of labour as infinitely elastic, pays little attention to the well-being, efficiency and needs of the “unpaid care economy”. And yet its operations have a far-reaching implication for the quantity and quality of labour and the stability of the social arrangements within which the market is embedded. Significant investments in human capital take place in the household sector, in the form of women investing long hours of “unpaid” work (also referred to in the literature as reproductive labour) in the care and socialization of children who will become the next generation of adults/workers. While household technology has altered the way physical tasks are performed (reducing the amount of time women spend on routine domestic work), it cannot replace the important emotional, interpersonal and educational aspects of parenting that take place in the home (many of which are still feminized, as time allocation studies have shown). Thus feminists have produced a valuable analysis of the supply side of the labour market and the role of

---

<sup>9</sup> UNRISD’s interest in these issues clearly emerges in some of the studies it has commissioned. See, especially, Cassen and Wignaraja (1997), which reports some of the micro-level evidence on the importance of social expenditure for human development and the ability of the poor to improve their capacities. The paper also considers studies of the effect of human capital on comparative advantage.

domestic labour in reproducing labour. In this respect, acknowledging the creation of human capital in the household complements parallel contemporary debates about community networks and “social capital”.

This understanding of human capital has been used by feminists as an analytical tool for improving understanding of the interface between the market and household sectors, and as a political (policy advocacy) tool for improving women’s economic and social position within households and labour markets. They have argued (especially during the decade of adjustment marked by drastic social sector cutbacks) that there is nothing “natural” about the household sector continuing to create human capital if there are no supportive social policies. In other words, it cannot be assumed that women will continue to supply all the labour and care that is needed to ensure the satisfactory reproduction of human beings, compensating for all the shortfalls in purchased inputs and state support to sustain human resources. A breaking point can be reached when the household is no longer able to reproduce itself. Investments in infrastructure (including child care facilities, water supply, electricity, labour-saving domestic technologies), parental and family leave, and workplace flexibility have all been cited as ways of making the dynamic relations between the household and market sectors work more effectively.

And, finally, social expenditure can also be considered a “social wage”, raising social efficiency wages due to their felicitous effects on effort and educational investment choices among the poor. Social expenditure that lowers the cost of labour by increasing its productivity tends to increase profits and, assuming a propensity to invest profits, will lead to higher levels of investment and growth. Studies of other social welfare policies point in the same direction.<sup>10</sup> Health improvements are also found to play a role in economic growth through their impact upon productivity and demography. In addition, Tandler (2004) reminds us that not only are such expenditures significant investment in enhancing a country’s competitiveness, but the exigencies of social inclusiveness and equity can themselves spur economies to more efficient deployment of resources and creation of social harmony essential to an economy’s weathering of the increasingly volatile global environment. Companies adopt more efficient methods in response not only to competition but also to social and political pressures to meet certain social standards.

The chapters in the second section clearly suggest the need for a better understanding of the link between the micro-level benefits of social policy and their implications for the macroeconomy, and vice versa. The importance of such an approach is that what happens at the microlevel—at the level of individuals and households—provides us with a measuring rod for macroeconomic policies. In the words of Atkinson:

Where economic and social policies are in conflict, the conflict can only be resolved by assessing their impact on human welfare. We need to build links between macroeconomic variables and household incomes and this cannot be done if the macroeconomic and social are kept rigidly separate. (1999:21)

### ***Redistribution, social policy and development***

One major purpose of social policy is the redistribution of income (often) in order to move toward equity. It is this objective that has been subject to sustained attack by those who think “the social” poses a serious threat to development. Development, according to

---

<sup>10</sup> For a review of the literature on the relationship between health, nutrition and development, see Strauss and Thomas 1998.



such arguments, demands that societies traverse the “vale of tears” before they have the wherewithal to address social problems. For proponents of this view, growth has gained ascendancy to such an extent that it sometimes assumes the status of an end in itself, with other long-term objectives such as welfare and equity achieved when the effects of growth “trickle down”. Kuznets’ hypothesis—that income inequality first increases with economic growth, but later decreases as societies become more developed—has been used to sanction tolerance for growing inequality in poor countries.

The case for redistributive social policy has been made along a number of lines. The first of these was of Keynesian and “underconsumptionist” inspiration.<sup>11</sup> More egalitarian income distribution, it was posited, would broaden domestic markets, encourage better capacity utilization and encourage new investment.<sup>12</sup> It was argued that the level and structure of demand are important not only to patterns of growth, but also to its pace, because they affect both patterns and levels of savings and investment.<sup>13</sup> To the extent, therefore, that social policy inevitably impacts on the demand side it immediately emerges as one of the instruments of economic development. One persistent argument has been that skewed income distribution tends to limit the domestic market, and that redistribution would provide an impetus to consumption, increasing aggregate demand, doing away with excess capacity and encouraging further investment in capital. Income redistribution would also induce structures of demand that favoured more labour-intensive technologies, saved foreign exchange by being less import intensive and exploited a country’s comparative advantage (Stewart 1978). This view of demand-driven growth and the consequent argument for redistribution on the grounds of demand were severely tested by supply-side limits to growth over the last two decades. These challenged egalitarian arguments by shifting attention to the effects of egalitarian policy on the supply side: “competitiveness”, which is to say on costs and incentives to investors and workers.

A second argument has had to do with political instability. Simply stated, high income inequality can lead to political conflict, which can undermine development. In addition, societies with high levels of inequality may be inflexible when faced with external shocks. Societies that are highly polarized socially and economically are unlikely to pursue policies that have long-term benefits for all, since each social group will be reluctant to make long-term commitments.<sup>14</sup> Jayati Ghosh (2004) reminds us of the importance of social policy in managing modernization, and the economic and social shocks that go along with it. All capitalist societies have to address issues of accumulation and legitimation of the accumulation process and outcomes and of the state itself. Redistributive social expenditures can contribute to political stability by enhancing the legitimacy of the state. Social policy, as an instrument for ensuring a sense of citizenship, is thus an important instrument of conflict management, which is in turn a prerequisite for sustained economic development. With respect to accumulation, social policy takes the form of social investments that enhance the social productivity of labour (through better health and education) and by setting minimum labour standards. As an instrument of legitimation, social policy can be used both for the management of social pressures that

---

<sup>11</sup> This view was quite prevalent in Latin American “structuralism” writing.

<sup>12</sup> For a rigorous exposition of this position, see Taylor 1983, 1991.

<sup>13</sup> Among the “pioneers” of development economics, Nurkse’s (1961) preoccupation with the need for “balanced growth” raised the problem of the demand for goods produced by new industries in the absence of mechanisms that coordinated such supply with demand.

<sup>14</sup> The importance of long-term “trust” as social capital is tested by Knack and Keefer 1997.

are engendered by rapid economic transformation and also as a corrective to the inherently volatile process of capitalist accumulation. Social policies have sought to enhance a notion of citizenship or to ensure a minimum degree of inclusion for social cohesion. Here policies relating to equity among households, classes and even regions immediately come to mind. Of course, not all policies can be neatly assigned to either of these functions; education can serve both the accumulation imperative (human capital) and the legitimation imperative (equity or socialization). The point here is that social policies tend to serve both these functions. There is often tension between these separate functions of social policy that is not easily resolved. The solutions ultimately reached depend on politics.

A third argument has to do with challenges to the “equity-growth/efficiency” trade-off. Bowles and Gintis argue, for instance, that “egalitarian redistribution, if properly designed, can attenuate many of the costly incentive problems facing modern economies and hence can be productivity enhancing” because it facilitates the evolution of productivity-enhancing governance structures (Bowles and Gintis 1995:409). This it does by reducing the need for costly enforcement expenditures (in terms of policing, security, etc.) because equality enhances cooperation and trust, which are essential to economic performance, particularly where limited, asymmetric information makes both state intervention and market allocation inefficient, and because equality may impact on politics and culture in a way that fosters solidarity. It can also be used to underwrite the accumulation process by subsidizing labour costs. It has to achieve this in a manner compatible with the incentives for capital accumulation by the private sector. In addition social policy has directly contributed to accumulation through its provision of funds for investment (through pension schemes).

Income distribution is, of course, at the core of political economy. Drawing on a wide range of empirical material, Maureen Macintosh and Paula Tibandebage (2004) argue that redistribution commitment within a health care system is deeply influenced by the general pattern of social class and inequality in society and also by the particular institutions of the system and norms of behaviour established within them. They stress the ideological and political underpinnings of redistributive health policy. It is interactive or endogenous in the sense that it is influenced and influences other variables in the system and is path-dependent. It is often part of the “welfare settlements”, “social pacts” or “social contracts” that have been arrived at through political arrangements and that have provided the explanatory framework for social claims and the political receptivity to such claims. Whether evoked in the context of nation building or the construction of full citizenship, health systems are deeply imbricated in the ethical and political contestations of society. For a health care system to operate redistributively requires not only government commitment to redistributive behaviour in allocation of funds but commitment at the institutional level to operate in an inclusionary manner, and within communities, to sustain inclusion of the poor.

### **Social insurance and development**

Another set of social welfare policies with an important bearing on economic development—through both political and economic channels—relate to social protection. One prominent form of social insurance is pensions. The structure of pensions reflects attitudes towards efficiency and equity. On the ideological level, it reveals attitudes towards solidarity and citizenship. Consequently, there are often sharp differences among different actors on how such schemes should be designed.

An important development aspect of pension schemes is their effect on capital accumulation since they impinge on savings and the functioning of financial markets through effects on demographics, distribution and incentives. Their effect on savings can be through forced savings or through their impact on the development of financial markets. The latter argument has been advanced by advocates of neoliberalism who argue that the privatization of pension funds can help by “jump-starting” financial institutions such as the stock exchange and by “deepening” financial markets—processes which are supposed not only to increase savings but also to lead to a better allocation. In the era of adjustment when equity considerations have been given lower priority relative to efficiency considerations, privatization of pensions funds has been advanced as a means of ensuring not only the financial viability of the pension systems themselves, but also their efficiency as a result of competition. The high yields of this more efficient market would encourage individual savings and investments (and therefore growth) through contributions to development of financial markets and through financial deepening. It is also argued that the existence of private accounts would extend coverage of pension schemes. Chile was the ultimate testing ground for the kinds of extreme privatization of pensions to an extent that no modern democracy had dared embark upon. Many countries—first in Latin America and later in the developed countries—borrowed heavily from this model, often under pressures from the BWIs and despite strong protests by labour.

Many of these claims are derived from first principles about how unregulated markets function. The chapter by Mesa-Lago (2004) suggests that these claims do not stand up to close empirical inspections. The case of Chile shows that the much-touted efficiency that might be derived from competition has been undermined by the very high levels of concentration so that the three largest pension funds administer 70 per cent of the insured. In addition, the rate of return has been low and the high fees and commission charged have turned out to be regressive. Coverage has remained virtually constant while contributions to the development of financial markets have been marginal. Significantly, for developing countries, reforms have been negative on national savings. There are many issues to consider about pension schemes. These include their coverage, the effect on different individuals depending upon the nature of the activity and gender, and their effect on income distribution. While it is admitted that the experiment with private management of pensions in Chile may have led to financial deepening, which may, in its own right, contribute to economic growth, available evidence suggests it has failed to raise savings rates, partly due to high transaction and fiscal costs (Cruz-Saco and Mesa-Lago 1998; Huber and Stephens 2000).

Significantly, not all Latin American countries adopted the much-touted Chilean model. In half of the systems in the 10 pension reforms, privatization was limited. Significantly, in all cases for the proper functioning and sustainability of the “private” system the state proved absolutely necessary through (i) mandatory affiliation, (ii) strong and detailed public regulation of the system and (iii) control.

## **Social Policy and the Late Industrializers**

Another argument for the need to rethink social policy comes from the literature on “late industrializers”. In a seminal paper, Alexander Gerschenkron (1962) argued that late industrializers were likely to evolve different institutional forms in order to exploit their lateness or to “catch up”. More specifically, the state was bound to play a much more

active role than in the pioneer countries. The “late industrializers” were likely to make use of the joint-stock form of enterprise, and to depend more heavily on bank finance than on financial equity markets for financing industrialization. What has rarely been explicitly theorized, however, is that among the institutions adapted for such late industrialization were those dealing with social policy: these same latecomers were among the pioneers of the modern welfare state.

The role of social policy in the late industrializers is spelled out more explicitly by Vartiainen (2004), who argues that late industrializers have to deal with two groups of externalities: human capital, technology and financial externalities recognized by Gerschenkron; and also the strategic action and distribution issues addressed by social policy. With respect to the latter, Vartiainen highlights two issues concerning development in which social policy can play a significant role. The first of these is the relationship of the intertemporal decisions about investment, consumption and accumulation. An important argument on the relationship between investment/consumption decisions and growth has been premised on assumptions about how different patterns of distribution affect accumulation. As he notes, “economic growth and development are about deferring consumption of resources today in order to create more resources in the future”. The question that arises then is what factors account for the sharp differences in investments (or deferment of immediate gratification). Vartiainen identifies three kinds of economic mechanisms that can lead to a situation in which investment is discouraged, even though the overall benefits of investment to the economy as a whole are widely acknowledged:

- i. Discrepancy between social return and private return of growth-enhancing investment.
- ii. Dynamic externality associated with the discrepancy of ex ante and ex post bargaining over distribution.
- iii. The individual and idiosyncratic uncertainty of investment returns.

The first refers to positive externalities and has been a major argument for public intervention in investment. This is particularly the case with social investments in health and education which government must undertake if the economy is not to be stuck in a “low-development” trap. The second point concerns dynamic externality associated with the division of returns of productive investment. Even if a society agreed that sacrifices be made in terms of forgone consumption in order to enhance accumulation, there might still be opposition to any such “sacrifices” being made if there are no guarantees that the gains from such “sacrifices” will be fairly distributed. If, for instance, workers accept a lower wage in order to encourage high levels of profits, the “sacrifice” will have been in vain, if the resultant profits are expatriated or allocated to conspicuous consumption. Vartiainen argues that “the state can be seen as a kind of broker that ensures that the ex post distribution of resources is such that it corresponds to those incentives that were ex ante necessary to induce the necessary investments”. It can intervene in the economy to make high re-investment of profits the preferred behaviour of capital owners. Here “social pacts” can play an important role.

The third aspect arises from the inevitable *individual* uncertainty associated with innovation and new investment projects as well as economic restructuring. This raises the important issue of social insurance in economic development. A number of investments that could be undertaken for the benefit of the economy may be hampered by the high risks involved in undertaking them. Significantly, this also applies to many investments that the poor might wish to make in terms of education and investments in innovations. “Safety nets” may be important in reducing the costs of failure. The second issue raised by

uncertainty has to do with people's readiness to accept policy changes. Economic development involves major structural changes with "winners and losers". In most cases, individuals may not know what category they will fall into and, given risk aversion, they may oppose change which is likely to benefit many. Here again, the state, with its many instruments, including social insurance, can ensure that the final outcome is not so disadvantageous for any particular group as to induce paralysis or political opposition. In a situation of rapid technological change, the best way to contain "luddite" tendencies is to provide sufficient guarantees to everybody that they will share in the ensuing benefits of such changes. This "risk-pooling" is vital not only for political stability, but also in making individuals take risks and accept changes that are inherently fraught with risk and uncertainty.

Insurance aspects of social welfare systems, like all insurance systems, inhere in them the potential for "free riding", "moral hazards", rent seeking and capture and overshooting. This opens up room for conflicts over distribution, which, in turn, points to the potential role of the state as a mediator or as a partner in social concertation to strike acceptable bargains on income distribution. But, as Vartiainen states:

To get industrialisation under way, the state must mobilise and organise the economy, and act to build a coherent corporatist structure with which it can work and design growth-promoting policies. This means that it must also be able to deal with the inevitable distributional conflicts. The state must cope with the inherent paradox that rapid structural change requires more social organisation and political co-ordination of resources, which, at the same time, may aggravate problems of inefficient corporatism and unilateral interest group action at redistributive rent-seeking. (1999:142)

A more historically grounded account is provided by Pierson (2004). He starts off with the observation that there is no straightforward association between the *level* and duration of industrialization and the *extent* of welfare state development. Indeed in the case of Western Europe, the very first welfare states did not emerge among the pioneers of industrialization. It was Europe's "late industrializers" which led the process of welfare state innovation. Significantly, after 1923, "there has been a tendency for countries to adopt welfare state measures at a lower level in their own economic development [and]... 'late starters' have tended to develop welfare state institution earlier in their own individual development and under more comprehensive terms of coverage" (Pierson 2004:220).

One suggested explanation for this trend is reminiscent of Gerschenkron's thesis, that "late industrializers" would tend to adopt a number of institutional arrangements to speed up their industrialization process. In his chapter, Pierson observes that there is nothing automatic about the thesis, especially when it is extended beyond Europe. In the case of Latin America, while, within the region, later developers have learned some lessons from the region's pioneers, overall social spending is lower than might be predicted upon the basis of the level of development. This suggests that: (i) "lateness" is attended by as many disadvantages as advantages; and (ii) the exploitation of the advantages of "lateness" is far from automatic.

At first sight, the experiences of the Asian late industrializers would seem to diverge from Vartiainen's model tying up the two types of externalities. This is partly because of the mystification of the "Asian model" by both governments and admirers. By comparison with Western countries, East Asian governments are relatively low spenders on welfare, and non-state agents—community, firm and family—have been expected to play a major role in providing welfare within the ideological context in which self/mutual help

is encouraged and dependence upon the state is discouraged (indeed stigmatized). However as Chang, Kwon and Pierson argue in their respective chapters,<sup>15</sup> in Asian NICs (newly industrialized countries) the state plays an important role as a regulator, enforcing welfare programmes without providing direct finance. Moreover, to a significant extent, what would be considered social welfare activities were embedded in the corporate structure that emerged in these countries (following what has been referred to as the “Japanese” model). The Asian experience seems to suggest that the composition of social policies in later industrializers may tend to pay greater attention to production-enhancing elements of social policy (health and education) and much less to the redistributive and protective aspects of social policy. In other words, implicit in late industrialization was social policy that served not only to ensure national cohesion (as is often asserted of Bismarck’s innovative welfare legislation), but also to produce the social pacts and the human capital that facilitated industrialization.

In their contributions, Chang and Kwon underscore the importance of “social policy” in the economic “Asian Miracle” and argue against a common misunderstanding of social policy in these societies (Chang 2004; Kwon 2004). The usual view is that because of their ethnic homogeneity or Confucian respect for authority, these countries have enjoyed political stability and social peace without having to introduce social policies to co-opt militant labour or to manage ethnic divisions. And yet until quite recently, East Asia was one of the most conflict-ridden places in the world. Revolutions, wars of national liberation, ethnic conflicts and labour unrest are not alien to this part of the world. The social cohesion that these countries have enjoyed during the last three decades has been deliberately crafted through the active use of social policy—land reform in Taiwan and South Korea, “affirmative action” in Malaysia, labour protection through lifetime employment in Japan, forced savings, comprehensive insurance and pension schemes in Singapore, restriction on luxury consumption notably in Japan and South Korea, and so on. These social policy measures may not have had the classical welfare state characteristics, but their influence on the development of these countries was far reaching. In a number of cases these policies encouraged human capital formation and made workers more open to technological change without the “defensive obstructionism” that characterized responses to new technologies in some industrialized countries.

Prior to the East Asian crisis, it was suggested that such features made these countries exemplary, partly because they were linked to a developmental ideology and practice that subordinated welfare—particularly in the form of progressive redistribution—to the overarching priority of economic development and productivity. In addition, the model imposed a low fiscal burden, allowing public investment to go to directly “productive” uses. By discouraging dependency upon the state, it provided positive work incentives and pressures for work discipline. And, finally, funded insurance schemes provided substantial financial resources that could be used for developmental purposes under state direction. In right-wing circles the combination of high economic growth with a putatively anti-social policy regime was used as an argument against welfare policies in general.

The East Asian crisis brought out the negative aspects of this model. First, it demonstrated that the model’s viability depended upon high growth and that, in times of crisis, the system could not provide the social protection that welfare systems are supposed to. The regressive nature of its redistributive measures has highlighted the

---

<sup>15</sup> Chang 2004; Kwon 2004; Pierson 2004.

inequalities in the model. Reliance on the non-state sector meant that women bore most of the burden, and this reinforced male dominance and female dependency. Built upon successful integration into global markets, the model was vulnerable to external conjuncture. Finally, it is important to note that the model thrived in essentially authoritarian contexts and would thus be unlikely to survive the wave of democratization that is likely to push for more progressive welfare policies. Can this “developmental welfarism” be revamped to be able to function in a more democratic environment? This problem is addressed by Huck-ju Kwon in his chapter (Kwon 2004). South Korea possesses a conundrum by increasing its welfare programmes precisely at a time when they are being trimmed everywhere, when the “developmental model” is under severe pressure and in conjunction with the democratization process. The question that immediately arises is: why has Korea extended its welfare state at a time when neoliberal ideology has been predominant in public policy discourse in Korea and abroad? A *prima facie* account would be that in response to the Asian financial crisis, the state had to introduce safety nets and ameliorative measures to deal with the crisis since its corporate-based welfare system could not cope.

Kwon challenges this argument by showing that the reforms that have been carried out have gone beyond the functional minima required by the economic crisis. He argues that the answer lies in the politics of welfare reform in South Korea. He points to the importance of understanding how social coalitions for different types of social policies are created and what capacities they have for exploiting opportunities that present themselves in the course of a country’s history. He also points to the importance of ideological shifts in the population at large in facilitating changes in social policy. With the end of the authoritarian development states, a new “social pact” premised on a more participatory political process had to be crafted. The “social compact” created among employers, employees and politicians facilitated the process of labour market reforms. In return for such reforms, which led to increased unemployment, the government introduced a package of social policy—“the Master Plan for Tackling Unemployment”—which included, among other things, the extension of the Employment Insurance programme, a public works programme. The total outlay of the government in the social policy area rose by 22.1 per cent from 1997 to 1998 and 28.3 per cent from 1998 to 1999.

Latin America is a region which has experimented with a wide range of economic policies under a wide range of political regimes. It is therefore an appropriate region for examining the question of the relationship between developmental goals (equity versus growth) and means (market versus state). In his contribution, Mesa-Lago takes three countries as prototypical of the three models that have appeared in Latin America: Chile as an example of the neoliberal model, Cuba as the centrally planned socialist model and Costa Rica as the mixed economy model. These countries are important examples in Latin America of a relatively early emphasis on social policies.

We suggested earlier that the challenge of development is the edification of a social order that is developmental, democratic and socially inclusive. Few societies have achieved all these objectives at once. Taking development (growth) and social inclusiveness, Mesa-Lago (2004) notes that Costa Rica had a fair performance with respect to economic indicators and the best results in social indicators; Chile performed well on economic indicators, but poorly on social indicators; in the 1980s Cuba led the region with respect to social indicators, but performed poorly in terms of economic indicators. Of the three, only Costa Rica was a democracy, suggesting the possibility of developmental strategies that are developmental, democratic and socially inclusive.

India is a democracy where the inadequacy of social policy has clearly impacted negatively upon the country's development project. Not surprisingly, the case of India has always featured in debates about democracy, social policy and equity in developing countries. Jayati Ghosh (2004) addresses the question of the political underpinnings and the social contractual character of social policy in the management of the development project. In India, social policy has included the following elements: agrarian reform, food procurement and distribution, education, employment creation through public works, affirmative action in the form of reservation for public services employment and educational institutions, anti-poverty programmes directed towards small asset creation or microcredit, changes in forms and structures of governance through decentralization, and some devolution of resources.

However, as Jayati Ghosh argues, while social policy may be both a desirable and necessary concomitant of the development process, its adoption cannot be taken for granted: it depends upon the constellation of political forces and the development strategies pursued. She argues that social policy has not been a basic instrument of development. Rather, it has emerged essentially in the form of ad hoc responses to particular demands emanating from groups that (at least temporarily) have acquired some degree of political voice. Indeed in the case of India the relative inadequacy of social policy over the post-independence period "is one important reason why the development project itself has remained incomplete and unsatisfactory in terms of fulfilling the basic requirements of the majority of citizens". This immediately raises the question why, in the case of India as the world's largest liberal democracy, democracy itself has not resulted in greater attention being paid to the provision of basic goods and minimally acceptable level of public services to all citizens? Ghosh advances a number of possible explanations. One is the federal character of India. The second is the failure to introduce land reform and reduce asset and income inequality. Linked to this is a high level of tolerance for high levels of inequality. Inequality has contributed to the limits on the expansion of the domestic market for mass consumption goods most apparent in the 1960s with the exhaustion of import-substitution-driven industrialization. It also compelled the state to subsidize industry on the basis of limited revenue. This subsidization of the private sector and the failure of the state to impose minimum discipline on those receiving its favours led to a fiscal crisis that eventually led to adhesion to neoliberal policies that would curtail subsidies and lead to the privatization of state enterprises. Liberalization has undermined some of the initial gains in social policy. Growing inequality and the conspicuous consumption of the elite induced by "the demonstration effect" of opening up is increasing social tensions, some of which show up in the form of violence against minorities.

Guy Mhone's account of the case of Zambia clearly testifies to the importance of path dependence and initial conditions in determining appropriate policies and their effectiveness (Mhone 2004). Zambia emerged at independence as a monocultural dualistic economy in which the "modern" sector was only tenuously linked to the "traditional sector" largely through the importation of labour to the mines. Superimposed on this dualistic model was a racialized formal labour market in which, over the years, the white working class had won for themselves a fairly extensive set of welfare rights. In the initial years, the colonial government treated the African workers as essentially "target workers" on a brief sojourn through the urban areas. Consequently, no provisions were made for the social welfare. However, it soon became clear that the disruptive effects of "modernization" on rural societies stoked rural-to-urban migration. Growing militancy of



the black labour force also drew attention to the plight of black labour and to their disruptive potential. In addition, stabilization of the labour force required improved living conditions in the urban areas. “Native welfare” therefore entered the policy agenda.

The post-colonial regime was faced with: (i) the problem of deracializing the labour market; (ii) creating more employment opportunities; and (iii) bridging the urban-rural divide. For a while, high copper prices gave the state the resources to address some of these problems. However, the policies eventually ran into a fiscal crunch. Mhone argues that no conscious attempts were made to define comprehensive social policy in a developmental context. There has been little attempt to align social policy and economic policy and policies did not pay much attention to the developmental side, partly because of the belief that the rents from mining could underwrite the social programmes.

Mhone points out the failure of social policy in both colonial and post-colonial Zambia to “seize upon traditional social systems as stepping stones for the developing of new support systems”. This is a poorly researched area that deserves attention in societies where non-wage labour will continue to constitute a significant source of the livelihoods for large numbers of people.

## Globalization and Social Policy

One recurring theme in the essays in *Social Policy in a Developmental Context* is the impact of globalization on social policy. Globalization affects social policy both at the normative level and in a more practical way, by setting constraints that social policy must be attentive to. Adhesion to international conventions, adjustment to fiscal pressures and responses to an international discourse on “social rights” permeate domestic politics and affect social policy—or at least the thinking about it.

In the more practical sphere, it is often feared that globalization is not only reversing the social gains made in the developed countries in the “golden era” of capitalism and the welfare state, but that it makes it highly improbable that developing countries will have the policy autonomy to nurture policies that would lead to “distortions” in the labour market without losing international competitiveness and scaring away domestic and foreign investors. Furthermore, the erosion of the fiscal capacity of the state (partly due to great “exit” possibilities for capital) is likely to undermine the domestic capacity to finance social policy. In sharp contrast to this view is the argument that there is no simple relationship between globalization and social policies or social indicators. National political arrangements and resolution of social conflicts mediate the pressures of globalization. As Pierson notes, “openness” to trade has often been associated with increased social expenditure, and there is no uniform pattern of response among the developed countries to globalization. Jayati Ghosh also argues that social policy has played a “very important but largely unsung role” in terms of underwriting a significant part of labour costs for private capital, therefore providing employers with greater flexibility and contributing to their external competitiveness. In addition, social policies have cushioned some key social groups against the volatility that globalization brings along. As Dani Rodrik (1999) has argued, the economic costs of external shocks are magnified by the distributional conflicts they trigger, and this diminishes the productivity with which a society’s resources are utilized. This is largely because social polarization makes it more difficult to build consensus about policy

changes in response to crisis.<sup>16</sup> As a consequence, policy makers in developing countries find themselves torn between the exigencies of global competition and the growing global and domestic demands for equity and justice. For developing countries, the exigencies of globalization are expressed not only through the spontaneous workings of the market but also (and sometimes largely) through the policies imposed or authorized by international financial institutions and the demands by trading partners that developing countries meet certain social standards.

Closely related to this is the possibility of developmental states in the context of globalization. One outstanding feature of developmental states has been the “governing” of markets through import-substitution policies: export promotion, credit rationing, industrial policy and a whole gamut of interventionist policies. Many of these instruments are now either ruled out, in structural adjustment programmes, or are illegal under the new world trade dispensation. One conjecture is that developmental states will resort to more direct interventions through social policy or even ownership structure. One important feature of Keynesian economics was its contribution to the liberal embeddedness of policy in which open international trade and investment went side by side with unilateral interventionism at the national level, permitting nation-states to pursue national goals such as growth, full employment and social equity. Peter Townsend reminds us of how Keynes recognized the significance of the global financial architecture and the fact that such architecture had to be constructed as if employment and welfare mattered. This point, which has been forcefully made by Dani Rodrik (1999), is most pertinent in the context of globalization. “Open economies” are subject to the volatile functionings of the global market and therefore need social policies that reassure citizens that adjustments to the exigencies of globalization will be equitably shared. Pierson suggests that today’s global order will tend to push social policies (including those of welfare states in the developed countries) towards the East Asian “regulatory” welfare regimes in which the state regulates social provision by the private sector, voluntary organization or household. In addition, for developing countries, the changes in policy stances of the IMF and the World Bank and other donors will have significant impacts on the nature of social policy in the developing countries.

A globalization process that takes development seriously should seek to increase the instruments available to developing countries—not only to enable them to “catch up” but also to permit them to manage the vagaries and social consequences of an increasingly volatile system. The boldness of Keynes’ thinking in this respect is yet to be matched in thinking of a new global economic architecture, which functions as if development mattered.

## **Concluding Remarks: The Missing Policy Link**

The triumph in the 1970s of what Albert O. Hirschman termed “monoeconomics” or what Krugman (1993) called the “counter-revolution” against development economics detached economics from development studies in general, and from social development in particular. The chapters in *Social Policy in a Development Context* clearly elaborate the case that social policy can work in tandem with economic policy to lead to socioeconomic development and argue strongly for the inseparability of the economic and social. They

---

<sup>16</sup> The high profile given to safety net programmes during adjustment is partly based on this argument. Such social programmes putatively make the adjustment process undermine the core logic of the adjustment model itself.

therefore point to new approaches in social policy in which it serves both as an end and as an instrument of social development. Both the theoretical and historical essays in the volume underscore the need for context-sensitive research on the links between macroeconomic performance and the fundamental goal of raising human welfare. There is also a clear need to bridge the hiatus between theoretical and empirical findings and social policy making, and between means and ends. This argues for the necessity of research that brings together the diverse strands of analysis and encourages more explicit consideration of policy implications in different political, economic and social settings.

Finally, social policy addresses fundamental values of social inclusion, equity, human rights and widening of human capabilities. It is important that these intrinsic values are always at the forefront of thinking about social policy. However, in situations of extreme scarcity, any strategy that aims at sustainable improvement in the conditions of life of the majority must address both the problems of accumulation and the efficient allocation of scarce resources. The failure to do so can be self-defeating and can lead to a severe curtailment of people's capabilities. The pursuit of things of intrinsic value has to be seen in the context of the contending claims of efficiency, and in general of aggregative concerns (Sen 1999). This is the challenge of social policy in the development context.

## References

- Abramovitz, M. 1995. "Elements of social capability." In B.H. Koo and D.H. Perkins (eds.), *Social Capability and Long-Term Economic Growth*. Macmillan, London.
- Alesina, A. and Perotti, R. 1994. "The political economy of growth: A critical survey of the recent literature." *World Bank Economic Review*, Vol. 8, No. 3, pp. 351–371.
- Atkinson, A.B. 1999. *The Economic Consequences of Rolling Back the Welfare State*. MIT Press, Cambridge MA.
- Birdsall, N. 1997. *Asset Inequality Does Matter: Lessons from Latin America*. Inter-American Development Bank, Washington DC.
- Bowles, S. and Gintis, H. 1995. "Escaping the efficiency-equity trade off: Productivity-enhancing asset redistributions." In G. Epstein and H. Gintis (eds.), *Macroeconomic Policy after the Conservative Era: Studies in Investment, Saving and Finance*. Cambridge University Press, New York.
- Cassen, R. and G. Wignaraja. 1997. *Social Investment, Productivity and Poverty: A Survey*. UNRISD, Geneva.
- Chang, H.-J. 2004. "The role of social policy in economic development: Some theoretical reflections and lessons from East Asia." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Cruz-Saco, M.A. and C. Mesa-Lago. 1998. "Conclusions: Conditioning factors, cross country comparisons and recommendations." In M.A. Cruz-Saco and C. Mesa-Lago (eds.), *Do Options Exist? The Reform of Pension and Health Care Systems in Latin America*. University of Pittsburgh, Pittsburgh PA.
- Dornbusch, R. and S. Edwards. 1990. "Macroeconomic populism." *Journal of Development Economics*, Vol. 32, No. 2, pp. 247–277.
- Elson, D. 2004. "Social policy and macroeconomic performance: Integrating 'the economic' and 'the social'." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- . 1991. "Male bias in macro-economics: The case of structural adjustment." In D. Elson (ed.), *Male Bias in the Development Process*. Manchester University Press, Manchester.
- Fine, B. 2004. "Social policy and development: Social capital as point of departure." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Folbre, N. 1994. *Who Pays for the Kids? Gender and the Structures of Constraint*. Routledge, London.
- Gerschenkron, A. 1962. *Economic Backwardness in Historical Perspective*. Harvard University Press, Cambridge MA.
- Ghai, D. (ed.) 2000. *Social Development and Public Policy: A Study of Some Successful Experiences*. Palgrave, Basingstoke.
- Ghosh, J. 2004. "Social policy in Indian development." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Goodman, R., G. White and H.J. Kwon (eds.). 1998. *The East Asian Welfare Model: Welfare Orientalism and the State*. Routledge, London.

- Gough, I. 2000. *Globalisation and Regional Welfare Regimes: The East Asian Case*. Paper presented at the Year 2000 International Research Conference on Social Security Helsinki, Finland, 25–27 September. International Social Security Association (ISSA) Research Programme.
- Huber, E. and J.D. Stephens. 2000. *The Political Economy of Pension Reform: Latin America in Comparative Perspective*. UNRISD, Geneva.
- Huntington, S.P. 1968. *Political Order in Changing Societies*. Yale University Press, New Haven CT.
- IMF (International Monetary Fund). 2000. *Overview: Transforming the Enhanced Structural Adjustment Facility (ESAF) and the Debt Initiative for the Heavily Indebted Poor Countries (HIPC)s*.
- Knack, S. and P. Keefer. 1997. "Does social capital have an economic payoff? A cross country investigation." *Quarterly Journal of Economics*, Vol. 112, No. 4, pp. 1251–1289.
- Krugman, P. 1993. "Toward a counter-counterrevolution in development theory." In L.H. Summers and S. Shah (eds.) *Proceedings of the World Bank Annual Conference on Development Economics 1992* (Supplement to the World Bank Economic Review and the World Bank Observer), Washington DC, 30 April–1 May 1992.
- Kwon, H.-J. 2004. "The economic crisis and the politics of welfare reform in Korea." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Mackintosh, M. and P. Tibandebage 2004. "Inequality and redistribution in health care: Analytical issues for developmental social policy." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Mahone, G. 2004. "Historical trajectories of social policy in post-colonial Africa. The case of Zambia." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Mehrotra, S. and R. Jolly (eds.). 1997. *Social Development in High Achieving Countries: Common Elements and Diversities*. Clarendon Press, Oxford.
- Meier, G. and D. Seers. 1984. *Pioneers in Development*. Oxford University Press/World Bank, New York.
- Mesa-Lago, C. 2004. "Models of development, social policy and reform in Latin America." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Mkandawire, T. (ed.). 2004. *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Myrdal, G. 1984. "International inequality and foreign aid in retrospect." In G. Meier and D. Seers (eds.), *Pioneers in Development*. Oxford University Press, Washington DC.
- Nurkse, R. 1961. *Problems of Capital Formation in Underdeveloped Countries*. Oxford University Press, New York.
- Pierson, C. 2004. "'Late industrializers' and the development of the welfare state." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Polanyi, K. 1946. *The Great Transformation: The Political and Economic Origins of Our Time*. Beacon Press, Boston MA.
- Rodrik, D. 1999. *The New Global Economy and Developing Countries: Making Openness Work*. Overseas Development Council Policy Essay No. 24. The John Hopkins University Press, Washington, DC.
- Rothschild, E. 2001. *Economic Sentiments: Adam Smith Condorcet, and the Enlightenment*. Harvard University Press, Boston MA.
- Sen, A. 1999. *Development as Freedom*. Oxford University Press, Oxford.
- Stewart, F. 1978. *Technology and Underdevelopment*. Macmillan Press, London.
- Stewart, F., G. Ranis and A. Ramirez. 2000. "Economic growth and human development." *World Development*, Vol. 28, No. 2, pp. 197–219.
- Strauss, J. and D. Thomas. 1998. "Health, nutrition and economic development." *Journal of Economic Literature*, Vol. 36, No. 2, pp. 766–817.
- Taylor, L. 1991. *Income Distribution, Inflation, and Growth: Lectures on Structuralist Macroeconomic Theory*. MIT, Cambridge MA.
- . 1983. *Structuralist Macroeconomics: Applicable Models for the Third World*. Basic Books, New York.
- Tendler, J. 2004. "Why social policy is condemned to a residual category of safety nets and what to do about it." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Townsend, P. 2004. "From universalism to safety nets: The rise and fall of Keynesian influence on social development." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Vartiainen, J. 2004. "European 'late industrializers': The Finnish experience." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- . 1999. "The state and structural change: What can be learnt from the successful later Industrializers." In H.J. Chang and R. Rowthorn (eds.) *The Role of the State in Economic Change*. Clarendon Press, Oxford.
- Whitehead, L. 2004. "Democratization and social policy." In T. Mkandawire (ed.), *Social Policy in a Development Context*. UNRISD and Palgrave, Basingstoke.
- Woojin Lee and J.E. Roemer. 1998. "Income distribution, redistributive politics, and economic growth." *Journal of Economic Growth*, Vol. 3, No. 3, pp. 217–240.



## Chapter 7

# Targeting and Universalism in Poverty Reduction<sup>1</sup>

*Thandika Mkandawire*<sup>2</sup>

(2005)

---

### Introduction

For much of its history, social policy has involved choices about whether the core principle behind social provisioning will be “universalism” or selectivity through “targeting”. Under universalism, the entire population is the beneficiary of social benefits as a basic right, while under targeting, eligibility for social benefits involves some kind of means-testing to determine the “truly deserving”. Policy regimes are hardly ever purely universal or purely based on targeting, however; they tend to lie somewhere between the two extremes on a continuum, and are often hybrid, but where they lie on this continuum can be decisive in spelling out individuals’ life chances and in characterizing the social order. Indeed, how far a policy regime leans toward either of these options was a core feature of Esping-Andersen’s seminal typology of welfare regimes.

This chapter is divided into two parts. In the first part, I discuss the forces behind the shift from universalism toward selectivity in using social policies to combat poverty in the developing countries. In the second part, a review of the lessons from such policies, I consider the administrative difficulties of targeting in the poor countries, the political economy bases of policy choices, and the consequences of policy choices for individual incentive. I pay special attention to cost-effectiveness, because advocates of selectivity in the fight against poverty raise it as the main argument in its favour.

### Shift to Targeting

While in the 1960s and 1970s, the leaning was toward universalistic policies, since the 1980s, the balance has radically tilted in favour of targeting in both developed<sup>3</sup> and

---

<sup>1</sup> Originally published as an UNRISD Programme Paper (UNRISD, 2005).

<sup>2</sup> At the time of writing, Thandika Mkandawire was Director of UNRISD.

<sup>3</sup> On the shift away from universalism in the developed countries, see Gilbert 2001 and van Oorschot 2002.

developing countries. In the developed countries, this led to the shift from welfare to workfare states. In the words of Gilbert, “over the last decade [1990s] many social welfare policies have been redesigned to narrow the scope of recipients by targeting benefits through means tests, income tests, claw-back taxes, diagnostic criteria, behavioural requirements, and status characteristics” (Gilbert 2001:xviii). Even in the more resilient cases of the Nordic welfare states, observers spoke of the “flight from universalism” (Sunesson et al. 1998). In developing countries, the choice has been conditioned by the context of macroeconomic and aid policies, the centrality given to poverty in official discourse, and the unravelling of “social pacts” behind various forms of universalism and the consequent ideological shifts in both developed and developing countries.

### ***Ideological shifts***

Ideologies play an important role in the choice of instruments used to address problems of poverty, inequality and insecurity. Each of the core concerns of social policy—*need*, *deserts* and *citizenship*—are social constructs that derive full meaning from the cultural and ideological definition of “deserving poor”, “entitlement” and “citizens’ rights”. Although in current parlance, the choice between targeting and universalism is couched in the language of efficient allocation of resources subject to budget constraints and the exigencies of globalization, what is actually at stake is the fundamental question about a polity’s values and its responsibilities to all its members. The technical nature of the argument cannot conceal the fact that, ultimately, value judgments matter not only with respect to determining the needy and how they are perceived, but also in attaching weights to the types of costs and benefits of approaches chosen. Such a weighting is often reflective of one’s ideological predisposition. In addition, societies chose either targeting or universalism in conjunction with other policies that are ideologically compatible with the choice, and that are deemed constitutive of the desired social and economic policy regime.

In the 1980s and 1990s the rise of the right, which privileged individual responsibility and a limited role for the state, had a profound influence in some of the key industrial countries. Margaret Thatcher’s insistence that “there is no such thing as community” touched on one of the most important ideological underpinnings of social policy—solidarity and citizenship. It is this neoliberal ideological position that has set the limits on social policy and underpins the preferences for “user fees”, means-testing, market delivery of social services or “partnerships” in their delivery. This ideology has also eliminated the equity concerns that have been central to all the successful experiences of poverty eradication. And with ideologies of equality in retreat, policies pushing for universalistic policies, together with their accompanying redistributive measures, were bound to experience setbacks.

These ideological shifts in the North led to similar shifts in the South, where the attacks on the welfare state were extended to include the developmentalist ideologies with which it had strong conceptual and ideological affinities. In the name of developmentalism, socialist ideologies and nation building, many Third World governments had tended to lean toward universal provision of a number of services, including free health, free education and subsidized food. For the aid-dependent or client state, ideological shifts reflected changes in the donor countries and international financial institutions (IFIs). Yet the ideological assault on universalism was not only externally driven but had internal drivers as well. Like the developed countries, many developing countries were themselves also undergoing their own ideological convulsions

that tilted the balance toward targeting. The case of Chile under Augusto Pinochet is the most emblematic of this internal shift. In many other countries, the nationalist and populist pacts that had underpinned universalist policies were in disarray. Nationalist and populist ideologies had been undermined by both the mismanagement of national affairs by nationalists, some of whom had morphed into petty dictators and kleptocrats. Notions of solidarity and nation building rang hollow in the face of increasing inequality and blatant self-aggrandizement. Technocracies that had arisen around these movements had been captured by both internal and external forces more inclined to liberal ideologies and their aversion for state provision. Current programmes on poverty reduction, such as the poverty reduction strategies and the associated Poverty Reduction Strategy Papers (PRSPs), are tethered to the neoliberal ideology, which is premised on self-interest and a fundamental faith in the market.

### ***The fiscal constraint and the quest for efficiency***

One other driving force behind selectivity was the fiscal constraint of the late 1970s that led to the perception that there was a need for budgetary restraint and, perhaps more importantly, to the overriding of all other considerations in the choice among possible social policies. “Fiscal crisis” also provided an excellent opportunity for the ideologically driven shift toward targeting because it authorized the view that targeting was the most efficient and commonsensical thing to do under the circumstances. Politically, it is much more convenient to deploy the language of cost containment and efficiency that comes along with budgetary constraints than to embark on a frontal attack on the legitimacy of universalism and its morally appealing language of rights and solidarity. In addition, it was argued that global competition called for changes in tax policies and the need to reduce “social wages” represented by social transfers. Not surprisingly, many of the debates on targeting in the 1980s revolved around restricting public spending so as to allow tax cuts, especially on traded goods, and remove other taxes presumed to be “distortionary” and, therefore, the cause of poor export performance.

The formulation for the case for targeting goes something like this: in face of limited fiscal resources, it is better to target the resources to the “deserving poor”. Governments are presented as if they were confronted with an exogenously given fiscal constraint and are enjoined to do their best under the circumstances. However, we should bear in mind the close relationship between the macroeconomic regime and the choices made in the social policy arena. The fiscal constraint is not always exogenously given. In many cases, it is an outcome of deliberate attempts to limit the state, on the assumption that one can attack poverty with less money. As Besley and Kanbur (1990:2) observe, “Indeed, targeting has become a panacea in the area of poverty alleviation, whence it is suggested that policy makers can have their cake and eat it too—improved targeting means that more poverty alleviation could be achieved with less expenditure!” First, there is narrowing of the state’s mandate and capacity by way of what Paul Krugman (2005) terms “starving the beast”. Often the most widely applied taxes and the easiest to collect (for example, taxes on trade) are removed as part of adjustment policies.<sup>4</sup> This is then invoked to argue that, partly as result of the fiscal crisis and retrenchment, the state

---

<sup>4</sup> An International Monetary Fund (IMF) study (Baunsgaard and Keen 2004) covering 125 countries over the period 1975–2000 shows that while high-income countries have recovered revenues with ease, middle-income countries have recovered only about 35–55 cents for each dollar of trade tax revenue that they have lost, while low-income countries have recovered essentially none. Nor is there much evidence that the presence of a value added tax has in itself made it easier to cope with the revenue effects of trade liberalization.



has less capacity for providing universal services and is better off targeting both its limited financial resources and its much-reduced capacity. The privatization of a whole range of social services, including education and health, was supposed not only to relieve the state of a heavy fiscal burden, but also to compel those who could afford to pay user charges to do so. In such markets, individuals would be induced to make the “right” investment in human capital, reflecting changes in demand in well-functioning labour markets.

### ***Shifts in aid***

A fundamental factor pushing social policy toward targeting in the aid-dependent economies is the changing perception of aid and the centrality of poverty in policy discourse. In many countries, aid plays an important role in shaping social policy. Aid policies are embedded in the overall policies of the donor countries. Not surprisingly, then, any shifts in the ideological underpinnings of social and economic policies in the donor countries were bound to spill over to principles of aid. First, many donor countries accepted the major premises of adjustment. The more critically inclined sought to give a “human face” to the adjustment process by providing funds that would be aimed at “mitigating” the “social consequences of adjustment”. Such programmes were to be palliatives that would minimize the more glaring inequalities that their policies had perpetuated. Funds were made available to ensure that a so-called safety net of social services would be provided for the “vulnerable”—but this time not only by the state (which had after all been forced to “retrench” away from the social sector) but also by the ever-willing non-governmental organization (NGO) sector. Second, one reason for the preference for targeting is that aid is nowadays understood not so much in terms of helping developing countries, but in terms of helping the poor. In the context of “aid fatigue” it has become politically necessary to demonstrate either that aid directly reaches the poor or, even if does not, that it enhances growth—which is good for the poor (the aid-growth nexus is not always so clear, though, so it is argued that at least aid restructures public expenditure in favour of the poor).

Here the World Bank, the bellwether in donor thinking, has advanced two somewhat contradictory positions. On the one hand, it has argued the need for a “pro-poor” policy stance, and for measures to shift resources in favour of the poor during the growth process and to mitigate the negative consequences of adjustment policies. This position is succinctly stated in the 1990 report on poverty: “A comprehensive approach to poverty reduction...calls for a program of well-targeted transfers and safety nets as an essential complement to the basic strategy” (World Bank 1990:3). On the other hand, the Bank has advanced the “rising tide raises all boats” argument through the much-publicized work of David Dollar and Aart Kraay (2000), which, simply argued, is that “growth is good for the poor”. The corollary point to this latter position is that since the policies that the IFIs pursue ensure the requisite growth, there really is no need to pursue policies that directly address the issue of poverty. Although the second proposition was given considerable publicity by the World Bank, it is the former argument that eventually won political support and that underlies the choice of approaches for addressing poverty. Initially, safety nets and targeting were viewed as temporary, on the presumption that the need for them would be diminished by the high employment elasticity of growth putatively associated with structural adjustment programmes. However, over the years it became clear that these measures were insufficient for the problems thrown up by adjustment and that their short-term nature was based on unfounded expectations about the effectiveness of macroeconomic policies whose negative effects they were supposed to

temporarily mitigate. With the persistence of the problems, new approaches have been adopted, but such approaches have had to be compatible with the exigencies of both the ideological predispositions and macroeconomic policies favoured by the IFIs and bilateral donors. In line with the “new consensus” on poverty, many donors now lean heavily toward targeting—directly through projects that are specifically aimed at the poor, or indirectly through support to sectors that are likely to benefit the poor more than the well-off. The PRSP process upon which many developing countries have embarked and to which most donors now contribute is squarely premised on targeting the poor.

And finally there has been the rediscovery of efficiency as a primary policy objective, leading to the so-called “New Managerialism” in which concepts derived from the private sector replace the traditional ideas of public administration. This New Managerialism accounts for the increasing willingness to delegate important policy-making powers to technocratic bodies that enjoy political independence, producing what has been referred to as the “contract state”. This has spilled over to the national aid agencies, leading to the emergence of new arrangements for providing aid as features of the contract state were reproduced in the aid business. Such administrative arrangements, which call for “partnerships” involving the private sector and NGOs, have tended to encourage “parcelization” and “projectization” of social policy (Tendler 2004). This approach insists on a clear relationship between inputs and outputs, which in turn calls for clear delimitation of tasks and of costs and benefits. These institutional arrangements have not only been driven by the new “targeting” approach, but have themselves also foregrounded this policy option. Significantly, this rediscovery of efficiency has gone hand in hand with the downplaying of redistributive and transformative (or developmental) concerns.

### ***Crisis of universalism***

The shift toward targeting also reflected the crisis of “universalism” in many countries due to a number of factors. As I noted earlier, the fiscal basis of existing welfare regimes has been placed under severe strain since the 1980s. In the advanced countries, demographic shifts and widespread unemployment led to the realization that there might be fiscal limits to universal provision. In addition, in many countries political transformations had undermined the political coalitions and the social pacts behind universalistic policies. Perhaps one major political weakness of universalism was the gap between its universalist proclamations and the actual reach of its policies. In practice, universalism was stratified and tended to apply to social groups directly linked to the nation-building project (state functionaries, military) and to the industrialization project. Such stratification was most sharply drawn out in countries pursuing import substitution industrialization and was especially evident with respect to social protection.<sup>5</sup> Even prior to the crisis and the adjustment that undermined these policies, such “stratified universalism” was strongly criticized for urban bias and for creating “labour aristocracies” (Areskoug 1976; Arrighi 1973) while marginalizing large sections of the population. What had been touted as policies that would eventually encompass the whole society appeared as exclusive privileges “captured” by a few in privileged sectors bent on blocking the extension of these programmes to other sections of the population. This opened the doors to the right-wing populism that treated these privileges as part of the rent-seeking that had wrought havoc on the policies of *dirigiste* states.

---

<sup>5</sup> On Latin America see, for instance, Figueira and Figueira 2002.

There are a number of observations that need to be made here. First, the factors that are said to have bedevilled universalistic policies are likely to rear their head even with targeting. As Figueira and Figueira note with respect to Latin America:

the problems of social policy in Latin America were not exclusively the result of centralism, the pretension of universalism, or statist and sectoral approaches. Thus, decentralisation, privatisation, and targeting are not their automatic solution. The problem in the region has been centralised authoritarianism, general inequality, rent-seeking political elites, and the bureaucratic weakness of states in coordinating and distributing services. These problems have not disappeared and their structural bases seem more present than ever (Figueira and Figueira 2002:127-128).

Second, it should be recalled that the foundation of many of today's most successful universalistic welfare states was such "stratified universalism". In most "late industrializers" such as Germany and Japan, welfare entitlements were directed at those parts of the workforce that were most crucial for economic growth, best organized, and thus politically most powerful: that is, skilled industrial workers (Manow 2001:95). Thus, for Germany and Japan, rather than extending to all members of the community universal social rights to a minimum level of subsistence, the states came into existence by granting privileges to groups whose cooperation in economic modernization and nation building was deemed indispensable by political and economic elites. "Universalization" took place through the gradual extension of the "performance/achievement" model—hence the importance of full employment as a labour market objective. The approaches were generally additive: that is, over the years new beneficiaries were added by specification of new eligibility criteria.

In general, late industrializers tended to climb the ladder toward universalism much faster than the "pioneers" of industrialization. The speed with which universalism spread was conditioned by the political regime in place. In democratic societies where labour was free, universalism was rapidly extended—partly by the necessity of forming coalitions between workers and peasants, as was the case in the Nordic countries. The important thing to recall here is that the underlying rationale of social policy in these "successful cases" was universalistic so that the tendency was to extend initially exclusive social rights for the employed to the rest of the labour force. This is in sharp contrast to current trends where the main preoccupation of social allocation is narrowing the scope of the coverage of social welfare. Structural adjustment programmes and PRSPs, driven by a "targeting" rationale, begin by dismantling the exclusive rights of formal labour on the grounds that this will lead to greater labour market flexibility and will attract donor funds for "pro-poor" policies.

Another criticism levelled against universalism is derived from the post-modernist emphasis on difference and diversity. The charge is that universalism has been used to create a false sense of unity, which conceals the fact that it discriminated against certain social groups on grounds of gender and race and that, through tutelage, it imposed on new groups standards set by the dominant group.<sup>6</sup> With respect to developing countries, these arguments have been raised more specifically in the context of gender and discussions on cultural diversity where purportedly universal policies have turned out to be parochial and reflective of fundamental biases (for example, racial or gender bias). Implicit in most of these points of view is the need for selectivity that allows for "affirmative" action or measures designed for different groups. In its most extreme

---

<sup>6</sup> For a useful discussion, see Ellison 1999.

formulation, this perspective suggests solutions that would ultimately make any society incoherent because it sanctions something tantamount to unlimited relativism and thereby eliminates any hope of discovering an agreed-upon theoretical and moral foundation on which to base allocatory practices. Ellison suggests that this “not only risks anarchy of competing claims from a variety of combinations of subject positions while offering no means of deciding among them, but also raises questions about how one can deal with those who seek to maintain, or alter, distribution outcomes at the expense of others” (Ellison 1999:70). The post-modern approach runs into a cul de sac reminiscent of welfare economics, which, by its insistence on the impossibility of interpersonal comparisons, was unable to say much that was useful in designing social policy. The most successful feminist movements have pursued a double-pronged approach by criticizing the false universalism behind male-biased arrangements while insisting on universalistic social policies for eliminating forms of inequality in male breadwinner logic societies (Sainsbury 1996). And we find the most “women-friendly” policies in societies that based their social policies on notions of social citizenship and where universalism is also an integral part of social policies (Anttonen 2002; UNRISD 2005). This said, the criticism does point to the dangers of totalizing categories and to the need for a constant re-evaluation of the foundations on which universalism is built.

### **Exit redistribution**

The earlier focus on poverty was due to growing awareness of the economic cleavages within developing countries and the rather discomfiting realization that only anaemic “trickle down” had occurred with economic growth. This realization led to the calls for “growth equity” strategies. Although current debates on poverty pay little attention to equity, it is at times evoked in support of targeting. Indeed, in its more populist form, the current debate on the choice between targeting and universalism as modes of social allocation is couched in the language of redistribution. Targeting can be used as a means for flattening the distribution of income and as an administrative means to reach groups in society whose income falls below a defined level. One measure of universalism is precisely how flatly the income transfer is distributed across a population of different incomes. Indeed one of the criticisms levelled at universalism is that it is not redistributive.<sup>7</sup> In contrast, targeting is portrayed as quintessentially redistributive precisely because it is premised on the view that the social returns for a given level of transfers are higher for individuals or households at the lower end of the income distribution than at the upper end. However, in practice, the element stressed with respect to targeting is not its redistributive properties but its cost-effectiveness. Indeed, the ideologies driving it are often distinctly opposed to equity and are guided by a philanthropic principle at best and, at worst, a mean-spirited paternalism. In any case, levels of equality are higher in societies pursuing universalistic policies than those that rely on means-testing and other forms of selectivity. The point is not that there is some functional relationship between universalist policies and redistributive policies in other areas, but that there is an elective affinity between the preference for universalism and other measures, such as high progressive taxes. Thus non-redistribution in transfers is more than compensated for by redistribution in taxation. As Korpi and Palme (1998) have argued, while targeted programmes may indeed be more redistributive per unit of

---

<sup>7</sup> Thus in Denmark, left-wing or Social Democratic parties often argue for more income- or means-tested benefits because they are more redistributive (Green-Pedersen 2003).

money, other factors are likely to make universal programmes more redistributive. This is neatly illustrated by the example given by Rothstein (2001). As table 7.1 shows, while everyone received the same absolute amount in transfers, taxation is proportional to income. The consequence is a significant reduction in inequality between A and E from 5/1 to 2.33/1.

**Table 7.1: The redistributive effects of a universal welfare state**

Group	Average income	Tax (40 per cent)	Transfers	Income after taxes and transfers
A (20 per cent)	1000	400	240	840
B (20 per cent)	800	320	240	720
C (20 per cent)	600	240	240	600
D (20 per cent)	400	160	240	480
E (20 per cent)	200	80	240	360
Ratio between groups A and E	5/1	(=1200)	(=1200)	2.33/1

Source: Rothstein 2001.

Not surprisingly, in reality societies that lean toward universalist social policies have less inequality than those that prefer targeting. The argument advanced by Korpi and Palme is that institutions of welfare also act as intervening variables, shaping the political coalitions that eventually determine the size and redistributive nature of the national budget by defining interests and identities among citizens, the rational choices they make and the ways in which they are likely to combine for collective action. It is this that produces what they call the “paradox of redistribution”: “The more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality” (Korpi and Palme 1998:681).

Predictably, the main objection to universalism is often aimed at the redistributive policies that come along with it (such as tax structures and labour market policies). Stripped of these other redistributive measures, universalistic policies may actually be embraced by conservative governments, especially when, as is often the case, they are based on regressive taxation. This might explain why, even among the late industrializers, the push for universalism was not always made by radical movements but by conservative regimes concerned with social peace and nation building à la Bismarck.<sup>8</sup>

Targeting itself almost by definition leads to segmentation and differentiation. In service provision, targeting leads to the creation of a dual structure—one aimed at the poor and funded by the state, and one aimed at the well-to-do and provided by the private sector. Or, as Amartya Sen argues, “Benefits meant exclusively for the poor often end up being poor benefits.” (Sen 1995:14). One reason why such an eventuality is not taken seriously is that in many countries in which targeting has been effectively implemented, income inequality is already high, so that the segmentation in social provision does not raise eyebrows. Geographical targeting often leads to horizontal inequality so that the poor in one area might benefit more than the poor in non-targeted areas—assuming, of

<sup>8</sup> Green-Pedersen notes that in Denmark Right-wing or bourgeois parties often push for more universal benefits because they are more market conforming than income- or means-tested benefits. Writing about the United States, Pamela Herd (2005) observes that after decades of Conservative attempts to scale back, Conservative critics are now wrapping pro-market “privatization” policy proposals in the popular universal framework of social security and Medicare. While supporting key universal tenets, privatization proposals limit the redistributive elements of large social insurance programmes.

course, that the rich in the targeted area do not capture the resources. Such inequality can be explosive politically and is often the basis of ethnic conflicts. In many countries where ethnic, religious and cultural space is coterminous with geographical space, such geographical targeting can lead to inequitable geographical selectivity.<sup>9</sup>

### ***The marginal role of social policy***

The shift from “development” to “poverty reduction” has impacted on how social policy is perceived in the context of developing countries and has contributed to the narrowing of the remit of social policies. The preference for targeting is thus often a reflection of the residual role assigned to social policy, which has come to be seen as merely an instrument for correcting some of the negative outcomes of macroeconomic policies. One implicit assumption is that social policy is only about poverty eradication, whereas in many cases it has other objectives, such as national or social cohesion, and equity. Most of the arguments assume that social policies only lead to consumption, which reduces long-term growth. Universalistic policies are treated as part of the welfare state as an end that is attained only after crossing a certain threshold of economic development. Consequently, it is argued, poor countries should await their turn before introducing such policies. Such a view is ahistorical. As Atkinson (1995) argues, expenditure that is considered poor targeting when judged solely by the objective of alleviating poverty may well be directed at other objectives of the social security system. Historically, social policy has been conditioned by a wide range of considerations, including citizenship, nation building, judgements on the sources of poverty and the conduct of the poor, faith in the efficacy of the market, political ideologies, theories of human behaviour, bureaucratic capacities, overall economic strategies, and international pressures and considerations. Indeed, in a number of countries, the relief of poverty was not even the most important motive for the introduction of transfers.<sup>10</sup> In developmental contexts, social policy has typically had a multiplicity of objectives that have included equity, social inclusion, nation building, conflict and management/human capital formation (see chapter 6, also by Mkandawire, in the present volume). It was part of a broad agenda of economic development and social transformation.

In a manner reminiscent of the Gerschenkron thesis on industrial policies (Gerschenkron 1962), late industrializers adopted certain social policies and institutions at a much earlier phase of their development than their predecessors (Mkandawire 2001). Indeed, the experience of late industrializers—and low-income countries that have done relatively well in terms of social development—clearly suggests that universal provisioning of social services is an important ingredient (Vartiainen 2004). Many European countries, for example, introduced flat-rate pensions at a comparatively early stage of welfare state development, when these countries had the same per capita incomes that Latin American countries had in the 1980s and 1990s (Stephens 2002). And in these cases, social policies have served not only as an instrument of development, but also as a guarantee that the development process will ensure, contemporaneously, the wide range of “ends” of

---

<sup>9</sup> A study (Jayne et al. 2001) on targeting in Ethiopia notes that the poor in the Tigray region were treated more favourably than would be justified by the region’s known levels of poverty. The study then suggests that such discriminatory practices could be eliminated using predicted per capita incomes. This suggests a rather poor understanding of Ethiopian politics and the current relationship of the regime to the Tigray region. Another study (Glewwe 1990) shows that if one used the standard approach to indicator targeting, maximizing poverty reduction, given a fixed budget for urban Côte d’Ivoire, would give all the budget to households born in one region of the country.

<sup>10</sup> As Jallade notes with respect to France, “Social security was never primarily conceived as a tool to fight poverty. Security, in terms of protection against the risks and hazards of life, was its first, paramount objective” (Jallade 1988:248).

development and nation building. A whole range of social policies can enhance long-term growth. The arguments include the “human capital” effects, such as better education and health. Policies such as land reform or targeted credit may enhance the performance of markets that produce both equity and efficiency, which are good for growth. Finally, the social inclusion that social policies produce may contribute to political stability, which is a robust determinant of long-term economic growth. This aspect is particularly important in late industrializers undergoing radical social transformation (Vartiainen 2004).

The narrowing of the goals makes current social policies singularly ineffective against poverty, their focus on poverty notwithstanding. In many ways they suffer from the same weaknesses as the liberal regimes from which they draw their intellectual and ideological inspiration. Goodin and associates note that, compared to other welfare regimes, liberal regimes are “strikingly bad at combating poverty in every respect”. This, they consider “odd, given that it is liberals who are so utterly fixated upon the question ‘what do they do for the poor’” (Goodin et al. 1999:167). One consequence of the narrowing of the reach of social policy is the tendency to downplay the undercoverage of targeting. One well-known fact is that the policies that have the greatest impact on poverty are not necessarily the most narrowly pro-poor, targeted ones. Indeed, in many cases the focus on pro-poor policies has diverted attention from policies that have the most broad-based and sustainable effects against poverty. The success of the late industrializers of Northern Europe in conquering poverty was not by explicitly addressing it but by addressing a whole range of issues that positively impacted on poverty or impeded the poor from bettering their situation—economic development in a broad sense, investment in human capital and equity were crucial to rapid eradication of poverty. The issue was not targeting poverty, but aiming at what Amartya Sen has termed “unaided opulence”. Interestingly, Japanese economists close to the aid establishment have argued that the “pro-poor” focus detracts from the larger development projects, which alone can address the issue of poverty in a sustainable way. The Japanese argument partly stems from the view that the current PRSPs and their targeting the poor diverges significantly from the experiences of the East Asian “success stories” in combating underdevelopment and poverty.<sup>11</sup> A similar point is made by John Weiss when he states:

Some errors of targeting and some misappropriation are inevitable in any economic environment and more can be expected in low-income countries. Further, the very modest level of resources directed at the schemes would also limit their impact, even given far lower targeting errors. However the consistent picture, which emerges from the available evidence, is that while some schemes may have had a modest positive effect on the poor, in our case-study countries trends in poverty reduction have been driven principally by macro-economic developments—the rate and pattern of economic growth—rather than by targeted interventions. (Weiss 2004:10)

## Lessons Learned

### ***The problem of administrative and transaction costs***

The use of targeting involves some mechanism that discriminates between the poor and the non-poor. As such it always runs the danger of committing either type I errors, which

---

<sup>11</sup> Indeed, many new democracies have tended to pursue rather orthodox economic policies as compared to much older democracies. I discuss this elsewhere and suggest some explanations (Mkandawire 2005a).

occur when someone who deserves the benefits is denied them (underpayment, false positives), or type II errors, which occur when benefits are paid to someone who does not deserve them (overpayment, leakage). Thus the ability to measure poverty and identify the poor is essential for designing any targeted transfer programme. There is no absence of theoretical models for achieving this, but as even the champions of this approach avow, targeting is usually faced with formidable administrative hurdles.

Most of the administrative constraints on targeting apply in both poor and rich countries but are invariably compounded in the poor countries where most people's source of livelihood is in the informal sector, people's "visibility" to the state is low, and the state's overall capacity is low. Many studies clearly show that identifying the poor with the precision suggested in the theoretical models involves extremely high administrative costs, and that the required administrative sophistication and capacity tend not to exist in developing countries (Srivastava 2004). In a World Bank study (Coady et al. 2004b) of 122 targeted anti-poverty interventions in 48 countries, the authors conclude that while the median programme transfers 25 per cent more to individuals than would be the case with universal allocation, a "staggering" 25 per cent of programmes are regressive. Available figures show that the median targeting programme in sub-Saharan Africa transfers 8 per cent less to poor individuals than a universal programme (0.92) (Coady et al. 2004b).<sup>12</sup>

In recognition of the difficulties of implementing the kind of targeting implicit in the conceptual framework in its favour, there have been attempts to use other (less demanding) covariates of poverty through categorical targeting (geographic, demographic, gender, household and so on). Other selection arrangements have also been resorted to, especially self-selection and community-based targeting mechanisms. Many of these arrangements are very blunt instruments to achieve the much touted efficiency of selectivity, and they simply shift the problem from one level to another.<sup>13</sup> They often lead to quite high type I and type II errors, in the sense that both undercoverage and leakage tend to be quite high. Often attempts to reduce type II errors leads to increased commitment of type I errors. As van Oorschot notes with respect to experiences in the developed countries, "Basically...it is the 'tragedy of selectivity' that trying to target welfare to the truly needy inherently means that a part of them will not be reached" (van Oorschot 2002:182).

Analysis of geographic targeting schemes in Latin America and the Caribbean shows very high levels of undercoverage (see tables 7.2 and 7.3). When the targeting is refined further for Mexico, the best that one gets is from the *localidad* level, where the leakage and undercoverage are both 37.3 per cent. The case of India, with its long history of interventions aimed at channelling resources to the poor, does not inspire much hope in targeting. According to Srivastava (2004), the impacts have been "very disappointing" presumably because of serious undercoverage (so many of the poor are missed) and

---

<sup>12</sup> Significantly, this study is cited as evidence that targeting works (Ravallion 2003).

<sup>13</sup> Ravallion's (2003:11) observation in this respect is worth citing at length:

"Policy makers seem often to have over-optimistic views on how well they can reach the poor by administrative targeting based on readily observable indicators. Here there are some sobering lessons from empirical research. Even using a comprehensive, high-quality, survey, one can rarely explain more than half the variance in consumption or income across households. And while household consumption is probably not a random walk, it is difficult to explain more than one tenth of the variance in future changes in consumption using current information in a panel survey. Add to this the fact that one must base targeting on observations for the whole population—not just a sample survey—and that there will be incentives to distort the data when it is known why it is being collected, one must expect potentially large errors in practice when using indicator targeting to fight chronic or (especially) transient poverty."



serious leakage (so many of the better-off benefit from the schemes). Poor implementation and weak governance are given as the key explanations for the failure of these schemes.

**Table 7.2: Targeting in the Americas: The “success stories”**

Country	Name of programme	Targeting accuracy for poorest quintile	Undercoverage (percentage of poor not reached)
Brazil	Bolsa Escola	1.98	73
Chile	PASIS (Pensiones Asistenciales de Ancianidad y de Invalidez) (old-age benefits)	2.67	84
Chile	Subsidio Único Familiar (SUF) (cash transfers)	3.32	73
Colombia	Subsidized Health Insurance Regime (SHIR) (health social assistance)	1.68	26
Mexico	Oportunidades	2.9	40
United States	Temporary Assistance for Needy Families (TANF) (cash transfers)	3.31	About half of those eligible
United States	Food stamps	4.0	Around 50

Source: Peyre 2005.

**Table 7.3: Leakage and undercoverage for state-level targeting in three countries**

	Mexico	Venezuela	Jamaica
Leakage rate	59.3	61.3	53.7
Undercoverage rate	61.0	59.8	48.7

Source: Baker and Grosh 1994.

A sharper form of geographical targeting is community targeting, which presumably allows for better identification of the needy. However, community-based programmes also have their local political demands and prerequisites, their gender bias, their patronage and clientelism, and may run counter to the universalistic cultures of local communities.<sup>14</sup> They can exacerbate local differentiation, be captured by local elites who may traditionally sanction discrimination, and so on (Conning and Kevane 2000). In many cases, deliberate exercise of administrative discretion has led to the exclusion of women. It is in the nature of targeting that it vests a great deal of discretionary power in the hands of bureaucrats, who may use this capacity to manipulate the social and cultural entitlement aspects of targeted programmes.

Self-selection involves programmes, such as public works, in which the poor are more likely to participate than the non-poor. They are often accompanied by onerous and humiliating procedures often deliberately designed to discourage the “non-deserving”. The measures used include rationing of food or health subsidies by queuing or inconvenient location of distribution centres, subsidizing inferior food staples or packaging in ways that are unappealing to the non-poor. The assumption is that the resultant costs are inconsequential to the poor themselves. However, there is considerable

<sup>14</sup> Thus, in some localities covered by an Indonesian rice subsidy programme, rather than limit the subsidized rations to poor households as the programme rules formally require, the community or its head chose to divide the ration equally among all households (Klugman 1999).

evidence that stigmatization comes along with such methods, and as a result there are high levels of non-take-up, whereby people who are eligible for a benefit or service either do not receive it at all or, if they do, do not receive it in full. In addition, the use of such stigmatizing instruments skirts the important issue of how equally the state relates to all its citizens.

Many studies on targeting perfunctorily acknowledge that targeting is expensive, but then proceed, totally oblivious of the fact that targeting is never costless.<sup>15</sup> In order for this analysis to take on its full economic meaning, it will have to weigh targeting efficiency against economic efficiency that takes into account the total economic costs of a given amount of poverty relief. The few attempts at costing targeting confirm an Asian Development Bank study of experiences in six Asian countries, which concludes, “With relatively high levels of leakage the expectation is that in practice most targeting measures have been high-cost means of transferring benefits to the poor” (Weiss 2004:9). Both Grosh (1994) and Gwatkin (2000) show that the average cost of administering individual targeting schemes (which show the best success rates when discussing targeting) is 9 per cent, varying between 0.4 and 29 per cent of total programme cost. Other less efficient models (such as self-targeting and geographic targeting) are cheaper, for example, the geographic model by 6–7 per cent according to Gwatkin (2000), and by 7 per cent, according to Grosh (1994) The median costs of self-targeting schemes are 6 per cent of total programme costs. Rawlings et al. (2004) find that social fund expenses vary among countries by between 7 and 13 per cent. Coady et al. (2004a) suggest that corruption and theft contribute more to total programme expenses than do legitimate administrative expenses. In light of the high levels of undercoverage, in measuring the costs of targeting, it is not enough to only include the budgetary costs due to leakage; the cost of undercoverage must also be factored in. Targeting implies a criterion for inclusion, which maximizes some welfare function, which in turn involves a weighting of the two types of possible errors. Cornia and Stewart (1995) argue for a function that looks like this:  $Cost = \alpha(\text{overpayment}) + \beta(\text{underpayment})$ . They argue that in conventional measures, it is implicitly assumed that  $\alpha=1$  while  $\beta=0$ . They suggest instead that  $\beta > \alpha$  would be the weighting that attaches importance to the failure to reach the poor.

It would indeed seem that targeting is a “luxury” which only countries with sophisticated administrative apparatus and substantive state reach can enjoy.<sup>16</sup> For it does seem that, by the logic of the argument for targeting, countries that need targeting (given their limited fiscal resources) cannot do so, while those that can (given their wealth) need not do so. In many successful late industrializers, it became self-evident that where poverty was widespread, targeting would be unnecessary and administratively costly. Thus the universalism in many countries was in fact dictated by underdevelopment—targeting was simply too demanding in terms of available skills and administrative capacity. In countries such as Norway, one reason for adopting universalism was pragmatism: “the administrative costs of keeping the wealthy outside the system would eat up resources saved by income limits” (Kildal and Kuhnle 2002). A common feature of social policy in the success cases of late industrialization is a leaning toward universalism in which

---

<sup>15</sup> Thus one study on Ethiopia ends with the following observation “because information on targeting costs was unavailable, assessments of relative cost-effectiveness were beyond the scope of this article” (Jayne et al. 2001:908).

<sup>16</sup> Even middle- and low-income countries with higher GDP do better at directing benefits toward poorer members of the population (Coady et al. 2004b).

benefits and services are treated as “merit goods” available to everyone as a right or obligation (for example, compulsory education).

This, in a way, would be the conclusion that one would draw from the World Bank’s and the International Monetary Fund’s (IMF) neoliberal perspectives on development policy and state capacity in other areas. Indeed the preference for targeting by the Bretton Woods institutions is rather paradoxical, especially in light of their aversion to targeting in many economic activities, such as selective industrial policies or credit rationing in the financial sector. Advocates of industrial policy have argued that, given limited savings or access to foreign exchange in developing countries, it is necessary to prioritize allocation of resources through “comprehensive planning”, targeting, credit rationing and so forth. The World Bank’s dislike for such selectivity and targeting was partly based on the arguments that they would not be market conforming. Instead it proposed such “universalistic” policies as “level playing fields”, lump sum transfers and uniform tariffs that applied to all. The more serious arguments deployed against targeting revolved around possibilities of *information distortion*, *incentive distortion*, *moral hazards* and *administrative costs*, *invasive loss* and *corruption*. It was asserted that governments did not have the knowledge to pick winners or to monitor the performance of selected institutions. In situations of asymmetric information, beneficiaries of such policies would conceal the information necessary for correct interventions. Selective policies and rationing of credit or foreign exchange produced perverse incentives, making it more rewarding to seek rents than to engage in directly productive activities. Furthermore, there was the ever-present danger of opportunism (moral hazard), and governments could not always guarantee reciprocal behaviour from those to whom they had extended favours. Developing countries were identified with weak administrative institutions, which could not be expected to manage the detailed requirements of selective policies. In addition to the purely technical problems, there was the question of the integrity of public institutions and the commitment of personnel. In such situations, the “targeting” of economic policy was an open invitation to rent seeking and corruption.

One would have therefore expected that, in the name of consistency, the World Bank would favour universalistic social policies because they are less bureaucratic, cumbersome and more market conforming.<sup>17</sup> And yet when it comes to social policy, such universalism is rejected on both equity and fiscal grounds. Instead, selectivity and rationing are recommended—apparently in total oblivion of the many arguments against selectivity raised with respect to economic policy. Suddenly, governments lambasted elsewhere for their ineptitude and clientelism are expected to put in place well-crafted institutions and be able to monitor their performance. And yet there is nothing to exclude the possibility that targeting in the social sector may be as complex and amenable to “capture” as targeting with respect to economic policy. It is definitely the case that the criteria for selection are at least as complicated, as controversial and as ambiguous as those for economic policy. Social indicators are extremely difficult to construct, and poverty has a multidimensionality that is far more complex than that of industrial structures. Amartya Sen (1995) has raised exactly the same arguments against targeting in the social sphere.

---

<sup>17</sup> Indeed, the more consistent neoliberals have argued for universalism precisely on these grounds (Green-Pedersen 2003).

### ***The politics of targeting***

From much of the writing on targeting, there is often a perfunctory bow to the political nature of social policy, as the analysis proceeds with little consideration of the political economy of the choices involved. Targeting or means-testing is thus treated as an administrative method whose function is to allocate welfare to claimants on the basis of available financial resources. However, the choice between targeting and universalism is quintessentially a political economy problem: it involves the choice of instruments for redistributing resources in society and for determining levels of social expenditure. These political economy problems are particularly poignant in the context of shrinking budgetary resources—that is, the context often used as an argument for targeting (however much of the debate on targeting in many poor countries skirts this problem). Partly because the funds to be targeted often come from outside, as a fixed poverty reduction allocation, and are supposed to be disbursed by autonomous specialized agencies or NGOs, the tendency has been to conduct the discussion on poverty in a “non-political” or technocratic way. As a consequence, much of the time it concentrates on the problem of disbursing external resources (aid), and not on that of generating the resources required for the task. Thus such an approach does not deal with the relationship between targeting and the political economy of domestic resource mobilization, and rarely does it consider the variations in the budget that may actually be determined by the chosen method and pattern of distribution.

### ***Budgetary implications of targeting***

The usual assumption is that the amount spent on subsidies remains the same after introducing strict targeting, and that the targeted groups will therefore receive more. But in most cases the total allocation to subsidies is reduced, and in most cases the switch to targeting leads to reduced effort. In situations where the focus has been on poverty alleviation, the level of efficiency in addressing certain aspects of poverty has outweighed efforts. Thus “effort” and targeting are negatively related: countries with higher “efficiency” due to targeting have traded a good part of this by reducing “effort” (Korpi and Palme 1998; Oxley et al. 2001). The “paradox of targeting” is that optimal targeting requires that an increase in the needs of some group be met by a reduction in the resources allocated to it (Keen 1992). Targeting tends to lead to reduced budgets devoted to poverty and welfare, so that “more for the poor mean(s) less for the poor” (Gelbach and Pritchett 1995). Thus the more countries target benefits to low-income categories, the smaller redistributive budgets they tend to have. Korpi and Palme observe:

To paraphrase an old saying, if we attempt to fight the war on poverty through target-efficient benefits concentrated on the poor, we may win some battles but will probably lose the war. Universalism is not enough, however. To be effective, universalism must be combined with a strategy of equality which comes closer to the preaching of Matthew than to the practices in Sherwood Forest (Korpi and Palme 1998:683).<sup>18</sup>

The experience in developed and middle-income countries is that universal access is one of the most effective ways to ensure political support by the middle class of taxes to finance welfare programmes. Indeed, one thing that emerges from the many studies of the “political economy of targeting” is that the optimal policy for the very poor is not necessarily a policy that targets benefits as narrowly and efficiently as possible (Gelbach

---

<sup>18</sup> Korpi and Palme (1998) also show that countries with universal provision not only have higher budget expenditures, but also tend to have lower deficits than countries relying on means-testing.

and Pritchett 1995; Moene and Wallerstein 2001). And quite a wide range of political economy analyses, differing in assumptions about self-interest, altruism, distribution of risks, capacity of states and so on, reach the same conclusion, namely that “the optimal policy for the very poor is not necessarily a policy that targets benefits as narrowly as possible, once the impact of targeting on political support is taken into account” (Moene and Wallerstein 2001:22).

For years, this “political economy” approach has been considered to have little relevance in many situations of developing countries with authoritarian rule. Quite a number of authoritarian regimes, especially the “developmentalist” ones, have succumbed to the legitimation imperatives and pursued more or less universalistic policies.<sup>19</sup> Perhaps because of the view that in authoritarian contexts the pursuit of universalist policies depends very much on the ideological and idiosyncratic proclivities of the ruler, such a political economy analysis has not received much attention in developing countries. However, with a growing number of countries increasingly relying on the democratic process to choose their leaders, politics assumes great importance. The importance of political economy even in the developing countries is illustrated by the case of Sri Lanka: after the Sri Lankan government introduced a targeted food stamp programme, the real value of the food stamps fell sharply during periods of high inflation, as the interest of the middle class shifted to other issues, and public support for the programme declined (Anand and Kanbur 1991). In the late 1970s, the cost of a universal ration programme reached 5 per cent of GDP, and the government was forced to cut costs by replacing it with a food stamp programme that cost only 1.3 per cent of GDP.

Finally, we should bear in mind that, often, initial choices map out the path that countries eventually take by setting societies, collective ideological predispositions and reducing institutional scope for manoeuvre. Choices made in the formative years can determine the future course of policies and practices (path dependence). Such choices entail institutions toward which interest will gravitate, severely restricting room for other options—including those that may have been universally accepted as desirable in the foreseeable future, though not feasible in the short run. The initial choice between targeting and universalism can lead to a political and institutional “lock-in” that can make departure from these initial choices difficult (see Esping-Andersen 1990; Pierson 2001). As Evelyne Huber argues, one of the advantages of universalistic policies is that “they provide policy legacies that are more favourable for the maintenance of a redistributive and solidaristic thrust than particularistic and targeted schemes” (Huber 2002a:465).

### *The “empowerment” versus stigmatization argument*

Much has been said about the importance of “empowerment” in poverty eradication. However, effective empowerment demands the politicization of both poverty itself and the means to combat it. In the words of David Mosse, “Making poverty a public, moral, and political issue is often the basis upon which the poor gain leverage by making power work to their advantage through enrolling elite interests, through pro-poor coalitions, and from competition between elite groups” (Mosse 2004:61) The debate on poverty in the 1990s was closely associated with notions of “empowerment” and “participation”. The World Bank, presumably influenced by the work of Amartya Sen which highlighted the need to give “voice” to the poor, included three elements in its fight against poverty—

---

<sup>19</sup> On Korea, see Kwon 1999.

“opportunity, empowerment and security”. The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Guidelines on Poverty Reduction (OECD 2001) clearly highlight rights, influence, freedom, status and dignity as important components of well-being. However, the practice by most donors has not paid much attention to the fundamental implications of such guidelines for social policies, or the institutions for implementing such policies. Instead they have insisted on forms of social assistance that were likely to be disempowering and even humiliating. As discussed above, measures such as community targeting and self-selection produce results that should be of concern to those advocating empowerment of the poor. The much bemoaned paternalistic and clientelistic practices of bureaucracies in developing countries would be compounded in situations where local administrators wield power over matters of life and death, and where “minor potentates can enjoy great authority over the supplicant applicants” (Sen 1995). Abuse and humiliation may become common features of citizens’ interaction with the state, as in the unavoidable and insurmountable “procedural injustice” in certain administrative routines (Rothstein 2001).

Political scientists remind us that, through processes of feedback, policies not only have a mobilizing effect on citizens but may also affect the capacities of citizens for civic and political engagement (Pierson 1993). Sen has argued that “any system of subsidy that requires people to be identified as poor and that is seen as a special benefaction for those who cannot fend for themselves would tend to have some effects on their self-respect as well on the respect accorded them by others” (Sen 1995:13). The process of means-testing or identifying the “deserving poor” is often invasive and stigmatizing. Indeed, in some cases, relying on self-targeting in the design of programmes actually serves to increase their *disutility*. Given the growing attention now being paid to self-respect and empowerment, the danger of stigmatization inherent in targeting is an important policy issue.

While the literature on welfare policies in developed countries pays considerable attention to issues of justice and dignity, this does not seem to be the case in the literature on developing countries. The possibilities of stigmatization are widely acknowledged but quickly passed over. In the context of extreme deprivation it is tempting to subscribe to a “full belly thesis”: that people do not eat dignity or democracy. However, there are serious issues of justice that must be taken into account in a poverty eradication programme that accepts John Rawls’s argument that self-respect is “perhaps the most important primary good” on which a theory of justice as fairness has to concentrate (Rawls 1971:386). Rothstein (2001) distinguishes between substantive justice (which seeks to answer the question: are the goals of a particular social policy just?) and “procedural justice” (which seeks to answer the question: can welfare policy be carried out in a fair manner?). He argues that selective programmes present serious problems of procedural justice because they allow administrators a wide field for discretionary action. This breeds bureaucratic abuse of power and opportunistic behaviour on the part of the clients.

Literature from political science also reminds us that “public policies can define the boundaries of political community, establishing who is included in membership, the degree of inclusion of various members and the content and meaning of citizenship” (Mettler and Soss 2004:61). We also learn from political science that “any policy that sets forth eligibility criteria for benefits or rights, or established guidelines for citizen participation, implies that certain individuals are fully included within the polity and others are not, at least not to the same degree” (Mettler and Soss 2004:61). In addition, not only do policies express mobilizing or pacifying messages, but they also enhance people’s skills to play an active role in society. These features of sociopolitical

arrangements are of great salience in new democracies, and especially in ethnically diverse new states.

### **The “perverse incentive” effects argument**

Ever since Thomas Malthus, there has always been a concern over the effects of social provision on people’s work habits and independence. A major criticism of the welfare state is that it breeds dependence of individuals on the state. In terms of both intellectual and ideological affinity, PRSPs draw on the liberal welfare regime whose primary goal is “alleviation of poverty”, at least for the “deserving poor”. The PRSP approach is preoccupied with “target efficiency” and the avoidance of creating “dependence” on welfare, which is seen to blunt incentives to work and therefore as inimical to overall economic welfare. However, targeting does not escape the problem of incentives. Indeed, one cost that is widely recognized in the literature is that of perverse incentives created by changes in people’s behaviour in attempts to become beneficiaries of welfare policies, especially through *perverse incentives* on the labour supply of the poor. Individuals may avoid activities that may so improve their incomes that they are no longer eligible for public support. The high marginal effective tax rate can act as disincentive to getting out of the “poverty trap” “through its disincentive effects, means-testing tends to be dysfunctional with regard to social policy’s broader aims of doing away with poverty and dependency” (van Oorschot 2002:178). Universal benefits, on the other hand, do not damage market incentives to take a job or save for one’s own pension.

There is a second source of negative incentive of targeting that can be derived from broader notions of poverty, which include vulnerability as a key feature of being poor. One implication of taking vulnerability seriously is that in measuring the efficacy of social provision programmes, it is important that the gains are weighted by the probability of their actually being received. Most measures of the efficiency of targeting are ex post, and if one of the objectives of poverty reduction strategies is to reduce the uncertainty that constitutes a major concern of the poor, it is important to consider the ex ante features of such programmes. This is particularly significant in light of the recognition of the importance of reducing the vulnerability of the poor. This welfare consideration builds on the concept of the “certainty equivalent of income” from the risk-aversion literature, which argues that households will prefer a steady stream of income to a variable one with the same mean. The poor, who are often risk averse, might prefer lower variability for a given value of expected future prospects. As Stefan Dercon argues, what is essential “for any formal safety net and for any risk reduction policy, is that such a policy needs commitment and credibility. It should be permanent and transparent; moreover: it should be highly predictable” (Dercon 2001:68). As we have seen, targeting typically involves uncertainty about whether rights to the ration will in practice be met or not, especially in situations where there is a high probability of being excluded even when one is among the “deserving poor”. Targeted public provision implies serious risks faced by households to transform income and assets into outcomes, such as health and education. In addition, we should bear in mind that high consumption variability comes at a cost, not just in terms of current welfare but also in terms of long-term poverty alleviation: the choices made by households ex ante, and shocks ex post, may result in the poor being locked into low-welfare equilibria. Universal policies, on the other hand, try to reduce their vulnerability ex ante.

## Conclusion

One remarkable feature of the debate on universalism and targeting is the disjuncture between an unrelenting argumentation for targeting, and a stubborn slew of empirical evidence suggesting that targeting is not effective in addressing issues of poverty (as broadly understood). Many studies clearly show that identifying the poor with the precision suggested in the theoretical models involves extremely high administrative costs and an administrative sophistication and capacity that may simply not exist in developing countries. The story of both the political and administrative difficulties of targeting is repeated so many times that one wonders why it is still insisted upon. Indeed, from the literature it is clear that where poverty is rampant and institutions are weak, what may be wrong is not the lack of appropriate data but targeting per se. It is definitely the case that in many countries, the shredding of the state apparatus has left it singularly incapable of effective targeting in the social sector. Most of the proposed refinements of targeting methods are likely to compound the problems that are often cited as constraints on it. An interesting phenomenon is that while the international goals are stated in international conferences, in universalistic terms (such as “education for all” and “primary health care for all”), the means for reaching them are highly selective and targeted.

The need to create institutions appropriate for targeting has, in many cases, undermined the capacity to provide universal services. And in the most aid-dependent economies, the shift of funds from state institutions and ministries to “projects” run by a motley assortment of non-state actors has immediately led to the unsustainability of activities that the state may have supported in the past or might wish to support now. We should also bear in mind that once institutions are set to implement policies, “political capture”, bureaucratic inertia and hysteresis can generate a dynamic of their own that may eventually rule out alternatives.

Social policies not only define the boundaries of social communities and the position of individuals in the social order of things, but also affect people’s access to material well-being and social status. This follows from the very process of setting eligibility criteria for benefits and rights. The choice between universalism and targeting is therefore not merely a technical one dictated by the need for optimal allocation of limited resources. Furthermore, it is necessary to consider the kind of political coalitions that would be expected to make such policies politically sustainable. Many countries are undergoing democratic transformations. Consequently, the main political economy questions that may have been obviated by authoritarian rule were taken off centre stage. On the assumption that poverty alleviation is a straightforward and well-defined social objective, it should be easy to argue that given budgetary constraints, resources should be concentrated on those in need. However, both the objectives and the constraints are not as straightforward as is suggested. They are both subject to political processes that determine what is to be allocated and to whom and for what reasons.

