

SOCIAL DIVERSITY AND DEVELOPMENT POLICY: THE USE OF CONSTRAINTS AND INCENTIVES

Aruna Nayyar Michie

Department of Political Science, Kansas State University, Manhattan, Kansas, USA

Keywords: social diversity; development policy; constraints; incentives.

Contents

1. Introduction
 2. Goals and Requirements of Development
 3. Society and Polity
 4. State Intervention and Development
 5. A Proposal for Effective Decision making
 6. Conclusion
- Bibliography
Biographical Sketch

Summary

Given the social diversity of most LDC's, how can policies be devised which ensure desirable and uniform results? Often administrative and social boundaries do not coincide and perceived needs and goals of social groups may be antithetical to each other and those of the national government. The major proposition is that national policy, using both incentives and constraints of law and fiscal policy should set the parameters within which local decision making takes place.

1. Introduction

Development literature has long acknowledged the interaction between political and social systems. The behavior, decisions and outcomes of any political system are mediated by social structures and norms. Public decisions and political institutions in turn affect and change social structures, behaviors and norms over time. Problematic for many of the less developed countries (LDCs) is how to devise and implement policies which ensure desirable and uniform results in what are often socially diverse systems, where political and social boundaries do not coincide and where the perceived needs and goals of social groups may not be in concert with national ones. That is, how can governments meet specific local needs *and* bring about desired changes in diverse situations without resorting to authoritarian methods, especially if development challenges or requires changes in existing norms?

This is especially critical today as an agreement of sorts has emerged on the desired outcomes of the development process if not the means to attain those. This does not mean disparate definitions of development do not exist; they do. The purpose of this paper is not to debate the “correctness” of various schools of thought, but to discuss the

inter-relationships between society and polity given the dominant paradigm today (outlined below) and the consequences of those for public policy.

The central issues are two: first, what is the appropriate role of the state, and second, what should be the content of policy? The basic premise of this paper is that a government's appropriate role (outside of macro monetary policy, defense and international affairs) is to construct parameters within which private or local community decisions are made, and to provide strong constraints and incentives within which those entities must operate if they make claims on public resources. Considerable emphasis is currently placed on providing *incentives* to individuals and communities to act in "appropriate" ways. Little consideration is given to *constraints* that make certain actions undesirable or illegal. In reality governments use both, and any development paradigm should include both explicitly.

Thus, the proposition here is that national policy should spell out goals, the possible parameters of action, and provide local units and citizens the initial assistance (technical, legal and monetary) to achieve those. Continued assistance, particularly financial, should be linked specifically to outcomes. The major tools available to define the parameters of action are law and fiscal policy.

This model of decision making does not argue either for or against state intervention. Intervention of some kind is taken for granted. The question then is what kinds of interventions work *for an entire country, regardless of diversity, to obtain desired results?* This paper argues specifically that strong reliance on "market" mechanisms will not bring about development. There is a strong and clear role for government.

2. Goals and Requirements of Development

Development has been defined in various ways over the past five decades. A consensus of sorts has emerged, however, that economic growth is not a sufficient (although perhaps necessary) indicator of development. Today's paradigm includes the distribution of the benefits of growth, equity and a movement toward social, economic and political equality.

Dudley Seers operationalized these concepts succinctly: "The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development...If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income doubled."

Today's paradigm also includes the broader notion of "quality of life", including basic needs such as health/nutrition, education and a sustainable environment, and perhaps most importantly, expanding people's capabilities. In fact, as discussed by Sen, the other development indicators can be seen as means to those expanded capabilities. The World Bank states that the development process should be based on "consensual, participatory and transparent processes...and should encompass partnerships among all elements of

civil society.” The process by which development takes place is as important as the results. “The ability of people to participate in making the decisions that affect them is a key ingredient in the process of improving living standards”.

The precise role of the state in development is still debated and varies by ideology. There is a consensus, however, that governments should at least provide a framework within which resources are used and basic services provided efficiently and effectively, participation by citizens enhanced, and the development objectives cited above are attained; i.e. states should provide “good governance”. Specifically, governments should provide a strong legal framework, ensure macroeconomic stability without distortions, invest in social services and infrastructure, and protect “vulnerable” sectors and the environment. Tools by which good governance occurs include at least mobilizing public opinion, flexibility in response to diverse situations, using self-regulatory mechanisms, and reliance on market-based mechanisms rather than regulation. “For human welfare to be advanced, the state’s capability—*defined as the ability to undertake and promote collective actions efficiently*—must be increased.” Thus, since the results of development depend on state capability, outcomes will vary depending on that capability.

