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# **The Political Approach to Institutional Formation, Maintenance and Change**

## **A Literature Review Essay<sup>A</sup>**

*'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<sup>1</sup>

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 institutions, with particular reference to 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. Finally, it will identify some problems, gaps and questions on the research frontier which the IPPG programme 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.<sup>2</sup> 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 our understanding of those phenomena too.

- It is the underlying thesis of this review that the overwhelming bulk of the literature on growth and PPG points implicitly or explicitly (but not yet sufficiently) to the primacy of politics in shaping, maintaining, changing or affecting compliance with the economic institutions which facilitate development and pro-poor growth. In a sentence, what emerges is that the politics of development is intimately and unavoidably associated with the development of politics. The point has been succinctly made by James Robinson when he states that 'a theory of comparative institutions is ultimately about politics and political institutions, since politics is precisely about how society decides on the things that affect it collectively' (Robinson, 2002: 511).

- Two key and related themes on the research frontier emerge very clearly from this literature. The first concerns the sources, distribution, control and conflicts over the use of *power* in relation to economic and other policies and institutions; the second relates to the origins and nature of the political *demand* 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. Frameworks of analysis are needed to track the interaction of formal and informal sources of power, local and national, in the determination of policy, the establishment of institutions and the relations of ideas, interests and organizations within and around them.

- The central organizing question which underpins this review, therefore, is what are the political circumstances, configurations of power and institutional conditions – both formal and informal – which shape national policy goals concerning development and which facilitate the establishment and effective operation of economic and other institutions that will promote pro-poor growth. In short, what are the historical, structural and political determinants of state willingness *and* capacity to establish and maintain the economic (and other) institutions that promote pro-poor growth?

It could be argued, as some do, that institutions arise in part '...to help capture gains from cooperation' (Weingast, 2002: 670; Shepsle, 2006; Sanders, 2006). Historically, it is clear that *some* institutions, created by the voluntary co-operation and agency of the players, did arise in this way, and still do, 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) economic institutions for facilitating growth – and pro-poor growth in particular – has been, 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, whatever its goals and objectives.

- Accordingly, this review is not so much concerned with what the forms and particulars of those economic institutions may or should be – for there is much evidence that they differ widely in their detail over time and space, according to the politico-economic purposes they are designed to serve at any given time. Rather my concern is with the political circumstances, forces and forms which enable or hinder the formation, development and change of economic and other institutions.

- In examining 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.<sup>3</sup> 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 processes – both political and non-political – and to explore the interactive impact of these on politics within formal institutions (Peters, 1999; Helmke and Levitsky, 2006).

- However, much of this work has focussed primarily on the analysis of politics in mainly developed societies and stable polities (see Steinmo, Thelen and Longstreth, 1992; Rothstein, 1996; Thelen, 1999; Pierson and Skocpol, 2002; Thelen, 2004; Pierson, 2004). There has been comparatively little work on 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 use in the analysis of mainly stable and developed polities to those of the developing economies in order to assess the prospects for a politics of effective pro-poor growth.

- Developments in other social sciences – notably in Economics and Sociology – have also seen a renewed interest in institutions (Harriss, et al, 1995; Clague, 1997c; Hodgson, 2001; Powell and DiMaggio, 1991). These cognate developments, some of which are reviewed in a parallel paper for the IPPG (Hare and Davis, 2006), have seen important disciplinary convergence on similar, or associated, sets of problems. Because it seeks to explore institutional interactions across social, economic and political domains, this convergence involves the systematic rediscovery and reworking of the cross-disciplinary nature of social science and is hence a hugely challenging task. To that extent, this review really only scratches the surface of an immense literature.

- This is especially true for applied social science research in which the policy implications are so important. But it is the explicit linkage of politics to issues related to the conscious promotion of pro-poor growth and development that is new, important and difficult for political science. For where political scientists (especially those with interests in developing societies) have previously been concerned with the processes by which stable (and, sometimes, when in a normative frame of mind, just) political institutions may be established and sustained (Huntington, 1967: Apter, 1966; Rawls, 1971), the challenge is now to promote research and understanding concerning how configurations of power and politics both shape and 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 prior 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 2005). Though there are notable and important exceptions (for example Wade, 1990; Evans, 1995; Bates, 2002; Moore, 2004; Kohli, 2004; Haggard, 2004; Harriss, 2005), the application of political science (and, in particular, the 'new institutionalism' within it) to issues of economic growth and development in emerging economies has been a relatively undeveloped field in the discipline and amongst policy makers. Indeed much of the work concerned with 'bringing politics back in' has been initiated by economists as part of a wider determination to extend the principles of the neoclassical framework to non-economic and non-market contexts (Becker, 1986) and to find explanations for many aspects of market failure and

1. I am grateful to John Harriss and Paul Hare for various comments and suggestions on earlier drafts which have been valuable to me in revising this paper, though of course I remains responsible for its contents, as always.

2. Excellent work on this is being done by two sister research programmes on the 'Future State' (at the Institute of Development Studies in the University of Sussex) and on 'Crisis States' in DESTIN at the London School of Economics).

3. In the western tradition this can be traced back to Aristotle who argues that the task of the science of politics was to 'discuss the best constitution, what it is and what it would be like if it could be constructed exactly as one would wish, without any hindrance from outside.' (Aristotle, 1964:149) The same normative concern is clear in Confucius (500BC)

economic stagnation beyond formal economic processes.<sup>4</sup> 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 because political scientists were initially drawn to traditional macro-institutional issues of state formation, nation-building and democratization, and less - until recently - to either the politics 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 developmental trajectories, at different times and in different places, have been propelled by very different institutional arrangements. Even the most casual reading of the developmental 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 their growth patterns. Though one might identify broadly common structural features 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 considerable variety in the detailed forms and particulars of 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 skills 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' versions and 'Rhineland' versions (which situates both Japan and Stockholm on the Rhine) of capitalism, or 'coordinated' and 'non-coordinated' market economies (ibid: 2). Within these developed economies, furthermore, 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 legislatures 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 influential, 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 institutional legacies of the imperial system of the Tokugawa shogunate to orchestrate their 'revolution from above' (Trimberger, 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 colonialism (Kohli, 2004), fuelled by an urgent political and economic nationalism to build a powerful and 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 interest' (Olson, 1993) to build, rapidly, a strong economy in a tense regional environment, and its shape was influenced by social democratic ideas, as was development policy and practice in Mauritius after 1970 (Brautigam, 1997).

On one point the political and historical literature is clear: the economic institutions which were fashioned in these more or less successful developing economies, were designed to serve specific though varying policy purposes, and were essentially *politically-determined*. As we shall see, some policy purposes (in these countries, and others) 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 'neo-colonial' influence); some were social (to reduce communal differences and avoid deepening inequalities). Commonly, economic and political policy purposes were integrated in nationalist objectives,

4. This somewhat imperialistic 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)

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 'stateness' as Fukuyama (2004) calls it, venality or 'capture' at the centre, local or regional resistance and the inability to define and pursue an 'encompassing interest' (Olson, 1993) have all conspired to limit growth.

To understand the provenance of these paths requires us to move beyond many of the functionalist interpretations of rational choice institutionalism in both economics and political science.<sup>5</sup> For instance, Weingast argues that institutions exist, primarily, to 'capture the gains from cooperation', or to 'restructure incentives so that individuals have an incentive to cooperate' (Weingast, 2002: 670). But, even if we set aside the main critique of functionalism that it is unsatisfactory to explain the origin of a phenomenon with reference to its function alone<sup>6</sup> (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 logic, 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. As Haggard notes, if we are to understand both their provenance and diversity, then 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 can we devise 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.<sup>7</sup>

Thus in his study of the Maghribi traders' coalition in eleventh century Mediterranean trade, Avner Greif (1993) stresses the importance of non-market (that is political) institutions and processes in promoting the economic institutions that enabled reliable trade. The IMF is explicit, too. In its World Economic Outlook for 2005, it could not be more clear.

'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... Changing institutions can be slow, requiring both significant domestic political will and more fundamental measures to reduce 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 centre and the localities - is highlighted by both North and Kohli in their new books (North, 2005: 6; Kohli, 2004: 1-24) and also by Boone's account (Boone, 2003) of the 'topographies' of the African state and Hagopian's earlier work on Brazil (Hagopian, 1994). Discussing the role of Institutional 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 that all the studies pointed to the 'prime importance of local political and incremental change' and linked 'features of power and politics to underlying economic issues'. A key lesson learned from this work has been the need to understand better the 'political and institutional factors' which shaped development outcomes (Dahl-Østergaard, et al, 2005: i, ii, 3). A similar finding - the pervasiveness of politics and the need for political analysis - runs through DFID's Review of its Drivers of Change Country Study Reports (DFID, 2005). 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, effective 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. Thelen offers a useful summary and critique of the rational choice approach to the formation of institutions (Thelen, 2003)  
 6. An example of this functionalist approach is the early observation by North and Thomas that government can be viewed '... as an organization that provides protection and justice in return for revenue.' (North and Thomas, 1973:6) However, obvious it may be that governments (or states) need to (or should) provide protection and justice, it is perfectly clear that the diverse provenance of, and reasons for, the existence of states, their institutional characteristics and shape, the purposes they embody and pursue and the mode in which they do this, with or without the legitimate consent of their subjects, are so historically diverse and complex as to render the observation by North and Thomas as naive, at the very least. (Carneiro, 1976; Mann, 1986; Tilly, 1992; Bockstette et al., 2002; Gill, 2003; and Ertman, 1997).  
 7. In the words of one recent report '... political analysis is now on the Bank's agenda, but it is not yet mainstream policy... partly because it is seen as contravening the Articles that establish the mandate of the Bank; and partly because of deep scepticism about how to move from high level analysis to specific operational recommendations.' (Dahl-Østergaard et al., 2005:17)

