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**Dynamic Interactions between the Macro-Environment,  
Development Thinking and Group Behaviour**

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# **Dynamic interactions between the macro-environment, development thinking and group behaviour**

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The social morality that has served as an understructure for economic individualism has been a legacy of the precapitalist and preindustrial past. This legacy has diminished with time and with the corrosive contact of the active capitalist values...As individual behaviour has been increasingly directed to individual advantage, habits and instincts based on communal attitudes and objectives have lost out. The weakening of traditional social values has made predominantly capitalist economies more difficult to manage. (Hirsch, 1976, p117-118.)

## I. INTRODUCTION

One important hypothesis that emerged from the preliminary investigations for this project is that groups' behaviour is greatly influenced by the societal environment in which they operate (Heyer et al. 1999). This environment encompasses societal institutions or norms, the structure of the economy, and the resulting distribution of incomes and assets. This paper aims to explore these macro-micro interactions in a dynamic context - examining how societal norms and institutions have changed over the post-second world war period, as well as the structure of the economy, and how these in turn have altered the context of group behaviour. This is a very ambitious undertaking, and not one to which it will be possible to do full justice. Yet it is critically important to our general topic. In so far as the macro-environment is a major influence on group behaviour, it is essential to understand how this

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operates, if we are to understand and influence group behaviour.

A major focus will be on prevailing paradigms of development at a macro-level, which is one aspect of societal norms. The reason for this is partly that these paradigms have been an important influence over policy and economic structures over these years; and partly because this is one point of entry for policy change. Development thinking enters the picture at several stages. First, it has a direct influence on how economies operate (including their incentive and ownership structures) via its effects on policy - which in turn influences the incentives individuals face, and therefore how they operate in groups; secondly, in a more indirect way it influences the general culture about behaviour which in turn influences individuals' behaviour when in groups. But development paradigms are not autonomous, coming in pure form from scholars' investigations; they are themselves heavily influenced by events in society and the economy. Hence we have a quite complex process of cumulative causation, in which development thinking is both an independent force, and part of the chain of developments, influencing group behaviour.

In recent history we have seen some major changes in development paradigms which have substantially affected not only institutions but also income and asset distribution. Three very different stages can be picked out. The first is that of colonialism and neo-colonialism, where primary production for exports dominated the formal economy; the second state-directed planning and production; and the third, the era of the market and *laissez-faire*. Each has affected the structure of the economy and has had a markedly different influence on group behaviour. This paper aims to examine these developments, analysing how the changes in development paradigm influenced policy and economic outcomes and in turn how far these affected group behaviour. For this purpose, group behaviour will be categorised in the ways discussed in Heyer et al.: i.e. differentiating group functions into three types, efficiency, claims and redistribution; and group behaviour into the three modes - power and control (P/C), cooperation (COOP) and behaviour according to market -incentives (M).

The paper is organised as follows. The next section will explore further why the macro-context matters for group behaviour at a general level. The subsequent section will discuss

the interactions between development thought, policy formation and real world developments at a general level, to be followed, in Section IV, by a more detailed analysis of actual changes in the macro-environment over the past fifty years. Stages in the changing macro-environment will be described and the implications for group behaviour explored, illustrated by specific examples from the organisation of medical services.

## II. THE MACRO-CONTEXT AND GROUP BEHAVIOUR: DOES IT MATTER?

The theory of social capital has emphasised how the extent of people's membership of groups and the nature of the groups to which they belong influences the economy and the functioning of government. Thus Putnam argues - in a hypothesis that has received wide support - that extensive 'horizontal' group membership, involving reciprocal ties of trust (i.e. broadly COOP groups and networks) is likely to support efficient government (Putnam, 1993). Others have taken this further and argued that such a situation (described as 'high' levels of social capital) is also likely to be conducive to economic efficiency. This has been supported by a variety of empirical studies, some predating the widespread acceptance of the 'social capital' concept. For example, a study by Uphoff of sixteen countries in Asia found that those countries with the best network of local institutions linking rural communities and the central government had the best agricultural performance and also the largest improvements in social indicators. He suggests this arose as the strength of the 'third' sector complemented the state or market, and put pressure on both to maintain efficiency (Uphoff, 1993; see also e.g. World Bank, 1997a). From this perspective then, group behaviour is a significant input into both government and private sector efficiency with more COOP group behaviour supporting more efficiency.

This paper is not, however, primarily concerned with this direction of causation - from group behaviour to the wider economy - although we will return to it briefly at the end of the paper - but with the reverse connection, *from* development paradigms, policy and events *to* group behaviour.

There are several reasons for expecting some connections in this direction. First, the norms of a society influence people's expectations and behaviour. For example, where the dominant

societal norms are strongly hierarchical, people assume and expect such norms in all walks of life and would only exceptionally adopt different (e.g. COOP) norms as group members. The connection is not watertight or inviolable: strongly dominant norms can provoke a reaction as people challenge them. Nonetheless, the connection is generally likely to be strong, overturned only by deliberate and sometimes costly efforts. Secondly, the prevalent societal incentive systems may influence groups' mode of behaviour. Since group members are often the same individuals as meet in other relationships outside the group (e.g. family members, members of the same firm), behaviour within the group that deviates from that outside the group (e.g., challenging hierarchies) may be punished by action taken outside the group. Or, strong financial incentives for outside group work may prevent group members performing cooperatively and lead them to demand financial incentives in order to work properly within the group (as e.g. among doctors who can earn a lot by private consultancy). Thirdly, groups which are part of or relate to the government - e.g. via subcontracting relationships - may be *required* to behave according to the norms to which the government adheres. Fourthly, societal norms and norms within the group are likely to be influenced by the structure of the economy, including the prevailing motivation for economic activity (e.g. whether it is predominantly a 'command' economy, an economy of 'affection', or a market economy) as well as the distribution of assets and income in society in general.

Much of the empirical material surveyed in Heyer et al. supported the hypothesis of a link between societal and group norms - for example, the difference in behaviour between local government in Bangladesh (dominated by the elite) and Karnataka (where more COOP relations prevailed) was attributed to this connection by Crook and Manor. The successful Village Councils in South India, described by Wade, which performed efficiency functions, adopted modes of behaviour broadly consonant with the norms of the villages in which they were located, with elements of hierarchy, incentives and cooperation. The 'failure' of some local organisations, reviewed by Esman and Uphoff, appeared to be due to conflict with societal norms: for example, women's organisations in Korea that challenged male hierarchies and land reform organisations that opposed powerful landlords. The organiser of a mothers' club in Korea was beaten, with the justification that "misfortune will fall upon the

house where the hen crows like a rooster”. (quoted in Esman and Uphoff, 1984, p187), while twenty one prominent members of the Farmer Federation of Thailand were murdered and the organisation collapsed (Morell and Samudavanija, 1981). Some groups failed because they challenged prevailing bureaucratic norms: “the bureaucracy has tried to muzzle, if not curtail self-help organisations because the entire self-help process threatens the bureaucracy’s managerial functions, its ideology and ultimately its means of survival” (Holmquist, 1979, p137, referring to organisations in East Africa).

There is a presumption, therefore, that societal norms will be linked to group mode of operation. Yet many groups are developed in order to challenge existing relationships. These can survive, and with popular support and good organisation, they can flourish. When extensive enough, they serve to change dominant societal modes. Many *claims* groups, in particular, challenge prevailing norms: for example, trade unions which developed in the hierarchical environment of the 19<sup>th</sup> century; popular organisations supporting land reform in countries with highly unequal land distribution; many women’s groups. There tends to be more consonance between societal and group norms among *efficiency* groups. Groups which exploit existing relationships (e.g. hierarchies) are much more likely to succeed than those which challenge them. Moreover, as noted above, claims groups which are organised in a way that is contrary to prevalent norms often meet powerful opposition.

Although, the connections between the macro-environment and group behaviour are clearly complex with many exceptions to simple generalisations, there does appear to be a quite close connection, which makes the issue of changes in the macro-environment critical for expectations about group behaviour.

### III. THE CHANGING MACRO-ENVIRONMENT: A SUMMARY

The macro-environment encompasses the norms and the political economy prevalent in a society, i.e. it includes the manifold influences of an institutional type - economic, political and social - to which individuals and groups are subject. Since the world is a complex and heterogeneous place, it is difficult to claim that any particular macro-environment is

prevalent, and hence to categorise changes in it over time in any one society, even more so to generalise across societies. Yet, despite the many qualifications that can and should be made, in this paper I claim that there have been some mega-changes in norms and political economy over the last century or so that are sufficiently distinctive to be classified, and which have in turned greatly influenced group behaviour.

