

# **The Development of Development Thinking**

**By**

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## **Introduction**

It is an honor and a pleasure to give this public lecture as the V.K.R.V. Rao Chair Professor at the Institute for Social and Economic Change. V.K.R.V Rao is widely recognized as a leader in development thinking and development policy, and I have chosen as my topic "The Development of Development Thinking." In this lecture I would like to examine the evolution of thinking on development and development policy, with a special focus on economic issues, in the last fifty years. In particular, I would like to explore the interaction between ideology and experience in determining the course of economic thinking and policy on development.

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Let me start by clarifying the approach I am going to take.

--First, I am not going to discuss the entire history of development thinking. I am not going as far back as Kautilya, or even as far back as the development thinking that underlay the Indian independence movement. There are already many excellent studies of these topics, and in any case talking about them would take me well outside my areas of expertise. Rather, I will focus on the last fifty years--from the mid 1950's till now. So perhaps a better title for this talk might have been "The Last Fifty Years of Development Thinking."

--Second, although this lecture is being given in India I will draw mainly on the development experience of other parts of the world, including Africa, Latin America, East Asia and Eastern Europe. The development of development thinking, as we shall see, has been influenced by a large and varied set of experiences, in a range of countries around the world.

--Third, I will focus primarily on economic issues and the thinking of economists. The reason for this is simple. I am an economist and although I try to engage in interdisciplinary dialogue my expertise is in economics and I will stick to what I know best.

### **The Last Fifty Years: A Simple Periodization**

Picking, rather arbitrarily, 1955 as a starting point, it might be useful to think very roughly in terms of three phases, 1955 to 1980, 1980 to 2000, and 2000 onwards. Let me emphasize that this is only a very rough periodization to organize exposition. I recognize

as well as anybody that history does not evolve quite as neatly as that, and that there are considerable continuities. Nevertheless, a simple schema may prove useful for our purposes. I want to look at the evolution of development thinking and policy in these three phases, and consider the relative influence of ideology and experience in this evolution.

To begin at the beginning. But of course there is no beginning since any starting point has its own antecedents. The 1950s and 1960s represent the high water mark of the statist model of development. But the hold of this model on development thinkers and policy makers owes much to the ideological debates of the half-century before this period. The rise of Fabian socialism in Britain, which in turn influenced a generation of freedom fighters from British colonialism in Asia and in Africa, was itself in the shadow of the rise of the communist central planned system as an alternative to free market economies. The economic disasters of the 1930s in Europe convinced many that the liberal market system caused misery for the masses, and was not even successful in its own terms. In the 1950s and 1960s the Soviet Union and Eastern Europe stood as an example of a successful alternative to the economic structures of the former colonialists. Not surprisingly, this was the economic model that was aspired to by most newly independent countries in Asia and in Africa. Latin American countries had been independent from their colonial masters, Spain and Portugal, for quite some time. Their struggle, rather, was seen as one for economic independence from US market forces. Many of the same methods, in particular state ownership and control of industry, and control of trade, were used. As East Asia emerged from the Korean War, US influence

remained strong militarily and politically, but a recognizably statist model was followed, in South Korea and Taiwan.

It is worth noting that the precise nature of the statist model varied from country to country, depending on its specific circumstances.

--In India the 1950s and early 1960s saw planning models that emphasized overall growth and investment, and then in the 1960s and 1970s direct interventions on redistribution and direction of economic activity to benefit the poor. Trade restrictions and industrial controls intensified over this period.

--In South Korea and Taiwan the state directed credit to favored industries (it "picked winners") but, especially in the 1970s and through into the 1980s, it measured success and conditioned support on export success. The South Korean experiment in heavy chemicals in the 1970s, which was brought to an end when it proved unsuccessful, was contrasted with the experience in India and in Africa, where lack of success seemed to occasion more subsidy and more support.

--In addition, in South Korea, like Taiwan and Japan but unlike Latin America, land reform had led to a relatively equal land distribution, and there was continuing emphasis on widespread basic literacy and education.

--In Latin America, Brazil epitomized the model of state supported development of heavy industry, leading to high growth but increasing inequality in the 1960s, which in turn led to state interventions with distributional objectives in mind, for example, price support for basic foods for the urban poor.

--And China of course had its own variant of statism, which included the excesses of the "Great Leap Forward" in the 1950s and the "Cultural Revolution" in the 1960s.

