The Political Approach to Institutional Formation,
Maintenance and Change

A Literature Review Essay

‘Economic institutions ultimately arise from the rough-and-tumble of elite politics, not from the choices by private parties to enhance mutual welfare’.

(Doner, Ritchie and Slater, 2005:329)

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Introduction

This review has four related objectives. The first is to underline the ‘primacy of politics’ (Levy and Manning, n.d.) in the formation, maintenance and change of institutions, and especially institutions governing economic life. The second is to explore how contributions from within Political Science can enhance our understanding of the forms and functions of economic institutions and the implications for economic growth and pro-poor growth in particular. The third is to extract from the literature some empirical generalizations which identify the range of political factors which have underpinned the determination and capacity of states to shape economic, social and political institutions for a variety of purposes, gaps, and policy failures. The fourth is to explore the impact of those on the IPPG programme which might look at in its later phases. By way of introduction there are a number of preliminary points to be made.

This review does not set out to cover the voluminous literature on governance or state formation. For although there are many points of contact and overlap with those issues, my primary focus is on the political processes underlying institutional formation, compliance and change. However, since patterns of governance and state formation are fundamentally institutional matters, a framework of analysis which enhances our understanding of the politics which lie behind institutional formation and practices will contribute to the understanding of those phenomena too.

• It is the underlying thesis of this review that the overwhelming bulk of the literature on growth and politics implicitly or explicitly (but not yet sufficiently) to the primacy of politics in shaping, maintaining, sustaining, or affecting compliance with the economic institutions which facilitate development and pro-growth. Moreover, the lack of focus on the political and political science approach can help to redress the balance.
• This review does not set out to cover the voluminous literature on governance or state formation. For although there are many points of contact and overlap with those issues, my primary focus is on the political processes underlying institutional formation, compliance and change. However, since patterns of governance and state formation are fundamentally institutional matters, a framework of analysis which enhances our understanding of the politics which lie behind institutional formation and practices will contribute to the understanding of those phenomena too.
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It could be argued, as some do, that institutions are shaped através ‘...to help capture gains from cooperation’ (Weingast, 2002: 670; Shepsle, 2006; Sanders, 2006). Historically, it is clear that some institutions, created to serve the voluntary co-operation and agency of the players in the system, need to be reviewed from within society or as a result of agents acting together to formulate and maintain institutions for their mutual benefit (Greif, 1993). But, in the modern age, it is quite clear that the over-arching structure of (especially political) institutions for facilitating growth – and development – must be, and will inevitably be the responsibility of the state. What matters therefore is our understanding of the political forces and configurations which promote institutional development and change, their goals and objectives.

Accordingly, this review is not so much concerned with the forms and particulars of those economic institutions may or should be – for there is much evidence that they differ widely in their detail and form. But, in the modern age, it is quite clear that the over-arching structure of (especially political) institutions for facilitating growth – and development – must be, and will inevitably be the responsibility of the state. What matters therefore is our understanding of the political forces and configurations which promote institutional development and change, their goals and objectives.

Accompanying this, the literature, this review covers not only the work of political scientists and sociologists (such as Haggard, 1990 and 2004; Boone, 2003; Kohli, 2004; Evans, 1995 and 2004), but also the work of other social scientists, such as North (1990), Rodrik (2002, 2003, 2004), Chang (2002), Acemoglu, Johnson and Robinson (2000, 2005) and Khan (2003) who focus directly or indirectly on political processes and whose work has made a significant contribution to our understanding of the politics of institutional formation and change.

• Political scientists and political theorists have long been interested in institutions, but the dominant analytical preoccupation has been with the formal structure of the state and government and, commonly, with normative questions to do with ideas about the ‘best’ form of government. However, the last twenty-five years has witnessed the emergence of a more nuanced and broader understanding of institutions, the so-called ‘new institutionalism’ in Political Science (Rhodes, et al., 2006), and a consequential expansion of the traditional focus on formal political structures of politics to include informal institutions, patterns and practices both political and non-political - and to explore the interactive impact of these on politics within formal institutions (Peters, 1999; Helme and Levitsky, 2006).

• However, much of this work has focussed primarily on the analysis of politics in mainly developed societies and stable polities (see Steimmo, Thelen and Longstreth, 1992; Rotstein, 1996; Thelen, 1999; Pierson-Pedersen, Thelen, 2004, 2006). It has been the direct application of institutional theory to the politics of development and growth in the emerging economies. So one of the key aims of this review is to explore whether, to what extent and how some of the conceptual and theoretical developments in political science generally (and in the ‘new institutionalism’ in particular) can be extended from their origins and used to understand and evaluate the development of political institutions to those of the developing economies in order to assess the prospects for a politics of effective pro-growth.

• Developments in other social sciences – notably in Economics and Sociology – have also seen a range of researchers (Harriss, et al, 1995; Clague, 1997; Hodson, 2001; Powell and DiMaggio, 1991). These cognate developments, some of which are reviewed in a parallel paper for the IPPG programme, have been important in bringing politics back in to the analysis of institutional change, and especially the dynamic processes shaping the development of institutions and especially institutions for facilitating growth – and pro-poor growth in particular. The third is to extract from the literature some empirical generalizations which identify the range of political factors which have underpinned the determination and capacity of states to shape economic, social and political institutions for a variety of purposes, gaps and questions on the research frontier which for-pro-poor growth. Though both are difficult to address, and are sensitive areas in many developing societies. The (mainly economic) literature on pro-poor growth has failed to address these issues clearly enough and hence a focus on the political and political science approach can help to redress the balance.

• Two key and related themes on the research frontier emerge very clearly from this literature. The first is that the conditions for growth, and development, relates to the institutional framework for promoting growth – and pro-poor growth. Though both are difficult to address, and are sensitive areas in many developing societies. The (mainly economic) literature on pro-poor growth has failed to address these issues clearly enough and hence a focus on the political and political science approach can help to redress the balance.

Institutions are shaped by the institutional environment which in turn influence the prospects for growth, pro-poor growth and development generally.

Section A of the review is theoretical and conceptual. It starts by exploring important conceptual issues and theoretical approaches in the literature. In a programme such as the IPPG, which investigates the complex relations between different types of institution, development and pro-poor growth, across different countries and processes, it is important, early on, to have as much clarity as possible on some of the central organizing concepts to be used. Section B then goes on to distil some empirical generalizations which emerge from the historical and political analyses of past patterns and phases of development. Section C concludes by identifying a set of researchable questions which need attention.

Section A: Concepts, Meanings and Approaches

Introduction

Here, I shall introduce the way in which institutions have always been at the heart of political science and political analysis. But although the understanding of institutions in political science has broadened and the application of institutional analysis has covered many areas of political life, it has tended to be dominated by concerns with politics in developed and more or less stable societies (March and Olson, 1989 and 1999) and important exceptions (for example, in different countries and processes, it is important, early on, to have as much clarity as possible on some of the central organizing concepts to be used. Section B then goes on to distil some empirical generalizations which emerge from the historical and political analyses of past patterns and phases of development. Section C concludes by identifying a set of researchable questions which need attention.

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economic stagnation beyond formal economic processes. Though things are changing, the reluctance to bring politics into the centre of policy debates and dialogues may be explained partly by the sensitivity of major international agencies to political issues (see World Bank Articles of Agreement which effectively banish ‘political considerations’), partly by the fact that economists have dominated policy-making, and partly by the fact that mainstream accounts of institutional change initially, drew heavily on those institutional macro-institutional issues of state formation, nation-building and democratization, and less - until recently - to either the issues of institutional development or the institutional politics of development.

Institutions and Development:

There is now widespread agreement that institutions matter for growth and development (Zysman, 1994; Sokoloff and Engerman, 2000; Aron, 2000; Acemoglu, et al., 2000; Rodrik 2004; IMF, 2005). But it is also clear that successful growth and development trajectories, at different times and in different places, have been propelled by very different institutional arrangements. Even the most casual reading of the development history of Japan after 1870 and again after 1945, the Soviet Union after 1917, China after 1949 and again after 1980, Korea from 1960, Singapore and Indonesia from 1965 and Botswana and Mauritius from the 1970s, reveals the diversity of institutional arrangements associated with the rapidity of economic growth. Though we might identify certain characteristics of the institutional arrangements of the east Asian model, so-called – as discussed in some of the literature on the ‘developmental state’ (Woo-Cumings, 1999; Leftwich, 2000; Doner et al., 2005) - closer examination of East Asian capitalisms also reveals complex differences in the depths and forms of and patterns to their institutional arrangements, and the evolution of these over time (Evans, 2004; Haggard, 2004).

Even within the developed economies, the ‘varieties of capitalism’ (Hall and Soskice, 2001) are quite sharply differentiated by their institutional specificities. In more detailed terms, Kathleen Thelen (2004) has shown how the evolution of institutional arrangements governing the provision and availability of key public goods in Germany, the United States, Japan and Britain evolved differently in distinct institutional contexts and varied widely. She points out that the differences between these types of capitalisms have sometimes been characterised by such labels as ‘liberal market economies’ and ‘socially embedded political economies’, or ‘Anglo-Saxon’, ‘Japanese’, ‘continental European (and the Rhine)’ of capitalism, or ‘coordinated’ and ‘non-coordinated’ market economies (ibid: 2). Within these developed economies, moreover, quite distinct institutional arrangements (the Ghent system and the system of public provision of unemployment-insurance provision, for instance) have governed labour market institutions and influenced working-class strength (Rothstein, 1992). Likewise, different forms, powers and relations of legislature and judicial systems have shaped the context in which labour politics and relations with the state have been enacted. In the USA, where the courts were more powerful and, trades unions have responded by opting for the ‘business unionism’ strategy, whereas in the United Kingdom (and in other parts of Europe) a more radical approach was adopted by workers from the end of the nineteenth century, given the weaker position of the courts relative to parliament (Hattam, 1992).

