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Social Inclusion in Mumbai: Economics Matters Too

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International Affairs Working Paper 2010-06
November 2010

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Graduate Program in International Affairs
The New School
International Affairs Working Paper 2010-06
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www.gpia.info

ABSTRACT

This paper questions the accuracy and validity of the criticisms made by Ananya Roy on the approach of a Mumbai based NGO, the Society to Promote Area Resource Centers (SPARC) and its partner grassroots federations in Mumbai. This includes the suggestion that the focus on sanitation rather than on land tenure is an appeal to middle-class values about cleanliness and that the support for relocating those who lived right next to the railway tracks made them agents of the state. But SPARC's support for community toilets was in response to what grassroots organizations asked for and these also have high social returns. SPARC's support for resettlement for those living along the railway tracks was for those who were going to be moved and this support allowed those who were to be resettled to have far more influence on where, when and how the resettlement took place. Here too, the social returns from faster, safer trains meant costs saved that were more than the costs of providing good quality accommodation for those who had to move.

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Social Inclusion in Mumbai: Economics Matters Too

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I. Background

In a recent article on the politics of inclusion “Civic Governmentality: The Politics of Inclusion in Beirut and Mumbai,” (Roy 2009) paints a starkly revisionist interpretation of the operations of a well-known Indian civil society organization known as The Society for the Promotion of Area Resource Centres (SPARC). Indeed, rather than seeing SPARC as worthy of the international praise it has received by academics and philanthropy (For academic accounts of its work see Appadurai 2002; Briggs 2008; and Satterthwaite 2005; and for philanthropy see the Megsaysay Award 2000; and the David Rockefeller Award 2009 won by SPARC’s leaders)², she argues that SPARC:

- At best, follows a strategy that appeals to middle class sensibilities about cleanliness and order. Moreover, rather than addressing the brutal violence implied by urban development in India, p. 168, this strategy is essentially an attempt to outsmart “bourgeois environmentalism,” p. 177.
- Has not provided anything like the “paradigmatic case of deep democracy” ascribed to them by leading academics. Rather, its pragmatic collaboration with the state and international donors, such as the World Bank, effectively sells out the poor to the forces that would transform Mumbai into a neoliberal, bourgeois city, p. 173.
- Accepts the sorts of clichés that has directly led to the demolition of the homes of over 300,000 slum dwellers, p. 169, while simultaneously mouthing platitudes about their work being anchored in poor communities, p.173.

The article’s almost solemn parsing of definitions and analytic concepts, referencing of the details of World Bank Inspection Panel investigations, extensive quoting of SPARC leaders, and excursions into the etymological basis for certain words, gives a sense that there has finally been a precise, if theoretical, analysis of the organization’s operations and intents. By its seeming carefulness and rigor it suggests that the acclaim SPARC has received must be the result of either a non-empirical naiveté on the part of previous observers, or worse, a manipulation of the poor in the “brutal primitive violence that is unfolding in India’s cities.” p. 177. That is, previous interpretations have either ignored or overlooked some of the basic rationales for SPARC’s strategy, and by implication that of current Indian urban policy, in abetting primitive violence.

¹ Buckley is Foundation Initiatives Advisor at the Rockefeller Foundation and Senior Fellow at the New School in New York. While the Rockefeller Foundation has supported SPARC the views expressed are not those of the organization, nor are they the views of Aromar Revi or David Satterthwaite who provided helpful comments on an earlier draft.

² The leaders of SPARC, Jockin Aparthum and Sheela Patel, have been awarded the Magasaysay Prize for International Peace and Understanding in 2000, and the David Rockefeller Bridging Leadership Award, respectively. The former prize is sometimes referred to as the Asian Nobel and Kofi Annan shared the Rockefeller Award with Patel.

These are rather serious charges. Like those of Davis 2006, they imply that “the broad impact of the ‘civil society revolution’ has been to bureaucratize and deradicalize urban and social movements.” p. 76. Certainly, Roy’s efforts to talk about SPARC’s activities in theoretical rather than empirical terms, p. 172, indicate that she is after bigger conceptual fish than just SPARC. She is interested in the politics of the strategies for urban inclusion in what she calls the bourgeois city, p.162. Unfortunately, by ignoring the economic underpinnings of SPARC’s strategy she is unable to do so. As a result, her findings are deeply flawed and do not provide a strong basis to answer the core question she asks: “Can the civility of civic governmentality survive and tackle [the unfolding brutality of India’s cities]?” p. 177.

