

Introduction

In an increasingly integrated global world that emphasizes the neoliberal tradition with laissez-faire economics and limited state intervention, I would expect that the need for the state has been diminishing over time. However, in “The Eclipse of the State”, Evans (1997) argues that in fact there is an even greater need for the state, which surprises me. However, he presents compelling reasons why higher levels of “stateness” are necessary. For example, Evans cites David Cameron, who found that openness was positively related to size of government because higher trade shares increase a country’s vulnerability to external traumas. He also indicates that Rodrik presented similar results on exposure to trade, potential trauma, and government expenditures. In addition to evidence from Rodrik and Cameron, Evans notes that many East Asian countries (most notably, Singapore) rely heavily on trade and also maintain strong state bureaucracies. It is now clear to me that with greater liberalization comes potential exposure to external traumas, so there is an even greater need for the state despite pressure to minimize government interference.

In addition, in the somewhat market driven approach of outward orientation, it is apparent that some government intervention is necessary. Bruton (1998) cites that both Taiwan and Korea had pretty strict government regulations such as tariffs and multiple exchange rates in place to help limit external competition. In addition, the government helped enforce discipline in private sector firms. However, Bruton also presents evidence that governments in developing countries were also ill-trained, participated in rent-seeking behavior, and may have caused many of the distortions and market failures that the government was supposed to correct. Thus, there was a push to remove price distortions, privatize all public firms, and remove the government from export oriented growth. Nevertheless, after this shift, growth rates in some countries

sharply declined in the 1980s. However, in places like Korea and Taiwan where there was some government intervention, growth rates were still impressive. So, what is the role of the government in an increasingly global world? Can governments in developing countries really help protect their nations from external trauma? It is now apparent to me that there is at least a fairly large role for the government in developing countries, which is surprising to me in an increasingly integrated and liberal world.

Even though we live in a time of globalization, one thing that surprised me about the article, “China Could Learn from India”, was that most of China’s companies are not indigenous Chinese companies (Huang, 2006). I learned in one of my other classes that China, Taiwan, Korea and others kicked out all of the foreign companies after they gained independence to start their own nationally owned companies. However, it is apparent from Huang’s article that this was and is not the case.

Informal Sector

I found the informal sector readings to be incredibly interesting especially with regards to restrictions and informality. First of all, in “Informal Sector and Its Paradoxes”, the author, Portes (1995), notes that many firms are informal, that it is very hard to measure informality, and that state efforts to regulate and expand rules can exacerbate the very conditions that give rise to those activities. Even though Portes argues that exaggerated state rules may not always lead to a larger informal sector, it is still interesting to me that more extensive rules could actually increase rates of informality. I would think that more rules would decrease informality because there is a greater risk of getting caught. However, I guess it is important to look at the alternative. If it costs a lot to comply with all of the additional restrictions and if there is a small

chance of getting caught, then it makes sense to operate informally. Perry et al (2007) support this idea and note that informality often increases with greater restrictions and rules. They suggest reducing the red tape and simplifying tax codes to ensure firms are more likely to enter into the formal sector. Similarly, Perry et al recommend creating positive incentives to operate in the formal market such as easier access to credit and licenses, and improved technical assistance.

It was also intriguing that many large firms may also be informal. Whenever I think of the informal market, I imagine children selling newspapers or matches on the side of the road. I always envision a very small informal firm. It never occurred to me that larger firms would operate informally and underreport operations or incomes as Perry et al (2007) indicate. However, over the course of the last few weeks, in my own life, I have discovered that this is the case. Even here in the U.S., there are many “formal” firms that are partially informal. For instance, one of my friends just started working for a restaurant in my hometown. For the first month that she worked, she did not have to fill out a W4 form, log her hours, and she did not receive a regular weekly check (the owner paid her under the table). I quickly recognized that this is an informal employment situation. This experience and the Perry article helped me to redefine my idea of informality in the developing world and beyond.

Another important part of the informal sector that fascinated me was the idea that larger firms have a greater chance of getting caught if operating outside of the more formal arena (Perry et al, 2007). I always thought that firms would be equally as likely to get into trouble, regardless of their size. However, as we discussed in class, there is a much greater return for ensuring that a larger firm pays its taxes than a smaller firm. Processing time is about the same, but there is a much larger benefit if an agent catches a firm that should pay \$2,000,000 in taxes than if she/he

discovers that a much smaller firm has not paid \$20,000 in taxes. Therefore, managers are much more likely to monitor a larger firm than a smaller firm, which makes it much more likely to catch a larger firm if it is operating informally and avoiding regulations such as paying taxes or social security.

One final idea that intrigued me about the informal was that the informal sector workers would voluntarily exit the formal sector. I always thought that workers migrated to the informal sector because there were not enough opportunities to work in the formal sector. However, Fajnzylber (2007) indicates that many people leave the formal market because the flexibility and higher earnings available in the informal arena outweigh the social protection benefits like social security of the formal sector and protection under the law (Saavedra-Chanduvi, 2007). All of these ideas really changed the way that I think about the informal sector in the developing world and abroad.

