IDS Bulletin
Transforming Development Knowledge
Volume 47 | Number 2A | November 2016

STATES, MARKETS AND SOCIETY – NEW RELATIONSHIPS FOR A NEW DEVELOPMENT ERA

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Inequality and Exclusion in the New Era of Capital

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Abstract The IDS 50th Anniversary Conference held in July 2016 revisited the age-old debate concerning the changing nature of the relationship between states, markets and society in relation to the problem of inequality. The deliberations at the conference made it clear that inequalities go beyond disparities between households in their income or asset ownership, to intersecting inequalities along the lines of age, gender, location and access to public services such as healthcare and education. This article addresses three areas of inequality that were given pre-eminence at the conference, namely, gender inequality, youth unemployment and social protection. The conclusion recaptures the main argument and suggests a rebalancing of power between states, markets and society because the key problem is that market forces have become too dominant.

Keywords: gender, inequality, youth, unemployment, social protection.

1 Introduction

The nature of state–market–society relations and their impact on inequality and exclusion are of perennial concern to scholars of development studies. From the end of the Second World War into the 1960s, the formative period of what is now called 'development economics', the long-running debate on development centred on why some countries grew rich while others languished. Thus, the relative merits of financial liberalisation have come under heavy criticism especially in the wake of bank panics and collapses, and the resultant recessions, high inflation and the accumulation of excessive foreign debt in less developed countries (McKinnon 1991).

This article looks at the problem of inequality and exclusion by revisiting the deliberations of the Institute of Development Studies (IDS) 50th Anniversary Conference held in July 2016. In particular, it looks at the challenges of addressing inequality through three issues that were given pre-eminence at the conference, namely, gender inequality, youth unemployment and social protection. The main focus of the article is how the empirical material from the conference challenges existing theories and conceptual frameworks that underpin state–

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The *IDS Bulletin* is published by Institute of Development Studies, Library Road, Brighton BN1 9RE, UK
This article is part of *IDS Bulletin* Vol. 47 No. 2A November 2016: **'States, Markets and Society – New Relationships for a New Development Era'**; the Introduction is also recommended reading.

market–society relations within development processes. The conclusion draws from this critique and suggests possible directions towards rebalancing power between states, markets and society.

2 The problem of inequality

Inequality is a serious issue – both for economic efficiency and for social stability. Inequality is rising, both horizontally and vertically between and within countries. Addressing the IDS 50th Anniversary Conference, economist Frances Stewart opened the plenary on inequality with a presentation on the 'Inequality Paradox' in which she highlighted the stark statistics of growing disparities in income, employment, access to health care and education across a wide spectrum of intersecting factors such as race, gender, location and age. Between countries, she noted that inequalities have increased 11 per cent in developing countries in the period 1990–2015 (see also UNDP 2015). Yet, paradoxically, state and society actors find themselves constrained by market forces to tackle the challenges of inequality and exclusion. Today, almost half of all the world's household wealth is owned by 1 per cent of the global population (Credit Suisse 2015), and the richest 62 individuals own as much as the bottom half of humanity (Oxfam 2016).

UN Sustainable Development Goal 10 embraces the challenge of inequality and exclusion, and commits to 'reducing inequality within and among countries'. Inequality cuts across multiple dimensions, including but not limited to: economic, social, cultural, political, spatial, environmental and knowledge-based, and these operate differently depending on contexts, and affect individuals and communities in varying ways. Social relations of different cultures affect levels of inequality, in the same way that the political climate in different countries creates enabling or disabling environments for justice to thrive. Many scholars have advanced explanatory frameworks that address the role of states, markets and society actors in economic development and in reducing inequalities to help in the understanding of cross-country variations in development trajectories (see Underhill and Zhang 2005; Clark and Chan 1998; Weiss and Hobson 1995). In what follows, I apply these frameworks to empirical material from the conference deliberations on gender inequality, youth unemployment and social protection, in order to build a nuanced understanding of the complex variables at play in producing and sustaining these inequalities.

3 Gender inequality

Gender constitutes a major factor in explaining the complexity of inequality in many contexts. Gender inequalities are embodied in the way dominant institutions operate; for instance, as we move away from developmental state paradigms, where states and markets operate as distinctive entities and market forces become more dominant, labour markets are increasingly becoming significant bearers of gender. During the IDS conference, experts on gender and sexuality expressed that gender inequalities have been exacerbated by dominant market forces, and that states have become too constrained to reverse these trends. Bafana Khumalo and

Wanja Wamuguongo, gender and minority sexual rights activists from South Africa and Kenya respectively, noted that individual men and women's rights are shrinking while the power of markets are expanding exponentially at the same time. Khumalo noted that in South Africa the state is becoming more accountable to markets and not to the people, and that society actors are being marginalised in the process.