In what follows I first consider some of Roy’s main findings through an economics prism on what might motivate SPARC’s strategy. Then I bring together some brief arguments about why the activities of organizations like SPARC are in principle so essential to addressing the social conditions of cities in the global south. Like Roy’s, this analysis is not a fine-grained empirical study. Rather it is an attempt to provide first, an alternative explanation to the perspective she provides; and second, to suggest just how important the economic dimension of an approach can be when the target audience numbers in the hundreds of millions.

II. Sanitation and Relocation: Middle Class Sensibilities or High Return Investments?

Roy concludes that SPARC’s strategy focuses on sanitation rather than land tenure, and community-led resettlement for quite specific reasons. She says that these strategic choices reflect, on the one hand, an appeal to what might be termed anal, middle class values – about cleanliness and order -- and, on the other hand, and unlike other more revolutionary civic organizations in Mumbai, accept the concept of “imperialist globalization based on neoliberalism,” p. 176. Could there be other, possibly more powerful, rationales for SPARC’s objectives of improving sanitation and helping with community-led resettlement?

Sanitation versus Land Tenure. At the simplest level, one could argue that SPARC has focused on sanitation rather than land tenure because that is what community organizations asked them to do. That is, at least some communities placed a higher value on improved sanitation than they did on tenure security. In many respects, this result is not surprising and is consistent with a great deal of empirical research that shows that in many circumstances households do not place a great deal of value in achieving formal property rights to their property, Hernando de Soto 2000, notwithstanding.³ Alternatively, in many highly contested urban areas, even if sanitation is not the highest priority of the community, one could argue that its provision may well be simpler to provide than is secure tenure. Providing land tenure rights requires sorting out who owns what. In many urban locations with their highly ambiguous property rights, extraordinarily densely settled populations, and the implied compensations and relocation issues such a sorting is never straightforward. Indeed, it is often an issue that takes years to settle even when the judicial system is well-functioning and transparent. Moreover, much of the land occupied by slum dwellers in Mumbai is owned by the government in various guises – the Port Trust, the railroad, the state and central governments, etc. Solving the administrative, legal and logistical problems implied by improving tenure security, while undoubtedly a useful step to take, hardly seems like an issue on which a community group like SPARC would have a comparative advantage.

On the other hand, not only do many communities place a high value on sanitation services, the social returns on its provision suggest that these views are often very wise. For example, Cutler and Miller 2005 have shown that the return on such investments in the U.S. had extraordinary rates of return, even

³ See Buckley and Kalarickal 2006 for a discussion of this literature and de Soto’s well known claim that conferring property rights will “unlock’ billions of dollars of dead capital in the global south.

if those returns were realized through longer life spans and improved health rather than through a pecuniary yield. Similarly, discussions of SPARC's efforts on the World Bank funded toilet block program in Mumbai besides Roy reach similar conclusions, for example, the World Bank 2005 and Briggs 2009, and one hopes that the program's replication elsewhere, such as Pune, is based on such valuations of their approach.

The Mumbai program has been far from perfect, but one doesn't have to be a card carrying anal retentive with middle class aspirations to think that improving sanitation in some of the poorest pockets of the world's most densely populated city is a good idea. As George 2008 summarized quite vividly the higher child mortality rate from diarrhea due to lack of sanitation in the global south is equivalent to the weekly crashing of a jumbo jet full of children every hour. In other words, in terms of economic rationales, the improvement in sanitation conditions in densely populated settlements, like that of the most densely populated city in the world, is likely to reduce the very costly negative externalities generated by untreated waste.