The implementing organizations and their professionals

It truly amazed me that street level bureaucrats could have a strong impact on policy. Even though locals may have some influence on policy, I have never seen a case where frontline workers like the employees in West Bengal actually demanded a more participatory approach and then wielded their power as a union to ensure a larger policy impact in India. Joshi's (2006) article supports this idea and states that scholars do not typically look at civil service unions as important in policy change. In addition, I always envisioned that the demand for a participatory approach arose from donor agency pressure to increase participation, not from frontline workers' reactions to hostile working environments. Joshi does mention that scholars often think that bureaucracies adopt participatory approaches because of pressures of financial crisis or donor

agency pressure to increase participation, which coincides with my original thoughts on pressures to adopt participatory methods of development.

Another idea that intrigued me about street level bureaucrats was how dedicated they were to their work despite difficult working conditions. For instance, the EHOs in Ghana worked so hard even in the face of challenging working circumstances such as low salaries and demoralizing work. Crook and Ayee (2006) state that the bureaucrats' informal work relationships, service oriented goals, hands-on management style, fair appraisal system, and respect of the local citizens motivated them and helped improve their organizational performance. Tandler (1975) supports this idea of strong organizational culture and notes that successful development assistance often incorporates decentralization, easy access to superiors and large amounts of responsibility for subordinates. In the case of the EHOs, the policy change of a public-private partnership in environmental services was top down. However, the street level bureaucrats adjusted to the change and remained motivated because of the strong organizational culture and respect they received from the public. This is an important lesson for development in general, where the pay is often low and the circumstances are difficult. Therefore, it is important to try to stay motivated. It is important to ensure that public sees the worker positively and there is a strong organizational culture to guarantee that she/he will complete her/his work.

An additional concept that fascinated me about organizations and their street level bureaucrats was the idea that frontline workers bring so many biases to the field and that these prejudices can have a significant impact on policy outcomes. For instance, Goetz (2001) mentions that male workers often devalued women's contribution to the household and their domestic work. In addition, women workers of equal class were often not able to empathize with

the female beneficiaries because they were trying to distinguish themselves from the recipients. Another example of biases in the field is the idea that workers tended to discriminate against people who could not repay the loans. Goetz notes that the interactions between the field workers and the beneficiaries had an impact on society. Field workers can help contribute to transformation or continuity of systems. It is important for me to be cognizant of the fact that I may bring biases to the field and that these biases and the way that I interact with people may have a very strong influence over potential policy outcomes. Even though I cannot remove all of my preconceived stereotypes, it is at least helpful that I recognize that I may hold some biases.

Another thing that amazed me about organizations was the effectiveness of microcredit programs as it is related gender issues and effective participation. First of all, I have read so many articles that state that women are much more likely to pay off their loans because they are more responsible. In addition, they tend to use the loan for income generating activities, which has a very positive effect on their families because the extra money they earn often goes towards additional education or food for their children. Jain and Moore (2002) indicate that there are disagreements about whether micro credit programs focus on women because they are better borrowers or because they were better able to attend meetings and more concerned with public moral pressure on loan defaulters. In any case, it was incredible to me that women might not actually be better borrowers, but rather they had more time and the gender bias sat well with donors. In addition, I have read so many articles that state that micro credit programs really emphasize community participation. However, Jain and Moore (2002) argue that there is barely any effective participation of members in either operational or policy decisions in micro credit programs. All programs they discuss, with the exception of Proshika, do not take a participatory approach, which goes against everything that I have always thought about micro credit.

One more thing that intrigued me about organizations and programs was their ability to serve as a model for other organizations and countries. It seems very strange to me that institutions would want to be just like everyone else. I would think that they would try to maintain their own culture and create a more competitive environment, distinct from others. DiMaggio and Powell (1991) discuss the different ways in which organizations or countries actually become more similar to other institutions, rather than distinguishing themselves, which they call isomorphism. One process of isomorphism that is particularly interesting to me is mimetic process. If goals are ambiguous or the environment creates symbolic uncertainty, then organizations may model themselves after other institutions. This is also true of countries, which is why this form of isomorphism is particularly interesting to me. In some of my other classes, I have discovered just how successful Japan has been in imitating other countries to develop successfully. It truly amazes me that Japan would go out and study the judicial and economic policies of the most successful countries in the world and piece these models together during a time of uncertainty in the country. In addition, just as the U.S. and Britain served as successful models for Japan, Italy can serve as a successful model for agrarian reform for developing countries. Like other third world countries, Southern Italy is very poor and has a large share of agriculture (Bianchi, 2002). However, it was ignored as a model limited geographically and regionally segmented. Nevertheless, it is possible to imitate and adapt the Italian model for agrarian reform.