So this was the picture in the 1950s, 1960s and 1970s. What happened then? The late 1970s and early 1980s were a period of considerable economic turmoil in the world economy. Two oil price shocks ("OPEC I" in 1973 and "OPEC II" in 1979) were followed by an interest rate shock in the early 1980s--the rise in interest rates brought about by vastly increased US borrowing to finance a ballooning budget deficit. These shocks had generally severe effects on developing countries--even the oil price exporters had to cope with the increased interest rates. Several Latin American countries went into debt default. This included Brazil, but also Mexico, an oil exporter. African countries did not have exposure to commercial debt, but were severely affected on the trade side, and began borrowing heavily from official financiers. Countries that did not go into a full-blown crisis, like those in South and East Asia, were nevertheless adversely affected by these global trends.

Immediately after this period of turmoil, one began to see adherence to the statist model weakening. We will examine the causalities presently, but as a factual matter many countries began to reduce government intervention in various sectors of the economy.

--African countries, particularly those in Eastern and Southern Africa but also countries like Ghana in West Africa, began to liberalize their foreign exchange rate markets. Over a period of 10 years, from the mid 1980s to the mid 1990s, there was a

transformation in these markets. The so-called black market premium for foreign exchange disappeared into insignificance. Again in Africa, many trade barriers began to be lifted and some start was made in the direction of disposing of loss making state enterprises.

--In Latin America, the debt crisis of the early 1980s brought on what was known as "the lost decade"--a period of low growth and low progress on social indicators. But there was episodic movement on the policy front. There would be periods of macroeconomic stability (for example in Brazil in the mid 1980s) but instability would set in again.

--In South Korea, there were some readjustments and reconsideration of support for previously favored industries.

--Even in India, where the common narrative is that economic liberalization began in 1991, it has been argued by Rodrik and Subramaniam that attitudes to the private sector began to be relaxed, in small but discernible ways, in the early 1980s.

--Then there is China, which began its period of liberalization, especially in the agricultural sector, in the late 1970s and early 1980s.

--And finally there is the example of Vietnam. A mere decade or so after defeating the preeminent capitalist power of our time, Vietnam began to liberalize and open out its economy, and began to encourage and actively seek foreign direct investment.

Thus weakening adherence to the statist model of development gathered pace during the decade of the 1980s. In the case of the former Soviet Union and Eastern Europe, the fall of the Berlin Wall in 1989 and the end of communist party rule in Russia

in 1991 ushered in as rapid and as complete a reversal from the statist model as has been seen anywhere. Almost overnight, these economies abandoned central planning and state direction and began to navigate the turbulent waters of the market-oriented world. But here again, there are variations. First of all, not all of these economies were totally centrally planned. In some, like Poland, significant sectors had been left relatively free. And these same economies had a "memory" of market economics, which had been the rule only forty years earlier. It is now recognized that overall, the so-called "transition economies"--the economies in transition from communism to capitalism--had a terrible decade in the 1990s, in terms of growth and human development. There were considerable variations around this average. But the fact remains that in the late 1980s and early 1990s the movement away from state led development policies continued apace.

Even in the less dramatic setting of non-communist countries, the late 1980s and the 1990s showed major movements.

--In Mexico, the Salinas Presidency signed the North American Free Trade Agreement, and launched a series of domestic and external sector liberalizations.

--In Argentina the Menem government liberalized trade, introduced privatization even into the social sectors, and sought to assure macroeconomic stability by guaranteeing currency convertibility at a fixed rate.

--In Brazil the Cardoso government over a period of 8 years maintained macroeconomic stability and attempted to attract Foreign Direct Investment (FDI).

--In Ghana, Zambia, Senegal, Mali and many other African countries, newly elected governments maintained the liberalized foreign exchange markets, and pressed ahead with privatizations and trade liberalization.

--Even in South Africa, the African National Congress, which had taken power after toppling the evil of apartheid, soon began to talk in terms of macroeconomic stability and openness to external trade and FDI.

--In Asia, China extended its liberalizations from the domestic to the external sector, leading to a boom in FDI.

-- And, of course, in 1991 India embarked on what many claim to be a decisive break from the post-Independence consensus of state direction of industry and commerce, and towards a more market and externally oriented development strategy.