The current emphasis on targeting draws very little from historical experience both in terms of what is politically and administratively feasible, and of what have been the most efficacious ways of combating poverty. This is partly a reflection of the distance between development studies and the study of welfare policies in the developed countries. Consequently, there is a lot of reinvention of the wheel, and wasteful and socially costly experimentation with ideas that have been clearly demonstrated to be the wrong ones for the countries in which they are being imposed. There is ample evidence of poor countries that have significantly reduced poverty through universalistic approaches to social



provision and from whose experiences much can be learned (Ghai 1999; Mehrotra and Jolly 1997a, 1997b).

Although we have posed the issue in what Atkinson calls “gladiator terms”, in reality most governments tend to have a mixture of both universal and targeted social policies. However, in the more successful countries, overall social policy itself has been universalistic, and targeting has been used as simply one instrument for making universalism effective; this is what Theda Skocpol has referred as “targeting within universalism”, in which extra benefits are directed to low-income groups within the context of a universal policy design (Skocpol 1991) and which involves the fine-tuning of what are fundamentally universalist policies.<sup>20</sup>

## References

- Anand, S. and R. Kanbur. 1991. “Public policy and basic needs provision: Interventions and achievement in Sri Lanka.” In J. Drèze and A. Sen (eds.), *The Political Economy of Hunger, Vol. 3: Endemic Hunger*. Clarendon Press, Oxford.
- Anttonen, A. 2002. “Universalism and social policy: A Nordic-feminist reevaluation.” *NORA—Nordic Journal of Women’s Studies*, Vol. 10, No. 2, pp. 71–80.
- Areskoug, K. 1976. “Private foreign investment and capital formation in developing countries.” *Economic Development and Cultural Change*, Vol. 24, No. 3, pp. 539–547.
- Arrighi, G. 1973. “International corporations, labour aristocracies, and economic development in tropical Africa.” In G. Arrighi and J. Saul (eds.), *Essays on the Political Economy of Africa*. Monthly Review Press, New York.
- Atkinson, A.B. 1995. “On targeting social security: Theory and Western experience with family benefits.” In D. van de Walle and K. Nead, *Public Spending and the Poor: Theory and Evidence*. Johns Hopkins University Press, Baltimore MD.
- Baker, J. and M. Grosh. 1994. “Poverty reduction through geographic targeting: How well does it work?” *World Development*, Vol. 22, No. 7, pp. 983–995.
- Baunsgaard, T. and M. Keen. 2004. *Tax Revenue and (or?) Trade Liberalization*. IMF, Washington, DC. [www.imf.org/External/np/res/seminars/2004/tbmk.pdf](http://www.imf.org/External/np/res/seminars/2004/tbmk.pdf).
- Besley, T. and R. Kanbur. 1990. *The Principles of Targeting*. Policy, Research and External Affairs (PRE) Working Paper No. 385. World Bank, Washington DC.
- Coady, D., M. Grosh and J. Hoddinott. 2004a. *Targeting of Transfers in Developing Countries: Review of Lessons and Experience*. World Bank, Washington DC.
- . 2004b. “Targeting outcomes redux.” *The World Bank Research Observer*, Vol. 19, No. 1, pp. 61–85.
- Conning, J. and M. Kevane. 2000. *Community Based Targeting Mechanisms for Social Safety Nets*. Economic Department Working Papers. Williams College, Williamstown MA.
- Cornia, G.A. and F. Stewart. 1995. “Two errors of targeting.” In D. van de Walle and K. Nead, *Public Spending and the Poor: Theory and Evidence*. Johns Hopkins University Press, Baltimore MD.
- Dercon, Stefan. 2001. *Assessing Vulnerability to Poverty*. Mimeo. Jesus College, Oxford, and Centre for the Study of African Economies (CSAE), Department of Economics, Oxford University, Oxford.
- Dollar, D. and A. Kraay. 2000. *Growth Is Good for the Poor*. World Bank, Washington DC. Mimeo.
- ECLAC (Economic Commission for Latin America and the Caribbean). 2000. *Equity, Development and Citizenship*. United Nations, Santiago.
- Ellison, N. 1999. “Beyond universalism and particularism: Rethinking contemporary welfare theory.” *Critical Social Policy*, Vol. 19, No. 1, pp. 57–85.
- Esping-Andersen, G. 1990. *The Three Worlds of Welfare Capitalism*. Princeton University Press, Princeton NJ.

<sup>20</sup> A point well stated by the Economic Commission for Latin America and the Caribbean (ECLAC):

Since the lack of universal coverage mainly affects the poorest sectors, selectivity should be seen as a tool, or a set of tools, for guiding action, particularly in the allocation of subsidies aimed at ensuring access for the poor to social services and guarantees. That is why targeting, or selectivity, is not a social policy as such, but rather a method, which, if properly applied, enhances the effectiveness of universal social programmes. The fact that the principle of universality is translated into priority access to basic protection for the poor does not mean that selectivity, as a tool, represents ‘the’ social policy. Targeting the allocation of subsidies to the poorest population, although essential for equity, does not work against the principle of universality, unless universal coverage is conceived as the uniform allocation of public subsidies across the board, independently of households’ economic means (ECLAC 2000:78–79).

- Figueira, C. and F. Figueira. 2002. "Models of welfare and models of capitalism: The limits of transferability." In E. Huber (ed.), *Models of Capitalism: Lessons for Latin America*. Pennsylvania State University Press, University Park PA.
- Gelbach, J.B. and L.H. Pritchett. 1995. *Does More for the Poor Mean Less for the Poor? The Politics of Tagging*. Policy Research Working Paper No. 1523. World Bank, Washington DC.
- Gerschenkron, A. 1962. *Economic Backwardness in Historical Perspective: A Book of Essays*. Harvard University Press, Cambridge, MA.
- Ghai, D. (ed.) 1999. *Social Development and Public Policy: A Study of Some Successful Experiences*. Palgrave Macmillan, Houndmills.
- Gilbert, N. (ed.). 2001. *Targeting Social Benefits: International Perspectives and Trends*. Transaction Publishers, New Brunswick NJ.
- Glewwe, P. 1990. *Efficient Allocation of Transfers to the Poor: The Problem of Unobserved Household Income*. Living Standards Measurement Study, Working Paper No. 70. World Bank, Washington DC.
- Goodin, R.E., B. Headey, R. Muffels and H.-J. Dirven. 1999. *The Real Worlds of Welfare Capitalism*. Cambridge University Press, Cambridge.
- Green-Pedersen, C. 2003. *Still There but for How Long? The Counter-Intuitiveness of the Universal Welfare Model and the Development of the Universal Welfare State in Denmark*. Centre for Comparative Welfare Studies (CCWS) Working Paper No. 31. Aalborg University, Aalborg.
- Grosh, M. 1994. *Administering Targeted Social Programs in Latin America: From Platitudes to Practice*. Regional and Sectoral Studies. World Bank, Washington DC.
- Gwatkin, D.R. 2000. *The Current State of Knowledge about Targeting Health Programs to Reach the Poor*. World Bank, Washington DC.
- Herd, Pamela. 2005. "Universalism without the targeting: privatizing the old-age welfare state." *The Gerontologist*, Vol. 45, No. 3, pp. 292–299.
- Huber, E. 2002a. "Conclusion: Actors, institutions, and policies." In E. Huber (ed.) *Models of Capitalism: Lessons for Latin America*. Pennsylvania State University Press, University Park.
- Huber, E. (ed.). 2002b. *Models of Capitalism: Lessons for Latin America*. Pennsylvania State University Press, University Park.
- Jallade, J.-P. 1988. "Redistribution in the welfare state: An assessment of the French performance." In J.-P. Jallade (ed.), *The Crisis of Redistribution in European Welfare States*. Trentham Books, Stoke-on-Trent.
- Jayne, T.S., J. Strauss, T. Yamano and D. Molla. 2001. "Giving to the poor? Targeting of food aid in rural Ethiopia." *World Development*, Vol. 29, No. 5, pp. 887–910.
- Keen, M. 1992. "Needs and targeting." *The Economic Journal*, Vol. 102, No. 410, pp. 67–79.
- Kildal, N. and S. Kuhnle. 2002. *The Principle of Universalism: Tracing a Key Idea in the Scandinavian Welfare Model*. Paper presented at the First Conference of the European Social Policy Research Network, Social Values, Social Policies. Tilburg University, Tilburg, The Netherlands, 29–31 August 2002.
- Klugman, J. 1999. *Social Safety Nets and Crises*. World Bank, Washington DC.
- Korpi, W. and J. Palme. 1998. "The paradox of redistribution and strategies of equality: Welfare state institutions, inequality, and poverty in the Western countries." *American Sociological Review*, Vol. 63, No. 5, pp. 661–687.
- Krugman, P. 2005. "Deficits and deceit." *International Herald Tribune*, 5 March.
- Kwon, H.-J. 1999. *The Welfare State in Korea: The Politics of Legitimation*. St. Antony's College, Oxford, in association with St. Martin's Press, New York.
- Manow, P. 2001. "Welfare state building and coordinated capitalism in Japan and Germany." In K. Yamamura and W. Streeck (eds.), *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*. Cornell University Press, Ithaca, NY.
- Mehrotra, S. and R. Jolly (eds.). 1997a. *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Clarendon Press, Oxford.
- . 1997b. *Social Development in High Achieving Countries: Common Elements and Diversities*. Clarendon Press, Oxford.
- Mettler, S. and J. Soss. 2004. "The consequences of public policy for democratic citizenship: Bridging policy studies and mass politics." *Perspectives on Politics*, Vol. 2, No. 1, pp. 55–73.
- Mkandawire, T. 2005a. "Maladjusted African economies and globalisation." *Africa Development*, Vol. 30, Nos. 1 and 2, pp. 1–33.
- Mkandawire, T. (ed.) 2005b. *Social Policy in a Development Context*. UNRISD and Palgrave Macmillan, Basingstoke.
- . 2001. *Social Policy in a Development Context*. Programme on Social Policy and Development, Paper No. 7. UNRISD, Geneva.
- Moene, K.O. and M. Wallerstein. 2001. "Targeting and the political support for welfare spending." *Economics of Governance*, Vol. 2, No. 1, pp. 3–24.
- Mosse, D. 2004. "Power relations and poverty reduction." In R. Alsop (ed.), *Power, Rights, and Poverty: Concepts and Connections*. World Bank, Washington DC.

- OECD (Organisation for Economic Co-operation and Development). 2001. *The DAC Guidelines: Poverty Reduction*. OECD, Paris. [www.oecd.org](http://www.oecd.org), accessed in December 2005.
- Oxley, H., T. Dang, M. Förster and M. Pellizzari. 2001. "Income inequalities and poverty among children and households with children in selected OECD countries." In K. Vleminckx and T. Smeeding (eds.), *Child Well-Being, Child Poverty and Child Policy in Modern Nations: What Do We Know?* The Policy Press, Bristol.
- Peyre, A. 2005. *Successful Targeting? The World Bank Evidence Supporting Targeting*. UNRISD, Geneva. Mimeo.
- Pierson, P. (ed.) 2001. *The New Politics of the Welfare State*. Oxford University Press, Oxford.
- . 1993. "When effects become cause: Policy feedback and political change." *World Politics*, Vol. 45, No. 4, pp. 595–628.
- Ravallion, M. 2003. *Targeted Transfers in Poor Countries: Revisiting the Trade-Offs and Policy Options*. Policy Research Working Paper No. 3048. World Bank, Washington DC.
- Rawlings, L.B., L. Sherburne-Benz and J. Van Domelen. 2004. *Evaluating Social Funds: A Cross-Country Analysis of Community Investments*. Regional and Sectoral Studies. World Bank, Washington DC.
- Rawls, J. 1971. *A Theory of Justice*. Belknap Press of Harvard University Press, Cambridge MA.
- Rothstein, B. 2001. "The universal welfare state as a social dilemma." *Rationality and Society*, Vol. 13, No. 2, pp. 213–233.
- Sainsbury, D. 1996. *Gender Equality and Welfare States*. Cambridge University Press, Cambridge.
- Sen, A.K. 1995. "The political economy of targeting." In D. van de Walle and K. Nead, *Public Spending and the Poor: Theory and Evidence*. Johns Hopkins University Press, Baltimore MD.
- Skocpol, T. 1991. "Targeting within universalism: Politically viable policies to combat poverty in the United States." In C. Jencks and P.E. Peterson (eds.), *The Urban Underclass*. Brookings Institution, Washington DC.
- Srivastava, P. 2004. *Poverty Targeting in Asia: Country Experience of India*. Discussion Paper No. 5. Asian Development Bank Institute, Tokyo.
- Stephens, J.D. 2002. "European welfare state regimes: Configuration, outcomes, transformations." In E. Huber (ed.) *Models of Capitalism: Lessons for Latin America*. Pennsylvania State University Press, University Park.
- Sunesson, S., S. Blomberg, P.G. Edelebalk, L. Harryson, J. Magnusson, A. Meeuwissen, J. Peterson and T. Salone. 1998. "The flight from universalism." *European Journal for Social Work*, Vol. 1, No. 1, pp. 19–29.
- Tendler, J. 2004. "Why social policy is condemned to a residual category of safety nets and what to do about it." In T. Mkandawire (ed.), *Social Policy in a Development Context*. Palgrave Macmillan, Houndmills.
- UNRISD (United Nations Research Institute for Social Development). 2005. *Gender Equality: Striving for Justice in an Unequal World*. Geneva, UNRISD.
- van de Walle, D. and K. Nead (eds.). 1995. *Public Spending and the Poor: Theory and Evidence*. Johns Hopkins University Press, Baltimore MD.
- van Oorschot, W. 2002. "Targeting welfare: On the functions and dysfunctions of means-testing in social policy." In P. Townsend and D. Gordon (eds.), *World Poverty: New Policies to Defeat an Old Enemy*. The Policy Press, Bristol.
- Vartiainen, J. 2004. "European 'late industrializers': The Finnish experience." In T. Mkandawire (ed.), *Social Policy in a Development Context*. Palgrave Macmillan, Houndmills.
- Weiss, J. 2004. *Poverty Targeting in Asia: Experiences from India, Indonesia, the Phillipines, Peoples' Republic of China and Thailand*. Asian Development Bank Institute, Tokyo.
- World Bank. 1990. *World Development Report 1990: Poverty*. World Bank, Washington DC.

---

## **PART II**

# **SOCIAL INTEGRATION**

---



## Chapter 8

# Social Integration: Approaches and Issues<sup>1</sup>

*Cynthia Hewitt de Alcántara*<sup>2</sup>

(1995)

---

The General Assembly of the United Nations has defined social integration as one of the three main agenda items structuring the work of the 1995 World Summit for Social Development. This is a broad and ambiguous term, open to a number of different interpretations. The present chapter explores alternative approaches to the subject and suggests issues of social integration that could be taken up at the Summit.

### What Is Social Integration? Alternative Approaches

When heads of state meet in March 1995 at the World Summit for Social Development, they will consider proposals for action under three agenda headings: (i) decreasing poverty, (ii) reducing unemployment and (iii) enhancing social integration.

Of these three closely interrelated areas of concern, social integration is perhaps the broadest and most ambiguous. In fact, there is some uncertainty about how this third area should be understood and what kinds of issues should be taken up for discussion under such a rubric.

The purpose of this chapter is therefore to focus specifically on the theme of social integration, to suggest alternative ways of approaching it and to explore some of the principal issues which could emerge when this agenda item is taken up at the international conference.

Social integration is a complex idea, which means different things to different people. To some, it is a positive goal, implying equal opportunities and rights for all human beings. In this case, becoming more integrated implies improving life chances. To others, however, increasing integration may conjure up the image of an unwanted

---

<sup>1</sup> Originally published as an UNRISD Briefing Paper for the World Summit for Social Development (UNRISD, 1994). The Briefing Paper was prepared with the collaboration of Dharam Ghai and comments from participants in a number of internal UNRISD seminars.

<sup>2</sup> At the time of writing, Cynthia Hewitt de Alcántara was Project Leader at UNRISD.

imposition of conformity. And, to still others, the term in itself does not necessarily imply a desirable or undesirable state at all. It is simply a way of describing the established patterns of human relations in any given society. Thus, in the latter view, one pattern of social integration may provide a more prosperous, just or humane context for human beings than another; but it is also possible for one pattern of social integration to be markedly different from another without being either better or worse.

Let us begin by considering the widely held view that social integration is a positive goal in itself. This is the way the idea was often presented in discussions within the General Assembly leading up to the calling of the World Summit.

### ***Social integration as an inclusionary goal***

Since the General Assembly urged the enhancement of social integration, it is obvious that delegates considered the latter a goal to be attained through various policy means. When the term is used in this way, as is frequently the case in international meetings, it becomes a broad-ranging synonym for greater justice, equality, material well-being and democratic freedom.

Delegates in these sessions recognize that some people or groups in the world already enjoy these precious benefits, while others do not; and they hope that, if adequate policy can be designed, progress will be made toward lessening these distinctions. In this sense, the opposite of social integration is exclusion.

There is, however, a further concern underlying the call of the General Assembly to promote the enhancement of social integration.

### ***Social integration as heightened solidarity and mutual identification***

Because our century ends with the collapse of numerous states and the sharpening of ethnic strife around the world, there is particular interest at the moment in searching for ways to create or reinforce common identities which lessen the likelihood of violence and provide a groundwork for cooperation. This is true not only at international and national levels, but also within local societies, where a number of developments are weakening basic bonds of mutual support and accountability and encouraging violent behaviour.

The call for enhancing social integration grows out of a generalized feeling that fundamental institutions of society, like the family and the community, are functioning badly; that children and young people are too often abandoned or brutalized; and that criminal activities and corruption are on the increase. It also reflects concern over the weakening of public institutions, and a perceived decline of civility and tolerance in day-to-day social relations.

In this context, enhancing social integration can be understood as promoting harmonious interaction and solidarity at all levels of society. When this dimension of the concept is given priority, it becomes the opposite of a process of disintegration.

### ***Furthering the goal of social integration: Some hidden assumptions***

Although no one doubts the importance of denouncing the unacceptable trend toward greater polarization, and launching an urgent call for greater solidarity, it is important to point out some of the hidden assumptions which often underlie an exclusive emphasis on social integration as a goal or end in itself.

If not carefully thought out, a call for greater inclusion in the benefits of development can be made without questioning the nature of the current process of

development itself. It is intellectually easy and often politically expedient to assume that grave problems of poverty and injustice can be alleviated through including people formerly excluded from certain activities or benefits. Yet, in many cases, the existing pattern of development itself may be unviable or unjust. Would it be advisable, for example, to suppose that all people around the world, who are currently unable to reach the very high levels of consumption characteristic of a few developed countries, can be included in the existing system without placing intolerable strains on the ecosystem of the earth? A more equitable form of inclusion in fact requires fundamental alteration of existing patterns of consumption.

The existing state of affairs may sometimes be not only ecologically unsustainable but also politically repressive. It is useful to remember that strongly authoritarian or totalitarian societies do in fact include everyone in elaborate structures of managed participation. In such cases, the problem of improving the quality of life for most people is not one of exclusion or inclusion, but of reform. In sum, when promoting the goal of social integration, it is always necessary to ask the additional question: inclusion in what and on what terms?

- A problem can also arise when social integration is sought without giving sufficient attention to the need for cultural diversity within most societies. The excluded can be included in ways which attempt to promote an unacceptable degree of homogeneity and, when this occurs, the search for social integration becomes synonymous with the imposition of uniformity. The issue of how to assure equal rights and opportunities for all, while respecting diversity, is one of the central policy questions of the twentieth century. It is also one of the most complex. Because this is the case, social integration can be considered a negative goal by some groups.
- When the goal of social integration is posed in terms of drawing the formerly excluded into national society, there can in fact be a tendency to forget that the latter have their own forms of social organization. In all too many cases, international discussion of social development is phrased in terms of integrating those with nothing into the modern mainstream, as though the groups defined as excluded are surviving in a virtual vacuum. This is simply not true.

Those who are excluded from some areas of modern society—even those who are most impoverished and apparently disorganized—are included in other forms of social organization. Good policy cannot be made if it fails to take the real world of the disadvantaged into account.

- If social integration is explored exclusively from a prescriptive standpoint, so that emphasis is placed on improving certain indicators of opportunity or consumption (like nutrition, school enrolment, voter registration, and so forth), it is possible to encourage some improvement through increased public expenditure without looking further into the structural bases of exclusion. Any improvement in the condition of the least advantaged is of course to be welcomed. But for integration (in the sense of more equal life chances) to be furthered over a longer term, and in a sustainable way, it is necessary to ask why problems of immiseration and polarization have arisen in the first place and why they seem to be growing worse.
- Finally, there is a risk that narrow concentration on the normative goal of social integration will make disintegration undesirable by definition. In some cases, however, the disintegration of existing systems of social relations is essential before progress toward a more just and equitable society can be made. The demise of slavery during the nineteenth century provides a case in point.

### ***Anchoring prescriptions in analysis: The uses of an alternative approach to the subject of social integration***

One way to avoid the pitfalls just outlined above, and to orient discussion at the Social Summit toward the consideration of central problems of social development in the



1990s, is obviously to base proposals for change on a solid analysis of existing patterns of social relations in different concrete situations. And here an alternative way of approaching the subject of social integration comes into play.

In this view, often held by social scientists, social integration is a vital area of concern for the world conference, not because integration in itself is intrinsically good (some forms of integration may be good and some bad), but because the term invites analysis of the concrete networks of relations and institutions which support or undermine the livelihood of people in given times and places.

No one goes through life alone. All of us are created within, and influenced by, networks of social relations which provide us with our identity and establish a framework for our actions. We survive and pursue our goals within a structure of institutions ranging from our families or households, clans or neighbourhoods or communities (where we seek primary support and protection); to the schools, associations, street gangs or video parlours (in which we are trained); and the small holdings, plantations, factories, sweatshops, stores and offices (in which we work). On a more general level, our opportunities or life chances are affected by larger political and economic structures ranging from tribal councils or municipal governments to the nation state, and from non-monetary exchange relations among friends to the Tokyo stock market. The United Nations system is one of the international elements in determining the options available to an increasing number of people around the world.

Observing this real world of human interaction, we can use the term social integration in several ways.

### *Patterns of social integration*

At any given moment in time, it is possible to take a snapshot of the way a certain society is organized (for example, Wall Street in New York, the squatter settlements of Rio de Janeiro, a peasant village in India, or indeed the emerging world society of the 1990s). What are the values and rules that shape people's actions in each of these contexts? What kinds of behaviour, within what sets of relations among people, allow them to survive or get ahead? How is power held and exercised, for example, and how is wealth created and distributed? What relations between man and nature are predominant? In each context, there is a pattern of social integration, or network of social relations and institutions, regulated by specific ideas concerning what is right and wrong, which bind people to one another under certain conditions. These, in turn, are intimately related to the way different groups make use of their natural environment.

To understand how very different these arrangements can be, one could compare the pattern of social integration characteristic of feudal England with that to be found on the Amazon frontier in 1990.

### *Processes of social integration*

Moving from static snapshots to dynamic pictures of social change, we can look at the process of social integration and disintegration through which particular values and institutions develop or break down.

Widespread concern at present with social disintegration can be seen as a call to analyse the reasons behind the breakdown of certain institutions (such as states, churches, families or economies) or moral codes, and to understand the kinds of social relations which are gaining prominence instead. Like the procession of images in a kaleidoscope, disintegration of one pattern gives way to the integration of another.

It is also possible to move from the level of a larger society to that of a group, and to examine the way particular groups are integrated into broader social units or relations. For instance, how are refugees integrated into host societies and how are the latter changed in consequence? How are subsistence cultivators integrated into regional, national and world markets? Within this perspective, as within the alternative one described at the beginning of this chapter, there can be more or less integration. But more, in the context now under review, is not necessarily better.

Increasing integration is simply an indication that the complexity of social relations is greater, that the life chances of people are more bound up with those of others and less amenable to independent determination. Disintegration, in contrast, signifies the unravelling of existing ties.

The policy-relevant question for those who look at social integration in these terms is not how to increase integration per se, but how to promote a kind of integration which favours the creation of a more just and equitable society. Current trends toward expanding interdependence in some aspects of world society may unfortunately be working in the opposite direction. In preparing for the Social Summit, it is therefore useful to identify some of the central tendencies in contemporary social development.

## **Patterns and Processes of Social Integration in the 1990s**

What is there about patterns of interaction among people around the world today which creates the sense of crisis felt by so many on the eve of the Social Summit? Why are problems of violence, exclusion and lack of solidarity so much on the mind of people in both industrialized and developing countries? It is not enough to answer questions like these with statistics. There are no doubt increasing numbers of murders or assaults, and increasing numbers of the poor. But the problem is not simply, or perhaps even primarily, a quantitative one. What we witness at the end of the twentieth century are also qualitative changes in the way people are related to each other; and it is of fundamental importance for the success of the Summit that these changes be widely studied and discussed.

### ***Globalization and insecurity***

The end of the twentieth century is marked by a peculiar combination of integrating and disintegrating trends. On the one hand, technological change brings virtually every human being on the planet within reach of every other through communications satellites and mass transport.

Computers manage the almost instantaneous flow of information among individuals and groups who pursue common ends without ever having met. These are powerful forces for cultural integration, promoting common interests, values and aspirations among hundreds of millions of people.

Technological innovation has also played a fundamental role in encouraging the remarkable increase in world trade—and the even more remarkable internationalization of finance—over the past few decades. National, subnational and local economies are now linked in extremely complex networks which are as geographically extensive as they are inherently fragile.

The commitment to deregulation evinced by most governments in the 1970s and/or 1980s reinforced the extent of global economic interdependence, as well as its fragility.

Obviously, expanding the boundaries of exchange and cultural contact creates both opportunity and risk.

Human history has been played out against a background of expanding contacts among peoples, in which the life chances of some groups are improved and those of others are devastated. In this sense, growing social and economic integration always gives rise to conflict. But the latter is particularly acute in hard times, when there is relatively little to be distributed.

The Social Summit is likely to take place in just such times. Rapid elimination of cultural and economic barriers among nations and peoples has proceeded for the past 20 years within a context of stubborn and recurrent recession, as well as increasing indebtedness, over a considerable part of the developed and the developing world. In consequence, individuals and firms in both North and South have been forced to develop new strategies of economic survival within a particularly hostile environment, in which much larger numbers of competitors vie for a relatively static—and in some cases a dramatically shrinking—pool of resources.

Pressures on the labour market, the commodity market and the business community are severe under these circumstances. Even in relatively traditional rural areas, for example, small farmers long producing agricultural commodities for export find themselves competing with larger numbers of similar producers in other parts of the world, recently drawn out of subsistence production by their own governments' programmes to encourage exports. Unskilled labourers throughout the Third World must also seek work in a market where the number of available hands increases under the impact of expanding monetary relations and newly induced requirements for consumption. And skilled workers in all countries confront the challenges posed by new forms of organization of industrial production, which increase efficiency through subcontracting and the more flexible use of labour.

Competition for jobs and markets has been dramatically heightened by the collapse of barriers formerly separating the Soviet Union and Eastern Europe, as well as China, from the industrialized West. These are vast new pools of cheap and often relatively well-trained labour, entering the world market at a time when competition among enterprises in industrialized and developing countries alike depends to a growing degree upon ensuring that firms have access to a low-cost workforce.

Up to now, the livelihood of workers in the industrialized world, as well as in many newly industrializing countries, has to some extent been protected by labour agreements and broader political pacts hammered out within the boundaries of the nation state. Nevertheless the liberalization of trade, combined with deregulation of finance, has weakened or destroyed barriers once retaining many economic activities within national boundaries. In consequence, employers and investors are now less constrained to bargain with workers within their own countries than was previously the case.

At the same time, national governments have been forced by liberalization and deregulation to strengthen the competitive position of their economies in the global arena, and thus to adopt measures which attract foreign capital and cheapen exports, even when these measures may threaten the standard of living of large numbers of people and the capacity of the government itself to meet its obligations to citizens and to the environment.

In an increasingly unified and unregulated international market for capital, for example, governments must weigh the interests of potential investors carefully when considering whether to increase taxes (which might encourage the redistribution of wealth) or reduce interest rates in the hope of stimulating growth and employment within the local economy. The same considerations work against taking stringent measures to protect the environment. And they militate against insisting that local businesses make relatively substantial contributions to social security funds or comply with laws protecting the rights of workers. Such steps, which negatively affect the cost structure of the business sector and impede the flexible use of labour, can lead under current conditions of international competition to the flight or closure of firms.

The declining capacity of most national governments to provide social services constitutes an additional element in the progressive disprotection of many groups which could formerly count on certain minimum social benefits. The most dramatic changes in this area have no doubt occurred in Eastern Europe and the former Soviet Union, where a sharp decline in levels of living has been associated with the disintegration of the socioeconomic and political system. But the sense of growing insecurity is hardly less throughout much of the Third World.

The civil service, public welfare institutions and industrial sectors of a great many developing countries are currently in crisis. In some cases, this is associated with a process of reform and reorganization which will prove salutary. In others, however, such sectors are simply functioning badly—providing inferior services, producing lesser quality goods, utilizing existing capacity less rationally. Such a course of events delegitimizes the labour of the doctors and nurses, teachers, public servants and workers who see not only their income and status within the community, but also the quality of their work, undermined by a lack of needed resources.

Trends in science and technology introduce a final element of uncertainty in the current context of global economic restructuring, as the nature of production in the modern industrial sector of both older and newer industrialized countries is altered by advancing automation and robotics. Industrial employment is likely to shrink, even if recession gives way to a new period of high growth in the near future. This is a qualitative change of the first order in the structure of opportunity of most societies around the globe, and it will fundamentally affect the pattern of social integration characteristic of the twenty-first century world. For some time to come, we can expect structural unemployment further to compound the problem of growing marginality and cultural malaise with which the Summit will be concerned.

### ***Marginality, solidarity and identity***

Many would argue that processes of supranational integration, implying the progressive disprotection of national markets and the modernization of relatively backward sectors and regions, need not inevitably create unmanageable threats to local livelihood. They would cite the experience of the European Community to show that it has been possible—through democratic consultation and the gradual creation of supranational institutions—to expand the boundaries of an international community and to improve its competitiveness in ways which have not been unduly disruptive.

In the case of the Western European Union, the threat that homogenization of markets would promote polarization (and in some cases destitution) within relatively less advantaged communities and sectors has been explicitly addressed through the negotiation of social pacts; and the likelihood that integration would increase disparity of

opportunity among countries has been countered through the creation of compensatory funds which specifically provided for the redistribution of wealth from richer to poorer regions of the community. Only time will tell whether such efforts will ultimately be successful.

Over most of the world, however, barriers separating nations and groups from the global market-place, and from a global culture, have broken down during the past few decades in a rapid, spontaneous and haphazard fashion.

There has been very little planning for change of a kind which might cushion the blows that economic and social reorganization deals to large numbers of groups and individuals. And, in the absence of systematic compensatory effort, global integration seems quite clearly to be intensifying inequality, both within countries and among them.

As opportunity is concentrated in certain regions and countries, and in particular economic sectors, people respond to this development in a number of ways. The most obvious response—and one of the most problematic—to the threat of economic marginalization is to migrate, whether internally or abroad. And over the past few decades this has become a central element in the livelihood strategy of millions.

Although current flows of people in search of a better life may be proportionally no larger than they were at certain times in the nineteenth century, they involve far greater diversity of cultural contact and very large absolute numbers of migrants. The potential for disruption of existing forms of social organization in communities and regions of origin of migrants is sometimes great, particularly when most able-bodied members of households depart, leaving the young and the old to cope as best they can. Women who remain behind when men migrate must assume new roles and add new tasks to those traditionally assigned them.

The potential for improving the level of living of migrants' families is also considerable, as remittances are sent home and invested. Some migrants get ahead, and some find departure from their place of origin a form of liberation from oppressive obligations. In all too many instances, however, migration remains a harsh necessity—a last resort involving privation and not infrequently the danger of physical harm.

In major receiving countries, international migration creates enormous problems of social integration and cultural adaptation which are currently at the centre of the policy debate. The juxtaposition of people who often share neither a common language nor a common religion, and who have very different customs, makes unusual demands on human tolerance and understanding. The arrival of large numbers of foreigners also creates unusual strains on existing social services and local economies.

As global integration quickens at the end of the twentieth century, barriers between different cultures are of course being torn down—and relations between different cultures strained—whether migration occurs or not. Even if people do not leave their homes, local identities may be challenged by what is broadcast on television and radio, or seen on videos. The revolution in mass communication, which encourages the creation of a global culture, has great potential for promoting understanding and solidarity, and enhancing knowledge throughout the world. In its present form, it also has an awesome capacity to exalt consumerism and proffer a highly individualistic definition of a good life.

To attain this good life is not easy in hard times, whether one lives in a developing or an industrialized society. Competition among those who struggle to be included in global consumer culture creates sharp rifts in virtually all communities, from rural China to midtown New York. Local forms of solidarity are replaced by new values and ties, which link small groups with access to the new style of life in one city or country to others

within the region and the world—while increasing the gulf between the latter and the majority of the inhabitants of the planet, who remain excluded from the consumer society they observe from afar.

In a large number of countries, illicit and illegal activities constitute one of the very few avenues currently open to many aspirants for inclusion in the global consumer culture. Particularly in periods of wide-ranging social reorganization, the definition of what is illicit and what is not tends to be somewhat unclear; and activities are tolerated which in previous periods would have been morally unacceptable.

At a time of narrowing economic opportunity across wide areas of the world, participation in the illegal economy furthermore constitutes one of the few realistic options available to many families who simply need to ensure a basic level of subsistence. Illegality makes certain commodities or services unusually profitable.

Thus the drug trade has become one of the central economic activities of the late twentieth century, drawing millions of people—from the peasant villages of Third World countries to the inner cities of the industrialized North—into networks of exchange which provide great wealth for some and a tolerable living for many who have limited alternative sources of income.

Needless to say, both the social dangers and the social opportunities inherent in this period of expanding international integration are heightened by the end of the Cold War. The collapse of the Soviet bloc—which is in itself a stunning manifestation of the force of global integration—eliminates one of the central organizing principles of postwar international society and encourages a revival of animosity among peoples of different cultures who were formerly required to live together within multiethnic states. Concurrently, it creates new opportunities for peace making in countries where competition among the great powers long dictated support for antagonists in internal wars.

Ethnic conflict, and the degeneration of ethnic conflict into civil war, is one of the unfortunate hallmarks of the late twentieth century. It rests on reaffirmation of an exclusive form of identity and solidarity among people who share common historical grievances and have defined a common enemy. Although differences of religion and language are often involved, this is not necessarily the case. In fact, personalistic factions can manipulate enmity in ways which create self-sustaining spirals of violence among antagonists.

At present we witness dozens of civil wars across the globe, with hundreds of thousands of casualties. There could be no more telling sign of social malaise than the atrocities committed in these wars, usually against civilians. Yet, while international organizations and groups search for ways to deal with such occurrences, violence is supported and even encouraged by long-standing global institutions, including the arms trade (which makes the instruments of death available) and sectors of the film industry (which both trivialize and glorify sadistic forms of violence).

### ***Democracy, representation and accountability***

Rapid economic and social reorganization, accompanied by far-reaching cultural change, makes unusual demands on political institutions. Economic uncertainty and fear of marginalization encourage electorates in established democracies to favour immediate remedies over long-term policies; and the same fears immensely complicate the task of creating effective democratic regimes in countries where such systems of government are only now being established.

Furthermore, the global nature of so many of the problems of today reinforces the need for a far more effective system of international governance than that currently available. There is a striking incongruence between patterns of social integration which bind people around the world more closely together than ever before, on the one hand, and the frailty of existing mechanisms for discussing joint problems and promoting joint action on the other.

Non-governmental organizations have played a major role in bridging this gap over the past several decades, through networking activities which span countries and continents. Environmental and human rights concerns in particular have stimulated coordinated action by citizens groups around the world. Nevertheless it would be unrealistic to expect that these organizations can take the place of formal national and international systems which aggregate interests, make policy and distribute resources within a context of institutional accountability for the outcome of their actions.

### **Issues of Social Integration to be Addressed at the Social Summit**

If the preceding description of patterns and processes of social integration at the end of the twentieth century is valid, what are some of the most important issues deserving attention at the Social Summit? Six areas of concern can be suggested below.

#### ***Economic insecurity and social welfare***

The relation between globalization and mounting economic insecurity must be analysed and discussed.

The demands made by competition in global markets cannot be allowed to tear basic institutional structures of social solidarity apart. In industrialized market societies where commitment to the principles of the welfare state has been strong, it is necessary to deal with the growing challenge posed by competition from regions with lower welfare costs. The problems of financing posed by demographic shifts are also formidable. In former socialist countries, as in much of the developing world, the problem is one of constructing a system of institutional responsibility for the general welfare along new lines and with new bases of affiliation and support. The rapidly declining availability and quality of basic public services in both North and South must also be reversed.

Here there is a place for considering the best way to cushion the impact of recession and economic restructuring on the most vulnerable segments of society, through the creation of targeted programmes or social safety nets. Nevertheless the larger goal of improving equality of opportunity requires that such approaches be supplemented with others which address more fundamental issues of polarization and destitution.

To the extent that the present-day crisis in social welfare provision is structurally related to the globalization of the economy, any longer term solution to the problem requires hammering out an international strategy which establishes mechanisms for cushioning the effects of international economic forces on national social policy. As this discussion goes forward, however, it is important to remember that standardized, global policy recommendations (like those routinely applied in the design of structural adjustment programmes) are often unsuited to the specific requirements of concrete social settings.

### ***The crisis of legitimacy and accountability***

Institutions and organizations at all levels of society (from the international system and the nation state through the transnational and national industrial and financial sectors, political parties, interest groups and non-governmental organizations, down to local communities and informal support networks, and finally to the basic kinship group or family) may confront crises of legitimacy and responsibility stemming from the inability to cope adequately with the process of global restructuring discussed above.

The Summit will need to recognize these crises but combat defeatism, focusing on means of strengthening institutions through democratic participation. Again, it will be helpful to take a critical view of standard prescriptions, meant to be applied globally without regard to the very different local or national circumstances.

### ***The dynamics of ethnic and religious conflict***

The present-day dynamics of ethnic and religious conflict should be carefully considered by Summit participants—some of whom have developed innovative and effective policies for dealing with cultural differences within their own societies.

The Summit can serve as an opportunity for exchanging views on measures which have lessened conflict among groups with different cultural identities, at the neighbourhood and municipal levels as well as within national political systems.

### ***The problems of internal and international migration***

The meeting can also give serious attention to problems arising from internal and international migration (whether involving refugees or asylum-seekers, or simply encompassing the large numbers of people who strike out in search of a better life).

This is an issue which stirs hot debate in many societies. The quality of immigration and social welfare policy could benefit markedly from a broad-ranging discussion of the underlying dynamics of population movements in the 1990s, supplemented by comparative analysis of efforts to design humane and sustainable social policy in sending and receiving regions. The peculiar characteristics of remittance economies and societies might also be considered.

### ***The expansion of illicit and illegal activities, and the increase in violence***

The Summit provides an opportunity to link the apparent growth of crime, corruption and violence during recent years to a more general analysis of problems of social integration in the 1990s.

Why are we witnessing a rapid expansion in the power and global reach of international criminal organizations? Why have indices of violent crime increased so markedly in many areas of the world? Why have both the public service and private enterprise been marked by what seems to be an unusually high degree of corruption? How are we to understand the growth of violence among the young, as well as the systematic use of violence against children? What is being done to deal with these problems?

### ***Reform of the international system***

Finally, the Social Summit must surely take up the difficult questions associated with reform of the international system.



The set of institutions developed in the immediate postwar period to facilitate international trade, regulate the global financial system and provide development assistance are now confronted with fast-changing situations with which they are often ill-equipped to deal. They must not only meet new technical challenges, but also come to terms with increasing demands for enhanced public accountability and openness in policy making.

At the same time, there must be improvement in the capacity of the international community to deal with challenges of peace making, peacekeeping and humanitarian relief in the post-Cold War period. This is a truly daunting task, which requires agreement on acceptable structures of authority and administration in highly complex situations of conflict.

In an increasing number of cases, the international system is also being called upon to reconstruct economies and societies in a state of almost complete collapse.

Within such settings, the question of how to promote just and equitable patterns of social integration takes on special meaning; and knowledge of local society, combined with a willingness to engage in wide-ranging dialogue, is essential.

## Chapter 9

# An End to Hunger?: The Social Origins of Food Strategies<sup>1</sup>

Solon L. Barraclough<sup>2</sup>

---

### Preface

Some decades ago, upon hearing reports of famine, I visited several remote villages in northern Chile. I was accompanied by another FAO (Food and Agriculture Organization of the United Nations) official and a local agronomist. We confirmed that rainfall in the region had been well below normal for two years. This tends to happen in this semi-arid region every 10 to 14 years. Pastures were sparse and dry. The small farmers' wheat and other non-irrigated crops had failed to yield even the quantity of seed that had been sown. The *minifundistas*' (small peasants) flocks of goats had been reduced drastically by slaughter, sale and starvation. Few young animals had been born that spring and fewer still had lived. There was little milk and no more animals could be slaughtered for meat without jeopardizing all possibilities of building up the herds again. As crops had failed, most households' stocks of wheat, the principal subsistence grain, had been exhausted during the winter. They could not buy more because they had no money or credit. There were few jobs available.

Only a few thousand families lived in the region. Most smallholders were destitute and suffering serious hunger. One could see children with bloated bellies and other signs of severe undernutrition. The village school teacher told us of increased child morbidity and mortality and far higher than normal death and illness rates among adults too. She observed, however, that nutrition was inadequate for the majority of children even during normal years.

The school was receiving some milk and other foods from Caritas for school lunches. This encouraged school attendance. The teacher said these scanty rations were almost the only food several of the children received all day. The supplies were woefully inadequate for the number of pupils and over half the children in the community never

---

<sup>1</sup> Originally published as the preface and chapters 7 and 12 in *An End to Hunger? The Social Origins of Food Strategies* by Solon L. Barraclough (UNRISD and Zed Books, 1991). UNRISD is grateful to Zed Books for permission to reproduce this work.

<sup>2</sup> At the time of writing, Solon L. Barraclough was a Senior Consultant at UNRISD.

got to school anyhow. Of course, some families were better off; these were usually petty merchants and richer peasants. But they were a small minority.

Many of the adults had left to look for work in distant cities or mines. A few had found low-paid jobs and could send something back to their families. Most could not. Those who stayed behind were simply waiting it out hoping for better rainfall next year. Also, in a few weeks the snow in the Andes would melt sufficiently to allow some members of each family to take their surviving goats to high mountain pastures. This would see them through the next winter. Most children, old people and some of the women would remain in their homes attempting to grow wheat and vegetables on their parched holdings. A few wells still yielded drinking water and a little for irrigating onions and other vegetables.

The peasants blamed the drought for their present distress. They pointed out, however, that they were always poor and sometimes hungry even in better years. Their land holdings were small and eroded and the communally held pastures inadequate. The better irrigable land near the river had all been incorporated into large *haciendas* during the previous century. The peasants could seldom find wage-paying jobs and in any case they preferred to work for themselves. They complained that prices of the few necessities they purchased were high while those for the animals, milk and hides they sold were exceptionally low. They received no credit or technical assistance from the government.

The regional agricultural officer told us that the problem was caused primarily by overgrazing and overpopulation. Too many goats had ruined the vegetation and caused severe erosion, making the results of two or three dry seasons much worse than a generation earlier. Wheat yields were low by national standards even in good years. These smallholders should simply be moved out, he believed. Some of the slopes could be reforested and the remainder put to pasture by larger commercial farmers using scientific methods, grazing cattle but not destructive goats. What would the peasants do? That was not his department.

The more sympathetic agronomist accompanying us pointed out that there were lots of irrigated valley lands nearby that were used as unimproved pastures. Moreover, there were untapped ground water supplies that could be made available by drilling deep wells. If the road to the village was improved (it was almost impassable even in the dry season for a jeep), the peasants could receive better prices. Also they needed credit. The regional officer replied that making the irrigated lands available implied agrarian reform. This was not only politically unacceptable but would hurt progressive commercial farmers and set back development. Drilling wells would require costly investments that could never be amortized unless the peasants switched to growing high-value cash crops. There were no markets for these now, and if markets developed, they could probably be supplied more cheaply by larger farmers in other more favoured regions. Credit for these smallholders would be costly to administer and might never be repaid. No, the only solution was to move the peasants out.

Indignant at the misery I had witnessed, I wrote a report on the small-scale catastrophe and took it to an influential government minister. I pointed out that there were ample food supplies in Chile and that in any event an application for emergency food relief to the United States or international relief agencies would be granted immediately at no cost to the government. The minister, a highly intelligent and cultivated aristocrat, explained that I did not understand the situation.

The problem was caused by overpopulation and ignorance, he said. Most of these people had to move. If some wanted to stay, they had to learn to improve their farm

management, limit their flocks, and also limit the number of their children. The drought was nature's way of making sure that natural resources were protected and that only the "fittest" of the population survived. It would be wrong for the government to send them food or ask for international help as this would only make matters worse later. As for other jobs, they would have to be generated in the cities or in large commercial mines or farms elsewhere. This was not a responsibility of government but of private investors.

I passed my report to a Chilean newspaper reporter. He visited the area took pictures and published an article in a US magazine. He was subsequently jailed briefly for defamation of his country abroad.

Was the cause of this mini-famine climate, overpopulation, erroneous government policy, the highly unequal agrarian structure, the partially developed industrial structure of Chile, or the fluctuation of commodity prices on the world market? Was it the poverty and illiteracy of the peasants? Was it their powerlessness?

In fact it was all these things, and all were bound up in the operation of complex social systems interacting with fragile natural ecosystems. The causes of food insecurity can very seldom be traced to any single event or condition, nor are there simple recipes for doing away with hunger and poverty. Every situation, at the same time as it is determined by international and national phenomena, is to some extent unique.

One purpose of the book *An End to Hunger* is to emphasize the complexity of food security issues through reference to concrete case studies. A second is to explore under what conditions public policies to alleviate mass poverty and hunger have been effective. A third is explicitly to take into consideration the problems of those who find themselves outbid for basic food and other essentials, or the wherewithal to produce them, by others more favourably situated to take advantage of those processes of historical change known as development.

In the process of analysing how food insecurity is manifested, and how attempts have been made to deal with the causes of hunger and poverty in many different social settings, I hope to convince the reader that no simple explanation of underdevelopment can provide adequate guidance for coming to terms with one of the most difficult questions of our times. Hunger will not be alleviated by wholehearted adherence to the current free market ideology or by placing blind faith in any other general developmental paradigm. Problems have to be worked out on the ground, in specific contexts, and above all with the participation of the people whose food security is threatened by existing arrangements. And these grassroots solutions require supportive contexts both nationally and internationally.

It is crucial to understand the socioeconomic processes within which most people in Third World countries must attempt to make a living. Urbanization, industrial development, technological change in agriculture, the incorporation of semi-subsistence households into the market economy, and migration all affect food security. So, too, do climate and national and international politics. These subjects have been widely studied and the findings of relevant research should be taken into account in assessing local situations.

The lessons that have been learned about the impact of socioeconomic processes on people's livelihoods and what is called development form an important part of the discussion to follow.

Like all authors, I come to this task with certain biases. I was brought up in the rural United States during the Great Depression. I have been both a farm and forest manager. Most of my professional life has been dedicated to work among rural people,

whether sharecroppers in the Mississippi Delta or the peasants and landless of Latin America. Military service in the Philippines during the Second World War and later in occupied Japan left me with an interest in development issues. I served as a US agricultural officer in the Middle East and for a much longer time as an FAO official in Latin America. There I tried to provide technical assistance to governments and training to rural cooperative members and peasant leaders. Off and on over the years, I have attempted to explain the complexity of agrarian problems to agricultural economics students in Latin American and US universities. Personal experiences and reflections contribute to the analyses that follow.

Becoming Director of the United Nations Research Institute for Social Development (UNRISD) in 1977 gave me a unique opportunity to study development processes and problems in Africa and Asia as well as in Latin America. We were able to launch comparative studies into issues of food security, popular participation and refugees in several developing countries. These complemented UNRISD's past research on the green revolution, rural cooperatives, development planning and social indicators. The book *An End to Hunger* attempts to incorporate findings from UNRISD's other programmes as well as from its study of food systems.

I am grateful to the South Commission for providing financial support to help me in finishing this book.<sup>3</sup> I also benefited from many discussions with members of the Commission's secretariat, particularly Carlos Fortín and Jaime Ross. UNICEF also generously extended financial support for preparing the book. The Kellogg Center for International Studies of the University of Notre Dame provided facilities and intellectual stimulation while I was a fellow there. I particularly want to thank my colleagues at UNRISD, Cynthia Hewitt de Alcántara and Ann Zammit, for reading the draft and making many very useful suggestions, and Peter Utting for helping me prepare an earlier UNRISD report upon which part of this book is based. I also want to thank Josephine Yates and Irene Ruiz for patiently putting the manuscript into readable form.

## The Role of Agrarian Reform

The livelihood crisis confronting rural populations in many parts of Africa, Asia and Latin America is of staggering proportions. Capital-intensive higher technology farming systems are rapidly emerging. Land and labour are being incorporated into national and transnational markets. There is an accelerating dissolution of self-provisioning agriculture, and this process is occurring before alternative sources of employment become available. The process is frequently accompanied by growing misery, widespread hunger, social disruption and conflict.

There are big differences, however, in the ways these processes occur and their impact. In Latin America, incorporation of its rural people and agricultural resources into industrial farming systems is already far advanced. South and East Asia's small cultivator structures are being rapidly transformed but, except for Japan, and much more recently its ex-colonies of South Korea and Taiwan, incorporation of the traditional peasantry is far from finished. In sub-Saharan Africa incorporation processes are only beginning to get

---

<sup>3</sup> The South Commission gratefully acknowledges a grant from the OPEC Fund for International Development, which covered the Commission's contribution to the financing of this study.

under way on a large scale. Customary communal structures are being subject to increasing tensions and disruption.

Similar processes of incorporation of the peasantry into industrial societies in Europe took two or three centuries. These processes in today's developing countries are much more rapid with their spans being measured in generations instead of centuries. Moreover, there are no new continents where displaced peasants can be sent or flee to. Minimizing the misery accompanying this great transformation is as much a challenge to human ingenuity as the parallel problem of avoiding the holocaust of nuclear war. The nation state, as the dominant form of political organization, has to play a leading role in confronting these issues.

The state, however, is part of society. Its capacity to deal with the poverty and hunger generated by rapid agrarian change is limited by the same contradiction and lack of means that are generating these miseries. Governments have had highly varying degrees of success in their attempts. They have generally done much better in supporting the livelihood of the urban than the rural poor.

Dominant development strategies have, of course, emphasized rapid economic growth and modernization. In societies where the control of wealth, power and income is highly unequal, this almost inevitably results in greater polarization and growing rural landlessness and poverty. Such polarization has occurred regardless of whether trade policies were free market and outward oriented or were interventionist and protectionist. The remedy is greater socioeconomic equality, especially in control of land, water and labour (which are the fundamental productive assets of agrarian societies), and in access to the information, skills, goods and services being generated during modernization in the broader society. This implies agrarian reform.

Agrarian reform is primarily a political concept. It describes a rapid, widespread and profound change in agrarian structures whereby small cultivators obtain greater control over the use of land and better terms in their trade and other relationships with the rest of society. It implies changes in power relationships toward greater participation of the rural poor in decision making at all levels and especially in decisions directly affecting their livelihoods. In other words, it has revolutionary implications. For this reason, agrarian reform has not normally been a policy option for governments.

The state is usually in a catch-22 situation if its leaders want to implement agrarian reform. If it encourages peasant and rural worker mobilization, its elite supporters almost always violently resist and the reformist government is likely to be replaced. If it negotiates reform with the groups that would be prejudiced, the reform is usually ineffective. For this reason, agrarian reform is most likely to take place following revolutionary struggles in which the rural poor have been mobilized. Meaningful reforms have also sometimes followed military occupation by a foreign power, acquisition of independence from a colonial power and occasionally military coups where the new rulers are grasping for a broad social base. They are seldom negotiated through more democratic political processes.

This definition of agrarian reform is so broad that it includes any significant increase in participation of the rural poor. In order to focus the discussion, I will concentrate here on land reform; the broader issues of empowerment of the poor are taken up in later in *An End to Hunger*, in the chapter dealing with popular participation.

Land reform means land to the tiller—the redistribution of the rights associated with landownership in favour of those physically cultivating it, at the expense of

landlords, speculators and other landholders. The beneficiaries are precisely those groups with the most inadequate access to food.

The social reasons for recommending land reform are obvious. By controlling land, poor rural cultivators can improve their livelihoods from self-provisioning and often also have a surplus for sale. They can avoid the ills of paying exploitive rents and shares. If they are rural workers, they can escape the customary mechanisms used to extract forced labour or having to accept what are practically nominal wages as an alternative to starving. Those who are serfs, bonded labourers or servants become independent citizens with equal rights and greater self-respect. Reform breaks the monopoly of power in rural areas of landowning elites. Ethnic and caste divisions are diminished by eliminating the rural elite's economic base. The state is less beholden to traditional landlords and can proceed more easily with its modernization projects. Feudal social relationships can be replaced.

The economic arguments for land reform are well known. Many studies have shown that output per hectare tends to be higher on smallholdings because of more intensive application of family labour. Traditional landlords are often parasitic, collecting their rents but contributing little or no entrepreneurial talent or capital. By distributing land and income more widely, an internal market for goods and services is stimulated. Land reform thus promotes peasant-based articulated development. Individual incentives to increase production are improved by linking them directly with each producer's performance. Moreover, productive investment in infrastructure using voluntary peasant labour is facilitated when they are themselves the direct beneficiaries.

The administrative reasons are also compelling. If administrative and technical cadres are among the scarcest resources in underdeveloped countries, they can be economized by making each rural family responsible for its own production and livelihood. The need for expensive and administratively demanding food subsidies, rationing programmes and the like can be minimized. Technical assistance, credit and marketing may become more complicated by serving many smallholders instead of a few large ones, but cooperative arrangements can take care of this. The state can concentrate its scarce administrative resources on its development priorities.

The real world is a complex place, however. None of these arguments are valid in all places at all times. Opponents of reform can always cite instances to the contrary. Sometimes small cultivators become worse off without clientelistic protection from their patron. In heavily populated land-scarce regions, a more equal division of land may leave the poorest strata only very marginally better off. Rural elites sometimes played a progressive role in investment and innovation. They may be more efficient than the state in extracting a surplus from the peasantry and getting it to market, even if they leave the actual cultivators with little to eat. Sometimes there are economies of scale that are taken advantage of in larger production units. State farms and cooperatives often performed as badly as the large private holdings they replaced. In not a few cases, beneficiaries became clients, sharecroppers or simply employees of a state bureaucracy that was no more solicitous of their interests than their former landlords.

In reality, these arguments for and against land reforms had little influence on what actually happened. In any event, they are misplaced as they attempt to evaluate an ongoing historical process in static terms. More instructive is to take a look at how a few major land reforms occurred and the changes that accompanied them.

### ***Bi-modal structures***

The need for land reform in order to improve access to food by the rural poor is most glaringly obvious when a few owners of large estates control nearly all good agricultural land. In these situations, there are no real competitive markets for land or labour. Land, together with the control of rural labour, is transferred among landowners at negotiated prices but is available to others only at much higher rates. Rural families living on estates may be allowed to cultivate small plots for partial self-provisioning, or as sharecroppers, but they are obligated to provide their own and their family's labour power for the landowner when required at only nominal wages.

The state is either controlled by the large landlords or at least dependent on them. Owners of large estates—whether nationals or foreign investors—are dominant in local and national power structures. This quasi-feudal situation prevailed in Latin America following European conquest and continues even in the 1980s (Barraclough 1973). It also characterizes the situation in other regions where bi-modal agrarian structures are dominant.

Pressures for land reform in these countries have been widespread and frequently violent. They appeared when expansion of commercial agriculture led to deterioration in the traditional entitlements of workers and peasants and the emergence of new non-agricultural social classes.

These pressures have originated in two different, and usually antagonistic and unequal, sectors within society. On the one hand, there are the peasants and landless workers who are victims of the system, particularly when they are unable to escape and improve their livelihoods by migration. On the other hand, new entrepreneurial, professional and commercial groups in society, mostly urban-based, may also attempt to wrest power from estate owners. They may even sometimes mobilize groups of rural poor to support them in achieving their objectives. The landowning oligarchy then defends its prerogatives. Land reforms have frequently emerged from such power struggles although the landless in such circumstances have seldom achieved lasting influence or material benefits.

In most of Latin America, traditional extensive haciendas have been replaced by modern capital-intensive agro-industrial enterprises run according to capitalist business profit maximization norms. Agrarian structures have remained bi-modal, however. The peasants and rural landless continue in a subordinate position. Land reforms, where they occurred, were mechanisms of change but not toward significantly greater long-term food security and participation in decision making for most of the rural poor. Upward mobility for the Latin American peasant has been most frequently through escape to the cities or abroad and not by climbing the agricultural ladder from worker to tenant to commercial farmer.

### ***Mexico***

The first twentieth century Latin American land reform took place in Mexico following the 1910 revolution. This revolution began primarily as an urban middle-class protest against the benefits of rapid modernization and foreign investment being monopolized by the dictator Porfirio Diaz's ruling clique. Ensuing instability permitted rural leaders to mobilize dispossessed peasants who had lost traditional rights to their lands, and also workers on the estates. Their demands for return of lost lands, lower rents, better wages and working conditions and greater human dignity led to armed conflicts. The Diaz government was quickly overthrown, but a period of civil war ensued leading to various



shifting alliances between peasant and urban revolutionary groups with divergent interests and objectives.<sup>4</sup>

The 1917 constitution proclaimed the supremacy of the state, representing the public interest over private property. It established the legitimacy of state promotion of more equal distribution of wealth and the development of peasant agriculture. This was largely a concession to the demands of the peasant revolutionary forces.

Some land reform was carried out in regions dominated by peasant armies before the first agrarian reform law of 1922. Massive land reform did not take place, however, until General Cárdenas pacified the country after creating a populist-nationalist coalition based on a partially mobilized peasantry, urban workers and some middle strata. About two-fifths of the country's arable land was expropriated between 1934 and 1940, benefiting nearly half the rural population. The land was distributed to tenants, workers and peasants in communally held *ejidos*; it was collectively owned but cultivated in family-worked parcels, although a few collectively worked *ejidos* also emerged. The government provided credit, technical assistance, marketing and other services while at the same time continuing to support medium-sized commercial farms.

This populist coalition arose during the Great Depression when there was little demand for Mexican exports and foreign investors were not inclined to expand their activities in the country as profits were low. The Second World War increased demand for Mexican minerals, coffee, cotton, etc. In the postwar world, profits from exports, industrial investments and tourism grew rapidly during the long period of world economic expansion, attracting sizeable foreign investments. Not coincidentally, the populist coalition of the 1930s disintegrated after 1940. Mexican development strategy changed course and land reform received a much lower priority. The state now depended on larger commercial farmers to increase production for export, to supply agro-industries and meet growing higher-income urban demands for livestock products and other high-value foods.

The state continued to depend on peasant producers, however, for most maize, beans and other low-price staples consumed by the poor. Its agrarian bureaucracy—originally established to aid land reform beneficiaries to become independent producers—was gradually converted into an instrument for extracting basic foods at low prices from the peasantry. Peasant leaders were co-opted. When they resisted, they were eliminated. Credit, technical assistance, etc. became instruments for controlling a fragmented peasant population. New investments in irrigation and other infrastructure overwhelmingly favoured private farmers. Rural poverty persisted and sometimes grew worse in much of the country after 1940.

Many observers have concluded that the agrarian reform was a failure. One must ask—a failure for whom? The land reform has to be placed in historical perspective. The peasantry at the time of the revolution constituted the vast majority of the population. By receiving access to land, it was able to maintain its livelihood (however poorly) in the countryside during half a century while Mexico became a middle-income industrial power. Peasant producers supplied Mexico with most of its basic food needs as well as a continuous reserve of cheap labour. Despite a quadrupling in the country's population and a doubling in the rural population between 1910 and 1970, the proportion of rural residents who were landless decreased from two-thirds to one-third. Without land reform,

---

<sup>4</sup> The literature on the Mexican land reform is immense. See particularly Reyes Osorio et al. 1974; Womak 1969 and Wolf 1970.

one can reasonably imagine that the situation in Mexico would have been as conflictive and repressive as it was in neighbouring Guatemala, El Salvador, Honduras and Nicaragua.

The role of land reform in the country's early industrialization was in some ways comparable to that of massive emigration to the colonies and the Speenhamland poor relief system in late eighteenth century England in sustaining livelihoods of the rural poor during a period when their traditional sources of livelihood were disintegrating. One can imagine a development strategy after 1940 that would have been conducive to much more equitable and self-reliant growth in which the peasantry played a greater autonomous role, such as was beginning to take place in the 1930s. Judged by this utopian norm, the reform largely failed. When judged by what probably would have happened without it, however, it was successful in stimulating development, diminishing social conflict and improving food security. More importantly, successive governments after 1910 had little political opportunity for adopting alternative land reform policies to those they actually did, given the nature of the internal social forces and external environment with which they had to contend.

The reason for discussing the Mexican experience in such detail is that it brings out clearly many problems likely to confront a state that "decides" to implement land reform. Above all, reform is not usually a policy option, but rather an ongoing social process resulting from the interaction of contending social forces.

### *Bolivia*<sup>5</sup>

Land reform in Bolivia following the 1952 revolution was in many ways similar to Mexico. Middle-class urban groups forged alliances with workers in the mines and a partially mobilized Indian peasantry, during their struggle to overthrow a government controlled by a few large landowning families and wealthy mining interests. Nearly half the peasant population who had been tenants and workers in the haciendas received rights to at least small parcels of land. The Indians were recognized as full citizens with formal rights to vote, to basic education and to their communal lands. These were no small accomplishments.

Peasant organizations, however, were subsequently infiltrated, co-opted and repressed. Most investments benefited large landowners in frontier regions, urban-based agro-industrialists, mining interests (that had been largely nationalized by the state) and the urban population generally. While peasants produced most of the nation's food, they continued to have little influence over state development policies. Spanish-speaking *mestizos* and elites were often able to manipulate the reform for their own benefit at the cost of indigenous communities. After the initial benefits from greater security of tenure and abolition of many feudal levies and restrictions, incomes and access to adequate food failed to increase further for most of the rural population. A new bi-modal agrarian structure was quickly consolidated. The expanding world market for Bolivia's mineral exports and the availability of food aid to meet urban food deficits made it unnecessary for post-revolutionary governments to stimulate peasant food production in order to survive.

### *Guatemala*

In Guatemala, basic reforms extending legal and political rights to Indians were adopted when the Ubico dictatorship was overthrown in 1944 (Barraclough and Scott 1987).

---

<sup>5</sup> See Calderón and Dandier 1986.

Before then, Indian communities were required to provide forced labour for plantations producing export crops and for infrastructure. In 1952, the democratically elected Árbenz administration promulgated a land reform law. Land from publicly held and private large estates was redistributed to peasant smallholders in family sized parcels. Large owners were compensated on the basis of their (usually greatly undervalued) tax returns. Lands expropriated included some of those held by the US-based United Fruit Company. About 40 per cent of the rural population received land. There was little violence or corruption. Food production increased rapidly.

Nonetheless, the reform was annulled by a US-supported military coup after only 18 months. Beneficiaries were dispossessed of their lands, which were returned to the former owners. A period of military repression of the peasantry commenced that has still not ended. In the 1980s a few large holdings (3 per cent of the total) controlled two-thirds of the agricultural land, while nearly 90 per cent of the peasants, almost all of whom were Indians, were landless.

Land reform should obviously be a high priority for increasing food security in rural Guatemala. The possibility of achieving it depends on profound political changes taking place first. The “elected” president in 1986 publicly acknowledged that it was not then a political option.

### *Venezuela*

Land reform in Venezuela in the early 1960s was negotiated by a democratic government that—like the Arévalo and Árbenz administrations in Guatemala—had replaced a military dictatorship (Barraclough 1969). Peasant unions played an important role in pressing for reform. One-quarter of landless rural families received access to about 10 per cent of the country’s agricultural land. Half of these were taken from state holdings and half from large private owners. The latter were paid liberal (some say excessive) compensation, made possible by state revenues from petroleum exports. They sometimes even organized peasant strikes on their estates in order to have them expropriated and to receive better-than-market prices for their land. This muted opposition. The state was also able to afford relatively lavish credit, infrastructure and technical assistance for beneficiaries. Even so, many later abandoned their lands to work in higher paying urban occupations created by the rapidly expanding petroleum-based economy. Food security for those receiving access to land improved, but the impact of land reform was dwarfed by the oil boom.

### *Cuba*

Land reform in Cuba after the 1959 revolution was the most drastic in Latin America (MacEwan 1982). Along with improved access to food and social services by the poor, land reform was essential for the new government to achieve mass support. Over three-fourths of the country’s agricultural lands were soon expropriated. The reform took place in two stages. First the largest foreign and domestic owners were expropriated and, after the United States sugar embargo, all US-owned holdings. Later medium-sized owners of more than 67 hectares were also taken over. Smallholders constituted a minority of the agricultural population even after their numbers were tripled by the first agrarian reform. Most of the agricultural workforce consisted of part-time or full-time workers on the large sugar plantations. Smallholders were assured title to their lands and were assisted in organizing producers’ cooperatives although they were not forced into these. Marketing was taken over by the state. In one way or another, the whole rural population was affected by the land reform. By 1964 two-thirds of all cultivated land was in state farms.

There was little pressure from workers on the large estates to subdivide them as they were primarily industrial workers, not peasant farmers. There have been problems in increasing food production and agricultural production in general. Nonetheless, overall agricultural output increased by 3 per cent annually from the mid-1960s to the mid-1980s, about the same as for other middle-income developing countries. Meanwhile, the nutrition and health of the rural population improved very rapidly. Land reform was an important component of the revolutionary government's development strategy. It was an integral part of the whole revolutionary process as it evolved in response to internal and external pressures and not a discrete policy based on limited social objectives. Cuba's bi-modal agrarian structure was transformed.

### *Chile*

Electoral politics was the main mechanism pushing land reform in Chile from a timid beginning to a radical climax implying major modifications in agrarian structure (Barraclough and Fernandez 1974; Lehman 1983). Competition among parties for peasant and farm worker votes in a democratic context provided the dynamics of the reform process. There was no violent social revolution as in Mexico, Bolivia and Cuba, and no overthrow of a military dictatorship as in Guatemala and Venezuela. Direct peasant and farm worker pressures through strikes and land invasions played an important part but more as an instrument of government policy than a cause of it. As in all countries with repressive agrarian structures, discontent can only express itself openly when controls are relaxed.

Landownership was as concentrated, and the hacienda system as paternalistic and authoritarian, as in other Latin American countries. In Chile, however, it was already beginning to disintegrate rapidly under modern economic pressures. Electoral competition offered a viable route to socioeconomic change and social mobility for those discontented urban middle strata that were most able to challenge old social order. Some of them sought electoral support from the peasants.

The first land reform law enacted by the conservative Alessandri administration in 1962 was primarily motivated by the US government's decision to launch the Alliance for Progress and to link increases in aid to reform. The government also realized that the outcome of forthcoming presidential elections was highly uncertain. The rapidly growing Christian Democratic Party and the coalition of Socialists, Communists and other leftist groups had both promised radical land reform. The outcome of a close election might very well depend on the newly enfranchised peasant population whose votes estate owners, as a result of reforms in voting procedures, could no longer control. Also, economic conditions were changing rapidly in the countryside making medium-sized capital-intensive farm enterprises more profitable than traditional large haciendas with their big permanent labour force of tenants and workers whose labour was mobilized through patron-client relationships and quasi-feudal obligations. The 1962 law permitted expropriation of these "poorly worked" large estates. Owners received compensation at market value, although partly in bonds.

The Christian Democrats won the next elections with the support of the Conservatives prodded by the United States fearing a Socialist victory. Legislation was adopted in 1967, permitting expropriation of all estates whose potential output was more than from 80 hectares of first-class irrigated land near the capital. Beneficiaries could receive land in family-sized parcels or cooperatively, although initially the expropriated

estates were co-managed by their workers with the state to take advantage of other economies of scale.

Parallel legislation was enacted facilitating organization of peasant and rural worker unions. Rural minimum wages were raised so as to be theoretically equal to urban rates. Significant progress in land reform was made, but only one-fifth of the intended 100,000 beneficiaries actually received access to land. The Frei administration's support groups had other more pressing priorities and the overall development strategy was only in part popular-based.

The Popular Unity leftist coalition that elected Allende in 1970 owed some of its increased support to its promise to accelerate land reform and other programmes to improve the lot of the rural poor. It implemented the existing land reform legislation vigorously with considerable support from peasant and farm worker unions. Within less than two years it expropriated nearly all the remaining large private estates. Some 75,000 families benefited—although these still only constituted about 12 per cent of the total agricultural labour force. A few state farms were attempted, but for the most part land was assigned to groups of beneficiaries. Only permanent workers on the estates and a few nearby smallholders actually received full membership rights in the new land reform centres. Beneficiaries expanded production on family worked plots, often using resources provided by the state for the cooperative enterprises. As in the previous administration, compensation to estate owners was based on tax declared values and paid mostly in long-term bonds. Owners could usually retain up to 40 hectares of first-class land.

The 1973 military coup was in part provoked by the land reform, although there were many other factors. Some expropriated land was returned to former owners and many beneficiaries later had to sell up. Peasant organizations and rural workers' unions were tightly controlled or suppressed.

Notwithstanding this counter-reform, a decade of land reform, together with greatly accelerated private sub-division of large estates, has profoundly modified Chile's bi-modal structure. The very large estates have practically disappeared (from 55 per cent to only 6 per cent of arable area) and smallholders hold over one-third of the land, in contrast to only one-tenth a decade earlier. The permanent resident workforce on commercial farms has been replaced by workers living off the farms. Land and labour have become market commodities. Rural poverty was still widespread in the 1980s, but less so than before. As seen in another chapter<sup>6</sup> of *An End to Hunger*, agricultural exports prospered and commercial farmers became extremely sensitive to price incentives in shifting their production priorities. This was in no small measure due to the structural changes accompanying land reform. Democratic land reform in Chile has led to enduring changes in agrarian structure, possibly as significant as those following the violent revolutions in Bolivia and Mexico.

### *Brazil, Colombia and Ecuador*

Nearly every Latin American government enacted at least token agrarian reform legislation during the 1960s under the Alliance for Progress<sup>7</sup> (Barraclough 1969). This was due principally to the carrot of increased foreign aid and the fear that revolutionary movements would gain popular support as they had in Cuba. For the most part these land reform laws

<sup>6</sup> Chapter 6—National Policies to Stimulate Food Production.

<sup>7</sup> A programme, initiated in 1961 by then US President John F. Kennedy, aimed at establishing economic cooperation between the United States and Latin America.

were ineffective. Typically, reform consisted of costly colonization projects, usually on state lands. There is no space to examine all these experiences in detail.

An incipient peasant movement in northeast Brazil was violently repressed following the military coup in 1964. Brazil's agricultural modernization led by commercial farmers proceeded very rapidly, however, with increased marginalization of the peasantry. Attempts at land reform were frustrated. Brazil still has one of the most *latifundia*-dominated agrarian structures and associated widespread rural poverty anywhere in the region.

In Colombia peasant mobilization was encouraged briefly by a reformist administration and there were numerous land invasions resulting in limited local reforms. Rural violence in Colombia has been endemic since the 1930s. This did more to accelerate migration than to modify landownership. Overall, land reform did not much affect the rapid process of commercial farm modernization, although the threat of reform certainly helped to stimulate large farmers to expel tenant labourers, increase mechanization and subdivide large estates.

In Ecuador large estate owners, who were extremely influential in government, decided that their best insurance for the future was to grant small parcels of land to their resident labourers. The land was usually of poor quality on the outskirts of their holdings, while they modernized operations on the richer valley lands. Peasants received larger parcels of land for dairy farming that turned some of them into family-sized commercial farmers. A rapidly growing economy based on new found petroleum reserves helped make this process feasible.

### *Peru*

Agrarian problems were perhaps most difficult in Peru (Kay 1983). As in Bolivia, most peasants and farm workers were Indians who had been severely repressed and exploited since the Spanish conquest. The growth of commercial export agriculture since the late nineteenth century had resulted in the consolidation of large coastal plantations producing mostly sugar, cotton, rice and citrus. There were also a few new haciendas in the sierra producing wool for export, as well as the traditional livestock-grain haciendas. But on the whole the hacienda system was already decaying. Peasants often lost access to their traditional lands when commercial agriculture expanded. Plantation workers frequently laboured under quasi-feudal arrangements, but the dominant tendency was toward an emerging low-wage rural proletariat.

The rural population grew rapidly in many poor regions of the sierra in spite of migration. Indian communities were becoming increasingly pressed for cropland and pasture. The pre-conquest integration of highland agriculture with the coast and jungle became almost completely disarticulated. Peasant and worker discontent was frequently expressed in strikes on the coastal plantations. In the sierra and on the Amazon slopes, land invasions and strikes became widespread in the 1950s. These protest movements were met by military and police repression. By the 1960s, the army was engaged in numerous pacification operations against peasant guerrillas.

Land reform in Peru was the direct result of a military coup. The landowning oligarchy had controlled the state since independence and had depended on the army to discipline unruly peasants, workers and middle-class groups. However, it had been losing its economic predominance ever since the 1920s. Rapid urbanization together with expansion of mining interests, agro-industries, fishmeal exports and new import-substituting industries were all developing in cooperation with transnational investors.

The landowners had to share power with these new urban-based groups, as had happened throughout Latin America. Many landowning families diversified into these new activities. But the majority of estate owners in the sierra remained relatively isolated from the rapid modernization taking place on the coast.

Army officers were now frequently recruited from the urban middle classes. Few had direct links with the old oligarchy. Some were of mixed Indian-Spanish ancestry and resented racial discrimination by the creole rural aristocracy. Training in counter-insurgency by the United States further spread modernization ideals among army officers as well as a greater appreciation of the social origins of the peasant insurgency they were confronting.

In 1962, the army took over the government to nullify the election to the presidency of the populist, Haya de la Torre. The following year it expropriated the large estate owners in the remote La Convención Valley, which was particularly affected by militant peasant strikes. This area on the edge of the Amazon jungle produced plantation crops such as coffee, tea and cocoa. The estates were worked by labour tenants (*arrendires*) who were obliged to work for the owners throughout the year for a nominal wage (about 2 US cents per day in 1962). These workers had developed small crop and livestock operations on the hillsides allotted to them in lieu of wages. Their lands were worked by sub-tenants who were Indian families they had recruited from the highlands under similar quasi-feudal arrangements. The *arrendires* usually fulfilled their own labour obligations to landlords by sending members of sub-tenant families. Under these circumstances, a strike by tenants and sub-tenants was devastating as there were no alternative local sources of labour. Moreover, as most landlords were absentee, they had little control except by calling on the police and army. In 1960 and 1961, several scores of peasants were killed by the armed forces.

The 1963 military government's land reform in La Convención left most estate owners with the fertile valley lands. The tenants were awarded the lower slopes in 5- to 30-hectare parcels. Many subtenants received 1- or 2-hectare plots of poorer land that they had been cultivating. Peasant unrest receded immediately. The reform did little for the sub-sub-tenants and landless workers, who were in the majority, except to lead to slightly better wages. Small wonder, then, that already by 1970 the former sub-tenants, sub-sub-tenants and workers were again organizing unions and threatening strikes, this time against the former tenant land reform beneficiaries as well as the remaining larger owners.

A return to civilian rule in Peru in 1964 failed to resolve the country's difficulties or to diminish peasant unrest. Like its predecessors, the civilian government concentrated on traditional mining, fisheries and agro-exports import substitution industrialization and an ambitious programme of road construction to open the sparsely inhabited Amazon region to commercial exploitation. Faced with near paralysis of policy making because of factional conflicts, the army took over again in 1968. It announced a nationalist development programme and radical land reform.

The land reform permitted expropriation of practically all the country's large estates. The relatively prosperous sugar plantations on the coast, which were both domestic and foreign owned, were expropriated immediately. Expropriation came later for the rather unprofitable haciendas in the sierra where most of the peasant population was concentrated. Tenants were facilitated in purchasing their lands. Large integrated economic units such as the sugar plantations and modern ranches became worker-managed production cooperatives operated with state assistance. Neighbouring Indian communities benefited in theory by being associated with the cooperatives and sharing in their profits. These were to be used for community improvements such as roads, schools

and health centres. Large landowners were reimbursed with long-term bonds that could be converted into industrial investments.

General Velasco, the new president, explained that the principal objective was to speed up transition to a modern industrial and socially more integrated society similar to the transition Mexico had made earlier. He hoped Peru could accomplish this without a bloody civil war in which over a million Mexicans had died. One had to wonder if it could be done by government decree.

About one-third of Peru's agricultural land was expropriated and 20 per cent of the agricultural population supposedly benefited. Over one-third of the beneficiaries, however, were Indian communities who received little or no land but only the right to share some of the profits of the production cooperatives. There were usually no profits.

Permanent workers on the self-managed sugar cooperatives initially received important economic gains. Labour legislation was better enforced. Sugar production increased implying profits for redistribution among workers. A fall in world sugar prices cancelled many of these gains subsequently. In any event, self-management was largely a myth. State officials really managed the cooperatives.

As elsewhere, the land reform speeded up transformation toward an agrarian structure dominated by the state and medium-sized commercial farmers. Access to land by the peasantry also increased, but not for most peasants. Output of export crops increased until terms of trade deteriorated in the 1970s. But food production for internal consumption continued to increase by less than population growth, as it had before the reform, although food production for urban markets did grow more rapidly than that for self-provisioning. Imports of wheat, maize (for poultry feed), milk and vegetable oil therefore increased rapidly as the government continued its cheap food policies to keep urban food prices low. Eventually the country was to be convulsed by its most serious rural uprising in the guerrilla war launched by the Sendero Luminoso with Indian backing in the 1980s.

### *Nicaragua and El Salvador*

The only other two really significant land reforms in Latin America took place in Nicaragua and El Salvador (Barraclough and Scott 1987). In Nicaragua, the confiscation of lands controlled by former President Somoza immediately after the revolution in 1979 resulted in over one-fifth of the country's agricultural area being converted into state-owned enterprises. These expropriated estates were primarily producing export crops and included some of the best land. The government's original intention to create a dominant state farm and production cooperative sector—somewhat like that in Cuba—was later abandoned. This was because the land was in reality much more controlled by medium-sized farmers and small peasant producers than by large agro-industrial enterprises and traditional haciendas. Moreover, deteriorating terms of trade, the war and the US blockade made agro-export production much less profitable. Peasant organizations were also pressing for granting individual titles.

By the end of 1986, state farms had been reduced to 13 per cent and peasant cooperatives controlled a similar area. Between them they employed one-fifth of the agricultural labour force. Larger commercial farms and traditional haciendas held one-fifth of the agricultural land; medium-sized farms (from 35 to 141 hectares) nearly one-third. Small peasants held one-fourth of the land and accounted for half the workforce. The reform had redistributed about half the country's farm lands and provided a similar proportion of farm families with secure access to land. About one-third of these



beneficiaries had merely received titles to the same lands they had already been occupying as squatters in frontier areas before the reform. In terms of scale, the Nicaraguan reform surpassed those in Mexico and Bolivia earlier. Food security for beneficiaries usually improved in spite of the disastrous state of the economy as a whole.

In El Salvador, landownership was much more concentrated in large estates and population pressure much higher. The growth of leftist guerrilla movements with wide peasant support led the United States to provide large-scale military aid to a military junta that took control in 1979. It backed reformist, mostly urban forces in the new government in demanding agrarian reform. In fact the reform law of 1980 was written in large part by US advisors and US pressures were crucial in securing its acceptance by a divided state administration.

Some 400 large owners held one-fourth of the farm land, including most of the best. Another 12,000 medium-sized owners held 55 per cent. These 3 per cent of all farm families held 80 per cent of the land. Nearly 60 per cent of farm families were landless labourers. Another 35 per cent had holdings too small to support themselves, while 5 per cent had family-sized parcels. The land reform provided for immediate expropriation of the large estates of over 500 hectares (leaving owners 150 hectares), granting titles to small tenants with less than seven hectares and for expropriating later all medium-sized estates. The large estates were quickly expropriated and assigned to their workers as members of new production cooperatives. These in effect were operated by the state, were heavily in debt and depended on state credits. Some 45,000 peasant families renting small parcels received titles to land. The 12,000 medium-sized owners controlling over half the land never were expropriated. Their political influence was simply too great for the state to implement this phase of the reform.

The agrarian structure was modified in important ways by this top-down reform engineered from abroad. Workers on the expropriated estates included only 7 per cent of the labour force; they received one-fifth of the country's agricultural land as members of the new cooperatives. The 12 per cent of farm families receiving titles who had been small tenants and sharecroppers got an average of 1.4 hectares each, totalling about one-fourteenth of all farm land. In all, one-fifth of the agricultural population benefited from the reform and one-fourth of the total farm area was affected.

### ***The political dynamics of reform***

None of these Latin American land reforms seems to have been influenced much by the technical arguments concerning the supposed advantages and disadvantages of reform. The main reasons for reform were invariably political. Attempts to defuse peasant unrest, the search for additional political support from the peasantry and the desire to undermine the power of old landowning elites were the main motives.

The United States government's position in respect to land reform in the region was very interesting, if inconsistent. It intervened to reverse the Guatemalan reform when United Fruit Company lands were taken. It supported reform 15 years later in Peru, however, in spite of expropriation of some US investors. It did not intervene in Bolivia except to help the new government with aid. It mildly supported reform in Venezuela. In Cuba, it did everything possible to overthrow Castro. In Chile, it strongly supported the Alessandri and Frei reforms but intervened to help overthrow the Allende government, which was executing the same land reform law. It pushed for reform in El Salvador but opposed it in Nicaragua. It had earlier executed a rather radical reform itself in Puerto Rico that created large state-run proportional profit farms, but sent marines to prevent a

reformist government from gaining power in the Dominican Republic. Obviously land reform itself was of little concern. What mattered was the political orientation of the regime concerned.

These experiences in Latin America suggest that land reform often contributed to improving access of the rural poor to adequate food. The potential contributions of land reform to development, however, seldom played a major role in their adoption or rejection by governments or in obtaining international support for reform programmes.

### **Asian small cultivator systems**

#### *China*

The Chinese reform, described in chapter 4 of *An End to Hunger*, was the most massive and far-reaching redistribution of rights in land that has ever taken place. It was the culmination of a long and violent revolutionary process and in no sense a result of development policies. The new government in 1949 needed to create a firm political base among the peasantry as rapidly as possible. Mobilizing them to take over land controlled by landlords and rich peasants and to divide it more or less equally among all rural families was seen as necessary for consolidating the revolution and eliminating the local power of those most inclined to oppose the new regime. Reform was also seen as a prerequisite for longer term agricultural and industrial growth with equity. Landlords who lost their lands were not compensated and beneficiaries were not expected to pay for lands they received. The reform seems to have been enthusiastically supported by most beneficiaries, who included the vast majority of the population.

Organization of cooperatives and later work teams, brigades and communes took place, as we saw earlier, almost immediately following the initial reform. This was imposed by the Chinese Communist Party, but with widespread support among an already mobilized peasantry. There were no landlords or rich peasants left to resist. This contrasted with what had happened in the USSR earlier. There, the initial redistribution of land had been less drastic. A decade later, rich peasants accounted for most marketed output. Collectivization was a bureaucratic operation bitterly opposed by much of the peasantry. It was accompanied by enormous violence and serious decreases in output.

Nothing like this happened in China. The Chinese collective agricultural system functioned more or less satisfactorily in terms of increasing food production and meeting social goals for a quarter of a century. Only in the late 1970s were the collectives replaced by the family responsibility system, which has meant an agrarian structure once again based on family operated farm units, but without the landlord-dominated land tenure system that existed before the revolution. There has been no return to the clientelistic small cultivator system that existed before land reform.

#### *Japan*

In Japan, land reform began with the Meiji Restoration and the introduction of Western-type private landownership in the 1870s (Dore 1959; Huizer 1980). Feudal landlords, *daimios*, lost their lands—although they were well compensated. A new class of village landlords and commercial farmers emerged. Taxes on agricultural land were used to help finance industrialization. The tax system, however, made it easier for village landlords than for small peasant proprietors to accumulate land and invest in agricultural improvements. These larger landowners controlled nearly half the agricultural land and

were dominant in the countryside until the Second World War. They played a leading role in Japan's agricultural modernization.

Rapid industrialization increased employment opportunities, as did agricultural growth. This gradually improved the bargaining position of tenants and farm workers. Peasant unions and cooperatives proliferated as did rural conflicts. Land reform began to be seen as a possible remedy. During the Second World War, the government had to intervene in order to settle many disputes between tenants and landlords. Government intervention was primarily motivated by the need to feed the cities and maintain the war effort. But it meant that landlord interests were frequently sacrificed, and by 1945 the landlords had lost much of their dominant economic and political power.

After Japan's defeat, the US occupation forces encouraged the revival of peasant union activity and the adoption of land reform legislation. In 1946, laws were adopted limiting to one hectare the amount of land that could be rented out by an owner and limiting the size of holdings to about three hectares in densely populated irrigated regions. Two-fifths of the country's land was redistributed to 4.5 million tenants (over half the agricultural population at the time). The law was administered by local committees in which landlords and peasant owners had minority representation while tenant cultivators constituted 50 per cent. Landlords were compensated at market values in bonds, the real value of which was soon reduced by inflation.

There was little violence. Agricultural production increased rapidly although it is impossible to disentangle the effects of return to a peacetime economy and those of reform. With rapid industrial growth, the agricultural labour force decreased from one-third in the 1950s to only one-tenth of the total labour force in the 1980s. Part-time farming became widespread among peasant farmers, enabling others to rent or purchase additional land from neighbours with other jobs.

### *Korea and Taiwan*

Important land reforms also took place in the former Japanese colonies of Korea and Taiwan after the Second World War. As in Japan, they were preceded by a long history of agrarian conflict and peasant organization before the 1940s. In South Korea and Taiwan, the land reforms were also pushed by the United States occupation forces.

In the Korean peninsula, Japanese colonists and investors had controlled substantial farming areas. In North Korea, a communist government after the war implemented a land reform similar to that in China. In the south, the Syngman Rhee government shared power with the US occupation forces. Both were alarmed by growing peasant unrest and the influence of groups sympathetic to the communist government in the north. Initially, in 1948, former Japanese holdings were redistributed to tenants. Subsequently, land reform legislation pushed by the US practically eliminated tenancy. Landholdings of more than three hectares were expropriated and redistributed. Landlords received compensation in bonds but these amounted to only a fraction of what they considered to be the value of their land.

In South Korea, land was distributed to individual cultivators, as in Japan. There was no attempt to organize production cooperatives as in the north, but cooperative and state institutions were established to facilitate credit and marketing. One should note that neither the Syngman Rhee government nor the occupation forces were dependent on landlords or rich peasants as important support groups. There was an implicit alliance between an urban-based bourgeoisie, the state, and medium and small peasants. The

reform helped establish the basis for rapid industrialization with greater equity than would have otherwise occurred (Adelman and Robinson 1978; Lee 1979).

In Taiwan, a similar process took place. The Japanese had forced Taiwanese landlords to produce cheap rice for the homeland and had distributed some of their land to tenants. Large investments were made in irrigation and in rural education, health and technical assistance. New varieties and farming methods were introduced and some industrialization had taken place (Apthorpe 1977; Huizer 1980). With Japan's defeat and the occupation of Taiwan by the United States, these colonial structures were maintained. In 1949, the Nationalist Chinese government and army arrived from the mainland. They had no ties with Taiwanese landlords and many blamed lack of land reform in mainland China for their defeat by communist forces. Land reform therefore became a high priority. Like the Japanese before them, the Nationalist Chinese wanted to prevent the emergence of a wealthy rural bourgeoisie that might become a focus of Taiwanese nationalist aspirations.

Maximum rents for tenants were reduced to 37.5 per cent of the harvest. Farm tenancy commissions on which tenants comprised half the members were established to settle disputes. Former Japanese lands and publicly held properties (about one-fifth of all agricultural land) were sold to tenants. After 1953, all lands above about three hectares of paddy (or twice as much of dry land) were expropriated and resold to tenants at favourable prices tied to the price of rice. Former owners were reimbursed in bonds and stocks in government industrial enterprises. About half all agricultural families benefited. By 1956, small farm owners made up two-thirds of the rural population, tenant farmers less than one-fifth and landless workers less than 5 per cent. Differences in farm size were restricted to a narrow range of between 0.5 and 3 hectares.

The highly equal distribution of agricultural land in Japan, the Koreas (both north and south) and Taiwan and the high level of organization of peasant farmers had important implications for food security during subsequent rapid economic growth in these countries.<sup>8</sup> Rural poverty was minimized. Peasant farmers had considerable political influence and secured important government assistance as well as protection from foreign competition. Their agricultural output grew rapidly. This was not surprising for Japan which was already an advanced industrialized country. South Korea and Taiwan, however, were least developed countries in the 1950s, in present-day terminology. South Korea was highly dependent on food aid from the United States. The state initially purchased compulsory rice quotas from farmers at below market prices, but above quota prices were kept much more attractive in order to stimulate investment and output. After the 1960s, wheat and rice producer prices were kept twice as high as border prices (World Bank 1986).

### *India and Bangladesh*

Land reform in India and Bangladesh (East Pakistan) following independence consisted primarily of abolishing the *zamindar* system. The zamindars were originally tax collectors of the Moguls, but under British rule they became large landlords with permanent rights to the land as long as they delivered taxes on schedule. They had no entrepreneurial functions and were perceived as a parasitic class. After 1947 they received compensation and were allowed to keep substantial properties for personal use. Their direct tenants, many of them also large landlords, became the new owners. Complex layers of

---

<sup>8</sup> For North Korea, see Barkin 1986.

subtenancies and sharecropping below this first level were not affected by the reforms. Other tenure systems affecting over half the agricultural land in India and nearly all in West Pakistan were not changed.

Further agrarian reform in India varied in the different states. A major objective was to encourage unproductive landlords to take up direct cultivation. Its effectiveness in dealing with the rural poor varied considerably. In most states, landed elites were able to block effective change. In some areas, the situation of landless groups deteriorated as tenancies were rotated more frequently and sharecroppers displaced from the land as owners took up direct production to avoid expropriation.

In West Bengal, new agrarian reform legislation was introduced in 1953 (Ghose 1983). Landholders, however, took advantage of loopholes to frustrate its basic goals. A revamped agrarian reform programme, centred on land redistribution, protection of sharecroppers' rights, credit facilities for poor cultivators, minimum wage legislation and rural public work schemes was introduced by a Marxist state government after 1977. The process of implementation was greatly enhanced by the involvement of the elected village bodies in which small owner-cultivators were heavily represented. Sharecroppers and landless labourers, however, had little representation.

