Groups and capabilities

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I. Introduction

Like the conventional utility framework, the capability approach views well-being strictly from the perspective of individuals. The capabilities (or functionings) at issue are those of individuals, and the objective of development is stated to be the enlargement of the capabilities of individuals. Groups receive relatively little attention, although it is accepted that they may be instrumentally important for enlarging individual capabilities (see (Sen 1999), p116). In contrast, this paper will argue that groups are a critically important category, as a direct source of well-being (or indeed ill-being), as a mechanism for the enlargement of individual capabilities, and as a dominant influence over preferences and values helping to determine which capabilities individuals value. While all this could be encompassed within the capability framework, the emphasis on groups advocated here points to a rather different focus from that commonly adopted: that is on consideration of why some groups function well and others don't, and the influence of groups on individual preferences and behaviour. A group approach leads to the conclusion that we should consider group capabilities as well as individual ones, and hence suggests a different research and policy agenda than that arising from a more individualistic analysis. The paper will illustrate this by considering two examples of groups being influential in determining well-being and outcomes, a 'bad' case and a 'good' case of groups' – the former an analysis of how group identities can lead to conflict, undermining individual capabilities; the latter an analysis of how groups formed among the poor can lead to an improvement in their conditions and capabilities.

The next section of the paper will discuss how groups are to be defined in the paper and, at a general level, how they affect individual well-being. Section III will develop the analysis with respect to the case of group conflict; and section IV in relation to poor people's groups. Section V will conclude considering some research and policy implications.

II. Groups and well-being

All individuals live in groups, from cradle to grave – in families, communities, villages, neighbourhoods, regions, countries. Individuals also have multiple affiliations, i.e. they are members (with the strength of groups affiliation varying) of numerous other groups. For example, a person may see themselves as having a particular ethnic identity and thereby belonging to the group of those with similar ethnic identities; and/or they may see themselves as having an affiliation with those of the same gender; or the same age; or they may have sporting interests and are in the group of e.g. football supporters, or, usually, more specifically of supporters of a particular football club; they may identify with people with similar professional qualifications, or those supporting the same political party, or having similar political leanings; they may belong to housing associations; or mothers' associations; or school governors; etc etc. All these are different ways people may be grouped together. Groups then are defined here as ways of categorising people in ways that represent common affiliations or identities. These affiliations may be more or less strong – i.e. matter more or less to members; may be more or less well defined; and may be more of less enduring - some may be very temporary (e.g. people going on a jointly organised outing) while others (such as families, ethnicities, race) may even be life long, though the importance of the connections may vary over a person's life.[1]

It is now well accepted that group boundaries are generally socially constructed, not intrinsic or primordial. And that the boundaries and membership are often fluid, changing over time in response to new circumstances. Moreover, even where membership remains the same, the importance (or 'salience' as is often said) of the boundaries to the individuals concerned may change. Groups are constructed socially in large part because they are functional – instrumental to some wider purpose. Some groups have clear economic purposes (including some ethnic boundaries) leading to more efficient transactions, and/or a larger share of resources for group members. Others (e.g. families) have a different sort of efficiency/ functionality providing a good

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[1] Blau, P. M. (1977). Inequality and heterogeneity : a primitive theory of social structure. New York London, Free Press ;
Collier Macmillan.

      suggests that the more the consistency of membership of the groups a person is affiliated to, the stronger the ties to other members of any one group are likely to be. Conversely, where there is little overlap in membership ties may be weaker.

context for bringing up children, meeting social needs etc. Colonial powers invented or accentuated many ethnic divisions for administrative convenience and to help them retain power.[2] Many group boundaries are created or accentuated by others (not the people involved) in order to justify discrimination and enrich and empower those who do the classification – for example racial classifications in the US and definitions of citizenship in Indonesia or Cote d'Ivoire. Tilly has emphasised the economic gains that can be made by creating durable categorical inequality. In politics, group identities and divisions are often emphasised by political leaders ('ethnic entrepreneurs') to gain support, sometimes (see below) in order to mobilise for violence.

Although group boundaries are socially constructed, generally for instrumental reasons, it is important to emphasise that they seem real – even, perhaps, primordial – to members. Indeed, in some contexts, especially political mobilisation, this is why they are effective instrumentally. As Turton states: 'the 'very effectiveness [of ethnicity] as a means of advancing group interests depends upon its being seen as "primordial" by those who make claims in its name' (Turton 1997), p82. The supporters of ethnic or racial mobilisation truly appear to believe that they are in some ways superior to other groups – so much so that they are prepared to kill or die for this belief. Similarly, to some gender discrimination is justified because they believe people of one gender (generally female) are inferior. However, in less durable functional groups (e.g. the Peruvian 'commedores populares' groups, or Western reading groups) the functionality is the clear purpose of the group formation, and few would think there is any reason for the group beyond its functionality.

