Market - State - Civil Society Relations and Development in Post-Independent Bangladesh: Some Theoretical Reflections

Masudur Rahman•

Abstract:

During its short history of 36 years, Bangladesh has experienced both state intervention (1972-1975) and liberal market economy (1975-), however with limited success. This paper presents analyses of various social mechanisms in which functioning of both state institutions and market institutions are circumvented by elite networks of various kind; political, bureaucratic and business. Both state institutions and market institutions seemingly are embedded in the mentioned elite networks. Various elite sub-groups have the capability of employing state institutions in enhancing their particularistic interests. Those with their ownership and control over vast economic resources command a disproportionate influence on the rest of the society including institutional function. They also had conflicting interests, and they were bitterly divided into different cliques. Members of different cliques prevented their rivals from access to resources and power. They adopted measures that further undermined the rule of law, democratic values and developmental goals.

1. Introduction

David Booth has raised some doubts about development research:

> *"Crucial real-world problems were not being addressed and the gulf between academic inquiry and the various spheres of development policy and practice had widened to the point where practitioners were raising doubts about the 'relevance' of academic development studies".*[1]

Peter Evans attributed such doubts to narrowly focused theories that: "fail to incorporate the importance of the informal norms and networks that make people collectively productive"[2]

In congruence with both these statements, I contend that doubts about the relevance of development studies are compounded by existing disagreements on the notion of development within dominating approaches, such as the market oriented neoliberal approach and the state oriented institutional approach. Due to their exclusive attention either to economic variables and the role of the market or of the state, both approaches have ignored some real problems in developing societies. I think that development studies must show an interest in the substantive real world problems including choices of developmental goals and means to achieve the desired goals. There is diversity regarding choice of goals and means as seen by experience of developed and the developing societies. What relates the substantive problems to diversity in development is the interconnectedness of choice-action-development relations. The interconnectedness implies social constructions of reality involving interactions between macro-institutions and networks of different kinds Varied patterns of interaction express diversities in social organisation of the economy, which in turn influence choice and action (both of individual and collective), politics and policy implementation.

• Associate Professor, Bodø University College, 8049 Bodø, Norway. Email: Masudur.Rahman@hibo.no

[1] Booth, D. 1994:3. Many other authors also agree that development theories have reached an impasse. See for instance Corbridge 1986; Sklair 1988.
[2] Evans, P.1996:1033.

This paper aims at developing a theoretical framework to understand interacting relationships between networks and institutional function regarding development. The framework shall account for the pattern of development as seen in Bangladesh.

The aim calls for a review of the assumptions of the neo-liberal, the institutional and new institutional approaches to study development and state-market-civil society relationships. Far from discounting these approaches, I will point out some specific theoretical and conceptual issues (which, I think development researchers need pay attention to when addressing the important topic of the roots of state and market performances in developing societies). My emphasis is on inner connections between the 'economic' market and the 'political' state that circumvent both the market and the state.[3]

2. A short introduction to development trends in Bangladesh

Bangladesh is one of the most difficult countries to get development projects going which really promote developmental goals. In addition to minimum infrastructural development, Bangladesh is bogged down in a situation from which a means of attaining developmental goals is difficult.

Development strategies in post-independent Bangladesh have been influenced by macroeconomic policies.[4] During its short history of 35 years, Bangladesh has experienced both state intervention (1972-1975) and market economy (1975-). Both the strategies were aimed at economic growth, however, with limited success. On the contrary, both state-owned and private enterprises show deficits and large debt in their balance sheets. Following are some major features of its present socio-economic conditions.

Poverty has been coupled with growing disparity in terms of income distribution. According to BBS[5] data for 1995-96, the top 5% of the population controlled 23.62% of income, compared to 18.30% in 1983-84 and 18.85% in 1991-92. The income of the top 10% was 34.68% during the same period.

There has been increased inequality in terms of access to resources. The poor masses live below poverty level[6] while resources are concentrated into the hands of small elite groups (political, bureaucratic and business elites).