Despite significant initial achievements, the programme faced serious objective constraints. There was little land available for redistribution to an estimated 4.3 million landless households. Only 11 per cent of the land was owned by households with more than 5 hectares. Nearly four years after the programme began, only 6.8 per cent of the sown area had been distributed. The 1.2 million beneficiaries had received about 0.2 hectares each. This suggested that there would have to be a further reduction in already low land ceilings for effective reform.<sup>9</sup> It also suggested a very high priority should be given to creating non-agricultural employment.

Serious land reform was also attempted in the state of Kerala. The Communist Party government introduced an agrarian relations bill in 1959, which fixed land ceilings of from 6 to 10 hectares of paddy per family (depending on family size) and provided that tenants (including sharecroppers) could purchase expropriated land at reasonable prices over a 10-year period. It was essentially a tenancy reform but also implied some redistribution of land. Landlords had to receive fair compensation as this was guaranteed by the federal constitution.

The result was a significant increase in the number of owner-operated small farms. But there was practically no land to distribute to the rural landless whose numbers increased by some 75 per cent between 1951 and 1971. The landless now exceeded the number of small farmers. The overall land tenure structure was only marginally modified. The analysts concluded that: "the scale of poverty is likely to have gone down considerably between 1956/7 and 1972/3, both on account of the redistributive effects of land reform and the relatively high rate of growth of agricultural output during this period; but if the gains of this period have been maintained, it could only have been due to other extraneous factors such as improvement in terms of trade of Kerala and considerable inflow of remittances from migrants" (Raj and Tharakan 1983).

The Kerala experience highlights the difficulty of achieving meaningful reform in a democratic framework and where population density is high. Small owners were mobilized by larger landlords to oppose even the mild reform measure as a threat to

---

<sup>9</sup> Land ceilings varied by type of land and by size of family. A family of up to five members could own five hectares of irrigated or seven hectares of unirrigated land.

private property. Many concessions to landowners had to be made to get the law enacted. Commercial plantations were exempted. The land ceilings were set so high there was almost no surplus land to redistribute. Although there was political support for reform from tenants and the landless, legal and administrative obstacles practically stalled the law's implementation. In the end, rural poverty was more alleviated by the extension of fair price shops, social services and wage and employment protection to rural areas, and by migration, than by rather marginal land reform.

In Bangladesh, the government undertook some land reform following independence from Pakistan in 1972. The ceiling on household landholdings was reduced from 40 to 10 hectares. But this had very little effect. Landlessness continued to increase very rapidly. Medium and large farmers, on the other hand, were able to maintain their position. Bangladesh's development strategy is not peasant based, but rests on the support of rural and urban elites in which larger landowners are strongly represented.

### *Reforms elsewhere in Asia*

Most Asian countries have adopted land reform legislation over the past generation. The political dynamics leading to these laws, and their impacts, were unique to each country but in many ways similar to those just mentioned in Bangladesh and India. Peasant organizations and pressures played little role; reform affected little agricultural land; and few peasants benefited—usually between 1 and 10 per cent of the population.

In the Philippines, agrarian unrest was particularly virulent, produced by growing landlessness and rural poverty (Hosain 1982). Reform did lead to considerable numbers of peasants benefiting, but it had no impact on that country's virtually bi-modal agrarian structure (Feder 1983). In Sri Lanka, land reform took place in 1972 in a context of declining profitability of plantation crop exports and growing discontent among the large educated middle strata. Less than one-tenth of all arable land was involved, however, and rural power structures were not significantly altered. In 1975, the plantation sector was nationalized but this did not imply much change in social relations for their workers or benefit many peasants (Gunasinghe 1982).

Land reforms in Southeast Asia had a more significant impact on agrarian structures than in South Asia. In Indonesia—the largest country in the region—the Peasants Front of Indonesia (BTI), allied with the Communist Party of Indonesia (PKI), made considerable progress during the 1950s in mobilizing peasants and landless rural workers. The Peasants Front of Indonesia demanded tenancy reforms, better wages and working conditions and land redistribution. Its broad support among the peasantry eventually led to President Sukarno's announcement in 1959 that land reform legislation was being prepared. In Java and Madura alone, there were some 8 million farms, half of them less than 0.5 hectares each. Land tenure arrangements were extremely complex. Also, there were some 3 million landless workers. The legislation provided for tenancy reform and increased the proportion of produce sharecroppers could retain from one-third to one-half. It also required the expropriation and redistribution of land in holdings bigger than 5 irrigated hectares. This relatively mild reform was carried out with the active participation of the BTI, which vigorously defended tenants who were being evicted by landlords to avoid having to cede them land. It also mobilized peasants to claim their new legal rights. This made the process highly conflictive. The land reform, and fear of an eventual radicalization of the process under communist leadership, was a principal factor leading to the 1965 military coup and the massacre of several hundred thousand PKI and BTI cadres.

About 300,000 hectares had been redistributed by 1965 affecting 600,000 peasants in Java and other densely populated central islands. This amounted to less than 10 per cent of either the land or the rural population, and land reform became practically a dead issue under military rule after 1965 (Huizer 1980).

Land reform in Viet Nam was a very different affair. In the north, it was a political issue even before the Japanese occupation. Big landowners under French rule occupied half the farming area, including the best lands. They had increased their holdings by usurping communal lands previously held by poor peasants. Landless peasants made up half the rural population. Holdings were very small and fragmented. Most could not produce enough to provide self-provisioning for more than four months of the year. Reform began during initial resistance against the French in the 1930s. Rents and interest rates were reduced in areas occupied by the insurgents. As areas controlled by the resistance increased, peasants were increasingly mobilized. After the Japanese defeat and the return of the French, the struggle became antilandlord as well as anticolonial.

Following the French defeat, in turn, in 1954, land reform in the communist-controlled north was partly patterned on the recent Chinese experience, although agrarian structure was possibly less landlord dominated than it had been in China. By 1957 nearly half North Viet Nam's farmland had been redistributed among three-fourths of its rural population. Average size of holdings was only 0.7 hectares but this was sufficient for subsistence (Nguyen Ngoc Luu 1982).

As in China, this redistribution was followed very speedily by organization into collectively worked cooperatives. Rice production increased and available food supplies were quite equally distributed. By the late 1960s, nine-tenths of the land was worked by cooperatives. In spite of the near complete destruction of industry by United States bombing during the war, use of fertilizers and other modern agricultural inputs increased, thanks mostly to aid from China and the USSR. The cooperatives invested substantial efforts in land improvement, irrigation and other infrastructure. The state took over food marketing.

In the South, a very different story took place. The US sponsored land reform but it failed to generate peasant support. There had not been a prior poor peasant mobilization and expulsion of landlords to neutralize the power of local landholding elites. The result was little land redistributed.

With the end of the war and incorporation of the rice surplus in the south, food security should have improved substantially. It did not. A subsequent war with China in 1979 and the occupation of Cambodia drained scarce resources. Foreign aid diminished. Black market sales and clientelism increased. The government's high priority for large capital-intensive industrial projects could not yield short-term returns and drained resources from peasant agriculture. Inputs and consumer goods became increasingly scarce. State procurement of basic foods actually declined. Imports of food and other basic consumer goods increased from one-tenth to one-third of total imports and terms of trade for peasant food producers became increasingly unfavourable.

In response to these problems, in the late 1970s the state permitted cooperatives to contract part of their output to individual families and family groups. Obligatory rice deliveries were reduced from 50 to about 10 per cent of production (although taxes increased slightly). Above quota sales were increasingly bartered for manufactured goods as inflation and black markets worsened. At the same time, cooperative organization and production in the south steadily increased even while the state's control over food production and marketing diminished. Richer peasants and local party cadres often

coalesced to push for greater economic liberalization while both also saw advantages in creating stronger cooperatives that they could largely control (Utting 1992).

The dominant trend in future may be toward greater reliance on markets and better material incentives, as it has been in China. This begs the question how far markets can be good servants in helping to reach socioeconomic goals, and not masters determining what those goals will be.

Turning for a moment to West Asia, Iran's 1960s top-down reform was very different. It aimed at replacing the country's archaic land tenure system and reducing urban dependence on peasant production. The reform abolished the quasi-feudal land tenure system in which large landlords, including the clergy, held entire villages in bondage. Subsequently, land titles were given to some peasant farmers but many became landless labourers.

Only one-fifth of the rural population received land initially. Tenancy reform later benefited nearly half. Although the majority of the nation's farmers were peasants and they produced most of its food and livestock, the government's credit and investment programmes assisted a small minority of capitalist farmers. Support for the reforms came from the new urban elite, the motivation being to modernize Iranian agriculture rapidly, create opportunities for lucrative investments and contracts, and break the influence of traditional elites.

Capital-intensive farms and agroccorporations, however, provided little additional employment. They accounted for less than one-fifth of all agricultural land in the 1970s. Urban industrial growth was very rapid as a result of investment of petroleum profits in import-substituting, capital-intensive industries using few workers. Income differentials in both rural and urban areas increased sharply. The urban-rural income gap was 4:1. Undernutrition was widespread and increasing among low-income groups, especially in the cities. This situation provided the setting for the 1978 Islamic revolution (Katouzian 1983). What has happened since remains to be analysed.

### *Appraisal of reforms in Asian small cultivator systems*

Land reforms in Asian clientelistic small cultivator agrarian structures all seem to have eventually strengthened the family-operated farming sector, while in Latin America they reinforced the dominance of medium and large capital-intensive farms. Reform in the Philippines was more in line with the Latin American pattern, but so was its original agrarian structure. In the North Korea, collective cultivation was still dominant in the late 1980s, as it was to a lesser extent in Viet Nam, but one wonders for how long. Attempts to impose a Latin American-type bi-modal structure in Iran collapsed. In every Asian case, the immediate objectives of reform were political, not economic or social, as in Latin America. Economic factors seem to have been more crucial, however, in leading to subsequent reforms of collective agricultural systems where these had been adopted. In both China and Viet Nam, these were modified to give individual peasants more responsibility for cultivation.

Where collective systems resulted from revolutionary mobilizations of poor peasants and landless workers in China, Viet Nam and North Korea, food security for these majority rural groups was greatly improved. Moreover, investments of labour in agricultural infrastructure were very significant and agricultural output increased. Improvement of livelihood for the rural poor also accompanied several large-scale non-revolutionary redistributive land reforms implemented with peasant and landless worker



participation. Such reforms in South Korea and Taiwan also provided the rural poor with a reasonably secure livelihood.

Livelihood also improved in several countries where no significant land reform took place, such as Thailand and Malaysia. This is because relatively abundant land was already widely distributed and because of rapid economic growth. In others, such as India and Bangladesh, where landownership was concentrated and there was a high proportion of landless workers, small tenants and sharecroppers, rural poverty failed to diminish with growth as income accrued mostly to the already better-off rural strata.

### ***Land reform in sub-Saharan Africa***

As was seen earlier, land in sub-Saharan Africa has continued to be held predominantly under communal tenure systems with certain exceptions like South Africa. Where white settlers had taken over considerable land, reform following independence consisted primarily in replacing them by African farmers. This has usually not implied major changes in the rest of their colonial agrarian structures. Ethiopia was an exception as we shall see.

### ***Reforms in West Africa***

Following independence in Burkina Faso, Côte d'Ivoire and Senegal, rural land became state property. In practice this meant that customary communal tenure systems were recognized but that the state had the power to override customary rights where this was in the public interest. Like eminent domain in industrialized countries, this right was sometimes abused to the detriment of peasants' food security. The case cited earlier of the state sugar company in Burkina Faso expropriating good river valley land, removing whole villages without adequate compensation, hogging irrigation water and polluting the river to the detriment of others, was an example. In Senegal, urban-based commercial farmers and transnational investors displaced many small market gardeners on the Cape Verde peninsula near Dakar in the name of the national interest. These cases were exceptions and not the rule, however. On the whole, the state has respected customary tenure in all three countries.

For example, when European planters left Côte d'Ivoire before independence, the large concessions reverted in practice to the local kinship groups that had customary rights to these lands, although legally all land now belonged to the state. This reassertion of customary tenure is particularly interesting because it occurred in spite of state policy. The native cocoa and coffee planters who dominated the new government after independence (among the biggest was the president himself) apparently believed customary tenure to be an obstacle to agricultural development. The ruling party proposed legislation aimed at consolidating individually owned land tenure rights on a large scale. This legislation was never promulgated (Ladipo 1989). Opposition of traditional authorities was the reason given for not replacing "obsolete" customary tenure systems.

One suspects another reason was that wealthy African planters discovered customary tenure was no serious obstacle to expanding their production and accumulation. In the 1960s the president had urged his ministers and officials to establish plantations in their home regions (Ladipo 1989). Plausibly, they found that mobilizing kinsmen to grow cocoa and coffee, and supervise immigrant labourers on family lands, was more profitable than any other alternative. To hire them as wage labourers, or expel them and rely entirely on immigrant workers, would have been conflictive and costly. One noteworthy twist to this tale is that, whereas in the 1960s large

palm oil plantations relied almost entirely on wage workers, after 1978 nearly all expansion took place through “village plantations” whereby peasant producers under customary land tenure grew about 4 hectares of African palm each (Ladipo 1989; de Wilde n.d.). Officially this was because the state wanted to help the peasants. It is difficult to explain this change of production strategy, however, if peasant production of African palm oil had not been more economic.

#### *Other experiences in areas of communal tenure*

West Africa indicates the vitality of traditional land tenure systems. In Kenya, where white settler farmers were mostly replaced by native producers whose individual land titles were guaranteed by the state, there has often been a tendency for landless members of their kinship group to demand and obtain cultivation rights on these “private” estates. The same thing has apparently happened on state farms in various African countries (Mafeje 1987). Even in South Africa, customary tenure survives in some measure on the black reserves (the so-called homelands). The output of these peasants has apparently been as good as those who were forced to accept European-type individual freeholds (Moll 1988).

It seems that everywhere in sub-Saharan Africa local kinship groups believe tenaciously that they should be the custodians and beneficiaries of the land their ancestors occupied and they will assert their rights at the first opportunity. What is more, the rapid expansion of cocoa and coffee production in Côte d’Ivoire’s Akan-Est region suggests customary tenure is not incompatible with dynamic commercial farming where the state depends crucially on peasant support. The absence of an entrenched indigenous rural bourgeoisie meant that the state found few obstacles to its dealing directly with small peasant producers.

Nationalization of land after independence took place in a number of other African countries, but has had no more impact on agrarian structures than in the French West African ex-colonies. The new governments of the former Portuguese colonies, for example, proclaimed socialist states. They attempted to operate expropriated white settler estates producing export crops as state farms. Most of the scarce technical and financial resources available for agriculture were concentrated on them. They were not successful. Aggression, civil war, lack of import capacity, poor world markets, inexperienced personnel and bad weather contributed to this unsatisfactory result. So did government inefficiency. There was also frequently passive resistance by peasant workers who believed settler estates should be returned to customary tenure. Meanwhile, traditional peasant agriculture was usually neglected by default or by intent.

Peasants producing cash crops in post-independence African countries continued to be heavily taxed to the benefit of the state and other urban-based interests. The primary means of exploitation, however, was not control of land but rather the control of marketing.

Whether nationalizing land in the name of land reform benefits peasant producers depends, of course, on the nature of the state. In Uganda, a 1975 land reform decree of the Amin regime turned large landlords into lessees of the state in the prosperous Buganda region. Tenants became mere sub-lessees and lost the protection of rent control legislation won from the colonial government in the 1920s. Rents could again be set according to the relative bargaining power of landlords and tenants following “nationalization”. As a result, hard-won earlier gains by tenants disappeared. The same decree also turned peasants under customary tenure into lessees of the state. This opened

the door to rapacious government officials (who were sometimes co-opted chiefs no longer accountable to their people but rather to the state's bureaucratic hierarchy) to extract products and labour from peasants for their own enrichment. In the name of land reform, peasants had to contribute their surplus through forced sales, forced labour, forced land enclosures and forced contributions in kind. Rural social differentiation increased rapidly. The new rural bourgeoisie arose not from market relations under a rule of law, but from the unchecked exercise of centralized power, armed coercion and a complete lack of accountability by officials to the peasantry (Mamdani 1987).

In Kenya, white farmers actually pressed for a large resettlement scheme when independence was imminent in order to assure a market for their lands. They were paid in cash and bonds convertible into foreign currency with the help of the British government. The post-colonial state made a major effort to register land under individual titles, even in areas of customary tenure (80 per cent of the country). A land market soon developed. Many smallholders lost their customary tenure rights and became landless (Ashcroft 1988; Heyer 1981).

In Zimbabwe, there were also ambitious resettlement plans at the time of independence that were later reduced because of high costs and other state priorities. White commercial farmers were encouraged to remain and most have done so. As they controlled half the land, usually the best, resettlement took place mostly on abandoned lands or estates that were willingly sold. In any case, two-thirds of the rural population was concentrated in communal areas of customary tenure. Most of these would not have benefited from resettlement as plans did not envision settling more than 20 per cent of the rural population. The government has devoted considerable effort, however, to improving peasant agriculture on the reserves. Results have apparently been encouraging.

In several countries after independence there were attempts to develop joint farming schemes in which peasants under customary tenure could adapt their farming more easily to the requirements of modern agriculture without being subordinated to large-scale capitalist producers. Results have been variable. Highly capitalized projects using modern machinery and requiring much technical supervision, like the Gezira scheme in the Sudan, usually ran into serious problems when terms of trade turned against African export crops (Barrett 1986). Compulsory membership in production cooperatives in Benin met with widespread peasant resistance (Mensah 1977).

### *Tanzania*

The most notable of these post-independence group farming programmes was that of the Ujamaa villages in Tanzania. The basic idea behind grouping people in new, larger villages was that closer settlements would facilitate provision of medical, educational, water and other services. Following village formation there was to be a step-by-step transformation from a few collective community projects to communally organized production and distribution of income corresponding to each family's contribution to the common good. This transformation was to be voluntary. Customary tenure and other traditional social institutions were seen as the basis for, and not an obstacle to, the creation of a more prosperous and self-reliant society.

Reality proved more intractable. Villagization was frequently forced, not voluntary, the result of a bureaucracy attempting to meet quantitative goals. Soils and water were often poorly assessed and inadequate for village production needs. Farm inputs and consumer goods were in short supply, marketing boards inefficient and producer prices excessively low. This was accentuated by deteriorating international terms of trade. The

ideal of self-reliant Ujamaa villages attracted a great deal of foreign aid. Paradoxically this undermined self-reliance. Food imports increased. Peasant participation in decision making tended to be minimal. The Ujamaa programme did not lead to a dynamic peasant-based style of agricultural growth and complementary industrialization.<sup>10</sup>

### *Ethiopia*

The land system in Ethiopia can best be described as feudal. Land was held by large landlords, including the Coptic Church, under the Emperor. Peasants were burdened by heavy fees and tributes. Following the 1974 revolution, land reform was far reaching and rapid. It benefited most peasant producers by removing feudal obligations and levies. Peasant incomes may have briefly risen by half after decades of decline. Peasant associations were formed throughout the country to distribute land and undertake marketing and service functions. Some expropriated commercial farms were redistributed to individuals and peasant associations. The rest were converted into state farms. A massive literacy campaign was undertaken. The immediate impact of land reform was to improve food security for most of the rural population. Reform of a feudal agrarian structure, of course, had much more to offer peasant producers than attempts to transform communal tenure systems.

Many of these gains were short-lived, however. Peasant associations were increasingly brought under state control. Many became more extensions of state agencies than representatives of peasant interests. Taxes and compulsory sales of products to the state at official prices soon became almost as burdensome as feudal dues had been. State farms received most public investment in agriculture but, while production on these units increased, their costs were so high that there were few net gains for the economy. There was little investment in infrastructure using local labour and resources.

Industry received most new government non-military investment. New industries tended to be capital intensive, import dependent and located in the country's three largest cities. Food stocks were low and concentrated in the cities. Their distribution in times of need was often guided by military priorities and hindered by difficult terrain. No effective system of equitable distribution of basic foods was established to cope with the recurrent serious droughts. Famines became frequent. The initial gains of land reform in terms of greater access to food by the rural poor were soon eroded. Forced resettlement from the north to new villages in the better watered south occasioned many hardships and generated resistance. Many suspected it was a means to weaken resistance of secessionist movements in Eritrea.

In short, land reform in a context of civil war, frequent drought, authoritarian military rule, continued dominance of urban-based elite interests and economic stagnation was only a temporary relief for the peasantry. The land reform may make a more popular-based strategy easier to implement in the future. This depends on peasant associations obtaining much greater influence in the state.<sup>11</sup>

---

<sup>10</sup> The literature is vast. See Kisanaga 1987; Bernstein 1982; Coulson 1986; Ellman 1977; Bryceson 1986; de Wilde n.d.; Ghai and Smith 1987; Ghai and Green 1979.

<sup>11</sup> Abate and Kiros 1983; Cohen and Isaksson 1988; Griffin 1987.

*Agrarian problems in sub-Saharan Africa*

With the exception of feudal Ethiopia, land in most of sub-Saharan Africa has not been appropriated by a landlord class.<sup>12</sup> Capitalist commercial farmers who based their wealth on private ownership of land, exploiting it with the help of cheap indigenous labour, were only important in areas where European settlers had become well entrenched. While customary communal land systems did not imply insecurity of tenure, it did make it difficult for a rural bourgeoisie to develop by monopolizing land at the expense of other members of their clan. Even where population density was high and farming methods intensive, no land market or landed ruling class emerged.

The absence of such a class was fundamentally a political and social phenomenon. The colonial and pre-colonial state (to the extent these social formations can be described as states) did not rest on the support of a propertied rural class. The same was true of the new nation states after independence. In effect there were alliances between the new state leaders, an urban-based bourgeoisie and traditional chiefs. The peasants could hardly even be described as a partner in these alliances although they usually received some minor state patronage.

The central land reform issue in most African countries is how to conserve the social advantages of customary tenure systems while at the same time facilitating their evolution so that they can better meet the new demands placed on peasant farmers resulting from their increasing incorporation into national and international markets. In other words, land reform in this context implies protecting peasant livelihoods from a new rural landowning class, urban-based elites, or the state itself, during the process of market incorporation.

In areas where white settlers established large capitalist farms, land reform implies subordinating them to a popular-based development strategy. Converting them into state farms or cooperatives has frequently proved costly. Turning them over to African entrepreneurs perpetuates local bi-modal structures and rural class polarization. Returning them to customary tenure may not always be feasible. A strong state allied with the peasantry, however, might use progressive taxation and other policies to capture most of their surplus for development purposes while still leaving the commercial farmers sufficient incentives to invest and produce. Workers' unions and effective social legislation would also be required to diminish unacceptable social inequities. This would be a difficult act to put together, but one that post-apartheid South Africa, in particular, may have to tackle.

The state in Africa must become more accountable to its peasant majorities. For this to happen, peasant communities have to organize politically. They will also have to acquire greater capacities to mobilize labour and other local resources for long-term social and economic investments. They have to develop new technologies for increasing productivity and confront markets and other outside institutions on more equal terms. This is no easy task, as the Tanzanian experience demonstrated. It does not mean, however, that the only solution is to adopt Western European small or large capitalist

---

<sup>12</sup> Agrarian structures in North Africa and the Near East evolved very differently from those south of the Sahara. For this reason they were not mentioned in this discussion of African land reforms. Revolutionary reform in Algeria resulted in some 20,000 French settler farms, including over one-fourth of the country's best farm lands, being converted into self-managed units under state tutelage. Some of these later became state farms and others cooperatives. Meanwhile, the country's remaining 650,000 peasant farmers were little affected. Results of reform in Tunisia were even more desultory, while in Morocco there was hardly even a marginal land reform. Reform in Egypt after the 1952 revolution had more lasting impacts in providing peasant farmers with land and modifying agrarian structures. Private ownership of over 50 *feddans* (20 hectares) was eventually prohibited. Peasant cooperatives under state guidance played an important role in production, credit, marketing and input supply (Scott 1982; Radwan and Lee 1979).

farmer systems based on private property in land, or collective and state farm systems like the Soviet Union or China. It would also usually be detrimental to peasant livelihoods for the state to encourage the further intrusion of transnational agro-industrial complexes into the African countryside. Instead, the dialectics of trial and error may lead to uniquely African solutions quite different from those that have proved successful elsewhere.

### ***Land reform as a strategy for improving access to food***

This review of land reform experiences in diverse situations does suggest several tentative conclusions concerning its suitability as a policy instrument to improve food security. It has been highly effective in some situations and much less so in others. Even more than other policies discussed earlier, the possibilities of implementing land reform are determined by broader socioeconomic and political processes because it directly challenges established class relations. This severely circumscribes its use as a policy tool.

Where land reforms have been implemented, they have almost invariably improved access to food. Beneficiaries' rights to use land have improved by definition. Their rents have been reduced in the case of tenancy reform. Where land has been redistributed to the landless, their possibilities for self-provisioning have increased. Where a temporary decrease in food production has occurred, this has usually been due to revolutionary violence, disruption of supplies, etc. Uncertainty has also often led landlords and large producers to reduce investment and evict tenants and workers.

While beneficiaries of land reform tend to increase their effort and output in response, their marketed food output has frequently decreased in the short run. Those who were living at near subsistence levels before reform naturally place a high priority on increasing their own food consumption. If they do not have to deliver part of their output to the landlord or *patrón*, they eat it. This has been well documented in the case of Bolivia where the estate owners had directly marketed almost all food produced by their serfs. After reform, food delivered to the cities fell sharply. As soon as local markets were re-established and consumer goods became available to exchange for food, peasants marketed more of their output and increased production.

The longer term production and distributive impacts of land reform are practically impossible to disentangle from those of the broader processes of which land reform is only a part. In Ethiopia, initial gains of beneficiaries from abolition of feudal levies were soon eroded. On the other hand, reform in China, North and South Korea, Taiwan and Cuba was accompanied by continuous long-term improvement in beneficiaries' production, food consumption and marketed surplus. Where general development strategies have been popular-based, and even in many cases where they have not, marketable agricultural surplus has increased. One can make a good case that to the extent reforms resulted in a significantly better distribution of land, subsequent economic growth was more rapid and more equitable than it would have been otherwise.

The greatest contributions of land reform, however, have often not been economic but social and political. Like the abolition of slavery, they have usually implied greater human dignity and less repressive social systems for people who were previously living in virtual bondage.

In countries where rural poverty is widespread and closely associated with the control of agricultural resources, markets and political power by a landowning class, land reform should clearly be a high priority for progressive governments. The alternative of waiting for economic growth without reform to generate enough employment to raise incomes of the rural landless implies sacrificing the well-being of another generation, and may be illusory

in any case. There is no possibility of the state directly providing sufficient subsidized food and social services to alleviate rural poverty in poor agrarian countries. Land reform becomes the only option for improving rural livelihoods rapidly and substantially.

The problem is that land reform implies a major change in social relations. It cannot normally be a policy option for governments. The state is never a consistently rational, unified and benevolent entity. It depends on the support of dominant social forces. These are often contradictory, but the organized interest groups supporting the state in the Third World and the broader class interests that sanction them almost invariably include the landlords. They seldom include landless peasants. The state cannot be expected to adopt policies benefiting a fragmented and unorganized peasantry at the expense of landlords and other groups on whom it depends for support.

This is why almost all the significant land reforms have followed social revolutions, wars of independence, foreign occupation or military coups with new governments seeking support among the peasantry. Reforms that were negotiated through democratic processes—or imposed by authoritarian governments after negotiating them with their support groups—tended to be of limited scope. A populist government in Sri Lanka could nationalize the large corporately owned export crop estates but could not change agrarian structure very much. Reforms by authoritarian governments in Bangladesh and the Philippines had little impact on landlessness and rural poverty. In Latin America, democratic land reform in Venezuela followed the overthrow of a military dictator. Even so, only a tenth of all farmland held by large estate owners was expropriated. A more radical reform in Guatemala by an elected government replacing a military dictatorship was annulled by a military coup. The same thing happened in Chile. This is not to say that reforms following social revolutions always have greater lasting benefits for the rural poor. Broader socioeconomic and political processes often cancel or greatly reduce many benefits of reform after revolution, as was seen in Mexico, Bolivia and Ethiopia.

The longer-term consequences of land reform for food security depend much more on the previous agrarian structures, the dominant forces determining national development strategy and the external context. Whether the initial reform was democratic, authoritarian or revolutionary, or the ideological banners used to legitimize it, is less important. For example, reforms imposed under military occupation by the United States in South Korea and Taiwan made significant lasting contributions to reducing rural poverty and boosting more equitable growth, even though the motives of the occupying power may have been predominantly counter-revolutionary. The same can be said of land reforms in Eastern Europe under Soviet military occupation where the occupying power supposedly had revolutionary intentions.

In most of these cases there had been some kind of peasant organization and pressure for reform previously. Peasant participation in implementing reform was also significant. And there often followed an alliance of the state with land reform beneficiaries so that policy continued to provide them with the incentives and means to increase production. Overall economic growth oriented to peasant needs had to be substantial. These are necessary conditions for lasting contributions to greater food security after any land reform, regardless of its origins or motivations.

The original agrarian structures in which reforms occur have a crucial influence on the structures that eventually emerge. In Latin America, land reforms have accelerated the break up of large traditional haciendas. Small cultivator farming systems have not usually replaced them, however, as the dominant mode. State policy usually continued to give top priority to modernizing production on larger farm units. This was understandable in

Cuba where most production took place on integrated units with established infrastructure and considerable investments in agricultural machinery, and where the workers were interested in wages and working conditions, not in getting their own parcels of land. The same was true of expropriated sugar plantations in Peru and a few of the estates expropriated in Chile. Nonetheless, in the last two countries, tenant production was very important on many estates, and there were small cultivators and landless clamouring for land of their own. Public investment was primarily dedicated to increasing production on large cooperative units during reform. Following counter-reform, state support was nearly all devoted to medium and large commercial farmers.

This large farm bias is more difficult to explain in Bolivia and even in Nicaragua. In Bolivia, most haciendas were largely cultivated in family plots by tenant workers. There was little use of machinery. Peasant production after reform supplied over three-fourths of the nation's food. Nonetheless, nearly all state investment in agriculture supported large farms and agro-industries. Similarly, in Nicaragua, most food came from small farms although agro-exports were concentrated in medium and large units. Government investment was almost entirely concentrated on the state farms, which accounted for less than one-fifth of total production.

The reasons for this bias throughout Latin America were partly economic and technical. Political and cultural-ideological explanations are also necessary, however. There were no good economic or technical reasons to concentrate public investments on large commercial farms in Bolivia, for example. Political alliances with large landowners and the like are part of the answer. But there must be a deeper explanation for such a general phenomenon. All Latin American governments are staffed by their middle strata. Urban technocrats, politicians and entrepreneurs nearly all saw peasant agriculture as primitive. For them, progress meant large mechanized farm enterprises. No matter what their political ideology was, this developmental ideology was even more powerful and was no less associated with capitalism and liberalism than with marxism and socialism.

The peasants were not usually consulted, but even when they were, many of their leaders too had absorbed the same developmental ideals of large mechanized farms. In the whole society, ideals of progress were based on a vision of a developed Europe (East or West) and the United States. There was little appreciation of the paths travelled in these countries in their "long march" from agrarian to industrial urban societies.

The Cuban solution was to invite everyone to share the wealth more or less equally. This was done through collective institutions such as state farms and universal social services and rationing. This would be much more difficult in poorer, more rural countries with large peasant populations. The Nicaraguan experience suggests that collectivizing agriculture in Latin America is only feasible in special circumstances.

This conclusion has implications for other countries with bi-modal agrarian structures such as South Africa and Zimbabwe. Large commercial farms are not likely to be replaced by small cultivators, no matter whether this is a feasible alternative economically and technically, and could offer many social advantages. There are too many diffuse interests at stake and too many infrastructural rigidities for even a revolutionary state to redistribute land already in productive large units among small cultivators, unless it is merely to reincorporate them in large units again on more equitable terms.

In Asian small cultivator systems, however, land reforms have usually increased the predominance of small family farm units. In China, North Viet Nam and North Korea, large collective units were for a generation the official goal, and they functioned rather



well. Even then family plot production remained very important. Also work teams were often in practice extended families. In Japan, Taiwan and South Korea, small family farms made impressive gains in production. In Thailand, India, Bangladesh and other Asian countries, most food production still comes from small cultivators.

China and, to a lesser extent, Viet Nam have recently introduced family responsibility systems (in effect family farms) in attempts to increase food output now that the initial problems of reducing rural inequities, improving infrastructure and increasing non-farm output have been overcome, in part through collectivization. In these agrarian structures, small cultivator agriculture will apparently remain dominant.

One suspects that deeper structural and cultural heritages play a major role in this vitality of small cultivator systems in Asia even after land reform, collectivization and industrialization. Population densities and types of farming (rice for example) play a part, but cannot be the main explanation.

In sub-Saharan Africa, it has been customary communal tenure systems that have remained dominant even after attempts to “reform” them. The durability of these pre-reform systems has been at least as great as those in Asia and Latin America.

Ethiopia’s feudal system, on the other hand, is an apparent exception. It was much more easily displaced. The reason is not simply that it was not functional for stimulating economic growth or protecting its participants from the negative impacts of capitalist development, but rather the fact that no important social groups gained except for the feudal lords. What will replace it is still unclear, but most likely some combination of smallholder cultivation and larger commercial farms, state or private. The present goal of collective agriculture seems rather utopian when viewed against the country’s realities.

Land reforms are often classified as being radical-socialist (implying revolutionary confiscation of the landowning class, massive peasant mobilization and collective production); liberal reformist (implying more orderly displacement of a landowning class, democratic peasant organizations to provide services, credit and marketing, and individual family owned and cultivated farms); and as technocratic-conservative or junker (implying marginal lands) are only provided for a few peasants and that modernization is accelerated on large privately owned units; the serfs, tenants and landless workers become a true rural proletariat). The evidence presented above suggests that this typology is not very useful for describing reality in most Third World countries. It can be dangerously misleading if it creates the impression that there are particular combinations of processes, policies and institutions associated with socialist, liberal or conservative land reforms. Each reform we have reviewed was part of an ongoing social process and to some extent unique. It would have been impossible to predict its course based on some preconceived typology.

In spite of this diversity and unpredictability, much can be learned by policy makers by examining other experiences. Many questions concerning the implementation of agrarian reform and the kinds of peasant participation require detailed local-level studies. Of course, these have to be placed in their wider context, but comparison of many technical aspects of land reform implementation, such as the organization of production or service cooperatives, will often reveal strikingly similar local-level problems and solutions.

As emphasized several times in this discussion, the impact of land reform on food security has largely depended on national and global processes of which the reform is only a small part. Nonetheless, while a relatively powerless peasantry can have little influence on at least these global processes, peasant mobilization and pressures for change are

usually necessary preconditions for an effective reform to be adopted, and always absolutely crucial for its successful implementation. Where landless workers, tenants and smallholders were well organized, and their leaderships accountable to their members, this facilitated execution of the reform and solution to the many problems that inevitably arose. Where there was little peasant organization or leaders became more accountable to bureaucratic and political hierarchies associated with the state rather than their own members, the reform often faltered.

Finally, the social goals of land reform can probably in some circumstances be achieved with less political difficulty through alternative policies. Progressive taxation, better public services, food subsidies and employment opportunities for the rural poor are often mentioned. These programmes, however, can usually be effective only in countries that are already well along the road to becoming urban industrial societies and where land and labour have already become market commodities. They could possibly work in Chile, not Bolivia; in Egypt or South Africa, not Burkina Faso; in Sri Lanka, not Bangladesh. They require a well-administered state relatively immune from corruption. Because opposition to higher taxes on the rich and income transfers to the poor is likely to be just as intractable as with land reform, mobilization of the poor in the context of a state responsive to lower class demand, is essential. These conditions do not exist in poor agrarian countries, and so such an alternative strategy is seldom a practical possibility.

## **Issues and Dilemmas**

International reports customarily close with recommendations or a plan of action. These are always general enough not to threaten the immediate interests of any powerful group. At the same time, they are sufficiently eloquent but vague about who is to do what and how, that good intentions overshadow obvious operational flaws.

I will resist the temptation in this book to make general recommendations directed at anonymous amorphous targets imagined to be able to influence public policies. Instead, I try very briefly to summarize a few highlights of earlier chapters and bring out some of the principal issues and dilemmas confronting those attempting to alleviate mass poverty by improving food security. Whether a decision maker faces an issue or whether he faces a dilemma does not depend on the question but on the context. Questions which are issues (that might be resolved favourably or unfavourably) in some situations become dilemmas in others. Unfortunately, people confronting the question of food insecurity are in most situations faced with dilemmas; whatever course of action they are able to take may be unlikely to solve the problem.

Many political leaders, faced with messy dilemmas in the real world, nonetheless demand researchers provide them with clear-cut policy guidelines of what they should do to improve food security. The technical requisites for accelerating development in poor countries, while at the same time improving access to food, seem clear. They were recognized by some observers at least as early as the eighteenth century. They were followed by many nineteenth century modernizing states in Northwestern Europe, and much more recently by a few Third World states whose experiences were reviewed above. Any list of desiderata for approaching a social utopia can be made as long as one wants. But if they are to have a wide applicability, they have to be so general that they offer little guidance in specific cases. For what they may be worth, such a list might include the following seven principles.

- The state should provide sufficient protection and assistance for food producers (especially small farmers) and fledgling manufacturers to encourage increased production and technical change, but at the same time, food prices for low-income consumers, and prices of essential inputs, services and consumer goods have to be affordable.
- Where distribution of wealth and income is badly skewed, there have to be redistributive reforms; this frequently implies land reforms.
- Priority has to be given to investments that promote the closely articulated development of agriculture, industry and services; this means major investments in infrastructure, “human resources”, as well as technical improvements.
- Technical progress must be compatible with employment creation, a sustainable environment and competitive exports of some lines of production; capital-intensive high-technology projects should be carefully selected for their longer term strategic importance and high rates of social return while more modest technological change using local skills and resources is promoted elsewhere.
- Government trade, fiscal and other macroeconomic policies should stimulate high rates of domestic savings and investment, monetary stability, full employment and international competitiveness; among many other things, this implies an efficient and progressive tax system.
- There will have to be well-targeted programmes, carried out or encouraged by the state, of direct assistance to groups that still lack enough food in spite of other measures.
- Highly unfavourable relationships with international markets, and with foreign powers more generally, inherited from a colonial or neocolonial past, have to be modified.

These rather trite, and to some extent tautological, desiderata do not help much in practice even when taken seriously by political leaders. Each situation is special.

Most difficult, however, is finding, and helping to create, political conditions that make imperative a popular-based development strategy that places a high priority on improving food security. For this to happen, social forces have to be mobilized and alliances forged that include those groups with precarious access to food. Low-income strata have to become credible social actors and participants.

In practice, the state will never be in a position to pursue all these desirable principles. Within the existing international order, however, there is no credible alternative to the nation state in assuming responsibility for an effective pursuit of genuine food security and development.

### ***Food insecurity as a systemic problem***

Throughout *An End to Hunger*, I have emphasized the systemic nature of mass poverty and hunger. There are no simple causes or remedies. Modernization processes, such as cash crop expansion, exacerbate poverty in some social systems and alleviate it in others. Food aid may increase hunger for some low-income groups and diminish it for others. Local, national and international systems interact—often in unforeseen ways. The experiences reviewed in earlier chapters of the book should be a warning to anyone attempting facile generalizations.

The foregoing analyses of public policies, land reform, popular participation and efforts at regional and international cooperation all suggest that achievement of food security implies profound social transformations. Elimination of hunger accompanying equitable and sustainable growth requires far-reaching changes in social relations, production structures and technologies. Political and economic decisions affecting accumulation, production and consumption have to become responsive to popular needs.

Industrialization and agricultural production have to develop on the basis of enhancing the long-term sustainability of, and more equitable access to, life support systems locally, nationally and for the planet as a whole. Institutional structures have to be modified to pursue these objectives effectively. The terms of insertion of less-developed countries in the world system must become more equitable.

There is little to be gained by speculating about how such a utopia might function, but it is instructive to consider the implications of reaching it. One then becomes more humble when examining modest steps proposed to improve food security. One also becomes more sceptical about any claims that simple general solutions exist whether they be improved technologies, free markets, state planning, a new international economic order, revolution, grassroots movements, population control or anything else.

The different approaches to alleviating mass poverty and world hunger tend to cluster around several rather contradictory poles. The dominant one in the 1980s has been simply to stimulate economic growth through greater reliance on free markets and exports. The benefits of growth are, once again, expected to trickle down to the poor. A rising tide lifts all boats. This was also the dominant theme before the 1980s, but in earlier decades there was less emphasis on market forces alone and more on the positive role of state interventions to promote rapid growth. The problem with the trickle-down approach is the overwhelming evidence that a rising tide of growth may sink more human boats than it lifts in many situations. Certainly the 1980s have seen no refutation of the proposition that rapid economic growth can be associated with widespread hunger and chronic starvation. Incomes are as likely to trickle up as down in non-egalitarian societies with redundant labour forces unless effective corrective measures are taken by the state.

An alternative cluster of recommendations calls for conscious policies to redistribute the benefits of growth to those who are deprived. This was more popular in development discussions before the 1980s when growth was rapid almost everywhere. Nowadays negative growth in Latin America and Africa leaves nothing additional to distribute. Hence the recent emphasis on free markets, minimal state intervention and export promotion in the hope that they might revive growth. Understandably, this has overshadowed concern by the powerful for its redistribution. The evidence concerning actual results of redistribution strategies in alleviating poverty has been highly contradictory. In some places, impressive improvements in welfare of many low-income groups were registered. In others, benefits were limited to small minorities.

A different emphasis has been that development strategies should aim first at redistribution, and only subsequently at stimulating growth within more equitable societies. Most international development documents include perfunctory pleas for agrarian reform "where needed". These routinely receive qualified endorsements even from governments whose survival depends on preventing such radical structural reforms from happening in their own countries. They know very well that these kinds of social changes only take place under special circumstances. Where redistribution before growth has been tried (usually in revolutionary situations), it has sometimes been followed by rapid and more equitable growth as in China, Cuba, both Koreas and Taiwan. In other situations, there was little growth afterwards, but available food was more equitably distributed, as in Nicaragua and Bolivia. In still others, rapid growth was accompanied by renewed processes concentrating wealth in the hands of small elite groups much as before the initial redistribution, as in Mexico.

More rarely, recommendations call for economic growth to be slowed and its style radically altered. These come from groups concerned with reversing the destruction of the

environment and improving the quality of life. They point to the socioeconomic polarization and ruthless exploitation of natural ecosystems frequently accompanying the growth of industry and commercial agriculture. If everyone lived simpler lives and the ethic of short-term profits were replaced by one of conservation and solidarity, there would be enough to go round and more. The problem is that no government has ever deliberately slowed growth for prolonged periods for these reasons. Few individuals or small groups have either. Where growth has stagnated for whatever reasons, as it frequently has, the poorer groups in society usually suffer most. This utopia seems no more realizable than self-regulating markets or omniscient state planning. Efforts toward achieving it, however, can have highly salutary effects on development policies.

Any simplistic classification of development strategies is unsatisfactory when confronted with reality. Import-substitution industrialization versus agricultural-led growth or export-led growth, for example, or socialist versus capitalist strategies, all embrace many contradictory policies in any particular country. Moreover, a country can change emphasis rather quickly. Making comparisons between countries according to their dominant strategies can therefore be very misleading. Differences among countries' strategies grouped under the same heading may be more telling than their similarities. Similar policies may have very different impacts in differing socioeconomic structures. The pitfalls of interpreting apparent correlations between national policies and food production or any other economic indicator are legion. We are dealing with interacting systems and subsystems, each of which exhibits relatively unique structures and dynamics.

The dominant Chilean development strategy, for example, has, according to most observers, changed at least four times in only three decades. It evolved from trickle-down, state-stimulated import-substituting industrialization to redistribution of the benefits of growth, and then radical asset redistribution and state planning, and subsequently to free market neoliberalism emphasizing trickle-down once again, but this time with few state obstacles to full integration into world markets. Moreover, during each of these periods there were contradictory policies containing elements of the strategies that preceded and followed them. Trying to determine which strategy was really dominant in any given period can only be done relative to the other periods. What is more, state policies were as much a result as a cause of the complex historical changes that were taking place.

### ***The crucial role of socioeconomic structures***

*An End to Hunger* has emphasized the importance of differing socioeconomic structures in helping to explain the widely varying impacts on food security of apparently similar modernization processes and state policies. A strong conclusion is that these differences should be explicitly taken into account when diagnosing food security problems or proposing remedial measures. A second conclusion is that they seldom *are* taken into account either by governments or by international agencies.

Societies are frequently perceived as unjust by social groups at the bottom. They are usually seen to be eminently reasonable by those more fortunately located. These universal contradictions in perception have undoubtedly contributed to differences in social structures being ignored by administrators and political leaders when designing policies. Even social scientists often make only a perfunctory bow to the importance of differing social systems, and then forget about them in their subsequent analyses.

When cash crops and cattle ranching expanded rapidly in Mexico, Brazil and Central America, for example, the entrepreneurs were usually large commercial farmers. Peasants were dispossessed of their land. Standards of living fell and many peasants had

to migrate. Sometimes large landowners used force, such as the aerial spraying of peasant squatters with insecticide in El Salvador in order to clear them out and make room for mechanized cotton production. Soil and water resources were often overexploited for short-term profits. Degenerative growth was the rule in bi-modal agrarian structures.

When cash crops expanded in Senegal, Burkina Faso and Cote d'Ivoire, however, landlessness did not increase. The land was communally held and allocated by kin group elders in accordance with subsistence needs. Parastatal companies were the principal entrepreneurs. On the whole, these respected traditional tenure arrangements. Modern inputs for cotton and animal-drawn equipment provided by the cotton company also served to increase peasant food production. But fallow periods did shorten with the dedication of more crop land to cash crops. This was accompanied by accelerated soil erosion and lower natural fertility. The immediate impact of export crop expansion on peasant livelihoods tended to be less devastating in African customary communal agrarian systems than in Latin American or African (notably South Africa) bi-modal ones. Where communal tenure systems managed to survive in Latin America and Asia, the same was true.

In clientelistic small cultivator structures, like those in India and Bangladesh, cash crop expansion accompanying the green revolution was associated with growing landlessness. Landlords frequently expelled their tenants to undertake direct cultivation, or converted tenants with fixed rents into sharecroppers in order to reap more gain. Rural employment, however, usually increased with greater output in the absence of labour-saving mechanization. Dispossessed peasants could usually maintain their inadequate livelihoods as wage workers. Also, community ties, including between landlords and tenants, tended to be stronger than in bi-modal systems.

Environmental degradation was taking place in India and Bangladesh, often related to deforestation. Nevertheless, degenerative growth was less extreme than in bi-modal agrarian structures, even though poverty and undernutrition were more extensive than in most of Latin America because of the more limited land and water resources in South Asia in relation to rural population densities. Moreover, government policies in India and Bangladesh were usually more sensitive to the needs of small farmers. In these countries, even "large" commercial farmers were extremely small compared to their counterparts in bi-modal systems. Caste differences contributed to rigid social stratification, but they were no more rigid than the rural class differences in Latin America.

In China, the pre-revolutionary clientelistic small cultivator system was transformed by land reform and collectivization, although family farming remained very important de facto. Collective organization facilitated labour-intensive investments in irrigation, infrastructure, social services and rural industries. Decollectivization in the early 1980s took place in a context of rapid agricultural and industrial growth and considerable equality in access to land. Landlord clientelism disappeared with the revolution, but new clientelistic ties often emerged with party cadres. These often made windfall gains by expropriating collective goods for private profit. Dependency relations may have strengthened following decollectivization as did regional and interfamily income disparities. With the renewed emphasis on short-run profits at the individual family level, output increased rapidly, at least initially. Investments to protect the environment and social infrastructure frequently suffered, however.

Differences in agrarian structures among countries and regions were associated with other features of their broader social systems. They influenced industrialization patterns and development styles. The kinds and degrees of food insecurity generated by modernization processes differed greatly from one structure to another.

It is obvious why social relations receive little attention in most discussions about food security. It is much more difficult for governments to do anything about them than about prices, credit policies, etc. This does not mean that socioeconomic structures can be neglected in designing public policies. They profoundly influence what is possible. They also condition what the impact will be on food production and distribution.

### ***The social origins of food strategies***

Food security can be rapidly improved under widely varying conditions when this really becomes a high priority of governments. A country's size, population pressures and initial levels of socioeconomic development do not pose insurmountable obstacles, nor do they in themselves determine success or failure. Neither do ideological banners nor whether a country's trade policies are primarily inward or outward oriented.

Considerable progress toward improving some aspects of food security, such as equity of access, enough food (adequacy) or reliability of supplies can be made relatively independently of others such as sustainability or self-sufficiency. In the longer term, however, all these dimensions of food security have to advance together or the food system will become increasingly unstable. Chile will have to put more emphasis again on equity and sustainability. India's spectacular gains in self-sufficiency and reliability will prove ephemeral if equity, adequacy and sustainability of its food production system are not decisively improved too. Cuba's impressive achievements in equity, adequacy and reliability must eventually be matched by similar gains in self-sufficiency and sustainability. China's neglect of long-term sustainability and equity since the late 1970s will eventually have to be rectified.

National strategies play a crucial role in affecting food security either for better or for worse. At one level, policy formation and implementation can be analysed in terms of interest groups, political bargaining, ideology and so on. This is the conventional political science approach to policy. One should recall, however, that public choice models only consider as actors those groups that have a voice in the political arena. Where the poor are excluded from influence, they are only passive objects of policy.<sup>13</sup> With this caveat, analysis of concrete political alternatives and trade-offs nevertheless remains important in assessing what may or may not be possible in particular situations.

At another level, one can explore the deeper social origins of state development strategies and policies (Moore 1966). This calls for analysing the historical processes generating the distinctive class formations, interest groups and broad alliances of social forces that determine the nature of the state and public policy. This kind of analysis is necessarily rather qualitative and speculative. It can, however, generate instructive hypotheses about differences between countries and historical periods in development priorities. Social structures and processes define the parameters within which political bargaining over policy takes place. They can help to explain why in some countries and times the state emphasized improving equity in access to food while in others governments stressed expanding exports with little concern for equity or self-sufficiency of their countries' food systems. They also explain why in some situations social change occurred without violent revolutions while in others it did not.

---

<sup>13</sup> The limitations to current theories of public choice are well brought out in Professor Buchanan's lecture upon receiving the Nobel Prize for Economics in 1986. The models assume that societies are democratic and no major groups are excluded. The realities of repression, class subordination, disfranchisement and the like are simply ignored (Buchanan 1987).

Industrialization has always been imposed from above by small determined minorities. "There is no evidence anywhere that the mass of the population has wanted an industrial society, and plenty of evidence that it did not" (Moore 1966:506). Peasants have usually only resorted to industrial employment when they had no viable alternatives. Nation states have invariably tended to be rather authoritarian during transformations from agrarian to industrial societies. There have, however, been considerable differences in the patterns of compulsion. In some societies, the sticks of starvation and physical force have been more prominent mechanisms than in others, where the carrots of increased rewards and social approval have played a greater role in speeding the exodus from farming to industry.

The social bases of state power are particularly important determinants of policy. Where state power has rested on popular support among the rural landless, peasants, urban workers and informal sector slum dwellers, public policies have tended to emphasize improved equity in these groups' access to food and other necessities. The rapid improvements in equity following revolutionary struggles can be attributed to the political mobilization of low-income supporters and the need of the new regime for popular support to consolidate its power. Soon new elites have emerged, however, on which the state could rely to maintain power. Worker and peasant interests have frequently then become subordinated to other priorities. Similar changes in priorities have occurred where popular-based strategies were initiated by regimes that gained power through electoral competition, or radical military coups, or defeat of a colonial power. Except where the regime continued to depend on support of the hitherto excluded, the interests of these low-income groups and classes were usually soon neglected again. But even transitory popular-based strategies often provided lasting gains in food security for the poor where these had resulted in significant land reforms that were not subsequently annulled.

Where, by contrast, state power has rested almost exclusively on the support of elite groups, state policies have primarily favoured these supporters and their allies and clients. Equity has not been high on the public agenda. To the extent that industrialization advances, it is of a kind enhancing these elite groups' power and wealth. Industries do not meet the needs of peasant majorities for production inputs, tools or low-cost consumer goods. Low-income rural food producers have little purchasing power or political influence. The urban middle classes and workers, however, usually fare somewhat better. Their discontent constitutes an immediate threat to stability and the state. Hence subsidies for cheap food for urban residents are quite common. In rural areas, however, local landlord and merchant elites can usually handle such problems themselves, backed by the police power of the state.

Socioeconomic structures have had much more to do with overall styles of development than with the minutiae of whether trade and industrialization strategies are primarily import-substituting and home market-oriented, or export-oriented. Large countries can normally place a higher priority on home market expansion than small ones. Whether their development strategies emphasize broad-based productive employment and growing demand by low- and middle-income majority groups depends more on how far broader class interests are the basis of state power at any particular time.

Seen from this vantage point, it is easier to explain why the state in China after 1949 placed a high priority on equity in access to food. Underlying class alliances also help explain why the state in India placed a higher priority on reducing food imports and building up reserves, with the support of a politically powerful commercial farmers' lobby,



than on improving access to food by low-income rural majorities that were mostly unorganized with little political clout. They help one understand why the state in Bolivia and Mexico neglected peasant majorities after initial revolutionary land reforms. The peasants had demobilized and at the same time, large commercial farmers and new urban elites had allied themselves with the state.

In highly unequal societies, interest group and class alliances result in policies that give a low priority to equity. These have usually been associated with repressive development strategies that further accelerate social polarization. Where societies have been relatively egalitarian, alliances of rural small producers, state modernizing elites and urban working and lower middle-class groups have sometimes resulted in modest distributive justice as well as rapid industrialization, although these societies, too, are usually authoritarian. To the extent that industrialization, social differentiation and levels of skill and information increase, new tensions inevitably arise in both relatively polarized and more equal societies leading to further conflicts and social changes.

History is complex, contradictory and basically unpredictable. Linear projections of past trends are usually poor guides to future events. This provides some ground for hope that new social alliances may emerge in the future leading to environmental enhancement and sustainable development. But it must be said that they seldom have in the past, even in rich industrial societies.

External supports and constraints also affect development policies. State power rests on external as well as internal social actors. Colonial and other client states are obvious examples. With increasing transnationalization of economic processes, all states, and especially small ones depending on primary commodity exports and aid for foreign exchange, find their survival crucially conditioned by foreign markets and access to credit, technology and political support from one or more industrial powers. Even if governments are not direct clients of foreign powers or transnational enterprises, several of their major support groups usually are. During periods of deteriorating terms of trade, these dependency relationships become particularly constraining. In these circumstances states can seldom initiate popular-based strategies without substantial external support, even when internal social forces would otherwise be favourable for such policies.

The dogmatic prescriptions of the IMF and the World Bank in their stabilization and structural adjustment programmes during the 1980s should be seen in this context. These usually boil down to advocating greater government austerity, freer markets, more privatization and export promotion. The state is seen as a useful instrument for accelerating the incorporation of peoples and resources everywhere into a world market utopia. Governments are accorded little useful role in development other than facilitating this process. Little allowance is made for unique problems and differing socioeconomic structures in each country.

Polanyi (1944) showed how similar policies by the international fiscal community in the 1920s contributed to the Great Depression, the rise of fascism and global conflict. When people, their life support systems and the medium of exchange are all treated as mere commodities, this inevitably leads to consequences that can be catastrophic. People are deprived of their traditional livelihoods and uprooted with no viable alternatives. Domestic conflicts intensify as do international ones. The exercise of state power is undermined.

State power ultimately has to rest on a broad social consensus. When this dissolves, the nation state becomes helpless. This has already happened in many countries. Social forces then become mobilized by individuals and groups appealing to

frustrated ordinary people whose livelihoods are threatened, with incalculable consequences. This is why those who blindly try to make society conform to the dictates of some utopian model—whether it be free self-regulating markets or a totally planned economy—are courting disaster.

Of course, even if those managing multilateral financial institutions today are aware of these dangers and associated historical processes, there is probably little they can do differently. They, too, find their own options narrowly constrained by their principal sources of power and support.

This leads to the issues and dilemmas facing those attempting to improve food security. I do not believe in the notion of benevolent states. I do believe that many political leaders, bureaucrats, representatives of popular-based organizations and numerous others sincerely want to do something to alleviate mass poverty and achieve sustainable development. Depending on the socioeconomic and political context, they are usually faced with very tough dilemmas.

### ***Dilemmas of popular participation***

State policies are unlikely to give priority to the needs of those who suffer from food insecurity unless political leaders believe the regime, and ultimately state power itself, depends on doing something effective and immediate about their problems. This will not happen unless the poor are mobilized and capable of carrying out organized actions. Moreover, unless they can participate in and influence the process of implementation, even well-intentioned policies designed to alleviate their poverty will be deformed during execution to benefit others.

In order to protect any gains they might make, the poor have to be able to participate autonomously in civil society through their own organizations. Otherwise they are likely to become subservient appendages to political parties, bosses or state or private agencies. What is more, if they do not have some individual or collective control of the means of production or independent ability to engage in collective bargaining with management, they have no lasting economic foundation for exercising their civil and political rights, and the latter are likely to erode.

Improved food security on a long-term basis requires popular participation in the sense of organized efforts to increase control over resources and regulatory institutions. The first dilemma confronting people who try to promote increased popular participation is that it usually implies changing the rules of social relationships. Governments are usually put in place to safeguard established rules. On the rare occasions when they are given a mandate to change them, promoting more popular participation becomes an issue that can be resolved. Otherwise, it is a dilemma. Politicians and officials trying to increase popular participation may find their careers cut short. They may be labeled subversives, communists or foreign agents, and framed on trumped up charges. Where right-wing death squads operate, they risk assassination. On the other hand, if they do nothing, social change may be indefinitely delayed. They become accomplices of a status quo that is generating more poverty and hunger.

Peasant and worker leaders face a similar dilemma, but because of their class position they are much more vulnerable in societies where the state is bent on preserving highly unequal social relations. Moreover, they risk not only their own lives or freedom, but also those of the people they are trying to represent. Not surprisingly, some of these popular leaders are tempted to accept a sinecure and give up the struggle, or to use their

talents to help maintain the old power structure while passing on some small crumbs to their constituents.

The dilemmas of the poor and hungry themselves are even more stark. If they join popular mobilizations, proscribed unions or opposition parties, they risk devastating reprisals from landlords, employers and the police. If they do not, there is little they can do to protect their livelihoods except to migrate or become the clients of a reliable patron. Moreover, their historically subordinate class position has often imbued them with a commonsense conviction that it is useless to protest.

Where the state genuinely attempts to promote greater popular participation, new dilemmas emerge. Its leaders hope, and often assume, that the grateful poor will support their progressive agendas. But many of those commencing to participate may have their own quite different goals. There is also a risk that new participants may support opposition movements. This is particularly likely when the state is attempting to restrict consumption in order to increase investment. Low-income groups acquiring greater control of resources and regulatory institutions generally want to use their new found influence to meet their most urgent consumption needs. Peasants may consume more food and sell less. Workers may spend less time on the job and more tending their gardens.

Other dilemmas arise from the fact that the poor and hungry are never homogeneous. There are occupational differences, different relations to the means of production, and many gradations of income, status and education. There are also ethnic and religious rivalries, language differences and overt conflicts of interests. Landless workers want higher wages while peasant farmers want to pay their help less. Peasants producing surpluses want higher food prices while other social groups want cheap food. Opponents of reforms may deliberately foment latent conflicts among different groups of peasants, slum dwellers and workers, as well as between them and their middle-class allies. These conflicts are frequently also stimulated from abroad.

The fact that the powerless in society can seldom succeed in changing social structures without the help of more powerful allies presents other dilemmas. If leaders of popular movements accept help from political parties, state agencies or NGOs, they risk losing their autonomy. If they reject aid and alliances, they are likely to remain politically impotent and face a revolt of their own members who see other groups benefiting from outside help.

Another dilemma emerges because local popular mobilizations are by themselves in a hopelessly weak position to confront landlords, the state or powerful enterprises. Grassroots organizations must unite to bargain effectively. This implies bureaucracy and less direct participation. Tensions can mount between the leadership and their local bases.

At the international level there is little that can be done to promote popular participation directly. Nevertheless, much can be done indirectly by monitoring human rights and refusing to support states with highly repressive regimes. This presents dilemmas for international administrators and leaders who are supposed to deal evenhandedly with all states and have no mandate to intervene in sovereign countries internally. Their own governments or agencies may have economic and strategic ties with the repressive regime in question. Moreover, they can never be sure that international pressure may not make things worse for the oppressed, although experience suggests that it usually helps.

One could go on enumerating the countless dilemmas confronting those attempting to promote greater popular participation. Corruption, deceit, jealousies, personal ambitions

and lack of motivation to participate are no monopoly of ruling classes. As time passes, initial enthusiasm tends to fade. The only alternative to promoting popular participation, however, is to tolerate an unjust status quo with its always high moral and social costs, and to abandon the pursuit of liberty, democracy and social justice.

### ***Dilemmas of accumulation***

A central component of any development strategy is the pattern and rate of accumulation. The kinds of social and economic investments a state attempts to make or stimulate, how they are financed and by whom they are controlled defines its accumulation strategy. Perhaps better than anything else, the state's accumulation strategy reflects the real influence and participation of different social classes in state power.

The basic components of a popular-based accumulation strategy seem rather clear and were discussed in an earlier chapter of *An End to Hunger*.<sup>14</sup> The relative weights given to its components, and their sequence, will necessarily be specific to each situation. They will depend on political and socioeconomic conditions, the country's insertion in the world system, the state of the world economy and, of course, the size of the country and its natural resource endowments. But all countries have to make decisions affecting their accumulation strategies in at least three areas.

#### *The basic needs dilemma*

A popular-based strategy would ideally attempt to ensure access to adequate food, health services, elementary education and employment to all as quickly as possible. For the longer term, it would aim for sustained growth of a type that provides the vast majority with opportunities to improve their levels of living and quality of life.

In a poor country, a majority of the population may be suffering from food insecurity and have little access to health services or schools. A regime that attempts to meet everyone's basic needs faces an impossible task. Even if it first concentrates on meeting the needs only of key support groups—such as organized labour, vocal sectors of the urban poor or the peasantry in more accessible regions—the goal may still be out of reach. Yet the government has to attempt to do so or risk losing the support of those groups upon which its rise to power was based. This is the underlying dilemma facing a state attempting to initiate a popular-based accumulation strategy, whether it came to power through the ballot box or revolution.

The state in such situations has bleak alternatives. It can try to move rapidly in meeting nearly everyone's basic needs. This implies further popular mobilizations to carry out rationing programmes, voluntary work projects, literacy campaigns and the like. At the same time, the state usually attempts to create the productive infrastructure required for longer term growth. Growth is essential to meet the rising needs of the vast majority of its people and to increase exports. The latter are seen as vital because foreign exchange requirements will inevitably expand rapidly with increased investment.

The alternative is to move ahead slowly, relying primarily on market forces and a few limited subsidies and welfare programmes. Politically this may mean that the new regime will soon be driven from power without having accomplished much, or that its support groups and priorities change.

---

<sup>14</sup> Chapter 6—National Policies to Stimulate Food Production.

To make the dilemma worse, if the regime has come to power through a revolution, production will have been set back and capital destroyed in the fighting. The regime likely faces counter-revolutionary attempts to displace it, usually with the backing of foreign powers. Some of its scarce trained manpower may have left or be hostile and uncooperative. Its traditional foreign markets and sources of capital may be cut off. Even where power was gained democratically, the new regime is likely to face similar internal and external hostility unless it renounces its goal of rapid social change.

This dilemma produces a large number of other dilemmas. A state attempting rapid and radical change urgently needs to get basic food to its low-income support groups. It almost inevitably has to resort to some form of rationing. This is because it requires years to expand production structures. Unless the country has access to unlimited aid, which is highly unlikely, there is no other way to redistribute what is available rapidly to low-income groups. But rationing and food subsidies imply price controls. They also usually require delivery quotas at fixed prices from producers because there are not enough inputs and consumer goods available to exchange for increased deliveries by farmers stimulated only by material incentives. This antagonizes an important social sector.

There can seldom, if ever, be enough additional food made available to meet the needs of the poor merely by cutting superfluous consumption of well-to-do minorities. The rich mainly consume non-basic goods and services. Even if they are heavily taxed, this will not go far toward financing subsidies for the poor. Moreover, confiscatory tax rates frequently cause accelerated capital flight, brain drain and a halt to foreign investment.

Every increase of state intervention in the price system requires additional ones to deal with indirect effects. Soon there has to be a system of administered pricing for many basic sectors of the economy. Black markets flourish if not tightly controlled. The longer the rationing and subsidy system is in effect, the more likely rigidities in distribution and production will result in growing inefficiencies and black markets. Meanwhile, the fiscal burden caused by subsidies accumulates. Inflationary pressures mount. My experience has been that political leaders usually recognize these dangers. Nevertheless, they really have little choice, other than to renounce rapid reform, thus risking the loss of popular support. This is what causes the dilemma.

### *Foreign exchange dilemmas*

Assuming that a reformist regime survives, it is inevitably confronted with a foreign exchange crisis. Rudimentary investments in improving health, education and physical infrastructure can be made using voluntary local labour while enthusiasm lasts. Even these labour-intensive activities, however, generate increased demands for imports indirectly. In dependent peripheral economies, almost any economic activity generates demands for some imported inputs that cannot be produced within the country. If the government also embarks on an ambitious investment programme to improve its industrial base, import requirements grow much more rapidly.

This results in two additional dilemmas. High investment rates imply foreign exchange requirements that can usually only be met by resorting to heavy foreign borrowing or becoming increasingly dependent on aid. This, when a key aim of the strategy is to achieve greater autonomy. Secondly, high investment rates tie up so many scarce resources that current consumption has to be cut further while waiting for the projects to mature. Scarcities become more acute throughout the economy. Planners and popular leaders may have to postpone their hopes for rapid modernization or risk increasing discontent.

This dilemma can sometimes be reduced by giving priority to smaller labour-intensive projects. These are likely to be more economic in the long run anyhow. But some kinds of investment, such as telecommunications or airlines, are inevitably capital-intensive and their high technology component demands foreign exchange.

Industrialization has to be a central pillar of a popular and sustainable accumulation strategy. There is no alternative. Food production increases depend on cheap manufactured inputs and consumer goods. Even sustainable agriculture implies this. Industrial growth is contingent on cheap food and agricultural raw materials, and vice versa. Both require additional foreign exchange, which implies more exports or aid.

To make matters even more difficult, the kinds of industry and agriculture required to meet popular needs are not usually the same as those required to penetrate world markets. Both, therefore, have to be stimulated. Moreover, they have to be efficient by world standards while also generating maximum value added by using as many local skills, resources and improved labour-intensive technologies as possible.

### *The trade policy dilemma*

The terms of insertion of the country in the world economy present another serious dilemma. If domestic industries and agriculture are not protected from foreign competition, and especially from dumping of subsidized surpluses from abroad, they cannot thrive. But if domestic production is protected too much, it tends to become inefficient and non-competitive. This problem can be resolved in theory by finding optimum rates and forms of protection so as to generate as much value added and employment as possible without sacrificing efficiency and international competitiveness. There should be no insuperable conflict between production for the home market and for export in the imaginary world of perfect competition and factor mobility, as posited by neoclassical economic theory.

In practice, this is not the case. Policy makers live in a reality of administered prices in imperfect world markets, transnational monopolies, wildly fluctuating commodity prices, a highly unstable world monetary system, international booms and busts, immigration controls, international conflicts and all sorts of political and economic pressures from industrialized countries, transnational corporations and international agencies. This is in addition to domestic conflicts and pressures already discussed. If the state adopts neoliberal trade, investment and exchange rate policies, as urged by the international financial agencies, these policies expose the national economy to practically irresistible pressures to remain a mere appendage to the economies of the industrialized North. Without state protection and intervention, their people, land and other natural resources simply become world market commodities.

Governments of underdeveloped countries have an obligation to protect domestic producers and consumers sufficiently to develop a relatively autonomous and sustainable national economy as well as to protect their own natural resources. If they adopt neoliberal trade policies, they are unable to follow a strategy of popular-based development, or even national development. Large sectors of the population would be condemned to remain hewers of wood and drawers of water indefinitely. Their countries would remain neocolonial dependencies.

On the other hand, if they refuse to follow the “free market” policies urged on them in the 1980s by the international financial community, and by many of their bilateral donors, they may face disastrous retaliations. This is particularly the case if they follow a popular-based strategy. It can also be the case if they merely follow a nationalist

development strategy that is in no way popular-based. Aid can dry up. Markets for exports shrink. New credits become unavailable. Capital flight mounts. New foreign investments cease. Debt service becomes so burdensome that it becomes necessary to default, resulting in even more draconian reprisals. Internal subversion may be sponsored from abroad.

To my knowledge, no one has offered a plausible solution to this dilemma. Big countries with relatively well-developed industrial complexes like China, India and Brazil can perhaps manage compromises. Fortunately located small ones, like South Korea, Singapore and Taiwan, can sometimes be integrated into new centres of growth on favourable terms, becoming part of the North. Most developing countries face much bleaker prospects.

### ***Agrarian reform dilemmas***

In agrarian societies where the ownership of land is monopolized by a class of landlords and larger farmers, popular-based development implies that land reform should have a high priority. Property in land (or anything else) is a set of social relationships. Ownership involves a bundle of institutionalized rights regulating relationships among individuals, classes, groups and corporate entities over access to land, water, labour and whatever goods are produced. When these relationships are modified to provide greater rights and benefits for tenants, smallholders and the landless workers cultivating the soil, their livelihood is improved. Power relationships are modified to favour the hitherto powerless. There is frequently no surer or quicker way of increasing food security in agrarian societies, where control of land and labour are the main sources of wealth, than through land reforms.

As was seen in the above section on “The Role of Agrarian Reform”, land reforms were effective in increasing the food security of the rural poor who were the majority of the population in China, North and South Korea, Taiwan, Cuba, Nicaragua and for a few decades in Mexico and Bolivia. And they at least contributed to increased food security in many other countries. Nevertheless, land reform has been a realistic policy alternative for governments only in rather special circumstances. Both political leaders and peasants who attempt to promote land reform usually find themselves facing the same dangers and pressures as those promoting popular participation in repressive societies.

When an alignment of social forces occurs permitting profound land reforms, other problems arise. Some are technical issues, but most turn out to be primarily political ones.

The desirable scope of reform is hotly debated on technical grounds. Obviously, a reform, to be effective, has to provide better access to land for the landless who are cultivating it. A reform that provides access only for a relatively small proportion cannot improve livelihoods for the rural majority. Also, the reform is more effective if it is rapid. The longer the disorganization of production relations lasts, the more likelihood of disrupting production.

Reforms in China, North and South Korea, Taiwan and Cuba were distinguished by being massive, all-inclusive and rapid. They deprived the landlord class of its economic base. They also provided subsistence incomes for the landless. In contrast, where such groups have been excluded and reform becomes a long drawn out legalistic process, there may be little positive impact on the livelihood of the rural poor. Reform is unable to provide widespread relief at local level to the rural poor who have been uprooted by the incorporation of agriculture into the market economy (Polanyi 1944).

Policy makers are frequently confronted with the dilemma of what compensation should be paid to expropriated landlords. If they are paid at close to market values, their resistance is usually greatly diminished. If little or no compensation is given, they are likely to resist bitterly. The state, however, can seldom afford to pay compensation. Neither can the peasants and landless labourers receiving land. If they could, there would have been no need for reform; the transfer could have been made through simple real estate market transactions. The issue is almost entirely political. Where the reformist government is strong enough, it usually expropriates the land with little or no compensation and assigns it to peasants free of debt. Alternatively, the state may set levels of compensation and peasant repayment close to market values, and then allow inflation to cancel both. On the other hand, where landlords have been handsomely compensated and peasant beneficiaries left heavily indebted, there has been little reform.

Often, one of the most fiercely debated issues is whether to establish small family farms, cooperative farms or state farms following land reform. All these forms of production have worked reasonably well in some circumstances and less well in others. Much depends on the pre-reform agrarian structure and the dynamism of the post-reform economy. Where there has been a tradition of small cultivator-operated units, even though ownership units may have been large, small farm units have been likely to prevail. Where large centrally managed operating units worked by wage workers had long predominated, state farms or large production cooperatives have been likely to replace them.

The collective versus family farm issue does not usually pose a fundamental dilemma. An exception is where the political leadership is excessively dogmatic, for ideological reasons, in adhering strictly to one or the other.

Serious setbacks in food production are frequently supposed to be an inevitable consequence of land reforms. These are much exaggerated, making reform versus output a false dilemma. There is little evidence that food output anywhere suffered greatly as a result of land reforms, and much evidence that production increased more rapidly later. Where food output or marketing declined, this can usually be attributed to other factors such as war, economic disruptions, other public policies, and the like, rather than to land reform itself.

### ***Environmental enhancement dilemmas***

Gandhi's prediction that the spread of exploitive industrialization driven by greed for short-term profits would strip the world bare like a plague of locusts is proving all too accurate. Environmental degradation is leading to a danger in many places of eventual collapse of life support systems with consequent loss of livelihood for the rural poor. In an increasingly interdependent world, environmental issues are coming to be recognized as matters of international concern.

Those wanting sustainable development without environmental degradation face several dilemmas. Political support for effective action is usually extremely "soft", while the groups opposing stiff environmental standards are well organized, well financed and politically powerful in both North and South. Their objectives are clear—to avoid any restrictions that would slow down their expansion or diminish their short-term profits. Another difficulty is that the public benefits of protecting the environment are diffused among many social groups, some of whom are yet unborn.

This environmental dilemma permeates countless concrete choices in countries of the South that political leaders and administrators must make. These practical policy



alternatives are frequently framed in such a way that either the poor or the environment must suffer. Scarce resources can be used to clean up noxious industrial emissions or for better services, but not for both social and environmental improvements. Peasants can be forced to cull their herds, cease gathering scarce fuelwood and prohibited from cultivating steep slopes, but at the cost of their already inadequate livelihoods. The rainforest can be protected, but there will be less opportunity for the poor to eke out a bare subsistence. Perversely, other more rational alternatives seldom make it on to the policy agenda. There is little serious debate, for example, about measures to compel large landholders and transnational corporations, who benefit most from careless and destructive environmental exploitation, to assume the long-term costs of environmental enhancement.

Another dilemma facing conservationists is that, if they enter the political arena, they have to form political alliances and make compromises. They become part of the "corrupt establishment" they have been criticizing. They may lose their public reputation for honesty and disinterestedness. If they refuse active political participation and responsibility, however, they remain impotent to bring about substantive environmental improvements in the foreseeable future.

A related dilemma stems from the paucity of proven and economically viable technological options to increase output while at the same time protecting the natural environment, especially in tropical regions. Technologies that are sustainable in temperate regions may be inappropriate or overly costly in other ecosystems. Moreover these imported technologies almost always imply greater mechanization and reduced employment per unit of output.

This dilemma is further compounded because the planning horizons of governments, companies and individuals tend to be short while the solution of most ecological issues requires long-term planning. The costs of improving water management, soil conservation and reforestation are immediate but the benefits accrue over decades and centuries. If standard accounting measures are applied to measure costs and benefits, the rate of discount of future benefits is crucial, but these future benefits are customarily discounted at current interest rates. It is illogical and counter-productive to discount future benefits at 2 or 3 per cent when economic cycles result in low interest rates, and at 9 or 10 per cent when current interest rates are high. In any case, most conservation measures yielding long-term benefits can only promise positive economic returns when discount rates are low.

Standard accounting procedures seldom register as costs such externalities as problems of atmospheric or water pollution. Nor do they measure the loss to a country's wealth implied by depletion of its natural resources. On the other hand, and perversely, they count as additions to national income the employment and material costs generated by efforts to counteract the negative impacts of harmful technologies. Careful soil and water management that enhances the environment makes a much smaller addition to GDP, as conventionally measured, than does wasteful, exploitive management producing the same short-term output but requiring costly new investments to rehabilitate the soils and clean up the mess caused by pollution.

Those concerned with protecting the natural environment argue, correctly in my view, that the planet's natural ecosystems should not be treated as market commodities. The preservation of humanity's life support systems should not have to be justified on commercial grounds but should be a social goal in itself. On the other hand, having to estimate the costs associated with environmental degradation serves an educational function. If these cost estimates lead to pollution taxes and other penalties, they could be

even more effective. But this means accepting the principle of market valuations of life support systems, hence the dilemma.

One of the biggest dilemmas for environmentalists comes from the near futility in a competitive commercial society of isolated individual actions of restraint. This so-called tragedy of the commons is much more far reaching than the context for which it was originally posed would imply (peasant livestock herders grazing their animals on communal pastures, each attempting to maximize their flocks at the expense of others). If the ethic of individual profit maximization reigns supreme, results are disastrous for all. The same dilemma faces whole nations, and the planet as a whole, when each enterprise attempts to increase its short-term profits at the cost of mining the global patrimony.

This tragedy of the commons lies behind the urgent need to develop international standards for protecting the environment. The recommendation by the Brundtland Commission's Advisory Panel on Food Security, Agriculture, Forestry and Development of an international code for sustainable and equitable use of life support systems recognizes this need, although this recommendation was omitted from the Commission's final report. Without effective international standards, transnational enterprises pursuing short-term profits are free to bid one developing country against another in seeking advantages through careless exploitation. The North will continue to dump poisonous wastes and spew noxious fumes on the South, and on itself. To the extent that the South industrializes in the same style, it will do the same. There should in theory be a convergence of interests between North and South in upgrading the environment. New technologies and new ways of running economies have to evolve to avoid ecological disaster. Enforceable international and national standards are indispensable.

This dilemma will not be easily resolved. Vested interests in increasing short-term profits at the expense of other social groups and the environment are simply too great. A more stable world monetary system and lower interest rates would help to make the kinds of investments required for sustainable development feasible. Nonetheless, this in itself would not be sufficient to induce a sustainable development style. An active international strategy supported by both North and South is essential. This would be costly the short run but invaluable in the longer term. Above all, it implies abandonment of the search for short-term profits as the principal criterion guiding the exploitation of the planet's life support systems.

### ***Pursuing a new international order***

Conditions will continue to arise from time to time, making it politically imperative for some states in the South to pursue more autonomous development strategies than they have in the recent past. The dilemmas facing such a government have already been discussed. It will risk economic reprisals, internal subversion or even military invasion. The developing country trying to go it alone faces a tough time.

This well-known dilemma has given rise to calls for greater collective self-reliance among countries of the South and for a new international economic and political order. The obstacles along this path are no less formidable than those for a country unilaterally attempting to change the terms of its insertion in the world system.

As discussed in *An End to Hunger* chapter 10,<sup>15</sup> initiatives in the South toward greater economic and political integration have not usually got very far. Governments

---

<sup>15</sup> On Collective Self-Reliance.

attempting to achieve greater collective self-reliance face the dilemma that delinking from historic ties of dependency with the North is always costly and divisive. Transnational enterprises based in the North and governments of the rich industrial countries use their superior power to resist any moves that would threaten their profits and influence. They frequently attempt to dominate the integration initiative, using it to further their own interests. Or they can easily sabotage it by offering greater short-term advantages to governments if they do not join in.

Another difficulty arises if the terms of regional integration are not roughly equitable between richer and poorer countries of the South taking part in such initiatives. Governments of poor small countries bordering on larger new industrializing states are likely to be more concerned with encroachment on their sovereignty by these nearby subimperial powers than by threats from distant superpowers. Yet effective schemes of regional self-reliance necessarily imply some surrender of national sovereignty if they are to be durable. This poses a dilemma for those advocating them since they are often accused of subordinating national interests to those of other cooperating countries.

The South is deeply divided on issues of collective self-reliance as well as on those of creating a new international order. Many governments are not even minimally accountable to the vast majority of their own people. In fact, the interests of the groups that support them largely coincide with those of the North. Other governments are more popularly based. Nonetheless, they too may have more to gain for their constituents, in the short run at least, by preserving privileged links with particular centres of economic and political power in the North. They would frequently oppose the opening of world markets and sources of capital to all their fellow poor countries on the equal terms implied by a radically new international order.

This dilemma becomes glaringly transparent in United Nations bodies such as the General Assembly or FAO, where poor countries of the South have voting majorities. Paradoxically, these international organizations' policies toward improving food security are only marginally more progressive, if at all, than those of international financial organizations such as the World Bank and the IMF where voting strength is dominated by the North.

Without unity among countries of the South on such vital issues as a new international order, greater collective self-reliance and the pursuit of more popular-based and sustainable development strategies, progress toward these goals will be painfully slow. Unity, however, seems to become increasingly elusive as uneven development in the South advances.

### ***Some pseudo-dilemmas of institutional change***

It would not be appropriate to end this book without at least a cursory glance at some of the "big" questions of development around which, in my view, rather fruitless and even irrelevant debate has raged. What are the most appropriate institutions to adopt in order to improve food security? In particular, should land be privately, cooperatively, communally or state owned? Should food production be organized in family farms, state farms, collectives or cooperatives? Should marketing be controlled by traders, cooperatives, private companies or parastatal agencies? Should the state promote free competitive markets or rely on planning and administered prices? Should the economy be organized along capitalist, socialist or mixed lines? The debaters usually have dogmatic answers, irrespective of the socioeconomic and cultural contexts for which these institutions are being proposed.

### *Institutional form and substance*

Institutions are the established rules and customary relationships of any social organization. This book has focused on how institutions affect food security and how they might be modified to improve it. In this sense, it is redundant to treat institutions as a separate issue.

In popular discourse, however, institutions often take on a life of their own. One speaks of the institutions of private or state property. People talk about credit and educational institutions. Monogamous or polygamous families are as much social institutions as are markets and stock exchanges. These various institutions are frequently discussed as if they were independent entities and not merely subsystems in a given society. Discussants then proceed to compare their performance across cultures and social systems, which is analytically quite inadmissible.

The evidence reviewed earlier suggests that food security can improve, or deteriorate, under a wide range of formal institutional arrangements that appear superficially to be quite similar. One must distinguish between form and substance. Institutions have to be analysed in their broader contexts. And they always have roots in the past.

It was shown in *An End to Hunger*,<sup>16</sup> for example, that cooperatives with similar formal charters may function very differently from one country to another. These differences are always associated with internal factors such as their origins, leadership, internal dynamics and resources. They are also always decisively conditioned by the structures and dynamics of the broader societies in which they are only a tiny subset of relationships. Comparative evidence suggests that the principal issues are not the types of formal institutions adopted but the real socioeconomic relationships in society and the kinds of alliances upon which state power rests.

### *Private versus public property*

Debates concerning the virtues of privatization versus state ownership oversimplify and mask more underlying institutional issues. Property rights are much too complex bundles of social relationships to be neatly classified as public or private. *An End to Hunger* is replete with examples in which established property rights, whether formally private or public, have been used as instruments of repression and exploitation, or alternatively, have helped to promote greater individual liberty and class emancipation. Property rights, whether called private, public or communal, always imply a complex of relationships regulated and sanctioned by law or custom. Where the state is in large measure the instrument of a propertied class, state ownership is as much a form of class ownership as are private property rights exercised by members of that same class. On the other hand, public ownership may have very different implications where the state depends on propertyless classes for its support.

The alleged benefits of privatization, such as decentralization of managerial decisions and enterprise financial autonomy, can also be obtained under public property regimes. On the other hand, large bureaucracies, centralized decisions and inefficiencies can be as oppressive and rigid under private ownership of property as under state ownership. It is more useful to analyse the realities of property relationships in specific contexts, and the practical alternatives for improving them in ways that would facilitate

---

<sup>16</sup> The chapter on "Popular Participation and Improving Food Security".

reaching social goals, than to take dogmatic positions for or against privatization or public ownership.

### *Market forces versus central planning*

Debates concerning whether the state should rely more on market forces and less on interventions and planning to allocate resources and guide production and consumption, are often equally arcane and irrelevant to food security.

Markets have proved to be extremely useful social institutions throughout history. I have cited numerous examples where the state misjudged its capacity to manipulate prices and markets administratively, or had no viable political alternative except to try to do so. Results have frequently been disastrous, with black markets, gross production inefficiencies, massive capital flight and inflation. On the other hand, as was seen earlier, interventions by state agencies in markets have frequently improved access to food for low-income groups. The state has also intervened in markets rather successfully to stimulate production in countries like India and Cote d'Ivoire.

In China, where market interventions were relatively successful in improving food security for a prolonged period, production rigidities and inefficiencies associated with administrative planning increased over time. Meanwhile, the society became more industrialized, complex and socially differentiated. This contributed to policy changes encouraging greater reliance on market forces and more decentralized decision making at enterprise level. It proved extremely difficult to make a smooth transition from administrative planning to freer markets. The problem was compounded by attempting to advance rapidly toward greater economic liberalization without corresponding changes in political institutions.

The difficulties associated with excessive, prolonged or inept market interventions do not imply that "free markets" should be deified or that market fetishism provides superior insights and policy guidelines to those of any other ideology. Markets tend to become oligopolistic, speculative and otherwise increasingly imperfect unless these tendencies are checked by the state. Corruption is found both in "free markets" and with administered prices. Also, market forces usually tend to reinforce existing distributions of wealth and power rather than promoting more egalitarian ones. The state in rich industrialized "market economies" intervenes constantly and decisively in markets. It sometimes intervened even more when these countries were trying to catch up with original leading industrial powers. In the United States, the European Community and Japan, agricultural markets in particular are closely planned and regulated.

In the experiences reviewed where food security was rapidly improved in any of its five dimensions, and particularly in terms of greater equity in access to food, there were decisive state interventions in food and labour markets, as well as in markets for productive assets such as land. Where land reforms and other state policies resulted in a more equal distribution of assets and incomes, it was usually feasible to improve access to food and stimulate production by relying less on administrative rationing and more on market forces. State fiscal policies can play a decisive role in guiding market forces.

There will always have to be state intervention in markets. The issue is how to devise economic policies and interventions to direct market forces toward social goals, such as poverty alleviation, full employment and food security. This often presents policy makers with dilemmas when greater regulation of markets favouring low-income groups may result in their being forced from office, or when price subsidies and controls become

financially and administratively unmanageable but remain politically vital to retain support of crucial groups.

Debates over whether the state should rely on free markets or state planning and interventions usually pose a false dilemma. The issue is never one of intervention versus non-intervention, but what kind of intervention and how much. Markets can help in processing information, thus facilitating more decentralized and flexible decision making. They can be made to operate in ways supportive of social goals. The alternative is crippling and arbitrary bureaucracy. This does not imply that market forces are always superior to bureaucratic interventions, but rather that both have to be used with skill and good judgement. Theoretical utopian models of perfect capitalist markets, market socialism, socialist markets and administrative equilibrium pricing all seem equally chimerical and distant from the real world. They are particularly so in a world system largely shaped by monopoly capitalism.

### *Capitalism versus socialism*

To imagine that states are free to choose between socialist and capitalist economic systems is to pose another false dilemma. The reader has surely noticed that throughout this book, little importance has been placed on whether a state pretends to be capitalist, socialist or something else. This was not due to cautious pussyfooting around a controversial but central issue, but rather stems from my conviction that, at the present stage of history, this is not a central issue. In practice, official ideology has not been a decisive factor in determining progress toward food security, in comparison with the other factors discussed earlier.

Socialism has often proved to be an effective banner for mobilizing popular support to bring about institutional changes such as land reform, greater popular participation and increased national autonomy. These reforms have usually contributed to greater food security. It is not the only mobilizing ideal for bringing about such changes, however, nor does capture of state power by socialists ensure that fundamental reforms will take place.

Socialism, like the ideals of liberty, equality and fraternity which it embodies, remains much more a mobilizing myth than a prescription for running society. It provides only a general direction toward greater equality and economic and social as well as political democracy. Where socialists have tried to devise systems of centralized socialist planning, as in the USSR and China, what emerged looked suspiciously like the planned war economies that evolved in industrial capitalist states during periods of national crisis. The combinations of capitalist, mercantilist and feudal institutions forged to promote rapid and more autonomous industrialization were not very different from the institutional combinations during early stages of rapid industrialization in some of today's advanced capitalist countries.<sup>17</sup>

Where a revolutionary socialist regime continued to depend on peasants and workers for its political survival, popular-based development strategies emerged, providing greater food security for these groups within the limit set by available supplies. Where it did not—as in the USSR after the mid-1920s and in Ethiopia following the initial land reform in the 1970s—peasant interests tended to be shunted aside much as those of small peasants and landless workers were neglected earlier in England during its agricultural and industrial transformations.

---

<sup>17</sup> Polanyi (1944) shows that the Speenhamland poor relief system in the late eighteenth century England played a crucial role in this respect. I argue that land reforms in China, Mexico and elsewhere served a similar function (Barraclough 1982).

Marx refused to speculate about the nuts and bolts of a future socialist society. One suspects that trying to envision how a socialist society would work is about as futile as it would have been if people had tried to do the same for capitalism in fourteenth- or fifteenth-century feudal Europe.

Meanwhile, self-styled capitalist, socialist or mixed societies could all be made to function much better in providing for their citizens' needs. Their governments could contribute by adopting more sustainable and equitable development strategies and by showing greater respect for basic human rights and democratic participation. Future historians may lump together present-day capitalist and socialist systems as interesting minor variants of the same mode of production anyhow. For society to have a better future, there will have to be modifications in the international system as well as in national ones. How to resolve these issues poses the real dilemmas.

