Progress report

Social capital and development studies III: social capital and the state (seen from Peru)

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1 Introduction
Let me open this third article on social capital with two caveats. First, the general title that I have given to this article is certainly too expansive to receive a satisfying treatment in just a few pages. This explains the parenthetical addition at the end on which more below. Second, even though this is the final article in this sequence, in no way does it attempt to bring any closure. The spirit, instead, is to be tentative and propositional, and to open up questions that might merit more research, reflection and engagement.

Initially, I had expected this article to be more methodological in tone as opposed to conceptual or political; this was to be a discussion of the potential that the language of social capital had in opening up cross-disciplinary discussion (Bebbington, 2004: 343). Two experiences prompted the decision to change focus and consider the possible contributions of social capital thinking to understanding the state. The first was a comment on my previous article (Bebbington, 2007) from Rachel Silvey, geographer at the University of Toronto:

It seems to me that some of the impetus behind social capital debates...is this question of how to understand the state. Not only how it will be built and by whom, but also what sorts of potentialities (for development) lie within the (always transforming) state's reach, and what sorts of development possibilities should or could be within the purview of the state. It seems to me that a lot of critical work on neoliberalism in geography, while claiming to look at the contradictory rolling out and rolling back...of the state, tends overall to have a pretty dim view of states and their potential for contributing to the social good.... I tend to share this dim view, normatively, but it seems to be only part of the story when I look at the data for Indonesia, for example. As you know, the New Order state (and the KDP project), despite its repressive methods of rule, brought tremendous improvements in local health standards, education, life expectancy, agricultural productivity, irrigation, and on and on...along with in many cases new forms of social capital (along with disruptions of other older forms).... It would be great to read a nuanced account of how and why certain kinds of social capital (in context) can work to be a part of certain positive kinds of state-led (or state-supported) development...and then some discussion of what this tells us about the state more generally for development studies. (Silvey, 2006)
The second experience comes from research and political processes in which I have been involved over the past two years in the Andean countries and which, in their own way, have a lot to do with Rachel Silvey’s challenge. The research in question addresses the relationships among extractive industries, social conflict and the political economy of rural development (TCD-Andes, 2008). These conflicts are particularly acute in Peru, for reasons that have much to do with the nature of existing state institutions and the roles that they assume in the extractive industry sector. Indeed, many activists, academics and commentators have suggested that the problem of social conflict around extractive industry must be understood as a problem of the state and that any way out of what seems like a continuing cycle of conflict will necessarily involve the building of particular types of State institution. The question is, of course, how will this occur? Through what sorts of relationship, through what sorts of state–society engagement? And, for the purpose of this article, does the debate around social capital shed any light on these processes of state formation?

With these two experiences in mind – and somewhat contravening the principle of Progress reports – this article therefore hinges around our work in the Andes; hence, the parenthetical addition to its title. It begins with a discussion of some of the ways in which debates on social capital have handled state–society relationships. With these points of reference in mind, it then gives an account of how and why (from my analytical perspective) social conflicts and mobilization around the expansion and activities of extractive industry have elicited a discussion of state building in Peru. Insofar as any progress has been made in building such institutions, I then discuss the factors explaining how this change has occurred. I will suggest that part of the explanation has to do with types of relationships upon which social capital debates on state and society have focused attention. Building on this observation, the article ends by suggesting several ways in which social capital discussions might enrich discussions of the state.

II How does the ‘developmental state’ develop?: insights from social capital thinking

It has been argued that discussions of social capital were part of the final slaying of the developmental state (Fine, 1999). Yet, it is not immediately clear that this is so. While some interventions have certainly been shot through with a heavy dose of civil society happy–gladness, others suggest much more commitment to the importance of the state in fostering social and economic development. What is truer, perhaps, is that very little work marshalling the language and concepts of social capital focuses primarily on the state and its role in development. Instead, when debates on social capital have addressed questions of the state, they have done so largely through discussing state–society relationships. In some cases, these relationships are approached primarily as a domain of service provision; in others, as that of institutional co-production. For our purposes the second of these is more interesting, though the following paragraphs comment briefly on each.