This is perhaps best understood using neostatist theories that view the development process as necessarily influenced by bureaucratic linkages between state bureaucrats and private business in what Weiss and Hobson (1995) appropriately termed 'embedded autonomy' of states and markets. Although proponents of these approaches view the interaction between states and markets as reciprocal, complementary and mutually reinforcing, it is clear that markets have become too dominant and the state has been unable to prevent particularistic interests from subverting the interest of minority social actors, including advancing gender equality and minority sexual rights.

In a similar vein, civil society mobilisation increasingly revolves around identity, not class, and the main challenge for development is how to open up and broaden out pathways towards equal representation of minority sexual rights and gender equality regardless of class, religion, race or creed.

Experts at the conference cautioned that without structural reforms of state and market institutions, gender and sexual inequalities were likely to persist, because women's empowerment requires female autonomy in all areas of life – financial, economic, political, social and cultural, in and outside the home. Panellists in the session also noted that although some measures to accelerate gender parity are improving – reduction in gender pay gap, improved political representation, stiffer penalties for rape and sexual assault – this does not automatically lead to empowerment of women, particularly in countries where overall development is low. In other words, development and gender equality go hand in hand.

Furthermore, questions need to be asked about the nature of autonomy and empowerment itself: who is being empowered, individuals or communities? Which society is being empowered and for what? Increasing accountability of those working towards gender equality goes beyond 'adding women/gay people with an asterisk' to interrogating the power relations and structures of inequality within and across society.

4 Youth unemployment

This issue was a central theme during the IDS conference, where experts working with young people presented their experiences. In his inaugural IDS Annual Lecture at the conference on 'Not Working: Rethinking and Redistribution in the Jobless City', Stanford University professor James Ferguson highlighted the challenge of unemployment in cities, particularly in the global South. He argued that the destructive market forces driving urbanisation has given rise to slums and slum dwellers, a high proportion of whom are youth, who are effectively becoming victims of a decaying society. He called for alternative pathways to those based on wage labour, and provoked conference participants to start thinking of what he termed 'improvised livelihoods'. He challenged the dominant market-led narrative of 'real jobs', which he referred to as the 'catastrophe' narrative, and used the example of Ethiopia to make a case for a return to social relationships and gift-giving practices where appropriate reciprocities sustain societies.

Echoing James Ferguson's sentiments, University of Sussex professor Andy McKay and IDS professor Jim Sumberg noted that the challenge of youth unemployment was serious, particularly for sub-Saharan Africa where the population is mainly made up of young people and the burden of unemployment is highest. Dinah Rajak, also from the University of Sussex, noted that youth, unemployment and urbanisation was a triple economic and social crisis but also a market opportunity, where bottom-of-the pyramid schemes can offer alternatives to jobs through youth entrepreneurship. However, Meredith Lee from the MasterCard Foundation observed that, while entrepreneurship can play a role in alleviating youth unemployment, it offers little hope as it is fragmented and remains at micro-levels in the developing countries of Africa, where there are high failure rates due to a lack of access to critical infrastructure such as roads, markets and capital. In addition, for young people already living in poverty, multiple insecurities in different areas of their lives such as homelessness, long-term illness or death of family members are likely to exacerbate the failure of running a successful business. McKay noted that there is also a great diversity of contextual factors affecting youth unemployment, such as gender, age, social connection, rural–urban divide and so forth, and these need to be taken into account by policymakers. In Africa, the secure salaried work available is often the preserve of the well-connected, young, educated men living in urban areas. Young women are more likely to work in unpaid family labour (Kingdon, Sandefur and Teal 2006).

In other words, entrepreneurship ought not to be perceived as a blanket solution for youth unemployment, nor should it be used as a scapegoat for states' failure to leverage market conditions and implement labour policies that absorb a more diverse range of young people into paid work.

Although access to higher education around the world has improved for young people, the transition into the labour market is far from easy for many (ILO 2016). In 2015, a record 204 million people worldwide, including 74 million young people (ages 15–24), were unemployed (UNDP 2015; ILO 2016). Youth unemployment in European countries such as Spain, Portugal and Croatia stands at 53 per cent, 35 per cent and 46 per cent, respectively. In Africa, the figures are much higher, standing at 59 per cent in Egypt and 80 per cent in Zimbabwe, to mention but a few.