Elite groups in Bangladesh constitute a fraction of the total population (less than 2% of a total population of 130 million)[7] who are again concentrated in Dhaka. Despite their small number, the elites with their ownership and control over vast economic resources command a disproportionate influence on the rest of the society including institutional function. They control almost all forms of internal resources as well as the inflow of external resources.[8]

A striking feature of the Bangladesh economy is that loan and credit became a major source of accumulation by elite of various kinds. They also show a strong tendency of not repaying the borrowed money. Yet they are given new loans. Thus volume of loan default is increasing. The first three months in the year 2006 shows a 29 percent increase in loan default (amounting 2,885 crore taka as bad debt) to nationalised commercial banks only.[9] The number of defaulters would be much higher (about 93%) if those who made partial payment are included. Total outstanding loan was 134,736 crore taka (19,240 million U.S.Dollar) as on 31 march 2006. Statistics show an increase both in outstanding loans and bad debt during last two decades. In

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[3] Such connections were also recognised by Burnham 1993; Clarke 1977 etc.

[4] Griffin 1989, Khan and Hossain 1989, Islam 1993.

[5] BBS stands for Bangladesh Bureau of Statistics.

[6] Poverty is measured in terms of GDP per capita, calore intake, and access to education, health services, clean water etc. GDP per capita in 1985-86 was US$ 220 and in 1995-96 US$ 260. The poor had a monthly income of 3500 BDT (71 U.S.Doallar). This was 2500 BDT (52 U.S Dollar) for the hardcore poor. Calorie intake (pr. person pr. day) was less than 1805 for urban poor in 1985-86. In 1995-96 it was less than 2122 for the 49% of the urban poor and 47.1% of the rural poor. Recent trends show increased poverty in the urban areas. According to BBS, 49.7% of urban households were below poverty level in 1995-96. A recent study of urban poverty shows 60.86% of the households as poor.

[7] This estimate is done according to residence in posh areas. Siddiqui (1990) also used this method. The exact number is hard to ascertain. The number of the elite is increasing, due to political patronisation. Every change in government opens up the possibility for new groups to be included in the dominating elite.

[8] Sobhan R. 1989, 1993; Kocahnek S. 1993; Humphrey 1992.

[9] Equivalent to 412. 14 millions U.S.Dollar, current exchange rate being 1U.S. Dollar=69.96 Taka.

the fiscal year 1985-86 41.38% failed to repay loans. On 31 December 1996, the outstanding loans in private hands amounted to BDT 15000 crore (US$ 3,125 millions).

Tax evasion is another means of accumulating surpluses. There are only 280,000 taxpayers in a country of 120 million people.[10] Of these, only 1.5% pays more than BDT 10,000 (US$ 200) in tax.[11] As on 30th September 2005, there were 7000 unresolved cases related to unrealised taxes amounting BDT 2,500 crore.[12]

In short, elite of various kinds control both the state and the market and they pursue their interests through different networks. The resources accumulate in the hands of the few elites who invest the accumulated surplus in luxury consumption.[13] On the issue of civic engagement, in Bangladesh, the role of civil society and its relations with the state are both encouraging as well as frustrating.

3. Development theories on state-market-and civil society relations

The conventional notion of development connotes a process of economic growth brought about by industrialisation. Various modernization theories and approaches (neo- liberal, the institutional etc.) regard the problem of capital accumulation as the major constraint to industrialisation in developing societies. Rostow, en economic historian, suggests that in developing countries, there must develop an entrepreneurial spirit among new elites who refrain from spending their surplus on luxury consumption, and rather invest in production.[14]

There is, however, a disagreement on the role of the state and the market in achieving developmental goals.[15] In the modernization paradigm, in economic growth model in particular, development is perceived in terms of economic growth, which could be achieved by market forces such as entrepreneurs. In the sociological, as well as anthropological and historical, perception of development involves societal changes of a qualitative nature. The institutional approach, which emphasises the state's role in development, has one of its intellectual roots in such a perception.