'If we don't as donors understand the politics 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, 2006).<sup>8</sup>

Finally, in their recent work, Acemoglu, Johnson and Robinson conclude their analysis by saying: 'We emphasise(d) that 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 concerned to explore and emphasise the importance of the structures 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 of 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 distinction between the concepts of 'policy', 'institution' and 'organization', 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 distinctions and relations between policy, institutions and organizations which enables one to develop a more dynamic understanding of the political context and processes of development, shaped as they are by the distribution and interaction of different forms and sources of power.<sup>9</sup>

## 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 might have overall and macro politico-economic objectives, as in the enunciation of national(ist) objectives. Consider the following examples. Here is Stalin speaking in 1927:

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; and those who lag behind are beaten. We do not want to be beaten... The history of 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 Swedish feudal lords, 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 affect an industrial revolution in Korea. Since the primary objective of the revolution was to achieve a national renaissance, 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

8. This has been taken even further by DFID in its most recent publication on these issues, *Governance, Development and Democratic Politics*. (DFID, 2007)

9. The distinction enables analysts to explore the relations between 'policy' and 'institutions'. Keefer and Shirley (2000:94), for instance, point out that 'good' institutions have proved to be more significant for development than 'good' policy. But they should also address the role of 'good organizations' operating within the 'good' institutions.

the contextual urgency and ferocity of nationalist 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 Harriss, 2000:3-42), in what Kohli recently referred to as a 'fragmented-multi-class state' (Kohli, 2004:221 ff) and Sinha has 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, generated through political processes and fashioned in the context of distinct historical legacies and geo-political circumstances, had far-reaching and quite distinct institutional implications in both economic and political terms.

But 'policy' may of course be less all-encompassing than such broad strategic national goals. It may be concerned to promote rapid industrialization through import substitution as in much of pre-and-post-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's New Economic Policy after 1969, which sought to bring *Bumiputera* more fully into economic life, 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 the design and functioning of institutions without recognising the policy-driven (and hence 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, and especially the dynamics of power in relation to them, it is first necessary to clarify what we are to mean by institutions more generally.

The fundamental starting point is the recognition that all human societies, past and present, have been and are characterised by more or less complex and overlapping net-works of regular social interactions and social practices. Such interactions and practices are simply inconceivable without a minimum of agreed understandings, norms, conventions, procedures and rules which shape and constrain behaviour and which make such interaction both predictable and comprehensible to people engaged in them. Whether economic, political or cultural – or even 'ideological rules or conventions' which influence thought – such repeated interactions require agreed rules about ways of doing things. Such sets of rules constitute 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 without states, in federal and unitary systems, or between presidential and parliamentary systems, or between proportional representation and first-past-the-post electoral systems – all of which 'structure politics' (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: lvi). Just so: institutions are the 'scaffolding' of society and are best understood as norms and conventions which both constrain and enable behaviour. Without them human societies would experience either chaos or what 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, but not without deeply embedded informal conventions and rules which regulate social, economic and political life (Marshall, 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, one of the oldest forms of exchange between different human groups (found widely in pre-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).

Though this review will return to these points later, some aspects of institutions need to be noted here.

- First, *institutions are never 'neutral'*. They always distribute advantage to some and disadvantage to others, just as the rules of badminton favour the agile and the slim, whereas the rules of *sumo* wrestling manifestly do not. As Schattschneider (1960:71) observed, all institutional arrangements express a 'mobilization of bias' in one particular way or another. Economists often forget this.

- Second, institutions may be *formal* or *informal*. Some analysts tend to equate informal institutions with culture. There is some value to that approach in the analysis of stateless societies, or in societies or regions within them where the writ of the state runs hardly at all. But others, such as Helmke and Levitsky, suggest a more useful way of distinguishing between formal and informal institutions which is to regard the former as rules and procedures which are 'created, communicated, and enforced through channels widely accepted as official', and to define the latter (informal institutions) as 'socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels' (Helmke and Levitsky, 2004:727, my emphasis, A.L., and Helmke and Levitsky, 2006:5).<sup>10</sup> The interaction of informal and formal institutions is especially important in the political analysis of development generally, and of pro-poor growth in particular. Relations between formal (codified) and informal institutions may be complementary, they may be substitutive (in that they both work for the same end) and they may be incompatible, as Lauth has observed about such interactions between formal and informal political institutions in relation to democracy (Lauth, 2000:25–6). O'Donnell goes further. He argues that all institutional forms of political particularism – which he defines as 'non-universalistic relationships' that include patronage, clientelism, nepotism and neo-patrimonial politics – are profoundly at odds with the assumptions and 'full institutional package' of democracy (or polyarchy, using Dahl's preferred term<sup>11</sup>), and in particular the 'behavioural, legal, and normative distinction between a public and private sphere' (O'Donnell, 1996:12).

- Third, *institutions also express the ideas, interests, purposes and power of those who designed and supervise them* and not (usually) those of the people who oppose them, though of course compromises may be built into them, and the extent of that (and hence in large measure the degree of legitimacy) will depend on the relative power of the interests involved. This is the case whether they are the institutional rules governing labour markets, external trade, marriage or the powers of the president. For that reason alone, institutions are accordingly and necessarily political.<sup>12</sup> Understanding the origins of institutions requires knowledge of the 'all-important matter of the material and ideological conditions on which they are founded' (Thelen, 1999:400), and of the political leadership and their ideas (Grindle, 2001:367–371).

- Fourth, *institutions last over time*, though that is not to say that they are immutable. Radical and rapid change in a whole matrix of institutions is rare, but it does sometimes happen (as in revolutionary circumstances). However, there is plenty of evidence to show that 'deep' (Dixit, 2005:2) cultural institutions are slow to change (even after profound revolutionary transformation in the formal social, economic and political rules) and that 'path dependency' and 'institutional stickiness' make for continuity in institutional arrangements (Pierson, 2000a and 2000b). Nonetheless, it is also clear that institutions do evolve and change over time, in response to many possible stimuli – perhaps because of internal or external threats, demands or conditions; perhaps because one institutional set becomes increasingly incompatible with another (e.g. beyond a certain point an authoritarian non-democratic regime may become incompatible with an expanding capitalist economy); perhaps because of changing ideas, ideologies and 'worldviews' of key agents (Chang and Evans, 2005: 100); perhaps because of a shifting balance of power within a polity or group, between those who gain less and those who gain more from a given institutional arrangement, or between those with different views or ideas about how things should be, and about the purpose or constitution of the institution. An interesting case-study, illustrating the complex interplay of external and internal factors, interests and ideas, which drove the politics of economic liberalization in India from 1980 is well explored in Kohli (2006) and Sinha (2005). These studies show how the parameters of broad institutional arrangements which shaped economic behaviour and activity in India changed and 'opened

up' the economy with remarkable results in terms of productivity and growth.

Another classic case in point was the slow change in the institutional arrangements governing civil service recruitment and behaviour in nineteenth century Britain which shifted the pattern from pervasive patronage and 'jobbery' to meritocratic recruitment. A complex politics of institutional reform, involving reformers and resisters, top-down political support (by Gladstone in particular) and the shift of middle-class and values and norms towards meritocratic principles commenced well before the publication of the Northcote-Trevelyan Report of 1854, but took well into the second decade of the twentieth century to complete (Delay and Moran, 2003; Neild, 2002). A similar story – the demise of the 'spoils system' (patronage appointments) in American government and bureaucracy – commenced somewhat later and culminated in the 1883 Pendleton Act. This Act started the process of eliminating the institution of patronage from public bureaucracies which had been openly dominated by the practice. Increasing complaints by business groups – about poor public services, and especially the customs and mail services – began to build up pressure for institutional change which finally came about through the Pendleton Act in 1883, precipitated by the assassination of President Garfield by an insane and disappointed office-seeker. The Act required that 10% of the civil service jobs be placed on a 'classified' list and had to be recruited by open competitive methods. By 1921, this figure had risen to 80% (Hoogenboom, 1959; Brinkerhoff and Goldsmith, 2005). In all these cases, the point is that institutional change occurred through the complex political interplay of interest and ideas within or against existing institutions and required political actors to steer such change through political processes.<sup>13</sup>

- Hence, whatever the immediate stimulus may be, a political and hence 'power-distributional' approach holds 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' (Thelen, 2004:31).

So institutions – whether formal or informal, private or public – are best understood as the essential structural properties of societies (or groups within them) which are constituted by the rules and procedures that constrain some forms of behaviour and interaction between people and groups and enable others in social, economic and political domains.

## Organizations

If 'institutions' are the formal rules and informal norms and conventions governing behaviour and relations in different spheres of collective life, what then are *organizations*? Why are the terms 'institution' and 'organization' so often used inter-changeably in the literature? Are they the same or are they different and, if so, in what ways? It is clear that organizations themselves are institutions in that they manifestly have their own *internal* norms, conventions and rules which define the hierarchies and the functions, and which regulate and facilitate the behaviour and interaction of members, as in a company, university, government department or political party. And, of course, some aspects of many different types of organization are governed not only by their internal rules and norms but also by *external* wider public rules (such as their accounting procedures, for instance, or hiring and firing practices, for example in relation to gender, race or age discrimination). So what, if anything, is different about organizations? There are a number of points to make here.