At their simplest, such discussions consider straight inter-organizational complementarity between civil society associations and public sector bodies, arguing that the voluntary (or at least non-governmental) energy in civil society associations (akin to what Hirschman called ‘social energy’ [Hirschman, 1984]) can be a valuable counterpart to government for the provision of certain public goods. Examples are legion here: partnerships between government and parent-teacher associations (PTAs) in education provision; collaborations between government agricultural research centres and non-government organizations (NGOs) in agricultural technology development; partnerships between government water authorities and associations in the management of irrigation or sanitation systems; and so on.
Such arguments have often left some readers uneasy on the grounds that their coincidence in time with the rise of neoliberal public reforms was not accidental and that such cases were actually instances of ‘social capital’ subsidizing and assuming activities that ought to be the responsibility of a developmental and redistributive state. What was celebrated as the strength of civil society and social capital was therefore little more than neoliberal governmentality in action. That said, such studies still posed and explored an interesting and important set of questions. Given that, even in the presence of neoliberal reform, such complementarities did not always or necessarily emerge, the question remained – why did they emerge in certain contexts and not in others? When this question was asked, the overall conclusion seemed to be (again echoing Hirschman’s 1984 text) that where state–society complementarities emerged it was because of prior relationships of trust and reciprocity that had been built up through repeated interpersonal relationships that, to use Peter Evans’ language (1996), cut ‘across the public–private divide’.

This of course begged a further question as to why and how such interpersonal relationships had themselves developed over time and become institutionally embodied on either side of this ‘divide’. Answering this question required more in-depth and historicized forms of analysis than most of these studies had been able to engage in. Those studies that did dig deeper identified a gamut of other institutional, political and structural factors that appeared to explain such emergence. These factors ranged from shared earlier socio-political experiences of people now working in distinct institutional environments, through to the absence of deeply inequitable political, economic and social relationships. The joint presence of social capital within civil society and the social capital linking state and society had, therefore, to be understood within a wider and deeper political economy of development that could explain these prior institutional forms and relationships.

While much of this discussion has been pitched at the level of organizational interfaces (public education services interacting with PTAs, irrigation authorities with water users’ associations, etc.), there is also an interface between the state and society that is intensely personal and whose quality has much to do with the success (or not) of service delivery. This is the relation between public sector worker and citizen. Judith Tendler’s Good Government in the Tropics (1997) and related publications in World Development still constitute perhaps the most acute analysis of this issue, showing that the creation of trust at that scale is critical in the success of primary health care and a range of other public programmes. While her focus was more on service provision than on state formation, the implication was that the creation of trust at the everyday interface of state and citizen is also central to ensuring and deepening the legitimacy of the state. The origins of such trust were varied, inhering as much in performance and repeated ‘good’ behaviour as in accountability. While Tendler explicitly preferred not to engage in the use of social capital language, what she did do was show the centrality of interpersonal relationships for the quality of institutional reputation and performance. At the same time, she showed that the quality of those relationships owed much to (although was not absolutely determined by) the institutional and bureaucratic rule environments in which they operated.

Such observations often went hand-in-hand with the discussions of the ways in which state and society co-produced each. Such insights worked against the directions of causality posited by Putnam’s earlier claims that social capital led to healthy democratic performance – claims in which the direction of causality went from society to state. In a number of cases, precisely the opposite was suggested. For the US, some suggested that many civic associations were as much the products of government (developmental) policies as they were of autonomous organization from within society (Fiorina and Skocpol, 1999). Making
a similar point, but reading from Mexico, Fox (1996) spoke of, ‘the political construction of social capital’, a process involving reformists within the state using public sector resources and instruments to strengthen representative organizations in society. Elsewhere in Latin America, others noted that many community-based organizations had been created by or in response to state policies on rural development, land reform or housing provision. Such observations did not exclude the idea that organizations and networks were also built from within the civil society. They did constitute, however, a recognition that ‘social capital’ embodied in organizations or relations of trust could just as likely be built from the state.

Seen this way, it was not just that development was co-produced by the state and society (Ostrom, 1996; Bebbington, 2000; North and Cameron, 2003), rather the state and social organizations themselves also had to be understood as co-produced (by each other). Furthermore – and building still further on these insights – this co-production could just as easily occur through conflict as through more or less harmonious collaborations. Heller (1996, 2000) along with Fox (1996) again elaborated this line of enquiry, describing how associational forms of social capital had to be understood as a result of particular, politicized forms of intervention by state government; interventions that themselves were a result of longer standing forms of mobilization mediated by the Communist Party of Kerala. This emphasis on conflict as central to the constitution of social democratic institutions has a broader institutional heritage, occupying an important place in the work of Tilly (1990) and others looking at the socio-political processes through which the institutions of European welfare states were created.