## References

- Abate, A. and F. Kiros. 1983. "Agrarian reform, structural changes and rural development in Ethiopia." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.
- Adelman, F. and S. Robinson. 1978. *Income Distribution in Developing Countries: A Case Study of South Korea*. Oxford University Press, Oxford.
- Apthorpe, R. 1977. *The Burden of Land: An Asian Land Reform Re-analysed*. Institute of Social Studies, The Hague. Draft.
- Ashcroft, J. 1988. *Land Reform in Kenya and Zimbabwe: Some Lessons for South Africa*. Jubilee Trust, Cambridge.
- Barkin, D. 1986. *Food Self-Sufficiency in North Korea*. Institute of Food and Policy Studies, San Francisco.
- Barraclough, S. 1982. *Seven Hypotheses concerning Comparative Studies of Agrarian Reform*, Working Paper. UNRISD, Geneva.
- . 1973. *Agrarian Structure in Latin America*. Lexington Books, Lexington MA .
- . 1969. *The Agrarian Reform Situation in Latin America*. ICIRA, Santiago, Chile.
- Barraclough, S. and J.A. Fernandez. 1974. *Diagnóstico de La Reforma Agraria Chilena*. Siglo XXI, Mexico City.
- Barraclough, S. and M. Scott. 1987. *The Rich Have Already Eaten: Roots of Catastrophe in Central America*. Transnational Institute, Amsterdam.
- Barrett, T. 1986. "Evaluating the Gezira Scheme: Black box or Pandora's box." In J. Heyer, P. Roberts and G. Williams (eds.), *Rural Development in Tropical Africa*. Macmillan, London.
- Bernstein, H. 1982. "Contradictions of the Tanzanian experience." In S. Jones, P.C. Joshi and M. Murmes (eds.) *Rural Poverty and Agrarian Reform*. ENDA Allied Publishers, Bombay.
- Bryceson, D. 1986. *Wage Earners and Food Foraging in Tanzania*. Seminar paper B86.2. Center for Development Research, Copenhagen.
- Buchanan, J.K. 1987. "The constitution of public policy." *Science*, Vol. 236, No. 4807, pp. 1433–1436.
- Calderón, F. and J. Dandler. 1986. *Bolivia: La fuerza histórica del campesinado*. Report No. 85.3. UNRISD-CERES, Geneva,
- Cohen, J.M. and N.I. Isaksson, 1988. "Food production strategy debates in revolutionary Ethiopia." *World Development*, Vol. 16, No.3, pp. 323–348.
- Coulson, A. 1986. "Agricultural policies of Tanzania, 1946–76." In J. Heyer, P. Roberts and G. Williams (eds.), *Rural Development in Tropical Africa*. Macmillan, London.
- Dore, R.P. 1959. *Land Reform in Japan*. Oxford University Press, London.
- Ellman, A. 1977. "Group farming experiences in Tanzania." In P. Dorner, *Cooperative and Commune: Group Farming in the Economic Development of Agriculture*. University of Wisconsin Press, Madison.
- Feder, E. 1983. *Perverse Development*. Foundation for Nationalist Studies, Quezon City.
- Ghai, D. and R.H. Green, 1979. "Ujamaa and villagization in Tanzania." In D. Ghai, A.R. Khan, E. Lee, S. Radwan (eds.), *Agrarian Systems and Rural Development*. Macmillan, London.
- Ghai, D. and L.D. Smith, 1987. *Agricultural Prices, Policy and Equity in Sub-Saharan Africa*. Lynne Rienner, Boulder CO.
- Ghose, A.K. 1983. "Agrarian reform in West Bengal: Objectives, achievements and limitations." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.

- Griffin, K. 1987. "The economic crisis in Ethiopia." W.L. Hollist and F.L. Tullis (eds.), *Pursuing Food Security: Strategies and Obstacles in Africa, Asia, Latin America and the Middle East*. Lynne Rienner, Boulder CO.
- Gunasinghe, N. 1982. "Land reform, class structure and the state in Sri Lanka." In S. Jones, P.C. Joshi and M. Murmes (eds.) *Rural Poverty and Agrarian Reform*. ENDA Allied Publishers, Bombay.
- Heyer, J. 1981. "Agricultural development policies in Kenya from the colonial period to 1975." In J. Heyer, P. Roberts and G. Williams, *Rural Development in Tropical Africa*. Macmillan, London.
- Hosain, M. 1982. "Agrarian reform in Asia." In S. Jones, P.C. Joshi and M. Murmes (eds.) *Rural Poverty and Agrarian Reform*. ENDA Allied Publishers, Bombay.
- Huizer, G. 1980. *Peasant Movements and their Counterforces in South East Asia*. Marwah Publications, New Delhi.
- Katouzian, H. 1983. "The agrarian question in Iran." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.
- Kay, C. 1983. "The Agrarian Reform." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.
- Kisanaga, E.V. 1987. *Tanzanian Socialism and Self-Reliance*. Paper presented at the United Nations University Workshop on Economic Aspects of Human Development, Geneva, Switzerland, 25-27 June.
- Ladipo, R.O. 1989. "Nigeria and the Ivory Coast: Commercial and export crops since 1960." In A. Amara (ed.), *African Agriculture: The Critical Choices*. Zed Books, London.
- Lee, E. 1979. "Egalitarian peasant farming and rural development: The case of South Korea." In D. Ghai et al., *Agrarian Systems and Rural Development*. ILO and Macmillan Press, New Delhi.
- Lehman, D. 1983. "Agrarian reform and structural change in Chile, 1965-1979." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.
- MacEwan, A. 1982. "Revolution, agrarian reform and economic transformation in Cuba." In S. Jones, P.C. Joshi and M. Murmes, *Rural Poverty and Agrarian Reform*. ENDA, Allied Publishers, Bombay.
- Mafeje, A. 1987. *The First Step is to Rehabilitate the Household Economy*. CERES No. 117, May-June. FAO, Rome.
- Mamdani, M. 1987. "Contradictory class perspectives on the question of democracy: The case of Uganda." In Peter Anyang' Nyong'o (ed.), *Popular Struggles for Democracy in Africa*. Zed Books, London.
- Mensah, M. 1977. "An experience in group farming in Dahomey: The rural production cooperatives." In P. Doyer (ed.), *Cooperatives and Communes*. University of Wisconsin Press, Madison.
- Moll, P.G. 1988. "Transition to freehold in the South African reserves." *World Development*, Vol. 16, No. 3, pp. 349-360.
- Moore, B. 1966. *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Beacon Press, Boston MA.
- Nguyen Ngoc Luu, 1982. "Agrarian revolution in North Vietnam." In S. Jones, P.C. Joshi and M. Murmes (eds.) *Rural Poverty and Agrarian Reform*. ENDA Allied Publishers, Bombay.
- Polanyi, K. 1944. *The Great Transformation*. Farrar and Rinehart, New York.
- Radwan, S. and E. Lee. 1979. "The state and agrarian change: A case study of Egypt, 1952-77." In D. Ghai, A.R. Khan, E. Lee, S. Radwan (eds.), *Agrarian Systems and Rural Development*. Macmillan, London.
- Raj, K.N. and M. Tharakan. 1983. "Agrarian reform in Kerala." In A.K. Ghose (ed.), *Agrarian Reform in Contemporary Developing Countries*. Croom Helm, London.
- Reyes Osorio, S., R. Stavenhagen, S. Eckstein and J. Ballesteros. 1974. *Estructura agraria y desarrollo agrícola en México: Estudio sobre las relaciones entre la tenencia y el uso de la tierra y el desarrollo agrícola de México*. Fondo de Cultura Mexicana, Mexico City.
- Scott, K. 1982. "Agrarian reform in Algeria." In S. Jones, P.C. Joshi and M. Murmes (eds.) *Rural Poverty and Agrarian Reform*. ENDA Allied Publishers, Bombay.
- Utting, P. 1992. *Economic Reform and Third World Socialism: Political Economy of Food Policy in Post-Revolutionary Societies*. Macmillan Press, London.
- Wolf, E. 1970. *Peasant Wars of the 20th Century*. Harper and Row, New York.
- Womak, J. 1969. *Zapata y la Revolución Mexicana*. Siglo XXI, Mexico DF
- World Bank. 1986. *World Development Report*. World Bank, Washington DC.





## Chapter 10

# Migration, Displacement and Social Integration<sup>1</sup>

*Nicholas Van Hear*<sup>2</sup>

(1994)

---

### Introduction

From being a relatively peripheral concern, migration has, since the late 1980s, moved swiftly up the policy-making agenda to become an issue of public debate. International conferences on migration issues have proliferated, and newspapers and magazines carry lengthy features on migrants, refugees and asylum-seekers almost daily. At the same time, xenophobia and racism have become prominent once again. Migration, however, has long been a feature of the world stage, and during many periods it has been seen as a beneficial phenomenon. Moreover, despite the current anxieties, many still think that migration makes a positive contribution.

This chapter places human migration and displacement within the context of globalization, economic and political restructuring, and social integration. It demonstrates the ambiguous impact of migration on social integration: the paradox of today's migration is that it is—or may be—both disintegrative and integrative, both in migrants' countries of origin and destination.

This chapter is divided into three main parts. The first takes up the theme of globalization, examining transformations in the volume and pattern of migration in the last quarter of the twentieth century, and relating them to trends in global economic restructuring and the disintegration and reconstitution of nation states. These shifts are manifested in spatial terms—migration is both a part and a consequence of the process of globalization—and in terms of emerging types of migrants. The chapter then turns to the social, political and economic issues of integration/disintegration and inclusion/exclusion that these changes in migration trends give rise to. In conclusion, the chapter looks at some of the policy implications of the integration/disintegration issues

---

<sup>1</sup> Originally published as an UNRISD Occasional Paper for the World Summit for Social Development (UNRISD, 1994).

<sup>2</sup> At the time of writing, Nicholas Van Hear was a researcher at the Refugee Studies Programme, Queen Elizabeth House, University of Oxford.

raised by migration and displacement, and draws attention to a number of seemingly intractable contradictions surrounding migration and social integration.

## **Part 1: The Globalization and Acceleration of Migration**

Migration within and between countries has long been a manifestation of wide disparities in socioeconomic circumstances and perceived life-chances, but in the post-Cold War period it appears to be taking on new dimensions and a new character. Three novel features of the current era are adding to pressures generating migration, shaping patterns of movement and increasing anxiety about the issue.

First, technological change has generated a revolution in global communications. One consequence of this is that images of life in the developed world—often heavily distorted ones—have spread wider and wider through electronic media, so that information or misinformation about new opportunities (real or imagined) has become much more accessible to a significant proportion of the world's population. Another consequence of the technological revolution is that long-distance travel has become easier and cheaper; these changes seem to have had a particularly significant impact on migration from the South. Second, looser exit procedures in the countries of the former Eastern bloc mean that a huge population—around 450 million people—has been brought into the pool of potential migrants; this pool is set to enlarge even further if and when the People's Republic of China relaxes its emigration controls. This development is shaping new patterns of East-West migration. Third, the resurgence of ethnic, religious and nationalist aspirations and tensions, in part a consequence of the collapse of the communist bloc, has generated considerable instability within many nation states, resulting in the disintegration and reconstitution of a large number of them, thereby fuelling further forced migration.

These new forces facilitating or generating migration are combining with longer established ones to alter global patterns of migration. But, while the cumulative effect of these forces is substantial, there are also countervailing pressures constraining migration, particularly as many of the countries and regions that have accommodated migrants in the past are now proving unable or unwilling to admit more newcomers. Because of technological change, many of these economies have become less absorptive of labour. More significantly though, perceptions of the negative political, social and security impacts of immigration increasingly hold sway. A potent cocktail of increased pressure to migrate set against hardening barriers to immigration is thus developing: more and more potential migrants are emerging but there is nowhere for them to go. The consequences could be explosive, with profound implications for social integration and cohesion both in regions of migrants' origin and in those of their destination—not to mention the areas in between.

Accelerated rural-urban migration and the growth of mega cities are both a consequence and a manifestation of the process of globalization. New arenas of international migration are likewise being brought into play and longer established ones transformed. The subsections that follow outline the dimensions and character of rural-urban and international migration, and review changes in spatial patterns of migration both in regions with long-established migration streams and in those where new migratory flows are emerging.

**Rural-urban migration**<sup>3</sup>

Urbanization appears to be accelerating inexorably. In the middle of this century more than four-fifths of the world's population lived in the countryside; by 1975 three-quarters still did so, but by the early years of the next century the proportion will be down to half. Another significant feature of urbanization in recent decades has been the growth of "megacities" of more than 10 million inhabitants, particularly in the developing world. Urbanization has of course been associated historically with economic growth and industrialization, but rapid urban growth in many developing countries is outstripping the capacity of cities to provide economic opportunities and even minimal services for their existing populations, let alone the newcomers.

Pressures impelling rural-urban migration include population growth in rural areas, particularly among those of working age, relative to diminishing resources; inequitable land distribution and the erosion or enclosure of the commons; the bias of agrarian investment away from labour-intensive small-scale farming to capital-intensive agriculture, decreasing agricultural employment; the effect of rural infrastructural development, such as roads, which ironically make migrants' access to cities easier; the bias in favour of urban investment, so that amenities and services in towns are superior to those in the countryside; and the attraction of higher earnings in the cities than in the countryside, certainly in the formal sector and often in the informal sector—although informal social security networks like the extended family may remain stronger in the rural areas. These factors and developments have had the effect of reducing farmers' incomes, increasing the numbers of landless, shrinking means of livelihood, increasing overall poverty and disrupting the social and economic networks that bind rural societies together. Their net effect is to reinforce the attraction of the city for rural dwellers.

It is not, however, only economic factors that are at play. People certainly leave rural areas for economic reasons, but they also do so because they find life boring there, and think, rightly or wrongly, that it will be more stimulating in the towns or abroad. It is believed that town life will offer opportunities for improving social status. "Pull" factors thus include powerful images of life abroad and in the towns, which are being reinforced through advertising, television and video. While most consumers in industrialized countries realize that these images are fantasies, those who consume them at a distance have less capacity to make such a judgement. While superficially "integrative", globalization of culture, principally through electronic media, is thus profoundly disintegrative of rural culture and communities.

These pressures in aggregate drive millions of people to towns and cities each year. Migration provides an escape route, which, as will be shown below, may either further damage or help to sustain the integrity of migrants' communities of origin. Despite measures to control the size and distribution of rural and urban populations by stimulating rural development or by diverting migrants to secondary cities, urbanization seems unrelenting. Secondary cities have themselves been transformed into large agglomerations, without stemming flows into megacities. Even in China, where attempts to regulate population growth by social engineering have perhaps been the most far-reaching, millions of people from poor rural areas have made for the towns where they eke out a marginal existence—if they are lucky they find work in construction, waste disposal or sweat shops.

---

<sup>3</sup> This subsection draws on UNFPA 1993:11–15.

### ***Migration within and between countries***

Internal migration and international migration are often considered separately, but can be part of a single overall migration system; the pressures to migrate are the same. The “push” and “pull” factors outlined above, and others, may first generate movement from the countryside to the cities, leading later to migration further afield. That first move may indeed affect a greater transformation in the migrant than subsequent international migration:

Leaving traditional forms of production and social relationships to move into burgeoning cities is the first stage of fundamental social, psychological and cultural changes, which create the predispositions for further migrations. To move from peasant agriculture into a city like Manila, São Paulo or Lagos may be a bigger step for many than the subsequent move to a ‘global city’ like Tokyo, Los Angeles or Sydney. (Castles and Miller 1993:165)

There are other connections between rural-urban and international migration. Rural people drawn into the cities may find employment in sectors vacated by urban dwellers who have in turn moved up a notch to replace those who have gone to work abroad. In some parts of the world, such as Southeast Asia, the departure of rural migrants for the towns creates labour shortages which are filled by new rural migrants—either from within the country or from across borders, thus creating new international migration streams and new patterns of integration and disintegration.

### ***Forced migration***

In addition to the routine pressures outlined above which drive migration within and between countries, natural and human catastrophes—such as famine, drought, flood, war, civil conflict, mass persecution, environmental degradation and misguided development projects—have also generated involuntary movements of population within countries and across borders, and they continue to do so. Recent estimates suggest that there were some 16,250,000 refugees and asylum-seekers worldwide at the end of 1993 (USCR 1994). This total has decreased by roughly one million compared to the year before, but it obscures an increase in the number of individuals in “refugee-like situations”—those who are forced to flee but who are not considered refugees under the United Nations 1951 Convention and 1967 Protocol. The nominal decrease in refugee numbers also reflects increasing restrictions in the developed countries that have hitherto taken in asylum-seekers, and emergent policies of containing refugees within or near the countries or regions of the conflict or persecution which precipitates their flight. As for the distribution of refugees, despite the noise made, particularly in Europe and North America, about increasing numbers of asylum-seekers in the developed world, the developing world—including many of the poorest countries—hosts by far the largest proportion of refugees. In addition to those who flee across borders, there were conservatively estimated to be 25 million people displaced within their own countries at the end of 1993.

War and civil conflict constitute major causes of forced migration. In the current era, some conflicts that were wholly or partly the product of the Cold War have been settled or are on their way to resolution—former Cold War hot-spots such as the Caribbean and Central America (with the exception of Haiti), southern Africa (with the exception of Angola) and Indo-China are regions in which lessening conflict has resulted in the resolution of refugee issues by repatriation (Cambodia, Mozambique, Namibia) or by a combination of repatriation and resettlement (Viet Nam). However, many other conflicts that derive from the Cold War era are lingering on after its demise, exasperating hopes of resolution; these die-hard conflicts persist for example in Afghanistan, Angola and Somalia (and seemingly Cambodia). The Horn of Africa presents a mixed case, with

conflict in Ethiopia on its way to resolution—seen, for example, in the emergence of Eritrea—but stubborn and escalating conflict persisting in Somalia and the Sudan.

In a third category are the conflicts that have their roots in nation state realignment in the post-colonial era and are only tangentially related to the Cold War. Many of today's conflicts in South Asia might be placed here, as might some of those in Africa—Burundi, Liberia and Rwanda. Finally, there are the new conflicts of the post-Cold War era, which are either part of its legacy—such as the conflicts in the Balkans, the Caucasus and Central Asia—or are a consequence of realignments since its demise—such as the Gulf conflict and its fall-out.

Other causes of forced migration include mixtures of economic deterioration and large-scale human rights violations—seen notably in the much-publicized boat-people exoduses from Cuba, Haiti, Indo-China and the People's Republic of China. To these sources should be added famine, drought, flood, environmental degradation and misguided development projects, as mentioned above. While much of the motivation for migration is laid at the door of “underdevelopment” or structural imbalances between rich and poor parts of the world, ironically, “development” can itself be another source of involuntary displacement. The World Bank (1994) estimates that every year at least 10 million people are displaced as a result of infrastructural programmes such as dam construction and urban and transportation development. The cumulative total of people displaced by such projects over the past decade stands at about 80–90 million.

### ***International migration streams***

While anxiety about international migration has risen, particularly among the richer nations that are the destination of many migrants, the number of migrants crossing borders is actually quite small relative to the total world population. Reliable statistics are hard to come by, but in the early 1990s the number of international migrants (including economic migrants and refugees) living outside their countries of citizenship was estimated at 100 million, somewhat less than 2 per cent of the world population (Castles and Miller 1993). Although it takes place on a smaller scale than rural-urban migration, the impact of international migration is proportionately greater than its numbers might suggest. Among the reasons for this are the often profound consequences of migrants' departure for their places of origin; the tendency for migrants to be in peak periods of fertility and activity; and their tendency to concentrate and be visible in particular localities, particularly industrial areas and urban neighbourhoods. Migration therefore impinges on most people's experience in both sending and receiving countries.

The pressures outlined above are bringing into play new arenas of international migration and transforming longer established ones (USCR 1994). The classical countries of immigration—like Australia, Canada, New Zealand and the United States—whose populations have hitherto comprised mainly European immigrants and their descendants (the aboriginal populations having been decimated, dispossessed and marginalized), have over recent decades experienced large-scale immigration from new sources, particularly Asia. The United States has also attracted many migrants from Mexico, elsewhere in Latin America and the Caribbean, and from further afield; by the late 1980s, 90 per cent of immigrants to the United States were from developing countries. Large numbers enter illegally. Australia and Canada witnessed similar changes in the composition of their migrant populations.

Having long been a region of net emigration, northwest Europe has since 1945 become an area of immigration. While primary economic immigration has diminished,

family reunion, refugee movements, illegal entry and other forms of migration have continued the inflows. By the 1980s the number of foreign residents in Western Europe had topped 15 million, equivalent to the population of a medium-sized European state, and dubbed the “thirteenth state” of the (then) EEC (Layton-Henry 1990:188; Gordon 1989:20). Southern European states like Greece, Italy and Spain have meanwhile been transformed from emigration countries to those of immigration—mainly of migrants from North and West Africa. Since 1989, the profound changes in Eastern Europe and what was the Soviet Union have engendered large population movements, and transformed some Central European states, such as Hungary, Poland and the Czech and Slovak republics, into immigration countries. Germany and Greece have become the focus of “in-gatherings” of co-ethnics long settled in Eastern Europe and the former USSR. The disintegration of Yugoslavia has generated large refugee movements within Europe for the first time since the Second World War; conflict in the Caucasus has likewise displaced large populations.

Transformations of migration patterns have likewise occurred in the Middle East. The oil-rich states of the Arabian Gulf, particularly Kuwait and Saudi Arabia, and also Iraq and Libya, have attracted large numbers of contract migrant workers since the 1970s oil boom, first from other Arab states and later increasingly from South and Southeast Asia. This pattern was profoundly disrupted by the Gulf crisis, which led to the uprooting of perhaps two million migrant workers and their families, after which the volume and composition of the migrant population were transformed (Van Hear 1992, 1993).

Another major determinant of population distribution has been the displacement of Palestinians to make new lives in Jordan, Lebanon, Syria, Egypt and, until the Gulf crisis, Kuwait. Jordan also hosts substantial numbers of migrant workers from Egypt and elsewhere, and supplies skilled labour to the region and beyond. Israel is, controversially, the focus for the in-gathering of Jewish populations from around the world. Turkey was the source of much emigration to Germany in the 1960s and 1970s, but has also received large numbers of ethnic Turks from Bulgaria. Iranians, Kurds and other refugees from the Middle East are involved in other forced migratory movements around the region and beyond.

Migration has long been a routine feature in Africa, following trade routes and pre-dating the establishment of borders. The slave trade constituted one of the world’s largest and most far-reaching forced migrations. In post-colonial times, Côte d’Ivoire and Nigeria replaced Ghana as the main poles of attraction for—largely undocumented—economic migrants in West Africa, though by the early 1990s there were signs that this pattern was reversing. Substantial numbers of West Africans from former French colonies seek work in the ex-colonial metropole. Indeed, the most significant movement out of the continent is from the Maghreb to France and other European countries bordering the Mediterranean Sea. South Africa has attracted labour flows from surrounding southern African states, and continues to do so. The other important movement is of refugees and displaced people—in the Horn of Africa and Sudan; in Central Africa, including Burundi, Rwanda and Zaire; in southern Africa, particularly from Angola and Mozambique; and in West Africa, principally from Liberia and Sierra Leone.

South Asian countries have long been the source of migrant workers, traders and professionals, first through migration in the colonial period, then to former colonial metropolises, and more recently to East Asia and the Middle East. Bangladesh, India and Pakistan have also received large numbers of migrants and refugees, first as a consequence of the subcontinent’s partition, but more recently from Myanmar, Sri Lanka and

Afghanistan, respectively. The Afghan refugee population still remains substantial as renewed fighting in their country of origin has engendered new outflows and discouraged repatriation from Iran and Pakistan.

Significant new patterns of migration have recently emerged in Southeast and East Asian countries as their economies have rapidly expanded. This has been reflected in a turnaround in migration policy for some countries and territories that have hitherto not admitted significant foreign labour. Having exhausted domestic sources of labour, Japan and the newly industrialized economies of Asia have turned to foreign workers. This has usually been tightly controlled but, as elsewhere, has inevitably involved illegal migration and the prospect of permanent, if unacknowledged, settlement. Countries in the second wave of newly industrializing economies, such as Malaysia and Thailand, have also recently attracted much migration. Malaysia's foreign population was estimated at one million in the early 1990s, when its total population was 18 million; about half the immigrants were estimated to be illegal entrants. Both Malaysia and Thailand are also sources of migrants moving within the region and beyond. The major sources of migrant labour for destinations both within the region and elsewhere are Indonesia, the Philippines and Viet Nam—although the flow of Vietnamese to communist bloc countries has reversed since the upheavals of 1989 (Vietnamese are now being recruited to new destinations). All of these countries also supply migrants, often professionals and business people, for permanent settlement in Australasia and North America. While Myanmar has emerged as a major source of refugee flows in the region, the outflow of Indochinese refugees has greatly diminished, and large repatriations have taken place. At the same time, the impending opening-up of China to emigration presents the prospect of great changes in migration patterns both in the region and beyond.

Mexico is the largest source of migrants in Latin America, with an estimated three million entering the United States in the 1980s. Colombia has been another major source of out-migration. Argentina, Brazil and Venezuela are the principal poles of attraction in Latin America, but there is also significant out-migration from Brazil. Migration from the Caribbean is now predominantly to the United States (and to a lesser extent Venezuela) rather than to former colonial metropolises, but there is also substantial migration within the region, particularly from Haiti to the Dominican Republic (which like others is a country of both immigration and emigration). With the exception of Haitians and to a lesser extent Cubans, refugee outflows have diminished in recent years.

Thus few areas of the world remain untouched by migration streams of one kind or another. While both economic migration and refugee movements have recently become major issues of public debate in the developed world, movements to these countries are proportionately much less than within the developing world—albeit among countries in the latter category of greatly varying economic development. Increasing constraints on migration to traditional destinations such as Australia, Europe and North America may well accentuate this redistribution of migratory streams.

### ***Forms of international migration***

Transformations in migration patterns are not only manifested in spatial terms. Global economic and political restructuring has also generated diverse and fluid types of migration and of migrant. Often as a result of government policies to halt, stem or curtail migration, forms of migration may transmute; people may enter as tourists, students or visitors, for example, but then illegally overstay, ask for asylum or seek permanent settlement.



Socioeconomic differentiation is also sharpening among migrants. While movements of refugees and displaced people may include many of the world's poor and powerless, migrants who are primarily economically motivated tend not to be the poorest of the poor, but those with the economic, social and cultural resources to move. Indeed, in the course of both voluntary and forced migrations, it is often the better endowed who leave while the poorest are left behind. As was indicated above and is explored further below, migrants include increasing numbers of relatively well-off business people and professionals drawn from the world's élites.

A further significant tendency gathering momentum is the "feminization of migration" (Castles and Miller 1993:8), reflecting the increasing participation of women in all forms of migration and in all regions. Whereas in the past labour migration was largely of men—and women tended to feature mainly in family reunion movements—women now figure largely in labour migration, particularly as demand for service and domestic workers has risen. Women are also prominent in refugee movements: it is estimated that 80 per cent of refugees and displaced people are women and children, many of them living in female-headed households (Forbes Martin 1991).

Finally, an upshot of increasing restrictions in the developed countries that have until recently been important destinations for many migrants has been and will continue to be burgeoning illegal migration—and the clandestine industry of recruiters, agents, touts and traffickers that service illegal or unofficial migratory flows. Driving migration into this netherworld again has profound implications for social integration and cohesion—not least the convergence of the migrant and the criminal worlds.

These changes in migration forms and migrant types are driven by two sets of forces. In the geopolitical arena, as was noted above, contrary to expectations, the end of the Cold War has spawned new political pressures driving people to move. Resurgent ethnic, religious and nationalist forces have precipitated or emerged from the often violent disintegration of nation states or their reconstitution, adding to conflicts that are the detritus of the Cold War. Unwanted populations flee or are expelled, and dispersed populations regroup in the wake of the restructuring of nation states. These disintegrative trends are occurring not only in the former communist bloc, but are also being given impetus among former client states on the bloc's periphery. The outcome has been large new involuntary migratory flows from these areas since the end of the Cold War, adding to the already large and often long-established refugee populations generated by Cold War-related conflicts in the developing world.

In the economic arena, temporary labour migration, often for short contracts of one or two years and mainly of young men, is being superseded by patterns of more permanent settlement, both as a result of states' policies and of migrants' own strategies. As economic restructuring has proceeded and accelerated in recent decades, demand for new primary labour migration has diminished in many industrialized countries—although the legacies of the previous period of immigration are very much present in them. In other countries, notably those of the Middle East and parts of Southeast and East Asia, temporary contract migration is still very much the order of the day; indeed some governments have explicitly stated that they intend to avoid the "mistakes" of Europe and elsewhere in allowing permanent settlement of supposedly temporary workers. In such circumstances, the scope for integrating migrants is of course limited, although even countries which are set against permanent settlement of migrants are likely to accumulate substantial long-term populations of illegal migrants.

At the same time, the role and position of migrants and settlers in developed or industrialized economies have become increasingly diverse and polarized, reflecting the decline of manufacturing employment, the growth of the service sector and casualization of employment. Many migrants entering through family reunion, as refugees or as illegals, are employed in low-paid service jobs with Third World-like conditions, often alongside redundant rust-belt workers from the established or long-settled community. It is often argued that developed economies would collapse without migrant labour in this “3-D” (dirty, dangerous, demanding) sector.<sup>4</sup> Meanwhile a smaller number of highly qualified migrants are admitted temporarily or permanently to take up professional, technical and managerial positions. The immigrant manufacturing and construction worker has thus often given way to the poorly paid migrant service or domestic worker and the well-remunerated, transient or permanently settled professional. But for the majority, the upshot of economic restructuring has been the segmentation of employment as people of migrant origin find themselves confined to certain categories of employment from which they are unable to progress. This may have obvious negative implications for social integration and coherence.

### ***Return migration***

This section has so far concentrated on the pressures generating forms of outward migration; but there are also smaller though significant streams of return migration worthy of consideration, which have particular consequences for socioeconomic integration. “Repatriation”, “reintegration” and “reinsertion” constitute the vocabulary by which this form of movement is known. Distinctions may be drawn once more between internal and international migration; between voluntary migration or movement by choice and forced or involuntary migration; and between organized, instituted or facilitated repatriations and self-organized return movements set in motion by returnees themselves. Further distinctions may be drawn in terms of time—whether return is temporary or permanent, for example, has important implications for social integration.

As has already been noted, while circular, seasonal or temporary migration appears to be giving way to more permanent settlement in both rural-urban and international migratory contexts, these temporary forms are still important—and it is by no means impossible that they may experience a resurgence, especially if restrictions increase on both internal and international migration. Flight from the cities—or return to the countryside, known as “counter-urbanization”—is as yet largely a feature of the developed world, and of the more prosperous classes within it.

Turning to the distinction between voluntary and involuntary movements, there are four repatriation possibilities—voluntary return of voluntary or “economic” migrants; voluntary return or repatriation of refugees, displaced people or other forced migrants; forced return or repatriation of “economic” migrants; and forced repatriation of refugees.

Forms of return by choice by economic migrants include temporary returns such as visits and holidays, as well as permanent return of migrants after target earnings have been satisfied, or on retirement; with the exception perhaps of return for retirement, permanent return of migrants has tended to diminish as settlement in the country of migration has become more common—although this trend may not be irreversible. Voluntary return by refugees or displaced peoples may occur when the reason for flight is

---

<sup>4</sup> See Stalker 1994 for a recent restatement of this argument.

removed, as when a persecutory regime is overthrown, when a conflict is over or dies down, or when drought, famine or flood abates; such returns may be officially instigated by governments or international agencies, or, more commonly, set in motion by returnees themselves. Less common, but also significant, are involuntary repatriations or expulsions of both economic migrants and refugees, individually as well as en masse; such expulsions range from mass departure by decree or order to softer versions under which life for the targeted group is made increasingly intolerable in the host country. Finally, migrants may return, by choice or involuntarily, to their home communities, stay a while, but then move on to some other new destination, thereby contributing to the formation of diaspora populations and transnational communities. These phenomena are discussed further below.

## **Part 2: Social, Political and Economic Implications of Migration for Integration**

Shifts in patterns of outward, return and onward migration have profound implications for social integration and present new challenges for policy makers. Consideration of the impact of migration on social integration prompts examination of the relationship between migrants and their “home” community or their country of origin, and between migrants and their “host” community or their country of destination. There is also a third nexus of relationships worthy of consideration, located between the country of origin and the country of destination, which might be termed the “transnational” arena. Each of these has social, economic and political dimensions, and each has contradictory implications for social integration.

### ***Migration, social integration and the community of origin: A balance sheet***

Internal migrations of various kinds—rural to rural movements, rural-urban migration, displacement resulting from development and environmental change, and internal displacement because of conflict or persecution—have disintegrative but also potentially integrative dimensions. They may mark the disintegration of households and communities, but they may also generate new and wider forms of community. International migration likewise has both integrative and disintegrative dimensions, some of which have already been noted.

While the urban informal sector has shown an unexpected and extraordinary capacity to absorb newcomers, and may continue to do so, standards of living, the quality of life and life-chances or choices seem to be steadily diminishing in many urban centres, particularly in the developing world. Squatter communities are becoming increasingly vulnerable to life-threatening pollution, fire, flood and poor sanitation. The deleterious implications for social integration are obvious. However, the impact of rural-urban migration on social integration is not all one-way. While out-migration appears inexorably damaging to the cohesiveness of rural communities, new forms of integration may be generated. As rural socioeconomic networks grow weaker, those linking rural with urban communities grow stronger; ironically though, this may in turn further weaken social cohesion in the countryside, by lessening the risks associated with migrating to new locations and encouraging further out-movement.

Migration may not be wholly disintegrative at the household level; it may indeed be a conscious, purposive and collective household strategy for survival, insurance or getting

ahead. Migration decisions are often made as part of a strategy to spread risk and ensure household survival; decisions may be driven by necessity but involve a greater or lesser degree of choice. The dominance in the past of migration by single men led to disintegrative trends in the communities they left behind, with the resulting preponderance in them of elderly males and the emergence of female-headed households. While in such contexts the demands placed on women's labour time and resources were accentuated, in some cases, the absence of adult men has set in motion positive change, as some women were given the opportunity to take over decision making and management roles hitherto dominated by men. Similarly, although the feminization of migration may have disintegrative impacts at the household level, it may also produce potentially liberating impacts on women migrants' life-chances and horizons (although the reality may of course be different, as with women drawn into urban prostitution).

Again on the positive side of the balance sheet, migrations may generate new forms of social interaction and knowledge. Migrants develop elaborate informal networks to facilitate migration and settlement. Seasoned migrants are seen as repositories of knowledge of other countries, developing the capacity to organize travel, find work and adapt to new environments; this "cultural capital" can be passed on, contributing to shared values and social coherence. Migrants' informal networks draw on personal, household, family and kin relationships, wider friendship and community links, and an ethic of mutual aid and solidarity. Integration is best served when these links develop not just within migrant communities, but also with the established population (which of course may include former migrants); otherwise relations with them may be competitive or conflictual.

Most of the socioeconomic consequences of migration are double-edged as far as social integration is concerned. The relationship between migration and development (and thus between migration and socioeconomic integration) is not straightforward. Movements of professionals and students to industrialized countries may contribute to brain drain in developing countries, but may also encourage new links, technology transfer, and even create new kinds of communities. Similarly, migrants' remittances may stimulate development in home areas, notably through construction and housing improvements and their multiplier effects. Migration to cities or abroad can thus stimulate growth at home; but this growth is not necessarily translated into development and certainly not into human development—on the contrary, quality of life may decline and disintegrative pressures may increase (see box 10.1).

Remittances are one manifestation of the continuing attachment of the migrant to his/her home community. Letters and messages, holidays and visits home might also be placed in this category. Some of the activities of migrants in the host country fulfil a similar purpose—the maintenance of cultural activities, the provision of country-of-origin language classes, the distribution and consumption of country-of-origin news media, and participation from abroad in the political activity of the homeland might be mentioned as relevant examples. All of these contribute to the continuing attachment—the long distance "integration"—of the migrant in the home community, and at the same time condition the "integration" of migrants in the host community.

**Box 10.1: Remittances, development and integration**

Global remittances approached USD 70 billion a year in the 1990s, representing a large proportion of world financial flows, second in value only to oil among aggregate international trade and financial transactions. Remittances have long been essential components of many states' foreign exchange earnings, a vulnerability exposed recently during the mass repatriation of migrant workers to Arab and Asian countries in the wake of the Gulf crisis.

The impact of remittances on economic development—or on human or social development—has long been a matter of debate; many observers challenge whether these financial resources are used productively, let alone equitably. Large amounts of remittances are certainly consumed in private necessities or in house building, and the living standards of those receiving remittances are thereby improved. Some economists argue that the impact of this in terms of economic growth is limited, pointing to the paucity of remittance investment in productive activity that stimulates local employment. Others point to the multiplier effects of construction activity, and its capacity to kick-start an ailing or stagnant economy. Arguments for the integrative impacts of such investment are perhaps harder to sustain, since the main beneficiaries are the households of migrants. However, other impacts have less equivocally positive impacts on social development and integration; among these are investment of remittance income in education and health services—including schools and hospitals, which benefit not just households with migrants as members, but the wider community. Such investment may help to reduce the pressures that have in the past impelled migration.

Remittances from migrants abroad or from migrants in the cities to their rural communities may thus help to alleviate poverty. But they do little to redress the imbalances between countries and may even reinforce them, since migrants are often the young, educated, able and resourceful people that developing countries need. Arguably, immigration fuelled Western Europe's economic boom in the 1960s and that of the Gulf states in the 1970s and 1980s, while, on the whole, despite the impact of remittances, migrants' regions of origin did not benefit as much as they might have done had migrants invested their skills at home. Such regions have lost many of their most skilled workers and professionals, and forgone the costs of training them; according to one United Nations Development Programme estimate, Africa lost one-third of its highly educated labour in recent decades.

**Sources:** Russell and Teitelbaum 1992; UNFPA 1993:22–23; Castles and Miller 1993:5; Van Hear 1992, 1993.

**Models of migrant integration in host or destination societies**

Different types of nation states give rise to different models of incorporation or integration of migrants. Openness to migration and settlement, the granting of citizenship and acceptance of cultural diversity can lead to the formation of ethnic communities within a multicultural or pluralistic society; indeed they are integral to such societies. Denial of settlement, refusal of citizenship rights and rejection of diversity can lead to the formation of ethnic minorities, excluded and marginalized and perceived by the wider population as undesirable (Castles and Miller 1993:26). Elements of these two ideal types are found among classical countries of immigration, among former colonial powers, among guest-worker regimes, and among the new destinations for migrants outlined above. But each of these regimes has recently been undergoing transformations which are resulting in a general convergence towards a hardening of barriers to new migration and settlement. Immigration can and does present a fundamental challenge to established notions of national identity and integrity, for it poses a fundamental question: how are core values and identities to be maintained in a milieu of plural and disparate cultures and traditions? This involves “defining who is a citizen, how newcomers can become citizens and what citizenship means” (Castles and Miller 1993:38).

Such a challenge is particularly sensitive because of the other regional and global pressures that nation states confront in the closing years of this century. Immigration impacts on national integrity in three related ways—in the formation and transformation of rules of citizenship or membership, in the development and transformation of migration policy, and in the arena of national identity or self-image.<sup>5</sup>

<sup>5</sup> The following draws on Castles and Miller 1993:39–40, 196–198 and 223–227.

Three ideal types of citizenship can currently be identified. Under the “folk” or “ethnic” model, membership derives from (often idealized or imaginary) common descent, language and culture, often excluding migrant minorities from citizenship; Germany is perhaps closest to this model. In the “republican” model members adhere to constitutional rules which define citizenship and newcomers may be admitted provided they conform to these rules and assimilate; France conforms most closely to this model. In the third ideal type, the “multicultural” model, adherence to common values is required, but cultural difference is recognized and the formation of ethnic communities acknowledged as legitimate; Australia and Canada are the closest to this model, while Britain, the Netherlands, Sweden and the United States also share significant elements of it.

These models are neither static nor exclusive to a particular country. For example, three approaches to ethnic diversity might be identified in the United States—assimilation into a purportedly homogeneous Anglo-Celtic culture; fusing of different cultures in a “melting pot” to produce a new American identity; and maintenance of diverse cultures and identities within a pluralistic “salad bowl”. As well as encompassing diverse models of citizenship among its member states, the European Union features other kinds of diversity of citizenship: nationals of its member states are at the same time community or “EU nationals” who enjoy rights, short of full citizenship, in the EU countries to which they may move; outside these categories are “third country” nationals, some of whom may enjoy quasi- or limited citizenship. This type of partial membership has been termed “denizenship” (Hammar 1990). This diversity raises the question of whether democracies can sustain this differentiation for long, since they are ostensibly founded on the principle that all members of civil society should belong to the political community. Migration is challenging this principle, as more migrants hold multiple identities, affiliation, membership or citizenship, so that citizenship itself may change in the direction of some form of what has been called “transnational citizenship” (Baubock 1991). This is discussed further below.

Immigration policy—which includes rules of entry, treatment of migrants and provision of services for newcomers—is intrinsically linked to different experiences of nation state formation and types of citizenship. Three types can be identified. The classical immigration countries, including the United States, Canada and Australia, have encouraged permanent settlement, treated migrants as future citizens, and allowed family reunion. Former colonial powers, like Britain, France and the Netherlands, have allowed former colonial subjects permanent settlement, citizenship and family reunion, while restricting these rights for other immigrants, some of whom nonetheless have been granted permanent settlement, family reunion and naturalization. Third are the “guest-worker” regimes, like Germany, Switzerland and many of the new destinations for migrants in Asia and the Middle East, which have tried to discourage permanent settlement and family reunion, and make naturalization very difficult. Like citizenship rules, these regimes are neither static nor exclusive. The same country may operate relatively liberal and restrictive policies in different circumstances. Moreover, policies are tending to converge, particularly in Europe, as the former colonial powers become as restrictive as the guest-worker regimes. This has occurred against the background of other developments—the emergence of a new status of EU national (see above) and the increase in the number of migrants seeking asylum from the South and East.

Consideration of types of citizenship and of immigration regimes yields three categories of immigration country and, by extension, national identity. In the “exclusionary” model—which often corresponds with the “folk” or “ethnic” model of

citizenship described above—the nation is conceived as a community of common descent and unwilling to accept newcomers as members. Such countries restrict rights of residence, limit family reunion and make naturalization difficult. In the “assimilation” model—which may embrace the “republican” model of citizenship outlined above—people who have become members of civil society (through immigration or birth) may join the nation, but at the price of a degree of cultural assimilation. In the “multicultural” model, which includes the classical immigration countries but also some others, residence and acceptance of core shared values are the basis of membership of the nation, but with room allowed for cultural diversity.

It is of course not only state policies that determine the possibilities for and extent of integration of newcomers. The attitudes of host populations—which may and often do include many past migrants—to newcomers are highly significant in delineating the parameters of integration. Such attitudes may be in tune or out of step with prevalent state policies; they may shape them, or may be shaped by those in power or aspiring to it. Growing racism and xenophobia—often manipulated by demagogic power-seekers, sometimes well-organized and with political power—have, in many countries with significant immigrant populations, recently reduced the scope for social integration and weakened states’ resolve to enhance it through administrative means.

Transformations in citizenship patterns, immigration policies and national self-image are of course also reflected in, as well as determined by, patterns of migrant activity and identity. As various “gates of entry” in states receiving migrants have successively been closed, migrants have sought alternative access; thus as temporary labour migration has diminished in many Western states, other means of entry have increasingly been used, such as family reunion, or, more controversially, asylum seeking or illegal entry. The forms of entry help shape the possibilities for integration and the character of ethnic identity itself. The form and extent of integration are also conditioned by the presence or absence of strong, already existing ethnic communities or enclaves, and by the level of organization of community groups and of workplace or business associations. Changes in identity are apparent in long-settled communities of migrant origin. In recent years, assimilationist and multicultural notions of migrant identity appear to be giving way to the proliferation of “hyphenated” identities—the African-American, the Asian-Australian, the Vietnamese-Canadian, and so on—and even to new “hybrid”, diasporic identities and cultures (Gilroy 1993) explored further below.

Diverse patterns of migrant integration can be generated by the impact of rules of citizenship or membership, immigration policy, perceptions of national identity, the composition and attitudes of the host (prior or established) community, and not least the activity of migrants themselves. The social psychologist, John Berry, has proposed a useful framework for considering the encounter between minority groups and a larger society, which he terms “acculturation” (Berry 1992). He sees four possible outcomes from this encounter, determined by a minority’s relations with other groups, on the one hand, and the maintenance of cultural identity, on the other. Submersion within the dominant society he calls “assimilation”. Maintenance of identity, but with minimal relations with the larger society, he terms “separation”—or “segregation”, where it is imposed. “Marginalization” occurs when a group loses its own identity, but does not become part of the larger society. Finally, Berry defines “integration” to be participation in the larger society while maintaining self-identity. While suggested primarily for the investigation of psycho-social dimensions of the encounter between minorities and the larger society, this

framework has a wider application, and points to issues of inclusion and exclusion considered in the next section.

### ***Migrant communities in host societies: Inclusion and exclusion***

Recent writings in sociology suggest that, in developed countries at least, a defining characteristic of societies in the 1990s is the exclusion of certain groups from society's mainstream (Galbraith 1992; Castles and Miller 1993). It is argued that there is an essential division between the "two-thirds society", comprising those included in society, in Galbraith's "contented", "comfortable" or "fortunate" majority, and the remaining one-third that is excluded from it or rendered an underclass. The one-third—Galbraith's "functional underclass"—is marginalized in three interrelated ways: economically, through unemployment or low-status work that is insecure; socially, through poor education and vulnerability to crime, drugs and household disintegration; and politically, by their powerlessness to influence decision making. This marginalization is very often manifested by ghettoization—various minorities living in particular localities in varying degrees of isolation from the rest of society. Migrants figure largely in these excluded communities, often suffering the additional irony of being blamed for the circumstances which render them excluded.

In the newly industrializing countries the "contented" may be smaller in number, and may indeed not yet constitute a majority, but society's structure is heading in a similar direction in terms of consumption patterns, living standards, and civil and political rights for a significant portion of the population. At the same time, an underclass is consolidating in the newly industrializing countries, partly composed of impoverished citizens, often migrants from the countryside, but increasingly also of foreign immigrants.

Not all migrants are locked into the underclass; indeed, some are definitely included among the "contented". Existing host communities in countries receiving migrants comprise not only (or no longer) the established or prior inhabitants (commonly themselves people of migrant origin who may have exterminated or displaced the aboriginal population), but also long-settled and often well-established former migrants,<sup>6</sup> who are now, incidentally and ironically, often opposed to newcomers. Migrant professionals or business persons from Brazil, India or Malaysia probably have more in common in terms of lifestyle and outlook with their counterparts in London, New York or Tokyo than with their compatriots in their towns or villages of origin. But, as Galbraith points out, the possibility of upward mobility for most migrants into the ranks of the "contented" has largely disappeared, for the foreseeable future at least. Migrants are thus becoming perhaps quintessential post-industrial workers, servicing the consumption requirements of the "contented" majority in both old and newly industrialized political economies alike; they are integral, in this sense, to the functioning of these societies.

While much of the basis of inclusion and exclusion is located in social and economic structures, and is therefore not amenable to rapid change, the level of inclusion or exclusion may be ameliorated or exacerbated by states' policies—by their interventions or their inactivity. Inclusion or improvement of the position of migrants may be enhanced through basic education, language and vocational training, and through legislation against discrimination and for equal opportunities. Australia, Canada and

---

<sup>6</sup> See, for example, Bach 1993.



Sweden have perhaps the best records in these areas, while Britain, France and the Netherlands are implementing some of these measures. In the United States, legislation for equal opportunities, against discrimination and for affirmative action exists, but education and training measures are less prominent. In guest-worker regimes, such as Germany and Switzerland, education and training have until recently been largely labour market-oriented, rather than aimed at promoting social integration. Similar observations may be made of access to housing, welfare services and other social policies, and of measures to combat racism. Special social policies for immigrants linked to multicultural models have been pursued in Australia, Canada, the Netherlands and Sweden, with a view to promoting integration—although they have sometimes unintentionally resulted in segregation. Where the assimilationist model holds sway—as in France—social policies for immigrants are eschewed on the basis that special treatment militates against equality of citizenship. In the guest-worker regimes, there is little in the way of special social services (although as elsewhere these may be provided by non-governmental organizations), nor is there much antiracist, antidiscrimination or affirmative action legislation—although governments in this category have pursued inconsistent policies (Castles and Miller 1993).

### ***Return migration and socioeconomic integration***

While some issues relating to integration are common to both outward and return migration, others are specific to the situation of returning migrants. The degree and ease of returnee reintegration depend on the circumstances of return; the extent to which links with the home community have been sustained while abroad; the returnees' demographic and socioeconomic status, and the resources that can be called upon; and, not least, the state of the society that receives the returnees.

The circumstances of return were touched upon above. The implications for integration in the country of return hinge on the degree of choice in the process of return, and hence whether or not it is planned, or at least the extent to which it is anticipated. Reintegration also depends on the volume and timing of migrants' return: individual or small-scale returns, continuous but manageable streams, or unanticipated, massive and sudden returns—each have different impacts on societies receiving returnees. Sudden, massive repatriations can have potentially profound disintegrative effects on the societies experiencing them, although in the longer term all impacts may not be negative (Van Hear 1992).

The second set of factors—the extent to which links with the home community have been sustained while abroad—was also noted above. These “transactions with home” contribute to the continuing attachment—the long distance “integration”—of the migrant to the home community, and their presence or absence conditions their reintegration on return. Ease of reintegration also depends on migrants' length of stay abroad, their stage in the lifecycle, their socioeconomic status and their access to resources on return. Those long abroad may find it difficult to reintegrate, especially the children of returnees or those born and raised abroad; this may raise issues of what constitutes “home” for these so-called returnees. Socioeconomic status and available resources—brought back, previously invested or mobilizable on return—have a strong bearing on the degree and speed of reintegration.

Finally, and not least, reintegration hinges on the capacity of the society of return to accommodate the returnees. Much depends on that society's security and stability, the state of its economy, and its capacity to mobilize resources (internally or from abroad) to

assist or facilitate reintegration. At the community or household level, much depends on the presence of extended families, kin or co-ethnics in the communities receiving returnees.

It is often assumed that returning migrants—both economic migrant returnees and refugee repatriates—will fare reasonably well if they are received by their extended families. It is not safe, however, to make such an assumption, for although the extended family has almost universally demonstrated great capacity to absorb returnees, even in emergencies, its capacity to do so is not unlimited. Accommodation is not without great strains, cost and pain for the members of extended families—and may sometimes lead to their disintegration.

### ***Migration and the transnational arena***

The third nexus of relationships with implications for social integration identified in the introduction to this section is located at the transnational level. As indicated above, migrations may contribute to the emergence or consolidation of transnational communities or diasporas, which transcend allegiance to a single home; these feature networks, which contribute to the construction of transnational “homes” or communities. Integration with or within the community of migrant origin or the community of migrant settlement may thus give way to a new form of “transnational” integration—that of the diaspora.

Social and ethnic groups which have experienced uprooting perhaps illustrate this most clearly. For example, while Ugandan Asians expelled by President Idi Amin consolidated their presence in their new European or North American homes, the basis of a transnational community was also established or extended. Indeed, before the expulsion from Uganda, as Asians generally had grown less secure in East Africa, they had developed a form of transnational insurance: “the most highly skilled would try to go to North America; the other working family members would head for Britain; while the old, the retired and the wealthy would probably decide to return to India or Pakistan” (Tinker 1977:134). Palestinians, overseas Chinese, and other diaspora populations have also developed such intricate networks.

The emergence of transnational populations maintaining links with several “homes” has been noted in other contexts. Striking a chord with Tinker’s depiction of the dispersal strategy of East African Asians, Stark contemplates what he calls the “portfolio” strategy of migrant households: “migration decisions are ordered by family needs for stable income levels, provided by a diversified portfolio of labourers, both male and female, and the need to insure the family’s well-being” (Stark 1991:39). This perspective may be overly economic, overstating the notion of “family as firm”, but it facilitates understanding of the formation of some transnational populations and of decision-making among them. Other recent commentary casts this phenomenon in different terms. Baubock sees multiple membership in different societies deriving from migration as a decisive contribution to what he calls the “slow emergence of interstate societies” (Baubock 1991:41).

Arguably, such populations are emerging as a new form of migrant, with roots not in a particular community, but in transnational social space. Like national identity (Anderson 1983), collective transnational identity is imagined; it may have a cultural manifestation (Gilroy 1993), but it may also have a material basis in diaspora or transnational networks. Acknowledgement of the emergence of this pattern of migration and type of migrant points to a somewhat heretical conclusion: that populations without a definitive “home” but with multifarious global links and forms of integration may well

be better placed than people with more conventional roots in the face of world economic restructuring and of nation state disintegration and reconstitution. In other words, such populations might be well advised to maintain or extend their diaspora or transnational character than to diminish it by commitment to a single homeland, however appealing the notion of such a “home” may seem.

### **Part 3. Reconciling the Contradictions between Migration and Integration**

The paradox of today’s migration is that it is—or may be—both integrative and disintegrative, at different levels and locations, and sometimes simultaneously. Migration may have disintegrative effects on migrants’ communities of origin and on the communities accommodating them; at best the local impact on both sending and receiving communities may be ambiguous. At the same time, migration, particularly between countries and regions, may have an integrative effect, both contributing to and a consequence of the tendency towards globalization (Ghai and Hewitt de Alcántara 1994). It is regrettably the disintegrative features of migration that have held sway in public debate and, with exceptions, among policy makers—not least, perhaps, because it is one among several current challenges to national identity and to the integrity of the nation state.

Most commentators recognize that migration cannot be wholly controlled, is here to stay and will have to be lived with, and ideas of how to make it more manageable are increasingly discussed. A particular policy trend that has emerged recently is that of the mitigation of migratory pressures or, more controversially, their containment. In economic terms this may mean the direction of assistance toward the source of migrant flows (both internal and international) in a bid to contain them.<sup>7</sup> However, recent experience suggests that such aid may stimulate rather than stem migration in the short term by raising potential migrants’ expectations and by enhancing the resources they need to migrate.<sup>8</sup> Containment of refugee movements has meant the direction of assistance to keep the displaced within or near arenas of conflict, giving rise to discussion of controversial notions of safe zones, countries or regions; from the point of view of developed countries increasingly hostile to new migration, such measures conveniently obviate the need for asylum or third-country resettlement.<sup>9</sup> Such policies have serious implications for the integrity of communities in which would-be migrants and refugees are contained, since they increase the internal pressures on such communities and remove the “safety valve” function of out-migration.

Whatever policies are devised, there remain a number of seemingly intractable contradictions surrounding migration and social integration. On one hand, as indicated above, increased migration looks inevitable given the growing pressures worldwide for people to move and the impossibility of complete regulation of such movement; states will therefore have to learn to live with or make the best of both internal and international migration. On the other hand, constraints on the absorption of migrants—political, economic and not least ecological—are growing inexorably. Such contradictions

---

<sup>7</sup> See Böhning and Schloeter-Paredes 1994.

<sup>8</sup> See, for example, Ascencio 1990.

<sup>9</sup> Shacknove 1993; Frelick 1994.

are paralleled at the nation state level by the simultaneous breakdown of some borders and the reinforcement of others. The upshot of these contradictory trends is likely to be greatly increased illegal migration, with many disintegrative implications, and the bringing into play of more alternative destinations—making for more migration, for example, within East and Southeast Asia, until these new destinations shut their doors, as indeed some are already beginning to do. A further contradiction, this time in the moral arena, is that between the right to move and the rights of newcomers on the one hand, and on the other the right of host, prior or established communities (which as noted above may often include former migrants) to determine who may join them. The right of the greatest free movement possible (or the greatest possible choice as to whether to move or stay put) has to be balanced against the right of a community to determine its own composition and values.

Those who take the perspective of the state and see migration largely as a threat have elevated to pre-eminence the rights of the host, prior or established community; some have exploited their fears. On the other hand, liberal commentators and the advocates of migrants' and refugees' rights have focused attention on those of newcomers and migrants—understandably and justly, since in many cases migrants have unjustly been denied such rights. But the perspective of the host population—in both countries of migrants' destination and communities to which they return—perhaps also needs to be given greater consideration among those who aspire to pluralistic, tolerant and multicultural societies. In liberal considerations of migration, the host population tends to be seen implicitly as an entity to be badgered or cajoled from its at best stubbornly inert position into accepting newcomers, or at worst its overtly racist, hostile and violent stance against accommodating them. This does injustice to the fund of goodwill that most host communities hold, and which, provided that principles of justice and equity are upheld, they will usually extend. A perspective which is more sympathetic to the legitimate concerns of the host population may help countervail those in power and aspirants to it, who play upon the fears of host, prior or established communities.

As this chapter has shown, migration raises issues of social, political and economic participation that have a profound bearing on social integration and cohesion. Not least are the issues of equity raised by the outcomes of migration. While migration may have increased the life-chances and fostered the integration of some, economic and political restructuring has resulted in the social, political and economic marginalization of many other migrants, deepening the gulf between those “included” and those “excluded”. Most migrants' social and political integration in their host society is not commensurate with their economic participation, which is manifested in their generally positive—and arguably essential—contribution to the host economy.

Ostensibly, democracies are founded on the principle that all members of civil society should belong to the political community. Migration is challenging this principle in two ways, one negative, the other creative. As has been shown above, migrants form a significant proportion of the politically, socially and economically excluded underclass in the advanced countries, and increasingly in newly industrializing societies. At the same time, more and more migrants hold multiple identities, affiliation, membership or citizenship, so that such affiliation itself may change in the direction of some form of “transnational” citizenship; such persons may well find themselves to be advantaged over those with a single affiliation as globalization accelerates.

## References

- Anderson, B. 1983. *Imagined Communities: Reflections on the Origin and Spread of Nationalism*. Verso, London.
- Ascencio, D. 1990. *Unauthorised Migration: An Economic Development Response. Report of the US Commission for the Study of International Migration and Cooperative Economic Development*. US Government Printing Office, Washington DC.
- Bach, R. 1993. *Changing Relations: Newcomers and Established Residents in US Communities*. A Report to the Ford Foundation by the National Board of the Changing Relations Project. Ford Foundation, New York.
- Baubock, R. 1991. "Migration and citizenship." *New Community*, Vol. 18, No. 1, October, pp. 27–48.
- Berry, J. 1992. "Acculturation and adaptation in a new society." *International Migration*, Vol. 30, No. 2, pp. 69–84.
- Böhning, W.R. and M.L. Schloeter-Paredes. 1994. *Aid in Place of Migration*. International Labour Office, Geneva.
- Castles, S. and M. Miller. 1993. *The Age of Migration: International Population Movements in the Modern World*. Macmillan, London.
- Forbes Martin, S. 1991. *Refugee Women*. Zed Books, London.
- Frelick, B. 1994. "The year in review." *World Refugee Survey 1994*. US Committee for Refugees, Washington DC.
- Galbraith, J.K. 1992. *The Culture of Contentment*. Penguin, London.
- Ghai, D. and C. Hewitt de Alcántara. 1994. *Globalization and Social Integration: Patterns and Processes*. Occasional Paper No. 2. UNRISD, Geneva.
- Gilroy, P. 1993. *The Black Atlantic: Modernity and Double Consciousness*. Verso, London.
- Gordon, P. 1989. *Fortress Europe? The Meaning of 1992*. The Runnymede Trust, London.
- Hammar, T. 1990. *Democracy and the Nation State: Aliens, Denizens and Citizens in a World of International Migration*. Avebury, Aldershot.
- Layton-Henry, Z. 1990. "Citizenship or denizenship for migrant workers?" In Z. Layton-Henry (ed.), *The Political Rights of Migrant Workers in Western Europe*. Sage, London.
- Russell, S. and M. Teitelbaum. 1992. *International Migration and International Trade*. Discussion Paper No. 160. World Bank, Washington DC.
- Shacknove, A. 1993. "From asylum to containment." *International Journal of Refugee Law*, Vol. 5, No. 4, pp. 516–533.
- Stalker, P. 1994. *The Work of Strangers: A Survey of International Migration*. International Labour Office, Geneva.
- Stark, O. 1991. "Migration in LDCs: Risk, remittances and the family." *Finance and Development*, December, pp. 39–41.
- Tinker, H. 1977. *The Banyan Tree: Overseas Emigrants from India, Pakistan and Bangladesh*. Oxford University Press, London.
- UNFPA (United Nations Population Fund). 1993. *The State of World Population 1993*. The Individual and the World: Populations, Migration and Development in the 1990s. UNFPA, New York.
- UNHCR (Office of the United Nations High Commissioner for Refugees). 1993. *The State of the World's Refugees 1993*. Penguin, London.
- USCR (US Committee for Refugees). 1994. *World Refugee Survey 1994*. USCR, Washington DC.
- Van Hear, N. 1993. "Mass flight in the Middle East: Involuntary migration and the Gulf conflict, 1990–91." In R. Black and V. Robinson (eds.), *Geography and Refugees: Patterns and Processes of Change*. Belhaven, London.
- . 1992. *Consequences of the Forced Mass Repatriation of Migrant Communities: Recent Cases from West Africa and the Middle East*. Discussion Paper No. 38. UNRISD, Geneva.
- World Bank. 1994. *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement, 1986–1993*. Environment Department, World Bank, Washington DC.

## Chapter 11

# Ethnic Inequalities and Public Sector Governance: Introduction<sup>1</sup>

*Yusuf Bangura*<sup>2</sup>

(2006)

---

The problem of group inequalities and their potential to generate conflict has received much attention in recent years. When inequalities in incomes, wealth and access to services or political power coincide with group differences, ethnicity may assume importance in shaping choices and mobilizing individuals for collective action. Yet little is known about ethnic inequalities,<sup>3</sup> especially as they affect the public sector, which plays a central role in resource allocation and identity formation. The public sector may be rendered ineffective or illegitimate if it fails to develop mechanisms to regulate difference, inequality and competition.

*Ethnic Inequalities and Public Sector Governance* addresses three influential views on ethnicity, governance and cohesion. First, it challenges popular notions that link ethnic diversity with pathological outcomes. It is often believed that ethnically diverse countries are likely to be less cohesive,<sup>4</sup> more prone to violent conflict,<sup>5</sup> less disposed to democratic government,<sup>6</sup> more likely to experience low levels of industrialization (Gellner 1983)<sup>7</sup> or growth (Easterly and Levine 1997) and less likely to sustain universal welfare programmes

---

<sup>1</sup> Originally published as the introduction to *Ethnic Inequalities and Public Sector Governance*, edited by Yusuf Bangura (UNRISD and Palgrave Macmillan, 2006). It draws on Bangura's March 2006 journal article, "Ethnic inequalities in the public sector: A comparative analysis", which appeared in *Development and Change* (Vol. 37, No. 2). UNRISD is grateful to Palgrave Macmillan for permission to reproduce this work.

<sup>2</sup> At the time of writing, Yusuf Bangura was Research Coordinator at UNRISD.

<sup>3</sup> Much of the analysis on inequality and conflict focuses on income inequality, which is often not disaggregated according to ethnic groups—see Cramer (2003) for a review of this literature. Tilly (1999) discusses the institutionalization of group inequality and its tolerance under given conditions. There is a very large body of work on ethnic group behaviour, but this does not provide systematic, empirical and comparative data on ethnic inequalities.

<sup>4</sup> Barry 1991; Connor 1994; Miller 1995.

<sup>5</sup> Furnivall 1948; Smith 1969; Moynihan 1993.

<sup>6</sup> Nyerere 1967; Barry 1991; Miller 1995; Museveni 1997.

<sup>7</sup> Arash Abizadeh (2002) has advanced a very cogent theoretical critique of these arguments.

(Goodhart 2004). Although some recent quantitative studies<sup>8</sup> have questioned some of these assumptions, the alternative views they posit have tended to minimize the role of diversity in influencing behaviour. The book argues that the relevant issue is not the existence of diversity per se, but *types of diversity*, which can constrain or facilitate particular outcomes. Ethnic cleavages are configured differently in different social structures and are less conflictual in some countries than in others.

Second, and contrary to the assumptions of liberalism that privilege individual choices and capabilities in constituting public institutions, it is difficult to achieve ethnic proportionality or inclusiveness in the public sector if policies do not address this issue. Multiethnic societies that adopt ethnicity-blind policies tend to have highly unequal public sectors because of different groups' unequal starting points. This may be a product of history, market dynamics, resource endowments or past discriminatory public policies. The book suggests that relative balance has been achieved in countries that are highly fragmented or those with ethnicity-sensitive policies that are oriented towards proportionality. Some countries have achieved less disproportionality in some institutions because of redistributive policies that focus on those institutions. Most cases display varying levels of inequality and weak or non-existent policies for promoting balance.

Third, the book addresses institutional approaches in conflict management that underplay background conditions in shaping the choices of political actors and voters. It questions two institutional frameworks that have been promoted as solutions to the governance problems of ethnically divided societies. These are majoritarian institutions that reward moderation in party behaviour and vote pooling, while also encouraging adversarial politics; and consensus-based or power-sharing arrangements that seek to accommodate the ethnic segments. The first seeks to promote plurality within the party system by encouraging actors to seek votes outside their ethnic strongholds. The second accepts ethnic-based parties as given, and promotes plurality at the governmental level rather than in the party system. The chapters suggest that politicians and citizens face different types of constraints in constituting the public sector. However well-crafted they may be, institutions may have different levels of significance in different social settings. For instance, majoritarian institutions may be inadequate in promoting inclusiveness and stability in ethnic structures with two or three deeply divided groups. On the other hand, ethnicity-sensitive institutions of the consociational type may not be relevant in situations where there is one overwhelmingly large group or where the ethnic structure is highly fragmented. Our studies suggest that although the pulls of majoritarian rule and power sharing are very strong, they do not always pull in opposite directions. This book underscores the need to understand the ethnic structures, extent of polarization and political dynamics of countries if institutional reforms are to be effective.

The next two sections of this chapter discuss the typology that guides the book and the public sector institutions as they relate to issues of identities and access; ethnic cleavages, group dynamics and inequalities in three public sector institutions—the civil service, cabinet and parliament—are then analysed. This is followed by an examination of ethnic inequalities and redistributive policies. Finally, a critical review of institutional reforms for ethnic accommodation and integration is presented.

---

<sup>8</sup> Collier and Hoeffler 2001a, 2001b; Fearon and Laitin 2003; Mozaffar et al. 2003. Mozaffar et al. (2003) recognize the salience of diversity, but limit it to fragmentation and concentration.

## A Typology of Ethnic Structures

Although most countries in the world are multiethnic, Africa, Asia and the Pacific are the most ethnically segmented regions. The index of ethnic fractionalization developed by Soviet ethnologists in 1964 has been influential in studies that seek to explain civil wars, democratization and development problems in plural societies. The index calculates the probability that two randomly chosen individuals will not belong to the same group. The index of a country is obtained by subtracting the sum of the squares of the relative population shares of each group from one.

**Table 11.1 Ethnic structures and the fractionalization index**

Country	No. of ethnic groups	Population shares	Fractionalization index
A	2	90:10	0.18
B	2	80:20	0.32
C	2	50:50	0.50
D	3	33:33:33	0.67
E	21	1 group=80% 20 equal groups=20%	0.35
F	100	1% each	0.99
G	104	4 equal groups=60% 100 equal groups=40%	0.90

As a continuous measure, the index is not sensitive to ethnic structures. In table 11.1, for instance, even though the indexes for Countries B and E are similar, they are structurally different countries. Country B has only two groups, whereas country E has 21, which may provide scope for more flexible relations. Similarly, despite the high indexes in countries F and G, ethnic behaviour may be different in both countries. The relatively equal groups with a larger share of the population in country G may be tempted to construct selective ethnic coalitions. The urge for such coalitions may be weaker in country F. In addition, country F with a high index may be more disposed to consensual outcomes than countries A, B and C with low indexes. An example of country F might be Tanzania and examples of countries A, B and C might be Rwanda, Burundi and Fiji.

Problems with the fractionalization index have led researchers working with *Large-N* cross-country datasets to introduce other dimensions of diversity. Esteban and Ray (1994) have developed an index of polarization. This increases in countries with few, large homogeneous groups and reduces in countries with small groups. Collier and Hoeffler (2001a) use an index of ethnic dominance in addition to the fractionalization index in their study on the economics of civil wars. The index of ethnic dominance differentiates societies that are highly fractionalized from those with a majority group (45–90 per cent of the population). They conclude that plural societies with majority groups “have about double the risk of conflict of other societies”. Mozaffar et al. (2003) developed an index of ethno-political group concentration in their study of voter behaviour and party formation in Africa. The index of a country is the sum of the concentration indexes for each group; and the index for each group is obtained by multiplying its concentration code by its share of “the ethno-politically relevant population” in the country. The focus in Mozaffar et al. (2003) is only on “ethno-political” groups—groups that have been mobilized for political competition. The ethno-political fractionalization index aggregates groups at three levels of significance: groups that have national significance; those with middle-level significance;



and those with low-level significance. Fearon (2002) introduces the notion of cultural distance between ethnic groups to construct an index of cultural fractionalization.

The index of ethnic dominance faces similar problems to the ethnic fractionalization index: it does not distinguish sufficiently between different types of ethnic structures. For instance, the index will predict that in table 11.1, country E with a majority group will have more problems than country D where there is no majority group. However, the opposite conclusion seems more likely. The concentration index is useful, although it is marred by the narrow focus on “ethno-political” groups; furthermore, individual preferences may be influenced by ethnicity even when ethnic groups are geographically dispersed. The ethno-political fractionalization index and the cultural fragmentation index are problematic. Democratization tends to politicize all groups even when there is no organization that aggregates group choices. Therefore, the view that some groups are not ethno-political is questionable. And there is a lot of subjective judgement in constructing the cultural fractionalization index.

The typology adopted in the book *Ethnic Inequalities and Public Sector Governance* distinguishes countries according to five types of ethnic structures: (i) those in which one ethnicity is overwhelmingly dominant (referred to as *unipolar*); (ii) those in which there are only two groups, or where two roughly equal groups predominate in a multiethnic setting (*bipolar*); (iii) those in which there are only three groups, or three large groups in a multiethnic setting (*tripolar*); (iv) those that deal with cases in which the ethnic structure is fragmented—*fragmented multipolarity*, or high levels of fragmentation; and (v) those that deal with cases of *concentrated multipolarity*, in which fragmentation offers a few large groups the potential to organize selective coalitions to influence access to the public sector.

Table 11.2 provides an illustration of this typology. The fourth and fifth types of structures are grouped together under multipolar ethnic structures.<sup>9</sup>

Ethnic identities are not always easy to pin down, since they are, for the most part, situational. Objective attributes, such as language, religion, culture or shared history, may not always correctly describe a person’s ethnicity. Ethnicity overlaps with many other forms of identity and is subject to change. Despite the fuzziness of ethnicity, individuals do not easily change their ethnicity. Not only may ethnic identities persist, but they may also tend in many cases to have a pattern—hence our use of the term “structure”. These structures undergo change over the long run; and ethnic structures per se do not automatically determine behaviour. Polarization can occur even in fragmented ethnic settings when there are high levels of inequality between groups, or when there are other cleavages (race, religion, geography) that divide society into two or three groups. When groups fragment, the chances for cooperation across ethnic lines are higher than when group preferences are ethnically homogeneous, irrespective of the ethnic structure.

---

<sup>9</sup> There have been many attempts at classification of ethnic structures, including those by Geertz (1963), Reilly and Reynolds (1999), Horowitz (1985) and Milne (1981). Some of the insights in these earlier classifications reflect aspects of the typology employed in *Ethnic Inequalities and Public Sector Governance*.

**Table 11.2 A typology of ethnic structures**

Type	Ethnic groups	Share of population by largest groups	Share of population by two largest groups	Share of population by three largest groups
<b>Unipolar ethnic settings</b>				
Botswana	20	70	81	83
Lithuania	11	83	90	97
<b>Bipolar ethnic settings</b>				
Belgium	7	57	90	92
Fiji	10	51	95	99
Latvia	8	58	87	91
Trinidad and Tobago	6	40	79	97
<b>Tripolar ethnic settings</b>				
Switzerland	4	73	94	98
Bosnia Herzegovina	7	44	78	94
Malaysia	3	62	90	99
Nigeria	350	30	50	67
<b>Multipolar ethnic settings</b>				
Ghana	72	49	66	79
Kenya	61	18	33	45
India	1,652	40	49	56
Papua New Guinea	817	2	3	4
Tanzania	120	13	17	21

## Public Sector Institutions: Identities and Access

Identities, values and interests are central to the construction of modern states. They structure opportunities and influence the way individuals gain access to public institutions. Some states are based on the assumed values of one ethnicity. This is the so-called nation state project in which those who share common blood-ties, history and culture enjoy primary claims on the state. Such states may evolve into civic-based states, granting rights to minorities. However, the issue of indigeneity may affect access to institutions, especially in newly independent countries or where migration has radically altered the demographic composition of the country. The chapters on Lithuania, Fiji, Latvia and Malaysia illustrate this problem. A second type of public sector is one based on civic republican values. It appeals to notions of a community with shared political territory, institutions and history—but not culture—and stresses the principle of equality before the law regardless of group membership. However, civic republicanism can be assimilationist, with the dominant culture enjoying supremacy over other cultures.

A third model is the nation-building project of multiethnic societies, especially those in early independent Africa, in which ethnicity was discouraged as an organizing principle of statecraft. Use of foreign languages and secular values implanted by colonial authorities underpinned the identities of the public sector. A good example is Tanzania, which discouraged references to ethnicity in public discourses and developed a national language, Swahili, in addition to English, to support its egalitarian policies.

The multiethnic state is the fourth type. Under this model the public sector not only recognizes the multiethnic character of its society, but also develops rules to create a

multiethnic public sector. The multiethnic state seeks to create ethnic balance in the constitution of the public sector. Examples are Switzerland, Belgium, Bosnia-Herzegovina and, to some extent, Nigeria and India.

The institutions analysed in the book are the civil service, cabinet and parliament. The civil service is often a career-based body, although the top positions in some countries may depend on the decisions of incumbent governments. Access to the bureaucracy is largely determined by non-electoral factors. These may include ethnicity-influenced citizenship laws; colonial policies that favoured one group at the expense of others; rules of indigeneity that give preferences to “sons of the soil”, as in Fiji and Malaysia; merit-based rules that may produce unequal outcomes; patronage regimes that distort the recruitment process; and cleavage-sensitive policies that seek to correct historical disadvantages or ensure balance, as in Bosnia-Herzegovina, Belgium, Switzerland, India and Nigeria.

Electoral rules, district magnitude, ethnic fragmentation/homogeneity and party systems are important in explaining the constitution of cabinets and parliaments. If electoral districts are ethnically homogeneous, electoral rules and party systems may not be important in determining the ethnic distribution of parliaments. The ethnic profile of the parliament will depend on the size of the groups and electoral districts. In such situations, first-past-the-post rules may distort the vote-to-seat ratios of the parties, but not the ethnic distribution of parliaments. However, if the electoral districts are multiethnic and parties are ethnic, first-past-the-post rules may create unequal ethnic outcomes. If there are as many parties as there are ethnic groups, a party may win an electoral district with only its core ethnic votes. This could be as low as 10 per cent of the electorate. In Papua New Guinea’s clan-driven electoral process, candidates with less than 10 per cent of the vote won 15 per cent of parliamentary seats. Ethnic groups that are widely dispersed may also be disadvantaged vis-à-vis those that are concentrated if parties are ethnic and elections are based on first-past-the-post rules. A proportional representation (PR) system under these conditions may produce more ethnically proportional outcomes. A preference vote (alternative vote) system that ranks and aggregates votes may encourage vote-pooling and moderation, but may not necessarily produce ethnically proportional outcomes.

Access to the cabinet may depend on whether the system of government is parliamentary or presidential. In parliamentary systems, access to the cabinet is often limited to parliamentarians. If a parliament is already skewed in favour of a particular group or groups, this may be reflected in the cabinet. If parliamentary parties are ethnically differentiated, or if one group votes overwhelmingly for a party that is not in the government, the outcome will be unbalanced. Coalition governments may allow for a wider representation of groups in government even if parties are ethnic. On the other hand, a presidential system, in which the president has a popular mandate, may allow for a selection of individuals who are not members of parliament (MPs) into the cabinet. However, if the president is not disposed towards accommodation, ethnic groups that support opposition parties may be excluded from government because of the winner-takes-all character of presidential systems of government.

By using the word “access” in this chapter, we seek to draw attention to the contested concept of representation. Even when the unit of analysis is the individual voter and the elected official, representation is full of ambiguities. The interests of representatives and voters are often not in harmony; and even a voter-sensitive representative will find it difficult to aggregate the preferences of voters who often may

not agree on all issues of public policy. All choices made by public officials discriminate against some interests (Przeworski et al. 1999; Young 1990). Those who study group identities have introduced the concept of “symbolic” or “descriptive representation” (Dovi 2002) or what Phillips (1995) calls the “politics of presence”. This, of course, does not solve the problem of representation. The interests of descriptive representatives and their putative groups do not always converge on all issues. One danger of descriptive representation, especially when applied to ethnic groups, is that it may create a segmented public sector if representatives perceive their roles to be defenders only of the interests of their putative groups. The use of “access” leaves open the possibility that the public sector can not only be made sensitive to cleavages, but also that, over time, public officials will undergo sufficient transformation to be able to “represent” all individuals irrespective of ethnic origins.<sup>10</sup>

## **Ethnic Structure, Group Dynamics and Inequalities**

### ***Unipolar ethnic settings***

In unipolar settings, the dominant group may feel less threatened by minorities. This may encourage fragmentation of group preferences and cross-ethnic cooperation. Even when minorities organize separately, the fragmentation of the dominant ethnicity may improve the influence of minorities in the public sphere, especially in situations where minority groups are not regarded as non-indigenous. As the chapters by Onalenna Selolwane, and Natalija Kasatkina and Vida Beresnevicuite show, there is less ethnic polarization in Botswana and Lithuania. Feeling less threatened by minorities, Lithuania avoided the initial citizenship laws introduced in the other two Baltic states, Latvia and Estonia, which discriminated against Soviet-era immigrants. Most Lithuanian minorities are citizens. In Botswana, the internal fragmentation of the dominant Tswana group into five relatively equal groups has provided opportunities for active minority group participation in the public sector. A multiethnic pact at independence granted the Tswana language official status (along with English). Today about 90 per cent of the population identify Tswana as their main language. However, this concession to the Tswana was made in exchange for equal distribution of resources among all groups. Only the small pastoral San group feels excluded.

In both Botswana and Lithuania, the dominant ethnicity has revealed fragmented political preferences, providing scope for intergroup cooperation. There are, however, differences between the two countries. In Lithuania, even though many minorities vote for the dominant ethnic parties, they have also organized separately in determining the composition of the public sector. However, most of the minority parliamentarians tend to be elected on the platform of the Lithuanian-led, left-leaning parties; and minority parties sometimes participate in coalition governments, even though individuals of minority backgrounds are rarely offered cabinet posts. In Botswana, on the other hand, minorities do not organize separately, and governments reflect the ethnic composition of the society. The ethnic profiles of both opposition and ruling parties in parliament are similar. Candidates from the three dominant Tswana subgroups and the second largest group in

---

<sup>10</sup> Use of “representation” is in the statistical sense; it does not imply that individuals “represent” their groups.

the country, the Kalanga, have occupied 69 per cent of the cumulative parliamentary seats of the main parties since 1965.

The state in unipolar societies may assume the features of a nation state, affecting the composition of the public sector. This is the case in Lithuania, where issues of indigeneity have affected access to the bureaucracy, parliament and cabinet. Even though minorities constitute 17 per cent of the population, they accounted for only 10 per cent of the parliamentarians in 2000. In 1985, before the country attained independence, minorities enjoyed a 21 per cent share; this declined sharply to 7 per cent in the first post-independence parliament of 1992. The situation is worse in governmental bodies, such as the cabinet and upper levels of the civil service. In the 12 governments formed since independence, only two individuals of minority background have served as ministers and two as heads of civil service ministries.

In Botswana, however, it is the dominant Tswana group that is underrepresented<sup>11</sup> in key public institutions. Its share of senior civil service posts experienced a consistent decline from 60 per cent in 1965 to about 50 per cent in 2003; and its share of cabinet posts went up from 62 per cent in 1966 to 69 per cent in 1985 but declined to 61 per cent in 2000. A similar trend is observed for the parliament, where the Tswana share declined from 65 per cent in 1966 to 61 per cent in 1985 and 2000. The second largest group, the Kalanga (11 per cent of the population), has consistently enjoyed high levels of representation in government. It accounted for the entire minority share of 40 per cent of the civil service posts in 1965 as well as 31 per cent and 24 per cent respectively of the national shares in 1975 and 2003. Its share of parliamentary seats and cabinet posts in 2003 was 17 per cent and 18 per cent respectively. The merit-based policy that determined recruitment into the civil service in the early period of independence advantaged the Kalanga, who had a headstart in education over all groups. It is only the highly marginalized San group that has not gained access to the parliament and cabinet.

### ***Bipolar ethnic settings***

In bipolar societies, when ethnicity is politicized, the division may run through the system, making it difficult to construct cross-ethnic alliances. Groups face each other directly and politics may be zero-sum. Fragmentation, if it occurs, may not be enough to promote accommodation or cohesion. Ethnicity-sensitive institutions may be needed to avoid conflict. Latvia, Belgium, Fiji, and Trinidad and Tobago are discussed as bipolar societies.

As Artis Pabriks' chapter shows, Latvia's initial unipolar ethnic structure was transformed into a bipolar one during Soviet rule. The new Latvian leaders are currently seeking to convert the state into its pre-war unipolar status through citizenship laws that require Soviet-era residents to apply for citizenship and pass Latvian language tests. Ethnic Latvians and minorities, especially Russians, are divided on issues of language rights, education policies and citizenship even though there has not been any violent conflict. In Fiji, where the Indian and Fijian communities are roughly equal in size, indigenous Fijians claim special rights over Indians, even though there are no restrictive citizenship rules. The equi-bipolar character of the island has produced much instability, including military coups. Trinidad and Tobago, where Indians and Afro-Creoles are similarly equal in size, has also witnessed much governmental instability, although this has occurred

---

<sup>11</sup> Representation here is used in the statistical, not political, sense.

without military coups. As Jon Fraenkel and Ralph Premdas argue in their respective chapters, in equi-bipolar societies that lack institutions for promoting inclusiveness, politicians often engage in ethnic outbidding and fomentation of divisions among parties of the opposite ethnic group. The two communities in Belgium, the Netherlands and France also organize separately in constituting the public sector. The fragmentation of the party system along ethnic lines has produced two publics, which—as Kris Deschouwer argues in his chapter—may have eroded the legitimacy of the federal state. However, Belgium has witnessed relative stability largely because of its consociational institutions, which grant relatively equal powers to the two groups.

Because of the communal nature of Fiji's electoral system, its parliament has tended to reflect the relative population shares of the two groups, although the Fijian share has witnessed a rise from 42 per cent in 1972 to 53 per cent in 1992 and 54 per cent in 2001. Inequalities are sharp at the levels of the cabinet and the civil service. In 1972, the cabinet was 55 per cent Fijian and 9 per cent Indian. Between 1987 and 1990, it was on average 83 per cent Fijian and only 6 per cent Indian. Between 1990 and 1996 there were no Indians in the cabinet. Even when an Indian became prime minister in 1999, two-thirds of the cabinet members were Fijians. In 2001, Indians constituted only 5 per cent of the cabinet. There was relative parity in the civil service during the early independence period. However, after the 1987 coup, the Fijian share rose sharply. More than 60 per cent of civil servants are now ethnic Fijians, compared to 30 per cent Indian. Fijians constitute over 99 per cent of the armed forces and more than 85 per cent of the top civil service posts.

In Trinidad and Tobago, because of the long rule of the Afro-Creole-led party, Afro-Creoles are overrepresented in the public service (42 per cent Afro-Creole: 34 per cent Indians), especially at the senior levels where, in conjunction with the mixed group, they account for more than 70 per cent of the positions. Seventy-two per cent of the defence force and 74 per cent of the police force are Afro-Creoles. The 10 parliaments between 1961 and 2002 comprised 56 per cent Afro-Creoles and 36 per cent Indians. Only one out of five prime ministers has been Indian. Between 1961 and 1991, in cabinets ranging from 17 to 22 members, Indian representation was between two and five members. In 1972, Indians accounted for only 11 per cent of the cabinet. The situation was reversed when an Indian became prime minister in 1995: only six ministers were Afro-Creoles; while Indians occupied 72 of the posts. And when an Afro-Creole regained power in 2001, Indian representation was reduced to two. The Afro-Creole share jumped to 63 per cent.

Ethnic Latvians dominate Latvia's public sector. Even though minorities constitute 42 per cent of the population, they account for only 20 per cent of parliamentarians and are unrepresented in the cabinet, since minority parties have not been part of the governing coalitions. Ninety-two per cent of employees in the institutions surveyed are ethnic Latvians. However, minorities are better represented in the security ministries. This inequality is a product of efforts to convert the country to its pre-Soviet status of a unipolar nation state through citizenship laws (Latvians are 75 per cent of the citizens and only 58 per cent of the population; Russians are 17.9 per cent and 29 per cent, respectively) and language policies, as well as the relative acceptance by minorities of their non-indigenous status. Even though Latvia is moving in a unipolar direction as far as governance of its public sector is concerned, the ethnic structure itself remains bipolar. Russian is still more widely spoken than Latvian and the majority of minorities identify Russian as their mother tongue.

In our four cases of bipolarity, only Belgium has made concerted efforts to create a public sector that reflects the ethnic character of its population. Proportional representation has ensured that the parliament reflects the population share of the two groups. However, at the cabinet level both groups have the same number of ministers despite the larger Dutch-speaking population, who are only compensated at the junior minister level where they enjoy a few extra positions. Decisions are always arrived at by consensus rather than voting. In the civil service, strict parity is enforced at the level of director and above. Below the post of director, the distribution reflects the relative population shares of the two groups.

### ***Tripolar ethnic settings***

Problems associated with bipolarity exist in tripolar settings: when ethnicity is politicized, differences may impact on the system, constraining the formation of cross-ethnic alliances. In addition, members of two groups may collaborate against members of the third group, which may assume the status of a permanent opposition. Institutions may be needed to weaken polarity. Consociational institutions promoted stability in Switzerland and have helped to consolidate the peace in war-torn Bosnia-Herzegovina. As the chapters by Abdu Raufu Mustapha and Khoo Boo Teik show, Nigeria and Malaysia have also been inching towards some form of consociational rule to manage their deeply divided societies.

In our four cases, Bosnia and Switzerland have highly proportional public sectors. In Bosnia, as Florian Bieber explains, proportionality was imposed by the Dayton Peace Accord after a bloody civil war. Two-thirds of the ministers at the state level have to be from the Federation and one-third from the Serb Republic. The Federation government has eight Bosniak ministers, five Croats and three Serbs. In the Serb Republic, Serbs have eight ministers, Bosniaks five and Croats three. The composition of the first parliament reflected the relative population shares of the three groups: 41.25 per cent were Muslims, 31.4 per cent Serbs and 20.41 per cent Croats. And the composition of the civil service in the three entities reflects the relative population shares of the three groups. In Switzerland, policies that promote proportionality are endogenous and have a long history. The chapter by Wolf Linder and Isabelle Steffen shows that individuals from the smaller groups (the French and Italian) are slightly overrepresented in the Federal Council and the Federal Court. The German share of these two institutions is 57 per cent; that of the French 30 per cent and 29 per cent, respectively; and that of Italians 13 per cent and 7 per cent, respectively. The presidency rotates annually among seven members, at least two of whom must be French and one Italian. Representation in the National Council (lower house) and Council of States (senate) reflects population shares. There is also proportional representation in the federal administration, including the top management and expert committees. Germans account for 72 per cent of all personnel in the federal civil service, French 21 per cent and Italians 7 per cent.

There is less proportionality in Nigeria and Malaysia, although Nigeria fares better than Malaysia. In Malaysia, the combined Chinese and Indian share of cabinet posts declined from 25 per cent in 1973 to 21 per cent in 1981 and 16 per cent in 2003. Even though the *Bumiputera* are only 64 per cent of the population they account for 83 per cent of cabinet posts. The non-Bumiputera are underrepresented in parliament. However, in aggregate terms the combined Chinese and Indian share of civil service posts (30 per cent) closely mirrors their population share (36 per cent). However, the Malay account for

85 per cent of the administrative and diplomatic service, 86 per cent of the professional service and 78 per cent of the support service.

In Nigeria, the built-in northern majority was reflected in the governance regime between 1959 and 1966. There was a slight change in the composition of the military cabinets between 1967 and 1979, following the creation of states and efforts at ethnic balance. Minorities enjoyed visibility in government during this period. However, a distinctly northern majority was reasserted in the Second Republic Cabinet of 1979–1983. The Hausa-Fulani enjoyed dominance in the early 1960s and early 1980s; northern and southern minorities improved their share of government after 1967; and, apart from the period 1979–1983, the Yoruba have also been well represented in government. The only group that is underrepresented in the cabinet is the Igbo, who waged a secessionist war between 1966 and 1970. However, the northern ethnic groups, especially the Hausa-Fulani, are overrepresented in the very important portfolios. Because of the educational imbalances, the southern ethnic groups, particularly the Yoruba who had a headstart in education, are overrepresented in the civil service, while the northern groups, particularly the Hausa-Fulani and minorities in the northwest and northeast, are underrepresented. Political interventions account for the high representation of these groups at the upper echelons of the civil service in recent years. Today the Hausa-Fulani, Yoruba, Igbo and minority group shares of cabinet posts are highly proportional.

### ***Multipolar ethnic settings***

Ghana, Kenya and India represent three cases of concentrated multipolar ethnic settings. Even though these are societies with numerous groups, some of the groups are large enough to form selective coalitions. This raises the possibility of exclusion or insufficient access for groups that are not part of a winning coalition. In Ghana, one group constitutes about half of the population, which may pose a threat to the remaining groups. However, the largest group, the Akan, is divided into 20 subgroups. As a result, political behaviour in Ghana resembles fragmented multi-ethnic settings in which ethnicity lacks potency in the public sector. In Kenya, five groups are relatively equal in size and constitute an overwhelming majority of the population. Elites of each group feel they can govern by constructing selective coalitions. Electoral rules of first-past-the-post and the presidential system of government have reinforced such choices. In India, the ethno-linguistic cleavage is interlinked with other powerful cleavages, such as caste and religion, which is less fragmented than the ethno-linguistic divide. As these cleavages are cross-cutting rather than reinforcing, they may encourage centripetal forms of cooperation even when some cleavage-based parties are empowered. Consolidated multipolar ethnic settings can thus produce both positive and negative outcomes. They may be relatively benign, as in unipolar and fragmented multipolar settings, or malign, as in politicized bipolar and tripolar settings.

In Ghana, even though the Akan dominate the public sector, the chapter by Emmanuel Gyimah-Boadi and Richard Asante suggests that there is sufficient representation of the four largest groups, and public policy is supportive of ethno-regional balance. The current dominant parties are not ethnic and voters' preferences have not systematically been ethnic. Of the five competitive elections held since independence in 1969, 1979, 1992, 1996 and 2000, it was only in 1969 that the Akan vote did not fragment. The data suggest that the two most inflexible ethnic groups are the Ashanti and the Ewe. In virtually all elections held since independence, while other regions distribute



their votes, the Volta (Ewe) and Ashanti regions concentrate theirs on parties perceived as home-based.

