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THE SPECTACLE OF NEOCLASSICAL ECONOMICS:
THE CHAD-CAMEROON PETROLEUM DEVELOPMENT PROJECT AND
EXPLOITATION IN THE NIGER DELTA AND THE CHAD BASIN

A Dissertation

Presented to

the Dean and Faculty of the Josef Korbel School of International Studies

University of Denver

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Philosophy

by

Nicholas A. Jackson

August 2009

Advisor: Sarah Hamilton

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Author: Nicholas A. Jackson

Title: THE SPECTACLE OF NEOCLASSICAL ECONOMICS: THE CHAD-CAMEROON PETROLEUM DEVELOPMENT PROJECT AND EXPLOITATION IN THE NIGER DELTA AND THE CHAD BASIN

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Abstract

In recent years, neoclassical economic literature has undergone a fundamental change of emphasis, from orthodox neoclassical to neoinstitutional theory. World Bank research and high-level policy departments have reflected this change by shifting from development as ‘structural adjustment’ to development as ‘governance’. I engage the case of the Chad-Cameroon Petroleum Development Project (CCPDP) to argue that the neoclassical economic shift is a spectacle or exhibit, irrelevant in important ways to exploitation “on the ground.” Contrary to neoclassical economics and World Bank development rationales, the CCPDP is a hyper-documented project with a hyper-restricted scope, typical of commodity exploitation in Central Africa and elsewhere. I use the case of key commodity exploitation over the last 600 years in Nigeria to show parallels with the CCPDP. First, I show the use of exhibits, spectacular violence and quotidian control in exploitation of Nigeria from slave trade with dynastic canoe houses through petroleum production at the time of nominal independence. Second, Watts’ examination of petroleum exploitation through the lens of the oil complex and the petro-state provides detailed analysis of the “ungovernable governmentality” that characterizes such exploitation in Nigeria and in the larger “oil complex.” Thirdly, I examine writing on CSR as well as evidence that political instability can be a competitive advantage. This undercuts the important neoclassical economic development notion that business simply

“does business” while government and civil society are responsible for human welfare. In my conclusion I offer provisional areas where the project points to further research. These include the importance of interdisciplinary regional focus on the Chad basin and the Gulf of Guinea, including the value of business literature; ways of effectively examining social movement pressure and corporate response; and the implications of designing a project around governmentality and relational power for studies of hegemony, power and development.

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Chapter 1 Introduction: The Spectacle of Neoclassical Economics

an exhibited 'people' became more real and authentic than the lands and peoples themselves. (Apter 2005, 89)

In recent years, neoclassical economic literature has fundamentally shifted from neoliberal (orthodox neoclassical) to neoinstitutional approaches for describing economic activity in 'developing areas'.¹ In particular, the idea of allocative efficiency (resource control based on technology, resulting in a single equilibrium distribution of resources) has been replaced by the idea of adaptive efficiency, whereby institutions interact with material resources to determine efficiency, institutional fixity sustains ineffective as well as effective economic interactions, and therefore economic development depends on institutional change. Instead of economic development being only a function of efficient resource allocation (comparative advantage) given costless information, neoinstitutional economists have argued that information is not costless. Rather, information constraints allow for opportunism and resource fixity. Powerful actors create, maintain and incrementally alter institutions in order to decrease the possibility of opportunism by controlling the incentives and limiting the range of choices that individuals can make. These institutions can be sustainable even if they do not support effective economic development.

¹ 'Developing areas' is a problematic concept to the extent that it presupposes the liberal definition of development held by democratization theorists as well as followers of neoclassical economics theory.

This theoretical shift has gradually affected research and high-level policy perspectives within the World Bank² as the largest organization for neoclassical economic development. Originally formed to assist European countries devastated by World War II, the World Bank moved from the early 1960s through the 1970s into global development initiatives based on state-centered economic approaches. The World Bank promoted poverty alleviation through support for large state-led projects for rapid industrialization (Rostow's "non-communist manifesto").³ Beginning in the late 1970s, however, the Bank gradually moved to strictly market-based development policy rationales, eventually encapsulating the ingredients for poverty alleviation and therefore development in the policy framework of "structural adjustment." In the Bank's view at that time, economic growth could only occur if governments removed themselves almost completely from levers of economic production, only retaining marginal economic roles for distribution. This approach to poverty alleviation is complementary to orthodox neoclassical economic theory. Beginning in the early 1990s, the World Bank moved decisively from development based on 'structural adjustment' to development based on 'governance'.⁴ Picciotto (1995, 6-8) argues that this shift was necessitated primarily by increased information flow brought about by new globalizing technologies that more sharply highlighted government failure, and by increased fiscal restraints and pressures. This shift in World Bank approach mirrors very closely, within the purview of the World Bank's stated motto ("working for a world free of poverty") and with added social network approaches influenced in particular by Granovetter (1985), the shift within

² I limit myself in this project to the World Bank's notion of the "World Bank," which "refers only to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)." This leaves out organizations such as the Multilateral Investment Guarantee Agency.

³ Briefly, Rostow (1960) argues that societies go through particular stages, beginning with traditional societies, in the process of economic development. These stages include gaining preconditions for take-off, taking off, the drive to maturity, and finally mass consumption. Rostow's theory concentrates on manufacturing and has a strong role for states in creating conditions for economic development.

⁴ As I allude to in many areas of this project (especially from perspectives of economic theory, World Bank research and high-level policy, and business), governance clearly changes meaning depending on context.

neoclassical economic theory to neoinstitutional economics. Governance parallels assumptions of neoinstitutional economists, and many such as North⁵ figure prominently in the rationales published by research and high-level policy departments of the Bank.

In addition to forming the basis for policy at multiple levels in governments and multilateral economic organizations, neoclassical economic theory and development rationales inform deeply held assumptions within academic institutions especially about how goods get produced and distributed; who people are in ‘developing areas’; and whether, where and how people should concentrate time and resources for progressive transformation. I seek to show in this project that these deeply held assumptions underlying the shift from neoliberal to neoinstitutional economic theory and the related shift from ‘structural adjustment’ to ‘governance’ are in important ways irrelevant to on-the-ground exploitation in rural areas of less-industrialized countries. However, sustaining neoclassical economists’ broad assumptions about the ‘real world’ have provided critical support for sustaining on-the-ground exploitation. How is this? Where does neoclassical economics exercise power? Briefly, the strength of neoclassical economics lies in presenting an aura of apolitical objectivity to those whose training and experience leave them amenable to such arguments. As Miller (1998a, 196) comments:

[The force of economic abstraction] takes the shape of academics, paid for by states and international organizations and given the freedom to rise above context in speculative modelling. While Marx had to tease out the abstract logic of capitalism, today the greater abstraction of academic economics is quite transparent and constantly confirmed by its practitioners. Social scientists may not think of academics as particularly powerful; but then *they* are not economists.

Peet (2007, 17) similarly writes of the power of experts and ‘expert sense’:

. . . in modernity hegemony is produced as dominant theoretical imaginaries in disciplines claiming power by presuming to the status of science. Putting this slightly differently, hegemony means controlling what is taken to be ‘rational’.

⁵ See, for example, World Bank (1995) *Bureaucrats in Business*.

Dismissing such power is unwise and indeed paradoxically increases the power of neoclassical economics vis-à-vis those who reject it at face value. As Edward Said (1994, 24) argued in *Orientalism*: “The fabric of as thick a discourse as Orientalism has survived and functioned in Western society because of its richness.” Orientalism is a broader project than neoclassical economics, in that it posits the East (Orient) as a negative of the West (Occident); that is, as empty of the good that the West possesses and has developed. As Mbembe (2001, 4) argues in regard to Africa, “More than any other region, Africa. . . stands out as the supreme receptacle of the West’s obsession with, and circular discourse about, the facts of ‘absence,’ ‘lack,’ and ‘non-being,’ of identity and difference, of negativeness – in short, of nothingness.” The discourse of neoclassical economics is the currently predominant lens through which scholars and high-level policymakers in the largest development organizations articulate the fullness of the West and the lack of developing areas such as most of Africa.

As critically important as such examination is, my project is not about exploring the power of neoclassical economics in sustaining these images of “lack,” nothingness, and so on. Rather, I seek simply to buttress arguments that neoclassical economics operates at the level of justification and not as a driver of on-the-ground exploitation. I do so through a case study approach, examining petroleum production as an instance of commodity exploitation in Central Africa. My approach might be called a narrative/counternarrative method. I begin by bathing in the narrative that is neoinstitutional economics as it relates to development, and the associated narrative that is the World Bank shift from structural adjustment to governance. After building these representational structures, I examine through World Bank research and high-level policy documents the Chad-Cameroon Petroleum Development Project (CCPDP). According to Bank officials, Chad was a country with a comparative advantage (export agriculture) that could not support its people. Therefore, petroleum production represented a last-

ditch effort to help Chad. The Bank argued⁶ furthermore that its new (and yet proven, perhaps by long gestation in other periods of World Bank development?) concentration on governance gave it the credibility and tools to help Chad to avoid the “resource curse” whereby countries that produce petroleum are characterized by corruption and authoritarian regimes. Therefore, the CCPDP was a model project for the new concentration on governance that the World Bank argued was necessitated by globalization as well as the rapid realization that simply removing state constraints on the market was not enough.

When the social welfare aspects of the project quickly failed, current and past Bank officials as well as neoinstitutional economists had ready answers, though for the former the answers do not fit so easily into the neoclassical framework. As World Bank officials such as Calderisi and Collier (also to a certain extent evolutionary neoinstitutional economists such as North), recount below, the problems lay in African culture. For neoinstitutional economists such as Williamson, the failure simply demonstrated that Chad was a country with political liberalization below the threshold necessary to support economic development. For such countries as Chad with this condition, humanitarian aid becomes the only option.

I begin my counternarrative with the observation that, while the social welfare portion of the CCPDP crumbled rapidly, the petroleum structure was completed ahead of schedule. Indeed, as the recent unrest in the Chadian capital demonstrates, petroleum production has been largely immune from political instability. Furthermore, the CCPDP possessed a hyper-documented rationale and plan. This hyper-documented plan, especially after the collapse of the social welfare programs, masked the hyper-restricted scope of the project. That is, the project only covered construction of the pipeline and the

⁶ <http://go.worldbank.org/2Q72D32120>. Updated 21 April 2000. Accessed 22 January 2009.

Doba oil field while there is ample evidence that the pipeline is meant to serve the wider Chad basin region in the medium term. This counter-narrative supports three key sets of analyses that place the CCPDP in the long term context of commodity exploitation, brutality and justification rather than in the sanitized technical narrative of neoclassical economics. First, the CCPDP mirrors commodity exploitation in neighboring Nigeria during the last six hundred years, as Apter, Okonta and Douglas, and Rowell detail from the period of earliest slave trade through the genesis of petroleum production. Commodity production has been buttressed in Nigeria by mundane control of the Nigerian population through co-optation and sometimes creation of hierarchical “traditional” rulers, and when necessary the application of spectacularly brutal force. It has been justified/mystified in Britain and elsewhere (these other places falling under what Mantz (2008) calls in a different context⁷ areas of “consumerist analyses”) by at turns representing people in Nigeria as possessing “commercial facility” and being infantile “savages.” Further, as Apter (2005, 151) describes below, the new economic order of colonial exploitation in Nigeria was pursued “in the language of fair trade and rational contract.” Watts helps to bring the story up to date with representation of petroleum production through the “oil complex,” whereby petroleum production is not inherently characterized by a ‘resource curse’ “(as though copper might liberate parliamentary democracy?)” but rather one must look at “oil capitalism” and “the context of a politics that predates oil” (Watts 2005b, 53). This politics has created contradictions of centralization at the same time that state legitimacy is undermined, where a minority becomes fabulously wealthy at the expense of the rest of the populace. Watt’s presentation is bolstered by the final piece, exploring CSR as well as Frynas’ argument that political instability can bring benefits for ‘first mover’ petroleum corporations such

⁷ Mantz writes this as part of a critical analysis of what he refers, incorrectly as I argue later, to Foucauldian approaches to globalization that concentrate on flexible consumption at the expense of marginal productive areas. Mantz’s argument supports multiple parts of my argument below.

as Shell. This undermines those portions of the neoclassical economic development narrative that portrays corporations as organizations which simply “do business” and only hesitatingly get involved in politics.

The organizational framework behind my argument rests in significant part on Allen’s notions of power as arrangements of resources that are mobilized in myriad ways to produce effects that are then recognized as power. Allen (2003, 2-3) critiques writing on power in two major ways. First, “. . . in the rush to see power as something which turns up more or less everywhere. . . we have lost sight of the *particularities* of power, the diverse and specific *modalities* of power that make a difference to how we are put in our place, how we experience power.” Secondly, “. . . we have lost the sense in which power is inherently *spatial* and conversely, spatiality is imbued with power. . . the likes of domination, authority and seduction have not been thought through in terms of how they are exercised. . . ”

Two lessons from Allen’s work are particularly important for this project. First, power is neither a “thing” nor a “flow.” Allen describes power thus:

. . . [while] power is not some ‘thing’ or attribute that can be possessed, I do not believe either that it can flow; it is only ever mediated as a relational effect of social interaction (8). . .

Allen suggests (97) that it is best to:

[think] about power as just so many arrangements, each comprising any number of *resources* – ideas, expertise, knowledges, contacts, finance and so forth – which are mobilized to produce a succession of mediating *effects* in space and time which play across one another.

Narrating power, then, requires engagement with social interactions that produce effects recognized as power. It is not enough to say, for example, that neoclassical economics has power without narrating the social interactions through which resources are mobilized in arrangements the effects of which are then considered power. Indeed, it is

through examination of these interactions that the power of neoclassical economics is revealed as justification/mystification removed from direct exploitation.

Secondly, power does not exist apart from mobilization of resources:

if power has a presence at all, it has it through the interplay of forces established *in place*. People are placed by power, but not as the result of some massed force transmitted intact by some central administration from up the road or even from the other side of the globe. The arrangements of power we find ourselves exercised by may well arise from ideas and events hatched elsewhere, but that, as I understand it, is merely another way of saying that the presence of power is more or less *mediated* in space and time (2003, 11).⁸

power comes in different guises, the effects of which owe much to their diverse geographies of proximity and reach (183).

By concentrating on placement and modalities of power, Allen provides conceptual openings for the diverse ways that exploitation of key global resources has concentrated in the Niger Delta through generations and in the Chad basin more recently. Neoclassical economics forms one of many modalities through which power has been exercised. Certainly it is one of the most powerful modalities of ideational power, but it is only one among many. Therefore, it is important that neoclassical economics be understood in the context of the ability to place people. The fact that there is a disconnect between the logic of neoclassical economics and the actual processes of resource exploitation greatly restricts the ability of neoclassical economics to ‘place’ people directly impacted by such resource exploitation. However, this is not the purpose of neoclassical economics. A corollary of my argument is that neoclassical economics places primarily those who are distant from the direct exercise of power to extract resources. Simplistically, because extended examination is beyond the scope of this project, neoclassical economics exercises power through the seduction of elegance, the authority associated with technical presentation, and indirectly through the coercion of states legitimized through elite willingness to submit to the strictures of neoclassical economics (structural adjustment followed by deeply intrusive governance training).

⁸ See also Latour (1990).

Much critical literature about neoclassical economics, power, hegemony and development has already been written, and there is much to admire, take account of, and use. I begin, therefore, by looking at other approaches to neoclassical economics and development, outlining briefly what I feel they bring to the table that is of particular interest to my project, and how my approach complements, supplements or perhaps confronts the existing literature. I look first at economic critiques of neoclassical economics. Often, these approaches argue for more state-based and/or inter-governmental solutions that moderate neoclassical economics with policies and other measures to impede the worst excesses of market economics while retaining the core state-market divide. Other post-structural economic approaches look at neoclassical economics as simply a discourse whose institutional forms can be undermined by alternative forms of imagination. Still others argue for the importance of economic policy considerations (as against post-structural economic doubts about efficacy of policy study) but develop sophisticated normative rejoinders to neoclassical economic discourse and associated policy prescriptions. Economic approaches are important for undermining neoclassical economics, but must be buttressed by extra-economic approaches. In order to cover these approaches, I take Carrier and Miller's (1998) anthropologically based argument for neoclassical economics as "grand narrative" as a means to move further into anthropological and other literature prefiguring or helping to support in various ways my argument that neoclassical economics is irrelevant in important ways for on-the-ground commodity exploitation. Especially important disciplinary literature includes arguments by Edelman and Haugerud (2004, 52) among others that it is imperative that anthropology "clearly identify its inescapable interlocutors within the West itself" (quote from Trouillot 2003, 137). In addition to literature on engagement with development organizations and not only discourses, my argument benefits from two broad strands of scholarship on neoclassical economics and power. The first I label

“neoclassical economics as mystification,” which relies on Gramscian hegemony in particular. Supplementing, but often confronting, Gramscian notions are works presenting neoclassical economics “as spectacle.” Within this category are more Foucauldian-inspired work on techniques of rule, the “conduct of conduct,” or microphysics of power.

I begin the narrative piece of this project by building up the theoretical structure that is neoinstitutional economics in contexts of economic theory and World Bank research rationales. Because they operate from ‘objective’ assumptions, neoclassical economists tolerate very little ambiguity of norms or strategy. Neoliberal economists in particular argue that governments should distribute wealth only to the poorest and most marginal victims of economic development. Neoinstitutional economics represents an important shift attempting to incorporate institutional variables to allow for multiple equilibria while at the same time retaining core neoclassical economic assumptions of relatively autonomous individuals and centrality of the price function. This brand of neoclassical economics had its advent with Coase’s (1937) “The nature of the firm,” but only achieved orthodoxy within the last two decades, brought on arguably by the increased communication density brought by global communication and transportation developments, and therefore greater knowledge of less-industrialized areas by people with interest in human welfare.

Beginning in the late 1980s, the World Bank research and high-level policy departments began to switch discernibly from neoliberal “structural adjustment” to neoinstitutional “governance” forms of economic development. The most enthusiastic driver of this shift was World Bank President Wolfensohn, selected as president in 1995. In 1997, he laid out his plan for a Comprehensive Development Framework based in large part on neoinstitutional economics with a “poverty reduction” filter. Briefly, his

argument was that structural adjustment failed largely because privatization took place in systems where ineffective economic structures were held in place by counterproductive but stable institutions. Simply removing government interference, the argument went, cannot lead to effective economic systems without the appropriate government rules and social orientations spread throughout the economy. Thus, the Comprehensive Development Framework wedded structural adjustment (privatization, removing currency controls and trade barriers, and decrease in the size of government) with promotion of governance. Governance includes accountability, transparency and rooting out of corruption. In addition the new program involved decentralization of responsibility so that all levels of society would “take ownership”⁹ of economic restructuring. Even more broadly, the Framework involved encouragement of individualism and entrepreneurship in order to promote effective economic development at all levels of society. This change in research approach then translated into new policy frameworks, replacing Structural Adjustment Facilities built by IMF and World Bank technocrats with Poverty Reduction Strategies where individual governments were required to claim authorship and “ownership.”

The Chad-Cameroon Petroleum Development (CCPDP) Framework was presented as a paradigmatic case of governance applied to a difficult economic development case. The World Bank sought to ‘save’ Chad by underwriting (morally more than financially) construction of an oilfield in Doba and a pipeline to carry the petroleum through Cameroon to the coast, located at Kribi. Chad is one of the poorest countries in the world, and has been beset for decades by political instability and corruption. The petroleum industry, furthermore, is problematic according to neoclassical economists and others because of “Dutch disease,” whereby supply and

⁹ As covered later in the project, “ownership” is a contested concept. Does ownership mean control over “what development looks like” or simply the requirement that all levels of society must take responsibility for implementing “governance” if the country is to be considered in compliance?

demand conditions associated with petroleum production remove productive resources from goods that have more sustainable comparative advantage such as agriculture. If revenues are not sterilized (by, for example, keeping them in offshore accounts) petroleum can hurt the economy in the long term by destroying the sustainable comparative advantage, particularly when the economic distortions are combined with the “resource curse,” whereby petroleum as a high-value capital-intensive good arguably leads to corrupt and authoritarian governing systems.

The World Bank argued that the CCPDP could be a last chance opportunity for Chad to gain the resources necessary to provide for its people. It implicitly followed a matrix constructed by Williamson, one of the premier scholars of neoinstitutional economics (the “transaction cost” as opposed to the “evolutionary economics” branch of neoinstitutional economics). He argues (2000a, 13) that economies can be placed in a matrix according to whether a country has achieved economic development (market liberalization), political development (democratization), or some combination of the two. Because the Chadian government had made moves toward economic and political liberalization, undertaking privatization and holding elections, the Bank placed the country at the beginning of the project as having below threshold economic development but with signs that its political development was above the threshold of capability to sustain an effective economy. According to Williamson’s matrix, therefore, Chadian elites could adopt the appropriate policies if effectively persuaded.¹⁰

The Bank designed the CCPDP in the context of controversy regarding petroleum production. In particular, at the same time as the CCPDP, social movement pressure led the Bank to undertake an Extractive Industries Review that concluded the World Bank should cease support for petroleum industry development. The Bank rejected this advice.

¹⁰ See also Haggard (1995) for this argument.

However, the CCPDP contained extensive documentation of measures within the project's scope to enable local participation, environmental protection and revenue management. Nevertheless, the project encountered problems almost immediately as social movement pressure became quite strong. Indeed, the project was probably signed¹¹ only due to the strong personal relationship between the president of the World Bank (James Wolfensohn) and the head of ExxonMobil (Lee Raymond), and the distraction afforded by a more controversial, and unrelated, transmigration project in China that involved Tibet. Scarcely after the signatures were dry, controversy erupted anew when the Chadian president used part of the signing bonus to buy weapons. As Chad has descended further into civil conflict and indicators of human welfare have worsened, World Bank figures such as Calderisi (2006) and Collier (2008) have placed most of the blame on corrupt African governments and "anti-entrepreneurial" (according to their definitions) African culture. After the project failed to accomplish its social welfare objectives (World Bank participation ending quietly in September 2008), this seemed to prove for neoinstitutional economic theory and sympathetic development researchers that Chad instead has below threshold political and economic institutions and therefore can only be helped by humanitarian aid in line with Williamson's argument. Calderisi (2006) seems to uphold this opinion by including Chad as a good example of "the trouble with Africa."

I argue instead that the CCPDP is hyper-documented in its rationale but also hyper-restricted in scope. That is, the project concentrates on construction of the oil pipeline and development of the Doba oilfield, and generates volumes of documentation (19-30 volumes for environmental impact alone) related to this project. However, there is clear evidence that the production side of the project (the portion that was completed ahead of schedule) is designed with a more regional scope in mind, with petroleum

¹¹ As Calderisi (2006, 189) details, in a passage quoted below.

extraction and shipment extending beyond not only the Doba oilfield in Chad but into the broader Chad Basin region. This initiative belies the idea that the CCPDP represents a new way of development. Rather, the “planned demolition” nature of the project (the social development aspects of the project began self-destructing from the beginning), especially combined with the World Bank’s argument that the project design and implementation were satisfactory, suggests that the CCPDP is part of broader strategies for extending hegemony over petroleum exploitation in what is the “next gulf” covering Central Africa, while World Bank and neoclassical rationales are an appropriate example of what Rose terms the “birth-to-presence of a form of being which pre-exists” (Rose 1999, 177) and yet that must be brought into presence through the work of experts. Commodity exploitation has taken place in a similar manner through many generations and across commodity types, as seen in Nigeria. Nigeria has experienced phases of commodity exploitation from slave trade with coastal canoe houses, through palm oil exploitation first through middlemen and then through direct colonial control, and finally petroleum production in late colonial and early postcolonial societies. Throughout colonial and postcolonial history, hegemonic actors have built up the Niger Delta as a spectacle of stagnant tradition and essentialized communities, at the same time as they have used varying combinations of force and consent to gain and maintain control over commodity exploitation. The following is a matrix showing the broad outlines of the historical narrative that I cover below. It breaks down “governing phases” according to the primary Nigerian actors identified by historians, and the primary key global commodity transacted during the period:

Primary Commodity	Primary Nigerian Actors	Governing phase
Slave trade	Dynastic canoe houses	Pre-colonial
Palm oil production	Nigerian middlemen	Pre-colonial
Palm oil production	“Traditional” hierarchies	Colonial
Petroleum production	“Traditional” hierarchies	Late colonial
Petroleum production	Unstable regimes	Post-colonial

I continue by sharpening concentration on petroleum production, and broadening petroleum structures and actors to include governments, multinational corporations and oil communities that make up what Watts refers to as the “oil complex and the petro-state.” Watts mobilizes notions both of relational projection of power (especially spectacle combined with coercion) and governmentality (relations between people and things, techniques of mapping and organization) to look at capitalist forms underlying petroleum production in the Niger Delta. In the case of the Niger Delta, Watts looks at three critical “governable spaces” (Rose 1999, 31ff) underlying this exploitation. The space of chieftainship addresses forms of local control created and maintained by postcolonial government and multinational corporations. The space of indigeneity addresses shifting and unstable notions of identity mobilized to gain power in the context of the oil complex. The space of nationalism addresses the character of Nigeria as a coercive but unstable “geographic expression.”

Though the two counternarratives above demonstrate the intimate relations between business, state and other key actors, it is still important to look directly at problems associated with business self-identification. Business literature approaches commodity exploitation and surrounding social issues with the implicit assumption that

business, government and social organization are separate. In particular, businesses have adopted corporate social responsibility (CSR) to deal with damage to their brand image as a result of such events as Shell Petroleum's connection to the hanging of the Ogoni nine in Nigeria. The World Bank and neoclassical economists disparage CSR because they argue that business should simply concentrate on adding value to economies and spreading entrepreneurship. Business literature looks at CSR not as a set of practices inherent to business, but rather as a way of attempting to contain brand damage as a result of events that governments and civil society organizations are by rights responsible for. For example, Fombrun and Rindova (2000) discuss the effects that Shell felt on its reputation after "vitriolic attacks" (the authors seem to assume that the attacks are unjustified) on Shell by organizations such as the Body Shop when Sani Abacha hung the Ogoni nine; and after Greenpeace publicized Shell's plans to sink the Brent Spar platform in the North Sea. Frynas and Watts take the compelling evidence of business/government connections and argue that CSR is in fact an attempt to relieve pressure caused by the violence and instability that business and governments institute as part of commodity exploitation. Frynas takes this further with a well-researched argument that corporations like Shell have actually benefited from the competitive advantage that they received from political instability because they were the first mover corporation. This bolsters the argument that business cannot hide behind neoclassical economics or depoliticized discourse pervading business literature, and should instead be held responsible for damage to human welfare occasioned by exploitation.

I conclude by summarizing key points and briefly noting major lessons that flow from my argument. First among these lessons is that regional focus on petroleum production in the Chad basin and the wider Gulf of Guinea is critical. This includes systematic, multidisciplinary study of the Chad basin similar to work that this project covers regarding petroleum exploitation in Nigeria; examinations of relationships among

various distinct areas (onshore emphasis in Nigeria and the Chad basin, related to offshore production in Angola); and concentration on how corporations exploit petroleum on a regional as well as state-by-state basis. Secondly, this project shows the importance of looking at corporate (and to a lesser extent World Bank) responses to social movement pressure. I provisionally suggest an approach divided broadly into responses that involve more or less organizational change and those that involve only changes in perception. I end with summarization of lessons for understanding power exercise as multimodal (Allen 2003, 196) with neoclassical economics acting as a spectacle or exhibit while exercise of power in places where direct exploitation takes place involves both spectacular and quotidian fixing of people in place through, in the case of petroleum and other key commodity exploitation covered in this project, what Watts (2007b, 108) refers to as governmentality characterized by what “looks like *ungovernability*.”

Chapter 2 Theoretical Survey:

Critical Economics, Hegemony and Governmentality

In forming the argument of this project, I travel through a broad array of theoretical and epistemological perspectives, ranging from those closely related to neoinstitutional economics to cultural anthropological and geographical literature that shares little except the subject matter of commodity exploitation. In this chapter, I provide a broad overview of the literature in order to locate my approach in relation to associated pursuits. I begin with what Leys (1996, 82) terms “rational choice-based work on institutions,” which, except that Leys adds Akerlof and does not include Veblen and “old institutional economics,” also encompass the work in Harriss et al.’s (1995) *The New Institutional Economics and Third World Development*. I follow with critical literature within economics of neoclassical economics. The relevant literature here ranges from neo- or post-Keynesian state-based marginal critiques to post-structuralist literature that rejects neoclassical economic discourse if not the power of neoclassical economics. The most useful literature from that point moves into cultural anthropology and geography, recognizing the power of neoclassical economics but bringing in a steadily increasing range of epistemological approaches. I end with two competing and yet complementary views on power and development. First, Gramscian approaches look at awareness/consciousness and power, and present neoclassical economics generally as mystification. Secondly, more Foucauldian approaches look at the “microphysics” of power, and present neoclassical economics generally as spectacle.

2.1 Institutional economics, rationality and power

Two strands relating to neoinstitutional economics should be noted, though they are outside the scope of my project. First, Bates “new political economy” is often related to neoinstitutional economics. Indeed, Leys (1996) argues that North more appropriately belongs with Bates rather than other neoinstitutional economists. Leys (1996, 82-83) examines Bates’ rational choice political economy approach as well in a much more trenchant critique of neoinstitutional economics. Leys (p. 82) divides what he refers to as “rational choice-based work on institutions” into three sections. The first strand is “new institutional economics” which follows on Bardhan’s categorization as well as roughly following my breakdown in the next chapter. However, Leys separates North from Bardhan’s (1989) CDAWN school (Coase, Demsetz, Alchian, Williamson and North), and comments that “North, in contrast, is a historian concerned to make explanations in economic history compatible with explanations in contemporary economics, i.e. to bring them within the conceptual framework of neo-classical theory.” The third strand is Bates’ “new political economy,” whereby Bates argues that his rational choice perspective differs from neoinstitutional economics because he takes a political economy view and not simply an economic view. In Harriss et al. (1995), Bates (1997) critiques neoinstitutional economics for failing to acknowledge the political nature of institutional imposition; that is, for being “apolitical.”

Leys argues that North really belongs with Bates in practice. “[B]ecause he [North] wants to explain long-term as well as short-term change, and at the national and even the global level, he too has to confront the problem that politics poses” (1996, 84). This is an important point that is demonstrated as well by Nee and Ingram (2001) in the context of “new institutional economic sociology,” and Dunning (1997d) in the context of business. North’s analysis, though he argues that it still retains the price mechanism at its core, has easily been removed from economics into other social sciences in a way that

transaction cost economics cannot be removed. However, I believe that North cleaves so closely to individuals, incentives, choice and price as the drivers of institutional maintenance and change “in the last instance” that his rationale if not his evidence places him squarely within neoinstitutional economics. More importantly, as I detail below, World Bank research and high-level policy documents use North (and not so much Bates) because North still bases his rationale on the maximizing individual of neoclassical economics more than political science or even political economy. For this reason as well, my project is about North and Williamson as neoinstitutional economists rather than the “rational choice politics” of Bates and “new political economy.” I should mention, however, that Leys’ separation of North and Bates out from other rational choice perspectives to look at their influence on political science is quite valid and valuable for his purposes. As I note in the final chapter, Leys’ (1996, 102) concluding remarks about what ulterior motives the blandness of neoclassical economics might have are also quite applicable to my conclusions.

Secondly, it is important to note the differences between “old” and “new” institutional economics, in particular the value of comparing how they approach issues of development. Also in Harriss et al., Stein (1997) argues that such development issues as structural adjustment are in important ways more effectively addressed by “old institutional economics” originating in the late 19th and early 20th century, connected in particular with Veblen. Both old and new institutionalist economists concentrate on “determinants of change over time” (Harriss, Hunter, and Lewis 1995, 5). However, the basic disagreements that Stein highlights have to do with the nature of these determinants. In particular, neoinstitutional economists emphasize their fealty to neoclassical economics by retaining individual agency as the basic driver of economic interaction. Therefore, institutional change is based on individuals seeking to maximize their utility given the structure of incentives that they encounter. Stein and other

adherents to “old institutional economics” (p. 110) argue that institutions are best examined using Veblen’s (1919, 239) characterization of institutions as less instrumental than “settled habits of thought common to the generality of man.” Parto (2003, 7) distinguishes the two traditions in the following manner:

North's individual-centred approach is in sharp contrast to Veblen's communitarian perspective and his focus on how institutions determine the manner in which a community provisions for its members in terms of food, shelter, and welfare. Institutionalism in the Veblenian tradition downplays the importance of “the individual” as a unit of analysis in favour of “the institution.” This is because institutions fill a key conceptual gap by connecting “the microeconomic world of individual action, of habit and choice, with the macroeconomic sphere of seemingly detached and impersonal structures.” Actor-structure connections signifying mutual interaction and interdependence may thus be established (Hodgson 1999, 144).

The major differences, then, come down to differences about whether it is more useful to attain the rigor brought by neoinstitutional economics or to acknowledge that economic institutions are more embedded in habits and orientations of trust and loyalty than laws, prices and opportunism. I am interested in subjecting to case study interrogation the rationale of rigor behind the shift from orthodox neoclassical to neoinstitutional economic theory, and so I do not explore further the very interesting and important comparison of “old” and “new” institutional economics.

2.2 Economic questioning of neoclassical economics

Many have criticized neoclassical economics and some have questioned its connection with reality. It is important to both recognize the value of these critiques as well as point out how I see my approach as supplementing, and sometimes questioning, these perspectives. I – and scholars I reference such as Frynas and Watts – engage political economy work to buttress particular policy arguments. Frynas (1998), for example, uses the evidence laid out by political economist Ahmad Khan (1994) regarding petroleum production in Nigeria to argue that Shell actually benefited from political instability. Chang and Grabel (2004; see also Edelman and Haugerud 2004, 8) offer a trenchant critique along with alternatives to neoliberal/neoclassical economic development. They

(p. 11) share my doubt about how much neoclassical economics has been changed by recent reformulations:

There are reasons to be encouraged by efforts to rethink development policy by key architects of the original Washington Consensus policies. However, the spin on this new work inaccurately claims that the architects of the Washington Consensus have now ‘seen the light’, and have genuinely moved to a new way of thinking that transcends their previous policy prescriptions. This, in fact, is not at all the case. . . . Indeed, the new thinking reaffirms and even extends its neoliberal character in several important policy domains. . . .

Chang and Grabel seek to undermine neoliberal discourses that argue (as Thatcher infamously commented) “there is no alternative.” They respond that indeed there are alternatives that are currently in the economic policy tool kit, being presently enacted, or enacted in the past. They concentrate on alternatives (trade, property, capital flows, domestic financial regulation and macroeconomic policy) that involve stronger states and/or interstate coordination, solutions that “can promote rapid economic development that is equitable, stable and sustainable” (Chang and Grabel 2004, 1). Craig and Porter (2006) advocate similar kinds of solutions, except that their focus is on World Bank development projects rather than the more general economic development policy structures emphasized by Chang and Grabel.

These projects are critical to weakening the stranglehold that neoclassical economics has on discussions of development. However, neoclassical economics is as much about creating a spectacle as about long-term policy constructed to match reality. In saying this, I seem to slant toward post-structural economists such as Gibson-Graham who concentrate on undermining neoclassical economics as a discourse or form of knowledge, rather than ‘working around the edges’ by changing particular policies within the corporate capitalist framework. In *The End of Capitalism (as we knew it)*, Gibson-Graham emphasize the power of discourse when they seek (1996, 5) to engage in “the critical project of undermining prevalent practices of capitalist representation, and the

more arduous project of generating a discourse of economic difference. . .” Their declared purpose is to “help create the discursive conditions under which socialist or other noncapitalist construction becomes a ‘realistic’ present activity rather than a ludicrous or utopian future goal” (Gibson-Graham 1996, 263). Their premise is that social transformation has been hamstrung in large part because of peoples’ inability to imagine ‘capitalism’ as anything but a homogenous totalizing framework of reality. Therefore, when people are given tools to imagine capitalism as fragmented and weak, then they are emboldened to make the everyday changes that can undermine the system.

Gibson-Graham (2003b, 49) argue that:

Perhaps a global regime is consolidating itself not so much through institutional initiatives but through subjects who experience themselves as increasingly subsumed to a global order—enter here the world economic system, known also as the market, or neoliberalism, or capitalism.

Gibson-Graham respond by calling for an “ethics of the local” whereby people break through these representational constraints through the power of scholar activism in “creating or ‘performing’ the worlds we inhabit”:

Not only are academics becoming more involved in so-called scholar activism but they are increasingly conscious of the role of their work in creating or ‘performing’ the worlds we inhabit. This vision of the performativity of knowledge, its implication in what it purports to describe, its productive power of ‘making’, has placed new responsibility on the shoulders of scholars - to recognize their constitutive role in the worlds that exist, and their power to bring new worlds into being. Not single-handedly, of course, but alongside other world-makers, both inside and outside the academy (Gibson-Graham 2008, 614). . .

We cannot ignore the power of past discourses and their materialization in durable technologies, infrastructures and behaviors. Nor can we sidestep our responsibility to those both within and beyond our place who have suffered for our relative well-being. But we can choose to create new discourses and counter-technologies of economy and construct strategic forms of interplace solidarity, bringing to the fore ways to make other worlds possible (ibid., 623).

Gibson-Graham seem to unduly downplay the very large amount of ‘scholar-activism’ in the 1960s and other eras including the present era,¹² perhaps because such scholar-activism did not concentrate on developing alternative performances of the economic. However, their objective is to present a project whereby the starting point is reframing discourse, knowledge and imagination that spurs alternative action.¹³

DeMartino (1997; 2000; 2003) offers effective counters within critical political economy to both Gibson-Graham’s undue focus on discourse, and the tendency of more policy-oriented economic approaches (including heterodox approaches) to concentrate on alternative forms of “welfarism” rather than questioning the normative bases of welfarism itself. “It is imperative today that heterodox political economists emphasize that the alternative policy regimes they advocate are not more faithful to welfarism than is neoliberalism, but that they seek fidelity to other, more worthy normative principles” (DeMartino 2003). He (2004, 369) hopes by his book’s argument to:

inaugurate a discussion about the value and even ethical imperative of egalitarianism, and about what kinds of policy interventions can realize the objective of genuine, global equality. . . . At present the greatest obstacle to progress lies not in the power of multinational corporations or hypermilitarized barbaric states or the International Monetary Fund, but in our failure to conjure up visions of how the world might be otherwise.

Though he emphasizes the need for alternative visions, DeMartino (2004, 370) strongly defends the need for engagement with policy, even among post-structuralists, as seen by his response to Graham’s (2004) critique of his recent book *Global Economy, Global Justice*:

The idea that policy prescription is forbidden by virtue of a recognition of the overdetermination of social life or related epistemological considerations cannot bear up under close scrutiny. We (all of us) necessarily set, follow and/or transgress policy (with

¹² See, for example, Price’s (2004) study of political anthropologists, McCarthyist persecution and the Cold War. Those scholars whose careers were ruined by their advocacy would certainly protest this notion of the “recency” of scholar-activism.

¹³ This is somewhat similar to Freire’s (1993) *Pedagogy of Oppression* and subsequent *Pedagogy of Hope* (1994), whereby oppressed people are shown ways to reflect on the world with ‘good sense’, to complement acting on the world. See, for example, the critical review in Jackson (2000).

a small “p”) every moment of our lives – in our personal relationships and households, our communities, and in the larger aggregations of which we are a part. Poststructuralist sensibilities can inform the kinds of policy we embrace, perhaps, and they surely inform the kinds of claims we make for policy, but they cannot be taken to place the policy domain off limits.

Demartino’s deeper concentration on economic norms and their policy implications provides important avenues for reconstituting economic thought and action. However, changing policies and stated norms risks insignificance if not combined with deep examination of spaces and places where exploitation is taking place. Carrier and Miller (1998) provide additional prompting in this direction with their edited volume *Virtualism: A New Political Economy*. Though they are anthropologists by training, they argue emphatically in their introduction and conclusion that economic abstractions have very great power in shaping modern societies, including commercial activities. This is similar to Gibson-Graham’s discourse-intensive arguments, except that Carrier and Miller concentrate on economic logic (abstraction) rather than presenting economics as performative. By extension, they look at the line from economic abstraction to decision-making and then to global economic structures. They are not averse to ‘grand narrative’ and indeed Miller devotes a section (1998a, 188-190) to a “defense of grand narrative. . . it is not that the economic model of the market represents capitalism, but that capitalism is being instructed to transform itself into a better representation of that model” (Miller 1998a, 196).

Carrier and Miller build their argument upon Polanyi’s (1944) notions of “‘dis-embedding’: that is, removal of economic activities from the social and other relationships in which they had occurred, and carrying them out in a context in which the only important relationships are those defined by the economic activity itself” (Carrier and Miller 1998, 2). They argue that neoclassical economics has major if not paramount influence over social transformation today, through abstraction and then seeking to realize that abstraction ‘on the ground’:

Abstraction at this formal, conceptual level leads at least some people to adopt an abstract-economic world-view. Here, the world is seen in terms of the concepts and models of economic abstraction, which are taken to be the fundamental reality that underlies and shapes the world. Those who adopt this view of the world can be said to perceive a virtual reality, seemingly real but dependent upon the conceptual apparatus and outlook that generate it. . .

What distinguishes the economic abstraction of the latter part of the twentieth century. . . is not just that it is a way of seeing the world that tends to generate among its adherents a virtual reality. . . Rather [it] is the combination of its institutional power and its tendency to slip into virtualism. This is the conscious attempt to make the real world conform to the virtual image. . . (ibid., 8).

Important for my argument, Carrier and Miller argue that capitalism *follows* the instructions of the neoclassical economic model, given its institutional power. I question the breadth of this connection in my study, arguing that in critical ways on-the-ground exploitation disregards the neoclassical economic model. Of particular importance are the questions of who adopts the “abstract-economic world-view,” and does such adoption reach a critical enough mass to drive “actually existing capitalism”? While they come to different conclusions than I, Carrier and Miller structure their volume in the same way that I structure my project. First, they discuss what they call “conceptual abstraction,” which covers the formation of virtual reality by neoclassical economic theorists. They address conceptual abstraction, or neoclassical economic theory, in greater historical detail than I do in this project, and use this background to argue that neoclassical economics forms primarily what they call a “virtual reality.” My project only covers the shift from neoliberal (orthodox neoclassical) to neoinstitutional economics, and only covers that portion relevant to development. However, I agree that neoclassical economic discourse forms what they refer to as a virtual reality.

