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The Rise of the Hybrid Domain: Collaborative Governance for Social Innovation

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Citation	Horner, Rory et al. "The Rise of the Hybrid Domain: Collaborative Governance for Social Innovation." AAG Review of Books 6, 2 (April 2018): 133-140 © 2018 American Association of Geographers
As Published	http://dx.doi.org/10.1080/2325548x.2018.1440846
Publisher	Informa UK Limited
Version	Original manuscript
Citable link	https://hdl.handle.net/1721.1/124148
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Horner, R., Sanyal, B., Schoenberger, E., Storper, M., Aoyama, Y., & Parthasarathy, B. (2018). *The Rise of the Hybrid Domain: Collaborative Governance for Social Innovation*. *The AAG Review of Books*, 6(2), 133-140. doi:10.1080/2325548X.2018.1440846

Commentary by Bish Sanyal, Department of Urban Studies and Planning, Massachusetts Institute of Technology, Cambridge, MA.

The Rise of the Hybrid Domain is a timely book. It raises questions about three currently dominant ideas in the field of developmental planning: state-led planning pursued during the last fifty years of development has been ineffective; the celebration of market mechanisms that was the hallmark of the neoliberal era is beginning to lose steam; and NGOs that started as charity organizations have reached their limit in addressing large-scale developmental challenges. The book proposes a new mode of development planning that builds on the comparative advantages of all three domains of social action, induces each to adopt elements from the other two, and thereby creates a new synergy that encourages entrepreneurship, social innovation, and sustainable development at a time of rapid advancement in ICT. Is it true that the old model of development that advocated state-led accelerated industrialization is obsolete?

This is not a new question, but one that must be asked because this view is so pervasive even when the facts on the ground do not fully support it. The critique of the old development model started in the early 1970s when there was a general disillusionment with development trajectories of most poor nations. Soon after, the publication of Piore and Sabel's (1984). *The Second Industrial Divide* consolidated this critique by glorifying flexible specialization and relatively small-scale production as an alternative to large-scale Fordist style production that was a central element of the old developmental model. Piore and Sabel pointed out the diseconomies of scale, the cost of rigid business practices and bureaucratic rules, and the need for flexible production in the face of rapidly changing market demands.

The push for neoliberal ideas that followed further discredited old-style governmental efforts and celebrated the magic of the market. With its emphasis on export promotion, in contrast to import substitution, neoliberalism influenced developmental discourse in a significant way. True, the austerity measures and severe budget cuts for social services that were the hallmarks of neoliberalism have lost broad-based political support. On the whole, however, some of the ideas neoliberalism introduced still pervade developmental thinking. For example, very few—if anyone recommends import substitution over export promotion these days. More important, expansion in the scale and scope of governmental activities are rarely argued by anyone because the developmental state has been discredited.

Similarly, NGOs that were to operate very differently from government as well as market institutions have been subjected to strong criticism so that unless they become market savvy and

generate profit, they cannot reach the vast number of poor, nor can they become financially sustainable.

These dominant ideas were on my mind as we at Massachusetts Institute of Technology (MIT) started a five-year-long research project to evaluate consumer products designed to improve the living conditions of the urban and rural poor in developing nations. Our research, titled Comprehensive Initiative on Technology Evaluation (CITE), was based on assumptions very similar to those that inspired Yuko Aoyama and Balaji Parthasarathy to write this book. As part of our research we conducted extensive field work in Africa and Asia to conduct comparative evaluation of products designed to improve the living conditions of the poor. The evaluations revealed a few surprises.

First, our research on comparative evaluation of solar lanterns in Uganda indicated that Chinese solar lanterns produced in large scale in the old Fordist style were relatively well built and the cheapest compared to locally produced lanterns. The low cost of the Chinese solar lanterns was not just due to low cost of production achieved through economy of scale. The products were sold through a market channel that was also relatively more centralized than the other models that were locally produced and relied on decentralized supply chains. In other words, economy of scale still matters; centralization of some aspects of the supply chain can increase efficiency; and the developmental state is well and alive!

Second, do NGOs understand the needs of the poor better than government? Our study of solar lanterns in Uganda indicated that all institutions—state, market, and NGOs—have much to learn about the preferences of the poor. For example, as we worked with Solar Sisters, a U.S.-based NGO operating in Uganda, we came to learn that poor people selected solar lanterns not simply on the basis of which type of lanterns provided more and longer duration “illumination”; their first concern was which solar lantern charged their cell phones the best. Solar Sister was not aware of this hidden preference of the poor until our research revealed it.

Third, the comparative evaluation of household water filters in Ahmedabad, India, was yet another eye opener. We had assumed that the formal water delivery system of the city had not reached the poor households, and that is why they need to rely on water filters to purify polluted water collected from other sources. To our astonishment, we came to learn that the formal water delivery system had steadily expanded its operations and geographic reach over the last thirty years; and thanks to the creation of a very large dam—a typical large-scale public sector project—the city is now able to deliver potable water to nearly 95 percent of the city’s residents at a very low price. This is a remarkable achievement that flies in the face of growing criticism of “state failure”—a term that was coined by neoclassical economists who dislike governmental intervention in general.

One study revealed that 5 percent of urban residents who were very poor and lived in the periphery of the city were using sarees to filter water. Their families lacked the income to buy even the

cheapest household water filters available in the market. Our study indicated that the water used by these households after filtering it using sarees was no less polluted than before filtration! In fact, in some cases, the water was more contaminated because it was filtered through sarees that had dyes of various kinds.

Surprisingly, no one—neither the government, nor market agents, and not even NGOs—had spotted this problem. This was yet another example of how little developmental experts understand the choices made by the poor that are shaped by numerous constraints, including lack of basic nutrition that, as new studies indicate, ultimately affects the functioning of the human brain—the place where all decisions are made.

How to best respond to the needs of the very poor? This remains a critical question in development planning. Who should respond to their needs? The evidence from past efforts suggests that the very poor are not yet the consumers the market agents want to serve. Neither do NGOs take on the task of serving the ultrapoor because it is very hard to demonstrate quick success in working with the ultrapoor with multiple interconnected problems. In most cases, they are expected to be taken care of by governmental agencies. True, the record of governmental performance in poverty alleviation has not been particularly inspiring—except in the case of China, where organized, well-financed, and well-implemented programs have lifted millions of poor families out of poverty. One needs to learn from the Chinese experience as one considers the shortcomings of the conventional developmental model.