In Kenya, despite the relative equality of five groups, only the Kikuyu and Kalenjin have been able to construct winning coalitions. Karuti Kanyinga discusses the political dynamics that have produced fluctuating and uneven outcomes in Kenya's public sector. When Jomo Kenyatta was in power (1963–1978), the Kikuyu, in alliance with the Meru and Emba, dominated the public sector; and when Daniel Arap Moi ruled from 1978 to 2002, the Kalenjin (fourth largest group) became dominant. Between 1963 and 1978, the Kikuyu accounted for an average of 29 per cent of cabinet posts even though they were only 21 per cent of the population. This unequal and fluctuating distribution pattern is observable in the civil service too. During the Kenyatta period, 31 per cent of permanent secretaries were Kikuyu and 6 per cent were Kalenjin. Of the remaining three major groups, the Luo had a share of 12 per cent, the Luhya 9 per cent and the Kamba 13 per cent. The Kalenjin assumed dominance under Moi, accounting for 21.6 per cent of permanent secretaries. It was 30 per cent during multiparty rule (1994–2001). The share of the Kikuyu dropped to 20 per cent. Between 1994 and 2001, the Kikuyu share was only 10 per cent. Data for ambassadorial postings indicate similar trends, with the Kikuyu and Kalenjin assuming dominance depending on who the president was.

In India, as the chapter by Niraja Gopal Jayal explains, redistributive policies were introduced to tackle structural forms of exclusion of certain groups in the public sector. The policies reserve 15 per cent of parliamentary seats to Scheduled Castes and 7.5 per cent to Scheduled Tribes. The policy does not apply to Muslims, who have been underrepresented in parliament (5.15 per cent in 1991; an average of 5.95 per cent in the 10 parliaments from 1952 to 1991). This underrepresentation is largely due to their lack of geographical concentration. The share of Scheduled Castes (14.18 per cent) and Scheduled Tribes (7.36 per cent) in seats in the 1991–1996 parliament was proportional to the quotas. This pattern is more or less the same for other parliaments. The data show that individuals of upper caste background constitute 50 per cent of MPs, even though they are less than 20 per cent of the population. They also dominate most mainstream parties, including the Congress Party.

Unlike its parliamentary representation, Muslim representation (10.76 per cent) in the Union Cabinet has been fairly balanced with respect to its population size. However, in the 1990s when the Hindu revivalist parties were able to form governments, the share of Muslim representation dropped to 3 per cent and that of Hindus rose to more than 90 per cent. Upper castes have accounted for an average of 63.29 per cent of cabinet seats in the 15 parliaments from 1947 to 1990, while Scheduled Castes account for 8.86 per cent and Scheduled Tribes 0 per cent. During the 1990s, the share of backward castes rose to 19.63 per cent and that of upper castes dropped to 58.28 per cent. Scheduled Castes (with 7.36 per cent) failed to improve their average despite the prevalence of caste-based parties. However, Scheduled Tribes gained access to the cabinet for the first time: 3.68 per cent. In terms of regional or ethno-linguistic cleavages, the study shows that 7–11 ethno-linguistic groups have been represented in most cabinets, while 14 groups have, at one time or another, been represented. Hindi speakers account for 30–40 per cent of the total which broadly reflects their population share.

The reservation policy for Scheduled Castes and Scheduled Tribes applies to the civil service. Since 1994, the combined total of the Scheduled Castes, Scheduled Tribes and backward castes have accounted for at least 55 per cent of the total recruitment figures in the union civil service. The figure appears to have stabilized at around 60 per cent in 1997–

1999, for which data are available. Despite these impressive figures, the data also suggest that suitable candidates are not always available to fill reserved vacancies in jobs that demand specialized or technical qualifications. Furthermore, Scheduled Castes and Scheduled Tribes are mostly concentrated in the lower echelons of the bureaucracy as office boys and clerks. Forty-four per cent of civil servants of Scheduled Caste background are road sweepers. They account for 87 per cent of employees in that sector of the public service. In contrast, Scheduled Castes account for only 8.4 per cent of Class I civil servants.

Papua New Guinea (PNG) and Tanzania are discussed by Ray Anere and Julius Nyang'oro, respectively, as highly fragmented multiethnic societies. In both countries, no group is large enough to organize selective coalitions for public sector dominance under democratic conditions. Political parties are multiethnic, even though individuals acting through clans play a powerful role in Papua New Guinea's elections. It is possible, as in Tanzania, for a single party to appeal across the ethnic divide and win a majority of the votes. Ethnic loyalties and conflicts may instead be localized.

In PNG, none of the three "large" groups is in the current cabinet. And individuals from more affluent regions have not dominated parliament, the cabinet or the civil service. The composition of parliament reflects the population distribution in the regions and provinces. The cabinet has also shown much diversity. The largest ethnic group has only a 4 per cent share of cabinet posts in the current government; the second and third ethnic groups are not even represented. Heads of government or civil service departments also show much diversity. None of the three largest groups is represented in the current top tier of the civil service.

One important feature of PNG is the seeming importance of individuals, or what scholars have referred to as "big man politics", and the instability of governments. The average number of candidates per electorate has increased consistently from 5.5 in 1964 to 26 in 2002. With such a large number of candidates competing under first-past-the-post electoral rules, winning candidates are elected by an increasingly small proportion of votes in their respective electorates. In 2002, only 1 per cent of MPs had more than 50 per cent of the votes in their constituencies. Since a candidate can be elected with less than 10 per cent of the vote, it has not been necessary to build a strong party system to aggregate preferences. As a result, there has been a high turnover of governments as MPs readily switch allegiance to maximize individual gain. Votes of no confidence have been frequently exercised. The data also suggest that there is a high turnover of MPs, most of whom fail to get re-elected. In 2002, 76 per cent of incumbents were not re-elected.

Unlike PNG, Tanzania had a strong single-party system at independence and a nationalist ideology of egalitarianism that sought to raise the socioeconomic status of individuals irrespective of ethnic background. Ethnic politics was outlawed and Swahili was promoted as the national language. The ruling party had effective presence in all regions. When multiparty politics were introduced in the 1990s, most parties were multiethnic, and fragmentation did not encourage proliferation of independent candidates. There has been relative ethnic/regional balance in the composition of the civil service, parliament and cabinet since independence.

## **Inequalities and Redistribution**

Perhaps the key issue in ethnicity and governance is not the existence of inequalities per se, but how they are managed. However, absolute equality, whether of the individual or

group type, is unachievable and perhaps even undesirable. Individuals may have conflicting preferences; perfect equality may conflict with other societal objectives; and inherited endowments may be difficult to equalize (Stewart 2000). The goal, instead, should be the reduction of inequality, the promotion of inclusiveness and the management of group differences. We have developed an index of proportionality to analyse the public sectors of our 15 case studies. The index is calculated by using the relative post share of the dominant group in each of the three public institutions divided by its relative population share. An index of 1.00 represents perfect proportionality; an index of less than 1.00 indicates underrepresentation of the dominant group and overrepresentation of minority groups; and an index of more than 1.00 indicates that the dominant group is overrepresented and minorities are underrepresented. The index will not reveal the true nature of inequalities in highly unipolar settings even if the dominant group totally excludes minorities. It will also not correctly reveal the balanced nature of the institutions of fragmented multipolar ethnic settings. In these kinds of societies, most groups are not likely to be represented in an institution at any given time. Even if no single group has more than one member in an institution, the index will be very high because of the limited number of posts available for the country's numerous groups.

The index works best when there are only two groups: under/overrepresentation of the dominant group is equal to the over/underrepresentation of the other group. When groups are many, using the dominant group as a proxy does not reveal the inequalities between the non-dominant groups. It only reports the inequalities between the dominant group and the non-dominant group as a single group. The data used for the civil service are not uniform across countries. In some cases, only senior service posts are used to determine the relative share of posts between groups. The index uses data for the current distribution of posts only.

Redistributive policies assume several forms. Some are clearly redistributive in the sense that disadvantaged groups gain at the expense of those previously advantaged either in the public or private sector (Malaysia); other policies do not single out any particular group for uplifting, but are sensitive to proportionality (Nigeria, Belgium, Switzerland, Bosnia-Herzegovina). Some policies cover both the public and private sectors (Malaysia); others are restricted to the public sector (India and Nigeria); and still others target specific public sector areas. Some countries use informal methods to promote proportionality (Botswana, Ghana).

Our studies suggest that it is difficult to achieve proportionality in the public sector if policies are not oriented in this direction. Even a cleavage-neutral policy, such as merit-based recruitment, may produce unequal outcomes because of groups' unequal starting points. The Kalanga in Botswana, who are only 11 per cent of the population, accounted for more than 30 per cent of senior civil service jobs in the first 10 years of independence because of their early advantages in education. However, Botswana currently shows high levels of inclusiveness in its public institutions. Relative balance has been achieved in countries that are highly fragmented (Papua New Guinea and Tanzania) or those with ethnicity-sensitive policies that are oriented towards high levels proportionality (Belgium, Switzerland, Bosnia-Herzegovina). India, Malaysia, Nigeria, and Ghana have achieved proportionality in some institutions because of ethnicity-sensitive policies. The remaining cases display varying levels of inequality and weak or nonexistent policies on proportionality (table 11.3).

It is easier to correct inequalities if an economy is growing, the target population has strong access to policy-making institutions, and the redistributive policy is part of a

wider developmental strategy that seeks to transform the economy and eliminate poverty irrespective of ethnic origin (Malaysia). Proportionality and redistributive policies may be controversial and non-sustainable when economies are in recession, and the fundamental inequalities, especially in education, are widening, despite redistribution. This may give rise to frustration on the part of those who think they are better qualified than the target group (Nigeria). Redistributive policies that depend on the choices of majority groups may be unsustainable if the majority public turns against them (United States—not included in our cases).

**Table 11.3 Ethnic proportionality in public sector institutions**

Typology	Proportionality index		
	Civic service	Parliament	Cabinet
<i>Unipolar ethnic settings</i>			
Botswana	0.71 <sup>a</sup>	0.87	0.82
Lithuania	1.16	1.10	1.20 <sup>b</sup>
<i>Bipolar ethnic settings</i>			
Fiji	1.22 <sup>c</sup>	1.10	1.76
Trinidad and Tobago	1.10	1.38	1.58
Belgium	0.83	1.00	0.83
Latvia	1.59 <sup>d</sup>	1.36	1.72
<i>Tripolar ethnic settings</i>			
Bosnia-Herzegovina	1.00	1.18	0.75
Switzerland	0.98	1.01	0.78
Malaysia	1.10	1.20	1.30
Nigeria	0.63 <sup>e</sup>	1.00	1.00
<i>Concentrated multipolar ethnic settings</i>			
Ghana	0.88 <sup>f</sup>	1.16 <sup>g</sup>	1.51
Kenya	2.10 <sup>h</sup>	1.67	0.76
India	(2.38 <sup>i</sup> ) (0.92)	(2.82) (0.98)	(3.32) (1.05)
<i>Fragmented multipolar cases</i>			
Papua New Guinea		(no dominant group)	
Tanzania		(no dominant group)	

Notes: <sup>a</sup> This figure is based on 80 per cent of senior administrative posts. <sup>b</sup> Data are for state secretaries of all ministries. <sup>c</sup> Data are for permanent secretaries, deputy secretaries and chief administrative officers. <sup>d</sup> Data are for ten ministries with 1,673 employees. <sup>e</sup> Data are for ethno-political zones, not individual ethnic groups. The Southwest zone is dominant. <sup>f</sup> Data based on eight ministries and agencies. <sup>g</sup> Available data are for regions. <sup>h</sup> Data are for permanent secretaries for the period 1979–2001. <sup>i</sup> Data in first brackets are caste cleavage, and in second brackets religious cleavage.

It may be easier to correct inequalities in institutions that are shaped by electoral politics (parliament and cabinet) than in the public bureaucracy. If parties are ethnic, citizens vote according to ethnicity, and the electoral district is not homogeneous or minorities are dispersed rather than geographically concentrated, PR could serve the purpose of achieving a relative balance in the composition of legislatures. However, if the electoral district is homogeneous or minorities are concentrated geographically, even first-past-the-post rules could achieve some degree of balance. Achieving balance in the cabinet could depend on the nature of the party system and whether the political regime is presidential or parliamentary.

In parliamentary systems, recruitment to the cabinet is limited largely to parliamentarians. If a parliament is skewed in favour of a particular group or groups, this may be reflected in the cabinet. More importantly, if parliamentary parties are ethnically differentiated, or if one ethnic group votes overwhelmingly for a party that is not in the government, the outcome will be unbalanced. The Ghana study shows that this happened during Busia's rule in the late 1960s. The Ewe, the third largest group, were not represented in the government because the ruling party did not have an Ewe MP. This outcome poisoned ethnic relations between the Ewe and the Ashanti, the perceived base of the ruling party. A presidential system, on the other hand, may allow for a selection of members who are not MPs into the cabinet. A ruling party may perform poorly among a particular ethnic group and yet appoint individuals from that group to the cabinet to ensure balance. A good example is the Nigerian election of 1999 in which the ruling party failed to win parliamentary seats in the western region. Individuals from that region were, however, richly rewarded in the government. Consociations, such as Belgium, Switzerland and Bosnia-Herzegovina, which have produced high levels of proportionality, are mixed systems.

### **Majoritarian Rule and Power Sharing**

Studies on ethnicity and institutional reforms have produced two competing frameworks for managing diversity: majoritarian reforms that encourage vote pooling and moderation, while also supporting adversarial politics; and consociational or power-sharing arrangements that accommodate the ethnic divisions. The first type of reform seeks to promote plurality within the party systems by encouraging political actors to seek votes outside of their traditional ethnic strongholds. Under this arrangement, parties, in a sense, may become ethnic coalitions rather than ethnic parties. The maximization of votes may encourage parties to work with individuals from other ethnic groups and play down the role of ethnicity in politics. Even though the end result is to have a majoritarian outcome, or a government composed of only one party, the fact that all electable parties are ethnic coalitions or multiethnic means that the governments will be plural and may not discriminate against particular ethnic groups. The main electoral system that has been advanced for the emergence of plural cross-ethnic parties is the alternative vote or "preference vote" (Farrell 1997), in which voters are asked to rank the candidates on the ballots, using the symbols 1, 2, 3, 4 and so on, where "1" represents their favourite choice, "2" their second best, "3" their third best, etc. If no candidate receives more than 50 per cent of the votes on the first count, the last candidate is eliminated and his/her second preference votes are transferred to the remaining candidates. The process is repeated if no candidate scores more than 50 per cent in subsequent rounds of counting, until a winner emerges.

Preference voting is voter-empowering as it allows the electorate to reward candidates who advance issues other than those of their core group or party. It forces candidates to adopt centrist positions since their chance of winning depends on their ability to appeal to a wide range of concerns. Candidates who advance ethnically extremist positions may, of course, win first preference votes, but this may not be enough to get them elected. Even though the initial reason for the creation of this electoral system was to enable relatively homogeneous societies to elect candidates with a majority of the votes in a constituency, Donald Horowitz (1985, 1990, 1991) has forcefully revived

the alternative vote in debates on governance reforms of ethnically plural societies. Horowitz is very critical of the power-sharing system, which he believes gives too much power to elites or ethnic entrepreneurs, traps countries in primordial ethnic politics and offers no incentives for politicians to build cross-ethnic alliances.

The second type of governance reform—consociation or power sharing—accepts ethnic-based parties as given and seeks to promote plurality, not within the contending parties, but at the governmental level itself. Arthur Lewis, the Caribbean Nobel Laureate economist for 1979, developed the early building blocks for the theory of consociation. Lewis was critical of majoritarian and adversarial politics in multiethnic societies. As he explained, “to exclude the losing groups from participating in decision-making clearly violates the primary meaning of democracy”. His book *Politics in West Africa* (1965), written at the dawn of African independence, condemned the one-party system of government and the Westminster model of adversarial, zero-sum or majority rule politics. He advocated instead inclusive coalitions (made up of parties that secure at least 20 per cent of the votes), decentralization, federalism and an electoral system of proportional representation (the single transferable vote, which encourages both proportionality and sensitivity to others) for the governance of West African societies (Lewis 1965; Premdas 1991). The Nigerian political scientist Claude Ake, in his *A Theory of Integration* (1967), further developed the central idea of elite consensus. Ake favoured consensual, power-sharing arrangements among the key elites of society, even though he did not develop democratic mechanisms to guide the formation of such consensus.

The leading advocate of consociation today is the Dutch political scientist Arend Lijphart (1977, 1985, 1990, 1999). In Lijphart’s schema, a consociation has four key elements: a government of national unity, or a grand coalition, which should reflect all the key segments of society; proportional distribution of public sector jobs; a high degree of territorial autonomy—federalism or decentralization—for groups that opt for it; and a minority veto on the most important issues. Underpinning Lijphart’s consociation model is the electoral system of proportional representation (the list type). Under this system, a country may be divided into one single constituency or very large electoral districts. It seeks to ensure that popular votes gained are proportional to the seats allocated in parliament. The electorate votes for parties and not for individuals. The parties draw up a list of ranked candidates, corresponding to the number of seats to be filled. Seats are allocated according to the proportion of votes gained by each party and are filled by candidates in descending order of preference on each list.

The list-type proportional representation system will encourage all key segments to be sharply defined as groups that feel alienated from the political process may form their own parties to gain some representation in parliament, the government and the civil service. The behavioural properties of the list PR system draw on an established theory in political science that was first developed by the French political scientist Maurice Duverger (1986). Duverger’s Law establishes a strong correlation between the nature of electoral systems and party systems, with the electoral system being the independent variable. According to this law, proportional representation produces many independent parties; and plurality rules or first-past-the-post rules produce a two-party system. There have been several refinements of this theory, such as the influence of the district magnitude in determining party proliferation and proportionality, and the roles of

geographical concentration and ethnic cleavages in encouraging party fragmentation even under plurality rules.<sup>12</sup>

However, most scholars of electoral systems would agree that, generally, there are stronger incentives for small parties to be formed under proportionality than under plurality rules. Under proportionality rules, segmented and polarized societies may throw up many parties to reflect the segments. For instance, when New Zealand changed its electoral system from first-past-the-post to the list PR system in 1996, the country was transformed immediately from a two-party system to a multiparty system, with six parties gaining representation in parliament. The consociational model is inclusive rather than adversarial. It seeks to avoid winner-takes-all, majoritarian or zero-sum arrangements in governance. It is the most popular policy instrument by international negotiators and peace makers in contemporary war-torn societies.

A major pitfall of the debate on governance, electoral systems design and ethnicity is the tendency to see the reform instruments as dichotomies. It also assumes that the policies will work in the same way in every ethnically plural society. Actually, in Lijphart's first book on consociation, *The Politics of Accommodation* (1968), which focused on the Dutch experience, and his subsequent book, *Democracy in Plural Societies* (1977), in which he tried to apply the concept to a large number of countries, clear conditions were set for the successful operation of a consociation. The model was restricted to small countries with a limited number of ethnic groups (not exceeding five) and mutually reinforcing, deep-seated cleavages. As Lane and Ersson (2000:208–210) have pointed out, Lijphart's subsequent writings, especially those of the 1990s, adopted a much more assertive and undifferentiated line of argument: power sharing is better than majoritarian government, irrespective of the social structure.

One encounters a similar problem with Horowitz's writings. In his seminal *Ethnic Groups in Conflict* (1985), Horowitz analysed several electoral systems and rules for the promotion of moderation without giving undue preference to any one type. However, in his subsequent articles and book on South Africa, which were largely a reaction to Lijphart's list PR and consociational system, Horowitz opted for a single policy framework: he became critical of list PR and consociation, extolled the virtues of the alternative or preference vote over the single transferable vote (STV), and the STV over the list PR. In short, he became a key advocate of majoritarianism.

Reilly and Reynolds (1999) have introduced contextual issues, such as the nature of group identity; the intensity of the conflict; and the size, number and distribution of ethnic groups in their useful article on ethnicity and governance. However, despite their sensitivity to different types of ethnic structures, they make the same assumptions as Horowitz and Lijphart by treating the electoral and governance reforms as closed or mutually opposed policies which cannot be combined by countries. Indeed, in their three models or typology, Reilly and Reynolds use the different electoral systems—AV (alternative vote), list PR and STV—to classify countries as though the electoral systems are independent variables. The Reilly-Reynolds analysis of ethnic structure is also not sufficiently disaggregated—in terms of ethnic group distribution—to allow for a useful comparison of countries.

---

<sup>12</sup> See, for example, Odeshook and Shvetsova 1994; Cox 1997; Moser 1999; Mozaffar et al. 2003. Mozaffar et al.'s (2003) article provides insightful analysis of how Africa's fragmented multiethnic societies encourage coalition governments and limit the number of political parties. They argue, however, that moderate levels of fragmentation in situations where ethnic groups are geographically concentrated will increase the number of parties.

The real world of reforms reveals a very complex picture. Electoral reforms for moderation and plurality have not been limited to electoral systems. Some countries, especially those in Africa, have added other rules, such as a threshold percentage of votes for party registration and formation of government, a ban on ethnic or religious symbols, the compulsory location of party headquarters in capital cities, and the establishment of party offices in a minimum number of states and local governments. Even though both frameworks reject first-past-the-post electoral rules, they have been used in combination with other instruments by countries such as Nigeria and Malaysia to promote plurality. The two-round electoral system, which is popular in Francophone Africa and is heavily majoritarian, has also been combined with such instruments as decentralization and informal methods of minority representation in government. The single transferable vote system, which encourages proportional outcomes and thus allows key groups to be represented in parliament, has been used in Northern Ireland. This electoral system has been combined with power-sharing arrangements.

Our studies show that consociational arrangements have been practised largely in bipolar and tripolar settings: Belgium, Malaysia, Switzerland and Bosnia-Herzegovina. The consociations of Belgium and Bosnia-Herzegovina are ethnically defined, with the various groups enjoying relative equality and veto powers; that of Malaysia is ethnic and lopsided, as the principle of indigeneity defines the distribution of powers among the contending groups; and that of Switzerland promotes ethnic proportionality through multiethnic parties. Nigeria combines first-past-the-post rules with threshold rules to make its party system ethnically inclusive. And, even though its presidential system is clearly majoritarian, it contains strong elements of ethnic inclusiveness that border on power sharing. India's majoritarian parliamentary system is sensitive to caste representation and regional balance in the formation of governments. It has not developed institutions or policies for resolving the religious cleavage. And Fiji has combined the alternative vote, which promotes majoritarian outcomes, with explicit rules on cabinet formation that are oriented towards power sharing. However, as Jon Fraenkel's chapter shows, Fiji's voters and politicians have not behaved according to the predictions of the two models. The majoritarian electoral preference rules have clearly been inadequate to weaken the grip of ethnic parties on their respective electorates.

The evidence in multiethnic societies suggests that, although the pulls of majoritarianism and power-sharing are very strong, they do not always pull in opposite directions. The majority of ethnically segmented countries, like their more homogeneous counterparts, have opted for majoritarian solutions. But ethnic problems have forced some of them to incorporate power-sharing elements in their majoritarian institutions. Formal consociational arrangements may not be relevant in unipolar ethnic settings or fragmented multiethnic societies, where governments may be ethnically inclusive under democratic conditions. They seem unavoidable in bipolar and tripolar formations or in multipolar settings with strong ethnic or regional clusters.

## **Conclusion**

Good data on ethnic cleavages, inequalities and voter behaviour are required if advances are to be made in understanding the links between ethnic diversity, inequalities and governance. The existing datasets on ethnic cleavages have major gaps. Since identities are situational and overlapping, the census offers the best source for constructing a dataset on



ethnic cleavages around the world. However, only a few countries include ethnicity as a variable in their censuses. A related issue is the development of an index of ethnic inequality or proportionality that is sensitive to all cleavages, not just the two-group proportionality index employed in this study. Ethnic, or horizontal, inequalities, as Frances Stewart (2000) has observed, are a neglected dimension of development which needs urgent rectification. They need to be at the centre of present concerns about poverty, the Millennium Development Goals and social policy more generally.

The key issue in governing multiethnic societies is not diversity per se, but *types of diversity*, which can constrain or facilitate the choices of politicians, policy makers and citizens. In unipolar settings, struggles for access and selection of those who govern the public sector are likely to be less ethnically polarized. Electoral politics may instead open up conflicts within the dominant ethnicity, promoting intergroup cooperation. In fragmented, multipolar ethnic settings with relatively small ethnic groups, ethnic-based political behaviour is also likely to be less virulent. It is difficult for a single group to advance a hegemonic project under democratic rules. Since political parties may have to appeal to a cross-section of ethnic groups to be electorally viable, they are bound to be broad multiethnic parties. The more difficult cases are countries with bipolar and tripolar ethnic structures or cases where groups have formed selective ethnic coalitions, limiting the scope for bargaining, concessions and promotion of multiple loyalties. Countries with these types of ethnic structure, and which are relatively stable and cohesive, have introduced ethnicity-sensitive institutions and policies to influence selection to the public sector.

Contrary to conventional ideas on ethnic diversity, fragmentation stands out as a powerful factor in intergroup cooperation. However, the 15 case studies included in *Ethnic Inequalities and Public Sector Governance* suggest that polarization and fragmentation can occur in all countries. In other words, polarization is not only confined to the obvious cases of bipolar and tripolar settings, and fragmentation to multipolar and unipolar settings. India's ethnic fragmentation encompasses forms of bipolarity in the religious and caste spheres (Hindus versus Muslims; upper versus backward castes). The highly fragmented ethnic structures in Tanzania and Papua New Guinea are tempered respectively by the mainland-Zanzibar polarization in Tanzania (which assumes racial dimensions) and the Bougainville-mainland conflict in PNG (which is conditioned by geographical separation and assumed colour-cultural differences between mainlanders and those in Bougainville). Bipolar impulses have also been observed in unipolar settings. In Botswana, this takes the form of differences between the relatively well-endowed Kalanga and the majority Tswana, even though the two groups do not organize separately. High growth and ethnically sensitive redistributive policies have helped to contain the differences. The Tanzania study also suggests that the relative advantage enjoyed by a few ethnic groups (the Chagga, Haya and Nyakyusa) at independence in terms of education and development would have produced a bipolar situation (the relatively well-off versus the rest) if a policy of balanced development had not been pursued. Similarly, even though bipolar and tripolar ethnic structures seem more prone to polarization, this is not inevitable. The social and political divide in Trinidad during the first years of independence did not assume ethnic dimensions: rural Afro-Creoles voted with the largely rural Indian population against the party that had its base among the urban African and mixed-group population (Horowitz 1985).

Understanding the dynamics of fragmentation requires efforts to promote the integrity of the electoral system. There should be zero tolerance for the manipulation of

the electoral process if analysts and policy makers are to understand the choices of voters and construct appropriate reforms to stabilize multiethnic societies. Two major types of fragmentation that are supportive of intergroup cooperation stand out in our case studies. The first is the Swiss and Botswana type<sup>13</sup> in which ethnic groups distribute their votes across multiethnic parties. In other words, individuals from the same ethnic group support different multiethnic parties. The second is the Belgium and Bosnia-Herzegovina type in which ethnic choices fragment, but not across the ethnic divide. Individuals from the same ethnic group vote for different parties formed within the same ethnic group. The first is obviously more advanced than the second in terms of intergroup cooperation. The second may allow for intergroup cooperation if no single party in each group is able to gain a majority and the votes of parties with different ethnicities become important. Voters will also be able to extract accountability from leaders, who may otherwise be tempted to take the ethnic electorate for granted if it were not fragmented.

At the core of our analysis is the need to weaken or manage polarity. Policy makers cannot turn all ethnically plural countries into homogeneous societies short of creating 8,000 or more mini-states. Even such a policy of ethnic state creation may not be viable in a world of increasing migration and intermarriage. The best option for stability and intergroup cooperation in divided societies may be to promote more fragmentation. Electoral rules and other incentives, including multiethnic forms of association, can be used to open up cleavages in groups that appear homogeneous. The importance this study attaches to fragmentation reflects a major finding in political science that democracies are more likely to be stable in situation where resources, power and allegiances are widely dispersed.<sup>14</sup>

The crafting of institutions that are sensitive to, but not trapped in, ethnic cleavages is a challenge for policy makers in plural societies. It is always important to bear in mind that ethnicity is only one form of identification, even in rigidly bipolar countries. Ethnic identities can be fluid. Institutional designers should avoid reforms that make it difficult for individuals to express other identities. Institutional reforms should, thus, be based on sound principles of universal citizenship where individuals are free to travel, settle and take up employment anywhere in the national territory, and where a common set of citizenship rights applies to everyone. Efforts should also be made to promote institutions that are likely to reflect cross-cutting cleavages and defend national, as opposed to narrow ethnic, interests. Such institutions include trades unions, professional associations and other civic organizations. These initiatives are important in ensuring that ethnic entrepreneurs do not capture governance reforms that are sensitive to ethnic cleavages; and that they are also sensitive to the wider goal of building a plural state that can promote economic development and deliver services to all citizens without discrimination.

---

<sup>13</sup> India, Ghana and Nigeria may be added.

<sup>14</sup> Dahl 1971; Vanhanen 1997; Boix 2003.

## References

- Anere, R. 2006. "Ethnicity, inequality and governance of the public sector in Papua New Guinea." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Abizadeh, A. 2002. "Does liberal democracy presuppose a cultural nation? Four arguments", *American Political Science Review*, Vol. 96, No.3 (September): 495-509.
- Ake, C. 1967. *A Theory of Political Integration*. Dorsey Press. Homewood IL.
- Barry, B. 1991. *Democracy and Power: Essays in Political Theory*. Clarendon Press, Oxford.
- Bieber, F. 2006. "Bosnia-Herzegovina: Ethnicity, inequality and public sector governance." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Boix, C. 2003. *Democracy and Redistribution*. Cambridge University Press, Cambridge.
- Collier, P. and A. Hoeffler. 2001a. *Greed and Grievance in Civil War*. Policy Research Working Paper No. 2355. World Bank, Washington DC.
- . 2001b. "On the incidence of civil wars in Africa." *Journal of Conflict Resolution*, Vol. 46, No. 1, pp. 13–28.
- Connor, W. 1994. *Ethnonationalism: The Quest for Understanding*. Princeton University Press, Princeton NJ.
- Cox, G.W. 1997. *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge University Press, Cambridge.
- Cramer, C. 2003a. "Does inequality cause conflict?" *Journal of International Development*, Vol. 15, No.4: 397–412.
- Dahl, R. 1971. *Polyarchy: Participation and Opposition*. Yale University Press, New Haven CT.
- Deschouwer, K. 2006. "Ethnic structure, inequality and governance of the public sector in Belgium." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Dovi, S. 2002. "Preferable Descriptive Representatives: Will just Any Woman, Black, or Latino Do?" *American Political Science Review*, Vol. 96, No. 4 (December): pp. 729–743.
- Duverger, M. 1986. "Duverger's Law: Forty years later." In B. Grofman and A. Lijphart (eds.), *Electoral Laws and Their Political Consequences*. Agathon Press, New York.
- Easterly, W. and Levine, R. 1997. "Africa's growth tragedy: Policies and ethnic divisions." *Quarterly Journal of Economics*, Vol. CXII, No. 4 (November): 1203–1250.
- Farrell, D. 1997. *Comparing Electoral Systems*. Prentice-Hall/Harvester Wheatsheaf, London and New York.
- Fearon, J.D. 2002. *Ethnic Structure and Cultural Diversity in the World: A Cross-National Data Set on Ethnic Groups*. Paper presented at the 2002 annual meeting of the American Political Science Association, Chicago IL, United States 29 August–1 September.
- Fearon, J.D. and D. Laitin. 2003. "Ethnicity, insurgency and civil war." *American Political Science Review*, Vol. 97, No. 1, pp. 75–90.
- Fraenkel, J. 2006. "Regulating bipolar divisions: Ethnic structure, public sector inequality and electoral engineering in Fiji." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Furnivall, J.S. 1948. *Colonial Policy and Practice: A Comparative Study of Burma and Netherlands India*. Cambridge University Press, Cambridge.
- Geertz, C. 1963. "The integrative revolution: Primordial sentiments and civil politics in the new states." In C. Geertz (ed.), *Old Societies and New States*. The Free Press, New York.
- Gellner, E. 1983. *Nations and Nationalism*. Cornell University Press, Ithaca NY.
- Goodhart, D. 2004. "Discomfort of strangers", Parts 1 & 2. *The Guardian*, 24 February.
- Gyimah-Boadi, E. and R. Asante. 2006. "Ethnic structure, inequality and public sector governance in Ghana." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Horowitz, D. 1991. *A Democratic South Africa? Constitutional Engineering in a Divided Society*. University of California Press, Berkeley.
- . 1990. "Making moderation pay: The comparative politics of ethnic conflict management." In J.V. Montville (ed.), *Conflict and Peacemaking in Multiethnic Societies*. Lexington Books, New York.
- . 1985. *Ethnic Groups in Conflict*. University of California Press, Berkeley.
- Jayal, N.G. 2006. "Ethnicity, representation and the governance of public institutions in India." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Kanyinga, K. 2006. "Ethnicity, inequality and public sector governance in Kenya." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Kasatkina, N. and V. Beresneviute. 2006. "Ethnicity, inequality and public sector governance in Lithuania." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Khoo, B.T. 2006. "Ethnic structure, inequalities and public sector governance in Malaysia." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.

- Lane, J.-E. and S. Ersson. 2000. "The Lijphart system." In J.-E. Lane and S. Ersson, *The New Institutional Politics: Performance and Outcomes*. Routledge, London.
- Lewis, A.W. 1965. *Politics in West Africa*. George Allen and Unwin, London.
- Lijphart, A. 1999. *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. Yale University Press, New Haven CT.
- . 1995. "Electoral systems." In S.M. Lipset (ed.), *The Encyclopedia of Democracy*. Congressional Quarterly Press, Washington DC.
- . 1990. "The power sharing approach." In J. Montville (ed.), *Conflict and Peacemaking in Multi-ethnic Societies*. Lexington Books, New York.
- . 1985. *Power Sharing in South Africa*. Policy Papers in International Affairs No. 24. Institute of International Studies, University of California, Berkeley.
- . 1977. *Democracy in Plural Societies: A Comparative Exploration*. Yale University Press, New Haven CT.
- . 1968. *The Politics of Accommodation: Pluralism and Democracy in the Netherlands*. University of California Press, Berkeley.
- Linder, W. and I. Steffen. 2006. "Ethnic structure, inequality and governance in the public sector in Switzerland." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Miller, D. 1995. *On Nationality*. Clarendon Press, Oxford.
- Milne, S. 1981. *Politics in Ethnically Bipolar States: Guyana, Malaysia and Fiji*. University of British Columbia Press, Vancouver.
- Moser, R.G. 1999. "Electoral systems and the number of parties in post-communist states." *World Politics*, Vol. 51, No. 3, pp. 359–384.
- Moynihan, D. 1993. *Pandemonium: Ethnicity in International Politics*. Oxford University Press, New York.
- Mozaffar, S., J. Scarritt and G. Galaich. 2003. "Electoral institutions, ethno-political cleavages, and party systems in Africa's emerging democracies." *American Political Science Review*, Vol. 97, No. 3, pp. 379–390.
- Museveni, Y. 1997. *Sowing the Mustard Seed: The Struggle for Freedom and Democracy in Uganda*. Macmillan, London.
- Mustapha, A.R. 2006. "Ethnic structure, inequality and governance of the public sector in Nigeria." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Nyang'oro, J.E. 2006. "Ethnic structure, inequality and governance of the public sector in Tanzania." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Nyerere, J. 1967. "Democracy and the party system." In J. Nyerere, *Freedom and Unity: A Selection from Writings and Speeches, 1952–65*. Oxford University Press, Nairobi.
- Odeshook, P. and O. Shvetsova. 1994. "Ethnic heterogeneity, district magnitude, and the number of parties." *American Journal of Political Science*, Vol. 38, No. 1, pp. 100–123.
- Pabriks, A. 2006. "In defiance of fate: Ethnic inequality and governance in Latvia." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Phillips, A. 1995. *Politics of Presence*. Clarendon Press, New York.
- Premdas, R.R. 2006. "Ethnic conflict, inequality and public sector governance in Trinidad and Tobago." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- . 1991. "The politics of inter-ethnic accommodation in a democracy: The Lewis model." In R. Premdas and E. Cyr (eds.), *Sir Arthur Lewis: An Economic and Political Portrait*. Institute of Social and Economic Research, University of the West Indies, Mona, Jamaica.
- Przeworski, A., S. Stokes and B. Manin (eds.). 1999. *Democracy, Accountability, and Representation*. Cambridge University Press, Cambridge MA.
- Reilly, B. and A. Reynolds. 1999. *Electoral Systems and Conflicts in Divided Societies*. Papers on International Conflict Resolution No. 2. Committee on International Conflict Resolution, Commission on Behavioural and Social Sciences and Education, National Research Council. National Academy Press, Washington DC.
- Selolwane, O. 2006. "Botswana: Ethnic structure and public sector governance." In Y. Bangura (ed.), *Ethnic Inequalities and Public Sector Governance*. UNRISD and Palgrave, Basingstoke.
- Smith, M.G. 1969. "Institutional political conditions of pluralism." In L. Kuper and M.G. Smith (eds.), *Pluralism in Africa*. University of California Press, Los Angeles.
- Stewart, F. 2000. *Horizontal Inequalities: A Neglected Dimension of Development*, WIDER Annual Lectures 5, December.
- Tilly, C. 1999. *Durable Inequality*. University of California Press, Berkeley.
- Young, I.M. 1990. *Justice and the Politics of Difference*. Princeton University, Princeton NJ.
- Vanhanen, T. 1997. *Prospects of Democracy: A Study of 172 Countries*. Routledge, New York.



## Chapter 12

# Illicit Drugs: Social Impacts and Policy Responses<sup>1</sup>

*LaMond Tullis and James Painter*<sup>2</sup>  
(1994)

---

By most estimates, the traffic in illicit drugs is one of the world's most substantial money earners. The retail value of drugs, at around USD 500 billion a year, now exceeds the value of the international trade in oil and is second only to that of the arms trade.

The consumption of illicit drugs not only has serious physical, social and economic consequences for the individual consumer, but also imposes enormous costs on society as a whole, and ultimately funds massive criminal systems. People may choose to take drugs to rebel, to escape, to cope, to survive, to belong or to register resignation and defeat. The current global increase in the consumption of illicit drugs may be related to changes in society, including reduced family and community cohesiveness, increased unemployment and greater feelings of alienation.

Why do people produce and traffic in illicit drugs, and how are they able to do so on such a large scale? While one obvious incentive is the money that is to be made in servicing consumer demand for drugs, other factors are also involved. The structure of society, the nature of political power, the impact of economic policy, and the resistance of the cultural fabric to private drug consumption and public corruption—all these are factors that influence how successfully illicit drugs can be produced and traded.

This chapter, drawing on recent UNRISD research, particularly in Latin America, examines the chain of illicit drug production, distribution and consumption. It focuses on the social consequences of these activities and the forces contributing to the global drug problem. The analysis indicates the complexity of the illicit drug trade and the need for a multipronged policy to address the problem.

---

<sup>1</sup> Originally published as an UNRISD Briefing Paper for the World Summit for Social Development (UNRISD, 1994).

<sup>2</sup> At the time of writing, LaMond Tullis was External Research Coordinator at UNRISD. James Painter was Latin America editor for BBC World Service.

## The Illicit Drug Problem: Why Has It Become Worse?

Illicit drugs typically move internationally from less developed areas of the world to more developed countries, where most drug consumption takes place. In recent years, just as the growth of legitimate global businesses has been facilitated by the globalization of financial systems and market relations, drug producers and traffickers have also taken advantage of the opportunities presented by the changing macroeconomic environment. They have organized themselves on a global scale and put a significant proportion of their drug profits in financial centres offering secrecy and attractive investment returns. Their adoption of high-tech computer and communications technology has facilitated the expansion of their trade and the protection of industrial secrets. Drug traffickers are now able to launder illicit profits by moving money around the world electronically with few national controls. They are aided by porous borders—due, in some cases, to policies intended to encourage trade and investment, and in other cases, to weak governments and weak or unenforceable laws against money laundering, fraud or organized crime.

The consumption, production and trade of illicit drugs have a wide variety of adverse socioeconomic and political effects. These activities can at times undermine the legal economy (for instance by contributing to an overvalued exchange rate). They contribute to increased crime and social disruption on all levels, and their adverse effects can in fact be intensified by drug control laws. Most of the benefits and liabilities associated with the production and trade of drugs ultimately derive from illegality itself, a condition which the drug control laws, by definition, establish. Illegality provides what has been called the “crime tax”: the difference between prices in legal and illegal markets. This “tax” is reaped principally by traffickers, but they pass on a sufficient proportion to peasant growers to create incentives for drug crop production. Given the lack of alternative economic opportunities, especially in rural areas of producing countries, illegality and the profits associated with it make it very difficult to devise a policy mix of punishments and incentives that would induce growers to abandon their drug crops. In many cases, moreover, drug control initiatives have actually contributed indirectly to social dislocation, corruption, militarization and abuse of human rights.

The following sections examine in more detail the economic, social and political impacts of illicit drugs at the production, trafficking and consumption stages, as well as the forces contributing to the problem. Effective policy strategies should be based on an understanding of the linkages between these different stages in the illicit drug chain.

### **Production**

Considerable legitimate production of drugs occurs for medical and scientific purposes. India is a large producer of licit opium, and Bolivia and Peru produce between them about 20,000 tons of legal coca leaves each year for traditional or medical uses. Production estimates for legal drug crops are much more accurate than for illegal ones: even under the best of circumstances, illicit drug production figures are only rough estimates because of the clandestine nature of much of the drug trade. Nevertheless, the main producing and trafficking countries are known to be Afghanistan, Bolivia, Colombia, Iran, Pakistan, Peru and Thailand.

Drug production and trade create both benefits and liabilities for the principal producing countries. Illicit drugs can be very important to the national economy: in Bolivia, for instance, the coca-cocaine economy has generated more revenue than any other single export in recent years. Supplying drugs to an international market has

benefited hundreds of thousands of previously marginalized people. Poor farmers in many drug-producing countries have earned more money, experienced more social mobility and exercised more power over their destiny and that of their children than perhaps at any other time in the twentieth century. Moreover, although a large proportion of drug profits leaves rural areas, drug crop production does create economic multipliers in drug-growing areas, where new money is spent on a better mix of necessities (food, shelter, clothing) and luxury goods (radios, televisions, trucks). As locally produced goods are purchased, cottage and service industries develop and regional economies generally become more active. If all these benefits originated from legitimate activities, the world would herald them as a positive sign of progress and improvement in the less developed countries.

However, involvement in underground and corrupt activities also brings problems. In many countries, violence escalates, in some cases farmers fall victim to the traffickers and end up growing drug crops for low economic returns. Traditional social values tend to be eroded as illegality permeates a society and people become less inclined to accept the norms on which consensus politics rests.

In addition, severe environmental damage can be caused by drug production. Drug crops themselves are not necessarily detrimental to the environment (indeed, coca protects against soil erosion in some steep hillsides in Bolivia) unless they are grown on fragile or inappropriate land, as is sometimes done to avoid detection. More serious problems result from the chemicals used in the initial stages of drug processing being dumped into rural streams and rivers.

## **Why Do People Continue to Grow Illicit Drug Crops?**

Poverty and the absence of attractive alternative economic opportunities are the main factors contributing to growers' continued involvement in drug production. The principal drug growing regions are among the most impoverished and economically stagnant in the world, and in many of them levels of living are declining, in part as a result of structural adjustment programmes. In many of these rural areas, illegal drug growers can make from 10 to 50 times more in provisioning the illegal drug market than they can in any other agricultural pursuit. Thus it is not surprising that growers cultivate coca, opium and cannabis. Although producing drug crops involves risk, the high returns they yield make these crops preferable to other less risky agricultural activities for many people.

### ***Trafficking***

Two or three decades ago, much illegal drug distribution was akin to a cottage industry—small-time traffickers, including tourists, picked up a few hundred grams of heroin or cocaine or a kilogram of marijuana from a producer and distributed the product directly to casual but trusted contacts and personal friends. They in turn passed along small amounts, some of it for financial gain. Although a proportion of the trade in drugs is still carried out in this way, trafficking is increasingly organized, particularly at the wholesale and intermediary levels and for cocaine or heroin (less so for marijuana). A few large, vertically integrated, multinational illicit drug distribution organizations existed as early as the 1930s; such trafficking is now increasingly facilitated by sophisticated organization and distribution techniques able to counter the technology currently available to law enforcement agencies. Evidence of substantial organized production and marketing



networks exists not only for the principal consuming countries, but also for many of the processing and transit regions.

The illegal drug economy may at times act as a safety valve to compensate for the shortcomings of the formal economy. In Bolivia in the mid-1980s, for instance, the dollars brought in by drug traffickers were welcomed by the central bank in order to ease the foreign exchange shortage in the country. However, the adverse effects of drug trafficking can undermine any economic benefits in producing and transit countries—traffickers infiltrate bureaucracies, buy public decisions, and conduct business through violence and intimidation. They create an antistate outside any rule of law or central government control, necessitating the expenditure of millions of dollars for law enforcement activities. In the social sphere, traffickers corrupt a significant proportion of the population by attracting new generations to the drug trade, glamourizing gangs and glorifying the role model of the conspicuously consuming new rich. They thereby contribute to social disorganization and disintegration.

There is a straightforward connection between drug trafficking and crime. Traffickers' activities are linked to what is termed "systemic violence", by which the drug syndicates, gangs and smugglers who secure, launder and guard money attempt to obtain and preserve positions of power by whatever means necessary. Traffickers, not consumers, commit most drug-related homicides. They are able to use the billions of dollars at their command to attempt to corrupt, subvert or eliminate institutions and people who stand in their way.

## **What has Helped Traffickers to Succeed?**

Traffickers have been aided by three phenomena. First, raw materials are easy to obtain because, as noted above, rural poverty and the failure of rural development have attracted many poor farmers to drug crops. Second, the low salaries paid to the local, national and international officials involved in fighting drugs, at least compared to the amount of money traffickers are able to offer as bribes, have increased the ability of traffickers to corrupt such officials. Third, drug processing is facilitated by lack of effective controls over the necessary chemicals—both on the part of local governments, and on the part of the North American and European countries where the chemicals originate. In addition, weak communication and transportation infrastructure allows drug production and processing to be sited in very remote areas relatively outside the control of the state.

Where political institutions are relatively strong, traffickers appear to be a troubling but not strongly disrupting influence on national life—although they may cause considerable local disruption, as in inner cities in the United States. In institutionally weak countries, however, drug traffickers engage in a struggle for the nation's institutional life, for territory and for control over the lives of many citizens. This can be seen, for example, in Afghanistan, Colombia, Myanmar and Peru.

When international markets are tightened, traffickers work to improve the quality of their products, and modern technology has aided them in this process. They are mainly interested in reducing the detectability and weight-to-price ratio of their products in order to ease smuggling. Such processing concentrates alkaloids and frequently heightens the addiction rate among local populations (as in Pakistan, for instance).

Traffickers are highly mobile and unrestricted by national boundaries. They shift their laboratories and trade routes virtually at will, preferring to go where national

governments are least in control. Thus in the Golden Triangle (Laos, Myanmar, Thailand), for example, traffickers' border operations concentrate at points of least resistance and change from year to year. When the Colombian government cracks down on its drug operators, they take up temporary residence in Bolivia, Miami, Panama or Peru and direct their operations from there.

### **Consumption**

Collecting reliable data on the consumption of illicit drugs is difficult, as governments and individuals are reluctant to give out such information. While consumption is rapidly spreading all over the world, the highest per capita use is reported to be in Canada and the United States. In the latter alone, consumer spending on narcotics is thought to exceed the combined gross domestic products of more than 80 developing countries. Eastern Europe has also experienced increases in illicit drug demand due to the socioeconomic crisis, high unemployment and easing of border controls.

It is clear that regular or high levels of consumption of most illicit drugs have a range of adverse effects on the individual. Illicit drugs affect an individual's health, financial position, productivity and social relations. Drug use can cause birth defects, poor parent-child relations and neurobiological collapse from overdose with attendant hospital costs. It can also adversely affect the classroom performance and psychological development of adolescents.

A consideration of the broader socioeconomic and political effects of consumption revolves around an understanding of when self-harm constitutes social harm. Most of the problems drugs create for individuals also imply social and economic overhead costs, particularly those associated with medical care, welfare and other social services. In terms of society's interests, acute or chronic consumption is clearly more harmful than occasional consumption, and use of drugs by many people is more harmful than use by a few. The consumption of a moderate amount of alcohol or cannabis may produce little social harm, whereas excessive consumption may lead to disasters for others as well as for the user. With "harder" drugs—heroin, cocaine and crack cocaine—the public implications are potentially more severe. Crack cocaine addiction has become a particularly serious public policy concern in the United States, where cocaine-related emergency ward admissions have increased, with the public often bearing the financial burden.

The economic costs of drug consumption can be categorized as direct and indirect. Direct costs include increased state expenditure on police, courts, military, treatment programmes and welfare payments, as well as business expenditures on security measures. Indirect economic costs include the displacement of legal industries, decreased control over the economy, and fiscal problems related to an inability to tax the drug economy.

The relationship between the injection of drugs and HIV transmission has become a major concern in many parts of the world, both in the industrialized countries and in many poor countries lying either in drug-producing areas or along drug trans-shipment routes. Major outbreaks of HIV infection have occurred in areas such as Manipur in northeast India, Myanmar, Ruili in southern China and Thailand. Women and children who are not themselves drug users may also be affected by problems related to drug-abusing men, including HIV infection.

### ***Drug consumption and crime***

There is obviously a relationship between drug consumption and crime, although it is often not clear which is cause and which is effect. In principal consuming areas such as

North America and Western Europe, psycho-pharmacological effects, economic-compulsive drives and systemic violence are considered the principal components of the drugs-crime link.

The most harmful psycho-pharmacological effects of drug use, particularly those associated with crack cocaine, involve people becoming irrational, excited, agitated or impulsive. Users may become unable to control their anger and vent it in the form of physical assault, including homicide. In one of the first studies clearly linking violent behaviour and crack cocaine use, it was reported that nearly half the callers to a nationwide cocaine hotline in the United States said they had committed violent crimes or aggressive acts (including child abuse, murder, robbery, rape and physical assault) while using crack.

The economic-compulsive dimension of drug-related crime is associated with criminal acts to obtain funding for personal drug consumption (through burglaries, for instance). The systemic dimension refers to the activities of drug syndicates, associations, gangs and smugglers involved in protecting their product from law enforcement officials or from each other by whatever means necessary. A fourth dimension could be added to this standard analysis—the “corruption-criminality” connection, which occurs when administrative and political personnel such as drug enforcement agents and border patrol officers themselves become allied with the drug trade.

### ***Why is global consumption increasing?***

Whether drug abuse is a cause or an effect of social problems is central to the question of why global consumption of illicit drugs is increasing. How far drug abuse contributes to or is a symptom of high unemployment, breakdown in family structure and poor living conditions is a constant source of debate. High rates of unemployment tend to occur in the age range of those most likely to use drugs, while young people who have been associated with drugs find it even more difficult to obtain productive employment.

While families can have a powerful influence on shaping the attitudes, values and behaviour of children, it is commonly believed that peers can have an even stronger influence on drug use during the formative years of youth. As families come under pressure either through parental failures, rapidly changing cultures or economically imposed hardships, children look for alternative forms of association, such as youth gangs. Some youth gangs have become “family” for street children in Bangkok, Lima, Los Angeles, New York, São Paulo and other cities. To survive, these children frequently turn to drugs, violence and theft, all of which may be attached to ritualized ceremonies of belonging and obligation. Once part of a drug subculture, they become more marginalized from mainstream society, adopting new values that reinforce drug taking practices.

Supplies of illicit drugs in many areas have become cheaper and more plentiful despite attempts to suppress crop production. Grower and trafficker counter-strategies have been more than sufficient to maintain ample supplies on the market. At the same time, more addictive forms of drugs, such as crack cocaine, have been developed. The ready availability of such drugs makes consumption all the more difficult to suppress.

## Policy Options: What is to be Done?

This question encompasses some of the world's most hotly debated policy issues. Should stronger interdiction campaigns be undertaken against drug producers and traffickers? Should economic incentives, educational campaigns and other activities be undertaken to encourage people to change their behaviour as consumers or producers? Should the "war on drugs" be declared to have been misconceived, and expanded discussions undertaken about some controlled form of decriminalization and legalization?

Responses vary according to people's values and views. The primary focus of drug control policies in most parts of the world has heretofore been on supply suppression through drug crop eradication and disruption of trafficking channels. It is becoming increasingly clear, however, that North America, Western Europe and other net consuming regions are unlikely to solve their illicit drug consumption problems through the continuation of current supply suppression strategies. Despite the expenditure of billions of dollars on controlling supplies, the successful capture of major traffickers and dismantling of their drug empires, and the weaning of peasant growers away from coca and opium via alternative crop incentives, the global supply and consumption of drugs have continued to grow.

The reasons for the failure of current drug control policies are numerous: the lack of alternative income-earning possibilities among rural people in net producing countries is too substantial, the price differential between licit and illicit crops is too great, the huge profits acquired by traffickers in illegal business are too enticing, and traffickers are too skilled at eluding law enforcement efforts. If supply suppression is successful in one area, crop production or drug refining activities quickly move elsewhere.

Moreover, even if supply suppression policies are successful in increasing the costs of supplying drugs, and reducing the amount of drugs on the market, consumption will only be reduced under certain conditions. Assuming consumption to be price responsive (a condition that does not always hold), prices can be driven up beyond people's willingness or ability to pay only if true scarcity relative to demand is created. A well-known study undertaken by the Rand Corporation has suggested that, because the price of the coca leaf accounts for less than 1 per cent of the retail price of cocaine, even a crop eradication programme able to triple the cost of production to the growers would raise cocaine prices in the United States by no more than 1 per cent. The same study indicates that, even if interdiction programmes were to become vastly more successful, and were able to intercept 50 per cent of the cocaine arriving from Colombia, US street prices would rise less than 3 per cent.

In most cases where supply control strategies have been implemented, grower and trafficker counter-strategies have been more than sufficient to maintain supplies on the market. In the United States, for example, in spite of the large tonnage of illicit drugs confiscated every year, drugs are as plentiful now as ever, and are sold at more affordable prices. In Colombia, despite the destruction of the Medellín syndicate, drug production continues as usual. Medellín's markets, resources, stocks and many of its personnel have been incorporated into the rival Cali syndicate, making it now the world's leading cocaine trafficker.

Crop suppression strategies have been no more effective than efforts to control drug trafficking. Experience shows that pressure placed on growers is not sufficient to reduce drug crop production significantly. In Bolivia, interdiction efforts against processors and traffickers have brought down the price of coca leaves, leading to a slight drop in the amount of coca produced since 1989. In Peru, however, coca production

increased between 1989 and 1992 by an amount equivalent to 73 per cent of Bolivia's reduction. It is likely that one country's success in reducing production will simply be another's problem as traffickers, refiners and intermediaries migrate to places of least resistance and most opportunity, creating a demand for drug crop production. This phenomenon is referred to as the "balloon effect": what is pushed down in one place simply springs up in another.

In some countries, cash rewards have been paid to growers who voluntarily eradicate their crops, in order to compensate them for their loss of income. However, in Bolivia for example, many of these growers simply either moved to new areas and planted new drug crops in more remote areas, or eradicated only those crops that were old and unproductive. This has led many experts to argue that crop eradication should be rewarded not with monetary compensation, but with other crops or income-generating opportunities, or with social infrastructure such as better roads and services.

Another obstacle to successful crop eradication is lack of sufficient funds. National governments often argue that they cannot implement eradication programmes unless they have strong financial backing from international organizations and governments in the developed world. They frequently complain that the amount of money needed to replace drug-based economic activities is not forthcoming. But the funding agencies are reluctant to release large sums of money unless they are convinced that national governments are serious about implementing drug suppression programmes.

The fact that supply suppression—both absolutely and as a surrogate for consumption control—seems to be a general failure at present levels of investment in drug control indicates a need to re-examine drug control policies. The following sections examine the main types of strategies that have been proposed: (i) the intensification of crop suppression and interdiction efforts through greater militarization of the "war on drugs"; (ii) greater implementation of "alternative development" strategies meant to wean growers away from drug crops; and (iii) demand or harm reduction in consuming countries—including controlled legalization or decriminalization.

## **Increased Militarization**

The failure of law enforcement agencies to control the supply of drugs in producing countries has led, in many cases, to an increased reliance on military intervention to bolster drug control efforts. This approach has been particularly emphasized by the United States in its relations with the Andean countries. To date, the so-called "war on drugs" in Bolivia, Colombia and Peru has involved large increases in US military assistance for antidrug activities and the granting of aid to local militaries in addition to the anti-drug police. The US army has had little direct involvement in drug producing countries, but it has expanded its role in training, advising and assisting with electronic surveillance.

A 1990 agreement between Bolivia and the United States linked a five-fold increase in US military aid to direct involvement of the Bolivian army in drug control operations. The agreement created substantial internal political problems for the Bolivian government and failed to make any significant dent in drug growing, processing or trafficking. By 1992 both governments had reduced their emphasis on the militarization policy.

Those opposing increased military involvement in drug control operations have a number of concerns. First, such policies work to strengthen the military at the expense of civilian governments. Especially in Latin America, which has a long history of military coups, this prospect is disturbing. Second, the army tends to focus on peasant drug crop growers as the easiest targets in its antidrug operations, leading to a very real potential for a major escalation in human rights violations. Third, there is concern that increased military involvement will not be able to destroy the drug trade, but instead will lead to increased violence by prompting drug traffickers to strengthen their own military capacities. In addition, rural opposition to military activity seen as threatening peasants' livelihoods might lead to the formation of armed opposition groups or increased rural support for existing insurgent groups—as happened in Peru when US-backed coca eradication efforts led to increased support for Sendero Luminoso.

Fourth, given the levels of poverty and the power of drug money in drug-producing countries, increased contact between the military and drug traffickers may well result in increasing institutionalized corruption within the armed forces—which in many cases already have a history of maintaining symbiotic relationships with the drug industry. Finally, it is argued that increased militarization cannot be effective because it does not address the roots of the drug problem: poverty in developing countries and demand for drugs in developed countries.

## **Alternative Development**

In drug-producing regions, the creation of alternative income opportunities through agrarian and other kinds of reform has been proposed to wean existing and potential growers away from production and trade in illicit drugs. Such strategies are termed “alternative development”. They are intended to address the reason that so many farmers in developing countries grow drug crops in spite of the risk involved: the fact that they have no other comparable economic opportunities. This approach recognizes that, in order to achieve long-run success, it is necessary to integrate peasants, producers and traffickers into the social and economic mainstream, and it emphasizes tailoring interventions to specific local level needs.

Alternative development in its many guises (for example, crop substitution, socioeconomic development, integrated rural development) has been attempted most vigorously in Bolivia and Thailand. Alternative development is more politically acceptable than more direct ways of reducing illicit drug supplies, since it promises new income opportunities within a context of socioeconomic development. However, continued interdiction programmes are required for alternative development to work: disruption of the network of processors and traffickers reduces demand for raw drug crops, and thus leads to a fall in prices that is necessary for alternative economic activities to become attractive.

Alternative development in Bolivia has been enshrined in elaborate legislation based on the assumption that the failure of rural development has caused peasants to move into coca production. The Bolivian government, the United Nations and the US government vigorously support the policy of promoting rural development so that coca production will decline. Unfortunately, the programme has had relatively little impact to date, for numerous reasons. First, coca remains economically attractive compared to the alternatives: the income differential between coca and even the most remunerative non-

drug crop remains large, coca plants yield an income within 12 months of planting, they have a long life, and they produce four crops a year. Second, coca is well suited to the social and economic conditions in Bolivia: it requires little technology and only manual labour for picking, and it has a well-established and nearby market not impeded by the poor transportation infrastructure of the region.

In addition, alternative development schemes in some areas have suffered from an emphasis on infrastructure rather than people, as well as from institutional infighting and inadequate funding. In practice, the farmer participation envisioned by the programmes has not materialized, resources have been inefficiently allocated, and the market potential for proposed alternative crops has not been adequately researched. Another problem is that the “balloon effect” has contributed to the failure of even relatively successful regional alternative development programmes to make a significant impact on the global illicit drug trade (just as regional crop eradication and interdiction programmes have not been able to make a global impact). Thus, although alternative development initiatives are clearly a good idea, in practical terms a significant reduction of illicit drug production will not necessarily be their main outcome.

## **Demand or Harm Reduction**

Efforts to reduce demand for illicit drugs include both sanctions and incentives. Sanctions focus on law enforcement initiatives meant to apprehend and deter consumers through fines, jail sentences and loss of privileges. Positive incentives have also been developed to offer people reasons to cease, or at least greatly to reduce, illicit drug use. The combination of sanctions and incentives is meant to create a climate wherein non-users are reluctant to take up the habit. Aside from law enforcement initiatives designed to raise risks for consumers, the demand reduction strategies of principal consuming countries have focused on popular education in the classroom and through the mass media, initiatives in the workplace, civic action, anti-contagion treatment programmes and efforts to develop an anti-drug ethos.

Intensifying the negative component of demand reduction strategies through increased reliance on prohibition, combined with law enforcement efforts that are increasingly tough on users, is likely to be effective only among two types of people: those who have something of value to lose and those who see themselves as having a future worth sacrificing for. Crack cocaine and heroin users who are members of the “underclass” might therefore not be much affected by such strategies.

Initiatives in the workplace to reduce consumption are principally based on drug testing, with threats of dismissal if positive results are returned. This strategy is unlikely to reduce demand for drugs among the burgeoning number of inner city crack users, arguably the greatest problem in the United States and perhaps elsewhere. This approach presumes that the drug user wants employment and has it, that the employer values the employee and that they both have an incentive to work together to create a drug-free workplace. All these factors are unlikely to coalesce among unskilled, low-skilled or minimum-wage employees, who are usually quickly replaceable and are themselves likely to drift from job to job.

Education is one of the primary elements of the positive component of demand reduction strategies. If education within the classroom is to reduce demand, it needs to be coupled with community-wide integrated efforts, including the dissemination of

explicit antidrug values and peer modelling begun at a fairly early age. The mass media in several consuming nations have had some success in targeting certain audiences for such antidrug campaigns.

Civic action is also a way to reduce demand for illegal drugs. Helping people to build homes, assisting the long-term unemployed to acquire skills and find jobs, creating educational and other opportunities for children in poor communities are activities in which communities have engaged, and which have had a positive impact on their drug problems. Raising community support for voluntary antidrug service is a first step, but effective coordination is required to ensure that acceptable goals are pursued in productive ways. Some communities are attempting to orchestrate this coordination. In Detroit, Michigan, a community in one of the city's abandoned-house districts has launched an effort to purchase "crack houses", renovate them and sell them at low cost to senior citizens and single parent families who need housing and can be relied upon not to participate in the drug trade. Other community initiatives include self-help groups for addicts and an anonymous hotline for residents to report drug-related activities in their neighbourhoods without fear that their identity will be revealed.

Another demand reduction strategy involves treatment programmes, which are thought by some to be useful not only for addressing the addiction of individuals, but also for reducing the spread of drug addiction. The assumption underlying treatment as a strategy to reduce consumption is that drug addiction spreads like a contagious disease: most people become drug users and perhaps eventual addicts because friends have introduced them to the practice, pushing drugs to support their own addiction. Therefore, successfully treating addicts removes their economic need to market drugs to acquaintances and eliminates a large part of the reason for the spread of drug addiction. Accordingly, proposals have been made—by law enforcement officers, among others—for considerably more funding for drug addiction treatment programmes.

Finally, efforts have been made to develop an "antidrug ethos" as a means of reducing demand. One of the strongest deterrents to the use of illicit drugs is people's conviction that drug use is inappropriate, whether for moral or utilitarian reasons. If the fundamental values of a specific group of people change in ways which disfavour drugs, the reduction in consumption will be more lasting. This kind of value change is more likely to be brought about by persuasion than by coercion. Thus calls are made for the mobilization of community efforts to re-establish eroded social values and to provide substantial social incentives for people to reform their lifestyles.

All direct demand reduction options concentrate on users and assume that illicit drug use may be reduced by approaches that invoke fear, self-interest or value change. An indication of drug policy priorities in the United States is given by the allocation of expenditures in the country: 75 per cent of total drug control expenditure goes for repression of consumption and supply, compared to 25 per cent for prevention, education, research and treatment. So far, an emphasis on fear (for example, fear of jail and of property losses) has formed the basis of consumer-focused demand reduction policies. Not surprisingly, fear strategies work best on those in the middle class whose employment and property are at risk. Such policies have had no proven drug consumption effect on the economic underclass where much hard-core drug abuse takes place.



## Legalization or Decriminalization

Decriminalization and legalization are not generally advanced as strategies to reduce drug consumption, but rather as possible ways to reduce the harm to society from drug abuse, particularly from drug-related crime and violence. Decriminalization proposals are a response to a belief that neither supply suppression nor demand reduction efforts will be successful in reducing drug abuse, and that the continued existence of a prohibition regime imposes unacceptable costs on society.

Legalization (officially authorizing currently illegal behaviour) and decriminalization (removing some penalties or at least “looking the other way”) may occur at the user, producer or trafficker levels in the drug chain, and may range from complete abandonment of controls to the selective relaxation of absolute prohibition. Most arguments in favour of some kind of liberalizing policy concentrate on decriminalizing or legalizing consumer drug use; a few advocate the same policies for drug production; hardly any are in favour of removing penalties for drug trafficking. Most proposals for drug use decriminalization focus on marijuana, several on cocaine, a few on heroin, while some would legalize all but crack cocaine. Another variant of the liberalization approach is medicalization, which allows those who need a certain drug to obtain it legally. Such a policy would obviously have to distinguish between different kinds of drugs and their effects both on the individual and on society.

Beyond reducing systemic crime, the proposals for legalization appeal to larger moral goals, such as enhancing public health and safety and invigorating a sense of community. An outright preference for unfettered freedom to consume psychoactive drugs is hardly ever advanced. Rather than favouring unqualified personal drug liberties, most proposals are meant to address the most feared consequence of prohibition policies and their implementation: drug-related crime. Accordingly, controls (regulation and taxation, perhaps similar to those for tobacco and alcohol in the United States) are called for, sometimes with the suggestion that tax proceeds from the legitimate sale of drugs be dedicated to consumer antidrug education and to drug-related public services (for instance, hospitals that care for infants who are born with an addiction to drugs).

If drug use were decriminalized in consuming countries, there would be no crime tax for traffickers, smugglers and pushers to reap and therefore no reason for them to carry out turf wars, assault police, terrorise neighbourhoods and undermine countries’ institutional integrity. A possible parallel situation is that of the crime syndicates in the United States after the prohibition on alcohol consumption ended in 1933: organizations associated with the production and sale of alcohol faded away, went into other criminal pursuits or invested their resources in legitimate businesses. With decriminalization, savings from a cutback in law enforcement expenses could be spent on other programmes, such as drug education and treatment. In terms of health, clean drugs, clean needles and a humane environment could reduce the incidence of drug-related HIV transmission.

A mix of decriminalization in consuming countries, combined with legalization of the coca-cocaine industry in producing countries, could eliminate the huge profits traffickers reap from their industry and at the same time rapidly reduce drug-related violence. In Bolivia, where drug-related violence has largely been avoided to date, legalization might have adverse economic effects in some sectors, as the price of coca would fall to roughly the equivalent of other agricultural crops. However, there is widespread and growing support in the country for legalization of coca (as opposed to cocaine). It is believed that legalization would help promote alternative coca products.

The primary opposition to the liberalization of drug policies is based on the belief that drug use would increase if the penalties on it were removed, and therefore that the adverse social, political and economic effects that societies endure would be as great as, or worse than, those suffered under the present prohibition regime. There is also fear that children would be more exposed to drug use if the social stigma attached to it were removed. Finally, there are concerns about the practical difficulties of legal distribution of drugs to so many users (in the United States alone, there are eight million regular users of cocaine and heroin).

Increased drug abuse does not, however, appear to be the inevitable result of the liberalization of drug laws. In several Latin American countries, for instance, the easy availability of cocaine at low prices has not given rise to any substantial cocaine abuse problems. In Amsterdam, where both cannabis and cocaine are easily available, the use of both drugs is significantly lower than in the United States, where drug use penalties are severe.

## Conclusions

Despite long-standing attempts to dismantle the illicit drug trade, drug abuse and its many related problems are on the increase in many regions of the world. The scale of the problem is enormous: the amount of laundered money from the traffic in cocaine, heroin and cannabis is estimated to be larger than the gross national product of three-quarters of the world's economies. The impact of illicit drugs continues to threaten the economies and social structures of both producing and consuming countries. Globalization of markets and finance, development of computer and communications technology, and the declining significance of national borders have all helped to facilitate drug trafficking. Policy strategies need to take account of the forces contributing to the complexity of the situation and attack the problem from several angles.

The present policies have had limited success for a number of reasons. Supply suppression strategies have proven unable to raise the price of illicit drugs in consuming countries. Demand suppression strategies—drug control laws that assume that people will be deterred from drug use by fear of incarceration or fines—are least likely to be effective in those sections of society where the drug use problem is most serious. Most drug control strategies have proven difficult to implement effectively, particularly in less developed countries with weak national governments lacking institutional coordination and sufficient financial resources. Alternative development strategies require a new, more “people-centred” approach to community problems, which may not work if the necessary staff and financial resources are lacking.

Political considerations often play a greater role in determining approaches to the drug problem than do considerations of effectiveness. Supply suppression is a more politically acceptable policy initiative than decriminalization and this—more than any proven success it has had in reducing the illicit drug problem—accounts for its popularity with governments. Political considerations also lead to an emphasis on short-term as opposed to long-term solutions: in consuming countries, drug control laws are preferred to the longer process of value change or socioeconomic structural change. In producing countries, short-term crop suppression strategies are preferred to “alternative development”, which would entail years of dependence on external aid.

Even if alternative development were to be successful in one drug-producing area, other regions would be likely to take up the slack in production, leaving the global supply of drugs unaffected. Any policy strategy thus has to be region-specific (including differing strategies for urban and rural areas), but must also take into account the international dimensions of the illicit drug problem and how policy decisions taken by other countries will affect its outcome. Similarly, appropriate policy has to be devised for specific target groups (producers and consumers, and the different social segments of each population) and for the specific drug produced, marketed or consumed. Policies for marijuana would thus be very different from those addressing the problem of crack cocaine.

No one policy option is going to solve the illicit drug problem. In the context of the severity of the current drug crisis, however, it is to be hoped that a balanced and more thorough examination of the advantages and limitations of all the available policy options will lead to more imaginative and constructive policy formulations. In particular, it is important to recognize the joint responsibility of both producing and consuming countries, and therefore the need for shared and coherent policy approaches. In addition, policy strategies must address the causes of the problem rather than its symptoms: in consuming countries, drug abuse is often linked to unemployment, poor housing and health care in marginal communities, while in producing countries, drug production is closely linked to the failure of rural development.

## Chapter 13

# Ageing, Development and Social Protection: Generalizations, Myths and Stereotypes<sup>1</sup>

*Peter Lloyd-Sherlock*<sup>2</sup>

(2004)

---

Population ageing (defined as an increase in the percentage of a population aged 65 years or older) is a global trend. It is long established in developed countries and is now occurring in many poorer parts of the world. There is a tendency to portray population ageing as a threat to the future. Rather, it should be recognized as one of the great achievements of the past century, albeit one which generates a range of social, economic, political and cultural challenges. Population ageing is both part of and influenced by wider processes of development and transformation. The well-being and quality of life of elderly populations are strongly conditioned by their capacity to manage opportunities and risks associated with rapid and complex change. Social protection, both formal and informal, can play a key role in mediating these relationships.

This edited volume maps out current knowledge about academic research and debate on core issues related to ageing and development as they affect different (including non-elderly) social groups, countries and regions. To date, research about population ageing, particularly in low- and middle-income countries, remains underdeveloped and patchy. There is an urgent need for a stronger knowledge base and for coherent policy frameworks which address the effects of ageing and the needs of older people. This book examines the opportunities, problems and challenges of effective social protection for older people. These include formal public policies, along with strategies derived from informal agency, such as household support systems.

Setting out a general analytical framework for such a book is not an easy task, given the lack of an obvious organizing framework for a discussion of ageing and development. In many ways, thinking about ageing and development is still in its infancy. This can be

---

<sup>1</sup> Originally published as the introduction to *Living Longer: Ageing, Development and Social Protection*, edited by Peter Lloyd-Sherlock (UNRISD and Zed Books, 2004). UNRISD is grateful to Zed Books for permission to reproduce this work.

<sup>2</sup> At the time of writing, Peter Lloyd-Sherlock was External Coordinator at UNRISD and Lecturer in Social Development at the School of Development Studies, University of East Anglia, United Kingdom.

seen in the small volume of published research, compared to fields such as gender studies. Much current thinking is closely derived from other fields of enquiry. These include Northern gerontology, traditional debates about social policy and, increasingly, work on gender and development. To some extent, these varied influences have helped make ageing and development a rich, eclectic and exciting field to work in. However, they have also served to inhibit the emergence of a set of research concerns that are particular to ageing and development. Partly because of this, policy debates have been pervaded by a number of generalizations, stereotypes and myths. This chapter examines some of the misconceptions that underlie current thinking. Other chapters in *Living Longer* go further in challenging narrow policy agendas and demonstrate the potential contribution of comparative research to these debates.

I will now go on to examine four sets of issues, each of which relates to a commonly held misconception. These are that:

- population ageing is mainly a Northern phenomenon;
- inevitably, older people are unproductive, are high consumers and represent a brake on economic development;
- inevitably, population ageing will place unsustainable pressures on formal social protection;
- the care economy can care for itself.

### **Population Ageing is Mainly a Northern Phenomenon**

There is no universally accepted definition of what constitutes old age. While there is general dissatisfaction with defining old age in purely chronological terms, there would appear to be no better alternative. Old age is perceived and understood in a multitude of different ways, often with important cultural variations (Midwinter 1991; Keith et al. 1994). These may refer to biological processes and physical appearance, key life events (for example, retirement or some other form of disengagement), or social roles (grandparenthood or ceremonial duties). Since old age can cover a span of over three decades, most cultures distinguish between the “old old” and the “young old”, and it is usually more meaningful to think in terms of gradual change, rather than a sharp cut-off between adulthood and later life.

Tables 13.1 and 13.2 show that although the oldest population structures tend to be found in richer countries, the majority of the world’s elderly people live in the South. This has been the case since the early 1980s, and by 2030 there will be nearly three times as many people aged 60 or more in the South as in the North. In fact, these figures understate the ageing gap, given that in poorer countries effective old age is likely to set in long before a person reaches 60 or 65 years of age.

**Table 13.1 Population ageing and per capita wealth for selected countries**

	Population aged 60+, 1995 (%)	GDP per capita (USD ppp) 1998
Burkina Faso	4.3	870
Brazil	7.1	6,625
India	7.2	2,077
Japan	20.5	23,257
Uganda	3.6	867
United States	16.4	29,605

Sources: United Nations Population Division (1999); UNDP (2000).

**Table 13.2 Population ageing in more and less developed regions**

		1990	2030
More developed countries/regions <sup>a</sup>	Total population (000s)	1,147,980	1,209,507
	Population aged 60+ (%)	17.7	29.2
	Population aged 60+ (000s)	203,192	353,175
Less developed countries/regions <sup>b</sup>	Total population (000s)	4,188,462	6,902,473
	Population aged 60+ (%)	6.9	14.6
	Population aged 60+ (000s)	284,174	1,007,761

Notes: <sup>a</sup> North America, Japan, Europe, Australia and New Zealand <sup>b</sup> The rest of the world Source: UN Population Division (1999).

Population ageing is usually associated with the final stage of demographic transition, which involves sustained falls in fertility and hence smaller numbers of younger age groups (Chesnais 1992). The timing and intensity of demographic transition and population ageing vary. Some countries have experienced ageing since the early twentieth century: by 1950, 7 per cent of Argentina's population was already aged 60 or more. By contrast, in a small number of poor countries, persistently high fertility continues to lower the average age of the population: in Pakistan the over-60s' share of total population fell from 6.3 to 4.7 per cent between 1960 and 1990. In most of the South, demographic transition has been much more abrupt than in established industrialized economies. It took about a century for the proportion of elders in Western Europe to double. In many developing countries, including India, China and Brazil, this is expected to occur in less than 20 years.

Demographic transition is associated with broader processes of modernization and development. However, it should not be assumed that countries ultimately reach an equilibrium state where fertility is sufficient to sustain a fixed population size—and hence a stable age structure (Demeny 1997). In over 60 countries, fertility has already reached replacement level or fallen below it, which may lead to significant long-term population declines. This makes it difficult to predict the point at which population ageing may tail off in the future. Current projections show that 36 per cent of Japanese will be aged over 65 by 2050. However, we should not assume that this figure represents a high watermark for future trends.

As their fertility rates drop, it is to be expected that poorer countries will follow the course of Japan and the North, although the timing of this trend is difficult to gauge. The relative size of the elderly cohorts of many sub-Saharan African countries is not yet rising.

Nevertheless, a context of rapid population growth means that absolute numbers of older people are increasing. Because of accelerated lifecycle transitions, standard chronological thresholds of old age understate the true importance of the ageing process in the region (Apt 1997). Also, high rates of mortality from HIV/AIDS among younger groups are likely to cause a sudden rise in the relative size of the elderly population in the near future.

**Table 13.3 Subnational variations of population ageing (population aged 65 or over), circa 1991**

	Region with highest	%	Region with lowest	%
Argentina (1991)	Federal capital	16.3	Formosa	4.7
India (1991)	Kerala	6.2	Assam	3.1
Thailand (1990)	Ang Tong	12.9	Udon Thani	5.1
Brazil (1991)	Paraíba	6.5	Roraima	2.2

Sources: Gulati and Rajan 1999; INDEC 1998; Government of Thailand 1995; IBGE 1991.

Misleading generalizations about global ageing trends are paralleled by a tendency to aggregate demographic data at the national level. This can mask important subnational variations. Disparities may occur between different subregions (table 13.3) and socioeconomic groupings, and by gender as well as other criteria. Europe and North America contain disproportionate numbers of female elders, especially among the very old. This has led some to refer to the “feminization of old age” (Arber and Ginn 1991). In other regions, such as South Asia, this relationship is less clear, often reflecting a masculine bias in the population as a whole.

### ***Inevitably, older people are unproductive, are high consumers and represent a brake on economic development***

Global ageing could trigger a crisis that engulfs the world economy. This crisis may even threaten democracy itself (Petersen 1999:55).

According to this view, ageing may be desirable from the point of view of an individual, but is bad for society as a whole. While few people would go as far as Petersen, much of the policy debate is tinged with alarmism. In an influential report, the World Bank observes that:

The world is approaching an old age crisis. ... The proportion of the population that is old is expanding rapidly, swelling the potential economic burden on the young. (World Bank 1994:back cover)

Debates about the impact of ageing are shot through with what might be called a negative paradigm of population ageing and later life. In this paradigm, later life is associated with dependency, vulnerability, an inherent lack of capability and, of course, a poor quality of life. With reference to economic development, it is claimed that older people use up savings, sell off assets, are unproductive and have expensive needs whose cost reduces the resource base of the economy as a whole. These sorts of ideas sometimes translate into specific policy agendas. For example, the main cost effectiveness tool used by the World Bank in allocating health care resources gives a lower social value to health improvements for those aged 60 and over than it does for younger groups (Paalman et al. 1998). The World Bank justifies this on the grounds that younger people are productive, but older people are not. This represents a blatant form of discrimination against older people and may be based on misguided assumptions about the contributions they make.

Slowly, a number of challenges are being made to the negative paradigm. According to HelpAge International, the leading NGO working in this area:

The substantial productive contribution of older people...is largely unrecognized by policy makers. Too often older people are stereotyped as passive or helpless—the realities of their lives unobserved. (HelpAge International 1999:xiii).

It is clear that older people are not all inherently incapable. What we call “old age” can span more than 40 years of a person’s life. Older people are a diverse group, living in very different circumstances. Examples of economic contributions include the care of grandchildren (including AIDS orphans), pension sharing, continued economic activity, and the provision of accommodation (which they may have built or paid for) to other household members.<sup>3</sup> More general contributions include involvement in household and community decision making, and the transmission of cultural values and wisdom. According to this view, policy should seek to promote the capacity of older people to make contributions, and should increase the opportunities for them to do so. This would contribute to healthy, active and meaningful ageing experiences (Troisi 1995). These new ideas have come together under the general label of “active ageing” (WHO 2002).

The emergence of active ageing is to be welcomed, since it provides a refreshing alternative to the old, negative paradigm. However, this new agenda may sometimes go too far to the other extreme, playing down the real needs and vulnerabilities of many older people. For many of the aged, active ageing may remain a distant ideal. For example, how can the concept of active ageing be put into practice for a sick, impoverished older person with severe cognitive and physical impairments?

It is important to recognize the dangers of generalizing about later life experiences from either a negative or a positive perspective. There is some truth in both of these generalizations: some older people have high levels of vulnerability and dependence, others may be making more social and economic contributions than at any previous time in their lives, and the great majority are both dependent and depended upon.<sup>4</sup> The main shortcoming of these opposed viewpoints is that they portray later life as a common experience. A more balanced perspective requires an appreciation of later life as a fluid, complex and heterogeneous phenomenon. All the chapters in this volume are sensitive to the complexity of ageing experiences. They recognize that the diverse characteristics of older people influence the degree to which they can manage opportunities and risks.

Given this diversity of experience, claims that elders represent a dead weight on economies and societies are overgeneralized and likely to distort policy. Nevertheless the links between processes of demographic transition and economic development are seen as inevitable. According to the United Nations Population Fund (UNFPA):

A growing working age population compared with older and younger dependants opens up a window of opportunity for developing countries... Wise use of the ‘demographic bonus’ can lighten the burden of a rising older population in later years. (UNFPA 1998:14)

UNFPA observes that many East Asian countries have obtained short-run development dividends from rapid falls in fertility. However, it argues that there may be a price to pay in the medium run as smaller cohorts of young adults are subsequently required to support expanded cohorts of elders. If younger generations are not prepared to provide this support on a personal basis, then the cost may be passed on to the state,

---

<sup>3</sup> Kaiser 1994; Sagner and Mtati 1999; Saengtienchai and Knodel 2001.

<sup>4</sup> For theoretical discussion of the diversity of older people’s capabilities and functionings, see Lloyd-Sherlock (2003).



such as in the form of publicly financed residential care. On a more alarmist note, a recent European Commission report predicts that population ageing represents “a significant factor in holding economic growth [in the EU] down to less than half that in the US, where the [dependency] ratio will be lower” (*Financial Times*, 14 December 2002).

The above scenarios may be mitigated by changing patterns of capability and functioning among elders. The current economic contribution of some older people may be understated, and there may be ways to promote participation through effective policies such as lifelong training and access to credit. In many countries a combination of economic necessity, changing social attitudes and the improving health profiles of elders, may weaken the link between ageing and a shrinking workforce. Richer countries may be able to sustain the total size of their workforces by attracting large influxes of replacement migration (United Nations Population Division 2000).

The debate about ageing and development draws heavily on the view that the middle years of the life course are characterized by high savings rates, and that later life sees a decline in assets. It is argued that population ageing will therefore lead to reduced aggregate savings rates, a view apparently borne out by international comparisons (OECD 1998). However, microeconomic research has challenged this finding, observing that many elders continue to save, albeit at a lower rate than previously (Disney 1996). One reason for this may be that sustaining the size of future bequests increases the likelihood that younger family members will take an interest in their wellbeing. Conversely, a consumption boom among older Japanese has been a key factor in mitigating the country’s economic problems of recent years. A key stimulus for the “grey yen” has been the introduction of a hefty inheritance tax, which reduces the incentive to sustain savings and assets in old age.

There is similar uncertainty about the relationship between an ageing workforce and levels of productivity. On the one hand, older workers may have accumulated a higher stock of human capital and experience. On the other, it is sometimes claimed that older workforces tend to be less entrepreneurial, ambitious and flexible. Both of these views can be linked to the positive and negative characterizations of the ageing experience outlined earlier. A key factor will be the overall structure of the economy, as older people may have more comparative advantage in some areas of activity than in others. Where opportunities for employment are scarce, the scope for utilizing the productive potential of all age groups, not just older workers, may be limited (Messkoub 1999). One key issue is whether old age pensioners should be permitted to continue in salaried employment. Several developed countries, including the United Kingdom, are now actively pursuing more flexible retirement policies.

Another conventional wisdom is that ageing holds back development because investment is lost to the mounting costs of social provision. Again, this process is not inevitable, and will be heavily influenced by the ways in which people experience later life. The cost of supporting an elderly population with high levels of protracted chronic disease and general dependence will be greater than that for a healthy, active population. There are other problems with demographic determinism: the United States spends twice as much of its economic output on health care as the United Kingdom does, but contains a similar proportion of elders. The gap is mainly due to inefficiencies in the US private health insurance market. This suggests that the impact of ageing on social spending is mediated by the ways in which the social sectors are structured. In poorer countries the social sectors currently fail to meet the basic needs of many people, old and young. In

these cases, it is meaningless to project the impact of population ageing on expenditure based on the experiences of other countries.

Debates about ageing and development may be able to learn from long-running controversies about population growth. These have ranged from pessimistic neo-Malthusian predictions of a population “time-bomb”, to the claims of optimists such as Julian Simon that population growth is an essential component for economic development (Stanford 1972; Simon 1977). Empirical research has often favoured a more nuanced view: that the relationship is context-specific and includes different long-run and short-run effects (Ahlburg 1998). Parallels may be drawn with apocalyptic claims that the world is now facing an “old age crisis”. With time and a more robust empirical basis, debates about ageing and development may take on a less extreme hue.

### ***Inevitably, population ageing will place unsustainable pressures on formal social protection***

A key part of the relationship between development and the well-being of older people relates to the creation of formal social protection programmes. As the chapters in *Living Longer* demonstrate, it is dangerous to assume a direct association between general levels of prosperity and the strength of formal social protection. In the liberal welfare regimes of some Asian countries, the state makes little formal provision for older people. Conversely, Cuba’s generous welfare services belie a context of economic stagnation. Ideology, institutional path dependency and social choices can be as significant as economic growth in determining the scale of formal social protection in a country.

Nevertheless, it is possible to identify some general differences in formal social protection between high-, middle- and low-income countries. Developed countries tend to spend larger amounts on formal social protection, and a high share of this is devoted to programmes of direct relevance to older people. These programmes range from the provision of pensions to health care, institutional care and other forms of social service. Such programmes tend to be based on a dependency view of older people. These programmes are expensive, and are often viewed as beyond the financial and institutional means of many developing and, increasingly, developed countries. This has led to concerns that pressures on public policy caused by population ageing are likely to cause a global “old age crisis” (World Bank 1994).

In most low-income countries, social policies have tended to focus on the needs of other age groups, such as mothers, children and “workers”. Instead of sustaining existing programmes, the main challenge for such countries will be to factor older people into social policies for the first time. In many cases, this will occur against a backdrop of severe resource constraints and generalized hardship. In these cases, a shift in the priorities of external donors and non-governmental organizations (NGOs) will be required. For some countries, meeting the needs of older people may be overshadowed by the HIV/AIDS pandemic. Several chapters in this book show how older people are directly and indirectly affected by HIV/AIDS, and that they can play key roles in surviving communities.

Across middle-income countries, the scale of formal social protection for older people is extremely varied, ranging from minimal intervention to schemes which rival those of the North (Lloyd-Sherlock 2002a). There is a tendency to focus on income support programmes, particularly contributory pensions, rather than dedicated health programmes or social services. Typically, access to services and benefits is restricted to relatively privileged socioeconomic groups, raising concerns about equity and the social exclusion of poor older people. In many middle-income countries, social protection for all

groups has been threatened by structural adjustment, by abrupt transitions from socialist welfare models, and by the rapid growth of private sector welfare agencies, in what is often a very weak regulatory setting. The effectiveness and sustainability of social policies will depend on institutional structures as much as ageing. In a context of poor governance and anarchic private provision, the chances are that social policies will be exclusionary, inefficient and expensive.

Debates about public policy for older people are strongly derived from the experiences of the North, and have been dominated by controversies about pension reform (Lloyd-Sherlock 2000b). Recent reforms have mainly sought to replace unitary public sector pension funds with more pluralistic arrangement, including a significant private sector component. The arguments in favour of this arrangement are that it promotes competition (and hence efficiency), stimulates capital markets and relieves the public sector of an activity it was not well-suited to perform. Some of these contentions have been challenged by studies of reformed systems in countries such as Chile and the United Kingdom.

However, debates about pension reform overlook several key issues. The first is that the majority of the world's older people do not receive a pension, be it publicly or privately managed, and are unlikely to do so in the foreseeable future. Those who do receive pensions may share this income with other family members and may supplement it with other sources. As such, the relationship between old age pension policy and the economic welfare of older people is not always direct and should not be overstated. Second, the debate has tended to overlook the existence of successful pension programmes which do not fit within the parameters of the new neoliberal model: examples include publicly administered provident funds in Singapore and Malaysia, and non-contributory schemes in a number of countries (Charlton and McKinnon 2001). These call into doubt the "one size fits all" approach to pensions of some international agencies. It is possible that these experiences might be applied to other contexts.

While it may be debatable whether poor countries should undertake to establish large-scale pension programmes, it is accepted that all governments have some responsibility for the health of their populations, including elders. Older people are usually associated with chronic conditions that are expensive to treat. This has two consequences. First, it has provoked fears of an ageing-related health care cost explosion in the North. Second, it has promoted the view that, as with pensions, comprehensive geriatric care is beyond the financial means of most developing countries.

Prophets of a cost explosion overlook the fact that any impact of ageing on health spending is strongly mediated by a range of other factors, including how services are organized and financed (van der Gaag and Preker 1997). As such, the ambitious health sector reforms being applied in many countries are likely to have a large effect on their capacity to service elders efficiently (Cassels 1995). The growing literature on new public management, cost recovery, private insurance and decentralization makes scant reference to their impacts on elders. However, there are indications that the growing role of private insurance may both increase the overall costs of old age provision and promote inequity and exclusion (Lloyd-Sherlock 2000a).

The view that health care for older people is inherently expensive ignores the potential contributions of appropriate primary health care (PHC) programmes to older people. As initially conceived, PHC places a strong emphasis on mother and child health, to the exclusion of groups such as elders (Rifkin and Walt 1986). However, research from the European Union has found that appropriate strategies of health education and

promotion can have major benefits for older people (Fletcher et al. 1998). In developing countries where many elders lack access to basic services, the potential benefits of extending PHC to meet their specific needs may be even greater. Other strengths of the PHC approach are its holistic nature (which allows for linkages with informal carers) and its capacity to promote active, healthy ageing, while not excluding the most frail and vulnerable. As such, it embraces the heterogeneity of needs and experiences of older people.

