



On a unified theory of development: New institutional economics & the charismatic leader



John E. Meador*, Sarah Skerratt

Scotland's Rural College, Peter Wilson Building, Kings Buildings, Edinburgh, EH10 3JG, UK

ARTICLE INFO

Article history:

Received 26 April 2016

Received in revised form

24 February 2017

Accepted 1 May 2017

Available online 27 May 2017

Keywords:

Rural development

New institutional economics

Charisma

Leader

Rural theory

Max Weber

ABSTRACT

Rural communities face a number of compelling and specific challenges in relation to economic and social development. Issues such as declining or isolated populations, inadequate technological and commercial infrastructure, and restricted social networks are only some of the difficult challenges which must be overcome by successful development programmes; these challenges often require that unique and innovative development efforts take place. Government and third-party development organisations encourage rural development through community outreach and extension, education and training, social and economic research, and various grants and subsidised community loans. While many development efforts are structured in similar ways, there are varying degrees of success, with some outright failures. The success of a development programme differs even within similar geographies, which adds further complication to the development process. To try to enhance understanding of why this might be, we propose a focus on the role of “institutions”. Institutions are central to many rural development efforts as they offer a place of reference for community members, development researchers, and practitioners to develop a sense of norms and understanding from which to work. Over the past three decades, New Institutional Economics (NIE) has gained prominence in rural development literature through its attempt to understand how institutions allow for an efficient catalyst of economic growth in rural areas. While much advancement in rural development have been made vis-à-vis NIE theory, there is little research on which processes lead to the creation of successful indigenous institutions in rural areas. This paper argues that the creation of local institutions does not happen spontaneously, as understood by NIE theorists; rather, institutions manifest through the natural behaviour of what Max Weber called the charismatic leader. Moreover, it is maintained that the extemporaneous nature of the formation of institutions can be explained by the spontaneous virtues of the charismatic leader. Removing this specific uncertainty from NIE theory and placing it within the domain of local leadership in a rural community context reconciles key social and economic theory – which, ultimately, allows for the exploration and advancement of a unified theory of development.

Crown Copyright © 2017 Published by Elsevier Ltd. All rights reserved.

1. Introduction

Rural development projects have, in many cases, been successful: findings from evaluative reports of World Bank projects between 1962 and 2002 found that about 60% of projects were subjectively rated as successful by programme managers (Chauvet et al., 2010). While encouraging, these findings suggests that about 40% of World Bank projects fail in accomplishing their development goals, at least when determined subjectively. Furthermore,

evidence suggest that many of the most underdeveloped countries in the world are moving towards a more healthy and sustainable economic climate at a significantly slow pace (Pritchett et al., 2013). There are, of course, instances where development efforts have been quite successful.¹ Still, a panacea of rural development does not, in all likelihood, exist or at least has not yet been identified.

Rural development, though oftentimes ambiguously defined, is associated with both social and economic development. It lies within both social and economic development, though it does not

* Corresponding author.

E-mail addresses: Elliot.meador@SRUC.ac.uk (J.E. Meador), sarah.skerratt@SRUC.ac.uk (S. Skerratt).

¹ See Muhammad Yunus' work on micro-credit and poverty amelioration vis-à-vis the Grameen Bank (Yunus, 2003).

fall uniquely into one paradigm. Although rural development projects may include economic benchmarks or have economic underpinnings, they are not usually judged by their economic merits alone; that is, social impact matters. Ray (1998) articulated these idiosyncrasies particularly well in saying:

It is perhaps universally accepted that development is not just about income, although income (economic wealth, more generally) has a great deal to do with it. . . . This means, in particular, that development is also the removal of poverty and under nutrition: it is an increase in life expectancy; it is access to sanitation, clean drinking water, and health services; it is the reduction of infant mortality; it is increased access to knowledge and schooling, and literacy in particular. (p. 8–9)

While social scientists have made substantial progress in identifying and testing theories of rural development, some efforts seem to be left to uncertainty (Rondinelli, 2013). New development schemes may work in one community or region and fail in another, almost identical community in a demographic, economic, and socio-historical sense. Furthermore, it is difficult to accurately measure the long-term impacts of rural development projects. This is due, in part, to the overuse of assessment rhetoric coupled with the politicized nature of evaluating a programme's degree of success, as is the case of the LEADER programme in Scotland (Skerratt, 2012).