These mega-changes in macro-environment are partly a response to political developments (for example, to the advent and then the demise of colonialism), and, partly, to a complex, organic and cumulative process involving an interaction between the prevailing political economy, development thinking and policy making. Changing policies then impact on the prevailing political economy, leading to a new cycle of thought/policy/ political economy. The macro-environment influencing group behaviour is the outcome of this process. This environment consists in the nexus of norms and political economy which have both direct and indirect effects on group behaviour.

There are some qualifications which need to be made to this view of the cumulative cycle involved in changing paradigms. First, the political economy and thought which dominate developing countries are strongly influenced by a parallel process in the developed economies. While this influence was most clear and direct under Colonialism, after that the norms prevalent in developed countries still continued to have a very important influence on those in developing countries, partly via the activities of the international institutions. Secondly, there is never a unique and universally held view of development; it is usually possible to detect a dominant strand of thought, but given the multitude of views, and uneven pace at which one view gives way to another, the dominant view at any particular time may often be a matter of controversy. Views can vary quite radically according to the perspective of the observer. Northern thinkers tend take a different view from Southern ones, with the interests of their country informing their perspective. The views espoused by the development aid community, however, typically led by the World Bank, are particularly influential in development thinking because the World Bank and other aid donors devote considerable resources to disseminating their message, and because they can use conditionality to enforce it. Finally, differences among countries, in political economy, stage of development and so on, influence the pace and nature of paradigmatic changes in their

macro-environment.

In very broad terms, we can identify three historical phases of political economy and development thinking in the twentieth century, each associated with a distinct macro-environment for group behaviour. First, there is the Colonial or neo-colonial period, broadly occurring from the late nineteenth century to the second world war in Africa and Asia; for most of Latin America the Colonial period started and ended at a much earlier date, but the economic aspects of colonialism, associated with the dominance of primary product exports to serve developed country markets, continued there over roughly the same period as in the other regions<sup>2</sup>. The second phase consists of the dominance of a strongly interventionist statist view of economic policy-making, which broadly occurred over the first three decades after the second world war, though it started in a mild way in the 1930s in Latin America. This era coincided with Keynesianism in Western developed countries and the apparent success of the socialist model in the Soviet Union and Eastern Europe. The third phase encompasses the liberal reaction against statist policies, towards monetarism and *laissez-faire* which took place from the early 1980s; this was accompanied by a strong opening to the global economy, or what has been termed ‘globalization’. Chart One reviews the historical phases.

Although the prevailing development paradigms were developed internationally and were a common influence on thinking and policy-making, individual countries went through these phases at different times in accordance with their own political and economic developments. For example, as noted countries in Latin America acquired political independence much earlier than other regions, although they adopted broadly similar patterns of development for much of the time. Some countries adopted the paradigms much more wholeheartedly and comprehensively than others: for example, Bolivia and Peru appear to have been fully converted to the *laissez-faire* paradigm, while many Asian countries maintained more selectivity, combining elements of ‘opening up’ with elements of protection and state intervention. Some countries have made almost no moves into the liberalising, globalizing era (e.g. Laos and Burma). Nonetheless, at an international level the change in paradigms

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<sup>2</sup> See Thorp. We have termed this the ‘neo-colonial’ period.

undoubtedly occurred, and these changes had important consequences for political economy, for norms and for groups. The next section of this paper will explore how the changes came about, their nature and implications for group functioning.

#### IV. CHANGING PARADIGMS: WHY THEY OCCURRED AND THEIR IMPLICATIONS

##### **A. The colonial and neo-colonial period**

There is no unique ‘colonial model’. The political systems and philosophies of the Colonial powers themselves differed, as did the political and economic structures and resource base of the colonised areas. Moreover, in some areas settler communities were numerous and powerful, while in others they were relatively few. Each of these differences led to differences in Colonial governance (see Young 1994). Nonetheless, the overriding and universally shared motive of Colonial policy was to secure economic benefits for the colonial powers - usually, to provide raw materials for Europe’s growing needs and, in some situations, to generate markets for European manufactured goods<sup>3</sup>. The European settlers (and landowners) in Latin America shared the objectives espoused by the Colonial powers elsewhere. To achieve these goals required some infrastructural development, and limited investments in local health and education. There were major differences in policy according to the nature of the commodity to be extracted; among countries where physically concentrated mineral production was the main colonial product, there was little need to extend infrastructure or development beyond a small enclave - even workers were often imported; in contrast where production of the commodity was spread widely geographically (e.g. coffee, rice), there was more extensive development of the country. Where the climate was propitious for European settlers, production was organised into plantations which they owned, depriving local people of land and opportunities other than that of near or actual slave labour on the plantations. In less salubrious climes, production was left to peasants who thereby acquired some cash opportunities, retained their land, and were provided with necessary education and services.

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<sup>3</sup> Furnivall, 1948, argues that whether it was a desire to increase raw material supplies or to generate markets accounted for a good deal of the difference in colonial structures.

The Japanese colonies appeared to benefit most from infrastructural investment and agricultural development services, partly because the main colonial crop - rice - was widely spread geographically and was also the main staple, so investment to increase productivity also benefited local consumers and some subsistence producers (Ka, 1995; Haggard, 1995).

There were variations in the structure of Colonial government, notably between direct and indirect rule. But in both, P/C was the overwhelmingly predominant mode of operation. A French Governor in 1908 stated that “What must be put in place above all is the undebatable principle of our authority”. (Governor Gabriel Angoulvant of the Cote D’Ivoire, quoted in Young, 1994, p101). In an analysis of *The Imperial Experience in SubSaharan Africa* Wilson states that “The exercise of a protectorate in an uncivilised country imported the right to assume whatever jurisdiction may be needed for its effectual exercise” (Wilson, quoted in Young, p 92). The Indian Administrative system was “imposed ready made from above” (Harvey, 1925, p563). Burma’s structure of government was typical, with a hierarchy which went from the Chief Commissioner, the deputy Chief Commissioner, to subdivisional and township officers or local headmen in the rural areas.

The system of indirect rule - i.e. reliance on local ‘traditional’ chiefs for administration in rural areas - did not alter the hierarchical P/C mode of operation. This was the system adopted in Burma in the rural areas, with traditional Circle Headmen transformed into appointed officials, and also in much of SubSaharan Africa, where traditional chiefs were allocated responsibility for most rural administration. But these Chiefs were appointed by the Colonial government, and could be dismissed if they failed to carry out colonial policy. The Governor-General of Afrique Occidental Française made this abundantly clear in a statement in 1908: “Alone the Cercle Commandant [the french official] commands: alone he is responsible. The indigenous chief is only an instrument, an auxiliary” (quoted in Young, p108). Revocations, public whippings and imprisonment of chiefs for failing to fulfill their duties were common, especially in the early period (Young, p129). The chiefs themselves became mini-despots, “judge, police chief, military commander, prison superintendent, tax collector, chief medical officer” (Fugelstad, p81). Prior checks on their power, via popular assemblies or customary

law were abolished. “To the peasant the person of the chief signifies power that is total and absolute, unchecked and unrestrained” (Mamdani, p54). “...the Colonial state really liberated administrative staff from all institutional constraints” (Mamdani, 43). In French colonies, summary punishment was authorised for acts which might “undermine respect owing to French authority or its European representatives, or to injure the exercise of this authority” (Young, 116).

In Latin America, countries acquired political independence during the nineteenth century, and were subsequently ruled by ex-patriate settlers in an authoritarian fashion, very similar to that of Colonialism. The ruling class continued to have strong links with the former Colonial powers. Like other Colonial territories, Latin American economies were dominated by primary production for export to the metropolitan economies. Norms were largely P/C with elements of M and COOP, much the same as in the Colonies elsewhere. The COOP mode of behaviour of the indigenous Indian economy was forcibly displaced by P/C modes. Indian land was expropriated and Indian labour forced to work on settler plantations (Thorp, 1998, Chapter Two and Three).

This era represented one of the purest examples of a macro-environment organised along P/C lines that one can find, although obviously there were some elements of M and COOP. Labour was procured for infrastructure and to work on plantations or in the mines mainly through direct or indirect force (including imposing head or hut taxes which could only be paid by labouring). Financial incentives, however, played some part in procuring peasant production. Much of the previous system, which had relied on a combination of P/C and COOP was undermined by colonial practices - for example, customary law was set aside where it conflicted with colonial needs or values, and autonomous village structures were weakened or destroyed (Mamdani, 1996; Furnivall, 1948).