In all these cases, the processes which shaped the outcomes were essentially political, and they in turn were to some degree ‘structured’ (Steinmo, Thelen, and Longstreth, 1992) by the prevailing institutional arrangements and distributions of power. In each case, political agents pursued their aims in a complex interaction of ideas, interests and institutions. In Japan, for example, the Meiji military-bureaucrats utilised the hierarchical imperial systems of the premodern system to ‘future engineer’ a new modern state, in which the role of the emperor was to ensure that the administration of the empire was not ‘revolution from above’ (Trimmerger, 1978). Without that, the astonishing one-generation transformation of Japan would have been impossible. In Korea, after 1960, the kind of developmental state built by the new regime under President Park owed much to the institutional legacy left by a thorough-going Japanese colonialist political and economic system. In the case of South Korea, a small and poor country in 1945 became a rich state that could support and defend itself from hostile neighbours. In the case of Singapore, the institutional structure to promote rapid growth with equity established by Lee Kwan Yew and the Peoples’ Action Party (PAP) from the late 1960s was also motivated by a powerful state-defined ‘encompassing interests’ strategy (Pollock, 1994). This was driven by a fear of economic and political ‘chaos’ (Cowan, 1988) and was influenced by social democratic ideas, as was development policy and practice in Mauritius after 1970 (Brautigam, 1997).

On one hand, the political and historical literature is clear: the economic institutions which were fashioned in these cases, had a direct bearing on economic performance, and vice versa. In other words, the strategies that were pursued with policy purposes, and were essentially politically-determined. As we shall see, some policy purposes (in these and many other cases) were economic (to grow fast or catch up, by protecting infant industries or expanding exports); some were political (to shift the balance of rural power, reduce discontent or avoid ‘neoadversity’); and partly because of deep scepticism to protect or advance the economic and political interests of a ‘nation’. But in all cases, the developmental trajectory and its institutional expression were politically-driven. In the less successful cases – and Africa is not alone in providing examples – the limitations of state authority and capacity, or ‘statelessness’ as Fukuyama (2004) calls it, venality or ‘capture’ at the centre, local or regional resistance and the inability to attract private capital and international aid, were the key determinants of the ‘failure’ (Miller, 1996).

To understand the provenance of these paths requires us to move beyond many of the functionalist interpretations of economic growth that both economics and political science. For instance, Weingast argues that institutions exist, primarily, to ‘capture the gains from cooperation’, or to ‘restructure incentives so that they have an incentive to cooperate’. But, even if we put aside the main critique of functionalism that it is unsatisfactory to explain the origin of a phenomenon with reference to its function alone (Pierson, 2004: 46–49; Fafchamps, 2004: 457–8), what is missed in these formulations is that if institutions structure incentives to cooperate, they do so in order that people or organizations co-operate (or are co-ordinated, which is not the same as voluntary co-operation) in one particular way rather than another, and that these ways are politically shaped. For instance, the inner logics, purposes, institutional arrangements and incentives which shape cooperation in a socialist economy (and the problems associated with it) are very different to those which shape cooperation (and its problems) in a capitalist economy. In other words, the differences, it is to be understood, in the ways in which we have to ‘dig beneath institutional arrangements to reveal the political relationships that create and support them’ (Haggard, 2004: 74) and the historical or structural context in which those politics were enacted. The question, to which I turn in a later section, is what kind of analytical strategies and research methodologies are required to reach these deeper levels and measure their effects? Though couched in different languages, there is now the beginning of a recognition in the literature of both the academic and policy communities (even in the World Bank) that if institutions matter, then understanding the political processes which establish, maintain and change institutions matters even more.

Thesis: ‘Political institutions determine the distribution of political power, which includes the ability to shape economic institutions and the distribution of resources... As groups grow wealthier they can use their economic power to influence political institutions in their favour... Changes in institutions can be slow, requiring both significant domestic political will and more fundamental measures to reshape the opportunity and incentives for particular groups to capture economic rents’ (IMF, 2005: 126–127).

The centrality of politics – and especially power, and its distribution between the extreme and the localities - is highlighted by both North and Kohli in their new books (North, 2005: 6; Kohli, 2004: 20–24) and also by Boone’s account (Boone, 2003) of the ‘topographies’ of the African state and Haggopian’s earlier work on the role of the ‘Bureaucrate’ (Haggopian, 1997). Discussing the role of Institutions and Governance Reviews (IGRs) in the World Bank, Brian Levy and Nick Manning observe that, however sensitive it may be to do so, a readiness to accept the ‘primacy of politics’ in governance performance is now crucial (Levy and Manning, n.d). And in a major review of the Power and Drivers of Change analyses, commissioned by the OECD, the authors found some important points of ‘the importance of the “Institutional and Governance Reviews” in the World Bank’ (Levy and Manning, n.d). In an earlier publication DFID observed that the political system determines policy. Politics determines whether governments rule for the public good or for narrow interests – and influences whether governments are honest or corrupt, efficient or inefficient. Perhaps most importantly, politics determines the allocation of resources between competing interests including those of poor people (DFID, 2001: 11).

The view has been echoed by the Secretary of State for International Development who argued in a recent speech that:

5. ‘This somewhat imperialist assumption is innocently captured by Clague who argues that the new institutional economics “relaxes some of the strong assumptions of traditional economics... And it widens the scope of economics to include political phenomena and the evolution of institutions.” (Clague, 1997a: 2)
If we don't as donors understand the policies of the places where we work, then our task will be all the more difficult ... I think making progress is about making politics work. Politics determines the choices we make. Politics determines what kind of society we wish to live in and create and hand on to the next generation. And it will be politics that will help to make poverty history (Benn, 2003).

Finally, in their recent work, Acemoglu, Johnson and Robinson conclude their analysis by saying: ‘We emphasise[8] a theory of why different countries have different economic institutions must be based on politics, on the structure of political power, and the nature of political institutions’ (2005a: 79). In short, and crucially, where economists (especially in the new institutional economics) have conventionally been interested in the importance of incentives which institutions establish, political scientists are concerned however to emphasise the structures of power which not only underpin the formation of institutions, but are also embedded within them and which can decisively shape the extent of compliance with, or deviation from, the institutional rules.

These conclusions in a very widely distributed literature by economists, political scientists and policy-makers suggest strongly that one of the key challenges facing the researchers in this field is to develop a framework for the political analysis of the formation, maintenance and change of institutions and their interactions and then to deploy it, flexibly, in a variety individual and comparative contexts. How informal and formal institutions interact, and the effects of this, are especially difficult to isolate, disclose and analyse, and I return to this in a later section. For now, it is important to summarise, briefly, how the literature helps us to settle on a sound working conception of what is to be meant when talking about ‘institutions’.

Before doing so, however, it is important to stress that it will be essential to maintain a strict analytical separation between ‘policy’ and ‘institution’ and ‘organisation’, which are often used interchangeably. Though both North (1990:4–5) and Hodgson (2001:295 and 317) maintain the distinction, at least between institutions and organizations, others do not. Clague (1997), for instance, appears to make no distinction at all (see Appendix 1, Note 10), while Dixit (2006:3) suggests that there is a spectrum of institutions, running from ‘deep institutions to specific policies’. This review will illustrate the importance of maintaining the distinction more fully when turning to ‘political institutions’, because it is the emphasis on policy, institutions and organizations which enables one to develop a more dynamic understanding of the political context and processes of development, shaped by the distribution and interaction of different forms and sources of power.[9]

Policy

In the simplest of terms, ‘policy’ is probably best understood as the formulation and expression of intent, the objectives for a plan of action, its aims and purposes, without necessarily specifying the means for its realisation (there may well be many possible strategies). Policy may have overall and macro-political-economic economic or social significance and is not synonymous with ‘state’ or ‘government’ purposes. The following examples. Here is Stalin speaking in 1929:

No comrades ... the pace (of industrialization) must not be slackened! On the contrary, we must quicken it as much as is within our powers and possibilities... To slacken the pace would mean to lag behind the great world and to be beaten. We don’t want to be beaten, because our state is old... Russia... she was ceaselessly beaten for her backwardness. She was beaten by the Mongol Khans, she was beaten by Turkish Beys, she was beaten by Polish-Lithuanian Pans, she was beaten by Anglo-French capitalists, she was beaten by Japanese barons, she was beaten by all - for her backwardness. For military backwardness, for cultural backwardness, for political backwardness, or industrial backwardness, for agricultural backwardness. We are fifty or a hundred years behind the advanced countries. We must make good this lack in ten years. Either we do it or they crush us (Deutscher, 1966:327–9).

Later, in Tanzania, the Arusha Declaration of 1967 announced that:

‘The policy of TANU is to build a socialist state’ (Nyerere, 1969:231).

And in South Korea, President Park Chung-hee was unambiguous about his policy goals and priorities.

I want to emphasise and re-emphasise, that the key factor in the May sixteenth Military Revolution was to achieve an industrial revolution in Korea. Since the primary objective of the revolution was to achieve a national revolution, the revolution envisaged political, social and cultural reforms as well. My chief concern, however, was economic revolution (Lim, 1985:73).

In a very different context, Indian development strategy after independence in 1947, while lacking the contextual urgency and ferocity of nationalistic economic objectives enunciated by Stalin or Park, was fashioned (and some would say compromised) by a complex mix of political, economic and social goals, involving nationalism, democracy, socialism, secularism and federalism (Kaviraj, 1996; Corbridge and Harris, 2000:3–42), in what Kohli recently referred to as a ‘fragmented-multi-class state’ (Kohli, 2004:10). It was described as a ‘divided Leviathan’, divided that is between the central elites, state and institutions on the one hand, and regional elites, institutions and strategic choices on the other (Sinha, 2005a:4–6 and passim).

