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THE (STATE-PRIVATE) TIES THAT BIND: STATUS, OCCUPATIONS, AND ECONOMIC DEVELOPMENT IN INDIA

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INTRODUCTION

Government-led economic development initiatives have generated wealth and prosperity across the globe. Yet they have also resulted in a variety of failures. For example, governments in India and the Dominican Republic have spent millions of dollars establishing special economic zones with limited large-scale economic impacts (Moberg 2017). And across OECD countries, governments have financed extensive programs to promote small business development, only to see many initiatives fall short of anticipated economic growth and job creation (OECD 2014, 2015).

Although development projects succeed and fail for a variety of reasons (Scott 1998), development sociologists have demonstrated that successful initiatives often result from collaborative relationships between state officials and members of the private sector. Development sociologists largely agree that productive ties between state officials and industry representatives have spawned many of the most successful economic initiatives—large and small—of the past century (e.g., Evans 1995; Wade 1990; Silva 1997).

In this paper, we examine an economic initiative in India that poses a puzzle to the existing literature about the role of state-private ties in economic development. In our setting, state officials and industry representatives collaborated to design an industrial craft park in southern India. Beyond establishing these relationships, state officials secured the necessary building blocks for a successful project: they conducted market research, obtained ample funding, and worked in an area where similar initiatives succeeded in the past. Yet when the park was complete, the bulk of the private sector declined to use it. As a result, the park did not achieve its anticipated economic goals and was labeled a failure. Because the existing literature views state-private ties as a key component of successful development, we use this case to ask: under what conditions do economic initiatives born from strong state-private ties *fail* to promote development?

We depart from the existing literature by emphasizing two previously under-theorized aspects of state-private ties. First, we emphasize that state actors are influenced by the status positions of relevant private sector actors when building collaborative ties. Second, rather than viewing "the private sector" as a monolithic entity, we argue that the private sector is a heterogeneous collection of occupational communities. We argue that, as state actors lean towards collaborating with higher-status members of the private sector, they may privilege certain actors' practices and professional orientations when designing economic initiatives.

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STATE-PRIVATE TIES IN ECONOMIC DEVELOPMENT

State-led economic initiatives have been and continue to be an important source of economic growth in many countries. Such initiatives have achieved large-scale effects, like fostering national-level economic growth (Johnson 1982; Amsden 1989). At other times, they have produced more modest outcomes, like encouraging product upgrading in regional sectors (McDermott, Corredoira, and Kruse 2009) or managing change in volatile industries (Thorp and Durand 1997). Given the importance of economic development in reducing poverty and fostering growth, scholars have sought to uncover when state-led initiatives produce successful outcomes.

Development sociologists along with political scientists have identified relationships between state actors and private sector representatives as a key component of successful economic initiatives across the globe (e.g., Gerschenkron 1962; Wade 1990; Samford 2017; Johnson 1982; McDermott, Corredoira, and Kruse 2009; Amsden 1989). Of course, the presence of productive state-private ties does not *guarantee* successful economic initiatives. Initiatives might fail because of unexpected political shifts, a lack of funding, or unrealistic policy objectives. While state-private ties might not be *sufficient* in themselves to realize planned objectives, such ties tend to facilitate successful outcomes.

Although researchers emphasize state-private ties as an important component of successful initiatives, presumably there is variation in when such ties prove successful in realizing planned objectives. However, scholars have not, to our knowledge, examined the conditions under which economic initiatives born from strong state-private ties fail to promote development. It is here that our study departs from existing literature. We observe an economic initiative that failed despite a productive collaboration between state officials and private sector representatives. To gain insight into the potential challenges associated with strong state-private ties, we now look outside development sociology to examine how status biases and cultural differences across occupational communities might affect relationships between state actors and their private sector partners.