While the Colonial and neo-colonial environment was a P/C one, there remained many activities outside the influence of colonial policy, where society continued to operate along pre-colonial indigenous lines. There is a huge anthropological literature on how such societies operated. From this it is apparent that (i) there are large variations in behaviour;

(ii) kinship was mostly a very important aspect of production relations with much production and transactions occurring within kinship groups or local communities, often described as a 'domestic mode of production' (see e.g. Sahlins); (iii) within these groups (i.e. kinship groups and local communities), relationships appear to exhibit a combination of all three of our modes of behaviour, with the balance varying within and across societies. Clearly, COOP was an important element, as might be expected of groups who live in long-term relationships with each other, with reproductive, productive and consumption relationships and activities intermingled. P/C also played an important part (Polanyi), as exemplified by traditional leaders. But "they were regarded as trustees whose influence was circumscribed both in customary law and religion" (Mboya in *African Socialism*, quoted in Cowen and Shenton, p 326). COOP relationships, like those observed today, covered a range of behaviour, including pooling of labour and output, 'gifts', and more overtly reciprocal activity, although neither the timing nor the nature of reciprocation was neatly defined. In addition, utilitarian short-term exchange relationships were also present (i.e. M as defined here), though they were rarely quantitatively important. According to some, M was clearly present underlying some apparent COOP relationships (see Davis). (iv) Much production and consumption occurred within groups (in the so-called Domestic Mode of Production). Between group behaviour was largely COOP in recurring relationships, backed up by elements of P/C and M.

According to Sahlins, the mode of behaviour altered according to the distance of the social relationship. Pooling (COOP with elements of within family P/C) was the exclusive mode within tightly defined families; as kinship or community ties lessened, explicit reciprocity became more important, moving towards M modes for trade with strangers. Polanyi makes a similar point when he states that market relationships only arose in association with long-distant trade.

A case study of the Malle in southwest Ethiopia illustrates some of these points.<sup>4</sup> Production

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<sup>4</sup> This is taken from Donham, 1981. The case study was conducted in 1974-5 (i.e. in the post-colonial era), but the particular group appears to have been untouched by the Western economic system.

was primarily organised on a household basis, with household decisions apparently determined by the head of the household in a P/C manner. But in addition there were important elements of cooperation among households which included redistribution of output to households in need; and cooperative work arrangements. Among the latter, one was strictly reciprocal with a short-time horizon as households worked in rotation on others' fields; a second type of work cooperation took the form of 'festive work groups', when one household requested work assistance and provided food and drink, while others sent younger members of their household to work for the household. In these activities, there was no exact reciprocity, and no accounting of labour allocation, but 'a long-term, global relationship of mutual social assistance' (Donham, p 534).

Anthropologists and economists have found it difficult to classify the mode of behaviour in many cases because they do not fit into a single mode, but cover a range of motives and behaviour. Thus what appear as 'gifts' may in fact involve reciprocity, while exchange is firmly embedded in social relationships. While COOP and P/C best represents the behaviour - and short-term utilitarian exchange is rare - longer-term interests are often clearly served by the behaviour. This ambiguity in fact is equally true of current 'COOP' relationships, as is apparent from other studies in this project. But one aspect which differentiates relationships in small communities from those of the modern market economy is the recurrent social relationship between those conducting the transactions. 'A material transaction is usually a momentary episode in a continuous social relation' (Sahlins, p 186). In contrast, the opposite could be said in many late-twentieth century market transactions - i.e. many social relations are a momentary episode resulting from material transactions. This is a key difference in terms of the conditions favourable for different modes of behaviour; recurrent social relations tend to support COOP, while M may be a more natural method of transaction between strangers in the night.

*The environment for group behaviour:*

From the perspective of group behaviour, Colonial society and early post-Colonial Latin America can broadly be divided into three categories: the Settler community, local people who were affected by colonial policy as labourers or through colonial rule in other areas, and

the many people and activities which remained outside colonial influence for the most part.

There were considerable variations in the autonomy given to Settlers - some were subject to centralised P/C style rule from Europe, others were able to organise themselves on more COOP lines. But the activities of the settler community are not our main concern here.

Within the local community, in the fairly small settler-dominated enclaves a P/C culture was dominant. For the remainder of activities (typically covering the majority of the population) the macro-environment for group behaviour, as noted above, was a mixture of P/C and COOP with M playing only a minor role. The way in which these influences translated into group behaviour can further be illustrated by a brief examination of medical practices.

### *Colonial medicine*

Most accounts indicate a strong similarity of medical colonial systems in different parts of the world (Manderson, 1999). Initially Colonial medical policy was almost entirely devoted to protecting the health of the Europeans through urban hospitals. Subsequently efforts were made to reduce epidemics among the local population which might threaten the health of the Europeans and also adversely affect labour supply (see e.g. Lyons). Missionary medicine was more concerned with improving the health of the local population.

By all accounts the organisation of Colonial medicine systematically reflected the P/C nature of Colonial society. For example, in the French colonial system, medical services were initially actually an arm of the armed force, and trained by them; military doctors represented more than 90% of the French medical personnel overseas in 1965 (Patton, 1996). In India, medical boards were established in the eighteenth century, consisting of the most senior surgeons, to control appointments and discipline. Appointments were generally made according to seniority (Jeffery, p61). A British Colonial Medical Service was established in 1901, which laid down a strict hierarchy ranging from the principal colonial surgeon, the senior colonial surgeon, a colonial surgeon and an assistant colonial surgeon. Administration was to be carried out by an inspector general. Although the nomenclature varied over the years, the hierarchical system remained. The role of local personnel was strictly limited, and often entirely excluded especially in Africa (see, e.g. Patton; Illiffe). Accounts of the training

of local personnel indicate that a major element was that of imparting unquestioning obedience to superior personnel (Patton; Illiffe).

Most curative services were confined to the elite (mainly ex-patriates) with services for the mass of the population limited to treating and preventing epidemics (Jeffery) . Efforts to treat or prevent epidemics among the local population were conducted like military campaigns, and interventions were dictatorial and bureaucratic (Manderson, 1999; Vaughan, 1991).

“When it came to practice.. the military campaign was the only model available in the Colonial context... the Medical Officer became indistinguishable from the administrator in the eyes of the African community” (Vaughan,1991, p43). For example, in Nyasaland, “small pox” police were employed to enforce vaccination. There was prison-like isolation of those with sleeping sickness in Belgian Congo; Africans were forbidden from washing, collecting water, fishing or travelling on waterways that were deemed unsafe (Lyons). House burnings and detention camps were used by Americans against cholera in the Philippines (Manderson). The treatment of yaws in Eastern Nigeria involved compulsory stripping, investigation and treatment, carried out with militaristic precision. Vaughan describes these procedures as “ perfect examples of the most repressive and objectifying of colonial practices. Colonial subjects are here being codified and numbered, deprived of clothing and of any individual choice, they are herded into an enclosure where various agents of the state make a direct assault on their bodies” (Vaughan, 1991, p52). The organisation of leprosy camps similarly indicates how the P/C nature of Colonial society was reproduced in smaller groups. After describing such organisation in some detail, Vaughan concludes that they “reflected the larger Colonial society, and stood as microcosms of the ‘British Colony’” (Vaughan, 1991, p 88).

Initially Missionaries also provided little medical support for Africans, believing that “faith and prayer were sufficient to ensure native health” (quotation from McCord in Good). But Missionary provision of medical facilities for local people soon followed, much before that of the Colonial administration, and they remained much more extensive. The Missionaries in general were organs and facilitators of the Colonial administration, albeit in the context of their evangelical mission. The latter led to a focus on cultural conversion as end in itself, an

emphasis on the connection between spiritual and bodily issues, and to somewhat greater recognition of their patients as individuals (Vaughan, 1991; Good, 1991). These differences appear to have led to a slightly less P/C and more COOP approach. A more voluntary approach was adopted, e.g. to the use of child-birth and welfare facilities, and demand for Missionary medical facilities generally greatly exceeded supply. However, over time distinctions between Missionary and official facilities diminished with the Missionary ones becoming “more impersonal” (Vaughan, 1991, p 74). Nonetheless, a common perception remained that “African populations everywhere almost invariably seem to believe that health workers employed in the Church-related health services provide care that is superior to their Ministry of Health counterparts because they are trained to understand the connection between body and soul and to show greater compassion for human suffering” (Good, p2; and see the evidence in Tibandebage and Mackintosh). The price of this more compassionate attitude was that Missionary medicine was more culturally intrusive and regarded traditional healers as enemies (though there were exceptions to this - see Vaughan, 1991).

Colonial medicine thus exhibited strong P/C features: COOP elements were small, though they were present in the treatment of Europeans in the official medical service, and more comprehensively in Missionary hospitals. Those performing medical services did, of course, receive financial rewards, but these were related to a person’s hierarchical position and colour, not to performance (Patton).

