

# INSIDE BAREFOOT ECONOMICS

PATRICK THOMAS KLETZKA

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TO MANFRED, IN MEMORIAM.

“One only understands the things that one tames,” said the fox. ...

“What must I do, to tame you?” asked the little prince.

“You must be very patient,” replied the fox. “First you will sit down at a little distance from me, over there in the grass. I shall look at you out of the corner of my eye, and you will say nothing. Language is the source of misunderstandings. But you will sit a little closer to me, every day ...”

– *Antoine de Saint-Exupéry*

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Solingen, October 2020.

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## LIST OF ABBREVIATIONS

APBET	Alternative Provision of Basic Education and Training
B2B	Business-to-business
BoP/BOP	Base/Bottom of the Pyramid
CBO	Community-based organisation
COVID-19	Coronavirus disease 2019
C.R.E.	Christian Religious Education
ID	Identity document
IFC	INTERNATIONAL FINANCE CORPORATION
IMF	INTERNATIONAL MONETARY FUND
KCPE	KENYA CERTIFICATE OF PRIMARY EDUCATION
KICD	KENYA INSTITUTE FOR CURRICULUM DEVELOPMENT
KNEC	KENYA NATIONAL EXAMINATION COUNCIL
KSh	Kenyan shilling
MoEST	MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY (Kenya)
NGO	Non-governmental organisation
PPP	Purchasing power parity
RCT	Randomised Controlled Trial
ROSCA	Rotating savings and credit association
SDG	Sustainable Development Goal
UN	UNITED NATIONS
UN-DESA	UNITED NATIONS DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
UNFCCC	UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
UN-HABITAT	UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME
U.S.	United States of America
US\$	United States dollar
USDT	U.S. DEPARTMENT OF THE TREASURY

## ABSTRACT

Aiming to contribute to the UNITED NATIONS' Sustainable Development Goal 1: "End poverty in all its forms everywhere", this dissertation sets out to revive, elaborate and apply an alternative and – until now – neglected approach to economics that was developed in the context of poverty research by the internationally renowned German-Chilean economist and Alternative Nobel laureate MANFRED MAX-NEEF (1932-2019) in the 1970s: *barefoot economics*. To that end, two consecutive scientific studies are presented: the first dedicated to barefoot economics in theory; the second dedicated to barefoot economics in practice. The theoretical-conceptual study elaborates barefoot economics as a well-defined and distinctive non-positivist methodological approach to empirical economic research in the context of poverty-related phenomena and substantiates barefoot economics by identifying phenomenology as its scientific-philosophical foundation. A five-year real-world experiment on bottom-up franchising was conducted in the non-formal education sector of the MATHARE slums in NAIROBI (Kenya), which applied the established barefoot economic approach within an empirical case study. Its results demonstrate the existence of linguistically induced incoherence between, on one hand, the given social and economic reality at the base of the pyramid and, on the other hand, the theoretical presuppositions that are commonly taken for granted in the prevailing neoliberal discourse of poverty research in the economic sciences. In summary, this dissertation indicates that barefoot economics is capable of: (1) complementing positive economics in a dialectical manner; (2) creating awareness of the need for a post-neoliberal human scale discourse; and (3) performing poverty alleviation in the course of its research practice. Against this backdrop, this dissertation makes a clear call for the greater consideration of barefoot economics in academia.

# 1 INTRODUCTION

## 1.1 MOTIVATION

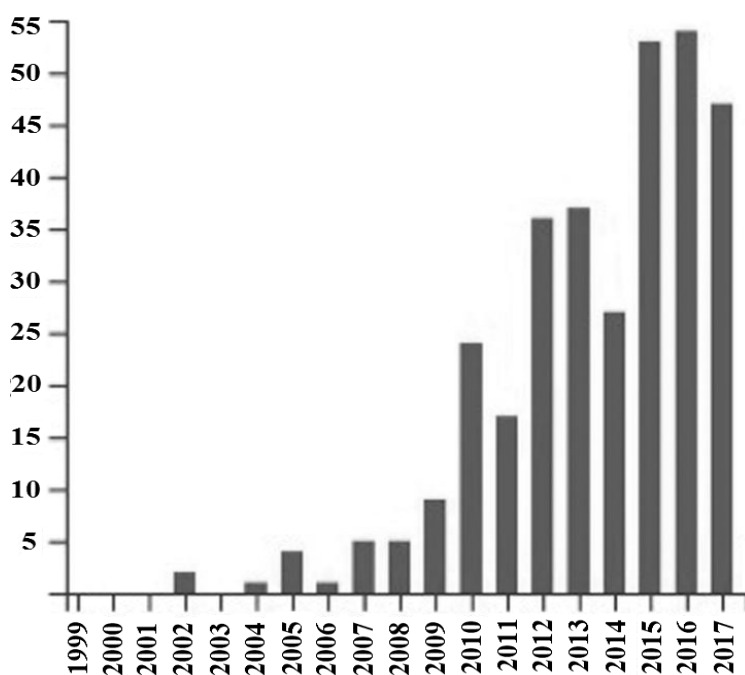
This thesis is driven by the motivation to contribute to the UNITED NATIONS' (2015: 14) Sustainable Development Goal 1 (SDG 1): "End poverty in all its forms everywhere". The phenomenon of poverty can be defined in many ways. In line with the UNITED NATIONS, poverty is defined by the WORLD BANK (2005: 11) as "the condition that results from not having adequate resources to satisfy one's basic needs." In this sense, "poverty is hunger. Poverty is lack of shelter. Poverty is unclean drinking water. Poverty is being sick and not being able to see a doctor, being illiterate and not being able to go to school, ..." (ibid.). In other words, not having adequate resources to satisfy basic human needs means to lack access to economic goods, such as food, clothes, shelter, educational and health services. These goods are deemed necessary to fill "the basic needs basket" (UN-DESA 2009: 49). Moreover, the assumption is generally made that people living in poverty cannot access the necessary economic goods because they cannot afford them in monetary terms. Therefore, poor people are generally assumed to have purchasing power classified below a certain real (i.e. inflation-adjusted) income threshold. Such income thresholds are referred to as 'poverty lines'. To measure to what extent progress is being made towards achieving SDG 1, the UNITED NATIONS, as well as other organisations, use as a baseline the international poverty line of PPP (purchasing power parity) US\$ 1.90 a day, as set by the WORLD BANK in 2015. According to this measurement, the UNITED NATIONS (2020a) estimate that more than 700 million people live under conditions of extreme poverty. Furthermore, the UNITED NATIONS (2020b) estimate that the impacts of the 2020 'COVID-19 pandemic' will, in the short term, force more than 70 million additional people into poverty and, thus, lead to the first increase in the global poverty

rate since 1998. With regards to the long term, the UNITED NATIONS and the WORLD BANK predict that the impacts of climate change will push at least 120 million more people into poverty by 2030 (UNITED NATIONS 2019a). In view of these global trends, the relevance of long-term strengthening of poverty alleviation efforts seems self-evident.

## 1.2 RESEARCH CONTEXT

Beyond the identification and elimination of the diverse single causes of poverty (e.g. by means of health or climate research), modern poverty research has, since its inception in the 19<sup>th</sup> century, tried to approach the phenomenon of poverty, its root cause and its alleviation in more general terms (O'CONNOR 2001). Thereby, poverty research can be described as an interdisciplinary field extending into various scientific disciplines, such as sociology, political science, the science of history, anthropology, biology and psychology (e.g. HAVEMAN 1997; O'CONNOR 2001; BRADY & BURTON 2016). Within the social sciences, poverty has also been addressed by economic scholars. Poverty research can, thereby, be viewed as essential to the discipline of economics, if needs satisfaction is seen as the *raison d'être* (final cause or purpose) of all economic activity. As a result, many theoretical concepts relating to poverty alleviation have been developed in the history of modern economics. These concepts have largely been contradictory. For example, divergent poverty alleviation concepts can be derived from MARXIAN economics, neoclassical economics, KEYNESIAN economics and SCHUMPETERIAN economics (see also *Chapter 3.3*). Since the 1980s, modern economics gradually entered "the Age of SCHUMPETER" (GIERSCH 1984, own emphasis). This heralded the dominance of a poverty alleviation concept based on SCHUMPETERIAN economics, namely C.K. PRAHALAD'S 1998 *concept of the fortune at the bottom of the pyramid*; in short, the *BoP concept* (see PRAHALAD & LIEBERTHAL 1998; PRAHALAD & HART 1999, 2002; PRAHALAD [2004] 2005; see also LONDON & HART 2011; CASADO CAÑEQUE & HART 2015). The concept identifies a low-income population of around four billion people who are generally excluded from the markets of global capitalism. This demographic population segment is called the 'base/bottom of the pyramid' (ibid.). In order to alleviate poverty at the base of the pyramid, the BoP concept argues in favour of inclusive

capitalism achieved through large-scale entrepreneurship (ibid.).<sup>1</sup> Recent bibliometric analyses show that “the study of [the] BoP [according to PRAHALAD’S concept] has attracted considerable attention, and hundreds of publications, conferences, and business summits have addressed the issue, from academic, policy, and practitioner stances” (PINEDA-ESCOBAR & MERIGÓ 2020: 5537). *Figure 1* illustrates how the number of publications on the BoP concept has increased rapidly over time, with the most significant increase in the second decade of the 21<sup>st</sup> century.



**Figure 1** Publications on the BoP concept per year (PINEDA-ESCOBAR & MERIGÓ 2020: 5539, adapted).

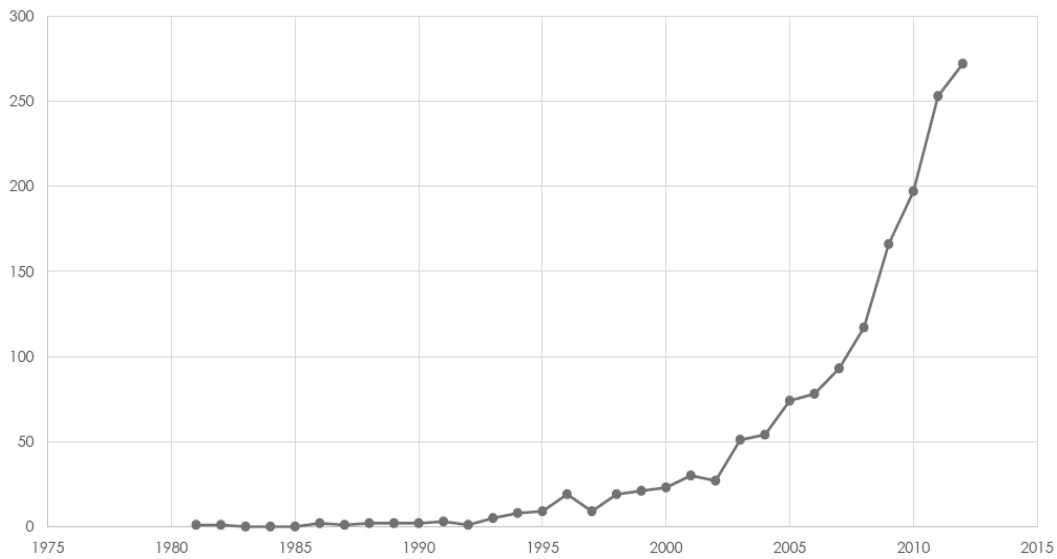
There can be little doubt that the BoP concept has come to dominate the current academic discourse on poverty alleviation within the scientific discipline of economics and, particularly, business and entrepreneurship research (PEREDO ET AL. 2018; PINEDA-ESCOBAR & MERIGÓ 2020). The concept has, however, faced a number of critics (e.g. JAISWAL 2007; KARNANI 2007; LANDRUM 2007; ILAHIANE & SHERRY 2012; ARORA & ROMIJN 2012; CHATTERJEE 2014; PEREDO ET AL. 2018), who have found fault with the

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<sup>1</sup> Please note that, in this thesis, the term ‘base of the pyramid’ will be used to refer to the population described above, while the term ‘BoP concept’ will be used to refer to PRAHALAD’S concept on how to alleviate poverty in this population.

concept particularly for pragmatic and postcolonial reasons. From a pragmatic perspective, the concept has been criticised for lacking the necessary empirical evidence to demonstrate its effectiveness as a tool for alleviating poverty (e.g. KARNANI 2009; DEMBEK ET AL. 2020; LANDRUM 2020). From a postcolonial perspective, the concept has been criticised for stigmatising non-capitalist lifestyles under the banner of poverty (PEREDO ET AL. 2018). Its attempt to include ‘the poor’ in the markets of global capitalism is considered a reinforcement of “capitalist hegemony” (MONTGOMERY ET AL. 2012: passim). Consequently, alternatives to the BoP concept are frequently called for (e.g. JAISWAL 2007; KARNANI 2007; LANDRUM 2007; ILAHIANE & SHERRY 2012; ARORA & ROMIJN 2012; CHATTERJEE 2014; PEREDO ET AL. 2018).

However, poverty research in economics is not only a theoretical conceptualisation of strategies to alleviate poverty, such as the BoP concept; it also entails distinct methodological approaches to empirical research. The most prominent scientific method of poverty research in economics is the *randomised controlled trial (RCT)* (e.g. CAMERON ET AL. 2016; DE SOUZA LEÃO & EYAL 2019; BANERJEE ET AL. 2019). RCTs are a type of field experiment which test hypotheses by randomly allocating participants to treatment and control groups (see BANERJEE & DUFLO 2011; BANERJEE ET AL. 2019). The RCT method was developed by the statistician RONALD A. FISHER in the 1920s (FISHER 1925; compare BANERJEE ET AL. 2019). Since the mid-1990s, RCTs have been used increasingly by economists in the context of poverty research (see *Figure 2*) and the method has been particularly promoted by the U.S. economists ESTHER DUFLO, ABHIJIT BANERJEE and MICHAEL KREMER. In 2019, they were jointly awarded the Nobel Prize in Economic Sciences “for their experimental approach to alleviating global poverty” (NOBEL MEDIA AB 2020).



**Figure 2** Published Randomised Controlled Trials per year (BANERJEE ET AL. 2019: 441).

RCTs are currently generally considered as the methodological “gold standard” of poverty research (BANERJEE ET AL. 2019: *passim*), capable of achieving “unbiasedness” (OGDEN 2017: 40) and, consequently, of producing “hard evidence” (BANERJEE 2007: 12). However, the methodological dominance of RCT-based research has also attracted criticism (e.g. MOOKHERJEE 2005; RODRIK 2009; DEATON 2010; LABROUSSE 2016a; 2016b; STEVANO 2020; LISCIANDRA 2020). Specifically, RCTs have been criticised for methodological, ethical and scientific-philosophical reasons (*ibid.*). From a methodological perspective, the RCT method has been criticised for its inability to examine small populations in a statistically significant manner and for its prerequisite of large-scale investigations (e.g. LISCIANDRA 2020). Moreover, randomisation does not necessarily result in the treatment group and control group sharing equal characteristics (*ibid.*). Lastly, social diversity, complexity and progress would undermine the external validity (generalisability) of causal effects identified by the RCT method (see *ibid.*). From an ethical perspective, RCT-based research has been criticised for its disregard of ethical concerns, which inevitably occur in a randomised experimentation with human subjects (*ibid.*). Finally, economists using the RCT method in the context of poverty research – commonly called “the randomistas” (RAVALLION 2009: *passim*) – have been criticised for their strong rhetoric of revolutionising 21<sup>st</sup> century poverty research by entering a new age of scientific objectivity, while simultaneously missing sufficient reflections on their



own underlying philosophy of science, which is “imbued with positivism” (LABROUSSE 2016a: 298).

### 1.3 RESEARCH AGENDA

The dominance of the BoP concept and the RCT method in 21<sup>st</sup> century poverty research in the economic sciences has largely ruled out other approaches (PEREDO ET AL. 2018; LISCIANDRA 2020). The resultant theoretical and methodological monism has narrowed poverty research to such an extent that it is unable to reflect on criticism (ibid.). An attempt to counterbalance the shortcomings of the pervasive approaches in poverty research in the economic sciences must, therefore, respond to the frequently expressed desire for *pluralism in economics* (see e.g. KING 2002; SENT 2003; FULLBROOK 2003; VAN BOUWEL 2005; ALCORN & SOLARZ 2006; REARDON 2009; DOBUSCH & KAPPELLER 2012; SÖDERBAUM 2012; HEISE 2017, 2018, 2019; HAUCAP & ERLEI 2019; PETERSEN ET AL. 2019). In this sense, this thesis intends to contribute to poverty research by stimulating a greater variety of approaches within the scientific discipline of economics. To achieve this objective, this thesis revives, elaborates and applies an alternative and – until now – neglected approach to economics that was developed in the context of poverty research by the internationally renowned German-Chilean economist and Alternative Nobel laureate MANFRED MAX-NEEF (1932-2019) in the 1970s, namely *barefoot economics*.

In an initial step into the research subject of barefoot economics, an evaluative literature review (EFRON & RAVID 2019) was conducted. Electronic searches were made on EBSCO, ELSEVIER, GOOGLE SCHOLAR and WEB OF SCIENCE using the Boolean search string: (“barefoot economics” OR “barefoot economic” OR “barefoot economist”) AND “Max-Neef”. In total, the databases delivered 326 search results.<sup>2</sup> The review of these results revealed the use of the term ‘barefoot economics’ with explicit reference to MAX-NEEF in a number of diverse scientific publications over recent decades (e.g. HOLDEN 1984; HENDERSON 1989; DODDS 1997; LATEGAN 1997; LUCENA 2010; CATO 2012; IMAS ET AL. 2012; TRUONG ET AL. 2014; BALKEMA & POLS 2015; GÖPEL 2016; SMOLSKI 2016; HIDALGO-CAPITÁN & CUBILLO-GUEVARA 2017; KELLEY & KESTER 2017; WESTON ET AL.

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<sup>2</sup> The search results included a considerable number of duplicates.

2017; WESTON & IMAS 2018; MADRUEÑO & MARTÍNEZ-OSÉS 2019; FLYNN 2020; ALCOFF 2020; STAHEL 2020). However, despite mentioning the term, none of these publications addresses barefoot economics as its primary object of investigation.<sup>3</sup> The low degree of engagement with barefoot economics in these publications, despite MAX-NEEF'S extensive scientific oeuvre, reveals a fundamental research gap. By selecting barefoot economics as its research subject, this thesis tries to close this research gap posing and answering the following overall research question:

*What is the scientific contribution of barefoot economics to poverty research?*

In order to approach this overall research question, *two consecutive scientific studies* were conducted and these are presented in this thesis.<sup>4</sup> Acknowledging MAX-NEEF'S view that "[t]heory and praxis are both indispensable" (MAX-NEEF 1983, as cited in RIGHT LIVELIHOOD FOUNDATION [1983a] 2020a: para. 14), the first study is dedicated to the *theory* of barefoot economics and the second study is dedicated to the *practice* of barefoot economics. A brief overview of both studies is given below.

The *first study* investigates barefoot economics in theory. In this sense, it is a study *about* barefoot economics. The study takes a meta-economic perspective to investigate how to define barefoot economics and how to distinguish it from other approaches to economics and, specifically, poverty research.<sup>5</sup> Both research questions are approached by means of a hermeneutical investigation into MAX-NEEF'S scientific-philosophical writings. The main result of the first study is the elaboration of barefoot economics as a

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<sup>3</sup> A probable explanation is that MAX-NEEF followed the grand tradition of modern economists – such as ADAM SMITH (1723-1790), DAVID RICARDO (1772-1823), JOHN STUART MILL (1806-1873), KARL MARX (1818-1883), THORSTEIN VEBLÉN (1857-1929), JOHN MAYNARD KEYNES (1883-1946) and JOSEPH ALOIS SCHUMPETER (1883-1950) – who were deeply engaged in philosophical issues (compare HEILBRONER [1953] 1999; KOHR [1982] 1992; see also MAX-NEEF [1982] 1992; [1988] 1991a; [1989] 1991b; 2005a, 2007, 2009, 2016). Contemporary economists, in turn, are generally not concerned with philosophical issues (see BLACKWELL ET AL. 2016).

<sup>4</sup> Please note that considering the two scientific studies as consecutive is a simplification with the aim of enhancing the intersubjective comprehensibility (STEINKE 1999) of this thesis. Factually, this research process must be viewed as circular, not linear (see FLICK 2009: 92). Within this circularity, the results of the second study are used to reflect on and validate the research results of the first study (see *Chapter 4.4*).

<sup>5</sup> Here, the term 'meta-economic' is used to indicate that the object of research is *economics* itself, and *not the economy* (cf. KOHR 1956; SCHUMACHER [1973] 2011; MENGER 1979).

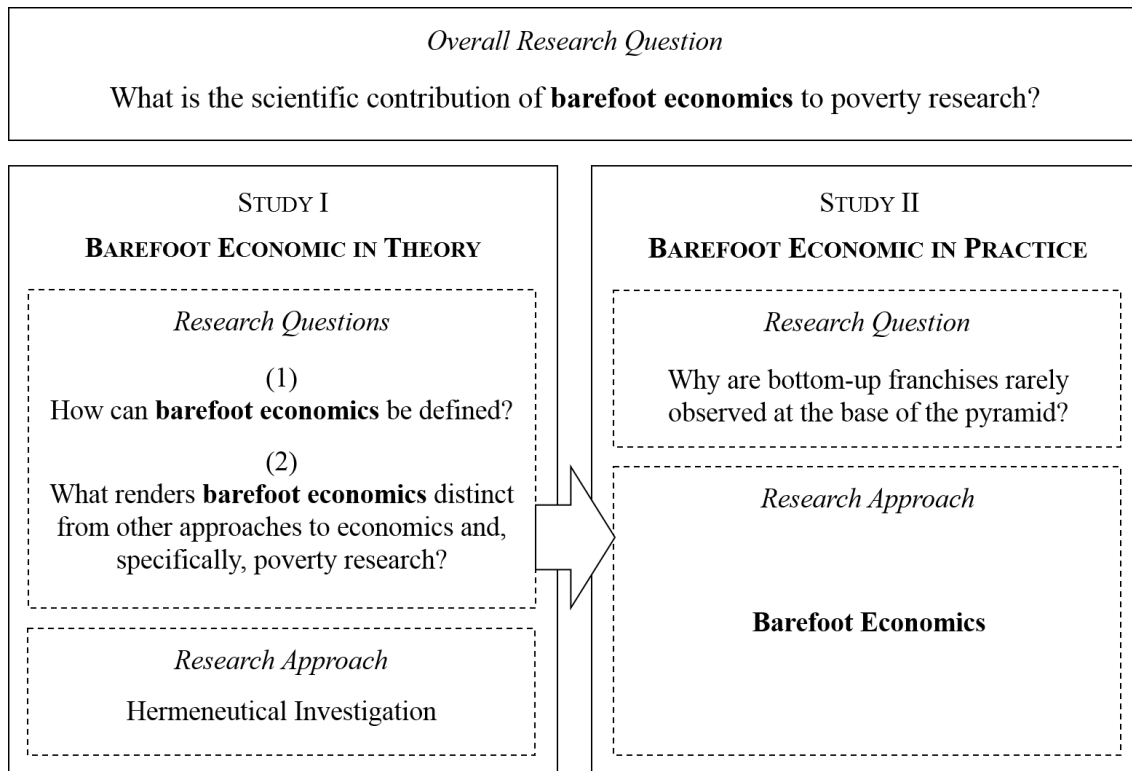
well-defined and distinctive methodological approach to empirical economic research in the context of poverty-related phenomena.

The *second study* investigates barefoot economics in practice. In this sense, it is a study *within* barefoot economics. More precisely, the study draws on the barefoot economic research approach as established in the first study and applies it in empirical research practice. In order to do this, the methodological principles of barefoot economics are operationalised in an empirical case study conducting a five-year real-world experiment on bottom-up franchising in the non-formal education sector of the MATHARE slums in NAIROBI. The content of the experiment addresses the research question of why bottom-up franchises are rarely observed at the base of the pyramid. In broader terms, the second study demonstrates how barefoot economics can be applied as a scientific research approach, as well as the performative impacts that the practice of barefoot economic research can have on existing poverty in the real world.<sup>6</sup>

Based on both scientific studies, the overall research question of this thesis is ultimately answered in a theoretically and empirically substantiated manner. *Figure 3* provides an illustrative overview summarising the research agenda of this thesis on barefoot economics.

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<sup>6</sup> The above-mentioned investigation into the *performativity* (CALLON 1998) of barefoot economics in terms of poverty here refers to the capability of barefoot economics to perform poverty alleviation in the course of its empirical research practice.



**Figure 3** Research agenda of this thesis (source: own illustration).

## 1.4 THESIS STRUCTURE

This thesis consists of four chapters. In addition to a general introduction (*Chapter 1*) and an overall conclusion (*Chapter 4*), the main body of this thesis includes two chapters presenting the two scientific studies described above. *Chapter 2* presents the first study, dedicated to barefoot economics in theory, while *Chapter 3* presents the second study, dedicated to barefoot economics in practice. The four chapters are all divided into sub-chapters.

*Chapter 1* includes four sub-chapters comprising the general introduction to this thesis. The first sub-chapter (*Chapter 1.1*) outlines the motivation behind this thesis, together with the overall research aim and its practical relevance. The second sub-chapter (*Chapter 1.2*) provides a brief overview of the research context and, by doing so, identifies the current state of poverty research in the economic sciences. The existing theoretical and methodological problems associated with poverty research in the economic sciences are also highlighted. The third sub-chapter (*Chapter 1.3*), describes the research agenda of this thesis by defining the research objective, the research gap

addressed and the overall research question. It also provides a brief outline of the two scientific studies conducted to address the overall research question and sets out the specific research questions and approaches of both studies. Finally, the underlying research rationale of the thesis is presented. The fourth sub-chapter (*Chapter 1.4*) describes the structure of this thesis.

*Chapter 2* contains four sub-chapters, presenting the first scientific study of this thesis. The first sub-chapter (*Chapter 2.1*) is the introduction to the theoretical-conceptual study conducted. This introduction refers to the general background, the specific research questions and the chosen research approach of the study, as well as providing a brief overview of the subsections in the subchapters of *Chapter 2*. The second and third sub-chapters (*Chapter 2.2* and *Chapter 2.3*) together shape the main argument of the study. The fourth sub-chapter (*Chapter 2.4*) draws conclusions, summarising the line of argument and presenting the contributions and implications of the study, as well as its limitations.

*Chapter 3* includes seven sub-chapters presenting the second scientific study of this thesis. The first sub-chapter (*Chapter 3.1*) is the introduction to the empirical case study conducted. This introduction deals with the general background, the specific research question and the chosen research approach of the study. A brief overview of the subsections in the subchapters of *Chapter 3* is given at the end of the introduction. The second sub-chapter (*Chapter 3.2*) describes the case study's empirical field and the third sub-chapter (*Chapter 3.3*) clarifies the theoretical background to the case study. The fourth sub-chapter (*Chapter 3.4*) sets out the study's method and the fifth sub-chapter (*Chapter 3.5*) presents the empirical research findings, which are discussed in the sixth sub-chapter (*Chapter 3.6*). Lastly, a conclusion is drawn in the seventh sub-chapter (*Chapter 3.7*), summarising the course of the investigation and presenting the contributions and implications of the study, as well as its limitations.

