Inclusive Institutions

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The term 'inclusive institutions' does not refer to a clearly defined field of theory or policy within international development, but to a normative sensibility that stands in favour of inclusion as the benchmark against which institutions can be judged and also promoted. Inclusive institutions are usually portrayed as both a means through which inclusive development itself can be achieved and as an end in themselves. This has prompted debates at all levels of development theory and policy which hinge mainly on whether (a) the focus should be on inclusion itself, (or rather on the terms of inclusion and the power relations that shape this) and (b) whether inclusion is a necessary ingredient for development or more a long-term outcome of development.

These debates are expressed in recent theoretical and historical work on the long-run drivers of development. For example, Acemoglu and Robinson (2012) argue that 'inclusive' (as opposed to 'extractive') institutions are the critical factor in shaping both economic and political progress, as through formal property rights and liberal forms of democracy. This is largely mirrored in North et al's (2009) distinction between 'limited' and 'open' access orders. However, other recent scholarship rejects these claims as not only too vague and normative but also ahistorical; they ignore the critical role for fairly exclusive institutions as drivers of development, including state capacity (Fukuyama 2015). Khan's (2010) work on 'political settlements' argues that stability comes from elite-level agreements and that growth-enhancing institutions are generated not by 'inclusion' but by ruling coalitions which are largely free from the pressures of other powerful groups at elite and popular levels.

There are important policy implications in these debates. For example, Grindle shows how the insistence within the 'good governance agenda' that all political, bureaucratic and legal institutions must be 'inclusive' was unrealistic, unnecessary and destined to fail. This judgement led her to suggest a focus on stability and capacity ahead of inclusion, a move which aligns her 'good enough governance' agenda with the theories of Fukuyama and Khan. Levy (2014) argues that 'inclusive institutions' may only be required when countries start to move out of limited access orders

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into open access orders, or from clientelistic to capitalist forms of political settlement. Therefore, interventions in most developing countries should prioritise issues of growth and state capacity as a priority, with efforts to promote inclusion coming further down the line.

This distinction between promoting 'inclusion' as a normative ideal and a more critical focus on power also strongly informs work on 'inclusive institutions' at the more meso and micro levels of development theory and policy. For example, and against the growing emphasis on 'social inclusion', Mosse (2010) argues that it is the unequal power relations that flow from the major processes of capitalist development and state formation that shape the persistence of poverty. However, whilst acknowledging these patterns and processes as important, Mitlin (2013) shows how urban collectives have, in some cases, established more inclusive institutions of urban governance through the navigation of existing power relations and 'working from within to change the realities of clientelism'.

Key Readings

Reading 1: Acemoglu, D. & and Robinson, J. (2012). *Why Nations Fail.* London, UK: Profile Books.

Book review available: Laws, E. & Leftwich, A. (2012). *Bringing History Back in: Three Big Books Summaries and Some Questions DLP Background Paper 9.* Birmingham, UK: DLP, University of Birmingham.
http://publications.dlprog.org/Bringing%20History%20Back%20in.pdf#page=16

Reading 2: Fukuyama, F. (2015). *Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy*. London, UK: Profile Books.

Reading 3: Grindle, M. (2004) 'Good Enough Governance: Poverty Reduction and Reform in Developing Countries'. *Governance: An International Journal of Policy, Administration, and Institutions 17 (4)*, 525-48.
http://www.gsdrc.org/document-library/good-enough-governance-poverty-reduction-and-reform-in-developing-countries/

Reading 4: Khan, M. (2010). *Political settlements and the governance of growth-enhancing institutions.*
http://eprints.soas.ac.uk/9968/1/Political_Settlements_internet.pdf

Reading 5: Levy, B. (2014). *Working with the Grain: Integrating Governance and Growth in Development Strategies.* Oxford: Oxford University Press.

Open access, earlier working paper: Levy, B. & Fukuyama, F. (2010). *Development strategies: Integrating governance and growth. World Bank policy research working paper 5196.* Washington, D.C.: World Bank.
https://openknowledge.worldbank.org/bitstream/handle/10986/19915/WPS5196.pdf?sequence=1&isAllowed=y

Reading 6: Mitlin, D. (2013). *Politics, informality and clientelism – exploring a pro-poor urban politics. ESID Working Paper No. 34*. Manchester, UK: Effective States and Inclusive Development Institute, Manchester University.
http://www.effective-states.org/wp-content/uploads/working_papers/final-pdfs/esid_wp_34_mitlin.pdf

Reading 7: Mosse, D. (2010) 'A relational approach to durable poverty, inequality and power'. *Journal of Development Studies*, 46(7), 1156–1178.

An earlier working paper: Mosse, D. (2007). *Power and the durability of poverty: a critical exploration of the links between culture, marginality and chronic poverty. CPRC Working Paper 107*. Manchester University, UK: Chronic Poverty Research Centre.
http://www.chronicpoverty.org/uploads/publication_files/WP107_Mosse.pdf

Reading 8: North, D.C.; Wallis, J.; & Weingast, B.R. (2009). *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge, UK: Cambridge University Press.

Book review: Laws, E. & Leftwich, A. (2012). *Bringing History Back in: Three Big Books Summaries and Some Questions DLP Background Paper 9.* Birmingham, UK: DLP, University of Birmingham.
http://publications.dlprog.org/Bringing%20History%20Back%20in.pdf#page=5

Questions to guide reading

1. What historical evidence is there to suggest that 'inclusive institutions' are important for economic development?

2. Under what conditions do extractive institutions become inclusive?

3. What matters most: inclusion or the terms of inclusion?

4. Should development policy focus sequentially on promoting stability, then state capacity and only then inclusion?

5. What role can non-state actors play in promoting more inclusive forms of governance?