Traditional healing practices continued alongside the activities of European medicine. These covered a wide range of activities including well structured associations, diviners and lay healers. In India, for example, there were two parallel, complex and sophisticated systems, the Ayurvedic and Unani. Mainly these systems adopted a more holistic approach than Colonial medicine, attributing some cases of sickness to spirits, some to sorcery and some to physiological problems (Feierman; Vaughan, 1994; Curto de Casas). In most parts of the world, the role of traditional healers continued into the post-colonial era, for example the *curanderos* in Latin America. It is not possible to be confident about the mode of operation of these systems without more research, but from limited reading it seems that they combined elements of each of the three modes; while in many cases hierarchy and control was a major

element, there were also COOP elements (more so than in Colonial medicine, probably) and payment (either in kind or cash) was important in securing some services. In fact, Illiffe describes indigenous healers in East Africa as ‘entrepreneurial, competitive and often mercenary’, with many refusing to do anything without an initial payment (Illiffe, p11), while in India, the indigenous medical practitioners mainly worked for payment, many making substantial sums (Jeffery, p 55).

### **B. Interventionism from the 1950s to the 1970s**

Most countries of the developing world acquired political independence between 1945 and 1960, though, of course, in Latin America it was much earlier. In the developed countries a quite strongly interventionist economic philosophy prevailed then, due to the successful planning in the second world war and the Keynesian revolution in economic thought. This was also the era of apparently thriving socialism in the Russian empire. The interventionist philosophy resonated with the objectives, politics and philosophy of the newly independent countries, and of Latin American governments, which had already started to initiate active industrial policies in reaction to the fall in commodity prices in the 1930s.

For most developing countries at the beginning of the 1950s the overriding reality was a situation of underdevelopment, characterised by low incomes, a predominantly agrarian structure with a large subsistence subsector, and heavy dependence on the advanced countries for all modern inputs. Countries had two related economic objectives: to become economically as well as politically independent and to raise their incomes to the levels of the developed countries. Developed countries, too, recognised the need for a new approach to the former colonial territories. Indeed, already in 1937, the governor of Nigeria announced that “The exploitation theory is dead ..and the development theory has come to take its place” (quoted in Cowen and Shenton, p7). In a famous statement President Truman declared that

We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. The old imperialism is dead - exploitation for foreign profit has

no place in our plans. What we must envisage is a program of development based on the concepts of democratic far dealing. (Inaugural address, January 20<sup>th</sup>, 1949).

Economists advice on how to achieve these objectives had three main prongs<sup>5</sup>:

- that industrialisation was an essential element in the process of catching-up developed countries;
- that surplus labour in agriculture provided a major potential resource;
- and that government intervention of various kinds was needed to tap this potential and promote industrialisation, including, support for investment and protection against industrial imports.

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<sup>5</sup> The Lewis model of development incorporated two of these key ideas - the latent potential of surplus labour and the key role of industrialisation in development.

*Policies in the 1950s and 1960s:* The desirability of development planning was generally accepted - by developed country observers as well as developing country theoreticians and practitioners.<sup>6</sup> On the ground, Mahalanobis in India, Prebisch in Latin America and visiting economists in many African economies introduced Development Plans (see e.g. Killick, 1976). Economic policies promoted savings and investment, through state investment especially in the very underdeveloped infrastructure, and the encouragement of foreign investment; import-substituting industrialisation was adopted with high tariffs and other import restrictions; the state was given a major role in determining economic priorities via price and import controls, investment planning and sometimes as a producer.

In most countries, the state, continued to be organised in a P/C mode - adapting rather than transforming the Colonial state. As Young puts it: “Although we commonly described the independent polities as ‘new states’, in reality they were successors to the colonial regime, inheriting its structures, its quotidian routines and practices, and its more normative theories of governance.....In short , what Mbembe terms a *principe autoritaire* informed the inner ethos of the postcolonial state”. (Young, p285,287). One party states were common, and democracy rare: “development became a top-down agenda enforced on the peasantry” (Mamdani, p288). Extreme examples include the Tanzanian villagisation project and the centralised despotism of Mobutu’s Congo. In Senegal ”the state aims more and more at direct administrative, ideological and political control over the dominated masses, be they urban or rural” (Copans, p 248). A fairly authoritarian approach was adopted, with some modifications, even in the more democratic countries - e.g. India and the West Indies.

In line with the prevailing economic philosophy and the nature of the state, economic policies were designed largely in a P/C mode, with planning centrally directed, although there was also much COOP rhetoric; financial incentives were also used to help bring about the desired

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<sup>6</sup> For example, although the policy prescriptions advocated by Fei and Ranis were not as strongly interventionist as many of the writings of the time, they accepted that 'The need for development planning is well recognised' ( Fei and Ranis, 1964, p199).

developments, but these incentives were not those emanating from an unregulated market, but mainly the product of deliberate state intervention. In general, there was an expansion of private sector activity - as a complement to or in parallel with that of the state - which operated according to M mode, but usually heavily circumscribed by state-imposed restrictions.

*Consequences:* the policies adopted were in some ways remarkably successful. Savings and investment rates rose dramatically from the mid-1950s and growth accelerated in most countries, while some, notably in East Asia, experienced spectacular growth rates. Social indicators, such as infant mortality and literacy rates, also improved. But there were other developments that were less welcome. Population growth accelerated, and growth in employment, especially in the industrial sector, lagged behind output. Un and underemployment emerged as a serious problem; the incidence of poverty remained very high as a proportion of the population in many countries, while the absolute numbers of people falling below the poverty line increased. A dualistic pattern of development resulted, with a small relatively privileged modern sector leaving the rest of the economy with low incomes and investment. The ILO summarised the position: “...it has become increasingly evident, particularly from the experience of the developing countries, that rapid growth at the national level does not automatically reduce poverty or inequality or provide sufficient productive employment” (ILO, 1976, p 15). Moreover, the economic independence sought was elusive, as dependence on developed countries for capital and technology increased.

*Thinking in the late 1960s and 1970s:* The events of the 1950s and 1960s led to new thinking about development. Three distinct strands may be detected, each a reaction to different aspects of the development experience over the previous twenty years.

First, there were those who became concerned with the lack of economic independence achieved. This gave rise to the dependency school of thought, some Marxists and some structuralist, by writers mostly from the South, such as Frank, Furtado and Amin (see Palma, 1978). They focussed on the problems arising from the heavy dependence in peripheral economies, and generally advocated reduced links between rich and poor countries, although

there were important differences within the dependency school (see reviews by Palma, 1978; Oman and Wigneraja, Chapter 5). Some believed that the North-South relationship could be controlled by active policies; some that this was impossible because of the political consequences of dependency (e.g. Leys, 1975); while some thought that the North-South connection was ultimately progressive and would lead to eventually to the emergence of a proletariat and revolution (Warren, 1980). The dependency school did not directly challenge the P/C norms but argued that power and control should be located in the South, not the North. The dependency school was dominated by scholars from the South, and the views were in no way shared by the aid community.

A second reaction was to the rising poverty and unemployment that had become evident in the 1960s. It was argued that countries had been pursuing the wrong objective: Seers pointed to the need to 'dethrone GNP'. Candidates for replacing GNP as the main economic objective were successively employment, redistribution with growth, and the fulfilment of Basic Needs (BN). This reaction came primarily from the developed countries and the aid-community, eventually penetrating the World Bank. It was treated with some hostility by developing country governments. Some of the alternatives advocated involved P/C norms, but differently directed - for example, basic needs approaches can be highly paternalistic. Others included some important COOP elements - some of the BN approaches, for example, advocated participation as an essential basic need (e.g. Streeten and associates, 1981; ILO, 1976).

The third strand of thought initiated in the 1970s, to become dominant in the 1980s, was a reaction to the differential economics performance across countries; 'lessons' were derived from the rapid and fairly egalitarian growth experienced in East Asia in contrast to the capital-intensive and élite dominated pattern of growth observed in many places. It was argued that in the latter countries, the incentive system had been distorted by government interventions, the role of the government in the economy was too large and that of the market too small (see e.g. Little, Scitovsky and Scott 1970; Balassa, 1971; Krueger 1974).<sup>7</sup> This

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<sup>7</sup> Deeper analysis of the East Asian experience suggested this was an incorrect interpretation, and that they too had intervened heavily in the economy, but in a more efficient way (see e.g. Amsden, 1989; Wade, 1990).

criticism of the Keynesian model came almost entirely from Western trained economists, sponsored by major Western institutions - e.g. the O.E.C.D., the World Bank, and the US government. A predominantly M mode of behaviour was advocated for relationships across the economy.