A recent development in the development debate is the new institutional approach, which also offers diverse views on institutions' role in development.[16]

First, a view that regards development as institutional changes furthering economic growth. In this regard, new institutional economics emphasises the importance of institutional factors on market development.[17] Understanding the emergence and the functioning of the market is the crucial issue; "non-market social devices may be more efficient than reliance on market forces".[18] Particularly in developing societies, the institutional factors are more important to market development.[19]

Second, like the institutionalists, the statist theorists (or the 'revisionists')[20] suggest a continued reliance on the state. However, the revisionists go further than the institutionalists. They regard specialised bureaucratic organisations, effective management of development planning and policy implementation by a coherent and autonomous state as crucial for development.

[10] Ittefaq, a daily newspaper in Dhaka.
[11] Note from the Royal Norwegian Embassy at Dhaka, November 1999.
[12] The national Board of Revenue, Bangladesh.
[13] Khan and Hossain 1989; Kochanek 1993; Rahman 1990, 1994; Sobhan 1989,1993.
[14] Rostow 1991.
[15] The disagreement between market-oriented neo-liberal and the state-oriented institutional approach. See Evans 1996, 1995; Hettne 1990; Hulme &Turner 1990; Kiely 1995; McMichael 1996; Moore 1997; Senghaas1988; Skocpol 1985.
[16]The differences among four schools within the new institionalism.
[17] See for instance Harvey Liebenstein's in World Development, Vol.17, No.9.
[18] Toye J.1993: 49.
[19] Davis 1993.
[20] Such as Amsden 1992, Johnson 1987, Wade 1993.

Third, some theorists shift attention from the state and the market to civil society and interpersonal networks. It is due to its claim that macroinstitutional success depends on the micro institutional foundations. The state's relationship to civil society and its stock of social capital generate 'synergy' which is vital for achievement of developmental goals.[21] Synergy implies that "civil engagement strengthens state institutions and effective state institutions create an environment in which civic engagement is more likely to thrive."[22] Therefore, they suggest incorporating the norm of reciprocity and trust in networks with the operation of macro institutions.

The fourth view recognises a 'zero-sum' relationship, which arises due to the state's connections to informal networks that lead to diminishing social capital and makes the community worse off.[23]

The experiences and development strategies of the newly developed and the developing societies show diversities regarding developmental paths and strategies, which raise doubt about the role of the state as well as of the market.[24] The state involvement creates privileged state elites.[25] The market also shows little capacity to enhance developmental goals.

Perhaps the development theories have reached some kind of impasse.[26] Those theories avoid a core problem in most developing countries that particular interests are linked both with the state and the market.[27] They cannot capture the ways in which both the state and the market are employed to enhance the interests of the privileged.

3.1. *Networks circumventing the market.*

The neoliberal approach assumes that market is the only institution, which affects entrepreneurs or firms and market relations are autonomous, disembedded from societal pervasive relations. Emphasising on the role of relatively unconstrained markets in capital accumulation and in shaping the profit-oriented entrepreneurial activities, it advocates the free play of market forces in tackling the problem of lack of capital. Entrepreneurs are expected to bring growth through productive investments, while well functioning markets assure that capital and other resources are allocated efficiently. The state may have the role of 'autonomous night-watchman'. Its role "as a development agency is simply to provide the right framework for market forces to flourish".[28]

These assumptions and strategies are mainly based on empirical evidence in Western industrialised societies. The evidence of free market development in the West is however disputed. Be that as it may be, the problem is that developing countries, such as Bangladesh, hardly fit into such a model. In these societies, the market is not free from personal ties. In fact neither is the market completely free from personal ties in modern western market societies. In developing societies it is a norm rather than an exception that kinship, political affiliation and the like are required for one's rights of access to credit, loan etc. Those relations also influence people's decision regarding where to invest.[29] My observation indicates that, in Bangladesh, a market-based development strategy failed to transform the accumulated resources in the hands of the elite(s) into productive capital and to promote entrepreneurial spirit.