When establishing relationships, actors are often swayed by the status characteristics of their potential partners. In exchange relationships, actors may use status as a signal for quality when they lack complete information (Podolny 1993) and build ties on that basis. Furthermore, because status "leaks" between exchange partners (Podolny 2005; Phillips, Turco, and Zuckerman 2013), actors generally seek to establish ties with those who do not reduce their own standing. As such, actors often try to partner with similar- or higher-status individuals or groups when establishing exchange relationships.

Scholars have documented that actors are particularly inclined to build ties with status-similar exchange partners when facing conditions of uncertainty. Chung, Singh, and Lee (2000) demonstrate that status-similarity is a key predictor of alliance formation, especially in the context of highly-public, uncertain deals. Shipilov, Li, and Greve (2011) show that organizational actors tend to partner with similar-status others when performance deviates from aspirations. Similarly, Podolny (1994) argues that, when markets are uncertain, organizational actors become increasingly likely to transact with similar-status firms. Beyond the marketplace, scholars show that actors are more likely to seek out similar-status others for advising and collaborative ties (McPherson, Smith-Lovin, and Cook 2001).

The literature on status-based tendencies in tie formation offers new insights into factors that may underlie the formation of state-private ties. Drawing on this research, we

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theorize that state officials may be influenced by the status characteristics of potential private sector partners when deciding whom to target for collaborations. Because such collaborations are fraught with uncertainty and demand intensive communication, bureaucrats may lean towards status-similar members of the private sector with whom they anticipate easier collaborations. We now consider the nature of the private sector and how its occupational diversity may further influence state-private ties.

Traditionally, development sociologists and political scientists have adopted a macro-level approach to examining state-private ties. In doing so, researchers have perhaps unintentionally treated the private sector as a homogenous, coherent entity that is well-represented by a single group of industrial leaders (e.g., Evans 1995; Wade 1990; Johnson 1982). More recently, however, new research has begun to consider the implications of private sector diversity. For example, Samford (2017) demonstrates how the network structure of a single producer community affects information exchanges between state agents and ceramics producers in Mexico. Additionally, McDermott, Corredoira, and Kruse (2009) show that government initiatives had greater success when agencies built ties across multiple stakeholder groups in the Argentinian wine industry.

Building on these insights, we argue that the private sector contains not only network diversity, but also *occupational* diversity. Whereas previous studies focus on private sector diversity within a single producer group, we emphasize that the private sector actors relevant for a single economic initiative may span a range of occupational communities. For example, a state-led initiative to create an artisanal marketplace may require collaboration with small business owners (to encourage them to relocate to the market), bankers (to provide loans to business owners), and developers (to construct the physical marketplace). We argue that complex economic initiatives demand engagement from a heterogeneous collection of occupational communities, rather than single producer groups.

Drawing from these insights, we anticipate that occupational diversity among relevant private sector actors may introduce challenges for state-led initiatives. When working across different occupational communities, state officials may need to span wide professional and cultural gulfs. Moreover, they may need to collaborate with members of occupational communities who do not generally work together—and may even be competitors. Given the heterogeneous values, orientations, and practices that occupational communities possess, state actors may face challenges in managing the diverse set of occupational perspectives. Additionally, bureaucrats may struggle to design initiatives that align with the varying professional orientations of private sector stakeholders.

DATA, METHODS AND RESEARCH SETTING

Our study is set in Channapatna, India, a mid-sized city in the state of Karnataka, situated approximately eighty kilometers from Bangalore. Channapatna is home to two occupational communities that engage with handicrafts: artisans and traders. Channapatna artisans have a 300-year tradition of making handmade crafts, including toys and jewelry, and specialize in using hale or milk wood and vegetable-dyed lacquer. Channapatna is also home to a group of traders who do not engage in handicraft production, but focus on selling artisanal products to wider markets. Together, traders and artisans cater primarily to the domestic market, and the total annual lacquerware production is estimated at $40 million (Ajayan 2009).