The problem is that “civil society” in much of the LDCs should read “*civil societies*”. For within these states (often artificially created entities), are many sub-national groups and social systems, each of which holds differing norms, status and expectations within itself (such as different caste norms among Hindus in India) and from others (e.g. Hutus vs. Tutsis in Rwanda and Burundi). Those norms and expectations are the measures by which each group judges itself and others. Such diversity makes collective action for common goals difficult. Development, as conceptualized above, should result in fairly uniform *outcomes*, which can require changes in existing attitudes and behaviors that are not in concert with the accepted definition. The issue is how can states best ensure those outcomes given existing diversity?

Is there a contradiction in the dominant paradigm between meeting individual or group needs and enhancing the quality of life for all? There may be, if there is a divergence between individuals’ or a group’s perceived needs and the enhancement of the quality of life, participation and sustainability for all. If, however, individual and group needs are channeled by public policy initiatives in the directions indicated by Seers—i.e. poverty reduction, increased employment and equality—common ground can be found with today’s paradigm. One caution: uniform outcomes may mean initial unequal treatment of individuals and groups.

-
-
-

TO ACCESS ALL THE 19 PAGES OF THIS CHAPTER,
Visit: <http://www.eolss.net/Eolss-sampleAllChapter.aspx>

Bibliography

Adelman, I. & Morris C.T. (1973). *Economic Growth and Social Equity in Developing Countries*. Stanford: Stanford University Press. [Cross national study of policies encouraging equitable distribution of economic growth]

Alagh, Y.K. (1993). *Agro-Climatic Planning and Regional Development*. in *Sustainable Development*. N.L. Gupta and R.K. Gurjar, eds. Jaipur, India: Rawat Publishers. [Delineation of agro-climatic zones for decentralized development]

Almond, G.A. & Verba S. (1963). *The Civic Culture*. Princeton: Princeton University Press. [Cross national study of the effects of political culture on political development.]

Bhatt, A. (1989). *Development and Social Justice: Micro-Action by Weaker Sections*. New Delhi: Sage Publications. [Study of the effectiveness of NGO's in India and their relationship to national planning.]

Brass, P.R. (1965). *Factional Politics in an Indian State*. Berkeley: University of California Press. [Political adaptations in Uttar Pradesh, India]

Buchanan, A. (1985). *Ethics, Efficiency and the Market*. Totowa, N.J.: Rowman and Allanheld (texts in Philosophy). [Ethical dimensions of market economies]

Burki, S.J. Perry G.E., Dillinger W.R. (1999). *Beyond the Center: Decentralizing the State*. Washington, D.C.: The World Bank. [Strengths and weaknesses of decentralized planning and administration.]

Christenson, T. & Peters B.G. (1999). *Structure, Culture, and Governance*. Lanham, MD: Rowman and Littlefield Publishers, Inc. [Cultural dimensions of administration and governing and laws as parameters for action]

Colclough C. & Manor J., eds. (1991). *States or Markets? Neo-Liberalism and the Development Policy Debate*. New York: Oxford University Press. [A part of the continuing debate on state action vs. markets in development]

Crosson, P. (1991). "Sustainable Agriculture in North America: Issues and Challenges", *Canadian Journal of Agricultural Economics*. 39: 553-565. [Markets and sustainable agriculture]

Crozier, M. J., Huntington S.P. & Watanuki J. (1975). *The Crisis of Democracy*. N.Y: New York University Press. [Effects of rising demands on democratic performance.]

Davis, W. (1987). "Religion and Development: Weber and the East Asian Experience." *Understanding Political Development*, Weiner M. and Huntington S.P., eds. Boston: Little, Brown and Co. 221-280. [Effects of religious traditions on development in East Asia.]

