

Chapter-VI

Summary and Conclusions

Introduction

Development is an organized intervention in collective affairs of a country according to a standard improvement. It is a comprehensive economic, social, cultural and political process which aims at a constant improvement of the wellbeing of the entire population and of all individuals. What constitutes improvement and what is appropriate intervention obviously vary according to class, culture, historical context and relations of power. The process of development is, indeed, the negotiation of these issues (Pieterse 2001:3). The theories of development are reflections on this negotiation. Emergence of different theories of development suggests that alternative theories and principles of development are possible and are likely to gain force in periods of crisis and transition. The context specificity of the theories of development implies that these theories are not made by the exercise of logic alone, but reflect the theorist's moral reaction to a world crisis (Peet 1999:16). However, a theory of development as an intellectual response to a society's demand is not enough. The theory must be joined to an effective practice (Byres 1998:14). In the practice of the theories of development the role of the state comes in a big way.

In the 1950s and 1960s there was a broad consensus that states must intervene directly and play an activist role in development. Early theories of development showed unquestioning faith in the ability of the state to correct market failures, imperfections and direct effectively the process of development. Talking of the provision of the basic requisites for economic development in India even Milton Friedman, one of the pioneering advocates of neo-liberalism, observed as early as in 1955:

The government of India is doing much, and much that is highly effective, to bring these requisites into being. There is much more to do that *at least in Indian conditions* can be done only by the government (Friedman 1992: 164 emphasis added).

In fact even the World Bank, a capitalist institution with a development mission was reluctant to lend to countries that did not have a government sponsored 'development plan'. By the beginning of 1980s there was a sharp swing away from this opinion in international financial institutions. Development theorizing was not far behind. Neo-liberal theory of development emerged. It saw the state as the main bottle neck in the development process of the Third World. Getting states out of the business of development become an important element in the policy advice given by the international institutions, economic experts and donor agencies. Along with Thatcherism and Reaganomics another important factor contributed to the rise of neo-liberal prescriptions. This is the increasing economic difficulties of many Third World countries and failures of their governments to take timely corrective action. Partly in response to their own experience and partly in response to international pressure, several Third World countries started questioning the role of the state in their development process (Jalan 1991: 61-62). As one looks to development in the twenty-first century, the old and enduring issues relating to role of the state in development have not subsided. But the creation of a near hegemony of pro-market development ideas in the 1990s brought the issues to be uncovered in new ways.

Summing up the thesis

The inter-face between the state and development is a multidimensional problem having theoretical as well as practical dimensions. In the Third World countries this has been more important due to the debates on the 'stateness' of their states on the one hand and the prevalence of acute development problems on the other. Since the Second World War state directed development in these countries was not only imitative but also local circumstances demanded so. On the side of the new political elites, the idea of state led development was attractive: it apparently offered a way of satisfying popular expectations and demonstrating a concern with social justice. However, this agency of the state for implementing development programmes has been an issue of debate increasingly since 1970s. On the one hand there were attempts to highlight the role of the civil society organizations and on the other the market was

counterpoised to be the sole agency for solving development problems. Neo-liberalism ushered in globalization through liberalization, deregulation and free market economy. Arguably, central role of the state in theory and practice of development became unsure.

Under these theoretical and on the ground circumstances, the present work attempts to explore the role of the state in development in the Third World with reference to theories of development. The research problem, however, is closely related to the meaning and nature of development in the Third World, the nature of the development theories, the political economies of the theories of development, the actual practice of the theories of development, the nature of states in the Third World and the contribution of the theories of development in understanding the nature of the state-development interface in the Third World.