Community participation or the lack thereof – or, as is argued in this paper, the espousment of development efforts by the “wrong type of leadership” – has been identified as a major component of why many development projects fail. Botes and Van Rensburg (2000) identify this as a ‘plague’ of development failure, they state:

Since many community organizations are not democratically elected, the involvement of local leaders often represent the voice of a group of self-appointed people, and may not accurately reflect the views and perspectives of the broader community. This easily runs the risk of the project being co-opted by certain groups or interests, leaving development workers with a feeling that the beneficiaries consulted were the wrong ones. (p. 46)

This paper maintains that rural development efforts predicated upon the adoption of transplanted institutions or the creation of new indigenous institutions (aimed at economic and social development) will be more successful if those community members involved in the development process are seen as legitimate leaders within the community at large. A new theory of rural development is proposed in this paper which is based on the Weberian thesis of social action and that of New Institutional Economics (NIE). Taken together, these two theoretical paradigms allow for a single theory of development centred both on non-rational social interaction and rational market participation, whereby: the non-rational quality of charismatic leadership inspires devotion from followers; this devotion evolves into normalized behaviour, which can be viewed as non-rational in a liberal economic sense; non-rational norms then bifurcate into rationalized institutions (the creation of institutions may be seen as a rational solution to transaction costs) that, by chance alone, may or may not be successful. The theoretical foundation of NIE, spontaneous order, is thus removed from the process altogether, and replaced by Weber's charismatic leader, who, while still spontaneous in nature, can be more easily mitigated by development practitioners and researchers.

Because this paper argues that Weber's (2009) traditional theories of social action and NIE can be merged into a new theory of

development, an adequate review of the relevant literature on both Weber's theory of charisma and NIE must first be outlined in such a way as to guide the reader's understanding of how the two theories are inherently connected. First, an overview of the relevant history of NIE is provided, with special attention given to the major contributions over the past two and half centuries; focus is also given to the importance of spontaneous order in the creation of institutions. Next, an overview of Weberian sociological theory as it relates to social and economic theory and leadership is presented. Following this, a new theory of rural development is presented which merges charismatic leadership and NIE. Lastly, charismatic leadership is examined vis-à-vis empirical studies of rural institutions and the importance of ‘the right kind of leadership.’ We start with institutions.

2. Institutions

Douglas North (1990), a founding scholar of NIE as it relates to developing economies, defines institutions as, “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction... [they] reduce uncertainty by providing a structure to everyday life.” (p. 3) Within this context, NIE attempts to bring the macro economic theories of rational choice or equilibrium centred economics to terms with the way in which humans normalize socio and economic behaviours. NIE attempts to uncover the determinants of economic growth and development from its infantleness or stagnation to highly ordered and efficient national or international institutions.

The role of institutions in economic development has evolved into a principle theory of development in social science theory over the past decades (Richter, 2015; Ahrens, 2002). This can be illustrated by the fact that eight Noble Laureates² have contributed to the development of a theory of new institutional economics since 1972, with foundational theories dating to the 1930's. Stemming from rational choice theories on economic decision-making and social behaviour, NIE recognizes the intricate role that collective action bodies, organizations and law have in shaping societies and their subsequent economies. This paper argues that a more sustainable economic development scheme based on NIE can be achieved vis-à-vis understanding the role of social co-operation in the creation of indigenous institutions.

In order to better understand the role of government and third-party institutions in rural development, language is borrowed from development literature on the role that *indigenous institutions* – or those institutions which are grounded in local culture and values – and *transplant institutions* – or those institutions which are transferred or delegated to rural areas from a top-down approach to growth – have in the creation of sustainable development (Dia, 1996). Sociological writings have recognized that local participation in the merger of informal indigenous and formal transplanted institutions is necessary for sustainable rural growth (Cernea, 1985; Nelson and Wright, 1995; Cornwall, 2008).

As of now, there exists a pragmatic gap in NIE theory. Classic sociological literature on the nexus between informal economic restraints and that of higher ordered bureaucratic institutions is explored here using the seminal works by Max Weber and Ferdinand Tönnies. Finally, a unified theory of development is constructed which calls for the replacement of NIE's theoretical grounding in informal and incalculable spontaneous order with that of charismatic leadership. This allows for a more unified theory

² See Kenneth Arrow (1972), Gunnar Myrdal (1974), Friedrich Hayek (1974), Herbert Simon (1978), Ronald Coase (1991), Douglas North (1993), Eleanor Ostrom (2009), and Oliver Williamson (2009).

Download English Version:

<https://daneshyari.com/en/article/6459991>

Download Persian Version:

<https://daneshyari.com/article/6459991>

[Daneshyari.com](https://daneshyari.com)