Resettlement of Congestible Public Goods. Roy quotes the work of SPARC staff, Patel, D'Cruz, and Burra 2002, on the organization's support for resettlement. She also spends considerable time reviewing SPARC's performance on a World Bank loan for improving the infrastructure of Mumbai's commuter trains, a project called the Mumbai Urban Transport Project, MUDP, citing a number of serious flaws in the project's implementation. As she says, arguments about these problems are extensively discussed and readily available on a World Bank website. They will not be considered here. Rather, the current focus is on the putative rationales for community-led resettlement as an organizational objective.

Consider the economics of relocation which have been pursued for the slum dwellers who built their housing on rail road land extremely close to the train tracks referred to by Roy, or those who have lived for a generation as pavement dwellers along some of the main roads in the city, also assisted by SPARC. A similar argument could be made about those who lived atop the drainage system, known as Nallas throughout the city.

The basic argument is that in all of these cases resettlement involves the movement of people away from infrastructure in such a way that it seems likely, although ultimately it is an empirical question, that the increase in value of the encroached infrastructure -- i.e., the higher level of services provided by the infrastructure -- would be sufficient to pay the encroachers an amount sufficient so that they would be better off in their new location. That is, resettlement, at least in principle, can benefit all concerned. What resettlement does in such cases is reduce the number of users of a congestible public good so that the increase in value to those who continue to use the good exceeds the cost of inducing squatters to move elsewhere.

In the case of the commuter trains, the slums were located such that they slowed train speeds and resulted in thousands of annual deaths and injuries on trains that carry more than six million passengers each way in daily commutes of more than an hour in trains that are often filled to 250 percent capacity during rush hour on what are considered some of the most severely over-crowded trains in the world.⁴ Many of the deaths and injuries were the occupants of the housing encroached on the tracks. Hence, if one assumes that the more than 3000 annual deaths resulted in a reduction in what is known as disability-adjusted life years, or DALYs, of 90,000 years, the present value of these losses -- with

⁴ The references on annual death rates and ridership levels are from various newspaper accounts in the *London Times* and the *Hindustan Times*.

conservative assumptions about the discount rate and the annual earnings foregone -- would be on the order of \$90 million.⁵ Similarly, if the delays and reduced speed due to the encroachments caused each train to take 20 minutes longer, the opportunity costs of the longer commuting time would be on the order of \$250 million per year.⁶ If one assumes that these funds, less say a 20 percent administrative fee, were distributed to relocate families from living so close to the tracks, the savings would be sufficient to buy modest housing for more than 70,000 families, more than the number encroaching on the track.⁷

Similar stories can be told about moving the pavement dwellers so that commuting time and goods could move more rapidly through the city and so that the drainage system did not become so clogged that 100s died in Mumbai's heavy rains of 2004. The point again is not that this calculus motivated the desire to resettle those encroached on infrastructure. Rather, the point is to demonstrate why such a resettlement process can in principle be such that everyone benefits. That is exactly the sort of market failure that a community group or a government policy would be effective in addressing.

III. Subsidy Delivery Mechanisms: Democracy from Below or Top-Down Rule from Above?

Roy rejects SPARC's claim that they perform a bridging function between social movements and the state, p.163. She says that Appadurai's description of them as an instrument of democracy is incorrect. Instead she asserts SPARC operates as part of the state.

Consider in broad terms how SPARC has operated in helping the government in delivering toilets to slum dwellers in Mumbai. SPARC worked with the government and the World Bank, which financed the toilet blocks, in selecting communities which would receive the blocks as a capital grant. They did this by discussing with local community groups whether they would be willing to organize to pay for the upkeep of the blocks as well as the water and electricity costs. Those communities unwilling to contribute or organize a payment scheme for maintenance and running costs were excluded from participation in the program.