Development is not a simple concept to be amenable to single meaning. It involves its essence, goal, and strategy. It is complex as well as contested. Thus there have been many interpretations of the idea of development. The beginning was marked by economic growth and subsequently came modernization, elimination of dependency, redistribution with growth, another or alternative development emphasizing that development ought to be indigenous, self-reliant, need oriented, environment friendly and open to institutional change, meeting basic needs, participation, sustainable development, Washington Consensus or market fundamentalism, human development, fulfillment of human rights, fulfillment of freedom, empowerment, reduction of poverty and others. Despite these notions and their concomitant paradigms, the persistence of poverty and inequality, particularly in the midst of economic affluence continues to be one of the most problematic issues in development to day (Hamner et al 1997). The object of the study of development that is 'social, economic and political inequality with respect to the Third World, has made it to this century rather effortlessly' (Schuurman 2000: 7). There is, therefore, a serious need to 'explore ideas about what development constitutes and the important relationship between theory and practice (Kothari and Minogue 2002: 7). The present study attempts to perform this task with reference to the ideology and philosophy of

development. An exploration of the theories of development is of great help in this context.

The notions of development are the products of overarching development thinking - development strategy, philosophy, ideology and theory (Hettne 1995: 15-16). The search for new theoretical conceptualizations of development has been mirrored by changes in the practice of development in the field. The period since the Second World War has seen the promotion and application of many and varied theories of development – the economic growth theory, modernization theory, dependency theory, world system theory, alternative development perspectives, the neo-liberal theory, and the sustainable human development school of thought. The political economy of the emergence of these theories clearly indicates the basic purpose of a particular theory. It involves the whole gamut of development thinking related to a particular theory. 'Theoretical perspectives on development have changed in response to the changing historical reality of the developmental process and of relations between developing and developed countries. They have also changed in response to the dialogue and debate among those engaged in theory building' (Evans and Stephens 1988: 739). From this point of view the present study focuses the position of the major theories with respect to the role they assign to the state as an agency for translating development strategies.

The arena of development theory is inherently controversial and contested. John Martinussen has identified three inter connected issues relating to this controversy. 'The first has to do with *units of analysis* in research. The second concerns the question of the *scope of validity*, and thereby the fundamental view of the nature of the development process. The third issue relates to the chosen *analytical perspective*' (Martinussen 1997: 52 emphasis original). Using the issues regarding units of analysis, scope of validity and analytical perspective as a framework he has shown that some theories emphasize on individual actors, while others on macro-structures. Some are mono economic in nature, others believe in plurality of economics. While some are mono disciplinary, others are multidisciplinary (ibid: 53-4).

Thus, the arena of development theory offers a good example of what Alvin Y. So (1990: 11) has termed 'theory war'. Jorge Larraín argues that the theory war in the arena of development seems to be apparent, while theories of development do not emerge at random. They are closely bound with the evolution of capitalism.

Pieterse (2001: 164) has found the development field as a field of hegemonic compromise that papers over the differences between the dominant stake holders. These can be characterized as different modernities or different capitalisms: Anglo - American free enterprise capitalism, West European welfare capitalism (Rhineland capitalism), East Asian capitalism, NICs, market socialism in China, transitional countries, the rentier capitalism of the oil producing countries, etc. The differences among them reflect geographical locations, historical itineraries, the timing of development, levels of technology, cultural capital, institutional differences and resource endowments.

Indeed, each development theory can be read as a hegemony or challenge to hegemony. Explanation is not always the most important function of theory— agenda setting, mobilization and coalition building are others. Theory is a meeting place of ideology, politics and explanation. Reading development theory is also reading a history of hegemony and political and intellectual Euro centrism (Amin 1989, Mehmet 1995). Notable exceptions are dependency theory, alternative development and human development thinking, which largely originate outside the West (Pieterse 2001: 8). However, in the Third World theories of development are adapted to changing situations. Despite their different origins and concomitant political economies, the theories of development hold some assumptions on the role of the state. Thus state's nature remains an important factor in theorizing and implementing development.

The term 'state' in its modern sense emerged in the course of sixteenth century as a normative concept focusing on the value of concentrating coercive power in the hands of a single public authority that could ensure order in any given territory. From this perspective, the state is supremely valuable and obedience to the state is regarded as the highest political obligation.