We will come to a discussion of development outcomes as a result of these policy shifts in the 1980s in what follows. For now, let us continue the narrative into the new century and the new millennium. Already in the 1990s, concerns were being raised about some of the market-oriented policies that seemed to be the fashion of the times. The East Asia financial crisis in 1997 was preceded by the Mexican crisis in 1994 and followed by crises in Russia and Brazil in 1998, Turkey in 2000 and Argentina in 2002. Countries that had not opened out their financial markets to the same extent as South Korea, Hong Kong, Taiwan, Malaysia or Thailand, namely countries like India, China and Chile, weathered the 1997 crisis and subsequent storms much better. Malaysia abandoned capital market openness and introduced temporary short-term capital controls the moment

the crisis hit, and many have argued that because of this it did not suffer as deep a recession in the crisis.

The financial crises brought to the fore concerns that the market oriented reforms of the 1980s and 1990s might not necessarily be delivering even in their own terms, in terms of growth and productivity, and even when averages were improving, inequalities were on the increase. On averages, we are of course aware of the spectacular improvements in growth performance of India and China during this period, as well as for some African countries like Ghana. The India and China stories have been discussed more fully by others, elsewhere. But these stories have to be set against worse growth performance for Africa, Latin America and Eastern Europe as a whole, and the dramatic reversals in East Asia after the crisis. If we take population weighted country performance, of course India and China will dominate the outcome. But if we take each country as an unweighted observation, average growth rates in developing countries were lower in the period 1980-2000 than in the period 1960-1980. In addition to these results on poor economic performance on average, increasing inequalities within countries have been causing concern, even in successful countries like India and China and East Asia, let alone in the transition economies and in Africa and Latin America. Electoral results in different countries have confirmed this concern, whether it is the election of Lula as President in Brazil, the election of a wave of former communists in Eastern Europe, or here in India, where surely some part of the recent electoral results must have to do with increasing inequality in the era of reforms.

## **The Evolution of Development Policy: Ideology or Experience?**

The renowned economist John Maynard Keynes, who was V.K.R.V. Rao's teacher in Cambridge, once famously said that the power of economic ideas in influencing economic policy is greatly under-appreciated. What he actually said was the following:

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist...I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.... But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil...”

In the extreme version of this view, then, practical policy is a slave to shifting ideologies, moving this way and that as fashions or beliefs change. This is perhaps too extreme a claim, but I would not dispute a less extreme version of this position, that all of us approach policy questions with preconceptions and frameworks. In this sense, surely, ideas and ideologies shape the way we view the world and design economic policy for the world.

However, I want to make an obvious complementary point, that frameworks change, eventually, when faced with the results of experience. I feel sure that V.K.R.V. Rao, and Keynes himself, would subscribe to this interplay between ideas and experience. On another famous occasion, when Keynes was accused at a public meeting of inconsistency between what he was saying at the meeting and what he said five years ago, Keynes retorted, "When the facts go against my proposition, I change my mind-- what, Sir, do you do?" This dialectic between ideas and experience, between frameworks and outcomes, is central to the way development policy has evolved and continues to evolve.

The 1950s were the start of cold war rivalry, which was as much about ideas as about territory. Two camps faced each other, militarily as well as ideologically. Viewed in this light, the adoption of the tenets of central planning and a statist model of development by development thinkers and policy makers might well be seen as the triumph of one ideology over another. However, as I argued at the start, the development thinkers and policy makers of fifty years ago were greatly influenced on the one hand by the perceived failures of capitalism in the West, and on the other hand the perceived successes of central planning in the communist East. I would therefore argue that it was the interpretation of this experience that led them to develop their ideas of planned development as the former colonies became independent.

It is similarly tempting to interpret the shift to market orientation in development policy and thinking in the 1980s as an ideological victory. After all, the 1980s saw the

emergence of Thatcher in Britain, Kohl in Germany and Reagan in the United States. With this shift in the G7 countries, it is argued, the International Financial Institutions also started to espouse a "market fundamentalist" ideology. They then imposed their programs of "structural adjustment" on hapless countries in the developing world, which had no choice but to accept, given their heavy indebtedness. With the collapse of the communist system in Eastern Europe and the former Soviet Union the triumph of the West was complete. The distinguished social scientist Francis Fukuyama even went so far as to proclaim "the End of History", meaning by this that all significant questions had been settled once and for all, and Western free market democracies had triumphed.