- First, if *institutions* refer to the *general* rules (e.g. the rules of football and the football leagues, or the rules governing stock-market trading, competitive practices, property rights, company accounts, labour markets, parliamentary elections, bureaucratic behaviour or fund-raising for charity), then *organizations* are the 'players' under the rules – whether football teams, companies, political parties, bureaucracies, or registered charities (individuals are, of course, also players within the rules, such as home owners, buying and selling their houses, a practice governed by very different institutions, for example, in England and Scotland). But given their rule-governed characteristics, organizations are still a *sub-set* of institutions and they are defined by (i) their sovereignty, or autonomy; (ii) the particular criteria by which their members are distinguished from non-members; and (iii) the chains of command which specify responsibilities and obligations in the organization alone (Hodgson, 2001:317). The rules of the organization, that is to say, do not extend or apply beyond its boundaries and membership, though wider public rules (as above) often extend into the organization and affects its practices. Equally, informal institutional rules (for example concerning gender relations) may also affect its practices.

- Second, both the establishment of the general institution (that is the rules) and the interaction of the organizations (or individuals) under those institutional rules are likely to involve contestation (see Thelen, above), but in different ways. By way of underlining the important difference between institutions and organizations, one study of the creation, interpretation and contestation of institutions has argued

10. A similar view is expressed in his study 'informal institutions and democracy' by Hans-Joachim Lauth who stresses the 'codified' character of formal institutions and the 'self-enactment' and 'self-assertion' of informal institutions which sometimes compete with the state's claim to binding authority. (Lauth, 2000:23–24)

11. Polyarchy, for Dahl, has seven defining characteristics: 1) elected officials; 2) free and fair elections; 3) inclusive suffrage; 4) the right to run for office; 5) freedom of expression; 6) alternative information; and 7) associational autonomy. (Dahl, 1989:221)

12. The point is clearly made by Chang who argues that we need to 'recognise the ultimately political determination of the rights-obligation structure that underlies market relationships.' (Chang, 2002:544)

13. This change in civil service recruitment procedures, from the spoils system to meritocratic competition, occurred well after the fundamental foundations of capitalist growth in the USA were in place and did not precede but followed rapid economic growth, thus raising serious questions about the claims that good governance (of which bureaucratic impartiality, independence and competitive entry is a central part) is a *pre-condition* for growth.

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).<sup>14</sup> I will return to this important distinction between the levels of politics later, because what is crucial for the politics of pro-poor growth is less the contestation *within* rules than the contestation *over* rules, that is, *over which rules are to rule*.

- Third, following Helmke 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. They point out that whereas *formal* organizations (political parties, trades unions, registered companies, or charities, for instance) may be conceptualised as having some form of 'official' status and recognition, *informal* organizations do not (Helmke and Levitsky, 2004:727–8). Examples of such informal organizations might include clans, *mafia* organizations, old-boy/girl networks, patron-client chains, transient *ad hoc* organizations (formed for a particular purpose, then disbanded), as well as the myriad of informal networks of personal connections – *guanxi* – in China (Wang, 2000), or the family business groups which have dominated the Indian economy for some time (Harriss, 2003b).

Recognising these basic distinctions between policy, institutions and organizations is the first step in establishing a broad analytic framework for the institutional analysis of politics and 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 organizations – which shape outcomes. For instance, governments may seek or be encouraged to embrace new policies and develop appropriate formal institutional arrangements (liberalising trade, for example) which may provoke resistance from some organizations in society because such 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 central concern of economists, then the political understanding of *power* is what political scientists are primarily concerned with, and – in this present context – its implications for understanding the factors and processes which affect pro-poor growth. In particular, analysing the different sources and forms of power and, especially, its use, distribution and control in, around and – not uncommonly – *behind* the formal institutions of the state is the central challenge. Moreover, the literature suggests that a focus on institutions may sometimes lead to a form of institutional reductionism in which institutional structures 'determine' outcomes, thereby evacuating individual human agents or collective human agency (including, but not exclusively, leadership<sup>15</sup> and the rather loose notion of 'political will') from political processes. By maintaining a close focus on power, however, one is better able to explore and theorise the processes of 'institutional innovation, evolution and transformation' in a manner which links 'the subject in a creative relationship with an institutional environment' (Hay and Wincott, 1998:955) or, in short, the possibilities and limits contained in the agent-structure relationship.

## Politics

Before outlining what is to be meant by political institutions and organizations, and the relations between them, it is necessary to ask and answer a seemingly (but deceptively so) simple question: what is politics? There is a variety of ways in which the activity we call politics is conventionally conceptualised (Leftwich, 2004<sup>16</sup>). Here are some.

### Politics as government

One such approach is 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 be called the 'old institutionalism' (Peters, 1999; Rhodes, 2006). Though the formal political institutions

14. Those unfamiliar with this discourse may be puzzled by the use of the notion of rules of the 'game' to refer to the institutions governing political, social or economic interactions. The concept of 'game' has been imported into the literature from game theoretic economics and its extension into rational choice approaches in political science upon which it has had a large influence. (Miller, 1997; Weingast, 2002) Though it can easily be argued that the notion of 'game' in this context both misconstrues and trivialises what are complex and often dangerous conflicts – quite unlike the harmless competition of, say, a game of chess – it is now deeply entrenched in the literature.

15. 'Leadership matters in reform initiatives – for the timing of reform initiatives, the content of reforms proposals, and the process of generating support and managing opposition to change.' (Grindle, 2001:364)

16. This book contains a selection of essays outlining in some detail the different conceptions of politics within different schools of the discipline.

of state and government do of course have a significant part to play in political processes, there is now widespread agreement that social, economic and political forces – and the informal institutions which they often shape – require much fuller attention and to be incorporated into our understanding of politics.

### Politics as class conflict

Classical Marxists, 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 and hence government is its executive (Marx, 1888/1958). In the Marxist tradition, 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 sometimes dominant – which formally constituted political authority in democratic polities can deploy to constrain and shape the economic power of dominant classes.

### The economics of politics

For neo-classical political economists – and rational choice theorists of politics in particular – politics is understood as an extension of economics. That is to say, based on the fundamental assumption of rational utility-maximising individuals that underpins much neo-classical economics, rational choice theorists see politics essentially as a market. As one author describes this approach to politics:

Public choice can be defined as the economic study of non-market decision-making, or simply as the application of economics to political science. The subject matter of public choice is the same as that of political science: the theory of the state, voting rules, voter behaviour, party politics, the bureaucracy and so on. The methodology of public choice is that of economics, however. The basic behavioural **postulate of public choice, as for economics, is that man is an egoistic, rational, utility maximiser** (Mueller, 1979:1).

Each of these has its utility but all have one main limitation: their focus is inevitably on the special sites, venues, institutions and practices associated with the central state and 'public' politics in general. This is a narrow view of politics as anyone with experience of developing countries will immediately acknowledge. It divorces politics as an activity from what happens in the non-public domain, as in churches, schools, factories, businesses or any other organization, and in the relations between these and the institutions of the state. If we are to make sense of both formal and informal institutions and how they shape and are shaped by political processes we need a wider conception of politics which recognises that it is unavoidably and necessarily a universal and pervasive phenomenon found wherever two or more people have to make decisions about the use, production and distribution of resources, whether in the private or public domain. I therefore deploy a different conception of politics.

### Politics as process – a necessary and pervasive feature of human society

On the view I am advancing here, politics is thus best conceptualised as consisting of *all the activities of co-operation, conflict and negotiation involved in decisions about the use, production and distribution of 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 a broader understanding of the relations 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* process entailed in all collective human activity and does not presuppose *formal* institutions of rule and governance. While formal decision-making in and around public institutions may (certainly in the modern era) be the most important expression of politics (especially in established, stable and modern polities), it is nonetheless a process found in all human groups and organizations – and must be.

### Levels of politics<sup>17</sup>

However, of fundamental importance in understanding politics and its implications for development, is the recognition that there are *two distinct but related levels* at which politics and political contestation occurs (Lindner and Rittenberger, 2003).

- The level which concerns *rules of the game* (institutions); and
- The level at which games *within the rules* occurs.

### (a) Rules of the game

The rules of the game, and agreement about the rules, are fundamental for any on-going political activity. Stable polities are characterised by lasting consensus about the central institutions (rules) of politics (which have seldom been established without intense contestation over long periods of time). In the modern world, these rules are normally expressed in *formal* institution[al] arrangements, that is, in constitutions, which specify formally the rules governing competition for, distribution, use and control

17. I have developed these ideas more fully in Leftwich (2006).

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 maintaining both the consensus and adherence to the rules.

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 polities, for long periods, based on agreed and understood processes, embedded in structures of power, expressed in cultural institutions and legitimated by a variety of ideologies and beliefs – and no constitution.

Moreover, in all stable polities – whether past or present, traditional or modern – consensus about the *political* rules of the game has normally been part of a wider and more or less explicit consensus about socio-economic goals, policies and practices. Reaching such a settled consensus has seldom been easy or conflict free, as struggles in the course of industrialization in the West between left and right through the nineteenth and twentieth centuries illustrate precisely. Even in some developing societies today where political and economic consensus has been reached, and sustained growth has occurred (such as Mauritius in the last 25 years), it has usually happened after periods of intense and threatening conflict (Bräutigam, 1997).