John Degenbol–Martinussen has identified four analytical dimensions of the concept of state in order to describe it as an institution. A particular conception of

state may correspond to one of these dimensions or to a combination of two or more of them. These four dimensions are:

a) The state as a *product* of conflicting interests and power struggles, possibly also a reflection of a many-sided dominance which make it an agenda and discourse setting institution.

b) The state as a *manifestation* of structures which lay down the framework for its mode of functioning and impose a certain order on both the state and the rest of society and thus to some extent determine the behaviour of citizens.

c) The state as an *actor* in its own right, which by its form of organization and mode of functioning exerts a relatively autonomous influence on outcomes of conflicts and other processes in society.

d) The state as an *arena* for interaction and conflict between contending social forces (Degnbøl–Martinussen 2001:28).

It is meaningful to discuss the role of the state in society because it refers to the role of identifiable political institutions and actions. Reification of the state is therefore minimized by keeping in mind that the concept of the state refers to identifiable institutions and that state actors do not always work as a cohesive force vis-à-vis civil society (Hall and Ikenberry 1997: 2).

A general concept presents the state in isolation from its historical and social contexts. It stresses the general point that irrespective of the type of society and economy - agrarian or industrial, capitalist or socialist, developed or underdeveloped – all modern states share same features. ‘The control of an executive authority over the means of administration and coercion gives the state in all societies considerable potential to mold socio-economic change’ (Kohli 1987: 23). However, a study of socio-economic change or development in particular region or country needs the study of specific types of states. It demands locating the state within its social and historical contexts. Thus, a discussion of the state in the Third World requires the specifying of state features in relation to Third World societies.

Neera Chandhoke (1998: 31) argues that the post-colonial state was located in a dual and contradictory historical legacy: (1) The first embodied the ideology and history of statism. This was based upon an elaborate system of control

evolved by the colonial state. (2) The second was the freedom movement, which had challenged the authoritative conception of the 'political' laid down by the colonial state. The first had given the post-colonial elites a model of statism and the notion of the centrality of the state. The second gave to the people the idea that states can be challenged almost to a point where the existing state became irrelevant. This tension between two legacies constitutes the substance of post-colonial polities. However, the statist legacy came to dominate the political spectrum.

Martin Doornobs(1990: 180) has identified with reference to Africa, some basic features of the Third World states: (i) its post-colonial status, with all the implications this has for the evolution of 'civil society'; (ii) its a priori problematic relationship as regards its territorial jurisdiction; (iii) its heavy involvement in restricted resource base (usually primarily agricultural); (iv) its still relatively undifferentiated yet ethnically heterogeneous social infrastructure; (v) its salient processes of centralization and consolidation of power by new ruling classes; and (vi) its passive external context and dependency. Each of these characteristics has significantly conditioned the specific pattern of state formation.

Saul argues that, there are three points that define the Third World states: First, in colonizing Third World, the metropolitan bourgeoisie had to create a state apparatus that could control all the indigenous social classes in the colony, in that sense; the 'super structure' in the colony is overdeveloped relative to the 'structure'. The post colonial society inherits that overdeveloped state apparatus and its institutionalized practices. Second, the post-colonial state also assumes an economic role (not paralleled in the classical bourgeois state) in the name of promoting economic development. Third, in post colonial societies, capitalist hegemony must often be created by the state itself within territorial boundaries that are artificial once direct colonial rules is removed (Saul 1979: ch 8).

Cristopher Clapham (1985) argues that the Third World state is a neo-patrimonial entity. It is based formally on rational legal universal principles, but functioning, in practice, as a great vehicle of patronage and personal aggrandizement of power holder. 'What distinguishes the Third World State from its equivalents in

other parts of the world is the combination of its power and its fragility. Of these two elements, the power is by far the more evident. What the state consists of in its most basic sense is a structure of control' (Clapham 1985:39). Thus, there is an inherent paradox in typifying Third World states. They are both strong and fragile at the same time. The strength of the state derives from the vast resources it has as it is to repress a civil society composed of a patchwork of heterogeneous cultural groups; its fragility arises from the fact that it is not deeply anchored, in a cultural sense, in the society and is considered an alien being by many of its constitutive units. Consequently, the collapse of a ruling coalition and the end of a regime can severely strain the state system and may even bring its dissolution.