*Policies in the 1970s:* Over the 1970s, the *dependencia* approach was most effective in terms of changing policies, though its effects were short-lived. As far as general economic policies were concerned, most countries sustained the previous inward-looking macro-economic and interventionist policies, in many cases supported by heavy borrowing from abroad. The basic needs approach had a strong influence on donor philosophy but little impact on developing country policy, while the neo-liberal philosophy only began to have major effect in the 1980s.

The underlying belief of the dependency school was of unfairness in the world's economy: this formed the background to OPEC and its successful efforts to raise oil-prices and the New International Economic Order (NIEO) put forward by the G 77 in 1974. Other policy manifestations of the dependency approach were the restrictions on direct foreign investment and controls over technology transfer which were introduced most comprehensively by the Andean Pact countries and India, although elements were adopted in many other countries.

The BN approach was widely adopted by the international community, first the ILO, then taken up by the World Bank under MacNamara as well as by major bilateral aid agencies and the United Nations special agencies which adopted a series of BN-style targets, such as Universal Primary Health care and Universal Primary Education. However, few developing countries put BN at the centre of their development strategy, or pursued serious redistributive policies. In general, developing country governments were more impressed by the conclusions of the dependency school, regarding the BN-approach, as an excuse by the advanced countries to avoid the demands of the New International Economic Order.

*Consequences:* the employment/basic needs strand of thought had some effect in altering aid priorities. It is less clear that it had much effect on developing country policies. While progress in meeting basic needs over these years continued, there was no evidence of

acceleration, taking developing countries as a whole. The dependency school had a much more significant effect on the world economy. In the sellers' market created by high world demand, the belligerent attitude of the oil-producers, partly inspired by this school, led to the oil-price rise of 1972-3, creating massive imbalances in the world economy and inflationary pressures in developed countries. Most oil-importing developing countries borrowed to finance the resulting trade deficits. There was a massive accumulation of debt as well as rising budgetary and trade imbalances, made worse by a further increase in oil prices in 1978-9. In developed countries, inflation rates accelerated. These changes were in large part responsible for a major turnaround in thinking in both developed and developing countries in the early 1980s.

In general P/C style policies continued to dominate in the 1970s, with neither the COOP policies associated with some of the BN and redistributive approaches, nor the M, favoured by the 'get the prices right' school, making substantial headway. Politically, norms continued to be of a P/C type in most countries. Indeed, the tendency towards one party states and suppression of dissent increased and there was a rise in the number of military dictatorships in Latin America and Africa.

*The environment for group behaviour 1950s to 1970s:*

Centralised planning to promote development undoubtedly resulted in a P/C macro-environment, despite the fact that some of the language of the Keynesian-cum-Fabian philosophy of development philanthropists was COOP in intention. Moreover, the socialist model, emulated by many countries, also involved top-down rather than participatory planning. The role of the market was restricted everywhere, most severely in the countries adopting the socialist model. As noted, a P/C mode was in tune with the prevalent political systems. Nonetheless, there was a greater role for COOP relations than in the preceding era, even within government, and to a much greater extent in the burgeoning non-governmental, non-market sector, while pre-colonial societies, which continued to be important in many places, contained some strong COOP elements.

The size of government increased dramatically in most developing countries, giving rise to huge areas of non-market relationships. Many institutions, including the public sector, government-supported cooperatives and NGOs, faced only 'soft' budget constraints. Within the public sector, this led to decision-making by 'bureaucratic' man (James), as well as rent-seeking behaviour (Krueger, 1974); in the social sectors, public service was emphasised with a combination of P/C and COOP relations practiced. In the emerging popular organisations and NGOs, rhetoric strongly favoured COOP but practice exhibited a combination of P/C and COOP.

Although there was more acceptance of COOP norms than before, some of the structural changes were less supportive of COOP motivation. The mass migration to cities associated with industrialisation weakened traditional cooperative arrangements. While new communities developed, they were generally more unstable, with fewer kinship ties. But other circumstances favoured the development of new-style COOP groups - for example among new community organisations in the urban sector (both formal ones, like Trade Unions, and informal ones), while rising inequalities gave rise to COOP-style claims organisations. New community organisations also developed, often with redistributive functions - for example the Harambee movement in Kenya. Informal efficiency-supporting groups also developed among low-income producers (rural and urban) to overcome indivisibilities and externalities (see e.g., Baland and Platteau, 1998), often adopting COOP-relations.

M behaviour was officially given a relatively minor role, with restrictions on the role of market incentives even within the private sector. However, in practice (and increasingly over time), parallel activities developed in which market incentives prevailed. The expansion of rent seeking and parallel markets was particularly marked where formal prices diverged widely from competitive ones - one reason advanced for a more overt switch to monetary incentives.

In sum, there was undoubtedly a mixed picture. The government, which became increasingly dominant in the formal sector, was largely P/C, but encouraged a greater role for COOP

relations than in the Colonial era. In a formal way M relations were downgraded (both for transactions within the public sector and for the private sector), although they entered in a sporadic way informally in the form of parallel markets and rent-seeking.

### *Medicine in the planning era*

At the beginning of this era, the formal medical system was organised on strictly P/C lines, dominated by expatriates and largely devoted to their needs. Government objectives with respect to medicine were similar to the wider societal aims - to indigenise the provision of medicine, especially in the higher echelons, and to provide the standards and type of medicine enjoyed in the West for the whole population: “Kenya must copy the British model of medical services and nothing else” stated Mungai, the Kenyan Minister of Health in 1963 (quoted in Illiffe, 1998, p131). To this end new hospitals and medical schools were established, and students were sent abroad for training. Medical services were to be provided primarily by the State, generally free of charge. As with the wider political system, these changes involved indigenising the services but not transforming them. Consequently, the basic P/C mode was maintained - although Russian-trained doctors adopted a more collective approach (Patton, 1996), while local domination of the service and the professional association increased solidarity among doctors (Illiffe). In practice, patients sometimes made illicit payments to secure high quality treatment, thereby introducing an element of M into the system (Jeffery, p 261-2). COOP also played a role - with medical personnel being motivated by the desire to serve and to do a good job, as well as because they were ordered or paid to do so. For example, a Cuban doctor, operating in a highly P/C system, stated: “Medicine is a call to services, my business is seeing the patient get well, not the size of my salary” (*Economist*, May 8<sup>th</sup> 1999). In some areas, community health workers, selected from the local community, provided a more COOP model (e.g. in Maharashtra). In general, however, doctors were determined to maintain a hierarchy which they dominated. In Uganda, for example, they rejected proposals to develop a cadre of assistant doctors, while proposals to introduce community health workers in India were postponed for decades (Illiffe, p121; Jeffery).

The inappropriateness of the model gradually became apparent - in particular, the financial impossibility of providing Western standards for all, and the need for priority for preventative

health care. Consequently, there was a switch to emphasis on primary health care and immunisation in the 1970s, led by WHO and UNICEF, broadly following the BN approach to development. The new approach was more effective, being much lower cost and reaching larger numbers, but it was no more participatory than before. However, when it became impossible for most people to secure the medicines they believed they needed from the public health system, there was a switch to traditional practitioners and self-medication. In East Africa, 'needle men' and drug sellers became increasingly prevalent despite the practices being outlawed, as indicated by the spate of prosecutions against them (Illiffe). These alternatives, as well as NGO-supported efforts, tended to be COOP, and/or M in mode of operation.

### **C. Liberalisation and globalization**

The neo-liberal reaction to the post-independence interventionism started in the early 1970s. But it had little effect until the 1980s when it received a powerful boost both from the policies adopted in the UK and US and from the debt crisis which enabled the International Financial Institutions to impose pro-market and laissez-faire policies on borrowing countries. Globalization and liberalisation are closely intertwined - liberalisation provided an impetus to globalization, and globalization contributed to forcing liberalisation on recalcitrant countries. The 1990s has also seen some reaction to the liberal revolution of the 1980s, both theoretically - with powerful criticisms of the underlying model - and in policy focus, with renewed emphasis on human objectives, especially poverty reduction. But policy response to this reaction has been quite severely constrained by globalization.

*The 1980s liberal revolution:* The first and most important revolution occurred in developed countries, Thatcher (from 1979) and Reagan (from 1981) espousing monetary policies, in principle, if not always in practice. This had the immediate effect of raising world interest rates, ushering in world recession and a downward movement in commodity prices. It also imparted a new monetarist, anti-government, pro-market, laissez-faire philosophy which permeated the IFIs, bilateral aid administrations, educational establishments in developed

countries and eventually the 'technocrats' in developing countries who had been educated in these establishments.