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Empirically, our research focuses on the development, implementation and outcome of a government-funded Crafts Park in Channapatna. Government officials designed the park as a resource for artisans—who come from low-income backgrounds—offering sophisticated woodworking technology and machinery. The crafts park was part of a broader initiative by the Indian government to raise incomes among handicrafts producers and facilitate exports (DIC 2003). Government officials hoped that, by using the Crafts Park, artisans would produce their handicrafts more efficiently, export their goods to wider markets through traders, and raise their earnings.

This paper relies on eight months of ethnographic fieldwork, 40 interviews and a survey of craft businesses in Channapatna. The qualitative observations took place while the park was being designed and constructed, as well as after it was open to the public. Each interview was recorded and transcribed. Apart from the observational and interview data, we also employ a survey of 52 artisans and 23 traders conducted in June 2012.

The success of the project relied on engagement from two sets of private sector actors in Channapatna—artisans and traders—who belong to distinct occupational communities. Channapatna is home to more than 5,000 artisans, constituting about 10% of the town's population, and over 100 traders. Artisans make wood and lacquerware products using power-driven lathes in individual worksheds attached to their homes, having learned their craft through informal family-based apprenticeships. Traders, in contrast, are not involved in the production process, but sell artisans' wood and lacquerware products locally as well as in wider markets through retail establishments.

Artisans and traders had arm's-length relationships. On one hand, both occupational groups needed the other for economic survival, which provided an incentive for collaboration. On the other hand, traders often tried to lower the price at which they could purchase products from artisans, which often generated friction. Given these dynamics, traders and artisans generally had professional, but somewhat distant, relationships.

The initiative appeared to have all the key components for success. The three key stakeholders—government officials, traders and artisans—strongly supported the program when it was conceptualized. Government officials conducted research that suggested demand for the park and the exported goods. Officials had experience working in successful technology upgrading projects in other parts of the country. They also obtained sufficient funding for the project. In fact, they were optimistic that this model of export promotion from Channapatna would eventually be imitated by other state governments.

STATUS HOMOPHILY AND OCCUPATIONAL ORIENTATIONS

Our survey data demonstrate that traders in Channapatna enjoyed higher social status than artisans. In particular, artisans and traders varied along three important status dimensions: income, education and religion. Traders were almost twice as wealthy as artisans, had a high school education (in contrast to artisans' primary school education) and were more likely to practice the dominant religion of Hinduism rather than the minority religion of Islam. During ethnographic observations, artisans commented on the difficulty they faced in marrying their daughters, a signal of lower social status in India. One artisan captured this sentiment most clearly in saying, "Not many people want to marry their daughters to artisans" (fieldnotes, January 2012). Another artisan explained this tendency by saying that "prospective brides were scared about [artisans'] stream of income" (#A5).

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Government officials were cognizant of the status differences between artisans and traders in Channapatna. Indeed, bureaucrats readily acknowledged that social status and reputation shaped the kinds of relationships they built. Describing how she chose collaborators from the private sector, a senior bureaucrat from the EPCH who spearheaded the Crafts Park said decisions were made “predominantly based on social status and their track record. They should have a good image, not be corrupt, associated with illegal activities or blacklisted” (#G2). As this quote suggests, government officials preferred to work with higher-status professionals. As such, officials were more inclined to build productive ties with traders, who were closer to them in status, and to seek their input on the development of the park.

One decision in particular highlights state agents’ preference for working with higher-status traders. When establishing the foundational consultative team for the Crafts Park, the EPCH chose twelve traders and *zero* artisans as participants. The hand-selected traders, who were offered the opportunity to own plots of land on the Crafts Park premises to carry out post-production activities, played a pivotal role in influencing the development of the Park. During planning meetings, government officials described these twelve traders as the “cream of the crop” amongst the trading community because of their significant experience exporting and international buyer linkages (fieldnotes, December 2011).