*Chapter 4* contains four sub-chapters, which make up the overall conclusion to this thesis. The first sub-chapter (*Chapter 4.1*) summarises the contents of *Chapter 1* to *Chapter 3*. Subsequently, the second sub-chapter (*Chapter 4.2*) presents the overall contributions and implications of this thesis, thereby giving an answer to the overall research question. The third sub-chapter (*Chapter 4.3*) provides an outlook on avenues

for future research, followed by some final remarks in the fourth and last sub-chapter (*Chapter 4.4*).

## 2 THE PRINCIPLES OF BAREFOOT ECONOMICS

### A THEORETICAL GROUNDWORK

#### 2.1 INTRODUCTION

The notion of ‘barefoot economics’ was first introduced by MANFRED MAX-NEEF in his 1982 classic, *From the Outside Looking In: Experiences in ‘Barefoot Economics’*. The acclaimed book deals with two development projects conducted by MAX-NEEF during the 1970s and tells their stories: “[t]he first is about the miseries of Indian and black peasants in the Sierra and coastal jungle of Ecuador[,] [and] [t]he second is about the miseries of craftsmen and artisans in a small region of Brazil” (MAX-NEEF [1982] 1992: 22). A year after the book’s publication, MAX-NEEF was awarded the Alternative Nobel Prize for his poverty alleviation “through ‘Barefoot Economics’” (RIGHT LIVELIHOOD FOUNDATION [1983b] 2020b: para. 1). From that point onwards, MAX-NEEF used the notion of barefoot economics on many occasions throughout his life to refer to *his way of practicing economics* (see e.g. MAX-NEEF [1988] 1991a: 102; SMITH & MAX-NEEF 2011: 10). The question is: what characterises that approach to practicing economics? Or, more succinctly, what is barefoot economics? To make this question more applicable to scientific investigation, the following two sequential research questions are posed and answered in the course of this study:

- (1) *How can barefoot economics be defined?*
- (2) *What renders barefoot economics distinct from other approaches to economics and, specifically, poverty research?*

Regarding the selection of an appropriate research approach to address both research questions, it should be noted that MAX-NEEF was strongly committed to the ‘linguistic turn’ philosophies of the mid-20<sup>th</sup> century. This made him consider all definitions as essentially tautological and, thus, “perfectly meaningless” (MAX-NEEF [1988] 1991a:

100).<sup>7</sup> As a consequence, MAX-NEEF did not attach great importance to a sophisticated definition and theorisation of barefoot economics. Instead, his writings are enriched with metaphors, allegories, parables and anecdotes ripe for interpretation (DREKONJA-KORNAT 2010: 159). Although the interpretative imperative of MAX-NEEF'S writings may be atypical in the field of contemporary economic research, this study attempts to examine the meaning of barefoot economics by means of a hermeneutical investigation (PATERSON & HIGGS 2005; MCCAFFREY ET AL. 2012) into MAX-NEEF'S scientific-philosophical writings. This investigation, thereby, takes as its starting point the interpretation of (1) *the metaphor of barefoot economics* itself, and (2) *the anecdote describing how MAX-NEEF became a barefoot economist*.

Most publications mentioning the MAX-NEEFIAN term 'barefoot economics' interpret the metaphor of barefoot economics as a figurative description of participatory, economic field research in poor regions of the world (see e.g. HOLDEN 1984; LUCENA 2010; IMAS ET AL. 2012; BALKEMA & POLS 2015; GÖPEL 2016; SMOLSKI 2016; KELLEY & KESTER 2017; WESTON ET AL. 2017; MADRUEÑO & MARTÍNEZ-OSÉS 2019; FLYNN 2020; ALCOFF 2020). Such an interpretation may stem from the fact that MAX-NEEF conducted fieldwork of this nature for more than a decade. It could also be based on cultural presuppositions equating 'bare feet' with poverty. While this interpretation of the metaphor of barefoot economics is undeniably correct to some extent, it does not distinguish barefoot economics substantially from other approaches to poverty research that exist within the plethora of empirical social research – such as ethnography, action research, postcolonial studies or grounded theory. A more promising, strictly analytic interpretation was put forward by CRUZ, STAHEL & MAX-NEEF in 2009. According to them, the metaphor expresses the idea that “economics is in need of taking off [...] [its] shoes and touch the ground, [in a word:] becoming 'barefooted'” (CRUZ ET AL. 2009: 2030). This gives rise to two sub-questions: (1) *What is meant by the 'shoes' of economics?* and (2) *What is meant by 'touching the ground'?*

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<sup>7</sup> For example: If 'A' is *defined* as the first letter of the alphabet, then what is a letter? If a letter is *defined* as a written character used in a society, then what is a written character and what is society? And so on (DERRIDA 1972; HABERMANN 2008). Hence, the final result of definitions seems always to be either an infinite regress or more likely – since every ordinary language has its limits – a tautological circle.



In addition to using the term ‘barefoot economics’ as a metaphor, MAX-NEEF described barefoot economics in practical terms as “the economics that an economist who dares to step into the mud must practice” (MAX-NEEF 2010a, as cited in GOODMAN 2010: 40). To answer the obvious question of the actual nature of such a practice of economics, MAX-NEEF often used an anecdotal narrative in which he tells the story of how he became a barefoot economist. The anecdote – in the version as it appears in SMITH & MAX-NEEF’S 2011 book *Economics Unmasked* – reads as follows:

“[O]ne day, in a village of the Andean Sierra, I [MANFRED MAX-NEEF] was standing in the mud and in front of me, also in the mud, was standing a thin man, hungry and jobless, with five children, a wife and a grandmother. While we were looking at each other I was overwhelmed by a sudden consciousness that I lacked a language that could make sense in such a situation. My whole discourse as a conventional academic economist was absolutely inadequate for me to say anything significant. I was used to diagnosis and analysis, but I was not used to understanding. I knew all about poverty and had all the statistics, yet there I was, speechless, when looking poverty in the face. It became clear to me that I had to invent a new language. That was the origin of my ‘principles of barefoot economics’, and my rebirth as an absolute dissident of mainstream economics” (SMITH & MAX-NEEF 2011: 9-10).

In summary, the narrative outlines how MAX-NEEF’S principle of barefoot economics arose from the fact that he was ‘not used to understanding’ and, therefore, had to ‘invent a new language’. This leads to two further sub-questions: (1) *What does MAX-NEEF mean by the term ‘understanding’ in this context?* and (2) *What does he mean by ‘the invention of a new language’?*

To explain the principles of barefoot economics, the following chapters first put forward answers to the sub-questions arising from the metaphor and narrative of barefoot economics, as mentioned above. Finally, the two research questions of how to define and distinguish barefoot economics in a substantiated manner are answered. The line of argument begins with a brief review of the current prevailing economic methodology as established by MILTON FRIEDMAN (*Chapter 2.2.1*). Following that, positivism is identified as the scientific-philosophical underpinning for that economic methodology (*Chapter 2.2.2*). This positivist foundation of economics is contrasted with the antagonistic philosophical school of phenomenology, as laid down by EDMUND HUSSERL (*Chapter 2.3.1*). MAX-NEEF’S barefoot economic perspective is analysed by putting it

into the context of phenomenological philosophy (*Chapter 2.3.2*). Finally, conclusions are drawn (*Chapter 2.4*). These conclusions include a summary of the line of argument (*Chapter 2.4.1*), a presentation of the main contributions and implications (*Chapter 2.4.2*), and a brief note on the limitations of this study (*Chapter 2.4.3*).

## 2.2 THE ‘SHOES’ OF ECONOMICS

### 2.2.1 MILTON FRIEDMAN’S *Methodology of Positive Economics*

Barefoot economics as an approach to economic research appears very different to the dominant methodology of economics. The latter was largely developed from the work of Nobel Prize winner and leader of the renowned Chicago School of Economics MILTON FRIEDMAN (1912-2006) in his 1953 seminal essay, *The Methodology of Positive Economics*. Today, there is general consensus that FRIEDMAN’S essay was “the most influential work on economic methodology of [the 20<sup>th</sup>] century” (HAUSMAN 2008: 145).

In his essay, FRIEDMAN ([1953] 1966) argues in favour of hypotheses that can be tested empirically to enable the prediction of measurable economic phenomena not yet observed. A hypothesis of that kind “abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the phenomena [...] and permits valid predictions on the basis of them alone” (ibid.: 14). Moreover, such hypotheses should ideally be tested “by experiments explicitly designed to eliminate what are judged to be the most important disturbing influences” (ibid.: 10).<sup>8</sup> This is why today’s leading economists – such as the 2019 Nobel laureates ESTHER DUFLO, ABHIJIT BANERJEE and MICHAEL KREMER – consider large-scale *randomised controlled trials (RCTs)* and related types of *lab-in-the-field experiments* as the methodological “gold standard” for economic research (BANERJEE ET AL. 2019: passim).

Despite its dominance, FRIEDMAN’S methodology inevitably attracted – and still attracts – criticism. For more than half a century, critics have found fault with the methodologically inherent discrepancies between reality and the assumptions on which

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<sup>8</sup> *Experimentation* can be defined as a research method involving an *empirical intervention stimulus* (see *Chapter 3.4.3*).

hypotheses and, ultimately, economic theories<sup>9</sup> are based (see FRIEDMAN [1953] 1966: 31). FRIEDMAN ([1953] 1966: 41) himself anticipated such criticism, noting the “perennial criticism of economic theory as unrealistic”, and pre-empted it with an argumentative defence of his methodology. He points out that “[s]uch criticism is largely irrelevant” (ibid.: 41), because it stems from “confusion about the role of ‘assumptions’ in economic analysis” (ibid.: 40). Clarifying the role of assumptions, Friedman shows that unrealistic assumptions are an *inevitable result* of the necessary process of *abstraction* involved in hypothesising. Hypotheses that can be empirically tested can only be formed if common and crucial features are abstracted from the complex reality surrounding economic phenomena. These features must be *assumed* to provide a complete description of reality, even though they do not, in actual fact, fully represent reality (see also RAPPAPORT 1996). As FRIEDMAN ([1953] 1966: 40) states: “It is frequently convenient to [assume] [...] that the phenomena [...] desired to predict behave in the world of observation *as if* they occurred in a hypothetical and highly simplified world containing only the forces that the hypothesis asserts to be important.” For that reason, the assumptions on which hypotheses are based are often termed ‘*as if*’ assumptions. In the course of his argument, FRIEDMAN also explains why efforts to draw more accurate descriptions of reality tend to be counterproductive to the formation of hypotheses and, ultimately, economic theories:

“A theory or its ‘assumptions’ cannot possibly be thoroughly ‘realistic’ in the immediate descriptive sense so often assigned, to this term. A completely ‘realistic’ theory of the wheat market would have to include not only the conditions directly underlying the supply and demand for wheat but also the kind of coins or credit instruments used to make exchanges; the personal characteristics of wheat-traders such as the color of each trader's hair and eyes, his antecedents and education, the number of members of his family, their characteristics, antecedents, and education, etc.; the kind of soil on which the wheat was grown, its physical and chemical characteristics, the weather prevailing during the growing season; the personal characteristics of the farmers growing the wheat and of the consumers who will ultimately use it; and so on indefinitely. Any attempt to move very far in achieving this kind of ‘realism’ is certain to render a theory utterly useless.” (FRIEDMAN [1953] 1966: 32).

Furthermore, FRIEDMAN argues that:

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<sup>9</sup> FRIEDMAN ([1953] 1966: 8) defines a *theory* as “a body of substantive hypotheses”.

“the relevant question to ask about the ‘assumptions’ of a theory is not whether they are descriptively ‘realistic,’ for they never are, but whether they are sufficiently good approximations for the purpose in hand. And this question can be answered only by seeing whether the theory works, which means whether it yields sufficiently accurate predictions.” (ibid.: 15).

As the excerpts above indicate, FRIEDMAN believes that an increasing level of abstraction necessarily causes the assumptions of a hypothesis (or theory) to become an inaccurate descriptive representation of reality; however, at the same time, the hypothesis (or theory) is capable of making predictions based on a decreasing number of explanatory variables. Ultimately, hypotheses that can be empirically tested need to be able to predict economic phenomena based on as few factors as possible (ibid.). In the final analysis, related criticism is irrelevant, because hypotheses can be exclusively judged by the conformity of their predictions with reality and *not* by the conformity of their assumptions with reality (ibid.).

In summary, FRIEDMAN’S methodology of economics demonstrates a very high logical consistency on the basis of which – despite its critics – it has been the dominant approach to economic research for more than half a century.

### **2.2.2 Positivism in Economics**

Having outlined the logical consistency of FRIEDMAN’S economic methodology, it should be recognised that barefoot economics does not intend to challenge the current dominant methodology of economics itself, but rather its underlying *scientific-philosophical presuppositions* (which constitute the ‘shoes’ of economics). As the title of FRIEDMAN’S essay, *The Methodology of Positive Economics*, indicates, FRIEDMAN’S perspective was one of *positive economics*. Thereby, “FRIEDMAN associated with the name of positive economics [...] [an] economics which follows the ideals of positive science as it was understood by *positivists*” (NEKRAŠAS 2016: 295, own emphases).

Positivism is a philosophical tradition which can be regarded as the culmination of 18<sup>th</sup> century Enlightenment thought (HORKHEIMER & ADORNO [1944] 2002). Since the 18<sup>th</sup> century, positivism has been advocated by a wide range of different philosophers, including DAVID HUME (1711-1776), AUGUSTE COMTE (1798-1857), JOHN STUART MILL (1806-1873), ERNST MACH (1838-1916), MORITZ SCHLICK (1882-1936), RUDOLF

CARNAP (1891-1970) and – to some extent – KARL POPPER (1902-1994)<sup>10</sup>. Although diverse variants of positivism have been developed over time, all positivists agree on the fundamental tenet that science should solely be based on knowledge which is ‘positive’, i.e. knowledge grounded in “what is given” in the sense of *empirical facts* (SCHLICK [1932] 1948: 480).<sup>11</sup> This means metaphysical statements are rejected because they are not, by definition, grounded in empirical facts (*ibid.*). Moreover, positive knowledge is supposed to be *value-free* because the observation of empirical facts does not involve “any particular ethical position or normative judgments” (FRIEDMAN [1953] 1966: 4). To ensure that knowledge is value-free, *only logical and/or mathematical analyses* of empirical facts are considered as appropriate (NEKRAŠAS 2016: 4). Based on the supposed value-free nature of positive knowledge, positivists further argue in favour of *scientific objectivity*, which KARL POPPER ([1935] 1972: 44) described as follows: “the objectivity of scientific statements lies in the fact that they can be inter-subjectively tested”. Referring to this concept of objectivity, FRIEDMAN ([1953] 1966: 4) postulated that “positive economics is, or can be, an ‘objective’ science”.

Ultimately, positivism is regularly identified as the philosophy of science upon which modern economics rests (e.g. SELIGMAN 1969; SCHUMACHER [1973] 2011; CALDWELL 1980; KATOUZIAN 1980; BOLAND 1991; LAWSON 1997). The following section highlights how barefoot economics can be considered to contradict positive economics in as much as it is based on an antagonistic philosophical foundation – namely *phenomenology*.

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<sup>10</sup> Please note that there was, and still is, great controversy about whether or not KARL POPPER was a positivist (ADORNO ET AL. 1972). POPPER himself denied being a positivist, since he tried to demark his philosophy of *critical rationalism* from the *logical positivism* of the ‘Vienna Circle’, which was the dominant philosophy of science during POPPER’S lifetime during the 1940s and 1950s. The major difference between the two schools of philosophy is that logical positivists define testability as *verifiability*, while POPPER defined it as *falsifiability* (*ibid.*). However, in terms of the broader criteria of positivism presented in this chapter, POPPER can be attributed to be a positivist thinker insofar as the criteria can be said to be in accordance with his critical rationalism.

<sup>11</sup> Two examples illustrate what positivists mean by empirical facts. Positivists would, for example, consider the following statements as empirical facts: “Coal is black” (MCDONALD 2012: 112). “Elephants exist, unicorns do not” (*ibid.*: 107).

## 2.3 ‘TOUCHING THE GROUND’ OF PHENOMENA

### 2.3.1 EDMUND HUSSERL’S Phenomenology

Phenomenology is “the study of the phenomena themselves” (HUSSERL [1910] 2002: 276). Its prominent founding father was the German philosopher EDMUND HUSSERL (1859-1938), who introduced phenomenology as a philosophy *sui generis* in his *Logical Investigations* from 1900/1901 (e.g. BELLO 2009; SCHNELL 2019).<sup>12</sup> Thereby, HUSSERL ([1950] 1998: 5) constituted phenomenology as a radical antithesis to what he called the “naive objectivism” of the positive sciences, which underestimated the role of the human person (the subject). To HUSSERL, ‘what is given’ are not empirical facts, but rather phenomena as they appear to people in their ‘lived experience’ (original German wording: *Erleben*). In other words, phenomena as they appear in lived experiences are what constitutes our given *reality*. Therefore, the ultimate goal of science should not be the production of knowledge based on empirical facts, but rather the attainment of an *understanding of phenomena*.<sup>13</sup> As HUSSERL stated: “we must go back to the ‘things themselves’” (HUSSERL [1900/01] 2001: 168).

“The basic goal of any phenomenological philosophy is to come into immediate contact with the world, ‘to get at the things themselves,’ regardless of whether these things are physical or mental, numbers or deities, feelings or values. ...; in its attempt to get at the

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<sup>12</sup> Please note that phenomenology “as a manner or style of thinking” existed long before it was elaborated as a philosophy *sui generis* by means of HUSSERL’S work (MERLEAU-PONTY [1945] 2005: viii). Notable earlier phenomenological thinkers include, for example, JOHANN WOLFGANG VON GOETHE (1749-1832), GEORG WILHELM FRIEDRICH HEGEL (1770-1831), SØREN KIERKEGAARD (1813-1855), KARL MARX (1818-1883) and FRIEDRICH NIETZSCHE (1844-1900) (MERLEAU-PONTY [1945] 2005: viii; on GOETHE, see HEINEMANN 1934; SEAMON & ZAJONC 1998; SIMMS 2005). Since HUSSERL’S collected works alone amount to around 40,000 pages, it is only possible to provide a partial overview of phenomenological philosophy in the following sections.

<sup>13</sup> The notion of ‘understanding’ is also quintessential for another philosophical tradition, namely *hermeneutics* (SCHNELL 2019). Within hermeneutics – having its main representatives in FRIEDRICH SCHLEIERMACHER (1768-1834), WILHELM DILTHEY (1833-1911) and HANS-GEORG GADAMER (1900-2002) – the notion of understanding is closely related to the notion of *interpretation*. This chapter, however, solely refers to the notion of ‘understanding’ according to “the genuine *phenomenological* meaning of the term ‘understanding’” (ibid.: 68, own trans.).

things themselves it [phenomenology] refuses to take for granted the validity of any presupposed conceptual schema and even of the findings of any positive science whatever.” (SCHUTZ 1957: 306).

More precisely, by ‘getting at the things themselves’ a person can grasp the *meaning* or *essence* of phenomena, i.e. grasp what makes a phenomenon what it is (HUSSERL [1910] 2002: 273).<sup>14</sup> Therefore, phenomenology has also been defined as “the study of essences” (MERLEAU-PONTY [1945] 2005: vii). However, such an ‘understanding of phenomena’ can only arise intuitively from lived experience if *obscuring* preconceptions do not interfere. Preconceptions of this kind must be identified and eliminated by means of the genuine phenomenological method of *epoché* (Greek for ‘bracketing’). The “epoché [...] *frees our gaze*” for the ‘things themselves’ (HUSSERL [1936] 1970: 241, own italics). HUSSERL introduced the epoché – which he also calls “phenomenological reduction” (HUSSERL [1913] 1983: 66) – in his second major work, *Ideas*, in 1913. He defines it as “the method of parenthesizing” in which “[w]e put out of action the general positing which belongs to the essence of the natural attitude” (ibid.: 60-61, italics in original removed). This *natural attitude* comprises that which is taken for granted within the experiences of everyday life. In his later 1936 work, *The Crisis of European Sciences and Transcendental Phenomenology*, HUSSERL refined his notion of the ‘natural attitude’ by introducing his concept of the *life-world*, which is defined as the ‘world of the natural attitude’ and is described as follows:

“[T]he life-world – the ‘world for us all’ – is identical with the world that can be commonly talked about. Every new apperception leads essentially, through apperceptive transference, to a new typification of the surrounding world and in social intercourse to a naming which immediately flows into the common language. Thus the world is always such that it can be empirically, generally (intersubjectively) explicated and, at the same time, linguistically explicated.” (HUSSERL [1936] 1970: 209-210).

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<sup>14</sup> With regard to the relationship between the notions of ‘meaning’ and ‘essence’ in phenomenology, please note the following explanations from HUSSERL student HEDWIG CONRAD-MARTIUS (1951: 10, as cited in SCHNELL 2019: 48, own trans.): “For the phenomenologist [...] the world is full of meaningfulness. ‘Meaning’ is here not used in a teleological way, in which the real world or the course of the real world possesses a final historical or ahistorical meaning and purpose [final cause; Greek: *telos*]. ‘Meaning’ is here equal to ‘essence’”.

In this way, Husserl's late work takes up the insights of contemporary philosophy's *linguistic turn* that came about in the wake of LUDWIG WITTGENSTEIN'S 1921 *Tractatus Logico-Philosophicus*, in which WITTGENSTEIN ([1921] 2002: 68) concluded that "[t]he limits of my language mean the limits of my world".<sup>15</sup> As a result, HUSSERL elaborates the phenomenological method as a "life-world epoché" (HUSSERL [1936] 1970: 137) that places in abeyance what is posited by "the naïve [natural] attitude of world-life, [where] everything is [...] bound to what can be named, asserted, described in common language" (ibid.: 209). In this respect, HUSSERL suggests that we cannot 'go back to the things themselves' while our lived experience is 'led astray' by language.

"It is easy to see that even in (ordinary) human life, and first of all in every individual life from childhood up to maturity, the originally intuitive life which creates its originally self-evident structures through activities on the basis of sense-experience very quickly and in increasing measure falls victim to the *seduction of language*." (HUSSERL [1939] 1989: 165).

Accordingly, HUSSERL ([1939] 1975) argued that the primordial intuitive understanding of phenomena is pre-predicative and prelinguistic, i.e. comparable to the way in which an infant experiences reality before it has learned to think in words. As the famous French phenomenologist MAURICE MERLEAU-PONTY ([1945] 2005: xvii) said, it rests "[i]n the silence of primary consciousness". In contrast, knowledge is always related to predicative sentences (statements) and, consequently, is locked in language. Therefore, the 'empirical facts' referred to by positivists can be considered to be nothing more than linguistic expressions of phenomena having presuppositions in common language. In line with this approach, HUSSERL ([1931] 1982: 157) had previously concluded in his 1931 *Cartesian Meditations*: "Positive science is a science lost in the world. I must lose the world by epoché, in order to regain it by a universal self-examination." With his concept of *self-examination*, HUSSERL expresses the shift from the natural attitude towards a "*phenomenological attitude*" (HUSSERL [1936] 1970: passim, own italics) where "the knower[ ] [is] reflecting upon himself and his knowing life in which all the scientific structures that are valid for him occur purposefully, are stored up as acquisitions, and have become and continue to become freely available" (ibid.: 97-98). After the epoché,

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<sup>15</sup> Please note in this context that we think in words; hence language inevitably determines our thinkability.



the knower returns to a natural attitude of a self-examined world-life, which is no longer naïve but ‘phenomenologically enlightened’ (OVERGAARD 2004: 47).

### **2.3.2 MANFRED MAX-NEEF’S Phenomenological Thought**

The influence of phenomenology on MANFRED MAX-NEEF is evident in a number of his scientific-philosophical writings (MAX-NEEF [1982] 1992, [1988] 1991a, [1989] 1991b, 2005a, 2007, 2009).<sup>16</sup> The following section attempts to explain the principles of barefoot economics by putting MAX-NEEF’S scientific-philosophical thought in the context of HUSSERL’S phenomenological philosophy.

Firstly, barefoot economics’ claim of ‘touching the ground’ can be regarded as the MAX-NEEFIAN equivalent to HUSSERLIAN phenomenology’s dictum of ‘getting at the things themselves’. This similarity is reinforced by the fact that HUSSERL’S dictum has also been described as the appeal “to come into immediate contact with the world” (SCHUTZ 1957: 306). Using MERLEAU-PONTY’S ([1945] 2005: 449) formulation, it means to get a “grip upon the world”. All these phrases intend to express phenomenology’s ultimate goal: to attain an understanding of phenomena.

Like others, MAX-NEEF also distinguished the effort to understand phenomena from the acquisition of knowledge. He often gave the following example:

“Suppose that you have studied everything there is – from the anthropological, cultural, psychological, biological and biochemical points of view – about the phenomenon of love. You are an erudite. You know everything that can be known about love, but you will never understand love unless you fall in love. This principle is valid for all human systems, although it is almost always overlooked.” (MAX-NEEF [1988] 1991a: 102).

The example demonstrates a principle incorporating at least two aspects. Firstly, “knowledge [about phenomena] is not the road that leads to [an] understanding [of phenomena]” (MAX-NEEF 2009: 18). Secondly, an understanding of phenomena can only be attained through lived experience, i.e. if the human being experiences phenomena in

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<sup>16</sup> The influence of phenomenological philosophy on MAX-NEEF is particularly apparent in his 1982 “theory of space-time disruptions”, which investigates human beings’ lived experience of space and time (MAX-NEEF [1982] 1992: 139).

the sense of ‘living through them’. The principle is, in this respect, fully in line with the fundamental perspective of phenomenology.

With respect to barefoot economics and how it addresses the phenomenon of poverty,<sup>17</sup> MAX-NEEF ([1988] 1991a: 102) claimed that “if we have so far been unable to eradicate poverty, it is because we know too much about it, without understanding the essence of its existence”. The statement indicates MAX-NEEF’S HUSSERLIAN interpretation of understanding as grasping the essence. Moreover, the statement can be regarded as a critique of the dominant positive economics approach insofar as its underlying philosophy of science leads to a methodology in which “economists study and analyze poverty in their nice offices, have all the statistics, make all the models, and are convinced that they know everything that you can know about poverty[,] [b]ut [...] don’t understand poverty” (MAX-NEEF 2010a, as cited in GOODMAN 2010: 40). To truly understand the phenomenon of poverty, it must be experienced at first hand. MAX-NEEF (2019, own transcript) argued that nascent economists “should go before they graduate and live six months with an extreme poor family and contribute to their work”.