According to Jeff Haynes, the state which emerged from the colonial period in the Third World was often qualitatively different from those created in an earlier epoch in Europe. In Europe the nation created the state, whereas in the Third World it was necessary for the state to try to create the nation. Because of extant social and cultural divisions in many Third World countries, this was by no means an easy task. He argues that overtime many Third World governments became in increasingly more authoritarian in their attempts to build nation states (Haynes 1996:20).

In African context Martin Doornbos (1990:188) has pointed out some factors contributing to the erosion of state autonomy. These may well be referred to other Third World states: 1) Advocacy of privatization, and of increasing involvement of private enterprise in aid arrangements; 2) A significant diversion of aid funds via non-governmental organization and channels; 3) The formation of donor coordinating consortia, with corresponding national counter part 'front' organization, which have begun to assume major policy roles in, for example, the planning and disbursement of food aid; 4) The rapidly growing donor specialization and involvement in selected sectors / regions within African countries, facilitating a gradual shift of policy-preparation activities to European donor headquarters away from national sectoral co-ordinating ministries or organizations; 5) Donor preferences for working with autonomous non-bureaucratic corporate statutory bodies, believed to combine the advantages of public jurisdiction and private discretionary power and considered attractive because external agencies can establish close working relationships with

them, thereby gaining direct influence; 6) The detailed specification of external parameters and preservations in national budgetary and policy processes; and 7) The introduction of highly advanced and sophisticated monitoring and evaluation methodologies, for which the national expertise available is often insufficient to constitute an effective counter part in the policy discussion and implementation concerned.

Joel S. Migdal (1988: 1- 41) looks at the capabilities of Third World states to achieve change which their leaders seek to realize in society through state planning, policies and actions. Strong states are those with high capabilities to penetrate society, regulate social relations, extract resources and appropriate or used them in determined ways; weak states are those lacking such capabilities. His main thesis is that Third World states represent a duality: whereas they are successful in penetrating society, they are rather ineffective in bringing about goal oriented change. The reasons for this ineffectiveness are to be found in the fact that the values upon which the Third World state bases its social control are inherited from the colonial period. Only the ruling elite internalize the modernist values and norms of the colonial legacy. However, the experience and orientation of the elite is much less spread out in society than the vastly diverse sets of beliefs and recollections upheld by multifarious units of the larger society. Thus, social control in many Third World countries is weak because state and society are not sufficiently interlaced by similar cultural values (Ahmed 1998:151-152).

Ali Kazancil observes that the position of Third World state in relation to 'development' can be explicated with respect to its two basic functions, which are dialectically linked: (a) The Third World state is a relay in the process of surplus extraction and accumulation by the centre at the expense of periphery and (b) The Third World state is a structure of sovereignty, liberation and autonomy for peripheral societies (Kazancigil 1986: 137).

The chances of economic development in the Third World depend on the capacity of the modern state to act more as a structure of sovereignty and autonomy than a relay in the world economy. It requires the Third World state to overcome, to

its own advantage, the dialectical contradiction that opposes these functions. This contradiction is tied to the inegalitarian world economy and may well persist for as long as the latter operates (ibid). An analysis of the nature of the Indian state helps in identifying the specificity of Third World states.

The nature of the Indian state, for almost two decades after independence, was not an issue that attracted serious attention. It was in the mid 1960s, as disillusionment with Indian planning grew and the notion of a 'crisis of Indian planning' spread, that the nature of Indian state began to be seriously addressed. It has been viewed by different scholars from different theoretical perspectives. However the Indian state is conceived, over the past five decades the Indian state has vigorously sought to institutionalize "stateness" by expanding its power and reach beyond the social formation of which it is inextricably a part. Like other successor post colonial states it has demonstrated a formidable capacity for its own reproduction. The state has become a ubiquitous feature of the nation's political landscape, its jurisdiction and administrative-institutional presence reaching into the remotest rural hinterlands. Yet, the state's instrumental hegemonic trajectory and omnipresence have not made it omnipotent. To the contrary, the state' quantitative expansion has not been matched by a commensurate qualitative increase in autonomy and capacity (Sharma 1999:6).