Each 'settlement', and its institutional form, has differed interestingly between various democratic capitalist societies, as well as in the East Asian developmental states, as shown in the studies on 'varieties of capitalism' (Hall and Soskice, 2001) and varieties of East Asian institutional arrangements in developmental states (Haggard, 2004). This is not to suggest that settlements about socio-economic goals and institutions are unchanging, but that the agreement about political rules of the game enables change to occur without a fundamental challenge to the stability of politics.

Indeed – and critically – under-girding democratic politics is normally an un-written political contract, or set of informal rules, which consists of two balancing elements. The first is that losers must accept the outcome of elections (provided legitimate), knowing that they can try again 4 or 5 years later (which winners must of course acknowledge, too). But the second element, and just as important, is that winners know that they cannot use their power (where allowed to do so by the constitution) to **so** 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 only degrees 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 time, the developmental shift to formally democratic capitalist politics is also a move to an increasingly consensual structure of political and economic relations in which 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 or 'wrong', but only that 'normal' politics is in some sense *predictable* in that outcomes are very unlikely to produce radical shifts 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 – agreement about the institutional rules of the game – has been established and consolidated, and this can occur within either formal or informal institutional arrangements.

In 'normal' politics in stable polities, the fundamental rules of the game are seldom seriously threatened (as indicated above), even when they are changed (for instance through devolution, constitutional reform). Disagreement, debate and change all occur – both in political and economic terms – but through the medium of the institutional settlements and operating procedures which remain stable while changing.

## Political Institutions and Organizations

Having discussed institutions and organizations in general, and having made clear what we are to mean by politics (and its levels) it is now appropriate to spell out in more detail what is usefully meant by *political institutions* (both formal and informal), *political organizations* (formal and informal) and how one might conceptualise the manner of their interaction.

### Political institutions

*Formal political institutions* are a special case of formal institutions in general (see above), and best understood as the formal rules which govern public political processes. Narrowly conceived for the modern era, this refers to the formal constitutional arrangements of a state and in particular the rules relating to how formal and authoritative power is accessed, obtained, distributed, limited, used and controlled.

But a *wider* understanding of politics, as outlined above, suggests that in other institutional domains of social life – companies, universities, bureaucracies and churches – there will be formal rules (internal and external) governing behaviour and these, too, are best understood – on a wider reading of politics – as formal political institutions as they shape the internal political processes of those organizations. The power and committee structure of a university or a company or trade union, would be examples of that.

*Informal political institutions*, on the other hand, are unwritten agreements, conventions, practices and habitual procedures which operate behind, within or alongside the formal institutions. Some theorists treat informal institutions as culture, referring to the wider informal traditions and practices of a community. However, while all cultures are constituted by (largely informal) institutional rules (for example with respect to birth and death, etiquette, gender relations and much more) not all informal political institutions are part of that or derive from that. As Helmke and Levitsky point out, treating informal political institutions as synonymous with culture would exclude the specific informal behaviours and routines within particular state institutions and other organizations which are not an aspect of the wider culture, although one might interpret these as parts of organizational cultures which may differ from organization to organization. So informal political institutions may derive either from the wider culture or be specific to organizations within it.

As Lauth (2000) has suggested, there are four kinds of informal institution. (a) They may be **complementary** to the formal institutions, in that they may make the formal institution more effective or efficient and may fill gaps (Helmke and Levitsky, 2006:13). A regular informal meeting to discuss an agenda or strategy before a formal meeting may help sustain the formal institution or make business more efficient. Or, a set of individualistic and egalitarian principles or cultural practices might be an essential complement for liberal democracy. (b) They may be **accommodating** informal institutions, which establish ways of behaving 'in ways that alter the substantive effects of formal rules, without directly violating them' (Helmke and Levitsky, 2006:15). Cross-party informal agreement about negotiation, power sharing and proportional distribution of government jobs in the Netherlands is an example (ibid), as was the series of pacts in 1958 which helped to establish Venezuelan democracy for a generation (Karl, 1986), neither of which were written into the constitutions but certainly helped to make it work. Such accommodating institutions may promote stability in a context where the political outcomes of applying the formal rules might generate conflict. (c) **Competing** informal institutions normally coexist with, but often overwhelm, distort or undermine formal institutions. Patrimonial institutions and entrenched patron-client relations, working through or behind formal Weberian-style institutions (neo-patrimonialism) have been shown to transform (in usually anti-developmental ways) those formal institutions of rule and the state and have often self-transformed into what are conventionally understood as corrupt practices (Bratton and van de Walle, 1997; van de Walle, 1994 and 2007; Wantchekon, 2003; Hyden, 2006). In African and other polities in the developing world, civil servants find themselves torn between these formal and informal sets of institutions, as Prices' work on Ghana demonstrated empirically (Price, 1975). Finally (d) Lauth identifies **substitutive** informal institutions, which set out to achieve what formal institutions were 'designed, but failed, to achieve', such as the *concertaciones* ('gentlemen's agreements'), in Mexico which emerged during its democratic transition to resolve electoral disputes as the formal electoral courts lacked credibility (Helmke and Levitsky, 2006: 16). Other work on 'co-production' where informal arrangements are made to support or replace state institutions (e.g. tax collection by taxi-operatives in Ghana) offers further examples (Joshi and Moore, 2004; Joshi and Aye, n.d.).

### Political organizations

As with *political institutions*, *political organizations* can be classified in terms of formal and informal ones, though there is far less literature on this and it is certainly a research area of considerable importance, as is the relationship between informal and formal political institutions in developing countries and elsewhere (Hyden, 2006). And a promising hypothesis to explore would be that the less established and consolidated are the rules of the political game, the greater will be the role of informal institutions and organizations in the play of the game.

*Formal political organizations* are fairly straightforward and include the obvious ones such as political parties and pressure groups, legislatures and bureaucracies and any other organizations (as defined earlier) which are explicitly and publicly concerned with formal political processes, including public lobbyists and others. It is important, also to recognise that many other organizations which are not formally political can act politically in a formal way. For instance, business associations and trades unions, think-tanks, 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 a 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 *mafia*), deploying means which range from old boy networks to outright bribery, threat and worse. Cabals, cliques, organized but secluded factions are all cases. The literature on the 'shadow state' (Reno, 2000) suggests that individuals

and groups from different formal organizations, both public and private, may often inhabit a secret and parallel set 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 games within the rules, political institutions and political organizations (both formal and informal) are the crucial ones. But these are either static or descriptive conceptual categories and, as such, leave open the question as to what drives and shapes the relations between these categories in practice? What is the dynamic that organizes these relationships? What establishes and maintains and changes institutional arrangements? How do institutions relate to each other? What determines whether informal or formal institutions come to dominate the political process? How do organizations relate to institutions? And what determines the relative influence of organizations whether formal or informal? 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 power, that is power used for political purposes<sup>18</sup>), is one of the most hotly contested concepts in political science (Poggi, 2001:15). It has conventionally been understood since Max Weber 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 policy, but also institutional and organizational formation, interaction and compliance.

Although the concept of 'power' is commonly used in a largely undifferentiated and indiscriminate manner in much of the recent literature,<sup>19</sup> it is not a uniform phenomenon. The various 'faces', forms and sources of power need to be identified and disaggregated from the general concept if we are to understand in a more nuanced manner both how it works and what its implications are for the politics of pro-poor policy-making and institutional arrangements in different societies. For different institutions and organizations, both formal and informal, commonly have different forms of power at their disposal. Institutional and organizational interaction is regularly a contestation not simply between groups with different interests and ideas, but between different forms of power.<sup>20</sup> The distinction which Acemoglu, et al, (2005a and 2005b) make between formal (de jure) power and informal (de facto) power is useful, but basic. There are many more aspects of power with respect to both its sources and its forms that need to be identified if we are to develop a more effective framework for the political analysis of institutions. Starting with Steven Lukes' work on the subject of power gives an initial sense of how complex a concept and phenomenon it is. Lukes distinguishes between three dimensions of power.

- The first and most obvious form of power is what he refers to as the one-dimensional kind (as in Weber's and Dahl's views above), normally found in decision-making contexts where there are clear, observable and open conflicts of interest and preference (Lukes, 1974:15) and where one interest or position wins (for instance by majority vote, executive decision or coup). This is the standard understanding of power.

- The second form, or 'face', of power (attributable to Bachrach and Baratz, 1962), is part of what Lukes refers to as the two-dimensional view of power. It can be identified where issues in dispute are also known, recognised and observable, but where a decision is prevented from being taken (by agenda-setting or committee procedures, for example). In short *non-decision-making* can be one way power may be used to maintain an institutional *status quo* by resisting institutional change.

- Lukes' three-dimensional view accepts the previous two forms, but identifies a third and deeper form of power. This derives from a situation in which a dominant ideology or view of the world,<sup>21</sup> with all its implications for policy and practice, is such that subordinate groups within a particular society come to

18. 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.

19. See above, on page 7.

20. It is precisely for this reason that whereas I have suggested here (see above, pages 9–10) that societies can be interpreted as being constituted by a more or less complex and overlapping network of *institutions*, Michael Mann (1986:1) describes societies as being constituted by '... multiple, overlapping and intersecting socio-spatial networks of *power*.' (my emphasis, AL) A similar position is advanced by Poggi (2001:203). The important point to note here is that both the institutional and power approach recognise that there is seldom a dominant institution or source of power but more or less overlapping, checking and countervailing sources of power and institutional arrangements.

21. What Gramsci (1971) would call a hegemonic view.

accept their subordination under the prevailing institutions of the society and do not contest or challenge them: in fact, Lukes suggests, they may not even recognise that they have 'real interests' which are in conflict with those of the dominant group or groups favoured under the prevailing institutions (Lukes, 1974:25). Such 'hegemonic' world-views and their institutional embodiments have often been remarkably stable and enduring, punctuated occasionally by outbursts and challenges – as illustrated by the history of the institutions governing slavery and caste, class and gender relations.