However, MAX-NEEF considered lived experiences as necessary but *not* wholly sufficient to attain an understanding of phenomena, because “something happens to render us immune to experience” (MAX-NEEF [1989] 1991b: 107). With reference to WITTGENSTEIN, MAX-NEEF identifies this ‘something’ as language (ibid.). He writes: “the point is that we are [...] trapped by language. Language is a form of imprisonment. The way in which we use words or concepts influences and sometimes even determines not only our behavior but our perceptions as well.” (ibid.: 108). As such, MAX-NEEF concurs with HUSSERL’S view that our “sense-experience [...] falls victim to the *seduction of language*” (HUSSERL [1939] 1989: 165). To overcome the cognitive distortion of our experience by language and, finally, to achieve an understanding of phenomena, MAX-NEEF ([1982] 1992: 114-115) was convinced that what was required was *precisely not* “a richer vocabulary” or a “‘progressive’ terminology”, but rather the opposite: “an adequate pruning of key words” (MAX-NEEF [1988] 1991a: 99). He proposed “the pruning of language” (ibid.: 101) as a method to ‘prune’ those words which distort the perception of the phenomenon to be understood by making someone think based on obscuring

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<sup>17</sup> Please note in this context that MAX-NEEF considered poverty-related phenomena as the *essential* phenomena of economics (compare *Chapter 1.2* and *Chapter 3.6.4*).

preconceptions. The result would be “a new language that opens the door of understanding” (MAX-NEEF 2009: 21), i.e. a pruned language that opens the door to the ‘things themselves’. MAX-NEEF ([1989] 1991b; 2009) also described this as a language that is coherent with reality.<sup>18</sup> To illustrate the principle behind the method of linguistic pruning, MAX-NEEF often used the allegory of an orchard:

“The principle behind the act of pruning should be clear to anyone who has ever been interested in orchards. Through pruning we will achieve more and better from less. Fewer branches and leaves will allow more light to be absorbed and thus produce better fruits. In the case of a language, the pruning of chosen words will force us inevitably into higher degrees of clarity.” (MAX-NEEF [1988] 1991a: 99).

The methodological pruning of language to understanding phenomena – let us call it the ‘orchard method’ – can easily be identified as a version of the phenomenological method of the life-world epoché, by equating MAX-NEEF’S notion of ‘pruning’ with HUSSERL’S notion of ‘bracketing’ or ‘parenthesising’. To be more precise, MAX-NEEF’S method operationalises the philosophical concept of phenomenological reduction as a specific linguistic reduction. Thereby, MAX-NEEF also acknowledges the self-examination which arises from the shift towards the phenomenological attitude by means of epoché.

“Having carried out the exercise of pruning and becoming aware of the limits of knowledge on the one hand, and of the differences between knowledge and understanding on the other, there is no harm in going back to my old words, even to my old language. If I do so now (and it would be foolish if I did not), both the words as well as the language to which they conform will no longer be masks behind which ignorance remains hidden but will become fertile spaces for the permanent progress toward intellectual wholeness.” (MAX-NEEF [1988] 1991a: 103).

Having demonstrated the similarities between HUSSERL’S and MAX-NEEF’S scientific-philosophical thought in order to substantiate barefoot economics with a phenomenological foundation, the following analysis highlights a major difference. While HUSSERL’S perspective was radical in its attempt to replace positivism with phenomenology as a monistic paradigm within the philosophy of science, MAX-NEEF advocated a paradigm pluralism based on NIELS BOHR’S principle of complementarity, that is *contraria sunt complementa* (MAX-NEEF 2005a). Thereby, MAX-NEEF was

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<sup>18</sup> On the notion of ‘reality’ as used here, please see *Chapter 2.3.1*.

convinced that the incommensurable opposites of positive economics and barefoot economics are not substitutive but are, in fact, complementary. While positive economics aims to create positive knowledge, barefoot economics aims to create phenomenological understanding. Both are supposed to be desirable objectives. However, the objective of understanding has not yet been given equal weight in modern economics. MAX-NEEF wrote about this issue in his 2009 paper, *From Knowledge to Understanding*, in more general terms, stating:

“[Due to the dominance of positive science,] [w]e have arrived at a point in our human evolution where we *know* a lot, but we *understand* very little. ... We have never in all of our existence, accumulated more knowledge than during the last 100 years ..., but ... we suddenly have the feeling that something is missing. ... At least we have reached a point at which, [some of us] (many conventional academics notwithstanding) ... are finally becoming aware that knowledge is not enough, and that we have to learn how to attain understanding in order to achieve ... the completeness of our science. We are, perhaps, beginning to realise that knowledge without understanding is hollow, and understanding without knowledge is incomplete.” (MAX-NEEF 2009: 18).

## 2.4 CONCLUSION

### 2.4.1 Summary

The above investigation used a hermeneutical approach with the aim of answering the research questions of how to define barefoot economics and what renders barefoot economics distinct from other approaches to economics and, specifically, poverty research.

This scientific study has shown that the current prevailing methodology of economics was introduced by MILTON FRIEDMAN in the 1950s. FRIEDMAN’S methodology proposes that economics should aim to provide accurate predictions about economic phenomena. To achieve this ultimate goal, economic research should: (1) work with hypotheses built by means of abstraction and ‘as if’ assumptions; and (2) test these hypotheses empirically by means of experimentation. The philosophy of science from which FRIEDMAN’S view on economics is derived is deemed to be positivism. Positivism, in turn, has in its three centuries-long tradition established an ideal of scientific objectivity

according to which science should solely be based on value-free knowledge that can be tested intersubjectively, and is gained from empirical facts and their logical and/or mathematical analysis. Positivism's ideal of scientific objectivity has, in particular, been criticised as a 'naïve objectivism' by the antagonistic philosophical school of phenomenology, as developed by EDMUND HUSSERL at the beginning of the 20<sup>th</sup> century. In contrast to positivism, phenomenology proposes that science should 'go back to the things themselves', i.e. attempt to understand phenomena as they appear in lived experience. This understanding of phenomena is defined as the grasp of the essence or meaning of phenomena and is thought to be achievable only through the genuine phenomenological method of epoché. In its variant of the 'life-world epoché', the method aims to identify and eliminate all obscuring preconceptions which occur from the common language that constitutes our life-world.

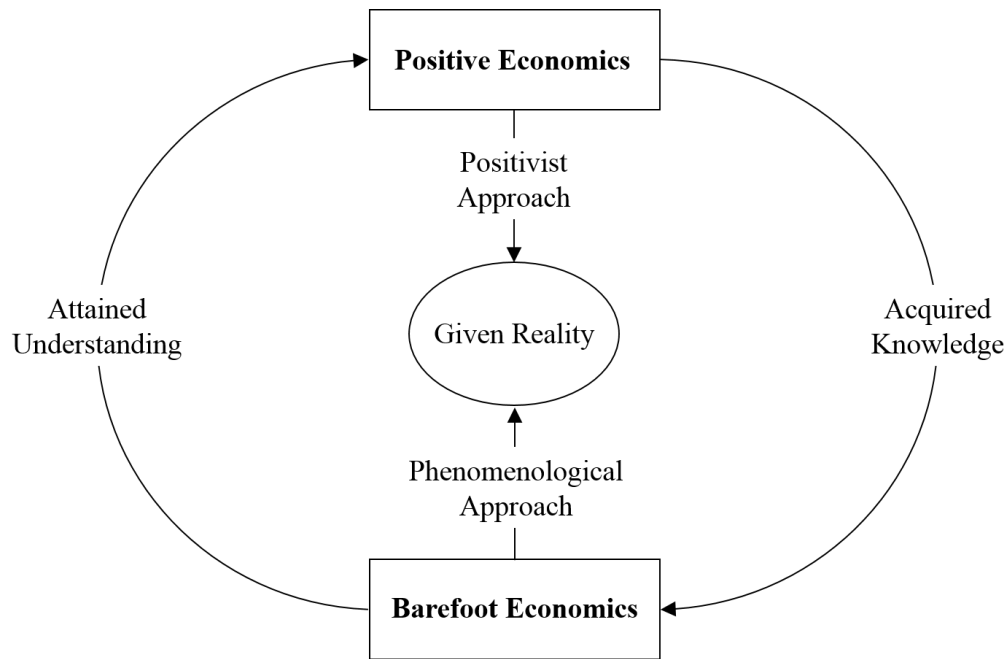
Against this background, barefoot economics has been identified as an economics that takes off the 'shoes' of positive economics and engages itself in the philosophical foundation of phenomenology. Thereby, barefoot economics' effort to 'touch the ground' can be regarded as the MAX-NEEFIAN equivalent to HUSSERL'S dictum of 'getting at the things themselves'. In this sense, barefoot economics can be described as a phenomenological study of essences – whereby its main interest lies de facto in the understanding of poverty-related phenomena as they appear in lived experience. Barefoot economics addresses this ultimate goal by its very own method of linguistic pruning. This methodological pruning of language can be viewed as an operationalisation of the phenomenological method of the life-world epoché, aiming to invent a new language that opens the door to understanding – a language that is coherent with reality.

#### **2.4.2 Contributions and Implications**

The above investigation into the meaning of barefoot economics and its principles has sought to explain that barefoot economics is not simply a figurative term for any kind of participatory economic field research in poor regions of the world, but rather a clearly distinguishable approach to economics based on its own scientific-philosophical foundation.

Regarding the research questions of how to define barefoot economics and what renders it distinct from other approaches to economics and, specifically, poverty research, the conducted investigation has provided profound insights. A primary result of this scientific study is the suggested definition of barefoot economics as follows: *barefoot economics is an approach to economics which seeks to understand the essence or meaning of poverty-related phenomena by means of lived experience and a methodological pruning of language*. Defined in this way, barefoot economics is starkly differentiated from positive economics and its ultimate goal of accurate predictions by means of hypotheses testing. Moreover, this definition of barefoot economics enables it to be distinguished from other *non-positivist* methodological approaches in the realm of empirical social research and, specifically, poverty research. Barefoot economics is, for example, distinct from (1) ethnography which, based on *social constructivism* (DUTTA 2014), tries to “grasp the native’s point of view, his relations to life, to realize *his* vision of *his* world” by means of ‘going native’ (MALINOWSKI 1922: 25); (2) postcolonial studies which, based on *poststructuralism* (MOORE-GILBERT ET AL. 1997), try to deconstruct the hegemonic performativity of contemporary discourses on subaltern groups by means of critical discourse analyses (e.g. SAID 1978; SPIVAK 1988; HALL 1997); (3) action research which, based on *pragmatism* (GREENWOOD & LEVIN 1998), tries to improve living conditions by means of problem-solving actions (LEWIN 1946); and (4) grounded theory which, based on *symbolic interactionism* (ALDIABAT & NAVENEC 2011), tries to construct data-grounded theories by means of comparative data analyses (GLASER & STRAUSS 1967). Although barefoot economics may share similarities with all these non-positivist research approaches, it is rendered distinct by its unique phenomenological foundation and methodology.

In more general terms, this study has highlighted the potential of barefoot economics to be the blueprint for *complementing positive economics* in line with the following model (see *Figure 4*):



**Figure 4** Dialectical Complementation Model of Positive Economics and Barefoot Economics (source: own illustration).

Although positive economics and barefoot economics approach reality from incommensurable paradigmatic perspectives, they complement each other in a dialectical manner. To overstate the case, it could be said that positive economics is about providing answers that fit reality, while barefoot economics is about posing questions that fit reality. In reaching understanding, barefoot economics ensures a language that is coherent with the given reality. Within that language, positive economics can produce scientific knowledge and make predictions. Scientific knowledge acquired in this way is, in turn, an indispensable prerequisite for the barefoot economist to enter academic discourse. Unfortunately, contemporary positive economics is seldom interested in questions of language, and barefoot economics – as mentioned at the outset of this study – has not yet entered the academic discourse in the scientific discipline of economics. The present research implies a scientific-philosophical reason to challenge this status quo.

### 2.4.3 Limitations

The limitations of this scientific research result from its hermeneutical approach to the meaning of barefoot economics. Considering the concept of the *hermeneutic circle*,

interpretations of texts can never be ‘objective’ (in a positivist sense) because they will always be based on pre-interpretations (‘fore-meanings’), which arise from historicity or facticity of the interpreter (GADAMER [1960] 2004). Hence, hermeneutical investigations cannot be tested intersubjectively but can only be *intersubjectively comprehensible* (see STEINKE 1999). To validate hermeneutical investigations, the *argumentative validation of interpretations* (MAYRING 2016) has been proposed and used as a validation strategy in this research study. In doing so, the meaning of barefoot economics has been theoretically derived from a consistent line of argument (see *Chapter 2.1*). Finally, this investigation should be considered as a *proposal* on how to interpret the meaning of barefoot economics substantiated by philosophy of science. The applicability of the proposed principles of barefoot economics in research practice and related performative impacts on poverty are examined in the following scientific case study (*Chapter 3*).



### 3 EXPERIENCES IN BAREFOOT ECONOMICS

#### AN EMPIRICAL CASE STUDY

##### 3.1 INTRODUCTION

The first scientific study of this thesis elaborated barefoot economics as a well-defined and distinctive empirical research approach for poverty-related phenomena. In this respect, the first study serves as the groundwork for the following empirical case study, which applies the established barefoot economic approach in scientific research practice. The study was conducted in the research setting of an own independent development project: the ‘MPITO project’. The project was carried out in the MATHARE slums of NAIROBI (Kenya) from January 2015 to March 2020, and performed a multi-year real-world experiment on bottom-up franchising with microentrepreneurs from the slums’ non-formal education sector.

From a theoretical perspective, the conducted experiment was initially derived from PRAHALAD’S *BoP concept*. As outlined in *Chapter 1.2*, the BoP concept has become the prevailing approach in the economic sciences on how to alleviate poverty. Having conceptualised the ‘base of the pyramid’ as a low-income population of around four billion people generally excluded from global capitalism, the BoP concept promotes an “inclusive business agenda” (CASADO CAÑEQUE 2015: 5), in which the base of the pyramid is economically served through capitalist entrepreneurship on a large scale. To implement the suggested inclusive business agenda in practice, economists have developed numerous theoretical models in recent years (see e.g. KOLK ET AL. 2014; CASADO CAÑEQUE & HART 2015). One of the most acclaimed is *microfranchising* (e.g. FAIRBOURNE 2006, 2007; GIBSON 2007; KISTRUCK ET AL. 2011). Microfranchising is defined as the systematisation and replication of microenterprises at the base of the pyramid with the intention of alleviating poverty (FAIRBOURNE 2006). As empirical

research has indicated that the performance drivers of microfranchising are significantly affected by the existing institutional framework at the base of the pyramid (e.g. KISTRUCK ET AL. 2011), microfranchising has been increasingly called for as a variant of *bottom-up franchising* (see FAIRBOURNE 2007; HENRIQUES & HERR 2007; MUNOZ ET AL. 2010; KISTRUCK ET AL. 2011; LAWSON-LARTEGO 2016). Within this bottom-up approach, the franchised microentrepreneurs are supposed to co-create a replicable business model based on collective decision making (ibid.). While bottom-up franchising has been championed as a model for scaling poverty alleviation efforts (ibid.), few empirical cases of bottom-up franchises at the base of the pyramid have been observed in practice (HENRIQUES & HERR 2007). This situation may have led economists to question “why [...] bottom-up franchises are hardly observed. [...] One problem of bottom-up franchises will be collective decision making. However, this cannot be the entire story. [...] Further research is desirable.” (HENDRIKSE & WINDSPERGER 2012: 9). However, economists have been unable to provide adequate answers by means of positive economics. Consequently, by means of barefoot economics, this scientific case study examines the following research question:

*Why are bottom-up franchises rarely observed at the base of the pyramid?*

The intention is not to give causal explanations but to *understand* why the phenomenon of the bottom-up franchise is rarely observed at the base of the pyramid (compare *Chapter 2.3*). The barefoot economic method of linguistic pruning is applied to identify and eliminate those preconceptions that may bias the perception of relevant phenomena. Lived experiences are gained from the MPITO project and its bottom-up franchise experiment in the slums. Approaching the posed research question by means of a barefoot economic research design, therefore, makes a scientific contribution through the substantive answer provided and also contributes to the more general objective of demonstrating the applicability of barefoot economics in the practice of empirical research.

The scientific case study is presented as follows. Firstly, a description of the empirical field, in which the case study was conducted, is given (*Chapter 3.2*). After a brief note on the conducted field selection (*Chapter 3.2.1*), an account of the phenomenon of slums in general (*Chapter 3.2.2*), the specific characteristics of the MATHARE slums (*Chapter 3.2.3*) and the latter’s non-formal education sector (*Chapter 3.2.4*) is provided.

Secondly, the theoretical background of the case study is presented (*Chapter 3.3*). As explained in a brief preliminary remark (*Chapter 3.3.1*), JOSEPH SCHUMPETER'S Theory of Economic Development (*Chapter 3.3.2*), C.K. PRAHALAD'S BoP concept (*Chapter 3.3.3*), and JASON FAIRBOURNE ET AL.'S concept of microfranchising and its specific manifestation as bottom-up franchising (*Chapter 3.3.4*) are outlined. This shows how the concept of bottom-up franchising can be derived from the BoP concept, and how, in turn, the BoP concept can be derived from SCHUMPETER'S development theory. Thirdly, the method of the case study is clarified (*Chapter 3.4*). After an indication of the appropriateness of the barefoot economic methodology for answering the posed research question (*Chapter 3.4.1*), the applied methods of linguistic pruning (*Chapter 3.4.2*) and real-world experimentation (*Chapter 3.4.3*) are set out. Subsequently, the design of the MPITO project (*Chapter 3.4.4.1*), its sampling method (*Chapter 3.4.4.2*) and data collection method (*Chapter 3.4.4.3*), as well as the issue of data verbalisation (*Chapter 3.4.4.4*), are described. The research results of the real-world experiment are then presented using methodologically pruned language (*Chapter 3.5*). After some general observations (*Chapter 3.5.1*), the findings are structured according to the microfranchise performance drivers of 'branding' (*Chapter 3.5.2*) and 'standardisation' (*Chapter 3.5.3*). The subsequent chapter discusses the results by returning to the previously-used scientific terminology and reflecting on the results in the context of the related theoretical background (*Chapter 3.6*). After some preliminary remarks (*Chapter 3.6.1*), the results are discussed in light of NIKLAS LUHMANN'S concept of inclusion/exclusion (*Chapter 3.6.2*), KARL POLANYI'S concept of embeddedness (*Chapter 3.6.3*) and MANFRED MAX-NEEF ET AL.'S Theory of Human Scale Development (*Chapter 3.6.4*). Lastly, key conclusions are drawn (*Chapter 3.7*), including a brief summary of the case study (*Chapter 3.7.1*), its main contributions and implications (*Chapter 3.7.2*), and the methodological limitations of this scientific research (*Chapter 3.7.3*).

## **3.2 FIELD DESCRIPTION**

### **3.2.1 The Selection of the Field**

The fieldwork for this scientific case study was conducted in the non-formal education sector of an area in Kenya's capital city NAIROBI, the MATHARE slums.

From a theoretical perspective, the field selection responds to poverty researchers' frequent call for broader empirical data on the economic reality within poor regions of the African continent (see e.g. EGRI & RALSTON 2008; KOLK & VAN TULDER 2010; KOLK & LENFANT 2012; KOLK ET AL. 2014). From a more practical perspective, NAIROBI can be seen as a particularly interesting location to implement the BoP concept's inclusive business agenda, as the city incorporates the contrasting ends of the global income pyramid (see *Figure 10* in *Chapter 3.3.3*) in geographical proximity.

### **3.2.2 The Phenomenon of Slums**

Today, around 60 % of Sub-Saharan Africa's urban population and around one billion people worldwide are forced to live in slum areas (UN-HABITAT 2016).

"Slums are the most deprived and excluded form of informal settlements characterized by poverty" (UN-HABITAT 2015: 1). Informal settlements can be defined as "[residential] areas where housing is not in compliance with current planning and building regulations" (UNITED NATIONS 1997: 43). In slums, which are 'the most deprived and excluded form' of those residential areas, households lack at least one of the following: (1) access to improved drinking water; (2) access to improved sanitation facilities; (3) sufficient living area; (4) durable housing; and (5) secure tenure (UN-HABITAT 2015). Accordingly, slum dwellers suffer from related resource deprivations which characterise the phenomenon of poverty (see *Chapter 1.1*).

In more practical terms, slums are usually spatially segregated, large agglomerations of shacks or huts with a high population density in urban areas. Slum dwellers usually face living environments lacking in both basic infrastructure, such as workable roads, sewerage, power grids and water supply networks, and public services, such as legal security and protection, waste management, healthcare and educational services. Slum dwellings are often dilapidated and built in a makeshift manner using

construction materials such as corrugated iron, wood and clay. Families with multiple children share single-room dwellings with an average estimated size of around ten square meters (ANDVIG & BARASA 2014). Public toilets are shared by hundreds of people (CORBURN & KARANJA 2014). As a result of these conditions, “slum dwellers [...] are constantly exposed to eviction, disease and violence.” (UN-HABITAT 2015: 1).

### 3.2.3 The MATHARE Slums of NAIROBI

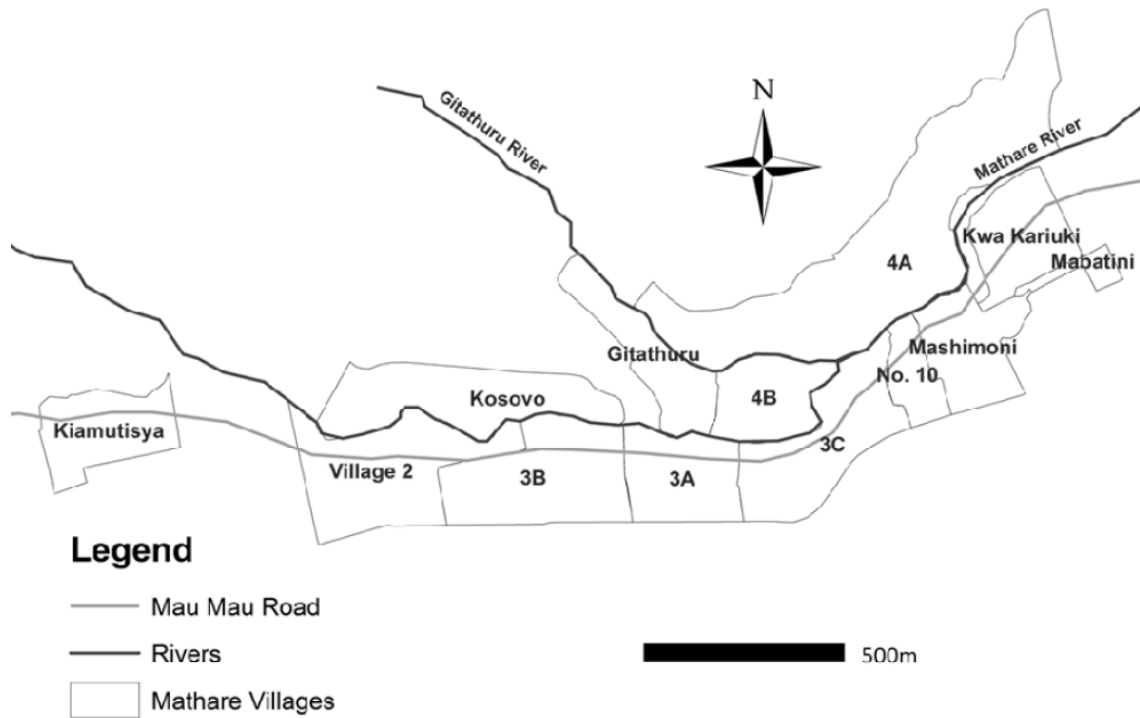
While NAIROBI is celebrated as Africa’s “Silicon Savannah” (an allusion to SAN FRANCISCO’S Silicon Valley) and is a hotspot for technology start-ups worldwide (e.g. DAVIES 2014), it is also a city of slums. Despite the fact that the slums cover only around 5 % of NAIROBI’S residential area, Kenya’s capital is home to over two million slum dwellers representing around 60 % of NAIROBI’S total population (AMNESTY INTERNATIONAL 2009; UN-HABITAT 2016).

There are approximately 135 named slums in NAIROBI (WANJIRU & MATSUBARA 2017). One of these slums is MATHARE.<sup>19</sup> The slum covers an area of approximately 0.88 square kilometres and is located around three kilometres to the north-east of NAIROBI’S Central Business District. MATHARE extends from west to east along two rivers, the MATHARE RIVER and the GITATHURU RIVER, and is bounded by two main highways, THIKA ROAD in the north and JUJA ROAD in the south. A major area of the slum is in a valley – the MATHARE VALLEY – which originated from stone quarrying during the British colonial period. The MATHARE slum is currently divided into 13 named sub-settlements, usually called ‘villages’ (CORBURN ET AL. 2012; WANJIRU & MATSUBARA 2017). These are: MASHIMONI, MABATINI, NO. 10 (KWA NYANGAU), VILLAGE 2 (KIANDURURU), KOSOVO (NEW MILLENIUM), 3A (BONDENI), 3B (KWA JOSPHAT), 3C, 4A (MANDERA), 4B (KWA GITUNGURU), GITATHURU, KIAMUTISYA and KWA KARIUKI.<sup>20</sup> Each village is further divided into sub-villages. *Figure 5* shows a cartographic map of the MATHARE slums and its villages.

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<sup>19</sup> The word ‘Mathare’ means the *Dracaena* plant in Kikuyu, the language of Kenya’s largest Bantu ethnic group (or tribe).

<sup>20</sup> Common alternative names of MATHARE’S villages are in brackets.



**Figure 5** Cartographic map of the MATHARE slums (WANJIRU & MATSUBARA 2017: 36).

The history of the slum dates from the 1920s, when the first residents settled in MATHARE (KARANJA & MAKAU 2009; WANJIRU & MATSUBARA 2017). Rapid growth of the settlement took place with the independence of Kenya in 1963 (AMNESTY INTERNATIONAL 2009). Today, the total population of Mathare is unknown (ibid.). Kenya’s official population and housing census from 2009 counted 80,309 inhabitants (CORBURN ET AL. 2012; see *Table 1*), but UN-HABITAT (2017) and non-governmental organisations (NGOs) regularly estimate that more than half a million people live in MATHARE. Scientific field research, however, renders both figures unrealistic and suggests a total population of approximately 200,000 people (CORBURN ET AL. 2012; ANDVIG & BARASA 2014; MKOJI 2014; WANJIRU & MATSUBARA 2017).

**Table 1** Kenya Population and Housing Census 2009 (CORBURN ET AL. 2012: 16, adapted).

<i>Village</i>	<i>No. of Residents</i>	<i>No. of Households</i>	<i>Area in Sq. km</i>
3A	4,059	1,530	0.0536
3B	7,433	2,681	0.0497
3C	5,316	1,925	0.0761
4A	18,776	5,627	0.2151
4B	5,681	1,810	0.0610
GITATHURU	3,737	1,241	0.0464
KIAMUTISYA	5,825	2,351	0.0540
KOSOVO	8,085	2,846	0.0835
KWA KARIUKI	5,290	1,878	0.0545
MABATINI	1,160	383	0.0380
MASHIMONI	4,478	1,692	0.0526
No. 10	2,594	994	0.0272
VILLAGE 2	7,875	2,854	0.0720
<b>Totals</b>	<b>80,309</b>	<b>27,812</b>	<b>0.8837</b>



**Figure 6** The MATHARE RIVER (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 7** A path in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).

### **3.2.4 Non-Formal Schooling in MATHARE**

It is estimated that more than 40 % of the total population of MATHARE are infants and children of primary school age (6-13 years) (CHENG & KARIITHI 2008; KARANJA & MAKAU 2009).<sup>21</sup> However, only three of Kenya's 18,000 public primary schools are located in MATHARE (CHENG & KARIITHI 2008; AMNESTY INTERNATIONAL 2009). These three governmental schools provide free primary education for around 3,100 children from MATHARE and have an average pupil-teacher ratio of more than 60:1 (CHENG & KARIITHI 2008). Classroom overcrowding and insufficient numbers of teaching staff affect the quality of the educational provision and are the result of chronic underfunding of public schools in slum areas (TOOLEY & DIXON 2005; DIXON 2012; IFC 2014).