Group membership affects people's well-being in a number of ways:

First, there is a direct impact on well-being, aside from the functional benefits conferred. This takes two forms (at least). One is that the well-being of a person may be enhanced by being part of the group. In a study of a sex-workers association in Calcutta, Gooptu found that an enhanced sense of self-respect was an important outcome of the

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[2] This is apparent from the colonial history of almost any ex-colony. According to Wim van Binsbergen. 'Modern Central Africa tribes are not so much survivals from a pre-colonial past but rather colonial creations by colonial officers and African intellectuals..' (quoted in Ranger, T. (1983). The invention of tradition in Colonial Africa. The Invention of Tradition. E. Hobsbawm and T. Ranger. Cambridge, Canto: 211-262.
, p 248.

formation of this group. As one member put it, 'I felt I was released from a closed room and could see the sunlight' (Gooptu, p). A similar finding was made by Mahmood with respect to savings and credit associations among poor women in Bangladesh. Benefits of increased self-respect and empowerment arose from the association as such, not from benefits in terms of health, or income that the associations also produced. This is also true of many other types of groups – of family membership, or ethnic or religious identity, of nationalist identities and so on. Thus in addition to the more individualistic capabilities a person may possess, their (often many) group affiliations affect their well-being. We should note that there can be a direct negative impact as well as positive – the constricting effects of families or communities, as well as the positive. The point is not that all effects are positive, but that they are important, for good or ill – since people are essentially social their social networks form an important part of their total well-being.

The second direct impact arises because a person's well-being is affected by how well the group they identify with is doing – for parents - members of a family group - this might come from pride in the achievements of children, for example; for football supporters elation or depression arising from the performance of their chosen team; for supporters of political parties, well-being is often relates to the performance of their party or political tendency at the polls; among people closely identified with particular ethnic or national identities, from dignity and pride at good performance of their group or depression at poor achievements. This last has been well captured in many articles on blacks in the US showing that they are depressed by the low esteem and position of their whole group. One paper captured this well in its title: 'Being Black and Feeling Blue'(Brown, Williams et al. 1999); see also (Broman 1997). This means that the relative performance of the various groups a person identifies affect their well-being. Akerlof and Kranton have captured this in a utility function which includes the performance of the group, as well as the achievements of the individual (Akerlof and Kranton 2000).

Both these effects of groups affiliation could, of course, be expressed in capability terms – an important capability being membership of groups which enhance well-being.

The second – and much more widely acknowledged - way that groups affect individual well being, or capabilities, is instrumental. Again this can be positive or negative. (Heyer, Stewart et al. 2002) divide groups with economic functions into three types: *efficiency* functions, aimed at overcoming market failures; *claims* groups which are intended to improve the share of resources or power of their members; and *pro bono* groups aimed at providing benefits for others (usually among the poor) in society. Groups with primarily efficiency functions are likely to have positive impact on their members incomes. They may overcome externalities or market failures in a variety of ways, notably by coordinating activities where information is imperfect and by overcoming problems of the commons by internalising externalities. Groups with primarily claims functions may have a positive impact on the incomes of their members, but anegative impact on that of others, by increasing the bargaining power of their members and thereby improve their conditions. Whether such groups have a positive impact on society at large depends on how one evaluates the change in income distribution. If claims groups are formed among the better off (e.g. business lobbies which persuade politicians to reduce higher level taxation), the result may be a more inegalitarian, which might be evaluated negatively. But where such groups are formed among poor people, they may improve income distribution and reduce poverty. Given that improvements in the position of the poor rarely happen solely through the benevolence of governments, and are more likely to occur because of political and economic pressures, organisation of groups among the poor may be impotant – even essential - to achieve significant improvements. This is illustrated by the success of the trade union movement and subsequently political parties representing the working class in bringing about improvements in working conditions in the 19th century and the first half of the twentieth century in Europe. We shall discuss this role of groups more in section IV.

A third impact of groups on individuals lies in the way that they influence people's preferences and behaviour. It is common, in conventional economics, to assume an autonomous individual who has a set of preferences which she aims to maximise. It is then assumed that an individual is better off (has more utility) the more nearly these preferences are realised, given the costs of realising them. The capability approach rejects utility as a social maximand, arguing instead for the enlargement of capabilities, leaving it to the individual to choose which capabilities to pursue. Again an autonomous

individual seems to be assumed, one who knows what she wants, whose choices in selecting which capabilities to realise as functionings should not be questioned because the individual is the ultimate judge of what is best for her to choose. In both cases, exceptions may be made for people who lack mature judgement (especially infants/children) or whose choices are clearly constrained. Yet society – and indeed particular groups within society – shapes every individual, influencing preferences and consequent choices. For example, families, schools, ethnic groups, the media, political leaders, social networks, all play a large role in determining individual choices. Hence what is chosen – whether defined in terms of utility or functionings – depends not only on the individual but on the nature of these groups and the influences they affect.[3] As a result one loses the attractive simplicity arising from the assumption that an autonomous individual has made a choice and that by virtue of this, the right choice has been made. Instead, one has a much dizzier situation – choices have been influenced by groups, and whether the choices are good or bad must depend on a judgement about the nature of the group influences and the resulting choices. Yet who is to make that judgement, since we are all influenced by our social conditioning?