Already one can see here a number of different forms of power which can apply as much in families, firms or farms or to wider social formations in different societies at different times. But states, to which this review turns shortly, also dispose of different forms of power. In this context, Mann, suggests a useful distinction – which may be more of a continuum – between *despotic* power and *infrastructural* power (Mann, 1986:169–170). The former (*despotic* power) refers to the capacity simply to coerce and rule without reference to subjects or groups in civil society, whereas the latter refers to the 'capacity to actually penetrate society and to implement logistically political decisions' (ibid:170): in short, transformative capacity. Despotic power is typical of some authoritarian, military or one-party regimes which have had few or no developmental goals and even less developmental impact (as was the pre-1990 case with many African states and remains the case in Myanmar, for instance) and was a characteristic of the rule of many historic empires. *Infrastructural* power, on the other hand, entails the will and bureaucratic capacity to coordinate or facilitate (or both) the economic and political activities of society through appropriate institutional development (examples of which include both England in the eighteenth and nineteenth centuries, Germany and Japan in the late nineteenth century, Thailand and Turkey from before the second world war and beyond, and both Korea and China in the latter half of the twentieth century). But 'infrastructural' power does not have to be associated with the urgent requirements of 'catch-up' or forced march development. It refers essentially to the capacity of a state to implement effectively the policies which have been decided upon.

But in addition to these forms of power, there are diverse *sources* of power, control of which helps to shape the patterns of politics and the consequential contours and configurations of institutional relations and interactions. Mann's contribution is to suggest four primary sources of power: ideological, economic, military and political.

- *Ideological power* flows from monopolizing the norms, values and principles (the discourse) underpinning a particular institutional pattern governing social, political and economic life. Such a discourse can be hard to shift and may confer much power on those who dominate or benefit from the institutional arrangements which it entails. This is not unconnected to Lukes' 'third dimension' (see above) and is part of the claim of many of those whose work is influenced by 'discourse' and 'post-colonial' theory (Young, 2001). The dominant assumptions, ideas, theories and practices constitute what Escobar refers to as a:

'discursive practice that sets the rules of the game: who can speak, from what points of view, with what authority, and according to what criteria of expertise; it sets the rules that must be followed for this or that problem, theory or object to emerge and be named, analyzed and eventually transformed into a policy or a plan' (Escobar, 1995:41).

And it requires a complex politics to alter the ideology and hence the institutional practices that flow from it. One should not under-estimate the power of ideas in the politics of institutional formation, compliance and change, as Hall illustrates so well in his account of the shift from Keynesianism to monetarism in British economic policy in the 1970s (Hall, 1992). Peter Evans and Ha-Joon Chang make a similar point when explaining the decline and dismantling of the Korean developmental state (Chang and Evans, 2005).<sup>22</sup> Conversion to market-friendly and neo-liberal ideas by key figures in the Indian political elite also appears to have been critical in the politics of Indian economic policy change from the 1980s (Kohli, 2004:279–280; Harriss, 2006).

- *Economic power* of course derives from control of major economic resources and can be directly used for political purposes. Boone (2003) illustrates the point well in her account of the way in which different patterns of rural economic power and control in West Africa have had direct political consequences and have been instrumental in shaping the state strategies and relations between the central state and those sources of power.<sup>23</sup> The way in which large landowners have been able to thwart land reform in many developing countries (classically described by Herring in relation to Pakistan) is ample evidence of this (Lipton, 1974; Herring, 1979; Baraclough, 1999). This is not surprising for, as Lipton has pointed out, land reform not only affects the structure of rural wealth but rural power as well. Control of labour power by unions to influence or disrupt state or company policy is another example. In the radical tradition going back to Marx, state power was a direct expression of the economic power of the bourgeoisie in capitalist

22. Pointing to the evolving ideas of the Korean middle class, professionals and even officials within the Economic Planning Board, they say: 'the Kim government's dismantling of the developmental state needs to be seen as containing an important element of active choice by its key policy makers on the basis of their ideology, rather than simply reflecting interest group pressures or 'objective' economic conditions.' (Chang and Evans, 2005:119)

23. 'Control over persons, resources and access to markets are *political assets* in rural settings (as elsewhere). Landlords who mediate their tenants' or sharecroppers' access to land have often been able to leverage this relationship into one of broad political domination over the farmers whose livelihoods are so vulnerable to their discretion.' (Boone, 2003:21)

society.<sup>24</sup> But more recent studies of class and power, in relation to Africa especially, have shown however that control of *political* power has been a precondition for, not a consequence of, the accumulation of economic power and hence a determinant of class relations (Shivji, 1976; Sklar, 1979; Diamond, 1987; Boone, 1994).

- *Military power* as a source of political power is relatively straightforward, flowing from control of armed forces (regular or irregular) and their weaponry.<sup>25</sup> One of the central defining characteristics and necessary condition for the emergence of the modern state (especially in its European development) was the process whereby monopoly control over coercive military power, and its legitimate use, came to be achieved by the state (Weber, 1964:156; Tilly, 1992; Bates, 2001). This is the central condition, from an institutional perspective, for an effective state. And one of the central challenges which has faced all states in their formative stages, and one of the key problems of failed, failing and even weak states (Rotberg, 2004) has been precisely the absence of that monopolistic control of coercive capacity by the state and its distribution amongst rival, resisting and contending groups in the society. This has inevitably led to what is often endemic conflict, the absence of consistent and agreed institutions of rule and the inevitable failure to deliver public goods, both political (such as peace and security) and other.

- *Political power*, in Mann's terms, refers both to control of the formal powers and levers of the state at national or regional level and, more generally, to informal but traditionally legitimate powers of rulership in non-formal contexts of headship or chieftainship, for example. In the modern era it includes the authority to act internally in accordance with duly assigned authority (to raise taxes, issue licences, direct the armed forces) and to act authoritatively in relation to other states. But one should also add to that what might be termed 'popular' sources of political power in the form of mobilized activity by members of the society. While such mobilizations have occurred throughout history – for instance in protests and revolts by peasants, serfs, slaves, urban or agricultural workers – the space for such mobilization in modern (and especially democratic) societies has been greater and has not uncommonly also helped to bring about sometimes sharp or incremental change (as in the Philippines and Korea through various expressions of 'people power' in the 1980s). Routinized democratic practices – through political parties, elections, unions, civil society protest or interest groups – are further forms. Often, however, especially amongst the poor, the fragmentation of these movements has reduced their potential power and is a particularly interesting case illustrating the problem of organizing collective action (Keefer and Kehmani, 2004).

Even this brief exploration of the concept of power illustrates how complex and multi-dimensional are its forms and expressions in practice. Different combinations of such networks of power structure different socio-political and economic configurations, and any analysis of the possibilities for, and constraints on, institutional change or improvement in a society will be deficient if it ignores this context of power. In the final analysis, institutions are shaped, maintained and changed by relations of power and no institution is neutral: it will always be to the advantage of some.

## State

For any institutional account of the politics of development and pro-poor growth, the state must be a central preoccupation. Interest in the state was eclipsed to some extent in political science in the post-war era with the rise of both behavioural and radical approaches to politics – the former concentrating on the micro-politics of individual and group behaviour, the latter focusing on social structural and class forces in shaping political outcomes (Ricci, 1984). But since the 1980s, the state has once again been a focus for political science, its return being land-marked by the publication of *Bringing the State Back In* (Evans, et al., 1985), though interest in the state has not always been directly related to its implications for developmental practices. While its role as an agency of development was downplayed by policy-makers in the course of the neo-liberal 'counter-revolution' of the 1980s and early 1990s (Lal, 1983; Toye, 1987; World Bank, 1991; Colclough and Manor, 1983),<sup>26</sup> by the end of the decade – and dramatically in the first years of the 21st century – it had once again become a focus of attention, as the policy literature shows (World Bank, 1997; World Bank, 2000; DIFD, 2001), though often the accounts were couched in terms of 'governance' and 'state capacity', seldom in terms of the politics of state formation.

However contested a concept it may be, it is important not to conceive of the state as a neutral administrative agency, nor simply in terms of its capacity for public governance. On the contrary, it is crucial to understand the state as a set of inter-related institutions, shaped and driven by political forces and processes. The modern state, in all its forms and manifestations, has been the product of lengthy contestations and negotiations between subjects and rulers (Bates, 2001; Tilly, 1975 and 1992). It is characterised not only by its monopoly of the legitimate use of physical force, but by the rules of the game which constitute it. When the state is woodenly conceptualised as a set of public institutions, it

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 different 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 market mechanism' was always preferable to a 'necessarily imperfect planning mechanism.' (Lal, 1983:105)

is sometimes thought that strengthening those institutions is the way to enhance it or make it more effective. In one respect that is self-evidently true. But an effective state is best thought of as the product of the way in which the political processes operate together, dynamically, to forge fundamental rules and agreements (and ensure compliance with them) about the use and distribution of power and the political practices which are the necessary basis for the establishment and maintenance of public institutions. In the absence of such agreements, there is every incentive and probability that institutions will flounder because rules will be short-circuited, broken or ignored. And an *effective state* consists of a set of public institutions, underpinned by widespread legitimacy. It is authorised, limited and held in place by agreed institutional rules and it is maintained by dedicated political and juridical processes. Thinking of the state in terms of the way in which political processes function to produce such outcomes helps to deepen our understanding of strong states, weak states and failed states.