To meet the demand for education, slum dwellers have established and operate their own primary schools. These schools are referred to by different names. In academic

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<sup>21</sup> The UN demographic data on the age structure of Kenya from the year 2015 shows that 41.4 % of the national population is under the age of 15 years (UNITED NATIONS 2019b). The population in slum areas can be expected to be even younger.



discourse, terms such as ‘low-cost private schools’ or ‘low-fee private schools’ are frequently used to describe these schools (e.g. DIXON 2012). Schools that are unregistered and, therefore, operate “below the radar” of the state authorities are often referred to as ‘unregistered schools’ or ‘unrecognised schools’ (DIXON 2012: 188). As they are small in scale, the schools are sometimes also called ‘micro schools’ (KNÜPPEL & GROß 2011). In Kenya, the national government usually referred to them as ‘complementary schools’ or ‘non-formal schools’ (MOEST 2015). Since the introduction of the APBET policy (Alternative Provision of Basic Education and Training) by Kenya’s MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY (MOEST) in 2009, the term ‘APBET’ has replaced the term ‘non-formal education’ and the term ‘APBET school’ has replaced the term ‘non-formal school’ (ibid.). While the term ‘non-formal education’ describes systematic and intentional education activities which do not comply with, or are not tied to, the current educational regulations (COOMBS & AHMED 1974)<sup>22</sup>, the APBET policy aims to set separate regulations for schools in the slums. Nonetheless, the former term, ‘non-formal school’, is still widely used. Although the non-formal schools in MATHARE do not comply with all the educational regulations – such as the requirements for schools to have their own toilets and spacious playgrounds – they usually follow the national basic educational curriculum of the KICD (KENYA INSTITUTE FOR CURRICULUM DEVELOPMENT) and administer KCPE (KENYA CERTIFICATE OF PRIMARY EDUCATION) exams set by the KNEC (KENYA NATIONAL EXAMINATION COUNCIL) at the end of Class Eight.<sup>23</sup> As well as their primary education services, most non-formal schools also provide early childhood education for pre-primary school aged children (CHENG & KARIITHI 2008; DIGNITAS 2012).

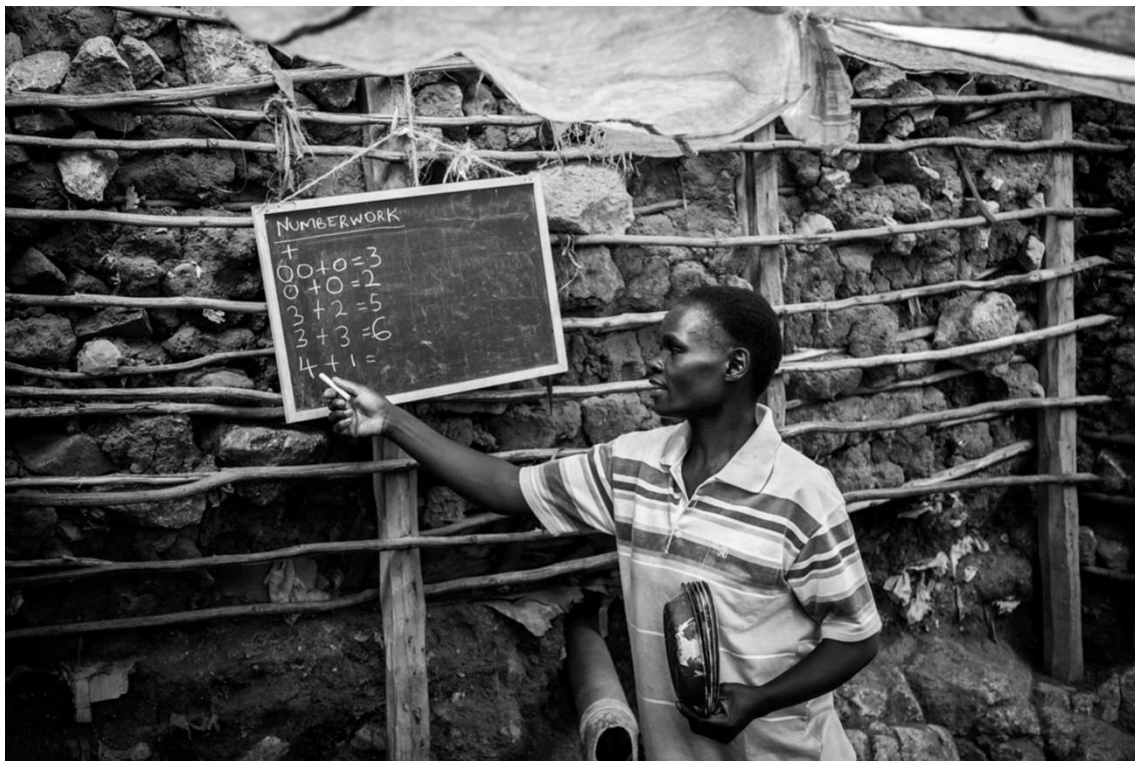
The total number of non-formal schools in MATHARE is unknown. Probably one of MATHARE’S only comprehensive school censuses was conducted by the DIGNITAS

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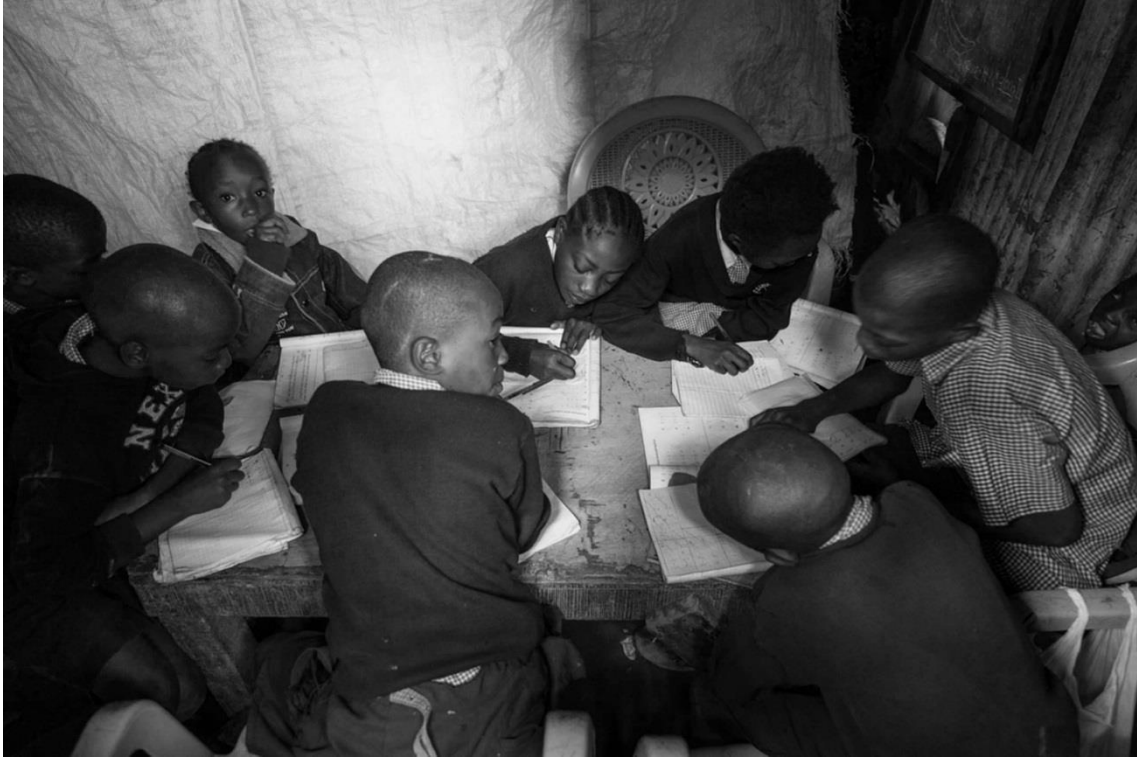
<sup>22</sup> Non-formal education can be distinguished from formal and informal education (COOMBS & AHMED 1974). In contrast to the definition of non-formal education above, formal education describes systematic and intentional education activities which comply with the current educational regulations (ibid.). Informal education, in turn, describes unsystematic and non-intentional education activities which occur spontaneously from everyday experiences (ibid.).

<sup>23</sup> However, fundamental changes can be expected by 2027 at the latest, when Kenya’s 8-4-4 curriculum framework is due to be replaced by a new 2-6-6-3 curriculum framework (KICD 2018).

project – by Harvard education scientist TIFFANY CHENG NYAGGAH – in 2012. Based on their census data, CHENG ET AL. list 85 non-formal schools (DIGNITAS 2012). These schools are located in the following villages of MATHARE: VILLAGE 2 (5 schools), 3B (7), 3A (4), 3C (4), No. 10 (9), 4A (27), 4B (14), KOSOVO (6) and MABATINI (9). The schools enrolled 189 students each on average, making a total of around 16,000 students (ibid.). The pupil roll ranged from 15 to more than 800 students (ibid.). Seven teachers per school were employed on average, while the numbers of teaching staff ranged from one (usually the school founder) to twenty-five teachers (ibid.). The mean average age of the schools was around seven years, with the oldest school founded as far back as 1981 (ibid.). While the DIGNITAS census may still provide the best available data on MATHARE’S non-formal schools, it must be considered as incomplete. This is because the consensus data was not collected from the entire slum but only from a sample of its villages. Furthermore, regular school censuses would be necessary to record given changes over time.



**Figure 8** Teacher at the blackboard in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETTA BOLAN).



**Figure 9** Group of students learning in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETTO BOLAN).

### **3.3 THEORETICAL BACKGROUND**

#### **3.3.1 Preliminary Remarks**

In order to examine the non-formal schools in MATHARE based on a well-founded theoretical approach, the following chapter outlines JASON FAIRBOURNE ET AL.'S concept of microfranchising (and its specific manifestation as bottom-up franchising) from its underlying theoretical foundation. This approach demonstrates how the concept of bottom-up franchising can be derived from C.K. PRAHALAD'S BoP concept, and how the latter concept, in turn, can be derived from JOSEPH SCHUMPETER'S Theory of Economic Development.

#### **3.3.2 JOSEPH SCHUMPETER'S *Theory of Economic Development***

In the history of modern economics, different schools of economic thought have created different theories of economic development. Since the late 19<sup>th</sup> century, one of the most

influential schools of economic thought has been and still is *neoclassical economics*. In neoclassical economics, *economic growth* is assumed to be the conceptual equivalent of economic development; theories of economic growth are considered, by the same token, to be theories of economic development (BRINKMAN 1995). Thereby, neoclassical theories define economic growth as an increase in the amount of production outputs. This production increase is perceived as desirable because it leads – at least in the long run – to the creation of greater wealth, which is defined as the amount of accumulated goods. Economic growth itself is explained by increases in: (1) the amount; and/or (2) the efficiency of the input factors of production, i.e. labour and capital. Growth caused by an increase in the amount of input factors used is, thereby, termed *extensive* growth. Growth caused by the more efficient use of input factors is called *intensive* growth. Since neoclassical economics argues that the allocation pattern of the *market* leads to production efficiency, free trade is considered as the most effective driver for intensive growth (MEIER 1994). However, neoclassical theories fail to explain aspects of economic growth that cannot be traced back to an increase in the production factors or improved implementation of the market pattern. The unexplained residual is considered to result from the exogenous ‘black box’ of *technological progress* (SCOTT 1989). Technological progress itself cannot be explained because of the static, macroeconomic equilibrium ideal on which neoclassical theories are based.

The Austrian economist JOSEPH ALOIS SCHUMPETER (1883-1950) countered this equilibrium ideal by his idea of dynamic, *innovation-based* growth, which became known as SCHUMPETERIAN growth. The theoretical starting point for SCHUMPETER’S economic thought was his early 1911 work, *The Theory of Economic Development*. In this work, SCHUMPETER [1911] 1949: 215) set out to describe “the form economic development takes in the era of capitalism”. At the core of this work lies SCHUMPETER’S “concept of combinations” (ibid.: 15), which he introduced as follows:

“[...] to produce means to combine the things and forces within our reach. Every method of production signifies some such definite combination. Different methods of production can only be distinguished by the manner of the combination, that is either by the objects combined or by the relation between their quantities. Every concrete act of production embodies for us, is for us, such a combination. This concept may be extended even to transportation and so forth, in short that is production in the widest sense. An enterprise as such and even the productive conditions of the whole economic system we shall regard

as ‘combinations.’ This concept plays a considerable part in our analysis.” (SCHUMPETER [1911] 1949: 14)

For SCHUMPETER, therefore, production processes of any kind, their conditions and their enterprises are *combinations of objects*. On that basis, SCHUMPETER introduces the term “innovation” to describe “the carrying out of *new combinations*”, whereby new combinations differ qualitatively from the old ones (ibid.: passim, own italics). Furthermore, SCHUMPETER also emphasises the distinction between an *innovation* and an “economically irrelevant” *invention*, i.e. a new combination that is “not [yet] carried into practice” (ibid.: 88). In this sense, an innovation can be said to be the economic application – the commercialisation – of an invention. Concerning the question *how* a new combination can be carried out in practice, SCHUMPETER distinguishes five different ways:

- “(1) The introduction of a new good – that is one with which consumers are not yet familiar – or a new quality of a good.
- (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.
- (3) The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- (4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.
- (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position.” (SCHUMPETER [1911] 1949: 66)

In contemporary innovation research, the five SCHUMPETERIAN innovation types are frequently referred to as: (1) product innovation; (2) process innovation; (3) market innovation; (4) supply chain innovation; and (5) organisational innovation (see e.g. LAZZAROTTI ET AL. 2011; BAUNSGAARD & CLEGG 2015).

Crucial for SCHUMPETER’S Theory of Economic Development is also the question of *who* actually carries out new combinations. To name the “promoter” of new combinations, SCHUMPETER introduced the role of the *entrepreneur* (SCHUMPETER [1911]

1949: 78, 137-138). His or her function is *entrepreneurship*, i.e. a ‘combinatory’ activity involving innovation. The fulfilment of this entrepreneurial function is what distinguishes the entrepreneur from an administrative trustee (manager) or owner of a business *per se* (ibid.: 45-46). Moreover, SCHUMPETER would later argue that only a small group of elites – a minority of extraordinarily talented people – can become entrepreneurs (HEILBRONER [1953] 1999). Against this backdrop, SCHUMPETER’S functional definition of the entrepreneur should also be distinguished from other behavioural definitions of the entrepreneur which, in their simplest form, “call individuals who start their own businesses entrepreneurs” (BHIDÉ 2003: 25, italics in original removed; see also STEVENSON 1983).

For SCHUMPETER, the prime motivator for the entrepreneur is profit; the entrepreneur innovates to earn a monetary return. The entrepreneur’s monetary surplus over and above costs is only temporary and results from a monopoly-like market position that he or she occupies due to his or her innovation. The surplus decreases over time as competitors imitate the new combination. Consequently, SCHUMPETER asserts that profit can only be generated in an imperfect competition, which – in contrast to neoclassical economics – he believes is the rule rather than the exception (SCHUMPETER [1942] 2003: 78).

Since SCHUMPETER (1923: 105) describes profit as “the premium put upon successful innovation”, the question can be asked what characterises the success of an innovation from his point of view. The answer to this question lies in a process that SCHUMPETER would famously call, in his late 1942 work *Capitalism, Socialism and Democracy*, “creative destruction” (SCHUMPETER [1942] 2003: 81 ff.). The process of creative destruction describes how successful innovations render old combinations obsolete. In other words, an innovation is successful if it leads to technological progress by forcing all competitors to adopt the new combination and, in so doing, scales across the entire economic system. Hence, the success of an innovation can be measured by the scale it reaches. SCHUMPETER’S concept of creative destruction continues to gain prominence in contemporary innovation research under the mantle of CHRISTENSEN’S (1997) concept of disruptive innovation (PRIDDAT 2017).

As well as the concept of creative destruction, SCHUMPETER made a second substantial addition to his economic development theory in *Capitalism, Socialism and*

*Democracy*: his hypothesis that large firm size is more advantageous to innovation (MCCRAW 2007: 640).<sup>24</sup> The hypothesis became widely known as the “SCHUMPETER hypothesis” (ibid., own emphasis). In this hypothesis, SCHUMPETER turns away from his focus on the entrepreneur as an individual person in favour of an ideal of “depersonalized” large-scale corporations (SCHUMPETER [1942] 2003: 133).

Based on these perspectives, SCHUMPETER ultimately describes the interplay between economic development and economic growth as follows. Firstly, he equates economic development with innovation, claiming: “Development in our sense is then defined by the carrying out of new combinations.” (SCHUMPETER [1911] 1949: 66). Secondly, he makes it clear that he believes development is not the same as growth (ibid.: 63). For SCHUMPETER, economic growth can be defined as in neoclassical economics, but its theoretical explanation must also endogenise “entrepreneurship as a factor of economic growth” (SCHUMPETER 1947: 8). Thereby, SCHUMPETER argues that successful innovation promoted by entrepreneurs is the undetected driver of technological progress, which increases the growth-determining total factor productivity (AGHION & HOWITT 1992). In the final analysis, growth does not necessarily require innovation, but innovation tends to induce growth. As a logical conclusion, it follows that growth without development is possible, but development is impossible without growth. In other words, only innovation-based growth involves economic development; production processes should, therefore, focus on innovation-based growth (SCHUMPETERIAN growth).

Since the 1980s, the heritage of SCHUMPETER’S Theory of Economic Development has gained growing prominence in modern economics (SABMANNSHAUSEN 2012). In “the Age of SCHUMPETER” (GIERSCH 1984, own emphasis), SCHUMPETERIAN growth models became dominant in macroeconomics, entrepreneurship research emerged as a distinct field of scientific study, and modern innovation economics – which was

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<sup>24</sup> The hypothesis is attributed to a number of statements made by SCHUMPETER in *Capitalism, Socialism and Democracy*. SCHUMPETER wrote, for example: “[I]t is not sufficient to argue that [...] the large-scale establishment or unit of control must be accepted as a necessary evil inseparable from the economic progress which it is prevented from sabotaging by the forces inherent in its productive apparatus. What we have got to accept is that it has come to be the most powerful engine of that progress and in particular of the long-run expansion of total output not only in spite of, but to a considerable extent through, this strategy which looks so restrictive when viewed in the individual case and from the individual point of time.” (SCHUMPETER [1942] 2003: 106).

largely built on the legacy of SCHUMPETER'S thinking – set out to become one of the 21<sup>st</sup> century's most notable schools of economic thought (TERZIC 2018). The following section examines more closely a recent offshoot of SCHUMPETER'S economic thought, which devotes itself to poverty alleviation by means of entrepreneurship, innovation and SCHUMPETERIAN growth: C. K. PRAHALAD'S *concept of the fortune at the bottom of the pyramid*.

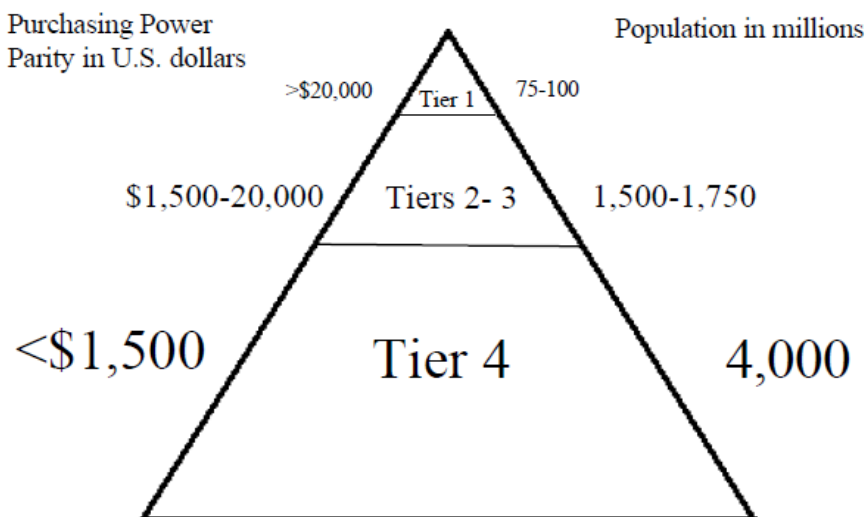
### **3.3.3 C. K. PRAHALAD'S *Fortune at the Bottom of the Pyramid***

In the history of modern economics, theories of economic development have regularly been connected with development policy agendas attempting to put theory into practice. *Poverty alleviation* has often been a major concern of such development policies. In the post-World War II era, international development agendas have been largely influenced by the so-called 'KEYNESIAN consensus' (O'CONNOR 2001), which was based on the economic thought of JOHN MAYNARD KEYNES (1883-1946). Poverty alleviation efforts in that era focused on full employment, wage and price controls, as well as income redistribution by means of a generous welfare state (TOYE 2006). The vilification of the KEYNESIAN consensus in the 1970s as a "dirigiste dogma" that paternalises and patronises the poor, gave rise to the so-called 'WASHINGTON consensus' (LAL [1983] 2002: 39). The WASHINGTON consensus – a political reform development agenda established by the WORLD BANK, the INTERNATIONAL MONETARY FUND (IMF) and the U.S. DEPARTMENT OF THE TREASURY (USDT) in the 1980s – was broadly based on neoclassical theories. In consequence, it promoted poverty alleviation by means of economic growth or, more precisely, by means of growth-enhancing global free trade (WILLIAMSON 1993). Thereby, economic growth was – and still is – assumed to alleviate poverty because an increase in production outputs inevitably leads to an increase in households' average purchasing power. However, the empirical data on global poverty at the end of the 1990s provoked increasing scepticism about whether the WASHINGTON consensus in its original form could produce the desired results in terms of poverty alleviation. Finally, calls to adjust the consensus suggested taking SCHUMPETER'S Theory of Economic Development into consideration (see RODRIK 2006; WILLIAMSON 2008). In that context, in 1998 U.S. economist C. K. PRAHALAD (1941-2010) proposed his influential concept *The Fortune at*



*the Bottom of the Pyramid*, known as the *BoP* concept (PRAHALAD & LIEBERTHAL 1998; PRAHALAD & HART 1999) and stressed “the idea of large-scale entrepreneurship as a possible solution to poverty” (PRAHALAD [2004] 2005: xi; see also HART ET AL. 2016: 403).

PRAHALAD draws on the demographic description of the world’s population as a pyramid with a very small high-income population at the top and a much larger poor population at the bottom. As illustrated in *Figure 10*, when PRAHALAD introduced his concept, there were around 75 to 100 million people with an annual income above PPP US\$ 20,000 at the top of the pyramid (Tier 1), around 1,500 to 1,750 million people with an annual income of between PPP US\$ 1,500 and 20,000 in the middle of the pyramid (Tier 2-3), and around four billion poor people with an annual income of less than PPP US\$ 1,500 at the base/bottom of the pyramid (Tier 4).<sup>25</sup> PRAHALAD points out that the aggregated purchasing power at the base of the pyramid (Tier 4) is likely to be as high as, or even higher than, the aggregated purchasing power in the middle of the pyramid (Tier 2-3).



**Figure 10** The Global Income Pyramid (PRAHALAD & HART 1999: 4).<sup>26</sup>

<sup>25</sup> Please note that the income threshold used by PRAHALAD to identify the base of the pyramid differs from the international poverty line used by the UNITED NATIONS and the WORLD BANK (see *Chapter 1.1*).

<sup>26</sup> In their figure, PRAHALAD & HART refer to a purchasing power parity (PPP) per capita income in US\$ per annum.

Consequently, “Tier 4 [the base of the pyramid] represents a multitrillion-dollar market” that is largely untapped and continuously growing (PRAHALAD & HART 2002: 2). Given the massive market potential at the base of the pyramid, PRAHALAD suggests that businesses can profit not only from serving a small number of rich people at high margins, but also from serving a much greater number of poor people at lower margins (PRAHALAD & LIEBERTHAL 1998; PRAHALAD & HART 1999, 2002; PRAHALAD [2004] 2005). In other words, PRAHALAD maintains that base of the pyramid markets are profitable markets if penetrated on a large scale.

However, PRAHALAD’S concept goes beyond demonstrating the possibility for profit generation at the base of the pyramid; it aims for a win-win scenario in which profitability and poverty alleviation go hand in hand (PRAHALAD [2004] 2005). For this purpose, PRAHALAD created “the idea of alleviating poverty through capitalism-for-the-poor” (WOODWORTH 2007: 88). The base of the pyramid is here identified as “the population of the world that is generally excluded from the current system of global capitalism” (LONDON & HART 2011: 8, italics in original removed). Businesses targeting the base of the pyramid would include the poor populations in the global supply and value chains of capitalist markets (e.g. UNDP 2008; LONDON & HART 2011; CASADO CAÑEQUE & HART 2015). Thereby, they would alleviate poverty by serving the ‘underserved’ poor with affordable economic goods to satisfy basic human needs (ibid.). In doing so, they would promote “inclusive capitalism” (PRAHALD & HART 2002: 2) and “inclusive globalization” (PRAHALAD [2004] 2005: 5). For that reason, businesses targeting the base of the pyramid became commonly referred to as *inclusive businesses*, i.e. businesses that alleviate poverty by including the base of the pyramid in the markets of global capitalism (e.g. UNDP 2008; LONDON & HART 2011; CASADO CAÑEQUE & HART 2015). Concerning the question of how inclusive businesses should operate in order to achieve their objective, the BoP concept emphasises that “[i]nnovation across the board is an imperative to serve the bottom of the pyramid” (PRAHALAD & HART 1999: 8). Such innovation would be obliged to consider issues of affordability in order to reach the low-income customers at the base of the pyramid (PRAHALAD [2004] 2005). In the end, “[t]he [market] potential at the bottom of the pyramid cannot be realized without [such] an entrepreneurial orientation” (PRAHALAD & HART 1999: 8). Taking into account the fact that SCHUMPETER identified entrepreneurship as a factor of economic growth, the BoP

concept finally merged with the concept of *inclusive growth* – offering the goal of marrying economic growth with poverty alleviation (UNDP 2008; GEORGE ET AL. 2012; HALL ET AL. 2012; HART ET AL. 2016).

In terms of possible challenges that could arise in the practical application of the BoP concept, PRAHALAD ([2004] 2005) stresses the need for *strong institutions* to support the efficiency of market interactions at the base of the pyramid. In general terms, “[i]nstitutions are the humanly devised constraints that structure political, economic and social interaction” (NORTH 1991: 97).

“Institutions have an essential role in a market economy to support the effective functioning of the market mechanism, such that firms and individuals can engage in market transactions without incurring undue costs or risks (North, 1990; Peng, 2008). These institutions include, for example, the legal framework and its enforcement, property rights, information systems, and regulatory regimes. We consider institutional arrangements to be ‘strong’ if they support ... an effective market mechanism. Conversely, we refer to institutions as ‘weak’ if they fail to ensure effective markets or even undermine markets” (MEYER ET AL. 2009: 63).