The capability approach has differentiated 'valuable capabilities' (i.e. capabilities 'people have reason to value') from non-valuable capabilities – e.g. the capability of being nourished is universally regarded as a valuable capability, while the capability of killing people would be regarded as a non-valuable one. Both the criteria and the methodology for making this distinction have been subject to a great deal of important and creative work (see e.g. [Alkire, 1998 #186]; (Nussbaum 2000)), yet to my mind they remain problematic. Nonetheless, it is helpful here to accept this distinction. Assume we know what valuable and non-valuable capabilities are. Then we can look at group influences (and groups themselves) in the light of whether they promote values/preferences among individuals leading to the promotion of valuable capabilities or support choices favouring non-valuable 'bad' ones. In a simplistic way, we can then differentiate between good and bad groups according to which type of values they promote: e.g. organisations that encourage people to achieve good capabilities, as against others which encourage them to kill; families or communities that tend to

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[3] The extent to of an individual's autonomy given social influences over character and preferences is a debatable question and observers clearly vary in judgements on this issue, but all would presumably agree that there is some influence coming from groups (i.e. no-one has complete autonomy) which is all that is needed for the above argument.

support many valuable capabilities as against dysfunctional families/ communities that lead to criminality, drug taking and so on. Thus the third way in which groups are important is according to how they affect individual preferences and behaviour.

In summary, groups are important to individual well-being and to enlargement of valuable capabilities in three ways:
- ? because group membership and group achievements affect people's sense of well being.
- ? because groups are important instrumentally in determining efficiency and resource shares.
- ? because groups influence values and choices and hence the extent to which individuals choose to pursue valuable capabilities for themselves and for others.

Given these three critical roles, analysis of what makes for 'good; groups and what for 'bad' groups becomes a critical part of any research agenda, and then of policies towards the promotion of capabilities and human well-being.

III. Groups and conflict

Violent conflict undermines individual capabilities. But to understand the causes of conflict one has to look beyond individual situations to group capabilities.

Violent political conflict is a major source of capability failure in developing countries – it is one of the most important factors behind famines; it weakens social services; it raises transactions costs and deters investment; it generally reduces security and limits freedoms; and, it accounts directly for many deaths and injuries. (see e.g. (Stewart 2001). Countries with the weakest human development, as measured by the HDI, have virtually all recently been involved, or are currently involved, in violent political conflict. Hence analysis of factors relevant to enhancing capabilities must consider the causes of violent political conflict, as well as other types of violence including criminality and domestic abuse. Each of these types of violence can only be fully understood by exploring group conditions and inequalities. Here I want to focus on political violence, although group conditions are also relevant to criminality and

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domestic violence – individuals, of course, are responsible for such violence but as a consequence of social conditions, including inequality, unemployment, and group discrimination.

While much economic analysis of conflict concentrates on individual motivation, adopting a rational choice approach (Collier 2000), it is clear that most political conflicts today involve group as well as individual motives. Doubtless, people have their individual economic motives for fighting, including lack of employment and status among many young men in conflict situations, yet loyalty to a group and a desire to support that group and defeat other groups, perceived as enemies, is also evidently a powerful motive. The present conflict in Iraq provides an example. Shias have mobilised behind Moqtada al-Sadr to fight American occupation. Even young educated men from the UK, with much to lose, have joined the movement. One said "Our brothers are fighting down there.. It is our religion..It is good to protect your country and be there with your brothers" (Guardian, 11/04/2004). Many similar cases could be cited. With the exception of mercenary armies, throughout history, leaders have mobilised armies by appealing to individuals' group affiliations. In the first world war, the German Kaiser 'appealed to "all peoples and tribes of the German Reich…irrespective of party, kinship and confession to hold steadfastly with me through thick and thin, deprivation and death…I no longer know any parties. I know only Germans" at which point the Reichstag broke into a "storm of bravos"' ((Elon 2002), p 309.