Secondly, Carrier and Miller discuss “practical abstraction” as the most direct form of virtualism, whereby neoclassical economic organizations such as the IMF seek to incarnate neoclassical economics on the world. Miller addresses structural adjustment programs detailed by McMichael (1998) in the volume:

Structural adjustment provides a particularly clear case of the dominance of economic theory over politics, and indeed . . . over actually existing capitalism . . . Structural adjustment programmes . . . show that what may seem to be just an academic concern with discourse can have vast consequences in the world. . . (Miller 1998a, 198-99).

Just as the problem with structural adjustment is not that it is based on academic theory but that it has become practice, so the problem with the neo-classical consumer is the effects that the model has on the possibilities of consumer practice. In some kind of global card trick, an abstract, virtual consumer steals the authority that had been accumulated for workers in their other role as consumers (Miller 1998a, 200).

I tend to agree with this portion of Carrier and Miller's argument as well, because multilateral development agencies certainly have power over economic ideas, government policies, and environments in which firms operate. However, as above, I question the dominance of neoclassical economic theory over "actually existing capitalism," and at any rate believe that this claim of dominance is undermined somewhat in the third section of their volume.

Their third section is of most interest for my project because they seek (Carrier 1998, 16) to "[move] back from a virtualism driven by economic views of the world to one driven by more practical and inarticulate forces: those that arise from the activities of the firms that operate in and shape competitive capitalism":

It may not be proper to call this 'virtualism', for it lacks the guiding vision and intentionality that the term connotes. The practical results, however, may not be all that different. This practical virtualism is appropriate, however, for a collection concerned with economic abstraction. It is so because it makes visible the ways that neo-classical economics is a bourgeois economics, a vision of the world that attains a significant part of its force by making appear natural the ascendant commercial practices of powerful capitalist firms in the closing decades of the twentieth century.

The notion that neoclassical economics is a "bourgeois economics [that makes large corporate capitalism] appear natural" describes my basic argument quite well, and also fits rather tenuously into their larger argument that neoclassical economics drives commercial activity rather than primarily making it appear natural. Thrift's work on the "reflexive capitalism" of business is particularly applicable to my project because it deals

with firms, and Thrift argues that firms operate according to a different logic from neoclassical economics. This point is also taken up by Carrier in the introduction:

. . . firms, transnational and otherwise, are governed by a logic that is not only less formal and articulate than the logic of neo-classical economics, but also is shaped by the embedded practicalities of business life: the practicalities of things like calculation and record-keeping, the management seminar and a reflexive management orientation. In short, [Thrift] argues that there may well be a virtualising capitalism, but that it is grounded on practical capitalism (Carrier 1998, 17).

Thrift expands the explanation thus:

No one can deny that political economy and economics have been important in the world, but I am not at all sure how important they have been in business. They *are* important as discursive elements of states, justifying action in producing arenas that the state enacts as 'economic'. On the whole, however, I think that capitalist firms play to different drums (1998, 163).

The question raised by Thrift seems to be how much influence state justification of action has to commodity exploitation in such places as Central Africa. Miller (1998a, 196) attempts to more directly relate the practical abstraction, or practical virtualism, that

Thrift details to the dominance of neoclassical economics:

As Thrift notes in his chapter, economics is not the 'theory' of working capitalism, which has had to remain thoroughly engaged and performative, while economics has not. So, while capitalism as a process by which firms seek to increase capital through manufacture and trade has become increasingly contextualized, complex and often contradictory (Miller 1997), another force has arisen that has become increasingly abstract. . .

While capitalism engages with the world and is thus subject to the transformations of context, economics remains disengaged...This is because economics has the authority to transform the world into its own image. Where the existing world does not conform to the academic model, the onus is not on changing the model, testing it against the world, but on changing the world, testing us against the model.

One might take Miller's comments ("economics has the authority to transform the world in its own image") as ironic, a kind of tongue-in-cheek over-valorization of the economic mandate, except that economic abstraction has great force as a tool of legitimization especially since it is backed up by state coercion. In this sense, I agree with Carrier and Miller about the power of neoclassical economics to lend authority to actions. However, I question the dependence of capitalism relative to economics. Carrier and Miller clearly

respect the relational nature of power, in recognizing the value of including Thrift's study in their volume. However, by attempting to argue that business is despite itself compelled to follow the force of neoclassical economics, embodied in virtualism – they come close to implying that social relations do not matter as much as the disembodied (and/or dis-embodiment) force of neoclassical economics as its “power” flows through multilateral economic agencies and drives multinational corporations. This is also a rather different argument from their contention that abstraction spreads through adoption by particular academics. While capitalism must adjust to context, I believe, the disengagement of economics as “authority discourse” is necessary though not sufficient for exercising power in the area of resource exploitation. I argue that significant evidence exists in literature on the Niger Delta and Chad basin for arguing that corporate capitalism drives exploitation in producing areas while neoclassical economics primarily provides the “discursive elements of states, justifying action in producing arenas that the state enacts as ‘economic’” (Thrift 1998, 163). Economics operates at the level of justificatory or mystificatory discourse, and such discourses of legitimization and justification certainly carry power, beyond simply colonizing minds.

Edelman and Haugerud (2004, 18-20) seem to offer a similar argument on its face as Carrier and Miller, when they argue that anthropological literature has recently neglected to engage political economy literature as anthropologists concentrated discussion of development and globalization on ‘local’ agency:

We would argue, following Graeber, that the concern with “choice” and micro-phenomena, as well as the determination to reject grand narratives, distracts “attention away from the current attempt to impose the largest and most totalizing framework in world history – the market – on just about everything” (Graeber 2002, 1224; quoted in Edelman and Haugerud 2004, 18). . .

To make development theory useful and interesting again, it must, as Leys [(1996) argues], explore ways to subordinate markets to the social goals of the communities that markets serve. Expanding the practical ambitions of development theory in turn means revisiting and re-invigorating the agenda of classical political economy.

Anthropologists' rejection of grand narratives, however, unwittingly accedes to the constriction of contemporary intellectual debate, and points to an urgent need, as Miller (1998a, 188) puts it, to "clarify connections between features of our world that too often seem like isolated fragments whose simultaneous existence is no more than fortuitous". . . Among his targets is the outsized influence of a particular paradigm within the discipline of economics, and the power of academic modelers to define economic policy through widely imposed programs such as the World Bank's and International Monetary Fund's structural adjustment reforms for developing nations during the 1980s and 1990s.

Likewise, Stone et al. (2000, 2) note in the introduction to their *Commodities and Globalization*:

Scholars such as Polier and Roseberry (1989, 254) caution against both world-systems theorists' view of the capitalist system as determinant, and postmodernists' rejection of such determinism and systemic relationships altogether. Contributors to this volume vary in their emphases on determinism versus historical contingency, but all recognize important structural or historical connections across time and space.

In a significant departure from Carrier and Miller, however, Edelman, Haugerud and Stone et al. rigorously explore not so much a disembodied 'fixing' or 'flowing' power (e.g. neoclassical economics drives business in spite of itself) but rather the exercise of power in many different ways and in quite different locations from cash crop farming into the halls of business and the World Bank. My project falls within this paradigm of anthropology, though I perhaps discount the power of neoclassical economics as 'grand narrative' more than many who "recognize important structural or historical connections across time and space." Edelman and Haugerud call for a broader and more complex agenda, to examine and present literature that best represents the need for "vigorous and imaginative new approaches to anthropology's role in the public sphere" (Edelman and Haugerud 2004, 52). Anthropologists are well suited for this because they "are trained to capture empirical complexity, particularity and uncertainty. . ." (Edelman and Haugerud 2004, 46):

The discipline also "needs to clearly identify its inescapable interlocutors within the West itself" – whether cultural critics, rational choice theorists, historians, or World Bank or NGO officials (quote from Trouillot 2003, 137). This move is crucial, Trouillot argues, because identifying the interlocutors' premises allows us to identify the stakes, the public issues to which anthropological knowledge is profoundly relevant, instead of choosing

scholarly comforts over risk and thus masking the wider public significance of the discipline's findings and debates (Edelman and Haugerud 2004, 52).

This concentration on “the West” points to another very important distinction among types of cultural investigation regarding development and globalization, a distinction very relevant to articulating the role of neoclassical economics if not as direct driver of exploitation. Perhaps a better way of distinguishing “the West” from “the Rest” that replaces the geographical distinction with an economic role is to separate consuming and producing areas. Consuming areas include “middle-class” areas in the United States, Europe and other global areas where people are managed primarily as consumers. The producing areas include Africa, most of Latin America, India, China and areas of Eastern Europe as well as any global areas (e.g. migrant labor on citrus farms in the United States) where people are managed primarily as producers. These distinctions should not be made more precise than the realities they represent. However, they are certainly an effect of corporate capitalist imagination and other exercises of power. Mantz (2008, 41) makes the distinction in the context of scholarship, in a study of coltan production in eastern Congo:

. . . humanistic analyses of economy have turned their attention toward Simmel (1978) and away from Marx (1976), and in doing so dwell on consumerist analyses of shopping, product design, and style (e.g. Appadurai 1986; Fine and Leopold 1993; for excellent analysis of these theoretical currents see Graeber 2001, 31–33; Graeber 2004, 71–72; Miller 1998b). While such studies are admittedly useful for asserting the complexities of Western economic culture (and by no means do I intend to diminish their significance), the more general intellectual turn toward introspection and reflexivity has all too often diverted attention away from the economic activities of those on the productive margins of the global economy, and the accompanying processes that in fact provide the material foundations [from which] any deriving of meaning from any consumer products by ordinary Western subjects can emerge [sic]. . .

In contradistinction to the more Foucaultian [sic] analyses¹⁴ of power that have dominated recent discussion about the meanings of commodities exclusively in their consumptive domains, an analysis of coltan's role in the global market serves as an abject reminder of the necropolitical (Mbembe 2003) manner in which epochally significant

¹⁴ I question the use of the term “Foucauldian” to refer only to the consumerist strands of commodity exploitation in anthropology. As I discuss below, application of Foucault's work can be divided into the more discursive strands and the strands emphasizing micro-physics of control which are physical constraints justified by a technical “authority.”

global trade has typically thrived. This kind of approach can be traced to Sidney Mintz (1985), who examined the connection between production and consumption through a particular object (sugar), showing how tastes, ideas, sentiments and material processes (such as class and state formation) in Europe were rooted in productive processes elsewhere, namely in the Caribbean where slave labour regimes were largely responsible for this modern capitalist expansion.

Neoclassical economics as a tool of persuasion, seduction or authority operates primarily on people in the “consuming areas.” As Thrift suggests, Shell, the World Bank and others – members of what Reich (1991) rhetorically refers to as “Who is Them?”¹⁵ – bridge the consumption and production areas using very different resources, and different logics, from neoclassical economists. I argue that neoclassical economics serves primarily to legitimize existing corporate capitalist relations and the activities of all who work to inculcate and maintain these relations, by rendering these relations “common sense,” technical and amenable to expert intervention. At the same time as such justification/mystification takes place in primarily consuming areas, business and other key hegemonic actors employ very different resources in producing margins to fix people in place. These actions include not only direct coercion but other forms of instability as well as mobilization of essentialized identities.

2.3 Neoclassical economics as mystification: Gramscian hegemony and the “domination/resistance” debate¹⁶

If neoclassical economics is irrelevant to exploitation in important ways, what is its role? Though this project does not address in detail the question of the role of neoclassical economics, the project argument is better understood if the theoretical approach to neoclassical economics as justification/mystification is better apprehended. First, as the introduction indicates neoclassical economics is certainly pervasive in development narratives, beyond the economic narratives. Certainly the billions of dollars fed into the World Bank, World Trade Organization and IMF are bearing some kind of fruit.

¹⁵ See also Tomlinson’s (1999) discussion of trans-cultural actors.

¹⁶ This section derives in large part from my Master’s thesis. Please see Jackson (2000).

Structural adjustment programs have led directly to cuts in social services such as education and health care. They have led to weakened social welfare (if retaining and often enhancing the coercive capacity) aspects of state systems as social service administration is decentralized and NGOs are increasingly tapped as service providers. I heartily agree, and do not seek to unwisely discount the power of neoclassical economics in those areas where it can be mobilized. However, it is critical that neoclassical economics be seen in the proper light, regarding how the notion of power relates to neoclassical economics. As Allen argues in *Lost Geographies of Power*, power does not ‘itself’ move as a package or a flow but rather is a relational effect of social interaction. Neoclassical economics has no power except as mediated through people’s behavior and resources mobilized as a result. I argue that juxtaposing the history of exploitation in the Niger Delta and Watts’ more recently articulated “oil complex” with the rise and fall of the social welfare improvement aspects of the CCPDP demonstrates the disjuncture between the discourse of neoclassical economics and the actual processes through which power to exploit petroleum resources is exercised. Furthermore, and perhaps most controversially and importantly, the logic of neoclassical economics does not drive this exploitation. Rather, it acts not only as justification¹⁷ but more importantly a mystification, an exhibit, and a spectacle exercised in concert with other mobilizations of power (e.g. control of governments, construction of ethnic or other ‘communities’, mobilization of religious fervor for missionary or other interventionist aims) that corporate entities have used for hundreds of years to gain and maintain access to productive resources.

¹⁷ Schmitz (1995, 64) references Mosley (1991, 20) in narrating the transition of World Bank policymakers from nation-state relations to removal of state sovereignty over economic affairs:

As more of their lending became policy-based, subject to stringent economic ‘conditionality’ based on the above [neoliberal] prescriptions, deliverance would come from roving teams of international economic experts with ‘a justification for a much more active intervention in the local politics of developing countries.’

See also Ferguson (1994).

Many have presented neoclassical economics and development as divorced from exploitative realities. These grow out of two major theoretical streams. The first, which I cover in this section on “neoclassical economics as mystification,” flows from Hegel and Marx as synthesized in particular by Gramsci. The second, covered in the following section, flows from Foucault and has to do with the “microphysics of power” (Foucault 1977, 139). Gramsci mixes Marx with Hegelian thinking to form the notion of cultural hegemony. As Sivaramakrishnan (2005, 348) describes: “Hegemony theory originated in the Hegelian formulation of the dialectical relationship between the consciousness of the master and the consciousness of the oppressed, with the former independent and the latter dependent (Hegel 1977).” Marx (1963, 61; see also Scott 1985, 315), for his part, distinguishes between “ruling ideas” and the “ruling material force of society”:

The ideas of the ruling class are in every epoch the ruling ideas: i.e. the class which is the ruling material force of society, is at the same time its ruling intellectual force. . . . The individuals composing the ruling class possess, among other things, consciousness, and therefore think. Insofar, therefore, as they rule as a class and determine the extent and compass of an epoch, [they], among other things, rule also as thinkers, as producers of ideas, and regulate the production and distribution of the idea of their age: thus their ideas are the ruling ideas of the epoch.

These notions seem to share similarities with my project in that both divide material and discursive realities into distinct spheres. Italian Antonio Gramsci provides an enduring contribution to literature on “ruling ideas” by going beyond economically or politically reductionist notions of domination and positing that system maintenance as well as transformation depend not only on economic and political structures but cultural, educational, and religious structures and processes as well (Cox 1996; Lears 1985, 568, 572, 574, 577). Of particular importance is Gramsci’s notion of “hegemony” and its relation to the coercive Weberian state structure. Lears notes Gramsci’s attempt to define cultural hegemony thus:

[Cultural hegemony is] the “spontaneous” consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental

group;¹⁸ this consent is ‘historically’ caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production (Gramsci 1971, 12; Lears 1985, 568).

This definition is the first of a two-part description of hegemony, in which the above describes the role of “civil society.” The second part describes the role of “political society,” or the state, as the apparatus with “legitimate” right to the use of force within its boundaries against those who refuse to actively or passively consent.¹⁹ As Lears (1985, 568) indicates, “consent and force nearly always coexist; though one or the other predominates.”²⁰

Gramsci concentrates on a dichotomy not only between force and consent but also between consciousness and practice. Regarding consciousness, Lears suggests the following: “As Gramsci understood, the hegemonic culture depends not on the brainwashing of ‘the masses’ but on the tendency of public discourse to make some forms of experience readily available to consciousness while ignoring or suppressing others” (Lears 1985, 577). People are therefore not so much manipulated into adopting ideologies supporting inequality and exploitation as they are persuaded of the “legitimacy” of such ideologies, and prevented from considering alternatives (ibid., 574). Indeed, Gramsci’s concentration is not so much on the class struggle as such but on reasons for the lack of more pronounced class struggles in capitalist societies, and the

¹⁸ Gramsci’s code for dominant “class”, which he used to avoid censorship. See Gramsci 1971, 5n1.

¹⁹ Although Gramsci does not explicitly indicate this, it seems clear that he is alluding to Weber’s (1958, 78) conception of the state as the entity that has a monopoly on the legitimate use of force within a territory. See also Chilcote (1994, 98).

²⁰ One might therefore look at hegemony, as does McCamant (1998, 8), as the next step beyond military conquest in forming more effective and sustainable systems of domination. Although there must almost always be an implicit threat of force behind hegemonic domination, ideological domination removes many situations where such force would need to be exercised. Given that the balance between force and “consent” is very precarious, governments usually must resort to indirect, hidden, deceptive activities not only to maintain ideological domination but also to effectively utilize force when force is perceived as necessary. For example, the FBI resorted to divide-and-rule, surveillance, and other tactics against the Black Panthers and the American Indian Movement in the United States. See Churchill and Vander Wall (1988). Cox (1996, 127) describes Gramsci’s (1971, 169-170) borrowing of the image of a centaur from Machiavelli (1977, 49-50) as a way to indicate the relationship between consent and coercion. “To the extent that the consensual aspect of power is in the forefront, hegemony prevails. Coercion is always latent but is only applied in marginal, deviant cases.”

example of a successful "vanguard" revolution in relatively non-capitalist Russia. He suggests that much of the reason can be found in the cultural sphere, at a relatively great distance from the means of production (Lears 1985, 572; see also Cox 1996, described above).

According to Lears:

Gramsci's vision of society involves not a mechanical model of base and superstructure but a complex interaction of relatively autonomous spheres (public and private; political, cultural and economic) within a totality of attitudes and practices. . . The [economic] base does not determine specific forms of consciousness, but it does determine what forms of consciousness are possible (Lears 1985, 571).

Gramsci's vision of society indicates plausible reasons why ruling classes are able to maintain control without resorting to coercion as often as would generally be expected. The power of hegemony includes "cultural as well as economic and political power—the power to help define the boundaries of common-sense 'reality' either by ignoring views outside those boundaries or by labeling deviant opinions 'tasteless' or 'irresponsible'" (ibid., 572).

Subsequent scholars have applied such notions of "naturalization" and "objectivity" to "democratization" initiatives; U.S. foreign policy (Robinson 1996); and, of particular importance to the present project, ideological projects of the World Bank to co-opt concepts of resistance groups in order to reorient discourses of environment, participation, and equity so that they might fit within its dominant practices (Schmitz 1995). Moore suggests that post-World War II development discourses can be seen as hegemonic constructions whereby "a dominant social class organizes its rule so it seems 'natural' to its subjects . . . [This] is by no means easy. . . It takes on . . . as many strands of oppositional discourse as it can co-opt" (Moore 1995, 1 and note 3). Such works portray ideological hegemony not only as control of the boundaries of consciousness, what language is used to describe social phenomena, but also attempts by dominant

institutions to appropriate whatever oppositional language seems to be most potent at any given time, and either redirect its power to serve dominant interests or remove the power of these words entirely. Note the importance of ideology in controlling discourse and practice as well as the existence of opportunities for significant levels of contestation, where competing ideologies vie for broad social influence.

Although control over ideological apparatuses may contribute to more effective and stable patterns of inequality and domination, Gramsci and others indicate that there are also spaces for resistance, although the precise nature of these spaces is contested, particularly regarding divides between discourse and practice, or ideology and experience. Indeed, there are many accounts of subordinated groups “counter-coopting” dominant discourses in order to make their demands known. Lears suggests, inferring from Bakhtin and Holquist (1981, 269-315) and with some ambivalence about the devaluation of discourse,²¹ that “even the most successful hegemonic culture creates a situation where the dominant mode of discourse. . . becomes a field of contention where many-sided struggles over meaning are constantly fought out” (Lears 1985, 591); see also (Cox 1996, 130ff). Lavie and Swedenburg (1996, 9) argue thus:

Hybrid products are. . . results of a long history of confrontations between unequal cultures and forces, in which the stronger culture struggles to control, remake, or eliminate the subordinate partner. But even in the case of extremely unbalanced encounters, subordinates have frequently managed to divert the cultural elements they were forced to adopt and have rearranged them for their own sly purposes within a new ensemble—as in the case of the Native American Kashaya Pomo of California, who took on the trappings of an austere Victorian Christianity in order to protect themselves from decimation (see also Sarris 1996).

²¹ “One is entitled to some skepticism. All the talk about ‘struggle’ suggests a mock-heroic picture of the ‘strong’ writer or artist vanquishing, against all odds, external influences. . . Skepticism deepens when one wonders whether the struggle over meaning might abate if language itself were diffused, increasingly deprived of its capacity to evoke precise (albeit subjective) meanings. Henri Lefebvre [1984], Jean Baudrillard [1976], and William Leiss [1976; Leiss and Kline 1978] have all commented on ‘the floating stock of meaningless signifiers’ that seems to increase under the aegis of consumer culture, as advertisers and the mass media assemble and reassemble clusters of symbolic attributes designed to sell commodities” (Lears 1985, 591-92).

Scott uses such reasoning as the above to argue against the need for a “revolutionary consciousness.” Rather, many revolutionary movements such as those in France and Russia have grown out of discourses not of revolution but reform (Scott 1985, 318). Thus, such groups at least initially locate their demands from *within* dominant discourses rather than from *without*. Sorel (1941), paraphrased in Cox (1996, 131), cautions, however, that “reform” could be used by dominant groups to inhibit true social transformation. “For Sorel, social myth, a powerful form of collective subjectivity, would obstruct reformist tendencies. These might otherwise attract workers away from revolutionary syndicalism into incrementalist trade unionism or reformist party politics.”²²

One of the recently more controversial aspects of Gramsci’s framework has to do with the division between discursive and practical consciousness, and in particular Gramsci’s contention that while people may possess a transformative practical consciousness, they may be hamstrung by the presence at the same time of “uncritically absorbed” discursive consciousness:

[The ordinary person has] two theoretical consciousnesses (or one contradictory consciousness): one which is implicit in his activity and which in reality unites him with all his fellow-workers in the practical transformation of the real world; and one, superficially explicit or verbal, which he has inherited from the past and uncritically absorbed. [This verbal conception] holds together a specific social group, it influences moral conduct and the direction of will, with varying efficacy but often powerfully enough to produce a situation in which the contradictory state of consciousness does not permit of any action (Feierman 1990, 31-32; Gramsci 1971, 326-327, 333; see also Lears 1985, 569).

Invoking literature regarding development discourse, one might say that the lived reality is dehistoricized and depoliticized, therefore rendering it seemingly unchangeable (Moore 1995).

²² See also Escobar (1995b) on alternatives to conventional political institutions.

Scott (1985, 318) critiques Gramsci's notion of "contradictory consciousness" by suggesting that Gramsci has it backwards at best when he argues that people can be resistant in practice while not being able to coherently locate their lived experiences in a "critical historical consciousness," to use Giroux's (1981, 46) description. First, there is significant empirical evidence that subordinate classes have been able to "penetrate and demystify the prevailing ideology." Secondly, suggesting that subordinated classes conflate what is inevitable with what is just reveals a mistaken understanding of the "hidden transcripts" that such classes must employ in the face of the "compulsion of economic relations" as well as threats of coercion. Another weakness that therefore surfaces in Gramsci's notions of hegemony as a combination of consent and coercion (see Cox 1996, 127; Lears 1985, 568) is a failure to effectively describe the character of coercion *vis-à-vis* consent. Scott suggests that "consent" is only possible by holding out the threat of violent reactions to opposition. People know this, and therefore act publicly as if they are in agreement while privately engaging in resistance. Thirdly, the requirement of hegemony that it represents idealizations of reality contains within itself contradictions that enable subordinate classes to resist dominant classes on their own terms (see also Lears 1985, 591).²³ Fourth, historical analysis of revolutionary movements such as those in Russia or France nearly always reveals non-revolutionary demands or representations of what Lenin referred to as "trade union consciousness" (Scott 1985, 318, 340-343). Finally, breaking norms and values is usually the work of the bearers of a new mode of production rather than the subordinate classes who "are often seen as backward looking, inasmuch as they are defending their own interpretation of an earlier dominant ideology against new and painful arrangements imposed by elites and/or the state" (*ibid.*, 318).

²³ We may look at corporate social responsibility as offering such possibility.

Feierman²⁴ invokes recent anthropological literature regarding relationships between discourse and practice to argue that Gramscian theories of hegemony suffer from some of the same weaknesses found in anthropological studies that gathered data primarily through interviews and other methods of engaging in discursive interactions with subjects. He quotes Bourdieu thus, “Anthropologists learn about exotic society through indigenous *discourse*, even though *practice* is the authentic basis of social organization” (Bourdieu 1977, 1; quoted in Feierman 1990, 27). Feierman criticizes theorists of practice such as Bourdieu and Ortner (1984), for ignoring discourse in large measure and therefore finding it difficult to account for change as well as analyzing links between consciousness and power (Feierman 1990, 28). He suggests instead that in order to present a true picture of discourse and practice in maintaining or transforming ideologies and actions one must examine how “socially central ideas” (ibid., 27) evolve through struggles among intellectuals at all levels of society. How are discourses not only created but also appropriated for different ends by people at different levels of society?²⁵ He suggests that it is necessary to conceive of discourse and practice relating to one another in diverse and complex ways:

The valuable contribution [of Gramsci’s notions of contradictory consciousness] is the recognition that practical consciousness and discursive consciousness can coexist in a state of contradiction. It is clear, however, that no regular relationship exists that ties practical consciousness to rebellion or discursive consciousness to consent. . . . There is no limit to the way contradictions can appear—contradictions between dissenting discourse and consenting practice, or the reverse, in addition to contradictions within practice and within discourse (ibid., 32).

Feierman’s notions of complex, dynamic relations between discourse and practice, as well as focus on individuals as mediators between discourse and practice, lead him ultimately to reject the necessity of any type of centralized control of ideology and centralized intellectual power (ibid., 19).

²⁴ See my discussion of textual analysis below.

²⁵ See Fisher (1997) and Forbes (1996).

Both Feierman and Scott suggest from their critique of Gramsci's notions of dissenting practice and consensual ideology that peasants and other subordinated groups can comprehend that they have been subjected to unjust political, economic, and social structures. However, given the resources available to them, they are only able to engage in "everyday forms" of resistance. As Scott suggests, "Short of actual rebellion, powerless groups have, I argue, a self-interest in conspiring to reinforce hegemonic appearances" (Scott 1990, xii). Similarly, powerful groups also have an interest in upholding appearances of hegemony, in that it allows them to more effectively maintain order. Without the means to deal with consequences of speaking the "hidden transcript. . . directly and publicly in the teeth of power," (ibid., xiii) people are better off getting what they can and biding their time.

According to Feierman, the Shambaai peasants among whom he lived have not been able to take power under colonial or postcolonial regimes because "the forces of government and of employers are too powerful for members of a vulnerable class to resist directly." Instead, it is useful to speak of differences between onstage and offstage discourse, akin to Scott's public and private transcripts. Scott (1990, 91) suggests for his part that:

[in cases where open revolt is coercively prevented] it is. . . more accurate to consider subordinate classes *less* constrained at the level of thought and ideology, since they can in secluded settings [i.e. through private transcripts] speak with comparative safety, and *more* constrained at the level of political action and struggle, where the daily exercise of power sharply limits the options available to them.

However, Feierman's above statements that "there is no limit to the way contradictions can appear [between practical and discursive consciousness]" (Feierman 1990, 32) indicate that he is uncomfortable positing either Gramsci's or Scott's characterization of relationships between ideology and practice. Feierman further articulates his discomfort thus:

the separation between action offstage and action onstage, discourse offstage and discourse onstage, is a valuable one. [However] the distinction between discourse offstage and discourse onstage is very different from the distinction. . . between discursive consciousness and practical consciousness. To describe consciousness as practical is to say that knowledge is tacit and that the actor is incapable of formulating it discursively. To say that discourse cannot be seen onstage leaves open the question of whether the action emerges as practice without discursive penetration, or whether the action emerges from discourse which is merely unseen, publicly invisible (ibid., 42).

Lears (1985, 573) expresses some distaste for those who are willing to disparage the capacities of elites for rationality, but who are reluctant to describe subordinate groups in the same way. In a different manner from Scott especially but also Feierman, he suggests that Gramsci's conception of hegemony is compatible with "the recent emphasis on distinct and vigorous working-class cultures":

To clarify that flexibility, one might imagine hegemonic cultures placed anywhere on a continuum from "closed" to "open." In the closed version, subordinate groups lack the language necessary even to conceive concerted resistance; in the open version, the capability for resistance flourishes and may lead to the creation of counterhegemonic alternatives. The place of a culture on the continuum depends on specific circumstances at a particular historical moment (Lears 1985, 573-574).

2.4 Neoclassical economics as spectacle: Foucault, governmentality and the "microphysics of power"²⁶

Though there is much beneficial to be said about Gramsci's contributions to hegemony, the domination/resistance split is only somewhat useful and certainly too dualistic. Li (2007, 25), in arguing that Foucauldian engagements including Rose (1999) tend to be "anemic" regarding politics, usefully combines Gramscian dominance/resistance with Foucauldian mundane practices:

The value of the Gramscian approach, for my purposes, is the focus on how and why particular, situated subjects mobilize to contest their oppression. This was not a question elaborated by Foucault. Conversely, Foucault has the edge on explicit theorization of how power shapes the conditions in which lives are lived... Foucault shared the concern to examine how power is lived but approached it differently [from Gramsci]. Gramsci understood consent to be linked to consciousness. Foucault understood subjects to be formed by practices of which they might be unaware, and to which their consent is

²⁶ See Sivaramakrishnan (2005, 349), for example of the use of "microphysics of power" in relation to Foucault.

neither given nor withheld. Further, Foucault highlighted the ways in which power enables as much as it constrains or coerces. It works through practices that are, for the most part, mundane and routine. Thus the binary that is compatible with a Gramscian analytic – people either consent to the exercise of power or they resist it – was not useful to Foucault. I do not find it necessary to choose between Gramsci and Foucault on this point. Some practices render power visible; they trigger conscious reactions adequately described in terms such as resistance, accommodation, or consent. Other modes of power are more diffuse, as are people's responses to them. John Allen (2003, 196) put this point eloquently when he observed that power "often makes its presence felt through a variety of modes playing across one another. The erosion of choice, the closure of possibilities, the manipulation of outcomes, the threat of force, the assent of authority or the inviting gestures of a seductive presence, and the combinations thereof."

Allen completes this passage by stating, "A simple domination/resistance framework in this respect trivializes the feeling for what power is when it is brushed up against." Much of this "power that one brushes up against" has been theorized with reference to Foucault. However, Foucault has been approached in at least two different ways with regard to the issue of neoclassical economics as spectacle. I covered the first, what I call the discourse approach, briefly in discussion of Gibson-Graham above. I revisit it here because it has been a major force recently among those critical of development according to the neoclassical economic model. The second approach, governmentality or the "conduct of conduct," underlies much of my counternarrative below including that which references Apter, Watts and Li. It underpins the everyday forms of control in producing margins, forms which make it less necessary to engage in spectacular and brutal violence to maintain control.

2.4.1 *Foucauldian discourse and the 'local'*

The Foucauldian discourse approach is helpful in this project because it provides a critical context for looking at the terms that the World Bank uses to portray development as governance: participation, empowerment, accountability, transparency. These terms, like the neoclassical economic theory that still forms the necessary core of development, are substantively disconnected in important ways from realities of exploitation. Scholars such as Escobar (1995a; 1995b; 1997), others who contributed to Rahnema and

Bawtree's (1997) *Post-Development Reader* and Sachs's (1992a) *Development Dictionary*, and Ferguson (1994) posited—albeit with more concentration on failure than success—that modern states and notions of development have specific characteristics that have contributed to development disasters of a certain sort with similar outcomes (for Ferguson, the extension of state influence where it had previously been largely absent) and even to the utter poverty of development as a progressive discourse (Escobar, Rahnema, and Sachs).²⁷ Escobar undertook a similar project regarding development in the 1990s. Like Gibson-Graham above, Escobar joins other post-development or post-structural scholars in emphasizing discourse as the space of domination and advocating for concentration of social transformation in the generative local. Escobar's other work argues for emphasis on the value of “new social movements”²⁸ as spaces for political action outside conventional state and civil society structures such as political parties and trade unions. He suggests that:

whether [action of such groups] leads to significant transformations in the prevailing regime remains to be seen . . . However, the grassroots initiatives of social movements. . . constitute an analytical and political terrain in which the weakening of development and the displacement of certain categories of modernity. . . can be defined and explored (Escobar 1995b, 210).

Although his approach is self-described as poststructuralist and discursive—“in the sense that it stems from the recognition of the importance of the dynamics of discourse and power to any study of culture” (Escobar 1995a,vii)—Escobar describes development thus:

Instead of *the* kingdom of abundance promised by theorists and politicians in the 1950s, *the* discourse and strategy of development produced its opposite: massive underdevelopment and impoverishment, untold exploitation and oppression (ibid., 4; emphases added).

²⁷ The following is a revised version of my Master's thesis discussion (Jackson 2000, 56) of difference and locality in the context of Freire's critical literacy.

²⁸ See Escobar (1992; 1995), Alvarez and Escobar (1992), Alvarez et al. (1998) and Touraine (1981).

Sachs (1992a, 4) suggests — demonstrating sympathy with notions of ideological hegemony — that “the mental space in which people dream and act is largely occupied today by Western imagery,” and that the essays in his edited volume intend to “expose some of the unconscious structures that set boundaries on the thinking of our epoch.” Words such as “development” (Esteva 1992); “environment” (Sachs 1992b); “participation” (Rahnema 1992a); and “planning” (Escobar 1992) have been used to justify management and intervention on behalf of modernization. These articles as well as one by Rahnema on poverty (Rahnema 1992b) seem to suggest that resistance must come from more decentralized, grassroots sources so as to respect and protect “vernacular” or “local” knowledges and ways of being.

The writing by post-structuralists of domination in discursive terms, and the consequent concentration on a resurgent local as the space for true social change, forms part of my argument in the conclusion that my approach to neoclassical economics and development has significant implications for study of and engagement with social movements and contentious politics. However, there has been significant criticism of post-structuralist literature, criticism that I largely agree with in questioning the inherent capacity of resistance to be found in the ‘difference that locality makes’, and the reductive Gramscian location of domination in the “mental space in which people dream and act.” In a review of the books by Ferguson, Escobar, and Sachs, Agrawal (1996) suggests that they are flawed in their (e.g. Ferguson) tendency to offer critique without alternatives, or to offer alternatives such as greater attention to the local that threaten to replace one grand theme with another, and their tautological arguments. Agrawal (1996, 476) offers two useful pieces of advice for the above authors:

Instead of avowing an explicit commitment to post-structuralism and calling for a repudiation of ‘development,’ it might be far more fruitful to examine the ways in which attempts by the state to foster development are often used as instruments of legitimation and extension of political control, yet also often engender resistance and protest. It was Foucault, after all, who pointed to the positive as well as the negative aspects of power.

A second productive move might be to accept the impossibility of questioning all metanarratives and instead to rethink how development can be profitably contested from within as well as from outside.

Gupta and Ferguson also argue (1997, 46) that movements for social transformation cannot fall back on pre-existing structures of identification in battling such forces as corporate globalization:

For the proponents of ‘cultural critique,’ difference is taken as a starting point, not as an end product. Given a world of “different societies,” they ask, how can we use experience in one to comment on another? But if we question a pre-given world of separate and discrete “peoples and cultures” and instead see a set of difference-producing relations, we turn from a project of juxtaposing pre-existing differences to one of exploring the construction of differences in historical process.

In a similar manner, Ebert (1991, 295-296) critiques ‘ludic postmodernism’, and argues that instead:

difference, as I argue resistance postmodernism rewrites it, is always difference in relation, that is, difference within a system of power and the social struggle it engenders. . . This concern with the economy of relations of difference within historically specific totalities is the key issue of transformative politics—and its main difference from ludic politics—for transformative politics sees its task as intervening in the power relations organizing difference in order to end the oppression and exploitation grounded on them. If totalities are structures of differences, and thus multiple, unstable, and changeable arenas of contradictions and social struggle, then they are open to contestation and transformation (emphasis in original).

Agrawal, Gupta and Ferguson emphasize the optimistic potential inherent in relations of power, as well as the structures and relations of power through which “difference” operates. “If totalities are structures of differences, and thus multiple, unstable, and changeable arenas of contradictions and social struggle, then they are open to contestation and transformation.” However, ‘totalities’ are also structures with materiality.

Watts emphasizes the materiality of totalities, as against the “performative knowledges” common to post-structuralist thought. He does so in three particularly emphatic instances. First, he (1999, 91) critiques post-development

discourses on alternatives and their imaginaries. . . Identity politics is championed by Escobar, for example, because it represents part of an alternative reservoir of knowledge

and because such ideas stand against the 'axiomatics of capitalism'. But there is surely nothing necessarily anti-capitalist or particularly progressive about cultural identity: calls to localism can produce Hindu fascism as easily as Andean Indian co-operatives."

In the same volume (p. 107), he makes the point more sharply and clearly in the context of the Ogoni in the Niger Delta: "Nine Ogoni were hung not for connivance or play but for confronting state legitimacy on the most sensitive of terrains: the geographical terrain. . ."

Finally, Watts (2003a, 10) is of equally strong opinion in an article written for a special issue of the *Singapore Journal of Tropical Geography*. In that journal, he argues that the Islamic extremism behind the September 11th terror attacks could be seen as a call for an alternative development:

political Islam seems to meet all of the preconditions of hybrid forms of alternative development, and would fit quite comfortably in Gibson-Graham and Ruccio's frame of reference. If development, as Gupta (1998) says, is orientalism transformed into a science for action in the contemporary world, is not Islamism a vivid exemplar of "post-development", a case of religion transformed into cultural politics?

Gibson-Graham (2003a, 37) responds that this "[alignment] (despite protestations to the contrary) [of] postdevelopment thinking with Islamic fascism . . . is a dance that need not be performed. I know I certainly want to sit it out and wait for a new space on the floor." Watts then responds (2003b, 10), ". . . we, I gather, build differing ontologies. Mine, slathered in real politics, the predictable monotony of business as usual, and the objective, distanced apparatuses of truth confirmation; and hers, identifying and creating instances of non-capitalist development (p. 36)." Whether such nearly ad hominem attacks are useful, this certainly highlights the disagreements within Foucauldian approaches about the nature of power and development. Watts clearly uses the Foucauldian notions of governmentality rather than the discursive readings of Foucault.

2.4.2 Governmentality

The second strand of Foucault, and one that more deeply informs the case studies that make up this project, refers to ‘governmentality’, the maintenance of power through “microphysics” (Foucault 1977, 139) of everyday disciplining. Neoclassical economics and development as structural adjustment or governance form part of this control of conduct, by “rendering technical” (Li 2007, 7-10, 234) arrangements of power that are centered on coercive states and exploitative corporations. Watts (2003a) notes the importance and problematics of governance as part of “governmentality,” though perhaps with somewhat more optimism about its value as an antidote to neoliberal economics (“high economism”) than I have:

Questions of governance, and sensitivity to multiple paths of capitalism, are powerful antidotes to the absurdities of high economism. But there is a danger, as Hart (2002) has signalled recently, that one loses sight of the interconnection across divergences, ignores the ongoing struggles and processes by simply reading path-dependency from history, seeing power in institutions as exercised only through rules and norms (culture). It is against these lacunae that I wish to return to governance, but from a Foucauldian perspective . . . (Watts 2003a, 12)

Government for Foucault (2000), referred famously to the “conduct of conduct”, a more or less calculated and rational set of ways of shaping conduct and of securing rule through a multiplicity of authorities and agencies in and outside of the state and at a variety of spatial levels (Watts 2003a, 13).

First, Watts (ibid.) highlights Foucault’s relation of people and resources:

The things, in this sense, with which government is to be concerned are in fact men, but men in their relations, their links, their imbrication with those things that are wealth, resources, means of subsistence, the territory with its specific qualities, climate, irrigation, fertility, and so on; men in their relation to those other things that are customs, habits, ways of acting and thinking and so on; and finally men in relation to those still other things that might be accidents and misfortunes such as famines, epidemics, death and so on... What counts is essentially this complex of men and things; property and territory are merely one of its variables {Foucault, 2000 #4842, 201-22}; emphasis added by Watts\}.

Secondly, Watts (ibid., 13-14) builds the notion of “governable spaces” from Rose’s (1999) and Dean’s (1999) work. He takes the notion of governmentality from Rose (1999, 21), as:

“studies of stratum of knowing and acting. Of the emergence of particular regimes of truth concerning the conduct of conduct, ways of speaking truth, persons authorised to speak truth... of the invention and assemblage of particular apparatuses for exercising power... they are concerned with the conditions of possibility and intelligibility for ways of seeking to act upon the conduct of others. . .”

Governing, that is to say what authorities wanted to happen in relation to what problems and objectives and through what tactics, can be assessed through the analytics of government, in other words the processes by which we govern and are governed within different regimes, the conditions under which they emerge, operate and are transformed. Dean notes that there are four dimensions to government so construed. The first he calls *forms of visibility* (the picturing and constituting of objects). The second is the *techne of government* (through what means, mechanism, tactics, and technologies is authority constituted and rule accomplished). Third, the *episteme of government* (what forms of thought, knowledge, expertise, calculation are employed in governing and how is form given to what is governable). And fourth, *forms of identification* (the forming of subjects, selves, agents, actors, in short the production of governable subjects) [emphasis in original]. . .