Considering this differentiation between ‘strong’ and ‘weak’ institutions, the “institutions within BOP [base of the pyramid] markets are generally considered [...] as ‘weak’” (KISTRUCK ET AL. 2015: 438; see also KISTRUCK ET AL. 2011; 2013). Consequently, PRAHALAD ([2004] 2005) emphasised the need to build institutional capacity in base of the pyramid markets. This should include the capacity to create market transparency, to protect property rights and to enforce commercial contracts. Such institutional capacity would eliminate uncertainties and risks in market transactions (ibid.). In doing so, market transaction costs would be reduced, leading to an increase in the efficiency of market interactions (ibid.). To build such institutional capacity, an institutional reconfiguration of base of the pyramid markets would be necessary. This reconfiguration could not be induced from the top of the pyramid – it would have to rise from the base of the pyramid itself (see PRAHALAD & HART 1999). Consequently, poverty research has increasingly stressed the necessity of *bottom-up approaches*, which – in contrast to top-down approaches – emphasise the active participation of the inclusive businesses’ stakeholders at the base of the pyramid and assign them higher degrees of responsibility in terms of the reconfiguration of the local institutional order. Ultimately, the poor are no longer merely addressed by inclusive businesses as recipients but are also considered as co-

creators (SIMANIS & HART 2008; LONDON & HART 2011; KOLK ET AL. 2014; CASADO CAÑEQUE & HART 2015).

### 3.3.4 JASON FAIRBOURNE ET AL.'S *Microfranchising*

One of the most notable manifestations at the base of the pyramid is the myriad of *microenterprises* operating in the empty spaces left by the absence of markets of global capitalism (MAX-NEEF ET AL. [1986] 1989: 62). In response to the question why so many entrepreneurs at the base of the pyramid keep their enterprises on a 'micro' scale, i.e. at a very small operational scale, the argument is regularly made that they lack the opportunities to reinvest profits to expand their businesses (BURAND & KOCH 2010: 24). Furthermore, it is assumed that "microentrepreneur[s] [at the base of the pyramid] may fear that a larger enterprise [...] will demand more entrepreneurial expertise and skills than the microentrepreneur currently commands" (ibid.).

Having identified the microentrepreneurs at the base of the pyramid as an attractive customer segment to be served by inclusive businesses, a number of business-to-business (B2B) innovations have been introduced to base of the pyramid markets on a large scale. Probably one of the best-known is still the *microcredit*. Nobel laureate MUHAMMAD YUNUS and his GRAMEEN BANK developed this approach of providing small loans to people at the base of the pyramid in the early 1970s. Since then, billions of microcredits have enabled nascent and operating microentrepreneurs at the base of the pyramid to start or expand their own microbusinesses. Unfortunately, most of these small-scale businesses did not manage to scale up, or even failed, in the early years of their existence. This caused poverty researchers to pose the question: "What good is a loan if a person can't use it effectively?" (WOODWORTH 2007: 93-4). Consequently, poverty research has called more recently for innovations to enable microentrepreneurs at the base of the pyramid to start microbusinesses and run them effectively (ibid.). This is where *microfranchising* comes in.

The concept of microfranchising was established in poverty research by the U.S. economists JASON FAIRBOURNE, STEPHEN W. GIBSON and W. GIBB DYER, who have discussed it in a number of publications since 2005 (see e.g. GIBSON & FAIRBOURNE 2005; FAIRBOURNE 2006; FAIRBOURNE ET AL. 2007). In his 2006 paper, *Microfranchising*,

FAIRBOURNE explains how microfranchising draws on the traditional concept of franchising and how the latter needs to be adapted for base of the pyramid markets. He defines microfranchising as follows:

“Let’s define microfranchising by dissecting the term into two sections: micro and franchising. The *micro* in microfranchising refers to the social aspect of assisting the poor at the base of the economic pyramid. The franchising in microfranchising refers to the systematization and replication of enterprises. . . . Simply put, microfranchising is the systematization and replication of microenterprises with the intent to alleviate poverty.”

(FAIRBOURNE 2006: 19).

FAIRBOURNE suggests that microfranchising is the systematisation and replication of microbusinesses at the base of the pyramid with the aim of poverty alleviation. To discuss this systematisation and replication in greater detail, a closer examination of the traditional concept of franchising is necessary. Here, *systematisation* means “paying close attention to each and every aspect of a business until it is a turn-key operation” (FAIRBOURNE 2007: 9). In other words, systematisation involves the creation of a standardised operational system that serves as a turn-key business model – a ‘business-in-a-box’ solution (Kistruck et al. 2011). *Replication* means a systematic way of upscaling in which the privilege to use this turn-key business model under a common brand is granted to other businesses. This privilege usually covers the licensing of intellectual property rights, such as trademarks. Businesses franchised in this manner, i.e. businesses operating autonomously but under the branded and standardised business model, are called the *franchisees*. The enterprise that conducts the systematisation and replication and subsequently monitors the franchisees’ compliance with set operational standards is called the *franchisor*.

In the context of microfranchising, the franchisees are microenterprises at the base of the pyramid, while the franchisor can be viewed as an inclusive business in the sense of PRAHALAD’S BoP concept (SUNANDA 2016). In accordance with the BoP concept, microfranchising should benefit both parties. First and foremost, the microfranchisees are empowered to run their businesses more successfully due to the microfranchises’ key performance drivers of *standardisation* and *branding* (KISTRUCK ET AL. 2011). The standardisation of business operations supports the microentrepreneurs with economies of scale within the franchise network, and also reduces their individual entrepreneurial

risks (FAIRBOURNE ET AL. 2007). The common branding allows customers at the base of the pyramid to distinguish the microfranchisees from other market participants, decreases customers' uncertainty about what to expect and, finally, generates trustful customer ties (see KISTRUCK ET AL. 2011). Overall, "it is the intention, [...] to move these [microfranchised] enterprises toward the mainstream economy [of global capitalism]" (HENRIQUES & HERR 2007: 63). The benefit for the inclusive business is generally a franchise fee from the microfranchisees, which generates profit. As the franchise fee per microfranchisee will be low, for reasons of affordability, a large-scale microfranchise network is deemed necessary in order to make a profitable case (see also *Chapter 3.3.3*).

Although "microfranchising has been championed as a model for scaling poverty alleviation efforts in BOP [base of the pyramid] markets", empirical field research has, however, demonstrated that the anticipated benefits of microfranchising are regularly not realised (KISTRUCK ET AL. 2011: 525). This is supposedly because microfranchises' performance drivers are significantly affected by the weak institutions of base of the pyramid markets (ibid.: passim). More precisely, the lack of market transparency, property rights protection and contract enforceability at the base of the pyramid undermines the ability of microfranchises to standardise operations, capitalise on a common brand, and establish monitoring mechanisms (ibid.). To deal with such institutional challenges, it was proposed that the concept of microfranchising should undergo adaptations in line with PRAHALAD'S emphasis on the need of bottom-up approaches to institutional capacity building (see KISTRUCK ET AL. 2011). These considerations gave rise to the concept of *bottom-up franchising* (HENRIQUES & HERR 2007; MUNOZ ET AL. 2010; see also KISTRUCK ET AL. 2011; LAWSON-LARTEGO 2016). While microfranchising was originally conceptualised by FAIRBOURNE ET AL. in line with the top-down approach of traditional franchising, in which the franchisor is supposed to create and provide a turn-key business model, bottom-up franchising lets the microfranchisees themselves co-create their common operational system based on collective decision making (see ibid.; see also HENDRIKSE & WINDSPERGER 2012). In the latter process, the microfranchisees establish the operational standards and capitalise on the common brand of the microfranchise system more self-reliantly, and monitor each other in a mutual manner ('peer monitoring'). In short, the microfranchisees become co-franchisors. This may, however, give rise to further constraints and unintended

consequences of bottom-up franchising. As analysed by HENRIQUES & HERR (2007), greater autonomy of the microfranchisees can lead to a slower evolution of a branded and standardised operational system compared to the traditional top-down franchising model and may require one or more lead entrepreneurs among the microfranchisees who can convince others to join forces.

## **3.4 METHOD**

### **3.4.1 The Appropriateness of the Methodology of Barefoot Economics**

The *appropriateness of methods* is regularly regarded as a major quality criterion of empirical social research (FLICK 2009). The research method of this scientific study has been derived from the principles of barefoot economics, as described in *Chapter 2*. Considering the research question of why bottom-up franchises are rarely observed at the base of the pyramid, a barefoot economic approach seems particularly appropriate in order to answer the posed ‘why question’ not by a positivist testing of hypotheses to identify possible causal links between economic phenomena, but rather by a phenomenological understanding of the phenomena which appear to the slum dwellers in their lived experience. This approach identifies the reasons why the slum dwellers behave in the ways they do.

The phenomenological method of epoché generally intends to ‘go to the things themselves’, by identifying and eliminating preconceptions of the scientist. Consequently, barefoot economics enables the cognitive biases of the researcher induced by the usage of a certain scientific language to be overcome. The elimination of bias is particularly significant in “studies involving strongly normative and sensitive issues such as poverty alleviation” (KISTRUCK ET AL. 2011: 507). From a barefoot economic perspective, ex-ante hypotheses as proposed by the methodology of positive economics inevitably fail to eliminate researcher bias since they are necessarily well-formulated in a preconceived language commonly accepted in the researcher’s scientific community. For the same reason, barefoot economic research does not aim to “categorize and codify others’ experience in terms of [one’s] own already existing frameworks and concepts”

(IMAS ET AL. 2012: 570). Instead, barefoot economics proposes to prune one's own language and gain own lived experiences.

### 3.4.2 The Method of Linguistic Pruning

With his barefoot economic 'orchard' method, MAX-NEEF proposes the methodological pruning of language focusing on those key words which may distort the perception of relevant phenomena by creating bias in terms of preconceptions. The method has already been described in *Chapter 2.3.2*.

With respect to the practical application of the orchard method in scientific research, it should be noted that the pruned words must relate to the *terminology used within the scientific discourse prevailing in the linguistic community of the researcher* (MAX-NEEF [1982] 1992, [1988] 1991a, [1989] 1991b, 2009; SMITH & MAX-NEEF 2011). In this context, the *concept of discourse* (FOUCAULT [1969] 1972; LYOTARD [1979] 1984; HABERMAS 1981) becomes relevant. Contemporary conceptualisations of the notion of 'discourse' originate from 20<sup>th</sup> century's linguistic turn in philosophy (RHEES 1998; compare *Chapter 2.1 and Chapter 2.3*). Against this background, a variety of definitions has emerged (POTTER ET AL. 1990). In this study, discourse is defined in general terms as a particular way of thinking or worldview expressed by common language (see also POTTER ET AL. 1990; LACLAU & MOUFFE 2001). In his barefoot economic research during the 1970s, MAX-NEEF identified the dominant discourse of his academic community as the "development discourse" (MAX-NEEF ET AL. [1986] 1989: 45; see also MAX-NEEF [1982] 1992; 2009), which aimed at a modernisation of underdeveloped countries following the example of developed industrial nations within an institutional framework of good governance regimes (MOORE & SCHMITZ 1995). Consequently, "[MAX-NEEF] chose to prune from [his] language the following words: *development, economic growth, efficiency and productivity*. In addition to these words, such conventional economic indicators as *Gross National Product* and its offspring were also pruned" (MAX-NEEF [1988] 1991a: 100, own italics).

In general, the vocabulary of scientific discourses allows the researcher to perceive relevant phenomena according to commonly accepted ideas. This, however, conflicts with the aim of gaining phenomenological understanding as described in *Chapter 2.3.1*



and *Chapter 2.3.2*. Barefoot economics proposes pruning the commonly used scientific terminology in the process of data collection, preparation and analysis, and returning to the pre-pruned language afterwards. It should be noted that the pruning of key terminology within the practice of barefoot economic research not only involves the effort of not using related terms as communication tools, but also implies the attempt to free one's own thought from scientific preconceptions by not thinking *in* these terms. Whenever the pruned words are referred to in the course of the research process, this is done to think *about* these terms in the sense of a meta-cognitive reflection (self-examination, introspection).

### **3.4.3 The Method of Real-World Experimentation**

Barefoot economics by its nature involves lived experience (see *Chapter 2*). This lived experience of the phenomena that are intended to be understood can take place within project-based, empirical fieldwork (see MAX-NEEF [1982] 1992). Methodologically, this kind of field research can be described by the scientific method of real-world experimentation (e.g. GROB ET AL. 2005).

*Real-world experiments* as a promising method within barefoot economics are diametrically opposed to *lab-in-the-field experiments* and, especially, to *randomised controlled trials (RCTs)* which constitute the methodological gold standard of positive economics (BANERJEE ET AL. 2019; see also LABROUSSE 2016a). While real-world experiments and lab-in-the-field experiments can both be viewed as methods of *field experimentation*, there are significant differences between them.

Commonly, experimentation can be described as a research method involving an empirical intervention stimulus, usually induced by the researcher. If the intervention takes place within an artificially engineered research setting, the experiment is referred to as a *laboratory experiment*. If the intervention takes place within a research setting that is basically a pre-existing natural environment, the experiment is referred to as a *field experiment*. Since the research setting of an experiment constitutes the boundary conditions of its intervention (GROB ET AL. 2005), field experiments are generally distinguished from laboratory experiments by their lesser control of the intervention-related boundary conditions. However, the degree of control of the boundary conditions

still varies significantly between different types of field experiments. Thereby, the extent of the effort to control the boundary conditions in the field regularly depends on the objective of the field experiment (KLEINING 1986; KLEINING & WITT 2000, 2001). Generally, *inspective* field experiments, aiming to test hypotheses, require a higher degree of control than *explorative* field experiments, which aim to reveal unexpected discoveries (KLEINING & WITT 2001).

RCTs can be characterised as inspective field experiments in line with positive economics' objective of hypothesis testing to achieve accurate predictions (LABROUSSE 2016a; see also BANERJEE & DUFLO 2011; BANERJEE ET AL. 2019). Based on the positivist ideal of scientific value-freedom and objectivity, large quantitative data sets are collected which allow for the falsification of hypotheses by means of mathematical-statistical analyses (ibid.). Furthermore, the boundary conditions of interventions attempt to control as many variables as possible in order to eliminate confounding factors that may interfere with the hypothesis testing. Thereby, the boundary conditions are typically controlled by randomising the experiment participants into treatment and control groups (ibid.) and, in some cases, by additional pre-post-measurements (see DIEKMANN 2014). RCTs are referred to as lab-in-the-field experiments because their intention is to create laboratory-like conditions in the field.

Real-world experiments, on the other hand, work with situation-specific boundary conditions rather than controlled ones, and have explorative objectives rather than inspective ones (see GROB ET AL. 2005). In barefoot economics, the objective is an exploration of the essence or meaning of poverty-related phenomena. Furthermore, the interventions of real-world experiments are not predetermined treatments of experiment participants as in the case of RCTs. The intervention of a real-world experiment can, in contrast, be described as the performance of heuristic 'trial-and-error' actions regarding a certain task, conducted by a project team of scientists and practitioners over an extended period of years (GROB ET AL. 2005; WANNER ET AL. 2018). During that period, researchers are obliged to 'live through' the relevant phenomena of their research. The research settings for real-world experiments are provided by what are called '*real-world lab projects*' (SCHNEIDEWIND ET AL. 2016a; 2018; WANNER ET AL. 2018; ROSE ET AL. 2019). Within these projects, a project team of scientists and practitioners under the joint leadership of both parties is formed and institutionalised, funds are procured, and

intervention activities are planned, conducted, documented and evaluated (SCHNEIDEWIND ET AL. 2018; WANNER ET AL. 2018; ROSE ET AL. 2019).

### **3.4.4 The MPITO Project**

#### **3.4.4.1 Setting and Design**

The MPITO project was designed as a real-world lab project in order to conduct a real-world experiment on bottom-up franchising in the non-formal education sector of the MATHARE slums over several years.<sup>27</sup> The project was based on a three-month preparatory field research study carried out in MATHARE in 2012-2013, which analysed the business models of the local non-formal schools (see *Chapter 3.2.4*). The MPITO project began its work by planning the intended bottom-up franchise experiment in early 2014. An interdisciplinary German-Kenyan project team was formed, comprising of around twenty academics and practitioners from the fields of economics, sociology, pedagogy, law and politics, finance and accounting, business administration, community development, social work, informatics, art and design, etc., who volunteered between 2014 and 2020. Initially, the project team worked without any financial budget. To procure funds, a non-profit legal entity, named the MPITO GROUP, was founded by the project team at the end of 2015. Subsequently, the project operated with a small annual budget, amounting to around US\$ 3,000 in 2016 and 2017 and around US\$ 7,000 in 2018 and 2019.<sup>28</sup> In 2016, the project appointed one salaried employee in MATHARE and in mid-2018 this increased to three Kenyan employees.

In 2014, an initial project plan was written setting out the basic features of the intended bottom-up franchise experiment and ‘MPITO’ was designed to become the common brand under which the microfranchised schools would operate. To ensure the participating schools shared a standardised visual appearance, a professional corporate design and related guidelines were created (see *Appendix B*). There was also the intention

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<sup>27</sup> The word ‘mpito’ means ‘transition’ in Kiswahili, the Bantu language which serves as Kenya’s national language.

<sup>28</sup> The administrative and fundraising costs (overheads) of the MPITO GROUP were regularly around 10 % of the total budget. The legal structure of the MPITO GROUP was changed in 2018; the overheads for that particular year were consequently around 20 %.

to equip the schools with branded materials, such as writing pads, bags, shirts and pin-back button badges. Legally, the word ‘mpito’ and the MPITO logo (see *Appendix B*) became registered trademarks of the MPITO GROUP to prevent the brand being used by third parties – especially other non-formal schools in MATHARE that did not participate in the experiment. In addition to these ‘top-down’ branding activities, the intention was to create a platform where the participating schools could jointly exercise their branding and standardisation responsibilities at grassroots level. For this purpose, the ‘MPITO school network’ was formed. The aim was for the MPITO school network to have its headquarters at one of the participating schools and host regular consultation meetings of all the head teachers. To convince the head teachers of MATHARE’S non-formal schools to participate in the experiment, there was no franchise fee and material incentives were provided to the schools. These included around 2,000 textbooks and 40 laptops, which were donated to the MPITO GROUP by charitable partner organisations.

The bottom-up franchise experiment of the MPITO project was finally put into practice on the ground in MATHARE in January 2015 without a fixed project term/end date.

#### 3.4.4.2 Sampling and Panel

The sampling of the schools participating in the real-world experiment was conducted by the method of *targeted sampling* (WATTERS & BIERNACKI 1989). Targeted sampling is a method developed to reach hidden populations (*ibid.*). A population is described as hidden if a sampling frame is lacking and the population is hard to reach (e.g. SALGANIK & HECKATHORN 2004; MAGNANI ET AL. 2005). In such cases, targeted sampling can be used to construct a target population as a sample frame and apply modified chain-referral sampling (WATTERS & BIERNACKI 1989).

In the case of the non-formal schools in MATHARE, the population can be considered to be hidden insofar as its total size is unknown and the schools are broadly inaccessible to those outside the slum community. Using the method of targeted sampling, a sampling frame was constructed by drawing upon the 2012 DIGNITAS school census, as described in *Chapter 3.2*. To create a representative sample for that target population, the dispersion parameters and mean values of the sample data had to be aligned with the census data. Based on this objective, the recruitment of schools took place via chain-referral sampling

in the first stage. Those schools that were willing to participate in the experiment recruited further schools. In the second stage, the selection of schools was refined in order to meet the target conditions. To match the dispersion parameters of the DIGNITAS school census, a maximum variation sampling (PATTON 1990) in terms of the schools' size, age and location was applied. The definite sample was to serve as a panel from which to collect longitudinal data over several years. The initial 2015 'MPITO panel' of seven schools is depicted in *Table 2*.

**Table 2** 2015 MPITO panel.

<i>School Name</i>	<i>Founder/ Director</i>	<i>Location (Village)</i>	<i>Year of Foundation</i>	<i>Year of Registration</i>	<i>No. of Students</i>	<i>No. of Teachers</i>
BRIGHT EDUCATION CENTRE	CAROLINE MUENDI KAMUYA	3C	2009	2011	58	3
DAYSTAR JUNIOR EDUCATIONAL CENTRE	PATRICK OJIAMBO JUMA	KWA KARIUKI	2014	2014	240	8
DESTINY COMMUNITY EDUCATION CENTRE	DIXON ODHIAMBO OWAGA	NO. 10	2013	2013	512	17
MATHARE WISDOM CARE CENTRE	GODFREY MUTANDA OWINO	GITATHURU	2012	2014	241	9
MUMO EDUCATION AND ORPHANAGE CENTRE	CHRISTOPHER MALUSI NGOMBALU	MABATINI	2009	2009	60	4
STAR EDUCATIONAL CENTRE	ESTHER NDUNGE KATUNDU	VILLAGE 2	2004	2007	190	8
SUCCESS CARE CENTRE	OTIENO KENNEDY ODERO	4A	2008	2010	242	10
					<b>1,543</b>	<b>59</b>

The schools in the 2015 MPITO panel had a combined student population of 1,543 and employed 59 teachers. On average, the MPITO schools had 8 teachers and 220 students, had been established for five years and became registered a year and a quarter after their foundation. The data from the MPITO panel broadly reflected the mean averages from the



observation, and introspection.” (DENZIN 1989: 157-158, as cited in FLICK 2009: 226).<sup>29</sup> Data gathered through participant observation involves a validation of results by means of *data triangulation* (BOERI 2007; FLICK 2009).<sup>30</sup>

The MPITO project team has actively participated in and observed the experimental interventions in MATHARE for more than five years (since January 2015). The observation data has been documented by means of research diaries, field notes, photographs and videography (see *Chapter 3.2*, *Chapter 3.5*, and *Appendix A*). The validity of the observation data has, in this way, been ensured by an *investigator triangulation* (FLICK 2009) among the MPITO team members. In January/February 2015, written quantitative surveys were conducted; these collected concrete numerical data about the characteristics of the participating schools, such as the number of students and employees, and financial figures (see *Table 2* and *Chapter 3.5*). In September 2015, a second survey round containing the same items was carried out to identify any significant data changes. In addition, all the schools participating in the real-world experiment provided a number of documents, including registration certificates and constitutional documents, from which school and personal data was drawn (see *Table 2* and *Chapter 3.5*). Meeting minutes were taken at the regular consultation meetings of the MPITO schools’ head teachers (see *Chapter 3.4.4.1*); these were consolidated by the MPITO project team into eight written interim reports dating from early 2018 (see MPITO INTERIM REPORT 2018a, 2018b, 2018c, 2019a, 2019b, 2019c, 2019d, 2020). Finally, narrative face-to-face interviews were also conducted with eight of the head teachers in MATHARE’S non-formal schools in May 2018. All the interviews were audio recorded and fully transcribed. An overview of the interview data is given in *Table 3*.

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<sup>29</sup> With regards to ‘introspection’, please see the explanations on the method of linguistic pruning in *Chapter 3.4.2* and *Chapter 3.4.4.4*.

<sup>30</sup> “Triangulation means that researchers take different perspectives on an issue under study or – more generally speaking – in answering research questions.” (FLICK 2009: 445).

**Table 3** Interview Data.

<i>Interview Partner</i>		<i>Interview Location</i>	<i>Interview Date</i>	<i>Interview Duration (in h)</i>	
<i>Name</i>	<i>Professional Status</i>				
PATRICK OJIAMBO JUMA	Head of DAYSTAR JUNIOR EDUCATIONAL CENTRE, NAIROBI	<i>All interviews were conducted at the interviewees' schools (see left).</i>	09 May 2018	00:17:45	
CAROLINE MUENDI KAMUYA	Head of BRIGHT EDUCATION CENTRE, NAIROBI		08 May 2018	00:33:30	
ESTHER NDUNGE KATUNDU	Head of STAR EDUCATIONAL CENTRE, NAIROBI		10 May 2018	00:21:55	
CHRISTOPHER MALUSI NGOMBALU	Head of MUMO EDUCATION AND ORPHANAGE CENTRE, NAIROBI		14 May 2018	00:48:40	
OTIENO KENNEDY ODERO	Head of SUCCESS CARE CENTRE, NAIROBI		10 May 2018	00:27:37	
JOSEPHAT ANDULA OKAMA	Head of NGOTA'S UPENDO NURSERY SCHOOL AND YOUTH CENTRE, NAIROBI		09 May 2018	00:19:02	
GEORGE MANYASA OLUSAMU	Head of NGEI P.A.G. EDUCATION CENTRE, NAIROBI		10 May 2018	00:11:11	
DIXON ODHIAMBO OWAGA	Head of DESTINY COMMUNITY EDUCATION CENTRE, NAIROBI		08 May 2018	00:36:08	
				03:35:48	

#### 3.4.4.4 Data Verbalisation

By applying the barefoot economic method of linguistic pruning, the following scientific vocabulary originating from the theoretical background of this scientific study (see *Chapter 3.3*) was pruned in the process of data collection, preparation and analysis: *economic development, economic growth, efficiency, production, consumption, wealth, market, technological progress, entrepreneurship, innovation, scalability, profit, poverty, base of the pyramid, inclusion, global capitalism, economic institutions, capacity*



*building, bottom-up, microfranchising, business model, systematisation, replication, standardisation and branding.* Stemmed variations of these words were also pruned, such as *efficient, entrepreneur and brand.* The pruned words are commonly used scientific terminology in the prevailing discourse in the discipline of economic science (see *Chapter 3.4.2*). That discourse is regularly referred to as the “*neoliberal discourse*” (MAX-NEEF 2009: 20; see also DAVIES & PETERSEN 2005; SPRINGER 2012; PHELAN 2014; MARISSA 2020). The neoliberal discourse can be regarded as an offshoot of the previous development discourse (MOORE & SCHMITZ 1995; see also *Chapter 3.4.2*); it emerged in the 1980s due to revived interest in the economic work of JOSEPH SCHUMPETER (see GIERSCHE 1984; PLEHWE 2020; see also *Chapter 3.3.2*).<sup>31</sup> In this study, the neoliberal discourse is defined as a discourse that aims at “liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (HARVEY 2007: 2).

Beyond this pruning of scientific vocabulary to prevent bias, the verbalisation of data was carried out using the ordinary language of the slum dwellers as identified in the course of the fieldwork. The latter allowed for ‘member-checking’ as a strategy for *communicative validation* (FLICK 2009; MAYRING 2016), in addition to the triangulation method described above. Consequently, the early drafts of this thesis were reviewed by the entire MPITO project team, as well as by the MPITO head teachers, in early 2020 and their feedback has been incorporated into this final version. This was done to ensure the accurate linguistic representation of the social and economic reality of all participants (TORRANCE 2012).

The findings presented in the following chapter are verbalised by means of pruned language without the abovementioned scientific terminology. With regard to the research question of why bottom-up franchises are rarely observed at the base of the pyramid, the findings demonstrate how the microfranchise concept was *translated* by the participants of the experiment in their lived experience at the grassroots. Since the concept of bottom-up franchising transfers the responsibility of creating a branded and standardised operational system to the microfranchisees, the research results primarily focus on the common actions and perceptions of the MPITO schools’ head teachers and let them “have

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<sup>31</sup> Please note that SCHUMPETER himself should not be considered as a neoliberal thinker (PLEHWE 2020).

their say” (MAX-NEEF [1982] 1992: 55). In doing so, a number of illustrative, extensive direct quotations selected from the transcribed interview data are provided. This approach also creates a high degree of close association between the presentation of the results and the collected data (see GLASER & STRAUSS 1967).

For reasons of meta-cognitive reflection and structure, the research findings are presented along the two (parenthesised) key performance drivers of microfranchises, namely ‘branding’ and ‘standardisation’.

