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Political settlements

Old wine in new bottles?

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SUMMARY

The concept of political settlements has gained considerable traction in development circles in recent years, albeit more as a subject of debate among scholars and development practitioners than as something that routinely informs donor interventions. This policy brief explains the concept of political settlements and examines its potential for development policy and practice.

KEY POINTS

- It is now widely accepted that development is an inherently political process. The political settlement concept provides a framework for enhancing our understanding of the politics at play in different development contexts. It does so by allowing us to see more clearly how formal and informal elite dynamics help shape outcomes in economic growth, institutional performance and political stability.
- There nevertheless remain some problems with the concept, including: confusion over the definition of the term; debates on whether it has too great a focus on elites; questions of how the concept can be applied in varied contexts; and a lack of rigorous empirical work.
- A political settlement lens might allow for a more nuanced view of institutional arrangements and enable better informed choices between different types of development intervention.
- However, more work, both theoretical and empirical, is needed to reveal the full potential of the concept for the development community.

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INTRODUCTION

The concept of political settlements has gained considerable traction in development circles in recent years (Whaites 2008, Parks and Cole 2010, Laws 2012), although more as a subject for discussion and debate among scholars and practitioners than as something that is routinely influencing in donor interventions (e.g. OECD 2010, AusAID 2011, OECD 2011). What exactly does the concept entail? And how well-founded is the current enthusiasm about its potential for animating development policy? To answer such questions, we first trace the intellectual lineage(s) of the concept and its current meaning, then draw attention to areas where its present application is problematic, and conclude with some suggestions about how to move the debate about the concept's potential and limits forward.

BACKGROUND

Currently, the political settlement concept is closely linked to aspects of 'political development' that have come to dominate recent policy and academic debates. As part of the gradual shift from the 'institutions matter' paradigm of the 1990s to the new 'politics matter' paradigm – a process underpinned by experiences with poverty reduction strategy paper (PRSP) processes, growing recognition of the failures of some institutional reforms and greater acknowledgment by development agencies of the broader political economy of development work – scholars are directing more attention to the nexus between politics and institutional change and performance.

This is well illustrated by three big books of 2009 and 2012 (Acemoglu and Robinson 2009, Fukuyama 2009, North, Wallis et al. 2012), which together reflect a growing consensus on:

- *Bringing history back* – acknowledging unique factors, contingencies and context in the historical processes of modern state formation, and thus questioning the appropriateness and value of template approaches to state-building, including whether similar doorstep conditions can be repeated for later new states:
- *Putting politics at the core of the institutional analysis* – by emphasising the critical role of power (politics) in enabling or impeding the emergence of growth-enhancing and stable institutions; and
- *Giving more attention to agency aspects* – based on the central understanding that social actors craft, act and contest around structures, thus making analysis of formal and informal institutions devoid of the politics that animate them less determinative.

Works like these have contributed to a distinct political development discourse that urges better understanding of historical conditions, power relationships (with an emphasis on the roles of, and incentives for, political elites), and the dynamic interplay between formal and informal institutions that underpin institutional inclusiveness, performance and stability (Leftwich 2005, Leftwich 2008, Hickey 2011).

WHAT ARE POLITICAL SETTLEMENTS?

The political settlement concept is a good illustration of the evolving debate. While the concept addresses fundamental questions of political order that have long been a central concern of Western political theory, its recent intellectual roots may lie in the work of Melling (1991) on industrial capitalism and the welfare state in the 19th century (di John and Putzel 2009:4). However, its current usage is

most closely associated with Mushtaq Khan's influential paper on 'Political Settlements and the Governance of Growth-Enhancing Institutions' (2010). Defining political settlement as a "combination of power and institutions that is mutually compatible and also sustainable in terms of economic viability" (2010:6), Khan argues that institutions and political power need to be aligned if institutions are to perform as intended. In fact, emphasising elite arrangements – most of which are formed in developing countries around informal institutions, such as clientelistic patron-client relations – Khan argues that both the type of power coalitions (particularly the extent to which factions are excluded and the ruling coalition is able to survive conflict and hold power) and the vertical relations between the ruling coalition and lesser factions are critical to the type, duration and enforcement of economic policies. For Khan, specific typologies of elite arrangements, such as the nature of the entrepreneurial class, emerge as critical to understanding how economic institutions perform.