The other [aspect is] taken from Rose’s notion of governable spaces as they emerge from the four analytics of government detailed above. For Rose (1999, 32), governable spaces, and the spatialization of government, are “modalities in which a real and material governable world is composed, terraformed, and populated.” The scales at which government is “territorialised” – territory is derived from *terra*, land, but also *terrere*, to frighten – are myriad: the factory, the neighbourhood, the commune, the region, the nation. Each of these governable spaces has its own topology and is modelled, as Rose (1999, 37) puts it (through systems of cognition and remodelled through government practice), in such a way that demands how such topoi have emerged: the social thought and practice that has territorialised itself upon the nation, the city, the village or the factory. The map has been central to this process as a mode of objectification, marking and inscribing but also as “a little machine for producing conviction in others” (1999, 37). But in general, it was geography that formed “the art whose science was political economy” (Rhein, cited in Rabinow 1984, 142). Modern space and modern governable spaces were produced by the biological (the laws of population which determine the qualities of the inhabitants) and the economic (the systems of the production of wealth). Governable spaces necessitate the territorializing of governmental thought and practice but are simultaneously produced as differing scales by the “cold laws of political economy” (Rose 1999, 39).

Apter likewise, in his (2005) socio-historical analysis of the “spectacle of culture” in Nigeria, relies on Foucauldian microphysics of power, as seen by discussion of colonial control: “If the colonial rule was visible, even spectacular, its habitus was hidden in the details and disciplines of new forms of etiquette and knowledge” (2005, 181).

Mitchell (2002; 2006; 2008) applies a similar perspective to the growth of the economy, which he argues is in fact a quite recent phenomenon:

In the twentieth century, new ways of administering the welfare of populations, of developing the resources of colonies, organizing the circulation of money, compiling and using statistics, managing large businesses and workforces, branding and marketing products, and desiring and purchasing commodities brought into being a world that for the first time could be measured and calculated as though it were a free-standing object, the economy (Mitchell 2008, 1116).

Thus, what Callon et al. (2002, 196) calls the “caged economics” of the university is a spectacle while the habitus of economics is hidden in the details of “economics in the wild”; that is, economics participating in the production of the economy as an object.²⁹

Mitchell forms very much the same argument as Carrier and Miller, in that the “economy” is a recent construction that has created the world that it purports to describe.

He (Mitchell 2008, 1118-1119) uses the example of Edison’s development of an electricity network:

Edison’s case. . . helps us to think about the question of virtualism (Carrier and Miller 1998). There is no simple divide between an experimental or simulated world of the industrial workshop or business planning and a real world outside it. Every situation offers a certain arrangement of the simulated and that to which it refers. . . Every instance of building networks was simultaneously a demonstration and the thing being demonstrated, something virtual and something real.

As a result, Mitchell’s privileging of the economy is open somewhat to the same critique I make of Carrier and Miller, that the economy while powerful is not the only or, in important ways, even the most important driver of exploitation. Thus, my cases look at other drivers than economics, including business, religion, culture and geography. With Thrift, I agree that economics has great influence on “the world” in particular of academics, the World Bank and legitimization of certain kinds of inter- and intra-state discipline. However, it has questionable influence on business (literature) or corporate exploitation in Central Africa. Furthermore, no matter what corporate executives, neoclassical economists and development officials argue, business has critical influence over exploitation (state and non-state) in producing as well as consuming areas.³⁰

²⁹ See especially Michell (2006).

³⁰ Rangan and Kull (2009, 41) make a similar point in discussing Foucault’s “discursive formations” as part of their examination of scale and political ecology:

With these general theoretical points in mind, it is important to begin substantively with the narrative that is the shift from orthodox neoclassical economic theory to neoinstitutional economics, and the difference this makes to economic development theory and World Bank research and high-level policy orientations in particular.

Excessive emphasis on deconstructing rational knowledge often obscures the ways in which sensibilities and emotions are evoked to imbue scientific or policy discourse with legitimacy and authority.

Chapter 3 From Neoliberal to Neoinstitutional Approaches

How does this new institutional approach fit in with neo-classical theory? It begins with the scarcity hence competition postulate; it views economics as a theory of choice subject to constraints; it employs price theory as an essential part of the analysis of institutions; and it sees changes in relative prices as a major force inducing change in institutions.

How does this approach modify or extend neo-classical theory? In addition to modifying the rationality postulate, it adds institutions as a critical constraint and analyses the role of transaction costs as the connection between institutions and costs of production. It extends economic theory by incorporating ideas and ideologies into the analysis, modeling the political process as a critical factor in the performance of economies, as the source of the diverse performance of economies, and as the explanation for 'inefficient' markets.

(North 1997, 19)

When I refer to neoinstitutional economics, I refer to one of two streams identified by Bardhan (1989; see also Leys 1996, 82). Bardhan refers to Akerlof's (1970) "Market for Lemons" as a strand of "new institutional economics," as well, though this is somewhat rare in the broader literature. Indeed, Akerlof is not referenced in Harriss et al. (1995) *The New Institutional Economics and Third World Development*. However, the main innovation claimed by neoinstitutional economists has to do with the nature of information, and Akerlof's work shares with neoinstitutional economics the acknowledgement of imperfect information. More commonly than Akerlof, Bates' rational choice political economy has been widely associated with neoinstitutional economics in the context of rational choice perspectives. Bates' work has significant influence on development, and his addition of politics provides important correctives to neoinstitutional economics within rational choice perspectives in Harriss et al. (1995,

chap. 3).³¹ However, his political economic rational choice view, with its concentration on power, does not classify him for my purposes within the price-centered work of neoinstitutional economics.

Orthodox neoclassical economists³² assume that information is costless. Therefore, in a free market economy, prices depend only on technology, or “transformation costs” (North 1990, 31). Since the stock of technology at any given time is globally consistent, then market transactions will move prices for a particular commodity to the one equilibrium price whereby a gain to one actor necessarily means a loss to another actor. That is, the market will be Pareto optimal. Upon changes in technology, resources are allocated through the price mechanism to reflect the new equilibrium price point. Efficiency, then, is simply allocative efficiency; that is, efficiency defined as the extent to which resources are distributed in a manner amenable to selling a good for the lowest price possible. Two types of structures are relevant to economic activity in this scenario. The market is the space for transactions, and the state has a monopoly on violence in a particular territory. States are important for orthodox neoclassical economists because they have the power to distort market activity by altering the prices of transactions. With state intervention there is still only one equilibrium, but that equilibrium reflects not only the existing stock of technology but also the effects of the state distortion, whether it is subsidies, quotas, tariffs, quality control or other barriers. As a result, economic policy improvement simply should have to do with removing state-induced barriers to trade, or at the most providing some redistribution for social welfare.

³¹ As noted in the introduction, Leys (1996) places rational choice perspectives appropriately into a broader critical study of development from a political science (political economy) perspective.

³² In regard to policy-making in particular, they are also referred to as neoliberal economists. However, in economic theory, they are typically referred to as “orthodox neoclassical economists.” See for example Furubotn (1997, 361ff).

3.1 Reasons for institutions: information costs underlie transaction costs

The above description of orthodox neoclassical economics is by necessity simplistic, for reasons of space. However, it presents the core assumptions that neoinstitutional economists address. Neoinstitutional economists accept most core assumptions of neoclassical economics, except the assumption that information is costless. Rather, because information has a cost, actors must enter into transactions with inequitable stores of information. North (1997, 17) summarizes it in this manner, “. . . information is incomplete, and there is limited mental capacity by which to process information.” Simon (1986; see also North 1990, 23) refers to this as bounded rationality, which he describes as the gap between the real world and decision-makers’ perception of it. In contrast to the perspective of asymmetric information – particularly Akerlof’s “the market for lemons”³³ noted above – bounded rationality considerations look not only at the complexity and asymmetry of information but also cognitive shortcomings of all individuals. Not only do individuals have inequitable stores of information and cognitive shortcomings, but relatedly they have “different ideas (or mental models) of the way in which the world about them works” (Harriss, Hunter, and Lewis 1995, 3). The combination of limited computational abilities, different mental models and complex realities mean that no individual has the requisite resources for obtaining the information necessary to make fully rational decisions.³⁴ Therefore, people ‘satisfice’. That is, they exercise the level of rationality that they determine is necessary and feasible for dealing with a particular situation.

³³ See also Leys (1996, 82-83).

³⁴ Herbert Simon was, unsurprisingly, also very influential in the field of artificial intelligence. See especially Simon (1996) *The Sciences of the Artificial*.

To bounded rationality, as Williamson (2000a, 96-97) argues, must be added the tendency of individuals to try to mobilize information inequalities for their own benefit through guile, or opportunism:

The two behavioral assumptions out of which transaction cost economics works are (1) bounded rationality (on which account all complex contracts are unavoidably incomplete) and (2) opportunism (on which account mere promise, unsupported by credible commitments poses contractual hazards). These behavioral assumptions apply symmetrically to *all* [emphasis in original] forms of organization, which is to say that economic actors in the private sector and public sector are described as being alike. . . [A]ll contractual hazards would vanish were it not that bounded rationality is paired with opportunism. Given the absence of bounded rationality, contingent claims contracting would obtain. Given the absence of opportunism, contract as promise would everywhere be efficacious.

North (1990, 29) uses the examples of oranges, used cars and life insurance to demonstrate the character of opportunism. The seller of the oranges or the used cars knows that the buyer does not know as much about the product on the market as the seller. Therefore, the seller as a rational being would be expected to try to convince the buyer that the product is more attractive than it actually is. Conversely, the buyer of life insurance knows that they have more information about their health than the seller of life insurance. Therefore, they will try to convince the seller that they are healthier than they actually are.

Bounded rationality and opportunism, what Williamson (2000a, 96) calls 'behavioral assumptions', create an uncertainty about transactions that is absent from the Pareto optimality of orthodox neoclassical economics. This uncertainty underlies the transaction costs that neoinstitutional economists add to the costs associated with applying technology to production of goods, defined as "transformation costs." Goods that actors would purchase in a market with costless information may not be purchased when there are information constraints, because of the additional costs associated with gathering information, negotiating between buyer and seller, and monitoring and enforcing compliance with agreements (Coase 1937). North (1990, 41) comments, "in

the absence of constraints, asymmetric information and the consequent distribution of gains will lead to devoting excessive resources to measurement or indeed can lead to exchange not taking place at all because the exchange is unenforceable.”

As a result of these transaction costs, neoinstitutional economists argue, those with adequate power create, change and maintain institutions that constrain opportunism, ameliorate information deficits, and help to decrease the uncertainty of transactions. These institutions have the characteristic of remediableness (similar to satisficing) whereby, as Williamson (2000b) notes, “an extant mode of organization for which no superior feasible alternative can be described and implemented with expected net gains is presumed to be efficient.” As a result, there is no Pareto optimal single equilibrium for states to distort or allow. Rather, the uncertainty associated with transactions means that there can be multiple, remedially efficient, sustainable equilibrium conditions. This has important consequences for neoclassical economic notions of development, which under orthodox neoclassical economics involves “structural adjustment,” or simply freeing the market from distorting state policies.

The integration of institutions moves consideration of efficiency and sustainability, among other things, in significant new directions. As North (1990, 80) discusses below, economic change must focus on adaptive efficiency (rule change) rather than simply allocative efficiency (technology):

In allocative efficiency, the standard neoclassical Pareto conditions obtain. Adaptive efficiency, on the other hand, is concerned with the kinds of rules that shape the way an economy evolves through time. It is also concerned with the willingness of a society to acquire knowledge and learning, to induce innovation, to undertake risk and creative activity of all sorts, as well as to resolve problems and bottlenecks of the society through time.³⁵

Coase (1992, 717) focuses more on the legal aspects of institutions in arguing that “what are traded on the market are not physical entities but the rights to perform certain

³⁵ The last sentence is more about normative development and will be addressed further below.

actions.” This perspective, when compared with North’s more historically oriented analysis discussed subsequently, marks the significant division within neoinstitutional economics (Bardhan’s CDAWN) between North and “transaction cost” economists including Coase and more recently Williamson. I first cover the transaction cost economics of Coase and Williamson, and then integrate their perspective with North’s “neoinstitutional evolutionary economics.”

3.2 Transaction cost economics

Coase applies the notion of buying and selling “rights” rather than goods especially to questions about “the nature of the firm” (1937) in the classic piece by that name which is widely seen as the founding document of neoinstitutional economics. Williamson follows Coase in concentrating on the role that firms play in minimizing transaction costs. Because Williamson concentrates primarily on business organization, his work is rather marginal to conventional economic development perspectives.³⁶ However, in addition to those cases where economic development focuses on enterprises, Williamson’s examination of firms and governance has been applied at a macro level in the World Bank’s emphasis on governance and reconfiguration of states and societies to facilitate economic development. Therefore, while World Bank development research and policy documents use North’s arguments more extensively in the rationale, the governance basis of the policy documents actually reflects Williamson’s rationale more faithfully though policy documents concentrate on state-centered governance rather than any changes in corporate governance.

Williamson adds the concept of asset specificity to bounded rationality and opportunism, in establishing a transaction cost theory of firm organization. Asset specificity refers to the difficulty of transferring resources to other uses after initial

³⁶ However, see Dunning (2006) discussion of “a new paradigm of development,” from an international business perspective. I discuss this further in the conclusion below.

dedication to one type of production. After a commitment is made to purchase a particular resource, the resultant sunk costs make it much more difficult to change to a different provider.³⁷ Williamson (1975, 26-30) refers to the change in a transaction's cost brought about by asset specificity as the "fundamental transformation" whereby exchanges that start out as 'large-number' conditions become small number conditions after the exchanges take place because of the resultant increase in cost brought about through purchase of a particular good. Put another way, if the seller misrepresents their product, it becomes relatively more costly to rectify errors caused by opportunism by changing products after the sale is complete.

In orthodox neoclassical theory, firms exist for technological reasons of indivisibility or inseparability (Williamson 1975). However, the "fundamental transformation" resulting from imperfect information and asset specificity means that firms do not simply buy resources, organize them, and sell the resulting products. Rather, firms must determine whether it is better to "make" or "buy" goods. Is the manufacturing cost of a good lower when it is manufactured inside the firm, or bought on the market? Williamson (1985, 90; quoted in Furubotn and Richter 2005, 319)³⁸ breaks down the difference between markets and firms in the following manner:

The main differences between market and internal organization are these: (1) markets promote high-powered incentives and restrain bureaucratic distortions more effectively than internal organization; (2) markets can sometimes aggregate demands to advantage, thereby to realize economies of scale and scope; and (3) internal organization has access to distinctive governance instruments.

Williamson's (2000c, 22) notion of governance for internal organization begins with Commons' (1934, 4) argument that "[t]he ultimate unit of activity . . . must contain in itself the three principles of conflict, mutuality and order. This unit is a transaction."

³⁷ Conditions brought on by asset specificity are also part of 'first mover' advantages, which is covered below in Frynas' (1998) examination of political instability as a competitive advantage for Shell. However, Shell's first mover advantages have little to do with sunk costs for the government as purchaser, but rather with Shell's resultant political connections and networks.

³⁸ See also Williamson (1999, 19).

Williamson (2000a, 106) uses this conception of transaction cost to underpin his description of governance as “the means by which *order* is accomplished in a relation where potential *conflict* threatens to undo or upset opportunities to realize *mutual* gains [emphasis in original].” In those cases, therefore, where the “potential conflict” threatens market activity (“mutual gains”), the distinctive governance instruments brought by firms can make productive activity possible. What are these advantages? The first advantage of the firm that Williamson outlines is the firm’s ability to more effectively control human interaction. Given transaction costs, human beings are assumed to act in particular ways given different conditions of control over resources. In the marketplace, humans act more voluntarily and autonomously in leveraging asymmetrical possession of information and other resources. However, when the hierarchical firm brings human and non-human ‘assets’ under its purview, then neoinstitutional economists argue that the firm can control these resources in very different ways and thus eliminate many of the costs associated with market transactions. The firm has centralized control over non-human assets, while human assets are subject to differential levels of firm authority. In particular, even with disputes regarding “human assets” there is a “presumption that [they] will be resolved internally” (Williamson 1996, 99).

3.3 Evolutionary neoinstitutional economics

While Williamson concentrates on transaction costs and the make-or-buy decision, North emphasizes that consideration of institutions brings with it the ability to insert ideas, ideologies and power politics into exploration of economic systems.³⁹ The larger camp of evolutionary economics, within which North belongs, has a long gestation, indeed to

³⁹ Many economists (for example, Harriss 1995) note that the study of institutions is fraught with issues that are vexing for economists at least. Among other things, it is difficult to cost out institutional effects. Secondly, study of institutions brings to the forefront conditions of complex and dynamic causality. This is difficult to fit into conventional economic paradigms. Nugent (1998) proposes a set of solutions that simplify study of transaction costs from both the supply and demand sides. First, break up demand-side transaction costs into costs of information, costs of negotiating agreements, and costs of communicating provisions. On the supply side, concentrate on collective action.

the beginning of scholarly engagement with Darwin's natural selection. The breadth of evolutionary conceptions in economics draws the interest of scholars ranging from North to Resnick and Wolff (Wolff and Resnick 1994). Given the case-study rather than theoretical focus of this project, I do not seek here to provide an expanded analysis of evolutionary economics and its Darwinian (as opposed to Newtonian) worldview.⁴⁰ Suffice it to say that evolutionary economics is broadly concerned with applying principles of variation, mutation and natural selection to economic change (Dopfer 2005b). This view retains basic economic conceptions of profit and some measure of individual ambition. However, individual actions closely integrate with environmental constraints.

Nelson and Winter, in their influential book, *An Evolutionary Theory of Economic Change* (1982, 4), argue that though firms are motivated by profit and therefore are engaged in looking for ways to improve profits, their actions are not "profit maximizing over well-defined and exogenously given choice sets." 'Orthodox' economics largely ignores historical change, and in particular the notion of 'natural selection', which Nelson and Winter describe thus:

Our firms are modeled as simply having, at any given time, certain capabilities and decision rules. Over time these capabilities and rules are modified as a result of both deliberate problem-solving efforts and random events. And over time, the economic analogue of natural selection operates as the market determines which firms are profitable and which are unprofitable, and tends to winnow out the latter.

Firms adopt decision rules that are analogous to routines (predictable behavior patterns) and production techniques, and these patterns assume path dependent traits. As a result, economic activity is both dynamic and stable. Nelson and Winter's core concern is with "the dynamic process by which firm behavior patterns and market outcomes are jointly determined over time" (ibid., 18).

⁴⁰ See Dopfer (2005) for a more general examination of evolutionary economics.

North begins with the emphasis that ‘institutions matter’, but uses evolutionary economics to engage institutions through study of economic history, institutions and institutional change.⁴¹ Institutions matter because:

the subjective and incomplete processing of information plays a critical role in decision making. It accounts for ideology, based upon subjective perceptions of reality, playing a major part in human beings’ choices. It brings into play the complexity and incompleteness of our information and the fumbling efforts we make to decipher it. It focuses on the need to develop regularized patterns of human interaction in the face of such complexities, and it suggests that these regularized interactions we call institutions may be very inadequate or very far from optimal in any sense of the term (North 1990, 23).

North addresses questions of institutional sustainability and change by building an edifice that integrates individual incentive with written rules and unwritten conventions overlain by enforcement mechanisms. He argues that neoinstitutional evolutionary economics is about the interaction throughout history of formal and informal constraints, underpinned by enforcement mechanisms. North uses the notions of formal and informal constraints along with enforcement mechanisms to integrate economic underpinnings with socio-cultural and socio-political notions of human interaction. He also uses these three underpinnings to develop an economic history explanation for why the West has developed economically while the Third World remains stagnant. I begin with North’s conception of constraints, followed by his conception of individual incentive and finally integrate North’s perspective on economic development with Williamson’s influential yet ahistorical view of developed and under/non-developed economies.

For North, formal constraints (rules and laws) structure the measurement, enforcement and policing of contracts and property rights. As North (1990, 32) emphasizes, the cost of contract policing must balance the benefits, or the transaction will

⁴¹ This, for example, makes Udehn’s (2001, 285) characterization of Nelson and Winter as part of evolutionary neoinstitutional economics rather questionable.

not take place. Formal constraints range from constitutional structures at the state level to rules governing employee behavior at the micro level:

The increasing complexity of societies would naturally raise the rate of return to the formalization of constraints (which became possible with the development of writing), and technological change tended to lower measurement costs and encourage precise, standardized weights and measures. The creation of formal legal systems to handle more complex disputes entails formal rules; hierarchies that evolve with more complex organization entail formal structures to specify principal/agent relationships. . . [These formal constraints] may lower information, monitoring and enforcement costs and hence make informal constraints possible solutions. . . (North 1990, 46)

Informal constraints include extension, elaboration and modification of formal rules; socially sanctioned norms; and internally enforced standards of conduct (North 1990, 38) determining habits, routines, repetitive choices and conventions. Informal constraints come from culture, which provides “a language-based conceptual framework for encoding and interpreting the information that the senses are presenting to the brain” (North 1990, 36-37). Informal constraints can also include reputation. They “...make it possible for us not to have to think about problems or make [repetitive or routine] choices” (1990, 22).

Informal constraints in productive economies, however, play a major role regarding the quantity and quality of labor output:

Conventions about output, forms of organization designed to encourage work participation and cooperation, and attempts to select workers who have an ideological commitment to hard work have all become recent research agendas in the New Industrial Organization (North 1990, 66).

There is a persistent tension in evolutionary economics between informal and formal constraints. Formal constraints fit easily with economic structures. However, informal constraints elide economic contexts (entrepreneurs maximizing utility given incentive structures) with sociological and political contexts, bringing such institutions as religion and culture (as cognitive models more than collective entities) into consideration. The constraint of reducing all to the individualist language of economics results in some

disconnects only partially relieved by game theoretic processes. For example, how does one effectively get from the highly abstract individual incentives to the overflowing symbolism of religion and organizational density of even a Robert Putnam? This latter question buttresses the need for new institutional economic sociology, addressed at the end of this chapter. As North (1990, 42) notes:

We simply do not have any convincing theory of the sociology of knowledge that accounts for the effectiveness (or ineffectiveness) of organized ideologies or accounts for choices made when the payoffs to honesty, integrity, working hard, or voting are negative.

Both formal and informal constraints must be sustained by enforcement mechanisms, so as to lower the costs of transacting. These reflect the stage of development, ranging from self-enforcement through pressure exerted by personal ties to impersonal, independent third-party enforcement. One of the most important institutions for an effective economy, North (1990, 54) argues, is an independent third party enforcement mechanism that assures in particular the protection of property rights and enforcement of contracts. This becomes a critical point for the subsequent discussion of economic development.

These institutions (formal and informal constraints) and associated enforcement mechanisms are driven not by natural selection, North argues, but by individual incentive. This separates North from other evolutionary economists such as Nelson and Winter. North thus distinguishes between institutions and organizations. Organizations are “purposive entities designed by their creators to maximize wealth, income or other objectives defined by the opportunities afforded by the institutional structure of the society” (North 1990, 73). Individuals calculate payoffs of behavior depending on their existing mental models. Based on these payoffs, activities either fall under the existing rules of the game or, if the payoffs are perceived to outweigh the risks, actors incrementally change the rules of the game. In North’s model of institutional change

through purposive organizations seeking to maximize their utility, the entrepreneur and entrepreneurship become prominent, more so than in Williamson's concentration on control and governance. Neoclassical economists define entrepreneurs as those who take on risk, and organize productive resources in order to make a profit. However, the orthodox neoclassical view of entrepreneurship is one-dimensional, with entrepreneurs seeming only to show themselves briefly, when technological change or change in demand induces changes in Pareto optimal equilibrium conditions. Entrepreneurs do not institute change so much as they mobilize existing technology, engage in self-interested and rational transactions, survive or perish, and therefore assume a role in establishing a new equilibrium.

For neoinstitutional economists, given information costs, entrepreneurs are still one-dimensional in the sense that they seek engagement in self-interested and logical transactions. However, they contribute not so much to allocative efficiency (that is, transactions are not automatically logical in a deductive sense) as to adaptive efficiency, whereby they operate within and make marginal changes to existing institutional environments so as to maximize their self-interest in the face of institutional moderators of costly information:

in addition to thinking about current technology, he [the entrepreneur] can speculate on the desirability of developing and utilizing some novel technological/organizational arrangement of his own design. Then, of course, the set of potential alternatives is open ended, and the idea of finding a definitive optimum (comparable to a classic Pareto equilibrium point) has no clear meaning.

To say all this, however, is not to suggest that the conventional marginal calculus and programming methods cannot be applied effectively in the solution of certain types of problems connected with the firm's operations. As noted earlier, the orthodox approach can be utilized to secure efficient treatment for some *lower-level* problems that arise within the general framework of a firm. Decision making is a costly process and thus the extent to which resources are used to find desirable arrangements is determined on the basis of perceived costs and benefits. When the matter to be resolved is not too complex, so that the extent of the information that must be collected and assessed is well defined and manageable, the associated costs will be acceptable. Then, the usual marginal costs and returns can indeed be calculated accurately or approximated. It is also true that, as a practical matter, firms will always find *workable* solutions . . . and, relative to a structure

actually in place, it will be possible to know marginal costs and returns, and to use the information in making subsequent adjustments of position. What marginalism cannot do, though, is guide the firm to "ideal" solutions . . . (Furubotn 2001, 138 [emphasis in original])

For North, entrepreneurs are at the same time the central actors in institutional change and themselves largely shaped by those self-same institutions. First, he makes entrepreneurial individuals and groups the agents of institutional change in modern economies. Secondly, he constructs the entrepreneur as a neoclassical economic individual to the extent that the entrepreneur engages existing constraints, given his or her cognitive universe (mental models), in order to maximize his or her utility:

I intend to demonstrate that institutions basically alter the price individuals pay and hence lead to ideas, ideologies, and dogmas frequently playing a major role in the choices individuals make (North 1990, 22).

Thus, motivation and path dependence are very important parts of North's conceptions. Individuals act based on perceived payoffs combined with subjective models of reality that color their preferences.

Motivation, for North, is a critical and at the same time complex aspect of human behavior that underpins the notion of entrepreneurship. Individuals espouse both economic and non-economic motivations. Though the complexity of non-economic and economic motivations defies easy study, "we can still take an important forward step by taking explicit account of the way institutions alter the price paid for one's convictions and hence play a critical role in the extent to which non-wealth-maximizing motivations influence choices" (North 1990, 26). By retaining the rigors of an economics based on individual (rational) choice, but adding consideration of "ideas, ideologies and power politics," North seeks to integrate economics into social science:

Separating the analysis of the underlying rules from the strategy of the players is a necessary prerequisite to building a theory of institutions. Defining institutions as the constraints that human beings place on themselves makes the definition complementary to the choice theoretic approach of neoclassical economic theory. Building a theory of institutions on the foundations of individual choices is a step toward reconciling differences between economics and the other social sciences (North 1990, 5).

As Parto (2003, 7) emphasizes, such integration with social sciences must hold the individual as fundamental:

The choice theoretic approach is essential because a logically consistent, potentially testable set of hypotheses must be built on a theory of human behaviour. . . our theory must begin with the individual" (North 1990, 5).

North then can define the core mechanisms underlying development as institutional change:

Maximizing behavior of economic organizations . . . shapes institutional change by: (1) the resultant derived demand for investment in knowledge of all kinds. . .; (2) the ongoing interaction between organized economic activity, the stock of knowledge, and the institutional framework . . .; and (3) incremental alteration of the informal constraints as a by-product of maximizing activities of organizations (North 1990, 78).

To be defined as “development,” these mechanisms must be attached to the institutions appropriate for economic growth. Through definition of these institutions, both transaction cost and neoinstitutional evolutionary economists have formed judgments about what “development” is and how countries have succeeded or failed in achieving development. The essential question that economists as well as the World Bank and associated multilateral development organizations ask, is, “Why the West, and not the Third World?” Thus, the abstractions of neoclassical economics are filled with cases from the “real world” of development success and failure.

3.4 Neoinstitutional economics and development

Though Williamson seeks to insert economics more effectively into business organization literature through transaction cost economics, North’s work for application of economics to general social science literature has had broader effects on development, because neoinstitutional economists thereby disagree with orthodox neoclassical economists in the faith put in the price mechanism as the only driver of economic growth and development. Neoinstitutionalists argue that because there are costs associated with transactions, and because resulting institutions survive as long as the powerful perceive that existing institutions serve their interests, the price mechanism by itself cannot

determine economic development. It is critical that fundamental institutions of productive development are protected and strong.

Furthermore, because institutions are created and sustained to serve the interests of those with adequate “bargaining power” (North 1990, 16), effective economic development (that is, modern Western capitalism) can only take place in environments with appropriate institutions. North (1997, 23) draws a sharp distinction between neoliberal (the term for orthodox neoclassical economics applied to policymaking) and neoinstitutional approaches to development policy in this context:

Neo-classical economists have implicitly assumed that institutions (economic as well as political) do not matter, and that the static analysis embodied in allocative-efficiency models should be the guide to policy; that is, 'getting the prices right' by eliminating exchange and price controls. In fact, . . . getting the prices right only has the desired consequences when agents already have in place a set of property rights and enforcement that will then produce the competitive market conditions.

By including informal constraints as long term sustainers of institutions even given changes in rules and enforcement mechanisms, North expands notions of institutions beyond opportunism into the routine and convention of evolutionary economics (decision rules and routine). Therefore, institutions not only provide order in situations of political conflict (see above regarding transaction cost notions of governance) but more importantly contribute to broad economic stability even if the economy is not effective at maximizing social welfare. This opens up development approaches to the need for broad and sustained intervention in societies with entrenched institutions supporting ineffective economic development. In connection with broader intervention, North argues that promotion of liberal democratic institutions is very important because they increase the breadth of social participation, they eliminate the capricious capacity of rulers and they allow for third-party enforcement of economic transactions by independent judges (North 1990).

How much difference can intervention make, however? Williamson suggests that the chance for intervention to work depends on the mix of political and economic development present within the economy. He (2000a, 13) forms a matrix organizing states according to how their institutions relate to qualities of political and economic development:

		<i>Economic Development</i>	
		Developed	Less Developed
Polity	Above Threshold	i.	ii.
	Below Threshold	iii.	iv.

Table 1: Williamson Matrix of Development Types

The first cell, cell i, characterizes developed countries such as the United States, Japan, France, Germany and others. They are developed economically and also are 'above threshold' with regard to development of liberal democratic institutions. They represent the position that all countries should adhere to, according to Williamson.

Cell ii represents less economically developed countries with political institutions that are above the democratic threshold. Williamson suggests that developed countries can promote economic development in such areas by making deals between those offering aid and the political elite. That is, it is important to strike deals that are favorable both to incumbent politicians and welfare economists. In addition, because the state is 'provisionally efficient' – that is, politicians have probably made all the deals they can to retain bargaining power – the state of affairs of the economic institutions is 'irremediable' absent outside inducement. Therefore, the politics of reforming state-owned enterprises rests on three pillars. The solutions must be political desirable, politically feasible, and the political elite must be credible in their promises to sustain the reforms. This is very similar to the basic policy arguments detailed in the World Bank's (1995) *Bureaucrats in Business*, as well as Haggard et al. (1995).

Williamson is decidedly less optimistic regarding cells iii, and iv. For polities that have developed economies but authoritarian or totalitarian governments, he suggests that it is usually up to accidents of history to change them. He mentions the Glorious Revolution, the American Revolution and the Russian Revolution. For authoritarian governments ruling over underdeveloped economies, he suggests that the only remedy in the short- to medium-term may be humanitarian relief. In the 'on-the-ground' discussion of the CCPDP below, I suggest that Calderisi as a "politically incorrect" (former) World Bank official argues without attribution and pointing more to cultural than economic reasons that Chad moves from a tenuous cell ii to a demonstrated cell iv during the project's "social welfare" lifecycle.

North (1990, 34-35) for his part looks across a substantive historical spectrum from personal to impersonal exchange. "The shift from personal to impersonal exchange requires a political, economic, and social structure that runs counter to the genetic predispositions of millions of years of hunter/gatherer heritage" (North 2005, 42). The "Third World," by implication, is either still entrenched in or only just beginning to emerge from this heritage. The Western world, however, has ranged through three time periods. The first time period around the 1700s was characterized by small scale trade and repeat dealing marked by highly personal exchange. The transaction costs were low because repeated face-to-face exchange did not require independent enforcement. During the second time period, exchange became larger and more widespread. As a result, societies engaged in more impersonal exchange with constraints based on "kinship ties, bonding, exchanging of hostages, or merchant codes of conduct." These exchanges were often set in a context of rituals and religious precepts. The modern economy, however, can only exist because of the continued rise of third-party enforcement. Although actors still attempt to "clientelize" transactions through codes of conduct and trust mechanisms, the modern economy cannot exist without "a coercive third party" to enforce central

formal constraints such as property rights and contracts. “Effective third-party enforcement is best realized by creating a set of rules that then make a variety of informal constraints effective” (Ibid., 35). The idea, as discussed above, is that formal constraints make informal constraints possible by creating the boundaries required for effective use of informal constraints. With informal constraints in place, decisions can seem common-sense or obvious. However, if institutions are called into question, then the uncertainty significantly increases the costs of making economic decisions because informal constraints no longer apply as readily.

Because the kinds of formal and informal constraints, and not simply the technological boundaries, determine economic sustainability as well as productivity, it is important for neoinstitutional economists that economic development theories address types of rules that underlie economies. In particular, do these rules favor redistribution or production? Do they favor knowledge acquisition, risk, innovation and creativity? Even if institutions do not favor such underpinnings of economic development, the economy can persist for a long time simply because it is in the interests of those in power. North argues, for example, that “the organizations that develop in [Third World institutional frameworks, characterized by redistributive rather than productive activities] will become more efficient, but more efficient at making the society more unproductive and the basic institutional structures even less conducive to productive activity” (North 1990, 10).

Third-party enforcement, furthermore, is not a system that can be built rapidly. Indeed, North argues, it has taken hundreds of years to construct the checks and balances, neutral arbiters and judges, and consequent self-enforcement routines seen in the West:

Creating a system of effective enforcement and of moral constraints on behavior is a long, slow process that requires time to develop if it is to evolve – a condition markedly

absent in the rapid transformation of Africa from tribal societies to market economies (North 1990, 60).⁴²

This seems to go against the World Bank's assertion below that it can intervene and help countries to rapidly develop those institutions necessary for effective economic development.

Institutions underlying economic productivity support individual initiative and entrepreneurship, according to neoinstitutionalist definitions. The two most important institutions are those that define and protect property rights, and those that enforce contractual agreements. According to North (1990, 25), "The heart of development policy must be the creation of polities that will create and enforce property rights." Property rights encourage and enable individual enterprise, but in neoinstitutional economics are certainly not automatic. That is, governments and other organizations often have supported institutional arrangements that do not support private property rights. Without such protections, individuals have neither the incentives to innovate nor the wherewithal to do so. North (1990, 54) continues, "the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World." Some of the highest transaction costs surround contract negotiation, preparation and enforcement. Therefore, neoinstitutional economists argue, it is critical for developing economies to have strong institutional arrangements in place to enforce contracts upon their signing. Property rights are also critical to contract negotiation, monitoring and enforcement. Transparent and clearly defined property rights lower costs of information gathering and

⁴² North's argument here seems to parallel Gramsci's distinction between the weak civil society that allowed the Russian Revolution, and the strong bulwarks of civil society in Western Europe that prevent such a change there. The economic institutions of North's "West" seem to parallel Gramsci's bulwarks of civil society, while the African "tribal societies" seem to parallel the weak Russian civil society.

make it possible for actors to negotiate in confidence that they have rights to the property that they are transacting.⁴³

North moves quickly from the general model of organizational behavior and institutional change to specific reasons how modern Western economies are different from both their historical antecedents and present-day Third World economies. He places historical West and present-day Third World in the same basket.⁴⁴ One of the distinctions has to do with the development and distribution of knowledge. Modern Western economies have grown in part because of investment in creation and distribution of knowledge through protection of property rights and associated rewards for knowledge creation:

The development of an incentive structure through patent laws, trade secret laws, and other laws raised the rate of return on innovation and also led to the development of the invention industry and its integration into the way economies evolved in the Western world in modern times, which in turn underlay the Second Economic Revolution (North 1990, 75).

These institutional innovations have colored maximization behavior in the West up to the present:

Discovering markets, evaluating markets and techniques, and managing employees do not occur in a vacuum. They entail the development of tacit knowledge to unravel the complexities associated with problems of measurement and enforcement. The kinds of information and knowledge required by the entrepreneur are in good part a consequence of a particular institutional context (North 1990, 77).

The reason that the United States has been successful and the Third World not successful lies in large part in the differential between promotion of knowledge creation and distribution, and the associated incentive structures faced by individuals:

The United States has been immensely productive in the twentieth century. The significant implication of this story is that the market for knowledge together with the subjective perceptions of the players coincided to produce a private and public investment in knowledge that approached the social rate of return.

⁴³ See, for example, Eggertsson (1990).

⁴⁴ Similar in form to the ahistorical nature of the Kuznets curve.

Throughout most history the institutional incentives to invest in productive knowledge have been largely absent, and even in Third World economies today the incentives are frequently misdirected [from primary to higher education]. . . Why is there such a contrast with the U.S. story? [Given rates of return, educational investment could have been made privately, through voluntary organizations, or as a last resort through public investment]. But the fact that such public investment was not undertaken or was misdirected suggests not only high transaction costs resulting in imperfect markets, but also that imperfect knowledge and understanding make up the subjective models of the actors (North 1990, 80).

North (North 1990, 81) concludes the discussion of entrepreneurship and organizations with a general statement about what has made for successful and unsuccessful economies:

Obviously, competition, decentralized decision making, and well-specified contracts of property rights as well as bankruptcy laws are crucial to effective organization. It is essential to have rules that eliminate not only failed economic organization but failed political organization as well. The effective structure of rules, therefore, not only rewards successes, but also vetoes the survival of maladapted parts of the organizational structure, which means that effective rules will dissolve unsuccessful efforts as well as promote successful efforts.

In this conclusion, North explicitly indicates that economic and political organizations are intertwined, and therefore accepts that effective economic development requires associated political development. This tendency to blur economic and political lines is reflected in the World Bank's governance perspective below.

3.5 Social interregnum: 'new institutional economic sociology'

As I discuss in the next chapter, there are disconnects (often dealt with only implicitly) between economic rationales of World Bank research and high-level policymaking departments, and the more socially dense project design work. Whereas economic research is based on neoclassical rationales of efficiency (allocative and adaptive), project work emphasizes participation, empowerment, accountability, transparency, sustainability and decentralized responsibility. These issues are only tangentially addressed as "areas in need of work" by even neoinstitutional economists. For example, North (1990, 26) only briefly addresses "non-wealth-maximizing convictions" that constitute individual decision-making, and addresses these convictions as a problem to be

resolved rather than a reality to integrate. Work in the mold of new institutional economic sociology makes more explicit the connections between neoinstitutional economic and social (especially “social capital”) notions that inform World Bank activities.

Granovetter (1985) argues, in his article “Economic action and social structure: the problem of embeddedness,” that new institutional economics (primarily transaction cost economists) reads institutions incorrectly because it posits false distinctions between the market, unconstrained but subject to opportunism, and firms which are presumably able to control opportunism through fiat. Granovetter argues instead that institutions are sustained by more informal conditions of trust rather than formal institutional structures designed to contain opportunism within hierarchy. Trust relations are not confined to the market/firm dichotomy. Indeed, business groups are quite important networks of relations that sustain business activity. On the other hand, the familiarity of firm-level relations can lead as much to opportunistic dealings as transparency.

Below the surface, however, the relations between neoinstitutional economics and new institutional economic sociology seem better characterized as distinctions without a difference. As Nee (2005, 53) comments:

Despite the contrast in focus, the transaction cost and embeddedness approaches appear to agree that firms generally prefer social contexts where negotiating agreements is less problematic and costly. In essence, the embeddedness approach differs from transaction cost economics in its emphasis on informal solutions to address the problem of trust, as opposed to formal institutional arrangements. Not surprisingly, therefore, Williamson’s (1994, 85) response to Granovetter’s essay was, “Transaction cost economics and embeddedness reasoning are evidently complimentary in many aspects.”

Embeddedness literature forms the margins of World Bank literature on social capital, which is central to institutional supports for economic restructuring and development as ‘governance’. In addition to formal rules establishing accountability and transparency, notions of social capital underpin projects to affect more informal social

aspects such as trust and “social density.” Social capital in the World Bank sense arises more out of Putnam (e.g., 2002) and Coleman’s (1990) work, with antecedents from the “civic culture” tradition of Almond and Verba (1963). Discussion and debate of social capital, trust, civic culture, and ‘democratization’ work is outside of the scope of this project, as they form the broad tangential context of social issues that inform the neoclassical economic development core of World Bank rationales. Embeddedness literature, however, serves to more explicitly connect neoinstitutional economics and formal institutions with social qualities of trust that allow the World Bank to associate economic liberalization with more socially oriented conceptions such as democracy. A problem with embeddedness work such as Granovetter’s, however, is that it engages Williamson at the expense of North. When North’s informal constraints are considered, as with Nee and Ingram (2001), the complementarities between neoinstitutional economics and new economic sociology are even more apparent. Furthermore, as occurs in Dunning’s (1997d) edited work *Governments, Globalization and International Business*, North’s work is used to demonstrate affinities with neoinstitutional economics but the basis of North’s assumptions in the rational (even if boundedly) individual are either dismissed or disregarded.

Chapter 4 From ‘Structural Adjustment’ to ‘Governance’

The core general objective of the World Bank⁴⁵ is “Working for a World Free of Poverty.”⁴⁶ Though the core method for the bank of realizing this objective is through neoclassical economic development, the World Bank is much more than simply a machine run by neoclassical economists. First, the organization is a bank, which contributes to ‘poverty alleviation’ by choosing where to give loans as well as who to rate as a good recipient for loans, an approval rating that is quite influential for other donors (Paris Club, private banks, etc.). This is a basis of its power over national policies. I do not concentrate on the nature of this financial power itself, but rather how Bank discourse interacts with a particular project, the CCPDP. The Bank made a small loan to Chad (and Cameroon, though I concentrate on Chad) equal to the government’s equity participation in the project. It also, more importantly, allowed for private sector participation because of its power to influence lending by other major public and private financial organizations. Wrapped around the organizational definition are a series of discourses that reflect economic development and poverty alleviation. The core discourse is of neoclassical economics. That is, according to the Bank, development can only occur with material resources, which can only increase through free-market interactions. Wrapped around this is the World Bank’s broader mandate of poverty alleviation that justifies its organization and size as “a different type of bank.” It is a bank dedicated to alleviating

⁴⁵ The divisions of the World Bank (IBRD, IDA, MIGA, ICSID) become more important in project implementation. Their differences matter much less to theoretical rationales.