This not to argue with Huntington that there is an inevitable 'clash of civilisations' (Huntington 2002). The existence of different groups is not by itself enough to cause violence. Many cultures live side-by-side. Indeed, according to Feardon and Laitin, of all the potential conflicts in Africa (defined as occurring where people with different cultures live side-by-side), only 0.01% lead to physical conflict. Irrespective of the accuracy of that estimate, conflict between groups is clearly not inevitable. Cultural/group differences only become salient – or potentially a means of political mobilisation, especially for violence, when OTHER factors are present. As Cohen has stated: "Men may and do .. joke about or ridicule the strange and bizarre customs of men from other ethnic groups, because these customs are different from their own. But they do not fight over such differences alone. When men _do_ ... fight across ethnic lines

it is nearly always the case that they fight over some fundamental issues concerning the distribution and exercise of power, whether economic, political, or both"   *I.e. cultural differences do not lead to violent conflict unless there are also major economic and/or political causes.*
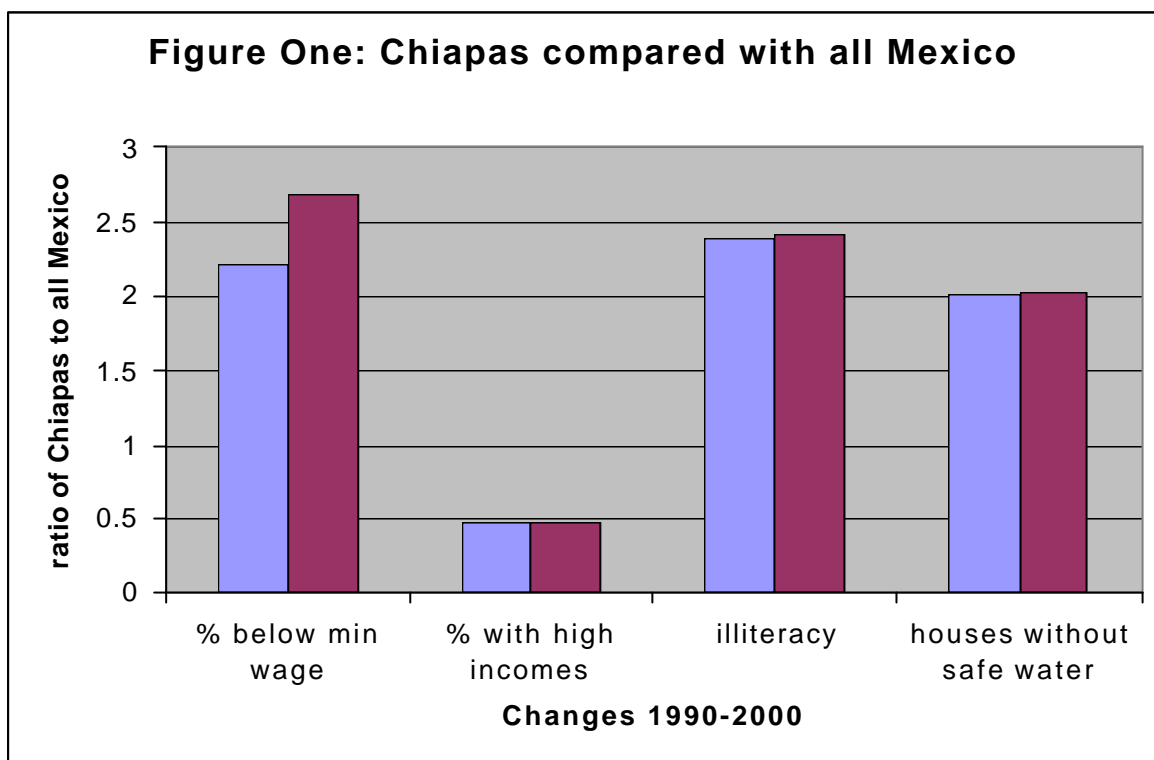
I have defined these group differences as *horizontal inequalities* (Stewart 2002). Horizontal inequalities are multidimensional, including political as well as economic and social dimensions. Deprivation (or fear of deprivation) of group access to political resources can be a powerful source of resentment and moblisation. Political dimensions include not only control over, or participation in, the most obvious sources of power, such as the Presidency and the cabinet, but also participation in the army, the police, the bureaucracy, and local as well as central government. In economic dimensions, it is not only a matter of income, but also assets and jobs. In social dimensions, it is a question of social outcomes (such as health or nutrition outcomes) and also access to social services of different kinds. What we are talking of here are basically group capabilities (and sources of capabilities) of various kinds. These groups capabilities are made up of individual capabilities – indeed they are the average of the capabilities (and sources of capabilities) of all the individuals in the selected groups. but the focus here is on the group achievements and inequalities (or horizontal inequalities) because it is these which constitute powerful group grievances, which in turn can lead to group mobilisation. They contribute directly to individual unhappiness (because as argued above being part of a deprived group itself can depress the members); and they can constitute a source of political disaffection, sometimes leading to violent conflict.

Two examples illustrate.