However, once again the fact that these relationships might sometimes hold did not mean that they always held – neither over time, nor across space nor even across the same institution. One public sector agency might contribute to strengthened representative organizations while, within the same government, other agencies might be having the converse effect. In a similar vein, social conflict can just as much elicit a deepening of authoritarian government as the consolidation of social democratic institutions. And some processes of social mobilization are able to hold together sufficiently long and be sufficiently strategic in their demands as to induce more developmental and democratic state institutions while other movements never succeed in elaborating coherent alternatives and ultimately unravel. Readers of PIDS are sure to have their first-hand experience of each of these possibilities.

How can such variation be explained? While this is partly an empirical problem, it is also conceptual: might certain concepts help in accounting for such variation and more specifically, do some of the ideas embedded in the concept of social capital contribute? To ground a reflection on this question, I turn to Peru.

III Social conflict and the state: insights from extractive industry in Peru

1 The state and the production of social conflict

Peru has a historic association with gold and precious metals – mineral extraction is hardly a novel phenomenon in the country. What is novel, however, is the rate at which mining activity has grown since the mid-1990s. While during the 1990s (1990–97) global investment in mining exploration increased 90 percent, in Peru it increased 2000 percent (compared with Latin America’s already striking 400 percent [World Bank, 2005]). This growth can be seen as a response to price increases and technological change, but above all due to neoliberal reforms in the mining, tax and other codes related to the regulation of economic activity (Bridge, 2004). Policies promoting mining growth have been accompanied by efforts to grow the hydrocarbons sector (the lead project in which has been the opening up of the Camisea gas fields) and to open the economy
more generally (the lead initiative here being the soon to be endorsed Free Trade Agreement (FTA) with the USA).

It is perhaps in the mineral sector, though, that reforms have been most pro-business. Even the International Council on Mining and Metals (ICMM), a body representing many of the globe’s largest mining companies, noted that in Peru, ‘the legislation created an extremely attractive investment regime for the large multinational mining companies’ (ICMM, 2007: 10). This has been deliberate; and successive governments – both authoritarian and democratically elected – have prioritized mining as a pillar of the new growth model, one based on natural resource extraction. This is reflected in a macroeconomy, some of whose key indicators hinge around mining, with the sector representing 6 percent of gross domestic product (GDP), 15 percent of foreign direct investment (FDI) and around half of all foreign currency generation in the economy. It is also reflected in a geographical expansion of mine-affected areas, with some calculating that more than half of the countries’ peasant communities are affected by mineral concessions of mining.

This expansion has been weakly regulated. This is by design, precisely to encourage investment. Three (of many) measures of this weak regulation are: the Ministry of Energy and Mines regulates extractive industries’ environmental and social impacts and passes judgment on the acceptability of their environmental impact statements (EISs) and at the same time has as its primary responsibility the promotion of extractive industries; there is no land use or environmental planning system to govern the granting of concessions and as a result, concessions are given anywhere, with no requirement for prior consultation with communities; and, companies are allowed to repatriate profits and in many cases have been given extended holidays from paying royalties. This is a state which has been designed to foster growth, but certainly not sustainable development (except in its ‘weakest’ of forms [Serageldin and Steer, 1994]). It is also a state whose design inevitably produces conflict between the sector and affected populations, precisely because of the absence of any regulatory institutions and any institutional mechanisms to allow responsiveness to community grievances. There is neither an institutional design to create an interface that will generate trust between the state and the citizens concerned about extractive industries nor between state and civic associations. The only part of the state that has been responsive has been the Ombudsman’s office, though this is also designed in such a way that it has no formal power to sanction the behaviour of other parts of the state apparatus – its power is purely moral and in the public sphere.