There is of course a grain of truth in this narrative emphasizing the power of ideas and ideology. But I believe that it masks the experiential basis of the changes in development policy in many countries. At the extreme, few would deny that the central planned system in Eastern Europe and the Former Soviet Union system eventually failed to deliver at least part of what it had promised--higher economic productivity and growth compared to the market system. It provided a safety net and redistribution, but inequalities, though hidden, were nevertheless present in the form of benefits to the nomenklatura. And, moreover, environmental disasters were caused and created. Thus the system failed precisely where it was supposed to work--in correcting market failures. In China it led to major calamities for the population, including the Great Famine of the 1950s, perhaps the biggest famine in human history.

In less extreme settings, central planning and the statist development model did not deliver high growth in India in the 1960s and 1970s, and did not deliver much in the way of poverty reduction either. In Brazil it delivered high growth but did not mitigate historical inequalities. In Africa, it did not manage to diversify the economy out of dependence on primary commodity products. At the same time in East Asia, where statism was combined with some elements of market like discipline, there were high growth rates.

It is not surprising, then, that after a quarter of a century or more of experience with the statist model of development, thinkers and policy makers were ready for a change. As Keynes might have said, when the facts didn't fit the proposition, it was time for a change of mind. The change of mind was not ideological. What was ideological was how sharply it changed. Suddenly, in the 1980s and early 1990s, in the mainstream development discourse we seemed to go from a situation where the state could do no wrong to one where the state could do no right. The presumption became that the state should be "rolled back". It was a question of "roll back first and ask questions later." The pendulum swung too far the other way. That it began to swing the other way was due to experience. That it swung too far the other way was due to ideology.

Of course this swing too far in the other direction was bound to meet its own come-uppance as the force of ideology met the force of experience. I have already touched on this part of the evolution, which brings us right up to the current time. Let me

give you five concrete examples of cases where the rush to markets led to problems in the last decade or so.

1. In Eastern Europe and the former Soviet Union, when the communist state collapsed, the new state was left as the owner of industry and natural resources. The question was one of transition from this position to one where ownership was primarily in the hand of private entities. There were two possible trajectories. One was a gradualist path, building capital market institutions along the way, with the state releasing control as appropriate. The other was the path of immediate privatization of all assets, in the faith that the capital market institutions would emerge spontaneously. The latter approach was followed, with disastrous short run consequences and with long run consequences that are with us today. Asset inequalities have skyrocketed, with a small number of individuals and groups controlling the vast bulk of the wealth in Russia, for example.

2. Throughout the 1980s, and the early 1990s, there was considerable pressure on developing countries from the International Financial Institutions and from the G7 to liberalize their external capital accounts and to allow foreign financial institutions to operate inside developing countries. This was partly because of pressure from Western financial institutions looking for business. The ideological basis of it was that freer movements of capital increase global efficiency, since capital moves from low return environments to high return ones. This proposition, which can be debated even for physical capital (foreign direct investment), is problematic for financial flows because of their volatility. Chile, the poster child for market economics, had had capital controls for

a while, in the form of taxes on inflows that were then taken out rapidly. But capital account liberalization and internal financial liberalization was pushed hard and successfully by the G7 and the IFIs. When the financial crises of the late 1990s and early 2000s came, the voices of those who had counseled caution began to be heard. One does not hear quite much these days from those who touted the virtues of free financial flows. And when one does, this is always couched in terms of a long-term objective, to be attempted after sufficient depth has been achieved in internal financial markets.

3. By the 1980s, the *Zambian maize marketing parastatal* had become a byword for inefficiency and corruption. Farmers carried their maize long distances to purchasing points which, if they were open, would sometimes pay them in the form of "chits" to be cashed at a bank, to which the farmer then had to walk another long distance. Of course much maize went missing from the warehouses, and politicians often used these as their private granaries. The statist model seemed to have failed. There were two possible options. One was a political economy based reform that would improve the responsiveness of the organization to farmers' needs, and gradually bring in private traders and reduce the role of the state marketing board. The other was to immediately dismantle the organization, leaving the field clear for the private traders, in the faith that the trading operations would develop quickly in response to market demand, and farmers' needs would be served. The second option was chosen, and the results were disappointing to say the least. Trading operations took quite a while to get going, leaving most farmers stranded in terms of selling their maize. Even in the long run, farmers in remote areas, and these were the poorest farmers, were still left with inadequate trading networks. And

these farmers were now at the mercy of the one trader truck that would pass by in several days. This trader would obviously have tremendous bargaining power and would offer a low price, which the farmer would have no choice but to accept. Thus it turns out that despite all their problems, the maize marketing board's purchasing points provided a safety net of sorts to farmers, and a fixed price they could rely on. This was not recognized in the headlong rush to a market based solution. But the problems are recognized now, after the event.