Chiapas The state of Chiapas in Mexico, accounting for 4% of the Mexican population, contains a concentration of indigenous peoples, with the indigenous share of the total population over three times that of Mexico as a whole. This has made it possible for protests to be mobilised and united under an indigenous umbrella, with a focus on Mayan culture as well as economic and political rights. Perceptions of inequalities among these groups were stimulated by religious and activists groups.

Chiapas has long suffered serious and ongoing deprivation of a political, economic and social nature, relative to the rest of Mexico. For example, the proportion of people on incomes above the minimum wage is nearly three times greater than in Mexico as a whole, and the proportion on high incomes is less than half the all Mexican rate. The illiteracy rate in Chiapas is more than twice the Mexican rate. Within Chiapas the indigenous speaking people are particularly deprived, with substantially lower school attendance and incomes than the rest of the state. Land presents a particular problem: the end of land reform efforts in 1972, left more land which had not been redistributed in Chiapas than elsewhere, and the indigenous population were almost entirely marginalized on poor and ecologically vulnerable land. Politically, the region, and particularly the indigenous people, have been largely excluded. It appears that these inequalities have been in evidence for a long time, with a worsening of some indicators in recent years (e.g., on poverty), a small improvement in secondary education and an improvement in the distribution of federal investment.

In 1994, the Ejericito Zapatisto de Liberacion Nacional (EZLN), with indigenous collective leadership, took control of four municipalities initiating an armed struggle against the Mexican state. The demands of the EZLN were for autonomy for the Indigenous communities and the protection of their cultural heritage, as well as action towards improving economic and social conditions. Since then there have been negotiations offering greater political rights for Indians; while the armed struggle has been suspended and negotiations are ongoing, protests continue.

Figure One: Chiapas compared with all Mexico

Horizontal axis categories: % below min wage, % with high incomes, illiteracy, houses without safe water. Vertical axis: ratio of Chiapas to all Mexico (0 to 3). Subtitle: Changes 1990-2000

Horizontal Inequalities in Northern Ireland[4]. 'There is no doubt that Catholic relative deprivation is a cause of alienation and discontent.'(Darby 1999), p149). In Northern Ireland horizontal inequalities were large, persistent and consistent over all dimensions over a long time period, an example of how such horizontal inequalities can provoke violence. The case also illustrates how policies to correct such inequalities can help to provide conditions supportive of peace-making.

Horizontal inequalities in Ireland date back to the sixteenth and seventeenth centuries when Protestants took the best land for themselves, and introduced a variety of sources of legal discrimination, preventing Catholics from owning land or acquiring wealth for example, and forcibly displacing Gaelic by English. >By the end of the nineteenth century Protestants controlled the vast bulk of the economic resources of east Ulster - the best of its land, its industrial and financial capital, commercial and business networks, industrial skills=.(Ruane and Todd 1996) p151). When the Republic of Ireland was created in 1922, the division of the island ensured permanent political

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[4] I am grateful to research assistance from Marcia Hartwell for information about N.Ireland.

control and continued economic dominance by the Protestants in the province of N. Ireland, where they formed the majority. Assessments indicate no narrowing of the gap between the communities from 1901 to 1971, with Catholics disadvantaged at every level (Hepburn 1983; Cormack and Rooney nd).

As a minority in a majoritarian democracy, the Catholic community was politically excluded when responsibility for government was devolved to the province. They were also at acute disadvantage with respect to participation in the security forces and the police. For example, the Catholics with roughly 40% of the population accounted for only 8% of the membership of the Royal Ulster Constabulary (RUC). The consistency of the inequalities across political, economic and social dimensions - with most evidence suggesting little change in the first three-quarters of the twentieth century - provided fertile ground for the outbreak of the >troubles= in the late 1960s.(Ruane and Todd 1996)

The evidence suggests a reduction in horizontal inequalities in many dimensions since then, especially from the mid-1980s.[5] According to Osborn, 'In many areas Catholics have caught up with or surpassed Protestants' (Osborn). For example, inequality in access to higher education was eliminated by the 1990s; inequality in incomes was reduced; housing inequality was significantly reduced; the employment profile became more equal; even the imbalance in recruitment to the RUC was slowly being reversed. According to Ruane and Todd: >Protestant economic power has declined significantly over the past twenty-five years= ((Ruane and Todd 1996), p 177). This narrowing of horizontal inequality is in part at least the outcome of British government policy, exemplified by a strengthened Fair Employment Act (1989)[6], a relatively generous

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[5] For example, Gallagher, Osborne and Cormack, 1994, note that >significant change in the labour market is starting to occur= (p 84). >The increase in the Catholic middle class has involved an expansion into occupations beyond those identified as >servicing= the Catholic community - teachers, doctors, lawyers and priests. Now Catholics are also substantially represented among accountants and other financial service professionals, middle managers, middle ranking civil servants, architects and planners and university and further education lecturers= (p 83-4).