Although one should always be wary of political rhetoric, in all these cases the macro-policy objectives, general through political processes and fashioned in the context of distinct historical epochs, political circumstances, had far-reaching and quite distinct institutional implications in both economic and political terms.

But ‘policy’ may of course be less all-embracing than such broad strategic national goals. It may be more focused on rapid industrialisation through import substitution, or only through imperialism, or the war Latin America; to curtail population growth, as with the one child policy pursued in China from 1979; to increase the participation rate in higher education; or to promote the interests and increase the opportunities of a particular community (through forms of positive discrimination, for instance) as in Malaysia. Or it may focus on 1980s ‘creative destruction’ which sought cultural backwardness, or in India’s recent attempts to increase lower caste and disadvantaged groups’ participation rate in higher education.

The key point here, however, is that it is imprudent to assess institutional quality or even to think about ‘institutions’ without recognition of the political goals which they are supposed to serve. In the same way, the idea of the ‘effective state’ makes little sense without first answering the question ‘effective for what?’ A state that is effective for war may have different requirements of ‘effectiveness’ than a state which is effective for democratic participation.

Institutions

Though this review will focus later in greater detail on both the institutions of politics and the politics of institutions, it is important to describe in greater detail in shorter form some of the key differences and contrasts between them. Though they are often seen as a single phenomenon, institutions can be divided on a number of characteristics, for instance, according to their characteristics, their power over economic, political or social processes, their power over economic, political or social processes, their power over economic, political or social processes. Whether or not the institutions are interrelated, or between proportional representation and first-past-the-post electoral systems – all of which ‘structure’ institutions, which may be formal or informal (see below). Language, for example, can be understood as an institution, constituted by the rules governing the use of sounds for meaning and communication (Hodgson, 2001:294–299). Likewise, systems of marriage or burial are institutions, which vary greatly over time and place, their specific forms being shaped by the rules which govern them. Unemployment insurance systems, relations between genders or age groups, educational practices and provision and labour markets are also governed by rules, or institutional arrangements, formal or informal (or both). Economic activity – whether silent barter, communal hunting, the operation of stock markets, the conditions for opening a new business or obtaining credit – is shaped by ‘the rules of the game’ (North, 1990) which forbid, constrain or encourage behaviour. Politics is also profoundly influenced by rules which steer political behaviour in different directions. Consider the contrasts between politics in societies with and systems, in federal and unitary systems, or systems, or between proportional representation and first-past-the-post electoral systems – all of which ‘structure’ institutions (Steinmo, Thelen, and Longstreth, 1992) and distribute power in different ways.

At the end of the nineteenth century, the great French sociologist, Émile Durkheim, referred to institutions as ‘social facts’, that is ‘certain ways of acting and certain judgements which do not depend on each particular will taken separately’ and which are ‘fixed’, outside of us. The science of society, he argued, could be defined as the ‘science of institutions, of their genesis and of their functioning’ (1895/1938: Ivi). Just so: institutions are the ‘scaffolding of society and are best understood as norms and conventions which underpin and enable behaviour. Without them we would not be men, and certainly not modern men, as Hobbes feared as a ‘warre of all against all’ (Hobbes, 1651). Hobbes saw the strong (Leviathan) state as the solution to the danger (Hobbes, 1660), but it is clear that stateless societies (notably the many examples of hunting and gathering societies from all continents) have been stable and resilient over very long periods, without deep states, but rather through informal regulation that is local, economic and political life (Marshell, 1976; Leacock and Lee, 1982; Silberbauer, 1982).

In such stateless societies, without the formal and differentiated institutions of rule-making and rulership – whether by chiefs, kings, emperors, priests, absolute leaders or legislatures – these rules are embedded in culture, and in the political culture, especially, where they concern collective decisions. They have been described by some as ‘slow moving’ institutions (Roland, 2004:118) and by others as...
‘deep’ (Dixit, 2006:2). But even here, in stateless societies, institutional arrangements extended across the social, political and economic spheres (which are often much harder to isolate from each other in such relatively undifferentiated societies) and included rules covering marriage, death, relations between genders and age-groups, collective decision-making and even early forms of trade. Silent barter, for instance, change between different forms of exchange, especially in the urge for exchange (modern societies where groups either did not speak the same language or were wary of each other), would have been impossible without the mutually understood rules and conventions which enabled it to happen (Hodges, 1988:38).

Table 2.1. Summary of the literature on institutional change

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<th>Type of change</th>
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<td>Technological change</td>
<td>Changes in technology and communication.</td>
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<td>Institutional change</td>
<td>Changes in cultural and social norms.</td>
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<td>Political change</td>
<td>Changes in government and political structures.</td>
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<tr>
<td>Economic change</td>
<td>Changes in the economy and economic policies.</td>
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Table 3.1. Summary of the literature on institutional analysis

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<tbody>
<tr>
<td>Typological analysis</td>
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</tr>
<tr>
<td>Comparative analysis</td>
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</tr>
<tr>
<td>Processual analysis</td>
<td>Examining the processes of institutional change.</td>
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</tbody>
</table>

Table 4.1. Summary of the literature on institutional theory

<table>
<thead>
<tr>
<th>Type of theory</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rational choice</td>
<td>Institutions are chosen based on the rational choice theory.</td>
</tr>
<tr>
<td>Rational interaction</td>
<td>Institutions interact rationally with each other.</td>
</tr>
<tr>
<td>Normative interaction</td>
<td>Institutions interact based on norms and values.</td>
</tr>
<tr>
<td>Cultural memory</td>
<td>Institutions are influenced by past cultural memory.</td>
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</tbody>
</table>

Table 5.1. Summary of the literature on institutional effectiveness

<table>
<thead>
<tr>
<th>Type of effectiveness</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical effectiveness</td>
<td>Assessing the technical performance of institutions.</td>
</tr>
<tr>
<td>Political effectiveness</td>
<td>Evaluating the political impact of institutions.</td>
</tr>
<tr>
<td>Economic effectiveness</td>
<td>Measuring the economic impact of institutions.</td>
</tr>
<tr>
<td>Social effectiveness</td>
<td>Evaluating the social impact of institutions.</td>
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Table 6.1. Summary of the literature on institutional policy analysis

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<th>Type of policy analysis</th>
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<tr>
<td>Policy-oriented analysis</td>
<td>Analyzing the impact of policies on institutions.</td>
</tr>
<tr>
<td>Policy-oriented outcomes</td>
<td>Examining the outcomes of policies on institutions.</td>
</tr>
<tr>
<td>Policy-oriented processes</td>
<td>Analyzing the processes by which policies are implemented.</td>
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Table 7.1. Summary of the literature on institutional typologies

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Table 8.1. Summary of the literature on institutional change mechanisms

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<tr>
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<tr>
<td>Institutional change</td>
<td>Changes in cultural and social norms.</td>
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<tr>
<td>Political change</td>
<td>Changes in government and political structures.</td>
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<td>Economic change</td>
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Table 9.1. Summary of the literature on institutional analysis strategies

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that there are ‘games over rules’ (meaning the contestation involved in specifying the institution or general rules by which the players play), and there are ‘games within rules’ referring to the strategies and contestations between players, that is the organizations (or individuals) (Lindner and Rittenberger, 2003).14 I will return to this important distinction between the levels of politics later, because what is crucial for the poor is the contestation over rules, less the contestation within rules than the contestation over rules, or over which rules are to rule.

• Third, following Helmeke and Levitsky, it is useful also to distinguish in the modern era between formal and informal organizations, just as one can distinguish between formal and informal institutions. There are institutions (political, economic, administrative, educational, voluntary, religious, charitable, for instance) or may be conceptualised as having some form of ‘official’ status and recognition, informal organisations do not (Helmeke and Levitsky, 2004:727–8). Examples of such informal organizations might include clans, mafia organizations, old-boy/girl networks, patron-client chains, transnational organizations, clubs, religious groups, interest groups, networks of personal connections – guanxi – in China (Wang, 2000), or the family business groups which have dominated the Indian economy for some time (Harris, 2003).

Recognising these basic distinctions between policy, institutions and organizations is the first step in establishing a framework of politics (politics in the broadest sense, especially the politics of pro-poor growth). For it is the interaction of these basic elements – policy objectives (which reflect interests, ideas, ideologies and worldviews), formal and informal institutions, and formal and informal organisations – which shape outcomes. For instance, governments may seek or be encouraged to embrace new policies that fundamentally liberalise institutions. It is not enough to specify the formal rules that may provoke resistance from some organizations in society because changes threaten their current interests more than others; formal organizations (such as business associations, trades unions or professional groups) in turn, may themselves seek to promote new formal rules or to defend or change old ones; informal organizations (cabals, ‘shadow states’ or price-fixing cartels) may act in practice to undermine, or avoid compliance with, formal institutional rules; and bureaucrats may be torn between compliance with formal institutional requirements and the demands of informal institutional loyalties in the discharge of their duties, as Price’s classic study of Ghanaian civil servants showed (Price, 1975).

However, recognising these fundamental conceptual building blocks is not enough. For in the interstices of these complex institutional interactions, varying in detail and intensity across time and space, and driving their outcome, is the fundamental and dynamic element of power. If the analysis of the allocation of scarce resources is the bread and butter of economics, and that of power and conflict is, as Price’s classic study of Ghanaian civil servants showed (Price, 1975), it is the critical variable which may provoke resistance from some organizations in society because changes threaten their current interests more than others; formal organizations (such as business associations, trades unions or professional groups) in turn, may themselves seek to promote new formal rules or to defend or change old ones; informal organizations (cabals, ‘shadow states’ or price-fixing cartels) may act in practice to undermine, or avoid compliance with, formal institutional rules; and bureaucrats may be torn between compliance with formal institutional requirements and the demands of informal institutional loyalties in the discharge of their duties, as Price’s classic study of Ghanaian civil servants showed (Price, 1975).