What appears to be a predominant phenomenon in developing societies is that elite networks of different types do not allow for the functioning of impersonal market norms.[30] The state also cannot provide the right framework for market forces to flourish. For further evidence, on elite networks blocking the working of market forces and effective state regulation, I refer to privatisation efforts and different other measures in Bangladesh since 1975 that turned out to be

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[21] As is believed by Putnam 1993.
[22] Evans 1996:1034.
[23] Coleman 1990.
[24] Amsden 1992; Wade 1993 (successful state intervention). Evans 1996 ; Senghaas 1988 (doubts on state intervention).
[25] Elsenhans 1991; Sobhan 1983
[26] As is observed by Booth 1985, 1994; Corbridge 1990.
[27] See Evans (1995, 1996).
[28] Kiely 1995:125.
[29] See for instance Granovetter 1992, Moore 1996, Gambetta 1988.
[30] Platteau 1993. The studies of Medard 1996, Migdal 1988 etc. also can be referred.

a disappointment.[31] The underlying idea of privatisation was to improve industry performance and stimulate private entrepreneurship by increasing the role of market forces. There was also an attempt to promote market forces by restructuring the nationalised industries and creating successor companies.

The performance of private industries, the procedures for disbursing loans and credits and the rate of repayment[32] indicate that the market's function is far from the desired goal. Many economists attribute such failure to the persistently low rate of investment, which is again assumed to be due to the low rate of savings.[33] This may be true but it is not the whole truth. A crucial fact is that if a well-connected borrower fails to repay a debt, he will be given an even higher amount of loans. There is a significant link that exists between a high loan-asset ratio and default.[34]

Aspirant businessmen contribute to party funds and seek political patronage. They also extend financial support to political leaders and associate influential political figures or their relations, directly or clandestinely in their business enterprises. Doing so they may seek direct intervention of people in the upper echelons of the decision making process to see that a loan was approved or claims for default repayment not pressed too exigently. This means, the success of a businessman depends not upon his skill but on his capacity to use connections. Licences, contracts, tenders, positions, favourable treatments, absence of harassment, protection etc., depend on toeing the political party line in Bangladesh. There too often the only path to personal and professional advancement is fealty to one party or the other, and for many there is little choice to pay obeisance to one's political sponsors.[35]

The point is that in Bangladesh's backward economy, there are more powerful adverse forces and factors with greater influence in determining the market's fate than its own performance. Some of these forces and factors arise from the nature of the market in Bangladesh; some stem from the policies, programs and procedures of the government.

The application of the (formal) neoliberal approach in the developed market societies is, to some extent, defendable. Markets in these societies function relatively well, which is, in my view, due to the form of interaction in these societies. [36] Individuals' trust and rights are relatively more inherent in the market and in the state. Problems arise when one wants to apply this model in non-market societies. There, the market cannot guarantee individuals' access to jobs, loans etc. People put less trust in the market.

The neo-liberal approach, of mainstream development economics, has at least two major problems. Firstly, theorists within this tradition find that the same basic market principle exists in all societies; pre-industrial-industrial, or market and non-market. They ignore various forms of social arrangements, which are crucial for market's function. Particularly in developing societies, economic transactions are conducted over networks of pre-existing social ties. Secondly, assuming development as universal unilinear process the neoliberal approach overlooks that development may be an institutional process and an outcome of history as claimed by Polanyi. For Polanyi, development is a differential outcome of human interactions with their social environment leading to a changed social arrangement. Furthermore, diversity regarding the development paths of Western market societies,[37] the strategies of the newly industrialised countries,[38] and experience of unsuccessful developing countries raise doubts about the market.[39] The role of the state in economic transformation has become increasingly central in the debate on development.

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[31] See Humphrey 1992; Kochanek 1993; Rahman 1996.
[32] The rate of repayment is presented in tables 6.1 in chapter 6.
[33] "Experiences with Economic Reform: A Review of Bangladesh's Development 1995", CPD.
[34] Interview with Sobhan R. 1997.
[35] The Daily Star, a national daily newspaper, 04.03.05.
[36] Human interaction with social environment includes the economy and society relationship, leaving implications for economic actions and social change.
[37] Polanyi showed how the emergence of the modern market societies was an institutionalized process. Polanyi 1957.
[38] Amsden 1989, Wade 1990.
[39] See Wade 1990, Platteou 1993.