[6] This legislation was in part a response to a strong popular campaign in the US to prevent investment in Northern Ireland unless fair employment practices were followed, as summarised in the >MacBride principles=.

housing policy, and efforts to ensure equality of education among the communities.[7] Systematic efforts to correct horizontal inequalities are one element explaining the readiness of the Catholic community to bring the conflict to an end. They also help explain the resistance of some Protestant groups to the peace process and the more inclusive government which is being introduced.

Many other examples could be cited: Sudan is one of contemporary concern. There are societies in which there are acute horizontal inequalities where violence has not erupted (as indeed was the situation in N.Ireland over the first half of the twentieth century). Other examples are Ghana, Bolivia, Brazil and Malaysia. But in most such cases, either there is a strong repressive regime or some efforts have been made to reduce horizontal inequalities – most famously in the case of Malaysia – including by spreading political or economic power to the elite of particular groups.

The main point here is that one needs to examine (and develop policies towards) group capabilities if one is concerned with political stability, as well as from the perspective of individual well-being.

IV. Groups and the poor[8]

The poor are weak economically and have little political or power. Although particular individuals may escape poverty through their own efforts, individually most poor people have neither the assets nor the power to affect their situation significantly by such individual action. Yet collectively they can achieve much more. Such collective action contributes directly to their status and self-respect, as argued in section II. Collective action can also improve their situation by enhancing their efficiency and increasing their power, economically or politically, thereby enabling them to enjoy a

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[7] According to Ruane and Todd, >Today the British government=s commitment to redressing Catholic inequality is on a scale that is historically unprecedented.= (P172).

[8] In this discussion, I am indebted to joint work on this topic with Amrik Heyer, Judith Heyer and Rosemary Thorp – see Heyer, J., F. Stewart, et al. (2002). Group Behaviour and Development: is the Market Destroying Cooperation? Oxford, OUP.
        , Thorp, R., F. Stewart, et al. (forthcoming). "When and How Far is Group Formation a Route out of Chronic Poverty?" World Development.

larger share of private or public resources. The gains from collective action among the poor are illustrated by case studies. Examples of effective groups with primarily 'efficiency' functions, overcoming market failures include:

1. Producer associations which typically contribute to solving market failures arising from indivisibilities and collective action problems. For example, the Indian sugar cooperatives analysed by Attwood,1988**:** here local elites organised to build sugar mills which achieved efficient scale of production by buying from a large number of small producers. Smaller farmers were protected from excessive exploitation by the intense rivalries among elites as well as by a common caste affiliation encompassing both small and large farmers. These factors allowed organisational hierarchy with effective leadership and management.

A similar example is presented by the organisation of peasant farmers producing coffee in Colombia (Thorp 2002). To market high quality coffee needs careful warehousing, quality control and successful marketing. Individually, small farmers could secure none of these. But an elite group of better-off coffee producers could - and did. Over fifty years they built a highly successful organisation, which needed the small producers for their output.

Another successful federation was built by the cocoa producers of El Ceibo in Bolivia The producers found a market niche in fair trade chocolate and cocoa. Here good cooperation was possible because of a background of community organisations ('sindicatos') in Bolivia which, following the Revolution of 1953, were created 'to act as a bridge between local people and government and other external institutions.'(Bebbington 1996).

In the South of Italy, buffalo milk producers organised themselves into a market cooperative for high quality mozzarella, facilitated by leadership from a University professor. In the North East of Brazil, sisal and cashew nut producers were encouraged by a left-wing Catholic NGO . As Bianchi (2002) reports, both groups increased income, employment and productivity. A common ideology, liberation theology preached by the radical arm of the Catholic Church, unified the groups in NE Brazil.

Group members shared a recognition of the urgency of making common cause against the rich and powerful.

Many of these groups are formed among the poor, but not the poorest, since the poorest lack many of the asset which are a precondition of production of this kind. However, scavenger groups are an exception. Scavenging - the informal collection of materials from waste by individuals – is estimated to account for as much as 2% of the occupations of the population of Third World cities. The scavengers are the true marginals – associated with disease and squalor, perceived as a nuisance and probably criminal, and exploited. They sell waste on to middlemen: studies in Asia and Latin America have found the scavengers receiving some 6% of the price industry pays to the middlemen. In the 1990s, simple organisation into groups has resulted in successful coops. In Latin America the most dynamic instances come from Colombia, with Brazil close behind and Mexico often cited. In Colombia, for instance, by the mid 1990s the cooperative *Recuperar* in Medellin had almost 1000 members, 60% women, with members earning 1.5 times the minimum wage, being eligible for loans and scholarships from the coop. In Asia a similar movement gained momentum in the 1990s, with examples in India, the Philippines, Indonesia and Bangladesh. (Medina 1998)