On the view I am advancing here, politics is thus best conceptualised as consisting of

Politics as government

One such approach to see politics as essentially the study of government. A focus on the formal-legal institutions, their differences and functioning has accordingly been the main concern of those who adopt this view and was traditionally the framework of analysis for comparative politics. It might appropriately

Politics as class conflict

On the other hand, see politics as nothing other than class conflict (Callinicos, 2004) and hence as a function of societies where private property has developed. Under the collective ownership of the means of production in the past or in a socialist future, there is no politics. Accordingly, in the Marxist tradition the state (where it exists) has evolved to protect and promote the interests of the dominant class. Following on from this position, then, Marxists claim that the political system is a reflection of the particular shape or form of the institutions is thus relatively unimportant compared to the analysis of economic power and its influence on political processes. Though economic power and class relations are significant factors in politics, the Marxist approach appears to ignore the kind of power – countervailing and societal – which formally constituted political authority in democratic politics can deploy to constrain and shape the economic power of dominant classes.

Politics in the modern world

Politics as an activity

In this light, politics is therefore best understood as a process entailed in all collective human activity and does not presuppose a political entity. Like ‘economics’, it is, rather, a universal and distinctive activity that occurs in contexts of competition, conflict and negotiation involved in decisions about the use, production and distribution of scarce resources, whether these activities are formal or informal, public or private, or a mixture of all (which they usually are). Such a basic conception facilitates ways of integrating both conventional ideas about politics (power, authority and collective decision-making) and economics (allocation of scarce resources) into thinking about the relationships between them.

In this light, politics is therefore best understood as a process, or a linked set of processes, which is not confined to certain sites or venues (parliaments, courts, congresses or bureaucracies) or specialists (such as princes, politicians or civil servants). Like ‘economics’, it is, rather a universal and necessary activity and does not presuppose any human entity or ‘liberal/congress’ or ‘state’. It is not an analytical concept relevant only to political processes. Though economic power and class relations are significant factors in politics, the Marxist approach appears to ignore the kind of power – countervailing and societal – which formally constituted political authority in democratic politics can deploy to constrain and shape the economic power of dominant classes.

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of power and the procedures for decision-making and accountability. These may be federal or unitary, presidential or parliamentary; they may specify terms of office and timing of elections; and they may include Bills of Rights and the like. But all such formal institutions are always sustained by wider informal institutional aspects expressed in the culture, political culture and ideology which can have a critical part to play in the emergence and adherence to formal institutions. A universe of possible rules and processes can underlie any formal institutional arrangement. Such rules and processes need not be formal or stipulated in written constitutions. Indeed, before the emergence of modern states, most human societies – from hunting and gathering bands through to complex feudal and imperial systems – had stable if often undifferentiated politics, for long periods, based more on informal arrangements, embedded in social and cultural contexts, than on codified rules and procedures. Indeed, even when they are changed (for instance through devolution, constitutional reform) can occur within either formal or informal institutional arrangements. – agreement about the institutional rules of the game – has been established and consolidated, and this a limited but acceptable range of possibilities. This ‘normal’ politics only occurs where level one politics are abnormal or ‘wrong’, but only that ‘normal’ politics is in some sense predictable in that outcomes are both the benefits of winning and the costs of losing are both steadily decreased. But early on that is not the case and hence the stakes are high and the politics can be more confrontational and, often, violent.

(b) Games within the rules

This second level of politics might be understood as the level at which ‘normal’ politics happens. It is the level of politics where the daily debates and contestations over policy and practice occur. By ‘normal’ I do not mean that such politics is morally correct, proper and appropriate, or that other forms of politics are abnormal. Indeed, it only that ‘normal’ politics is in some way predictable in that outcomes are unlikely to produce radical changes in the structure of wealth or power, and is only unpredictable within a limited but acceptable range of possibilities. This ‘normal’ politics only occurs where level one politics are determinate and institutionalized, and that winners know that they cannot use their power (where allowed to do so by the constitution) to undermine or threaten the interests of the losers that they (the losers) would not abide by the contract as a result. Of course there is more to the democratic compact than this implied zero-sum. There are probably many cases of winning and losing, but although outright winners can, in theory, ‘take all’, they would in practice be ill-advised to do so to the extent that losers’ fundamental interests or opportunities are eliminated. One illustration of this is that, over the working day, the political shift to formally democratic capitalist politics is a move towards predictable processes, embed sub-elites in a range of processes, which range from old boy networks to outright bribery, threat and worse. Cabals, cliques, organizations which are primarily concerned with other activities (for example, commerce) but now and again use their power and or influence politically (as is the case with the various mafia), can act politically in a formal way. For instance, business associations and trades unions, think-tanks, can act politically in a formal way. For instance, business associations and trades unions, think-tanks, are the rules of the political game, the greater will be the role of informal institutions and organizations in the play of the game. Informal political organizations are fairly straightforward and include the obvious ones such as political parties and pressure groups, legislatures and bureaucracy and any other organizations (as defined earlier) which are explicitly and publicly engaged with formal political processes, including public lobbyists and others. It is important, also to recognise that many organizations which are not formally political can be influential, both within and outside the political process and that many professional associations and non-governmental organizations need to be understood as formal political organizations when they act through the political process to influence policy formation and direction. The central characteristic of formal political organizations is their open-ness. Informal political organizations, on the other hand, inhabit the shadowy (and often illicit) world. They normally have no public face and act politically behind the scenes; they may be transient, emerging to pursue a particular goal and then dissolving. They may be explicitly political or they may be informal organizations which are primarily concerned with other activities (for example, commerce) but now and again use their power and or influence politically (as is the case with the various mafia), which range from old boy networks to outright bribery, threat and worse. Cabals, cliques, organized but seclusive factions are all cases. The literature on the ‘shadow state’ (Renou, 2000) suggests that individuals
and groups from different formal organizations, both public and private, may often inhabit a secret and parallel world of informal organizations that aims to shape decisions and outcomes in their own interests by subverting or short-circuiting formal institutional arrangements and rules.

Summary

The above sections have identified the conceptual building blocks for the political analysis of institutions and, equally, for the institutional analysis of politics. Policy, institutions, organizations, rules of the political game, political parties, formal and informal political organizations (both formal and informal) are the crucial ones. But these are either static or descriptive conceptual categories and, as such, do not define or explain the question, ‘what is power?’ What is the dynamic that organizes these relationships? What establishes and maintains changes institutional arrangements? How do institutions relate to other? What determines whether informal or formal institutions come to dominate the political process? How do organizations relate to their environment? How does power determines the relative influence whether informal or formal? There are no simple or formulaic answers to these questions and each case will be different. But, for political scientists at least, the analysis of ‘power’ must have a central place, even if it has proved very difficult to measure. But what are we to mean by power?

Power

Power (political, that is power used for political purposes)18, is one of the most hotly contested concepts in political science (Forrest, 2005; Krasner, 1999). It has been defined in many different ways as ‘... the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests’ (Weber, 1964:152). More recently, Robert Dahl, the distinguished American political scientist, defined power as the capacity of A to get B to do something he would not have otherwise done (Dahl, 1957:203). Although notoriously difficult to identify, and even harder to measure, power has increasingly come to be recognised as a critical factor by both economists and policy-makers in recent years (DFID, 2001:13; Acemoglu, et al, 2005; IMF, 2005).

Power is central to the political conflicts and ‘contestations’ which surround not only the determination of state power, but also to the interactions amongst state and formal and institutional organisations. Institutional and organizational interaction is regularly a contestation not simply between groups with different interests and ideas, but between different forms of power. In this context, Mann, suggests a useful conceptual framework in which large landowners have been able to thwart land reform in many contexts, because it is easier to subvert the rules and institutional practices which arise from them.

17. For present purposes, political power here refers not only to the formal property of power associated with political office or authority, but any form of power that is used politically to shape policy and the character and functioning of institutions and organizations.

18. See above, on page 7.

19. It is precisely for this reason that whereas I have suggested here (above, see pages 9–10) that societies can be interpreted as being composed of complex overlapping networks of intricate and informal networks, I have distinguished between them as being constituted by ‘... multiple, overlapping and intersecting socio-spatial networks of power’ (my emphasis, AL). A similar distinction is important here: the first point to note here is that both the institutional and power approach view is that there is seldom on dominant institution or source of power but more or less overlapping, checking and countervailing sources of power and institutional arrangements.

24. “The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie”, noted Marx and Engels in the Communist Manifesto. (Marx and Engels, 1958:36) Later analyses of the state by Marx depicted the state in slightly more complex terms.

25. “Power flows from the barrel of a gun”, Mao Tse Tung is alleged to have said.

26. Along with other economists such as P.T. Bauer, A.O. Krueger and Milton Friedman, Lal was to insist that a ‘necessarily imperfect mechanism’ was always preferable to a ‘necessarily imperfect planning mechanism.’ (Lal, 1983:105)
and rights, especially taxation. The somewhat bloodless early accounts of ‘institution-building’ in the 1990s evinced a rather technicist approach to state formation. Those accounts lacked a political understanding of how the institutions which constitute stable or effective states emerge and of the political processes – such as legitimacy and consensus – which sustain them. Second, it seems pretty clear that in the absence of at least capable and relatively stable, peace and security – the prospects for the establishment of the specific institutions which will promote growth, let alone pro-growth, are bleak. Yet in parts of the developing world some highly effective states have been established, with both despotic and infrastructural power, often cemented by a nationalistic developmental agenda, which was capable of establishing, maintain and reform institutions and which had promoted rapid growth (if not always pro-poor). Such states are often referred to as ‘developmental states’ and the best examples of these are Japan, South Korea, Taiwan, Singapore, and Botswana, with Mauritius, Thailand and Indonesia serving as slightly less typical examples, as such states and their institutional forms illustrate dramatically that state-building (Fukuyama, 2005), or building the institutions which constitute an effective and developmental state, is not a technical matter but a political one, as the next section seeks to illustrate.