⁴⁶ I refer to “the Bank” frequently as a single entity. In reality, “the Bank” is made up of a myriad of people and groups, with many divided loyalties and approaches to development. However, the documents that make up what I consider “the Bank” approach are clearly hegemonic with regard to over-riding development strategies. The disparate groups all must accede “in the last instance” to neoclassical economics as the only means of achieving the economic growth necessary for effective development.

poverty, which can only be done through effective neoclassical economic development. The Bank can confidently declare this objective not out of a sense that it is one among many organizations doing such work, but that because it bases policy on neoclassical economics, it approaches poverty objectively and technically. Therefore, according to the Bank's position, sensible criticisms of Bank policy can only be about the quality of implementation tactics, not fundamental strategies. This also justifies the size of the Bank's financial resources and the pressures it can bring to bear as a means of assuring payment of the loans it makes, and therefore its AAA rating as a lender.

The neoclassical economic perspective is, of course, central to my project. The research and high-level policy levels of the Bank in particular center their work on neoclassical economics. I look at this work in the context of discussion papers (e.g. Picciotto, Santiso), which offer more direct economic arguments as well as broader assessment of contexts surrounding Bank work and World Development Reports. The change to neoliberal thought was most broadly laid out by the 'Berg Report' (1981), *Accelerated development in sub-Saharan Africa: an agenda for action*.⁴⁷ Likewise, the report marking the shift to neoinstitutional approaches, *Sub-Saharan Africa: from crisis to sustainable growth* (World Bank 1989), also professed to deal with Africa. Though these reports marked the beginnings of substantial theoretical shifts, the language and policy prescriptions only gradually percolate through World Bank literature and practice before assuming 'common-sense' hegemony. Such percolation occurred for neoinstitutional economics through formal policy papers such as the Comprehensive Development Framework (CDF) and its primary policy tool, the Poverty Reduction Strategy (PRS). These also center themselves "in the last instance" on economic growth through market interactions. However, they must concentrate on how to alleviate poverty. This begins to create a tense overlay of ideas, for example how to connect

⁴⁷ See Mosley (1991), for elaboration of the Berg Report and shift to development as structural adjustment.

empowerment of local communities to basic ideas of neoclassical economics. Empowerment would seem to bring forth ideas of a group or larger community coming together to decide how to live out their own visions of the 'good life'. However, this vision must be connected to concentration on individual ambition and competition as the only ways to achieve human welfare goals. The difficulty of connecting the strict explanatory forms underlying economic arguments with the much more diffuse explanatory tools of poverty alleviation almost certainly underlies the delays in translating high-level research discussion into policy frameworks.

The poverty alleviation perspective becomes central for me in the next chapter, when the Bank designs, develops and implements particular projects such as the CCPDP. Poverty alleviation is about health care, education, family planning (added somewhat more recently to policy documents), nutrition, protection of local communities and cultures, government accountability, government and community ownership, sustainable development (environment), and a host of other goals. Though these goals are foremost in policy documents, it only takes a small amount of digging to determine that every policy document bases all other goals on the country's willingness and ability to sustain institutions (private property, contract enforcement, banking systems, macroeconomic policy, etc.) that underpin effective neoclassical economic development. I structure this chapter in the following manner. I first outline the shift to orthodox neoliberalism to indicate the extent to which, and ways in which, the World Bank shifted from neoliberal to neoinstitutional perspectives. This, then, provides a background from which I detail the neoinstitutional shift, from development as 'structural adjustment' to development as 'governance'. While development as 'structural adjustment' has fairly straight-forward definitions, as is seen below, it is not immediately clear why it makes sense to call the neoinstitutional shift in World Bank approaches development as 'governance'. Governance has many different meanings across disciplines and even within economics.

For business, it refers largely to risk management,⁴⁸ while for transaction cost economics (Williamson 2000a, 106) it refers to tools for controlling opportunism. The World Bank Institute (2001, 2) defines governance⁴⁹ as “the process and institutions by which authority in a country is exercised.” It could therefore be argued that the World Bank’s new approach is more accurately termed development as “empowerment,” “participation” and “decentralization” than development as governance. However, as I argue throughout, the center of development along neoinstitutional economic lines still remains economic liberalization. The differences between structural adjustment and governance-based economic development therefore revolve around the institutions thought necessary for such development. Structural adjustment simply involves removing government from the economy and allowing prices to reflect free-market transactions. Governance proclaims creation of institutions at all levels of society so that they support economic growth. Governance institutions include judicial systems for enforcing contracts, anti-corruption initiatives, and structures for effective management of revenues. As the discussion below details, institutions supporting provision of health care, education, utilities, community development and other social welfare distributions can only take place with effective economic growth according to the World Bank.

4.1 Alleviating ‘crisis’ through rapid economic growth: from ‘embedded liberalism’ to orthodox neoliberalism

In the early 1980s, following the oil crisis and at the beginning of the Thatcher-Reagan decapitation of the Keynesian welfare state, the World Bank began to gradually but decisively move its high-level theoretical approach away from notions that state-led modernization could provide technological fundamentals necessary to ‘take off’ (Rostow 1960). The higher interest rates brought on by stagflation and the weakening dollar

⁴⁸ See, for example, Osterio (2007) or <http://www.focusonrisknow.com/focus/index.cfm/governance/>

⁴⁹ http://info.worldbank.org/etools/docs/library/205639/fy02_brief.pdf. Accessed 06 December 2006.

created a debt crisis in less-industrialized countries, which had received a veritable largess of variable interest loans from more-industrialized countries' banks flush in petrodollars. When interest rates skyrocketed, less-industrialized countries were faced with default or restructuring of their loans.

The World Bank and International Monetary Fund termed this a currency crisis, requiring that the now highly indebted (especially with the ballooning interest rates) countries rapidly earn currency by moving from state-led industrialization to export-led (primarily cash crops) development. The basic thread was first laid out comprehensively by the 'Berg Report' (1981), though at that time the World Bank did not fully abrogate the previous approach of neoclassical Keynesian synthesis.⁵⁰ The Berg report began with some caveats. The economic crisis in Africa was due in small part to external and internal constraints befalling Africa. Five internal constraints arose in significant part from the postcolonial situation. First, human resources were underdeveloped due to the colonial bias against African management and the lack of educational opportunities. Secondly, many countries experienced political instability due to what the Berg report attributed to "the pluralism of African societies and the difficulties of postcolonial political consolidation":

In some countries, the violence was sparked by liberation struggles, although in general the decolonization process was remarkably peaceful. In the wake of independence, violent internal conflict burst forth in many of the new nations, stemming from the pluralism of African societies and the difficulties of postcolonial political consolidation. Because cultures and languages are so diverse (probably more so in Africa than in any other region), the process of national integration – building new institutions and loyalties – inevitably involved strife. Also, since the borders that the new governments inherited frequently cut across ethnic lines, clashes were almost assured (Berg 1981, 10-11).

⁵⁰ See, for example, later editions of Samuelson's *Foundations of Economic Analysis* (1947; 1965; 1983). See also Paul Davidson's (www.newschool.edu/cepa/events/papers/051005_Davidson.pdf) discussion, "Samuelson and the Keynes/Post Keynesian Revolution: The Evidence Showing Who Killed Cock Robin." I am grateful to George DeMartino for assistance with this concept.

Third, Africa gained independence with “insecurely rooted and ill-suited institutions.” In particular, subregional groupings and colonial institutions were tabbed as unsuited to new political realities and particularly those underpinning economic development. These “ill-suited institutions” would seem to pre-figure development as governance, but were not at that time considered a major reason for underdevelopment. The final two internal constraints included “a climate and geography hostile to development, and rapid population growth” (Berg 1981, 9). External constraints included the rising price of oil, lower prices for primary products resulting from declining terms of trade, and trade barriers. The Berg Report suggested that because of these factors, more-industrialized countries needed to lower their own barriers to primary products. However, the report characterized external trade barriers as ambiguous deterrents at worst. For example, external barriers such as preferential trade policies by the European Union actually benefited sub-Saharan Africa by codifying preference for agricultural trade with Africa.

While the above constraints contributed to the economic crisis, “domestic policy deficiencies” were considered more important in the report (24). It is particularly interesting for comparison with development as ‘governance’ that domestic policy deficiencies were disconnected from the institutional deficiencies arising from Africa’s colonial past. Rather, policy deficiencies only concerned macroeconomic structures:

. . . domestic policy deficiencies and administrative constraints have also been important – in many cases, decisive – and will continue to block economic progress unless changes are made. . . The focus of the analysis is on the efficiency with which resources are used. Economic growth implies using a country's scarce resources – labor, capital, natural resources, administrative and managerial capacity – more efficiently. Improving efficiency requires, first, that a country produce those things which it can best produce as compared with other countries and, second, producing them with the least use of limited resources. While the analysis which follows will be restricted to these efficiency considerations, it is recognized that policymaking inevitably has to embody wider political constraints and objectives. However, the record of poor growth in most Sub-Saharan African countries suggests that inadequate attention has been given to policies to increase the efficiency of resource use and that action to correct this situation is urgently called for.

The main problem in sub-Saharan Africa according to the Berg Report was that the public sector was too deeply involved in economic production, which distorted incentives, moving resources away from the most efficient sectors. The report listed four internal policy factors as critical contributors to economic crisis. First, trade and exchange rate policies failed to provide incentives for agriculture and export industries. Secondly, technical and economic aspects of public policy, planning and resource allocation were weak. Thirdly, economic organization was not decentralized, emphasizing the private sector and competition. Finally, governments were much too large, and thus diverted resources away from production.

To earn necessary currency, states had to open up significantly to trade with the world market, and the only way to trade competitively was for each country to mobilize their comparative advantage. To do so, they needed to remove constraints on resource redistribution. The main sustainable comparative advantage that most African countries had was export (cash) crops. Therefore, countries needed to increase the productivity of agriculture by removing constraints on competition. Constraints on competition included overvalued currencies, trade barriers, marketing boards and state-owned enterprises.

Though the Berg report marked a rather clear break from state-led industrialization, other documents reflected the gradual nature of the move to policy hegemony. For example, the 1983 *World Development Report* (World Bank 1983, iii) acknowledges names such as David Korten (see Korten 1995), Robert Chambers and Amartya Sen (at the time one of the most prominent 'development economists'). The work was written under the general direction of Anne Krueger, whose classic piece in the 1970s was "The Political Economy of the Rent-Seeking Society" (Krueger 1974), a critique in particular of quotas as a tool of trade policy. However, she had only been at the Bank for a relatively short time. The 1983 report mentions the need for developing

countries to “continue their efforts to adjust their economies to the new external circumstances and thereby regain the confidence of their creditors.” However, the report combines discussion of macroeconomic efficiency and decentralization with continued concentration on strengthening of public sector management as a contributor to development. Private contracting, in the context of public services is mentioned as a marginal and problematic solution at the end of a chapter (World Bank 1983, 56) on managing state-owned enterprises:

This chapter has suggested that government interventions can result in large losses of efficiency and should therefore be selective. In the face of compelling political and social pressures, governments will always be tempted to do more than can be accomplished efficiently. Yet today's widespread reexamination of the role of the state is evidence of a new realism. In the search for greater cost-effectiveness in the provision of services, governments are exploring ways of tapping private initiative and simulating competitive conditions. The most common approach is to use private contractors in a variety of fields, from road maintenance to garbage collection. This serves to mobilize new managerial resources and, if well supervised, can greatly improve the quality and reduce the cost of services. Where reliance is placed on markets, however, governments are finding that price distortions can exact a heavy toll.

Much of the document deals not with structural deficiencies but rather with project management by government, parastatals, and private sector entities. This concentration represents the endstages of neoclassical-Keynesian synthesis within World Bank theoretical approaches. As the 1980s continued, neoliberal economics and structural adjustment became pervasive and sharply focused as these policies replaced project management-oriented solutions. This kind of crystallization is repeated with the shift to neoinstitutionally based development as ‘governance.’

The tone of development policy was clearly different by the late 1980s. No longer did development pieces emphasize efficient and effective organizations, particularly development states, or specific modernization projects. The formula for development policy consisted of trade opening, privatization, tightening fiscal policies, and comparative advantage. The 1987 World Development Report (World Bank 1987)

reflects this with principal contribution from Anne Krueger, who would remain at the Bank until 1988 before moving over to the IMF. This report concentrated on barriers to growth and adjustment, and industrialization and foreign trade. One can see in this report that the priorities of the 1983 report were switched almost diametrically. Whereas the 1983 report emphasized development project management and marginalized structural change, the 1987 report emphasized structural shifts. Development projects are mentioned only briefly in the post-adjustment context. Even medium term policies concentrate on removing trade barriers; reduction of public expenditures; “market-based” interest rates; a stable exchange rate; and removal of price controls, investment regulations, and such labor market regulations as higher minimum wage.

There is almost no mention of corporations, including multinational corporations, in the 1987 development report. This demonstrates how sharply focused World Bank concentration was on changing government policies. Corporations were only mentioned in relation to particular sectors (e.g. service versus manufacture) or in the context of providing an attractive regulatory environment for corporations. Unlike even the neoinstitutional literature, corporations were nearly invisible, and indeed were primarily placeholders for sectoral interactions (e.g. agricultural corporations, manufacturing corporations). Their internal organization was irrelevant.⁵¹

4.2 Moderating neoliberalism: Institutions and ‘sustainable growth’

The shift to neoinstitutional approaches began in the late 1980s (even as structural adjustment was crystallized in policy), which researchers argue was spurred on by a number of events.⁵² First, the end of the Cold War removed the primary state-based rival for “the West.” Secondly, increasing globalization provided indications that government

⁵¹ Watts (2008, 60) makes this point in the context of petroleum and the “resource curse”: “What is the most striking aspect of these articulations of oil politics and civil conflict is that the agency of the oil companies. . . have no analytical presence in the models of rebellion or civil war.”

⁵² See overview in Pender (2001).

facilitation was necessary for effective economic growth. Thirdly, the World Bank was under significant pressure from the record in Africa, where structural adjustment programs were widespread and yet the continent was not progressing as planned. Fourthly, the example of externally focused and yet statist Asia brought into further question the efficacy of simply removing constraints to the free market. Questioning about “what to do next” were amplified by the Asian economic crisis and the Mexican economic crisis, the latter of which happened to a “model member” of the market liberalization countries. These conditions and the pressure on the Bank brought about intense social movement pressure, which clearly had an effect on how the Bank advertised itself and interacted with key stakeholders.

One can see in particular in discussion papers that social movement pressure became very important beginning in 2000, as a direct result of the “Battle in Seattle” and demonstrations in Genoa, Prague and elsewhere. However, social movement pressure is approached differently depending on the level of abstraction that documents are written. In high level research and policy reports, social movement pressure is mentioned matter-of-factly as one of the contexts of the shift to the governance approach. However, the rationale for the governance approach is economic. At the level of World Development Reports, shifts in economic theory are very important for the argument, and social movement pressure tends to be downplayed if mentioned at all. However, the Comprehensive Development Framework, Poverty Reduction Strategies and other policy structure documents downplay social movement pressure but incorporate the discourse of social movement pressure (e.g. transparency, poverty reduction, sustainability, environment, local empowerment) into most of the documents, often only tenuously connected to the neoinstitutional economic theory that provides objective justification.

The brand of neoinstitutional economics used by the World Bank is primarily that which concentrates on social and political underpinnings of economic growth. These include property rights protection and contract enforcement in particular. Only in marginal texts about small and medium enterprise development, or tactics about privatization of public utilities, would the transaction cost work on “make or buy” decisions come into discussions. Thus, because this project is primarily about interactions between petroleum multinationals and rural areas of Central Africa, “make or buy” discussions have little relevance because they are primarily about how business is constructed internally rather than broader interactions. This is fascinating, though detailed exploration is beyond the project at hand. The Bank’s bylaws prohibit political involvement, yet structural adjustment and especially governance approaches to development are primarily about changing governments and civil society in the interests of providing appropriate inducements for corporations and individuals who undertake economic growth. A fully neoinstitutional approach would involve extensive exploration of choices not only between when to produce through public versus private corporations, but also would privilege projects that help businesses of all sizes to decide between contractual transactions on the market and integration of production within corporate hierarchy.

Picciotto (2002) provides a broad-based and direct exposition of the shift from neoliberal to neoinstitutional approaches. In papers on scaling up and “putting institutions to work,” he states that World Bank policy changes are required by the globalization of the global economic environment:

The upgrading of development ambition from investment operations and country strategies to global policies would extrapolate a secular trend that has propelled the development business from the pioneering phase of projects conceived as “privileged particles of development”; to the neo-classical phase of macro-economic adjustment; to the advent of environmentally and socially sustainable development and most recently to the adoption of country based comprehensive development frameworks. Because the global economy is increasingly interconnected, the development enterprise must be

reshaped to reflect shared objectives, distinct accountabilities and reciprocal obligations between rich and poor countries. Because development is a social transformation process, the development paradigm must become holistic. Because incentives matter, development metrics must be reconsidered to emphasize results (Picciotto 2002, 1) . . .

The urgent need to reform economic institutions arises out of three main factors: (1) the growing interdependence of the international economy and the physical environment; (2) the explosive impact of demography and technology; and (3) the tight fiscal constraints on governments and development agencies (Picciotto 1995, 17).

These factors are interrelated. The world economy has become global not only as a result of trade liberalization but also because of innovations in telecommunications and information technologies. These technologies have made governance failures more visible. The fiscal constraints that plague the public sector are themselves the indirect result of unstable monetary and fiscal policies triggered by global shifts in exchange rates, interest rates, and capital flows (ibid.).

Picciotto (1995; 2002) uses Hirschman's (1970) notions of voice, loyalty and exit to explicitly characterize how the World Bank's shift in approach reflects the shift to neoinstitutional ("new institutional") economics

By the turn of the century, the scaling up process had culminated in the promotion of country based poverty reduction strategy papers and associated debt relief for deserving highly indebted poor countries (Picciotto 2002, 3).

These shifts in development practice were accompanied by a partial retreat of neoclassicism and a surge of interest in the new institutional economics. Whereas market failure dominated development thinking in the pioneering years, the risks of government failure emerged as a major concern of decision makers by the eighties. In the nineties, the scaling up challenge was revisited to take explicit account of the complementary roles of the state, market and voluntary sectors. By the time the millennium development goals were framed, the doctrinaire views of market fundamentalists and anti-capitalist protesters had been set aside and a *pragmatic mix of market-friendly, people-friendly and environment-friendly policies had laid the foundations for a new development consensus* [emphasis added] (ibid.).

The consensus of development practice according to Picciotto has three legs. The first leg is the exit option; that is, removal of government constraints on the market mechanism. Picciotto (2002, 7-8) indicates the difference between neoliberal and neoinstitutional approaches to development when he argues:

the disappointing results observed at the global level [in the 1980s] suggest that the exit option may have been overemphasized. It is not enough for developing countries to adopt outward oriented policies in order to create a sustainable enabling environment for private enterprise, innovation and investment. Such policies must be backed by *organizational structures and behavioral norms that facilitate business transactions and protect property rights, promote competition and open up opportunities for the poor to*

participate in the market economy. Hence, the hierarchy of the state needs strengthening. Equally, human development programs and pro-poor organizations must be promoted to implement people friendly and environmentally sustainable policies. To this end, the voice option needs to be energized [emphasis added].

Governments are primarily responsible for the second leg, the ‘loyalty’ option. Governments provide the enabling environment in the form of infrastructural services that are critical to smooth operation of the present-day globalized economy. These include roads, telecommunications, electricity and other large public goods that cannot be efficiently provided by the market. In addition, governments provide the ‘level playing field’ of property rights, “the functioning of finance and labor markets, and broader governance features such as corruption” (World Bank. 2005, 1). Governments accomplish such regulation through effective “property rights, regulation, taxes, finance, infrastructure, corruption, and other areas of government policy and behavior” (ibid, 2). Market activity can only take place effectively in an environment where institutional ‘rules of the game’ are transparent, where organizations are held accountable, and where there is sufficient infrastructure for globally competitive production.

The final leg, the ‘voice option’, is civil society. In order for economies to operate efficiently, it is necessary for appropriate organizations and behavioral norms to be respected. This is the realm of the voluntary sector or civil society. Civil society organizations also go beyond the requirements of neoinstitutional economics for infrastructure, legal systems and macroeconomic policies, to support the ‘pro-poor’ as well as ‘environmental protection’ initiatives necessary for an economic development that is broad and sustainable. These include provision of adequate education, health care and nutrition. In order for civil society to have a voice, it is necessary to support a political environment that is responsive to civil society concerns. Thus, liberal democratic structures become part of broader economic development.

As with the shift from embedded liberal to neoliberal institutions, it takes time for World Bank researchers and policymakers to integrate concepts accepted in discussion papers into policy documents and project plans. The Bank must filter the neoinstitutional shift through the lens of poverty alleviation as it plays out in particular projects. Institutions are required to empower poor people, and to create efficient markets where benefits flow to poor people (World Bank 2002, 3). The Bank accomplishes this in the following ways. First, World Development reports concentrate on ‘big ideas’ associated with the shift. For development as governance, the big ideas were broken into three sets: governance, enabling environment and capacity building. Secondly, the Bank creates new project templates. For development as governance, these include the Comprehensive Development Framework and Poverty Reduction Strategy Papers. Thirdly, the Bank gradually works formulas into all country interactions. For development as governance, the formula included ‘empowerment’, the rule of law, sustainable development, country and local ownership and decentralization, participation, accountability, transparency, anti-corruption and many other facets that changed somewhat depending on the nature of the project.

In addition to discussion papers, where ideas are explored most widely, the World Bank explores ‘big ideas’ through special policy reports. In *Sub-Saharan Africa: From Crisis to Sustainable Growth* (World Bank 1989), the World Bank explicitly downplayed macroeconomic policy and allocative efficiency. Macroeconomic adjustment policies became part of the ‘enabling environment’, to be supplemented by ‘capacity building’ and ‘governance’:

although sound macroeconomic policies and an efficient infrastructure are essential to provide an *enabling environment* for the productive use of resources, they alone are not sufficient to transform the structure of African economies. At the same time major efforts are needed to *build African capacities*-to produce a better trained, more healthy population and to greatly strengthen the institutional framework within which development can take place. This is why the report strongly supports the call for a human-centered development strategy made by the ECA and UNICEF.

A root cause of weak economic performance in the past has been the failure of public institutions. Private sector initiative and market mechanisms are important, but they must go hand-in-hand with good governance—a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to its public. And a better balance is needed between the government and the governed. (World Bank 1989, xii). . .

Weak capacity in both the public and private sectors is at the very core of Africa’s development crisis. In the most fundamental sense development depends on the capacity to initiate, sustain, and accommodate change. Africa’s governments were grafted onto traditional societies and were often alien to the indigenous cultures. Its economies were dualistic, with modern sectors that remained highly fragile. Many governments proved unable to cope with the political stresses of rapid modernization and the unstable external environment of the 1970s and 1980s.

The structural adjustment programs of the early 1980s aimed to improve resource allocation primarily by correcting distortions in prices and markets. But these programs only set the stage for increasing production. It was soon appreciated that, to bring about real and enduring development, a transformation of the production structures was required and, furthermore, that the capacity of people and institutions to deal with change must be enhanced (World Bank 1989, 38).⁵³

From Crisis to Sustainable Growth downplays difficulty of the paradigm shift associated with moving from neoliberal to neoinstitutional approaches, arguing, “It was soon appreciated that. . . the capacity of people and institutions to deal with change must be enhanced.” This contention is at odds with Picciotto’s argument that the World Bank only hesitantly came to supplement market liberalization with institution building. This hesitancy is also demonstrated by the fact that both the Berg report and this 1989 report mention the problems African governments inherited from colonial structures. However, the Berg report downplayed the destructive power of these structures and concentrated on the macroeconomic policy deficiencies. The 1989 report centered on the problems that governments inherited from their colonial histories, as well as dualistic market structures

⁵³ One of the most fascinating aspects of *From Crisis to Sustainable Growth* is the concentration on informal and ‘traditional’ economic institutions. Entrepreneurs are seen as often operating best in informal economies where bureaucratic restrictions are by definition absent. In a similar manner, the Bank argues that local tontines (or savings societies) have proven to be quite effective for acquiring finances necessary to build economic organizations. However, to support economic activity in the present-day environment of globalization, these informal economies and local savings societies must be ‘scaled up’ through larger banking organizations and corporations. Multinational corporations assist in a number of ways. First, they can provide financing. Second, they can provide technological knowhow. Third, they can provide the experience with best practices necessary to survive in the current global environment.

and generally weak organizations. These weaknesses according to the 1989 report made governments unable to cope with market liberalization.

The difference between Picciotto's analysis and the 1989 World Bank report also indicates the spectrum of thought that the Bank moves through in shifting from one paradigm to another. At the level of discussion papers, there is more room for directly assessing the efficacy of World Bank policy, but analysis is more adherent to economic conceptual constraints. As focus sharpens from discussion through high level policy research (*From Crisis to Sustainable Growth*) to lower level policy research (World Development Reports) and policy implementation, there seems to be less acknowledgement of error, and more assumption of rapid and rational shift from one approach to another. In addition, economics becomes steadily more buried in policy and project goals.

A second important high level policy research document was the World Bank's (1995) *Bureaucrats in Business*. This report sought to concentrate on why, even though they were clearly (according to the report) less efficient producers than private firms, states still owned a significant proportion of enterprises in developing countries. At the time there had been over a decade of divestiture efforts. To make this argument, the Bank moved away from concentration on development as shift from inefficient to efficient incentive structures (that is, shift from state control to private sector control) and moved toward concentration on development as shift from governance structures that support ineffective economic activities and toward governance structures that support effective economic activities.

The Bank sought to demonstrate three items in the report. First, divestiture and other economic reforms improve economic performance. Secondly, politics can impede reform and perpetuate inefficient economic institutions, thus creating sustainable

inefficient equilibria. Third, countries that have implemented successful strategies to overcome the obstacles of politics utilize three aspects of the political context. Reform must be desirable to political decision-makers. Second, overcoming opposition to reform must be politically feasible. Finally, reform must be judged as credible; that is, promises to protect private property and compensate fired employees must be believable. Because of the difficulty surrounding transformation of entrenched institutions, the World Bank suggests that times of economic and political crisis and transition, including change in regime or political coalition, are often the best times for creating more effective economic institutions.⁵⁴

According to *Bureaucrats in Business*, the basis of sustainable reform in contexts of inefficient economic institutions sustained by entrenched political constraints is the well-formed contract (written or unwritten). To improve incentive structures, contracts must accomplish three things. They must address problems of inequitable information between parties. They must include sufficient rewards and penalties to assure compliance. And finally the parties in the contract must demonstrate credible commitment to “attaining the desired outcome – improved economic performance” (World Bank 1995, 109). This report was heavily influenced by neoinstitutional thinking, employing the assistance of Nobel winners Oliver Williamson and Douglass North, among others (including Picciotto and Bates).

Throughout the 1990s and the 2000s, World Development Reports have continued to elaborate and formalize development as ‘governance.’ Strategies for development as ‘governance’ have advocated broader roles for government and broadly interventionist projects to prepare the ground for decentralized development management whereby local individuals and groups gain the proper orientations for market-friendly

⁵⁴ See Haggard and Kaufmann (1995) for extended discussion of economic liberalization and political transitions.

development and then increasingly define their own development projects. Three qualities are formalized throughout the reports, and these qualities mirror somewhat the three legs of Picciottio's development chair. Governance ("loyalty") provides the rules and enforcement mechanisms for assuring accountability and transparency. The enabling environment ("exit" and "loyalty") provides the macroeconomic, infrastructural, and regulatory foundations for market-friendly institutions. Finally, capacity building ("voice") refers to 'scaling up' community dynamics so that local groups are empowered to exercise the control appropriate to market-friendly participation in the global economy.

Governance is the foundation of the new World Bank concentration because all economic and social initiatives depend on accountability and transparency. Governance is also most directly related to the core transaction cost economic notion of market vs. hierarchy being driven by decisions about how to reduce transaction costs associated with opportunism. However, transaction cost economics deal primarily with questions about whether to make or buy products. The World Bank, however, defines governance policy much more broadly to cover rules and governing structures as well as habits, perspectives, micro-interactions and social identities at all levels. Evolutionary neoinstitutional economics covers this broader view somewhat, but even with the addition of new economic sociology concentration on networks does not cover social identities to the extent that the World Bank integrates social identity.

The topmost aspect of governance has been the fight against corruption, which recently became the main objective of World Bank President Paul Wolfowitz before he was forced to resign due to questions about favoritism toward a friend. Pasternak (2006, 10) echoes Picciotti in arguing that while corruption was considered to be a country's internal prerogative and therefore counter to the charter, globalization (and other transformations) changed this. Pasternak also, even more explicitly, refers to the impact

of social movements (“anti-globalization movements”) on policy changes by international financial institutions:

This situation has changed dramatically in just a few years. Three major processes caused corruption to become the center of attention for the international community as a whole and for IFIs in particular. Firstly, the effects of globalization radically increased economic and political interdependence between the countries and raised the costs of corruption for the developed nations. Secondly, the collapse of the Communist block brought the Cold War to an end and opened the doors to western ideologies of democratization and liberalization. Thirdly, the negative consequences of liberalization and privatization policies, which according to some studies were partially caused by corruption, brought about the anti-globalization movements.

Pasternak continues (10-11) with an explicit critique of privatization if it does not concentrate on corruption:

In the environment of the global market place, greatly facilitated by the IFIs, the efforts of the institutions to promote development and to help countries to bypass economic crisis through adjustment and investment lending faced enormous difficulties. While corruption was a major problem in most of the IFI's client countries, the loans provided by the IMF, the World Bank and later on the Regional Development banks created two major problems. First, rapid privatization and market liberalization provided exceptional opportunities of quick enrichment for local entrepreneurs who had connections with corrupt government officials as well as for the officials themselves. In the former communist countries entrepreneurs, through bribes and connections, were able to buy billions worth [of] state owned assets for a relatively small amount of money. They then on sold the assets for the market price and with the opening of the capital markets moved the money out of the country.

Economic liberalization opened new markets and trade opportunities, yet it also increased the impact of corruption on the economies of the Western countries. *As western corporations became more involved in businesses around the world the problem of corruption, mostly in terms of solicitation of bribes, collusion and patronage, became a big part of their experience abroad* [emphasis added].

For Pasternak, the World Bank needed to increase concentration on corruption because of the collapse of Communism and the negative consequences of liberalization (partially caused by corruption) bringing about “anti-globalization movements.”⁵⁵

⁵⁵ Pasternak makes the particularly interesting argument that western corporations largely became involved globally only recently. It was only then that they began to experience corruption. I show in Chapter 6 that western corporations have been intimately involved for generations in these areas, and that Pasternak's argument offers a clear example of how corporate involvement has been ignored in World Bank policy documents.

The World Bank has expanded governance into much more broadly political arenas as well. Incorporating liberal democratic political change, the World Bank Institute (2001, 2) defines governance thus⁵⁶:

Related to the analytical and empirical R&D/research work conducted: *Governance is the process and institutions by which authority in a country is exercised:*

- (i) the process by which governments are selected, *held accountable, monitored, and replaced;*
- (ii) the capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and,
- (iii) the respect for the institutions that govern economic and social interactions among them. We have operationalized governance from this definition, by unbundling its definition into components that can be measured, analyzed, and worked on in concrete fashion.

Each of the three main components of Governance can be unbundled into six subcomponents, namely: i) Voice and Accountability; ii) Political Stability and lack of Violence; iii) Quality of the Regulatory Framework; iv) Government Effectiveness; v) Control of Corruption, and, vi) Rule of Law. Clearly, from this approach a broadening of the approach has taken place, transcending narrow corruption concerns [emphasis in original].⁵⁷

Pasternak and others argue that the challenges brought by globalization, challenges that require going beyond considerations of static comparative advantage, have meant that the World Bank must advocate a much broader mandate involving not just governmental exit from the market but exercise of public authority and even processes (for Kaufman et al.2000/, ‘traditions’ as well) surrounding how governments are changed. That is, democratic institutions become an explicit concern underlying economic development.

⁵⁶ http://info.worldbank.org/etools/docs/library/205639/fy02_brief.pdf. Accessed 06 December 2006.

⁵⁷ Kaufman et al {, 2000 #4658} define governance along the same lines but with subtle but clear differences.

Governance consists of the *traditions and* [traditions not mentioned by World Bank Institute] institutions by which authority in a country is exercised. This includes:

- the process by which governments are selected, monitored and replaced,
- the capacity of the government to effectively formulate and implement sound policies [management of resources is not mentioned], and
- the respect of citizens and the state [citizens and state not specified by World Bank Institute] for the institutions that govern economic and social interactions among them.

This directly political approach seems to clearly violate Article IV, Section 10 of the Articles of Agreement.⁵⁸ This is entitled “Political Activity Prohibited”:

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.

Mantilla (2006, 25-26) addresses this question in regard to truth commissions:

One possible limitation on involvement could be the requirement that the Bank shall not interfere in a country’s political affairs or be influenced by the political character of its members. In this sense, only economic considerations are to be relevant to World Bank decisions. Thus, discussions of the meaning of “political affairs” should be encouraged. It is clear that the Bank may not convene a tribunal to judge a member country’s policies during an armed conflict or a repressive regime. But could it facilitate financial support to an unstable country afflicted by armed conflict and human rights violations? If so, under what conditions? Do those conditions constitute judgment of, or interference in, the political affairs of the member state?

Whether expansion of governance to include how regimes change violates the prohibition against political activity, it is clear that the World Bank is going beyond transaction cost opportunism or evolutionary economics historical accident, seeking to formally intervene in the promotion of broad-based political ‘governance,’ even if only in a facilitative manner. Even more than this, the Bank extends governance into interactions at all levels of society, and into the dynamics of social identity. Because market-friendly (and therefore “pro-poor”) institutions are not necessarily present in societies, it is necessary to include capacity building to scale up appropriate individual and collective behaviors and to create and promote behaviors that are absent (e.g. respect for individual ambition and risk-taking).

With government and other actors providing necessary surveillance for economic transparency, the enabling environment then provides the bedrock upon which individual

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<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049603~pagePK:43912~piPK:36602,00.html#I11>. Accessed 06 December 2006.

interactions can effectively promote development. This includes the macroeconomic policies associated with structural adjustment, including reduction of trade barriers, currency adjustment, and interest rates and other financial regulation. Governments are responsible for sustaining appropriate macroeconomic policies. However, they have additional roles under development as ‘governance,’ because of the need to incorporate proper orientations toward market activity within populations. First, governments are responsible for facilitating the development of infrastructure (e.g. transportation, communications and utilities) necessary to scale up development for global competition. This need not necessarily mean that governments actually take charge of the public service production itself, but rather coordinate the most appropriate public and private service delivery organizations. Secondly, governments are responsible for developing judicial institutions that enforce contracts and protect property rights. The latter are basic institutions of neoinstitutional economics. The World Development Report for 2002 (2002, iii) states:

Effective institutions can make the difference in the success of market reforms. Without land-titling institutions that ensure property rights, poor people are unable to use valuable assets for investment and income growth. Without strong judicial institutions that enforce contracts, entrepreneurs find many business activities too risky. . . . And weak institutions hurt the poor especially. For example, estimates show that corruption can cost the poor three times as much as it does the wealthy.

Neoliberal policies assumed that there was no need for an enabling environment, and if only the government removed itself from production decisions, the market system would spontaneously achieve efficient equilibrium. For development as ‘governance’, however, it is necessary to create conditions amenable to market-friendly production. These are ‘level-playing-field’ requirements, whereby global entrepreneurs can be sure that if they invest in a country they will have the necessary utilities, property protections, and transaction enforcement to build competitive industries.

Capacity building refers to the need to create well-trained, entrepreneurial individuals that can contribute to enterprise growth. For the Bank, economic development must involve deep social transformation creating the personal orientations necessary for decentralized development. Decentralized development is the goal of the World Bank's new orientation. Therefore, with basic rules and surveillance (governance), a "level playing field" for competition (enabling environment), the final necessary ingredient is a populace that is empowered to take local ownership of economic development. Capacity building entails the following, from the "Governance and Anti-Corruption"⁵⁹ segment of the World Bank Institute website:

disseminating conceptual guidance and lessons from practices and facilitating learning from each others' experiences on ideas and practices that promote responsive (matching public services with citizens' preferences), responsible (efficiency and equity in service provision without undue fiscal and social risk) and accountable (to citizens for all actions) public governance in developing countries.

Governance, the enabling environment and capacity building all accord with evolutionary economics, though only governance fits closely with transaction cost economics. However, whereas evolutionary and other neoinstitutional economists are unsure of the efficacy of intervention in cases of low democracy and below-threshold economic development, the Bank assumes that it has the tools to enable the necessary intervention. The role of the World Bank, then, revolves around helping less-industrialized countries to build capacity for efficiently operating liberal democracies and market economies.

Capacity building also includes provision of basic needs including health, education, nutrition and family planning. The 1990 World Development Report on *Poverty* describes interaction between poverty alleviation and economic growth thus (World Bank 1990, iii):

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<http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/PSGLP/0,,menuPK:461646~pagePK:64156143~piPK:64154155~theSitePK:461606,00.html>. Accessed 08 December 2006.

A review of development experience shows that the most effective way of achieving rapid and politically sustainable improvements in the quality of life for the poor has been through a two-part strategy. The first element of the strategy is the pursuit of a pattern of growth that ensures productive use of the poor's most abundant asset-labor. The second element is widespread provision to the poor of basic social services, especially primary education, primary health care, and family planning. The first component provides opportunities; the second increases the capacity of the poor to take advantage of these opportunities.

Concentration on ancillary social services provides the integration mechanisms between neoclassical economic growth (in the neoinstitutional form) and the “poverty alleviation” mandate of the World Bank. Bank documents particularly in the realm of specific policy frameworks seem to concentrate on issues of health care, education, nutrition and other provision. However, at the end, the Bank believes that these social services are only available when the central issue of economic growth through market-friendly mechanisms is taken care of.

4.3 Comprehensive development and Poverty Reduction Strategy

Throughout the 1990s, the Bank continued to institutionalize the new theoretical approach to development as ‘governance for poverty alleviation in the new globalized world’. In 1995, James Wolfensohn was selected as the World Bank President, and in the years following he exercised critical influence in consolidating the Bank’s ‘renewed’ concentration on poverty alleviation. In 1999, largely in response to increasing criticism of the World Bank’s orthodox neoliberal approach in light of the 1994 Mexican financial crisis, as well as continuing (if muted after the 1997 Asian financial crisis) admiration for East Asian directed market economies, Wolfensohn presented a draft memorandum laying out his new vision for the World Bank. Entitled “A Proposal for a Comprehensive Development Framework,” this document laid out in broad brush a ‘holistic’ framework that was ‘results-oriented’ and emphasized ‘country ownership’ and broad ‘partnerships’.

The CDF was originally described by Wolfensohn in his draft memo⁶⁰ using the following language:

What is necessary is an overarching framework - an approach agreed with the government concerned - which will allow us all to work together to meet our goals for *poverty alleviation* and *environmental sustainability* [emphases added]. On the basis of such work, we would then be able to present a right-hand side of the Country Balance Sheet which would allow for a more comprehensive analysis and more soundly based action. . .

This language was refined in the World Bank report *Toward Country-Led Development* (World Bank 2003, iii):

Development strategies should be comprehensive and holistic, and shaped by a long-term vision. Past emphasis on short-term macroeconomic stabilization and balance of payment pressures overwhelmed longer-term structural and social considerations (for example, expanding and improving education and health facilities, maintaining infrastructure, and training a new generation of public officials).

The Country Balance Sheet described by Wolfensohn consists of the following two sides. On the left side are the macroeconomic issues⁶¹ such as those that formed part of the structural adjustment programs. On the right side are the

structural, social, and human aspects. It must go beyond the familiar statistics of infant and maternal mortality, unemployment and children in school, to address fundamental long-term issues of the structure, scope and substance of societal development. . . [W]e in the development field have been less successful in giving an accountable presentation of the status of structural work and social progress (Wolfensohn 1999).

Incorporating the “structural, social and human aspects” required a broad and deeply invasive development structure, aimed at assessing and if necessary intervening in government and civil society processes at all levels. With the Comprehensive Development Framework, like with previous documents, Wolfensohn defined governance in close connection with transaction cost economists such as Oliver Williamson. However, Wolfensohn’s broader framework accorded more closely with North’s evolutionary economics, in that history, ideas and power were important.

⁶⁰ <http://go.worldbank.org/QMTT620DQ0>. Accessed 15 March 2009.

⁶¹ “GDP statistics, interest rates, reserves statistics, percentage growth statistics, and so on as a basis for monetary and fiscal policy” (Wolfensohn 1999)

However, while neoinstitutional economists put little faith in intervention for change because of the long-term historical nature of institutional change (North) or the perceived lack of requisite political environment for development (Williamson), Wolfensohn and the World Bank created a framework for broad and deep intervention designed to develop capacities at all levels for participation in the market-oriented economy. These interventions went far beyond economic institutions. Indeed, the policy agenda was packed with initiatives for broad social participation (governments, private sector, religious groups, ethnic groups, environmental organizations, and so on) and basic needs development (water, education, health, nutrition, family planning, environmental sustainability).⁶² These initiatives are placed under the umbrella of development as ‘governance’ because they are woven together by the rules, regulations and organizations that the World Bank argues promote transparency, accountability and openness. The macroeconomic side requires private property protection and contract enforcement. The social development side requires transparent revenue allocation.

In addition to being “holistic,” the Comprehensive Development Framework is “results-oriented”:

Development performance should be evaluated through measurable, on-the-ground results. The traditional emphasis on disbursement levels and project inputs has measured resource allocation and consumption. What really matters is impact on people and their needs (World Bank 2003, xviii).