3.2. Networks circumventing the state.

The institutionalists focus on an active state in correcting 'market failure' and argue that in those countries, which tried to 'catch up' with the Western industrialised countries, it was the structure and functioning of the state, which explain both the successes and the failures of these efforts.[40] They claim that development, through industrialisation, never proceeds independently of the concrete institutional and historical context. Particular industrial pathways are embedded in local socio-cultural and socio-political contexts. They study how market mechanisms operate, how particular processes of industrial development are embedded in the particular character of the state, how the prevailing internal organisation (of business firms, banks etc.,) affect the patterns of industrial development as it has impacts on choices and the implementation of policies.[41] Therefore, their policy prescription is to mobilise diverse social institutions including the market, community and the state in order to achieve developmental goals. The government must play a leading role in harmonising different strategies and in managing the process of development in ways that stimulate participation of communities and market forces.

There is however a disagreement among the institutionalists on whether it is the degree or the kind of state intervention that is decisive for development.

One school,[42] referring to the experience of the East Asian countries, maintains that the role played by state bureaucracy is crucial for development. The high-performing newly industrialised countries have achieved their high growth rates because the state governed the markets in critical ways. Rather than leaving price formation to the market, these states have deliberately distorted relative prices in order to alter the incentive structure with a further view to boosting strategically important industries.

Development theorists within new institutional economics claim that the market is only one aspect of society and it has limited influence on the economy. Particularly in developing economies, where the market is not perfect, other social institutions are more important in organising the economy[43] and have strong effects on the formation and functions of the market. On development, they suggest that development should be redefined as economic growth plus appropriate institutional changes, which facilitate further growth. They address the issues of how business firms and banks are organised, how to assess who should get loans and in what firms investments are made.

I agree with both these schools as regards their claims and emphasis on factors that need to be addressed. It requires addressing the questions of why and how institutions are brought into existence. In agreement with sociological perception I claim, institutions must be regarded as historical process, as the result of gradual social creation, as ways of doing things, which by a process of 'hardening' and 'thickening' become patterns of action.[44]

One variety of institutionalism is based upon Polanyi's notion of 'embeddedness'. Polanyi claimed that production, distribution and consumption of goods, trade and markets were embedded in wider social, religious and political institutions in pre-industrial societies. Elaborating on Polanyi, it can be argued that development study is about how different institutional arrangements brought about, or failed to bring about, industrialised market societies. For Polanyi, economic activities result from human interaction with the social environment on which their livelihood depends. Development of modern (market) societies is a changed form of such interactions characterised by exchange.[45] The emergence of a (disembedded) market economy in the 19th century, took place by means of deliberate state policies. Economic growth was seen as the foundation of state strength. Market domination was a by-product of state building strategies. The dominant position of the market was possible only through commodification of

[40] There are many theorists within the institutional approach. In the present discussion I will refer mainly to Polanyi, and scholars within New Institutional Economics such as Arrow, Davis, Debrew, Plateu, North etc.
[41] Pattern refers to varieties in the configuration of leading industries, leading agents (state vs. Private, local vs. foreign etc.), leading orientation (e.g. export oriented vs. domestic market oriented, forward linkage and backward linkage) and leading pattern of distribution. See Senghaas (1988) for details on patterns of industrialisation.
[42] Theories on developmental state, the revisionists and the statists. The major proponents are Amsden and Wade.
[43] Jerome Davis (1993) makes an account of institutional factors in developing countries.
[44] As claimed by Berger and Luckmann 1966.
[45] Poanyi's notion of three modes of transaction is discussed in chapter 2, section 2.2.