4. Argentina introduced a currency board, pegging the Argentinean currency to the dollar. This draconian measure, which many advised against, was part of a "dream package" of macroeconomic stability and market oriented reforms that made Argentina the darling of the financial markets. The convertibility guarantee led to a boom in capital inflows. It was hoped that the guarantee would also "stiffen the spine" of Argentinean policy makers to hold down the budget deficit. But what had not been allowed for is that the budget process is a political one that first and foremost responds to the needs and interests of Argentineans, not of international financial markets. A major problem in Argentina is regional imbalance, and the fiscal deficits of the provinces began to balloon out of control as a complex game was played between center and provinces and within provinces. Of course this could not go on. In the struggle between domestic politics and international financiers, domestic politics won, and Argentina suspended convertibility. It went into a prolonged period of economic and political turmoil and is only now, slowly, emerging from it.

5. In the 1980s and early 1990s, Indonesia was considered to be a miracle economy, one with high growth and declining poverty. This success was seen as flowing from outward oriented and market friendly economic policies. Indeed, Indonesia had high growth rates, and measured poverty fell throughout the 1980s and 1990s. But some parts of the economy were getting ahead faster than others. Inequalities began to increase, between ethnic groups and between regions, particularly from the late 1980s onwards. When the big crash came with the East Asia crisis in 1997, and Indonesia was vulnerable to the crisis because of its relatively open capital account, the gains of an entire decade were wiped out in one fell swoop. But, equally importantly, the resentments that growing inequalities had built up spilled over into the streets, and the ethnic minority suffered rape and killings in an orgy of rioting by the disaffected majority community. Today, as Indonesia struggles with becoming a functioning democracy, inequalities created in the past are a constant burden.

You will notice that I have not mentioned the latest election results in India in my list of five examples. This is partly because I do not have sufficient expertise directly on India to speak authoritatively about it. It is also because it is too early for analysts to have come to interpretations of the result based on serious academic analysis. What I know about the result is what you know, based on newspaper discussions and columns. There are those who have jumped on the result as an indictment of the reforms. And there are those like my predecessor as V.K.R.V. Rao Professor, Arvind Panagariaya, who have argued that the results reflect an anti-incumbency factor rather than an anti-reform factor. Those taking the latter view, point to the significantly higher growth rates in the period of

reforms. To those who question whether the benefits of higher growth have trickled down to the poor, they respond that in fact the data show that they have. Despite the controversy surrounding the data, and despite alternative available estimates, the consensus now is that measured poverty has indeed come down during the 1990s. But it is worth noting that inequalities have increased--across states, across rural and urban areas, and across individuals. This is also accepted as a consensus. And, as in any policy reform process, some people will indeed be hurt--there will be losers as well as winners. In view of all this, my tentative conclusion is that surely the consequences of the reform process in India will have had some effects on the election outcomes, although the exact nature and magnitude of these effects are still to be fully charted.

### **Where Does this Evolution Leave Us?**

As discussed, the last fifty years have seen twists and turns of development thinking and policy. But the oppositions and conflicts in the last fifty years were relatively simple. We went from market orientation (before the second world war), to statism, to market orientation. Are we now in for a similar wild swing of the pendulum as the problems of the last swing to the market are manifesting themselves? I do not believe so. I want to argue that we are entering a more complex phase of development thinking and policy, driven by the experience of the last decade or two.

A key feature of this experience has been the variability of performance, on economic growth and poverty reduction in the last two decades. For the same degree of

economic reform, for the same degree of rolling back of the state, different countries have experienced vastly different growth performance. A forthcoming World Bank Report on the "Lessons of the 1990s" quantifies this proposition, but the qualitative examples I have given, the contrast between the macro successes in India and China and the macro failures in Africa and Eastern Europe should give you a flavor of this argument. This variation does not give comfort to either side in the state versus market debate. Rather, what it says is that country specificities matter. The same amount of trade liberalization can have very different impacts on exports depending on quality of infrastructure in the country. Privatizing a state owned utility can have very different impacts depending on the quality of regulatory institutions. The benefits of liberalizing the capital account depend on the preexisting depth of the internal financial markets.