Developmental States

Though the provenance of the term comes back to Chalmers Johnson’s study of MITI, the Ministry of International Trade and Industry, in Japan (Johnson, 1982; 1988a) and so to the claim that development was a substantiated by the existence of these states (but in particular see Wade, 1990; Evans, 1995; Leftwich, 1996; Woo-Cumings, 1999; Kohli, 2004, Doner, Ritchie, Bryan and Slater, 2005). It is not necessary here to go into the detail of their formation and their structure but it is important to identify (a) the conditions which seemed to be associated with their emergence and (b) the characteristics which they displayed. This is important because it shows that establishing effective states – formulating policy, intensifying ‘statelessness’ and state capacity – cannot be had to order and that the historical circumstances which were associated with the emergence of these more or less effective states are not easily replicated. Moreover it is a useful illustration of some of the claims made by institutionalists (historical institutionalists, in particular, see below) about the importance of historical contexts and structural legacies.

In each of the prime developmental states of East Asia (and to some extent in the case of the second tier of South-east Asian developmental states such as Thailand, Indonesia and Malaysia, as well as those outside Asia, such as Mauritius and Botswana) a number of historical factors have commonly been present at their emergence. **External threat** – in all prime cases external threat was intense, thus providing very powerful incentives for concerted policy, elite unity and commonly the encouragement of a nationalist ideology (often given economic impetus). Japan in the 1860s and 1870s was threatened by the intrusion of western powers in eastern waters and the danger of sinking economically after the second world war; South Korea was not only under constant threat but attacked by its northern neighbour; Singapore saw itself sandwiched between Islamic Malaysia and Indonesia; Taiwan had the people’s Republic of China across the straits – and so on. **Internal threat** – the insurgency in Malaysia and fear of it in Thailand - should also not be underestimated.28 Internal elite – political coherence (‘will’) was shaped by these circumstances and opposition was quickly and effectively neutralised or co-opted. Though it would be folly to suggest that these elites were always unanimous and united on all matters, the capacity of the leaders – sometimes military, as in Korea and sometimes civil as in Singapore and Japan; sometimes political but with military backing, as in Indonesia and China – to forge developmental coalitions was absolutely fundamental. Even though there is abundant evidence (Kang, 2002) that ‘money politics’ helped oil the wheels of state-business relations, and gave business and state elites mutual influence and collaboration, these practices appear not to have diverted the policy goals of rapid development at all costs.

**Concentration of power and continuity of policy** – in all the prime cases – Korea, Taiwan, Singapore and even Botswana and Mauritius – there was significant continuity of political, military and ideological power in the hands of the state, at least in the formative stage. In the case of Korea, Taiwan and Thailand (at least on and off) de facto military rule ensured this. In the case of formally democratic Singapore, Malaysia and Botswana, the continuity of one dominant party, re-elected time after time, had the same effect, ensuring continuity of policy and the ability to adjust policy where necessary.

**Developmentally driven institutions** – in each case the circumstances outlined above enabled the regimes to impose a single set of developmentally driven rules governing economy and polity in order to protect and promote national interest, if survival even if these rules were often better to favour influential friends (Kan, 2002). In short, their politics were developmentally driven and their development was politically driven (in the slogan of the Meiji after 1870: ‘Rich country, strong army’).

**State tradition**

In many of the East Asian cases – Japan and Korea especially – a fairly long history of an inherited state tradition – in the sense of a hierarchically ordered structure of political power and authority – has been present. While this was not to the true extent in the south-east Asian cases (Malaysia and Indonesia, especially) it was not the case at all in Botswana. The Mauritian case is interesting in that the only real external state tradition there was the presence of such states and their institutional forms in the region. It was only over two centuries prior to independence (Lange, 2003). Reforming these very traditional states, ruled by monarchs or emperors of one kind or another, may have been easier for modernisers within the elites – a ‘revolution from above’ in Trimberger’s words (1978), a phenomenon found also in the case of the Indonesian and Malaysian examples such as Indonesia, the latter country which was left largely undisturbed by the seizure of power by Ataturk in 1923. Moreover, other evidence suggests that there is a correlation between state antiquity and effective growth rates in the recent modern era (Bockstette, Chanda, and Puttermann, 2002). These conditions, associated with the formation of developmental states, gave rise to a set of characteristics which marked them off, quite decisively, from most other states in emerging economies.

• The circumstances of their birth – especially the external or internal threat – gave rise to determined developmental elites (see the comments of President Park, cited earlier).
• These states ‘emerged’ with a single nationalistically-driven developmental agenda, which were able to establish, maintain and reform institutions and which had promoted rapid growth (if not always pro-poor).
• The rush of these developmental states to impose a single set of developmentally driven rules governing economy and polity in order to protect and promote national interest, if survival even if these rules were often better to favour
context – and especially the politics which these factors have helped to stir - in exploring the possibilities for institutional innovation in any emerging economy.

Institutionalism in Political Science

If institutions are important, how do we go about explaining their provenance, evolution, endurance or change? Two main schools of analysis can be identified within the ‘new institutionalism’ in political science, usefully summarised by Hall and Taylor (1996; but see also Peters, 1999 and Grindle, 2001; Shaffer, 2006), which I set out here schematically.

Rational Choice in Political Science (Shaffer, 2006) – reflected in the work of Margaret Levi (1989 and 1997) and Barry Weingast (2002; Thelen, 2003), for instance – draws heavily on neo-classical micro-economics and political economy and has the following main properties. First, as Grindle (2001:349) succinctly points out, the fundamental assumption is that individuals (or groups) are rational and calculating, deploying strategic thought and action to achieve their ends. Thus, politicians prefer power and a longer hold on it; voters (or clients) prefer politicians (or patrons) who deliver benefits to them; bureaucrats prefer larger budgets and staffs to smaller ones. Second, given these interests and preferences, politicians choose a series of collective action problems and hence, institutional solutions to these problems lie in aligning incentive structures of players so that equilibrium may be reached. As Weingast puts it, institutions exist ‘to help capture gains from cooperation’ (Weingast, 2002:670). There is thus also a strong functionalist tendency in this approach which assumes that institutions survive because they confer greater benefits than costs in relation to alternative arrangements and that they last until the balance of costs and benefits in relation to preferences and interests begins to change.

Overall, this approach is summarised by Levi when she says ‘the emphasis is on rational and strategic individuals who make choices within constraints to obtain their desired ends, whose decisions rest on the assessment of the probable actions of others, and whose personal outcomes depend on what others do.’ (Levi, 1997:23)

Historical Institutionalism on the other hand (see also Harriss, 2006; Sanders, 2006) has a much broader and deeper approach, bringing in: actors (formal and informal); the historical context; the historical progression; and the history of ideas. Historical institutionalism holds that ‘institutional development is a contest among actors to establish rules and routines that structure outcomes to those

Institutions – necessarily distribute advantage between winners and losers. Rather than focus on the

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The dynamic in all this is power, reflecting diverse interests and ideas. Power may be sourced from economic, political, military or even ideological resources and there may be more or less intense conflict between holders of different forms of power. Power may be formal (as legitimate authority) or informal (constituted by guns or money). How these different forms and expressions of power interact and the nature of the political context shape the character of state behaviour, including conflict, co-operation and ideology – including, in plays an important part. It includes the extent of consensus widely, rather than predatory or collusive coalitions, remains a very difficult political achievement to achieve. Two broad traditions may be found in the institutionalist literature in political science. The first, rational choice institutionalism, endorses the endogenous and voluntary nature of institutional formation, maintenance and change. The second, historical institutionalism, emphasises power struggles in shaping institutional change, historicity in understanding critical junctures, path dependency and institutional ‘stickiness’ in accounting for their particular form. While there are important differences between them, both approaches are united in their recognition that political processes shape institutions, whether these be the ground rules of the game for politics or the specific rules governing economic activity (the specific rules include transaction costs and entry to markets). What is important about this approach is that its focus on institutions provides a very useful lens for analysing the necessarily close interactions between economics and politics. In short, institutional analysis is unavoidably cross-disciplinary.

**Section B: History Lessons**

I start with one of the questions that will drive the research programme: What are the determinants of how states develop? How productive and why does this happen? Why do some states develop more quickly than others? Recent and deeper historical development suggests that we need to look, in each case, at a series of factors – some macro and some micro – which frame the context for state behaviour and capacity in relation to institutional development for pro-poor growth. Obviously, researchable questions must be refined for operational purposes (but it is necessary to remind the lessons of history concerning the determinants of state behaviour and – capacity – in framing such manageable research questions.

In what follows, I work from the viewpoint, distilled from a very widely distributed literature, that political will, incentives and capacities are, necessarily, the proximate and immediate determinants of state behaviour and account for the differences between state behaviours and hence, largely developmental and especially pro-poor growth outcomes. But the literature also suggests that political processes occur in context and are influenced and shaped by a very wide range of complex and often overlapping factors (some of which were illustrated in the short section above on developmental states). They include the following.