## **3.5 RESULTS**

### **3.5.1 General Observations**

The bottom-up franchise experiment of the MPITO project took place in the MATHARE slums from January 2015 to March 2020. It ended abruptly with the government-imposed closure of all Kenyan schools due to the global ‘COVID-19 pandemic’.<sup>32</sup>

As described in *Chapter 3.4.4.1*, the MPITO school network was formed to let the head teachers of the participating schools collectively “do their thing” (MAX-NEEF [1982] 1992: 55) in terms of their branding and standardisation responsibilities as microfranchisees. In the first head teachers’ meeting of the MPITO school network, the decision was taken to locate the network’s headquarters at the MUMO EDUCATION AND ORPHANAGE CENTRE, and CHRISTOPHER NGOMBALU, director of the aforementioned school, was elected as the chairman of the network. He remained in that position throughout the entire experiment, meaning he was in charge of convening and chairing the head teachers’ meetings, as well coordinating the more extensive inter-school communication.

### **3.5.2 Key Performance Driver: ‘Branding’**

The head teachers referred to the intended MPITO ‘branding’ as an effort to raise community awareness and increase mutual trust within the community (DIXON OWAGA,

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<sup>32</sup> School reopening is planned by the Kenyan government for January 2021 (as of September 2020).

personal interview, 08 May 2018). They used at least two different channels of personal word-of-mouth communication to spread information. Firstly, they circulated information about MPITO within their own schools and introduced the project to the teaching staff, students and parents. Secondly, the head teachers arranged joint events with all the MPITO schools with the aim of reaching a wider audience. The events took place outdoors or in some of the most spacious buildings in MATHARE, such as churches. At these events, the school directors gave speeches about MPITO to the community. Groups of students from the different schools performed songs and dances at the events. Each event was attended by hundreds of people from the slum community, meaning that before long there was common awareness of MPITO in MATHARE. *Figure 12* shows an exemplary photograph of a MPITO event.



**Figure 12** A MPITO event in MATHARE in March 2016 (Photo Credit: FAITH ARIHO).

The feedback from the community about MPITO was widely positive. “They [the members of the slum community] perceived MPITO as a good organisation” (CAROLINE KAMUYA, personal interview, 08 May 2018). Due to increasing demand for educational services at the MPITO schools, the total number of students enrolled increased by 14.1 % from the first to the third school term following the implementation of the project on the ground. However, the positive perception of MPITO was not based on quality improvements or

assurances related to the operational standardisation of the schools. In fact, the implementation of standards to ensure a certain level of quality took place much later. The positive image was based on the personalities of the head teachers and their trusted social ties within the community. These ties were not primarily economic, they were personal: the kind of relationships which develop due to the complex social interactions that exist between human beings. These relationships rendered the trust-creating function of the MPITO brand almost irrelevant from the outset. As the project progressed, two further aspects became apparent. On the one hand, transference of trust occurred. People who knew one of the head teachers and trusted him or her started to trust the other MPITO school directors, because of positive associations with the MPITO schools' umbrella. If someone from the community was asked about MPITO, a typical answer followed:

“About the MPITO? Yes, I heard of it from Mr. CHRISTOPHER and I can testify that Mr. CHRIS is a good man. He has got that heart of helping. So, I heard it from him and if he joined it, we shall be open and very much willing to work with any [MPITO] school. [...] I'm sure things will be okay.” (GEORGE MANYASA OLUSAMU, personal interview, 10 May 2018)

On the other hand, the project's dependence on the existence of close social bonds in the community meant that the scalability of the MPITO school network was limited. It goes without saying that a person can only nurture a limited number of close social relationships and to increase the scale of the MPITO project would have meant decreasing the level of personal trust and intimacy. Hence, the project and its network had to remain on a small scale. For that reason, the head teachers, who were convinced that there was an optimum scale that should not be exceeded, did not try to grow the number of MPITO schools. Instead, they tried to safeguard and nurture close interactions between all the MPITO schools and maintain the personal atmosphere. However, they received frequent requests from non-formal schools from all over MATHARE to join the MPITO network. The MPITO school directors described the situation as follows: “One thing that we have been able to see [is that] even the schools that are around which do not belong to MPITO community, they really admire. They really want to join us.” (DIXON OWAGA, personal interview, 08 May 2018). Pressure from the community to include new schools grew over time and when one of the original schools, the MATHARE WISDOM CARE CENTRE, had to close because it was evicted from its building in June 2016, the head teachers decided to

allow a modest expansion of the school network. Step-by-step, they admitted four additional schools: NGOTA'S UPENDO NURSERY SCHOOL AND YOUTH CENTRE (joined in March 2017); NGEI P.A.G. EDUCATION CENTRE (joined in May 2018); and UPENDO FAMILY SUPPORT AND RESOURCE CENTRE and LEA MATHARE (also called LEA LEARNING CENTRE) (both joined in July 2019). As a result, there were ten MPITO schools with over 2,000 students in total by mid-2019.

In the same period, the MPITO 'brand' underwent an important shift. MPITO became less a brand for distinguishing one market actor from another within a competitive environment, and more a symbol of unity and solidarity that strengthened the *esprit de corps* within the slum community. The symbolic value of MPITO may have evolved in part from the fact that most community stakeholders shared intimate social relationships, a strong sense of social identity and a number of common goals, beliefs and values. The related feeling of belonging and togetherness within the slum community was also strengthened by MPITO's shared visual appearance. This shared visual appearance was supported by the supply of branded materials, including uniform shirts for the head teachers, one hundred identical school bags and one thousand pin-back button badges. All materials were branded with the official MPITO logo (see *Appendix B*). The symbol of a root (grassroot) as part of the MPITO logo was perceived as a symbol for the common sociocultural roots of the slum inhabitants. DIXON OWAGA, head of the DESTINY COMMUNITY EDUCATION CENTRE, described how MPITO strengthened the feeling of belonging and togetherness within the community and how the sense of a common bond was supported by the shared visual appearance:

“When the children from DESTINY come out of the school wearing these [MPITO] badges, when they meet within the vicinity where they stay, they get other children who came from other schools within the MPITO network, with the same badges and the same bags. This really showed them ‘Oh, so we’re in the right place’. This really makes them feel that for sure there is one goal that we need to achieve, all of us. ... For me, I’m even looking forward to a day where all the teachers from MPITO schools would have a dust coat that is written ‘mpito’ everywhere. So, when you go to a MPITO school, you see a teacher with that dust coat and you say, ‘Oh yes, this is a MPITO school and this is a MPITO teacher’. That would be just great. Maybe sometime in the future, as we look forward to greatness, we are very sure, sometime we will be able and as we unite together, we are now one team and even be able to secure some bank balance, it will be

possible and then we can even go ahead and look for a bus. Then write on this bus: 'mpito'. So, it's like whenever we go anywhere, it is a MPITO bus; not DESTINY COMMUNITY bus, not MUMO bus but MPITO. I think it will just be great. It's a life-changing thing and everybody is feeling it. You saw the children, they are very happy and they want to say 'Oh yes, MPITO!' and everything. For us, I think that when we come up with this thing that makes us look similar, it is nice. It even creates more trust between us and the community. The community comes into our schools and helps in different ways. Now, they see that this is not just a school, but this is a school the same like the other schools. A MPITO network. I think, this is great." (DIXON OWAGA, personal interview, 08 May 2018).

### **3.5.3 Key Performance Driver: 'Standardisation'**

In terms of the MPITO schools' operational system, the head teachers understood the intended 'standardisation' as an effort to create common rules and joint programmes. Before those common rules could be set and joint programmes implemented, the head teachers tried to identify the challenges facing their schools:

"We meet with all the headmaster together. We have a meeting together, we discuss our challenges, what we go through. After discussing our changes, then we also discuss what are solutions towards the challenges. I have seen it's helping us so much because you come with your challenge, maybe thinking that is the major challenge you have and you find there is someone else with a bigger challenge than yours. Maybe the person has an idea towards the small challenge you have. So, we get ideas from other headmasters and we sought out some issues which are not very serious." (CHRISTOPHER NGOMBALU, personal interview, 14 May 2018).

CHRISTOPHER NGOMBALU, head of the MUMO EDUCATION AND ORPHANAGE CENTRE and chairman of the MPITO school network, outlined how 'not very serious' challenges affecting single schools were solved by the help of others. CAROLINE KAMUYA, head of the BRIGHT EDUCATION CENTRE, gave examples of sharing competencies:

"If we meet as directors, each one can say what he can teach the others to do. For example, myself, I can make a sack like this [She holds a green sack made by cotton], I can draw, I can get a thread and make. So, if we can come across other teachers, I can teach them how we can make natural shirts, being given the sacks we can make natural dress, we can make natural shirts. I can demonstrate to them and then they can go and make for their schools." (CAROLINE KAMUYA, personal interview, 08 May 2018).

Unfortunately, the schools all faced a number of similar serious challenges that could not be solved through competency and knowledge sharing. As PATRICK JUMA, head of the DAYSTAR JUNIOR EDUCATIONAL CENTRE, pointed out: “All our schools that have the same problems, they have the same challenges. We are sailing the same boat.” (personal interview, 09 May 2018). The head teachers identified the following common challenges: (1) *high teacher turnover*; (2) *hunger of students / food shortages*; (3) *shortage of learning materials*; (4) *high rents*; and (5) *government requirements*. The head teachers agreed that these challenges could largely be overcome through better funding. Moreover, since the head teachers were open to the suspicion of corruption and other opportunistic behaviour, transparency and accountability would be necessary for the successful procurement of finances – whether through donations or school fees – and all other school resources. Transparency and accountability could only result from nurturing an appropriate moral attitude:

“One thing I learnt myself or I put in place in my heart since the beginning: I realised that whenever you are working in any organisation or in any institution or whatever, first of all, you need to respect yourself. You have also to be accountable for your life, first of all, even before accounting to anybody. I’m always pushed by the way I do my work because I always talk about transparency and accountability. The way someone can be transparent to whatever you are doing. By this you need everybody to know what you are doing. Every time everybody needs to know how much you have spent for this. Also, the people who are donating to your project must know what you’re doing with the money, what you’re doing with the materials you have. ... Avoid selfishness because whenever you have a project and then you are selfish you will always need everything to be yours. So, this is all what I avoid to have in my life because we are just here for a while in this world and one day maybe I will not be there. Even if I will be given the whole world and someone is suffering that is like not supporting that person and I will die and that person will also die because of having problems. So, it’s better for me, whatever I have and whatever I’m getting and whatever is meant for someone let it go to that person. I don’t need it because that belongs to that person. What belongs to me, yeah. When I have enough, I should also use it for somebody else. Also, to develop the other person to be more than me or like myself. Mostly when we are supporting the needy children, we want them to be more than use because I didn’t have someone to take me to school, I took myself. I don’t want that child to also have that same situation as I had. I want to develop that. That’s my point which caused me to implement this kind of program where we support the needy of the neediest so that they may not suffer the same

way I suffered, because in MATHARE there are so many children who suffer a lot. They only have like a meal in a day in their families and sometimes they sleep without eating. They wait for tomorrow if the food will be there because their parents go to EASTLEIGH [a neighbouring district] to go and try to find some small jobs where they can wash clothes and then they are given like 50 shillings or 100 [KSh 100 equate to around US\$ 1.00]. They go home, buy some food and they give to their children. So, we are trying to develop them so that they may not also be like the way their mothers suffer and they may not be dependent again.” (CHRISTOPHER NGOMBALU, personal interview, 14 May 2018).

In line with CHRISTOPHER NGOMBALU’S view, all the head teachers emphasised the need for a moral attitude encompassing the ethical principles of sufficiency, modesty and humility in one way or another. CAROLINE KAMUYA described her commitment as follows:

“What makes me stay here is that love of children. I have very good academic certificates and if I look for another job, I can even get a better job which can pay me more. That love of children is what makes me stay at BRIGHT. I am also not intending to close BRIGHT EDUCATION CENTRE whatever the circumstances. I feel encouraged, I like the young children and I stay here hoping that we shall improve as BRIGHT EDUCATION CENTRE. I as the director, opened the school not because of money, not looking for money but looking for a conducive environment for children. That’s why I’m still in BRIGHT and I’m not expecting to look for other jobs.” (CAROLINE KAMUYA, personal interview, 08 May 2018).

In a similar manner, ESTHER KATUNDU, head of STAR EDUCATIONAL CENTRE, described how her school aimed to support the children of MATHARE, as well as the entire slum community:

“[There are] street boys, they don’t go to school, they are just there. If they become like five years, they start snatching our phones, our money. They start standing with knives. ... When they go to school and they excel, now they exam, they get better jobs and now they come back to community. You know, if they come back to community now, they can help others and they build the others. They build themselves and also the community, because for example if someone has gone out, has done well and has got a good job, now he comes back, he can have a business and also, he can also make another school, so by so doing, you find that we are eliminating the poverty. We are eliminating the poverty in the slums. Ja, that is how we are eliminating.” (ESTHER KATUNDU, personal interview, 10 May 2018).



The aspiration of giving back to the community, which ESTHER KATUNDU expects from her students, also applies to the head teachers themselves as they are community members who were born, or at least grew up, in the slums and now support its local development. KENNEDY ODERO, head of SUCCESS CARE CENTRE, said about himself:

“Being a child who grew up in the community ... [He breaks up and starts again.] I grew up in the community, I schooled in the community, so I had that passion of coming back and give back to the community where I came from.” (OTIENO KENNEDY ODERO, personal interview, 10 May 2018).

DIXON OWAGA described his professional career, his motives and his social ties with the community as follows:

“When I came out of the school ..., I came back to MATHARE where I used to stay ... and I thought it’s wise to give back to the community. Giving back to the community in the sense that ... I went into a school and I began teaching. I taught in that school for around two years, just equipping myself and seeing to it that I gain enough experience. My main aim was to also start a school and then try to offer education to children who also went through challenges like I did. This is why I was only gaining experience ..., I was just working voluntarily, I was not being paid because I wanted to give back to the community. ... Then after two years, ... I had a number of friends. ... This was good friends. ... They sat me down and we discussed. I was telling them ‘Look here guys, I’m now equipped. I’m a trained teacher. How best can I help the community? I want to support. In this case, I want us to come together and form an organisation.’” (DIXON OWAGA, personal interview, 08 May 2018).

Deeply embedded in the community and its social interactions, all the school directors had a strong personal interest and motivation to be transparent and accountable to the community. Furthermore, DIXON OWAGA stressed that having ‘good friends’ in the community was necessary to run a school in MATHARE. JOSEPHAT ANDULA OKAMA, head of the NGOTA’S UPENDO NURSERY SCHOOL AND YOUTH CENTRE, reinforced DIXON OWAGA’S statement by stating that “this work needs many friends; one person cannot do it” (JOSEPHAT ANDULA OKAMA, personal interview, 09 May 2018). Indeed, many non-formal schools in the slums are registered as *community-based organisations (CBOs)*,

which legally require at least twelve members.<sup>33</sup> The cultivation of good friendships within the schools was also considered as a way of overcoming high teacher turnover.

“The biggest challenge that I have as the founder is the teacher turnover rate. High rate of teacher turnover. Teachers come and they go when ... they feel there is greener pasture.” (DIXON OWAGA, personal interview, 08 May 2018).

It was assumed that high teacher turnover was fundamentally caused by the lack of funds and resultant low teacher salaries:

“They [teachers] keep on coming, going, coming, going, because what we charge is very little, what we give them is not what we call a salary. We give them like an appreciation. Like in my case, I pay like 4,000, 5,000 [KSh; around US\$ 40, US\$ 50; per month]. You see that is not really what can be called a salary.” (OTIENO KENNEDY ODERO, personal interview, 10 May 2018).

On the other hand, the point was made that the low salaries could be compensated for by the creation of group cohesiveness and non-hierarchical team structures:

“All my teachers, we are working as a team in our school. I have seen the advantage of working as a team because whenever you work as a team you grow stronger. You develop trust ... and that’s why we remain intact, we remain together. The other thing is also the issue of including the teachers to understand exactly what you are doing and also make them partisans of the project. It has also grown MUMO to be a strong school because, since then, all the teachers I employed at MUMO, I never sacked a teacher. I understand their weaknesses, I sit down with them, I talk to them. We share our information. It’s not that they are so good because they are just human beings like others. I have my weaknesses; they have their weaknesses but we understand each other. I try to understand them. I don’t want to stay there as a boss. I’m not a boss for them. I want to be a servant for them. So, I try to let them know that that is their school. They belong there. They have a word and I take their decisions, sometimes they have better ideas than mine. So, we sit down, we come up with these ideas, we bring them together. What is perfect, what is good and what we decide that this is the best way we follow because we want to develop. We want to move from step to step and I cannot move the school alone. I can only move the school with the team which I have, the team which we are working together.” (CHRISTOPHER NGOMBALU, personal interview, 14 May 2018).

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<sup>33</sup> For that reason, the schools are sometimes also referred to as ‘community-based schools’ or ‘community schools’ (CHENG & KARIITHI 2008).

The need for such close social bonds between school directors and the teaching staff also limited the overall size of the non-formal schools.

As a result of their discussions about transparency and accountability, the head teachers decided to set the following common rules for all MPITO schools:

- “ - Teachers should not carry MPITO property to their homes.
- If any school is not transparent and accountable [...], it will be removed from MPITO.
- Every school director should have a copy of all his/her teachers National ID card.
- All MPITO property should be used within the schools.
- A team of four (4), 2 MPITO officials and 2 appointed MPITO directors should be in charge of monitoring MPITO property once per term.
- The members should not miss more than two consecutive meetings.
- MPITO schools should participate in all MPITO activities.
  - I. Member’s whose schools will not participate in exams should refund the expense incurred per pupil during the exam period.
  - II. Schools that fail to participate in other MPITO activities should pay a fine of 1,000 [KSh; around US\$ 10].
- Members should keep time whenever we have meetings.
- Members should attend meetings in MPITO uniform.”

(MPITO INTERIM REPORT 2019c: 3-4, own italics).

MPITO property refers to the common property that was collectively acquired by the schools for carrying out MPITO activities. These MPITO activities took the form of joint programmes, in which all MPITO schools were obliged to participate. Six joint programmes were created by the school directors: (1) *MPITO teachers’ union*, (2) *MPITO joint exams*, (3) *MPITO sports and games*, (4) *MPITO computer classes*, (5) *MPITO awards*, and (6) *MPITO chama*. While the MPITO teachers’ union programme was intended to strengthen the involvement of teachers and their position in the schools with the aim of reducing the high teacher turnover, the other programmes were intended to harness synergies between the schools to “use little to make the work broader” (CHRISTOPHER NGOMBALU, in CAROLINE KAMUYA, personal Interview, 08 May 2018) and, in so doing, to optimise the use of their limited local resources. A brief overview of the programmes follows.

### *(1) MPITO Teachers' Union*

The central idea of the MPITO teachers' union programme was to bring the teachers (numbering over 70) from the MPITO schools together. The programme was not fully implemented since a consensus was not reached on its specific design. It was “implement[ed] the idea of bringing subject teachers together, so that they can discuss and find solutions to the common challenges they face in the various subjects that they teach” (MPITO INTERIM REPORT 2019a: 3). At this stage, there were six MPITO teachers' sub-unions for the subject areas of Mathematics, English, Kiswahili, Social Studies, Science and C.R.E. (Christian Religious Education), which met regularly.

### *(2) MPITO Joint Exams*

The MPITO joint exams programme brought together the final year students (Class Eight candidates, numbering around 80) from all the MPITO schools to prepare them for their KCPE exams. The students sat tests and mock exams together. The venue rotated among the biggest MPITO school halls and the schools provided teachers to coordinate the MPITO exams. Furthermore, the programme enabled the final year students from the smaller MPITO schools to sit the official KCPE exams in the bigger school halls of other MPITO schools. This was necessary for small MPITO schools that did not fit the government requirement of “spacious rooms where you can have at least five teen candidates sitting in one room with a space of one-meter space from a pupil to the other” (CHRISTOPHER NGOMBALU, personal interview, 14 May 2018). These small MPITO schools were not allowed, therefore, to examine candidates in their own schools. Before the introduction of the joint exams programme, candidates from the small MPITO schools often had to sit their KCPE exams in the unfamiliar environment of a school outside the community.

### *(3) MPITO Sports and Games*

The MPITO sports and games programme focused on holding joint event days where students from all the MPITO schools could participate in extracurricular activities, such as sports tournaments. The event that kicked off the programme took place in July 2019. However, hosting the first event was a logistical challenge for the schools because of its size, so plans were made to reorganise the range of extracurricular activities into a number of smaller inter-school clubs (in sports, music, drama, etc.). The intention was for these MPITO clubs to be run collectively by all the schools.

#### (4) *MPITO Computer Classes*

The MPITO computer classes programme offered joint computing lessons for MPITO school students. During the lessons, the pupils – who largely lack elementary computer skills – learnt the basic operation of a computer and, later, how to use word-processing and calculation software. The forty laptops provided by the MPITO project in cooperation with the non-profit organisation LABDOO were used in the lessons. The programme was piloted at the MUMO EDUCATION AND ORPHANAGE CENTRE before it was introduced across the MPITO school network. Since June 2018, the lessons had been given by a professional computer science teacher volunteering for the MPITO project.

#### (5) *MPITO Awards*

The MPITO awards programme honoured “the best performed students and best subject teachers, for last year’s KCPE results” (MPITO INTERIM REPORT 2019a: 3). The award winners were selected from all the MPITO students and teachers, regardless of their school. The MPITO awards provided prize money of 2,000 Kenyan shillings (around US\$ 20) for the best performing students and 1,000 Kenyan shillings (around US\$ 10) for the best subject teachers. Furthermore, the best MPITO schools – judged on their overall student performance in the KCPE exams – received a trophy. The awards were presented to the winners at a joint ceremony at the beginning of each school year.

#### (6) *MPITO Chama*

In Kenya, micro-savings and micro-investment groups are commonly known as ‘chamas’.<sup>34</sup> Traditionally, chamas are organised as *rotating savings and credit associations (ROSCAs)* – colloquially called ‘*Merry Go Round chamas*’ – where a group of people pool a fixed amount of money and give the total to one of its members so the member can make an investment; the beneficiary member rotates with each round of pooling.

The idea of establishing a MPITO chama was discussed by the head teachers at the beginning of the experiment in 2015 but was only implemented in 2018. The head teachers decided to reallocate US\$ 800 from the planned branding budget to an initial MPITO chama pool. For the first round, “the headmasters agreed that the investment money should be divided equally among the schools” (MPITO INTERIM REPORT 2018b: 4),

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<sup>34</sup> The Kiswahili word ‘chama’ can be translated as ‘group’, ‘association’, ‘party’, or similar.

so that each school could make a micro-investment of US\$ 100. In terms of further investment rounds, “the members [the head teachers] agreed to start savings for MPITO and agreed that every member should contribute a 1,000 [KSh; around US\$ 10] monthly” (MPITO INTERIM REPORT 2019c: 4). The MPITO INTERIM REPORT No. 5 (2019b) gives two examples of micro-investments made by the MPITO schools:

The fourth school visited was DAYSTAR school, managed by Mr. JUMA. [...] As for the investments, the school used the money to establish a small uniform distribution centre that is run and managed by two women, they make uniforms at cheaper prices for the students as well as making uniforms for other schools around. Mr. JUMA reported that they intend to get another sewing machine in the future since sometimes the demand is higher than the supply especially when schools reopen. So far, the business is only limited to making school uniforms but there are plans to diversify in the future and make casual clothes [...].

The fifth school to visit was DESTINY school, managed by Mr. DIXON. [...] As for the investment, the school established a photo studio as well as a photocopying business. The business is used to make school documents, as well as make school exams. The photo studio also produces photos of pupils that might have been taken during a school trip. The money that would have been used to produce this school documents is then used to pay for other school needs. (MPITO INTERIM REPORT 2019b: 2-3, own italics)

The example of DESTINY COMMUNITY EDUCATION CENTRE’S micro-investment may be characteristic of many of the joint activities in the MPITO school network. Among other items, the school invested in a photocopier for its own use and to establish a business. This investment not only benefited DESTINY as the investing school, but also the entire MPITO school network since the other schools could duplicate learning materials using DESTINY’S new photocopying business more cheaply than using the services of a copy shop outside the slum community. In this way, the schools further strengthened their relationships with each other by using their economic activities to support their internal network, instead of promoting inclusion in the bigger, external markets outside the slum. In doing so, they also prevented an outflow of their limited resources.

## **3.6 DISCUSSION**

### **3.6.1 Preliminary Remarks**

The previous chapter presented the findings of the real-world experiment within the scope of methodologically pruned language. The following chapter discusses these results by returning to the previously-used scientific terminology and reflecting on the results against the theoretical background of SCHUMPETER'S Theory of Economic Development, PRAHALAD'S BoP concept and FAIRBOURNE ET AL.'S concept of microfranchising. At the same time, the reflections are theoretically underpinned by referring to an additional body of social scientific literature that has been identified as coherent with the findings. This reference literature involves NIKLAS LUHMANN'S concept of inclusion/exclusion, KARL POLANYI'S concept of embeddedness and MANFRED MAX-NEEF ET AL.'S Theory of Human Scale Development. Finally, the discussion offers a theoretically substantiated answer to the posed research question of why bottom-up franchises are rarely observed at the base of the pyramid.

### **3.6.2 NIKLAS LUHMANN'S Concept of Inclusion/Exclusion**

First and foremost, the results of the real-world experiment show how its empirical intervention stimulated the slum dwellers to implement self-reliant poverty alleviation activities, which did not identifiably propel them into markets outside their slum community. In this respect, the findings indicate a clear break with PRAHALAD'S BoP concept, particularly its normative proposition of alleviating poverty through the inclusion of the poor in the markets of global capitalism and its "representation of the poor as eager participants in globalized markets" (PEREDO ET AL. 2018: 414). In order to explain why the inhabitants of the slum did not drive their own inclusion, it is appropriate to "look beyond the 'feel-good mantra' of inclusion" that prevails in the context of poverty research (MEAGHER 2015: 836). A basic investigation begins with the *concept of inclusion/exclusion* itself. Previous research has already demonstrated that "the inclusion/exclusion debate leaves much to be desired with regard to conceptual clarity", and that "this lack of conceptual clarity might be less innocuous than it looks" (BRAEKMAN 2006: 66). In an effort to establish greater conceptual clarity, researchers

regularly draw on the concept of inclusion/exclusion as it was first introduced by the famous German sociologist NIKLAS LUHMANN (1927-1998) in his 1975 *Systems Theory of Society* (original German title: *Systemtheorie der Gesellschaft*) (LUHMANN 2017).