Moreover, while economic growth is the sine qua non of poverty reduction, the same rate of economic growth has been translated into very different rates of poverty reduction, depending on structural inequalities, as the work of Martin Ravallion and others has shown.

A key factor underlying this variation in performance, in growth and in poverty reduction, is the performance of institutions, broadly defined--political, social and economic. The role of institutions in economic development has of course been discussed in the past fifty years. Indeed, Douglas North won a Nobel Prize in economics for his work on institutions and economic history. But it would be fair to say that it only in the

last decade or decade and half that it has truly become prominent in economic policy debates, thanks to the work of economists like Dani Rodrik or Daniel Kaufman.

Thus as we emerge from the latest swing of the pendulum between state and market, the question is no longer the simple one of state versus market, but of the appropriate combination of these two, taking into account the historical specificities of each economy and society. Adding to the mix is a third sector which is neither state nor market but civil society, broadly defined. Of course this sector has always been present, although it can be argued that it has grown in the last fifty years as a mediator and an alternative to the other two sectors. Certainly analysts have become more aware of it, as have policy makers. All the discussion of social capital that has developed in the last ten or fifteen years is a manifestation of this. And policy makers have been reaching to civil society to help implement their programs. So in fact the problematic for development thinking is to understand development in terms of the development of and interactions between state, market and civil society (also sometimes known as "the third sector") within a specific historical and socio-political context.

Given where we have come from, and given where we are, what are the sorts of questions that development thinkers and development practitioners and policy makers will have to tackle in the next decade or two? Let me give you three categories of questions.

1. What exactly is the boundary line between state and market? Accepting that it went too far in the direction of statism in the 1950s and 1960s, and accepting that some of the shifts in the other direction since 1980 have been too drastic, how are we to think of the relative domains of the two? It is now generally accepted that commercial and production activities are best left to market entities, suitably regulated. But this still leaves open the question of how to regulate. Moreover, in the social sectors like health and education, while there is general acceptance that primary education and primary health care should be provided publicly, how far up into the secondary and tertiary sectors should state responsibility go? What is the nature of a successful public-private partnership in the social sectors?

2. How can public sector institutions be made more responsive to public needs? In democracies, governments change when electorates are dissatisfied with their broad policies. But many institutions of public service in developing countries, most of them set up in the statist period, continue to be ineffective or dysfunctional. One simple answer seems to be to disband these institutions, like the Zambian maize marketing board. But, as that experience illustrates, it is not so straightforward as that. If there is to be disbandment then it has to be a phased disbandment which protects the services that these institutions do indeed provide, despite all their problems. But the alternative of improving service through monitoring and control must also be explored.

3. How can civil society be made more effective in transmitting the views of the public (and especially the poor) to the government, in ensuring that government programs

for the poor reach the poor, and that the rights of the poor are protected? There is a wide range of civil society organizations, some very successful in achieving development objectives, others not so successful or even downright harmful to the development process. What can policy do to encourage the first type and discourage the second type of civil society organization? In order to answer this question, however, we have to answer the prior question of what accounts for the success of some civil society organizations and the failure of others. This is an important ongoing research question.

The questions asked above are not new. In fact there is already a large body of research on these questions, much of it dating from the last decade, although it has only really scratched the surface. My purpose in stating these questions is to show that the development of development thinking, and of development policy, is not going to be quite so straightforward in the next fifty years as it has been in the last fifty. The last fifty years have been framed by an all out battle between two frameworks, one fundamentally statist and one fundamentally market oriented in nature, without much attention being paid to country and historical particularities, and to any institutions outside the state and the market. These two frameworks have dominated the discourse, and as experience has shed doubts on one, it has been displaced by the other. But we have gone through this cycle at least once, and it is now clear, at least to me, that the same cycle will not, cannot, repeat. We are in an era where the principal thrust of research questions and policy discourse will be the three cornered balance between state, market and civil society, informed by historical, political and social factors, with the role of institutions center stage. The old style battles will no doubt continue unabated for a while. Indeed, we are

seeing these battles right now, in the debate on the interpretation of the recent Indian election results. However, slowly but surely, the new agenda will impose itself--one can already see it happening in the global context.

All of this means that the development of development thinking will be an exciting and challenging enterprise in the coming decades. I, for one, welcome this challenge.

Thank you.