Even less attention has been paid to the impact of education on the well-being of elders. Elderly cohorts in poorer countries usually suffer from disproportionately high levels of illiteracy. As societies age, and as workplace skill requirements become increasingly prone to sudden change, there is a greater need to take a life-long approach to education and training. This would promote opportunities for older people and reduce pressures on dependency-oriented public policies. Appropriate programmes of education may also increase the capacity of other groups to meet the challenges of population ageing. For example, in low- and middle-income countries there is an urgent need to sensitize health professionals, social workers and informal carers to the specific needs and concerns of elders.

### **The Care Economy Can Care for Itself**

Divisions between formal social protection and informal means of support for elders are often blurred, and increasing attention is now being paid to the interface between them. This is particularly significant in the area of long-term care for vulnerable elders. As the numbers of people surviving to very old ages increase, the demand for care services is projected to soar. Estimates for the United States show that the number of older people using nursing homes will rise from 2.2 to 3.8 million between 1993 and 2018. Over the same period, the number of users of in-home services is projected to more than double, reaching 10.74 million (Weiner et al. 1994). In the United Kingdom it has been estimated that around 14 per cent of women and 7 per cent of men aged 65 years or more require daily help to maintain independent living. This includes services ranging from home cleaning to full-time, intensive nursing care.

In many countries of the North, the state only finances or provides a small part of care services. Most are being met by either the private sector or informal carers. As such, a burning issue is how to effectively combine the state, family and private sector in order to ensure care provision is adequate (Walker 1992). In the private sector there are problems of regulation (not least concerns about elder abuse); of equity (for many older people private care is simply not an option), and of supply (the total number of places in UK residential care has fallen by about 9 per cent since 1996). Recent research from the United Kingdom calculated the cost of paying informal carers at market rates to be £8 billion a year (*British Medical Journal* editorial, 3 October 1998). There is an urgent need to recognize the contribution of informal carers, support them and compensate them. This is not just an issue of social justice. We need to pay more attention to informal caring for more instrumental reasons—we rely on informal caring so much that we cannot afford to take it for granted. Also, more should be done to develop innovative approaches to combining informal care with state support, such as respite programmes.

In the South, it is widely assumed that care and social services are not a policy priority, since traditional household and community structures are still able to play this

role. In most developing countries, the great majority of older people continue to live with children or other family members (Sokolovsky 2000). However, this in itself does not guarantee satisfactory care. Contexts of poverty and rapid change put families under strain and reduce their capacity to meet these needs. Increased female participation in the salaried labour force is likely to constrain the supply of informal care, regardless of household structure. Rapid rises in the numbers of very old are likely to stimulate demand for residential care, but these services remain very underdeveloped in the South. Widespread publicly funded care may not be an affordable option for poorer countries, but little is being done to examine how the roles of households as informal carers might be complemented and bolstered by relatively inexpensive policy interventions.

The issues of care for and care by elderly people contain strong gender dimensions. Although cultural attitudes to supporting the aged vary, women are almost always the main providers of care, whether the responsibility falls to youngest daughters, daughters-in-law, sisters or some other relation. Women also predominate as paid carers, either in institutions or working in private households. In poorer, three-generation households, this may add to the multiple responsibilities of employment, domestic chores and child care. Where older people are themselves the providers of care, women also tend to predominate. Grandparenting often represents an extension of a woman's previous domestic responsibilities. Studies from Latin America and South Africa have found cases where older women, increasingly weary from the continued domestic obligations placed on them, expressed a strong preference for living alone (Sagner and Mtati 1999; Varley and Blasco 2000). Since women are more likely to survive their male spouses, they are more likely to provide care to their spouses, rather than receive it. Women are also more likely to be widowed, which reduces their access to informal care, particularly in cultures that discriminate against widowhood.

Patterns of care are strongly influenced by intergenerational exchange and reciprocity. Even when they have little current income, many older people still own houses and other valuable assets, such as land. Research has found that both explicit and implicit contracts about inheritance and asset transfer may have an important effect on current care arrangements. A study from Thailand found that older people often transferred land and housing to children well in advance of their deaths, on the understanding that this was an "up-front" payment for care provision (Chayovan and Knodel 1997). However, it should not be assumed that inheritance and similar forms of intergenerational exchange accord with a perfect moral economy, in which caregiving is matched by subsequent bequests. Possessing inheritance goods does not guarantee that an older person will receive good care: equally, the principal carer may go unrewarded. Also, it may be simplistic to reduce such relations to an economic rationale, ignoring cultural norms of filial duty. Practices and traditions of inheritance and exchange vary around the world. In India, for example, inheritance is usually patrilineal, increasing the vulnerability of elderly widows (Agnes 1999). There is a need to explore how these practices might be reinforced or modified through the application of appropriate legal codes or other public policy interventions.

Exchange between generations may be deferred as well as immediate, often in unintended ways. As adults enter later life, their position of authority within households may be replaced by one of dependence, leading to unforeseen consequences. In Mexico the quality of care provided by daughters-in-law to older women is sometimes mediated by past situations in which the older women dominated (even to the point of abuse) the younger ones (Varley and Blasco 2000). Elderly men are particularly vulnerable to paying

the price for poor past relations with younger family members, and this may result in neglect and abandonment (Aboderin 2001). Similarly, patterns and expectations of intergenerational relations may be influenced by historical experiences. For the first time, many developed countries are seeing large numbers of older people, especially women, who have already experienced the role of long-term carer for an elderly parent. By contrast, few older people in poor countries saw their own parents or grandparents experience a protracted old age, and therefore they are less inclined to foresee that this will be their own fate, or to appreciate the care that may be required from younger relatives.

More attention should be given to the impact of public policy on intergenerational exchange. There is still controversy about whether public pension programmes crowd out transfers within families. The World Bank argues that this is the case, but the limited empirical evidence is less conclusive (World Bank 1994). Where exchange is based on a notion of reciprocity, it may be bolstered by the provision of pensions to elders. Less has been said about the impacts of privatizing health care and education on intergenerational exchange. These transfer the arena of exchange from the public domain and society as a whole to the domain of financial decision making within the private household. This could make intergenerational conflicts starker as, for example, households are faced with a trade-off between continuing to pay for the education of a child or paying for the health care of an older person.

## **Concluding Comments**

Any general discussion of population ageing and older people begs one very important question: in what way are elders (or later life) significantly different from younger age groups (or earlier stages in the life course)? This is not an easy question to answer for several reasons. First, there is no obvious cut-off between later life and earlier life, nor is there a satisfactory definition of old age. Second, as has been seen, older people are a heterogeneous group, living in very different circumstances. The problems faced by elders in low-income countries may have much more in common with those of younger generations than with those of elders living in the rich North.

Nevertheless, it is possible to make at least some generalizations about older people. As a group, they are less likely to be engaged in salaried economic activity. They are more exposed to age-related risks, such as physical decline and some kinds of chronic disease. Older people are also exposed to the general stereotypes and prejudices of society at large: attitudes which may become self-fulfilling prophecies. Taken together, these mean that the capabilities of older people tend to be restricted, and become increasingly so as they progress through later life to death. These common characteristics go some way toward justifying the emerging academic interest and policy focus on older people around the world. However, they do not justify the portrayal of older people as a special interest group, whose interests are separate from, and possibly in conflict with, those of other generations. Elders do not exist in isolation (despite the best efforts of some societies to promote this), and so their well-being is intimately bound in with that of society as a whole. Many of the concerns raised in this discussion relate to wider issues, such as poverty reduction and gender equity. As with gender, policy needs to recognize both difference and interdependence.

Population ageing is accelerating and can now be considered a global phenomenon. However, it is unwise to generalize about what this may mean, either for older people or for the societies in which they live. There is a prevailing negative paradigm that labels older people as inherently incapable, as well as representing a brake on development and a burden on public policy and informal carers. Yet these views are more often based on supposition than hard evidence, and there are increasing calls for a more up-beat, “active ageing” approach. Population ageing requires a dynamic response from public policy and social attitudes, a key challenge being the need to reduce the exclusion of elders from salaried economic activity. This process of adaptation has been slow, uncertain and imperfect, and is likely to continue to be so.

Population ageing poses particular challenges for developing countries. International debates are almost exclusively drawn from Northern gerontology and neoliberal political economy. While these may provide some useful insights, they have very little to say about the situation of any older people in many parts of the world. There is a manifest gap in current knowledge about policies and frames of reference which may be of relevance to the South. If the needs of older people in such countries are not addressed, population ageing may simply constitute an extension of privation and misery, rather than an enrichment of life time opportunities.

## References

- Aboderin, I. 2000. *Social Change and the Decline in Family Support for Older People in Ghana: An Investigation of the Nature and Causes of Shifts in Support*. PhD dissertation. School of Policy Studies, University of Bristol. Mimeo.
- Agnes, F. 1999. “Law and women of age.” *Economic and Political Weekly*, Vol. 34, No. 44, pp. WS51–WS53.
- Ahlburg, D. 1998. “Julian Simon and the population growth debate.” *Population and Development Review*, Vol. 24, No. 2, pp. 317–327.
- Apt, N. 1997. *Ageing in Africa*. World Health Organization, Geneva.
- Arber, S. and J. Ginn. 1991. *Gender and Later Life: A Sociological Analysis of Resources and Constraints*. Sage, London.
- Cassels, A. 1995. “Health sector reform: Key issues in less developed countries.” *Journal of International Development*, Vol. 7, No. 3, pp. 329–348.
- Charlton, R. and R. McKinnon. 2001. *Pensions in Development*. Ashgate, London.
- Chayovan, N. and J. Knodel. 1997. *A Report on the Survey of the Welfare of the Elderly in Thailand*. Institute of Population Studies, Chulalongkorn University, Bangkok. Mimeo.
- Chesnais, J.C. 1992. *The Demographic Transition: Stages, Patterns, and Economic Implications*. Oxford University Press, Oxford.
- Da Vanzo, J. and D. Adamson. 1997. *Russia’s Demographic Crisis: How Real Is It?* Rand Center for Russian and Eurasian Studies, Santa Monica CA.
- Demery, P. 1997. “Replacement-level fertility: The implausible endpoint of demographic transition.” In G. Jones, R. Douglas, J. Caldwell and R. d’Souza (eds.), *The Continuing Demographic Transition*. Clarendon, Oxford.
- Disney, R. 1996. *Can We Afford to Grow Older? A Perspective on the Economics of Aging*. MIT Press, London.
- Fletcher, A., E. Breeze and R. Walters. 1998. *Health Promotion for Elderly People: Recommendations for the European Union*. London School of Hygiene and Tropical Medicine, London.
- Government of Thailand. 1995. *1990 Population and Housing Census of Thailand*. National Statistics Office, Bangkok.
- Gulati, L. and S. Rajan. 1999. “The added years: Elderly in India and Kerala.” *Economic and Political Weekly*, Vol. 34, No. 44, pp. WS46–WS51.
- HelpAge International. 1999. “Ageing and development: The message.” In HelpAge International (ed.), *The Ageing and Development Report. A Summary—Poverty, Independence and the World’s Older People*. Earthscan, London.
- IBGE (Instituto Brasileiro de Geografia e Estatística). 1991. *Censo Demográfico 1991*. Número 1: Brasil. IBGE, Rio de Janeiro.
- INDEC (Instituto Nacional de Estadística y Censos). 1998. *Statistical Yearbook of the Argentine Republic 1998*. INDEC, Buenos Aires.

- Kaiser, M. 1994. "Economic activities of the elderly in developing countries: Myths and realities." *UN Bulletin on Ageing*, Vol. 2/3.
- Keith, J., C. Fry, A. Glascock, C. Ikels, J. Dickerson-Putman, H. Harpending and P. Draper. 1994. *The Aging Experience: Diversity and Commonality across Cultures*. Sage, London.
- Knodel, J., N. Chayovan, S. Graiurapong and C. Suraratolecha. 1999. *Aging in Thailand: An Overview of Formal and Informal Support*. Comparative Study of the Elderly in Asia Research Report No. 99-53. Population Studies Center, University of Michigan, Ann Arbor.
- Lloyd-Sherlock, P. 2002a. "Formal social protection for older people in developing countries: Three different approaches." *Journal of Social Policy*, Vol. 31, No. 4, pp. 695-714.
- . 2002b. "Nussbaum, capabilities and older people." *Journal of International Development*, Vol. 14, No. 3, pp. 1163-1173.
- . 2000a. "Population ageing in developed and developing regions: Implications for health policy." *Social Science and Medicine*, Vol. 51, No. 6, pp. 887-898.
- . 2000b. "Old age and poverty in developing countries: New policy challenges." *World Development*, Vol. 18, No. 12, pp. 2157-2168.
- Messkoub, M. 1999. "Crisis of ageing in less-developed countries: Too much consumption or too little production?" *Development and Change*, Vol. 30, No. 2, pp. 217-235.
- Midwinter, E. 1991. *The British Gas Report on Attitudes to Ageing 1991*. Burson-Marsteller, London.
- OECD (Organisation for Economic Co-operation and Development). 1998. *Maintaining Prosperity in an Ageing Society*. OECD, Paris.
- Paalman, M., H. Bekedam, L. Hawken and D. Nyheim. 1998. "A critical review of policy setting in the health sector: The methodology of the 1993 World Development Report." *Health Policy and Planning*, Vol. 13, No. 1, pp. 13-31.
- Petersen, P. 1999. "Gray dawn: The global aging crisis." *Foreign Affairs*, Vol. 78, No. 1, pp. 42-55.
- Rifkin S. and G. Walt. 1986. "Why health improves: Defining the issues concerning 'comprehensive primary health care' and 'selective primary health care'." *Social Science and Medicine*, Vol. 23, No. 6, pp. 559-566.
- Saengtienchai, C. and J. Knodel. 2001. *Parental Caregiving to Adult Children with AIDS: A Qualitative Analysis of Circumstances and Consequences in Thailand*. Research Report 01-481. Population Studies Center, University of Michigan.
- Sagner, A. and R. Mtati. 1999. "Politics of pension sharing in urban South Africa." *Ageing and Society*, Vol. 19, No. 4, pp. 393-416.
- Simon, J.L. 1977. *The Economics of Population Growth*. Princeton University Press, Princeton NJ.
- Sokolovsky, J. 2000. *Living Arrangements of Older Persons and Family Support in Less Developed Countries*. Background paper presented at the United Nations Population Division Technical Meeting on Population Ageing and Living Arrangements of Older Persons, New York, United States, 8-10 February.
- Stanford, Q. 1972. *The World's Population: Problems of Growth*. Oxford University Press, Oxford.
- Troisi, J. 1995. "Ageing in a changing world: Older persons as a resource." In J. Calleja (ed.), *Meeting the Challenges of Ageing Populations in the Developing World. Proceedings of an Experts' Group Meeting, 23-25 October 1995*. International Institute on Ageing, United Nations, Malta.
- UNDP (United Nations Development Programme). 2000. *Human Development Report 2000: Human Rights and Human Development*. UNDP, New York.
- . 1999. *National Human Development Report Poland 1999: Towards Active Dignified Old Age*. UNDP, Warsaw.
- UNFPA (United Nations Population Fund). 1998. *The State of World Population: The New Generations*. UNFPA, New York.
- United Nations Population Division. 2000. "The United Nations population division on replacement migration." *Population and Development Review*, Vol. 26, No. 2, pp. 413-417.
- . 1999. *World Population Prospects: The 1998 Revision*. United Nations Population Division, New York.
- Van der Gaag, J. and A. Precker. 1997. "Health care for aging populations: Issues and options." In N. Prescott (ed.), *Choices in Financing Health Care and Old Age Security: Proceedings of a Conference Sponsored by the Institute of Policy Studies, Singapore, and the World Bank, 8 November*. World Bank, Washington DC.
- Varley, A. and M. Blasco. 2000. "Reaping what you sow? Older women, housing and family dynamics in urban Mexico." In INSTRAW (ed.), *Women's Life-Cycle and Ageing*. INSTRAW, Santo Domingo.
- Walker, A. 1992. "The care for elderly people in industrial society: A conflict between the family and the state." In P. Krishnan and K. Mahadevan (eds.), *The Elderly Population in the Development and Developing Worlds*. BR Publishing Co., New Delhi.
- Weiner, J., L. Ilston and R. Handley. 1994. *Sharing the Burden: Strategies for Public and Private Long-Term Care Insurance*. Brookings Institution, Washington DC.
- World Bank. 1994. *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. Oxford University Press, Oxford.
- WHO (World Health Organization). 2002. *Active Ageing: A Policy Framework*. WHO, Geneva.





---

## **PART III**

# **SOCIAL POLICY IN THE 21ST CENTURY**

---



## Chapter 14

# Democratization and Social Policy<sup>1</sup>

*Laurence Whitehead*<sup>2</sup>

(2004)

---

### Introduction

Democratization and development are both forward-looking concepts. That is to say, they refer to processes of cumulative social change that can result in future political and economic outcomes that are qualitatively different from (and superior to) present conditions. As such, both concepts are necessarily long-term, dynamic and macro-historical in scope. They also both express a normative standpoint. (It would not make sense to classify as “development” a transformation to a state of affairs that was judged qualitatively inferior to its starting point.) Indeed, from a genealogical perspective, they are both offshoots of the Western/enlightenment ideal of progress. In an earlier phase of social science theorizing, they were both subsumed under the umbrella discourse of “modernization”. But as political science and economics subsequently became more professionalized and differentiated, democratization and development were isolated in separate analytical compartments, and efforts were made to strip both of them of their historical and subjective connotations. They were isolated, objectified, dissolved into measurable proxies and separated from their ethical foundations. Such analytical procedures were initially a healthy antidote to the ideological distortions and teleological biases implicit in much classical discussion of “progress” and, more recently, of “modernization”, but the antidote produced its own harmful “side effects”. Since the end of the Cold War, efforts have been made by UNDP and others to reconcile the requirements of contemporary social science methodology with the holistic characteristics of these concepts, and to bring the discourses of democracy and development back into contact with each other, while restoring their energizing value commitments. This chapter is a further effort in that direction. But the key assumption

---

<sup>1</sup> Originally published as chapter 5 in *Social Policy in a Development Context*, edited by Thandika Mkandawire (UNRISD and Palgrave Macmillan, 2004). UNRISD is grateful to Palgrave Macmillan for permission to reproduce this work.

<sup>2</sup> At the time of writing, Laurence Whitehead was Fellow of Nuffield College, University of Oxford, United Kingdom, Director of the Mexican Studies Centre, and Chairman of the Area and Development Studies Committee.

here is that there is no easy reconciliation of theoretically incompatible positions, and that a successful approach involved a return to first principles. So the thrust of this chapter is to “*reculer pour mieux sauter*”.

At the most abstract level, both democracy and development can be conceptualized so broadly that they converge into a single image of the good society. This is the dominant Western image of progress in the post-Cold War world, the “true and only heaven” recently dissected by Christopher Lasch (1991). Even after the Soviet collapse it is by no means the only available image of the good society, but it is the only universal one. The remaining alternatives are either theocratic (confined to true believers), or in some way particularist (confined to particular localities, ethnicities, nationalities or culture groups). Those with the most secure access to this good society seem increasingly preoccupied with its insecurities and insufficiencies, and they have some sound reasons for their concern. But the proportion of the total population living in so-called industrial countries has fallen from 31 per cent in 1960 to 22 per cent in 1992, and the proportion living in OECD countries has fallen from 21 per cent to 15 per cent over the same period (UNDP 1994). Many OECD citizens (probably an increasing proportion) lack full and secure access to the benefits of the Western “good society”, and the great majority of non-OECD inhabitants have only the most nominal and precarious claims to the sociopolitical status of modern citizenship.

This chapter reflects on the interrelationships between two key components of the secularized liberal image of the “good society”—political democracy and economic development. These two components can be detached from their theoretical moorings, narrowly defined in order to reduce the overlap between them, and then represented by simplified empirical proxies (such as electoral competition and alternation, and GDP per capita), which can then be tested for association and co-variance. Recently there has been something of a growth industry in this type of investigation, although the insights generated may seem meagre, considering the efforts expended.<sup>3</sup> If we search for patterns of association between democracy and economic development in the post-Cold War world, our samples will be heavily weighted towards a particular *kind* of democracy, and a currently fashionable notion of economic development. It by no means follows that either pre-1989 or twenty-first century variants of democracy will be associated in the same way with economic development, as understood in earlier (or perhaps in later) periods. Ahistorical “objective” indicators of democracy and development can, of course, be constructed without reference to such contextual meanings. Thus on standard indicators, Chile was as much of a democracy in 1940 and in 1970 as in 1990, even though what this signified in terms of social representation and development objectives was radically different at each point in time. Similarly, over *some* periods and on *some* aggregate indicators Botswana can be bracketed with Singapore (and why not Saudi Arabia?) as exceptionally successful instances of economic development, without regard for the extreme dissimilarities of sociopolitical structure, and of collective beliefs and aspirations, which separate them. But this chapter seeks to identify lines of interaction between democracy and development rather than to generate purportedly objective correlations. For that purpose it is important to specify the context, meaning and subtypes of the categories involved. This chapter attempts to provide a corrective to the

---

<sup>3</sup> One recent review surveys 46 studies and rejects the hypothesis that political democracy is negatively associated with economic development. It identified education, investment and “governance”, as potential bearers of a positive association (see Campos 1994).

ahistorical and reductionist tendencies in such studies, by reconnecting each of the two key categories within their respective theoretical and historical contexts. The intention is to restore a sense of perspective to our judgements about the immediate present, and to re-establish the reflexivity latent in our notions both of political democracy and of economic development. Although these two concepts share some common assumptions, they have distinctive roots and associations and can be analysed in isolation from each other. However, I will conclude the chapter with some suggestions about how they may proceed to converge.

### ***The longue durée***

The idea of political democracy has a history that is long and chequered and that has been rather precisely charted. Indeed, several recent scholarly analyses have claimed, without unreasonable distortion, that the 2,500th anniversary of its creation by Cleisthenes fell due in 1993.<sup>4</sup> During the course of that long period diverse embodiments of the idea have been claimed in a wide range of settings. Thus, political democracy has been thought to be compatible with a slave-based economy, not only in antiquity but also in the New World (this was the “Washington Consensus” until 1 January 1863). Over the centuries it has been variously identified with urbanism and literacy, with the settlement of new lands (an annual Icelandic parliament was initiated in 930AD); with constitutional monarchy, with republicanism; with some forms of European imperial conquest (such as the extension of the “Westminster system”), and with some forms of resistance to imperial rule; with Christianity, and with secular liberalism; and, in our lifetimes, both with the relentless advance of socialism, and equally with the inevitable hegemony of capitalism.

For most of this long period, educated opinion has been hostile to or fearful of political democracy (which is often equated with mob rule, or the triumph of mediocrity). After the (mostly failed) democratic revolutions of 1848 however, a new synthesis of political constitutionalism combined with economic liberalism began to pave the way towards a more conservative variant of “democracy”. The concept has been associated with a variety of different social experiments across time and space, each of which needs to be duly contextualized. For example, a good case can be made that for about half a century after 1870 across South America a certain (“oligarchical”) variant of civilian constitutional rule was quite strongly associated with a model of export-oriented development based on the exchange of various primary products for imported capital goods (notably railways, ports, telegraphs, etc.). This was not “democracy” in the abstract (indeed it contained a number of features that would seem distinctly undemocratic to the modern eye), and the associated model of development was neither of universal validity nor of permanent duration (it entered into crisis as the internal combustion engine displaced the train, and Britain lost her ascendancy). So we must be attentive to the boundary conditions limiting the coexistence of this particular type of democracy and this distinctive process of development. Nevertheless, within such spatial and temporal limits we can pursue some quite significant hypotheses concerning, if not causation in the strong sense, then at least recurrent patterns of connectedness and elective affinity. My

---

<sup>4</sup> The chequered legacy of the Greek tradition is emphasized in Patterson 1991, which stresses the paradoxical role of slavery. For the evolution of democracy as a political ideal, which originated from a practical expedient, see Dunn 1992. For the state of contemporary classical scholarship, see Osborne and Hornblower 1994. For the history of antidemocratic sentiment in Western civilization, see Tolbert Roberts 1994.

impression is that foreign bankers, merchants and investors consistently demanded sanctity of contract and predictability of government. Both civilian constitutionalism and export-oriented growth were organized largely in response to that functional requirement. Assuming that this interpretation can withstand scrutiny, we would have identified one important type of linkage between a particular variant of political order and a specific episode in history of economic development. This would be a useful story to bear in mind when investigating the association between other variants of “democracy” and alternative development strategies in different periods of time or in other parts of the world. But any attempt to turn it into a general law, or to bracket this type of experience with, say, that of the peasant-based electoral regimes of interwar Europe, and their strategies of economic nationalism, would be misconceived in principle and disinformative in practice. At least from the late nineteenth century onwards the notion of democracy has been appropriated by Western establishments and largely deradicalized, a process which reached its culmination during the Cold War, when efforts were made to assimilate nearly all of the broad spectrum of anti-communist regimes into the “democratic” camp, to the exclusion of more “neutral”, or unreliable, regimes (even those displaying considerably greater degrees of political openness). Now, in the absence of a Soviet alternative, which could attempt to rival Western pretensions to universalism and modernity, the ideal of political democracy can claim the nominal allegiance of the entire West, and perhaps much of the rest of the world as well.<sup>5</sup> But if its chequered and subversive history is forgotten, it becomes a deracinated ideal, a procedural formality, even an irrelevance to those still in search of that elusive goal of the good society.

The idea of economic development is more recent, and its history is less well studied. Of course, the *reality* of economic development can be traced back to far before classical Greece, but the *idea* could not be elaborated until pre-market beliefs about such matters as the fixity of wants and the existence of a “just price” had been superseded. In the European tradition the idea that wants were in principle unlimited, and the related idea that relative prices should reflect relative scarcities (in relation to unlimited wants), seem not to have displaced pre-market beliefs until well after the Reformation. Before that the Catholic monopoly on higher learning and morality blocked the emergence of modern economic reasoning<sup>6</sup> (and pre-Christian classical teachings also rested on the same pre-market assumptions, so that in place of the modern idea of economic development, the Greeks and Romans thought in terms of historical cycles of growth and decay). It is probably Anglocentric of me to date comparative and reflexive thinking about economic development to the Scottish Enlightenment, and to take Hume, Ferguson and, above all, Smith as the founding authors in this tradition, but even if we shifted to their counterparts in Continental Europe (Cantillon, Quesnay, Turgot, etc.) we would still start somewhere in the Enlightenment Age since it was only then that economics and the economy became established as a distinct and separate subject and system.<sup>7</sup> Compared to the 2,500-year debate on democracy, our ideas about economic development stretch back no more than one-tenth as long.

---

<sup>5</sup> Allegiance to an ideal can be called nominal only when it is honoured at no cost. Even in the post-Cold War world those favouring political democracy could face some quite demanding tests of their allegiance, however—in Algeria, for example, or in Chechnya, Israel or even in advanced democracies caught up in panics about terrorism and insecurity.

<sup>6</sup> In Max Weber’s account: “The ethos of the classical economic morality is summed up in the old judgement passed on the merchant..*homo mercator vix aut numquam potest Deo placere*; he may conduct himself without sin but cannot be pleasing to God. This proposition was valid down to the fifteenth century, and the first attempt to modify it slowly matured in Florence” (Weber 1961).

<sup>7</sup> See Dumont 1973 and Rothschild 2001.

The two central assertions about economic development in the *Wealth of Nations* are that “the division of labour is the great cause of the increase of public opulence”, and that the prime component of this division is commercial exchange between town and country (“the exchange of rude for manufactured produce”), which produces gains that are “mutual and reciprocal”. Savings are required to accumulate the capital needed to finance such transactions. Although these twin contentions yielded powerful insights into processes of economic differentiation which were already perceptible in Europe, and which could be extended across the globe, they fell far short of a comprehensive or universally applicable account of economic development. Indeed, Smith still retained the notion that there must eventually be some upper limit to “the degree of opulence” attainable by any particular country—a limit set by its factor endowments and by the prospect that rising prosperity would stimulate population growth until per capita income stabilized. He also regarded agricultural improvement as in some sense the bedrock of economic prosperity (indeed he almost followed Quesnay in the view that *real*—i.e. durable—wealth is in land) and he was not as alert as he might have been to the first stirrings of technological revolution in British industry (notably in cotton).<sup>8</sup>

Thus, economic development was early on associated with the modernization of agriculture and the rise of towns. Then (starting with the work of Malthus) it was linked to the growth of effective demand, perhaps promoted through public works (rather than through savings) and to the introduction of labour-saving machinery in industry rather than to the modernization of agriculture. It became associated with industrialization from the middle of the nineteenth century, as the notion of continuous, rather than episodic, technical progress in manufacturing came to the fore. In due course, this led to concern with the diffusion of technological dynamism from leading industrial nations to those seeking to “catch up”. This opened the way to the idea that the economic development of latecomers might require a higher degree of public policy coordination and state intervention than had seemed appropriate to the founders of political economy. The rise of Keynesian economics reinforced the prestige of macroeconomics and of economic planning, thus creating a temporarily favourable environment for the establishment of a distinctive subdiscipline of “development economics” after the Second World War. During the first half of the Cold War period, Hirschman (1981) is surely right to emphasize the importance of the Marshall Plan as providing a major impetus and source of encouragement to our nascent subdiscipline.<sup>9</sup> That, of course, reflected the Cold War requirement that economic development should take a form that would strengthen the West against the Soviet bloc. Indeed, both the spread of democracy and the pursuit of economic development in the so-called Third World were heavily conditioned by the overriding requirements of bipolar conflict. This affects both the substantive content of the two categories, and the interactions between them. From the 1960s onward

---

<sup>8</sup> Rostow (1990) gives as much space to Hume as to Smith, although the former was mainly interested in the mutual gains from regional and international comparative advantage. Rostow’s large volume may be faulted for what Richard Rorty has labelled “doxography” (“The real trouble with doxography is that it is a half-hearted attempt to tell a new story of intellectual progress by describing all texts in terms of recent discoveries”), but it does contain a rather thorough and systematic comparison of most major growth theorists prior to his own work.

<sup>9</sup> He notes that development economics emerged in very unusual and, as it turned out, temporary circumstances in England and the United States (not the developing countries themselves) after 1945. These included the discredit of orthodox economics deriving from the Depression of the 1930s, and the arrival of international Keynesianism, in the form of the Harrod-Domar growth model, with its implication of an enhanced role for the state in promoting late industrializers. He concludes by suggesting that the founders of development economics displayed a paternalist, perhaps even somewhat contemptuous, attitude towards developing countries, when they assumed that problems of backwardness could be so easily overcome by the adoption of development planning. This presumed that such societies were governed only by interests, and had no passions.



development economics became increasingly divided over (or detached from) Cold War polarities—a stance which may have initially boosted its prestige, but which eventually contributed to its problems. Hirschman prefers to emphasize a related, but somewhat different source of political vulnerability—what he terms the “development disasters”, which followed decolonization in the 1960s. According to his view, when development theorists found that “the promotion of economic growth entailed not infrequently a sequence of events involving serious retrogression in those other areas, including the wholesale loss of civil and human rights, the easy self-confidence that our subdiscipline exuded in the early stages was impaired” (Hirschman 1981). In other words, the un- or democratic practices that many Third World governments came to justify in the name of economic development demoralized a subdiscipline that had been rooted in Western liberal assumptions about the nature of social progress. But by the 1970s, in Hirschman’s words, “the old liveliness is no longer there ... new ideas are ever harder to come by...and the field is not adequately reproducing itself” (Hirschman 1981). This judgement foreshadowed the upsurge of what may loosely be labelled “neoliberal” perspectives on economic development in the 1980s, under which economic development became associated with “getting prices right” by reinforcing international market disciplines and strengthening private property rights.

One solution to this problem was to retreat into more technical work on the efficient allocation of resources; another was to switch from concern with “growth” to concern with “basic needs”. The former rested on the illusion that “by confining itself to smaller, highly technical problems, development economics could carry on regardless of political cataclysms”, and the latter dissolved “the hitherto unique maximum of development economics (income per capita)” into “a variety of partial objectives, each requiring consultation with different experts”. Both solutions struck Hirschman in 1980 as cop-outs from the basic goal—all-round emancipation from backwardness. He concluded that “the challenge posed by dismal politics must be met rather than avoided or evaded. By now it has become quite clear that this cannot be done by development economics alone” (Hirschman 1981).

In the aftermath of decolonization (a process largely overlooked in Hirschman’s brief survey, although it was surely central to the tale he told), there was widespread uncertainty over the credentials of Western development theorists as critics of Third World political repression. “Post-colonial guilt” on the left combined with Cold War realpolitik on the right to insulate debates over economic development from concern with the issues of political democracy. Until the end of the Cold War, the international financial institutions explicitly underscored this insulation by stressing that their charters precluded them from interfering in the internal political affairs of member states. “Development” became a supposedly apolitical goal, to be achieved through technical means, whereas “democracy” was seen as a matter of domestic choice or subjective preference not to be imposed (or even materially encouraged) from without. It is hard to find a better illustration of the social construction of an is/ought dichotomy.

With the end of the Cold War, and the rise of a postcolonial generation no longer hung up over the struggle for national sovereignty, but instead missing the freedoms that were lost during state formation, the international context has radically changed. The “democratization of development” can be put back on the agenda, to accompany the development of democratization. Development studies can and should no longer “avoid or evade” the “challenge of dismal politics”.

## Democratizing Development

Reviewing classical debates on “democracy” and “development”, and considering the ways in which these categories have been adjusted to new contexts over time, leads to the conclusion that in the twenty-first century what we understand by “development” could very well incorporate some very considerable elements drawn from democratic theory. Likewise, our future conceptions of “democracy”, appropriately understood and updated, could quite properly include much that has recently been studied within the limiting confines of the subdiscipline of “economic development”. When the application of knowledge, rather than mechanical power, provides the main key to economic prosperity, the most effective producers can be expected to set a high standard of demand for citizenship rights and governmental accountability. When a central task of modern democratic government is to secure informed assent to complex public choices in the ears of economic management, our conception of “development” can hardly continue to exclude consideration of the social acceptability and legitimacy of the policies to be selected. It is in this area of convergence between notions of “democracy” and “development” that the best future of development studies lies.<sup>10</sup>

As indicated by this thumbnail sketch, economic development, like democracy, has already appeared in many different guises, and has at different points been identified with a wide range of apparently somewhat incompatible partners. Viewed from this *longue durée* perspective, it would be surprising if either of these have suddenly become constants, or if they have shed the capacity to mutate and accommodate to unforeseen contexts. It would therefore be surprising if either had become so fixed and inflexible as to block out convergence with the other. Seen from this historical perspective, recent identifications of democracy with capitalism, and of economic development with market liberalization, are more likely to prove liaisons of convenience rather than ultimate identities. But as we have seen, the content of both concepts has varied over time, so any effort either to separate or to reconcile them must start by addressing the definitional and conceptual issues. If democracy is understood as meaning no more than the holding of competitive elections, and the consequent alternation in government of rival parties in accordance with the changing preferences of the electors, then the spread of democracy may have little bearing upon social development outcomes. Similarly, if economic development is understood as essentially consisting of a high and sustained rate of economic growth, perhaps accompanied by some social emergency funds and some targeting of benefits to the very poor, then the choice between establishing a democracy or maintaining an authoritarian regime may be more clearly linked to the *style* of social development than to its *level*. At this level of abstraction, it is possible to think of interconnections between democracy and development that could be supportive, and of others that could be obstructive, but neither type of linkage looks particularly compelling. Overall, the null hypothesis would seem as plausible as any. The procedural minimum version of democracy need not carry many implications for social development; and the “growth-first” version of economic development leaves it open to doubt whether democracy or authoritarian rule produces better social development outcomes.

But during the 1990s and the early years of the twenty-first century, the conviction has grown that democracy and development are more intimately interconnected and

---

<sup>10</sup> Partha Dasgupta’s recent attempt at grand political economy in the Smithian tradition confirms that reintegration of the “moral sentiments” into economics need not involve sentimentality or the loss of analytical rigour. Following Sen (1995), his focus is on “well-being” (understood to include income, health, liberty and literacy) rather than economic growth.

more positively associated than has recently been suggested. Cross-country datasets have been scrutinized to test for association (with somewhat mixed results).<sup>11</sup> Various democracy-related phrases—such as “participation”, “civil society”, “empowerment”—have assumed an increasing prominence among the goals of development pursued by international donors. As more developing countries have adopted at least the outward appearance of democratic political practices, the traditional least developed country (LDC) lobby opposed to linking democracy with development has weakened. The majority of developing countries can now hope to benefit if developmental assistance carries democratic conditionality, and the donor countries are increasingly inclined to associate democracy with social development and therefore attach such conditions to their aid.

If this shift in beliefs and practices is to prove more than just a passing fashion it will have to be accompanied by a reconceptualization of both democracy and development. Indeed, it seems that just such a debate may be getting under way in both of the relevant scholarly communities. Social development provides the key point of intersection between the separate academic discourses of democratization and economic development. To the extent that these discourses converge, social policies and citizenship entitlements will move from the margins to the centre of attention in these scholarly communities. UNDP’s cumulative work on “human development” has generated an extensive empirical database backed by considerable theoretical groundwork designed to shift public policy priorities in this direction where both democracy and prosperity are valued as proxies for human freedom.<sup>12</sup> However, it is one thing to shift the focus of attention, and quite another to integrate the new objects of study into a coherent and operational analytical framework. The “rights” discourse underlying the “human development” perspective tends to reject trade-offs or sequencing strategies that would involve prioritizing some claims at the expense of others. The World Bank’s *World Development Report 2000/2001* makes an uncomfortable attempt to reconcile this human development perspective with the World Bank’s more traditional emphasis on results-oriented strategic choices. Thus it concedes that “democracy is intrinsically valuable for human well-being as a manifestation of human freedom. Political freedoms have enormous impact on the lives and capabilities of citizens”. But, perhaps mindful of earlier World Bank enthusiasms for some undemocratic regimes, this *prise de position* is quickly counter-balanced by reference to the record of “a few notably development-oriented countries, such as the Republic of Korea, before they became pluralist democracies”. (A tactful veil is drawn over those development-oriented countries, such as China, which still express no intention of following such a path.) “Democracy—both representative and participatory—is a good in itself.” (This formulation presumably enables the Bank to

<sup>11</sup> Little illumination on the links between democracy and development can be expected from datasets that include dozens of “failed” or “near failed” states, and that count countries the size of India and China as single units to be compared with Dominica and Fiji. Of the 174 states classified in the *Human Development Report 2000* (UNDP 2000), perhaps as many as one-quarter are so recent and insecure that the question of survival dominates public policy, pushing tasks of political and economic development into the background. A few not-so-new states are also in this position, though this refers to around a quarter of existing so-called developing states, only a much smaller proportion of the total population of these countries are involved, since the list includes hardly any of the heavily populated nations. But if we consider, say, Timor (then still treated as within Indonesia) or Tibet (within China) or Kashmir (within India), it is immediately apparent that there are highly populated regions within even the best established “Third World” states where the overriding concerns of contemporary public policy are almost as primordial as in comprehensively “failed states” such as Afghanistan, Burundi, Georgia, Liberia, Rwanda, Somalia, Zaire, and so forth.

<sup>12</sup> “Human development is the process of enlarging people’s choices by expanding human functionings and capabilities...Capabilities reflect the freedom to achieve functionings. In that sense human development is freedom”. Income levels are only one component of human development and are taken into account as a surrogate for the human choices permitted by a decent standard of living (when accompanied by health and knowledge) (UNDP 2000).

commend some regimes that do not allow competitive multiparty elections.) “But democratic political processes alone are not enough to ensure that poverty reduction is taken as a key priority in society’s efforts” (World Bank 2001). (So despite the intrinsic value of democracy, this language of priorities leaves open the possibility not only that something more may be needed to reduce poverty, but also that something different may work better.) Given the need for such intellectual contortions it may be all too tempting for the mainstream development agencies to maintain an established framework, with some “add-on” references to social development, environmental sustainability, gender balance or political empowerment that sound encouraging but that do not disturb the core assumptions or modes of analysis. Notwithstanding any discursive shift towards integrating democracy and development at the analytical level, when it comes to policy making and goal setting the democratic component tends to be conspicuous by its absence. Thus the United Nations Millennium Development Goals for 2015 include global targets for income, education, demography and sustainable development (all casted and quantified), but no political goals.<sup>13</sup> Similarly, advocates of democratic conditionality are often inclined to focus solely on political variables and may be tempted to treat social welfare as an optional extra.

The old mainstream policy framework has a clear rationale. If resources are to be allocated between countries in a manner that rewards “good performance”, then the criteria for ranking and evaluating performance need to be explicit and verifiable. In fact it is not all that easy to distinguish precisely between authoritarian and democratic regimes, or between countries pursuing sustainable growth policies and those on suboptimal paths. But at least on the old narrow definitions of democracy and development there is an established tradition of measurement and a conventional literature of causal explanation. However, if our conception of democracy is broadened to include such fuzzy notions as “empowerment”, or if the focus on economic growth is diluted by the importation of more imprecise and perhaps culturally bounded elements of social development as citizen rights, then the criteria for judging performance may become unmanageably complex, and perhaps increasingly arbitrary. There is, indeed, plenty of evidence that in the past undemocratic regimes have attempted to conceal their deficiencies by invoking their supposedly superior systems of political participation and social integration. Similarly, governments that were unwilling to pursue sound economic growth policies have sheltered behind the excuse that they must protect irreversible social conquests. Given such antecedents, defenders of the old framework can make a respectable case for their position. Merely talking about participation and social welfare gives no guarantee of improvements in performance. They continue to argue that citizenship entitlements and social development programmes can only be “added on” provided economic rationality and “good government” are first respected.

However, this established framework confronts mounting practical and political difficulties. On the practical side, for a regime to be classified as “democratic” is normally to receive a positive evaluation, not just a neutral descriptive designation. Advantages,

---

<sup>13</sup> The central target is to halve the proportion of people living in extreme poverty (that is, on a purchasing power parity income of less than one dollar a day) by 2015. The other six goals serve essentially to buttress the durability of this advance. The package adds up to what is intended to be an incontrovertible and unifying objective—minimum goals, but ones that are agreed, attainable and that would make a real difference. Nevertheless, from a democratic perspective, there is much to debate here. The international decision-making process is highly opaque, and it is far from clear who would be held responsible if the targets were missed. The targets themselves also merit discussion. Can any freedoms be suspended in order to accelerate their fulfilment? If halving extreme poverty is attainable, why wait until 2015? Why only halve the proportion? Are the rich to pay or the only slightly less poor?

prestige and self-respect flow from such labelling or speech acts. Likewise, for an economic policy to be designated an example of economic development is also beneficial. In both cases, political leaders strive to secure favourable endorsements, and to avoid or deflect negative labelling. So debate about which precise instances fit within the broad and blurry categories of “democracy” and “development” can easily become politicized. The same applies to propositions involving the linkages between the two. Indeed, on a strong view we may be dealing with “essentially contested” concepts, and with a discourse about their interrelationship that to a considerable degree reflects these underlying struggles for power. The recent establishment of a range of independent and standardized annual tabulations covering the entire world (such as the HDI, the Freedom House Yearbook of Freedom, and Transparency International’s Corruption Perception Index) provides an important corrective to previous excesses of subjectivism, but does not dispense with the need for informed personal and collective judgement—not only in the interpretation of the rankings, but also in deciding whether to accept their relative evaluations.<sup>14</sup>

Other practical difficulties include:

- i. With the spread of democracy come mounting demands for decentralization and the devolution of public policies to more local levels of government.
- ii. Similarly, with the spread of market-based systems of competition and allocation comes a shift in the locus of economic power away from the government agencies hitherto charged with implementing optimal growth policies.
- iii. Moreover, where social development has been allowed to falter, perhaps through omissions arising from too narrow a conception of “good performance”, the evidence has mounted that such omissions easily produce negative feedback that can eventually destabilize procedural democracy and/or disrupt “sound” growth strategies.

Practical considerations of this kind, reinforced by the political preferences of a growing number of both donor and recipient governments, have driven defenders of the old framework to make concessions, and even to dilute the clarity of their initial core convictions. Conventional “billiard ball” models of causation, and totemic quantitative indicators of macroperformance, no longer inspire quite the same deference as in an earlier period of technocratic self-confidence, but neither have they been entirely dethroned. Those who favour the incorporation of “softer” styles of explanation and evaluation have yet to develop generally accepted alternative approaches.

It should be possible to move beyond this state of affairs, and to reconceptualize both democracy and development in a manner that would provide a superior and integrated analytical framework and perhaps even a more democratic policy rationale. UNDP’s *Human Development Report*, UNRISD’s *Visible Hands: Taking Responsibility for Social Development*, and related academic initiatives indicate that the search for a substitute framework is well under way—although as yet the results remain incipient. Freedom of expression and association provide some offset to the risks of man-made famines and other preventable “natural” disasters. Citizens with voting rights can exercise some leverage over public policy priorities, and may prefer clean drinking water to pharaonic dams and similar mega-projects. If social development elicits local ownership and citizen participation, it may constrain wasteful arms expenditure and tilt international relations towards cooperation rather than conflict. The traditional separation between politics and

---

<sup>14</sup> I scrutinized the 1994 HDI to assess whether its intercountry rankings coincided with my subjective impressions of countries I have studied. It struck me as questionable whether Cuba and Sri Lanka should be ranked virtually equal (at 89 and 90 respectively). In 2000 the ranking is Cuba 56, Sri Lanka 84. I also doubted the huge gap between Barbados (20) and Grenada (78). In 2000, they appear much closer, at 30 and 54 respectively.

economics, both narrowly conceived, has obstructed the investigation of such potential linkages (forgetting what Gunnar Myrdal had once taught us about “cumulative and circular” causation in development studies).

## Some New Directions for Research

It may be possible to “democratize development”, but in such a process there will be no short cuts or easy add-ons. It will be necessary to return to first principles for the reconceptualizations that are required, and it will also be necessary to reconsider some basic questions of method. As a first step, we would have to *reculer pour mieux sauter*. Thereafter it would seem critical to identify a cluster of relatively specific and empirically researchable topics and issues where a more integrated view of developmental democracy is likely to yield particularly distinctive and productive insights. A promising cluster would be found in some aspects of social policy, particularly as it arises in a subset of relatively stable and well-institutionalized new democracies.

The first principles in question are very broad, and can be outlined quite concisely. As already indicated above, democratization and development can both be viewed as long-term, open-ended processes of social constitution. Understood in such terms, it becomes possible to reconceptualize them as not just contingently or instrumentally associated. Indeed, they may be mutually constitutive (derived from a unitary conception of human rights, human freedom and self-realization). The “elective affinity” between them may be traced to a common foundation of dialogue, deliberation and consent. But if we follow this line of reasoning we have to absorb the implications of open-endedness. There is no universal and measurable end-point, at which democratization ends and development is completed. The goals of democratic development remain subject to revision and perfection by future generations of citizens, and they may vary over time and space. Just as the development and democratization of the United States was not finally accomplished either in 1787, or in 1865, or in 1965, so also the developmental democracies of Brazil, India, Mexico and indeed the United Kingdom will remain under construction over future generations.

These are obviously complex and controversial tasks of reconceptualization that must be elaborated more fully elsewhere. Moving beyond this quite abstract level of theorizing, one could seek to identify some relatively concrete historical experiences and areas of public policy where such a perspective may generate otherwise unavailable insights. My concern is both with isolating topics suitable for comparative empirical enquiry and with highlighting methods of investigation appropriate to this theoretical perspective. For illustrative purposes, here are four relevant topics of personal interest to me:

- i. The Western hemisphere’s regional experience of almost universal political democracy accompanied by often extreme and typically unchanging levels of inequality and social injustice.
- ii. Within this region-wide framework, one could undertake some “paired comparisons” of national variation (for example, between Costa Rica and Nicaragua or the Dominican Republic and Haiti or Argentina and Chile).
- iii. Since this perspective directs attention to long-term holistic processes one might also examine a single national experience over several generations (Bolivia could be chosen for this purpose).
- iv. But we should also disaggregate and examine key areas of public policy where the linkage between citizenship and distributive outcomes is of particular relevance (e.g. citizenship

and water rights, citizenship and public security). Such topics for comparative research invite reflection on methodological issues as well.

Otherwise, insensitive (“brutalist”) criteria of classification can only obstruct the detection of such patterns of association as are worth extracting from the data. Consider two extreme examples of troubling “real life situations” which could easily escape detection under a brutalist either/or system of classification using simple-minded indicators. In order to judge whether a regime which denies political and civil rights to women and requires them to take the veil can under any circumstances be classified as “democratic”, we are surely required to consider from first principles the range and boundaries of the concept of democracy. Similar considerations arise when assessing whether “economic development” applies, for example, to a situation of very high per capita consumption financed by oil revenues, where most of the productive work is undertaken by immigrants lacking citizenship rights. Borderline cases would be less extreme, but more common. Thus, a considerable number of Islamic states test the universality of our standard conception of “democracy”, and the current controversy over the “Asian model” challenges some core Western assumptions concerning “development”.

Both the UNDP index and the Freedom House ratings make use of a series of partial indicators, which are then aggregated according to an arbitrary formula in order to produce monotone country rankings. Depending upon the issues being analysed, and the conceptual framework of the enquiry, it may be more appropriate to work with the disaggregated series, or to combine them according to a different formula. For example, UNDP’s Educational Attainment Index could be of special interest both to those working with a “human capital” model of development and to those who view “civil society” as the core element in any long-term process of democratization. Alternative conceptions of democracy and development might privilege other variables.

Sensitivity to the historical variability and contextual nuances associated with these two categories can help us to interrogate the comparative data discursively, and to identify what subclassifications (if any) we should admit within the categories. The same applies to which economic processes we should designate as instances of “development”. These judgements ought to be defended (and if necessary revised) in the light of rational debate. They are not purely subjective. But we cannot evade the need to defend our choices of social categories, and our labelling procedures, by sheltering behind externally given “objective” numerical indicators. For example, if we opt for GDP per capita as our yardstick of “economic development”, then we have to justify the consequence that Negara Brunei Darussalam scores seven times higher than Cuba (a large differential would also exist if we used rates of change rather than absolute levels). Equally, if we accept the Freedom House ratings we commit ourselves to the proposition that Negara Brunei Darussalam and Cuba are very similarly placed in terms of political freedom (12 and 13 respectively, compared to a bottom score of 14). To me personally both these comparisons seem problematic, obscuring more than they illuminate about the two countries. I do not have much confidence in aggregate statistical tests of association, which rely on raw data of this calibre.

To make a solid and convincing comparative judgement about the status of either “democracy” or “development” in these (or indeed in any) countries requires a substantial familiarity with each case, together with a well-grounded attention to the boundaries and nuances of the categories employed. The more countries under consideration, the less the detail of each case affects the overall conclusion, it can be argued, but even so a responsible judgement requires conscientious consideration of each instance (as can be

demonstrated by considering how each of us is likely to view the exercise as a whole if *our particular* country is egregiously misclassified). Therefore, countries about which the investigator is insufficiently familiar should be investigated with extra diligence—or, alternatively, excluded from the comparison on the grounds that the bad data would otherwise swamp the good.

So what techniques are appropriate for assessing long-term holistic change in a single country? How should regional and paired comparisons be structured to address such issues? Do our standard methods of sampling and data collection permit adequate analysis of citizenship issues in such critical areas of public policy as water privatization and the provision of community policing? Where causal chains are long and multiple, and where outcomes depend upon socially constructed perceptions of complex categories, too much insistence on necessary connection and mechanical causation is likely both to confuse and to mislead. Other, more historical and contextual (narrative or “configurative”) methods of judgement and interpretation may help to correct such deficiencies, or may at least usefully supplement standard social science procedures of objectification (such as the elaboration of decontextualized quantitative indicators). If we are serious in regarding both democratization and development as normatively desired interactive processes founded upon participation and consent, then we need to give due weight to methods of interpretation that take into account the understandings of the parties involved. Many developmental disasters have arisen from the past failure of donors and policy makers to attend to their discursive dimension, and some democratic regimes (such as Argentina at the time of writing) seem to have fallen victim to the same insulation from social reality. Thus the case for methodological eclecticism in this field is not simply an arid footnote from within academia. It arises as a necessary consequence of the reconceptualizations currently in progress and as a required response to the exigencies of realistic policy making.

## Conclusion

This brief *tour d’horizon* of the scope for reconciling democratization and development has indicated some potentially worthwhile topics and some innovative approaches. But at least four big analytical questions still need to be resolved.

- i. How are developmental priorities to be established, and reconciled, once the traditional criterion of growth maximization has been relaxed?
- ii. How is good performance to be compared, evaluated, and rewarded if a variety of somewhat competing and partially subjective long-term goals are to become the centrepiece of a new drive for integrated “social development”?
- iii. Since on any realistic definition long-term democratic and social development provokes resistance and conflict—and is therefore prone to periodic interruption and even reversal—how is such turbulence to be interpreted and (possibly) managed? (If managed, by whom, answerable to what constituency?)
- iv. Since even on the most optimistic of assumptions about the pace of progress, most new democracies will for generations to come continue to include large numbers of poor citizens whose urgent social policy needs can at best only be addressed gradually, how can democratization and social development be stabilized in the intervening decades?

Merely to list these questions is sufficient to demonstrate the scale of the task required before a new integrated analytical framework can fully substitute for the old dichotomy. Here are a few suggestions, some of which are more robustly established than others.



First, as regards the establishment of developmental priorities, in principle the answer must lie with the newly enfranchised citizens of these developmental democracies. No doubt they will periodically misread the available alternatives, and will make policy mistakes. But as democratization proceeds, “ownership” of the development process is bound to pass from the specialized agencies and peak ministries towards the local authorities and societies directly and permanently affected. (Admittedly, this assertion rests on a view of democratization as a long-term cumulative process of social learning, rather than just as a one-off shift in the rules of governing elite circulation.)

Second, on the evaluation of social development performance, international comparative indicators will remain indispensable, and will have to be refined further. But on an integrated view of development all evaluations will need increasingly to take account of the expectations and perceptions of the citizens in question. That too follows from the idea that democratic development requires local “ownership”.

Third, the realities of conflict and non-linearity in long-term processes of social development pose a severe analytical challenge that cannot be resolved purely by invoking democratic authority. Local ownership cannot be absolute. It must be qualified by respect for the opinions and experiences of others, including experts and distant donors. Social development in a liberalized international system must be cosmopolitan, and constrained within an agreed framework of basic rights and values. On this view an integrated approach will require cooperation and co-responsibility across international and indeed intercontinental boundaries. A social catastrophe in, say, Afghanistan or Albania can jeopardize both democracy and development far afield and to the opposite extremes of the alphabet. Recently there has been some progress in generating norms of conduct for managing such conflicts and reversals, but the challenge to the existing framework of international assumptions remain acute.

Finally, at the domestic level, the management techniques needed to contain frustration while gradually diminishing the backlog of legitimate and unmet citizen demands can easily jar with both the standard operating procedures of the development agencies and the impersonal logic of the market economy. Once democracy is understood as more than a simple mechanism of elite circulation, politics regains its status as an autonomous sphere of social action with its own messy logic, and awkward outcomes. UNRISD is right to refer to the “visible hands” that will then “take responsibility for social development”, but more analysis is needed to distinguish the legitimate exercise of democratic authority from the old vices of mismanagement from behind a veil of good intentions. Once development is understood as a process of social construction and not just of growth maximization, then local creativity and experimentation can be celebrated. But here too lurk the dangers of distortion and manipulation. A strong analytical framework, grounded on solid international consensus and backed by the widely accepted lessons of experience, will be required if such experiments are to be more than cosmetic “add-ons” to development, and are not to prove costly “subtractions from” conventional growth.

## References

- Campos, N. 1994. *Why Does Democracy Foster Economic Development? An Assessment of the Empirical Literature*. University of Southern California, Los Angeles. Mimeo.
- Dumont, L. 1973. *From Mandeville to Marx: The Genesis and Triumph of Economic Ideology*. University of Chicago Press, Chicago.

- Dunn, J. 1992. *Democracy: The Unfinished Journey, 508 BC to AD 1993*. Oxford University Press, Oxford.
- Hirschman, A.O. 1981. "The rise and decline of development economics." In A.O. Hirschman (ed.), *Essays in Trespassing: Economics to Politics and Beyond*. Cambridge University Press, Cambridge.
- Lasch, C. 1991. *The True and Only Heaven: Progress and Its Critics*. Norton, New York.
- Osborne, R., and S. Hornblower. 1994. *Ritual, Finance, Politics: Athenian Democratic Accounts*. Oxford University Press, New York.
- Patterson, O. 1991. *Freedom: Freedom in the Making of Western Culture* (Vol. 1). Basic Books, London.
- Rostow, W.W. 1990. *Theories of Economic Growth from David Hume to the Present*. Oxford University Press, London.
- Rothschild, E. 2001. *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*. Harvard University Press, Boston MA.
- Sen, A. 1995. *An Enquiry into Well-being and Destitution*. Oxford University Press, London.
- Tolbert Roberts, J. 1994. *Athens on Trial: The Anti-democratic Tradition in Western Thought*. Princeton University Press, Princeton NJ.
- UNDP (United Nations Development Programme). 2000. *Human Development Report 2000: Human Rights and Human Development*. UNDP, New York.
- . 1994. *Human Development Report 1994: New Dimensions of Human Security*. UNDP, New York and Oxford.
- UNRISD (United Nations Research Institute for Social Development). 2000. *Visible Hands: Taking Responsibility for Social Development—An UNRISD Report for Geneva 2000*. UNRISD, Geneva.
- Weber, M. 1961. *General Economic History*. Collier, New York NY.
- World Bank. 2001. *World Development Report 2000/2001: Attacking Poverty*. World Bank, Washington DC.

## Chapter 15

# Social Development and Public Policy: Some Lessons from Successful Experiences<sup>1</sup>

*Dharam Ghai*<sup>2</sup>

(1997)

---

### 1. Introduction

It is commonly observed that levels of economic development tend to be roughly correlated with levels of social development in countries throughout the world. This observable cross-country correlation, however, does not necessarily indicate a direct causal relationship between economic and social development in any particular case. The existence of numerous outliers—countries in which social indicators are either lower or higher than expected based on their economic indicators—suggests that social development is a complex process influenced by a variety of factors. In particular, the ability of some countries to reach a distinctly superior level of social development than would be expected on the basis of their level of per capita income suggests that social development need not wait for economic development, but can—and indeed should—be specifically and deliberately pursued by countries at every level of economic development.

The research project on which this chapter reports was designed to improve our understanding of the reasons behind the superior social performance of some developing countries, and to reveal conditions under which social progress can occur independently of economic progress. The experiences of several countries (and one state within a federated country) whose social achievements have aroused much interest and debate were examined—namely Chile, China, Costa Rica, Cuba, Kerala, Sri Lanka and Viet Nam.<sup>3</sup> The cases indicate that, although economic conditions and social

---

<sup>1</sup> Originally published as an UNRISD Discussion Paper (UNRISD, 1997).

<sup>2</sup> At the time of writing, Dharam Ghai was Director of UNRISD.

<sup>3</sup> Unlike other cases included here, Kerala is a state in India, a federal country. It shares remarkable social achievements with other countries included in the research project. The states in India carry primary responsibility for social programmes and policies. The inclusion of Kerala in the project was considered particularly significant as the indicators for social

development are linked, they can be disentangled to some extent and conclusions can be drawn about specific circumstances and policy actions that promote social development.

The literature on the countries included in this study has, for the most part, been concerned with specific aspects of the social policies of individual countries. Some comparative studies have utilized cross-country data to explain the superior social performance of some of these countries using such variables as public social expenditure, average consumption and poverty incidence (Bhalla and Glewwe 1986; Anand and Kanbur 1995). Efforts have also been made to undertake a broader examination of the factors that have contributed to some aspects of successful social performance among a larger sample of countries.<sup>4</sup> Relatively few efforts have been made, either at the individual country or the comparative level, to understand their experience using a common and integrated framework. The distinguishing feature of the present study is an attempt to analyse the experience of the selected countries using a common framework comprising historical, cultural and political economy dimensions. Among the latter, this study gives particular attention to the political determinants of social policy, the amount and composition of expenditure devoted to social programmes and the institutional arrangements for the financing, organization and delivery of social services.

The primary focus of this study is on health and educational attainments—although other dimensions of social development such as social security, unemployment, incidence of poverty and gender disparities also receive some attention in the case studies. Of course, social development must be understood as a broad phenomenon—one which includes social and welfare services; progress in tackling problems such as unemployment, poverty, crime, violence, drugs and child labour; relations among different groups; development of institutions and promotion of human rights, gender equality and participation—and countries performing well in the domains of health and education cannot be assumed to have similar achievements in other dimensions of social development. However, while superior performance in health and education does not imply the elimination of poverty and social conflicts or the achievement of gender equality or respect for human rights, good health, long life, adult literacy and basic education are universally recognized as central to human welfare. These conditions are also vital elements of human capabilities and thus play a key role in facilitating the realization of human potential and individual goals. Furthermore, there is growing recognition of their contribution to economic growth and to political and social stability. Thus the ability of some countries to achieve satisfactory health and educational goals at relatively low incomes has profoundly important implications for the welfare of hundreds of millions of people living in poor countries.

The countries studied here have enjoyed consistent and outstanding health and educational indicators over several decades. (There are also some other countries which have been noted for their superior educational and health indicators, such as Jamaica, Argentina and Uruguay, which would have qualified for inclusion in the research project.) Their distinguishing feature is that their levels of achievement are much higher than warranted by their per capita income. They should be distinguished from another group of countries remarkable for the rapidity of progress in health and education

---

development in India as a whole are among the worst in the developing world (Drèze and Sen 1995). To avoid repetition, the case studies will be referred to as countries.

<sup>4</sup> Ahmad et al. 1991; Dasgupta 1993; Lindenberg 1993; Mehrotra and Jolly 1997.

attainments. It is possible for countries to take rapid strides in social indicators but still have average or below average indices for countries with comparable per capita incomes. This is the case, for example, for countries as diverse as Saudi Arabia, Botswana, South Korea, Kuwait and Malaysia. It should also be remembered that the basis of comparison used here—health and educational performance—is different from the Human Development Index (HDI) of the UNDP *Human Development Report*, which is based on health, education and per capita income.<sup>5</sup>

The countries studied here display enormous diversity in terms of historical background, political regimes, cultural patterns, population size, economic structure and growth, and development levels and policies (see table 15.1). Yet despite this diversity, they have all succeeded in attaining outstanding health and educational performance. Three common factors have been crucial to their success. First, for most of the time under consideration, all these countries were characterized by a political leadership that was strongly committed to the provision of health and educational services to the entire population. Second, in all cases the state played a central role in extending a minimum core of services throughout the country. Thus the administrative capacity of the state and the infrastructure necessary to reach all parts of the country and the major segments of the population were vital to their success. Third, the composition of public social expenditure—emphasizing literacy, basic education and primary health care—rather than its relative size, accounts for their social achievements.

The following pages examine in more detail these and other elements of the experience of the selected countries. By way of background information, the next section presents data on some educational and health indicators, contrasting the performance of the selected countries with that of other groups of countries. This is followed, in section 3, by a brief discussion of relevant aspects of the selected countries' historical and cultural legacies, as well as their political processes, institutions and resource allocation. The next two sections provide more detail on social policies, with illustrations drawn from the field of primary health care and literacy. Section 6 analyses poverty reduction efforts, and section 7 examines the impact on social conditions of stabilization and adjustment policies undertaken in these countries in the past two decades.

---

<sup>5</sup> The HDI is based on three indicators: longevity, as measured by life expectancy at birth; educational attainment, as measured by a combination of adult literacy (two-thirds weight) and combined primary, secondary and tertiary enrolment ratios (one-third weight); and standard of living, as measured by real GDP per capita (purchasing power parity dollars). For further elaboration of the methodology, see UNDP's *Human Development Report* for various years.

Table 15.1: Socioeconomic characteristics

	Population (millions)		Population growth (% p.a.)		Urban population (%)		GDP per capita \$		GDP growth (% p.a.)			Economic structure 1994 (% share of each sector)		
	1993	1994	1980-1993	1994	1993	1994	1993 pp <sup>a</sup>	1995	1970-1980	1980-1993	1980-1993	Agriculture	Industry	Services
Chile	13.8		1.7	86	8,400	3,170		1.8	5.1	5	40	55		
China	1,178.8		1.4	29	2,330	490		5.5	9.6	21	47	32		
Costa Rica	3.3		2.8	49	5,520	2,150		5.7	3.6	15	24	61		
Cuba	10.9		1.0	75 <sup>c</sup>	3,412 <sup>d</sup>	1,170 <sup>e</sup>				12 <sup>b</sup>	25 <sup>b</sup>	56 <sup>b</sup>		
Kerala	29.1 <sup>b</sup>		1.4 <sup>c</sup>		1,082 <sup>d</sup>	248 <sup>d</sup>		3.9 <sup>f</sup>	2.1 <sup>h</sup>					
Sri Lanka	17.9		1.5	22	2,990	600		4.1	4.0	24	25	51		
Viet Nam	71.3		2.2	21	1,010 <sup>d</sup>	170 <sup>e</sup>		0.2 <sup>g</sup>	8.0 <sup>i</sup>	28	30	42		

Notes: <sup>a</sup> Purchasing power parity; <sup>b</sup> 1991; <sup>c</sup> 1989-1990; <sup>d</sup> 1993; <sup>e</sup> 1960/1961-1974/1975; <sup>f</sup> 1976-1980; <sup>g</sup> 1974/1975-1989/1990; <sup>h</sup> 1987-1993; <sup>i</sup> 1987-1993. Sources: UNDP, Human Development Report (various years); World Bank, World Development Report (various years); Kerala: Krishnan 1997; Ramachandran 1997; Drèze and Sen 1995; Viet Nam's GDP: Romãs and Sjoberg 1995.

## 2. The Nature and Extent of Social Achievements

There are many measures of health and educational attainments, each of them with strengths and weaknesses. The health status of a population may be captured roughly by such measures as life expectancy, infant mortality, maternal deaths, malnutrition and incidence of diseases. This chapter uses life expectancy and infant mortality—the most widely used and available measures of health status. People’s educational attainment may be approximated by adult literacy, enrolments at primary, secondary and tertiary levels, and quality of education. Again, following current practice and data availability, the major focus here will be on adult literacy and enrolment ratios at primary and secondary levels. A common weakness of all these measures is that they are averages. While higher indices generally imply improvement in the health and education status of the more disadvantaged sections of the population, a disaggregation of such indices by social groups, gender and region would undoubtedly reveal considerable disparities in social achievements. The various case studies attempt, within the limits of data availability, to identify such categories of socially deprived groups. In addition, information on some social indicators in different countries may not be equally reliable or fully comparable.<sup>6</sup>

The project was not designed to collect new social data but rather to distil some key elements of the social development experience in these countries in order to derive the lessons they may hold for other countries interested in improving their health and educational performance and in reducing poverty. This chapter thus relies principally on the data on education and health published by national and international organizations. For the analysis of social progress over time in individual countries, the published data are likely to give a reasonably accurate picture. Even in this respect, however, the further back one goes in time, the greater the chances of changes in definitions and coverage. For some countries, including Cuba, China and Viet Nam, the data for the earlier postwar decades are generally recognized to be deficient in many respects. There are greater problems with intercountry comparisons, but the international sources attempt, within the limits of the available information, to standardize data on health and education indicators used in this chapter.<sup>7</sup>

### ***Impressive indicators for health and education***

Table 15.2 presents data for five indicators: life expectancy, infant mortality, adult literacy, secondary school enrolment and total fertility. Chile, Costa Rica and Cuba have life expectancy figures of 74 years or more. Sri Lanka, with a much lower per capita income, has a life expectancy of 72 years, while Kerala, with even lower per capita income, has a life expectancy of 73 years. These figures are very close to the average of 76 years for industrial countries. Figures for China and Viet Nam are lower, at 69 and 66 years, but far superior to the 56 years average for low-income countries (excluding China and India). In terms of the progress made in increasing life expectancy, the higher the initial figure, the more difficult it becomes to raise it further. Life expectancy was already relatively high in Cuba, Costa Rica, Sri Lanka and to a lesser extent Chile in 1960. The rate of increase in life expectancy is thus higher for China, Viet Nam and Kerala than for other countries, because of their lower initial values. The ratio of life expectancy of females as a

<sup>6</sup> UNRISD has devoted considerable attention to assessment of the quality of data on social indicators and low-cost methods of obtaining social data. See, in particular, McGranahan et al. 1972, 1985; Westendorff and Ghai 1993.

<sup>7</sup> Even so, there continue to be differences in data for some countries for some years in the publications of international organizations.

proportion of males varied between 105 and 107 for all countries, with Chile being an exception at 110.

There is greater dispersion over time and by country in infant mortality rates (IMRs). As with life expectancy, Cuba, Costa Rica, Kerala, Chile and Sri Lanka show a distinctly superior performance, with IMRs between 14 and 17 per thousand live births (compared with an average IMR of 7 in high-income countries). This is to be expected, as IMRs have a significant impact on life expectancy at birth. IMRs in China and Viet Nam, at 30 and 44, compare favourably with the low-income countries' average (excluding China and India) of 89. This gap is quite considerable, suggesting that infant mortality is an especially sensitive indicator of the state of health services within a country. The regional differences in life expectancy are quite marked in these two countries, particularly in China. Concerning the rate of progress in reducing infant mortality, the same remarks apply as for life expectancy. It is, however, surprising to find the relatively high IMRs for Costa Rica and even more so for Chile in 1960–85 and 114 respectively—as compared, for instance, with 65 for Cuba. The progress made by China, Kerala and Viet Nam in reducing IMRs is quite remarkable, as is that by Chile and Costa Rica.

We have also assembled data on total fertility rate. Although this is not a direct indicator of health, it is an index of the spread of family planning and a measure of the rate of population growth. It also has some social significance as an index of female autonomy, with the important proviso that lower fertility rates are not achieved through coercive measures. The extraordinarily low figure of 1.8 for Kerala is especially remarkable and reflects well the major strides made in the state toward gender equality, in marked contrast to the situation in the rest of the country. The low figure of 2 for China is to some extent due to its strict one-child policy. The Costa Rica figure of 3.1 is relatively high in relation to its other social indicators and in comparison with an average of 3.0 for lower middle-income countries. All the countries have made substantial progress in reducing their total fertility rates but the performance of China, Cuba and Kerala is especially striking.

Moving now to education, Chile, Cuba and Costa Rica have adult literacy rates in the region of 95 per cent, very similar to those in high-income countries. In Kerala, Viet Nam and Sri Lanka nearly 90 per cent of the adults are literate, as are about 80 per cent in China. These figures should be compared with the average adult literacy rates of 51 per cent for low-income countries (excluding China and India) and of 86 and 81 for upper and low middle-income countries, respectively.<sup>8</sup> The rate of 92 per cent for Viet Nam, a country with such a low per capita income, is truly impressive. Around 1990, there was practically no difference in male and female adult literacy rates in Chile, Costa Rica and Cuba. In Kerala, Sri Lanka and Viet Nam, the female literacy rates were between 88 and 91 per cent of the male, with a distinctly lower rate for China at 78.

---

<sup>8</sup> The categorization of countries into low-income, lower middle-income, upper middle-income and high-income follows the World Bank practice. The criterion for classifying the countries is US dollar per capita income and not purchasing power parity dollars. The income brackets for different categories may change over time. Table 15.2 shows the brackets for 1992.



Table 15.2: Health and education indicators

	Infant mortality			Life expectancy			Total fertility			Adult literacy			Secondary school gross enrolment	
	1960	1980	1993	1960	1975	1993	1970	1993	1993	1960	1980	1992	1970	1992
Chile <sup>*</sup>	114	47	16	57	65	74.0	4.6	2.5	84	91	95	39	72	
China <sup>*</sup>	150	42	30	47	65	69.0	5.8	2.0	54	68 <sup>c</sup>	79	24	51	
Costa Rica <sup>*</sup>	85	30	14	62	69	76.0	4.9	3.1	84	93 <sup>d</sup>	94	28	43	
Cuba <sup>*</sup>	65	22	12 <sup>a</sup>	63	72	75.3		1.7	79	96 <sup>d</sup>	95	80	90 <sup>e</sup>	
Kerala	120	40	17 <sup>a</sup>	45	63	73.0	4.1	1.8 <sup>b</sup>	49	70	90			
Sri Lanka <sup>*</sup>	71	44	17	62	66	72.0	4.3	2.4	61	87	89	47	74	
Viet Nam <sup>*</sup>	147	82	41	44	53	65.2	5.9	2.8		84	92		33	
Low income, excluding China and India (<\$695) <sup>**</sup>			89			56		5.5			51 <sup>f</sup>		26	
Lower middle income (\$ 696-2,785) <sup>**</sup>			40			67		3.0			81 <sup>f</sup>		60 <sup>f</sup>	
Upper middle income (\$2,786 -8,625) <sup>**</sup>			36			69		3.0			86 <sup>f</sup>		54	
High income (>\$ 8,626) <sup>**</sup>			7			77					>95 <sup>f</sup>		98 <sup>f</sup>	

Notes: <sup>a</sup> 1992; <sup>b</sup> 1992-1993; <sup>c</sup> 1985; <sup>d</sup> 1985; <sup>e</sup> 1990; <sup>f</sup> 1993. Sources: <sup>\*</sup> UNDP, Human Development Report (various years); Kerala: see table 15.1. <sup>\*\*</sup> World Bank, 1995b, 1996.

As for primary education, it is not surprising to find that all the countries included in the study have reached complete coverage of the relevant age group. In this respect at least, their performance is not all that exceptional—since the average gross enrolment rates in lower and upper middle-income countries are similar, while in low-income countries (excluding China and India) it is around 75 per cent.<sup>9</sup> As might be expected, there is near parity in primary school enrolment between male and female children. There is more dispersion in gross secondary school enrolments. The Cuban enrolment rate, at 90 per cent, is quite remarkable, exceeding the rates in several high-income countries. Likewise, the Sri Lankan rate of 74 per cent is unique for a country with such low per capita income—the average for low-income countries being only 26 per cent. On the other hand, the Costa Rican figure of 43 per cent is surprisingly low, being below the Latin American average of 47 and the lowest in the countries included here, with the exception of Viet Nam. The rate of progress in increasing secondary school enrolments has been especially outstanding in China and Sri Lanka. It is interesting to remark that female rates are higher than male rates in all countries except for China.

### ***Political, cultural and economic diversity***

Despite their common characteristic of superior social performance, the countries studied here display remarkable diversity in many areas (see table 15.1). In terms of size, the range is between China's population of 1.178 billion and Costa Rica's 3.3 million. Except for Viet Nam, with 71.3 million, other countries have populations between 10 and 18 million people. For the four Asian countries, the great majority of the population lives in rural areas, with the rate of urbanization varying between 20 and 30 per cent. Cuba and Chile are largely urban societies, with the share of population at 75 and 86 per cent respectively. On the other hand, Costa Rica is remarkable in the region because, with its per capita income, only half the population live in urban areas.

There is also very considerable diversity with regard to political regimes. Three countries are ruled by communist regimes under one party, while the other four are multiparty democracies. In the former group, communist rule was established at different times in the postwar period after violent conflict with domestic and foreign opponents. This was followed by a transformation of the social and economic system along socialist lines. The countries in the latter group have for the most part enjoyed liberal democratic systems but have experienced periods of suspension of democratic regimes and/or episodes of violent conflicts. Chile went through a brief period of socialist regime followed by harsh repression under a prolonged military dictatorship. Costa Rica's democratic tradition was also interrupted by a short period of electoral fraud and a popular rebellion. Kerala shared in the suspension of civil and political rights brought about by the declaration of emergency in India. Furthermore, it has had the unusual experience of being governed by a communist party, mostly in a coalition government that won power through multiparty elections. Sri Lanka has maintained a liberal, multiparty political system since independence but on several occasions the country has been shaken to its foundations by revolts and rebellions, the bloodiest and most prolonged being the civil war with the Tamil Tigers.

The countries also show considerable cultural and religious diversity. China has been influenced by millennial traditions of Confucianism and Buddhism within a largely

---

<sup>9</sup> Gross enrolment rates refer to the total number of students divided by the number in the relevant age group. They may exceed 100 per cent because of the inclusion of older students.

homogenous culture, though several ethnic groups and Islam constitute small but significant minority populations. Viet Nam has been influenced heavily by Chinese culture and Buddhism while retaining its distinctive cultural patterns, with ethnic minorities in the highlands and a limited spread of Christianity. Sri Lanka has experienced similar cultural influence from India but is characterized by the dominance of Buddhism with a significant Hindu population and smaller minorities of Christians and Muslims. Kerala has a predominantly Hindu population but important Muslim and Christian minorities. Some sections of the population have social and cultural traditions, especially in regard to the position of women, that separate them from the predominant patterns among Hindus.

The three Latin American countries share a Catholic heritage, although its influence has varied over time. With the growth of a strong professional and middle class and of social democratic traditions, secular influence has grown in Chile and Costa Rica. However, in both countries strong political parties have continued to seek inspiration from Catholic social and economic doctrines. The two countries also have in common a largely homogenous population of European origin, although in Chile there is a small indigenous minority. The influence of the Catholic religion has been drastically curtailed by the atheistic philosophy of communism in Cuba, though it continues to be important in covert ways. Cuba is also distinct from the other two Latin American countries in having a mixed population of whites, mulattos and blacks. In fact, the latter two groups may constitute a majority of the population.

The countries included in the study also display considerable diversity in terms of level of economic development and growth and structure of the economy. Chile is currently classified by the World Bank under the upper middle-income category (per capita income between USD 2,785 and USD 8,625). Costa Rica and Cuba<sup>10</sup> fall in the lower middle-income category (per capita income between USD 696 and USD 2,785), while all other countries are included in the low-income category (per capita income of less than USD 695). The per capita GDP in Chile, at USD 3,170, was nearly 20 times the level in Viet Nam, 13 times that of Kerala, six and a half times that of China, five times that of Sri Lanka, two and half times the level of Cuba and 50 per cent more than in Costa Rica. These disparities are much reduced if income per capita is measured in purchasing power terms. The gap between Chile and Viet Nam becomes eight times, with China four times and Sri Lanka three times. But it remains roughly the same with Costa Rica and Cuba.

The economic structure reflects the overall level of development. In the low-income countries, the share of agriculture varies between 20 and 30 per cent and that of industry between 30 and 45 per cent. In Cuba, Costa Rica and Chile, agriculture accounts for less than 15 per cent, but the share of services lies between 50 and 60 per cent. Viet Nam, China, Sri Lanka and Kerala are largely peasant economies, with a relatively even distribution of land, especially in the communist countries. Plantations are important in Sri Lanka. Most of the large- and medium-scale industry in China and Viet Nam is in the hands of the state and townships, while in Kerala and Sri Lanka private ownership predominates. In Cuba, agriculture is dominated by large-scale enterprises owned by the state and cooperatives, while most of the industry is in the hands of the state. This is in contrast to Chile and Costa Rica, where enterprises in all sectors are in

---

<sup>10</sup> The World Bank does not publish data on Cuba. The figures for Cuba are drawn from the UNDP *Human Development Report*.

private hands. As in other countries in Latin America, the disparities in income and asset ownership are very great in Chile, but they are significantly less in Costa Rica.

There are also major differences in rates of economic growth over time and by country. Kerala, Cuba and Viet Nam have experienced relatively low growth since 1970, though Cuba grew rapidly between the mid-1970s and mid-1980s, as has Viet Nam since the late 1980s. China grew slowly until the early 1970s but extremely rapidly subsequently. The growth in Sri Lanka also accelerated over the past decade and a half. Chile and Costa Rica experienced the fastest growth over the period as a whole (since the 1950s), though there was a sharp reduction in Chile between the 1970s and early 1980s and in Costa Rica in the 1980s. Kerala has experienced sluggish growth over the entire period, especially since 1974–1975.

The above brief review of the political and economic profiles of the countries leads to a heartening conclusion that high achievements in health and education are compatible with diversity in size, political regimes, religion, culture, ethnicity, per capita incomes and growth rates. The following section seeks to understand the factors that have contributed to these achievements.

### **3. Understanding Social Achievements**

Social policy is determined by a complex of historical, political, economic and institutional factors. Historical and cultural traditions and colonial experiences often shape the salient features of contemporary policy in important ways. The nature of the political regime and distribution of power among social groups affect the scope and content of social policy in a fundamental way. Such factors are important determinants of the amount and allocation of public resources for social programmes. Social achievements also depend on the private resources mobilized for health and education, as well as on the efficiency with which both public and private resources are used to attain given objectives. Institutional arrangements for financing, organizing and delivery of social services are a reflection both of dominant ideologies and concern with efficiency in the use of resources. Understanding the social achievements of the countries studied here thus requires an approach integrating historical, political and economic analysis.

#### ***The importance of historical and cultural legacy***

This chapter focuses primarily on social performance and policies in recent decades. A full understanding of the social performance of a country cannot, however, be gained without some attention to the salient features of its historical experience. These influence and shape the scope and substance of social policies in varying degrees. Often a major determinant of recent social performance is achievements in the past.<sup>11</sup> Of the seven countries studied here, the high social achievements of four go back to earlier periods. We do not have adequate data for these periods to compare in a rigorous manner their social performance with other countries at comparable levels of income, but the available information indicates that their social lead in several fields dates back often to pre-war years. Chile, Costa Rica, Sri Lanka and Kerala have long been known for their progressive social policies. Despite very considerable economic and social inequalities, some of the

---

<sup>11</sup> This is one of the principal conclusions of the study by Lindenberg (1993).

social indicators also placed Cuba among above average performers well before the revolution.

Even at the beginning of the twentieth century, health conditions in Costa Rica were more favourable than the average for Latin America. Although explicit public health measures were rare until the 1920s, the subsequent period saw a rapid expansion of health facilities for a rising proportion of the population in Costa Rica (Rosero-Bixby 1985). In the field of education, as far back as 1869, the constitution declared education free and compulsory. Already by 1892, 28 per cent of the population over 10 years was literate. The figure had reached 66 per cent by 1927—an exceptionally high figure by Latin American standards.

In Chile the foundations of social policy were laid in the 1920s—although some measures in the field of education, health and social security date back to the early years of the century (Raczynski 1994). In the 1930s there was a considerable expansion of social services. In Cuba, the infant mortality and life expectancy data were better than average for Latin America in the 1950s. In 1953, illiteracy was at 23.6 per cent and primary school enrolment at 58 per cent (Carnoy 1990).

In Sri Lanka, the foundations of a modern health care system were laid in the late nineteenth century (Caldwell 1986). The antimalaria campaign of the 1940s reduced the death rate from 187.3 per 100,000 in 1940 to 66.1 in 1947 and 32.8 in 1949. The educational system, comprised of public, religious and traditional schools, was well established by the turn of the century. Literacy rates rose from 26.4 per cent in 1901 to 39.9 per cent in 1921 and 65.4 per cent in 1953 (Anand and Kanbur 1995; Gunatilleke, forthcoming).

The primacy accorded to health and education in Kerala goes back at least to the enlightened policies of some of the maharajas and maharanis of the princely states of Travancore and Cochin in the nineteenth century. It was reinforced by the work of the missionaries in establishing schools, orphanages and hospitals, especially for the poor and low caste people (Zachariah and Sooryamoorthy 1994; Ramachandran 1997). By the mid-1890s, the Travancore government claimed that 40 per cent of the school age population was attending school (Jeffrey 1987). The subsequent social movements for the emancipation of lower castes were fundamental in eliminating barriers to health and education services for the most deprived sections of the population.

The situation was different in China and Viet Nam. Although both countries had ancient traditions of education and medicine, the primary beneficiaries were the elite groups. Furthermore, the period of colonial rule in Viet Nam and of warlords and foreign concessions in China, followed by prolonged wars in both countries, had a devastating impact on education and health conditions. The literacy level was low. In Viet Nam, the revolutionary leaders estimated it at between 5 and 10 per cent in 1945 (Woodside 1983). In both countries, infant mortality was in excess of 200 per 1,000 live births in the pre-revolutionary period.

Thus the countries studied here present a contrasting picture: five of them had relatively good social indicators in the pre-1950 period, while two experienced very poor health and education conditions. The circumstances that contributed to good performance in the earlier period created a favourable political and institutional environment for the further consolidation of progressive social policies in Chile, Costa Rica, Kerala and Sri Lanka. This should not diminish the credit they deserve, because good practices and policies must be maintained and adapted to ensure that earlier leads in social development are sustained.

The case studies presented in this chapter also show that countries are not prisoners of their past. It is possible to break out of a dismal social situation of poor health, low literacy, high child mortality and low life expectancy to chart a new path with impressive and sustained rise in social indicators. China and Viet Nam witnessed a transformation in their ranking in social development, and in Cuba basic social services were brought within reach of the entire population. All three achieved socialist revolutions after the overthrow of the previous regimes. Later we shall examine the strategies and policies that enabled them to make a quantum leap in social indicators. Here it is worth noting that socialist revolutions have historically provided a route to rapid social progress. There are, of course, instances of other countries that have leaped up in the league of social performance. But in almost all such cases the social achievements have resulted from rapid growth—as happened, for instance, in East and Southeast Asian countries and in oil-producing countries in the Middle East. There are not many cases of countries with rapid ascent in the ranking of social indicators with average or below average growth rates.

Coming now to the first group of countries with a headstart in social achievements, it is important to understand the specifics of the historical experience that contributed to their superior social performance. Different authors have drawn attention to different aspects of their experiences. For instance, it has been argued in the case of Sri Lanka, Kerala and Costa Rica that they are small, isolated from their neighbours, and have densely settled rural areas and intensive exchanges with the outside world (Caldwell 1986). This has made them more receptive to outside influences, especially from the Western world, with positive health and educational results. These geographical factors, however, do not appear to have had similar impacts in many other similarly placed countries.

Another category of explanations pertains to the cultural domain. In the case of Costa Rica and Chile, several scholars have cited the relatively homogeneous character of the population (Hojman 1993; Rosero-Bixby 1985).<sup>12</sup> The vast majority of their population is of European origin—as indeed is true of both Argentina and Uruguay, which are also characterized by high social indicators. The homogeneous character of their populations has resulted in a more egalitarian distribution of public education and health services than in other Latin American countries, where people of indigenous, African and mixed origin have faced systematic discrimination in public social and economic provisioning. Costa Rica and Chile have also been unique in Latin America in having a long tradition of liberal politics with strong organization of different social and economic interest groups.

In Kerala and Sri Lanka, social and cultural factors have also been said to be important in explaining the priority the government and people have given to literacy, education and health. In both countries, education has been revered and considered necessary for enlightenment. In Sri Lanka, the influence of Buddhism and the resurgence of Sinhalese cultural nationalism have been important in the early acceptance and rapid spread of primary education.<sup>13</sup> These factors were reinforced by the work of the missionaries and the colonial government (Caldwell 1986; Gunatilleke forthcoming). In Kerala, too, the emphasis placed by Christian missions on education was considered important—as was the leadership given by local rulers and various social and political

---

<sup>12</sup> However, as mentioned earlier, Chile has a small minority of people of indigenous origin.

<sup>13</sup> However, Buddhism does not seem to have had similar impact in other countries in the Asian region.

movements. The traditional village schools played an important role in promoting literacy and basic education (Caldwell 1986; Ramachandran 1997).

It is interesting that both these societies were marked by a substantial degree of female autonomy. The influence of Buddhism was important in the case of Sri Lanka, while in Kerala the matrilineal system among some sections of the population combined with the missionary influence and the reformist movements of the Nayers and Ezhavas in the late nineteenth and early twentieth centuries gave girls and women a higher status and greater freedom than in other parts of India.<sup>14</sup> The relatively emancipated position of women ensured access to education for girls and was also a key factor in promoting personal hygiene, clean environment, family planning and reduction in infant mortality.

This brief review of the historical experience of good social performers yields a varied and complex picture. Geographical position at a certain historical juncture can endow the region with important benefits. The homogeneous quality of the population has at certain times contributed to a relatively egalitarian distribution of public services through avoidance of discrimination against minorities. Religious and cultural factors were considered to have contributed significantly to good social outcomes in some countries. Finally, the nature of the political system and the growth of reformist movements and social organizations played a crucial role in their achievements, as shown below.

### ***The politics of social development***

The countries studied here fall into two broad categories of political systems: socialist one-party regimes govern China, Cuba and Viet Nam, while liberal democratic regimes are established in the other four countries. Chile constitutes somewhat of an exception, as it experienced a military authoritarian regime between 1973 and 1990. The classification of these countries into two broad regime categories conceals important features of the specific historical experiences and social, political and economic structures of individual countries which need to be taken into account in explaining their social achievements. However, the two-fold categorization of political regimes is a useful analytical tool in exploring the politics of social development in different countries.

The communist revolutions in China, Viet Nam and Cuba were followed by suppression of all opposition and autonomous organizations, nationalization of all major forms of property, creation of state enterprises, collective and cooperative farms, establishment of central planning, and of a strong centralized system with power concentrated in the communist party with the mass organizations under its control. The revolutionary parties were committed to the establishment of a new system with public ownership of all means of production and the creation of social and economic equality. Among the central aims of the communist regimes were eradication of illiteracy, improvement of health and provision of free education and health services on a universal basis. The social services were financed from the surpluses generated by collective agriculture and state enterprises and from assistance from the Soviet bloc, especially in the case of Cuba. They resulted in dramatic improvements in literacy, infant mortality, life expectancy and in primary and secondary schooling. They also went a long way toward consolidating popular support for the new regimes.

---

<sup>14</sup> Caldwell 1986; Nayar 1985; Jeffrey 1987.

The liberal democratic regimes also provided, in varying degrees, a favourable setting for the expansion of social services to cover an ever-increasing proportion of the population. Although universal suffrage was only attained in the postwar period in Chile and Costa Rica, both countries had a long tradition of competitive party politics, going back to the nineteenth century. The liberty of expression and association in combination with competition for political power in periodic elections led, over time, to an extension of education, health and social security coverage to growing strata of the population.<sup>15</sup>

There were, however, significant differences in the political systems in the two countries. In Chile, economic inequalities were greater and political cleavage between the conservative and centre-left parties was wider. This led over time to sharpening social divisions. The competition for power among parties led to a type of client politics under which the more powerful groups sought and obtained a widening range of social benefits. While universal primary education (though with uneven quality for different groups) was attained in the early post-war years, health and social security benefits were extended piecemeal first to the upper ranks of the bureaucracy and the army, gradually filtering down to lower ranks and then to the organized working class. The urban poor, small farmers and other marginal groups were not brought into the health and social security coverage until the 1960s. Furthermore, the system led to a proliferation of health and social security schemes with differential range and quality of benefits. In the meanwhile, the continuing economic disparities and growing radicalization of politics led to political polarization first with the victory of the socialist coalition under Allende and subsequently to the Pinochet military dictatorship.