This call for results-oriented measurement and evaluation seems a critique not of structural adjustment but the state-led modernization of the past. However, it also reflects how ‘participatory’, ‘comprehensive’ development is expected to be conducted. Such development is still to be conducted in a particular manner, vis-à-vis the following quote from the World Bank website⁶³ on the results focus for the CDF:

⁶² At the end of the next chapter, I detail critiques from Craig and Porter (2006, chap. 6); Li (2007, 234) of World Bank emphasis on densely designed packages whereby local control of development is established.

⁶³ <http://go.worldbank.org/TIVIFS2G0>. Accessed 15 March 2009.

The process of defining a long-term vision and a national development strategy therefore includes identifying desired goals in terms of quality of life among potential beneficiaries of development assistance and setting realistic, monitorable, time-bound and preferably quantitative targets, and progress indicators related to those goals.

Thirdly, the Comprehensive Development Framework (World Bank 2003, xviii) argues that development ultimately be owned by the country because they are responsible for final design and implementation:

Development goals and strategies should be “owned” by the country, based on citizen participation in shaping them. While donor-driven aid delivered under structural adjustment was sometimes effective, in many cases painful and lengthy adjustment measures were eventually undone. When countries have greater say in shaping reforms, governments and their citizens will be more committed to seeing them through.

Recipient countries should lead aid management and coordination through stakeholder partnerships. Partnerships built on transparency, mutual trust, and consultation can improve aid coordination and reduce the inefficiencies, asymmetrical power relationships, and tensions of donor-led aid initiatives.

By 2000, development as ‘governance’ was formalized within Poverty Reduction Strategies. The 2000 *World Development Report – Attacking Poverty* (2000) provided the structure on which the Poverty Reduction Strategy paper was based. Though calling economic reform central to development, the report offered a vision going far beyond the macroeconomic reforms central to structural adjustment. In addition, the report covered the post-World War II history of development as a process of increasing understanding of the complexity of development. It offered a three-pronged approach to poverty reduction:

Promoting opportunity: Expanding economic opportunity for poor people by stimulating overall growth and by building up their assets (such as land and education) and increasing the returns on these assets, through a combination of market and nonmarket actions.

Facilitating empowerment: Making state institutions more accountable and responsive to poor people, strengthening the participation of poor people in political processes and local decisionmaking, and removing the social barriers that result from distinctions of gender, ethnicity, race, religion, and social status.

Enhancing security: Reducing poor people’s vulnerability to ill health, economic shocks, crop failure, policy-induced dislocations, natural disasters, and violence, as well as helping them cope with adverse shocks when they occur. A big part of this is ensuring that effective safety nets are in place to mitigate the impact of personal and national calamities.

Poverty Reduction Strategies moved focus deep into the microstructures of public policy, all with the stated purpose of strengthening opportunity, empowerment and security for the poorest and most marginalized. These strategies proposed to affect change through decentralizing responsibility, accountability and voice so that the marginalized would have voice, resources and incentives to benefit from “expanded economic opportunity.” This again seemed to represent a major shift in development thinking, though in many ways very different from neoinstitutional and even evolutionary economics. It replaced the pessimism of evolutionary economics regarding short-term directed change, and the almost complete focus on opportunism of transaction cost economics, with an energetic and multi-faceted strategy for intervening in societies to affect the kinds of institutional changes that neoinstitutional economists argue are necessary for effective economic development. The World Bank went still further and instituted a broad-ranging articulation of culture and society including dynamics of ethnicity, gender and inequality.

Given this, deeper reading of the Bank’s policy rationales indicates that free-market economics is still central to development. Considerations of poverty and inequality may affect the rate and sequencing of reform, or distributional initiatives accompanying reform. However, ‘pro-poor’ development revolves around the benefits of trade openness, floating currency, smaller government, and private enterprise involvement in all productive activities including public utilities. Thus, local participation involves multiple strands that modify one another. First, economies must develop within realities of global interaction. Therefore, local initiatives must be scaled up to permit competition in the global economy. At the same time, Poverty Reduction Strategies emphasize the need to encourage information flow to poor people that also enables them to engage in the global marketplace:

Investment and technological innovation are the main drivers of growth in jobs and labor incomes. Fostering private investment requires reducing risk for private investors-through stable fiscal and monetary policy, stable investment regimes, sound financial systems,

and a clear and transparent business environment. But it also involves ensuring the rule of law and taking measures to fight corruption-tackling business environments based on kickbacks, subsidies for large investors, special deals, and favored monopolies.

Special measures are frequently essential to ensure that microenterprises and small businesses, which are often particularly vulnerable to bureaucratic harassment and the buying of privilege by the well-connected, can participate effectively in markets. Such measures include ensuring access to credit by promoting financial deepening and reducing the sources of market failure; lowering the transactions costs of reaching export markets by expanding access to Internet technology, organizing export fairs, and providing training in modern business practices; and building feeder roads to reduce physical barriers (World Bank 2000, 8).

Secondly, revenue from economic growth allows for the funds necessary to affect participatory development at the local level, development that includes strengthening security of the poor, investment in social welfare, and empowerment of the poor to “effect their own futures,” the assumption being that these futures will involve gaining resources through participation in the global market. Thirdly, pervasive inequality; corruption; weak banking and financial systems can make rapid privatization destructive to an economy. Therefore, it may be necessary to sequence or delay market liberalization so as to make institutions prepared to enforce the rules of the game that make effective economic development possible. Fourthly, international action by developed countries is necessary including opening of their markets, conditional debt relief and provision of public goods.

Critical to the Poverty Reduction Strategies, as with the Comprehensive Development Framework in general, is the concept of “ownership.” This underlies the attribution of PRSP authorship to countries. In this view, sustainable development can only occur if countries commit to transformation from deep within government bureaucracies and deep into local communities. Thus, PRSPs emphasize participation by broad sectors of society in the process leading to publication of the PRSP. This most emphatically does *not* mean that PRSPs are written according to country-inspired

templates and designs. The design is explicitly and meticulously laid out on the World Bank website. Most importantly:

The fact that solutions to poverty therefore cannot be based exclusively on economic policies, but require a comprehensive set of coordinated measures lies at the heart of the rationale underlying comprehensive poverty reduction strategies. Economic growth, however, remains the single most important factor influencing poverty, and macroeconomic stability is essential for high and sustainable rates of growth. Macroeconomic stability must therefore be a key component of any poverty reduction strategy.⁶⁴

Thus, ownership, empowerment, participation, local control, authorship and most importantly concessional loans are all based on the non-negotiable assumption that economic growth is critical for poverty alleviation, and macroeconomic stability is necessary for economic growth.

4.4 International business and ‘development as governance’

The Comprehensive Development Framework and Poverty Reduction Strategies name three major sets of domestic actors (state, market, and civil society) but concentrate policy recommendations primarily on particular state and civil society organizations, so as to ensure that “the market” functions effectively. While development following the Comprehensive Development Framework and resultant poverty reduction strategies is re-conceived as holistic, participative, comprehensive, pro-poor and sustainable, business organizations are emphasized as being “at the heart of the development process” (World Bank. 2005). Multinational corporate actors are mentioned only briefly in the context of development reform, however, with regard to upholding ethical investment practices, labor and environmental codes (World Bank 2000, 12, 107). Small business development is more prominently mentioned, as part of reforms (microfinance, land tenure, deregulation, removing obstacles for women) geared toward helping the poor to establish and run small businesses, and upgrade their skills and information in order to compete given the global economy. However, the main mention of business is abstract,

⁶⁴ <http://go.worldbank.org/C8ABFQUIV0>. Accessed 7 July 2008.

in terms of ways that public policy and civil society mobilization can improve the “business environment.” This is still very much a neoliberal approach to firms, an approach that unlike the “transaction cost” approach to neoinstitutional economics, does not move appreciably into the hierarchy of the corporation to look at business organization.

Because of this gap in research and high-level policy documents and project designs, it is important to look elsewhere for information about World Bank interaction with multinational corporations in the context of development as ‘governance.’ The primary references relating directly to business organizations, and not the “business environment,” are tactical. They do not resemble at all the comprehensive plan that development as ‘governance’ holds for state and civil society. Rather, documents include criticisms of pressure on business to intervene in non-business arenas, some literature indicating that businesses need to work harder on anti-corruption and promoting transparency, and overviews of corporate social responsibility.

The background paper to the 11th International Business Forum (World Bank 2006a, 12-13), “Business and the Millennium Development Goals: The Business Challenge Africa”, uses quite pointed language regarding criticism of business, and responses that businesses feel they need to make:

in the midst of the noise of NGO campaigning and defensive corporate communications [emphasis added], the most important linkages between larger businesses and poverty reduction are often missed. The focus - within the framework of “corporate social responsibility” - is often either on large companies doing good (in the form of philanthropy, which in all but a few cases is unable to achieve the scale and sustainability needed) or avoiding doing bad (in the form of signing up to one or another of the myriad of international codes, which can shift the focus and energy towards box-ticking, instead of outcomes). In fact, the most important and sustainable impact business can have is simply by doing what it does best: doing business.

The most important contribution, by far, that business makes to the achievement of the MDGs is through the central role it plays in generating economic growth. As the UN Economic Commission for Africa notes, achievement of the MDGs “will not happen unless there is sustained economic growth at a minimum level of 7 per cent - such growth will only come as a result of private sector efforts”. Leaving aside the surprising fact that

the MDGs make little reference to the private sector, the strategy for meeting them must be private-sector focused. Specifically, the emphasis should be on tackling the binding constraints on growth: putting in place the right climate for business; investing in infrastructure; and facilitating international and regional trade.

The most interesting aspect of this paper, directed as it is toward business interests, is that corporate social responsibility (CSR) and international norms for corporate behavior are dismissed as window dressing and ‘box checking’, respectively. This paper thus indicates that while development initiatives by government and civil society should concentrate on alleviating poverty through pro-poor projects, business as the driver of the economic growth that is critical to such development projects should simply be given leeway to do whatever business thinks is necessary for achieving its own growth.

The World Bank Institute introduces the website section “Business, Competitiveness and Development,” in the following manner:

The Business, Competitiveness, and Development Program of the World Bank Institute seeks to address the need for a better understanding of the role business can play in development issues, through multi-sectoral partnerships. The program addresses the clear need for broader acceptance of multi-sectoral partnerships, corporate governance, transparency and social responsibility as vital components of corporate strategy, and highlights the importance of these issues in relation to poverty reduction, good governance, anti-corruption and country competitiveness.⁶⁵

The World Bank approaches corruption as primarily an issue driven by the public sector including state-owned enterprises and only hesitatingly engaged in by private business.

As a World Bank report on an e-conference,⁶⁶ regarding corruption states:

Of critical importance is the necessity of understanding the business environment before prescribing or applying anti-corruption measures. Recognizing the dynamics that impact all levels of the supply chain, the e-discussion participants emphasized the importance of understanding the business environment of a specific country or sector. Corruption—be it at the customs house, within [sic] the banking system, or in property markets—is one facet of the business environment, and the government has core responsibility for the functioning of this environment. As one participant noted, while the private sector has a role to play, in the end, “governments, not companies, are responsible for managing the

⁶⁵ <http://go.worldbank.org/7F2SOSQQB0>. Accessed 22 July 2008.

⁶⁶ http://web.archive.org/web/*/http://info.worldbank.org/etools/bcdwebportal/docs/summary_PartnCombatCorpt.pdf. Accessed 20 December 2008.

legal and regulatory framework.” Therefore, for a successful broad anti-corruption initiative, obtaining government buy-in and securing political will is imperative.

The primary task for business is to figure out ways to alleviate the pressure of corruption within a country, and to judge tradeoffs between maintaining integrity, retaining brand and financier confidence, and maintaining competitiveness. Enterprises simply need to “learn to operate on a level playing field on which the ability to compete and produce efficiently, not privilege or evasion, is the key to long-term success”(World Bank 1989, 142). The report indicates (p.9) thus:

Ensuring effective risk management, aligning with customer expectations, complying with laws and regulations, meeting the demands of ethical investment funds, and safeguarding reputation and brand are some of the factors that contribute to the business case to combat corruption.⁶⁷

In addition to figuring out how to most effectively operate in corrupt circumstances, business can contribute to anti-corruption initiatives through collective action programs that pressure governments to curtail corruption.

Doing business requires “understanding the business environment,” and corruption decreases competitiveness by increasing the costs of such understanding, according to the Bank. Transparency enhances the effectiveness of government in decreasing transaction costs associated with information gathering, by making information more clear. In this, as well as most World Bank approaches to the private sector, business is considered to simply be the warehouse of efficient economic organization which increases competitiveness and therefore increases economic growth. Entrepreneurs seek maximum self-interest in whichever institution they reside, and an institutional environment of transparent laws allows businesses to devote resources to production rather than rent-seeking. Businesses themselves should not be given

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http://web.archive.org/web/*/http://info.worldbank.org/etools/bcdwebportal/docs/summary_PartnCombatCorpt.pdf. Accessed 20 December 2008.

significant responsibility for transparent action. It is up to the government to provide transparent environments that enable economic growth.

Though, as previously seen, the Bank indicates its doubt about CSR as an appropriate mechanism through which business should ‘keep it’s own house in order’, CSR takes pride of place on the World Bank’s Business, Competitiveness and Development webpage. Concentration on CSR is presented there⁶⁸ in what seems to be an unintendedly ironic manner:

Over the past decade, corporate social responsibility (CSR) has risen in global prominence and importance. Corporate governance scandals such as those at WorldCom, Enron, Parmalat, Daewoo, and Tyco profoundly affected major capital markets worldwide, and placed issues such as ethics, accountability, and transparency firmly on the business, regulation and policy agendas. Additionally, issues such as peace, sustainable development, security, poverty alleviation, environmental quality and human rights are becoming increasingly interlinked, and are having a profound effect on businesses and the business environment. *Although not traditionally responsible for finding solutions to these challenges, it is in the private sector's best interest to be part of the solution rather than part of the problem* [emphasis added].

Unfortunately, few companies, *particularly in the developing world* [emphasis added], have the skills or competencies to work in this new operating environment. Strategic capacity-building is imperative in educating these businesses about C[S]R, so they may access new markets and improve their competitiveness on a national, regional and global scale.

That is, CSR has become important because of the scandalous manner in which many corporations in more-industrialized countries have conducted business. However, it is most important for the World Bank to assist in building capacity of companies in less-industrialized countries because they in particular do not have adequate training (as compared with more-industrialized countries) in how to act responsibly.

This concentration again illustrates two broad aspects of the World Bank’s approach to business and development. First, business is normally not meant to be at the forefront of establishing economic ‘rules of the game’ necessary for sustainable economic growth. Secondly, the global environment has made it necessary for the World

⁶⁸ <http://go.worldbank.org/NQTK3CP2J0>. Accessed 27 June 2008.

Bank to emphasize corporate responsibility (at least among less-industrialized countries where there is less capacity for responsible business practice) and therefore devote resources to increasing capacity. This orientation of the World Bank will be a central focus of the CCPDP, as addressed in the next chapter. While the World Bank made economic restructuring the central requirement in justifying its imprimatur on the project, the design of the project itself centered on issues that are also part of the “corporate social responsibility” argument whereby organizations concentrate on environment, local participation and ‘empowerment’, accountability and transparency.

Chapter 5 The Chad-Cameroon Petroleum Development Project

Petroleum was discovered in Chad during the early 1970s (Guyer 2002). However, the World Bank argued that petroleum companies had been unwilling to make the necessary investments in Chad because of increased risks associated with Chad's political instability. First, political instability, evidenced by coups and undemocratic institutions, was endemic and therefore corporations were concerned about political risk. Second, corporations were further dissuaded from investment by the relatively low quality (high sulphur content) of the petroleum. However, on the other hand, Chad had such an inhospitable climate that it could not establish an adequate comparative advantage in export agriculture. Therefore, petroleum represented a final lifeline. In addition, according to the Bank, Chad had also made moves toward democratic institutions, it fit (admittedly tenuously) into "cell ii" of Williamson's matrix of economic development. That is, the government had enough responsiveness that external persuasion of government elite had a chance to induce the changes necessary for economic liberalization.

Given this context, Chad was presented as a very good test environment for the new Comprehensive Development Framework (CDF) and Poverty Reduction Strategy (PRS). However, the CDF and PRS contained much more ambitious stated agendas than simply creation of basic institutions (contract enforcement, private property) underlying effective neoclassical economies (the neoinstitutional approach). The World Bank sought to make Chad a test case for the broad social, cultural and political intervention for economic growth and social welfare that the CDF and PRS entailed. In this context,

corporations, the World Bank, and governments created volumes of documents relating to the project, including 19 volumes on environmental considerations alone. The World Bank justification in particular sought to inscribe a bright line from the 'governance' approach to social aspects of project design and implementation. It argued that its record of commitment to governance made it the logical choice to deal with the political risks associated with Chadian and Cameroonian government deficiencies. Rather than taking the funding lead, the Bank would take the lead in designing protocols for Chad and Cameroon to develop the public infrastructure necessary to support petroleum production and to effectively manage the revenues from petroleum production in the interests of social welfare.

Ruptures in the project's social welfare objectives, design and implementation have occurred early and often even in the short history of project implementation. The Chadian government used 18% (\$4.5 million) of the \$25 million signing bonus for military hardware (Pegg 2005, 13). This was roundly criticized and Chadian President Idriss Deby was lectured by World Bank officials for the damage that this purchase made to Chad's global reputation (Calderisi 2006, 192). However, in the early stages of project implementation, these issues were counterbalanced by stated evidence of the commitment of the government to liberal democracy, structural adjustment and revenue management.

As time has elapsed and Chad has become increasingly unstable politically, elements of the original design continue to be diluted. In 2006, the Chadian government dispatched with the future generations fund and only retained a 70% priority poverty strategy after tense negotiations with the World Bank (World Bank 2006b). These negotiations, among other things, involved threats by the Chadian government to move toward the Chinese if the World Bank did not negotiate. In 2007 and 2008, Chad continued to battle instability, with rebels advancing to the outskirts of the capital in early

and mid-2008. This instability, however, does not seem to affect the petroleum production pipeline, which continues to produce apace though prospecting for new fields was slowed by the violence. In 2006, the World Bank gave the CCPDP a ‘satisfactory’ but ‘likely unsustainable’ rating because the pipeline produces as promised and the Bank designed what was promised. In September 2008, the Bank quietly ended its participation in the project, citing failure of the Chad government to stand by its commitments.

As the project unraveled, World Bank officials such as Robert Calderisi (2006) became more terse and self-described “politically incorrect” in their estimations of “Africa,” increasingly blaming African leaders and culture, and suggesting replacement of aid with either African ‘bootstrapping’ or intervention for cultural change. These reactions seemed to represent movement of Chad into Williamson’s classification of countries ‘below the threshold’ of democracy as well as below the threshold of economic development (“cell iv”).

I detail the Chad narrative in the following way. I first locate petroleum in the broader neoclassical economic framework, because scholars of political economy (especially the neoclassical approach) attach distinct qualities (“Dutch disease” and the “resource curse”) to extractive industries and especially petroleum. I then detail the World Bank rationale for involvement in Chad’s petroleum development, along with the broad and extensive documentation and organizational structures created per the CDF and PRS. In the final sections of the chapter I narrate how the project has played out to the present day. What has transpired almost from the beginning is degeneration of social welfare aspects as the authoritarian Chad government gutted or discarded the Future Generations Fund and other revenue management programs; as rebel groups increasingly threaten the capital in a civil war with regional pressures; as Chadian people continue to

receive little of the petroleum revenues; and as the petroleum production continues, relatively insulated from political instability, in a manner similar to commodity-rich states across Africa.

I end with a note about corporate involvement in the project. The consortium of petroleum corporations managed development of the petroleum pipeline so that it was completed ahead of schedule. In addition, the consortium duly prepares regular reports in regard to community meetings, environmental compliance, building of community structures (schools, hospitals, agricultural extension, fiber optics) and the quantity of revenue given to the government. Twenty-five such periodic reports⁶⁹ have been prepared to date. However, as Massey (2005, 273) notes as well, these reports are rarely critical. In addition, they are limited to the project area and thus, even as civil war has raged across much of Chad and the government has continued to reject or ignore revenue management structures, the consortium barely mentions this instability in their relentlessly positive reports. As I note in the conclusion, there is as yet very little systematic study of corporate approaches and strategies outside of the reports. Such study is critical for truly understanding corporate involvement in the project, and in the absence of such material, the experience of Nigeria is critical.

5.1 Petroleum industry and neoclassical economic development

Neoclassical development economists generally approach petroleum from the perspective of “Dutch disease.” Corden’s (1982, 829-831) model of ‘Dutch disease’ posits an economy with three goods: the booming tradable, the lagging tradable, and the non-tradable. The booming tradable attracts labor away from the lagging tradable, thus slowing the lagging tradable’s development. In addition, by bringing in increased revenue, the booming tradable increases demand across the board, thus raising the price

⁶⁹ http://www.esso.com/Chad-English/PA/Newsroom/TD_ProgressReports.asp

of the non-tradable. Because the price of tradables is set by the international market and therefore will not change when an economy is relatively small internationally, the exchange rate will appreciate (see also Olukoshi and Herbst 1994, 457).

Following upon characteristics of Dutch disease, neoclassical economic perspectives posit four characteristics of petroleum that underlie its risks for development. First, the price of petroleum has historically been highly volatile. This is due to both political reasons, particularly the cartelization of petroleum-producing countries in OPEC, and economic reasons given that oil is a 'primary product' and therefore terms of trade loss vis-à-vis industrial and other products can affect it. Secondly, petroleum is a nonrenewable resource. Thus, countries can only benefit from petroleum production for a relatively short time, and therefore must diversify in preparation for the exhaustion of petroleum resources. Thirdly, because of the large scale of resources required for petroleum production, and therefore the size of corporations required to manage the supply chain from exploration through sale, petroleum revenues tend to concentrate in the hands of governments. Scholars⁷⁰ often assign these characteristics the appellation of "resource curse." The "resource curse" connection relates closely to the neoinstitutional economics concentration on corruption.

Because of the risks of relying on petroleum production, neoclassical economists argue that specific policies must be followed in order to gain its benefits. Gelb (1988, 5) makes a contrast between 'capital-deficit' and 'capital-surplus' oil exporters:

capital-surplus oil exporters such as Kuwait and Saudi Arabia have small populations, exceptionally underdeveloped non-oil economies (aside from activities financed by oil revenues), and very large, low-cost reserves that guarantee the comparative advantage of oil for the foreseeable future. Their capacity to absorb revenue has been far lower than the maximum oil revenue they could extract, especially at the prices prevailing between 1974 and 1984 (Gelb 1988, 5-6).

⁷⁰ See Gelb (1988); Pegg (2005); Ross (2001); Collier (2000). Watts (2005) provides a good critique of resource curse literature.

Capital-deficit oil exporters, however, are hamstrung by having the opposite conditions. That is, they have relatively small, high-cost reserves which therefore means that their capacity to absorb revenue is much greater than the oil revenue they are able to extract. As a result, capital-deficit oil exporters such as Nigeria, Angola, Indonesia and Chad must carefully manage oil revenues and ‘sterilize’ them so that these revenues do not negatively affect the more sustainable comparative advantages.

Gelb (1988, 93-94) indicates that governments must take actions to assure that petroleum plays a constructive role in development, during both boom and bust cycles. According to Pinto (1987) and Gelb (1988), the following variables are particularly important in determining success or failure. Reflecting the concentration in the 1980s on orthodox neoclassical theory, these policy variables concentrate primarily on currency and comparative advantage, the tools of allocative distribution. First, fiscal and monetary policy must allow the exchange rate to adjust in response to petroleum price signals. For example, Indonesia adopted a crawling exchange rate peg that allowed the exchange rate to depreciate as the price of oil fell. In addition, the Indonesian and other governments established a ‘stabilization fund’ (Katz and International Monetary Fund. 2004, 10) whereby excess petroleum revenue was ‘set aside’. According to the International Monetary Fund:⁷¹

A strong case may exist for placing the fund's assets abroad, since investment in domestic nongovernmental financial assets would transmit resource volatility to the economy.

The government could then use this stabilization fund during petroleum price downturns to moderate exchange rate shifts and therefore decrease possibility and magnitude of crises.

Secondly, because the government typically receives the largesse from the petroleum boom, it should allocate a substantial portion of this largesse to the lagging

⁷¹ <http://www.imf.org/external/pubs/nft/op/205/index.htm>

export sector. In Africa and other less-industrialized countries, this is typically export agriculture. Allocating resources to export agriculture prevents that sector from suffering as much from the price distortions brought on by the drastic increase in currency because of demand for oil. By sustaining incentives for farmers to produce export crops and retain a portion of earnings from export agriculture, the government makes it more likely that when the price of oil drops, agricultural goods can still compete on the world market. Gelb and Bienen (1988) argue that distorted distribution occurred in Nigeria because Nigeria formerly had a comparative advantage in agriculture. It should be emphasized here that the World Bank justified the CCPDP by among other things arguing that Chad's comparative advantage in export agriculture does not generate the revenue necessary to provide for Chad's welfare needs.

Finally, governments should allocate funds toward productive activities in general. They should thus follow general neoliberal economic principals. These include privatizing state-owned enterprises in the interests of efficiency; decreasing the price of government services by among other things charging user fees for such items as education, health care and water; deregulating prices and interest rates; and liberalizing trade policies in general (Olukoshi and Herbst 1994). These assure that economic actors can mobilize resources across the economy for production of the most profitable goods.

5.2 The World Bank and extractive industry reform

Neoclassical economic arguments about "Dutch disease" and "resource curse" are critical parts of World Bank policy rationales regarding petroleum and other extractive industries. However, the Extractive Industries Review reform examination arose in 2000 not from recognition of economic 'realities' but rather out of what the World Bank Group

itself⁷² termed pressures from environmental and human rights “stakeholders.” As the EIR final report background (Salim 2003, vii) comments:

In June 2000[sic], at the annual meeting in Prague, WBG President James Wolfensohn responded to criticism from the nongovernmental community about WBG involvement in extractive industries with a promise to review the Bank’s role in this sector. In July 2001, the Extractive Industries Review (EIR) was initiated with the appointment of Dr. Emil Salim, former Minister of the Environment for Indonesia, as Eminent Person to the review.⁷³

The EIR was thus clearly a politically actuated document, designed to relieve the by then quite hot social movement pressure on the international financial institutions.⁷⁴ In November 1999, the WTO Ministerial Meeting shut down in Seattle without agreement in the face of both internal protests and massive external protests. During the following months, each meeting of the multilateral economic organizations was visited by large demonstrations. The World Bank meeting in Prague was no exception, except that at this meeting the IFIs decided to interact with “non-governmental stakeholders” including Ricardo Navarro, Chair of Friends of the Earth International. Wolfensohn’s promise to look at extractive industries came in response to Navarro’s presentation of a petitionary challenge regarding extractive industries. Wolfensohn promised that the review process would be independent and based on discussions with multiple stakeholders.

The process came under criticism almost immediately, as the World Bank argued that its staff should be a stakeholder, after former Suharto ally Dr. Emil Salim was named the Eminent Person of the review, and after the review process was located in Washington, DC rather than in Salim’s home country of Indonesia. After over three years of conferences and visits with local civil society actors affected by extractive

⁷² International Finance Corporation. 2008. Extractive Industries Review, International Finance Corporation. <http://ifcln1.ifc.org/ifcext/eir.nsf/Content/Home>

⁷³ The annual meetings were in September 2000.

⁷⁴ For discussion of strategies to remove social movement pressure in the context of “democracy,” see Robinson (1996) and Almond and Verba (1963).

industries, Dr. Salim and the EIR workgroup presented their conclusions in December 2003. Somewhat surprisingly, the EIR conclusions concentrated criticism and need for change on multinational corporations as well as governments and the international financial institutions. The EIR conclusions (Salim 2003, iv) also centered their arguments on the need for more civil society participation in project designs from the beginning:

Although governments are consulted directly and continuously by the WBG through its Board of Executive Directors, and companies are clients of the WBG in terms of financing and risk insurance, civil society is left out and has no direct official links with the institution. But it is civil society – local communities, indigenous people, women, and the poor – who suffer the negative impacts of extractive industrial development, such as pollution, environmental degradation, resettlement, and social dislocation.

This argument fits in with the CDF and PRS concentration on civil society, but does not employ the neoinstitutional economic arguments as basis for this participation. Rather, while the report acknowledges the “resource curse” economic arguments, it concentrates on examining who has the power vis-à-vis project operations. Typically, governments and corporations have the primary power along with IFIs.

Most importantly for my project, the EIR (Salim 2003, 65) advocated that the World Bank Group shift completely out of petroleum sector support and instead increase investment in renewables:

the WBG should phase out investments in oil production by 2008, the year of the first commitment period under the Kyoto Protocol, and devote its limited scarce resources to investments in renewable energy resource development, emissions-reducing projects, clean energy technology, energy efficiency and conservation, and other efforts that delink energy use from greenhouse gas emissions. During this phasing out period, WBG investments in oil should be exceptional, limited only to poor countries with few alternatives. Meanwhile, the WBG should build local capacities of developing countries to help them negotiate better deals from foreign companies, with the funds used for poverty alleviation through sustainable development.

The EIR accompanied this tough language regarding MNCs negotiations with additional calls for greater MNC accountability. MNCs were not simply businesses doing business in this report. In regard to MNCs and human rights, the report found:

The EIR received many testimonies concerning the military and police being involved in securing company control over territory and protecting their operations. In other cases, companies were reported to be using private militia. When conflicts arise between corporations and local community interests, human rights abuses and violations are often reported. In the case of indigenous peoples, when extractive industries operate on their traditional lands and territories without their consent, it is seen as a human rights violation in itself that, in turn, often leads to other human rights violations (Salim 2003, 39).

Governments and MNCs also often followed labor standards in word but not in deed:

While the WBG supports the CLS as an overall policy commitment, it often undermines labor rights through its advice at the WBG country policy level. Unions have complained that their views have been ignored, creating distrust and fear of massive job losses, thereby contributing to unemployment and further poverty. In October 2003 the World Bank Group published *Doing Business in 2004*, calling on developing countries to reduce the scope of employment legislation, to reduce minimum wages, and to replace collective negotiation by contracts “at will” between employers and employees—reinforcing the impression of many developing-country unions that the World Bank Group remains fundamentally anti-worker (Salim 2003, 40).

The EIR conclusions were quite penetrating, indicating that while economic goals were generally reached, the Bank was not able to follow through on promises of greater governance and pro-poor orientations of projects:

The knowledge, power, financial, and technical resource gaps between major extractive industry companies, civil society, developing-country governments, and local communities throughout the world are profound. The inequalities between local communities and transnational companies are not just economic in nature; they include access to political power and information and the ability to know and use the legal system to their advantage.

The EIR found that WBG involvement in the extractive industries sector until recently may have exacerbated these imbalances (Salim 2003, 42).

The World Bank Group (WBG) took a further ten months before publishing the Management Response to the report on 17 September 2004. In it, the WBG rejected the notion of phasing out oil production investments, arguing that it should not be constrained in supporting initiatives that contributed to development, and that oil industry projects made up such a minor part of total global oil production that the World Bank’s contribution to global warming was relatively negligible. In addition, the WBG replaced “free, prior and informed consent” with “free, prior and informed consultation,” arguing

that no one group should have a veto over projects. More generally, the WBG concentrated on fraternal relationships with corporations rather than power inequalities between corporations and other organizations. As a result, it highlighted voluntary corporate responsibility initiatives for human rights, labor and environmental protection.

The management response itself came under intense criticism from EIR Eminent Person Emil Salim (2004). He characterized the Bank management attitude as “Business as Usual with Marginal Change”:

I stand firm by my recommendations and my analysis, that a better world, especially in the EI sector demands a fundamental change in the way development is understood and implemented. The environment and the poor have paid enough subsidies to rich extractive industries and to governments. The balance needs to shift so an equal concern for the well being of people, the environment, and profit can be achieved effectively.

The WBG cannot have it both ways, if it continues along the line of the Management Response in the current form; it should not proclaim that it is in pursuit of sustainable development for poverty alleviation in the EI sector. As a leading global public development institution, the WBG needs to be able to stand its actions by its words. The citizens of the world deserve more than double speak.

The EIR in the end exposed the fissures between governments, corporations, social movements and IFIs, and demonstrated the tendency of the WBG to remove power, inequality and politics from development documents. In doing so, it came under intense criticism not only from without but from within, from independent monitoring organizations. The focus on voluntary corporate initiatives, in addition to backgrounding unequal power relations, forms an important part as well of the World Bank narrative and policy framework for the Chad-Cameroon Petroleum Development Project. However, the wider narrative corroborates the playing out of the inequality between corporate, government and other organizations, as well as the important influence of external pressures which Bank actors attempted either to mollify or marginalize.⁷⁵

⁷⁵ See also discussion in the conclusion about corporate and World Bank responses to social movement pressure through CSR and other strategies.

5.3 Chad: A poor country with little or no comparative advantage

I concentrate in this project on the Chad side of the Chad-Cameroon Petroleum Development Project because petroleum corporations engage on a sustained basis with the people of Chad in particular, and my project is primarily about how such interaction differs in the context of the shift from neoliberal to neoinstitutional economic development approaches. The CCPDP was designed, developed and implemented at roughly the same time as the EIR, the 2000 WDR *Attacking Poverty*, and development of PRSs. All of these interactions make up the story of the CCPDP, and so analysis must combine document examination, policy implementation details, and narratives regarding interactions among very different sets of actors. I begin the CCPDP story primarily from the view as seen in the World Bank. This approach does not foreground the challenges and successes of social movements seeking to grow in an increasingly globally interconnected world. It also does not concentrate on how the people of the Doba region of Chad work through uncertainty about how to respond to the project, and whether it will truly bring progress in human welfare for them. Both of these groups (social movements and people of Doba) are part of the story I tell, of course, but my story here is about what I see as the rise and fall of the CCPDP, the presence of external social movement pressure, and final results that look very much like the catalyst for the sustained horrors that the people of Shell's Niger Delta know so well. The stories from social movements and the people of Doba await other studies.

The CCPDP arose in the 1990s out of a sense that it fit in very well with the neoinstitutional/CDF shift percolating in the high-level research and policymaking departments of the Bank. Here was a country with almost no meaningful welfare-enhancing comparative advantage, given the arid climate which is so bad for agriculture. Because of resource scarcity and poor government, the country had some of the lowest human development indicators in the world. Here also was evidence of an unexploited

and potentially very rich resource, petroleum, a resource that had not been exploited from Chad because the political risks exacerbated the problem of relative low quality petroleum. The Chad petroleum project is thirty years in the making (Guyer 2002, 110), but Chad's oil is of a lower quality with relatively higher refining costs than other possible sources, and Chad has a history of corrupt government and underdeveloped infrastructure. This made the country more internationally controversial and less attractive to petroleum companies as a source of oil. The Bank also acknowledged broader regional concerns having to do with the violence and documented human rights abuses in such areas as the Niger Delta. However, according to Bank-sponsored examinations of Indonesia, the correct institutional incentives can make petroleum a positive contributor to development. By approaching development in Chad (and Cameroon) through development as 'governance', the Bank could both prove this point of petroleum development success and demonstrate the efficacy of governance-centered development. As former World Bank spokesperson Robert Calderisi (2006, 181) comments in *The Trouble with Africa*:

No one could doubt that the pipeline project, if properly managed, could transform the Chadian economy from one entirely dependent on fickle weather conditions and international aid to one with a chance of charting its own future.

In addition, this was a potentially very rewarding project for the Bank with relatively low risks given low expectations of success. However, though the regime in power was authoritarian and rather unstable, the Bank argued that the regime gave important evidence that it was at the threshold for political flexibility necessary to promote the kinds of institutional changes that allowed for effective economic growth. Chad had demonstrated some commitment to transparency and accountability by conducting multiparty elections in 1996, privatizing 45% of its state-owned enterprises, and spending 10% of its budget on basic services (Calderisi 2006, 179). Heilbrunn

(2004, 38) seems to agree with the optimism generated by Chad's government prior to the project kickoff:

. . . Chadian President Déby has enacted progressive reforms of his government from a despotic to a military dictatorship to a bureaucratic regime. Two factors may explain Déby's reforms. One, is the sterilization of oil revenues that removes them from his immediate access. He does not have the funds to pay security forces needed to protect a despotic regime. Two, Déby is responding to international pressures that are funding the oil exploitation. Despite these two factors, the sustainability of his reforms is contingent on his ability to protect his regime and reversal is always possible. However, it is probable that the steady liberalization will empower political parties and social groups that will be reticent to relinquish the freedoms they have acquired.

The World Bank presentation of the Chadian context seemed clearly to place it in cell ii of Williamson's matrix (less economically developed countries with political institutions that are above the democratic threshold), and would therefore be applicable to the neoinstitutional mode of neoclassical economics in that there was enough political flexibility to allow for the institution-building that is critical to economic development. However, it was clear by the project design that neoinstitutional economic justifications by themselves were not persuasive enough to allow the space for the project to proceed. The Bank had to couch the project in broader language of human welfare and progress.

The Bank approached the project from three major viewpoints. The macroeconomic viewpoint is covered above, in that institutionally powerful exploitation of petroleum could serve to give Chad a comparative advantage in petroleum production by lowering the transaction costs compared to the benefits. The development as 'governance' viewpoint encompasses not only building of institutions but CDF-inspired social welfare concentration (health, education, nutrition, family planning, bridges, utilities, microfinance and so on) and sustainable development through protection of the environment. The CCPDP design was packed with documents covering these issues, including the 19-volume environmental impact assessment created by the petroleum corporations. The third viewpoint is the business viewpoint. The Bank became involved

to mitigate political risk through the reputation of its high debt rating, reputation as a longtime development organization, and new focus on development as governance. The Bank's Concept Paper⁷⁶ outlined the rationale for supporting the project:

World Bank involvement will ensure greater public consultation, local participation and attention to environmental and other socio-economic issues. World Bank participation is also needed to provide the political risk mitigation⁷⁷ needed to support the huge investments the private sector expects to make and to attract millions of dollars more in debt financing. Catalyzing private investment to benefit the countries is one of the main reasons the Bank may be involved in the project.⁷⁸

The CCPDP provided the other side of the social movement coin from the EIR. Whereas the EIR was developed explicitly to respond to social movement concerns, the World Bank participated in and enabled the CCPDP despite those same concerns. Publicly, however, as with the EIR the Bank indicated willingness to acknowledge social movement concerns. Clearly, the intense social movement pressure of the late 1990s into 2000 had an impact on presentation of the project. Critical viewpoints are still referenced on the World Bank CCPDP website from Catholic Relief Services (CRS), Amnesty International and Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun (GRAMP/TC). However, the GRAMP/TC website only has general

⁷⁶ <http://go.worldbank.org/2Q72D32120>. Updated 21 April 2000. Accessed 22 January 2009.

⁷⁷ See also Massey (2005, 254):

Although bank loans would be a small proportion of the costs, its support was vital to encourage private investment, as well as to endorse the 'ethical' validity of the project in the wake of other mismanaged, corrupt and environmentally disastrous oil projects in Africa.

However, Oliveira (2007, 285) notes that corporations were well benefited by the World Bank assumption of risk:

The Chad consortium, critics predicted, could not be expected to side with the Bank in pressuring Chad to comply to previously defined regulations, as this might jeopardise its own position. The third obstacle is that the private sector gets more out of this scheme than it gives: World Bank involvement gets companies cheaper credit and a high-profile institution with which to share blame if things turn out badly -- in short, it makes projects happen. But in return for this boon, companies can take refuge in a business-only perspective that puts the Bank at the centre of public responsibility.

⁷⁸ It is interesting how the Bank and other corporate capitalist development organizations commonly sequence priorities. First is always participation, environment, socio-economic concerns (e.g. poverty, inequality). Second, but usually more fundamental to policy considerations, are items more geared toward corporate security and finance, including political risk mitigation. This fits roughly into the argument detailed in Moore's (1995) *Debating Development Discourse*.

information about Chad rather than evaluations of the CCPDP, and the CRS link is invalid.⁷⁹ However, different from the EIR, the Bank characterized the policy rationale shifts underpinning the CCPDP as being internally generated by World Bank actors. The World Bank “soon appreciated that, to bring about real and enduring development, a transformation of the production structures was required and, furthermore, that the capacity of people and institutions to deal with change must be enhanced” (World Bank 1989, 38). Given this appreciation, the World Bank argues, the CCPDP is designed to involve government and civil society sectors in consultation throughout the implementation of the project.

5.4 Project Design: Chad-Cameroon Petroleum Development Project

The Chad Cameroon Petroleum Development Project was estimated to cost \$3.7 billion in total. Of this, the Bank agreed to provide a loan (\$39.5 million) to Chad in order to underwrite its portion of the 3% combined equity stake that the governments of Chad and Cameroon were expected to have.⁸⁰ The IFC agreed to mobilize \$100-300 million dollars to the petroleum corporations. In addition, the IDA financed two capacity building projects at a combined cost of \$100 million. A three-company oil consortium (Exxon/Mobil 40%, Petronas Malaysia 35% and Chevron 25%) made up the private ownership. Shell and Elf had pulled out earlier. In addition, the Bank had long used its AAA debt rating and influence with bilateral and multilateral public and private creditors to compel particular actions from governments. This rating was mobilized to provide protection from political risk.