The view that in developing countries the state had overreached itself had already been powerfully propounded in the early 1970s by a succession of pro-market observers - as noted above. Essentially, they pointed to the inefficiencies associated with government interventions in most areas of policy, including trade, prices and production, arguing for a smaller role for governments and a greatly enhanced role for the market. Discrediting of what came to be termed *dirigisme*, with the view that government failures almost invariably outweighed market failures, was carried further in the early 1980s (see e.g. Lal 1983; Bhagwati 1982 and Little 1982). This view was reinforced by the 'new political economy' (NPE) which argued that the actions of self-seeking individuals (bureaucrats and politicians), led to individual rent-seeking, group short-termism and state predations, concluding that a minimalist state would do least damage to social welfare.<sup>8</sup> This replaced 'the image of the benign state with its mirror opposite, the negative state' (Grindle, 1991, p. 43).

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<sup>8</sup> See e.g. Lal 1984, Conybeare 1982, Bhagwati 1982, Bates, 1981, drawing on the work of Buchanan et al., 1980.

*Policies:* By 1980, the anti-state, pro-market philosophy had been adopted by the World Bank, whose power over policy-making in developing countries enormously increased with the onset of the acute debt crisis in the early 1980s and the initiation of structural adjustment loans. While the World Bank emphasised deregulation, reduced price controls, subsidies, tariffs, and the elimination of restrictions against direct foreign investment, the IMF promoted a monetarist view - that the prime objective of macro-economic policy should be to eliminate budgetary and trade imbalances through tight control over the budget and money supply.<sup>9</sup> Considerations of poverty reduction or basic needs virtually disappeared from the policy views of these institutions. Throughout the developing world there were massive policy switches in the 1980s in accordance with the IFI agenda.<sup>10</sup> The policies were intended to bring about a switch of behaviour from P/C and COOP to M, all premised on the supposed greater efficiency of M modes of behaviour.

*Consequences:* for the regions most subject to Washington tutelage - Africa and Latin America - the stabilisation and adjustment policies were accompanied by falling GDP per capita for much of the 1980s, falling real per capita expenditure on the social services and rising poverty. Social indicators worsened in a number of countries and investment rates fell.

Although it does not appear that economic or social performance was systematically worse in 'adjusting' than 'non-adjusting' countries - and may have been marginally better - the widespread rise in poverty led many to question the apparent elimination of human concerns from the development agenda.<sup>11</sup>

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<sup>9</sup> Williamson, 1990, conveniently labelled this set of policies as representing the 'Washington consensus'.

<sup>10</sup> See e.g. Williamson (ed.) 1990, World Bank and UNDP, 1989, Dean et al., 1994, for evidence of the advance of these policies in Latin America and Africa.

<sup>11</sup> There have been numerous studies of the macro-effects of stabilisation and adjustment policies, both by the IFIs themselves and by academics. The assessments of the IMF tend to suggest somewhat negative effects on growth, while those of World Bank slight positive effects compared with an estimated 'counterfactual'. Effects on investment were generally negative. See, e.g. Khan and Knight, 1985; Khan, 1990; Killick et al., 1991; World Bank, 1990; Mosley et al., 1991; Elbadawi, 1992. Most

*The 1990s: reactions to the neo-liberal agenda, and the new consciousness of globalization*

The stabilisation and adjustment policies of the 1980s were criticised from two perspectives - for their failures with respect to poverty and for the simplistic economic (and political) model that underlay them.

Concern with the rising poverty associated with the policies, was initiated in the mid-1980s by UNICEF and rapidly gained support (Cornia, Jolly and Stewart, 1987). From 1987, the World Bank's staff guidelines required Policy Framework Papers for low income countries to include 'a brief description and assessment ... of the social impact of the government's intended adjustment program'. The World Bank's concern with poverty became more central with the 1990 *World Development Report* which focussed on poverty. Lewis Preston, declared that 'poverty is the benchmark against which we must be judged'. In 1990 Camdessus, Managing Director of the IMF, acknowledged 'the recognition that macroeconomic policies can have strong effects on the distribution of income and on social equity and welfare. A responsible adjustment program must take these effects into account, particularly as they impinge on the most vulnerable or disadvantaged groups in society' (Speech to US Chamber of Commerce, March 26, 1990). Subsequently, each IMF country Mission was required to report on the poverty implications of country programmes.

A similar concern was exhibited by UNDP which published the first *Human Development Report* in 1990, focussing on the human dimensions of development. 'People are the real wealth of a nation. The basic objective of development is to create an enabling environment for people to live long, healthy and creative lives' (UNDP, 1990, p9). The quality of human lives, both as the central objective of development and as a critical development resource, has been a central theme of development thinking in the 1990s. The market model was also criticised from an environmental perspective, since by its nature market motivation is

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studies have been unable to find significant positive effects in Africa.

ill-suited to take into account externalities, while the long-term future is heavily discounted as a result of positive real rates of interest (Bojo, 1990; Pearce, 1990).

At the same time, the economic model underlying the adjustment philosophy was reviewed critically. One criticism was the relatively weak economic performance of many of the 'adjusting' countries, especially the fall in investment rates. Another was the failure of the economic model to capture essential elements of the successful East Asian cases (Pack and Westphal, 1986; Amsden, 1989; Wade, 1990), where the government was shown to have played a much more active role than allowed for in the market model, while, high savings and investment levels and human resources and well developed institutions (private, public and community) were also important features.

Theoretical critiques of the neo-classical model gained ground, questioning the view of economic agents as exclusively and unavoidably short-term maximisers, and reflecting the finding that trust is an important part of an exchange economy, which is economically costly to replace. Criticisms of the consequences for efficiency of short-term maximising behaviour even extended to the private sector, where large firms increasingly emphasise the need for cooperative behaviour.<sup>12</sup> These critiques pointed to important factors neglected by the pure market model, including the role of institutions in development (initiated by North's studies); they criticised the model's assumptions about individual motivation<sup>13</sup> and about information<sup>14</sup>; while new developments in growth and trade theories emphasised the importance of learning, economies of scale, oligopoly and externalities<sup>15</sup>; others criticised the views of the new political economists<sup>16</sup>. Such work is, of course, ongoing. Together these

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<sup>12</sup> Some empirical evidence suggests that 'participation, communication, creativity and decentralisation' within the firm is positively correlated with growth in sales and profits (Denison, 1993, p 266). See also Kay, 1998.

<sup>13</sup> See Sen, Bowles and Gintis and socio-economists such as Etzioni.

<sup>14</sup> In a series of important articles on the implications of asymmetric information by Stiglitz and others.

<sup>15</sup> E.g. Lucas; Roemer; Krugman and others.

<sup>16</sup> See e.g. Grindle, Toye.

criticisms amount to a significant attack on the M model from the perspective of *efficiency*, in addition to its failures with respect to equity and participation.

One alternative proposed is to incorporate COOP behaviour into theoretical models, as a corrective to the myopic view of the 'rational' person as being a short-term egotistic maximiser.<sup>17</sup> As Sen puts it: 'the purely rational man is close to being a social moron' (Sen, 1977, p). Moreover, the recognition of trust and COOP as an essential aspect of efficient *market* relations, before one even considers non-market ones, has led to emphasis on the need for more COOP, as exemplified, e.g. in the work of Putnam or Stiglitz. There is increasingly wide agreement that 'social capital' is an important aspect of economic development. The irony is that by assuming, incorrectly, that 'rational' short-term maximisers constitute the basic economic agents, the profession has introduced policies - the neo-liberal package - which come near to making this true and in so doing actually undermine the efficiency of the system they are supposed to be enhancing. Hence Putnam's dismay that 'social capital' is declining in the US, pithily summarised in the title of his article 'Bowling alone'.

There were also organisational and political reactions to the adoption of a pure market model. One such reaction has come from the huge expansion in the number of NGOs, both international and local. Some of these new NGOs are groups basically fulfilling efficiency functions, which undertake activities previously conducted by the state, and whose mode of operation is greatly influenced by general government philosophy. But others have developed in reaction to events - performing claims functions. These include popular organisations demanding resources or improved services from the state or private sector, and also campaigning organisations. For example, national and international NGOs have campaigned effectively for specific market constraints (e.g. against the MAI; in favour of debt relief; against free trade). Another reaction has come in the form of *legal* challenges to market outcomes often organised by COOP style groups, mainly in developed countries, e.g. towards the tobacco industry, mobile phones, the car industry and so on. A third reaction has been the

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<sup>17</sup> As argued elsewhere - Heyer et al., 1999, Alkire and Severine, (this volume) - there are a number of alternatives to the short-term maximising assumption, including long-term reciprocal behaviour, altruism, behaviour based on sympathy and commitment (Sen) and behaviour based on a sense of identity (Akerlof and Kranton, 1998).

election of social democratic governments, with the explicit platform of moderating market excesses, although global forces have restricted the ability of such governments to adopt market-restricting policies.