2. Credit and savings groups represent central examples where imperfect and asymmetrical information provides the opportunity for group formation to increase access to finance and control over incomes for the poor. These groups include two types: externally initiated microfinance schemes, and informal savings groups or ROSCAs (Rotating Savings and Credit Associations). Whereas credit schemes increase *access* to finance, ROSCAs contribute to *control* over income through savings (also often contributing to empowerment). Both seem to occur particularly among women; in the case of credit groups this has been achieved deliberately through targeting and institutional design, while ROSCAs, especially in Africa, have mostly developed as a result of the initiatives among poor women themselves. In this respect credit and

savings groups contrast with many producer groups which tend to be dominated by men.

Credit and savings groups utilise the group as a form of collateral for those with few or no assets, where joint liability for loan repayment transfers the risks associated with information asymmetries from the lender to the group (Wydick 1999). Rather than requiring pre-existing social bonds, these groups can be a means to *create* these bonds, especially in rapidly changing environments. Besides the immediate economic returns, the social cohesion engendered through these groups can contribute significantly to security against fluctuations (Rowlands 1995). Both ROSCAs and group-based credit programmes can facilitate links with formal financial institutions, because of their efficiency gains ahieved by overcoming information asymmetries.

3. Groups aimed at, managing common resources, by overcoming externalities associated with non-excludability. Uphoff and Wijayaratna (2000) describe the effects of group action on water distribution for irrigation in Sri Lanka. With assistance from a local Research and Training Institute and Cornell University, farmers organised to manage irrigation, and ensure equitable distribution, including upstream farmers being prepared to donate water to downstream farmers, thus putting their own crops at risk in the event of shortages. Remarkably, this involved cooperation across conflict- ridden ethnic lines, with Sinhalese farmers assisting Tamils. Success was demonstrated in the drought of 1997 when farmers obtained a better than average rice crop, despite being told it would be impossible to grow any rice at all that year.

A similarly successful example was joint action by clustered tanneries in Tamil Nadu in the face of a pollution crisis (Kennedy 1999). Threatened factory closure evoked a collective response which allowed the clusters to survive. Cooperation by small and large firms led to the construction of treatment plants, collectively owned and managed. Smaller factories benefited the most, as these could not afford to build their own plants. Cooperation was also to the advantage of larger firms, however, because the disappearance of small firms would have reduced the flexibility on which the clusters depended.

A much more comprehensive review of literature on such groups suggest particular conditions are needed for success (see (Thorp, Stewart et al. forthcoming). Summarising, many market failure groups including poor producers do evolve, and raise incomes, and often empowerment, of the poor. Conditions for success include, first, the identification of a market opportunity, especially for producer groups; second, role of norms, values, and social and political processes which support cooperation, often across heterogeneous categories, so that leadership, hierarchy and incentives all function; third, there is a need for appropriate institutional design to foster cooperation and communication within groups; and finally, where external actors act as catalysts – which they often do – it is important that they do not thereby create dependency, but assisting in the formation of important external links.

Besides efficiency functions, many groups among the poor improve their claims over resources. Their underlying purpose is empowerment, and examples show that they can succeed. In so far as external agents work with them, they are primarily focused on empowerment. Claims groups may often move into income-generating activities, partly because this is an important means of consolidating the group. And when they do embark on income generating activities, group solidarity and the sense of identity they bring with them stands them in good stead. A weakness, identified by Bebbington (*ibid*), is that such groups have a tendency to make inappropriate decisions from the point of view of economic viability (for example, going for activities that allow distribution of benefits to all members when this may not be the most productive use of resources): the trade off between economic viability and inclusiveness is hard to avoid. But a virtuous circle identified by Bebbington may help: as the economic benefits of good forest management, for example, become apparent in better prices, for example, more forest dwellers may be mobilised to join the claims movement.

There are many examples including women's self-help groups in Kenya and Tanzania, squatters rights groups in South Africa, housing associations in Costa Rica and the slums of Bangkok, squatters' rights groups in South Africa(Uvardy 1998; Mercer 2002; Kaufman and Alfonso 1997; Lee 1998; Kaplan, 1997).

-        One important outcome of the formation of groups among the poor, particularly but not only, claims groups, is the creation or enhancement of collective

identities which in turn generate increased self-respect. This has been emphasised by Kaplan (1997) describing how women in a squatter community in Cape Town (Crossroads) who previously had no links, came together to form a highly successful action group which challenged state-sponsored eviction attempts and was even partly instrumental in the overthrow of apartheid. The group increased its strength through seeking the assistance of middle class rights groups, and soliciting extensive media publicity. Despite the eventual destruction of the squatter camp a decade or so after the movement started, members of the group went on to form a rights group of their own, which now campaigns on behalf of other marginalised communities in the context of the new South Africa.