Traders, like most occupational communities, were guided by a distinct occupational “orientation” in understanding their work and making work-related decisions (Bechky 2003). In particular, the trading community in Channapatna was predominantly motivated by profits. This market orientation guided traders’ work-related attitudes, including their attitude toward technology. Traders’ market orientation aligned closely with government officials’ high-tech goals and vision for the park, informed by previous technology upgrading initiatives. Traders’ market-orientated motivations, practices, and language were thus more “legible” (Scott 1998) to state officials as they designed the Crafts Park, further facilitating the state-trader collaboration. Traders understood technology in the Park as having three key benefits which would allow them to make significant profits: scale of production to meet large export orders, efficiency in production to meet export deadlines, and precision to meet quality standards in export markets.

Although government officials consulted with the trading community extensively in the design and implementation of the Crafts Park, they did not establish productive ties with the artisanal community. Government officials plainly stated that they avoided artisans because they viewed them as lower-status. One senior official who spearheaded the Crafts Park initiative, commenting on artisans’ economic conditions, said, “[They] live in small two-inch houses. You go there and you will feel suffocated. The very atmosphere is very disheartening. How can you engage in a conversation under such circumstances?” (#G2). Another official said, “They don’t know to use the internet. It’s hard for us to talk to them about things like design. These are the basics that we will need to teach them” (#G4). Further commenting on artisans’ limited formal education, other bureaucrats said that artisans lack “the mindset” (#G1) for a project of this scale and that “[the artisans] don’t know any better. We needed technical expertise to set up the Crafts Park, which the artisans don’t have” (#G6). In various interviews, bureaucrats referred to artisans as “small people,” “lazy and lethargic,” a “disorganized bunch,” “regressive,” “not in touch with the times” and that “they want money without working hard.”

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State officials shared basic information about the Crafts Park with artisans, but did not seek their input or collaboration in designing the park. That officials did not establish productive, consultative relations with artisans is surprising given that artisans were intended to be primary users of the Park. Nevertheless, government officials justified this decision by explaining, “We didn’t want to burden the artisans” (#G3) or “You can use democracy up to a certain point, but there would be difference of opinions, slowing down everything” (#G2). Artisans noticed this lack of engagement. One observant artisan said, “The government has always been talking with the traders much more, compared to the artisans. The traders are rich people, but they’re the ones who are benefitting” (#A11).

If artisans and traders shared a common vision for the Crafts Park, the lack of bi-directional communication and collaboration between state officials and artisans would not necessarily be problematic. That is, if artisans shared traders’ market orientation towards highly mechanized production, then artisans might have readily used the Park. However, artisans belonged to a different occupational community than traders and had a craft orientation—rather than a market orientation—towards their work. Artisans sought to make bespoke, handmade products that allowed control during the production process and the opportunity to express their creativity. Because government officials formed only superficial ties with artisans, they did not anticipate artisans’ orientation towards craftsmanship and how this orientation would affect their use of the Park.

Because government officials never consulted with artisans—instead assuming that they shared the traders’ market orientation—they designed a park that fit traders’ needs only. The machinery purchased for the Channapatna Crafts Park interfered with artisans' control over the production process. The machines were designed to standardize production, leaving no room for the creativity and customization that bound artisans to their work and final products. Without engagement from artisans, the Crafts Park failed to achieve its primary objectives of raising artisans’ incomes and increasing exports of local handicrafts to wider markets.

CONCLUSION

This study reveals the conditions under which even productive ties between state officials and leading private sector actors can undermine the success of economic initiatives. We show how status biases in relationship formation encourage state officials to build ties with higher-status members of the private sector, privileging their occupational orientations in the resulting initiatives. Because relevant stakeholders may hail from a range of occupational communities, state officials may systematically overlook the orientations, perspectives and practices of lower-status stakeholders. This research reveals how bureaucrats’ status biases can become embedded in the structure of the development initiatives they create, unintentionally reproducing the social inequalities that such initiatives are designed to ameliorate. In doing so, this study demonstrates one important pathway by which micro-level behaviors influence broader distributions of power and resources in economic development.

REFERENCES AVAILABLE FROM AUTHORS