We must therefore understand the state, essentially, as a set of formal institutional arrangements – normally set out in constitutions – which define the rules governing the extent, distribution, use and control of formal and authorised power and hence shape (sometimes in quite considerable detail) the relations between state and society, between centre and periphery. These rules may cover a wide range of matters, from whether the state is federal or unitary, parliamentary or presidential; the distribution of power between legislature, executive and judiciary and between national and sub-national authorities; the frequency and conduct of elections; the appointment and tenure of bureaucrats; the rights and duties of citizens – and much more. But establishing and maintaining the institutions of the state and ensuring that they operate in an effective manner and in compliance with the rules, is a political matter, shaped and sustained by political forces.

In most societies many informal institutions and organizations exist independently of the state and (normally within certain limits, laid down by the state, by legislation or decree) may enforce their own rules (as in clubs, voluntary associations, interest groups and promotional organizations, as well as *mafia*, family business groups, ethnic or clan associations, *guanxi*, patronage chains). However the kinds of institution (and especially institutions governing economic activity) needed to promote development and pro-poor growth are today likely to be, mainly, those established and enforced by the state, whether they govern property rights, taxes, tariffs, education and training or labour markets. The determination and capacity to do so are of course political questions, involving interests, ideas and power, as illustrated so graphically in Qian's account of how reform worked in China (Qian, 1999 and 2003).

But even where such institutions are established, a major problem for many developing countries however is the absence or low level of compliance with such rules. This may be the result of a number of possible processes, described in different ways by authors. One is 'state capture' (Hellman, et al, 2000)<sup>27</sup>, which may involve organizations or powerful individuals controlling or trying to influence the rules by corrupt payments; or it may involve trying to subvert the implementation of rules, or bribing judges. Another is pervasive patronage, associated with what Kochanek refers to as a culture (that is a set of informal institutional rules) of 'personal gain' in Bangladesh (Kochanek, 2003:69–75) which has permeated state institutions in that country (and elsewhere). Generally, 'neo-patrimonialism' is the standard term used to describe the hybrid nature of many African states in which the formal structure of a Weberian 'rational-legal' system coexists with, and is 'constantly subverted' by, various patrimonial practices of patronage, prebendalism and clientelism (van de Walle, 2001:50–55) which systematically blur the formal distinction between the public and the private. Another literature refers to these illicit networks of partly public and partly private networks which erode the authority of the formal institutions and capacity of the state and come to constitute veritable 'shadow states' (Reno, 1995; Harriss-White, 1997; Duffy, 2000; Funke and Solomon, 2002).

There should be no surprise that this should be so widely the case. The literature reveals clearly that the historical record of states in the developed polities entailed very similar patterns which prevailed until the 'modern' state emerged fully (Asbury, 1927/2002; Delay and Moran, 2003; Neild, 2002; Hoogenboom, 1959). Moreover the processes of state formation and the building of state capacity have regularly been slow, difficult and regularly punctuated by often intense political conflict over power, taxation, civil liberties and welfare provision (Moore, 1966; Tilly, 1975 and 1992; Levi, 1981 and 1989; Herbst, 2000; Bates, 2001), a process finely described by North and Weingast (1989) in their account of the seventeenth century struggle for parliamentary control over the monarch. Furthermore, most western states grew endogenously from within, whereas many of the institutions of the state (not to mention their physical boundaries) in the developing world (and Africa provides the best but not only examples) were imposed from without (Herbst, 2000:75). The formal institutional structures of the modern (and non-democratic) colonial state (Young, 1994), however flimsy and shallow, when imposed on existing and very varied traditional institutional arrangements, had the double effect of distorting both (Ekeh, 1975; Berman, 1989), especially after independence was achieved.

There are two central points here. First, effective states cannot be had to order. They have everywhere been the result of often long and complex political contestations between subjects and rulers over power

27. While it takes a specific form in the contemporary literature, referring to illicit influence on the state, the idea of 'state capture', would not have surprised Marx and Engels whose view of the state was that it was, in effect, the creature of the dominant classes, as set out in the *Communist Manifesto*. (Marx and Engels, 1988/1958)

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 an effective state – one that is at least capable of providing the basic political public goods of stability, peace and security – the prospects for the establishment of the specific institutions which will promote growth, let alone pro-poor growth, are bleak. Yet in parts of the developing world some highly effective states *have* been established, with both despotic and infrastructural power<sup>28</sup>, often cemented by a nationalistically-driven developmental agenda, which have been able to establish, maintain and reform institutions and which have 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. Understanding the provenance and the characteristics of such states and their institutional forms illustrates 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 goes back to Chalmers Johnson's study of MITI, the Ministry of International Trade and Industry in Japan (Johnson, 1982), there is now a substantial literature on 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 what is important is to identify (a) the conditions which seemed to be associated with their emergence and (b) the characteristics which they displayed.<sup>29</sup> This is important because it shows that establishing effective states – formulating policy, intensifying 'stateness' 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 nationalistic ideology (often given economic, political and cultural expression). Japan in the late 1860s 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 under-estimated.<sup>30</sup>

*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 unanimous and united on all matters, the capacity of the leaderships – sometimes military, as in Korea and Taiwan; 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 collusion, 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 in Southern Africa, as a milder developmental state, there was substantial concentration 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 not survival even if these rules were often bent to favour

28. This is what Fukuyama refers to as state strength, or 'stateness'. (2005:8–9)

29. I have elaborated this more fully, elsewhere. (Leftwich, 2000)

30. Though this is not the place to go into it now, this illustrates that external threat can often serve as a very powerful incentive for various interests to overcome the collective action problem for the cause of survival and prosperity.

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

At least in 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 true to the same 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 state tradition on the island was that which had been built by French and British colonial powers 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 modernising institutional reforms initiated in both Thailand after the coup of 1932 and Turkey after the seizure of power by Atatürk 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 Putterman, 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).

- Given the generally low level of economic development at the time of their formation or transformation, there were (initially) few powerful economic interests in the society and, given the firm grip of the regimes on political power (either because of their military nature and backing or because they were supported by a single and overwhelmingly dominant political party) they were able to develop relative state autonomy in relation to weak societal interests. Unlike much of Latin America where powerful landed interests had long been dominant in the polity, the state was for all intents and purposes the major game in town in the East Asian developmental states.

- Given the urgency of their goals, they were quick to develop infrastructural power (Mann, 1986) through effective bureaucracies, especially where strong and long state traditions were found.

- At the heart of each of these states, located close to and protected by executive power and authority, most developmental states were able to build a powerful, competent insulated economic bureaucracy.

- In each case, at least initially, the corollary was a relatively weak and subordinated civil society. This was to change quite decisively over time, as growth occurred, and the democratization which took place in Korea and Taiwan through the 1990s can be attributed directly to the changing balance of power and confidence between the state and economic, professional and other elite interests within the society as a consequence of successful growth, though external pressure certainly added to the velocity of change.

- With often tight control over capital and finance, these states were able to establish close and influential relations with emerging or aspirant private economic interests, domestic and foreign and hence to promote the growth that was, in the end, to transform the nature of state-society relations (Migdal, 1988 and 2001) and hence to alter the institutions of governance. Both this and the previous point, above, illustrate decisively that thinking of the state as an autonomous, isolated set of public administrative institutions, cut off from the social and economic forces, is a mistake. The character and capacity of the state is always a function of its changing relations with society. Understanding the state from an institutional perspective requires one to understand it politically in these terms of the changing dynamic between it and society.

- Generally, especially in East Asia, human rights were not well protected.

- Yet, despite these structural similarities, the developmental states displayed quite a wide variety of institutional patterns in their core institutions and organizations, and especially in the relations between them. Haggard has illustrated this diversity in relation to institutional arrangements and politics governing state-business relations in different countries in East Asia (Haggard, 2004) and which is even more diverse if one adds Botswana and Mauritius. In short, just as in the west there is a 'variety of capitalisms (Hall and Soskice, 2001), so too is there is a variety of developmental state capitalisms shaped by different forms of the developmental state which in turn are the distinctive products of often long term politico-historical processes and geo-political factors shaping state and society and the relations between them, as Lange (2003) has shown for the way in which the state in Mauritius was formed and forged. [delete: (Lange, 2003)].

- All enjoyed considerable moral and material (and in some cases military) support from major western and regional powers in the context of the cold war, illustrating again that highly contingent geo-political factors also play a significant role in shaping (and changing) the institutional characteristics of these states. These factors are contingent because the end of the cold war signalled a major shift in western aid and diplomatic policy, with donors being far less willing to support anti-democratic or non-democratic regimes.

I have dealt with these in a little detail to help illustrate the analysis which follows, where the rival claims of rational choice and historical institutionalism are explored. What this developmental state material seems to suggest is that it may not be helpful to ignore the contingencies of history, inheritance and

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<sup>31</sup>, usefully summarised by Hall and Taylor (1996; but see also Peters, 1999 and Grindle, 2001; Shepsle, 2006;) which I set out here schematically.

*Rational choice institutionalism* in political science (Shepsle, 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 diverse interests and preferences, politics is seen as 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 more 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 their 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, historical conception of institutions (and a longer intellectual pedigree as my earlier discussion of ‘institutions’ in general will have shown). And while it is sensitive to some of the ideas in rational choice institutionalism (that incentive structures matter, for instance) it is also sensitive to historical legacies and to cultural considerations in shaping and sustaining institutions, which is also central to *sociological institutionalism* (Hall and Taylor, 1996:948 and passim; Orrù, et al., 1991). The central assumption of historical institutionalism is ‘that it is more enlightening to study human political interactions: (a) in the concrete context of rule structures that are themselves human creations; and (b) sequentially, as life is lived, rather than to take a snapshot of those interactions at only one point in time, and in isolation from the rule structures (institutions) in which they occur’ (Sanders, 2006:39).