Based on the mid-20<sup>th</sup> century communication theory (e.g. WATZLAWICK ET AL. 1967), LUHMANN (2017) defines ‘the social’ as *human communication*. Hence, to LUHMANN, *society* can be viewed as the totality of human communication. Society, in turn, is divided into *social systems* (communication systems). According to LUHMANN (2006: 37), human communication becomes a social system if it is “self-referential”, i.e. if it creates its own closed communication loops. In his theoretical framework, LUHMANN introduced the terms *inclusion* and *exclusion* to describe the extent of participation of human individuals or groups in the communication process of a certain social system. Thereby, LUHMANN points out that inclusion always generates *opportunity costs*, which arise from the fact that someone who takes part in the communication process of one social system cannot *at the same time* take part in the parallel communication process of another social system. In other words, someone who is *included* in the communication of one social system is *ipso facto* inevitably *excluded* from the parallel communication of another social system. For that reason, there can never be ‘full’ inclusion, but only partial multi-inclusion, i.e. partial inclusion in the communication of a certain number of different social systems (see also NASSEHI & NOLLMANN 1997; BRAECKMAN 2006; SCHIRMER & MICHAILAKIS 2015). Consequently, “LUHMANN [...] raise[s] fundamental questions with respect to the implicit norm of full inclusion which still dominates the debate on inclusion and exclusion” (BRAECKMAN 2006: 65, own emphasis). By the same token, LUHMANN’S conceptualisation makes ‘full’ exclusion almost impossible (NASSEHI & NOLLMANN 1997; STICHWEH 1997; BRAECKMAN 2006). To achieve full exclusion, humans would have to fall outside society, i.e. outside communication of all kinds (ibid.). Moreover, LUHMANN’S concept of inclusion and exclusion dispels “the normative misunderstanding that the occurrence of social exclusion is *per se* a problem, with the consequence being that inclusion is seen as the solution” (SCHIRMER & MICHAILAKIS 2015: 46, own italics). Whether or not inclusion is considered desirable actually depends on the opportunity costs and, hence, on the characteristics of the affected social systems. To give an example: through compulsory schooling, children are largely included in the



education system. They are, however, simultaneously largely excluded from the economic system by means of the prohibition of child labour (KRONAUER 2009).

After several expeditions to the Brazilian favelas in the 1990s, LUHMANN set out his hypothesis that the base of the pyramid is generally excluded from the social systems of capitalist society (LUHMANN 1995a: 250, 260; 1997: 632; see also LUHMANN [1995b] 2008). This hypothesis can, among others, be considered as fundamental for PRAHALAD'S BoP concept. However, as demonstrated above, LUHMANN'S concept of inclusion and exclusion also suggests that – since people at the base of the pyramid naturally communicate with each other – the advantages of inclusion of the base of the pyramid in capitalist society can only be evaluated if the characteristics of the affected social systems are taken into account. Having actively participated in the communication at the base of the pyramid by means of language pruned in accordance with the ordinary language of the inhabitants of the slum, this scientific study is now in a position to provide a description of relevant social system characteristics. To do this, reference is made to KARL POLANYI'S 1944 *concept of embeddedness*<sup>35</sup> and MANFRED MAX-NEEF ET AL.'S 1986 *Theory of Human Scale Development*.

### **3.6.3 KARL POLANYI'S Concept of Embeddedness**

The Austro-Hungarian economist, anthropologist, sociologist and historian KARL POLANYI (1886-1964) introduced his concept of embeddedness in his 1944 classic, *The Great Transformation*, in which he describes the historical transformation of 20<sup>th</sup> century modern society into what he calls a “market society” (POLANYI [1944] 2001: 60). He identifies four traditional allocation patterns according to which economic processes have

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<sup>35</sup> POLANYI'S 1944 concept of embeddedness should not be confused with GRANOVETTER'S 1985 concept of the same name. “[The concept] of embeddedness advocated by MARK GRANOVETTER (1985), which led to the widespread use of the term in the new economic sociology, differs fundamentally from the meaning of the term in the work of KARL POLANYI. [...] According to GRANOVETTER, [all] economic action is ‘embedded in concrete, ongoing systems of social relations’ (1985: 487), in other words, in actors’ social networks. [...] Small wonder that institutional economists and rational choice sociologists eagerly took up this notion of embeddedness, since they could readily incorporate it into a rational choice framework” (BECKERT 2007: 8-9, own emphases). “In *The Great Transformation*, POLANYI did not aim to [...] explain the social preconditions for market efficiency; he was concerned with what happens to social order [...] when economic exchange is organized chiefly through self-regulating markets.” (ibid: 17, own emphases).

been organised in human history. These are: (1) autarchy (householding); (2) symmetry (reciprocity); (3) centricity (redistribution); and finally (4) market (trade) (ibid.: 59-60). Moreover, POLANYI (1977: 51, own italics) points out that all economic activities – regardless of their pattern – were originally “*embedded* in social relations of a noneconomic kind”. These non-economic social relationships created mutual consideration, trust and confidence between people, making economic institutions dispensable.

“No institutionally separate economic system – no network of economic institutions – could be said to exist. ... while there was, of course, an economic system in being, it was not institutionally separate. In effect, it was simply a by-product of the working of other, noneconomic institutions.” (POLANYI 1977: 51-52).

According to POLANYI, this social order changed when the market pattern became the paramount economic pattern. At this point, market activities outgrew non-economic social relationships and, consequently, the establishment of separate, economic institutions became necessary to restore relationships of trust insofar as they were conducive to the efficiency of markets (BECKERT 2007).

Referring to RICHARD THURNWALD’S (1869-1954) 1932 ethnological study, *Economics in Primitive Communities*, POLANYI ([1944] 2001: 61) also indicates that non-market societies, i.e. societies in which economic activities are embedded in social relations of a non-economic kind, still prevail in poor regions of the world. The present scientific study empirically validates POLANYI’S assessment. For example, it demonstrates how the economic institution of the MPITO brand – deemed necessary to create trusted customer ties within the ‘anonymous’ markets of global capitalism – became redundant because trust was created through the inextricable link between market activities and non-economic social relationships within the slum community. Seen in this light, the BoP concept’s prominent characterisation of institutions at the base of the pyramid as ‘weak’, in the sense of deficient, and the related call for institutional capacity building to selectively ensure the efficiency of market interactions (see *Chapter 3.3.3*), overlooks the fact that the absence of economic institutions is an essential characteristic of the social order in non-market societies. The legitimacy of forced reconfiguration of this working social order by institutional capacity building may be questioned. If, as suggested by the BoP concept, a bottom-up approach is applied, this

case study indicates that the establishment of separate economic institutions by the people at the base of the pyramid themselves is unlikely because they generally do not perceive the need for them. Furthermore, the study demonstrates that the slum dwellers tried to *re-embed* market interactions into the social relationships of their community and, by doing so, acted in the opposite direction to inclusion in the globalised markets of modern capitalism.

In summary, an essential difference in the characteristics of the social systems inside and outside global capitalism has its roots in the degree of social embeddedness of the economic activities. However, the findings not only indicate that economic activities at the base of the pyramid are predominantly embedded in non-economic social relationships, they also allow for a description of the scale of these social relationships. The following chapter puts forward the argument that the social sphere at the base of the pyramid should not only be characterised as a non-market society but – with reference to MAX-NEEF ET AL.'S *Human Scale Development theory* – also as a *human scale society*, i.e. a society in which social relationships remain with a distinct human-scale dimension.

#### **3.6.4 MANFRED MAX-NEEF ET AL.'S Theory of Human Scale Development**

In 1986, MANFRED MAX-NEEF and his colleagues introduced their theory of *Human Scale Development* (original Spanish title: *Desarrollo a Escala Humana*). Emphasising that “development is, among other things, a problem of scale” (MAX-NEEF ET AL. [1986] 1989: 13), an essential element of this theory is the *concept of human scale*. The concept of human scale can be traced back to the ancient philosophies of Pythagoras, Plato and Aristotle, since when it has been adopted and interpreted in various scientific disciplines including architecture, psychology, primatology and anthropology. The concept was first introduced to the field of economics by Alternative Nobel Prize winner LEOPOLD KOHR (1909-1994) in the 1940s, and later became prominent via his protégé, E. F. SCHUMACHER (1911-1977).

In *Human Scale Development*, MAX-NEEF ET AL. ([1986] 1989: 51) define the ‘human scale’ sociologically as “a scale where the social does not annul the individual but, on the contrary, the individual may empower the social.” In this definition, the human scale is associated with the significance (relevance, importance) of the individual for the

social. More precisely, the human scale describes a scale where every single human individual is a significant, i.e. essentially determining, part of the social whole. Being such a part, an individual cannot be separated or substituted by another individual without affecting the essence of the social whole.<sup>36</sup> Intimate social ties, social cohesion and, ultimately, a genuine sense of social identity, integration and responsibility are only possible within the human scale (MAX-NEEF [1982] 1992: 132; see also SALE 2017). Since single individuals tend to lose their significance as the size of the social whole increases, MAX-NEEF pointed out that “human scale must be small; there cannot be a big human scale” (MAX-NEEF 2019, own transcript; see also KOHR 1957; SCHUMACHER [1973] 2011; SALE 2017). Moreover, social relationships that remain within the human scale typically form social institutions that remain within the human scale. Such human-scale institutions include family, neighbourhood and local community (MAX-NEEF ET AL. [1986] 1989). To illustrate the human-scale character of, for example, a family as a traditionally institutionalised mother-father-child relationship, it is clear that neither the mother, nor the father, nor the child can be separated or substituted by another individual without significant consequences for the whole family.

Since one of the most remarkable manifestations at the base of the pyramid is the wide spectrum of small-scale social and economic activities – particularly evident in socially embedded micro-entrepreneurship – social relationships and institutions at human scale can be said to be an essential characteristic of the social sphere outside global capitalism. For that reason, MAX-NEEF ([1982] 1992) described the society at the base of the pyramid as a *human scale society*. In contrast, the social relations and institutions of global capitalism tend to exceed the human scale. Consequently, MAX-NEEF ET AL. ([1986] 1989) propose the theory of Human Scale Development as a development theory that is more coherent with the social systems at the base of the pyramid than other development theories. At this point, we should remind ourselves of SCHUMPETER’S Theory of Economic Development, which intended to describe the form of economic development *within* capitalist societies.

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<sup>36</sup> The opposite case of being *no* essentially determining part is described by MAX-NEEF ([1982] 1992) as a state of being *alienated*. Hence, to MAX-NEEF, the phenomenon of alienation is the inevitable result of exceeding the human scale.

Human Scale Development theory contradicts SCHUMPETER'S Theory of Economic Development in its basic postulate: "*Development is about people and not about objects.*" (MAX-NEEF ET AL. [1986] 1989: 19). As described in *Chapter 3.3.2*, at the core of SCHUMPETER'S capitalist development theory lies his *concept of combinations*, by which he defines development as the carrying out of new combinations of *objects*. In contrast, at the core of Human Scale Development theory lies the *concept of fundamental needs*, which defines development as the improved satisfaction of the fundamental needs of *people*.<sup>37</sup> Due to its emphasis on fundamental human needs, Human Scale Development theory can – in contrast to SCHUMPETER'S Theory of Economic Development – directly integrate the needs-based concept of poverty as set out by the UNITED NATIONS and the WORLD BANK (see *Chapter 1.1*). MAX-NEEF ET AL. ([1986] 1989: 21) acknowledge that "any fundamental human need that is not adequately satisfied, reveals a human poverty". The concept of fundamental needs also leads to two additional postulates:

"First: *Fundamental human needs are finite, few, and classifiable*. Second: *Fundamental human needs ... are the same in all cultures and in all historical periods. What changes, both over time and through cultures, is the way or the means by which the needs are satisfied.*" (MAX-NEEF ET AL. [1986] 1989: 20).

In other words, Human Scale Development theory considers the existence of *finite, subjective-universal* needs, which are "essential attributes related to human evolution" (ibid.: 30). This perspective opposes most other economic theories, which avoid the issue of fundamental needs by reference to *infinite, subjective-particular* preferences or wants (ibid.). Moreover, MAX-NEEF (2010b: 206) points out: "In conventional economics we have two links: wants and goods. In Human Scale Development theory we have three links: Needs, satisfiers and goods." MAX-NEEF ET AL. describe the difference between satisfiers and goods as follows:

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<sup>37</sup> Please note that Human Scale Development theory's original "anthropocentric view restricted to human needs" was overturned in the 2011 paper, *Should We Care About the Needs of Non-humans?* by JOLIBERT, MAX-NEEF, RAUSCHMAYER & PAAVOLA (2011: 260). They showed that Human Scale Development theory can also be applied to the fundamental needs of non-human living beings. In this broader sense, the basic postulate of Human Scale Development theory can be reformulated as: '*Development is about subjects and not about objects.*'

“While a satisfier is in an *ultimate sense* the way in which a need is expressed, goods are in a *strict sense* the means by which individuals will empower the satisfiers to meet their needs. ... Hence, *satisfiers are what render needs historical and cultural, and economic goods are their material manifestation.*” (MAX-NEEF ET AL. [1986] 1989: 27-29).

To illustrate the triad of needs, satisfiers and goods, MAX-NEEF (2010b: 206) gives the following example: “[Imagine] there is the need of Understanding, whose satisfier is literature, whose good is a book”.<sup>38</sup> Based on this idea, Human Scale Development theory does not focus on the allocation or accumulation of economic goods, but rather on the classification of: (1) fundamental needs; and (2) their satisfiers.

In terms of the classification of fundamental needs, MAX-NEEF ET AL. ([1986] 1989: 20) propose dividing human needs into two categories: existential and axiological. Within the existential category, they identify “the needs of Being, Having, Doing, and Interacting” (ibid.). Within the axiological category, they identify “the needs of Subsistence, Protection, Affection, Understanding, Participation, Idleness, Creation, Identity and Freedom” (ibid.). To combine both categories, MAX-NEEF ET AL. created a needs matrix that can be completed by different satisfiers (see *Table 4*).

**Table 4** Matrix of Fundamental Human Needs (MAX-NEEF ET AL. [1986] 1989: 33, adapted)

<b>Human Needs</b>	<i>Being</i>	<i>Having</i>	<i>Doing</i>	<i>Interacting</i>
<i>Subsistence</i>				
<i>Protection</i>				
<i>Affection</i>				
<i>Understanding</i>				
<i>Participation</i>				
<i>Idleness</i>				
<i>Creation</i>				
<i>Identity</i>				
<i>Freedom</i>				

<sup>38</sup> Please note that MAX-NEEF’S use of the notion of ‘understanding’ here is not in the strict phenomenological sense as presented in *Chapter 2.2.4*.

In terms of the classification of satisfiers, MAX-NEEF ET AL. ([1986] 1989) and, later, JOLIBERT ET AL. (2011) proposed two complementary typologies. While the first is “intrahumanly”, i.e. it refers to the satisfaction of needs “in relation with oneself” (MAX-NEEF [1986] 2005b: 48), the second one is “inter-humanly”, i.e. it refers to the satisfaction of needs “in relation to others” (ibid.). The intra-human typology identifies the following five types of satisfiers: “(a) violators or destroyers, (b) pseudo-satisfiers, (c) inhibiting satisfiers, (d) singular satisfiers, and (e) synergic satisfiers” (MAX-NEEF ET AL. [1986] 1989: 32). The inter-human typology, in turn, identifies two different types of satisfiers: (1) divergent satisfiers, and (2) convergent satisfiers (JOLIBERT ET AL. 2011: 260). A brief overview of all types is given below.

(a) *Violators/destroyers* are elements that pretend to satisfy a given need, but then annihilate the possibility of its satisfaction over time (MAX-NEEF ET AL. [1986] 1989: 32-34). They also impair the adequate satisfaction of other needs (ibid.: 34). Examples include censorship or bureaucracy, both of which pretend to satisfy the human need of protection. However, they do not achieve this and actually impair the adequate satisfaction of other human needs, such as participation, affection, creation and freedom (ibid.). (b) *Pseudo-satisfiers* are elements that generate a false sensation of having satisfied a given need (ibid.: 34). Examples include status symbols and fashion trends for the human need of identity; ageism, racism or sexism for the human need of identity; prostitution for the human need of affection; or formal democracy for the human need of participation (ibid.: 35). (c) *Inhibiting satisfiers* are elements that generally oversatisfy a given need and, thus, curtail the possibility of the adequate satisfaction of other needs (ibid.: 34).<sup>39</sup> Examples include paternalism, which oversatisfies the human need of protection and curtails the satisfaction of human needs such as participation and freedom; or Taylorist production that oversatisfies the human need of subsistence and curtails the satisfaction of human needs such as understanding, creation and freedom (ibid.: 35). (d) *Singular satisfiers* are elements that adequately satisfy one given need and do not impact on the satisfaction of other needs (ibid.: 36). Examples are curative medicine for the human need of subsistence; insurance systems for the human need of protection; or gifts for the human need of affection (ibid.). (e) *Synergic satisfiers* are elements that

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<sup>39</sup> Needs can be oversatisfied, since they are finite. Oversatisfaction is thereby regarded as a form of inadequate satisfaction of needs.

adequately satisfy a given need and simultaneously stimulate and contribute to the satisfaction of other needs (ibid.: 36). Examples include subsistence agriculture, which satisfies not only the human need of subsistence, but also contributes to the satisfaction of other human needs such as creation, understanding, protection and freedom; or preventive healthcare, which satisfies not only the human need of protection, but also contributes to the satisfaction of human needs such as subsistence and understanding (ibid.: 37). (1) *Divergent satisfiers* are elements that are intended to satisfy someone's own needs, but which simultaneously undermine the ability of others to satisfy their needs (JOLIBERT ET AL. 2011: 260). (2) *Convergent satisfiers* are elements that are intended to satisfy someone's own needs and simultaneously enhance or, at least, do not impair the ability of others to satisfy their needs (ibid.).

Having worked out these typifications, Human Scale Development theory ultimately argues in favour of *a development strategy that is based on (2e) convergent-synergic satisfiers* – also called sustainable satisfiers (MAX-NEEF ET AL. [1986] 1989; JOLIBERT ET AL. 2011, 2014). Thereby, Human Scale Development theory claims that *these satisfiers can only be generated endogenously and within the human scale* (MAX-NEEF ET AL. [1986] 1989). The endogeneity argument stresses that convergent-synergic satisfiers can only be generated by the people “whose development is at stake” and, hence, cannot be imposed or induced from the outside (GUILLÉN-ROYO 2016: 47; see also MAX-NEEF ET AL. [1986] 1989: 36). The subsequent human scale argument maintains that convergent-synergic satisfiers can only be generated by the people whose development is at stake if they constitute a social whole of which every individual is an essentially determining part. To substantiate these arguments, MAX-NEEF ET AL. ([1986] 1989), among others, draw on the example of breastfeeding. Breastfeeding can be considered as a satisfier usually only generated endogenously by a mother and her child. Moreover, the mother-child relationship is a social relationship at the human scale, since neither the mother nor the child can be substituted by another individual without affecting the essence of that relationship. Breastfeeding can be viewed as a synergic satisfier, as it not only adequately satisfies the infant's need for subsistence but simultaneously contributes to the satisfaction of the infant's needs for affection, identity and protection. Furthermore, breastfeeding can be viewed as a convergent satisfier as it not only adequately satisfies



the infant's needs, but simultaneously contributes to the satisfaction of the mother's needs for affection and identity.

The absence of such convergent-synergic satisfiers beyond the human scale, according to MAX-NEEF ET AL., makes the harmonious satisfaction of human needs hardly possible (not to say impossible). Individuals then often attempt to compensate for their inadequate satisfaction of needs by the consumption of more economic goods. This greater consumption of economic goods does not, however, lead to an increase in needs satisfaction. Referring to the example above, beyond the human scale the satisfier of breastfeeding is usually not generable; hence only bottle-feeding can be chosen as a satisfier for the infant's need of subsistence. In this case, increased consumption of the economic good of infant formula milk cannot compensate for the impaired satisfaction of needs resulting from the absence of the satisfier of breastfeeding. Overall, the de facto impossibility of harmonious needs satisfaction beyond the human scale ultimately leads to the phenomenon of *greed* (see SMITH & MAX-NEEF 2011). The phenomenon of greed has been adequately described in this context by psychoanalyst and social philosopher ERICH FROMM (1941: 115), as “a bottomless pit which exhausts the person in an endless effort to satisfy the need without ever reaching satisfaction”.

Shifting the poverty alleviation focus away from economic goods towards satisfiers (compare *Chapter 1.1*), Human Scale Development theory finally decouples the concept of economic development, defined as improved needs satisfaction, from that of economic growth, defined as increased production output. As described in *Chapter 3.3.2*, neoclassical economics considered both as conceptual equivalents. Later, SCHUMPETER'S Theory of Economic Development substantially distinguished the two concepts, but asserted that development was impossible without growth. MAX-NEEF ET AL.'S Human Scale Development theory turn this relationship upside down and proposes that “[g]rowth is not the same as development, and development does not necessarily require growth.” (MAX-NEEF 2010b: 204).

In summary, Human Scale Development theory argues in favour staying within, or returning to, the human scale for the sake of the harmonious satisfaction of fundamental needs. In other words, Human Scale Development theory claims that effective poverty alleviation is only possible within a distinct human-scale dimension. Since the social relationships and institutions at the base of the pyramid tend to remain within such a

human-scale dimension, while those of global capitalism tend to exceed that dimension, Human Scale Development theory ultimately provides an explanation why the slum dwellers may doubt the advantages of inclusion in the globalised markets of modern capitalism as presupposed by PRAHALAD'S BoP concept. For the same reason, the myriad microentrepreneurs at the base of the pyramid may prefer to preserve the small scales of their businesses instead of striving for scalability and large-scale operations as suggested by SCHUMPETER'S Theory of Economic Development and the poverty alleviation concepts derived from it. The call for scalability of innovations is evident in SCHUMPETER'S concept of creative destruction and the call for large-scale corporations is evident in the 'SCHUMPETER hypothesis'. Against this background, large-scale entrepreneurship and massive market penetration is considered in PRAHALAD'S BoP concept as essential for the profitability of inclusive businesses. Scaling by means of microbusiness replication, as suggested by JASON FAIRBOURNE ET AL.'S concept of microfranchising, can also be regarded as incompatible with the human-scale dimension of the socially embedded economic activities at the base of the pyramid, since the human scale is essentially associated with the social significance of *non-replicable* human individuals. Or, to put it differently, if microenterprises are standardised by a turn-key 'business-in-a-box' solution, the significance of the individual entrepreneur is annulled.

Finally, Human Scale Development theory counters PRAHALAD'S BoP concept with MAX-NEEF'S 1982 "concept of revitalization" (MAX-NEEF [1982] 1992: 124). His revitalization concept proposes alleviating poverty not through inclusion in global capitalism and its markets but, on the contrary, by the circumvention of global capitalism and its markets (*ibid.*). The concept further suggests initiating "revitalization project[s]", in which "revitalization experiment[s]" are conducted at the grassroots. These experiments can be described as real-world experiments intended to stimulate the emergence of endogenous satisfiers within human-scale communities (MAX-NEEF [1982] 1992: 122, 124). MAX-NEEF'S "TIRADENTES Project", conducted in Brazil in the 1970s, is one example of such a revitalization project (*ibid.*: *passim*, own emphasis). The MPITO project could be considered as another example. Its real-world experiment did not give rise to a scalable microfranchise system, but rather a cooperative network of microentrepreneurs socially embedded in the slum community and operating at the human scale. In this way, the MPITO network was essentially generated in an endogenous

manner by the slum community at the grassroots and served as a convergent-synergic satisfier, which may have simultaneously contributed to several fundamental human needs of its members as well as its community stakeholders. The needs satisfaction of the network members may have included: (1) satisfaction of the needs for participation and understanding through collective decision making; (2) satisfaction of the need for creation through the development of joint programmes; (3) satisfaction of the needs for protection and affection through solidarity; (4) satisfaction of the need for identity through a sense of belonging and togetherness; and (5) satisfaction of the need for freedom through autonomy in decision making and the avoidance of dependence on markets outside the slum community. The specific needs satisfaction of the community stakeholders may have included: (1) satisfaction of the need for understanding through improved non-formal education; (2) satisfaction of the need for participation through extended opportunities for school enrolment; and (3) satisfaction of the need for identity through a sense of belonging and togetherness.

## **3.7 CONCLUSION**

### **3.7.1 Summary**

This scientific case study set out to use a barefoot economic research approach to answer the research question of why bottom-up franchises are rarely observed at the base of the pyramid. To achieve this: (1) a methodological pruning of language of the key terminology from the prevailing academic discourse within the scientific discipline of economics was conducted; and (2) lived experiences were gained within a multi-year real-world experiment on bottom-up franchising carried out in the MATHARE slums of NAIROBI (Kenya).

The MATHARE slums are a collection of thirteen of the most deprived and excluded informal sub-settlements characterised by the phenomenon of poverty and inhabited by a total population of approximately 200,000 people. The non-formal education sector of MATHARE is dominated by native microentrepreneurs who have established and operate at least 85 small-scale primary schools with more than 16,000 pupils. A bottom-up franchise experiment was conducted from January 2015 to March 2020 with a panel of

initially seven, and later ten, of these non-formal schools. Methodologically, this experiment was designed as a real-world experiment of an own independent development project, called the MPITO project. The participating schools were selected by the method of targeted sampling, in which a sample frame was created according to a pre-existing school census. Triangulated data was collected by the method of participant observation, which included the combination of active participation and direct observation with narrative interviews and document analysis. In theoretical terms, the experiment was derived from JASON FAIRBOURNE ET AL.'S concept of microfranchising, suggesting the systematisation and replication of microbusinesses at the base of the pyramid with the goal of poverty alleviation. As explained, FAIRBOURNE ET AL.'S concept of microfranchising is based on C.K. PRAHALAD'S BoP concept, which stresses the ideas of: (1) large-scale entrepreneurship; (2) capacity building of market institutions; and (3) inclusion in global capitalism. Furthermore, this study demonstrated how PRAHALAD'S BoP concept was developed from JOSEPH SCHUMPETER'S Theory of Economic Development.

Following the barefoot economic method of linguistic pruning, key terminology of the theoretical background was pruned from the language used in the process of data collection, preparation and analysis. The research results of the conducted experiment were presented based on the pruned verbalisation of data. This allowed the participants of the experiment to verbalise in their own words how the bottom-up franchise concept worked in terms of their lived experience at the base of the pyramid. The primary focus was on the common actions and perceptions of the head teachers at the experiment's participating schools. The findings show that the head teachers perceived branding and standardisation differently to the conceptualisations in the theoretical background to this research. The self-reliant poverty alleviation efforts of the slum dwellers did *not* involve: (1) scaling business operations at the expense of close social relationships; (2) capacity building of economic institutions; or (3) inclusion in globalised capitalist markets. The subsequent discussion returned to using the pre-pruned scientific terminology, and the research findings were reflected on against the theoretical background of this study. Based on NIKLAS LUHMANN'S concept of inclusion/exclusion, it was argued that the advantages of inclusion in global capitalism can only be evaluated if the characteristics of the affected social systems are taken into account. With reference to KARL POLANYI'S concept of

embeddedness, this study made the claim that the social systems at the base of the pyramid constitute a non-market society, in which economic activities are embedded in social relationships and, consequently, separate market institutions are dispensable. Moreover, with reference to MANFRED MAX-NEEF ET AL.'S Human Scale Development theory, the argument was put forward that the social systems at the base of the pyramid constitute a human-scale society. In this society, social relationships and institutions remain at a scale that is sufficiently small to ensure every individual is of social significance. This discussion of the theoretically underpinned advantages of a human-scale dimension in the context of poverty alleviation has provided an explanation why the slum dwellers neither intend to scale their entrepreneurial actions nor become included in the markets of global capitalism.

### **3.7.2 Contributions and Implications**

Through the barefoot economic method of linguistic pruning and from lived experience of the social and economic reality in the slums, this scientific case study has answered the research question of why bottom-up franchises are rarely observed at the base of the pyramid grounded in an understanding of relevant social and economic phenomena as they appear to people in the slums in lived experience. Consequently, the conducted research has indicated that bottom-up franchises are rarely observed because there is a *linguistically induced incoherence* between the given social and economic reality at the base of the pyramid and the theoretical presuppositions of the microfranchise concept. This incoherence manifests itself, particularly, in the attempt to create efficient market interactions within a non-market society, and the attempt to develop large-scale business operations within a human-scale society. As demonstrated by the case study, economic institutions and economic scalability are generally not perceived as desirable goals within the non-market human-scale society of the slums. This incoherence may have led to the dichotomy that while a number of economists have championed bottom-up franchising as a promising model for poverty alleviation, the inhabitants of the slums have not – or, at least, not yet.