The Allende regime, with its power base rooted in the working class, small farmers and sections of the middle class, sought to bring about a drastic redistribution of wealth and income through a programme of nationalization, agrarian reform and increases in wages of low-paid workers. In social policy, the regime sought to extend health, pension and unemployment benefits to the unemployed, poorer peasants, and unorganized rural and urban workers. The armed forces, especially the army, constituted the power base of the Pinochet government, but the regime also benefited from explicit or implicit support from owners of large businesses, estates and sections of the middle class. Its political project was to crush the power of popular organizations and roll back the socialist measures initiated by the Allende government.

In its economic policy, Chile's military dictatorship promoted privatization, deregulation and marketization, and it applied the same principles to social policy. It encouraged privatization and decentralization of health, education and social security services. It promoted rationalization and consolidation of these services and sought to target nutrition, child and maternal care and health programmes on the poorest sections of the population (Huber 1996). The pro-poor bias of some of its social programmes appears to have been motivated by a desire to win support from the lower classes, enhance regime legitimacy and build up "human capital".

In Costa Rica, greater social and economic equality contributed to a more consensual political system. The major political parties, despite periodic electoral competitions, were able to achieve consensus on the main political, economic and social goals. The consensual political style was facilitated by participatory democracy with a strong role played by trade unions, peasant associations, cooperatives and other segments of the civil society. While universal primary education was achieved before the Second

---

<sup>15</sup> Graham 1994; Raczynski 1994; Hojman 1993; Pearce 1996; Rosero-Bixby 1985.



World War, the coverage of health and social security was progressively broadened over the years. It was, however, only in the 1970s that the bulk of the population benefited from unified health, unemployment and old age pensions (Mesa-Lago 1994b).

The existence of a multiparty liberal political system in Sri Lanka facilitated the emergence of progressive social policies. Universal suffrage was attained under the colonial regime in 1936—well before it was achieved in many Western democracies. Electoral competition between the parties of the left and the centre was a constant spur for them during election campaigns to promise the people better coverage and improvements in health and education services. The pressure from rural and urban unions, social movements and the middle class led to the establishment of free health services and free education from the primary to the tertiary levels (Caldwell 1986; Gunatilleke, forthcoming).

Similar circumstances led to political support for the expansion of social services in Kerala. Although Kerala forms part of a federal country with a strong centre, the responsibility for health and primary and secondary education has been vested in India's constituent states. The nineteenth century tradition of social movements was further consolidated in the struggle for independence and in the post-independence period. Of all the cases considered here, perhaps Kerala has the most powerful and radical social movements. These consist not only of workers' organizations in rural and urban areas but also students', teachers' and women's associations of various sorts (Zachariah and Sooryamoorthy 1994). The emergence of a powerful communist party put further pressure on the government continuously to improve provision of health and education services. The strong grassroots organizations and social movements not only demanded universalization of these services but also ensured that the available facilities were fully utilized. With the coming to power of the Communist Party, further measures were adopted to improve these services and provide income support for the indigent and extend pensions to the elderly (Osmani 1991; Kannan 1995).

### ***Institutions and resources***

The institutional framework for organizing and delivering social services influences efficiency and access as well as participation by the people in the government's social programmes. Social services may be organized through the state—central, provincial or local governments—the commercial sector, popular organizations, voluntary agencies or through a combination of these. The countries included in this study demonstrate a wide variety of institutional arrangements, but they were all characterized by a strong role played by the state in the provisioning of social services. The dominance of the state is obvious in the three communist countries, but it was also decisive in Costa Rica, Sri Lanka and Kerala. Although Chile was celebrated in the 1980s as a model of privatization of social services, it is worthwhile underlining that its earlier achievements were due largely to the assumption of responsibility by the state for social services. Even under the Pinochet regime, it was the effective targeting of resources on the poor and vulnerable groups by the state which resulted in sharp improvements in infant mortality and child nutrition.

Both China and Viet Nam practised considerable decentralization in the provision of social services. In China, the major responsibility for education and health services devolved upon the provinces and counties. Prior to the reforms of the 1970s, the agricultural cooperatives and communes played an important role in primary health care and basic education. Likewise, mass organizations such as the Communist Party, and

women's, workers', youth and peasant organizations, contributed significantly to literacy and health campaigns. In the urban areas, the state enterprises shared responsibility for health care, child care and pensions. In Viet Nam also, in part because of the prolonged period of wars, the main responsibility for basic health and primary and secondary education was vested in the provinces and counties. The producers' cooperatives in rural areas and mass organizations were critical, but state enterprises did not have responsibilities in the domain of health and education. In Cuba, the central government was the most important state organ, though the mass organizations continued to assist in the implementation of social policy.

In Sri Lanka and Costa Rica, the central government carried the main responsibility for health and education provisioning. It was the state government in Kerala which played a leading role in providing the health and school services. The ruling junta in Chile decentralized and privatized social services, with the municipalities assuming greater responsibility in health and education provision. Furthermore, except for the army, health insurance was privatized for most employees and better-off sections of the population. However, the government continued to carry responsibility for free education and health for the poorer sections of the population.

In all cases, the administrative capacity of the state to reach down to major segments of the population was crucial to widespread social provisioning. It would not have been possible to provide mass coverage without the support of abundant professional and subprofessional personnel. The physical infrastructure as well as a good transport system were essential. In fact, it is the remote areas, especially in China and Viet Nam, with poor physical infrastructure that continue to lag behind in social indicators. These human and physical capacities can only be created and maintained by firm state action sustained over long periods.

The voluntary sector, either on its own or with the support of the state, has played an important role in education in Kerala and Sri Lanka. Schools run by religious organizations and charities have been important historically, but increasingly they are supported and regulated by the government. The role of the commercial sector has greatly expanded in recent years in most countries under the impact of stabilization and structural adjustment programmes. The most important developments have been in China and Viet Nam, where a good deal of medical treatment has been privatized or covered by charges in both rural and urban areas. Private practitioners are also important in Kerala and to a lesser extent in Sri Lanka. The commercial sector plays a more limited role in education, although in recent years there has been a strong growth in several countries—Chile, Costa Rica and Sri Lanka—in private universities and technical colleges. Interestingly, in Cuba and Costa Rica the state has held on to its central role in the provision of education, health and social security.

The level of government spending on health and education is an index of the importance attached by the government to social development. It is generally assumed that better social performance is due to larger amounts allocated to social programmes. But the amount of resources is only one determinant of social performance. How effectively these resources are used is of equal importance. Comparable data on the amount and composition of public social expenditure in different countries are difficult to come by. Table 15.3 shows one estimate of the share of public expenditure on education and health in GDP for 1960 and 1990. It should be emphasized that these figures exclude private expenditure on these services and thus cannot give a picture of total resources spent on education and health.

**Table 15.3: Public expenditure on health and education (% of GDP)**

	Health		Education	
	1960	1990	1960	1990
Chile	1.3	2.5	2.7	3.7
China	1.3	2.1	1.8	2.3
Costa Rica	3.0	5.6	4.1	4.6
Cuba	3.0	3.4	5.0	6.6
Kerala <sup>a</sup>		3.0	3.4	6.4
Sri Lanka	2.0	1.8	3.8	2.7
Viet Nam <sup>b</sup>		0.9 (1.2) <sup>c</sup>		1.1 (2.8) <sup>c</sup>
Low HDC <sup>d</sup> (excluding India)	0.6	1.6	2.3	3.6
Medium HDC (excluding China)	0.7	2.4	2.5	4.7
High HDC	1.2	2.1	2.2	3.7
All developing countries	0.9	2.2	2.2	3.9

Notes: <sup>a</sup> Krishnan (1997) <sup>b</sup> World Bank (1995) <sup>c</sup> 1993 <sup>d</sup> HDC = Human development category Source: UNDP 1994.

Apart from Cuba and Costa Rica, which stand out for the relatively high share of public expenditure on education and health—around 10 per cent of GDP in 1990—the share in other countries is relatively low. Indeed in 1990, only Chile and Kerala equalled or slightly exceeded the average public sector share in education and health of the high and medium human development countries.<sup>16</sup> China and Viet Nam have especially low shares. The rest of them were below the averages of all three categories of countries—high, medium and low human development—in education and for the most part in health, although in 1960 their shares were higher. If the data given in table 15.3 are reasonable approximations of the true situation, they lead to the important conclusion that the high social achievements of these countries may have been less due to the relative size of public expenditure and more to the effectiveness with which these resources were spent. The main reason for their outstanding social performance, as shown in the next section, is the emphasis in public social expenditure on universal provision of preventive and primary health and literacy and basic education.

Table 15.3 also shows that the share of spending on health and education has increased over time in all countries with the significant exception of Sri Lanka. The time series data on individual countries show that, with the exception of Cuba and perhaps Kerala, all the other countries experienced a decline in the shares of public social expenditure in the 1980s. As discussed further below, this was due to policies of structural adjustment. This trend was reversed in all countries with the resumption of growth but it did not reach the high levels attained in some earlier years in Sri Lanka, Costa Rica or Chile.

Foreign assistance accounted for a high proportion of national income in Cuba for much of this period, tapering off only in the 1990s. Thus indirectly it played a vital role in sustaining high levels of government spending on health and education. Development assistance has also been important in Sri Lanka since the late 1970s and thus facilitated

<sup>16</sup> This categorization of countries by HDI, taken from the UNDP *Human Development Report*, should not be confused with the World Bank classification into high-, medium- and low-income countries. As Kerala forms part of a federal state, its data are not strictly comparable with the other cases.

the protection of social programmes in the subsequent years of structural adjustment. Costa Rica benefited greatly as well from foreign aid in the crisis years of the 1980s. In recent years, aid flows have come down to modest levels. Development assistance has been relatively insignificant for China, Chile and Kerala. For Viet Nam, foreign aid from the Soviet bloc may have been quite substantial but aid flows have been modest in recent years.

#### **4. Priority to Primary Health Care**

The key to achieving low levels of infant mortality and high life expectancy is a primary health system that brings certain basic services within the reach of the entire population. Among the most important of these are healthy environment, clean drinking water, proper sanitation, personal hygiene, improved nutrition (in particular breast-feeding), food safety, immunization, and pre- and post-natal maternal and child care. The experience of the countries studied here bears out the validity of this approach to health policy. The poorer the country, the greater the relevance of health policy based on primary health care.

Pre-revolution China suffered from high levels of child mortality, overall morbidity, high incidence of malnutrition and low life expectancy. The health policy adopted after 1949 and evolved in subsequent years was based on eradication of the root causes of mass diseases, health education and the creation of a low-cost, multipurpose and widely accessible system of primary health care. Major campaigns were organized after 1949 to improve environmental sanitation to eliminate the four pests—rats, flies, mosquitoes and bedbugs. From 1951 on, four to five similar campaigns a year were organized. These were accompanied by a mass programme of vaccination against infectious diseases and measures to control malaria and schistosomiasis. Mobilization of vast numbers of people through mass organizations played a key role in the success of these campaigns. Personal hygiene, clean water, prevention of food contamination and improved nutrition formed important parts of health education propagated through the party and other mass organizations. Their success depended upon improvement of women's status and education.<sup>17</sup>

These policies were further buttressed through a nation-wide system of commune and brigade health centres that brought treatment against common ailments within easy reach of the great majority of the population. These cooperative health schemes were financed and organized by production units at the commune and brigade levels in rural areas. In townships and cities, medical care and treatment were assured through a combination of facilities run by neighbourhood associations, state enterprises and the health ministry. Apart from treatment against disorders, the health centres also served as bases for immunization, maternal and child care, family planning and assistance with child delivery.

Both in rural and in urban areas, there was a three-tiered structure of health care. Most of the health care was provided free or for nominal charges. This system of universal access to health care would not have been possible without the training of a huge number of paramedical staff popularly known as barefoot doctors. Equipped with a rudimentary training in public health and treatment of common ailments, the barefoot doctors

---

<sup>17</sup> Taylor 1988; Jamison et al. 1984; Kane 1985; Bhalla 1992.

spanned the length and breadth of the country and provided the backbone of the health system. Volunteer workers of various sorts provided additional manpower in health campaigns, public education and other tasks.

These were the key features of a health system that proved so successful in sharply reducing epidemics, improving environmental and personal hygiene, curtailing child mortality, enhancing life expectancy and promoting family planning. With the resolution of the most basic health problems, the emphasis shifted to improvements in quality of health care at all levels. The changing nature of diseases and health problems led in the 1980s to changes in some elements of the health system. But it was the economic reforms in the 1970s, with fundamental changes in the system of rural production, which were responsible for far-reaching alterations in the health system. The implications of these changes for public health are analysed subsequently.

The development of the health system in Viet Nam has strong parallels with that in China. The health situation was deplorable after the Second World War. "Few people boiled their drinking water. Bathing areas were little more than stagnant pools, breeding grounds for malaria-carrying mosquitoes. Untreated animal and human wastes were applied to fields as fertilizer, and no septic tanks existed" (Ladinsky and Levine 1985). Insufficient health care combined with poor public health practices resulted in high morbidity and mortality rates among the population. The impressive achievements in reduction of child mortality and morbidity and increase in life expectancy witnessed in Viet Nam in the 1950s and subsequent decades owe much to the establishment of a system characterized by emphasis on literacy, especially of women, environmental improvement, health education, wide participation in provisioning of health services and access to basic health services by the great majority of the population.

As in China, great reliance was placed in the early years on health campaigns. A patriotic movement was launched for improvement of environmental conditions under the slogan "clean villages and fertile rice fields". This movement developed promotional and preventive activities with participation both by the general public and the health workers (Djukanovic 1978). Educational campaigns were important as they led the struggle against some traditional practices inimical to good health, such as drinking unboiled water, using untreated faeces as a fertilizer and relieving oneself beside the rice fields. The campaigns were also instrumental in the construction of wells, latrines and sewage disposal facilities.

Until 1986, the core of the health system in Viet Nam consisted of commune health centres at the base, with district, provincial and national hospitals at higher levels. The commune health centres provided basic preventive and curative health services to the entire rural population free of charge. They consisted mostly of paramedical staff, including at least one assistant doctor trained for three years and a nurse-midwife trained for two years. The financing was shared between the central government, the commune authorities and production brigades. Maternal and child care, family planning, health education, traditional medicine and environmental cleanliness were integrated into the system. There was extensive participation of the people in the management and running of the commune health centres. The quality of services varied according to the wealth of the area, but certain criteria were used by the government to ensure a basic minimum throughout the country.<sup>18</sup>

---

<sup>18</sup> Djukanovic 1978; Ladinsky and Levine 1985; Allman 1993.

It was this system which was primarily responsible for the remarkably good infant mortality and life expectancy figures of Viet Nam in relation to its per capita income. Following the introduction of Doi Moi reforms in 1986, a number of changes were introduced to the structure of the health system. Some of the important changes introduced in recent years in both China and Viet Nam, as shown later, include the imposition of user fees, introduction of health insurance schemes, legalization of private practice, expansion of private drug stores and private practice by commune health workers. This has resulted in greater variation in the quality of health services among different regions, a reduction in the intensity of public health centres and a greater reliance on self-medication, traditional medicine and private practitioners. Even though the user charges can be waived for the poor, the less well-off groups and areas have clearly been adversely affected by these changes.<sup>19</sup>

The foundations of an integrated health system in Sri Lanka were laid in the 1940s. The earlier emphasis on prevention of infectious diseases through environmental improvement led to dramatic reductions in mortality. The attack on malaria in the early 1940s was the most important example of this approach. Early attempts were also made to provide health care to the entire population through a network of hospitals and clinics. Already by 1946, a population of 5.75 million was served by a network of 145 general and rural hospitals, 250 central dispensaries and over 600 branch dispensaries. The number of health centres serving expectant mothers and pre-school children rose from 86 in 1935 to 503 in 1945. Nearly half the births took place in hospitals and nursing homes (Gunatilleke 1985).

Programmes for maternal and child care, including nutritional supplements, were put in place. School children received free milk. Food prices were stabilized and food subsidies were provided to the entire population. The health care system was further consolidated and universalized in the 1950s. Maternal and child health services were strengthened, including services in the vulnerable ante-natal, post-natal and infant stages. Immunization programmes were launched against smallpox, tuberculosis, polio, diphtheria and whooping cough. By the mid-1960s, diseases such as smallpox and cholera had been eliminated and typhoid had almost disappeared. After the success of the campaign against malaria, similar campaigns were initiated to control tuberculosis and leprosy.

From the mid-1960s to 1977, there was little improvement in the infant mortality rate and life expectancy. This was due to severe economic crisis with high unemployment and declining expenditure on health, education and food subsidy. The system also appears to have become excessively centralized. While health services were widely and equitably distributed, one section of the population—the Tamil estate workers—was left out. Prior to independence their social indicators were above the average but they steadily lagged behind in the subsequent period since they were excluded from health, literacy and environmental programmes. The result was that in 1980, while the infant mortality rate for Sri Lanka as a whole was 37, it was around 80 for estate workers (Gunatilleke 1985).

After 1977, there were further cuts in social expenditure as part of a major reorientation in social and economic policy. The bulk of the fall in welfare expenditure related to food subsidies, while most of the earlier health programmes were maintained. Health services continued to be provided free, as were school meals and nutritional

---

<sup>19</sup> Moghadam 1999; World Bank 1995; Güldner 1995; Ensor 1995; Hein et al. 1995.

supplements to expectant mothers and to children suffering from malnutrition. The improvements in infant mortality and life expectancy resumed their earlier trend.

The beginnings of the public health system in Kerala go back to the final decade of the nineteenth century and the early decades of the twentieth century. Attempts were made in the Travancore-Cochin area to control infectious diseases such as plague, cholera and smallpox through such measures as improved sanitation, water supply, health education and personal hygiene (Panikar 1985). The town improvement committees and rural conservancy establishments were set up in the 1880s to supervise sanitary arrangements, scavenging and waste disposal. In the 1930s, maternity and child care centres were established and health education campaigns initiated. After independence in 1947, the state government built on these traditions and public policies to extend and improve health facilities.

The major planks in the health policy were expansion of immunization, state-wide extension of primary health centres, emphasis on child and maternal care, especially the steady growth of institutionalization and professional attendance at births, widespread use of traditional (Ayurvedic) medicine, increase in literacy and basic education, especially for women, and the introduction of nutrition programmes for mothers and infants. For instance, there was a remarkable reduction in infant mortality between 1956 and 1966 due primarily to the rapid expansion of vaccination against smallpox and other infectious diseases and the spread of health facilities in the Malabar district, which was incorporated into the newly created state of Kerala in 1956. After a period of slow change, there was a further spurt in reduction in infant mortality after 1976 due to an expanded programme of immunization and rapid institutionalization of child delivery and increased paediatric care. Between 1973 and 1991, the proportion of institutional deliveries in rural areas rose from 26 to about 92 per cent, while the remaining 8 per cent benefited from professional attendance (Krishnan 1997).

A good transport system combined with a relatively even and dense network of rural health centres and expanding hospital facilities brought health care within reach of the entire population. Already in 1977, the catchment area of primary health centres was 22 square kilometres (Moni Nagi 1986). The health consciousness of the population contributed to an intensive use of public health services: for instance, in 1965 over 80 per cent of the population visited government hospitals. The health facilities are relatively evenly distributed between rural and urban areas and between less and more developed districts. Thus there are no sharp differentials either in access to health care or in infant mortality and life expectancy rates among different districts and socioeconomic groups.

A remarkable feature of the evolution of health policies is how such differentials have been progressively reduced or eliminated with regard to two categories of disadvantaged groups. Lower castes have substantially inferior social indicators throughout India. This was also true of Kerala. But decades of struggle for removal of caste discrimination, supported by powerful social movements and political parties, have largely eliminated these differences in infant mortality and life expectancy (Ramachandran 1997, forthcoming). Similarly, at the time of its incorporation into Kerala, the Malabar district had a death rate twice that of the Travancore-Cochin region (United Nations 1975). There were also substantial differences in the two regions in birth rates and total fertility levels. These differences have been steadily reduced over the past four decades by a systematic policy of heavy public investment in health and education facilities in the former Malabar district.

Costa Rica has long had relatively favourable social indicators. Steady progress has been made in reducing infant mortality and increasing life expectancy since 1940. Infant mortality rates fell from 95 per thousand live births in 1950 to 67 in 1970, but really big improvements occurred in the 1970s, with the figure for 1980 declining to 21. The biggest factor in the transformation of the health situation was the adoption in 1970 of a health strategy based on primary health care (Rosero-Bixby 1985). Its objective was to bring environmental sanitation and basic health services to the excluded population, mainly in the rural areas. This was achieved in two ways. First, social security (which included health care) coverage was expanded rapidly, increasing from 39 to 78 per cent between 1970 and 1979 and further to 84 per cent by 1992. This was brought about by unification of the social security function in one organization and provision of state subsidies to ensure coverage for the poor and the elderly (Saenz 1985; Mesa-Lago 1994b).

Second, sanitation and primary health services were provided by the Ministry of Health, which covered the countryside with a network of health centres and mobile clinics providing a range of services, including vaccination, child and maternal care, nutrition and family planning. Between 1973 and 1979, the proportion of the rural population provided with these services rose from 10 to 60 per cent. The basic health zone covered 3,000 inhabitants and no more than 150 square kilometres. The rates of immunization against measles, diphtheria and tetanus rose to 85–90 per cent. At the same time, under the community health programme, rapid progress was made in the provision of clean drinking water, sanitary latrines and nutritional schemes for infants, school children, pregnant women and breast-feeding mothers. Thus by 1981, the entire urban population and 86 per cent of the rural inhabitants had access to clean drinking water. Between 1976 and 1979 the population with access to sanitary latrines expanded from 60 to 96 per cent in urban areas and from 41 to 88 per cent in rural areas (Saenz 1985).

In Chile, health indicators such as infant mortality, death rates and life expectancy have shown a steady improvement in the post-war period. The country had over the years built up good health services, and after the creation of the National Health Service in 1952 there was a steady extension of free medical services to a growing proportion of the population. In the late 1960s, over 65 per cent of the population, including workers and their families, the poorest groups and children had the right to free health services. Programmes of child and maternal care and nutrition, first created in the 1930s, had been greatly expanded over the years (Raczynski 1994). Infant mortality rates declined from 120 per thousand in 1960 to 65 per thousand in 1974. But really dramatic reductions in the IMR took place in the subsequent decade, with the figure declining to 20 by 1984. Child malnutrition declined from 15.9 per cent in 1976 to 8.7 per cent in 1985 (Ruiz-Tagle forthcoming).

It is remarkable that these improvements occurred in a period marked by severe economic crisis, high levels of unemployment, rising poverty and declining public expenditure on social services. While a number of factors contributed to this achievement, the decisive role was played by the policy of targeting limited resources to reach the poorest groups and to ameliorate conditions affecting infant mortality. A study examining the redistributive impact of the health services and the food nutrition programme estimated that the poorest 20 per cent of households received between 34 and 40 per cent of this component of expenditure on health (Raczynski 1994).

The focus of the health and nutrition policy was maternal and child health and nutrition programmes. Beginning in 1975, a system was set up to identify children under six with nutritional and health problems. Programmes of prenatal care, child and



maternal nutrition and vaccination were redesigned to focus on these groups, and they were able to reach 95 per cent of the relevant population. At the same time, major advances were made in the provision of clean water and sewage facilities. Between 1974 and 1988, the proportion of the urban population with access to clean water rose from 70 to 98 per cent, while in rural areas it rose from 35 to 75 per cent. The coverage of the sewage system expanded from 38 to 81 per cent of the urban population. The impact of these policies on child nutrition and mortality was reinforced by improving education for women and declining fertility (Raczynski 1994).

## 5. Achievement of Adult Literacy

This section examines some remarkable efforts made by selected countries to rapidly reduce or eliminate adult illiteracy as an illustration of focusing social policy on priority needs. Literacy and primary education are intrinsically valuable but they also have beneficial effects in many areas. They are associated with lower mortality and fertility rates, more informed participation in civil society and political activities and more broad-based growth patterns (Drèze and Loh 1995). All the countries included in the study show impressive educational achievements. By the early 1990s, with the exception of China, they had attained adult literacy rates around or in excess of 90 per cent, with relatively little differential between male and female literacy levels. There was nearly universal access to primary schools in all the countries, although secondary school enrolments showed considerable divergence.

Chile, Costa Rica and Cuba had already attained adult literacy rates above 75 per cent in the early 1950s. By 1970 their rates were in the region of 90 per cent. Similarly they had nearly universal primary education in the late 1950s. In the domain of literacy and primary education, the achievements of the low-income countries included in this study are outstanding. In the late 1940s, the adult literacy rate in China was estimated to be 15 per cent, and is likely to have been even lower in Viet Nam. Sri Lanka, where significant social initiatives were taken in the 1930s, had reached a literacy rate of 57 per cent in 1945, with, however, big differences in male and female rates—70 and 44 per cent, respectively. Kerala also enjoyed a relative lead in education, but by 1951 the adult literacy rate was still at a modest level of 40 per cent, with considerable gender disparity.

There was steady progress in reducing illiteracy in Sri Lanka and Kerala, with the big jumps occurring in the 1960s in the former and in the 1980s in the latter. In both these periods, special programmes were mounted to make a major dent in illiteracy. But the greatest progress was made in China and Viet Nam, where massive campaigns were undertaken to promote adult literacy in the 1950s. Although the Cuban illiteracy rates were quite modest on the eve of the revolution (concentrated among the rural and black population), the 1961 literacy campaign stands out as an extraordinary effort to eradicate illiteracy within the space of nine months.<sup>20</sup> In a world where there is still widespread illiteracy, it is worthwhile reviewing the major achievements and key features of the mass literacy campaigns conducted in these countries.

In terms of sheer numbers of people, the Chinese mass literacy campaign launched after the revolution is without parallel in human history. Between 1949 and 1966, over

---

<sup>20</sup> There were, however, problems of sustaining low levels of illiteracy. The subsequent period saw a reversion to illiteracy of 10–12 per cent.

100 million illiterates were taught to read and write (Bhola 1984a). The literacy campaigns were based on the experience gained in the liberated areas in campaigns conducted in 1937, 1940 and 1944. The driving force behind the effort was the ideology of the revolution, which looked upon literacy as essential for consciousness raising, eradication of class differences and improvement of living conditions. The importance attached to literacy by the revolutionary government is illustrated by Mao's statement "The necessary condition for establishing a new China is to sweep away illiteracy from 80 per cent of China's population." (Bhola 1984a).

The approach and methods utilized in the Chinese literacy campaigns have been used in varying degrees by other revolutionary regimes. While the leadership was provided by the party and the government, the campaigns drew upon the resources and cooperation of numerous groups and institutions such as the local authorities, unions and peasant, women's and youth associations, factories, community buildings and schools. Given the constraints of infrastructure, finance and organization in such situations, a massive mobilization of community and voluntary resources was indispensable for a speedy and large-scale attack on illiteracy. Another notable feature of the literacy campaigns was the importance of flexibility in approach and methods to suit the circumstances of specific groups and areas. The timing, duration and methods for imparting literacy differed between rural and urban areas, between peasants and workers, younger and older people, housewives and working women and more and less advanced regions. There was also enormous diversity in organization of teaching (circuit teaching, reading circles, collective teaching method, little teachers) as well as in systems of incentives (learning contests, honours, attendance charts). Typically the literacy classes were used to promote political aims as well as for imparting knowledge about health, personal hygiene and healthy environment.

China's educational policy has tended to shift directions in accordance with ideological changes associated with factional power struggles (Burris 1990; Bhalla 1992). The great leap forward in the late 1950s put emphasis on proletarian education and equal access at the expense of quality and higher education. This was reversed in the early 1960s with the adoption of the New Economic Policy. The Cultural Revolution in the late 1960s in effect resulted in the suspension of the formal educational system and of the adult literacy effort. The mid-1970s witnessed the resumption of formal education, renewed emphasis on the literacy campaign, upgrading of quality and greater differentiation in access by area and income group.

Eradication of illiteracy was listed as one of the 10 major objectives of the communist revolution in Viet Nam. The country sustained a huge literacy effort under extremely difficult and varied conditions during years of resistance, independence and unification (Woodside 1983). The literacy campaigns were utilized to promote political objectives such as struggle against colonial powers and class enemies, to further agrarian reform and agricultural production and to ameliorate personal hygiene and the physical environment (Phong 1985). Four major campaigns were conducted between 1945 and 1976. More than 13 million illiterates learned to read and write between 1945 and 1958, resulting in the virtual elimination of illiteracy in the north except for the remote mountain regions. The government made a special effort to reach minority groups through mobile schools. In April 1975, a literacy campaign was launched in the south and by December 1977, illiteracy among working people below 50 years of age was largely eliminated. In March 1978, Viet Nam celebrated the virtual eradication of illiteracy in the entire country (Bhola 1984b).

The material conditions under which the literacy effort was carried out, especially during the years of resistance, were much worse than in China. Classes were often held in private homes or in the open. Often they could only be held in the evening or during bombing pauses. Banana leaves substituted for paper and a combination of certain leaves and fruit gathered in the forest provided a liquid that served as replacement for ink. A great deal of flexibility and ingenuity was deployed to meet the special needs of different groups and areas. For instance, in some areas, in order

to revise the lessons, letters of the alphabet are written up on boards, or on the backs of buffaloes, or on the hats of the labourers themselves; blackboards are set up in the shade of a tree, in the yard where normally they thrash the rice, so that workers can revise what they have learnt, without wasting time, even while working. (quoted in Bhola 1984b:76)

The literacy campaigns could not have succeeded without the voluntary contribution of the mass organizations, teachers and students and without cooperation between the central, provincial and local levels. As in China, the existence of cultural homogeneity and especially the use of a common alphabet among the great majority of the population contributed greatly to the success of the literacy campaigns.

Although starting from a much more favourable educational profile and material conditions, the Cuban literacy campaign of 1961 is celebrated for its many innovative features and for the speed with which it virtually eliminated illiteracy in the country. In 1953, 24 per cent of Cubans were illiterate, with rates of 42 per cent in rural areas and much higher among the blacks. After eight months of the 1961 campaign, the rate came down to 3.9 per cent (Bhola 1984c; Leiner 1987). Eradication of illiteracy was part of the 10-point programme set out in the manifesto of the Sierra Maestra in 1957. The importance attached to literacy is well brought out in Castro's statement: "Revolution and education are the same thing. ...Society as a whole becomes a huge school" (quoted in Leiner 1987:175). As in other communist revolutions, the literacy campaign had wider political and social objectives, such as the fight against class enemies and racist tendencies, the promotion of agrarian reform and rural-urban solidarity, and the improvement of production and living standards (Carnoy 1990).

The 1961 literacy campaign was preceded by a careful survey of the numbers and socioeconomic characteristics of the illiterate population and pilot programmes to test the literacy material and training modules. Practically all literate people were mobilized to participate in the campaign: 250,000 teachers and students spent up to nine months in the countryside, and 100,000 additional persons received special training as instructors. Mass organizations of women, youth, peasants and workers played a key role in identifying the illiterate population, providing volunteers and furnishing material support. The media—radio, television, newspapers and billboards—were used intensively to promote the campaign. The literacy campaign was followed by programmes of further education through part-time courses or full-time study in the formal educational system.

The high levels of literacy in Kerala and Sri Lanka were the result principally of an early start in education and steadfast expansion of primary education to cover the entire school age population. But efforts were also made to mount intensive literacy campaigns to rapidly reduce adult illiteracy. In Kerala, the experiment at total literacy was launched in the Ernakulam district by voluntary agencies. Its success encouraged the adoption of the Total Literacy Programme in the state. This was a cooperative venture by government, political parties, NGOs and individual leaders. It elicited the voluntary participation of nearly 400,000 persons in the literacy campaign (Ramachandran 1997, forthcoming). In April 1991, Kerala was declared the first totally literate state in India. The example of

Kerala shows that eradication of illiteracy in very low-income countries is possible in non-revolutionary situations. The essential elements in Kerala were the political priority attached to this objective and the mobilization and cooperation of government, political parties and civil society organizations.

## 6. Experiences with Poverty Reduction

Elimination or rapid reduction of poverty is an important aspect of success in social development. This section examines the trends in poverty reduction in the countries included in this study and their relationship with economic growth and social indicators. It pays special attention to strategies and programmes for poverty reduction that have been particularly effective. While creditable in some respects, the performance with regard to poverty reduction of the countries examined here has not been as consistent and outstanding as with health and education. This is partly due to the way poverty is defined conventionally. It is also important to note that data on poverty are of much inferior quality and comparisons over time and across countries are difficult if not impossible to make.

No country has a consistent series of poverty data covering the post-war period. At best there may be observations covering a few periods which are reasonably comparable. Comparisons across countries are virtually impossible to make because of the lack of a common definition and methodology for measuring poverty, although some attempts have been made, particularly by the World Bank, to measure poverty in different countries on the basis of an absolute figure for a poverty threshold (World Bank 1990; Lipton 1996).<sup>21</sup> These points should be borne in mind in the following discussion on poverty levels and trends in different countries.

### **Poverty levels and trends**

Poverty may be defined in many different ways. It may refer to material deprivation, social exclusion, certain psychological attributes or power relations. It may be measured in some "objective" way or in terms of perceptions of the poor, in absolute or in relative terms. In the development literature, poverty is typically defined in material terms and measured by the number of people or households falling below some level of nutrition, consumption or income (defined, in turn, in terms of meeting some core basic needs). It is important to note that nutritional and consumption measures generally leave out in varying degrees access to education, health, clean water, adequate shelter and basic sanitation.

In the communist countries, the collective ownership of property, full employment, free education and health services, and a favourable price structure for essential goods and services, resulted in a relatively even distribution of income and consumption and meeting of the most basic needs. The level at which these needs were met depended upon the general level of development and regional disparities in incomes. For instance, after the initial difficult years and overcoming the worst production and distribution problems, absolute poverty was reduced in Cuba to insignificant proportions in the late 1970s and most of the 1980s until the onset of the economic crisis. The choice and quality of non-essential goods and services were limited, but most of the population had access to good education and health, and basic foodstuffs, shelter and sanitation. As discussed in the

---

<sup>21</sup> Typically, the World Bank uses a poverty threshold of one dollar per capita per day (in 1986 dollars).

next section, there was a dramatic fall in average living standards from the late 1980s, with big declines in food availability, energy, transport and in the quality of education and health services. However, a determination to safeguard social services and sharing of sacrifices limited the adverse social impact of the economic crisis.<sup>22</sup>

The much lower average income levels in China and even more so in Viet Nam meant that prior to economic reforms, poverty—in terms of meeting food, shelter and sanitation needs—was quite prevalent, although access to basic health care and primary education at fairly modest levels was widespread. Given the size of the country, in China poverty was predominantly a regional problem. Measured in terms of meeting nutrition and other elementary needs, poverty in Viet Nam was estimated at around 70 per cent in the mid-1980s (World Bank 1995; Allen et al. 1996). In China it was estimated at 28 per cent in 1978, though with very considerable regional variation. In both countries, rapid growth after the initiation of economic reforms led to major gains in poverty reduction. In China it fell to around 10 per cent in 1985, where it remained over the next decade (World Bank 1992). This has been called the largest and quickest decline in absolute poverty in human history (Riskin forthcoming). Likewise, poverty in Viet Nam also fell sharply to around 50 per cent by 1992. In China and to a lesser extent in Viet Nam, poverty is no longer largely region-specific, but growing inequalities have resulted in pockets of poverty even in affluent areas.

There are many different estimates of poverty in Costa Rica and Chile for different years. But the general picture in Costa Rica appears to be that the incidence of poverty declined significantly in the 1960s and 1970s but rose in the early 1980s. After a decline in the late 1980s, it appeared to have stabilized around 22 per cent, falling further in 1993. In Chile, the proportion of people living below a poverty line also appears to have declined in the 1960s, with, however, a rise in the 1970s with economic crisis and change in economic policies. After fluctuating in the 1980s, it fell sharply from around 44 per cent in 1987 to 20 per cent in 1994 (Ruiz-Tagle forthcoming). In Sri Lanka, poverty estimates ranged around 25 to 30 per cent over the period 1970–1985, with some decline in the subsequent years (Gunatilleke forthcoming). The experience in Kerala seems quite remarkable. Rural poverty rose in the early 1960s but declined steadily in the subsequent period, with impressive progress in the 1970s and 1980s. It fell from 69 per cent in 1969/1970 to 42 per cent in 1977/1978, and further to 21 per cent in 1986/1987. Recent years have seen further declines in rural and overall poverty (Kannan 1995).

### **Poverty, growth and human development**

There does not appear to be a correlation between measures of income or consumption poverty and indicators of health and education.<sup>23</sup> This is partly a matter of definition. Absolute poverty is typically defined in terms of a minimum income for meeting food and other essential material needs that do not necessarily include education and health. It is a function of per capita income and patterns of income and consumption distribution. Good social indicators reflect widespread provision of literacy, primary schooling and basic health care. There is no reason why the two should go together.

Recently, an attempt was made to develop a new measure of poverty, integrating social service provisioning with consumption of basic goods (UNDP 1997). The human

---

<sup>22</sup> Barraclough 1999; Mesa-Lago 1994b; Pastor and Zimbalist 1995.

<sup>23</sup> Lipton 1996; Taylor et al. 1997; UNDP 1997.

poverty index (HPI), as this measure is called, incorporates indicators of deprivation concerning longevity, knowledge and living standards. These are given by the percentage of people expected to die before age 40, the percentage of illiterate adults, the proportion of malnourished children under the age of five and of people without access to health services and safe water. It is not surprising that HPI correlates well with other human development indices that seek to incorporate some measures of health and education. On the other hand, it correlates poorly with the income measures of poverty.

Of the cases included in this study, China, Kerala, Chile (since 1988) and to some extent, Cuba and Viet Nam, exemplify a pattern where relatively low poverty or rapid poverty reduction has been accompanied by good performance on human development. In the case of communist countries, relatively even distribution of incomes and consumption explains good poverty performance. In Kerala, it is the coherent application of a set of far-reaching anti-poverty measures—such as land reform, special employment and nutrition programmes and social security schemes—that have contributed to a sharp reduction in poverty. In Chile, rapid growth—combined with employment expansion, raising of minimum wages and pensions and social assistance for the needy—was responsible for an impressive reduction of poverty.

In our sample of countries, there does not appear to be any correlation between poverty reduction and rate of economic growth. On the one hand, extremely rapid growth in China over the past two decades and in Viet Nam since 1988 was central to significant poverty reduction. But in China, as seen earlier, most of poverty reduction took place between 1978 and 1985 when growth resulted from a rapid rise in rural production. The extremely high growth in the subsequent period at best held the poverty rate at the same level. Growth played no role in poverty reduction in Cuba and Kerala. Indeed, in Kerala the period of more rapid growth in the 1960s was accompanied by a worsening poverty situation, while lower growth in the succeeding two decades saw a significant reduction in poverty. Cuba experienced only modest growth during the three decades following the revolution, but the massive crisis of recent years has undoubtedly greatly worsened the poverty situation.

It is somewhat surprising that the poverty performance in Costa Rica and Sri Lanka should have been less than impressive, as was the case in Chile prior to 1990. In all these countries the incidence of poverty has fluctuated a good deal, with good periods offset by poor years. In general, the poverty incidence has varied with growth rates. The relatively uneven distribution of income and consumption in Chile and Costa Rica is the main explanation for weak performance with regard to poverty reduction. The experience of Sri Lanka remains a puzzle. Despite serious and systematic efforts to improve nutrition through food subsidy and special programmes for the vulnerable groups, malnutrition rates have persisted at high levels. Likewise, measures of poverty have hovered around 25 per cent for prolonged periods. Rapid economic growth since 1984 seems to have only marginally improved the incidence of poverty. Deterioration in income distribution and removal or reduction of subsidies on food and other essential goods may have contributed to this outcome.

### ***Anti-poverty strategies and programmes***

Apart from the overall rate and pattern of growth, poverty incidence can be affected by specific programmes designed to augment incomes, consumption and assets of the relevant groups. Three of them appear to have been particularly important in the countries studied here: employment policies, food subsidies and social security.

Two types of employment policies have played an important role in poverty alleviation: full employment policies and special employment programmes. The communist countries included in the study have pursued full employment policies for most of the period. Indeed, employment has been regarded both as a right and as an obligation in these countries for much of the period. Such policies are possible under collective or state ownership of property where enterprises do not base their decisions on considerations of profitability. The state and collective units of production no doubt suffer from underemployment and excess labour. But this is considered preferable to open unemployment and cash transfers to the unemployed. The switch to market regimes in China and Viet Nam, and to a much lesser degree in Cuba, has transformed some of the underemployment into open unemployment, but large state enterprises have continued to follow a cautious policy regarding shedding of excess labour. These policies may be contrasted with those pursued in several former centrally planned countries in Europe, where an abrupt shift to capitalist regimes has generated massive unemployment.

Countries have also relied upon special employment programmes to generate work and reduce poverty. One such programme is the Minimum Employment Programme (PEM) in Chile initiated in 1975 and supplemented by the Occupational Programme for the Head of the Household (POJH) in 1982. These programmes were created to deal with high levels of unemployment, in turn generated by severe stabilization policies designed to cope with sharp declines in incomes and budgetary and balance of payments deficits. They provided employment on public works organized by municipalities and in private firms, which received subsidies and other incentives to recruit workers. The remuneration was below minimum wage and declined over time. Unemployment hovered around 18 per cent over the period 1974–1982, rising in 1982 to over 30 per cent. At their height in 1983, the two programmes provided jobs to 13 per cent of the labour force. Although the jobs were temporary and poorly paid, they nevertheless made a contribution during periods of acute economic crisis to poverty reduction. With the improvement of the employment situation, the two programmes were phased out in the late 1980s.<sup>24</sup>

Food subsidies in various forms have been used by all countries to relieve poverty or to cushion the impact of stabilization and adjustment policies (Utting 1992). Costa Rica and Chile, as well as Viet Nam and China in the post-reform period, have relied upon food subsidies or free distribution of food to specific groups such as pregnant or lactating women, children and poor households, as part of their anti-poverty programmes. But it is in Kerala, Sri Lanka and Cuba that subsidized food has formed a central part of the effort to combat poverty.

In Kerala, the food grain subsidy system was introduced in 1964. The food is supplied to the population through a well spread out network of ration shops. The subsidy is quite substantial: in 1986–1987, the price of rice with ration cards was around two-thirds of that in the open market. From the outset, more than 90 per cent of the population benefited from the food subsidy schemes, which have been organized far more effectively than in other states in India. In addition, the Supplementary Nutrition Programme has been targeted at special groups such as pregnant women, infants and early primary school children. These food programmes have accounted for around 50 per cent of the benefits to rural households provided under various anti-poverty schemes, and

---

<sup>24</sup> Raczynski 1988; Martínez and Díaz 1996; Stewart and Van der Geest 1995.

around 10 per cent of the annual income of rural households and presumably a higher proportion of that of the poorer category.<sup>25</sup>

In Sri Lanka, a system of food rationing and subsidies, introduced in the Second World War, was universalized in the subsequent years. It provided for subsidies on rice, flour, bread and sugar. In the 1970s, the system was modified to target the subsidies on the poor. Its scope was reduced by the exclusion of flour and sugar from the ration. The real value of the food stamps declined significantly over the years. However, the special nutrition programmes for pregnant women, young mothers, infants and school children were either maintained or reintroduced in subsequent years. At its height in 1975, the food subsidy programme absorbed 4.6 per cent of GDP. It fell steadily in the subsequent years and accounted for a mere 1.7 per cent of GDP in 1994 (Gunatilleke forthcoming).

There has been a great deal of controversy over the effectiveness of Sri Lanka's social programmes. It has been argued that the universal coverage of food rationing and subsidy was wasteful and diverted a significant proportion of the resources from investment and other desirable programmes. On the other hand, it has been alleged that the targeted approach has not been too successful in reaching the poor and the reduced value and scope of the food subsidy programme led to a significant increase in malnutrition among the poor. But there can be little doubt that food subsidy policies played an important role in poverty reduction in Sri Lanka over much of the post-war period, though they failed to reduce malnutrition to acceptable levels.<sup>26</sup>

A comprehensive system of food rationing and subsidies in Cuba also played a central role in reduction of poverty and malnutrition to impressively low levels. The system, introduced in 1961, has sought to provide food security to the entire population through rationing and subsidies. Every Cuban was entitled to a basic food ration allowing a minimally nutritious diet. Children, expectant mothers, the ill and the elderly received special supplementary rations. The range and extent of benefits have changed over the years depending upon the overall food and economic situation. But until the crisis of the 1990s, practically everyone had enough to eat to maintain health and an active life (Barraclough forthcoming; Benjamin et al. 1984).

Social security has been the third major plank of anti-poverty policies in some of these countries (Ahmad et al. 1991; Guhan 1993). In communist countries, state or enterprise pensions for retired workers constitute an integral part of the welfare system. However, they cover only part of the eligible population. In Cuba, efforts were made to cover all categories of people, including private farmers, under a special scheme. In Viet Nam, state pensions for war veterans, their widows and those disabled in the war account for a substantial proportion of the state welfare budget. But it is above all in Costa Rica and Kerala that innovative social security policies have been devised to reduce poverty.

Costa Rica has achieved the rare distinction among developing countries of nearly universal provision of pensions. Its social security system covers both health and pensions. In 1960, only 25 per cent of the labour force was covered by pensions. In the subsequent two decades, coverage was steadily extended to categories generally left out of pension schemes such as domestic servants, employees of microenterprises, the self-employed, seasonal workers and unpaid family workers. While most of the people participate in contributory schemes, there is also provision for non-contributory pensions for the poor.

---

<sup>25</sup> Kannan 1995; United Nations 1975; Ramachandran 1997.

<sup>26</sup> Gunatilleke forthcoming; Alailima and Sanderatne 1997; Anand and Kanbur 1995; Bhalla and Glewwe 1986; Isenman 1980; Osmani 1991; Sen 1988; UNICEF 1985; Gooneratne and Gunawardena 1984.



The social security system has been financed through a variety of sources such as contributions by workers, employers and the state. The non-contributory pension component has been financed by a payroll tax paid by employers, as well as a sales tax (Mesa-Lago 1994a).

The experience of Kerala shows that it is possible even for a very low-income state to devise a social security system capable of reaching the most disadvantaged groups. Two types of schemes are relevant in the context of an anti-poverty strategy. The first involves cash payments by the state to various categories of destitute persons, such as the physically and mentally disabled, and old persons in agriculture. The second scheme, introduced in 1989–1990, extended the monthly pension scheme to cover old workers in non-agricultural occupations as well. The old age pension schemes covered over 20 per cent of those aged 60 and above in 1991. These programmes undoubtedly made an important contribution to poverty reduction among the most disadvantaged groups (Kannan 1995).

## **7. Structural Adjustment and Economic Reform**

All the cases included in the study, except for Kerala, experienced significant phases of structural adjustment and economic reform over the past 25 years. This section examines the main characteristics and social impact of these reform efforts. In line with worldwide changes in economic policy and organization over this period, the general thrust of changes in these countries was in the direction of an expanded role for market forces and private enterprise. But there was considerable diversity with regard to the circumstances that precipitated the reform process, the scale and speed of policy changes, and their social and economic consequences. In contrast, however, with the experience of structural adjustment in most other countries, the cases examined here were characterized by a serious effort to protect their remarkable social achievements and minimize the adverse social consequences of policy changes. Chile and Cuba illustrate two extreme responses to profound economic crisis. The economic reform in China and Viet Nam has been gradual but systemic. In contrast, Costa Rica and Sri Lanka have sought to bring about policy changes within the framework of the existing socioeconomic system.

However, in most cases there were some costs. Some social programmes had to be abandoned or seriously curtailed. The universalist and egalitarian provisioning of social services had to be modified in some cases in favour of targeting or privatization of such services (Vivian 1995). As these countries adapt to the rapidly changing global and macroeconomic environment ushered in by the accelerating pace of globalization and liberalization, important questions arise about the sustainability of the social achievements of these countries.

### ***Two extremes of adjustment***

The Chilean experience with structural adjustment stands out in several respects. Chile was among the very first countries in the world to implement a far-reaching programme of adjustment based on what came to be known as the Chicago model. Indeed, it preceded the Reaganite and Thatcherite reforms. In several respects, countries around the world have adopted changes in economic policy initiated in Chile in the mid-1970s. A notable feature of the reform process was that it was carried out by a military authoritarian regime following the overthrow of the socialist government of Allende.

The programme was designed to overcome an acute economic crisis brought about by heightening political struggles and the first petrol shock. The package of measures brought in to deal with the crisis was administered in a thoroughgoing and draconian fashion. It has been aptly called a “shock therapy” and could only have been imposed by a military regime. The measures included a sharp reduction in government expenditure, abrupt removal of a range of subsidies, massive lay-offs of workers in the public sector, elimination of quantitative controls on resource allocation, liberalization of trade and capital markets, unification of exchange rates, privatization of public enterprises and changes in agrarian policies. The immediate effect of the stabilization programmes was a huge decline in economic activity and real wages, escalation of unemployment to unprecedented levels and a sharp increase in poverty (Martínez and Díaz 1996).

The military regime devised a series of distinctive measures to deal with these problems. The distinguishing feature of these measures was an effort to target them on the most needy and the most vulnerable groups. Thus food subsidies were reorganized to focus on nutrition programmes for infants, school children, pregnant women and young mothers. Likewise an attempt was made to restrict access to free primary education and health services to the low-income groups. Large-scale emergency employment schemes were introduced to provide subsistence income and improve infrastructure. The government devised a new instrument—Ficha CAS—for obtaining socioeconomic information to target its social programmes to the needy and vulnerable groups. The democratic governments which followed the Pinochet regime have continued to use the Ficha CAS as a key planning instrument for social programmes (de Kadt 1993).

In addition to targeting, the military regime attempted to improve the effectiveness of social expenditure through consolidation and integration of existing schemes for health and pensions and decentralization and reorganization of delivery systems. All these measures were effective in maintaining—and in most cases, improving—such social indicators as infant and maternal mortality, levels of nutrition, life expectancy, adult literacy and primary school enrolments. That this was possible despite sharp reductions in per capita expenditure on health, education and other social services is a testimony to their effectiveness, although there was a general decline in the quality of public services not captured by these indicators.

Although Cuba has faced several economic crises since the revolution, the gravity of the economic difficulties that have confronted the country since 1989 is unprecedented. Between 1989 and 1993, the output of goods and services was estimated by official sources to have fallen by around 37 per cent; other sources estimate the fall at between 29 and 58 per cent. Perhaps a better indication of the seriousness of the situation is given by the decline in import capacity from USD 8 billion in 1989 to USD 1.7 billion in 1993, and in food availability from about 3,000 to 2,000 kilocalories per person daily over the same period.<sup>27</sup> This economic catastrophe was caused primarily by the collapse of trade and aid arrangements with the Soviet bloc, but the tightening of the American boycott and the rigidity of the centrally planned system exacerbated the crisis.

The Cuban response to this massive crisis has been shaped by two overriding objectives: the preservation of the social achievements of the revolution and the safeguarding of the socialist character of the economy. Thus in the initial years of the crisis, from 1989 to 1993, adjustment was carried out through reduction in energy use, decline in investment, tightening of the rationing of consumer goods and encouragement

---

<sup>27</sup> Mesa-Lago 1994b; Pastor and Zimbalist 1995; Barraclough forthcoming.

of special sectors such as tourism, biotechnology, food production and foreign investment. While these measures helped reduce the severity of the crisis somewhat, they fell short of the scope and scale of structural adjustment required by the magnitude of the problem. Furthermore, they intensified other problems, such as the monetary overhang, the state deficit and the black market.

The adjustment measures taken since 1993 have sought to enhance production and the flexibility of the economy through the transformation of the agricultural state enterprises into cooperatives, leasing of land to individual farmers, authorization of farmers' markets where agricultural products can be sold at uncontrolled prices, and legalization of self-employment in a range of activities and of the ownership and use of dollars in the domestic market. These measures have been complemented by reduction in subsidies to state enterprises, new forms of taxation and increases in the prices of some goods and services. The decline in production was halted in 1994, and the economy achieved modest growth in 1995–1996. A crisis of this magnitude cannot but affect the living standards of the people. Indeed, there is evidence of increasing malnutrition, hunger, illness, deprivation of basic consumer goods and decline in the quality of health, education and water services. Some of the deterioration in social conditions is reflected in such indicators as the rise in infant mortality rates from 9.4 in 1993 to 9.9 in 1994, and in maternal mortality from 31.6 in 1990 to 44 in 1994 (declining back to 33 in 1995) and small increases in tuberculosis, diarrhoeal, infectious and parasitic diseases. But what is more remarkable is the success achieved by the government in preserving most of the social gains of the preceding years in the face of a drastic shrinkage of the supply of essential goods and of government revenue. This quite exceptional experience is due to the determination of the leadership to keep intact the country's excellent health and education services and to prevent widespread hunger and poverty. It has been able to do so, first, by maintaining the resources allocated to health and education and increasing those for social security, despite a fall in the state budget of 20 per cent between 1990 and 1995. Second, it has ensured, through an extension of the rationing system, that the diminished supply of essential goods such as food has been distributed in an equitable manner.

Despite the extraordinary success achieved in preserving universal access to social services and preventing serious aggravation of poverty and hunger through a period of acute economic crisis, the country is faced with daunting problems and unenviable policy dilemmas. These centre around the problem of sustaining economic recovery and achieving rapid growth to underpin its expensive social programmes. Cuba has thus far made limited institutional and policy changes to enhance economic efficiency and flexibility. It will need to confront difficult choices regarding the appropriate balance between market incentives and central planning, private property and state and cooperative ownership, integration in the global economy and national control over the domestic economy. Cuba thus finds itself at a crossroads. The paths it will follow will be determined as much by domestic social and political developments as by the evolution of policy in its giant neighbour.

### ***Adjustment with systemic change and growth***

China and Viet Nam have followed remarkably similar policies of structural adjustment and economic reform.<sup>28</sup> The process was initiated in China in 1978, with Viet Nam

---

<sup>28</sup> Bosworth and Ofer 1995; Ronnäs and Sjöberg 1995.

following suit in 1986. In both the countries, the reform was preceded by a long period of economic stagnation and crisis. In China it came after years of political and economic upheaval associated with the Cultural Revolution. In Viet Nam it followed increasing economic difficulties in the wake of reunification, the occupation of Cambodia, cessation of development assistance from the Western countries and growing inefficiencies in central planning. These problems were subsequently exacerbated by the termination of assistance from the centrally planned countries in Europe.

The second distinguishing feature of the reform experience in the two countries was its systemic nature. In essence it consisted of the transformation of a system based on central planning and collective ownership of property into one characterized by resource allocation through the market mechanism and mixed patterns of property ownership. The key initial reform in both countries was the replacement of collective agriculture by family-based farming. While the role and importance of the private sector in other areas has greatly expanded under the reform programme, the state enterprises (and also township enterprises in China's case) continue to play a central role in the economy. The other features of their reform effort have been of a more conventional nature. These have included control or reduction of state expenditure, reduction or elimination of subsidies to state enterprises and consumer goods, liberalization of prices, trade, financial and foreign exchange markets, and incentives to foreign investment (Dodsworth 1997).

The third common element of their reform experience is the extraordinary spurt in economic growth in the post-reform period. In China, the rate of economic growth shot up from 3 per cent per annum in 1960-1978 to close to 9 per cent in the subsequent years. Likewise, Viet Nam experienced a spurt in growth from around 2-3 per cent per annum in 1976-1986 to nearly 8 per cent since 1988. The rapid growth in the post-reform period has been due to a combination of a stable political and economic environment, increased efficiency in resource allocation, incentives to production and accumulation and integration into the world economy. The restructuring into high sustained growth sets apart the Chinese and Vietnamese experience from that of most transition and developing countries and has clear implications for social performance.

As was seen earlier, rapid economic expansion was central to sharp reduction in poverty both in China and Viet Nam, although in China most of the strides were made in the initial reform period, which generated major gains in rural production. Both countries have continued to experience improvements in other social indicators, such as infant and maternal mortality, life expectancy, adult literacy and primary school enrolments. However, once again there has been a noticeable decline in the rate of improvements in recent years in China. In both countries, gender equity in the educational field has deteriorated, and in Viet Nam there has been a decline in secondary school enrolments.

The provisioning of social services has suffered in two principal ways from the reform process. In the pre-reform period, the responsibility for health and basic education services was vested in producers' cooperatives and communes. With the break-up of cooperatives and their replacement by family-based farming, the cooperative health insurance system has virtually collapsed in many communes. In effect, the health system has been largely privatized in rural areas and increasingly for non-state employees in the urban areas. This has generally been accompanied by improvements in the quality of health care. But in the poorer areas and for poor people in better-off areas, the new system has resulted in reduced or denial of access to basic health services.

The situation has been exacerbated for the poor by the imposition of various kinds of user fees for health and education services. Although in most cases the poor are supposed to be exempted from these charges, in practice they seldom receive free services. Furthermore, the drastic reduction in child care facilities and the shift to family farming has greatly increased women's work load and has had adverse effects on educational opportunities for women. After an initial reduction in social spending, the increased revenues of the state in Viet Nam have facilitated an expansion of social services but the bias against poorer regions and poorer people continues. In China, fiscal decentralization has reduced the scope for revenue redistribution in favour of the poorer provinces and counties and has increased the gap in social indicators between the prosperous and poorer regions.<sup>29</sup>

### ***Adjustment in a social democratic framework***

Costa Rica and Sri Lanka have in common a relatively long uninterrupted tradition of pluralist democracy with power alternating among different parties. The two countries have also developed over time a welfare system with free and universal provision of health and education services, and social protection for vulnerable groups. Although there have been differences of emphasis among the major political parties, there has been a broad consensus on the essentials of the welfare programmes. Adjustment and reform were forced on Sri Lanka by economic difficulties in the 1970s, while Costa Rica faced similar challenges in the wake of the acute crisis of 1980–1982. Both countries responded with a series of reform measures which, however, attempted to preserve the social achievements of the previous years.

Sri Lanka encountered growing budgetary and foreign exchange difficulties in the 1970s. Although steps were taken to slash expenditure and reduce outlays on social programmes in the early 1970s, the basic change in development strategy was initiated by the new government in 1977. Over the next few years, the government steadily removed controls on prices and trade, unified the dual exchange rate, liberalized foreign trade and payments, privatized state enterprises, encouraged foreign investment and reduced government expenditure with major cuts in subsidies to food and other consumer goods and services. The share of social expenditure fell from 9.1 per cent of GDP in 1976–1980 to 5.5 in 1981–1985, rising to 8.0 in 1986–1990. The biggest cuts were made in the food subsidy programme, whose share declined from 3.4 per cent of GDP in 1976–1980 to 0.2 per cent in 1981–1985. Although the share of expenditure going to education and health also declined somewhat, these services continued to be provided freely on a universal basis (Gunatilleke forthcoming; Alailima and Sanderatne 1997).

The reform measures contributed to a significant acceleration in growth from around 2–3 per cent per annum in 1970–1977 to nearly 6 per cent in 1977–1984. This enabled the government, in subsequent years, to increase the share of expenditure going to education and health beyond the levels reached in the pre-reform years, although it did remain below the highs of the 1960s and early 1970s. A sharp increase in development assistance flows was critical in restoring social spending, thus offsetting the diversion of state revenues to greatly increased military expenditure.

Costa Rica experienced a huge economic crisis in 1980–1982, when output per capita fell by nearly 14 per cent. The government responded initially by a conventional

---

<sup>29</sup> World Bank 1992; Allen et al. 1996; Riskin 1999.

stabilization programme with deep cuts in public expenditure, employment and real wages. Social expenditure as a share of GDP fell from 15.5 per cent in 1980 (an all-time high) to 10.8 per cent in 1982. However, in the subsequent years it devised an imaginative and unorthodox programme, which sought to promote recovery and protect universal social services and incomes of the poor through food subsidies, special employment programmes and a progressive wage policy. The share of social expenditure in GDP rose gradually in the later years to reach and surpass the levels attained in the 1970s. The reform programme comprised, as in other countries, liberalization of prices, trade and foreign exchange, privatization of state enterprises, decrease in state subsidies to agriculture and consumer goods, liberalization of the financial system and renegotiation of the foreign debt. As in Sri Lanka, generous foreign assistance was an important factor in sustaining the country's impressive welfare system.<sup>30</sup>

## 8. Concluding Remarks

This chapter has sought to understand the reasons behind the superior educational and health performance of selected countries. Five of the high performing cases (Costa Rica, Chile, Cuba, Kerala and Sri Lanka) enjoyed a historical headstart in health and educational achievements. There were a variety of circumstances which accounted for this headstart. A political commitment to spreading the benefits of education and health among the mass of the people was crucial everywhere. The political forces contributing to wide provision of social services took different forms at different times in different countries. They included an enlightened monarchy, a modernizing elite, social movements, political parties, trade unions, professional associations and emerging middle classes. Through their efforts and struggles, the coverage and range of social services were progressively widened to reach the bulk of the population.

Within this overall political context, cultural factors in a variety of forms provided a favourable environment for social progress. In some cases, they took the form of a religion or a tradition placing high value on education and care for the less fortunate members of the society. The status and autonomy of women were decisive in equitable access to health and educational facilities. In some countries, ethnic homogeneity made a contribution by preventing discrimination against and exploitation of some social groups. But historical advantage by itself cannot ensure a continuing lead. A number of other factors mentioned below were critical in sustaining social progress.

Two countries (China and Viet Nam) suffered from a historical disadvantage in the domain of health and education. Although Cuba had above average social indicators and a relatively high per capita income prior to the revolution, it suffered from massive inequalities among ethnic groups and between rural and urban areas. The impressive social achievements of these countries were directly due to the policies pursued by the communist revolutionary regimes. In all cases, the new regimes were committed to reduction or elimination of economic and social inequalities and to the achievement of universal literacy, basic schooling and elementary health care.

The importance of politics is also central in the other four cases. A long tradition of liberal democracy, electoral competition among different parties for political power, the emergence of strong social movements and other institutions of civil society—all these

---

<sup>30</sup> Chalker 1994; Huber 1996; Mesa-Lago forthcoming.

made a powerful contribution to the continuing priority given to universal and free provision of key social services. It is true that Chile had a long interregnum of a repressive military regime. But it is perhaps a tribute to the strong traditions of social provisioning in the country and the need of the ruling groups to win legitimacy that the military junta felt compelled to give priority to the disadvantaged groups in public nutrition, health and education programmes.

The case studies also bring out the central importance of strong action by the public sector in the provision of certain health and education services. There was a great deal of diversity in the institutional framework for planning, organizing, financing and delivery of social services. But in all cases, the state assumed responsibility for the provision of certain services which were critical to the social achievements of these countries. It is interesting to note in this context that the amount of resources allocated to social programmes does not appear to have been decisive in explaining their social performance.

A major conclusion to be drawn from this study is that it is the overall approach to social policy and pattern of public social expenditure that are responsible for superior social performance. Infant mortality, life expectancy, adult literacy and basic education are greatly influenced by the pattern of social expenditure. Factors such as maternal and infant nutrition programmes, vaccination rates, institutional delivery and postnatal health care are decisive in lowering infant mortality rates. Overall life expectancy is influenced by these factors as well as by the state of the physical environment, general cleanliness and personal hygiene. These in turn are related to rates of literacy and schooling, especially among women. It is thus clear that a social policy that accords priority to maternal and child care, prevention of insect-borne and infectious diseases, improvement of health education, overall literacy, basic education and sanitary and hygienic conditions can have a quick and powerful impact on social indicators. All the countries considered here gave high priority to such programmes.

These, then, are some of the main lessons to be drawn from the experiences of a few countries with high social achievements. To what extent are these lessons relevant and applicable to other countries seeking to emulate their achievements? The fact that our sample of countries incorporates enormous diversity in terms of political regimes, ethnic groups, social structures, cultural traditions, levels of development and rates of economic advance holds out hope that high educational and health standards can be achieved by countries under widely divergent conditions. The single most important common feature of their experience is the pursuit of social policies according priority to primary health care, adult literacy, basic education and sanitary and environmental improvements. These programmes are not too costly in terms of finance and skills. But they do require an effective public sector which can reach the entire population with these services.

At a deeper level, the pursuit of such policies is only possible where political circumstances generate strong pressures on the ruling groups to allocate resources for broad-based social programmes. This can happen under liberal democratic systems with a vibrant civil society, revolutionary regimes committed to social and economic equality and even authoritarian regimes seeking popular legitimacy or facing threats from opposition forces within or outside the country. The recent political changes in a large number of countries across the world conducive to the establishment of democratic systems, the growth of civil society institutions and the recognition of human rights provide a highly favourable environment for the pursuit of the kind of social policies and programmes discussed above.

There are two other factors that can be expected to favour the expansion of such programmes. There is growing consensus among specialists and policy makers across a wide spectrum of political beliefs that investments in people's health and education generate an impressive array of social and economic benefits, including favourable impact on growth rates, improved distribution of gains from growth and slowing down of population expansion. The emerging consensus has been reinforced by the declarations and programmes of action adopted at the series of world conferences organized by the United Nations in the 1990s. In evaluating country performance, economic growth and human development are beginning to receive equal attention. The multilateral financial institutions and the bilateral donor community have become converts to the emphasis in development policy on human development and poverty reduction (World Bank 1990; OECD 1996). There are thus good reasons to believe that the trail blazed by the countries considered in this study may act as a beacon of light to others desirous of emulating their achievements.

The study also examined the poverty reduction performance of these countries. It found that the performance of some countries in this regard was not as outstanding as in the domains of education and health. This is perhaps partly a matter of definition. The conventional measures of poverty leave out entirely or in part people's access to education and health. If these were incorporated in poverty measures, the performance of this group of countries would be distinctly improved. Of the various programmes put in place to combat poverty, three were particularly effective: employment creation schemes, food subsidies and social security for disadvantaged groups. The experiences of Kerala, Cuba and Costa Rica show that it is possible, with relatively modest resources, to provide social security to vulnerable groups to protect against extreme destitution and hardship.

The overall global and macroeconomic context has changed radically over the past two decades. The highly successful programmes and policies that have characterized these countries were for the most part put in place in the three or so decades after the Second World War. This chapter examined the social impact of the wide-ranging measures of liberalization that were undertaken in most of these countries, as elsewhere in the world, over the past two decades. Unlike the experience of many other countries, most countries included in this study were largely successful in protecting their social achievements while undertaking the necessary adjustment and reform measures.

However, there were some costs. Some countries have been forced to significantly modify if not largely discard the universalist approach to provision of health and educational services and food subsidies. Most have sought to create greater scope for targeting and privatization of some social services. Inevitably there has been some intensification of inequalities in access to health, education and social security, especially with regard to quality. If the trend toward globalization and liberalization continues—with all their implications and consequences for rates and patterns of growth, national and international competition and public revenues—attempts to maintain the relatively egalitarian and universalist thrust of social provisioning in these and other countries will become increasingly difficult. The search for creative responses to the continuing advances in globalization and liberalization constitutes the central challenge to social policy worldwide in the coming years and decades.



## References

- Ahmad, E., J. Drèze, J. Hills, and A. Sen. 1991. *Social Security in Developing Countries*. WIDER Studies in Development Economics. Clarendon Press, Oxford.
- Alailima, P. and N. Sanderatne. 1997. "Social policies in a slowly growing economy: Sri Lanka." In S. Mehrotra and R. Jolly (eds.), *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Oxford University Press, New York.
- Allen, S. A. Fforde and G. Robson. 1996. *Poverty in Vietnam*. Working Paper 1. Task Force on Poverty Reduction, Sida, Stockholm.
- Allman, J. 1993. "Primary health care in Vietnam." In J. Rohde, M. Chatterjee and D. Morley (eds.), *Reaching Health for All*. Oxford University Press, New Delhi.
- Anand, S. and S.M. Ravi Kanbur. 1995. "Public policy and basic needs provision: Intervention and achievements in Sri Lanka." In J. Drèze, A. Sen and A. Hussain (eds.), *The Political Economy of Hunger. Selected Essays*. WIDER Studies in Development Economics. Clarendon Press, Oxford.
- Barraclough, S. Forthcoming. "Protecting social achievements during economic crisis in Cuba." In D. Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, London.
- Benjamin, M., J. Collins and M. Scott. 1984. *No Free Lunch: Food and Revolution in Cuba Today*. Institute for Food and Development Policy, San Francisco.
- Bhalla, A.S. 1992. *Uneven Development in the Third World: A Study of China and India*. Macmillan, London.
- Bhalla, S.S. and P. Glewwe. 1986. "Growth and equity in developing countries: A reinterpretation of the Sri Lankan experience." *World Bank Economic Review*, Vol. 1, No. 1, pp. 35–63.
- Bhola, H.S. 1984a. "The anti-illiteracy campaigns in the People's Republic of China: From the 1950s to the 1980s." In *Campaigning for Literacy - 8 National Experiences from the Twentieth Century*. UNESCO, Paris.
- . 1984b. "The mass literacy campaign in the Socialist Republic of Vietnam, 1945–1977." In *Campaigning for Literacy: 8 National Experiences from the Twentieth Century*. UNESCO, Paris.
- . 1984c. "The Cuban mass literacy campaign, 1961." In *Campaigning for Literacy: 8 National Experiences from the Twentieth Century*. UNESCO, Paris.
- Bosworth, B.P. and G. Ofer. 1995. *Reforming Planned Economies in an Integrating World Economy*. The Brookings Institution, Washington DC.
- Burris, Mary A. 1990. "Struggle, criticism, transformation: Education in the People's Republic of China." In M. Carnoy and J. Samoff (eds.), *Education and Social Transition in the Third World*. Princeton University Press, Princeton NJ.
- Caldwell, J.C. 1986. "Routes to low mortality in poor countries." *Population and Development Review*, Vol. 12, No. 2, pp. 171–220.
- Carnoy, M. 1990. "Educational reform and social transformation in Cuba, 1959–1989." In M. Carnoy and J. Samoff (eds.), *Education and Social Transition in the Third World*. Princeton University Press, Princeton NJ.
- Chalker, C. 1994. *Social Policy, Equity and Adjustment: The Case of Costa Rica*. Latin American Studies XVIII International Congress, Atlanta, Georgia. Mimeo.
- Dasgupta, P. 1993. *An Inquiry into Well-being and Destitution*. Clarendon Press, Oxford.
- De Kadt, E. 1993. *Poverty-focused Policies: The Experience of Chile*. Discussion Paper 312, Institute of Development Studies, University of Sussex, Brighton.
- Djukanovic, V. 1978. "The Democratic Republic of Vietnam." In B.S. Hetzel (ed.), *Basic Health Care in Developing Countries: An Epidemiological Perspective*. Oxford University Press, Oxford.
- Dodsworth, J. 1997. "How Indochina's economies took off." *Finance and Development*, Vol. 34, No. 1, pp. 20–23.
- Drèze, J. and J. Loh. 1995. "Literacy in India and China." *Economic and Political Weekly*, Vol. 30, No. 45, pp. 2868–2878.
- Drèze, J. and A. Sen. 1995. *India: Economic Development and Social Opportunity*. Clarendon Press, Oxford.
- Ensor, T. 1995. "Introducing health insurance in Vietnam." *Health Policy and Planning*, Vol. 10, No. 2, pp. 154–163.
- Gooneratne, W. and P.J. Gunawardena. 1984. "Poverty and inequality in rural Sri Lanka." In A. Rahman Khan and E. Lee (eds.), *Poverty in Rural Asia*. ILO, Bangkok.
- Graham, C. 1994. *Safety Nets, Politics and the Poor: Transitions to Market Economies*. The Brookings Institution, Washington DC.
- Guhan, S. 1993. *Social Security Options for Developing Countries*. Paper presented at a symposium on Poverty: New Approaches to Analysis and Policy, Geneva, 22–24 November 1993. International Institute for Labour Studies, Geneva.
- Güldner, M. 1995. "Health care in transition in Vietnam: Equity and sustainability." *Health Policy and Planning*, Vol. 10, Supplement, pp. 49–62.

- Gunatilleke, G. Forthcoming. "Sri Lanka's social achievements and challenges" in Dharam Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, London.
- . 1985. "Health and development in Sri Lanka: An overview." In S. Halstead, J. Walsh and K. Warren (eds.), *Good Health at Low Cost*. Rockefeller Foundation, New York.
- Hojman, D.E. 1993. *Chile: The Political Economy of Development and Democracy in the 1990s*. Macmillan, London.
- Huber, E. 1996. "Options for social policy in Latin America: Neoliberal versus social democratic models." In G. Esping-Andersen (ed.), *Welfare States in Transition: National Adaptations in Global Economies*. Sage, London.
- Ismenman, P. 1980. "Basic needs: The case of Sri Lanka." *World Development*, Vol. 8, No. 3, pp. 237–258.
- Jamison, D.T., J.R. Evans, T. King, I. Porter, N. Prescott and A. Prost. 1984. *China: The Health Sector*. World Bank Country Study. World Bank, Washington DC.
- Jeffrey, R. 1987. "Governments and culture: How women made Kerala literate." *Pacific Affairs*, Vol. 60, No. 3, pp. 447–472.
- Kane, P. 1985. "The case of China." In J. Vallin and A.D. Lopez (eds.), *Health Policy, Social Policy and Mortality Prospects*. Ordina Editions, Liege.
- Kannan, K.P. 1995. "Public intervention and poverty alleviation: A study of the declining incidence of rural poverty in Kerala, India." *Development and Change*, Vol. 26, No. 4, pp. 701–728.
- Krishnan, T.N. 1997. "The route to social development in Kerala: Social intermediation and public action." In S. Mehrotra and R. Jolly (eds.), *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Oxford University Press, New York.
- Ladinsky, J.L. and R.E. Levine. 1985. "The organization of health services in Vietnam." *Journal of Public Health Policy*, Vol. 6, No. 2, pp. 255–268.
- Leiner, M. 1987. "The 1961 national Cuban literacy campaign." In R.F. Arnove and J.G. Harvey (eds.), *National Literacy Campaigns: Historical and Comparative Perspectives*. Plenum Press, London.
- Lindenberg, M. 1993. *The Human Development Race: Improving the Quality of Life in Developing Countries*. ICS Press, San Francisco CA.
- Lipton, M. 1996. *Successes in Anti-poverty*. Issues in Development Discussion Paper No. 8. ILO, Geneva.
- Martínez, J. and A. Díaz. 1996. *Chile: The Great Transformation*. The Brookings Institution, Washington DC.
- McGranahan, D.V., E. Pizarro and C. Richard. 1985. *Measurement and Analysis of Socio-Economic Development*. Report No. 85.5. UNRISD, Geneva.
- McGranahan, D.V., C. Richard-Proust, N.V. Sovani and M. Subramanian. 1972. *Contents and Measurement of Socioeconomic Development*. Praeger Publishers, New York.
- Mehrotra, S. and R. Jolly (eds.). 1997. *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Oxford University Press, New York.
- Mesa-Lago, Carmelo. Forthcoming. "Achieving and sustaining social development with limited resources: The experience of Costa Rica" in Dharam Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*, Macmillan, London.
- . 1994a. *Changing Security in Latin America*. Lynne Rienner Publishers, Boulder CO.
- . 1994b. *Are Economic Reforms Propelling Cuba to the Market?* North-South Center, University of Miami, Miami.
- Moghadam, V. Forthcoming. "Social development, state capacity and economic reform: The experience of Viet Nam." In D. Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, London.
- Moni, N. 1986. "The impact of social and economic development on mortality: Comparative study of Kerala and West Bengal." In S. Halstead, J. Walsh and K. Warren (eds.), *Good Health at Low Cost*. Rockefeller Foundation, New York.
- Nayar, P.K.B. 1985. "The case of Kerala, India." In J. Vallin and A.D. Lopez (eds.), *Health Policy, Social Policy and Mortality Prospects*. Ordina Editions, Liege.
- OECD (Organisation for Economic Co-operation and Development). 1996. *Shaping the 21st Century: The Contribution of Development Cooperation*. OECD, Paris.
- Osmani, S.R. 1991. "Social security in South Asia." In E. Ahmad, J. Drèze, J. Hills and A. Sen (eds.), *Social Security in Developing Countries*. WIDER Studies in Development Economics. Clarendon Press, Oxford.
- Panikar, P.G.K. 1985. "Health care system in Kerala and its impact on infant mortality." In S. Halstead, J. Walsh and K. Warren (eds.), *Good Health at Low Cost*. Rockefeller Foundation, New York.
- Pastor, M. Jr. and A. Zimbalist. 1995. "Waiting for change: Adjustment and reform in Cuba." *World Development*, Vol. 23, No. 5, pp. 705–720.
- Pearce, J. 1996. "Chile: Democracy and development in a divided society." In A. Leftwich (ed.), *Democracy and Development*. Polity Press, Cambridge.
- Phong, N. 1985. "Motivating the people to participate in literacy and complementary education work in the Socialist Republic of Vietnam." In A. Bordia and G. Carron (eds.), *Issues in Planning and Implementing National Literacy Campaigns*. UNESCO, Paris.

- Raczynski, D. 1994. *Social Policies in Chile: Origin, Transformations and Perspectives*. Democracy and Social Policy Series, Working Paper No. 4. Kellogg Institute for International Studies, University of Notre Dame, Notre Dame IN.
- . 1988. "Social policy, poverty and vulnerable groups: Children in Chile." In G.A. Cornia, R. Jolly and F. Stewart (eds.), *Adjustment with a Human Face: Ten Country Case Studies*, Vol. II. UNICEF and Clarendon Press, New York and Oxford.
- Ramachandran, V.K. Forthcoming. "Human development achievements in an Indian state: A Case Study of Kerala" in Dharam Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*, Macmillan, London.
- . 1997. "On Kerala's development achievements," In J. Drèze and A. Sen (eds.), *Indian Development: Selected Regional Perspectives*. Oxford University Press, Oxford.
- Riskin, C. Forthcoming. "Social development and China's changing development strategy." In D. Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, London.
- Ronnäs, P. and O. Sjöberg. 1995. *Economic Reform, Employment and Labour Market Policy in Vietnam*, Employment Department, ILO, Geneva.
- Rosero-Bixby, L. 1985. "Infant mortality decline in Costa Rica." In S. Halstead, J. Walsh and K. Warren (eds.), *Good Health at Low Cost*. Rockefeller Foundation, New York.
- Ruiz-Tagle, J. Forthcoming. "Balancing targeted and universal social policies: The Chilean experience." In D. Ghai (ed.), *Social Development and Public Policy: A Study of Some Successful Experiences*. Macmillan, London.
- Saenz, L. 1985. "Health changes during a decade: The Costa Rica case." In S. Halstead, J. Walsh and K. Warren (eds.), *Good Health at Low Cost*. Rockefeller Foundation, New York.
- Sen, A.K. 1988. "Sri Lanka's achievements: How and when." In P.K. Bardhan and T.N. Srinivasan (eds.), *Rural Poverty in South Asia*. Columbia University Press, New York.
- Stewart, F. and W. Van der Geest. 1995. *Adjustment and Social Funds: Political Panacea or Effective Poverty Reduction*. Employment Department, ILO, Geneva.
- Taylor, C. 1988. "The evolving Chinese rural health care system." In I. Syrageldin and A. Sorkin (eds.), *Research in Human Capital and Development*, Vol. 5, Public Health and Development. JAI Press, Greenwich CT.
- Taylor, L., S. Mehrotra and E. Delamonica. 1997. "The links between economic growth, poverty reduction and social development: Theory and policy." In S. Mehrotra and R. Jolly (eds.), *Development with a Human Face: Experiences in Social Achievement and Economic Growth*. Oxford University Press, New York.
- Hein, N.T., L.T. Ha, S.B. Rifkin, E.P. Wright 1995. "The pursuit of equity: A health sector case study from Vietnam." *Health Policy*, Vol. 33, No. 3, pp. 191–204.
- United Nations. 1975. *Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with Reference to Kerala*. UN, New York.
- UNDP (United Nations Development Programme). 1997. *Human Development Report 1997: Human Development to Eradicate Poverty*. Oxford University Press, New York.
- . 1994. *Human Development Report 1994: New Dimensions of Human Security*. Oxford University Press, Oxford.
- UNICEF (United Nations Children's Fund). 1985. "Sri Lanka: The social impact of economic policies during the last decade." In G.A. Cornia, R. Jolly and F. Stewart (eds.), *Adjustment with a Human Face: Ten Country Case Studies*, Vol. II. Clarendon Press, Oxford.
- Utting, P. 1992. *Economic Reform and Third-World Socialism: A Political Economy of Food Policy in Post-Revolutionary Societies*. Macmillan, London.
- Vivian, J. 1995. *Adjustment and Social Sector Restructuring*. Frank Cass, London.
- Westendorff, D. and D. Ghai. 1993. *Monitoring Social Progress in the 1990s*. Avebury, Aldershot.
- Woodside, A. 1983. "The triumphs and failures of mass education in Vietnam." *Pacific Affairs*, Vol. 56, No. 3, pp. 401–427.
- World Bank. 1995. *Vietnam: Poverty Assessment and Strategy*. World Bank, Washington DC.
- . 1992. *China: Strategies for Reducing Poverty in the 1990s*. World Bank, Washington DC.
- . 1990. *World Development Report 1990: Poverty*. Oxford University Press, New York.
- Zachariah, M. and R. Sooryamoorthy. 1994. *Science in Participatory Development—The Achievements and Dilemmas of a Development Movement: The Case of Kerala*. Zed Books, London.

## Chapter 16

# After the Golden Age: The Future of the Welfare State in the New Global Order<sup>1</sup>

*Gøsta Esping-Andersen*<sup>2</sup>

(1994)

---

### Introduction

The advanced welfare state, which became one of the hallmarks of the “Golden Age” of post-war prosperity, implied more than a mere upgrading of existing social policies in the developed industrial world. In the broadest of terms, it represented an effort to bring about economic, moral and political reconstruction. Economically, it departed from the orthodoxies of the pure market nexus and required the extension of income and employment security as a right of citizenship. Morally, it sought to defend the ideas of social justice, solidarity and universalism. Politically, the welfare state formed part of a project of nation building, affirming liberal democracy against the twin perils of fascism and bolshevism. Many countries became self-proclaimed welfare states, not so much to give a label to their social policies as to foster national social integration.

In today’s globally integrated open economies, however, many of the assumptions that guided postwar welfare state construction in the advanced industrial world seem no longer to obtain. Non-inflationary demand-led growth within one country now appears impossible; services rather than manufacturing must assure full employment; the population is rapidly ageing; the conventional family, relying on the male breadwinner, is in decline; and the life course is both changing and diversifying. Such structural shifts challenge traditional social policy thinking.

Chronically high unemployment in Europe, like rising inequality and poverty in North America, is a symptom of what many believe is the underlying dilemma in today’s open economies: a basic trade-off between employment growth and generous egalitarian social protection. Heavy social contributions and taxes, high and rigid wages, and extensive job rights make the hiring of additional workers prohibitively costly and the

---

<sup>1</sup> Originally published as an UNRISD Occasional Paper for the World Summit for Social Development (UNRISD, 1994).

<sup>2</sup> At the time of writing, Gøsta Esping-Andersen was Professor of Comparative Social Systems at the University of Trento, Italy.

labour market too inflexible. Pointing to the North American “job miracle” of the 1980s, which occurred against the backdrop of declining wages, weakened trade unions and labour market deregulation, neoliberals advocate privatization of welfare, a return to targeted rather than universal benefits, and the acceptance of greater earnings differentiation. The Chilean experience serves as a model for the less rich nations in general, and the ex-communist countries in particular.

On the other hand, critics of the neoliberal view hold that the social costs of relying on the market are too high and imply clear polarization between winners and losers. To deal with the trade-off between jobs and inequality, these critics propose a “social investment” strategy. Rather than welfare roll-backs, they prefer a redirection of social policy in favour of active labour market programmes, training, life-long learning and “putting people back to work”—possibly coupled with a basic income guarantee. A shift from income maintenance towards human capital investment is a leading theme in the Clinton administration, in the European Community and also in East Asian countries.<sup>3</sup>

Debates within the “new” industrializing countries parallel those in longer established industrial nations. Since the comparative advantage of the former lies in competitive labour costs, they are reluctant to construct costly welfare state programmes. In addition many of these nations—particularly the East Asian “tigers”—face unusually rapid population ageing and thus also heavy pension burdens in the coming decades.

What, then, are the prospects for the welfare state as we step into the twenty-first century? Will the advanced nations be forced to abandon their basic welfare state principles as they become increasingly post-industrial? Will the newly industrializing nations become Western-style welfare states? Given the degree of uncertainty that currently prevails, this chapter will not attempt to provide conclusive answers to such questions, let alone policy prescriptions. It will, however, aim to provide a diagnosis of identifiable trends as these have been highlighted in recent studies carried out within the UNRISD research programme on *The Future of the Welfare State*.

## Selection of Regions

The UNRISD programme has considered not only the future of the old core welfare states in Western Europe, North America and the Antipodes, but also trends in welfare state development in ex-communist Eastern Europe, East Asia and Latin America.<sup>4</sup> The ex-communist nations constructed a genuine “soviet” welfare system, which is now being rapidly undone. Some Latin American nations, like Argentina and Chile, have become models of neoliberal reform. The East Asian countries match Europe in economic development but are far behind in social policy development. They currently stand at the threshold of building some form of welfare state. At present, no country outside the

<sup>3</sup> See Freeman 1993 and also European Community 1993.

<sup>4</sup> The studies under the UNRISD programme on *The Future of the Welfare State* were not yet completed at the time of writing. This chapter draws upon draft manuscripts as well as discussions with the researchers. Among the advanced welfare states, the project has focused on the “social democratic” Scandinavian model (analysed by John Stephens), the “corporatist-conservative” continental European model (by Gøsta Esping-Andersen), the North American countries (by John Myles) and the Antipodes (by Francis Castles). Guy Standing is responsible for the East and Central Europe study, Evelyne Huber analyses Latin America, and Roger Goodman and Ito Peng, the East Asian countries. The omission of the United Kingdom may seem curious—both because it was once a welfare state pioneer and because it is a major example of radical change. We shall discuss this case in passing, but it proved too difficult to include it under any of the region headings. In any case, the literature on the British case is voluminous.

Editors note: The case studies have been published in *Welfare States in Transition: National Adaptations in Global Economies*, edited by Gøsta Esping-Andersen (UNRISD and Sage, 1996).

original core grouping can be said to have anything akin to a welfare state in the classical meaning of that word.

The selection of regions has been motivated by two concerns. First, their respective position in the new global order. For example, many of the difficulties facing the Western welfare states are linked to the new competition from East Asia, Eastern Europe and Latin America; in turn, the very success of this last will make their traditional forms of social protection increasingly untenable. Second, each region represents a certain degree of nation clustering in terms of historical legacy, cultural, political and economic development. Most importantly, nations within each region share considerable similarities with regard to their social policy approach.

### **The Case for a Convergence of Welfare Strategies: The Challenge of Global Integration**

Integration in the world today almost automatically implies open economies. Is it, then, the case that openness will inexorably drive the original welfare states towards the lowest common denominator of social support in a fiercely competitive environment?

Certainly, openness restricts the capacity of nations to exercise autonomy in designing their own political economy. Both Australia and Sweden illustrate the erosion of national options. As Castles<sup>5</sup> shows, Australia could at one time pursue what he calls the “wage earners’ welfare state” model of job security: full employment and high wages with the aid of protectionism. The cost of protectionism, however, was a lagging growth performance. Sweden, as Stephens<sup>6</sup> shows, could balance (over-) full employment with the world’s most generous and egalitarian welfare state as long as governments could control domestic credit and investments, and as long as labour market partners could guarantee wage moderation. Following liberalization in 1982, the Swedish economy suffered heavy capital leakage abroad, thus undercutting domestic investment and job generation. At the same time, Sweden’s tradition of national social pacts eroded. In both countries, governments (both left and right) have been compelled to cut back social expenditure. Economies like those in North America have met the challenge of global competition by doing well in terms of employment but at the expense of rising wage and household income inequalities, growing poverty rates and the re-emergence of an “underclass”.<sup>7</sup> Western Europe, with its much more comprehensive industrial relations systems, welfare states and also powerful trade unions, has promoted equality and avoided poverty growth while experiencing a dramatic rise in (long-term) unemployment and swelling armies of welfare dependants, the combination of which threatens to create a severe crisis in the financing of social security. In contrast to the postwar Keynesian regime, demand-led, reflationary strategies are no longer an option, partly because unemployment is not merely cyclical and partly because income growth leaks out of the economy to purchase imported goods.<sup>8</sup>

---

<sup>5</sup> See footnote 4.

<sup>6</sup> See footnote 4.

<sup>7</sup> Gottschalk 1993; OECD 1993; Jencks and Peterson 1991; Room 1990.

<sup>8</sup> This argument, while prevalent in current debates, must be accepted with serious caution. To give an example, while the import share from the newly industrializing countries has grown substantially, it remains the case that an estimated 80 per cent of total European Community member state trade occurs within the European Community.

## The Case for Divergence of Welfare Policy: The Role of Institutions

We should, however, not exaggerate the degree to which global forces overdetermine the fate of national welfare states. One of the most powerful conclusions in comparative research is that political and institutional mechanisms of interest representation and political consensus building matter tremendously in terms of managing welfare, employment and growth objectives.<sup>9</sup> Just as countries differ substantially in union and employer strength, organization and centralization, so they also vary in their capacity to manage conflicting interests. Cameron (1984) and Katzenstein (1985) have shown that the postwar European economies were able to promote *both* welfare and efficiency because all-encompassing interest organizations had the capacity to promise wage restraint in return for full employment. For this reason, a strong social safety net had no major negative effects on the capacity of economies to adjust or, more generally, on growth.<sup>10</sup>

The point is that countries with weak institutions lack the capacity to negotiate binding agreements between contending interests. As a result, conflicting welfare, employment and efficiency goals more easily turn into zero-sum trade-offs. Wage inflation, for example, is most likely under fragmented unionism. Weak or fragmented bargaining systems may block rather than facilitate economies' capacity to adapt to change. Hence a favourable institutional environment may be as effective as free markets in nurturing flexibility and efficiency.<sup>11</sup> Similarly, as is now the case in Sweden, trade-offs become more acute when consensus building mechanisms erode.