**Historical legacies** – the relevant ones here include colonial (where it occurred) or traditional economies and politics and is some evidence that states have legacies (if any) that may be a factor in enhancing the prospects for state capacity in promoting the institutional conditions for growth (Bockstette, et al., 2002). This would include persistence in traditions of political cultures, practices, ideologies and institutions of power and authority. State capacity and growth patterns appear also affected by initial conditions and distribution of inequality and poverty early on. The immense history and hence longevity of state institutional structure and tradition in Japan and China contrast sharply with the virtually new institutions of the state in Uganda, Angola or even Haiti. Yet how do these ‘new’ states (such as Botswana) manage to achieve coherence and capacity?

**Social-structural characteristics** include ethnic, religious, regional and class features. Sharp ethnic or class diversity (worse when the two overlap) has been closely associated with policies and institutions that result in poor schooling, weak financial systems, poor infrastructure and political (instability (Easterly and Levin, 1997). The expression of ethnic divisions in political parties or organisations, formal or informal, appears to weaken the potential organisational and electoral power of the poor (Keiser and Khemani, 2004). However, neutralising of the legislature by the executive in many developing countries can quickly undermine this capacity, creating a collusive coalition characterised by the distribution of rents for political quiescence, as has been amply demonstrated in Malawi (Patel and Tostenen, 2006).

The formal and informal political culture plays an important part. It includes the extent of consensus about the very structure of the state (e.g. the extent of secessionists or insurrectionists claims) and about the rules, as well as the extent of government influence in shaping the operation in practice of the rules. But there may be even more to this too, and research on this question remains patchy. How far does any particular political system, understood as a set of institutions for the distribution and use of power, depend for its efficacy on a particular and necessarily complementary set of values and norms and beliefs within a society? Does a democratic polity depend on a robust set of beliefs and norms about individualism and equality, and would such a democratic state founder where there was only a limited commitment to such beliefs in the wider society?

**In the informal political institutional architecture** is also of great significance. It includes the interpretation of formal and informal organisation of government influence with informal authorities, formal and informal control of state power as in presidential, parliamentary, unitary and federal systems, plus civil-military relationships and the position with regard to bureaucratic recruitment and incumbency. One study (Gerring et al., 2005) suggests that parliamentary systems are more effective in building better institutions when they give rise to stronger parties, more conflict and party-aligned interest groups, more concentrated decision-making processes (not split between executive and legislature), fewer ‘veto points’ and more institutionalised rather than personalised (the president) policy-making. However, neutralising of the legislature by the executive in many developing countries can quickly undermine this capacity, creating a collusive coalition characterised by the distribution of rents for political quiescence, as has been amply demonstrated in Malawi (Patel and Tostenen, 2006).

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The distribution and relations of formal power (authority) and informal political power (based on wealth, religion, arms, traditional authority, local economic power) refer to legislative-executive relations; centre-local relations, and the character of ‘despotlic’ and ‘infrastructural’ power and shadow states. Boone (2003:23) has hypothesized, for instance, that ‘the extent of rural social hierarchy determines rural elites’ bargaining hierarchy, vis-a-vis the state: the more hierarchy, the more powerful are these elites. Marxist analyses (Leys, 1994) stress the power of local and especially foreign capital to influence the institutional arrangements for economic activity and to that extent a Marxist approach is not inconsistent with an institutional approach to the analysis of politics and power. As indicated above, the power of the gun – in the form of elites, or rival armed groups – is a key factor in the authority of the state and corrodes its institutional provisions by subsidising avoidance or by corrupting them.

Political leadership, will, vision and agency, including capacity to define and pursue an ‘encompassing’ national interest (Olson, 1993) and pro-poor-growth strategy in connection with macro-policy goals, referred to will’ is at the heart of capture. The question of policy capture, or its less ‘normal’ and less sharp definition of ‘leadership’ and its concentration of power by elites, is sharpening and research, as is the idea of ‘leadership’. There is little written on these subjects as they affect economic and social development. What constitutes political will and leadership, and how are they connected? Is leadership war different for leadership to economic and social development? The notion of ‘politics in action’ as the essential element of both economic and social development, is also deepened and rendered less ‘normal’ than its usual usage by thinking about it institutionally and in processual terms. For although the personal attributes of individuals do count (consider Mandela or Fidel or Churchill), it may be more useful to start thinking of political will as essentially an institutional matter. Political will might then be thought of as an institutional ‘constellation’ that is not a personal quality, but as a function of the way in which the political processes work; that is how of the political processes are orchestrated in a particular direction, with particular goals and outcomes in mind, by a sufficiently inclusive coalition of leaders of interests who together command the power and capacity to do so at each stage in the political and implementing process. Unfashionable as it may be in an era when democratic and popular participation is held to be so important for development, it is nonetheless the case – as theorists of elites have emphasised, since Pareto, Mosca and Michels (Parsons, 1995:248 ff; Evans, 2005) – that most polities is shaped by the exercise of power by political leaders, even small elites, in each and every case the extent to which they are pushed by, or accountable to, their followers (in their own organizations or more widely) in a democratic context needs to be appreciated and explored. Union leaders, the leaders of business, business associations, armies, bureaucracies or other interests in civil society play a decisive role in the politics of negotiation and the establishment of associated institutional arrangements. The very notion of ‘policy-makers’, so widely used in the academic and donor literature, is indicative of the de facto reality that shifting coalitions of elites are the ones that tend, in general, to make policy.

State-independence relations constitute a very important context for understanding the politics of institutional formation and change. These relations vary greatly from society to society, depending on the ideology of the regime, the level of economic development and the social structure, amongst other things. For example, in much of post-independent Africa the attitude of the incumbent regimes towards the private sector of the economy was hostile and controlling, and this shaped state-economy relations, resulting in a very small, subordinated and compliant private sector, as dramatically illustrated by the case of Malawi under the presidency of Hastings Banda during the first 30 years of independence (Harrigan, 2001). The nature of these relationships was to influence the character of the institutional arrangements governing state-business relations, as well as state political and bureaucratic relations with other societal groups and citizens, formal and informal.

Bureaucratic organization, competence and capacity also clearly affect the politics of implementation. These factors include the structure of bureaucratic organization and departmental relations within the bureaucratic interests; relations between economic and interests and organizations; recruitment and continuity of office and coherence; insulation from particularistic demands and extent of support from political authorities; infrastructural (i.e. implementation) power and capacities (Evans and Rauch, 1999). In Argentina, for example, public policy is incoherent and volatile, largely due to the weakness and political character of the president and the long-term objectives; key policy decisions are taken away from the national legislature, judges have short tenure of office (Spiller and Tommasi, 2003). How far do these fluid, insecure and ineffective features of public policy reflect other patterns of political and residential organization?

External support, influence, opposition and conditionality, including character, flow and forms of aid manifestly shape both levels of politics in many developing countries. Moreover, aid associated with conditions, ethical or moral pressures - as well as foreign direct investment (FDI) and relations with investors, can have a profound effect on developmental strategies and politics in a state. Regional and transnational, coalitions and memberships of national and international associations (such as the IMF, the WTO and regional grouping such as the North American Free Trade Association, or the African Union) also can affect policy and practice in member countries.

This list of factors suggest that historical, structural and international legacies constitute the context in which both individual and group agents operate to promote or hinder the institutional prospects for growth. It suggests a number of research questions.

### Section C: Possible Research Questions

The central thesis of this review has been that political processes shape not only the policy goals but from them as well. If and when those fail to deliver the institutional means to achieve the policy goals, they will not be met. The conditions which enabled some of the more successful developmental arrangements to establish the institutional structure for rapid and (generally) equitable development now no longer exist. External threats of the kind that galvanized their elites and created one very powerful incentive for pursuing ‘state-directed development’ (Kohli, 2004) are not common. The Cold War is over. It seems likely therefore that institutions which will promote growth, let alone pro-poor growth, will only be established where the domestic political demand for reform is strong enough to establish the appropriate institutions and to ensure compliance with them. If that is the case, then a number of research issues emerge concerning the origins, forms and efficacy of domestic demand.

1. **Coalition Building**

It is almost axiomatic that the institutions which promote PPG will only be established where the political and economic reality of the ‘late developing’ economies, such as Japan, Turkey, Korea, Singapore), from incumbent elites, or sections of the elites (Thompson, 1998). But what now is the prospect for such demand and from whom?

- What are the obstacles to the building of such coalitions in the less successful (often African) polities? Is there a technocratic (bureaucratic) concern for institutional reform to lead or assist such demand for pro-poor growth? What is the evidence of effective demand from various organizations and elites inside civil society?

- Political parties and legislatures should have a singularly important role to play in articulating the demand for institutions that will enhance growth. Why do the parties, unions and other associations of the poor appear to have so much less ambition and to have some movements to demand institutions for PPG (DFID, 2001)? How are political parties structured to reflect the views and interests of their members? What incentives are there for small parties to coalesce? It has been hypothesised that social fragmentation and low credibility of parties offering general benefits explains why parties of the poor are more inclined to pursue sectional and clientelistic strategies. Is this hypothesis correct?

- Under what circumstances, historically and comparatively, have middle class/professional interests demanded improved institutions? What evidences there is for the supposition that only with the emergence of middle-class professional associations and the establishment of the middle class consensus’ (Easterly, 2002:279) will sound institutions be established?

2. **The Structure and Politics of Economic Decision-Making and Institutional Design**

Even in the most developed, the formal features of institutional decision-making and the opportunities and constraints that influence them and how. This suggests some further questions for country study or comparative work with regard to the politics of capacity and implementation

- How are economic decisions made and by whom? Case studies tracing the formal and informal political process and power relations between political decision-makers, policy elites, ministers, internal and external advisors and organized interests might help to map these processes, in individual policies or comparatively. What are these relationships? Where does power lie?

- How does the formal structure and distribution of state power through unicameral or bicameral legislative or presidential or ministerial systems affect the design, form and functioning of economic policy-making and economic institutions?