In the real world of socio-economic policy role of the state has remained a matter of debate. This has not escaped the theories of development. Torn between the ideological poles of *totalitarianism*, *etatism*, and *dogmatic liberalism*, the debate on the role of the state has occupied centre stage in development theories (Sachs 2000:147). According to Ha-Joon Chang, since the end of the Second World War the role of the state in development has gone through three stages: (a)the age of regulation (1945-70), when most countries saw an increase in government intervention, in the forms of increased government expenditure, nationalization, extension of regulation, with accompanying developments in interventionist economic theories; (b)the transition period (1970-80) when the post war regimes of intervention began to be exposed to significant political attack, helped by the rise of anti-interventionist economic theories; (c) the age of deregulation (1980-the present), when many countries attempted to reduce government intervention, by privatization, budget cuts

and deregulation, often drawing justification from the theoretical extensions of the anti-interventionist theories that originated in the 1970s and were elaborated in the 1980s (Chang 1997: 724). Such a change in the role of the state in development is marked in the assumptions of the theories of development.

The modernization perspective has taken the national territorial state as its units of analysis. The state is of critical theoretical significance to the modernization theories, even if this remains largely implicit. It may be conceptualized, whether as industrialization or structural differentiation, each component of the modernization process is viewed as a source of change operating at the national level.

The modernization perspective implicitly or explicitly opts for capitalist development. It is premised on the creation and maintenance of the basic structures and institutions of the prevailing society. Thus, it has accorded central role to the state and public policy. The state has been thought of as an entity that stands out side and above society, an autonomous agency that is vested with an independent source of rationality and the capability to initiate and pursue programmes of development for the benefit of the whole society. There is an implicit disjunction between the state and policy. The problematic of the state is then narrowed down to that of the efficacy of its public institutions and organs to achieve objectives and programmes of modernization focusing especially on the respective roles of 'ruling elites', political parties, the bureaucracy and the military (Alavi 1982: 289).

In terms of economic growth, within modernization perspective, it was widely assumed in 1950s and 1960s, that market failure was the norm in Third World countries. The state would have to mobilize domestic and foreign savings to create an investment pool from which it could finance a programme of directed industrial development. Direction usually came in the form of state development plans and by means of the controls that most development state exercised over scarce foreign exchange reserves. The state would also protect infant industries by means of tariff and quota policies (hence ISI) and would encourage investment in heavy industries like steel and engineering – the commanding heights of the economy according to India's Second and Third Five Year Plans (1956-1966) – by running such industries themselves. The state alone was credited with the ability to think and act in the long

term interest of all its citizens. Markets would play a supporting role in all capitalist developing countries, and the state would embody all that was most modern and disinterested in the changing cultural and political make up of a developing country. The corporatist state, then, was a matter of pride and not a source of dismay and distrust (Corbridge 1995: 3-4).

The proponents of the dependency perspective stressed: (a) the importance of considering both the historical experience of peripheral countries and the phases of their involvement within wider encompassing systems; (b) the necessity of identifying the specific economic, political, and cultural linkages of centres and peripheries; and (c) the requirement for active state involvement in the pursuit of development.

The new dependency thinkers have paid more attention to historically specific situations of dependency than did classical dependency thinkers. The state in Third World is no longer perceived as a dependent state for foreigners, but as an active agency that tacitly works together with local and international capital.

In world-system theory, globalism itself is made the single over arching dynamic. The argument of globalism is taken to the point where nation states are not units of development; only the world system develops. (Pieterse 2001: 29). Even if the unit of analysis is the world system, this perspective does not minimize the importance of state. According to the world system theory, it is possible for a peripheral country to move to the semi-peripheral status. Similarly, a semi-peripheral country can move to the core status. This possibility is contingent upon historical moments of opportunities.

For the free marketeer neo-liberals the relationship of state to economy is one of subordination and rule protection. The self regulating maximizing market may be minimally assisted by the state to better realize its potential: a framework of law to protect that self generating and regulating market (Preston 1996: 267). State involvement in the economy is held to be inefficient, bureaucratic and unnecessary drain on public coffers. Hence by selling off loss-marketing and inefficient public enterprises and parastatal corporations, and restricting the role of the state to regulation and economic facilitation, taxes could be cut substantially (Simon 2002: 87). The neo-liberal onslaught and its relentless anti-statism, was directed at advanced

capitalist countries, less developed countries and socialist countries alike. All of these, it was postulated, were infected by the virus of state intervention.