These issues are clearly relevant for developing industrial democracies, including Eastern Europe. For the ex-communist nations there is of course little doubt that the transition to market economies requires sweeping institutional reconstruction and privatization. It is also clear that the institutional mechanisms that have surrounded the highly protectionist Latin American economies stifle growth. Yet Japan and South Korea have managed to produce full employment growth with a remarkable degree of equality and in the context of highly regulated labour markets (Freeman 1993; Freeman and Katz 1994). Again, it appears that deregulation and marketization are not universal panaceas.

In all cases, there is a continued dominance of national traditions, which emerge in two important respects. First, while the postwar Western welfare states addressed fairly similar objectives, they diverged tremendously in terms of ambition and in terms of how they accomplished their goals. Second, as these same welfare states today seek to adapt, they do so very differently. A major reason has to do with institutional legacies, inherited system characteristics and the vested interests that these generate.<sup>12</sup>

---

<sup>9</sup> The literature on this topic is truly enormous. For a very recent comparative study, see Freeman 1993; for a general review of research, see Esping-Andersen 1994. Streeck (1992) has recently argued that these very same conditions also facilitate economies' adaptation to new and more flexible production methods.

<sup>10</sup> Calmfors and Driffill 1988; Atkinson and Mogensen 1993; Blank 1994; Buechtemann 1993.

<sup>11</sup> Blank (1993:166) indeed suggests that deregulation in some cases may create greater rigidity. The abolition of employment protection laws in Europe actually led to slower and less flexible employment adjustment.

<sup>12</sup> Two examples will suffice at this point. First, as Castles' study (see footnote 4) demonstrates, the negotiated liberalization strategy, pursued by the Australian Labour government with unions, scores more favourably in terms of both equality and growth than New Zealand's strategy, which was pursued in conflict with existing interest associations. Second, since decades of social security institutionalization create vested interests, it is virtually impossible to amalgamate occupationally exclusive social insurance schemes.

## Challenges to Western Welfare States

The contemporary advanced welfare state faces various challenges, some specific to the welfare state itself and others provoked by exogenous macro-societal and economic forces. First, there is a growing disjuncture between existing social protection schemes and evolving needs and risks. This is due to changes in family structure (the rise of single-parent households, for example), modification of occupational structure (increased differentiation and heterogeneity) and changes in the lifecycle (which is becoming less linear and standard, as people engage in a wider variety of activities over the course of their lifetimes and are less constrained by traditional stereotypes of proper behaviour for those in certain age or gender categories). Hence there is growing dissatisfaction with the welfare state's capacity to address emerging new demands.

In addition, the welfare state crisis is spurred by changing economic conditions (slower growth and "de-industrialization", for example) and demographic trends (especially population ageing)—both of which threaten the future viability of present welfare state commitments.

Demographic and economic problems have received most attention. The first are caused by the combination of low fertility and population ageing, which will engender burdensome dependency ratios and, without strong economic growth, severe fiscal burdens. In the European Community, the age-dependency ratio will increase 50 per cent between now and 2020; with existing rules and benefits, this will absorb an estimated additional 5–7 per cent of GDP (European Community 1994). OECD (1988) projections until 2040 indicate that ageing alone will double or triple health and pension expenditures, especially in countries, like Japan, which experience unusually rapid ageing.

Still, population ageing does not automatically imply crisis. In part, the cost of ageing depends on long-run productivity growth. The OECD (1988:70) estimates that if real earnings grow at an annual average rate of 0.5–1.2 per cent (depending on the nation involved) that will suffice to finance additional pension expenditures.<sup>13</sup> At the same time, demographic trends can be politically managed.

Many countries are today reversing a decades-long policy of lowering retirement age. Similarly, increasing the number of the employed will automatically lower dependency rates. It makes a huge difference when, as in Scandinavia today, governments are able to ensure an overall activity rate 20 percentage points higher than the average in continental Europe. Here it is decisive whether social policy encourages low female employment and early retirement (as in the nations of the European Community), or maximum participation (as in Scandinavia).<sup>14</sup> It is also decisive whether, as in Southern Europe and Latin America, the incidence of informal, illegal or undeclared employment is growing. The spread of irregular work in countries like Italy is very much part of a built-in negative spiral: the heavy social contributions associated with overloaded income maintenance programmes stimulate irregular employment which, in turn, further erodes the tax base.

---

<sup>13</sup> An economy's productivity performance is thus vital. The earnings performance of many nations in the past decade suggests that such levels of growth may not be so easily attainable. In the United States, for example, manufacturing earnings declined by an annual average of 0.2 per cent. In Europe where labour shedding has been much more dramatic, productivity and thus wages have grown at higher rates (1.7 per cent in France, 0.9 per cent in Italy, and 2.4 per cent in Germany) (Mishel and Bernstein 1993:figure 9A).

<sup>14</sup> Freeman (1993:3) shows that the percentage of people aged 15 to 64 who were gainfully employed (adjusted for hours worked) was identical in Europe and the United States in 1973. By 1990, Europe's activity rate was about 12 percentage points lower than that in the United States. As Freeman concludes, Americans work the equivalent of one month per year more than Europeans.



It is often feared that female employment will jeopardize fertility, and thus aggravate the ageing crisis. The facts, however, tell a different story. High fertility may accompany low female employment (as in Ireland), but then it may not (today, Italy and Spain have Europe's lowest fertility levels). Female employment is at a record high in Finland and Sweden, both of which show comparatively high (and rising) fertility rates. Here the welfare state makes a decisive difference. It has been amply documented that female employment *with* fertility is possible if social services and liberal provisions for leave are available. This is the case in Sweden, but not in most of continental Europe. To the extent that women's economic independence is a defining element of "postindustrial" society, the contemporary family needs the welfare state in order to harmonize work and family objectives.

The *economic* problems that confront the Western welfare states are typically identified in terms of unemployment. The combination of high wage costs (due to mandatory social contributions) and rigidities (such as job tenure, costly termination payments or generous social benefits) is widely regarded as the main impediment to job growth. Generous social benefits are also considered to reduce the work incentive.

There is evidence that high marginal labour costs and stringent job rights prohibit job growth; and one way partially to confront this problem is to reduce social contributions through privatizing social welfare programmes. Nevertheless privatization of social security may not offer a real solution. First, as we know from the United States and, more recently, from Chile, private plans depend on favourable tax concessions, i.e. public subsidization. Second, experience from the United States shows that occupational welfare (or defined benefit) plans may incur exactly the same kind of rigidities and cost burdens that social insurance does. The former tend to inhibit labour mobility because workers are afraid to lose benefits, and because they involve vesting requirements (in the United States, for example, workers must have been on the job for an average minimum of five years before they become eligible for benefit plans). Like social security, private plans also impose high fixed labour costs.<sup>15</sup> Hence public sector efforts to trim social security are paralleled in the private sector. In the United States, coverage under occupational plans has declined by almost 8 per cent in the past decade.

Postindustrial employment trends are also potentially problematic. On one side, they favour professional and skilled occupations; on the other, they seem to foster precarious jobs (a rise in contingent workers, involuntary part-time workers, homeworkers or self-employment). The consequence may be greater polarization between a core and periphery workforce (European Community 1993; OECD 1993). The American "job miracle" has produced comparatively low unemployment levels, but a disturbingly large share of jobs that pay below-poverty wages. The erosion of both wage and social benefit levels during the 1980s has been accompanied by unprecedented levels of poverty and immiseration. This, in turn, may threaten the social order and additionally burden the welfare state. It is also feared that welfare benefits will merely subsidize low wage employers. As Myles' analysis of North America points out, it is exactly this problem that has fuelled renewed interest in some form of guaranteed basic income plan.<sup>16</sup>

---

<sup>15</sup> In the United States, the typical company pays 11 per cent of wages to legislated social contributions and another 12 per cent toward fringe welfare benefits (Blank 1993:167). This compares to the European Community average of 24 per cent to the former and 5 per cent to the latter. In heavy social contribution nations, like Italy, the former approximates 47 per cent; the latter 2 per cent (recalculations from European Community 1993:table 21).

<sup>16</sup> See footnote 4.

The “endogenous” problems of the welfare state lie in the growing discrepancy between existing programme design and social demands. This is largely because the design of the contemporary welfare state was informed by a social order that is no longer predominant. The point of reference for its ideals of universalism and equality was a relatively homogeneous industrial working class. The much greater occupational and lifecycle differentiation that characterizes “postindustrial” society implies more heterogeneous needs and expectations. With greater career uncertainty, demands for more flexible adjustment, changing family arrangements and female employment, citizens also face more diverse risks.

Also the welfare state’s erstwhile “model family” is no longer the norm. On one side, we see the rise of the two-earner, double-career unit; on the other side, the often dramatic rise of divorced, single-person and single-parent households. The former are often privileged, but it is also clear that wives’ remunerated labour is becoming the only means by which households can escape poverty or maintain accustomed living standards today. This is evident in the American case (Mishel and Bernstein 1993). Single-parent families constitute a rapidly growing, high-risk poverty clientele.<sup>17</sup>

## Welfare Regime Challenges in other Regions

Eastern Europe and Japan also face the ageing problem, but this is not yet the case in Latin America and much of East Asia. Here, instead, the main demographic problem lies in the growing incompatibility of the traditional extended family structure with the demands of urban industrial employment. Urban migration makes traditional forms of social protection difficult to sustain. In East Asia, the dilemma is between the welfare state (combined in Japan and South Korea with corporate plans) and the Confucian tradition of familialism with its care obligations.<sup>18</sup>

The main *economic* problems facing the newly industrializing and democratizing countries differ, depending on their insertion in the world economy. Eastern Europe is a case in its own right, given its legacy of a quite advanced communist welfare regime. This was characterized by three basic pillars: full and quasi-obligatory employment; broad and universalistic social insurance; and a highly developed, typically company-based service and fringe benefit system. In fact, very much as in Scandinavia, its employment maximization strategy was the sine qua non of system equilibrium, since it minimized the burden of welfare dependence. The post-democracy reforms have eroded the first and third of these pillars. Instead of full employment, there is mass unemployment; and collapsing (or privatized) state enterprises are decreasingly capable of furnishing accustomed services. As the viability of both is destroyed, existing income maintenance

---

<sup>17</sup> The author’s own analysis of LIS (Luxembourg Income Study) data for the mid-1980s shows that single-parent (almost all female-headed) households face extraordinarily high poverty risks. Using the standard poverty measure of 50 per cent of (adjusted) median income, the proportion of these households in poverty is 60 per cent in the United States, 57 per cent in Canada, 27 per cent in Germany, and 19 per cent in both France and Italy. In contrast, the Swedish rate is 4.5 per cent. The impact of divorce may also be economically catastrophic—at least for wives. Burkhauser et al. (1991) show a 24 per cent income decline for American wives one year after divorce, and a full 44 per cent drop for German wives. The husbands’ income loss is relatively inconsequential: 6 per cent in the United States and 7 per cent in Germany.

<sup>18</sup> Hashimoto (1992:38) shows that 65 per cent of the elderly in Japan live with their children (77 per cent in 1970). Choi’s (1992:151) data for South Korea show even higher rates (76 per cent). He also shows that 44 per cent of the aged are economically entirely dependent on their children. According to the official South Korean poverty line definition, more than 20 per cent of the aged are poor; about half have financial difficulties, and more than half of those who actually receive a pension find it difficult to live on it. A major reason cited for poverty among the aged is that children are unable or unwilling to provide support for their parents (Choi 1992:151).

programmes face underfinancing and overburdening. The consequence is an alarming rise in poverty, mortality and morbidity.

Where countries define their competitive edge in terms of favourable labour costs, they will be wary of major welfare state advances. This is, however, only partially the case. Following the example of Japan, East Asia in general, and South Korea in particular, see their economic future in terms of an educated workforce, very much as Sweden did with its welfare state design. This obviously implies heavy social investment in education, health and social services.<sup>19</sup> A strong income maintenance system will probably be difficult to avoid in this scenario to the extent that an increasingly educated, urbane and professionalized labour force is likely to distance itself from the principles of family-based solidarity which underlie Confucian culture; and occupational company schemes are highly uneven in coverage. The latter are rarely present or even viable in smaller or medium-sized firms.

In contrast, Latin American development is to a much greater extent based on natural resources. As these countries abandon protectionist, import substitution policies they clearly face the labour cost problem more acutely. It is in this light that Chile's attempt to shift social security from state to market must be understood.

### **Adaptation of the Welfare State in the Past Decade**

Symptoms of crisis have become increasingly evident during the past decade. Nevertheless, popular perceptions notwithstanding, the degree of welfare state roll-back, let alone significant change in the core countries, has been modest. This is clear from social expenditure trends (see table 16.1), which remain essentially stable, although there is a break with the past in the sense that the decades-long momentum of growth has been interrupted. Most nations have limited intervention to marginal adjustments, while a few—mainly within the Anglo-Saxon liberal group of countries—have set in motion a more radical programme of reform which, over the longer run, may have profound consequences. Among the non-core group, the signs of system change are more evident: on the one hand, active privatization in East-Central Europe and Latin America; on the other hand, embryonic welfare state construction in East Asia.

---

<sup>19</sup> The accent on education is already visible. According to Goodman and Peng's data, the proportion of middle school (junior high school) graduates who continue to secondary level education (senior high school) is 96 per cent in Japan and around 90 per cent in the South Korea and Taiwan.

**Table 16.1: Social security and health expenditures as a percentage of gross domestic product**

<b>Western Europe</b>	
Denmark (1990)	38.4
France (1990)	27.4
Germany (FRG, 1989)	22.8
Netherlands (1991)	34.6
Norway (1990)	32.0
Sweden (1986) <sup>a</sup>	31.3
<b>Eastern Europe</b>	
Czechoslovakia (1991)	21.7
Hungary (1986) <sup>a</sup>	16.2
Poland (1986) <sup>a</sup>	17.1
URSS (1986) <sup>a</sup>	15.5
<b>North America and the Antipodes</b>	
Australia (1991)	15.1
Canada (1989)	19.1
New Zealand (1991)	19.6
United States (1991)	10.5
<b>South America and East Asia</b>	
Argentina (1987)	6.5
Brazil (1991)	10.3
Chile (1988)	9.9
Costa Rica (1991)	11.0
Japan (1986) <sup>a</sup>	12.2

**Notes:** <sup>a</sup> These are ILO figures and not fully comparable with IMF data. Note also that the percentages for the ex-communist countries are calculated in terms of net material product. **Sources:** IMF 1993; ILO 1991.

Since the early 1970s, we can identify three distinct welfare state responses to economic and social change. The Scandinavian countries followed, until recently, a strategy of welfare state-induced employment expansion in the public sector. The Anglo-Saxon countries—in particular United Kingdom, New Zealand and the United States—have favoured a strategy of deregulating wages and the labour market, combined with a certain degree of welfare state erosion. And the continental European nations—like France, Germany or Italy—have favoured a strategy of induced labour supply reduction. All three strategies were intimately related to the nature of their welfare states.

## The Scandinavian Route

By the late 1960s, the Scandinavian countries had largely achieved their welfare state aims as far as income maintenance programmes were concerned. Although it was much more comprehensive and universalistic in coverage and generous in terms of guaranteeing adequate benefits, the Scandinavian “social democratic model” was at this point not radically different from others, such as those to be found in Germany or the Netherlands. Only with the shift towards active labour market policies, social service expansion and gender equalization in the 1970s and 1980s did a distinct Nordic—and especially Swedish—model come into existence. This shift was premised on the classical principles of the social democratic welfare state: the harmonization of egalitarian ideals with growth and full employment; the optimization of employment and the minimization of welfare dependence. It was, however, also motivated by growing employment problems.

With a steady decline in manufacturing employment, and given Scandinavia’s unusually egalitarian wage policies, it was clear from the start that sustained full

employment, let alone the rise in women's employment, would have to rely on public sector service jobs. Indeed, until the mid-1980s, when its expansion came to a halt, this sector accounted for roughly 80 per cent of total net job growth in Denmark and Sweden (with Norway lagging behind); and public employment now constitutes about 30 per cent of total employment in Scandinavia. From the point of view of equalizing the economic status of women, the policy has succeeded. With public daycare covering about 50 per cent of small children in Denmark and Sweden, as well as generous provisions for paid maternity and parental leave, women's participation rates in general (as well as the participation rate of women with small children) hover around 80 per cent—a figure higher than that for prime-aged males in the rest of Europe.

The consequences of this strategy, intended or not, are both positive and negative. On the positive side, it permits women to harmonize careers and fertility. Unlike the situation in many other countries, fertility rates have actually climbed. The strategy has also generated equality: the difference in men's and women's earnings and lifecycle behaviour is rapidly eroding; the two-earner, double-career household is now the norm; in comparison to everywhere else, the poverty rate among female-headed families is insignificant. And, with a very large proportion of the population engaged in remunerated work, the welfare state is assured higher tax revenue and lower dependency levels.<sup>20</sup>

On the negative side, the most dramatic result is an extremely high degree of gender segregation, with women concentrated in (typically part-time) public sector jobs, and males in the private sector. Although this may partly reflect women's preference for the more flexible conditions of public employment, the high social costs, absenteeism rates and disruptions to production that are associated with the employment of women with children lead private employers to prefer male workers. Absenteeism in Sweden is in fact alarmingly high.<sup>21</sup>

Another, less noticeable, consequence is the very high proportion of low-skilled (albeit well-paid) jobs that a social services-led strategy produces. In fact, the overall share of unskilled service jobs is higher in Denmark and Sweden than in the notorious case of the United States (Esping-Andersen 1993). This, again, suggests a difficult trade-off between mass joblessness and mass suboptimal employment in services, whether in the private sector (as in America) or the public sector.

Of course, it makes a great difference from a welfare point of view that Scandinavian public employment offers good pay and security, but here we also arrive at the increasingly evident Achilles heel of the system: the growing tax burden that a very large public sector labour market incurs. With high rates of productivity growth, the system can be sustained; but when productivity or private investments are sluggish, severe cost problems emerge. This is exactly the situation that Sweden faces today: declining

---

<sup>20</sup> This discussion has focused on the gender aspect of policy, but it should rightly be generalized to the population at large, and to older workers in particular. Thus, combined with active labour market policies of retraining, rehabilitation and job reinsertion, the strategy has succeeded—so far—in maintaining high employment levels also among youth and aged workers. The activity rate of males, aged 60–64, is 64 per cent compared to 54 per cent in the United States, 32 per cent in Germany, 25 per cent in France and only 15 per cent in the Netherlands. Scandinavia's extremely high participation rate (for women as well as men, younger and older people as well as prime-age workers) makes it necessary to interpret the region's unemployment figures differently from the way they would be interpreted in the rest of Europe. While in Italy, for example, an economically inactive woman would typically be classified as a housewife, a jobless woman in Denmark would in all likelihood be considered unemployed.

<sup>21</sup> In the aggregate, Swedish absenteeism rates are about double those in Germany or the Netherlands. In 1985 the absenteeism rate on "any given day" among Swedish women with a child aged 0–2 was 47.5 per cent. Critics argue that the system is too generous and thus encourages abuse. This is not entirely convincing when we consider that neighbouring Denmark's benefit levels and eligibility rule are essentially similar, while Danish absenteeism rates are substantially lower (for a comparison, see Esping-Andersen and Kolberg 1992).

fiscal capacity combined with rising pressures on public job creation and/or income maintenance. Only Norway, with its oil revenues, has so far avoided the problem. Swedish policy makers and unionists face growing pressures to lower taxes and social benefits, and to allow a more flexible setting of wages.<sup>22</sup>

Nordic social policy trends do not, however, point in an “American” direction. It is true that wage differentials have grown and public sector wages have experienced relative decline. At the same time, marginal adjustments to social entitlements, especially under the recent conservative governments in Denmark and Sweden, have aimed at reducing some of the systems’ negative work incentives and high absenteeism rates. Thus waiting days for sickness benefits have been reintroduced, replacement rates for sickness, parental leave and unemployment benefits have been slightly lowered and, in Sweden, the number of years during which contributions are made for pensions has been increased.

Over the long run, the single most radical change in Swedish policy involves a shift from the defined benefit formula in second-tier pensions (known as ATP pensions) to contribution-based pension rights. In a sense, this entails a move away from the principle (established in the 1960s and 1970s) of guaranteeing an adequate income to everyone, regardless of work history, towards an actuarial approach to benefits, which implies less redistribution of income.

There is also a visibly stronger accent on “pushing” people back to work (despite rising unemployment rates). Thus work and training requirements have been strengthened substantially for those receiving Swedish unemployment insurance, and Denmark introduced the so-called “job guarantee” policy for young workers unemployed more than one year. Also, to combat undeclared economic activity or negative work incentives, marginal tax rates have been drastically reduced—particularly for higher income earners, as with the Reagan reform. Finally, there is a certain drift towards decentralization and privatization of service delivery, particularly in Sweden. It would, however, be mistaken to see this as a neoliberal strategy of marketization. All providers remain subject to centrally defined, stringent norms, and the reform appears much more motivated by efficiency criteria and by an interest in allowing services to vary more in accordance with differentiated client demands. Here we see an example of how the more heterogeneous “postindustrial” structure of needs compels social democracy to depart from its traditional universalistic principles.

The drift of these reform efforts is marginal adjustment rather than an impending paradigm shift away from the basic principles of the universal, egalitarian welfare state. If anything, the welfare state’s role in securing and nurturing employment is being strengthened. The celebrated “active labour market” policy approach is being stepped up, particularly with regard to training and job provision. The Danish job guarantee programme relies mainly on sheltered public jobs, but employment stimulus policies extend also to the private sector via marginal wage subsidies and, recently, a temporary minimum guaranteed income for those establishing themselves as self-employed.<sup>23</sup>

Connected to the stronger social investment bias of Scandinavian social policy is also a more general shift of priorities in favour of the young and adults—groups that in the traditional full employment setting were assumed to require only marginal welfare

---

<sup>22</sup> High wage costs and taxes are widely believed to spur negative work incentives and hidden employment, although hard evidence is difficult to come by (see Atkinson and Mogensen 1993). Still, it is indicative that self-employment has been the fastest growing form of job growth in the 1980s.

<sup>23</sup> To stimulate employment in personal services, the Danish government has introduced a subsidy programme which covers 20–30 per cent of the wage.

state intervention. In a sense, what is emerging is a new lifecycle definition of social policy, with the recognition that contemporary family and employment transformation poses new risks and needs throughout the active, adult phase of people's life course. This is reflected in the surge of adult retraining policies and "life-long learning", in the schemes to facilitate geographical and job mobility, and in joint parental leave provisions. It is also reflected in attempts to secure the economic well-being of newly emerging family types, such as single-parent households.

There is, nonetheless, considerable uncertainty as to whether the Scandinavian model will remain viable over the long run. It faces two major threats. The first is a conflict between the principle of universalist egalitarianism and the growing heterogeneity of the population structure. There are indications that the more privileged social strata are exiting from the welfare state, be it in terms of private pension plans or services. Thus failures constantly to upgrade (and maybe even to differentiate) welfare programmes may, in the long run, provoke an exodus of the elites which, in turn, will undermine the solidity of welfare state foundations. The dilemma, of course, is that the fiscal capacity to carry out such an upgrading does not exist.

A second, and more serious, threat comes from the long-run difficulty of maintaining (and now restoring) full employment. The limits to public employment growth have been reached. Indeed, to reduce public expenditure burdens, the previous conservative Swedish government planned massive public sector lay-offs. Any employment strategy must therefore rely on private sector services which, in turn, poses the question of investment incentives and wage differentials. A low wage strategy of the American type would, in effect, completely undermine the welfare state edifice. The new Social Democratic government's strategy is to try to avoid dramatic system shifts by marginal adjustments, such as reducing the level of benefit entitlements and promoting selective wage subsidies.

Nevertheless Sweden's very high unemployment rates seem to undermine the basic credibility of the once celebrated social democratic model, and particularly of its activist "social investment" approach. Does the Swedish experience indicate that markets, indeed, work better? The answer to this question will ultimately depend on one's diagnosis of the present crisis. Many, like the Swedish economist Assar Lindbeck, diagnose the latter as primarily welfare state-induced: a problem of work disincentives and too low savings (Lindbeck 1994). This analysis is, however, hotly contested. There is little evidence of any major work disincentive effect (Atkinson and Mogensen 1993); and Swedish long-term productivity performance is not inferior to the European or OECD average (Korpi 1993). There are several, quite plausible, alternative arguments. One stresses the transitory nature of the crisis, arguing that the sudden rise in unemployment is a combination of a cyclical effect (the past recession) and a massive hemorrhage of investment capital since the mid-1980s, primarily spurred by fears of being left out of the European Community's accelerated market integration process. Another stresses imbalances between existing policies and emerging trends. Thus, it is held, the active labour market policies are primarily directed towards shorter industry-specific training, while the labour market increasingly demands higher-level and more generic skills. To the extent that the latter kinds of diagnosis are correct, the Swedish model is in need of (maybe even substantial) adjustments, but not of dismantling. In the last analysis, the question is likely to boil down to whether Sweden's once-celebrated institutional infrastructure is capable of overcoming its present fragmentation.

## The Neoliberal Route

Another group of nations deliberately adopted deregulatory, market-driven strategies during the 1980s—notably United Kingdom, New Zealand and the United States and to a lesser degree, also Australia and Canada. The United Kingdom and New Zealand exemplify a radical regime shift. Both were pioneer welfare states with a strong full employment commitment.

The policy shift has been far from uniform. It accompanied the curtailment of protectionism in Australia and New Zealand. In the United Kingdom and the United States, such a shift was associated with a noticeable weakening of collective organizations such as unions while, in contrast, Australia's liberalization policies were developed in cooperation with strong unions. In any case the thrust of the policy was to confront economic decline and domestic unemployment with greater labour market and wage flexibility through seeking to reduce the burden of social costs and taxation, and eroding the legislated or de facto minimum wage. Except for New Zealand's active dismantling of programmes, the most favoured approach has combined a greater accent on targeting benefits with failure to upgrade benefits and coverage in line with economic change. This style of more "passive" alteration will, as John Myles<sup>24</sup> argues, have only marginal effects in the immediate term, but possibly far-reaching consequences in the longer run.

The passive approach is typical of American social policy in the 1980s. In the absence of adjustment for inflation during the 1980s, the minimum wage dropped to only 38 per cent of average earnings, and the value of social assistance benefits (Aid to Families with Dependent Children—AFDC) to 24 per cent by 1989 (Moffitt 1990:210). Similarly, the percentage of the unemployed receiving insurance benefits declined steadily from about 70 per cent in the mid-1970s to 33 per cent in 1989. Thus, with the principal exception of pensions, the already quite weak American social safety net was allowed to erode still further.

A basic assumption in American welfare state construction has always been that employer plans would adequately supplement the basic public safety net. However, the trend in private coverage has largely paralleled erosion in the public sector. During the 1980s there has been a steady decline in the share of workers covered under both occupational pensions and health; and the decline has been particularly sharp among young and low-wage workers. The reasons are quite clear: on one hand, employers are trying to cut down on high (and growing) fixed labour costs; on the other hand, an increasing share of the labour force is employed in firms and sectors with low coverage.

Common to all the "liberal" cases are deepening inequality and rising poverty rates. Recent data for the 1980s show that earnings in the lowest decile lost ground, relative to the median, by 11 per cent in the United States, 14 per cent in the United Kingdom, 9 per cent in Canada and 5 per cent in Australia (OECD 1993). In contrast, both continental Europe and Scandinavia show either stability or even decreasing inequality of earnings and none of these countries experienced rising poverty.

The common underlying cause of growing poverty in the former group is the deregulation of wages and labour costs in response to economic restructuring. The "low wage" phenomenon in these countries is especially acute among unskilled, non-unionized workers, and among young entering cohorts. However, as we have seen, there are substantial national variations in the incidence of poverty and income polarization. Both

---

<sup>24</sup> See footnote 4.



Castles' and Myles' studies<sup>25</sup> suggest that this can be explained by welfare state differences. Unlike the United States, Canada's unemployment coverage did not erode (99 per cent of the unemployed receive benefits). In both Australia and Canada, welfare state policy has seen a pronounced drift in the direction of more targeting of benefits and a weakening of basic rights programmes in such areas as child/family benefits and pensions. The methods of targeting, however, appear to assure much better programme performance than is the case in traditional means-tested systems—primarily because eligibility is based on tax or income returns, rather than stigmatizing means tests, and because targeting is meant to exclude the rich rather than assure that only the demonstrably poor are included.

There is, at least superficially, some evidence in favour of the positive employment effect of wage flexibility. Employment growth in the 1980s has on average been two to three times higher in these countries than in the rest of the OECD. Low-end positions may be unattractive, but they do provide a large pool of easily accessible first-entry jobs. This helps integrate youth, women and immigrants into the labour market. In this sense, the American scenario contrasts very favourably with the continental European one. The burning issue, of course, is whether these jobs become dead-end traps: that is, whether the low-wage strategy fosters a new kind of chronically impoverished postindustrial proletariat. Research on this issue is still fairly rudimentary, but much suggests that mobility chances are substantial, *conditional upon adequate skills* (Esping-Andersen 1993). The unskilled workers have a high risk of remaining trapped. Hence an active social investment strategy seems to be paramount if we wish to avoid the emergence of a proletariat of the working poor.

The low-wage strategy nurtures employment growth in low-productivity, "lousy jobs" where even full-time, year-round employment results in below-poverty income (Burtless 1990). Hence, as Myles suggests, a low-wage labour market entails a double jeopardy: it necessitates higher income maintenance transfers (such as social assistance) and, at the same time, produces poverty traps (since low wages create a disincentive to work). The wage flexibility scenario brings with it two additional problematic consequences. First, there is a worrying erosion of the traditional fringe benefit packages of corporate welfare. Disappearing jobs tend to be in industries with developed welfare plans; and many new jobs are concentrated in companies with little or no occupational benefits.<sup>26</sup> Despite the fact that the United States spends almost 13 per cent of GDP on health care, the number of persons without adequate protection is very high (an estimated 30–40 million) and growing. In other words, welfare states like the United States, which assume company-provided supplements, are likely to face growing gaps in social security and serious disequilibria more generally.

The gap in social security coverage is less serious among the presently aged, but is most acutely felt in younger households. Perhaps the single most worrying effect is rising child poverty, in part because of the low earning capacity of single mothers, combined with a real decline in benefits; and in part because the lack of childcare facilities prohibits married mothers in low-income households from supplementing family income. In both

---

<sup>25</sup> See footnote 4.

<sup>26</sup> Many companies in the United States seek to lower their welfare obligations by shifting to so-called 401K systems. These are essentially individual insurance accounts akin to the Individual Retirement Accounts.

types of cases, we see an alarming rise of child poverty in Australia, Canada, the United Kingdom and the United States.<sup>27</sup>

The poverty problem associated with the “low-wage” strategy is clearly concentrated among particularly vulnerable clienteles such as unskilled and single-parent households. In the short run, the risk can be reduced by sustaining the standards of income maintenance programmes, but if low wages remain the only alternative to welfare dependency, this clearly nurtures poverty traps. Hence it seems obvious that, to guarantee against creation of a poverty spiral, an active social investment strategy will be needed in the longer run. A strategy of wage flexibility would be potentially much less harmful if it were systematically associated with an active training programme.<sup>28</sup>

## The Labour Reduction Route

The jobless growth scenario is especially acute in the European Community. If we go back to the 1960s, overall employment ratios were quite similar (around 65 per cent of the working age population) in continental Europe, North America and Scandinavia. Today, the American employed-population rate is 76 per cent for men and 60 per cent for women; the Swedish, 83 per cent for men and 76 per cent for women; while the French is 70 per cent for men and 50 per cent for women (OECD 1994a:table 16). The overall average of the European Community has fallen to 57 per cent. The major difference between continental Europe and other regions has to do with the labour force supply of women and older men, as well as with youth unemployment.<sup>29</sup>

These nations epitomize the “insider-outsider” problem: a small, predominantly male, “insider” workforce enjoying high wages, expensive social rights and strong job security contrasts with a swelling population of “outsiders” depending either on the male breadwinner’s pay or on welfare state transfers. How does one account for this, uniquely continental European, phenomenon? One analysis focuses on the welfare state and rigid labour markets, and on overly burdensome fixed labour costs due to taxes and social contributions. Nevertheless this argument alone is clearly incomplete when we take into account the Scandinavian experience, which has been marked by many years of publicly led job expansion—only recently curtailed—notwithstanding similarly burdensome labour costs and strong job rights.

One peculiarity of all the continental European welfare states is their combination of highly (if not overly) developed social insurance, inordinately biased towards pensions, and underdeveloped social services.<sup>30</sup> In addition, social insurance in these countries tends to be highly occupationally segmented. Entitlements are quite strictly related to one’s employment and contribution record. This means the necessity of a long unbroken

---

<sup>27</sup> Based on own calculations of LIS (Luxembourg Income Study) data, child poverty in two-parent families almost doubled in the United States during the 1980s (from 12 to 22 per cent) and tripled in the United Kingdom (from 5 to 15 per cent). Canada’s rise was more modest (from 11 to 14 per cent). The rise in poverty among single-parent households was even more dramatic in all countries except the United Kingdom, which registers a decline.

<sup>28</sup> Lynch 1993. The presence of a more active training policy may, however, in itself not suffice if it is not coupled with a strong institutional framework. As Soskice (1990) suggests, the lack of such a framework in the United Kingdom means that only a tiny proportion of those leaving school at age 16 receive any apprenticeship training.

<sup>29</sup> Again, starting in the 1960s, the activity rate of males, aged 60–64, has dropped to 25 per cent in France, 31 per cent in Germany, and 15 per cent in the Netherlands. The comparable rate is 64 per cent in Sweden and 54 per cent in the United States. Note, however, that female employment rates, especially among the younger cohorts, have begun to rise since the mid-1980s in Germany and the Netherlands, where part-time jobs have become more common.

<sup>30</sup> In Italy, 60 per cent of total social expenditure goes to the aged; in Germany, about 45 per cent. This contrasts with 30 per cent in Sweden (which is equally “aged”) and 40 per cent in the United States (OECD 1994a:chart 1).

career, in particular with regard to pensions. Thus the underlying assumption is that wives' and other family dependants' welfare needs will be met from the earnings and accumulated entitlements of full-time male breadwinners. These welfare states tend strongly to stress the family (and secondarily voluntary organizations) as the core unit of social care and, hence, the woman as full-time housewife. This is evident in tax policies (for example, the punitive tax treatment of couples with working wives) and in the extremely underdeveloped supply of social services. While childcare covers about 50 per cent of Danish and Swedish children, coverage is below 5 per cent in Germany, Italy and the Netherlands. Similarly, the percentage of the elderly living with their children is about 40 per cent in Italy and Spain, but under 10 per cent in Scandinavia and 15 per cent in the United States.<sup>31</sup> The continental European welfare state is thus essentially a transfer, or family income maintenance, state.

This helps explain its preference for early retirement (or disability pensions) as the principal policy for managing "de-industrialization". As a derived consequence, it also explains the high labour cost problem, employment inflexibilities and the catastrophic levels of long-term youth unemployment. The productivity gains that may come from an early retirement strategy of economic restructuring are easily outweighed by its associated costs. One of these is of course an added transfer burden, since generous pensions have often been the bribe to induce early retirement. Social insurance finances tend in most countries to be increasingly in deficit because contributions fall short of benefit payments. This problem is augmented by the fragmented nature of insurance funds: deficits are sometimes alarmingly high in funds covering declining occupations (such as miners' or general workers' insurance), while insurance funds for growing occupations tend to be financially healthy.

The rising financial requirements inherent in mass retirement mean growing social contributions and thus higher fixed labour costs. This is especially true in France and Italy, where labour supply reduction has been most intense. An indirect effect is that employers will prefer to regulate their labour needs through adjustment of hours rather than through taking on extra workers, since the marginal cost of part-time workers tends to be prohibitively high.<sup>32</sup> Such a situation disfavours female employment. In addition, high and rigid labour costs in the context of mass unemployment create a strong incentive for both employers and job seekers to exit formal employment relationships. This can be seen in the very large (and growing) hidden economy, and in the rise of self-employment, neither of which of course augments the tax base of the welfare state.

Indirectly, this system has an in-built tendency to augment labour market rigidities. If we consider that the average family depends on the male earner's pay and benefit eligibilities, and when we add to this the declining number of active years per worker due to later entry and early exit, the result is that the typical worker can ill afford any risks or employment breaks across his active career. It is therefore natural that trade unions will defend the existing rights of the "insiders" as forcefully as possible. This means safeguarding prime-age male workers' jobs even though such a strategy makes it more difficult for wives, sons and daughters to find work.

The problem has obviously not gone unnoticed, but major efforts to promote the flexible use of labour are easily blocked or neutralized by trade union, employee and even

---

<sup>31</sup> See OECD 1994a:table 13. As in East Asia, there is a clear declining trend. The problem of care for the aged is doubly acute since the only real alternative to family care is (extremely costly) hospitalization.

<sup>32</sup> Even part-time workers are entitled to full social benefits if they are employed for more than a certain minimum number of hours. These thresholds vary from country to country.

employer resistance. Although Italy liberalized part-time employment in the 1980s, the latter has hardly grown at all. Many countries have implemented temporary hiring provisions but, except for Spain and to a lesser degree France, there has been no visible rise in temporary workers. Furthermore, in these two countries such flexible hiring provisions have had no substantial impact on overall *net* job growth.

There are two equally plausible explanations for this outcome. One is that it is still too early to see the full effects of a more flexible labour policy; another is that employers may avoid shifting to new labour practices in the interest of maintaining harmonious industrial relations.<sup>33</sup> A case in point is the weakening of worker dismissal provisions in many countries, including Belgium, France, Germany (and the United Kingdom), despite which, as Blank (1994:166) suggests, companies' lay-off behaviour has hardly changed.

Although most agree that these countries need to decrease labour market rigidities, the dilemma is that the welfare of individuals and families depends on precisely those elements that cause rigidities in the first place: job security, high wages and expensive social contributions. The chief social policy issue, then, is how to develop alternative sources of lifetime security.

From this perspective, it seems clear that the transfer-induced labour reduction strategy must be drastically reversed. In fact, on this there is widespread agreement. There is now a uniform move to raise retirement age. In order to reduce the cost of hiring (and firing), there is also a trend towards diminishing the burden of mandated social contributions. One general strategy is to encourage the growth of private plans, and a certain trend in this direction is visible. Still, it is hardly likely to predominate precisely because—as is the case in the United States—this does not solve employers' labour cost problems. Privatization will more likely imply individual insurance plans and thus very unequal coverage. The second strategy, exemplified by the recent French government proposal, is to shift towards general revenue-financed—and thus probably more basic—pensions.

At a deeper level, to reduce rigidities it is clearly necessary to diminish families' dependence on the single male earner. The key, then, is to augment the supply of, and demand for, women workers. In this sense, it is difficult to see how the continental European model can avoid breaking with its traditional, family-based, income transfer bias. It is in fact on this issue that much of contemporary political conflict focuses; the left typically advocating a "Scandinavian" social service expansion, the right (especially Christian Democracy) proposing a "welfare society" approach that would reinforce the family—for example by introducing a housewife's salary—as well as local community voluntarism. Considering the fiscal strains of present social insurance systems, neither strategy seems particularly viable.<sup>34</sup>

## The Emergence of New Welfare States?

Are the nations of East Asia, East-Central Europe or Latin America in the process of emulating the Western model, or are they following qualitatively new trajectories?

---

<sup>33</sup> Several studies give credence to the former interpretation, suggesting that the shift to temporary workers will accelerate throughout the 1990s. On the other hand, Buechtemann's (1993) analysis of the German experience suggests that employers use temporary contracts as a screening device but subsequently extend permanent contracts in most cases.

<sup>34</sup> In Italy, voluntary associations have grown tremendously over the past decade, particularly in areas such as care for the elderly and for the disabled or drug addicted. It is, however, evident that this has been supported by the availability of a large pool of non-employed youth and women.

If by “new” trajectories we mean models that deviate markedly from existing welfare states, the answer to the second question is essentially “no”. Our survey does suggest, however, the makings of distinct trajectories that do not necessarily correspond to regional clusters. One—comprising Argentina, Chile and East-Central Europe—follows a broadly liberal strategy based on privatization of social insurance, a reduced public social safety net, a shift towards targeted means-tested assistance, and a free-market bias in labour market regulation. The market-driven strategy in Latin America must be seen against the backdrop of a highly status-segmented, clientelistic and seriously underfunded social insurance tradition.

A second group of countries, exemplified by Brazil and Costa Rica, has so far shunned neoliberalism and has in fact taken some steps towards strengthening public social safety nets, in both cases adopting a fairly universalistic approach in terms of population coverage.

The third, East Asian, group is—paradoxically—both globally unique and a hybrid of existing welfare state characteristics. This set of countries shares with the continental European model an unusually underdeveloped network of caring services for the young, the old and the sick, and relies heavily on families to provide such assistance. Embryonic social insurance schemes tend to follow the European corporatist tradition of occupationally segmented plans, favouring rather privileged groups such as the civil service, teachers or the military. In these countries, social security is neither comprehensive nor does it aim to furnish income *maintenance*. By default more than design, the vacuum of social protection has spurred the rise of company-sponsored occupational welfare, especially in Japan. As a consequence, a certain degree of “Americanization” has evolved: the modesty of public welfare rests on the assumption that the primary workforce will be covered under private plans.

When we evaluate the paths taken in these regions, we should first of all remember the stark contrast between the crisis-ridden economies of Latin America (and recently also East-Central Europe) and the amazingly dynamic economies of East Asia. Indeed, the general economic climate of the former two regions in the 1980s was quite similar in a number of ways: declining per capita GDP, inflationary pressures, huge debt problems, soaring unemployment, and the urgency to reform highly protected monopolistic industries.<sup>35</sup> Both regions have embarked on more or less rigorous liberal stabilization and restructuring strategies in the 1980s.

A common trait in the ex-communist nations’ transition is a first attempt to cushion shock therapy with social security. Initially, virtually all of these countries introduced generous unemployment insurance, and industrial redundancies were dealt with through attrition and early retirement. Nevertheless the dramatic fall in revenues, coupled with unexpected levels of unemployment and income loss (real wages in Eastern Europe have fallen by 20–35 per cent, and, in the Commonwealth of Independent States, by as much as 50 per cent), led in many countries to virtual collapse of the existing social security system and to a uniform shift towards targeted means testing.

In the region as a whole, there was a net loss of 6 million jobs (12 per cent of the labour force) between 1989 and 1993. Retirement aside, there has been a notable drop in participation rates, as well as a rise in irregular jobs and underemployment (OECD 1994b). Everywhere, the effects of the transition are rising unemployment and poverty.

---

<sup>35</sup> State ownership has been widespread in Latin America, accounting for 40 per cent of industrial output (compared to 80–90 per cent in Eastern Europe) (Przeworski 1991:143).

There is, however, a clear difference between countries like the Czech Republic and Hungary, on one side, and Poland and the Commonwealth of Independent States, on the other. As Burda (1993) and OECD (1994b) suggest, the former countries were more prone to negotiate the transition strategy, the social safety net remained stronger and there were more active employment policies, particularly for youth and the unskilled.<sup>36</sup>

As Standing's study demonstrates, shock therapy—combined with certain kinds of social policy—has often added to already existing distortions.<sup>37</sup> The policy of taxing wage growth (as a means to stem inflation) gives the stronger firms incentives to shift to non-money wages. Those working for weaker companies or in less competitive sectors do not receive these non-monetary benefits and therefore find their living standards dramatically reduced. An often sharp deterioration of the minimum wage has affected both earnings and most social benefits. Pensions and unemployment benefits, pegged to the minimum wage, have eroded to the point where they equal 20–30 per cent of the average wage (OECD 1994b).

In the labour market, the drift is from protected, full-time jobs towards marginal, often undeclared or irregular jobs, or towards unemployment (the effect of which is to exacerbate the tax problem), as well as towards an across-the-board reduction in real wages and the emergence of “Third World” poverty rates (at present, the latter stand at 40 per cent in Poland and reputedly at 80 per cent in Ukraine).

In a nutshell, individual risks have been privatized, but not the means to confront them. The lack of functioning private financial institutions makes private insurance difficult to establish. Hence, with the crumbling of an erstwhile public social security system at a time when there are serious obstacles to a private alternative, the remaining structure of social protection increasingly resembles the kind of poor relief that the advanced nations successfully left behind.

A similar scenario can be described for those Latin American countries that have embarked on a neoliberal adjustment strategy. Traditional social security in most Latin American nations can best be described as a patchwork of occupational social insurance, typically favouring the privileged (such as public employees and the labour aristocracy) and heavily impregnated with patronage. Within this context, hyperinflation and tax avoidance have posed serious fiscal problems, while more aggressive efforts at social reform have been politically difficult to contemplate. For these as well as other reasons, the Chilean experiment with privatization holds considerable interest.

Huber's study indicates that privatization of social security has so far been a mixed blessing.<sup>38</sup> Chile's shift to a pension scheme based on private individual retirement accounts has necessitated large public subsidies, and hence the net effect is a de facto subsidization of private welfare. Operating costs also appear to be prohibitively high. Moreover, since coverage is purely employee financed, the proportion of the population involved is not very impressive. The new private schemes may cover the more privileged and secure workforce fairly well, but they are essentially inoperable for the large mass of more marginalized wage earners, not to mention the unemployed. In other words, privatization

---

<sup>36</sup> The Czech case is interesting since it combines low unemployment rates with a level of employment loss (at 10 per cent) equal to others. In part, this is explained by retirement and in part by job creation schemes (250,000 jobs were created in 1992); it also seems that more drastic employment losses have been avoided by the strategy of privatizing prior to rationalizing firms (OECD 1994b).

<sup>37</sup> See footnote 4.

<sup>38</sup> See footnote 4.

in Chile has largely meant a replication of many of the same faults that characterized public insurance. It can be hoped that the new system will at least be more solvent.

It is on the labour market front that the Chilean-style liberalization strategy appears more positive, at least over the longer run. Unemployment levels have fallen from a catastrophic 30 per cent in 1983 to 5 per cent today, and investments, GDP and wages have all grown healthily. But this should be considered against past erosion: per capita income fell 26 per cent in 1974–1975 and another 16 per cent in 1982. Real incomes in 1988 were no higher than they had been before Pinochet, but they were much more unequally distributed.<sup>39</sup>

The alternative response, exemplified by Brazil and Costa Rica, has been to strengthen social policy, orienting it in a clearly universalistic direction, especially in the case of health care (although, as Huber notes, the universalism of these programmes in Brazil is questionable because of heavy political patronage, as well as the depth of poverty in many urban and rural settings). On the whole, Huber's study is pessimistic regarding the longer run viability of this strategy. It remained possible in Costa Rica only as long as generous American aid was available; and, considering inflation (especially in Brazil), the size of the foreign debt and stagnant or falling GDP, the future of a more ambitious social security plan seems seriously in doubt.

Turning finally to East Asia's peculiarly "hybrid" welfare regime, the first thing one notes in a comparative framework is how social security development lags in terms of GDP attainment. Japan's level of economic development already equalled the OECD average in the 1970s; South Korea and Taiwan have reached the GDP level of, say, Spain in the 1970s and Portugal today. A common explanation for the lag in development of welfare policy is that Confucian familialism is an effective functional equivalent, although critics would hold that the survival of three-generation households can be ascribed more realistically to the lack of any alternative.

Be that as it may, the issue of welfare state construction is now intensely debated in all three countries. The reasons for this debate are many. In South Korea and Taiwan, democratic nation building requires the extension of citizens' rights. In addition, these countries will soon experience extremely rapid population ageing, which, combined with urban mobility and modernization, is causing a growing crisis of caring for the elderly. Finally, the low-wage industrial miracle of Korea and Taiwan is rapidly being exhausted, implying the need for sweeping industrial restructuring and, in its wake, the likely emergence of unemployment and a host of new welfare problems. In much more advanced Japan, there are growing indications that the system of life-long employment and corporate welfare guarantees will weaken. The equilibrium of the Japanese combination of rather modest public benefits, private supplements and virtual employment security (for the male labour force at any rate) rests not only on familial care responsibilities, but also on the job guarantee.

---

<sup>39</sup> See Peirera 1993:37–39. It is also unclear how liberal this liberalization strategy has really been. The encouragement of markets required heavy public subsidies, as was the case with pensions. Subsidies to private enterprises in Chile during the 1980s are estimated to have reached around 4.3 per cent of GDP (Peirera 1993:37).

**Table 16.2: Population share of the elderly (aged 60-plus) in 1990**

<b>Europe</b>	
Czech Republic	16.6
France	18.9
Germany	20.9
Hungary	19.0
Italy	19.9
Norway	21.2
Poland	14.8
Russia	15.3
Sweden	23.4
<b>The Americas</b>	
Argentina	13.1
Brazil	7.1
Canada	15.7
Chile	8.9
Costa Rica	6.4
United States	16.9
<b>Asia and the Pacific</b>	
Australia	15.3
Japan	17.2
South Korea	7.4
New Zealand	15.1

Source: United Nations 1993.

So far, these fast-growing economies have suffered labour shortages rather than unemployment, and this has obviously meant that the income risks of adult wage earner families have been rather small, and their caring capacity fairly strong. But this is not likely to continue indefinitely.

Up to the present, responses to perceived challenges in the field of social policy have been concentrated in two areas. The first, and more cautious, approach has been to erect a somewhat more comprehensive and universal social security network, as exemplified by South Korea's reforms in the late 1980s. Nevertheless such programmes do not provide universal coverage, nor are benefit levels adequate to maintain recipients much above subsistence. Taiwan's very recent National Health Care reform (September 1994), initially intended as universal and obligatory, in fact is voluntary; and gaps in coverage are thus likely to remain.

Policy makers' hesitation to commit themselves to a genuine income maintenance system is partly due to fears of unusually rapid population ageing in the coming decades. This is particularly the case in Japan where, indeed, the conservatives seek to reinvigorate Confucian familialism as a compensatory strategy. This closely parallels the Christian Democratic policy in much of Europe, and for basically the same reasons it is unlikely to be effective. Women in Japan and South Korea, as in Germany and Italy, are having far fewer children (Japan's fertility rate is now far below replacement) and are increasingly entering the labour market. Furthermore, population ageing in Japan is, comparatively speaking, extremely skewed towards the very old, meaning those with particularly intense needs for care. The percentage of people aged 80-plus will triple by the year 2020 (OECD 1994a:table 15).

Another concern of governments is the possibly negative impact of expanded social protection on savings. The Asian tigers' economic miracle was premised on high savings rather than Keynesianism: families saved for lack of adequate social security coverage. It is feared that a real welfare state approach would undermine this incentive. Moreover, since



these economies are characterized by sustained growth and unusually egalitarian income distributions, there is some legitimacy in the argument that most households have the capacity to save—at least if they are urban and contain a primary sector breadwinner.

The second major approach to the challenge of designing new social policies is to stress a social investment strategy. Thus, in anticipation of structural unemployment and (partial) “de-industrialization”, these countries favour training and education rather than income maintenance. On this front, they are possibly vanguards. At any rate, in most of the welfare systems we have examined—except Scandinavia—the reorientation of welfare state activities from social transfers to social investment remains so far only on paper.

## **Conclusions: Major Trends and Policy Dilemmas**

Except for a handful of cases, the dominant picture is that of a “frozen welfare state landscape”. Resistance to change is to be expected: long-established policies become institutionalized and create groups with a vested interest in their perpetuation. Thus social security systems are not likely to be amenable to radical reform and, when reform is undertaken, it tends to be negotiated and consensual. Continental Europe is the clearest case of impasse, while Australia and Scandinavia represent change via negotiation. At the other extreme, in Chile and the ex-communist nations, wholesale change has occurred against the backdrop of the collapse or destruction of the existing organizational structure. In between these poles are countries, like the United Kingdom or the United States, in which a more gradual erosion occurred in tandem with weakened trade unionism.

The decay of comprehensive and centralized consensus building mechanisms in Scandinavia (and especially in Sweden) over the past decade is one of the primary reasons for the difficulties that now also beset the famed Swedish model. Its long-standing capacity to reconcile ambitious and egalitarian welfare goals with full employment has undergone serious erosion.

There is a seemingly universal trade-off between equality and employment. The roots of this dilemma may lie primarily in the new global order, but our study identifies significantly different national responses. Within the group of advanced welfare states, only a few have undertaken radical steps to roll back or deregulate the existing system. All, however, have sought to trim benefits at the margin or to introduce cautious measures of flexibilization. As we have seen, those following a more radical liberalization strategy do better in terms of employment but pay a high price in terms of inequality and poverty. In contrast, those resistant to change pay the price of high unemployment—continental Europe in particular.

Although some perception of a trade-off between equality and efficiency has always dominated social policy debates, it was for a number of decades widely agreed that the Keynesian welfare state provided a positive-sum solution. Today, there are few who are optimistic about finding a problem-free “third way”. Still, many of the countries we have surveyed pursue strategies designed to mediate or soften the trade-off. One group, represented by Australia and Canada, combines liberalization and a shift towards more selectivity and targeting with a concomitant rise in benefits to those most at risk. Their approach to selectivity is broad rather than narrow, with the goal of insuring against abject poverty and stark inequalities. Comparative income and poverty data suggest that the strategy is somewhat successful, at least when compared with the United States. These

countries have enjoyed an employment performance that equals the American one without alarming rates of immiseration.

Another strategy, evident in Scandinavia, consists of shifting welfare state resources from passive income maintenance to employment (and family) promotion. The era of public employment growth has clearly ended and, instead, policy is directed to strengthening long-standing commitments to active labour market measures, such as training and mobility, as well as wage subsidies. Scandinavia appears now to have accepted the view that greater inequalities are unavoidable but seeks to build in guarantees against these being concentrated in any particular social stratum, or becoming permanent across people's lifetime. In this regard, the Nordic welfare states may be said to spearhead a "social investment" strategy. These nations have clearly not escaped high unemployment levels and are simultaneously compelled to make significant cuts in social benefit levels. Yet their unemployment record must be judged against the backdrop of record high activity rates and, contrary to continental Europe, very modest degrees of social marginalization, exclusion and youth unemployment.

More generally, if a return to full employment will have to rely on greater earnings inequalities and a profusion of "lousy" service jobs, active social investment policies should diminish the chance that certain groups become chronic losers. "Lousy" jobs constitute only a marginal welfare problem (and may even be beneficial) if they are merely stop gap, or easy first entry, jobs for school leavers or low-skilled (often immigrant) workers. They are a major problem if they become dead-end career traps. We know that education and skills offer the best odds for people to move on to better jobs. Hence a low-wage-based employment strategy can be reconciled with equality if there are guarantees of mobility and improvement.

Privatization of social security programmes is one of the most commonly advocated strategies in the current welfare state crisis. In fact, it is promoted for two distinct reasons: one, to diminish public spending burdens and encourage self-reliance; the other, to respond to the more differentiated and individualistic demands of "post-industrial" society. In practice, there have as yet been very few substantial privatization reforms. Nevertheless a process of "creeping" privatization may be under way in many countries, mostly because of gradual erosion of benefit or service levels. Here we should also mention the Swedish experience of permitting greater competition between service providers, albeit under strict norms.

If privatization entails a shift of welfare responsibilities to companies, it is very unlikely to become a panacea. Experience from North America shows that company plans, especially of the defined-benefit variety, face problems similar to public plans; they inhibit flexibility and incur heavy fixed labour costs. Indeed, they are being rolled back in tandem with public programmes. In addition, such corporate plans are less and less viable in a service-dominated employment structure where firms are smaller and the labour force less unionized. The alternative is individual savings plans (which will hardly provide substantial welfare guarantees) or individual insurance schemes (like the Chilean model or the rapidly growing Individual Retirement Accounts-type plans in the United States). As in the United States—and in Europe—individual plans do have positive aspects. Besides encouraging savings, they permit individuals to tailor their welfare package. But if they are meant as a substitute for, rather than merely a supplement to, public schemes, their capacity to furnish social security in any universal way is highly dubious. The Chilean experience suggests that coverage will be incomplete and that administrative costs are

prohibitively high. Besides, the growth of such schemes has everywhere been nourished by public subsidies, such as favourable tax treatment.

Although it may be too early to say with any certainty, two general policy trends seem to be evolving in the area of pension entitlements. The first, exemplified by the Australian experience, is to move from universal rights to targeted benefits. The second, exemplified by developments in the field of private pensions in the United States and by the recent reform in Sweden, involves a shift away from entitlements based on general standards of adequacy towards reliance upon actuarial criteria for the definition of benefits.

One of the overriding problems in the advanced welfare states is that their transfer programmes have over the past decades become perverted. In order to facilitate industrial restructuring, income maintenance schemes became a labour market management device, providing inducements not to work. Especially in continental European countries, the labour reduction strategy has exacerbated rather than eased the underlying employment problem. It adds to the burden of labour costs for the shrinking “insider” labour force and thus raises the costs of entry for the “outsiders” such as youth. It increases the family’s dependence on the sole (usually male) breadwinner’s job stability and pay.

There is little doubt that the future welfare state faces the challenge of harmonizing women’s employment with family formation. Women demand employment and greater economic independence; the family is more likely to be flexible if it depends less on one person’s income; and the ageing burden will be lessened if fertility rises. The Scandinavian experience demonstrates that these demands can be harmonized with a comprehensive network of services. Nevertheless the fiscal strains on contemporary welfare states generally prohibit such an expansion in the public sector, and high wage costs make it unlikely in the private sector.

On a final note, we should not forget that the initial impetus behind the postwar welfare state went beyond narrow social policy concerns. As a mechanism for social integration, for the eradication of class differences and for nation building, the advanced welfare state has been enormously successful. Part of the welfare state crisis today may be simply a question of financial strain and rising unemployment. In part, it is clearly also related to less tangible needs for new modes of social integration, solidarity and citizenship. The market may indeed be an efficient mechanism for allocating resources, but not for building solidarities. There is little doubt that these more intangible qualities constitute an important element in the embryonic welfare state evolution in the new industrial democracies of Asia, Eastern Europe and South America. The economic effects of the welfare state can certainly not be disregarded. But neither should we forget that the only credible reason for promoting economic efficiency is to ensure welfare.

## References

- Atkinson, A.B. and M. Rein. 1993. *Age, Work and Social Security*. St. Martin’s Press, New York.
- Atkinson, A.B. and G.V. Mogensen. 1993. *Welfare and Work Incentives: A North European Perspective*. Clarendon Press, Oxford.
- Baumol, W. 1967. “The macro-economics of unbalanced growth: The anatomy of urban crisis.” *American Economic Review*, Vol.57, No. 3, pp. 415–426.
- Blank, R. 1993. “Does a larger safety net mean less economic flexibility?” In R.B. Freeman (ed.), *Working under Different Rules*. Russell Sage, New York.
- Buechtemann, C.F. 1993. *Employment Security and Labor Market Behavior: Interdisciplinary Approaches and International Evidence*. ILR Press, Ithaca NY .

- Burda, M. 1993. "Unemployment, labor markets and structural change in Eastern Europe." *Economic Policy*, Vol. 8, No. 16, pp. 101-137.
- Burkhauser, R.V., G.J. Duncan, R. Hauser, R. Bernsten. 1991. "Wife or frau, women do worse: A comparison of men and women in the United States and Germany after marital dissolution." *Demography*, Vol. 28, No. 3, pp. 353-360.
- Burtless, G. (ed.) 1990. *A Future of Lousy Jobs? The Changing Structure of U.S. Wages*. Brookings Institute, Washington DC.
- Calmfors, L. and J. Driffill. 1988. "Bargaining structure, corporatism, and macroeconomic performance." *Economic Policy*, Vol. 3, No. 6, pp. 14-61.
- Cameron, D. 1984. "Social democracy, corporatism, labor quiescence, and the representation of economic interest." In J.H. Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism*. Clarendon Press, Oxford.
- Chan, H. 1992. "Ageing in Taiwan." In D.R. Phillips (ed.), *Ageing in East and South-East Asia*. Edward Arnold, London.
- Choi, S. 1992. Ageing and social welfare in South Korea." In D. Phillips (ed.), *Ageing in East and South East Asia*. Edward Arnold, London.
- Cornia, G.A. 1994. "Poverty, food consumption and nutrition during the transition to the market economy in Eastern Europe." *American Economic Review*, Vol. 84, No. 2, pp. 297-302.
- Danziger, S. and P. Gottschalk. 1993. *Uneven Tides: Rising Inequality in America*. Russell Sage, New York.
- Esping-Andersen, G. 1994. "Welfare states and the economy." In N.J. Smelser and R. Swedberg (eds.), *The Handbook of Economic Sociology*. Princeton University Press, Princeton NJ.
- \_\_\_\_\_. 1993. *Changing Classes: Stratification and Mobility in Post-Industrial Societies*. Sage, London.
- Esping-Andersen, G. and J.E. Kolberg. 1992. "Decommodification and work absence in the welfare state." In J.E. Kolberg (ed.), *Between Work and Social Citizenship*. M.E. Sharpe, Armonck NY.
- European Community. 1994. *Social Protection in Europe 1993*. Commission of the European Communities, Brussels.
- \_\_\_\_\_. 1993. *Green Paper on European Social Policy: Options for the Union* (communication by Mr. Flynn), 17 November. Directorate-General for Employment, Industrial Relations and Social Affairs, Brussels.
- \_\_\_\_\_. 1989. *Employment in Europe*. EU Commission, Brussels.
- Freeman, R.B. 1993. "How labor fares in different countries." In R.B. Freeman (ed.), *Working under Different Rules*. Russell Sage, New York.
- Freeman, R.B. and L. Katz (eds.). 1994. *Differences and Changes in Wage Structure*. University of Chicago Press, Chicago.
- Gottschalk, P. 1993. "Changes in inequality of family income in seven industrialized countries." *American Economic Review*, Vol. 83, No. 2, pp. 136-142.
- Hashimoto, A. 1992. "Ageing in Japan." In D. Phillips (ed.), *Ageing in East and South East Asia*. Edward Arnold, London.
- ILO (International Labour Organization). 1991. *The Cost of Social Security*. ILO, Geneva.
- IMF (International Monetary Fund). 1993. *International Government Statistics*. IMF, Washington DC.
- Jencks, C. and P. Peterson (eds.). 1991. *The Urban Underclass*. Brookings Institute, Washington DC.
- Katzenstein, P. 1985. *Small States in World Markets: Industrial Policy in Europe*. Cornell University Press, Ithaca NY.
- Korpi, W. 1993. *Halkar Sverige Efter*. Carlssons, Stockholm.
- Lindbeck, A. 1994. "The welfare state and the employment problem." *American Economic Review*, Vol. 84, No. 2, pp. 71-75.
- Lynch, L. 1993. "Payoffs to alternative training strategies." In R. Freeman (ed.) *Working under Different Rules*. Russell Sage, New York.
- Mishel, L. and J. Bernstein. 1993. *The State of Working America, 1992-1993*. M.E. Sharpe, Armonck NY.
- Moffitt, R. 1990. "The distribution of earnings and the welfare state." In G. Burtless (ed.), *A Future of Lousy Jobs? The Changing Structure of U.S. Wages*. Brookings Institute, Washington DC.
- OECD (Organisation for Economic Co-operation and Development). 1994a. *New Orientations for Social Policy*. OECD, Paris.
- \_\_\_\_\_. 1994b. *Unemployment in Transition Countries: Transient or Persistent?* OECD, Paris.
- \_\_\_\_\_. 1993. *OECD Employment Outlook 1993*. OECD, Paris.
- \_\_\_\_\_. 1988. *Ageing Populations*. OECD, Paris.
- Pereira, L. 1993. "Economic reforms and economic growth: Efficiency and politics in Latin America." In L.C. Bresser-Pereira, J.M. Maravall and A. Przeworski (eds.), *Economic Reforms in New Democracies: A Social-Democratic Approach*. Cambridge University Press, Cambridge.
- Przeworski, A. 1991. *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*. Cambridge University Press, Cambridge.
- Room, G. 1990. *New Poverty in the European Community*. Macmillan, London.
- Soskice, D. 1990. "Wage determination: The changing role of institutions in advanced industrialized countries." *Oxford Review of Economic Policy*, Vol. 6, No. 4, pp. 36-61.

**SOCIAL POLICY AND INCLUSIVE DEVELOPMENT**

Streeck, W. 1992. *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies*. Sage, London.

United Nations. 1995. *1993 Demographic Yearbook: Forty-fifth Issue*. Department for Economic and Social Information and Policy Analysis, United Nations, New York NY. UN Doc No. E/F.95.1II.1.

## Chapter 17

# Affluence, Poverty and the Idea of a Post-Scarcity Society<sup>1</sup>

*Anthony Giddens*<sup>2</sup>

---

My starting point in this discussion is a world that has taken us by surprise. By “us” I mean not only intellectuals and practical policy makers, but the ordinary individual too. In the West, at least, we are all the legatees of certain strands of Enlightenment thought. The Enlightenment was a complex affair. Various different perspectives of thought were bound up with it and the works of the leading Enlightenment philosophers were often complex and subtle. Yet in general the philosophers of Enlightenment set themselves against tradition, against prejudice and against obscurantism. For them the rise of science, both natural and social, would disclose the reality of things.

Understanding was always itself understood as an unfinished and partial affair—the expansion of knowledge is at the same time an awareness of ignorance, of everything that is not and perhaps will not be known. Nevertheless, knowledge was presumed to be cumulative and presumed also to yield a progressive mastery of the surrounding world. The more we are able to understand ourselves, our own history, and the domain of nature, the more we will be able to master them for our own purposes and in our own interests. The underlying theorem, stripped bare, was extremely plausible. The progress of well-founded knowledge is more or less the same as the progressive expansion of human dominion.

Marx brought this view its clearest expression, integrating it with an interpretation of the overall thrust of history itself. In Marx’s celebrated aphorism, “human beings only set themselves such problems as they can resolve”. Understanding our history is the very means of shaping our destiny in the future. Even those thinkers who took a much less optimistic view than Marx of the likely future for humanity accepted the theorem of increasing human control of our life circumstances. Consider, for example, the writings of Max Weber. Weber certainly did not see history as leading to human emancipation in the manner envisaged by Marx. For Weber, the likely future was one of “uncontrolled bureaucratic domination”—we are all destined to live in a “steel-hard cage” of rationality,

---

<sup>1</sup> Originally published as an UNRISD Discussion Paper (UNRISD, 1995).

<sup>2</sup> At the time of writing, Anthony Giddens was Professor of Sociology and Fellow of King’s College, Cambridge, United Kingdom.

expressing the combined influence of bureaucratic organization and machine technology. We are all due to be tiny cogs in a vast and well-oiled system of rational human power.

Each of these visions of the imminent future attracted many adherents. Marxism, of course, shaped the very form of human society for many. Others, perhaps critical of Marxist thought, recoiled before the somber vision offered by Weber, Kafka and many others. Marxism, as we all know now, has lost most of its potency as a theoretical perspective on history and change. But Weber's more sombre vision has also lost its hold over us. It does not correspond to the world in which, at the end of the twentieth century, we in fact find ourselves. We do not live in a world that feels increasingly under human control but, rather to the contrary, one that seems to run out of control—in the words of Edmund Leach (1968), a “runaway world”. Moreover, this sensation of living in a world spinning out of our control can no longer be said to be simply the result of lack of accumulated knowledge. Instead, its erratic runaway character is somehow bound up with the very accumulation of that knowledge. The uncertainties that we face do not result, as the thinkers of Enlightenment tended to believe, from our ignorance. They come in some substantial part from our own interventions into history and into the surrounding physical world.

I do not think one could say that the world in which we live today is actually more uncertain than that of previous generations. I do not see how such a claim could be validated in any case. It is the sources of uncertainty which have changed. We live increasingly in a social and material universe of what I shall call *manufactured uncertainty*. Manufactured uncertainty, or manufactured risk, comes from human involvement in trying to change the course of history or alter the contours of nature. We can separate manufactured risk from “*external risk*”. External risk refers to sources of uncertainty which come either from unmastered nature or from “unmastered history”—that is, history as lived by taken-for-granted traditions, customs and practices.

The debate about global warming—which is a debate about “nature that is no longer nature”—offers one among many examples of the advent of manufactured uncertainty. The majority of scientific specialists believe that global warming is occurring, even if all forecasts of its likely consequences are imponderable. Some scientists, however, believe that the whole idea of global warming is a myth, while there is a minority view that what is taking place is actually the reverse—a long-term process of global cooling. The uncertainties which surround the global warming hypothesis do not derive from “unmastered nature”, but precisely from human intervention into nature—from the “end of nature”. Since we cannot be wholly sure whether or not global warming is occurring, it is probably best on a policy level to proceed in an “as if” manner. As some of the consequences of global warming could be calamitous, it is sensible for nations and the larger world community to take precautionary measures.

Manufactured uncertainty is by no means limited to “nature which is no longer nature”. It invades most areas of social life too, from local and even personal contexts of action right up to those affecting global institutions. Take as an example the decision to get married today on the part of someone living in a Western society. Fifty years ago, someone who decided to marry knew “what he or she was doing”. Marriage was a relatively fixed division of labour involving a specified status for each member of the married couple. Now no one quite knows any longer what marriage actually is, save that it is a “relationship”, entered into against the backdrop of profound changes affecting gender relations, the family, sexuality and the emotions.

What explains the increasing dominance of manufactured over external risk? Obviously the origins of this transition are bound up with the advent of modernity as a whole. However, a series of very basic changes sweeping through the world over the past several decades have intensified this transformation of the conditions of uncertainty and risk. Three particular sets of changes are having a major impact throughout the industrialized countries and are, in some degree affecting most societies across the globe.

The first concerns the effects of *globalization*. The word globalization appears almost everywhere these days, but thus far has not been well conceptualized. As I would understand it here, globalization does not simply refer to the intensifying of world economic competition. Globalization implies a complicated set of processes operating in several arenas besides the economic. If one wanted to take a technological fix upon the intensifying of globalization in recent years, it would be the point at which a global satellite communication system was first established. From that point onwards instantaneous communication became possible from any part of the globe to any other. The advent of instantaneous global communication both altered the nature of local experience and served to establish novel institutions. The creation of 24-hour money markets, for instance, a phenomenon that has an impact upon almost all the world's population, became possible only because of the immediacy of satellite communication.

Globalization is not just an "out there" phenomenon. It refers not only to the emergence of large-scale world systems, but to transformations in the very texture of everyday life. It is an "in here" phenomenon, affecting even intimacies of personal identity. To live in a world where the image of Nelson Mandela is more familiar than the face of one's next door neighbour is to move in quite different contexts of social action from those that prevailed previously. Globalization invades local contexts of action but does not destroy them; on the contrary, new forms of local cultural autonomy, the demand for local cultural identity and self-expression, are causally bound up with globalizing processes.

The second major source of social change over recent years is *detraditionalization*. Here again we can distinguish longer processes of transformation from the more intensified changes happening over the past few decades. Modernity, of course, always set itself against tradition—this was one of the very origins of the Enlightenment. Yet during the lengthy period of what Ulrich Beck has called "simple modernization", modernity and tradition existed in a sort of symbiosis. Science itself became a kind of tradition—an established authority to which one turned when seeking the answer to puzzles or problems. This symbiosis of modernity and tradition marks the phase of "simple modernization"—roughly speaking, the first century and a half or so of industrialization and modernity.

In the phase of "reflexive modernization", which has accelerated over the past several decades, the status of tradition becomes altered. Detraditionalization does not mean an end to tradition. Rather, traditions in many circumstances become reinvigorated and actively defended. This is the very origin of fundamentalism, a phenomenon which does not have a long history. Fundamentalism can be defined as tradition defended in the traditional way—against the backdrop, however, of a globalizing cosmopolitan world which increasingly asks for reasons. The "reason" of tradition differs from that of discourse. Traditions, of course, can be defended discursively but the whole point of tradition is that it contains a "performative notion" of truth, a ritual notion of truth. Truth is exemplified in the performance of the traditional practices and symbols. It is not



surprising, therefore, that we should see so many clashes and fracturings today across the world as embattled tradition clashes with much more open lifestyle choice.

Detraditionalization is closely linked to the “end of nature” and indeed the two intertwine very often. “Nature” disappears in the sense that few aspects of the surrounding material world—and of the body—remain uninfluenced by human intervention. Tradition and nature, as it were, used to be “landscapes” of human activity, carrying with them a certain fixity of lifestyle practices. As tradition and nature dissolve, a whole host of new decisions must be taken (by somebody) in areas which were not “decisionable” before.

Consider, for example, the field of human reproduction. A variety of aspects of reproduction which were previously “given”—not open to being influenced by human decision making—are now in principle or in practice malleable. It is possible to have a child without any kind of sexual contact with another adult at all; the sex of a child can become a matter of choice; contraception becomes highly effective, so that the decision to have a child becomes something quite different from when childbearing was more of a “natural” process. The “end of nature” in the domain of reproduction, however, integrates closely with the social changes brought about by detraditionalization. Thus central to the lowered birth rate in the developed societies today is the series of changes which have promoted the autonomy of women and therefore altered the traditionally given relations between the sexes.

The third set of changes sweeping through the world are those associated with the expansion of *social reflexivity*. This is again not confined to the Western or developed societies, but is bound up with the globalization of communication. “Reflexivity” does not mean self-consciousness. It refers precisely to the condition of living in a detraditionalized social order. In such an order everyone must confront, and deal with, multiple sources of information and knowledge, including fragmented and contested knowledge claims. Everyone in some sense must reflect upon the conditions of her or his life, as a means of living a life at all. Consider the example mentioned above—the decision to get married. That decision is taken amid a welter of information about “relationships”, “commitment”, the changing nature of sexuality, of gender relations and of the very institution of marriage itself. Such information or knowledge is not simply a “background” against which the decision to marry is taken: as noted earlier, it enters constitutively into the environment of action which it describes.

Living in a highly charged reflexive social environment brings many new rewards and forms of increasing autonomy; at the same time, it also brings new problems and anxieties. Consider, as an illustration of this, eating disorders and anorexia. As a widespread phenomenon, eating disorders in Western countries are relatively recent, dating only from the past 30 or so years. They are pathologies of a society where everyone is “on a diet”: that is, a diversity of foodstuffs are available, to those who can afford them, at any time of the day, month or year. Diet is no longer given by “nature”—by the local seasons and by the availability of local produce. In such circumstances individuals have to decide what to eat—in some sense select a diet—in relation to how they want to be. Diet becomes intrinsically bound up with the cultivation of the body—for some people, particularly young women, social pressures to do with bodily appearance can assume a pathological and compulsive form.

When we decide what to eat, and therefore how to be, we know that we are taking decisions relevant to present and future health. A person might resolutely stick to a traditional diet, continue to smoke and so forth, in the face of widely disseminated

medical knowledge which indicates these habits to be harmful. Yet he or she cannot do so without being aware of such knowledge claims. Ignoring them is in effect a decision.

In a globalizing world, marked by the swathes of social change just described, pre-established institutions start to come under strain. This is true of areas of social life ranging from personal and intimate social ties right through to large-scale global orders. In politics, to take one illustration, the voting population now lives in the same discursive arena as their political leaders. In such a circumstance, political legitimacy starts to come under strain. Deference tends to disintegrate, and political activities and procedures which were once acceptable start to be placed widely in question. It is not just happenstance that corruption cases have come to the fore in political life in many countries across the world. Corruption was there previously, although it might not have been treated as such; but in the new conditions of social visibility in which political life operates today, what was once accepted becomes generally seen as illegitimate (although the reverse can also on occasion be true).

Rather than developing the political example, I shall concentrate here upon the question of the welfare state and welfare institutions. Most students of social policy agree that the Western welfare state is in a situation of crisis. That crisis is ordinarily understood in fiscal terms as part of a “can’t pay, won’t pay” mentality on the part of the middle classes. In the more affluent sectors of society, in other words, people increasingly refuse to accept the levels of taxation required to support others less fortunate than themselves. Sometimes the fiscal crisis of the welfare state is described, as in Galbraith’s phrase, as a “culture of contentment”: many middle class people have achieved a comfortable way of life and become protective about it. Others see the situation more as one of anxiety and insecurity; the middle class is no longer exempt from worries which used to concern mainly those in the lower strata of the social order.

I do not mean to say that the thesis of the fiscal crisis of the welfare state, in either of these competing versions, is a wholly mistaken one. It is not. However, one can also look at the problems facing the welfare state in a different way. The crisis of the welfare state, it can be suggested, is in some large part a crisis of *risk management*. The welfare state originated as a “security state” and was actually called such in some countries. It was the socialized, public counterpart to private insurance. Now the involvement of modernity with insurance makes an interesting and informative story. Modern civilization on the whole looks towards the future rather than the past, seeking to “colonize the future”; the future is a “territory” to be “occupied”. It is not surprising, therefore, that early industrial enterprise was closely bound up with the emergence of the notion of insurance. What is insurance? It is a means of organizing future time. Insurance is a means of protecting against the hazards which might in the future befall individuals or groups in different contexts.

The welfare state, I think it can be said, was an insurance system which was developed in terms of coping with external risk. Certain things could befall the individual: he or she could become ill or disabled, be divorced or become unemployed. The welfare state would step in to protect those who fell foul of such contingencies. In an era coming to be dominated by manufactured uncertainty, by contrast, welfare institutions based on external risk start to break down. Take as an illustration the changing circumstances of divorce. A half a century or so ago, in most Western countries, only a minority of people got divorced (most of these were cases of men leaving women, because legal and economic circumstances made it difficult for women to extricate themselves from marriage). Where only few divorced, divorce could be treated

like a “hazard of nature”—it might happen to you if you were very unlucky. Where it did take place, divorce happened against the backdrop of gender and family relations which were quite clearly defined and fixed. Today, not only are divorce rates very high compared to what they were but the large proportion of marriages in Western countries are also actively broken up by women. In such a situation, reflecting so many other changes in personal and economic life, treating divorce as a “hazard of nature” makes no sense. Divorce (and remarriage) become part of a much more active series of engagements with life problems. Welfare systems cannot simply step in to pick up the pieces; they have to be redirected and reorganized in such a way as to promote responsible decision making.

Something parallel applies in the case of health and illness. The medical health care systems of the welfare state were based upon the assumption that falling ill was something which simply happened to people in certain circumstances. In a world of much more actively organized lifestyles, where the body is no longer so much of a “given”, this assumption no longer holds. We all know that how healthy one is tends to be strongly influenced by the lifestyle decisions which one takes, and by alterable states of the surrounding environment. Health care systems come under strain not simply because of the escalating costs of standard medical treatments, but because they still depend too much upon the presumption of illness as external risk.

In recent times critiques of the welfare state have come mostly from the neoliberal right. Neoliberals see welfare institutions as promoting dependencies rather than encouraging more responsible lifestyle practices. The impulse of neoliberalism has been to cut back upon welfare expenditure and to seek to turn welfare systems into markets wherever possible. In an oblique and negative sort of way, the neoliberals have had a better grasp of the inadequacies of the welfare state in current social conditions than have most of its defenders. But the relevance of their critiques has been undermined by their fascination with markets. In place of the neoliberal attack upon welfare institutions, we should seek to provide what I would describe as a positive critique of the welfare state, rather than a primarily negative one. A *positive critique* of the welfare state would aim to restructure welfare institutions so as to bring them more into line with a detraditionalized world of manufactured uncertainty. I believe that many interesting and important issues are raised by such a reorientation, although I shall not pursue these here.

Positive welfare means the active mobilization of life decisions rather than the passive calculation of risk. We should think in terms of positive welfare, not only when considering the position of the welfare state within the developed societies, but also when approaching the seemingly intractable problem of the divergence between the rich and poor countries globally. There is a shift in political orientations going on today which corresponds in a general way to the shifting circumstances of social life discussed thus far in this chapter. This is a transition from *emancipatory politics* to *life politics*. By “emancipatory politics” I mean the pre-given political arena of left liberal political theory and practice. Emancipatory politics is concerned with securing freedom from oppression, with social justice and with the diminishing of socioeconomic inequalities. It has also been the defining parameter for conservatism; conservatism arose as a reaction precisely to the left liberal values held first of all in the American and French revolutions.

Emancipatory politics is a politics of life chances. The relevance of emancipatory political problems does not diminish with the advent of life politics; instead, life political issues come to form a new set of contexts of political decision making. Rather than a politics of life chances, life politics is a politics of life decisions. It comes to the fore in the degree to which the end of tradition combines with the end of nature. In many areas of

social life thus detraditionalized, new decisions have to be taken; these decisions are almost always politicized, involving as they do an ethical or value dimension. Crucially, however, issues of life politics cannot be settled by emancipatory political criteria.

The debate surrounding abortion is one example of a life-political issue. Where abortion becomes both easy to obtain and non-dangerous, a whole series of novel questions are posed. The issues involved in the abortion controversy, however, do not conform simply and directly to questions of emancipatory politics. The women's movement raised the right to easily available abortion as an emancipatory issue, but the problems posed by abortion cannot be resolved by such means alone: they concern questions such as "at what point is the foetus a 'human being'?"

A second illustration of the emerging agenda of life politics is the controversy over the family. In most countries the family has suddenly become politicized, and the discussion of "family values" intensified. Why should this be? The answer lies in the detraditionalizing of family life, something happening not only in Western countries. The discussion going on about the family certainly continues to raise issues of emancipation, but is by no means limited to them. Many issues are raised which are connected instead with the ethics of life decisions. The family is no longer equivalent to a state of nature, but rather is being reconstructed afresh.

The more life-political questions move to the centre of the political agenda, I want to propose, the more it makes sense to think of the emergence of a *post-scarcity society*, particularly within the industrialized countries but to some extent across the world as a whole. The idea of a post-scarcity society has a lengthy history, and it is important to distinguish my usage of the term here from others that have been adopted. One sense of the term "post-scarcity" surfaced in early socialism and also found expression in Marx's youthful writings. In this sense, "post-scarcity" meant the universalizing of abundance. Marx at least hinted at the possibility that industrial society could create so much wealth that everyone might have enough to fulfil all possible needs. Scarcity would more or less disappear. This is not what I mean by the notion. Some goods, including especially positional goods, will always be in short supply; and the world being as it is, there seems no chance of the creation of a social order of super-abundance.

In more recent years the idea of post-scarcity has quite often been linked to the so-called "Inglehart thesis". On the basis of survey evidence, Robert Inglehart has proposed that a current of "post-materialism" is moving through the industrialized countries. People are turning away from the overriding goal of economic growth and orienting their lives towards different values. In so far as it is valid, the Inglehart thesis is certainly relevant to the notion of a post-scarcity society as I use it, but does not offer an exhaustive characterization of the term.

I mean by a post-scarcity society not a distinctive form of social order, but a series of emergent trends. These trends are the following:

- First, as mentioned, the increasing involvement of political debate with questions of life politics.
- Second, the diffusion of circumstances of manufactured risk from which no one can be completely free. Some, but not all, ecological risks are of this type, although ecological hazards are only one form of generalized risk.
- Third, a decline in "*productivism*", where this term is taken to refer to a pre-eminent commitment to economic growth. Productivism sees paid work as the core defining feature of social life. It is this aspect of a post-scarcity society which most closely overlaps with Inglehart's formulations.

- Fourth, the growing recognition that the problems of modernity cannot necessarily be resolved through more modernity. This refers in effect to a broad consciousness of the importance of manufactured uncertainty. Many examples can be found in the area of technology and technological innovation. The impact and value of technological innovation cannot be decided solely in technological terms. For instance, no amount of technical information will show conclusively whether or not a nuclear power plant should be built; such a decision involves an irreducible political element.

In so far as tendencies towards the formation of a post-scarcity society do in fact develop, they are likely to alter the conditions of socioeconomic and political bargaining, both within and across societies. There are some positive implications here for issues of poverty and inequality. Grasping these means indicating the relevance of certain kinds of life-political questions for more well-established issues of political emancipation.

Existing prescriptions to do with alleviating inequality tend to be based upon possibilities of the direct transfer of wealth or income from more affluent to poorer groups. I do not suggest that attempts to provide such direct transfers should be abandoned. They have distinct limitations, however, especially in so far as they are bound up with difficulties of the welfare state noted previously. There are some interesting similarities between the critiques of the welfare state which have come from the political right and critiques of welfare aid programmes internationally, most of which have come from the political left. In the context of the welfare state, rightist authors have argued that, for example, the building of large housing estates creates more problems than it resolves. Such estates destroy pre-existing modes of communal life and foster welfare dependency. Those on the left tend to resist such analysis when applied to welfare institutions, but present a quite similar argument when discussing the drawbacks of global aid programmes. Where such aid is used, for instance, to build a large dam, critics argue the result is often the displacement of local forms of interdependence and the creation of new forms of dependency upon the bureaucratic provision of resources.

Thinking laterally about alleviating inequality makes it possible, at least in principle, to escape from such dilemmas. Instead of thinking primarily in terms of direct wealth or income transfers, I want to propose, we should consider the possibilities implied in what I want to term “*lifestyle bargaining*”. Lifestyle bargaining involves the establishing of trade-offs of resources, based upon life-political coalitions between different groups. Four main types of lifestyle bargaining may be distinguished. Each can, in some circumstances, be redistributive downwards, although I would stress that in each of these contexts opposite possibilities also exist.

The first form of lifestyle bargaining depends upon *active risk management*. There are many situations, both within and outside the developed countries, in which the active management of manufactured risk can generate a positive redistribution of resources. An illustration can be taken from the area of health care. There is normally a quite direct correlation between poverty, both relative and absolute, and the risks of contracting various kinds of illnesses. It is not always the actual condition of poverty itself which produces this connection; rather, the connection comes from certain life-style practices which those in poorer groups tend to follow. Programmes of health education, diet and physical self-care can quite readily be redistributive downwards. Those who benefit most from such programmes tend to be people in poorer groups, who ordinarily do not have the same access to relevant information and strategies as do more affluent individuals.

A second type of lifestyle bargaining is *economic lifestyle bargaining*. In this case there are direct economic trade-offs between groups. A major area of economic lifestyle bargaining concerns the distribution and nature of paid work. There are powerful trends

tending to accentuate inequalities in the domain of work. Some have argued, for example, that a generalized lowering of wages of workers in less skilled jobs is occurring, because of the impact of global competition—firms have an interest in reducing the costs of labour wherever possible. Moreover, it may be that new technology will eliminate jobs without the creation of new demand which would generate jobs to replace them.

Yet not all changes affecting paid work have such negative implications for equality, and it is readily possible to point to trends and active policies which could move in an opposite direction. In a world where the amount of available work may shrink substantially over the coming 20 years, the distribution of work holds the key to overall social integration. I list here only an example of a situation in which lifestyle bargaining over work can be redistributive downwards. There is a tendency for people (particularly men) in well-paid jobs to retire much earlier than they used to. Some such early retirement, of course, is involuntary, and the jobs which individuals lose in that case are not necessarily replaced—at least by work of a comparable level. The larger proportion of such early retirement, however, is deliberately chosen. These are people who become “time pioneers”, people who regard the flexible control of their careers as more important than a strict work orientation. In leaving jobs which they could have held on to, they release them for those of a younger generation—with a “chain of opportunity” effect down the line.

The work thereby redistributed may “filter down” in a patterned way, not altering the distribution of income and wealth very much. Yet if a single job is thus created for a young person, even if that job is relatively poorly paid, the result is likely to be a downwards redistribution of resources, since younger people are disproportionately represented among the “new poor” and among the unemployed.

A third type of lifestyle bargaining is *ecological*. As with the other categories, we know that ecological objectives often clash with attempts to produce a downward distribution of resources. Ecologically sensitive policies are sometimes expensive, and may go against the economic interests of power groups. For instance, regulations aimed at limiting industrial pollution can run counter to maintaining forms of industrial production which generate employment for poorer people. The ecological news, however, is not by any means all bad—there are many circumstances in which ecological lifestyle bargaining can be redistributive downwards. This applies both within the developed societies and in more global contexts. The reason is that poorer people, by the very nature of their circumstances, are often forced to adopt lifestyle practices which are ecologically damaging. Such is the case in instances ranging from fuel pollution in the developed countries to the cutting back of rain forests in impoverished Third World areas.

As in the other areas of lifestyle bargaining, there is a diversity of contexts in which more affluent groups share an interest in reducing such ecologically harmful practices. As a minor example, take the policy which has recently been introduced by some European governments of paying a sum of money to the owners of vehicles which are particularly polluting if they trade in those vehicles for newer, less environmentally harmful ones. Since poorer people tend to be the owners of older vehicles, which emit more damaging emissions, this type of policy tends to be redistributive downwards.

The fourth form of lifestyle bargaining might on the face of things seem much less important than the others, in so far as material inequalities are concerned. This is what I shall describe as *emotional lifestyle bargaining*. Far from being the least important type, however, it is in some ways the key to all the others. It refers to negotiation about the emotional conditions of our lives, and these conditions have changed as massively as any

of the more formal contexts of social activity in response to the wide social transformations described earlier in this chapter. Particularly important here are the changing relations between the sexes, a phenomenon of worldwide importance and certainly not limited to the economically advanced societies. Women across the world now stake a claim to forms of autonomy previously denied or unavailable to them. Such a claim plainly has a strong emancipatory element, in so far as a struggle is involved to achieve equal economic and political rights with men. At the same time, however, that claim to autonomy intrudes deeply into the domain of life politics, for it raises issues to do with the very definition of what it is to be a woman, and therefore a man, in detraditionalizing societies and cultures. Few things can be more significant worldwide than the possibility of a new social contract between women and men, since sexual divisions affect so many other forms of stratification in societies of all types.

To the extent that it could be achieved, a new social contract between the sexes would certainly be redistributive downwards. For women are everywhere on average less privileged than men, and again make up a disproportionate part of the “new poor”. Redefinitions of gender and sexuality rebound directly, not only upon the sphere of the family, but also upon that of work. Most innovations or changes that improve the working conditions of women reflect back on other inequalities—and the reverse is also true. And what of men? Suppose it became increasingly common for men to redefine the emotional and communicative balance of their lives, moving away from the primacy of paid work and other activities in the public domain. Many consequences tending towards greater economic equality would stem from such circumstances, ramifying through most contexts of social life.

Perhaps all this talk of positive lifestyle bargaining sounds utopian, given the strength of the influences tending to produce large-scale inequality, social division and even social fragmentation. I do not mean to say, let me stress again, that there is any inevitability about the downward redistributive effects of lifestyle bargaining. Yet, whether we like it or not, in conditions of manufactured uncertainty and detraditionalization such bargaining is likely to become a central feature of formal and less formal political manoeuvring. Within the developed societies, a variety of new pacts, some of which will figure directly in electoral politics, are likely to emerge in the future. One such pact, for instance, might be between older people and the young, for both figure among the more deprived groups in the contemporary world. As always, the currents affecting social life do not have an inexorable character. We always have possibilities of individual and collective choice—this is the very core of life politics in any case. We can try to use whatever choices we have in a fruitful way. Life political mechanisms offer us the possibility of defending some of the emancipatory values which paradoxically, are otherwise likely to lose their purchase.







# UNRISD

United Nations Research Institute for Social Development