Schematically, the salient characteristics of historical institutionalism are, first, it adopts a broad and flexible approach to the analysis of the relationship of structures and agents. It recognises that while structures (institutional arrangements) do shape the behaviour of agents, the latter also create, influence and change institutions and that ‘critical junctures’ may often provoke rapid and even far-reaching change (economic or military crisis or threat, for instance) in institutional patterns. Second, it places greater emphasis on understanding and analysing power asymmetries than rational choice institutionalists do, recognising that while ‘power’ is very difficult to measure, all institutions – especially but not only political institutions – necessarily distribute advantage between winners and losers. Rather than focus on the gains that may be derived from cooperation which lies at the heart of rational choice institutionalism, historical institutionalists hold that ‘institutional development is a contest among actors to establish rules which structure outcomes to those *equilibria* most favourable to them’ (Knight, 1999:20). Moreover, if the form and function of institutions reflect the balance of power in their making or evolution, so too do changes in institutional arrangements reflect changes either in the balance of power of those concerned with maintaining the institutions or in the interests and ideas of the most powerful (Thelen, 2003:216). Historical institutionalists are, by definition, also sensitive to historical context and especially conscious of path dependency, increasing returns and the ‘stickiness’ which often affects the endurance and operation of institutions. Moreover, historical institutionalists are conscious that ideas (norms, for justification, legitimacy etc) are significant features in shaping and legitimating institutions, with respect to their formation, maintenance and change, and they are open to appreciating the impact which broad socio-economic forces, domestic or external, may have on institutions (eg the ‘demonstration and emulation effect’ of the democracy movements in the late 1980s in eastern Europe and Africa). Finally, they are very conscious of the complex relations of ideas, interests and institutions.

Pierson and Skocpol (2002:693) summarise the approach thus: ‘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

31. Some authors add two more ‘schools’: ‘empirical’ and ‘sociological’ institutionalism. See Peters (1999) and Powell and Di Maggio (1999).

short-term manoeuvres’. Moreover, they argue, historical institutionalists tend to address ‘big substantive issues’ (revolution and regime change, democratization, the emergence of the state) and ‘take time seriously’ (ibid, 695–6).<sup>32</sup> In short, ‘Tackling big, real-world questions; tracing processes through time; and analyzing institutional configurations and contexts – these are the features that define historical institutionalism as a major strategy of research in contemporary political science’ (ibid:713), or, in Tilly’s memorable phrase, historical institutionalists are interested in ‘Big structures, large processes, huge comparisons’ (1984).

However, as Grindle points out, there are many interesting and productive points of overlap, or potential overlap, and some of the best studies in the analysis of politics in practice – whether consciously or not – combine varying elements of both rational choice and historical institutionalism (Moore, 1966; Bates, 1981; Tilly, 1992 van de Walle, 2001; Boone, 2003; Kohli, 2004) in their treatment of what is the essential problem in any institutional approach to politics: the structure-agency relationship over time (Hay and Wincott, 1998).

What is clear from these substantive and methodological considerations is that, given the complexity and inevitable ‘messiness’ of collective human affairs, there is scope for a more eclectic approach to institutional analysis. Rational choice approaches represent ‘parsimony and elegance’, on the one hand, and historical institutionalism offers insight into conflict and process (Grindle, 2002:346), on the other hand (and I would add ‘context’ and legacies). But plausible explanations for both developmental failure and success will only be generated, and policy implications derived, if the possibilities for rational action and interaction of agents are situated very firmly within the structural context and historical legacies which the present reflects.

## Synthesis: The Politics of Institutional Formation, Maintenance and Change

It should now be possible to bring these general considerations to a close by synthesising the various themes and concepts in a summary conceptualisation of the political approach to institutional formation, maintenance and change.

I have argued, first, that the literature suggests that we need to distinguish carefully between policy, institutions (formal and informal) and organizations (formal and informal). How institutions and organizations (formal and informal) interact with each other shapes institutional character and how institutions are designed, maintained or changed. Moreover the myriad processes which are involved in these interactions, for diverse goals and purposes, need to be understood as political processes, or politics. Accordingly, politics in this sense is not usefully thought of as a distinct (and unnecessary) sphere of human activity (to do with government and the state only). From family to firm, in church and state, in business or trade union, politics is an intimate and integral part of how people work things out. As understood here, politics consists of all the activities of conflict, negotiation and cooperation in the use, allocation and distribution of resources, wherever there are two or more people, and not only at the level of the state or the formal and conventionally understood domains of politics.

Stable politics, however, requires agreed rules (institutions) of the political game so that predictable games within the rules can be played. Moreover, the absence or low level of consensus about the institutional rules of the game of politics – how power is to be gained, used, limited and controlled – will be likely to lead to unpredictable and probably violent games within the rules as interests and organizations struggle to get their way, for there is little prospect of stable games within unstable rules.

Stable states, or effective states, are constituted by a high degree of agreement about the rules of the game, the institutional arrangements which prescribe how decisions (and often what decisions) can and have to be taken about social and economic matters. Such states provide the rules and the security within which economic activity occurs, though some rules are of course also provided by informal agreements within the private sector, or by negotiations between it and the agencies and organizations of the state.

But effective states cannot be had to order. Almost without exception, such states have evolved over considerable periods of time, largely endogenously and from within, and usually involving complex and commonly violent struggles between interests and organizations in society, on the one hand, and agencies or representatives of the state, on the other. And all the major studies of modern state formation in the West confirm this position: that state-building has been a slow and contentious process and that the very different institutional results reflect the distinctive patterns of politics in each, which in turn have been conditioned by economic and social structures, prior forms of political authority and rule, geo-political circumstances, timing and war-making or defensive priorities (Ertman, 1997).

The more recent developmental states (especially of East Asia, but not exclusively) provide a telling example of how historical legacies, geo-political contingencies and internal political processes have shaped the macro-institutional arrangements of the state and the economic institutions governing economic activity.

32. A very good example of the kind of problem for which historical institutionalism is appropriate is explaining the fall of *apartheid* in South Africa in 1990. No analysis of the demise of that regime and much of its institutional apparatus could avoid assessing and balancing the effects of increasing international pressure, the collapse of communism, the continuing costs to white South Africa (in terms of persons and economic consequences) of local and regional conflict, the arrival of a new president (de Klerk) and the escalation of internal conflict and violence, to mention but some of the factors.

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 outcomes they produce will shape the character of state and other institutions.

Two broad traditions may be found in the institutionalist literature in political science. The first, rational choice institutionalism, emphasises the endogenous and voluntary nature of institutional formation, maintenance and change. The second, historical institutionalism, emphasises power struggles in shaping the rules, and is sensitive to the influence of historical legacies, critical junctures, path dependency and institutional 'stickiness' in accounting for their particular form.

Though 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 in general or whether they be the specific rules governing economic activity (such as property rights, 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 behave towards producers and why does this behaviour differ between states?' Recent and deeper developmental history 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 (see Section C below) but it is necessary to bear in mind 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 premise, distilled from a very widely distributed literature, that political will, processes 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 contexts 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 polities (Engerman, et al., 2000). There is some evidence to suggest that state longevity and traditions (if any) 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 some '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 organizations, formal or informal, appears to weaken the potential organizational and electoral power of the poor (Keefer and Khemani, 2004). There is much evidence from Africa and the South Pacific, for instance, to support this view.

*Geopolitical, regional and internal contexts* of conflict, co-operation and ideology – including, in particular, external threat and external support, changing over time and the policy, institutional and organizational consequences of these, as well as internal threat/challenge and character of response to it. Ideology, or prevailing orthodoxies, can play a very significant part in external influence, as the period characterised by the hegemony of the 'Washington consensus' (Williamson, 1990) and the consequent patterns of conditional aid has shown through the 1990s.

*Leadership, coalitions and consensus* includes the extent to which national political, social and economic elites can converge on negotiated and agreed developmental goals, strategic objectives and institutional requirements and what the character of those goals may be. The comparative study of state-business relations provides an effective entrance point to this aspect, for the manner in which the organizations of the state and of the private sector interact through institutional arrangements to shape developmental outcomes is critical (Maxfield and Schneider, 1997; MacIntyre, 1994; Brautigam, Rakner and Taylor, 2002). Forming 'developmental' or 'growth' coalitions – not only between state and business, but more widely, rather than predatory or collusive coalitions, remains a very difficult political achievement to attain. But establishing and sustaining the rules for cooperation around a developmental consensus is

clearly a critical factor in resolving at least some of the horizontal and vertical collective action problems which define the development challenge.

*Macro-policy goals* of the state as reflected in formal state ideology and priorities as expressed in national strategic aims, plans and capacities; extent to which these are reflected in institutional arrangements for their achievement. These, too, reflect the political priorities of incumbent elites, though it is always important to be able to identify and differentiate rhetoric from reality. These may, as was common in post-war Latin America, be expressed policies such as import substituting industrialization, various forms of industrial policy, nationalisation of key sectors and industries, liberalisation or various degrees and forms of land reform – all of which have shaped development strategies of many regimes on the developing world. The capacity of the state's bureaucracy to implement such policies and the programmes that express them in institutional forms, and to secure compliance with the rules rather than to suffer avoidance, is also critical and equally political.