The growing currency of the concept in recent years has led to various interpretations and the scope of its meaning has been expanded over time, particularly among development agencies. For instance, the UK's Department for International Development (DFID) defined political settlements in 2010 as the "common understanding between elites about how power should be organised and exercised. Includes formal institutions and informal agreements [sic]" (DFID 2010: 7). A year later, the Organization for Economic Co-operation and Development (OECD) elaborated further:

> *Political Settlements are presented as spanning the continuum from negotiated peace agreements to long-term historical development, in the latter sense approaching the concept of a social contract. Generally speaking, every political regime that is not in the midst of an all-out civil war over its basic parameters is based on some kind of settlement (OECD 2011:9).*

As the concept has expanded, a number of issues have surfaced. Given the limited space here, it might be helpful to follow Laws (2012:20-1), who observed that political settlements are not just a form of social contract between states and societies, but should rather be understood in terms of long-term elite power relations and negotiations that shape not only institutions, but also how actors work within and around them. Marked by bargaining, negotiation and compromise, these can simply be one-off events (e.g. constitution-making, peace agreements, etc.), but are better understood as dynamic and changeable arrangements that play out both horizontally in ongoing power relations between elites and vertically between elites and followers. Political settlements play a critical role in shaping the form, nature and performance of institutions, even as the institutions themselves help consolidate and embed particular settlements.

In sum, the concept of political settlement is above all a lens through which to analyse the complex and messy realities of institutional governance in a manner that helps to move "development thinking beyond an institutionalist perspective by focusing on the … power arrangements that underpin and shape the emergence and performance of institutions" (Golooba-Mutebi and Hickey 2013:5).

PROBLEMS WITH THE CONCEPT

Though the concept of political settlement holds great potential for broadening and nuancing our understanding of institutional performance, several aspects deserve more attention before it can be truly useful in development practice. Four points that we consider to be critical are these:

1. Conceptual confusion

Given the divergent discussions of the concept across various disciplines and the conceptual stretching that is taking place, it is no wonder that there is confusion over definition and meaning (Laws 2012, Moore 2012). In fact, as

underscored by the ever-widening definitions, the concept has gradually moved away from its earlier application to economic institutions and growth outcomes to such new areas as peace and stability. Often driven by development actors in search of solutions to practical development problems, rather than by academics, the process has taken place with less critical reflection or substantial conceptual work than is needed. The result is an increasingly elusive concept without clear parameters. For instance, few authors have so far critically engaged with important differences between political settlements (as long-lasting elite arrangements) and more short-term-oriented elite bargains (that by nature are prone to readjustment and change) or thought about how to operationalise the relationship between these two. Particularly problematic has been the emphasis on 'inclusiveness' as a critical dimension of political settlements, despite little thorough investigation about who needs to be included and what the effects will be for peace and economic development. Indeed, as the few empirical studies make clear, both aspects do not necessarily go hand in hand: elite inclusion might even produce 'unproductive peace' because in accommodating wide-ranging elite interests, productive activity is replaced with rent structures that support the elite coalition (see: Lindemann 2011). In short, if the political settlement concept is to be analytically useful, it must be clearer and more rigorous.

2. Elite focus

Discussions about political settlement have centred on the role of elites as the key determinant of whether settlements are conducive to inclusive, equitable, and durable peace and development. Drawing upon the experiences of established Western states and emergent powers of North and South Asia that have more recently achieved impressive rates of economic growth and political stability, the literature assumes the existence of sizeable and relatively coherent political and economic elites as a fundamental condition for positive transformative change. Yet while these assumptions may be valid in relation to the unique historical experiences in the countries concerned, in other countries such assumptions are more difficult to substantiate. The latter would include the small nations of Pacific Melanesia, where processes of state formation and consolidation are still at a relatively early stage and where political and economic elites are not only few in number, but also subject to high rates of turnover. Alternate sources of power and authority in the informal/customary domain sometimes overlap with more formal elites, sometimes operate separately from them and are sometimes in direct competition with them. Although the political settlement lens allows us to capture informal dynamics, the term 'elite', as currently treated in the literature, travels only with difficulty to such places. For instance, while resource-driven economic growth in a country like Papua New Guinea (PNG) is contributing to class formation and larger and more cohesive elites (the middle class), in the neighbouring Solomon Islands economic conditions seem less conducive to similar developments. The focus on elites needs to recognise that very different country contexts require a very different understanding of what an elite is. Moreover, in focusing almost exclusively on elites, the concept tends to deny non-elites – often glossed over as passive followers – any of the agency it actively seeks to invest in the former. At the same time, agency on the part of non-elites in countries like PNG and Solomon Islands appears to be an important factor in explaining the ephemeral character of local political elites, with 50% and upwards of incumbent members losing their seats at every election.