The view that the exclusively pro-market stance of the early 1980s was 'A reaction too far'<sup>18</sup> came to be widely shared. While the economic critique taken as a whole did not gain dominance in such institutions as the World Bank and the Fund, three aspects were accepted there - the importance of human resources, the need to raise investment rates (see, e.g., World Bank, 1993) and the priority to be given to poverty reduction. A further criticism (see Chambers) was the lack of popular participation in either Keynesian or market models; the desirability of a more participatory model, as an objective in itself and also to improve efficiency and equity, gained wide acceptance among the aid community, and some developing country governments.

*Implications of liberalisation and globalization for group behaviour*

Liberalisation has introduced a strong market ethos into norms of behaviour across the world. Numerous enterprises have been moved from the public into the private sector. For those that remain in the public sector, the soft budgets that previously permitted satisficing behaviour have been largely stopped. Increasingly, the public sector has been required to compete with the private sector, contract out to it, and to adopt market incentives in its own transactions. In numerous ways, the culture of reforming societies has become oriented towards M behaviour, replacing both P/C and COOP. This change has been reinforced by rising inequalities within most economies (Cornia, 1999; Stewart and Berry, 1998). Rising wage differentials - which occurred in most countries - have increased potential private sector earnings for the more skilled and professional classes, while maximising individual earnings has been accepted as a correct way of behaving, making it difficult for non-market groups, for example in the health and education sectors, to avoid providing similar differentials. Another consequence of the market-orientation and emphasis on incentives is that in many societies provision for the poorest members has been weakened. Numbers of people in developed countries, as well as developing, have been marginalised; they are often homeless and resort

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<sup>18</sup> A term used by Killick, 1988.

to begging - a phenomenon which had apparently been eliminated by welfare states in developed countries after the second world war - as well as violence. The rise in violent crime has reduced trust within society generally.

Evidence for reduced levels of trust during the 1980s has been documented for developed countries, along with rising levels of crime. (See appended Charts II and III taken from Fukuyama, 1999). There is not such systematic evidence for 'trust' across countries. However, the sharpest increases in crime appear to have occurred in the societies most affected by the transition to market values and forms of organisation - viz. in UK., New Zealand, Canada and the US - while there was a decline in violent crime in Japan and very little increase in Korea, Ireland, France, the Netherlands and Finland, countries which appear to have had less strong changes towards market domination of culture and the economy. Of course, figures for crime can be unreliable, depending on reporting rates; policing policies can also alter incidence and reporting of crime, while drug usage is an important and, perhaps, independent cause of rising violence. Data for trust is somewhat subjective, depending on surveys of perceptions. Moreover, the change in dominant economic philosophy was associated with rising inequality and it may be this, rather than the prevalent norms, which accounts for the rise in crime and reduction in trust.

A specific example of how the switch in economic norms affected society is provided by New Zealand, which experienced a radical switch from Keynesian state-centred policies to market orientation, undertaken from the mid-1970s. The macro-consequences were small, with growth rising or falling, according to the exact dates selected. However, unemployment rose and real wages fell, while inflation seems to have accelerated (data from Dalziel and Lattimore, 1996). A major reason for the disappointing macro-response was the huge rise in transaction costs, as the reduced role of COOP required greatly increased monitoring. The ratio of transactions workers to 'transformation' workers rose from 0.49 in 1976 to 0.96 in 1996, with the sharpest increase arising in the decade of radical market reforms<sup>19</sup> (data from Hazledine, 1998). Income distribution worsened markedly.

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<sup>19</sup> Transactions workers include all workers in industries devoted to providing transactions services 'finance, insurance, real estate, legal and other business services, guards central

We had, in the New Zealand of a generation ago, a system based on high-wage full employment sustained by the general observance of *an unwritten but well-understood contract between workers, employers and the state*. It was indeed a market economy, but one in which trust and forbearance, based on empathy and sympathy, did not just temper the excesses of the market but actually allowed them to function with a remarkable lack of fuss, in terms of all those monitoring, managing, guarding and accounting activities required to excess in a more opportunistic society. It was extremely efficient in terms of exchange efficiency....if supposedly lacking in ... allocative efficiency - the promised fruits of the more market reforms. (Hazledine, p217, my italics).

In developing countries, a study of four poor urban communities in Zambia, Hungary, Ecuador and the Philippines during economic adjustments of the 1980s showed the importance of COOP relations among and within households for supporting poor households during crisis and providing the basis for community organisations. But the “economic crisis has... eroded trust and cooperation in a number of important respects”. These included a decline in participation in community-based organisations, especially by women; an increase in youth gangs; and increase in crime; lack of mobility especially at night; and a decline in attendance at night schools. Moser argued that there was a “rupture of a social contract carefully negotiated over the years” (quotes from Moser, 1996, p 64-5, cited in White and Robinson 1998).

#### *Medical reforms in the neo-liberal era*

The move towards market reforms has had strong effects on the health sector in many countries. User charges have been widely introduced, often improving the quality of health

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administration - plus those workers in other industries in transaction occupations' plus unemployed transactions' workers. The methodology adopted by Hazledine follows that of Wallis and North, 1986.

care for some, while invariably excluding many of the poor from the services or diminishing their use of them (Creese, 1991; Nyonator and Kutzin, 1999). More wholesale moves towards market allocation of resources within the health sector have been introduced in some countries - e.g. Chile and the UK.

In Chile there was an integrated public health service in the 1970s with universal coverage, and some private health care for the wealthy. Public health services were financed mainly by the central government budget (65%) and by compulsory health insurance contributions from workers and their employers. The system was redistributive and offered near-equality of health treatment. Chile was one of the first developing countries to adopt market reforms in the economy as a whole under the harsh dictatorship of Pinochet. Market reforms were soon introduced into the health services also. These occurred in two stages, the mid-1970s and the early 1980s. In the mid-1970s, there was a reduction in central government finance which was compensated for by direct user payments and by an increase in the compulsory insurance contribution. Reforms of the mid-1980s abolished the National Health Service as such, favouring private intermediary institutions to which workers could assign their compulsory health contributions in exchange for health insurance plans. The reforms also involved greater decentralisation of the public health system. In both the mid-1970s and the 1980s there was a severe reduction in public funding for health services. The 1981 reforms led to a major opt out from the public health system among the middle classes, leading to a further squeeze on public funding and a loss of medical personnel to the private sector where rewards were higher. The result was rising inequality in health care, and diminished public service. Both infant and maternal mortality rates worsened during the acute public expenditure cuts. There was a sharp reduction in staff per person in the public sector (Montoya-Aguilar and Marchant-Cavieres, 1994). Health care expenditure per capita in the mid-1990s was 2.5 times higher for the privately insured than for those receiving public health care. "The 1981 reforms may be therefore be regarded as a major setback to the establishment of a more equal society" (World Bank, 1997b, annexe 5, p 174).

The medical reforms were associated with a change in the dominant mode of behaviour. The public system of the early 1970s combined P/C and COOP behaviour. There were both P/C

and COOP elements in staff behaviour, but it is claimed that patients were generally treated in a P/C way, paternalistically and harshly: “In the ward, the patient was isolated... and subject to authoritarian discipline... they rarely saw [the health staff] ...who treated them with disdain”(Trumper and Phillips, 1996, p 41). In contrast, in the small private sector, the staff were mainly motivated by M, the wealthy private sector patients were much more well-informed about their treatment and generally treated with respect. Nonetheless, the universal coverage led to high standards of health care, as indicated by infant mortality and life expectancy rates. The reforms have increased the proportion of the health care facilities operating primarily in an M mode, not only directly in the growing profit-motivated private sector, but extending into the public sector as well in response to the incentives offered medical staff to switch to the private sector.

The UK, like Chile, was a pioneer in introducing market reforms in the economy, under Thatcher’s leadership, and again like Chile this was soon followed by health sector reforms. In this case, the reforms consisted in introducing a quasi-market in the allocation of health care *within* the system. The net effect was to enhance M motivation, while greatly increasing the proportion of administrative staff: as le Grand pointed out the assumption of ‘knightly’ behaviour (COOP) was replaced by that of ‘knave’ like behaviour, and this actually changed the motivation of medical staff in the same direction, reducing COOP behaviour. It appears that the efficiency of resource allocation increased, but this was offset by the greatly increased administrative costs (see Le Grand, 1997; Glennerster, 1995).