On the one hand, this kind of behavior is very much that of an agent of the state. However, if the process is compared with the previous program of toilet block provision one gets the sense, described by Briggs 2008, of democracy as problem solving. Consider some of the programmatic details. First, this process involves discriminating between those communities who were willing to contribute more for the maintenance of the service. As a result, from a public finance perspective their selection method allows

⁵ The disability-adjusted life year (DALY) developed by the World Health Organization is used frequently in the field of public health. It attempts to measure the potential years of life lost due to premature death to include equivalent years of 'healthy' life lost by virtue of being in states of poor health or living with a disability. Thus, the measure provided by a DALY accepts that the most appropriate measure of the effects of chronic illness is time, both time lost due to premature death and time spent disabled by disease. One DALY, therefore, is equal to one year of healthy life lost. If the average expected life span of those who died was an additional 30 years, suggesting the deceased are conservatively approaching 40 years of age, and we assume they earn \$1000 per year with an expected growth in wages equal to the discount rate, then the loss due to deaths is \$90 million

⁶ This calculation assumes that commuters earn about \$1 per hour, about \$2000 per year and as is traditionally estimated the psychic costs of commuting is equal to half the wage rate. A 20 minute increase in commuting time would result in about 13 cents of costs per person per day. Multiplying that figure by the 6.9 million commuters yields a daily cost of almost \$900,000 and an annual cost on the order of the amount cited in the text.

⁷ This assumes that it costs about \$4,000 per house supplied.

communities to send a signal that they are not what are termed inframarginal demanders of the service – those whose behavior would not be affected by the subsidy. If the objective of the policy is to change behavior at the margin – that is, increase the use of toilets – getting the communities to show they are willing to contribute not only sends a signal about seriousness, it reduces the per unit subsidy needed to provide the targeted activity. That is, the approach permits more toilets to be provided to those who are more likely to use them per unit of government expenditure.

But in addition to providing a signal of seriousness which helps target the subsidies so that they are both less expensive and provided to those who value them more highly, this approach also addresses a major concern in the provision of sanitation services for the poor. The concern has to do with the running costs of operating and maintaining the assets provided. The commitment by community members to pay for services and to keep the property clean avoids the “free rider” problem that arises with collectively provided goods. In the case of sanitation services such free riding can accelerate asset depreciation by enormous amounts. Toilets provided by the public sector without such agreements can easily become disgusting and unusable in very short order – less than 6 months – whereas maintained toilet blocks can last for more than a decade.

As a result, working out both which communities are willing to organize to provide the good and then how to pay for it on an on-going basis are basic democratic functions, as well as functions which can increase the likelihood that rapid asset depreciation is reduced. This kind of agency on behalf of the state appears to have high economic value as well as high democratic content.

IV. SPARC as a Collaborator with the Bourgeois

Perhaps Roy’s most significant criticism is that SPARC is “steeped in the morality of collaboration...” She takes this position on SPARC’s collaboration for two reasons. First, she says that by helping to sort out “the compensation [provided to those resettled SPARC is] using a calculus of irrational coordinates: arbitrary cut-off dates, capricious boundaries” SPARC is helping to impose the arbitrary dictates of the bureaucracy. Second, by recognizing that slum redevelopment might require pushing out the poorest members who are not able to afford the redeveloped units, SPARC essentially buys the “cliché of Mumbai [being] a slum-free world class city.” p.173.

Resettlement of Ambiguously Titled Property. The above characterization makes it appear that SPARC supports the establishment of what amounts to arbitrary bribes to induce the poor to move out of the city. But, consider, for a moment, the economic environment of Mumbai’s land market, like that of most land markets in the cities of the global south. In these markets, besides encroaching on existing infrastructure or in dangerous locations, poor migrant families have often settled on unoccupied property that was either publically or privately owned. Often these settlements were in places with low drainage at what 20 to 30 years ago had been closer to the edge of the city rather than in the central city as is now the case. That is, these places were ideal for the poor to settle on because their right to the property was largely uncontested because of its relative unattractiveness, or, if contested, any judgments against the inhabitants were not enforced. In the ensuing years, the city grows around these locations, which continue to have no drainage, and hence frequent flooding, and which were always so densely settled that the provision of solid waste removal, sanitation and water is not done. Often these locations became enclaves situated near the central city and occupied by second and even third generations of residents. In Mumbai these long term residents were often given property rights of some form even when the original property owners’ rights were also considered to be intact. Hence, the so-called arbitrary cut off dates Roy mentions. These dates are designed to recognize, albeit still

ambiguously, the rights of those who have been living there without inducing still more settlers to seek such compensation.