Dreze, J. (1997). "Uttar Pradesh: The Burden of Inertia." *Indian Development: Selected Regional Perspectives*. Dreze J. & Sen A., eds. Delhi: Oxford University Press, 33-128. [Social and cultural impediments to development in Uttar Pradesh, India.]

Dreze, J. & Sen A., eds. (1997). *Indian Development: Selected Regional Perspectives*. Delhi: Oxford University Press. [Social and cultural impediments to development in Uttar Pradesh, India.]

Dreze, J., Sen A. & Hussain A., eds. (1995). *The Political Economy of Hunger*. Oxford: Clarendon Press. [Factors inhibiting the eradication of hunger.]

Epstein, D. & O'Halloran S. (1999). *Delegating Powers: A Transaction Cost Politics Approach to Policy Making Under Separate Powers*. Cambridge, U.K.: Cambridge University Press. [Costs and benefits of decentralization and split authorities in development]

Epstein, T.S. (1962). *Economic Development and Social Change in South India*. Manchester: University of

Manchester Press. [A study of the interaction between society and economy in India]

Epstein, T.S. (1973). *South India: Yesterday Today and Tomorrow*. London: Macmillan Press. [A case study of the interaction between society and economy in South Asia]

Fox, R.G (1969). *From Zamindar to Ballot Box*. Ithaca: Cornell University Press. [A case study of the adaptation of traditional power to modern democracy in North India.]

Ghai, D. (1994). *Environment, Livelihood and Empowerment*. In *Development and Environment*. Dharam Ghai, ed. Oxford: Blackwell. 1-11. [The interaction between sustainability, income and empowerment.]

Griffin, K. & Knight J. (1989). *Human Development: the Case for Renewed Emphasis*. In *Human Development in the 1980's and Beyond*. Keith Griffin and John Knight, eds. N.Y.: United Nations, 9-40. [Griffin and Knight]

Herring, R. J. (1983). *Land to the Tiller*. New Haven: Yale University Press. [Political, social and economic effects of land reform.]

Huntington, S. P. (1968). *Political Order in Changing Societies*. New Haven: Yale University Press. [Political and social stability and rapid social change.]

Ishwaran, K.ed. (1970). *Change and Continuity in India's Villages*. New York: New York University Press. [Persistence on traditional norms under conditions of change in village India.]

Lal, D. (1985). *The Poverty of Development Economics*. Cambridge, MA: Harvard University Press. [A criticism of *dirigiste* development programs]

LaPalombara, J. & Weiner M., eds. (1966). *Political Parties and Political Development*. Princeton: Princeton University Press. [The role of political parties in development.]

Levi, C. (1963 ed.). *Christ Stopped at Eboli*. N.Y.: Farrar, Straus and Giroux. [A study of political culture in Southern Italy during WWI]

Marx, K. (1956). *Capital*. 3 vols. N.Y.: International Publishers. [His classic work on political economy]

Marx, K. (1970). *A Contribution to the Critique of Political Economy*. N.Y.: International Publishers. [Further discussions on political economy]

Michie, A.N. (1974). "Land Reforms in India: A Comparative Perspective." *Political Science Review*, Jaipur: University of Rajasthan, Department of Political Science, 13, 1-4, 278-304. [A comparative study of problems in land reform implementation in India and Taiwan.]

Michie, B.H. (1976). *Baniyas in the Indian Economy: A Case of Stagnant Entrepreneurship*, *Journal of Asian Studies*, 37,4. [Adaptation of money lenders in India to commercialized agriculture.]

Migdal, J.S. (1987). *Strong States, Weak States: Power and Accommodation*, in *Understanding Political Development*. Myron Weiner and Samuel P. Huntington, eds. Boston: Little, Brown and Co. 391-434. [A comparative study of state capacity in development.]

Moore, B. Jr. (1966). *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*. Boston: Beacon Press. [A comparative study of the relationship between agricultural commercialization and the emergence of democracy or dictatorships.]

Mozoomdar, A. (1996). *Plan Objectives and Role of the State*. In *Development Policy and Administration*. Kuldeep Mathur, ed. New Delhi: Sage Publications, Inc. [The role of the state in economic planning and development.]

Myrdal, G. (1968). *Asian Drama: An Inquiry into the Poverty of Nations*. N.Y.: Pantheon. [Classic study of “soft” states and economic development.]