*The monopoly of legitimate force* includes the extent of authoritative state dominance; the absorption, defeat or disbanding of rival centres of force; and armed services subordinate to the political control of legitimate political authority. As Weber noted in his classic essay 1918 lecture on 'Politics as Vocation', this is one of the defining institutional characteristics of the modern state (Gerth and Mills, 1965:78). More recently, both Charles Tilly and Robert Bates have developed that central idea in their work on the evolution of states and the political economy of development (Tilly, 1990 and Bates, 2001). The central institutional point here is that only a stable and effective state, which monopolises violence, is in principle capable of providing the institutions which ensure security in which it is, in principle, possible for property rights to be secured and investment to be safeguarded: the two central pillars of the capitalist economy. Without that – for instance where warlords compete and raid – there is no incentive for anyone to take steps to promote growth.

*Formal political institutional architecture of the state*, including constitutional features, distribution and formal 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) suggest that parliamentary systems are more effective in building better institutions, governance political development as they give rise to stronger parties, more centralised 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 (in 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 Tostensen, 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 secessionist or irredentist claims) and about the rules of the political game, as well as the extent of governmental legitimacy in consequence of the proper 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?

*The informal political institutional architecture* is also of great significance. It includes the interpenetration of formal institutions and organizations of governance with informal ones, such as patrimonial, clientelistic, brokering, para-military and 'shadow state' institutions, organizations and agents in politics. As I shall suggest later, the relations between informal and formal institution and organizations is a critical area of research. Apart from some important recent studies (for example, Lauth, 2000; Lindner and Rittenberger, 2003; Helmke and Levitsky, 2006) this remains a much under-researched area and a priority for further research on a comparative basis. In Africa, for instance, the manner in which traditional authorities, and the informal institutional arrangements they administer (in relation to land, for example), interact with formal institutions and the authorities which administer them, is a very important area to explore from a developmental and pro-poor point of view.

*Formal polity characteristics*, closely associated with but not the same as formal state characteristics, including the nature (ethnic, regional or class, for instance), number, objectives, functioning and relations (with each other) of political parties; public demand for growth-favouring institutions through parties, professional and business/union associations; electoral practices and performance; formal and procedural consultative mechanisms are all relevant. Francis Fukuyama (2004:47) suggests that insufficient domestic political demand for institutional reform is the single most important factor explaining lack of institutional development. A study of Bolivian parties showed that collusion between parties to retain access to office and state wealth has been the norm, not competition (National Democratic Institute for International Affairs, 2004). In Bangladesh, Kochanek (2003) has showed how political parties have simply been transformed into patronage machines. And Easterly (2002:279) suggests that a strong middle class consensus has been a necessary condition for 'good' economic policies, sound institutions and high growth. But where and how have such classes articulated such demands, helped to shape institutional quality and required that there be compliance?

*The distribution and relations of formal power (authority) and informal political power (based on wealth, religion, arms, traditional authority, local economic power) refers to legislative-executive relations; centre-local relations, and the character of 'despotic' and 'infrastructural' power and shadow states. Boone (2003:23) has hypothesized, for instance, that 'the extent of rural social hierarchy determines rural elites' bargaining power vis-à-vis the state: the more hierarchy, the greater the rural elites bargaining power'. 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 hands of warlords or rival centres of power – can decisively undermine the authority of the state and corrode 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 above, is also an important factor. The question of 'political will' is also in need of conceptual 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 for war different to leadership for economic and social development? The notion of 'political will', often depicted as the missing element in the promotion of both good governance and development, is also deepened and rendered less 'personal' than its normal 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 question. Political will might thus be thought of not simply as an individual or group asset, but as a *function of the way in which the political process works*; that is of how 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 by civil society 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, 2006) – that most public policy in most polities is shaped by elites, or coalitions of elites, though 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.<sup>33</sup> 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 which lead up to the formulation of policy 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 who tend, in general, to make policy.*

*State-economy and state-society relations constitute a very important context for understating 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, subdued, dependent and collusive 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 bureaucracy; relations between it and economic interests and organizations; professional skills (reflected in economic, political and social training); 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; ministers and senior officials have very short time-horizons; the bureaucracy appear to have no 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 making in Argentina reflect wider patterns of a similar kind elsewhere?*

*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, condemnations, 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 wider alliances, coalitions and memberships of international and regional associations (such*

33. The unavoidably elitist nature of much policy-making across a multitude of policy sectors is given expression in the idea of policy communities and/or networks. (Marsh, 1998) The notion does not mean that the same elite, or coalition of elites, is involved in all policy communities. Rather a range of different though sometimes overlapping and sometime conflicting coalitions of elites drive and shape policies in diverse sectors.

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 institutional 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 the institutional means for attaining them. If and where the politics 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 states 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 both 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 demand for them is strong enough. Historically, in the 'late developers', this came from above (Japan, Turkey, Korea, Singapore), from incumbent elites, or sections of the elites (Trimberger, 1978). But what now is the prospect for such demand and from where?

- What sources and coalitions of internal and external, elite and popular, social, economic and political forces have demanded and secured institutions that have promoted PPG in the more successful and very different developing economies, such as Malaysia, Thailand, Mauritius, Korea?
- 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? Where are the political sources of demand for growth that will be pro-poor? What is the evidence of effective demand from various organizations and elites within 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 in many developing economies appear to have such difficulty in forming class-based 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 is there for the supposition that only with the emergence middle-class and 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 where there is demand, the forms and features of institutions for PPG will depend on who designs 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 and power relationships between specialist bureaucrats, legislators, ministers, internal and external advisors and organized interests might help to map these processes, in individual polities or comparatively. What are these relationships? Where does power lie?
- How does the formal structure and distribution of state power through unicameral or bicameral legislatures in parliamentary or presidential systems of executive authority 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 institutional arrangements, or 'standard operating procedures' (Hall, 1986), govern the requirement of consultation between governments and organized interests (businesses, unions, agricultural organizations etc)?
- Where, how and when do business/union/agrarian organizations push their interests? In shaping legislation that establishes institutions? In supporting or undermining implementation and hence affecting compliance? What are the points of opportunity and entry in different political systems which give access

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 (Helmke 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 patrimonialism 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 now 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?

- What is 'political will'? It has been said within DFID that it is an important 'black box' to open and unpack. It is clearly a crucial if analytically obscure element in the shaping and implementation of institutions for PPG. What is political will? What constitutes it? Can it be measured? Scope for a small conceptual study, unpacking the idea and relating it empirically and historically to examples and illustrations of the phenomenon? Is it confused with political capacity, authority and power? Is it a contingent attribute of unique agents? Or is it a response to crisis and need? Can one have will without authority and power? And vice-versa? Will in relation to what? Staying in power? So we probably mean 'developmental will'.

One of the most important contributions which the IPPG may be able to make through research work of this kind, and much else, is to show how it is possible to do cross-disciplinary work on the economic and politics of pro-poor growth, by using institutional analysis as the lens through which to accommodate both economic and political analysis. Topics and questions of the kind suggested above provide ample scope for such interdisciplinary investigation.

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## APPENDIX 1: INSTITUTIONS DEFINED

There is a wide range of definitions covering institutions and organizations. I set out here a sample of these from the various disciplines.

### Economic and economists' conceptions

1. In his earliest account, **North** (with R.P Thomas) defined an institution as:

'... an arrangement between economic units that defines and specifies the ways by which these units can cooperate or compete.' (**North and Thomas**, 1970:5) In this paper, there is a strongly functionalist view of institutions, though there is also the concession that power relations may be such that innovations institutions may serve the interests of some more than others.

2. His more widely known and cited definition is:

'Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change.' (**North**, 1990:1)

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. But 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'.

5. In its *World Development Report 2002*, the World Bank defined institutions as 'rules, enforcement mechanisms, and organizations.' (**World Bank**, 2002:6)

This is different North's assertion (1990:5) and Burki's and Perry's that institutions and organizations need to be kept distinct: the former (institutions) are the rules (eg governing competition) and the latter (organizations) are the players (competitors). [Problems with this]

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.'

Moreover, 'Economic institutions are, of course, closely related to political institutions. Political institutions shape the incentives of the political executive and determine the distribution of political power, which includes the ability to shape economic institutions and the distribution of resources. In turn, economic institutions, by determining the relative affluence of various groups of society, also help to shape political institutions. As groups grow wealthier, they can use their economic power to influence political institutions in their favour.' (**IMF**: *ibid*)

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 'institution free' (2004a) and filling them out requires detailed local analysis. Institutions he argues:

'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, Eggertsson and North** (1996), **Clague** (1997) and **Bardhan** (2005).

9. The economic historian, 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, table manners, 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... They may include cultural norms of behaviour. The rules can be either formally 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 conceptions

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' (**Miller**, 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 realigning 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, political 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 contending 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 relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances... There are constitutive rules and practices prescribing appropriate behaviour for specific actors in specific situation. There are structures of meaning, embedded in identities and belongings: common purposes and accounts that give direction and meaning to behaviour, and explain, justify and legitimate behavioural codes. There are structures of resources 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 enforcing 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 economy. As such, they have a more formal status than cultural norms but 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 democracy which organizes the balance of power between capital and labour, 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 political system, party organization and 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 and distribute 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 and that structure how buying, selling 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)

18. 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 that structure their relations of power to other groups... What is implicit but crucial in this and most other conceptions of historical institutionalism is that institutions constrain and refract politics but they are never the sole "cause" of 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 institutional development (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)

19. 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 manouevers.' (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' economic 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).