The theories of development, thus, have long been fraught with different views on the role of the state. These have been duly reflected in the policy debates in India as in other Third World countries. These debates have continued down to the dramatic announcement of liberalization, first in the early days of Rajiv Gandhi rule and again more recently since 1991. The debates on the influence of the theories of development on development in India do not exist in an historical vacuum. The contrast between the political economy in India before and after independence usually has been seen as striking, with the end of foreign rule taken as a natural dividing line. However, the development strategies followed by India cannot be straitjacketing into a particular theoretical perspective. The inward oriented development strategy was part of a much larger 'grand strategy', the principal aim of which was to ensure the economic, political and foreign policy independence of India and its acquisition of a major power role in the world over the long run. The economic part of that grand strategy was designed to equip India with the necessary economic and military capabilities. The contemporary development thinking definitely influenced the logics of Indian planning and development strategy. At the same time contemporary development thinking was greatly influenced by the Indian case (Chakravarty 1987). India's own political and social history also supported the case for an inward looking strategy of industrialization with the state in command.

The experience with neo-liberal scheme of development has not been one of fast and blind imitation of others. It has been gradual, and with minimal economic pain and political turmoil. Such an experience is quite unlike other Third World countries. Of the major theories of development; the modernization theory with its growth oriented economic core has remained influential in Indian development experience. It is argued that the influence of neo-liberal development ideas in India, manifestly since 1991, is the continuity of the modernization perspective. Indeed, neo-liberal development perspective is the reincarnation of modernization with changing position of the state in development.

The theory of development in India has been shaped by its own political economy and specific historical contexts. The growth oriented modernization was adapted to a planned development model. While planning was presented in India as a socialist rhetoric, the prevalent development project was capitalist in actual practice. Nationalism, political as well as economic, fostered during the freedom movement was translated in a self reliant idea of development. However, this idea evolved through a continuous interaction with pressures for adopting a model of development that is based on the liberal open market policies. The initial adoption of liberal policies through the 1980s culminated in the 1990s. The acute balance of payments of 1991 combined with a congenial international political, economic and ideological milieu provided the necessary incentives.

Conclusions

Role of the state in development has remained a matter of debate ever since the Third World countries embarked on the project of rapid socio-economic transformation in the post Second World War era. The freedom struggle and the process of decolonization induced the newly independent states in the new role of taking the responsibility of managing the entire society. However, the immediate debates centred on the nature of the state, state building and nation building processes. Since the 1970s these debates included also the state's role in development itself. In the twenty-first century this debate has not been laid to rest. On the contrary it has assumed new dimensions under neo-liberal globalization. A clear understanding of the current debate on the role of state in development requires explications of the undercurrents of the idea of development, its theories and the nature of the Third World states. The state's role in development inherently involves their theoretical and practical interactions.

Development is essentially political

The idea of development has been shaped by different views of different thinkers under different theoretical and ideological perspectives. These views form a whole constellation of a comprehensive economic, social, cultural and political process which aims at a constant improvement of the entire society and of each individual.

Thus the object of the study of development in the Third World is to study social, economic and political inequality which exists well in the twenty-first century.

Development, however is conceived, requires the production and distribution of surplus. Surplus is generated through production in excess of what is required to sustain society from day to day and from generation to generation. This surplus must be consumed, redistributed and reinvested. The productive reinvestment which sustains the system is known as accumulation. Accumulation in turn does not take place in social and political vacuum but in a mesh of institutions. These social, political, and economic institutions (such as class, ethnicity, religion, gender, locality, market and regulations of the state) interact in a complex way to sustain and sometimes to threaten the process (Harris-White 2002: 175). All kinds of distribution and redistribution have a built-in conflict potential, no matter how trivial the distribution or redistribution seems to be. Development therefore is contested. Development, thus, is a form of struggle. It is the struggle over the shape of the future. Korten in this context asserts: 'The heart of development is institutions and politics, not money and technology, though the latter are undeniably important' (Korten 1990:144). The most fundamental issues of development are, at their core, issues of power. This is why it is important to interrogate whose agenda development carries at any given time and to weigh its scales of suffering and their distribution. Ignacy Sachs observes that the rhetorical commitment to the idea of development has come of age during the second half of the twentieth century. It will be up to the next generations to bridge the gap, as wide as ever, between words and deeds, advancing from the idea of development to political economy of development (Sachs 2000: 1).