Nair, K. (1961). *Blossoms in the Dust*. London: Gerald Duckworth and Co. Ltd. [Variations in people’s responses to development policies and implications for development.]

Nair, K. (1969). *The Lonely Furrow: Farming in the United States, Japan and India*. Ann Arbor: University of Michigan Press. [Comparative study of variations in responses to economic incentives.]

Nair, K. (1973). *Three Bowls of Rice*. East Lansing, MI: Michigan State University Press. [Tradition and economic development.]

Olson, M. (1965). *The Logic of Collective Action*. Cambridge, MA: Harvard University Press.

Olson, M. (1982). *The Rise and Decline of Nations*. New Haven: Yale University Press. [Factors leading to the development and decline of states]

Paige, J.M. (1975). *Agrarian Revolution: Social Movements and Export Agriculture in the Underdeveloped World*. N.Y.: Free Press. [Causes of rural unrest in export oriented economies.]

Rao, C.H.H. (1994). *Agricultural Growth, Rural Poverty and Environmental Degradation in India*. Delhi: Oxford University Press. [The relationship between agricultural commercialization, poverty and the environment.]

Reuschmeyer, D. Stephens E.H. & John D. Stephens J.D. (1992). *Capitalist Development and Democracy*. Chicago: University of Chicago Press. [The interaction between capitalist development and democracy.]

Riddell, R.C. & Robinson M. (1995) *Non-Governmental Organizations and Rural Poverty Alleviation*. Oxford: Clarendon Press [An evaluation of the role of NGO’s in poverty alleviation]

Riker, W.H. (1964). *Federalism: Origins, Operation, Significance*. Boston: Little, Brown and Co. [A classical study of federal systems, centralization and decentralization]

Roodman, D.M. (1996). *Paying the Piper: Subsidies, Politics, and the Environment*. Washington, D.C: The Worldwatch Institute, paper #133. [The problems of public subsidies and public deficits]

Rudolph, L.I. & Rudolph S.H. (1967). *The Modernity of Tradition*. Chicago: University of Chicago Press. [Classical study of caste adaptation in India]

Schneider, H., ed. (1997). *Microfinance for the Poor?* Paris: Development Centre of the Organization for Economic Co-operation and Development. [Evaluation of micro-finance programs]

Schultz, T.W. (1964). *Transforming Traditional Agriculture*. New Haven: Yale University Press. [Classical program basis for changing traditional agricultural systems]

Scott, J.C. (1985). *Weapons of the Weak*. New Haven: Yale University Press. [Study of conditions which lead to rural protest movements]

Seers, D. (1969). *The Meaning of Development*, *International Development Review*, Vol. 11, 2-6. [An elucidation of the pre-requisites and goals of the development process]

Sen, A. (1989). *Development as Capability Expansion*. In *Human Development in The 1980’s and Beyond*. Keith Griffin and John Knight, eds., N.Y.: United Nations, 41-58. [A discussion of the relationship between development and human/social capability]

Sen, A. (1997). *Radical Needs and Moderate Reforms*. In *Indian Development: Selected Regional Perspectives*. Jean Dreze and Amartya Sen, eds. Delhi: Oxford University Press. 1-32. [A questioning of

whether moderate change can bring about the basic changes needed for development and meeting human needs]

Shah, T. (1996). Agriculture and Rural Development in the 1990's and Beyond, In *Development Policy and Administration*. Ed. Kuldeep Mathur, New Delhi: Sage Publications, 85-125. [A blueprint for agricultural development including in the post Green Revolution era]

Sheth, D.L. & Harsh Sethi (1991). *The NGO Sector in India: Historical Context and Current Discourse*, in *Development Policy and Administration*, Kuldeep Mathur, ed. New Delhi: Sage Publications, 280-301. [An evaluation of successes, failures and current issues surround NGOs' performance.]

Shively, W.P. (2001). *Power and Choice*. 7th ed. Boston: McGraw-Hill. [A basic study of politics involving alternate uses of power to make public choice.]

Smith, A. (1976). ed. Edwin Cannan. *An Inquiry into the Nature and Causes of the Wealth of Nations*. 2 vols. Chicago: University of Chicago Press. [The classic study of wealth in society and the appropriate role of the state.]