However, the Bank argued that it offered more important institutional resources than loans. As with most production activities, multinational oil companies and their financiers should be responsible for petroleum production, because they have the

⁷⁹ <http://go.worldbank.org/WPW0WXBR00>

⁸⁰ Cameroon was given approximately \$45 million [verify amount], but in this project I concentrate on the Chad case.

resources and know-how to develop the oil industry. Therefore, multinational corporations would provide the bulk of the seed money as well as the scaled up entrepreneurial skills. However, governments should provide the enabling environment, in the form of laws, appropriate macroeconomic policies, and infrastructure conducive to neoclassical economic development. In return, they would receive revenue from their equity stake as well as, in the case of Chad, royalties. Civil society should also contribute to building people's capacity to thrive in an environment amenable for corporate intervention. The World Bank would mobilize its declared advantage by designing a set of strategies to strengthen the institutions underpinning effective neoclassical economic development. The Bank and the Chadian government supported these initiatives with a plethora of sub-plans including a Poverty Reduction Strategy Paper with ownership attributed to the Chadian government, the corporate-led Environmental Assessment, and the multiple volume primary project plan which includes the Future Generations Fund, the Independent Advisory Group, the External Compliance Monitoring Group, the Environmental Management Plan, Revenue Management Oversight Authority, the IDA-sponsored Petroleum Sector Management Capacity Building Project and Management of the Petroleum Economy Project, and others. These documents can usefully be divided in five sections, according to the main project segments. The first segment, the plan and funding for the petroleum production itself, is addressed above and is primarily laid out in the Pipeline Development Project itself. The supporting documents address alleviation of the macroeconomic pressures associated with petroleum development; contribute to government effectiveness (governance); serve to underpin local ownership, security and empowerment; or affect surveillance of the overall project.

The Bank designed the macroeconomic initiatives to manage oil revenues and avoid 'Dutch disease' effects of volatile and temporary oil revenues. The earlier structural adjustment projects that the Chad government undertook assisted with

neoclassical macroeconomic indicators. The Project Appraisal (13 April 2000) noted as an important justification for the project that Chad had already undertaken or committed to basic structural changes required for economic growth. These changes were laid out in a 2000 Interim Poverty Reduction Strategy Paper, which was then finalized with a 2003

PRSP:

The 1995-99 fiscal consolidation and economic reform program helped improve significantly the public finance situation, stabilize money and credit conditions, and introduce major structural reforms aimed at reducing the role of the public sector, liberalizing the economy, increasing competition, and favoring developmental use of public resources. Chad weathered well the impact of the 1994 devaluation of the CFA franc and attained an average real growth rate of 4 percent p.a. during the 1996-99 period; the government's current primary balance deficit has turned into a surplus; fiscal revenue increased from 6.2 percent of GDP in 1995 to 9.4 percent in 1999; and inflation averaged 4.5 percent p.a. between 1995-1999. Economic and financial performance was, however, affected by vulnerability to climatic and external shocks - e.g., the energy crisis in Nigeria and the unfavorable world market prices for cotton. By end-1999, the Government had privatized 45 out of fifty publicly-owned enterprises and had initiated a time-bound program to privatize the remaining parastatals, including the politically-sensitive cotton sector. Most price controls have been lifted, and important regulatory reforms were undertaken to liberalize telecommunications, open trade, rationalize and streamline taxation, and encourage private investment in energy and other sectors. Chad's transition to the oil era would build on this foundation.

The Government intends to continue these efforts. Over the 2000-2002 period, Chad will seek to maintain macroeconomic stability, consolidate public finances and complete the unfinished structural reform agenda, while at the same time developing with civil society a comprehensive strategy for poverty reduction. To this end, Chad is launching the development of a Poverty Reduction Strategy Paper (PRSP), with the support of the Bank and IMF. Under the PRGF arrangement concluded with the IMF, Chad will define strategies and programs in the priority poverty-reduction sectors, increase public expenditure for poverty-reduction activities, and foster the participation of communities, beneficiaries, and the private sector (Project Appraisal, p. 5).

However, for petroleum production, additional policies needed to be part of the project design so as to prevent the "Dutch disease" factors. In this vein the Bank argued that oil revenues should be part of the general budget rather than assigned to secret allocation mechanisms. These revenues would come from a royalty payment; an upstream production tax; and a corporate pipeline tax. In addition, Chad would receive dividends from its equity participation in TOTCO and COTCO (Moynihan et al. 2004, 4).

The government had passed a Law on Petroleum Revenue Management in 1999 that set aside a percentage of oil revenues explicitly for poverty alleviation (health, education, transport and rural development). Related to this, the project documents required that the Chadian government approve creation of a “Future Generations Fund,” whereby some oil revenues were placed in a foreign account. This account would not affect currency flows in the country and thus would prevent temporary skewing of monetary incentives away from other export industries, and would also prevent depreciation of the currency. As a result, it could be put aside to soften the blow of eventual oil depletion, and to promote sustainable development. This fund is akin to the stabilization fund mentioned in Pinto’s (1987) Indonesia example in the 1980s, whereby petroleum funds are prevented from adversely affecting prices of tradeable goods that would underpin economic growth in the absence of petroleum.

The second set of initiatives related to public sector governance. Not only was it imperative for the Bank that the government commit officially to macroeconomic adjustment and distribution of petroleum revenue to poverty alleviation sectors, but the government then needed to have adequate capacity to implement these forms in an efficient and transparent manner. This required making government decision-making increasingly more bureaucratic. Scholars cited some evidence that Chad had moved toward more bureaucratic institutions.⁸¹ To assist these moves with capacities⁸² related directly to petroleum production, the IDA sponsored the Chad Management of the Petroleum Economy Project (IDA \$17.5 million), which dealt with five components of general civic structure of government:

1. public financial management
2. poverty database and reporting system

⁸¹ See Heilbrunn 2004.

⁸² It is interesting to see capacity building associated with government in the CCPDP. In much of the literature, capacity building refers to strengthening civil society while governance refers to government.

3. civil service reform
4. oversight and control capacities
5. monitoring of economic reform

The Petroleum Sector Management Capacity Building Enhancement project (\$25 million, of which IDA funded approximately 90%) also dealt with government strengthening, covering policies more directly related to the petroleum project. In the second of two segments (the first dealt with capacity-building surrounding the Doba project), the project information document (p. 3) outlines the following measures related to government management of petroleum production:

The second main component of this capacity building project is designed to build the capacity of the government to manage the further development of the petroleum sector as whole [sic]. This Petroleum Sector Management Component will have two sub-components: (a) preparation of a regulatory framework specifying, inter alia, the environmental regulations governing petroleum exploration and production in Chad; and (b) the development of a Petroleum Sector Information Management System, and operational support. As regards the latter, the project would help Chad to: (a) retrieve and organize existing seismic and other information; (b) develop a storage and information management system; (c) reprocess and re-interpret some of the existing geological and geophysical information, using state-of-the-art techniques; and (d) negotiate complex contracts with private oil investors to maximize the benefits to Chad.

The third, and certainly most documented, aspect of the project dealt with aspects seemingly only tangentially related to the macroeconomy, but rather related to creating populations that were healthier, more educated and had underlying welfare supports to allow for participation in the economy. These “capacity-building” initiatives are central to the Bank’s argument that the project represents a new way of doing development: governance for poverty alleviation. However, more importantly, the Chadian government had already committed to neoliberal economic restructuring before the project was designed and instituted. Economic restructuring was therefore a prerequisite, a confidence-building proof of seriousness, for the World Bank’s non-economic commitments. Given this, the project was covered over by a myriad of measures designed to define, implement and monitor ownership, empowerment and security as per

the 2000 WDR *Attacking Poverty*. The government of Chad was encouraged to complete a Poverty Reduction Strategy paper in which it laid out long term goals for social and economic development. Though the document displayed the government of Chad as the author, it was constructed according to a standard form followed by PRSP documents, in keeping with the Bank's conception of ownership given the necessity of specific types of institution-building for economic growth and therefore poverty reduction. Typical of the standard form is the statement (Government of Chad 2003, 10) that the Chadian government sought to "consolidate the gains made with adjustment programs by integrating them with the new globalized economic order . . ."

Likewise, the 19-volume Environmental Assessment, written by Esso and COTCO before creation of the project document, put down a set of requirements related to environmental security and population security (especially employment, compensation and resettlement). This document is particularly important as the primary non-production contribution by corporations (both the private oil companies and the government oil companies) to the project. In it, the consortium of public and private corporations commits to a range of environmental protection measures; compensation; and resettlement initiatives. This initiative is described by Guyer's (2002) project briefing, which notes NGO participation:

The [Environmental Assessment] is the result of a round of baseline studies and the Environmental Impact Assessment undertaken by the consortium, negotiations in the light of World Bank environmental standards, and critique by the NGOs. It contains provisions on the entire range of measures to meet standards for the protection of the natural and human environment. One particularly contentious social issue was the compensation paid to people who would lose houses, crops, fields or permanent trees. The location of the entire construction was planned to require the minimum of dislocation; 4,120 land users were compensated along the pipeline, fixed facilities and road easements, but no more than 150 families in Chad are likely to need resettlement in new houses in new locations. Most compensation was for loss of crops and economic trees. In both countries, the land itself belongs to the state, so people can only be compensated for the loss of improvements.

The assessment process involved consultations⁸³ with both international NGOs and local groups. Local groups were consulted for purposes of information sharing, determining project land needs, and creating a framework for reducing adverse impacts.⁸⁴ The environmental assessment also included an oil-spill response plan and extensive visits with people along the proposed route in order to get feedback on compensation, protection of cultural and community artifacts, and other impacts.

With respect to the CCPDP itself, the Petroleum Management Capacity Building Enhancement project contained the most important capacity-building policies (p. 3):

- i. Building environmental, social and technical capacity, both in the Ministry of the Environment (MEWR) and the Ministry of Petroleum (MMEP), starting with the Doba project.
- ii. Mitigating induced impacts on the producing region through the financing of rapid intervention measures such as health facilities and water-wells.
- iii. Supporting development activities in the producing region, including the establishment of a pilot development fund to test financial and implementing mechanisms for complementary rapid intervention measures and mid-term development activities that will be proposed by the community and local NGOs.
- iv. (a) Implementing a communications campaign to limit influx of migrants into the region; (b) supporting the development of a management information system (MIS), and (c) implementing communication and consultation activities to generate accurate information regarding the project and support information dissemination and dialogue with all stakeholders.
- v. Building government's capacity to deal with legal, financial and other technical aspects of the Doba project.
- vi. Provide operational support for coordinating project implementation.

Items ii, iii and iv(a) are designed in part to help mitigate the impact of the project on the producing region specifically.

Capacity building, in Guyer's (2002, 112-113) words, involves:

development in governance, the strengthening of accountability and communications, specialist training, infrastructure growth and planning capacity in all the major economic

⁸³ . The word "consultation" is very important in the context of the EIR process above, whereby the EIR group referred to FIPC as "free, prior and informed consent" but World Bank management replaced this with "free, prior and informed consultation."

⁸⁴ World Bank. 2000. *Projects - World Bank Group Approves Support for Chad-Cameroon Petroleum Development and Pipeline Project*. Accessed 2008 July 8 2008. Press Release. Available from <http://go.worldbank.org/HEIYT0LAT0>.

sectors. The World Bank Group's investment and technical support are devoted to the many component tasks of meeting this agenda.

In line with capacity building goals of participation, the Bank and the government, as well as representatives of the multinational oil companies, set up participation sessions directed toward traditional leaders, womens' groups and farmers among others. They designed these participation sessions as a means to ascertain felt needs and concerns of stakeholders, needs and concerns that were noted in the project documents.

The fourth initiative has to do with monitoring the project as a whole. A number of organizations were set up to monitor these initiatives. The Bank formed an International Advisory Group (IAG),⁸⁵ consisting of six (decreased to five) members who were "independent of any party associated with the project and are persons of eminence and respected for their expertise."⁸⁶ The IAG was tasked with advising the Bank on implementation of broad project goals. From 2001-2007, the IAG undertook 13 trips to assess these goals. In addition, an External Compliance Monitoring group was set up to monitor compliance with the Environmental Management Plan. This group (consisting of the consulting firm D'Appolonia S.p.A. of Italy) monitored the legally binding requirements that are part of the plan, in the process of ten pre-completion and three post-completion visits to the project.⁸⁷ Requirements monitored included resettlement, compensation, construction of community infrastructure (houses, roads, etc.), handling of waste, and prevention of worker injury (OSHA guidelines).

The Collège de Contrôle et de Surveillance des Revenus Pétroliers (CCSRP) was created as a result of the 1999 petroleum management law, and is made up of representatives of the government, parliament, supreme court and civil society. It was charged with approving all direct oil revenue allocations and disbursements. The World

⁸⁵ <http://www.gic-iag.org/ehome.htm>. Accessed 8 July 2008.

⁸⁶ <http://go.worldbank.org/BJORXNJR90>. Accessed 8 July 2008.

⁸⁷ <http://go.worldbank.org/GMGLF041K0>. Accessed 8 July 2008.

Bank Inspection Panel is “an independent forum to private citizens who believe that they or their interests could be directly harmed by a project financed by the World Bank. The Panel receives requests for inspections, makes an independent assessment of Bank Management's response to each, and recommends to the World Bank's Board of Directors whether the claims should be investigated.”⁸⁸ The final monitoring group is the Comité Technique National de Suivi et de Contrôle (CTNSC), an interministerial group also charged with monitoring environmental and social impacts of the project.

5.5 The project on the ground: inserting all actors and removing “political correctness”

The contexts outside World Bank research departments were very different from the preparation and rationale documents covered above. The World Bank suggested (1989, 38) that its governance approach was prompted by rapid internal assessments that structural adjustment was not enough to assure effective economic development. However, the actual context underlying ramp-up of the EIR, CDF/PRS and CCPDP paints a very different picture from the CCPDP documents. While the EIR explicitly acknowledges the role of external social movement pressure in prompting the World Bank Group to act, the CCPDP makes only passing reference to that same external pressure accompanying the entire contract development process. The messiness of the project, like successful as well as unsuccessful projects, played out very differently from the reports. First, social movement actors presented very different realities from those found in the project documents. These realities were filled with corporate actors, politics and human rights concerns. Corporations were not simply containers of entrepreneurship and technology. Rather they were political organizations as well, with questionable histories of supporting military abuses, disregard for labor rights, environmental despoliation and government repression. World Bank current and former officials, most

⁸⁸ <http://go.worldbank.org/5MGHQ1ZQ01>. Accessed 8 July 2008.

importantly Robert Calderisi in his book *The Trouble with Africa* (Calderisi 2006, 178), also acknowledged concerns about corporations. However, Calderisi as well as Wolfensohn also presented social movements such as Environmental Defense Fund as Washington-based impersonators who simply want publicity for themselves and do not speak for the people of Chad and elsewhere whom they presented as generally very supportive of the CCPDP.⁸⁹

In a major difference with IFIs regarding underpinning of project design, advocacy organizations painted a very different picture about why the monitoring and revenue management frameworks were added into the project. Whereas the World Bank (as shown) presented these innovations as part of its evolution as a development organization, whereby changes were internally driven by awareness of shortcomings, external social movements argued that the project was only changed because social movement organizations were able to come together themselves and then mobilize the voices of local Chadian (and Cameroonian) organizations so that the world media would hear local criticism of the project. As Korinna Horta of Environmental Defense Fund relates (2002, 174) in regard to environmental considerations of the project:

The costs of forest destruction were largely being borne by local communities and indigenous peoples whose forest-dependent livelihoods were being destroyed. Pipeline construction and the pressures of logging and wildlife poaching which would certainly accompany it could do nothing but aggravate the existing situation. Yet, when we surveyed the Cameroonian NGO community about the pipeline, we found out that most had no information at all about the project and the few who had heard about the project were unaware of its routing.

The first thing to do was to piece to gather [sic – piece together] as much information as possible about the project, to put it in its political context and to create the political space for local groups to get their voices heard in international media and decision-making platforms.

⁸⁹ I could devote an entire project to the role of social movement pressure in the CCPDP and other instances of corporate-led globalization. However, in this project I primarily rely on social movement reports (from CRS, EDF, Amnesty International and elsewhere) to fill out the story of Chad from 1999 through the present. See O'Brien (2000) for concentration on multilateral economic organizations and social movements.

Many groups expressed doubts about the project itself (petroleum production in a period of global warming) as well as about how it was designed. The World Bank argument that the Chad government had shown credible moves toward being more accountable with revenues was widely criticized. One of the main sources for World Bank optimism was the 1998 Revenue Management Law. However, others argue that the Chadian government was pressured by the IFIs to pass the law in order to receive any revenues or further project financing. That is, the law was not a spontaneous measure by a government accountable to its citizens, but rather a result of semi-coercion whereby the government was informed in no uncertain terms that the petroleum project would not be completed unless the law was passed. This assessment seemed on the mark when the Chadian government repealed the future generations fund in 2006, soon after the pipeline was completed and petroleum began to flow. The government also started directing money into the general fund and out of the poverty prioritization fund so as to increase military funding. When the World Bank threatened aid cutoff, the Chadian government called the bluff and said it would go elsewhere for funding. In the end, before World Bank participation in the project was cancelled in 2008, the two entities signed an agreement ending the future generations fund but retaining an interim commitment to revenue distribution to human welfare sectors.

The impact of social movement pressure on IFI, government and corporate policies in light especially of the period immediately following the “Battle in Seattle” is an important topic, and the case of the CCPDP can lend useful insights. This topic itself should therefore be covered as a separate project.⁹⁰ The “noise of NGO campaigning” referenced earlier is important for the project at hand in that it helps bring to light the devaluation of politics in the project rationales and documents, contrasted with the strong

⁹⁰ A useful set of documents to begin with is Horta (1997; 2002a; 2002b). However, for examples of Environmental Defense Fund working closely with Dupont, McDonalds and other corporations, see the CFO Conference proceedings by Mintz (2008). For critical perspective see Noble (2007).

political interactions among contending parties in the actual contexts surrounding contract signing and production implementation. Almost from the beginning, contrary to the design, the CCPDP integrated into familiar contours of the 'oil complex', covered so well by Watts, supplemented by Apter and others, and which I detail in the next chapter. An authoritarian government gradually assumes control over revenues. Local people affected most by petroleum production are presented as supportive but unskilled, and only gradually compensated if at all. The World Bank claims success and the high road, arguing that it seeks only to use critical skills that it is in sole possession of, in the face of self-seeking or uninformed NGOs, and with assistance of corporations seeking simply to make a profit by mobilizing their entrepreneurial talent and technological know-how. Production is isolated from regime instability so that, even in the face of civil war at the steps of the president's residence, petroleum still flows.

One of the Bank's major rationales for kicking the project off in the late 1990s was that the Chadian government had shown credible moves toward building an accountable democracy with respect for human rights. However, in the period surrounding contract signing, human rights organizations collected numerous cases of human rights violations. As an AFROL article⁹¹ recounts during that time:

Media harassment quickly reappeared and in November 2000, a former senior public servant, Garonde Djarama, was imprisoned for an article he had published in a Chadian weekly newspaper. He had criticized the government for not reacting strongly enough against the racist killings of sub-Saharan Africans in Libya.

The same month, the renown [sic] World Organisation Against Torture (OMCT), accused the Chadian government forces of putting children "on the front line in order to detect mines and if reluctant they are reportedly killed." The government allegedly makes use of forced recruitment of child soldiers from Southern Chad to the armed forces in the north of the country.

In January 2001, the MDJT claimed that government troops had executed prisoners of war, including one of the movement's leaders, Yaya Labadri. Executions of prisoners of war are seen as a serious war crime and the Chadian government quickly denied the charges. The case has still not been investigated by an international body.

⁹¹ <http://www.afrol.com/features/10276>. Accessed 18 March 18, 2009. See also Gary (2005, 10).

The Bank and the consortium were particularly targeted by critical studies from Oxfam, Amnesty International, Environmental Defense Fund and Catholic Relief Services. The environmental assessment itself, as well as many of the initiatives designed into the project, seemed certainly to come out of social movement publicity and pressures for protection of basic welfare, human rights and the environment. Having given the economic rationale (lack of comparative advantage) the Bank was under significant pressure regarding its self-proclaimed non-economic value added of environmental, human rights, and human welfare protection.

Many activists also criticized the Environment Management Project consultations with local people that involved representatives of the multinational petroleum corporations along with military escorts:

In a country in which the population has been traumatized by more than 30 years of war and more recently by massacres perpetrated by the military on civilians in the region near the oil fields, the presence of the military during the consultative sessions was enough to dissuade people from expressing their opinions. As a result, the losses that people will suffer have been poorly evaluated and the compensations they have been allocated are not proportional to the damages they will sustain, nor do they conform to the will of the victims (Djiraibe and Turshen 2002, 171).

Korinna Horta (2002, 175) adds:

The only serious public debates about the project were organized by courageous local civil society organizations themselves with the support from outside church groups and others. These took place in the towns of Donia (1998) and Bebedja (1999) in oil-producing regions and led local groups to call for a moratorium on financing for this project until adequate legal frameworks and enforcement mechanisms would be in place to ensure transparent and equitable use of the oil revenues and the protection of human rights and the environment.

She continues that these pressures convinced the Bank to then pressure the Chadian government to pass the Revenue Management Law (which happened, with a vote of 108 to zero) and include the IAG in the project design. However, this set back project development for over two years, and so according to Horta the World Bank worked to divide Northern and Southern organizations in the minds of outside interested parties. In

the World Bank's presentation, Northern organizations were against the project while Southern organizations were very much for it. Horta (2002, 176) dismisses this characterization:

The delay of a final decision on the project led Exxon-Mobil to set-up a large-scale operation in both Washington and Brussels to systematically lobby and obtain support for the project from lawmakers, government officials and the media. At the same time, pressure was building up within the World Bank to speed up the approval process and allow no further 'caving in' to NGO concerns. Amongst its initiatives to neutralize NGO-criticism of the project, the World Bank spread information about a split between NGOs with Northern NGOs purportedly opposing the project for their own selfish reasons while Southern NGOs were giving it their full support as a poverty alleviating instrument. To make the point, a group of representatives of so-called Chadian and Cameroonian civil society representatives were flown into Washington in the fall of 1999 to lobby for the project. These individuals had no affiliation with any groups or, in the case of a religious representative, had come to Washington without knowing the objectives of their visit. Embarrassingly, their written statement was identical to an official statement in support of the project published by the Chadian embassy. For good measure, a Senegalese dance troupe from Paris was brought to the 1999 World Bank/ IMF annual meetings in Washington, to be paraded as Africans who had come to show solidarity with the project.

One of the most influential figures was former World Bank spokesperson Robert Calderisi, a self-professed critic of "political correctness." He (2006, 184-187) characterized social movement interventions in the manner that Horta warned against, including the suggestion that "Washington-based" organizations were self-serving and out of touch:

...international environmental groups were having a field day. Led by the Environmental Defense Fund, the Center for International Environmental Law, and the Bank Information Center – all based in Washington DC, a worldwide campaign had been whipped up against the project. Some international groups with limited exposure to the Bank's work or dated information on the project had genuine concerns that needed to be addressed. But the Washington, DC, groups, who should have known better, simply twisted the facts. . . once an unqualified supporter of nongovernmental organizations of every kind, Wolfensohn began drawing distinctions between "good" and "bad" NGOs . . . US organizations such as the Environmental Defense Fund were still determined to stop the project, as if it were a litmus test of their strength as a public interest group or a trophy for display on their entrance hall for future donors.

Wolfensohn, according to Inter Press Service, backed Calderisi's comment about "good" and "bad" NGOs up in the days prior to the Prague development meetings in 2000, and in reference to the CCPDP:

"I have 1,000 Africans working at the Bank, who unanimously support the Chad-Cameroon pipeline. And I vigorously support the Chad-Cameroon pipeline. This is not for people in Berkeley to decide (referring to Northern NGOs). This is for people in Chad to decide. And I think it's important that we have a proper balance between the Berkeley mafia⁹² and the Chadians, and I for my part, am more interested in the Chadians" (Mutame 2000).

Calderisi reflected the tensions between the Bank and social movements, tensions which did not appear in the CCPDP though they appeared briefly in the EIR. Four main actors thus shared the stage in Calderisi's view of the negotiations. On the one side were the Bank and ExxonMobil (along with its partners Chevron and Petronas), who sought simply to effectively extract petroleum in such a way that aided the people of Chad at the same time that it brought some profit to the petroleum companies. On this side were also the people of Chad, broadly presented as favorable to the project though they had little voice. On the other side were Washington-based NGOs and the Chadian government, both seemingly bent toward sabotaging the World Bank's important contribution to human welfare in Chad.

Calderisi (2006, 188) argues that two factors saved the project. First, Wolfensohn and ExxonMobil head Lee Raymond had developed a personal chemistry:

Wolfensohn was convinced that Raymond was firmly committed to doing the project properly and acting similarly in other international ventures. The Bank had been pressing international companies to become better "corporate citizens," so Wolfensohn could not easily drop the project if someone he trusted was doing all he could to heed the Bank's advice.

The second factor was "an even larger controversy" in the form of a transmigration project that the Bank was planning for China. It turned out that the location was within traditional Tibetan boundaries, and so ". . . the activists pounced. They turned a well-intentioned agricultural development project into Bank collusion in China's illegal

⁹² One wonders whether Wolfensohn grasped the irony of using such a term as Berkeley mafia which had a previous more infamous association with Indonesian economists, educated at Berkeley, who assisted Suharto with the economic aspects of his brutal dictatorship. See Klein (2007, 82ff), for example.

occupation of Tibetan land. . .” (Calderisi 2006, 189). This major global initiative eclipsed the Chad project:

The pipeline did not exactly slip by in the shadow of the larger controversy. There was suspense about the final result until the very end. But, in the homestretch, there was more concern with fine-tuning the design than overcoming any important hurdles. The storm had broken, and there was a sudden stillness in which reasoned arguments rather than sensationalist claims could again be considered (Calderisi 2006, 189).

After the agreement was signed, the Chadian government became the center of World Bank consternation. In particular, the government used a large part of the signing bonus to purchase arms. While this bonus was not covered under the revenue sharing portion of the agreement, it decreased the government’s reputation as a credible partner. “Throughout this period, the president of Chad showed no signs that he understood the bargain he had made with the rest of the world” (Calderisi 2006, 191). Thus, all parties were defined, with Calderisi matching arrogant clumsiness of the Chadian government with the arrogant urbanity of the “Washington-based” environmental NGOs (also known as the “Berkeley mafia”).

As the project proceeded, advocacy groups pointed to evidence, including the first IAG report,⁹³ that the project was proceeding on two tracks. On the one hand, the petroleum production facilities were constructed ahead of schedule. On the other hand, the capacity building frameworks that the documents called for were delayed. As a result, when revenues began flowing into the London Citibank accounts, they languished there rather than being distributed to education, health, nutrition and other local development projects. The lagging of human welfare development was exacerbated in 2005, when Deby used the rebel threat to his regime as the primary excuse to scrap the future generations fund and route more oil revenues to the general fund so they could be used for military purchases. The World Bank immediately froze funds and entered into

⁹³ <http://www.gic-iag.org/doc/IAGReportofMissiontoChadCam.pdf>. Accessed 20 December 2008.

negotiations about how to revise the management mechanism. By the middle of 2006, the Bank and the Chadian government had entered into a new agreement whereby 70 percent of the revenues would be spent on “priority poverty programs” while 30 percent would go into the general budget. The pact was accompanied by promises to create a new PRSP, which has not been completed to this day. By the beginning of 2007, the Chadian government was unclear about whether the security situation would allow the 70-percent threshold for priority poverty programs to be met.⁹⁴

Not only was development seemingly proceeding on two tracks, but monitoring could be seen as two-track as well, with transparency of reports ahead of compliance with recommendations. Massey (2005, 273) labels this “transparency over compliance”:

Transparency, at least in terms of the Bank's contribution, has been assured by regular electronic publication of the monitoring reports, and the various bodies have fulfilled their remits satisfactorily. However, transparency to what effect?

A succession of reports by the IAG and ECMG, as well as a report by the Bank's Inspection Panel have detailed environmental and social failings that are either not addressed, or inadequately and/or temporarily, addressed. The monitoring mechanisms have to a large extent been window-dressing. In terms of civil society and 'stakeholder' input, "a foot in the door is quite distinct from a place at the table" (Clark, Fox, and Treakle 2003, 285). The ascendancy of transparency over compliance was emphasised by the Bank's disjointed response to its own Extractive Industries Review that accepted the findings but proposed no change to existing policy.

A Bretton Woods Project article concurs⁹⁵:

The work of external monitors can indeed provide much value added but can also be used as a public relations tool and a fig leaf for poor implementation of social and environmental commitments.

The specific case of the ECMG's work in the Chad-Cameroon projects is a case in point. The ECMG's technical expertise on issues ranging from hazardous waste management to archaeological heritage protection has helped fill gaps in the information about project impacts. Its meticulous checklists and access to company records have further added to a systematic knowledge base about the implementation of a complex environmental management plan.

Unfortunately, however, the ECMG's work has not made the difference on-the-ground that it could have. There are inherent structural problems when the ECMG has to make repeated recommendations about serious problems - such as intense dust pollution that

⁹⁴ <http://go.worldbank.org/T3ST3WTGV0>

⁹⁵ <http://www.brettonwoodsproject.org/art-546186>

diminishes visibility, damages fields and crops and affects public health - which are not adequately being solved after several years of ECMG warnings.

The CCSRP, charged with approving all oil revenue disbursements, was also compromised. In 2004, President Deby appointed his brother-in-law to the central bank, which automatically made his brother-in-law part of the CCSRP (2005, 259). In May 2004, the primary civil society representative acted as a whistleblower at one of the public sessions:

In May, [Therese] Mekombe, as vice-president of the CCSRP, reiterated the College's complaints. She responded to a self-congratulatory presentation by an Exxon executive at an oil and gas conference in London with a whistle-blowing speech designed to embarrass all connected with the project.⁹⁶ Mekombe argued that the College remained underfunded, understaffed and deprived of information by both the consortium and the Chadian government. In these circumstances, it could not do the job it was set up to do. The Exxon executive replied that he would be happy to provide any information the CCSRP required, whilst reiterating the benefits that oil would bring. However, Mekombe continued to paint a negative picture of both the oil consortium and the Chadian government, stating that Chad's natural resources were being exploited in an atmosphere of suspicion and lack of confidence. She further claimed that most of the Chadian population was disillusioned with the project. This outspoken rebuke at least shows that the College is not comprised entirely of placemen or women. Mekombe's remarks prompted action by the World Bank to ensure that by October 2004 the CCSRP had well-equipped offices, technical support and better access to information. However, the fact that the key revenue management mechanism was marginalised during the early phase of the project suggests fundamental, perhaps fatal, flaws at the heart of the Doba Model (2005, 260).

By 2008, the Chadian regime was threatened by very credible overthrow, with rebel troops occasionally appearing on the outskirts of the capital. Through all this, however, petroleum production continues virtually without pause. As a 11 February 2008 Reuters article⁹⁷ states:

A rebel attack on Chad's capital a week ago did not affect the country's 140,000-160,000 barrels per day (bpd) of oil output but the violence disrupted prospecting and plans for a new refinery, the oil minister said.

"Production has continued as normal," Oil Minister Emmanuel Nadingar said on Monday amid burned papers and broken furniture at his ministry building, which was looted following the Feb. 2-3 assault on N'Djamena by eastern rebels.

⁹⁶ See also <http://news.bbc.co.uk/2/hi/africa/3748061.stm>.

⁹⁷ <http://www.reuters.com/article/latestCrisis/idUSL11653282>

Current and former World Bank officials, and those sympathetic to their positions, increasingly question the efficacy of aid (Calderisi 2006); call on African countries to develop themselves (ibid.); or in other situations (e.g. Zimbabwe) call for outside occupation or regime change (Collier 2008). The picture presented is of a Bank that tries to design projects that help impoverished people, but African governments almost hopelessly stuck in corruption and instability. This is nearly akin to cell iv in Williamson's matrix, with below threshold political and economic development. The prevailing sentiment is that the Bank has tried but the domestic situation is hopeless. However, unlike Williamson's actors in transaction cost economics, current and former World Bank officials portray actors in Chad in collective terms, and also venture in some cases (e.g. Collier) to suggest imperial reassertion of sovereignty or suggesting the reverse: replacement of aid with 'bootstrapping'.

In the meantime, the World Bank worked both to downplay the significance of the CCPDP and to burnish the Bank's role. George Monbiot (2006) wrote in May 2006:

The World Bank's attempts to save face are almost funny. Last year it said that the scheme was "a pioneering and collaborative effort ... to demonstrate that large-scale crude oil projects can significantly improve prospects for sustainable long-term development."⁹⁸ In other words, it was a model for oil-producing countries to follow. Now it tells us that the project in Chad was "less a model for all oil-producing countries than a unique solution to a unique challenge."⁹⁹ But however much it wriggles, it cannot disguise the fact that the government's reassertion of control is a disaster both for the Bank and for the impoverished people it claimed to be helping.

The World Bank then declared in December 2006¹⁰⁰ that the Bank's participation in the project was satisfactory, as was the outcome and borrower performance. The Bank was rated as satisfactory because of the quality of project design and preparation, as well

⁹⁸ International Finance Corporation, the World Bank, 2005. The International Finance Corporation (IFC) Played a Leading Role in Facilitating the Oil Pipeline between Chad and Cameroon. [http://www.ifc.org/ifcext/africa.nsf/AttachmentsByTitle/ChadCamProjectOverview/\\$FILE/ChadCamProjectOverview.pdf](http://www.ifc.org/ifcext/africa.nsf/AttachmentsByTitle/ChadCamProjectOverview/$FILE/ChadCamProjectOverview.pdf)

⁹⁹ World Bank, 2006. Where do things stand in the World Bank's dealings with the Government of Chad? <http://go.worldbank.org/WBTHSIE6S0>

¹⁰⁰ See also <http://www.bicusa.org/en/Article.3148.aspx>.

as the fact that revenues were being generated as predicted, and the production sites were under private control. For this reason, the consortium of petroleum companies was also rated satisfactory in performance. However, sustainability was unlikely because the government seemed unlikely to make the commitments required to develop the capacity necessary for managing petroleum revenue. The Chad government participation, for its part, was satisfactory in design but unsatisfactory in performance. On the whole, the project seemed to succeed in design and petroleum production, but likely fail in government implementation of revenue management and capacity building.¹⁰¹ This seems a blatant admission that the primary goal was documentation of intended welfare protections and enhancements rather than deep commitment to realizing those changes.

Throughout the CCPDP design, development and implementation, most of the public burden of justification for the project lay with the World Bank. As within neoclassical economic theory and World Bank research and high-level policy, the consortium of petroleum corporations concentrated on designing and constructing the oilfield and the pipeline, though they also fulfilled environmental and social documentation requirements directly connected to the project. There was very little reference to the contestation narrated by social movements, current and former World Bank officials, and news outlets. The project was completed ahead of schedule, and the ECMG has completed 25 volumes of periodic (quarterly, semi-annual and annual) reports over the last 8 and one-half years.¹⁰² These reports adhere religiously to the area around the oilfield developments, and among other things do not acknowledge social movement presence or instability even during the height of conflict in early 2008 when the capital was besieged and the oil ministry ransacked. Even revenue management disputes

¹⁰¹ <http://go.worldbank.org/NK5U64X7U0>

¹⁰² See Project Reports at http://www.esso.com/Chad-English/PA/Newsroom/TD_ProgressReports.asp.

between the Chadian government and the World Bank in 2005 and 2008 are only briefly acknowledged.

As the World Bank narrative is incomplete without investigation of politics outside of the official reports, so it is necessary to look at the petroleum consortium outside of the formal reports. The anecdotes in this chapter assist with a small but important amount of context. However, as I indicate further in the conclusion, better understanding of corporate approaches to the CCPDP requires the kind of in-depth, medium- to long-term engagement that is found regarding petroleum production and broader key commodity exploitation in Nigeria. I detail some of this latter literature in the following chapter, which provides an effective if incomplete supplement to the existing material on corporations and the CCPDP.

On 9 September 2008, the World Bank announced that it was ending support for the project: “. . . once again the government did not allocate adequate resources critical for poverty reduction in – education, health, infrastructure, rural development and governance.” After the quite vitriolic and public 2006 disagreements and subsequent negotiations, this announcement seemed quite low key and perfunctory.

Chapter 6 Force and consent: The petro-state and the oil complex

The “normal” exercise of hegemony is characterized by the combination of force and consent, in variable equilibrium, without force predominating too much over consent... [But] between force and consent stands corruption-fraud, that is the enervation and paralyzing of the antagonist or antagonists. (Gramsci 1971; cited in Anderson 2002)

It is generally assumed by mainstream development literature that the exploitation of the peoples of the Niger Delta and the devastation of their environment began when crude oil was discovered in the area by Royal Dutch Shell in 1956. The truth is that Europe's plunder of the Delta, and indeed the entire continent, dates much farther back, to 1444, when the Portuguese adventurer and former tax collector, Lancarote de Freitas, sailed to the West African coast and stole 235 men and women whom he later sold as slaves. De Freitas's trip was to trigger the Atlantic slave trade, which, before it was displaced by the trade in palm oil in the 1840s, saw several million able-bodied young men and women taken from the Delta and its hinterland and shipped to the plantations of North America, South America, and the West Indies (Okonta and Douglas 2003, 6).

At this point, Chad is an unstable country, with an authoritarian leader, and sustained and even deepened poverty since initiation of the CCPDP.¹⁰³ It would seem, then, in the final analysis that the World Bank's optimism about the ability of IFIs to break destructive institutional fixity is misplaced at least in regard to the “resource curse,” and transaction cost economics is correct. One would be tempted to believe that no matter what the “generous developed countries” try, they cannot break through the crust of deterioration that is African institutions below both the economic and political development threshold on Williamson's matrix.

¹⁰³ Between 1975 and 2000, the HDI index for Chad rose faster than the average HDI for low-HDI countries in sub-Saharan Africa. Between 2000 and 2005, however, the Human Development Index for Chad dropped precipitously while the HDI for other low-HDI countries continued to rise. Please see Appendix 1.

Thus, people still rely on the insights of books like Calderisi's *The Trouble with Africa* and Easterly's *The White Man's Burden*, suggesting that perhaps only historical accident or basic humanitarian aid can assist such areas. These volumes assume that Western governments, multilateral development agencies, and even multinational corporations are politically weak and perhaps even naïve in trying to help developing countries. Gould (2007) makes the argument, based on resource curse assumptions, that the World Bank and corporations were naïve in trusting their power to influence the Chadian government.¹⁰⁴ He argues that only strong political intervention by the World Bank could have prevented the government from engaging in an "obsolescing bargain" (see Vernon 1971) whereby authoritarian elites used the sunk costs and "institutional fixity" of the project to extract greater concessions from the World Bank. In the stories given by Gould, Calderisi, Collier and others, the elite of these countries hold the cards and manipulate external generosity toward their selfish ends. And yet petroleum production is sustained in southern Chad.

I argue that the CCPDP was not a case of failed institutions or external organization naïveté, but instead a hyper-documented project with a hyper-restricted scope, pointing to larger strategic objectives than simply putting an oilfield in Chad and a pipeline to transport the petroleum to the coast. The previous chapter detailed the level of documentation, which was certainly extensive. The scope was both geographically and temporally hyper-restricted in that the targeting of revenue to social welfare only covered construction of the Doba oilfield and the pipeline from Chad to the Cameroonian coast. Even this scope was further limited in that the loan was paid and the World Bank contribution to the project ended early in 2008 with the World Bank arguing that the

¹⁰⁴ A similar criticism to mine is made by Mary Lynn Cramer, regarding the 2008 economic crisis, in "Stiglitz's Foolishly Flawed Morality." <http://www.counterpunch.com/cramer12152008.html>. Accessed 17 December 2008. Stiglitz, Cramer writes, "chalks the whole affair up to naïveté on the part of his fellow economists, bankers and bureaucrats. (Hey, he tried to tell them!)" See Stiglitz, Joseph. "Capitalist fools." <http://www.vanityfair.com/magazine/2009/01/stiglitz200901>. Accessed 17 December 2008.

Chadian government continually refused to follow revenue distribution requirements. Petroleum production, however, will almost certainly extend far beyond the Doba oilfield. Indeed, as I explore in this chapter, Fah (2007) argues that the CCPDP makes Chad a central point in Gulf of Guinea petroleum exploration.

Chad, throughout colonial and postcolonial history up to the CCPDP, has been an impoverished, commodity poor, marginalized country at the confluence of major global power struggles.¹⁰⁵ The CCPDP only adds a volatile and valuable global commodity to the mix, as Fah (2007, 105) relates:

The production capacity of the pipeline is currently 225,000 barrels of oil per day; and it will decline only after it reaches a peak in a couple of decades. However, the size of the investment signifies a commitment to a much longer-term exploitation. By the time the Doba field, estimated at a total reservoir of one billion barrels, is emptied, other fields already being explored in Chad, Cameroon, Niger and Central African Republic are expected to take over (Oliveira 2007, 282) (Eriksson and Hagströmer 2005).¹⁰⁶

The Chad government itself is clearly focusing on unsupervised exploration, as McGregor (2008, 10) argues:

The government is actively encouraging new exploration in the promising Lake Chad Basin as only the existing Doba Basin oil fields are subject to the oversight and supervision terms of the 2000 agreement. The distribution of all new revenues from the industry will be completely unsupervised by outside agencies. Unfortunately the industry has created very little local employment, most of which is menial and low-paying.

Looked at from a regional focus such as Fah and Roitman (2001; 2004) employ, it is clear that petroleum exploitation is a regional initiative especially considering its relative scarcity. Fah provides a general description of the flows of migrants, guns and other inter-regional forces that characterize the Chad basin:

The geographical location of the region thus exposes it to many different influences ranging from Arab North African countries such as Libya with its [sic] religious ambitions, and Egypt, an important intellectual centre for Arabs (notably with regard to pilgrims making the *hajj* to Mecca), as well a disseminating centre for various commercial and religious ideas. Beyond this exposure to its Arab and African neighbours, local populations face day-to-day competition over access to natural

¹⁰⁵ See, for example, Roitman (2004) and Fah (2007).

¹⁰⁶ See also Eriksson (2005); Oliveira (2007, 282).

resources that are faced with environmental challenges, especially expanding desertification and the drying up of Lake Chad (Fah 2007, 101).

To restrict the CCPDP only to Doba and the Cameroon pipeline means that the project is severely limited at best and perhaps even a cynical move for long term corporate profit enhancement.¹⁰⁷ The fact that the project is unsustainable but still satisfactory according to the World Bank, the private consortium and other lenders underlines the (cynically) limited scope of the project.

This view of the project has many advantages over the neoclassical economic view. In particular, it does not require artificially constrained variables such as treatment of states and corporations, even individual persons, as discrete identities with self-contained interests interacting with one another. Instead I work in this chapter to spatially and temporally connect phenomena that are left out of the neoclassical economic view. In addition to the evidence from literature on the Chad basin, the CCPDP narrative closely tracks other key bodies of literature on international development, commodity exploitation, business and Central Africa. Together, this literature points to intimate corporate involvement with states and other key institutions of power; diverse ways that these corporate and state powers attempt to disguise the nature of their activity; and the Band-Aid® nature of CSR and other social welfare accessories to commodity exploitation.