With the passing of time the underlying land value of these centrally-located properties often greatly increase in value, and correspondingly, so too does interest in the redevelopment of the sites. Governments in such situations are confronted with a spectrum of choices ranging in the extremes of, on the one hand, of doing nothing to, on the other hand, forceful removal of residents so that the valuable land could be put to alternative uses. One might conjecture that one of the main reasons that governments choose either of these extreme “solutions” is because of the presumed difficulty of negotiating a resettlement of the thousands of residents who reside in such communities. One of SPARC’s main activities in this connection is to help establish organizations that can negotiate on behalf of the residents. That is, by negotiating, the community and the city can in principle achieve a solution that is superior to either of the extremes: the land’s greater value in an alternative use can be realized while the rights of the long term residents are simultaneously recognized.

The main topic of negotiation is of course how much the underlying land is worth in its current use versus how much it could be worth in an alternative use. The latter is of course highly uncertain, but in many cases is clearly much higher than the current use value as the poor communities can rarely build tall enough buildings to optimize the value of the land. Hence, there is no straightforward way to calculate the amount of compensation that might be given to those who choose to move to another location or who, for example, continue to occupy their current location. Nor does moving to other less valuable locations do violence to the interests of the current occupants as long as their alternative location is also a place that provides them the opportunity to earn a similar living. The agreement to move effectively capitalizes some of the future income that could have been earned from the proximity of the location to jobs. In principle, this capitalized income should represent a “capital gain” to the family that is not offset by the reductions in after commuting earnings involved in the relocation. That is why SPARC has relied so extensively on World Bank resettlement requirements which try to assure such results.

In this kind of development context SPARC’s role would appear to be one of an organizer which attempts to work with communities to realize the value of assets over which they have ambiguous control. Of course it may be the case that these negotiations do not always work out in the ways intended or in ways that are to the satisfaction of all the residents involved. But, when seen as a mechanism which attempts to help people either to move from or improve the situation in places where the lack of sanitation is a constant source of serious illness and indignities, SPARC efforts are not those of a naïve supporter of clichés about a slum free city. Nor is it a collaborator which pretends to give choices to people so poor that they effectively do not have any choice at all.

V. Conclusion

Roy has raised some serious questions about the rationales for the way organizations like SPARC operate in the cities of the global south. Just how important these questions are can be best understood by considering just the scale of the problem being confronted. On that point, Packer 2006 provides an interesting perspective, first quoting from a Nigerian urban planner talking about Lagos but whose remarks apply quite generally:

[Nigerian planner] told me. “You’re aware of the ‘megacity’ thing,” he said. “... As far as I’m concerned, it’s an impending disaster.” The vision of twenty-three million people squeezed together and trying to survive, like creatures in a mad demographer’s experiment gone badly wrong, fills [the planner] with foreboding. “We have a massive growth in population with a stagnant or shrinking economy,” he said. “Picture this city ten, twenty years from now. This is not the urban poor—this is the new urban *destitute*.” He expressed surprise that the level of crime and ethnic violence in Lagos, let alone civil insurrection, is still relatively contained. “We’re sitting on a powder keg here,” he said. “If we don’t address this question of economic growth, and I mean vigorously, there is no doubt as to what’s going to happen here eventually. It’s just going to boil over.” He added, “And guess what? If all this fails, the world will feel the weight of Lagos not working out.

But, then goes on to suggest the possibility of an even more pessimistic conclusion:

There is an even darker possibility: that the world won’t feel the weight of it much at all. The really disturbing thing about Lagos’s pickers and venders is that their lives have essentially nothing to do with ours. They scavenge an existence beyond the margins of macroeconomics. They are, in the harsh terms of globalization, superfluous.

Given the current situation in most of the cities of the global south and the demographic trends of the next twenty years, even more optimistic prognoses are compelled to recognize a looming and wide-spread social pathology. In such a context it is important that instruments for addressing this pathology be subjected to the most critical scrutiny and empirical evaluation. However, to undertake a theoretical analysis of an instrument – community based mobilization -- that in principle holds great promise without examining the economic rationales for its strategy, is to misunderstand in very basic ways how and why such an organization functions.

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