Decisions relating to development are primarily political. This is more so in the Third World where development is less a demand from the society and more of a political goal which state authorities impose upon society. Indeed, fundamental socio-economic changes are set into motion within the Third World primarily as a consequence of politically defined goals and decisions. A state oriented focus is therefore important for interpreting some of the patterns of development in the Third World (Kohli 1987:28).

A balanced view of state's role in development is in the making

By the close of the twentieth century a more balanced view of the agency of development has emerged. A direct criticism of neo-liberalism has resulted in a more balanced approach with an outline of options available to decision makers in Third World countries (Killick 1989; Streeten 1993; Toyé 1993; Weiss and Hobson 1995). Current thinking about the state has exposed the neo-liberal dichotomy – state or market, public or private – as false in two respects: (a) There is no clear borderline between the ‘pure’ cases of public and private enterprises. There are in most countries several types of overlapping ventures like joint-owned companies, public companies with hired in private sector management; private firms operating publicly licensed franchises and cooperatives. (b) Markets require a legal and regulatory framework which only governments can provide. Legal entitlements and liabilities are just as important as the market system of commodity exchange. Thus, the central issue becomes more complex than just choosing between state or market. The overriding concern is to determine the most appropriate division of labour between state and the market with a further view to avoiding or compensating for both state failures and market failures (Martinussen 2001: 55). When considering the desirable role of the state, there are essentially two different issues involved (Killick 1989): (a) How large should the state be in relation to total economic activity? (b) What types of policy instruments should the state employ?

Development scenario in the Third World is context based

Within common global conditions, it is also clear by now that Third World countries appear to exhibit not common outcomes but development patterns that are distinctive by regions. These patterns not only raise questions about the uniform significance of global constraints but also points to some other determinants of development as varying roles of states. East Asia, for example, is broadly characterized by ‘strong states’ and rapid, export oriented economic growth, Sub-Saharan Africa, by contrast, has been plagued by ‘failed states’ and poor economic performance. Latin American countries appear to move through political and economic transition in unison, from democracy to authoritarianism and back to democracy and from severe debt crisis to modest economic growth. Security threats and ‘rentier’ states have provided broad

parameters of development in the Middle East. Finally South Asian countries seem to muddle along a common path of fragmented politics and middling economic performance.

Thus, whereas the Third World countries share some common problems, critical development issues vary from region to region. The pressing need in many African countries is for coherent states and resumption of economic growth; East Asian countries by contrast face the challenge of maintaining their high economic growth rates under conditions of 'globalization'. Similarly, Latin American countries need to manage their international economic links but under conditions of low domestic savings, sharp income inequalities, fragile democracies; South Asian states must somehow 'insulate' their economies from nearly excessive politics so that the challenges of growth and poverty can be met head-on; and the countries of the Middle East must find ways to reform their antiquated state systems so that a more inclusionary pattern of development may unfold. In between the two extremes of 'all countries are different' and 'one cookie-cutter development model fits all' regional variations within common constraints provide a useful organizing focus for discussing development issues (Kohli 2003:2-3).

Understanding of state's nature is important in understanding its role in development

The state's role will continue to be pivotal to implementing development. For, in the ultimate analysis, markets cannot regulate themselves; they need an agency outside of them with legitimate authority to set the rules of the game and to enforce compliance. That authority is the state. The state and market are, however, not alternatives; both are needed, in proper measure, to manage development in cooperation rather than in contention in a harshly competitive world. A strong state remains a prerequisite for a strong market. Besides, markets, whether internal or external, cannot be left to their own devices; they can have destructive consequences for society. Also, domestic economic players in any developing country need to be assured of an even playing field in a fundamentally unequal world, and they need to be assisted in world competition by an adequate social and economic infrastructure at home. Accordingly, for all these reasons, any project for development must go beyond economics and

have as an essential component the enhancement of the regulative and transformative capacity of the state. Herein lays the importance of understanding the nature of the state.