I begin with the hyper-documentation and how it fits into other instances of what Rose (1999, 177) refers to as the “birth-to-presence of a form of being that pre-exists” but nevertheless requires expert intervention at every turn to adapt the form to external changes. The realities of commodity exploitation in Central Africa and Nigeria especially provide compelling evidence that such exploitation has little to do with the myths presented by neoclassical economists. Combining the historical, cultural, political

¹⁰⁷ Keenan (2005, 399) makes the point that cynics may see the instability as in their interests, though the political risk could be quite high.

economic and geographic forces compelling “development” in the context of the CCPDP requires a robust analytical frame. Neoclassical economics is now left far outside of discussion, taking up a niche not unlike the niche it occupies in business literature. However, in contrast to business literature where neoclassical economics provides some analytical assistance for “applied” business,¹⁰⁸ neoclassical economics takes its place here as a critical part of the mystification, naturalization and justification of petro-capitalism. The nature and context of the CCPDP does its part to help undermine the benevolent nature of World Bank policies even in this era of development as “governance,” “comprehensive development” and “local ownership.” As we saw in Chapter 2, Schmitz (1995) and others have questioned the transformative nature of World Bank rhetoric, particularly the “governance” rhetoric so recently made popular. Others, such as Weaver (2008) and Leiteritz and Weaver (2002), focus on the “hypocrisy” that is disjunctures between organizational culture and stated objectives in the World Bank. These approaches are quite useful in sustaining the scholars’ relative objectives, which are in themselves useful. For Schmitz, the primary objective is to point out discrepancies between discourse and strategic aims, while Weaver looks at discrepancies between “talk” and “action” in terms of sociological organizational theory. However, I do not address this discourse perspective on development here, and instead find the “governmentality” literature more useful for study of productive margins (Mantz 2008).

¹⁰⁸ The introduction to the Harvard University program in Business Economics concisely articulates the role that economics methodology plays in business:

A joint degree offered by the Department of Economics in the Faculty of Arts and Sciences and the Harvard Business School, the PhD in business economics combines economic analysis with the practical aspects of business. This degree is primarily intended to prepare students for careers in research and teaching in business administration and related fields of economics. The general management approach of the Harvard Business School is an important ingredient in the program.

The program can be distinguished from the Harvard PhD in economics by its greater emphasis on business fields and its focus on the use of economic analysis and statistical methods in dealing effectively with management problems in these applied business fields.

Li (2007, 232-233) provides an excellent exposition of World Bank “birth-to-presence” of communities in the context of Social Development projects and governmentality in Indonesia:

Community is assumed to be natural, yet it needs to be improved. Communities are assumed to have the secret to the good life (equitable, sustainable, authentic, democratic – however the good is being defined), yet experts must intervene to secure that goodness and enhance it. . . [Yet it is] unclear whether talk of community applies to present or future forms. . . Even when the object of desire – the authentic, natural community – is found to be intact, experts on community argue that it is vulnerable to degeneration because it lacks the capacity to manage change. It is the paradox of community that makes it an exemplary site for governmental intervention: trustees do not direct or dominate; yet they always have work to do.¹⁰⁹

Li, like Watts below, uses Foucault’s notion of governmentality quite effectively in undermining the idea that Bank notions of participation and ownership mean decentralization of decision-making *power*, whereby such people as the small farmer or the local community leader are supported in working to improve life as they see fit. The Bank version of development is rightly called governance-based because the decentralization applies to the *responsibility* more than the power, as seen in the CCPDP discussion above about “ownership.” Structural issues relating to the neoclassical model of economic growth are still central to the development model. The mode of promoting this, however, has moved from state-centered structural change to the micro-organization of individuals and small communities, so that their conduct accords with the liberalization project. As Mawdsley and Rigg (2003, 271) argue, “the substantial shift towards more participatory language and approaches, while welcome, is still underpinned by utilitarian values, in which a depoliticized version of ‘empowerment’ is valued primarily for its contribution to the main goal of economic growth.” This also echoes Leys’ (1996, 81) argument that the 1994 World Development Report’s “treatment of the issues at stake as if they were purely ‘technical’, by excluding crucial political and social considerations, is purely ideological.” Governance is about disciplining bodies,

¹⁰⁹ See, for a business perspective on authenticity, Burnett and Hutton (2007).

surveying at the most local scale, and perhaps most importantly locating responsibility for failure at all levels, bottom to top, of a society. Thus, as Ferguson argues in *The Anti-Politics Machine* (1994), failure may not be entirely outside of the purpose of development interventions. The “failure” of the social welfare portion of the CCPDP, combined with success of petroleum production, seems to fit well with Ferguson’s argument that development “failure” nevertheless leads to “successful” spread of the bureaucratic state, though in the case of Chad it is not the bureaucratic state so much as the consolidation of the petroleum enclave as the state remains unstable.

Craig and Roberts (2006, chapter 6) detail a similar situation in Uganda, where a District Development Project (DDP) showed great success in the early stages, but performance suddenly declined precipitously.

[The lauded development successes of the DDP unraveled because they] *had been overwhelmed by another system – the Poverty Action Fund (PAF) – that by then was channeling huge resources down to local governments. In one district, an exasperated woman councillor expressed the difficulty:*

You government people, you come down here looking for answers to *your* project, but you don’t realize you’re not the only thing going on here. Don’t hold us responsible, you set us up for this, look beyond yourselves for once and you’ll see the world is larger than you think (2006, 171-172).

This “hyper-documentation” can therefore also usefully be referred to as “hyper-project” in that the sheer number of project interventions and requirements can overwhelm the “target” community. That the representative of the target community lectures the funders on their myopia regarding the world is particularly ironic.

As the second section, covering Nigeria history of European commodity exploitation, demonstrates, the “form of being that pre-exists” has been one part of the spectacle that is commodity exploitation for generations. Looking at Nigeria, we see the same kinds of realities and the same kinds of myths that are narrated today (incapable natives, the need for an invasive civilizing mission, the hiding of exploitation in

contracts, isolation of resource production from wider social, political and economic contexts, the important role of everyday and spectacular violence). Apter (2005, 151) describes transition to formal colonial rule in Nigeria, for example, as “assertion of a new economic order, pursued in the language of fair trade and rational contract.” This could describe such transitions generally, including the rise and fall of the CCPDP as part of the ramping-up process for petroleum exploitation in the Chad basin. In Nigeria, like in Chad, the spectacle of Nigerians repeatedly changed depending on the nature and type of exploitation. For example, in the transition to formal colonial control, the same Nigerians went from people “endowed by nature [with] ‘commercial faculty’” (Baikie 1856, 385-386; quoted in Apter 2005, 148) to infantile savages (Mockler-Ferryman and Day 1892; quoted in Apter 2005, 152). Apter (2005) details quite well the nature of the spectacle in Nigeria, while authors such as Rowell (2005) and Okanta and Douglas (2003) cover the violence experienced by Nigerians who have directly encountered commodity exploitation through the generations.

Watts, through articulation of the “oil complex” and the “petro-state” takes up the narrative where Apter leaves off, providing a more general theoretical framework to the work by Apter as well as Rowell (2005) and Okanta and Douglas (2003) regarding petroleum exploitation in Nigeria and elsewhere. Watts (2005a, 53) accepts the enclave nature of oil-centered capitalist forms, but rejects the idea that oil-dependency is itself generative of predation, as resource curse literature tends to assume. Rather, what he calls “petro-capitalism” produces specific configurations of “territory, identity and rule” from particular realities into which it is inserted. Watts concentrates on the example of the Niger Delta, but his form of analysis can bring important lessons about the most effective manner of looking at insertion of petro-capitalism into the primarily “inutile” (Lemarchand 1986, 29) “geographic expression” that is Chad within the Chad basin.

In addition to demonstrating the need to understand existing political/economic/cultural relations, Watts more specifically notes that multinational corporations are invisible in resource curse literature. As I indicate in previous chapters, this is a characteristic of neoclassical economics in general, and indeed is an important strategy for business. The CCPDP's hyper-documentation, restricted scope, halting progress, and premature ending seem to validate the "business case" perspective on CSR and broader business involvement in social welfare. As Frynas argues below in the context of Shell in Nigeria, Shell Petroleum schedules community development programs to last as long as pipelines are being built. When the pipelines are complete, the community development programs are ended as well. Not only does the CSR record show restricted timelines, where social involvement lasts only as long as necessary for production, but it belies evidence that Frynas details of corporations benefiting from social conditions inimical to human welfare, such as first mover advantages of political instability in Nigeria. I only scratch the surface of business literature in this project, but it is clear that any examination of development must account for corporations as political and cultural as well as economic actors.

6.1 Poverty, spectacle and creation of locality

There is little in-depth coverage of history in the neoinstitutional economic view of Africa, including Central Africa. Likewise, there is little historical background in World Bank research and policy literature, and certainly not in Bank project documents. In particular, corporations are essentially invisible in historical accounts by neoclassical economists and World Bank documents.¹¹⁰ For transaction cost economists, history is nearly irrelevant in that what matters are the mechanisms rather than the substance of institutions. At all periods of history, opportunism exists with imperfect information so that institutions must be built to overcome these limitations. For evolutionary

¹¹⁰ See Watts (2008, 60).

neoinstitutional economists like North, history in “underdeveloped” areas consists of stagnant “genetic predispositions of millions of years of hunter/gatherer heritage” (North 2005, 42). For World Bank high level researchers and policymakers (e.g. Berg 1981, 10-11), there seem to be three periods of history in Central Africa preceding the 1980s currency crises. First there was precolonial stagnation, where people had incipient entrepreneurial abilities but did not have the skills or institutions through which to develop their economies effectively. This was followed by authoritarian colonial institutions that concentrated too much on state-led growth. Following liberation, most countries continued to follow this model and thus were beset by inefficient economic production, corruption and maladapted institutional proclivities.

Calderisi (2006) acknowledges some of the brutality associated with the slave trade, colonialism and the Cold War. However, he argues that the record is mixed and anyway the slave trade ended generations ago and countries such as India and Pakistan are not blaming their colonial history for their problems. Regarding British colonial history, Calderisi (2006, 22) comments that “The British used ‘indirect rule’ in Nigeria, relying on local chieftains to ensure the smooth administration of the vast interior.” This demonstrates for Calderisi that colonial powers sometimes actually contributed to the welfare of colonies through more efficient authority structures (as well as infrastructure). He places nearly all of the blame for subsequent ‘underdevelopment’ in Africa on three features: culture, corruption and correctness (2006, Chapter 4). Paramount among these, sustaining the destruction, is culture. Calderisi (2006, 82-83) lists common cultural attributes which he argues affect people in sub-Saharan Africa more than elsewhere.

- An unquestioning family loyalty sustains corruption and punishes individual quest for betterment.
- A focus on the present – “[enjoying] life as it is” at the expense of the future hinders saving and progress.

- Unwillingness to disrespect elders means that “Africans accept dictatorship and high-handed elected officials as their lot. . . Some of this deference has an ancient lineage, as many national leaders are only a generation or two removed from traditions of village leadership. . .” (Calderisi 2006, 83).
- Love of language encourages hyperbole and divisiveness. Religious conviction also contributes to fatalism and acceptance of hardship.

These cultural shortcomings are then nourished by a political correctness that is loathe to criticize destructive leaders (for Calderisi) like Mugabe or Mbeke or to recognize that African culture underlies most of the failure of sub-Saharan Africa to develop.

Calderisi is joined by Collier (2008) in decrying political correctness as the problem. In a recent opinion piece, Collier comments:

Leaders in such sad little states as Zimbabwe and Burma are quite ridiculously powerful. They have turned parliament, the news media and the judiciary into mere implementers of their strangling systems of control. But the extraordinary lack of external restraints on these dictators is poorly understood. Many people are still trapped in a politically correct mindset that sees a strong rich world bullying a weak poor world. . . [However] like virtually all rich countries, Germany [for example] has learned that there are real advantages to limiting its own sovereignty and pooling it with neighbors and allies. But the governments of failing states such as Zimbabwe and Burma have refused to share any sovereignty with anyone. . . So how can the grossly excessive powers of the Mugabes and Shwes of the world be curtailed? After Iraq, there is no international appetite for using the threat of military force to pressure thugs. But only military pressure is likely to be effective; tyrants can almost always shield themselves from economic sanctions. So there is only one credible counter to dictatorial power: the country's own army.

As counterpoint to the spectacles that are culture, history and development in Africa for the Bank and neoclassical economists, scholars have undertaken high quality examinations of history and culture the breadth of which fill many volumes. I focus on the Niger Delta and in particular that material which informs petroleum production. The Niger Delta and much of greater Nigeria have been in contact with Europeans for approximately 600 years. In recent years (since Shell/BP began work in the Niger Delta in 1956), the Niger Delta has been a flashpoint for interactions between local people (the most publicized example being Ken Saro-Wiwa’s Ogoni rights movement or the Niger Delta insurgent groups), Shell/BP, successive corrupt (mostly military) governments, and

British and recently U.S. administrations. Thus, this region offers a very good point of departure for looking at what Watts terms the ‘oil complex’ and the petro-state, and a good jumping-off point for re-examining the present and probable future of places such as the “model development project” that was the CCPDP.

Though the Nigerian history is coherent in important ways, it cannot be a fully coherent conspiracy. While “the British,” “Shell” and other collectivities appear throughout the history, “they” are not themselves unitary rational individuals that put their stamp on all of these decades. Rather, this history is about sustained approaches to the world, passed down relationally through interactions and discourses (“birth-to-presence of a form of being which pre-exists”)¹¹¹ from executive to executive, president to president, chief to chief, interlocking directorate to interlocking directorate (Barnet and Müller 1974) to the present day. I do not cover the mechanisms of such passing down of hegemony in my project (this is a worthy and complex pursuit in itself), but rather look at the evidence of such interactions in the context of Niger Delta exploitation as it prefigures petroleum exploitation by Shell.

As well, I do not pretend to present a comprehensive historical overview of the past 600 years in Nigeria. Rather, I use historical interventions to provide a narrative about Nigerian history with very different drivers of transformation than the neoclassical economic stories presented above. Apter (2005, 89) focuses, with allusions to others like Mitchell¹¹²

on the making of Nigerian national culture within the broader black and African world, because it brings into bold relief the very logic of spectacle as a form of cultural commodification. I approach this important notion . . . as a basic inversion of simulacrum

¹¹¹ Rose (1999, 177).

¹¹² Apter (2005, 4) comments:

As Mitchell’s *Colonising Egypt* so elegantly reveals, the idealized Egypt of the 1889 Universal Exhibition became more real and authentic than the Egypt visited by travelers and tourists, corrupted as it was by empirical chaos in relation to the purified principles through which it was perceived (Mitchell 1991[, 21-33]).

and original -- a kind of commodity fetish writ large -- whereby an exhibited "people" became more real and authentic than the lands and peoples themselves.

Apter and Mitchell focus literally on exhibitions, in the case of Apter being the FESTAC '77 cultural event underwritten by Nigerian windfall profits. I mobilize Apter's analysis for a related but distinct purpose, to throw into sharper relief the historical processes through which 'realities' have been produced in pursuit of material gain. For me, this spectacle of culture has served two major purposes. First, it has reframed the structures and routines underlying control of people in Nigeria. Secondly, it has presented people in the Nigerian colony to those people in the West who may be disposed to get involved in some way in Nigeria. Imperialism was, and post-imperial 'neoliberal' corporate capitalism is, significantly about producing and contesting 'reality', similar to Scott's (1990, 5) public transcript though without an allegiance to dualistic domination/resistance. Some forms of 'reality' are less costly than other forms, and much of the work of exploitation lies in creating least cost 'realities' for exploiters. Different 'realities' serve different periods of resource exploitation.

While Apter concentrates on maintenance of power through the tenuous "consent" to spectacles of control (the regatta, the durbar, and indirect rule among others), it is critical to note the presence of sometimes naked and brutal exercise of military and paramilitary power in affecting control and exploitation. Watts brings violence to the analytical fore in discussion of the 'oil complex' and the petro-state. Likewise, Rowell (2005) and Okonta and Douglas (2003) provide graphic narrative detail of the role that violence played from slavery to the present. Cultural spectacle sustains everyday control, while spectacular violence discourages dissent.

The history of European-Nigerian interaction flows through four major periods, each distinguished by a different kind of commodity and social forms. First, the slave trade beginning in the 1400s was characterized by nominally independent dynastic

kingdoms that met European traders on the coast and either exchanged slaves for goods at that time, or took European goods upriver and came back with slaves. Jones (1963, 39; cited in Apter 2005, 132) quotes French slave trader John Barbot regarding the African mediators:

Several of those *Blacks* act therein as factors, or brokers, either for their own countrymen, or for the Europeans who are often obliged to trust them with their goods to attend the upper markets, and purchase slaves for them [emphasis in original].

Apter comments:

What quite literally stands out in his *Description* is the italicized contrast between blacks and Europeans as partners in the trans-atlantic trade, with the emergence of mediating “factors” or brokers and an important form of credit called “trust.” It is precisely this class of middlemen or brokers that gave rise to the dynastic ruling houses of the riverine trading states, accumulating fortunes and competing against each other for political power and market share.

African merchants would seek not only the materials of Europeans but also the cultural symbols of power (the flag, military and other European clothing). African merchant groups would then integrate these symbols into the exchanges and value creation activities of the Niger Delta communities. Rowell (2005, 43)¹¹³ argues that the slave trade not only involved mobilization of cultural interaction along with trade, but created and mobilized internecine violence, feeding it through the exchange of slaves for guns (16 guns per slave). “By the 1750s, the Europeans were exporting between 283,000 and 399,000 guns each year into West Africa.”

These interactions of symbol, commodity, physical force and exchange relations were both accentuated and undermined by the adventure of the Landers, European traders captured for a time in 1830 by an African canoe house. They themselves became for a time objects of exchange and value creation, but at the same time continued to help develop through their interaction what became a gradual deepening of British control through the Royal Niger Company:

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Their discovery of that “highway into Central Africa” which beckoned to the adventurous with untold riches inaugurated subsequent expeditions that prepared the way for the Royal Niger Company. And if the Landers opened this door, they also set the pattern of expansion by establishing a set of enduring relations with local leaders and traders that would gradually be fixed by treaties and amalgamated into a protected market (Apter 2005, 141).

These enduring relations transitioned the dynastic canoe houses into middlemen and traders as the British traders ventured further up the river to enter into direct ‘contracts’ with the inner river groups, under the triple purposes of establishing palm oil exploitation structures, abolishing the slave trade, and introducing the populations to Christianity. Apter (pp. 146-147) describes graphically the contract signing ceremonies, in which the British and local leaders had very different interpretations of one another’s actions:

On two occasions, the Obi [an African leader who had an extended relationship with the British] subjected the “rational” code of the treaty to the ritual obligations of fetishism. First, as witnessed by his English guests, he made ritual preparations to secure the success of the treaty. . . The second intrusion of fetishism occurred [during British prayers to “Almighty God”, when the Obi became agitated and began a ritual of his own before his “heathen ceremony” was interrupted]. . . Whatever theological dimensions of transvaluation were here involved – and the question of whose god we trust in any economic exchange is never fully absent – the incident represents a general confrontation between European and African commercial understandings that would develop through the hybrid idiom of fetishism itself.

Thus began the establishment of “rational contract” relations between British and local populations, supplemented by missionary proselytizing and some model farms, relations which deepened as expeditions such as William Balfour Baikie (aided by quinine to battle malaria) met ““on friendly terms with numerous tribes, all endowed by nature with what I might term the “commercial faculty,” ready and anxious to trade with us”” (Baikie 1856, 385-386; quoted in Apter 2005, 148).

With the deeper penetration of the Niger Delta by traders, the Europeans increasingly desired to get rid of the middlemen and assume direct control over resources:

The enormous riches to be derived from the Niger Delta and the other coastal towns opened the eyes of the British traders and, subsequently, of the government itself, to the possibilities of taking over the area entirely, by force if necessary. . . . The Niger provided an excellent highway for the British traders, who began to penetrate into the interior. They saw virgin forests brimming with agricultural produce. Fired by greed, they sent urgent dispatches to London. The Foreign Office, after ensuring that the area would not prove a financial liability to the government, but indeed the opposite, proclaimed the Niger Delta and its hinterland a British Protectorate in 1865, thus laying the foundations of what turned out to be modern Nigeria (Okonta and Douglas 2003, 10).

Framed within the idiom of a humanitarian crusade against the depredations of savagery was the assertion of a new economic order, pursued in the language of fair trade and rational contract. The new masters of the river were the Niger Company factors with their guns and their law (Apter 2005, 151).

Thus, because British traders saw a greater bounty of resources in the inland areas “ripe for the taking” (because neither riverine traders nor any of the weaker local people had adequate power to resist), they transformed the ‘reality’ in the riverine areas from exchange relations with nominally independent trading groups (with natural “commercial faculty”) into “civilization projects” for a host of uncivilized savages unfit to retain sovereignty over the areas.

British colonial figures formed at least three major ‘realities’ as they sought to create the most profitable (i.e. lowest cost, highest revenue) colonial system that they could. For the first reality – in Britain or British business and economic circles – theoreticians and policymakers focused on resource value and the “language of fair trade and rational contract.” According to these discourses, actors simply exchange resources through contracts and the competition of the market. This is no different whether one is discussing final textiles in Britain or palm oil in Nigeria. The second reality, promoted by theologians and many interested in social issues, was that of the “depredations of savagery,” which the British in their compassionate manner were called to contain and reverse through the proclamations of the Christian gospel and the controlling virtues of civilization. Savagery, I suggest, was best presented graphically rather than through

rational discourse, and repeated to attain a level of 'common sense'.¹¹⁴ Apter (2005, 152) looks at the particular example below, from Mockler-Ferryman (1892) as typical of this forming of images about African 'realities':

"The head chief . . . was dressed in a loin-cloth and the long red coat of a Chelsea pensioner, with a lady's tiny straw hat set coquettishly on one side of his head. The other chiefs were equally oddly attired. Some wore black frock-coats of broadcloth of undoubted London build, others, tunics of the Line, and one old gentleman was disguised as a commander of the Royal Navy, though the trousers had been forgotten. Their choice of hats was also varied. The Church, the Army, the Navy, the Picadilly "swell," and the little girl at the seaside, all were represented here."

In this scornful rhetoric of colonial mimicry, the African chief is reduced to a diminutive half-wit, feminized and further compromised by his pathetic attempts at dignified dressing. The powerful icons of Church, Army and State are seen not as signs of European power and prestige but as articles woefully out of place on savage bodies in a savage land.

According to Okonta and Douglas' (2003, 1) account, a British naval force visited this "savage land" three years after Mockler-Ferryman's book was published, and exacted an example of spectacular force to go along with the everyday spectacles of control. On February 22, 1895, the British attacked the chief Ijo city of Brass, killing an estimated 2,000 people. This attack was instigated by the Royal Niger Company, after the people of Brass resisted the company's continuing consolidation of monopoly power over palm oil production. Okonta and Douglas directly relate this violent incident with the violence that Shell helped visit on the Niger Delta one hundred years later in 1995.

The final reality was the British imposition of 'customary rule' on the people of Nigeria. Customary rule valorized hierarchical societies, which ironically placed the middlemen of the riverine areas lower in the caste system than the royalty surrounding the Sultan of Sokoto in northern Nigeria. This is a critical indication that exploitation by the powerful would take place in whatever manner is most profitable and can be justified according to acceptable colonial morality. When trading was the main means of exchange, the population was 'naturally commercial.' When direct exploitation (removal

¹¹⁴ See Deleuze (2004) *Difference and repetition*.

of the middleman) was possible and profitable, these self-same commercial partners became lower caste, less refined, less developed, savage.

The colonial rulers established direct control most effectively in areas such as the north of Nigeria because hierarchies such as those embodied in the Sultan of Sokoto were already established and could be hardened and adapted to colonial administration. The existing leader (Calderisi's "ancient lineage") could either be bought off or replaced with a more agreeable leader. Okonta and Douglas (2003, 15-16) describe the difference between north and south in this manner:

[Though the North was primarily linked with North Africa and the South was primarily Christian and traditional religious practitioners] the interests of British trade were paramount. . . and the dictates of commerce, coupled with the financial difficulties of administering the various nations and ethnic groups as separate entities, compelled the colonial administrators, from Frederick Lugard onward, to treat the country as a single unit. . . While the northern emirs who held unchallenged sway over their subjects were allowed to administer their territories with minimal interference from the colonial residents, Lugard discovered that this system of indirect administration could not apply in the more egalitarian south, where the ruler's authority was circumscribed by a large number of checks and balances. The South was therefore ruled directly through courts and a "warrant" system whereby certain individuals were raised to positions of authority specifically to dispense justice and collect taxes as the emirs did in the north.

Rowell (2005, 53) refers to southern representatives as "'Warrant Chiefs': heads of the communities who were chosen by the colonial power because they were supportive." The unchallenged sway by Northern rulers is questionable given Apter's detailing of the durbar and molding of the northern hierarchies through coercion and exhibition so that they provided the kind of rule amenable to British colonial control. This "unchallenged sway" during colonial times, Apter (2005, 169) argues, fits into what he terms Mitchell's (1991; 1999)

radical shift in perspective on the very processes of institutional differentiation and objectification. In brief this refers historically to the practical and technical demarcation of internal distinctions – "methods of organization, arrangement and representation" – that come to be seen as the external boundaries between the state and civil society, the state and a "free" market, or in the case of the Nigerian durbar, the state and its national "culture."

The origins of the *darbar* were contested, with questions about whether it was an Indian ceremony put to colonial use in Nigeria, a Muslim ceremony from North Africa, or a pre-Muslim ceremony. However, the main item of importance for this overview is that it represented a critical example of ". . . the constitution of authority through imperial rituals . . ." (Apter 2005, 197-198) as the British consolidated and sought to retain colonial control through "indirect rule":

The colonial and imperial *darbars* of India did not exist in ceremonial isolation but belonged to an elaborate cosmology and culture of rule expressed as much by the rational techniques of governmentality – mapping populations, codifying laws, collecting taxes, or training troops – as by political ritual and everyday routines. If the colonial rule was visible, even spectacular, its habitus was hidden in the details and disciplines of new forms of etiquette and knowledge. The *darbar* does stand out, however, in this total ideological context as a powerful mechanism of its production, whereby indigenous ceremonial and social orders were both underwritten and reorganized by the colonial administration and naturalized by the colonial sciences of native races and their evolutionary paths. I am in no position to examine this dense historiography, but I would suggest that the colonial cosmology and administrative logic exemplified by the imperial *darbar* in India were brought by Lugard to Nigeria, where they took root and developed in similar ways (Apter 2005, 181).

The *darbar* "naturalized" or "hardened" or perhaps "invented" the hierarchical rule of the north as the dominant ruling order of the country, structuring the ceremony itself in a racial hierarchy with the northern elite at the top, the moneyed Yoruba and other groups following on, and finally on the bottom the pagans from the hills, "Naked, black, swarming like stinging insects. . ." (Apter 2005, 187). Okonta and Douglas (2003, 16) relate this kind of caste system to the divide-and-rule structures found throughout the colonial world:

The British were. . . determined to rule the country as two separate political units, employing the infamous tactics of divide-and-rule that they had perfected in India to keep the various indigenous groups constantly at each other's throats.

The *darbar* as representation of national culture did not disappear with independence, but rather was shorn of colonial construction and represented as a pre-colonial item of cultural pride:

What the genealogy of the Nigerian durbar really reveals is not, as FESTAC proclaimed, a decolonization of cultural tradition based on the rejection of imperialism, but rather the nationalization of colonial tradition by the postcolonial state. Explicitly erased, such traditions were indigenized through the very festivals and ministries that objectified culture for citizens and tourists (Apter 2005, 199).

Thus, colonial constructions and naturalizations of authority remain in postcolonial construction of national, even regional, pride and power as represented by FESTAC. More broadly, the process of gaining “independence” involved both uniting of north and south in government and privileging of northern elite in the levers of power:

Governor Arthur Richards’s constitution [instituted in January 1947] united the northern and southern parts of the country in one central legislature for the first time. Richards, though, made provisions for regional councils, thus ensuring that the North enjoyed a greater degree of autonomy and was not “contaminated” by the southern politicians, whom the colonialists generally looked down upon as upstarts and political agitators. The Richards constitution thus helped lay the foundation of tribalism in Nigerian politics and proved a most effective counterfoil to the nationalistic, pan-Nigerian outlook of the National Council of Nigeria and Cameroons, which Dr. Nnamdi Azikiwe founded in 1944, with the aim of driving the colonialists from the country (Okonta and Douglas 2003, 16).

Contrary to the perception given by neoclassical economic literature or World Bank research papers and policy overviews, Shell-BP was from the beginning intimately connected with the colonial regime. Indeed, it was given concessions because British Petroleum was a British company and the British colonial administration only allowed oil concessions to be given to British companies and individuals:

The Colonial Mineral Ordinance, enacted by Frederick Lugard shortly after he amalgamated Northern and Southern Nigeria in 1914, was the first oil-related legislation in the country. The 1914 ordinance made oil prospecting in the new country a British monopoly with ownership rights vested in the crown. The 1937 Colonial Mineral Ordinance gave Shell D’Arcy (Shell’s operating name in Nigeria at the time) exclusive exploration and prospecting rights in the country, and the Colonial Office followed this up a year later with a grant of an Oil Exploration License to the company covering the entire country. After Shell began oil production from its Oloibiri well in 1958, the colonial government enacted the 1959 Petroleum Profits Tax Ordinance, putting in place a fifty-fifty profit-sharing arrangement between the Nigerian government and foreign oil companies. Instructively, this was shortly before Nigeria gained independence in October 1960 (Okonta and Douglas 2003, 23).

Seen in these interpretations of Nigerian history, the CCPDP can (perhaps too cynically) be seen as a planned demolition. During project design and implementation, when participation is a necessary justification, the “natives” become naturally entrepreneurial though in need of “scaling up” to accommodate globalization.¹¹⁵ After the project is completed, the natives and their government once again become unstable, hopeless, part of a nearly “failed state.”

6.2 The oil complex and global petroleum production

Watts relies for his discussion of the oil complex on Rose’s work for notions of governmentality, but his incorporation of Marxist political economy and broader discussion of petro-state and oil complex take him in very different directions from either what Allen (1999, 203) criticizes as Rose’s undue valorization of authority as an exercise of power, or the “techniques” employed so well by Li (2007) to discuss the World Bank’s turn toward social development. He begins with the physical and political economic aspects of oil:

Oil is of course a biophysical entity (a subterranean fluid capable of being pumped and transmitted); it is also a commodity that enters the market with a price tag and, as such, is the bearer of particular relations of production (Watts 2003a, 17).

As with previous commodity regimes, petroleum exploitation is about particular capitalist relationships. As neoclassical economists create a “birth-to-presence” (Rose 1999, 177) of the entrepreneurial individual, so also they attach particular qualities to oil as a resource. Thus as discussed in Chapter 5, neoclassical economists argue that, especially in the absence of institutional supports, oil brings a curse upon economies. Watts disagrees with the driver behind this assessment:¹¹⁶

¹¹⁵ See Li’s (2007, 232-233) analysis of the World Bank and community development and bringing to form.

¹¹⁶ One could usefully compare this fetishization of petroleum with Marx’s (1976, 163ff) commodity fetish and Coronil’s (1997) “magical state” whereby commodities and state are imbued with particular qualities that then are presented as internal to the objects themselves.

Much of this resource politics work is deeply problematic. It either elides the purported effects of oil with incumbent politics,¹¹⁷ or as Collier's work illustrates, presumes a predation-proneness for what is in fact the dynamics of state and corporate enclave politics. . . what is distinctive about oil is its enclave character and the fact that there are certain tactical points (nodes in the commodity chain as Le Billon puts it) for holding up supply (oil flow stations, pipelines) . . . What is striking in all of this resource-politics scholarship is the almost total invisibility of both transnational oil companies (which typically work in joint ventures with the state) and the forms of capitalism that oil or enclave extraction engenders . . . (Watts 2005a, 53)

. . . in this sort of analysis, it is not clear what causal powers these material and other features of oil actually possess . . . if oil hinders democracy (as though copper might liberate parliamentary democracy?), one surely needs to appreciate the centralizing effect of oil and the state in relation to the oil-based nation-building enterprises that are unleashed in the context of a politics that predates oil. . . Rather than see oil dependency as a source of predation or as a source of state military power, other work explores how oil capitalism produces particular sorts of enclave economies and particular sorts of rule, characterized by violence and instability, that are rooted in the oil complex. . . (Watts 2005c, 387).

Watts focuses on Nigeria for substantial examples. However, he creatively combines many conceptual frameworks that help in understanding petroleum exploitation elsewhere including Chad:

My argument runs something like this: Modern petro-capitalism operates through a particular "oil complex" (an institutional configuration of firms, state apparatuses, and oil communities) that constitutes a radical—and multifaceted—challenge to customary forms of community authority, systems of ethnic identity, and the functioning of local state institutions. . . The oil complex generates differing sorts of governable spaces in which identity, territory, and rule are in play. . . (Watts 2007b, 106)

Nigerian petro-capitalism contains a sort of double movement, a contradictory unity of capitalism and modernity. On the one hand, oil has been a centralizing force that has rendered the (oil) state more visible and globalized, underwriting a process of state-building and national community imagining. On the other hand, oil-led development, driven by an unremitting political logic of ethnic claims-making and staggering corruption by the political classes, has become a force of *fragmentation* and *illegitimacy*, radically discrediting the state and its forms of governance. It produced a set of conditions/communities that have compromised, indeed undermined, the very tenets of the modern nation-state. In short, one might encapsulate this double movement as the tension between fiscal centralism and regional/local dispersion. Fernando Coronil (1997) refers to this conundrum as "the Faustian trade of money for modernity," which in Venezuela brought "the illusion of development." In Nigeria, too, the double movement brought spectacle and illusion (Apter 2005): an explosive growth of modern infrastructure and a (brief) consumption boom for the middle classes, while 85 percent of

¹¹⁷ See, for example, Oliveira (2007) argument discussed below that petroleum exploitation differs from corporate support for coups in Latin America because petroleum MNCs simply benefit from incumbency.

oil revenues went to 1 percent of the population (and \$100 billion of \$400 billion simply went "missing") (2007b, 115).

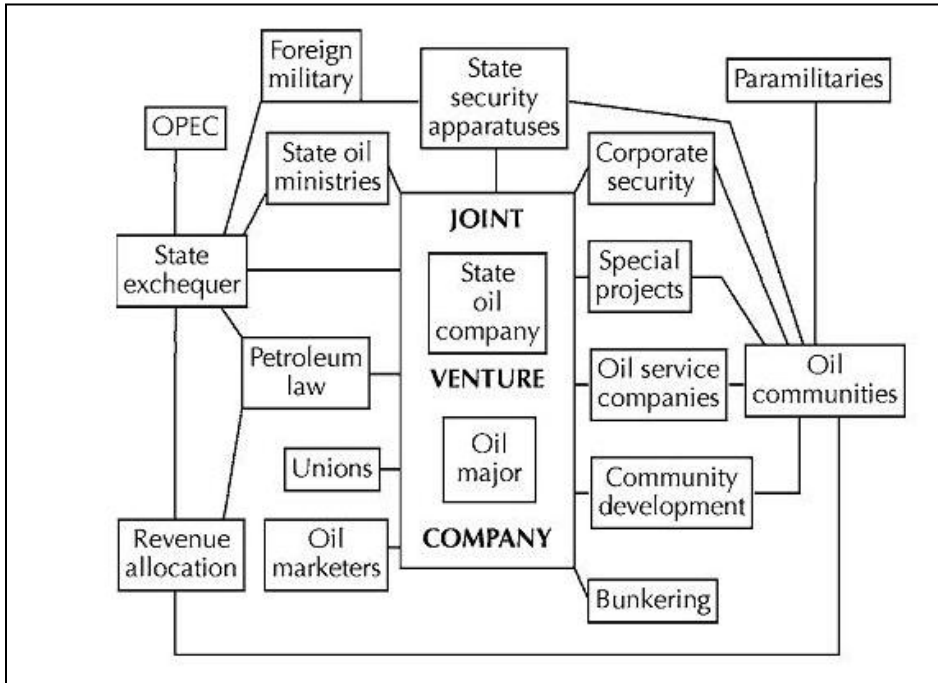


Figure 1 The Oil Complex - (Watts 2005c, 379)

Because petroleum exploitation is relatively young in Chad, I go into greater detail about Watt's Nigeria case and only offer provisional reflections on aspects of Chad's history that bear further analysis in the context of the new petroleum economy. However, petroleum production came to Nigeria under very different circumstances than for Chad. Initial formal arrangements were simply between Shell and the late colonial and early postcolonial governments. Petroleum having been discovered and exploitation having begun in Nigeria over forty years before Chad, the industry had already affected two generations of Nigerians. As a result, Watts' account is a useful antidote to the neoclassical economic structure, but one must be cautious in using Nigeria's history to predict specific outcomes for Chad. Rather the lessons are primarily about general approaches to exploitation and development study, and how these can effectively inform study of petroleum exploitation in the Chad basin context.

Watts concentrates on three sets of governable spaces intimately connected with the Nigerian context, “[the] space of chieftainship, the space of indigeneity and the space of the nation state.” Chieftainship (Watts’ space of “force and domination”) has been a problematic space from the beginnings of indirect rule, as seen in the historical detail. A “rigid political hierarchy” became selectively crystallized during colonial rule, and control of land brought with it access to the oil royalties. Because of failure to “deliver the goods” in the form of oil revenue, the chieftaincies came under increasing pressure from:

a subtle process of “youth mobilisation”. In an age-graded society like the Nembe [a center of unrest in the Niger Delta] Ijaw, youth refers to persons typically between their teens and early forties who, despite whatever achievements they may have obtained (university degrees, fatherhood, and so on), remain subservient to their elders. Central to any understanding of the emergence of a militant youth in Nembe town was the catalytic role played by a former company engineer with Elf Oil Company, Mr. Nimi B.P. Barigha-Amage. He deployed his knowledge of the oil industry to organise the youths of the Nembe community into a force capable of extracting concessions from the oil companies, in essence by converting cultural organization into protection services (Watts 2003a, 19).

The space of chieftainship was not only historically dynamic and internally conflicted but also implicated in state and corporate interactions. This was not about tightly bounded identities (states, corporations, communities) colliding or contracting or interacting, but rather about overlapping forces moving actors, and actors moving forces, in a relational structure of power that, Watts argues, underpins a form of capitalism. As well, Watts details the underside of governance. The frictions and sliding alliances in Nembe (in the Niger Delta), whereby chiefs and youth engage in tenuous alliances/oppositions with oil majors, not only support stability of a sort but also contribute to making areas steadily more *ungovernable*:

Nembe, a town with its own long and illustrious history and politics, had become a sort of company town in which authority had shifted from the king to warring factions of youth who were, in varying ways, in the pay of and working in conjunction with the companies. The council of chiefs stood in a contradictory position, seeking to maintain control over revenues from the companies and yet intimidated and undermined by the militant youth groups on whom they depended (Watts 2003a, 20).

The second “governable space,” indigeneity (Watts’ space of “persuasion and consent”), was also quite fractious and contested. The most internationally influential group was MOSOP (Movement for the Survival of the Ogoni People) led by Ken Saro-Wiwa. Saro-Wiwa eventually was hanged by Nigerian strongman Sani Abacha, which led to international outcry and is generally accepted to have hurt the brand of Shell Petroleum to the extent that Shell felt it necessary to join the many corporations ascribing to Corporate Social Responsibility:

What Saro-Wiwa did was to build upon over 50 years of Ogoni organising and upon three decades of resentment against the oil companies to provide a mass base and a youth-driven radicalism – and, it must be said, an international visibility – capable of challenging state power. Yet, at its core, the indigenous subject – and the indigenous space – was contentious and problematic. . . Indigeneity has, in this sense, unleashed [sic – unleashed] the huge political energies of ethnic minorities who recapitulate in some respects the postcolonial history of spoils politics in Nigeria. The effect of this multi-ethnic mobilisation was the production of political and civic organizations and new forms of governable space, a veritable jigsaw of militant particularisms (Watts 2003a, 23-24).

As a governable space, indigeneity has been as fragmented and contested as the frequently criticized chieftainship. However, while contestation of chieftainship undermines the myopic history of neoclassical economists and World Bank development practitioners, the contestation of indigeneity also throws into question the reductionist identity-based social movements and the return to the ‘local’. For this and other reasons, Watts’ article on “Development and Governmentality” (2003a) is both a challenge to, and a target of, poststructuralist development theorists including Gibson-Graham, Escobar and others. The idea of a “post-capitalist space,” whether concentrated on indigeneity or simply in contrast to capitalism and modernity, is rendered problematic by the challenge of identity. In relation specifically to the Chad case, it is important to look for transformative possibilities not in utopian or small-scale laboratory “non-capitalist” or “post-capitalist” spaces of the local (cf. Gibson-Graham 2003b) but in decidedly hyper-capitalist or hyper-corporate spaces where sustained social interactions (can one call a

bullet a social interaction?) sustain the kind of “development” underwritten by more-industrialized countries and driven by multinational corporations.

The third governable space that Watts narrates is the space of nationalism (Watts’ space of “corruption and fraud”). It is here that the double movement of the “oil complex”, both centralization of revenue in the national government and increasing segmentation of the federal state, is most evident:

My point is that the Nigerian national symbolic grew weaker and more attenuated as a result of the political economy of oil. There was no sense of the national fantasy at the local level; it was simply a big lie (or a big pocket of oil monies to be raided in the name of indigeneity). At independence, Obafemi Awolowo, the great western Nigerian politician, said that Nigeria was not a nation but a “mere geographical expression”; 40 years later this remained true but more so (2003a, 26).

This “geographic expression” comes with the same kind of coercive power that has characterized exploitation from pre-colonial times.