Beyond the more nefarious ways in which such a state produces tension – corruption in which the local judiciary sides with companies and not community activists, company payments to police forces to supplement their meagre public budgets in (unspoken) return for preferential treatment, etc. – its very design elicits conflict. Indeed, the Ombudsman’s office has noted repeatedly that socio-environmental conflicts around extractive industry have been by far the most prevalent in Peru and that they occur because the country lacks institutions for monitoring and regulating mining in ways that allow participation, are transparent and produce public trust (Defensoría del Pueblo, 2007). Above all, they have argued that conflict-proneness is deepened by the absence of any independent environmental authority with the power to pass sanctions companies that damage the environment, with the authority to approve or not approve environmental impact statements and with the power (and culture) to ensure reasonable public participation in reviewing EISs and similar documentation prior to passing any judgements. Many activists and activist organizations have begun to make similar arguments, that is, the problem of mining conflicts is really a problem of the
state and requires both a redesign and an increased public presence and legitimacy of the state’s institutions (Bebbington et al., 2007; de Echave, 2008). While the politics of protest and negotiation requires the use of different languages, such actors are in practice calling for a more developmental state: one that can foster economic activity in ways that will allow greater in-country capture, redistribution and investment of rents, that ensures some coherence in the relationships between economy and environment and that ensures more socially acceptable levels of participation in decision-making and inclusion in benefit streams.

2 Social conflict and the production of the state

Yet, after having created such a state and despite government statements that have been aggressively critical of socio-environmental protest around mining and insisted that modern mining is environmentally sound (Garcia, 2007), the government of Peru has recently announced that it will create a Ministry of Environment. There are many devils in the details of the design of this Ministry which go beyond the scope of this article (see Bebbington and Humphreys Bebbington, 2008) but for the purpose here the relevant question is how, in a context of thoroughly pro-business policy and government anti-environmentalism, did such a change of course occur? I want to suggest that it has something to do with the types of networks of reciprocity and solidarity as well as the relations of state–society co-production, to which some of the social capital literature alerts us in ways that other forms of analysis do not necessarily succeed.

First, the accumulated social conflict around mining and the dogged insistence of the Ombudsman’s office regarding the need for an independent environmental authority have together kept the issue in the realm of public debate. The Ombudsman’s office has also succeeded in making the argument seem eminently sensible, as opposed to ideological. How has this happened? First, despite having been created under an authoritarian government, the Ombudsman's office has been slowly and surely colonized by technocratically inclined, human rights motivated professionals. Partly because of the broader institutions onto which their biographies can be mapped and partly through shared interests, these professionals have developed relationships and networks linking them to non-governmental, activist and political communities in Peru and internationally.

These networks—in addition to the quality of their work—have enabled continuing support for their work in monitoring and commenting on state performance in public services, conflicts, the environment and other domains. They also facilitate flows of knowledge and ideas across the state (Ombudsman)–civil society (activist) boundary in ways that, while cautious, have facilitated a broadly shared process of elaborating proposals for state reform as well as enhanced the actions of the different parties involved.

Second, because of the way in which it has managed its own relationships with citizens, the Ombudsman’s office has generated trust (in the office, if not in other parts of the state). Repeated evidence of committed performance, transparency and professionalism on the office’s part have had a genuine impact on the quality of this relationship, in sharp distinction to the quality of the relationship between the Ministry of Energy and Mines and the citizenry. This has meant that steadily, statements and suggestions emanating from the Ombudsman’s office carry more legitimacy than those coming from the Ministry. It has also meant that socio-environmental activists have come to see the office as an ally, whose arguments should be supported (even if they are not entirely what such activists want). Producing this trust has been an exercise in both the institutional design and the transparent cultivation of social relationships cutting across the ‘public–private divide’.
If networks and the steady building of mutual trust contributed in important ways to the capacities and legitimacy of the Ombudsman’s office and the steady convergence around a shared agenda for state reform, similar processes (although mapping onto different institutions) occurred among activists (of greater and lesser radicalism). This steady relationship building has helped sustain processes of mobilization and protest around some of the environment and social justice dimensions of extractive industry.