Another thing that intrigued me about organizations was that collaborative exchange often demonstrates more opportunities for corruption. Initially this seemed very strange to me because I would think that collaboration is a necessary and important part of development work. However, after reading Bunker's (1985) article, it appears that collaboration and corruption may

go hand in hand. For instance, Bunker states that corrupt activities in Project A strengthened the cohesion between agencies, as the rewards available from corrupt practices and the growing number of individuals involved heightened their mutual dependence on collaboration. This really makes me wonder how effective collaboration should take place in the developing world.

The rural economy and linkages

The rural economy plays a very important role in developing countries. In the least developed countries, 79% of the population lived in rural areas in the 1990s. Haggblade (2007) provides some interesting insights into the rural nonfarm economy (RNFE). The myth that micro and small enterprises dominate the RNFE really surprised me. When I think of the RNFE, I immediately think of individual women selling food stuffs or other products they have made. However, Haggblade indicates that larger firms account for the majority of output and incomes in the RNFE. He also states that large firms (as input suppliers) often govern prospects for growth in key supply chains where small firms participate. He also mentions that large supermarkets and agricultural exporters drive growing concentration in rural supply chains. It is apparent from Haggblade's article that large firms actually play a very important role in the RNFE in many developing countries.

Another thing that amazed me about the RNFE was that consumption linkages play an incredibly important part in the agricultural demand linkages. I always thought that production linkages were so much more important. However, Haggblade (2005) presents convincing evidence that consumer spending represents almost 80% of the agricultural demand linkages in the developing world. Even though these linkages are weaker in Latin America, representing only 42%, they represent a much higher percentage in Asia and Africa at 81% and 87% respectively. In addition, Haggblade also notes that consumption linkages represent about 60%

of the linkages developed world because of rising input intensity of agriculture and the increasing importance of backward linkages.

Tendler's (1994) article on dissemination of small-scale agriculture also surprised me as it demonstrated that focusing on one particular project is actually much more effective at achieving results. When the agencies focused on disseminating one type of seed as opposed to trying to conquer a number of agricultural technologies, they were much more successful because the scope was narrow, it was easier to measure the results, and took a more concrete form. I can think of many agencies like CARE or Plan International that are trying to improve broad categories like water, health, and education. Even though they have more specific projects within these broad categories, they often can only focus on one particular program to ensure its feasibility. I always thought it was so great that organizations try to tackle so many issues, but this article makes me realize that maybe multiple general projects are not the right way to approach development assistance.

In addition, Eicher's (2006) article made me question the types of projects that organizations put in place. For instance, Eicher notes that aid to agricultural programs has declined over the past few decades and that spending on vague social services programs has increased. He states that we need to take actions to increase crop yields or earnings capacity to alleviate poverty. It never really occurred to me that spending on health and food aid subscriptions might not actually alleviate poverty. Without the right mechanisms to also generate income, then there is no hope to alleviate poverty. Even if an agency immunizes a whole region, the citizens of that region may still need a way to generate income to feed their hungry children. Therefore, even though immunizations help alleviate one problem, they will not lift people out of poverty. This also reminds me of the article, "Unplanned Obsolescence" by

Shaffer (2007), which quotes Yunus as he refers to the success of Grameen phone and says “In a poor woman gets hold of one mobile phone in the village, then this is a sure bet that her entire family can move out of poverty in two or three years.” Can Grameen phone really lift a woman out of poverty? These articles really opened my eyes to the real solutions for poverty alleviation.

Micro, small, and medium enterprises

Before reading Mead and Leidholm’s article (1998), I did not know very much about micro and small enterprises (MSEs) in developing countries, which seems strange because I am beginning a small start-up in Haiti. However, some of their findings really made me think. Even though it did not surprise me that female-headed MSEs are less likely to survive, it did surprise me that their lack of survival was not due to business failure, but it was typically due to personal and other non-business failures, which means that women are not less competent than men. In addition, when failures were analyzed separately, there was no difference by gender of chance of closure. Therefore, MSEs headed by men or women were equally as likely to survive. I have seen many businesses in places like India, where women run their own businesses, but men really have control over the resources and all of the final decisions. I understand that this is a cultural gender issue, but it is also possible that men think that women are less competent at running a business. However, it is now apparent to me that women really are just as capable.

Jenkins’ (2003) article, “Globalization and employment: working for the poor?” helped me recognize that local context plays an important role in the effects of globalization and employment. Obviously, circumstances vary significantly between countries, but I have never really thought about the local context as it really determines the impacts of globalization.

Jenkins mentions that Vietnamese garment workers face a much higher level of formal protection and labor standards than workers in Bangladesh. As a result, changes in income levels due to competition have had a much less severe impact on the Vietnamese workers. It is always important to remember that local context has an important influence over the potentially positive or negative effects of globalization.