6.3 CSR and ‘management’ of political instability

Though business and states have been intimately intertwined for generations, the notion that business can be separate from politics is critical to both neoclassical economic justifications and idealizations, and World Bank rationales and strategies, as the discussion of neoclassical economics and economic development above demonstrates. Mainstream business management literature also projects the image that business is, at least given an economically ideal climate, separate from politics. Daniels et al (2002, 244) argue in regard to corporate involvement in politics that “. . . given the choice, multinational enterprises would prefer to do business in ways that would make economic rather than political sense. Nonetheless, political distortions in many countries simply do not give an MNE a chance.” In line with this perspective, management of political instability and CSR can be seen as two sides of the same coin. On the one hand, business management literature argues that businesses must sometimes consider accommodating “distorted” regimes if they are to continue making a profit. On the other hand,

“distorted” regimes can also damage corporate brand reputations when people connect corporations with these regimes. Therefore, corporations must strategically adopt CSR in order to help their images. As Daniels (2002, 302) argues, “Companies have two possible objectives for ethical and socially responsible behavior: to create competitive advantages and to avoid negative consequences by being perceived as irresponsible.”

Frynas (2005, 581-582) engages business literature to question the efficacy of CSR, and his assessment matches Daniels:

Some oil industry insiders are also highly critical of CSR. Indeed, it is significant that some of the most scathing criticisms of CSR were expressed in conversations with the author by former and current oil company staff and company consultants with first-hand experience of CSR practice in the oil and gas sector, not (as the author expected) by NGO activists. These are the views of three different industry insiders:

- ‘CSR is a waste of time.’
- ‘CSR is about managing perceptions and making people inside and outside the company feel good about themselves.’
- ‘CSR is a red herring in terms of development projects.’

He argues (p. 583), in the context of local development projects, that businesses strategically adopt CSR with the ideas of:

- obtaining competitive advantage;
- maintaining a stable working environment;
- managing external perceptions;
- keeping employees happy.

These are ‘business case’ views of CSR. Corporations such as Shell address social welfare from the perspective of how these actions help the company. This results in very limited initiatives that often last only as long as they contribute to particular business strategies:

For instance, Shell’s main Nigerian affiliate Shell Petroleum Development Company (SPDC) provides its major contract managers with a development budget, so that when a new pipeline is built, the manager can initiate a new development project within a community in order to enable pipeline construction to continue unhindered. When the SPDC team finishes the construction of a particular section of the pipeline, the

community development budget for the area is simply closed, which follows the logic of why the firm embarked on the project in the first instance (Frynas 2005, 584-585).

Watts expands the business perspective to look at CSR in the context of the place of oil as a central strategic economic and security resource: the “oil complex” and the petro-state detailed above. Watts (2005c, 394-395) argues that CSR became very attractive in the late 20th century for petroleum firms, because of social movement pressure, concerns about public image, and the threat of mandatory regulation:

The oil complex is a particular manifestation of the ways in which global companies conduct business in conjunction with failed states, creating conditions in which egregious human rights violations can occur and have occurred. The oil complex simultaneously contains the potential for addressing human rights and business practice as civic regulation through multilateral codes of conduct, and international laws have slowly provided the ground on which business practice can be assessed. At present, the three key arenas are environmental rights, bribery/corruption, and protection of civilian security in relation to laws of war. CSR, however, has until now been dominated by voluntary corporate codes of conduct in which TNC performance reporting and verification raise profound issues of credibility (Watts 2005c, 401).

The CCPDP mentioned at the margins that multinational petroleum corporations have been implicated in human rights abuses, and therefore the human rights and environmental structures in the project help to allay such concerns and provide a template for future initiatives. However, the restricted temporal and spatial nature of the project throws these commitments into question and indeed fits more appropriately into the “business case” argument that Frynas puts forth.

Watts’ broadening of the CSR context from firm-level (micro) business management strategies to the larger contexts of the petroleum industry (Skjaerseth et al. 2004) sets up discussion for the return of another critical exposition by Frynas, again relying especially on business literature (as well as political economy), of corporate behavior in the sphere of petroleum. Frynas argues that Shell actually calculated in some benefit from political instability in Nigeria. Not only, therefore, are petroleum corporations engaged in an industry with a poor human rights record among other things, but indeed they may benefit from strategies that impede human rights. Frynas (1998,

474) touched off a tit-for-tat with the well-referenced argument, “Elite instability in the form of chaos in the [Nigerian] administration may serve companies by preventing the government from formulating and executing a petroleum policy designed to control oil companies.” He (Frynas 1998, 458) engages business literature in this examination, and in particular the notion of political risk versus political instability:

Instability affects tangible goods such as buildings, equipment and state licences [sic]. In other words, instability in the form of a riot or new legislation may cause serious damage to a company’s assets. Risk is not a tangible thing but a bundle of expectations concerning potential future instability that have a market value and determine future earnings. In other words, risk is a subjective perception of how instability may affect the firm and it is assessed in order to predict the likelihood of different types of instability.

Frynas argues that certain types and grades of political instability actually helped Shell to maintain market dominance and high profits, and therefore arguably decreased political risk. He breaks his argument into three perspectives. The international perspective is the most influential, in that it deals with why Shell international managers concentrate on Nigeria rather than other areas in the world including the countries of the former Soviet Union. Shell managers, the argument goes, prefer Nigeria in part because political instability can lead governments to cut increasingly attractive financial deals with Shell:

High profits in Nigeria may be related to high political risks for the oil companies. In times of political instability, the government may be eager to increase the profit margin for oil companies in order to maintain the level of the companies’ investments. Indeed, Khan found that as a general rule the more unpredictable the domestic political situation in Nigeria, the greater were the incentives given to the oil industry by the government (Frynas 1998, 468-469).

In addition, Frynas argues that political instability may impede government efforts to diversify petroleum production:

The Nigerian Government attempted in recent years to diversify foreign and domestic private sector participation in the oil industry but with very modest success. The Marginal Fields Degree mentioned earlier, for instance, was never properly enforced. One could argue that, if the Nigerian government were strong and stable, it would be capable of much better diversification efforts, which in turn would decrease Shell’s dominance in the Nigerian economy (Frynas 1998, 470).

Frynas also mentions in this section that political instability may have assisted Shell in avoiding sanctions for oil spills. It could blame sabotage on unstable areas, though the evidence pointed to lower effects of political unrest on oil spills than claimed.

Frynas' second perspective, the structural perspective, has to do with "first-mover" and other advantages of connections with both colonial and post-colonial government actors. Shell was able to claim a monopoly on oil exploration areas and when the British nominally opened up the oil industry to competition, Shell kept the choice sites that they had already explored. In addition, Shell was able to build personal contacts with government and military figures that helped them to maintain order even in the face of resistance. Frynas (1998, 472) mentions controversial security arrangements such as the following:

According to one report, Shell has even had regular meetings with Major Okuntimo, former head of the Rivers State Internal Security Task Force, responsible for many massacres. Further evidence of connections between state structures and Shell, however, can be shown by documented cases of 'security cooperation'. An incident at Umuechem in the Niger Delta in 1990 is a ghastly example of that connection. On 29 October the SPDC's Eastern Division manager requested 'security protection', with a preference for mobile police, in anticipation of an 'impending attack' on oil facilities allegedly planned for the next day. Within the next few days, mobile police moved in with teargas and guns, killing around 80 people. A judicial commission of inquiry set up by the state found that there was no imminent threat of attack and that the mobile police displayed 'a reckless disregard for lives and property'. Shell showed itself to be apologetic for the incident and tried to distance itself from Major Okuntimo. Okuntimo understandably considered Shell rather ungrateful because he was risking his life to protect Shell oil installations (Human Rights Watch 1995).

The final perspective is the strategic perspective. According to this perspective, Shell found aspects of Nigerian political instability to offer specific strategic benefits vis-à-vis other business opportunities:

It is . . . suggested here that Shell's strategic planning may contribute to Shell's desire to stay in Nigeria despite political instability. Shell's own assessment of the political economy of oil in Nigeria may offer a few clues. An internal Shell 'scenario-approach' study in the early 1970s compared a number of oil producing countries according to three factors. The first factor was 'production motivation', a country's desire for high depletion of oil reserves. The second was 'take motivation' a country's desire for highest take of oil revenues. The third was 'absorptive capacity', a country's ability to absorb oil

revenues. As far as of long-term prospects were concerned, Nigeria came top in the categories 'take motivation' and 'absorptive capacity' and third highest in the category 'production motivation' in the study. Thus Nigeria had the advantage for Shell because it had ready oil reserves for unlimited depletion, the country's rulers were willing to rely heavily on oil and the beneficiaries of oil were able to spend revenues without limitation. According to these criteria, corruption, mismanagement, reliance on oil or the right to unlimited destruction of the environment may paradoxically be conducive to business (Frynas 1998, 473).

Frynas continues that there is evidence Shell saw the Ogoni area as a sort of "option," when it pulled out finally after the unrest and controversy became too great. That is, the Ogoni area was still a relatively underexploited petroleum area that Shell could re-enter when the prices and the circumstances were more auspicious.

Frynas' article was potentially very damaging to the images that businesses seek to project, and Shell representatives (Detheridge and Pepple 1998) responded with an article stating that Frynas had many facts wrong and that he had refused to talk with Shell representatives to clear up inaccuracies before publishing the article. Frynas (2000) replied with a short rejoinder arguing that he did indeed attempt to meet with Shell officials but he refused to alter his article per their request, and also pointing out the important fact that Shell representatives backed their claims up with very few references while his claims were based on well-regarded work like that of political economist Ahmad Khan (1994). He used their reply to further emphasize that when corporations are attacked, a very important strategy is to undermine the character of their critic:

As I stated at the outset, it is in the self-interest of any corporation to undermine the credibility of a researcher who would throw doubt on the benevolent image the oil industry is trying to create. Indeed, I expect that Shell's PR staff will continue to attack my writing after the publication of this rejoinder, even though the credibility of their evidence is highly questionable (163).

As I indicate in the conclusion, one relatively low-cost "marketing department" strategy of responding to external pressure is to undermine the credibility of those who bring the pressure.

Chapter 7 Conclusions: Neoclassical economics as spectacle

This project has been an examination of disjunctures among narratives about the CCPDP, and in particular how the neoclassical economic narrative is a spectacle, making “an exhibited ‘people’ . . . more real and authentic than the lands and people themselves” (Apter 2005, 89). I sought to show this by looking at fissures in narratives about the CCPDP. In brief, the social development aspects of the project failed; Chad continues to be an authoritarian, unstable and impoverished country; and yet petroleum continues to flow. These fissures, I argued, fit closely with a relatively coherent interplay of narratives (encompassing approximately 600 years) about key commodity and especially petroleum exploitation in Chad’s neighbor Nigeria, whereby economic discourse along with other discourses are exhibits or spectacles that have been adapted to different stages of key commodity exploitation and control in Nigeria. At the same time that such exhibits have made their way into British discussion of Nigeria, people directly impacted by key commodity exploitation have been “fixed in place” through multiple spectacular and quotidian modes of exercising power.

In this conclusion, I summarize and synthesize these narratives, showing how they interrelate and inform one another as well as reflect and engage with broader theoretical treatments. I follow with reflection on implications for research projects regarding the Chad basin, more effective engagement with business in development and social transformation in general, and multimodal exercise of power. The narratives about the CCPDP were in essence different lenses through which events were represented and about which prescriptions were formed. In the first narrative, presented through World

Bank documents, the CCPDP seems a clear case in support of transaction-cost neoinstitutional economics. The Chadian government makes moves consistent with a country approaching the threshold of political development necessary to support effective economic growth (cell ii of Williamson's matrix). As a result, the World Bank allies with multinational corporations (key containers of entrepreneurship and technology) to take the risk on this country and provide support in helping the country to develop the institutions necessary to avoid the resource curse and Dutch disease, and thus grow a petroleum industry. This industry would provide the necessary revenue to improve the social welfare of one of the poorest countries in the world, a country that otherwise has a comparative advantage in goods (especially cotton) insufficient to provide for its welfare. However, according to this narrative, it quickly becomes clear after implementation of the CCPDP that the Chadian government has not reached the threshold of political development, but rather continues to be an extremely poor country with an authoritarian and increasingly unstable government, firmly located in cell iv of Williamson's matrix (below thresholds of political and economic development). On the optimistic end of neoinstitutional economic theory, one could use North's ideas to argue that change may come to Chad, but it requires a long slow process of institutional change across historical time. Most of Africa, in North's descriptions of the Third World, is still too enmeshed in "hunter-gatherer heritage" and "tribal societies" to quickly orient institutions toward effective modern economic development such as that supporting petroleum production.

One could also reasonably use this narrative to argue like Gould (2007) that the World Bank and corporations were naïve in trusting their power to influence the Chadian government.¹¹⁸ Gould argues that only strong political intervention by the World Bank

¹¹⁸ A similar criticism to mine is made by Mary Lynn Cramer, regarding the 2008 economic crisis, in "Stiglitz's Foolishly Flawed Morality." <http://www.counterpunch.com/cramer12152008.html>. Accessed 17 December 2008. Stiglitz, Cramer writes, "chalks the whole affair up to naiveté on the part of his fellow economists, bankers and bureaucrats. (Hey, he tried to tell them!)" See Stiglitz, Joseph. "Capitalist fools." <http://www.vanityfair.com/magazine/2009/01/stiglitz200901>. Accessed 17 December 2008.

could have prevented the government from engaging in an “obsolescing bargain” (see Vernon 1971) whereby authoritarian elites used the sunk costs and “institutional fixity” of the project to extract greater concessions from the World Bank. However, this clean, technical, depoliticized narrative quickly breaks down when focus shifts away from World Bank documents and into messy accounts from journalists, current and former World Bank officials outside of the official documents, social movement and NGO reports. These accounts are filled with he-said/she-said politicized contestation where adjudication of “the truth” by non-participants all-too-often comes down to which group one trusts more. Furthermore, multinational corporations become players rather than simply containers of entrepreneurship and technology that appear as producer placeholders in, or patrons of, project reports. However, as I discuss further below, representatives of multinational corporations are not particularly engaged in this give-and-take. Rather, almost all material for public consumption from corporate actors sticks closely to the official narrative except that the narrative is largely devoid of discussion about instability in Chad outside of the petroleum enclaves (see, for example, the project materials at www.esso.com).

In one of the major instances of contestation, the explosion of protests in late 1999 and 2000 had a clear effect on World Bank designs, though the WDRs and the CCPDP reports place agency with the World Bank, and its new thinking about economics and development, rather than any external pressure. The EIR, however, was an acknowledged response to pressure from Ricardo Navarro of Friends of the Earth, at a World Bank/NGO discussion in preparation for the Prague World Bank meetings. Whether one sides with EIR project manager and report author Elim Salim, opposition social movements, or the World Bank, it is clear that time, space and substance all matter. The EIR report itself was very long in preparation and, to the surprise of many who distrusted Elim Salim and questioned the location of the project headquarters in DC

rather than Indonesia, the report was quite critical of World Bank extractive industry policies and quite explicit about the controversial human rights and environmental records of multinational corporations. However, after another long period of time and to the public consternation of Elim Salim, the World Bank management response was essentially dismissive of the conclusions. In sum, World Bank management argued that petroleum production was important for those (such as Chad) without other choices and that the Bank could not allow projects to be vetoed by one interest group. Therefore projects should include “consultation with” rather than “consent of” local populations.

The non-official CCPDP accounts reflect some of the same pressures as surrounded the EIR. This makes sense as the project was initiated during the same time as the EIR. However, according to Calderisi’s perspective as well as news accounts, central World Bank officials at least were dismissive from the beginning of social movement opposition though not necessarily social movements themselves. Calderisi’s comment (2006, 184) defining “good” and “bad” social movements is particularly direct: “Some international groups with limited exposure to the Bank’s work or dated information on the project had genuine concerns that needed to be addressed. But the Washington, DC, groups, who should have known better, simply twisted the facts. . .” Wolfensohn’s description (Mutame 2000) of the “Berkeley mafia” being against the “Chadians” (“and I for my part, am more interested in the Chadians”) bolsters this interpretation of World Bank attitudes toward especially those social movements who persisted in opposition even after the World Bank reached out to them with “the facts.”

Social movements, for their part, argued that it was their pressure which led to placement of most environmental and social welfare provisions into the CCPDP. Social movements also maintained that they were the agents of information distribution to Chadian people who had little information about the project and, after getting

information, were generally opposed to it. Furthermore, World Bank claims of Chadian government transformation as evidenced by the revenue management law hide evidence that the government only signed the law after Bank officials threatened to pull their support for the CCPDP. After acceding to social movement pressure and adding environmental and social monitoring to the project documents, the World Bank and corporations became impatient with the time required to respond to these pressures. As a result, they began labeling NGOs as self-interested outsiders so that they would not have to include any additional provisions in the project documents. Social movement reports about staged proclamations of Chadian support (including a Senegalese dance troupe brought in because the members ostensibly supported the project) add to the cynicism regarding the project.

These opposing accounts of the same time period serve as important indications of the fissures that characterized the actual playing out of the CCPDP design, development, construction, and implementation. Neoclassical economic accounts and World Bank official reports tend to shear away the messy interactions and political pressures, pressures which muddle the images of relatively autonomous individuals seeking to maximize their perceived welfare in institutional structures providing incentives for effective or ineffective economic activity. The disjuncture between IFI policy and practice is covered well by Gould (2005) and others in Mosse and Lewis' (2005) edited volume, in that policy is primarily about interpretation while practice has to do with social relationships and organization.

However, though the social development goals of the CCPDP have failed and the Chadian polity is unstable, petroleum still flows from the Doba oilfield, and ExxonMobil among others still negotiates for greater control of petroleum production (Africa Energy Intelligence 2009). I have suggested that this characteristic and many others of the

CCPDP go beyond disjunctures between policy and practice and instead fit into a counter-narrative, which parallels the history of key commodity exploitation in the “geographical expression” that is Nigeria. First, the project plan was hyper-documented, in that social and environmental plans comprised many volumes of text and the project implementation was designed to be accompanied by myriad overlapping monitors from the Bank, government, and private sector. Most of these monitors themselves produced, and continue to produce (in the case of the IAG and ECMG for example) reports. This hyper-documentation serves as an example of development subjects as the “birth-to-presence of a form of being that pre-exists” but yet requires extended and invasive expert intervention to bring it to fruition. As Mawdsley and Rigg (2003, 271) point out, for example, “participation” and “empowerment” are depoliticized – “rendered technical” in Li’s (2007, 7-10, 234) terms – and valued “primarily for [their] contribution to the main goal of economic growth,” which underlies why I term the World Bank’s new approach development as governance. This hyper-documentation, whereby a population is visited with myriad plans and sub-projects, also mirrors Craig and Roberts’ (2006, 171-172) description of people in Uganda being overwhelmed by the planned “empowerment” projects that they were expected to complete. When one project has deadlines, the other projects suffer.

This hyper-documented project plan design and monitoring, I have argued, masked a project hyper-restricted in temporal and spatial scope. In the first instance of hyper-restricted scope, the social development portion of the project experienced problems from the beginning, being visited by long delays in implementation, and after being substantially weakened in 2006 by halting of the future generations fund, was formally and quietly shut down by the World Bank in late 2008. The monitoring missions (particularly the IAG) were often critical of project implementation, but as Massey (2005, 273) argues, represent “transparency over compliance,” in that the same

problems were duly documented without significant corresponding improvements over the course of many monitoring visits. Massey applies such preference for transparency over compliance to the accompanying EIR as well. The winding down and ending of the social development portions of the CCPDP almost in parallel with the completion of the pipeline and beginning of petroleum flow, is nearly a textbook replication of Frynas' (2005, 585) description of CSR-based social welfare projects that are limited to the duration of oilfield development: "When the SPDC [Shell Petroleum Development Company] team finishes the construction of a particular section of the pipeline, the community development budget for the area is simply closed, which follows the logic of why the firm embarked on the project in the first instance." In the case of the CCPDP, however, the World Bank led the general social welfare development initiatives while the consortium has restricted itself to projects and reports directly associated with the area around the oilfield and the pipeline.

The CCPDP was also hyper-restricted in that the project was designed and supported with expectation of revenues coming from petroleum exploitation well beyond the Doba oil field and deep into the Chad basin. This broader petroleum exploitation would be outside the constraints of the CCPDP. Fah (2007) and McGregor (2008) discuss the project developers' regional economic aspirations, and Fah also (p. 105) argues that increased U.S. government interventions in the region provide evidence of the Chad basin and larger Gulf of Guinea's strategic economic importance. This point can also be underlined by looking at Forest and Sousa's (2006) concentration on the Gulf of Guinea as an important military theater for U.S. security. The rapid manner in which the social welfare portion of the project, still being duly documented and reported, quickly fell by the wayside adds to the sense of cynicism suggested by Keenen. For Keenan (2005, 399), it is hard to counter the argument by cynics that a framework of corruption and mismanagement "is in the misguided interests of all three parties – the ExxonMobil-

led oil consortium, the Chad government and the World Bank.”

As with any project in the initial stages of the process, the narrative surrounding the CCPDP in this project has been admittedly and necessarily provisional, for three major reasons. First, Chad has been at the margins of key commodity production since it was colonized, and therefore does not have the long history of exploitation to draw on for analysis. Secondly, the CCPDP has only been active (in design, development and implementation) for a decade, too short a time for the actors’ strategies, interactions, plans, oppositions and contradictions to play out. Finally, too little research has been done at this time on petroleum corporations in Chad. Corporations, as I allude to in various parts of my project, both comprise one of the main categories of protagonists and are all-too-often made invisible or all-too-often try to make their less-attractive production activities invisible particularly with regard to social welfare considerations or questions about their political role. The anecdotes involving individual corporate representatives rather than “corporate faces” (e.g. reports by ExxonMobil, Shell, Esso), point largely toward management of image and signing of contracts, as seen by the final negotiations involving Wolfensohn and ExxonMobil’s Lee Raymond as they sought final signatures on the project, or reports of ExxonMobil making secret agreements with the Chadian government to increase royalty payments in return for sidelining Petronas.

Given these caveats, however, the textbook “planned demolition” nature of the social welfare portions of the CCPDP, the well-documented “management” of social movement opposition, and the explicit link of the project to shifts in neoclassical economic theory make the Chad and the CCPDP an excellent contemporary case whose probable future trends can be informed by analyses of Nigeria’s much broader temporal and spatial scale. Nigeria has been an appropriate case for comparison because it is a geographic neighbor of Chad, has experienced a long history of exploitation across types

of key commodities, and presently is one of the largest petroleum producers in the world. By looking at the long history of key commodity exploitation including petroleum production in Nigeria, I have used many of the distinct, coherent and long-lasting (across multiple time periods and commodity types) trends that have similarities to the CCPDP. As a result, I have been able to gain a good sense of the spectacle that is neoclassical economics as well as the “ungovernable governmentality” that is key commodity exploitation “on the ground” in Nigeria and now Chad. Here, to sum up, are key lessons that I believe the Nigeria case brought to the table and that I have covered in this project. First, Okonta and Douglas, combined with Apter, provide effective historical support for the idea of economics (joined with religion and ‘civilization’) as spectacle in their descriptions of events surrounding hardening of colonial control in the Niger Delta:

The enormous riches to be derived from the Niger Delta and the other coastal towns opened the eyes of the British traders and, subsequently, of the government itself, to the possibilities of taking over the area entirely, by force if necessary. . . (Okonta and Douglas 2003, 10)

Framed within the idiom of a humanitarian crusade against the depredations of savagery was the assertion of a new economic order, pursued in the language of fair trade and rational contract. The new masters of the river were the Niger Company factors with their guns and their law (Apter 2005).

I have argued that the coherence between this amalgam of exhibit and actual fixing in place of the people of the Niger Delta through spectacular and quotidian violence have striking parallels to the narrative of the rise and fall of the CCPDP and therefore the people of Chad, which masks the fixing in place of a regional site of petroleum production. Chapter 6 alludes to many other parallels through the history of key commodity production in Nigeria. These parallels of violence and corruption respect no boundaries of commodity type, undermining the popular “resource curse” arguments accompanying neoclassical analyses of petroleum production.

Secondly, Watts’ articulation of the “oil complex” as a site of largely “ungovernable governmentality” serves to interrogate more directly, again primarily with

reference to the Nigeria case, the idea that petroleum necessarily contains within itself the seeds of corruption and authoritarianism. He argues (2005b, 53) that while petroleum production is characterized by enclaves and “tactical points for holding up supply,” corruption and authoritarianism cannot be understood except with reference to “a politics that predates oil. . . oil capitalism produces particular sorts of enclave economies and particular sorts of rule characterized by violence and instability, that are rooted in the oil complex. . .” This oil complex characterized by violence and instability importantly does *not* simply include government, “civil society,” or “traditional rule,” as is implied by so much economic and development literature. Rather, as demonstrated by examinations of key commodity exploitation throughout Nigerian history, corporate forms from the Royal Niger Company through Royal Dutch Shell have been intimately involved in influencing if possible and creating if necessary the “politics that predates oil.” Two points are particularly important about this. First, the long historical hegemony of corporate forms cannot and should not be reduced simply to some kind of strategic conspiracy. It is important to recognize the dynamism and uncertainty of such exploitation, and more critically to engage “actually existing dynamisms” as played out in particular cases whether it is the Niger Delta or the Chad basin through the CCPDP. Watts articulates this well through combining recognition of violence with the mobilization of Foucauldian notions of “government” and “governmentality.” “Government [for Foucault, is] a more or less calculated and rational set of ways of shaping conduct and of securing rule through a multiplicity of authorities and agencies in and outside of the state and at a variety of spatial levels” (Watts 2003a, 13). Corporate elite are not puppeteers, relentlessly pulling the strings of “the masses” so that the masses unthinkingly do the will of the elite. This imputes entirely too much intelligence on corporate elite and is a critical weakness of much literature in both traditions of Gramscian hegemony (where domination is significantly about “controlling the boundaries of consciousness”) and

Foucauldian governmentality (where as Allen points out domination tends too much toward following “authority” and micro-behaviors of self-regulation). Rather success depends on effectively engaging and when possible influencing the uncertainty, instability and risk that is “men in their relations, their links, their imbrication with those things that are [economic resources], those other things that are customs, habits . . . and finally . . . those still other things that might be accidents and misfortunes. . .” (Foucault 2000, 201-22). As I suggest below, this dynamism and uncertainty should be explored further, for example by looking at how corporations respond to social movement pressure.

The second important point about the oil complex, and one of the fundamental innovations of resource control, is how such control manages to operate “under the radar,” masked by all manner of ideologies and institutions. This is not a new point, but it seems necessary to continue to make this point in different ways because attempts up to the present have not been particularly effective at dealing with this. Marx divided “under the radar” control into base/superstructure, while Gramsci broke it up into “relatively autonomous spheres” (Lears 1985, 571) where the economic sphere still (in Lears analysis) “[determines] what forms of consciousness are possible.” Allen pushes this forward by suggesting “multiple modalities” (including seduction, manipulation, negotiation, coercion, authority) through which resources are mobilized to exercise power. This is a fundamental part of business literature itself, a point beyond the space of this project, and petroleum companies are as able as any group of transnational corporations to mobilize such resources and stay under the radar. Watts’ (2005b, 53) comment that “[w]hat is striking in all this resource-politics [resource curse] scholarship is the almost total invisibility of transnational oil companies. . .” is quite important here and is also relevant in the case of my narrative about the CCPDP. Transnational oil companies only appear in the CCPDP as report authors, fleetingly in accounts of project

development and implementation, or occasionally as news breaks of negotiations with government figures.

This is as corporate leaders wish, as seen in Watts' and Frynas' accounts in particular about CSR, corporations and political instability. This can be usefully considered the new version of Apter's (2005, 151) "idiom of a humanitarian crusade against the depredations of savagery. . . assertion of a new economic order . . . [and] language of fair trade and rational contract." Furthermore, the monitoring of oilfields only by the corporate-funded External Compliance Monitoring group (as the Chadian inter-ministerial CTNSC was often without funds for monitoring the oilfield) fits in with Watts' (2005c, 401) concern that "TNC performance reporting and verification raise profound issues of credibility." Even more cynically, in line with Keenan's comment referenced above, the CCPDP seems to confirm Frynas' (1998) thesis that effectively managed political instability may actually be a competitive advantage for first-mover firms like Shell Petroleum. Could it be that ExxonMobil, and perhaps also Chevron and Petronas, actually benefit from getting a foothold in the Doba enclave and then effectively managing Chadian civil war and instability so as to benefit from first-mover advantages in petroleum exploitation across the entire Chad basin? I suggest three broad areas in which this project provides material for future research. First, it shows the importance of going beyond state-centric case analyses and looking at regional forces and corporate interventions. Secondly, it provides case material for critically examining the role and character of corporations and others in responding to political pressure by social movements. Finally, it provides a view into how exercise of power can be substantively explored as comprising multiple modalities (not only, for example, domination and resistance).

7.1 Regional research of exploitation in the Chad basin

This project supports future research in two major areas with regard to the Chad basin

and petroleum exploitation across the Gulf of Guinea region. First, the CCPDP must be considered in relation to the Chad basin as a region and Chad as a “geographic expression” in important ways. Much work has been done from a regional perspective on petroleum exploitation in this area of Africa, including that referenced above in regard to the Chad basin. Some work (see especially Rowell 2005) concentrates on the Niger Delta as the most influential area in “the next Gulf” (supplanting the Persian Gulf). Other work, such as Roitman (2001; 2004; 2005), concentrates beyond petroleum on the Chad basin as a region where “power is not [necessarily] sovereign.” That is, state actors may not exercise much semblance of sovereignty over the Chad basin, but the state can still profit from “rents and the means of redistribution” (Roitman 2001, 241). Still other work, such as Forest and Sousa’s emphasis on national security (2006) and Oliveira’s (2007) state-based comparative politics focus, concentrate on the Gulf of Guinea as encompassing the area from Nigeria to Angola and now including the Chad basin interior. I argue that the regional perspective holds three interrelated lessons in particular for research. First, it is critical to continue rich multidisciplinary work such as that found in the case of Nigeria, and to apply such work more systematically to petroleum exploitation in the Chad basin. Such work must include interactions like those that Frynas presents of ‘local people’, government representatives, and corporate representatives. Another important case study to emulate would be Sawyer’s (2004) *Crude Chronicles*, which details from a view very sympathetic to corporate opposition (as Sawyer acknowledges herself), direct engagements between social movement, government and corporate representatives. One particularly interesting and applicable aspect of Sawyer’s narrative (p. 6) has the petroleum industry executive (in her Ecuadorian case, an Arco executive) instructing social movement actors on “the nature of democracy” while the government minister sits silently by. This would seem to contradict the public face that corporate actors present of their wish to remain outside of

politics and let state or World Bank actors take the lead on issues such as regime type and the nature of political representation.

The second lesson for future regional research approaches is that experiences of the three distinct Gulf of Guinea regions of Nigeria, Chad basin and Angola (as well as smaller polities such as Equatorial Guinea along the coast) should be treated comparatively as well as part of the larger global “oil complex.” Nigeria is often contrasted with Angola in that petroleum production in Nigeria is more onshore while Angola concentrates on offshore oil supplies. Offshore production for Angola prevents much of the social disruption found in Nigeria (e.g. Frynas 1998, 462), while the Chad basin is populated by many states with even weaker sovereignty than Nigeria. How do corporations deal with the area as a region (rather than with individual states as Oliveira does)?

7.2 Corporate engagements and social movement pressure

Relatedly, it is important to engage in systematic research of corporate relations that ranges deeper into such relations than the typical government-market perspectives. The first step in such examination is to apprehend business literature. Such an endeavor is far beyond the scope of this project. However, this project’s examination of the CCPDP case and more broadly the Nigerian case provide indications of the importance and distinctiveness of business, and business literature provides important insights into connections with economics as well as strategies for managing employees, consumers, even governments. At the strategic management level, for example, Dunning (2006) provides insights into a business-centered development model, what he refers to as a “new paradigm of development,” which presents corporations as engaging in more collaborative relations with one another than the competitive arrangements embodied in Williamson’s make-or-buy decisions based on opportunism. It should be noted, however, that business literature is also depoliticized, with publications arguing as a rule that

business simply seeks to make a profit and that governments and civil society should be responsible for taking their share of the value added to provide for the social welfare of their people.

The Nigeria case demonstrates how corporate and state actors and institutional forms have been intimately interacting for many generations, thus throwing into question the ideological battles about state planning versus the private sector and the market. First, how do government and corporate elite in less-industrialized countries interact with one another in light of the representations of two distinctly different institutions (government and corporations)? Secondly, it is important to examine deeper the relationships between executives such as Lee Raymond and James Wolfensohn, to understand how agreements such as the CCPDP are put together and ascertain stronger trends than anecdotes from books or newspapers. Such investigations must include ethnographic research, interviews, and examination of applicable business literature.

This project also contributes case study material to questions about how corporations engage oppositional pressure. Allen's multiple modalities through which power is exercised are quite useful here, because corporations in particular but also organizations such as the World Bank employ varied strategies for managing image and other risks in ways that at best increase profit and at worst provide the most effective damage control in situations where social movement or other pressure causes real damage to corporate operations. Based in large part on material collected for this project, I provisionally hypothesize the following ways, organized in three sets, that contemporary business interacts with external pressure such as from social movements. The first set has to do with organizational transformation. First, if corporations assess that pressure hits at their core organization, then they may employ what I call the "executive suite" approach whereby they fundamentally change their corporate operations. Secondly, if

corporate executives assess that pressure is quite great but not to the extent that it affects core operations, they may adopt a “risk management” approach whereby some organizational change is considered necessary to relieve the pressure, but not enough to effect core corporate operations. I suggest for example that Shell had to adopt a “risk management” approach in response to the Ogoni nine hanging and the Brent Spar.

The second set of ways that corporations engage social movement pressure has to do with perceptual transformation. First, corporations may determine that pressure can be addressed through managing perceptions of “key stakeholders.” This seems to be the strategy adopted by the World Bank and petroleum corporations in regard to both the EIR and the CCPDP. Such perceptual management may take the form of burnishing the organization’s own reputation, as World Bank officials in particular sought to do in regard to the CCPDP, and what Shell and others attempt to do through CSR development projects that end immediately after the construction is complete in an area. The second form is to attempt damage to the other party’s credibility, as was certainly the case regarding the “Washington elite” and “Berkeley mafia” among the social movements, and was also the case when Shell sought to damage Frynas’ credibility in regard to political instability and petroleum production in Nigeria. The third form is to co-opt the language of protest and actually use the language to the corporate advantage.

The third set of ways that corporations may respond, to pressure that they feel has no traction, is the “close the front door” approach where they simply ignore the pressure and hope that it continues to lack traction. This may be quite useful in cases where there is clear backlash against the pressure on the corporation, but carries perhaps the most risk of all forms. If the pressure does have traction, as in the case of Nigeria’s Ogoni nine, then the corporation may be forced like Shell into risk management mode or perhaps even initiatives that truly change the corporate organization.

All of these forms are often used concurrently, as situations arise. Indeed, I submit with evidence in particular regarding the ability of corporations to remain largely behind the scenes regarding the CCPDP, as well as the ability of corporate actors to sustain exploitation across generations, that it is critical to creatively assess such moves, and note the ways in which realities are constructed, both on the ground and in minds. There is no doubt that life in Chad and Nigeria is violent, that visions of growth through entrepreneurship and the market do resonate in some circles, and that governmentality as self-regulation is operable not only for those to whom the spectacle of neoclassical economics is directed but also for those fixed in place by other means of authority (not only indigeneity, state, corporation but also church and various forms of ‘tradition’).

7.3 Engaging multimodal power

Perhaps the fundamental lesson this project contributes to is that development cannot be understood except with reference to power, and power cannot be understood except through multiple spatially and temporally informed modalities through which power is exercised:

[Power] often makes its presence felt through a variety of modes playing across one another. The erosion of choice, the closure of possibilities, the manipulation of outcomes, the threat of force, the assent of authority or the inviting gestures of a seductive presence, and the combinations thereof. A simple domination/resistance framework in this respect trivializes the feeling for what power is when it is brushed up against (Allen 2003, 196).

In particular, this project sought to show that neoclassical economics, rather than being the driver of business and development practice “in spite of itself,” is instead a spectacle, an exhibit “more real and authentic than the people themselves.” The “people” themselves, in this case the people impacted directly by the CCPDP, are relatively fixed in place through broad instruments of what Watts (2007b, 108) refers to as governmentality characterized by what “looks like *ungovernability*.” Thus, Allen’s as well as Rose’s notions of power as authority are extended, whereby exploitation can be

sustained by judicious capitalization on micro-politics of instability and violence, what can be called “ungovernable governmentality.” The proclamation that neoclassical economics is irrelevant in important ways to such “ungovernable governmentality” should *not*, however, lead to dismissal of the power of neoclassical economics in those sites amenable to such power. Rather, the technical, objective, depoliticized language of neoclassical economics wields great power in justifying deep intervention into, even violence against, other societies. For those unacquainted with realities of exploitation, this power is particularly great.¹¹⁹ Thus, attempts to undermine the discourse of neoclassical economics itself are useful, laudable and important. The open and ambiguous treatment of power expands analysis and engagement beyond neoclassical economics, however, and both admits the potency of power wielded by business in particular behind the scenes, and the ambiguity of such power that provides openings for undermining existing regimes of exploitation and affecting core transformation of global power.

¹¹⁹ Leys’ (1996, 101-102) trenchant perspective on the “New Political Economy” (NPE), of which North forms a part, is relevant here:

Is it far-fetched to imagine that part of the appeal of the NPE lies in its very blandness and indeterminacy, its essential lack of substance?

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Appendix 1 – HDI 1975-2005

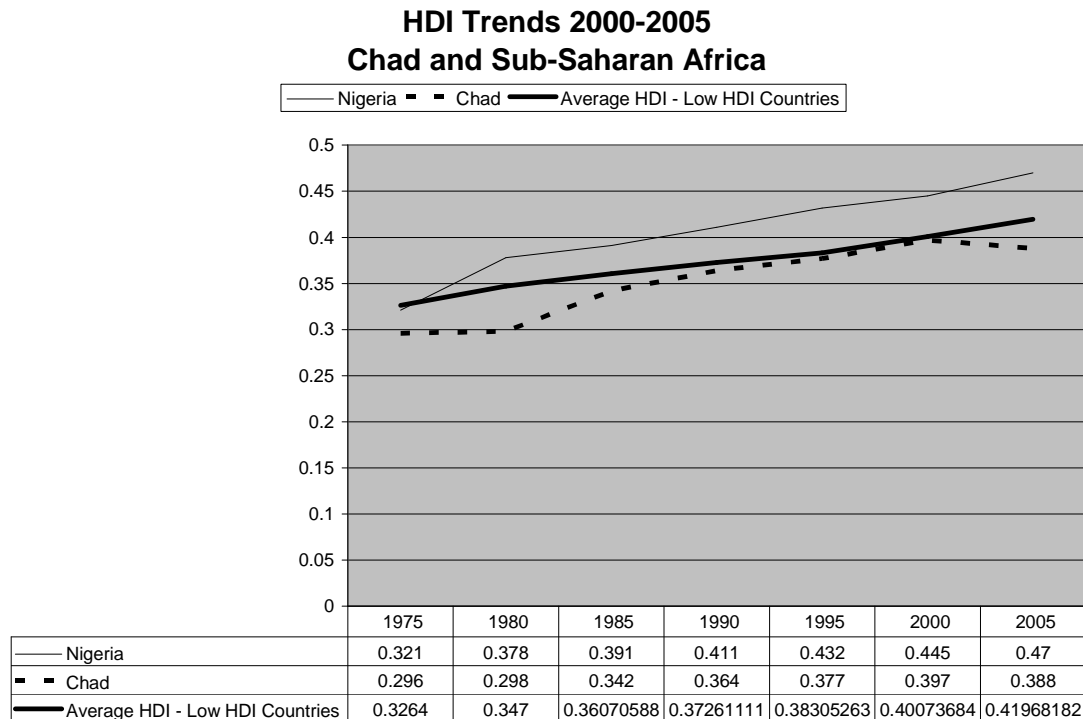


Figure 2 Calculated on the basis of data on life expectancy from UN (United Nations), 2007e. World Population Prospects 1950-2050: The 2006 Revision. Database. Department of Economic and Social Affairs, Population Division, New York; data on adult literacy rate rates from UNESCO (United Nations Educational, Scientific and Cultural Organization) Institute for Statistics. 2003. Correspondence on adult and youth literacy rates. March, Montreal. and UNESCO (United Nations Educational, Scientific and Cultural Organization) Institute for Statistics. 2007a. Correspondence on adult and youth literacy rates. May, Montreal.; data on combined gross enrolment ratios from UNESCO (United Nations Educational, Scientific and Cultural Organization) Institute for Statistics. 1999. Statistical yearbook. Montreal. and UNESCO (United Nations Educational, Scientific and Cultural Organization) Institute for Statistics. 2007c. Correspondence on education data and indicators. April, Montreal; and data on GDP per capita (2000 PPP US\$) and GDP per capita (PPP US\$) from World Bank. 2007b. World Development Indicators 2007. Washington D.C.

The aggregate trends of Human Development Indicators provide interesting quantitative information. First and foremost, Chad showed consistent improvement in the HDI indicators from 1975-2000 but fell precipitously during the time of the CCPDP. Secondly, during the same time, low-HDI countries on average improved consistently.

This on its face would seem to support the idea of a resource curse. However, Nigeria, also an assumed victim of the resource curse, improved throughout the period of petroleum boom and bust into the 2000s. In the final analysis, HDI indicators simply point to lack of improvement though they do not support any conclusive explanation answering why Chad did not improve.

Appendix 2 – Abbreviations

CCPDP	Chad-Cameroon Petroleum Project
CCSRP	Collège de Contrôle et de Surveillance des Ressources Pétrolières
CDF	Comprehensive Development Framework
CLS	Core Labour Standards
CRS	Catholic Relief Services
ECMG	Environmental Compliance Monitoring Group
EIR	Extractive Industries Review
FESTAC	Festival of Black and African Arts and Culture
IAG	International Advisory Group
IDA	International Development Association
IFIs	International Financial Institutions
MNE	Multinational Enterprise
NPE	New Political Economy
PRS	Poverty Reduction Strategies
PRSP	Poverty Reduction Strategy Papers
WBG	World Bank Group
WDR	World Development Report