While these protests have taken many guises – in their structure, in their geographical scope, in who participates within them, in what they demand and in the extent to which they hold together over time – a good number of them have been supported in important ways by a smaller network of thinkers, activists and technocrats largely based in Lima but with some presence in the provinces. This network (or network of smaller networks) involves people whose biographies map back onto social justice movements within the Church, fractions of the left, student organizations and certain NGOs. That is, to be adequately understood, these relationships have to be seen as embedded in wider and longer political economies of development and social change. This embeddedness, however, is not determinative; that is, this is a network whose form cannot simply be explained in terms of other institutions. Rather, it is a network whose participants (both strongly and weakly tied) have learnt to develop respect and trust among themselves through the course of being activist. It is also one in which internal differences of view are often significant. On particular issues these differences explode (social capital gives out in the face of deeper political, class and ethnic divisions) in ways that ultimately weaken these movements. However, on certain shared, basic agendas and perhaps because of the lead of the Ombudsman’s office, the networks have so far, more or less, held together. In holding together, they have been able to sustain pressure on the government.

These sustained processes of conflict – triggered by mining expansion and then supported and translated by these actors – have been critical in creating the political space into which the Ombudsman’s office and others could step with proposals for producing a slightly more developmental state.

Finally, in ways reminiscent of the arguments of Keck and Sikkink (1998) about activism ‘beyond borders’, these two clusters of networks also interact and link with international activists. Central to the effectiveness of this international activism has been the capacity to cultivate networks of reciprocity and basic trust in, for instance, parts of the US Senate, Congress, the Inter-American Development Bank (IDB), etc. While once again the relationships between these transnational activists and Peruvian activists (in both society and the state) are not always friction-free (Tsing, 2004) and certainly not what ‘happy-glad’ readings of social capital would anticipate, they are vehicles of collaboration, information sharing and agenda setting. In the case of the argument over the creation of a more environmentally benign state, they were also determinative. The day prior to the President’s announcement of a Ministry of the Environment, the government had signed a US$ 400 million loan for hydrocarbons’ extraction from the IDB. But the agreement was accompanied by a call from the President of the IDB about the need for Peru to do much better on issues of environmental regulation. This call seems to have come in considerable measure as a product of the activism conducted in Washington DC through the networks linking activists and persons within the US government (networks that themselves had been steadily built up through repeated rounds of activism and lobbying over other issues, not least Peru’s FTA).

**IV Conclusions**

So, what is the point of this quick run through the politics of environmental regulation and extractive industries in Peru? Much as we
might like to see the creation of more developmental states, these cannot simply be wished into being. Their construction is a fraught and indeterminate process. Most obviously it is one that will encounter significant resistance from vested interests of many sorts as well as opposing ideological positions. Building the institutions of such a state in the face of such resistance is a process involving alliances, convergences and the skilled building of networks of trust and reciprocity within society as well as across ‘the public–private divide’ (once again in ways anticipated by Hirschman, 1963; Bebbington et al., 2006). Likewise, sustaining these relationships and holding these networks together in the face of their own centripetal forces, is a similarly skilled and far from guaranteed process.

In short, just as the devil is in the detail when the actors (whoever they are) get down to the final design of the institutions of the developmental state, so there is also much devil and much detail in the processes that make possible the construction of those institutions in the first place. A great deal of this detail hinges around the quality and resilience of the relationships and networks that are involved in opening the political space (c.f. Hickey, 2008) for such institution-building processes to occur. ‘Social capital’ may or may not be the best language for talking about these networks and the trust and reciprocity inhering within them, or for talking about the construction of the sorts of trust and reciprocity across the state–society divide that are so vital for the delivery of both effective, legitimate government and quality public services. Whatever be the case, the issues to which the concept draws attention seem central for any understanding of the micro-politics through which a more developmental state is produced.

The process of constructing such a developmental state is also an uneven one, occurring in some parts of the state more than and earlier than, in others. Grasping this unevenness is important for the more nuanced readings of the neoliberal state that Rachel Silvey calls for in her comment (see also Silvey and Rankin, 2008). The (neoliberal and worryingly authoritarian) Peruvian State sadly cannot boast the types of success that the (authoritarian and neoliberal) Indonesian State could point to in poverty reduction and community development. However, it does have a gem of an institution in the Ombudsman’s office that could not be called neoliberal even with the most malevolent wish in the world (and those of us close to the process still hope that, in time, Peru will also boast an interesting Ministry of the Environment). It is incumbent upon us to explain the survival and flourishing of gems such as these—not only for analytical reasons but also to learn lessons regarding how more developmental states might be slowly but surely constructed. Again, much seems to be down to the types of personal relationships, network building and cultivation of trust about which the social capital literature insists that we think.

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