Somjee, A.H. (1982). *Political Capacity in Developing Societies*. N.Y.: St. Martins Press. [The development of local decision making capacity in rural India.]

Srinivas, M.N. (1966). *Social Change in Modern India*. Berkeley: University of California Press. [The classic study of the adaptation of traditional social institutions to modernity in rural South India.]

Srinivas, M.N. (1976). *The Remembered Village*. Berkeley: University of California Press. [Ten years after the first study, Srinivas restudies traditional social adaptation.]

Stavins, R.N. (2000). What Can We Learn from the Grand Policy Experiment? Lessons from SO2 Allowance Trading, in *Economics of the Environment*. 4th ed. Robert N. Stavins, ed., New York: W.W. Norton & Co. 472-492. [An analysis of the successes and failures of clean air policies in the US]

Stinchcombe, A.L. (1961). Agricultural Enterprise and Rural Class Relations. *American Journal of Sociology*. 67, September, 165-176. [The effects of change on rural class relations.]

Sundaram, K.V. (1993). District Planning for Sustainable Development, in *Sustainable Development*. N.L. Gupta and R.K. Gurjar, eds., Jaipur, India: Rawat Publishers, 55-68. [A plan for local level rural planning including environmental protections.]

Tai, Hung-chao (1974). *Land Reform and Politics*. Berkeley: University of California Press. [Study of the pre-requisites, successes and failures of land reform policy using case studies.]

Tietenberg, T.H. (2000). Economic Instruments for Environmental Regulation, in *Economics of the Environment*. 4th ed. Robert N. Stavins, ed., New York: W.W. Norton & Co. 373-395. [Discussion of monetary and fiscal tools in environmental policy.]

Timmer, C. P. (1991). *Agriculture and the State*. Ithaca: Cornell University Press. [A comparative discussion of the appropriate role of the state in agricultural policy.]

Tornquist, O. (1999). *Politics and Development*. London: Sage Publications. [A comparative discussion of the inter-relationships between politics and economic policy.]

United Nations Conference on Environment and Development (UNCED) (1992). *The Global Partnership for Environment and Development*. Geneva: UNCED. [A selection of papers discussing the inter-relationship between environmental concerns and development.]

United Nations Development Program (UNDP). (1993). *Human Development Reports*. Delhi: Oxford University Press. [A discussion of local decision making enhancing development.]

Weber, M (1958). *The Protestant Ethic and the Spirit of Capitalism*. Trans. by Talcott Parsons. N.Y.: Charles Scribner's Sons. [Classical discussion of values and their role in capitalist development.]

Weber, M. (1968). *Economy and Society: An Outline of Interpretive Sociology*. Eds. Guenther Ross and Claus Wittlich, 2 vols. N.Y.: Bedminster Press. [Classical discussion of the interaction between social institutions and the economy.]

Weiner, M. (1987). *Political Change: Asia, Africa and the Middle East*, in *Understanding Political Development*. Myron Weiner and Samuel P. Huntington, eds. Boston: Little, Brown and Co. [A comparative discussion of the transformation of traditional social and political institutions.]

Wolf, E.R. (1969). *Peasant Wars of the Twentieth Century*. N.Y.: Harper and Row. [A comparative study of rural protest and peasant wars discussing causes and effects.]

World Bank (1997). *World Development Report, 1997*. N.Y.: Oxford University Press. [The building of state capacity to undertake and promote collective public action.]

World Bank (2000). *Entering the 21st Century*. N.Y. Oxford University Press. [Requirement for development in the 21st century including an emphasis on the development of civil society.]

Yang, M.M.C. (1970). *Socio-Economic Results of Land Reform in Taiwan*. Honolulu: East-West Center Press. [A study of the effects of Taiwan's land reform on productivity and equity.]

Biographical Sketch

Aruna Nayyar Michie, is an Associate Professor of Political Science at Kansas State University. She has been involved in teaching and research in comparative politics (primarily South Asia), development policy (particularly agriculture) and administration for over twenty years. She serves on the Board of Trustees of the American Institute of Indian Studies and has been director of the South Asian Studies program at Kansas State.

She has published in journals such as *Comparative Political Studies* and *Social Science Quarterly*, and written several book chapters and monographs.