With a projected 1.1 billion people under the age of 30 entering the labour market by the year 2020 (UNDP 2015), tackling youth unemployment is now more urgent than ever. In terms of how states, markets and society can intervene to alleviate youth unemployment, it is crucial for states to play an activist role and harness the contributions of business and society actors as functional equivalents in their ability to build up ties between government and the private sector (Clark and Chan 1998). For instance, labour unions, inter-sector networks, business associations and private–public consultative fora facilitate the exchange of information, and enhance trust and cooperation between government and market actors (cited in Underhill and Zhang 2005).

5 Inequality and social protection

Social protection systems have been hailed as success stories of development. However, they are coming under insurmountable pressure in most countries both in the developed and the developing world as states target welfare budgets for cuts as part of austerity measures.

Speaking during the IDS conference, Armando Barrientos, Professor of Poverty and Social Justice at the University of Manchester, decried the state's lax attitude to promoting social protection, arguing that private businesses were driving the move towards commercialisation of welfare in many countries. He stressed that social protection need not be seen as a form of state benevolence but should be rooted in the political conception of justice and be integrated in state social economic policy. Isabel Ortiz, Director of Social Protection at the International Labour Organization (ILO), reiterated that welfare coverage was low and fragmented across the world, and that in fact, states in approximately 132 countries were cutting social welfare budgets at present.

In European countries such as Greece and Portugal, the impact of these cuts has been severe, but they have also been met with protests, as has been the case elsewhere around the world. This has included food riots in sub-Saharan Africa, the Caribbean and South East Asia after prices sky-rocketed between 2008–12, heralding new forms of public accountability for hunger and malnutrition (Hossain 2009).

Box 1 Inequality in Europe

European countries have reduced a range of social protection benefits and limited access to quality public services; together with persistent unemployment, lower wages and higher taxes, these measures have contributed to increases in poverty and social exclusion, now affecting *123 million* people in the European Union – 24 per cent of the population, many of them children, women and persons with disabilities. Several European courts have found cuts unconstitutional.

Source: ILO (2014) based on EUROSTAT data (in Ortiz *et al.* 2015).

Riots and protests have targeted the state, international financial institutions, elites, the police, and regional administrative bodies challenging rigid technocratic solutions to development. The state has been accused of reneging on its responsibility to provide social protection for its most vulnerable populations, and it has instead left it to the market, often without regulation. As a result, there have been mass privatisations of pension schemes in many countries including many in Africa such as Nigeria, where the state privatised the pension fund in 2005.

Panellists were in agreement that the state is the only institution that can pull resources together and strengthen its collaboration with the market and society in order to reinforce structural reforms towards universal welfare coverage. Ortiz cited some examples in developing countries where such collaborations have been successful, including in Lesotho, where the state pays a universal pension, and in Mongolia, a small state which has successfully restored universal child tax credits.

6 Conclusion

Power and politics constitute a two-way relationship between structures and agents in particular institutional settings. On the one hand, institutions shape existing structures, and on the other, institutional structures can limit the power of states, markets and society actors from pursuing their development goals. In other words, and as this article has articulated, it is not the institutions of states, markets or society that are the problem in the current state of inequality and inclusion, but rather, it is the political processes and power dynamics within them that are to blame.

The central argument in this article then is that, rather than the view that states and markets work best in 'embedded autonomy', as some theorists suggest (i.e. that they are separate entities operating in a dichotomous relationship with little influence over each other, and society actors are an 'add on' to this equation), there is a need to approach this triad as a part of the same integrated ensemble, separated by interests, whether individual or group. These interests in turn influence the types of debate that are prioritised, how power is exercised and how economic and social policy choices are made. However, in the current capital-based configuration, the evidence suggests that market forces have become both too dominant and the 'senior partners' in the triad, and inequalities are an inevitable result of this dominance. Thus, in order to address state, market and society relations, and effectively tackle the challenge of inequalities in their various forms, there is a need to rebalance the power within the triad through the integration of its key social constituents and their interests. This includes harnessing and strengthening democratic institutions and enhancing accountability at all levels of state, market and societal governance. However challenging this may be, it is the most realistic way of helping to generate a collective vision for a fair and a sustainable world.

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