The incoherence can, moreover, be regarded as being caused by language. Any theoretical consideration made by a researcher inevitably involves a certain preconceived

scientific terminology that is commonly accepted within his or her research community, rendering the theoretical consideration thinkable to him or her. With respect to this case study and the vocabulary that was pruned in its barefoot economic approach, the incoherence-inducing scientific terminology was ascribed to the current prevailing neoliberal discourse in the discipline of the economic sciences (see *Chapter 3.4.2* and *Chapter 3.4.4.4*). As outlined in *Chapter 3.4.4.4*, the neoliberal discourse emerged in 20<sup>th</sup> century capitalist societies in the aftermath of JOSEPH SCHUMPETER'S work and aims to liberate individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade (HARVEY 2007). The present study indicates that the discourse cannot be used to understand poverty-related phenomena as they appear to people outside modern capitalism. Among other things, this is due to the fact that the discourse compels economists to assume that: (1) strong market institutions; (2) scalable entrepreneurial actions; and (3) inclusion in the globalised markets of modern capitalism are desirable objectives. In the final analysis, the neoliberal discourse must be considered as incoherent with the given social and economic reality at the base of the pyramid.

In terms of practical implications, this means that if development agendas continue to be derived from poverty alleviation concepts from the neoliberal discourse, most notably PRAHALAD'S BoP concept, there is a high risk of dismantling the working social orders at the base of the pyramid and, ultimately, reinforcing what postcolonial researchers have termed in this context "[t]he hegemony of global capitalist order" (PEREDO ET AL. 2018: 13; see also GIBSON-GRAHAM 1995; MONTGOMERY ET AL. 2012; LANDRUM 2020). In view of this, a major contribution of this case study could be the provision of empirical evidence to the theoretical arguments made in critical discourse analyses of postcolonial studies, namely that the neoliberal discourse on the poverty alleviation of subaltern groups involves a hegemonic performativity that expands modern capitalism to the detriment of functioning non-capitalist approaches to conducting economic life (e.g. MONTGOMERY ET AL. 2012; PEREDO ET AL. 2018; LANDRUM 2020).

Overall, the present scientific case study suggests that it may be necessary to make a profound *language shift* in poverty research in the economic sciences. In such a language shift, the neoliberal discourse should be countered by a *human scale discourse*. Such a human scale discourse may have its academic roots in MANFRED MAX-NEEF ET

AL.'s Theory of Human Scale Development. More precisely, a human scale discourse of this kind is meant to aim at a *revitalisation of the social significance of the human individual within an institutional framework characterised by social embeddedness and small-scale operations*. The discourse would allow for a language that is more coherent with the social and economic reality outside global capitalism. Subsequently, it could be possible to develop poverty alleviation concepts which overcome the inadequacies of the BoP concept and those models derived from it, such as bottom-up franchising. Among other things, such poverty alleviation concepts should allow for the conceptualisation of native microentrepreneurs at the base of the pyramid not as SCHUMPETERIAN entrepreneurs but rather as *human-scale entrepreneurs*. Entrepreneurship at the human scale could, thereby, be defined as the *creation of socially embedded small-scale business ventures for which the individual entrepreneur as well as all other stakeholders are significant as human individuals, and which are not intended to scale*.<sup>40</sup> The call for the emergence of a more elaborated concept of the human-scale entrepreneur is one of the major outcomes of this research.

### 3.7.3 Limitations

The limitations of this scientific study primarily result from the research design derived from the methodology of barefoot economics.

This research was shaped by its case study design, meaning the research question was answered by a barefoot economic research approach involving lived experiences made within a certain *case*. The research results of scientific case studies regularly possess a higher internal than external validity (YIN 1989). In this study, the internal validity of the research findings was ensured by the validation strategies of *triangulation* (see *Chapter 3.4.4.3*) and *member-checking* (see *Chapter 3.4.4.4*). The triangulation included both data triangulation and investigator triangulation (see *Chapter 3.4.4.3*). However, practical limitations inhibiting wider data collection resulted from the limited resources of the MPITO project (see *Chapter 3.4.4.1*) and the abrupt end to its real-world experiment due to the global 'COVID-19 pandemic' (see *Chapter 3.5.1*). With regard to

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<sup>40</sup> Please note that the proposed definition is based on a behavioural, and not functional, idea of entrepreneurship (see *Chapter 3.3.2*; see also STEVENSON 1983).

the external validity (generalisability) of this study, two types of generalisation, as proposed by FIRESTONE (1993), can be distinguished: (1) “extrapolation from sample to population” (ibid.: 16); and (2) “analytic generalization or extrapolation using a theory” (ibid.). The *sample-to-population extrapolation* of research results is usually closely linked to the sampling method applied (FLICK 2009). In this research study, the method of *targeted sampling* was used to create a panel of experiment participants intended to be representative of the field (see *Chapter 3.4.4.2*). Accordingly, the results may be generalisable for the MATHARE slums of NAIROBI. However, considering the limited data and the small sample size of this case study, the validity of sample-to-population extrapolation is open to question. To claim even broader external validity for the base of the pyramid as a whole, *analytic generalisation* was used. For this purpose, a number of renowned theories and concepts were referred to as background. This approach could result in a lack of intersubjective comprehensibility (STEINKE 1999) due to the fact that the analytic generalisation was based firmly on the phenomenological understanding presupposed to be gained by the barefoot economic research approach. As explained in *Chapter 2.3*, this understanding cannot be shared by means of text, but only arises in lived experience – an issue that must be considered as a major constraint of barefoot economic research in general. However, the present study can be deemed to have benefited from the strengths of barefoot economics in terms of other scientific quality criteria. These strengths include maximum validation in terms of fulfilling the criteria of *closeness of the researcher to the object of investigation* (MAYRING 2016), achieved due to the lived experience of the investigated phenomena. In terms of such validation by means of lived experience, time can be regarded as a significant parameter. In this case, a real-world experiment was conducted over more than five years. Within the duration of the experiment, a *diachronic reliability* (KIRK & MILLER 1986) was achieved. This diachronic reliability manifests itself in the stability of observations in the temporal course of this study (see FLICK 2009). The stability of these observations concerned the phenomena of social embeddedness and human scale. Diachronic reliability is usually rarely achieved within empirical social research because it involves “the precondition that the phenomenon under study in itself may not undergo any changes” (FLICK 2009: 385). The barefoot economic approach, however, has the prerequisites for achieving diachronic



reliability, since it investigates the *essence* of phenomena, which, by definition, does not undergo change (see HUSSERL [1900/01] 2001; see also ZHOK 2012).

As explained in *Chapter 2.3.2* and *Chapter 2.4.2*, barefoot economics and positive economics complement each other; consequently, the research results of this scientific study should be considered as incomplete by their very nature. Future research based on the methodology of positive economics (see *Chapter 2.2.1*) should attempt to produce greater scientific knowledge using the language of a human scale discourse suggested by the results of this research (see *Chapter 3.7.2*).

## 4 CONCLUSION

### 4.1 OVERALL SUMMARY

This thesis set out to contribute to the UNITED NATIONS' (2015: 14) Sustainable Development Goal 1: "End poverty in all its forms everywhere". Having defined the phenomenon of poverty, in line with the UNITED NATIONS and the WORLD BANK, as the dissatisfaction of basic human needs, the relevance of long-lasting improvements to poverty alleviation efforts in the face of the global trend of increasing poverty is clear. Moreover, poverty research is particularly pertinent in the scientific discipline of economics, given the view that needs satisfaction is the purpose of all economic activities.

The research context of this thesis highlighted the fact that poverty research in the economic sciences of the 21<sup>st</sup> century is dominated by the BoP concept and the RCT method. Considering the limitations resulting from the corresponding theoretical and methodological monism and the need to counterbalance the shortcomings of pervasive approaches, the present thesis took its intellectual starting point from the frequently expressed desire for pluralism in economics. In order to meet this objective and to contribute to poverty research by stimulating a greater variety of economic approaches, 'barefoot economics' as proposed by the German-Chilean economist and Alternative Nobel laureate MANFRED MAX-NEEF (1932-2019) in the context of poverty research was chosen as the research subject of this thesis. Two consecutive scientific studies were carried out to revive, elaborate and apply barefoot economics with the aim of identifying the scientific contribution of barefoot economics to poverty research.

The first study was dedicated to barefoot economics in theory. A hermeneutical investigation into the meaning of barefoot economics was conducted, with particular reference to the scientific-philosophical writings of MAX-NEEF. This demonstrated that

the prevailing idea of economics as a positive science is based on the philosophy of positivism; hence the methodology of economics sets out to produce positive knowledge. Barefoot economics, in contrast, is rooted in phenomenology. The phenomenological perspective argues that science should be concerned with the understanding of phenomena, i.e. grasp their essence or meaning. Consequently, phenomena can only be understood if they are ‘lived through’. Furthermore, a necessary prerequisite is a language that opens the door to understanding – a language coherent with reality. As a result of the investigation, barefoot economics was defined as an approach to economics that seeks to understand the essence or meaning of poverty-related phenomena by means of lived experience and a methodological pruning of language. This definition substantially distinguishes barefoot economics from positive economics and other non-positivist approaches in the realm of empirical social research and, specifically, poverty research. Despite the incommensurability of barefoot economics and positive economics, arising from their antagonistic scientific-philosophical underpinnings, the findings of this study show that they can be considered as complementary opposites. Consequently, a dialectical complementation model was developed. Finally, this research suggests there are scientific-philosophical reasons for considering barefoot economics in academia.

The second study in this thesis was dedicated to barefoot economics in practice. An empirical case study was conducted, applying the previously established barefoot economic approach in scientific research practice. In the case study, the applicability of barefoot economics as a research approach as well as the performative impact of barefoot economics on real existent poverty were demonstrated. In more concrete terms, the case study was designed as a multi-year real-world experiment on bottom-up franchising at the base of the pyramid. The experiment was performed by an own development project, called the MPITO project, in the MATHARE slums of NAIROBI from January 2015 to March 2020. In terms of the barefoot economic approach of the study, extensive lived experiences were gained in the slums and a methodological pruning of language was carried out. The research results show that the self-reliant poverty alleviation efforts of the slum dwellers differed significantly to the assumptions made within the theoretical background of the study. In the final analysis, it was concluded that barefoot economics can raise awareness of the linguistically induced incoherence between, on one hand, the given social and economic reality at the base of the pyramid and, on the other hand, the

theoretical presuppositions commonly taken for granted in poverty research in the economic sciences. To overcome this incoherence, a profound language shift is called for; i.e., more precisely, a shift towards a language that is coherent with the social and economic reality outside global capitalism, and, thus, towards a language that opens the door to phenomenological understanding. In terms of achieving such a language shift, the research findings indicate the need to counter the dominant neoliberal discourse in poverty research in the economic sciences by what has been termed a human scale discourse. Poverty alleviation concepts developed based on a human scale discourse should allow for the conceptualisation of native microentrepreneurs at the base of the pyramid as human-scale entrepreneurs.

## **4.2 OVERALL CONTRIBUTIONS AND IMPLICATIONS**

The overall research question of this thesis asked what scientific contribution barefoot economics can make to poverty research. With regard to this overall research question, the following main findings resulted from the two consecutive scientific studies conducted.

The first study indicates that barefoot economics can make a fundamental scientific contribution to poverty research due to its capability to *complement positive knowledge with phenomenological understanding*. Such understanding allows the essence of poverty-related phenomena to be grasped. Coincidentally, phenomenological understanding goes hand in hand with a language that is coherent with given social and economic reality. A language of this kind, in turn, enables poverty researchers to pose more accurate, i.e. ‘fit-for-reality’, questions. Those questions can be answered by means of positive economics with the aim of developing more effective and appropriate poverty alleviation concepts. In more general terms, it can be argued that barefoot economics can prevent positive economics from making inaccurate theorizations.

The second study indicates that barefoot economics can make a more advanced scientific contribution to poverty research due to its capability to *create awareness of the need for a post-neoliberal human scale discourse*. The phenomenological understanding of poverty-related phenomena that can be attained through practicing barefoot economics at the base of the pyramid enables poverty researchers to detect incoherence of the

dominant neoliberal discourse with the given social and economic reality outside global capitalism. Simultaneously, barefoot economics leads to the conscious adoption of a discourse that centres around the idea of human scale. The latter discourse is, thereby, identified as a discourse that opens the door to a phenomenological understanding of poverty-related phenomena as they appear in lived experience at the base of the pyramid – a discourse that is coherent with reality. Finally, it can be argued that barefoot economics enables positive economists to create more effective and appropriate poverty alleviation concepts based on the language of such a human scale discourse.

By reflecting on the results of both scientific studies in the context of the theoretical and methodological monism in poverty research in economics (see *Chapter 1.2*), this study has demonstrated that barefoot economics is capable of escaping the prevalent methodology of positive economics, of which the RCT method is a major manifestation, and the dominant neoliberal discourse, of which the BoP concept is a major manifestation. In doing so, barefoot economics has great potential to contribute significantly to the desired *pluralism in economics* (see *Chapter 1.3*) and to counterbalance the limitations of the pervasive approaches to poverty research.

Apart from the scientific contributions that barefoot economics can make to poverty research, the second scientific study of this thesis revealed that barefoot economics is capable of *alleviating poverty in the course of its research practice*. In terms of its performative impact on society, barefoot economics responds to the plea of sustainability researchers for ‘*transformative economics*’ (SCHNEIDEWIND ET AL. 2016a, 2016b; BARTH & ROMMEL 2020) “that does not only observe and describe societal transformation processes, but rather initiates and catalyzes them” (SCHNEIDEWIND ET AL. 2016a: 6). An essential feature of transformative economics is also the “*participation of non-scientific actors*” (BARTH & ROMMEL 2020: 300). As indicated by the second study of this thesis, barefoot economics is capable of ensuring such participation.

Overall, this thesis has theoretically and empirically demonstrated that barefoot economics is capable of making substantial contributions to poverty research within the scientific discipline of economics. Consequently, this thesis makes a clear call for barefoot economics to be more widely considered in academia. Through its effort to revive, elaborate and apply barefoot economics, this thesis has presented barefoot

economics as a scientific research approach that could be applied methodologically in future research.

### 4.3 OUTLOOK

A major result of this thesis is the identification of the need for a human scale discourse that allows for a language that is more coherent with the social and economic reality at the base of the pyramid. The following outlook on the avenues for future research takes a closer look at the potential of such a human scale discourse.

In accordance with MAX-NEEF ET AL.'S Theory of Human Scale Development, this study suggests that a human scale discourse should aim to revitalise the social significance of the human individual within an institutional framework characterised by social embeddedness and small-scale operations. In broader terms, a human scale discourse may address the *general* significance of the human individual.

This thesis has also put forward the idea that a human scale discourse would be more coherent with the social and economic reality at the base of the pyramid than the prevailing neoliberal discourse that aims to liberate individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade (HARVEY 2007). Based on that argument, this study claims that a human scale discourse may lead to more appropriate approaches for alleviating poverty of people outside global capitalism and, by doing so, contribute to achieving the UNITED NATIONS' (2015: 14) Sustainable Development Goal 1: "End poverty in all its forms everywhere".

However, future research could reveal even greater potential. A human scale discourse could also be considered appropriate for helping to achieve a *multitude* of the UNITED NATIONS' Sustainable Development Goals, even *within* capitalist societies. Considering, for example, Sustainable Development Goal 13: "Take urgent action to combat climate change and its impacts" (UNITED NATIONS 2015: 14), a human scale discourse could provide important contributions to achieving the goal's more concrete targets. Among other things, these targets include a drastic reduction of anthropogenic greenhouse gas emissions, as agreed under the 2016 PARIS AGREEMENT in the UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC). A human scale discourse

not only advocates downsizing to small economic units but also supports economic relocalisation in which production processes become geographically closer to consumption processes. The ecological benefits of such a relocalisation in terms of greenhouse gas reductions are already evident in sustainability research (see e.g. LEVIDOW & PSARIKIDOU 2011; BUENO 2012).

This thesis has also explained that the development theory associated with a human scale discourse, namely MAX-NEEF ET AL.'S Human Scale Development theory, shifts the perspective on development away from economic goods towards sustainable satisfiers and ultimately decouples the concept of economic development from that of economic growth (see *Chapter 3.6.4*). Such a *decoupling* is regularly considered as indispensable by sustainability researchers to ensure an ecologically sustainable future within the Anthropocene (e.g. VON WEIZSÄCKER ET AL. 1997; SCHNEIDEWIND 2018).

In addition to Human Scale Development theory, further economic theories could be developed within a human scale discourse. The resultant set of economic theories could ultimately lead to an own school of economic thought, which MAX-NEEF once imagined being called “*human scale economics*” (MAX-NEEF 1985: 40, own italics; [1986] 2005b: 43; see also SMITH & MAX-NEEF 2011: 134; MAX-NEEF 2010b). As proposed by MAX-NEEF (2010b), such a human scale economics could, among other things, involve a fundamentally different theorisation of the protection of local economies, including for example local currencies and sociocratic policies (see also SMITH & MAX-NEEF 2011; FUDERS & MAX-NEEF 2014).

#### **4.4 FINAL REMARKS**

The following final remarks address the issue of *circularity* (FLICK 2009, BAUR 2019) within the research process of this thesis. Circularity of the research process can be considered as a characteristic feature of many qualitative research designs (ibid.). It denotes the iterative process of asking the same research questions repeatedly to provide increasingly refined answers (ibid.).<sup>41</sup>

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<sup>41</sup> As described by FLICK (2009), circular research processes have advantages and disadvantages: “[C]ircularity causes problems where the general linear model of research (theory, hypotheses,

To enhance its clarity for the reader, the research process of this thesis was presented as linear in terms of two consecutive studies (see *Chapter 1.3*). From this simplistic linear perspective, barefoot economics was elaborated as a research approach in the first study. Subsequently, the established research approach was put into practice in the second study. However, from a more complex circular perspective, the final outcome of the second study can be used to answer the initial research question of the first study and, therefore, to create a closed loop. Expressed in more concrete terms, the initial research question concerning how to define barefoot economics can be answered by using the language of a human scale discourse, which resulted from the practice of barefoot economics. In this regard, the following line of argument seems reasonable.

Firstly, barefoot economics takes off the ‘shoes’ of positivism and commits itself to phenomenology, as explained in *Chapter 2.2* and *Chapter 2.3*. However, a human scale discourse allows for an additional interpretation of the phenomenological agenda. As explained in *Chapter 2.3.1*, phenomenology aims to counter the ‘naïve objectivism’ of the positive sciences which underestimate the role of the individual human person (the subject). Consequently, phenomenology emphasises the significance of the human individual due to the scientific importance of their lived experiences. Since the human scale is essentially associated with the significance of the human individual, phenomenology can be viewed as a philosophy promoting the methodological practice of science at the human scale. Having underpinned barefoot economics by a phenomenological philosophy of science, barefoot economics can, ultimately, be defined in line with MAX-NEEF’S ([1982] 1992: 22, own italics) statement, which asserts that barefoot economics is “*economics as practised at the human scale*”.

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operationalization, sampling, collecting data, interpreting data, validation) is used to evaluate research. In general, this is the case ... in the evaluation of this research and its results by the use of traditional quality indicators ... However, notwithstanding that problem, ... circularity ... forces the researcher to permanently reflect on the whole research process and on particular steps in the light of the other steps” (FLICK 2009: 92).



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## APPENDICES

### A ADDITIONAL PHOTOGRAPHS FROM MATHARE



**Figure 13** Local shop in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETTO BOLAN).



**Figure 14** Students preparing lunch in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 15** Serving school lunch in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 16** A child in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 17** Children at the window of a dwelling in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).





**Figure 20** Boys running in the rain along MAU MAU ROAD in MATHARE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



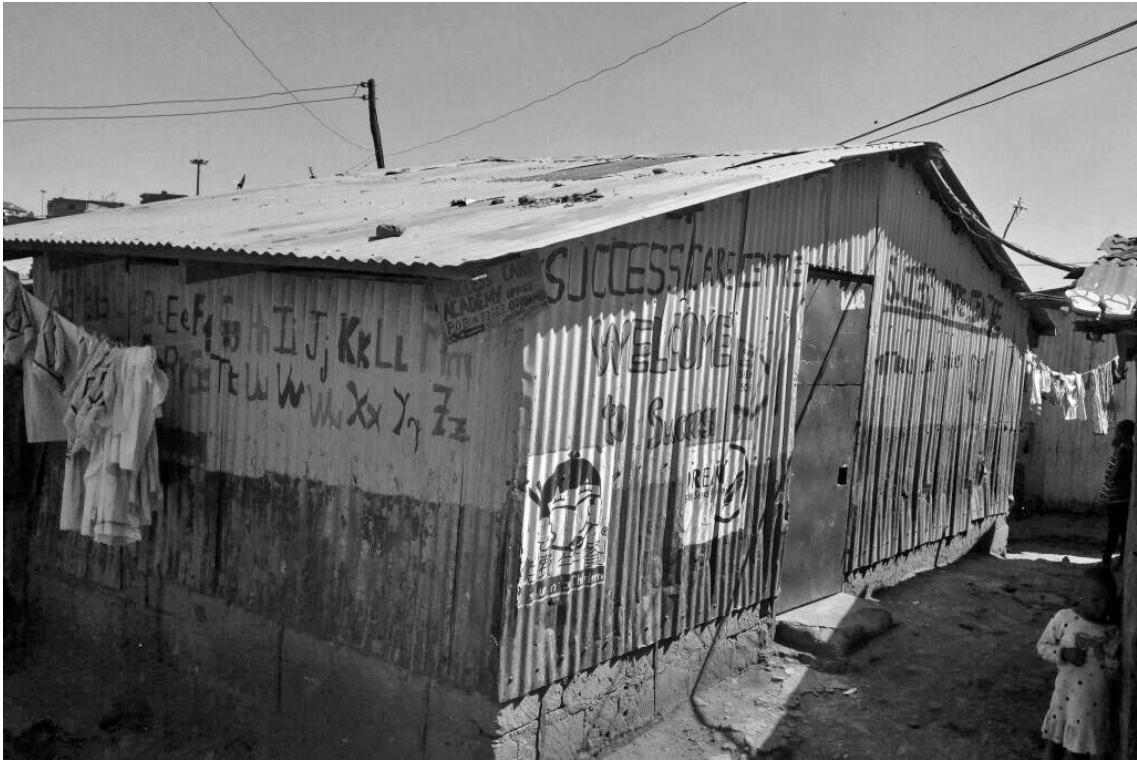
**Figure 21** Classroom at NGOTA'S UPENDO NURSERY SCHOOL AND YOUTH CENTRE (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 22** PATRICK OJIAMBO JUMA in front of DAYSTAR JUNIOR EDUCATIONAL CENTRE (Photo Credit: CHRISTOPHER MALUSI NGOMBALU).



**Figure 23** JOSEPHAT ANDULA OKAMA teaching new primary school children (Photo Credit: JOÃO VICTOR NOVELLETO BOLAN).



**Figure 24** School building of SUCCESS CARE CENTRE (Photo Credit: PATRICK THOMAS KLETZKA).



## **B EXCERPTS FROM THE CORPORATE DESIGN OF MPITO**



C O R P O R A T E   D E S I G N   M P I T O

von Alexandra Konrad

## CONTENT

Logo

Typografie und Printmedien

Farbschema

Website

*c o n t e n t*

Farbe  
#FFB300



*l o g o*

DAS LOGO |  
Über mehrere Entwicklungsphasen und  
Feedbackrunden entstanden.



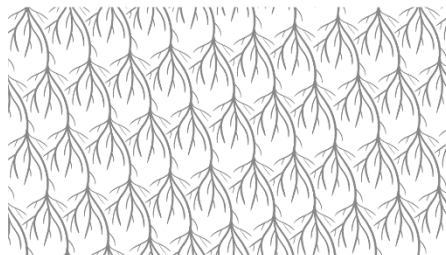
## MPITO

Stark und Beständig, im Boden fest verankert. Zugleich zierlich und flexibel, mit großem Potential. Elegant und reduziert, für jeden Anlass einsetzbar. Dennoch auffällig und prägnant, in einer positiven Ausstrahlung.

Das Logo ist angelehnt an die Graswurzel und eingefasst im Kreislauf der nachhaltigen Entwicklung. Somit ist das Logo gleichzeitig ein mögliches Gütesiegel für die in mpito festgelegten Werte und Ziele.

Der Einsatz des Logos erfolgt auf eine vielfältige Art und Weise: Das Logo alleine stehend kann als Bildmotiv verwendet werden. Die einzelnen Elemente, wie z.B. die Wurzel, laden zu einem verspielten Neueinsatz ein, bei dem ein Muster entsteht. Ebenfalls möglich ist der invertierte Einsatz des Logos oder die Nutzung in Kombination mit einem Claimer.

o s o l



**NUTZUNGSVARIANTEN |**  
Invertiert, als Bildlogo, mit Claimer.  
Für verschiedene Formate möglich.

**ÜBERSCHRIFT**

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*„Dies ist ein Zitat und kommt nur selten vor“*

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**ÜBERSCHRIFT**

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**ORATOR STD MEDIUM**

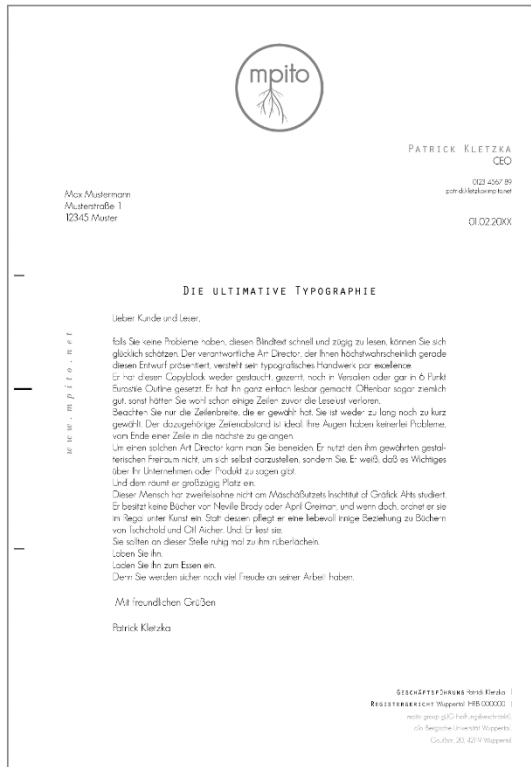
Ist für die Überschriften und Titel gedacht.

**BODONI MT ITALIC**

In einer gesperrten Laufweite wird sie nur äußerst selten für besondere Hervorhebungen genutzt. Dabei ist sie immer in Farbe! (bei gelbem Hintergrund weiß)

**GEO SANS LIGHT**

Ist für den Fließtext. Manche Unterüberschriften können, wenn in Großbuchstaben geschrieben, ebenfalls in ihr verfasst werden.



**VIEL WEIßRAUM |**

Eine strenge Typografische Anordnung mit viel freigelassenem Weißraum bringt Ordnung in die verspielte Platzierung der Schriftsätze.