These are two (perhaps extreme) examples of a general trend. They are being followed elsewhere - e.g. in Colombia, Argentina and Canada. Many of the reforms are supported by the World Bank and the Inter-American Development Bank. The changes illustrate the close connection between the macro-environment for group behaviour and changing mode of behaviour in particular groups. However, at the same time there are examples of more participatory community-based health services. For example, an integrated health project in the poor areas of Salvador in Brazil, involved the three levels of government and “the total and complete participation of the future beneficiaries”. However, the organiser noted “Cooperation is not part of our culture; it is a relatively new phenomenon. Institutions and

departments are not used to working together” (quoted in IDRC, p 19). This too reflects changes at the macro level. As indicated above, while, on the one hand, marketisation has greatly increased at all levels, on the other hand, and partly in reaction to this, there has been increasing emphasis on the need for greater participation, accompanied by greater decentralisation of government and a larger role for NGOs.

## CONCLUSIONS

This paper has explored how norms and economic structures at a macro-level have shifted quite dramatically over the twentieth century, and how this has affected the environment in which groups operate. It has been suggested that in the Colonial and neo-colonial era, the environment favoured P/C in most formal sector organisations, with combinations of P/C and COOP relationships in local non-colonial organisations. During the first post-colonial phase, the Keynesian state-centred paradigm continued to be mainly P/C, but with a somewhat greater role for COOP behaviour. The paper traces how this paradigm gave way to a strong market-orientation, where societal norms and institutions pushed group behaviour to M-type motivation. Reactions to the domination of the market model has led to pressure for greater participation and COOP modes of behaviour, which has been taken up apparently even in such dominant market-oriented institutions as the World Bank.

The impact of these macro changes in norms on group behaviour was illustrated by examining changing modes of behaviour in the health sector. The dominant P/C orientation of the Colonial and neo-colonial period continued in the subsequent period, combined to a greater extent than before with elements of COOP and M. This gave way to a much larger role for M in the health sector when the macro-environment favoured M. While the paper explored the health sector as an example, the influence of the macro-environment extends to all other non-market groups. The health case indicates that the connection between macro-environment and individual groups’ mode of behaviour is not watertight - it is apparent that groups can operate in a way counter to the prevailing ethos. For example, popular grass-roots organisations frequently adopt a COOP approach in macro-environments which are predominantly P/C or M. But these cover only a minority of activities. Hence the formation of

norms of behaviour at the macro-level is of critical importance for conditioning group behaviour.

The argument presented has parallels with earlier debates about the development of 19<sup>th</sup> century capitalism. Initially, it was believed that commerce would increase civility: “it is almost a general rule that wherever manners are gentle (*moeurs douces*) there is commerce; and wherever, there is commerce, manners are gentle” (Montesquieu, Vol.2, p 8, quoted by Hirschman, 1982); “through commerce, man learns to be prudent and reserved, in both talk and action” (Ricardo, 1781, p 463, quoted by Hirschman). But the reverse was also strongly argued: Adam Smith himself predicted that the division of labour would lead to a situation where ‘all the nobler parts of human character may be in great measure obliterated and extinguished in the great body of people’ (*Wealth of Nations*, p736).<sup>20</sup> According to Robert Owen ‘The general diffusion of manufactures throughout a country generates a new character in its inhabitants; and as this character is formed upon a principle quite unfavourable to individual or general happiness, it will produce the most lamentable and permanent evils, *unless its tendency be counteracted by legislative interference and direction*’ (Owen, 1818 - my italics). Polanyi pointed to “the dislocation caused by such devices [the market system] must disjoint man’s relationships and threaten his natural habitat with annihilation” (p42). It involves the “liquidation of every and cultural institution in an organic society” (Polanyi, p159).

The end of the nineteenth century and the first half of the twentieth century saw strong reactions to the consequences of an unregulated market, embodied in economic interventions and social legislation. So strong were these reactions that in the 1940s Polanyi wrote: “In retrospect our age will be credited with having seen the end of the self-regulating market” (p142). He wrote this in the Keynesian era. Since then much of the moderating interventions have been unravelled, while attempts to preserve or increase them are increasingly constrained by global forces.

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<sup>20</sup> Quoted in Heilbroner, 1993 who refers to the ‘widespread disquiet with regard to the moral basis of capitalism’, p 131.

Yet there are reactions to the renewed dominance of individualistic maximising norms, ranging from developments in economic theory to the growth of NGOs, and including emphasis on more COOP norms even within the private sector. These reactions are occurring partly because there are efficiency costs arising from reduced levels of trust, in addition to the adverse social and environmental consequences. More COOP modes are needed for efficiency as well as equity. This paper has argued that only a shift in the macro-paradigm will permit these modes to become dominant. The critical question that then arises is how such a shift can be brought about - indeed whether it can happen in the context of global competition, which continuously push for modes of behaviour which will maximise short-term competitiveness.<sup>21</sup> Continuing to advance the market model in most areas, while simultaneously arguing for more social capital and more social safety nets - the present stance of most prominent development institutions such as the World Bank and major aid donors, for example - will not bring about any such shift since the advance of the market in most areas will ensure that the dominant paradigm for group behaviour remains M.

In the nineteenth and early twentieth century, popular struggles combined with democratic structures permitted governments to gain some control over capitalist forces, and guide society in a more COOP and welfarist direction. The same sort of struggle is needed (and to some extent is happening) both within countries and at a global level if another shift of norms is to be achieved in the twenty-first century. Group behaviour itself will contribute to this struggle, with groups which challenge the dominant norms weighed against those that are influenced by and sustain them.

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<sup>21</sup> Marx raised the same question in the nineteenth century: “Modern bourgeois society has conjured up such gigantic means of production and exchange it is like a sorcerer who is no longer able to control the powers of the underworld that he has called up by his spells” (Marx and Engels, 1968 [1948], p66-7)

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CHART ONE  
CHANGING THEMES IN DEVELOPMENT THINKING

YEARS	DOMINANT STRANDS IN DEVELOPED COUNTRY THINKING	DOMINANT THEMES IN DEVELOPMENT ECONOMICS	POLICY IMPLICATIONS	IMPLICATION FOR C BEHAVIOUR
COLONIAL PERIOD				
1850-1950	HUGE VARIATION; FREE TRADE AND PROTECTION; MAINLY LAISSER-FAIRE; MAINLY MONETARIST	ENCLAVE DEVELOPMENT BY EUROPEANS PATERNALISTIC POLICIES. COLONIALISM AS EXPLOITATIVE IMPERIALISM	LIMITED INVESTMENT IN INFRASTRUCTURE. PRIMARY PRODUCTION DEVELOPED UNDER COLONIAL CONTROL	LARGELY P/C. TRADITIONAL SOCI MIXTURE OF COOP, AND LIMITED M.
POST-INDEPENDENCE ECONOMIC PLANNING				
1950S -1960S	KEYNESIANISM IN MACRO-POLICIES  NEO-CLASSICAL TRADE THEORY	GROWTH, PLANNING AND INDUSTRIALISATION	INTERVENTIONIST; PROTECTIONIST ; STATE OWNERSHIP	P/C WITH COOP ELEMENTS. M LIMIT
1970S	A. KEYNESIANISM  B. MARXISM  C. NEO-CLASSICAL REVIVAL	EMPLOYMENT;  REDIST. WITH GROWTH;  BASIC NEEDS  DEPENDENCY  THE ROLE OF PRICES and the MARKET in RESOURCE ALLOCATION.	AS ABOVE BUT WITH MORE FOCUS ON EMPLOYMENT AND POVERTY REDUCTION  LIMIT MNC ACCESS	
LIBERALISATION AND GLOBALIZATION				
1980S	MONETARISM AND NEO-CLASSICAL ECON. RATIONAL EXPECTATIONS	PRO-MARKET AND ANTI-STATE; MONETARISM IN MACRO-POLICY;  NEW POL.ECON.	ROLE BACK STATE; INCREASED ROLE OF MARKET	MUCH GREATER RC FOR M

LATE 1980S- MID 1990S	NEW THEORIES OF GROWTH AND TRADE; INFORMATIONAL ASYMMETRIES; ALTERNATIVE MOTIVATIONS; INSTITUTIONS	NEW FOCUS ON POVERTY; HUMAN DEVELOPMENT  ROLE OF THE STATE AS COMPLEMENTARY TO THE MARKET;  ROLE OF NGOS AND COMMUNITIES	GLOBALIZATION; FURTHER OPENING TO TRADE AND MNC; RECOGNISE PROPERTY RIGHTS  HUMAN RESOURCE FOCUS  NON-STATE ACTORS ENCOURAGED
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Table 1

Changing income distribution, 1980s to 1990s

	No. of countries with rising inequality	No. of countries with falling inequality	No. of countries with no change in distribution
OECD	15	1	2
Eastern Europe and CIS	11	0	0
Latin America	8	3	2
Asia	7	3	0
Africa	3	3	1

Source: UNDP, *Human Development Report 1999* (New York: OUP)  
Stewart and Berry, 1999; Morley, 1995.