3. Contextualisation and extension

There is also the risk of applying a template like approach to political settlement without greater contextualisation or accommodation of local variables. For instance, the development of that framework (particularly through the recent contribution of Dan Slater (2010)) is largely based on the experience of Southeast Asian 'leviathans' (as Slater calls them), whose social, political and economic histories, as well as their geographies and population sizes, diverge

markedly from experiences in other parts of the world. Such divergence limits the utility of the political settlements concept without substantial adaptation to local circumstances. The political settlement framework also needs to be extended to other factors as well, such as the recognition that ideology, ideas and discourse can be a transformative force in animating elite behaviour and policy outcomes in the first place (see: Schmidt 2008, Hickey 2011:15). Furthermore, transnational factors need to be acknowledged, such as policy diffusion and institutional mimicry, or how aid is contributing negatively to elite incentives in many developing countries. Such a broader understanding will allow us to think about power dynamics in a more refined and differentiated way.

4. Lack of empirical work

Finally, and perhaps most worrisome, is that so far the considerable uptake of the political settlement concept in the development community has not been matched by rigorous empirical work. Indeed, most existing works have been conceptual in nature, with individual country experiences used simply as illustration. As a result, it is not at all clear how the concept could be operationalised in practice; there have been no effective attempts to rigorously test the concept and whether it has explanatory power. What is obviously still needed is a thorough empirical research agenda on the political settlement concept from a variety of methodological and disciplinary perspectives.

WHAT NEXT?

These concerns notwithstanding, there is little doubt in our minds that the emerging recognition that 'politics matters', and so do political settlements, is to be applauded. A better understanding of politics is critical to the development enterprise. The political settlement lens allows us to more clearly see how formal and informal elite dynamics underpin outcomes in economic growth, institutional performance and political stability by allowing for a historically embedded, strongly contextualised and actor-based view.

This is not to say that more work – both conceptual and empirical – is not necessary to make the political settlement concept useful for the development community. While political economy analysis has recently seen greater acceptance among development agencies (DFID 2004, Nunberg 2004, Fritz, Kaiser et al. 2009, Fritz, Levy et al. 2014), such analysis is often seen as a tool for mitigating risks rather than for informing different types of development strategies or interventions. This should not surprise given the inherent tension between short-term programming on the one hand and longer-term structural analysis like that provided by the political settlement concept. And yet, taking the political economy approach seriously would also require us to critically question the logic and incentives that drive development agencies themselves. Indeed, the latter have often provided little actual space for learning and adaptation to feed back into operations, nor has there been genuine acceptance for second (or even third) best technical solutions, even if political economy analysis would suggest that these would fit the country context better in terms of reform support and capacity.

More radical critiques might raise issues around the implications of the political settlement lens and related tools, such as political economy analysis, in terms of the asymmetries in power between international donors and recipient countries and the enduring and profound inequalities between the global north and south. Some critics of the expansion of post-Cold War international state-building have questioned the motivations of Western powers over the increasingly ambitious and intrusive character of these interventions in parts of the developing world (Duffield 2001 & 2007). For example, Chandler has characterised such efforts as a form of 'empire in denial', allowing Western powers to engineer what are, in effect, 'phantom states' that lack the capacity for self-government and will remain dependent on international supervision (Chandler 2006). Similar criticisms have been directed at Australian state-building engagements in the Pacific, as a form of regulating statehood (Hameiri 2010). From such a perspective, the embrace of the political settlement concept might be seen as the pretext for yet more intrusive

(and overtly political) forms of interference in the global south in the interests of neo-liberal agendas promulgated by powerful government and corporate interests in the global north.

Granted, how to translate insights from the political settlement literature into practical types of intervention may be a challenge, but some lessons may nevertheless be drawn. A good illustration is the current debate around the use of discretionary funds provided to individual MPs in many developing countries. Often managed outside the formal budget process, these funds fit poorly with Weberian notions of a strong and accountable state and many donors push to abolish or at least reduce them through, for example, comprehensive public finance management (PFM). Yet a political settlement perspective might show a very different picture, in the sense that these funds are often critical for sustaining elite coalitions. They thus might have direct benefits for stability or even institutional performance, though rarely for equitable development outcomes. The question then is not necessarily to push for reforms to do away with these practices, but how – at least in the short-term – to build and reinforce accountability around them. Though the latter might require institutional reforms, it could also imply more emphasis on coalitions inside and outside government for maintaining transparency and accountability. In short, a political settlement lens might allow for a much more nuanced and long-term view of institutional development and also argue for very different types of development interventions.

Though the political settlement concept offers great potential, its current unconditional embrace by the development community may not be wise. At worse, it may simply reflect a long-standing tendency to discover the 'Holy Grail' in the face of continuing disappointments with the outcomes of international efforts to facilitate positive change in what are intrinsically complex, messy and non-linear processes of social, political and economic development. More work, theoretical and empirical, is needed to delineate accurately its full potential. In briefly highlighting its intellectual lineage, current use and problem areas, it is our hope that this policy brief will stimulate further research and debate on this promising topic.

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