land, labour and money. However, commodification appeared to be a weakness of market societies because of its destabilising effects. Hence, the effort to protect society from the devastating impacts of the market involved state intervention, for example through redistribution in the emerging welfare states. The market was institutionally arranged, both as it was (partly) disembedded from, and reembedded in non-market institutional arrangements.[46]

Polanyi explained how state was involved in the development of market societies in early industrialising Western Europe. Later studies suggest that state intervention frequently serves the purposes of particularistic interest groups by allowing them their privileged access to material resources and thus creates surplus-extracting state elites in most developing societies.[47] Unlike the process described by Polanyi, state power has been used to promote non-market forms of capital accumulation. There is clear evidence of how state intervention leads to 'rent-seeking' activities and unproductive income-earning economic activities result from monopolies created by state regulation.[48] The government is not an independent actor[49] rather it is used as a vehicle to secure the interests of the privileged classes. The state itself contributes to the process of differentiation.[50] Interest groups are allied with each other to shape public policies in many developing countries.[51] The fate of the state-owned industries in post-independent Bangladesh can be cited as good evidence.

Right after independence of Bangladesh in December 1971 all major industries and enterprises came under state ownership. The party in power used state industries to foster interest groups by supplying public sector goods and services to party members. Close associates of the political leaders and the state bureaucracy acquired supply contracts to the state owned industries. They offered supplies of machinery, spare parts and raw materials at much higher rates than the market price. The state owned enterprises sold their products to different distributors below cost. Such a situation naturally limited the capacity of the state owned industries.[52] Furthermore, there were two major factors that contributed to the state's limited capacity.

First, the major state-owned industries were producing mass consumption goods. Due to shortage of state funds, the management personnel of the state owned enterprises were paid in kind instead of salary. They consumed what they needed and sold the excess products in the market. Furthermore, close associates of political leaders worked as distributors of the state-owned entreprises. Both the management and the distributors wanted to see prices raised.

Second, the state-owned enterprises were subsidised by the state. Loans and credits to these enterprises were diverted to the personal consumption of the management in alliance with political leaders.

In such circumstances, generation of surplus in the state-owned industries was adversely affected and resource utilisation could not be optimised.

The discussion in section 3.1 took the issue of how the market is enmeshed in the elite's personal ties. This section discussed the issue of the state's relation to the elites that limited its capacity in pursuing developmental goals. Apparently, to use Evans' word, the elites have their feet planted firmly in both the state and the market.[53] Thus the question of autonomy of the state[54] and the market comes to the fore, not the analytical dichotomy between state and market. Autonomy requires the functioning of these institutions and their capacity to regulate social forces including elites regarding the achievement of socially desired collective goals. The question is

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[46] Polanyi 1957:77-85.
[47] See Elsenhans 1991; Moon & Prasad 1994.
[48] Krueger 1974, Bauer 1984.
[49] Almond 1965:183-214, Almond & Coleman 1960, Easton, 1957: 383-400, Stepan 1973: 47-65.
[50] The case of Bangladesh, see f.eks. Sobhan 1992, Jansen 1992, and many African countries, see Medard J.F. 1996.
[51] Platteau , 1993.
[52] Ahmed, M. 1987:12
[53] Evans 1996.
[54] By autonomy of the state I mean that the state and state institutions should be allowed to function independent of interest groups or rent seeking groups.

what are the necessary conditions for the achievement of collective goals? New institutionalists address this question.

3.3. Civil society: Networks and forms of social capital.

The new institutionalists shifted their attention from the state as well as from the market to civil society.[55] They relate the notion of norms of reciprocity in civil society with the implementation of development strategies.