- What is the structure of bureaucratic expertise and specialization in relation to economic decision-making and institutional design? Is responsibility spread across ministries or is it concentrated (as in MITI in Japan or the Economic Planning Board in Korea)? How insulated are such bureaucracies? What sense have they of accountability and legitimacy? What is the evidence of demand for institutional change?

- What institutional arrangements, or ‘critical institutions’ (Hall, 1986) govern the requirement of consultation between governments and organized interests (businesses, unions, agricultural organizations etc.)?

- Where, how and when do business/agrarian organizations push the limits of their influence? Is there evidence of institutional development or undermining and institutional change and hence affecting compliance? What are the points of opportunity and entry in different political systems which give advantage?
to special interests?
- Or, in what ways does the institutional structure of the state establish points of entry/influence for sectional interests?
- What are the forms and consequences of the shifting balance of power at local levels between traditional authorities/elites, new and representative local level institutions and bureaucrats (eg in Africa in connection with land allocation)? How does this compare across continents. For instance relations between formal ('modern') constitutional authority and 'traditional' (chiefly) authority in the South pacific are often as complex, if not more so, than in Africa. What does comparison reveal about how such tensions may be reconciled or resolved?
- It is one thing to elaborate a policy and design institutions to achieve its objectives (whether in relation to rules governing property rights, market entry, labour market regulations, etc). But institutions, if properly designed, require compliance for them to do the job for which they are intended. There are always incentives to dodge rules or free ride. Using individual cases (to be identified within countries) how are regulatory agencies authorised, prepared and resourced for ensuring compliance? How are they able to identify and deal with non-compliance? What political processes have established, maintained and supported them?

3. Formal and Informal Institutions

An area of increasing importance lies in researching the interaction of formal and informal institutions. In all societies informal institutions parallel formal ones. But in many developing societies the influence and traction of informal institutions can distort and undermine the spirit of the formal ones, though may also substitute for them, positively, where the formal institutions do not work, as indicated in an earlier section. But how informal and formal institutions interact is a priority area for research (Helmske and Levitsky, 2006; Hyden, 2006). These may be political or economic or social institutions, but the dynamic which shapes their interaction is a political one. For instance how do formal and informal institutions compare in terms of their contribution to pro-poor growth and what policy implications flow from this?
- Does the alleged tension between the informal institutions of patronage and patronism on the one hand and Weberian meritocratic principles always constrain development and growth? Can the informal political institutions of patronage sometimes contribute positively? Might there be good (developmentally) patrons and is there any way, politically, that they can be used to promote pro-poor growth?
- Likewise, the relations between informal and formal organizations require analysis, as does the way in which both informal and formal organizations interact with institutions. For instance, how do formal and informal farmers' organizations interact with institutions governing agricultural activity with respect to credit, inputs, marketing, training and much else? How do informal business organizations (eg transient or ad hoc organizations of taxi-drivers) relate to wider institutions governing traffic and transport and to formal organizations representing business interests?

4. Ideas, Interests and Institutions

We have said that the interaction of ideas, interests and institutions is a central focus of our research. Here are some ideas about how we might take this further.
- If we accept the key distinction between policy, institutions and organizations, outlined above, it is important to look first at national aims/ideology/developmental policy/objectives, in short the development discourses. How are these shaped? What internal constituents and external agencies contribute to the shaping of the official commitments about development, growth and PPG? Ownership is a fashionable notion in official development discourse. What does it entail? How authentic is it? If we want to know what institutions are for, we need to know more about the ideas which animate them, the extent of their support and their provenance.
- Civil service reform on the UK in the nineteenth century only occurred when there was strong political support from senior politicians (Gladstone especially), when some influential civil servants (Northcote and Trevelyan) were committed to it; MPs were becoming hostile to corrupt 'jobbery', middle class values were moving in a meritocratic direction, and patrons were beginning to find that there were more demands than they could meet so patronage was becoming a nuisance (Delay and Moran, 2003). What is the extent to which these 'ideas' and 'attitudes' are emerging within the bureaucratic and political elites of developing economies? What are the real 'pulls' on their behaviour? Do the findings of Price (1975) in Ghana concerning the competing demands on civil servants of their obligations to clan and to the bureaucratic rules still apply and also elsewhere? There is both a 'political economy' aspect and an 'ideological' one to this.
- One means of ensuring compliance with institutional rules is in the naming and shaming which media are able to do. How do editors and journalists see their role in contributing to institutional compliance? Recent events in Kenya suggest that, slowly, both civil society and the media are establishing a momentum for reform which might begin to curtail corruption and non-compliance.
- Is it possible to identify overlapping or conflicting ideas, ideals, ideologies and conceptions of and for development and pro-poor growth amongst business, labour and agrarian organizations? How, if at all, do these differ from prevailing state conceptions (see above)? What keeps them apart? What implications are there for the forging of developmental coalitions?
REFERENCES


In this account, he distinguishes institutions clearly from organizations, thus:

'A crucial distinction in this study is made between institutions and organizations…' Conceptually, what must be clearly differentiated are the rules from the players. The purpose of the rules is to define the way the game is played. The objective of the team within that set of rules is to win the game…' (Ibid, 4–5)

So, for North, institutions are the rules and organizations are the players.

3. By 2005, North has elaborated his notion to be more complex and nuanced and more definitive in terms of the various institutional realms and their interaction when he discusses the "institutional framework"

That institutional framework consist of the political structure that specifies the way we develop and aggregate political choices, the property rights structure that defines the formal economic incentives, and the social structure – norms and conventions – that defines the informal incentives in the economy. The institutional structure reflects the accumulated beliefs of the society over time, and change in the institutional framework is usually an incremental process reflecting the constraints that the past imposes on the present and the future. All this – and more – makes up the structure that humans erect to deal with the human landscape.' (North, 2005:49)

4. A former Vice-President of the World Bank, Shahid Javed Burki, and his co-author, Guillermo Perry, wrote a publication in 1998 in which they criticised the narrowness of the Washington consensus, so-called, by urging policy makers to look at institutional contexts. They followed North in distinguishing between institutions and organizations, thus:

‘Institutions are rules that shape the behaviours of organizations and individuals in society. They can be formal (constitutions, laws, regulations, contracts, internal procedures of specific organizations) or informal (values and norms). In contrast, organizations are sets of actors who collectively pursue common objectives.’ (Burki and Perry, 1998:2) Rules set 'non-price incentives'.


6. The IMF takes a broad view: 'institutions can be defined as the set of formal rules – and informal conventions – that provide the framework for human interaction and shape the incentives of society.' (IMF, 2005:126) They go on to say that 'good' institutions offer relatively equal access to economic opportunity and protect property rights.'

7. The Northian formulation has had a profound influence on economists and especially those persuaded by the postulates of institutional economics. Thus Hall and Jones (1999) define what they call 'social infrastructure' as:

‘… the institutions and government policies that determine the economic environment within which individuals accumulate skills, and firms accumulate capital and produce output’ (84). A favourable social infrastructure 'gets the prices right' so that (North and Thomas) 'individuals capture the social returns to their actions as private returns.' (Ibid)

8. In his work, one of the most distinguished economists working in this field, Dani Rodrik (2002, 2003, 2004 and 2004a) adopts the broad Northian approach, but never specifies it tightly, preferring to argue that 'first order economic principles' come 'institutions free' (2004a) and filling them out requires detailed local analysis. He argues:

‘To refer to the quality of formal and informal socio-political arrangements – ranging from the legal system to broader political institutions – that play an important role in promoting or hindering economic performance.' (Rodrik, 2003:5)

This Northian approach has influenced much of the work in institutional economics, as in Alston, Eggerstsson and North (1996), (Claude (1997) and Bardhan (2005).

9. The political scientist, Geoffrey M. Hodgson, has broadened and refined our understanding by treating organizations as a sub-set of institutions. He argues that:

‘Essentially, institutions are durable systems of established and embedded social rules and conventions that structure social interactions. Language, money, law, systems of weights and measures, tablemanners, firms (and other organizations) are all institutions… In part the durability of institutions stems from the fact that they can usefully create stable expectations of the behaviour of others. Generally, institutions enable ordered thought, expectation and action, by imposing form and consistency on human activities.’ (Hodgson, 2001:295)

He goes on to define organizations as:

‘… a special type of institution involving:

• Criteria to establish its boundaries and to distinguish its members from its non-members,
• A principle of sovereignty concerning who is in charge, and
• A chain of command delineating responsibilities within the organization.' (Ibid, 317)

From this point of view, organizations are what we might call bounded institutions in that some of the rules which govern intra-organizational behaviour relate only to its members, though the whole organization may be subject to the wider institutional spheres in which it operates (i.e. a political party will be bound by electoral and other rules; a business will be bound by market and tax rules, and so on). The distinction is helpful because it illuminates the complexity of institutional interactions and relations.

10. Following North, Christopher Clague says institutions can be 'many things':

• 'organizations or sets of rules within organizations. They can be markets or the particular rules about the way a market operates. They can refer to a set of property rights and rules governing exchanges in a society… The rules can be either formal written down and enforced by government officials or unwritten and informally sanctioned. The rules need not be uniformly obeyed to be considered institutions, but the concept does imply some degree of rule obedience. If the rules are generally ignored, we would not refer to them as institutions.' (Clague, 1997:18)

Political and political science concepts

11. Political scientists have always taken an interest in 'institutions' but, typically, these have been understood in terms of formal political organizations, often understood as coterminous with the state or, more commonly, 'government' (Millier, 1962:105), or the governmental institutions of the state. (LaPalombara, 1974:62 ff) Though MacIver (1947) alludes to a wider sense of convention and community practices and beliefs which constrain human behaviour, the post-war political scientists tended not to think of institutions as rules.