- the *Self-Employment Women's Association (SEWA)* in India was formed by a group of women head-loaders, used garment dealers, junk-smiths and vegetable vendors in Ahmedabad, India to campaign for better wages and improved working conditions, to defend members against harassment by police and exploitation by middlemen. It also provides training, has developed a savings and credit institution for its members and initiated producer and marketing cooperatives.

- a cooperative was constituted, with assistance from an NGO, among sex workers in Calcutta, which achieved improved conditions (in health conditions and in relation to pimps). The successful formation of this group shows that a fragmented, internally competitive sets of individuals can become an effective claims group. She emphasizes the role of opposition to oppression. The 'socially marginalised and stigmatised' sex workers of Calcutta created a positive identity as Gooptu's (2002) analysis shows.

However, not all such groups have a successful outcome, especially where major interests are challenged. For example, the *Farmers Federation in Thailand* campaigned to enforce land rights among the landless - 21 leading members were assassinated and eventually the Federation collapsed (Ghai and Rahman, 1981).

In some cases, groups initially formed for efficiency reasons also contribute to empowerment, such as women's credit groups in rural Bangladesh: the creation of a savings fund promoted a sense of solidarity, as well as improving bargaining power (Mahmood, 2002). A similar example is that of small farmers' groups in Nepal initiated by the Agricultural Development Bank of Nepal in the 1970s. Small and landless farmers formed groups of 15-20 members. Loans requests were approved within the group and advanced against the collateral of the group. Income generating activities included fish-breeding, piggeries and wheat cultivation. A 90% recovery rate was realised. Incomes of participating farmers increased significantly. The groups not only had a significant effect on income generation and social infrastructure, but they increased the sense of self-respect and the bargaining power of the farmers: " Slowly, but surely all this is increasing the strength of the poorest peasants vis-a-vis the big landowners and money lenders....As they put it in their own words, 'Because we are a group now and we stick to each other, we have suddenly become more powerful. The money lenders are afraid to exploit us now. The government officials speak to us, they even speak nicely. We are also no more afraid to enter the bank or the office or the cooperative society'"(Bhasin 1978). Similarly, Alkire, 2002, reports that the groups she studied – all primarily intended to raise production – had other benefits, encouraging cooperation, friendship, empowerment and respect, which are partly summarised in the following quotations:

- o 'Women think they are like a bud – that they do not understand…But we are not buds we are mountains. We can do anything with our lives' (member of literacy group, Alkire p267).
- o 'People in the village now respect me' (member of rose producing group, Alkire p 278)
- o 'There is a basic unity and love between us, and our work is founded on this' (member of goat producing project, Alkire, p 250);

What these examples suggest is that not only is forming groups among the poor important instrumentally – in order to raise incomes and increase power among the members; but also that it is important in itself – as a way of enhancing self-respect.

Consequently, the ability to form such groups is not only a source of improved capabilities, but a capability itself.

However, while the ability to form groups is important for the advancement of capabilities of the poor, because of their poverty the poor are particularly handicapped in forming groups. They lack the networks, human capital and financial assets which may be needed. The conclusion is that an important area for policy towards the poor is assistance in forming such groups, but without creating excessive dependence. These issues are explored further in Thorp et al., forthcoming.

V. Conclusions for research and policy

This paper has argued that there is a need to explore the existence and nature of groups both because membership of some groups is as an element in individual capabilities and because it can be an important determinants of other individual capabilities. Inequality of group capabilities is important for people's own well-being as well as a potential source of social instability. Group formation and affiliation is a source of power – whether it leads to improved bargaining for group members or a means of political mobilisation. In addition because we live in groups from cradle to grave they are immensely important in influencing people's choices – whether for valuable or undesirable capabilities. The most influential groups in this respect tend to be the more informal ones – families, communities, etc. Given their influence in determining whether people lead good lives (i.e. adopt valuable capabilities) it is important to support groups which encourage valuable capabilities as against those which do the opposite.

The implications of this is that we need to research group capabilities, and not only individual capabilities. For example,

- ? Why do group inequalities emerge and persist?
- ? How can the salience of conflictual identities be reduced?
- ? What are the policies which would assist the poor in forming efficiency or claims groups? Can external agents play a role?

? How can social conditions be changed so as to promote the choice of valuable capabilities, and discourage non-valuable ones.

Similar conclusions arise with respect to policy. Policy needs to aim at reducing group inequalities; and at the same time to generate tolerant societies in which multiple identities co-exist peacefully; to support group formation to enhance incomes and claims among the poor; and to support societal conditions – including families, communities, and education systems and the media – which promote people's efforts and choices towards valuable capabilities.

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