The approach was developed as an alternative both to the neo-liberal as well as to the institutional approaches. The basic idea is that informal norms and customs, conventions and standard of operating practices structure the relationships between individuals, groups and institutions. It contends that trust and norms of reciprocity in civil society are the crucial issues, both for development and for the analysis of roles of the state and the market.[56] A variety within this school came to be known as 'social capital' theory.[57] Norms of reciprocity in network relations and networks of repeated interactions that sustain trust are termed social capital. These norms operate interpersonally, within cliques or communities, and obey a logic that is different from that of the state or that of the market. [58]

Social capital theorists believe in 'synergy effects' of the state-civil society relations. Synergy implies making people collectively productive. It requires civic engagement or community actions that facilitate the forging of norms of trust by using these norms and networks for development and for the function both of the state and the market.[59]

Not all social capital theorists believe in 'synergy effects'. Ostrom thinks that effective state- civil society synergy cannot be taken for granted.[60] Some assume a 'zero-sum' relationship between the state and the civil society. They believe that the expansion of formal norms of the state and the market crowds out informal networks without generating synergy and new value of effective impersonal norms.[61]

The notion of synergy requires special attention because possible positive outcomes of civic engagement must be evaluated in terms of synergy. As I look at it, synergy depends on connectedness i.e. the state's relation with the civil society that provides an environment in which civic engagement is more likely to thrive.[62] Conversely, connectedness may preserve cronyism (due to privileges connected to elite network membership) without providing synergy. The image of Bangladesh is illustrative. It displays both optimism (micro-credit programmes) and malfunctioning elite-based of civil society (loan default etc).

Empowering women through rotating credit can be cited as example of synergy effect of joint efforts of actors in the civil society. Loans are given to small groups of women, who are also provided with know-how regarding how to make best use of loans. They invest loans in poultry firm, fishing ponds, vegetable production etc. The returns are distributed amongst the members of the groups, and the groups are responsible for paying back the loans. The interest rate is as much as 16%, yet, loan default is less than 5%.

These success stories can be contrasted with loan default (more than 80%) by different elite sub-groups. Network ties (particularly political connections) are used as major means to get loans, to evade tax etc. Instead of generating 'synergy' such a relationship contributes to the process of concentration of resources in a few hands. It perpetuates corruption and competition among the elites regarding control over state institutions. The pervasive outcomes of such competition are the use of force, struggle for inclusion into dominant networks and confrontation between the rival elites, which often take violent forms.

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[55] For instance Amsden, Wade (state centred) and Evans, Putnam (civil society oriented).
[56] Putnam 1993, Moore 1996.
[57] See for instance Putnam 1993 and 1995.
[58] Evans 1996:1033.
[59] See for instance Evans 1996, Putnam 1993.
[60] Ostrom 1996.
[61] See for instance Coleman 1990: 321.
[62] This is congruent with Evans' argument. Evans 1996:1034.

The point I want to underline here is that the civil society is an arena where economic organisations take shape, however, in varied forms, and hence, there are varied effects of civic engagement and social capital. Civic engagement can disrupt the power of particularistic interest groups and make change possible. Social capital may have positive effects on development. Those societies, such as North Italy, Kerala etc., which have a good stock of social capital, achieved developmental goals. Conversely, political parties' alliance with particular networks may disrupt civic engagement aimed at developmental goals. My observation indicates a problem, which is ignored in some varieties of social capital theory, that social capital for one group is not necessarily social capital for other groups. One relevant question is: The stock of social capital for whom? Answering this question requires identifying different forms of social capital and recognising their causal conjuncture. We need to examine the contexts in which people use social resources as social capital.

Social capital theorists do recognise different forms of social capital. Putnam distinguishes two forms of networks: horizontal and vertical. Horizontal networks bring together individuals of equivalent status and vertical networks link individuals of unequal status in asymmetric relations of hierarchy and dependence.[63] For Putnam, civic engagement requires horizontal interactions, which have the most beneficial effects for the society as a whole. This kind of strong civil society is also likely to translate into a strong and accountable state. Vertical networks contribute to solving collective problems to a lesser extent; individuals depend on one another, through hierarchic, uneven, terms.

Coleman recognises obligations and expectations, informations potential, norms and effective sanctioning, authority relations, appropriable social organisation as social capital.[64] Coleman also finds a commonality in values, which can be used as resources to realise the interests of all.