12. In the 1980s this began to change. The major study edited by Peter Evans, Dietrich Rueschemeyer and Theda Skocpol (1985) entitled Bringing the State Back In was perhaps a milestone in the new analysis and thought around the role of institutions in structuring political life and, in particular, the role of the state.

13. But it was with the work of James G. March and Johan P. Olsen (1984) that the idea and role of institutions was broadened and redefined. The ideas de-emphasize the dependence of polity on society in favour of an interdependence between relatively autonomous social and political institutions;
they de-emphasize the simple primacy of micro processes and efficient histories in favour of highly complex processes and historical inefficiency; they deemphasize metaphors of choice and allocative outcomes in favour of other logics of action and the centrality of meaning and symbolic action’ (738). The ‘new institutionalism insists on a more autonomous role for political institutions.’ (Ibid)

In their book March and Olsen make the central point about institutions that ‘... a central anomaly of institutions is that they increase capability by reducing comprehensiveness.’ (March and Olsen, 1989:17) And against both the behavioural and rational choice approaches to politics they argue that ‘... the organization of political life makes a difference. (March and Olsen, 1989:1) Institutions in this sense must be thought of as having ’some autonomy, if we are to make the claim that they are ’more than simple mirrors of social forces.’ (Ibid: 18) They go on to define political institutions in the following way:

‘Politics is organized by a logic of appropriateness. Political institutions are collections of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations. The process involves determining what the situation is, what role is being fulfilled, and what the obligations of that role in that situation are. When individuals enter an institution, they try to discover, and are taught, the rules. When they encounter a new situation, they try to associate it with a situation for which rules already exist. Through rules and logic of appropriateness, institutions realize both order, stability, and predictability, on the one hand, and flexibility and adaptiveness, on the other.’ (March and Olsen, 1989:160)

In their most recent elaboration of the approach, March and Olsen argue that:

‘Institutionalism emphasizes the endogenous nature and social construction of political institutions. Institutions are not simply equilibrium contracts among self-seeking, calculating individual actors or arenas for contesting social forces. They are collections of structures, rules and standard operating procedures that have a partly autonomous role in political life.’ (March and Olsen, 2005:3)

They continue to define institutions thus:

‘An institution is a relatively enduring collection of rules and organized practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relations at the institutional level. Appropriateness, political institutions that create capabilities for acting. Institutions empower and constrain actors differently and make them more or less capable of acting according to prescriptive rules of appropriateness. Institutions are also reinforced by third parties in enacting rules and sanctioning compliance. (Ibid: 4)

14. Peter A Hall’s contribution to institutional analysis and to historical analysis in Particular has been important. The role of institutions was central to his comparative study of state intervention in Britain and France... Whereas many scholars have distinguished sharply between formal and informal institutions, Hall does too but also contributes a bridging concept – standard operating practices – which also structure interactions between individuals:

‘The concept of institutions is used here to refer to the formal rules, compliance procedures, and standard operating procedures that structure the relationship between various individuals in various units of the polity and society. This is a more formal concept than the usual one that does not necessarily derive from legal, as opposed to conventional, standing. Throughout, the emphasis is on the relational character of institutions; that is to say, on the way in which they structure the interactions of individuals. In this sense it is the organizational qualities of institutions that are being emphasized; and the term ‘organization’ will be used here as a virtual synonym for ‘institution.’ (Hall, 1986:19)

Later, Hall sharpened his notion, thus:

‘The concept of institutions is used here to refer to the formal rules, compliance procedures, and customary practices that structure the relationships between individuals in the polity and economy.’ (Hall, 1992:96)

He suggests three levels of institution: (a) the overarching level which consist of the basic framework of a capitalist economy which organizes the balance of power, including the electoral rules and the general rules which leave ‘ownership of the means of production in private hands’; (b) institutional arrangements central to the organization of state and society – trade union organization (density, concentration and centralization) and the organization of capital, relations amongst bits of capital, the organization of structure and administrative responsibilities; (c) the standard operating procedures, regulations and routines of public agencies, formal or informal. ‘A regulation is changed more readily than a regime.’ (Ibid, 96/7)

15. Though some political scientists took the same general line as institutional economists (such as North above) in treating political institutions as the ‘rules of the game’ (Rothstein, 1996: 146), others (as well as some sociologist and those influenced by sociology) see institutions (and political institutions in particular) as embodying much more than simply rules. They embody historical legacies and traditions, they reflect political power relations in different ways and, crucially, include ‘...the symbol systems, cognitive scripts, and moral templates that provide the “frames of meaning” guiding human action’ (Hall, 1996: 963). Institutional environments are seen by organization sociologists, for instance as ‘the socially constructed normative (AL) worlds in which organizations exist.’ (Orrù, Biggart and Hamilton, 1991: 361)

16. For the rational choice theorist, the function of institutions is in effect its definition. Thus, Barry Weingast argues that institutions help to: ‘... create the conditions for self-enforcing cooperation in an environment where there are gains from co-operation but also incentive problems that hinder a community’s ability to maintain co-operation’ (Weingast, 2002: 674).

The functional approach is made clear in his further claim that: ‘... institution evolve to alter incentives so that co-operative behaviour becomes self-enforcing. Put another way, a fundamental aspect of institutions is that they provide the means for the enforcement of co-operation.’ (Ibid: 691)

17. In comparative politics, the historical institutionalists, on the other hand, have a much more nuanced and less parsimonious view. They are more sensitive to historical legacies, cultural contexts, with the relations of power, with the ‘stickiness’ of institutions or their path dependent proclivity. John Zysman observes that:

‘The institutional approach begins with the observation that markets, embedded in political and social institutions, are the creation of governments and politics. Indeed all economic interchange takes place within institutions and groups. Markets do not exist or operate apart from the rules and institutions that establish them, shape them, and the very organization of production takes place... the particular historical course of each nation’s development creates a political economy with a distinctive institutional structure for governing the markets of labour, land, capital and goods.’ (Zysman, 1994: 243)

Historical institutionalists are not willing to ‘sacrifice nuance for generalizability, detail for logic’ (Levi, 1997:21). As Kathleen Thelen observes, historical institutionalists are interested in the institutional structure through which political conflict occurs. That refers to:

‘the whole range of state and societal institutions that shape how political actors define their interests and their role in system of political outcomes. Institutional analyses do not deny the broad political forces that animate various theories of politics: class structure in Marxism, group dynamics in pluralism. Instead, they point to the ways in which institutions structure those battles and in so doing, influence their outcomes.’ (Thelen, 1992: 2/3)

Moreover:

‘By shaping not just actors’ strategies (as in rational choice), but their goals as well, and by mediating their relations of cooperation and conflict, institutions structure political situations and leave their own imprint on political outcomes.’ (Thelen, 1992: 9)

In her monograph, Thelen (2004) is very conscious of issues concerned with the distribution of power in intergovernmental institutions (she prefers that to institutional change). She argues that institutions ‘... are the object of on-going political contestation, and changes in the political coalitions on which institutions rest are what drives changes in the form institutions take and the functions they perform in politics and society.’ (Ibid: 31)

In her study of the institutions governing skill training in Britain, Germany, Japan and the United States she found that:

‘In all cases, institution building involved forging coalitions and thus mobilizing various social and political actors in support of particular institutional configurations. Differences in the alliances that were formed across these four countries account for important early differences in the system of skill formation that emerged.’ (Ibid: 31)

18. For Skocpol and Pierson (2002):

‘Historical institutionalists analyze organizational and institutional configurations where others look at particular settings in isolation; and they pay attention to critical junctures and long-term processes where others look only at slices of time or short-term maneuvers.’ (693)
Historical institutionalism is characterised by concern with (i) big issues concerned with big processes and change; (ii) time and diachronic analysis; (iii) macro contexts which explore the interaction of processes and institutions. (Ibid: 696)

20. The political scientist, B. Guy Peters (1999:18) shows that the various schools of institutionalism in political science all define institutions in distinct ways, but nonetheless they all share 4 common characteristics in their understanding of institutions. These are: (i) that institutions are structural features of societies, polities and economies, transcending individuals; (ii) that they last and have some stability over time, even though there may be slow change (eg the venue for a regular scheduled meeting); institutions affect the behaviour of individuals; and (iv) people affected by institutions share some values and meanings about what it is that the institutions do.

21. For Evans and Chang (2005:99) (one a political sociologist the other a political economist) (Chang), the ‘false parsimony’ of the economic approach ‘cripples’ our understanding of major shifts in economic structures. Much of this reduces institutional explanation to ‘functionalist consequences of efficiency considerations or instrumental reflections of interests’. They argue that what is needed is a ‘thick’ view, one which ‘recognizes both their key role of culture and ideas and the constitutive role of institutions in shaping the ways that groups and individuals define their preferences’. They define institutions as:

‘… systematic patterns of shared expectations, taken-for-granted assumptions, accepted norms and routines of interaction that have robust effects on shaping the motivations and behaviour of sets of interconnected social actors. In modern societies they are usually embodied in authoritatively coordinated organizations with formal rules and the capacity to impose coercive sanctions, such as the government or firms.’ (Ibid: 99)

‘Our goal is to move beyond ‘thin’ economicistic models that dominate the current discourse on institutions. Neither a functionalist view – in which it must be efficient since otherwise it would not exist – nor an instrumentalist view – in which institutions are created and changed to reflect the exogenously defined interests of the powerful – is adequate. Instead, we argue for a more culturalist (or perhaps Gramscian) perspective in which institutional change depends on a combination of interest-based and cultural/ideological projects (in which world view may shape interests as well as vice versa. Simply put, changing institutions requires changing the world views that inevitably underlie institutional frames’. (Ibid: 100).