In a narrowly instrumental sense, the state is viewed as the source of development, validating it, and then embracing it with the avowed aim of securing 'development'. It is the architect of development plans; their agent; and it is the arbiter of development. 'There is an assumption in all this that the state is, in effect *neutral*, and even *transcendental*. If the state bureaucracy is not exactly a 'universal class', with the necessary and objective function of realizing the universal interest, the state is assumed to be essentially neutral, and to be capable of being a kind of Olympian arbiter of the interest of all' (Byres 1998b: 47).

Moreover, the state is viewed as unproblematically sensitive to questions of social justice, responsive to rational argument, and able and prepared to act upon its 'judgments' in these respects. There may be a perceived conflict between, for example, reducing poverty and securing more equal distribution of income on the one hand, and accumulation and growth on the other. The state may opt for the latter, at the cost of the former. But that is seen as a conscious and rational decision, in favour of the general interest. Byres argues that such an instrumental view provides a 'tunnel vision' of the state. But there is the need to theorize the state: to capture, in abstract terms, something of its full variety and plentitude. This broad view of state requires the distinction between state and civil society: the public and the private in the social formation. It is the relationship and mediation between the two that is central to development. Development is one form of mediation, which cannot be seen in isolation. There are many other mediations which bear decisively upon its operation (ibid: 47- 49).

Power of development theory is counterpoised by the theory of power

Market economy and command economy are ideal types. Even among the advanced industrialized democracies what exists is not an unregulated market system, but a 'mixed economy'. The very rise of such a mixed economy has been a result of the operation of politics within modern state, specially the democratic state. This politics has positioned the theory of power as a countervailing factor against the power of

development theories. This is obvious because development never takes place independently of the specific socio-cultural, political and historical context. That is true for development in the Third World as it was true for development experiences in the West. Therefore, no general pattern of development is given. Rather the challenge is to identify a multitude of development pathways or trajectories, each of which is embedded in the national socio-cultural and socio-political context. This embeddedness of development is shaped by the prevailing cross-currents of power. However by means of an analysis within a broad framework it is possible to come up with generalizations on the role of the state in development with reference to different theories.

The praxis of development is marked by the eclecticism of the theories of development

The countervailing position between the power of theory and the theory of power in the praxis of development has resulted in a kind of eclecticism in the practice of the theories of development. In twenty-first century there seems to be pluralism in the development literature. Some scholars have observed that the field of development is moving in the direction of synthesis. For example, Evans and Stephens (1988: 759) have dubbed this synthesis the 'new comparative political economy'. Portes (1980: 224) notes that there is a possible convergence between the 'culturalist' moderation perspective and the 'structuralist' dependency and world-system perspectives. And Hermassi (1978: 255) suggests that 'disciplined eclecticism' is a better guide than over reliance on paradigmatic thinking by 'liberal, managerial, new Marxist' approaches to development. However, it may be noted that the development theories are 'persuasive ideologies' as well. In the real world of development 'eclecticism' in development takes different form.

Theories of development contribute to understanding state-development interface

There is no simple or special way to analyze the realities in development in the Third World and therefore there is no simple or special set of instructions that can be given to change those realities. It means that there is no arcane form of development theory that has to be mastered before one can begin to think about development. But it does not mean that the theories of development are mere esoteric exercises. The theories of

development are the wellsprings of the strategies of development, as development strategies are practical paths to development which are pursued by the agencies of development, normally the states. These theories seek to account for the uneven pattern of development world wide and to recommend measures to over come under development. They are problem oriented, concerned with disparities between and within countries, social consequences resultant of these disparities and political strategies to change them. They may not always have come up with the correct solutions on the policy level, but on the other hand the problems identified and analyzed have not disappeared either. Instead new problems have been added. The challenge for the theories of development to day has been to clarify what role national development strategy can have in an increasingly transnationalised world. The contributions of development theories are reinforced by their corresponding political economies too.

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