Ostrom and Ahn identified three broad forms of social capital: 1. trust and norms of reciprocity, 2. networks, and 3. formal and informal rules.[65] Trust is the core concept that is affected by networks and formal and informal rules, as well as by contextual factors.[66]

All these distinctions are important. Now the question is how to explain under what social circumstances a particular form of social capital is generated that result in synergy effects. I also raise the question whether a form of social capital for a particular group is also social capital for others.

There are cross-sectional linkages among different forms of social capital.[67] What I mean by causal conjuncture is such linkages i.e. various forms of interaction between individuals and networks and between networks and macro-institutions. Causal conjuncture may take different forms in different social contexts and under shifting conditions. Contextual factors are important to understand why people put trust in networks or in institutions. I mentioned earlier, a critical phenomenon in many developing societies is that the elites have the capacity to employ the state to pursue particularistic interest, which underwrites the state's capacity as well as peoples' trust in the state.

Following Coleman and Putnam, a step further, one can say that a low level of trust in the state is due to undermined systematic or generalised trust. Putnam claimed that there was more social capital in Northern Italy than in Southern Italy; whereas the horizontal networks enhanced co-operation in Northern Italy, vertical networks of clans or Mafia constrained co-operation in the south. Now the question is whether such vertical networks are social capital for the people in Southern Italy?

I refer again to causal conjuncture and contextual factors. Those may explain why social capital for one may not be social capital for other(s). Those also determine the possibility of synergy. One form of social capital may enhance co-operation and another may set constraints to

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[63] Putnam R. 1993:173.
[64] Coleman 1990:304-33.
[65] Ostrom and Ahn. 2001: 5
[66] Ostrom and Ahn. 2001.
[67] Harris J. and De Renzio P. 1997:932-33.

co-operation in attaining common goals on behalf of a large community. Weaker networks of horizontal relations are important in sustaining collective actions.[68] On the other hand, investments in networks generate horizontal connections among elites, as well as vertical relations between them and their clients. The positive role of civil society, and social capital, in development depends on internal dynamics of network structures.

4. Concluding remarks

The discussion in this paper, on state-market-civil society relations and their impacts on development, directs our attention to interacting relationships between elite networks and the state. Modern developed societies have undermined the role of more damaging elite networks. The success story of the newly industrialised countries also manifests the capacity of the state in defying unproductive elites and channelling surplus to productive investment. The state in Bangladesh failed to perform these tasks. Predominant elite networks infiltrate the state and weaken its performance in its own right. This also explains the state's failure in providing the right framework for the market to function. The level of trust in the state and the market is the critical issue. It does not follow from this that trust in personal contacts must be wiped off. The point is rather to suggest that trust in personal contacts must complement trust in formal institutions.

The postulation of the 'zero-sum' state-civil society relation is controversial. Civic engagement may enhance development and social mobilization. The positive effects of the state-civil society relationships can be observed. The cases of Northern Italy[69], and Kerala in India[70] could be pointed to as evidence. However, the term civil society may have a negative association if it is tied to vested interests. The more extended evidence at hand points to the contrasting images of Bangladesh, where the role of civil society is both positive and gloomy. Despite some achievements by civic engagements the stringer elite networks define policies and projects, which remain out of reach of those for whom development is meant to bring some positive outcome.

The conclusion of this paper is that it is fruitful to examine network structures and to connect these to politico-economic relationships between the state and elite networks, in order to unfold the problems regarding capital accumulation. Networks of individuals interact with one another creating institutions, which then take on a life of their own, as we understand from Berger and Luckmann. What is happening at the macro-level is connected to micro-level. Further understanding of networks shaping economic activities requires a discussion on economy-society relations. This is the subject matter of a forthcoming paper.

[68]This is in agreement with Granovetter's notion of the strength of weak ties. Conversely, as in Bangladesh, strong ties of dense networks of relationship do not permit dissemination of information to the wider social arenas. There, limited networks of elites or cliques engage in mutual reciprocity at the expense of the larger social groups. This issue is taken into consideration by Ostrom and Ahn. Ostrom E., and Ahn. T.K.: 2001.

[69] Putnam 1993.

[70] Heller 1996.

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