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Policy and Practice for Developmental
Leaders, Elites and Coalitions

DEVELOPMENTAL LEADERSHIP PROGRAM

Background Paper 09

Bringing History Back in:
Three Big Books

Summaries and Some Questions

Edward Laws & Adrian Leftwich
July 2012

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

Francis Fukuyama (2011) *The Origins of Political Order.* London: Profile Books

Daron Acemoglu and James Robinson (2012) *Why Nations Fail. The Origins of Power, Prosperity and Poverty.* London: Profile Books

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Contents

Introduction

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The publication over the past few years of these three 'big' and influential books on the politics of development has stimulated much discussion and debate in the international development community and amongst scholars with broad development interests. However, given that together they add up to over 1400 densely argued pages (with more to come[1]), it is probably the case that only the lucky time-rich people will have been able to read and digest fully their important contributions to our understanding of the broad sweep of social, economic and political development. So DLP asked Edward Laws to write careful but accessible summaries of these books and these excellent brief accounts of the central arguments in the books are the product of his weeks in a London library - and a lot of discussion.

This *Background Paper* is not intended to be a review of the books (links to some of the reviews on each may be found at the end of each summary). But Edward Laws' succinct summaries will at least provide an accurate guide to the arguments and some of the illustrative evidence contained in each. Even then, no summary can of course do full justice to the richness of the detail, evidence and nuances of books of such scope and depth, but they will nonetheless provide a useful introduction.

The summaries of the books are followed by some wider issues, themes and questions that arise from these very rich pieces of work.

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1   Francis Fukuyama's second volume will explore political development from the industrial revolution and D.C. North, J.J. Wallis, S.B. Webb and B.R. Weingast have a volume of case studies coming out in 2012, entitled *In the Shadow of Violence: Politics, Economics, and the Problems of Development.*

Violence and Social Orders:
A Conceptual Framework for
Interpreting Recorded Human History

North, D.C., Wallis, J.J. & Weingast, B.R.
2009

1. What is the core argument?

The aim of this book is to explain the political and economic character of different societies (their levels of political stability, personal freedom, inclusion and sustained economic growth) by reference to the ways in which they have dealt with the ever-present threat of violence.

The manner in which societies solve the threat of violence influences the form and function of political and economic institutions (North *et al.*, 2009: xi). Political stability depends on the structure of relationships between elites and the incentives faced by individuals and groups who have access to violence (*ibid.*: 13-18).

The primary unit of analysis in the book is the concept of *the social order*: the "political, economic, religious, and military powers (that) are created through institutions that structure human organizations and relationships" (*ibid.*: xi). The analysis of political and economic change between social orders proceeds through classification, typology and historical case-studies.

2. What are the key concepts?

Social orders can be divided into three types:

Foraging orders

The original social order, characteristic of hunter-gatherer societies. In the foraging order, violence is contained imperfectly through the formation of small groups in which the members know each other intimately and interact repeatedly. The authors assert that violence between and within groups can be very frequent in the foraging order (however, they acknowledge that the evidence for this is highly contested) (*ibid.*: 52, 254)[2].

Limited access orders (LAOs, also referred to as the 'natural state')

- LAOs emerged 5 to 10 millennia ago. Today, still 85% of the world's population live in LAOs.

- Access to political and economic power is limited to a select group of elites, who are able to capture rents due to their privileged position.

- Limited access to rents provides an incentive for elites to commit to each other to limit violence, because rents are reduced in the event that violence breaks out. Armed groups agree to domestic peace in exchange for the right to extract rents from economic monopolies, subsidies

2   On levels of violence in foraging orders, the authors cite Keely, L. (1996) *War before Civilization* (New York: Oxford University Press); LeBlanc, S. (2003) *Constant battles: The myth of the peaceful, noble savage* (New York: St. Martin's Press); and Steckel, R. & Wallis, J. (2006) 'Stones, bones and states' (working paper). But see also Richard Borshay Lee (1979) *The !Kung San. Men, Women and Work in a Foraging Society* (Cambridge: Cambridge University Press), especially Chapter 13; and Lorna Marshall (1976) *The !Kung of Nyae Nyae* (Cambridge, Mass: Harvard University Press).

and tax havens

> ### Rents and rent seeking
>
> - The practice of 'rent-seeking' in developing countries occurs when political officials respond to the financial and commercial interests of particular elites by providing policy benefits that create economic privileges (*ibid:* 140-142).
>
> - A rent is defined as "a return to an economic asset that exceeds the return the asset can receive in its best alternative use" (*ibid:* 19). For example, if there are two opposing noblemen who command armies, the rent-seeking framework states that in order for both parties to commit to non-violence against one another, there must be an economic benefit (a rent) that is conditional upon maintaining peace, which outweighs the potential economic benefits of fighting one another (e.g. the potential of taking over the other's land and crops) (*ibid*).
>
>> **"The logic of the natural state follows from how it solves the problem of violence. Elites – members of the dominant coalition – agree to respect each other's privileges, including property rights and access to resources and activities. By limiting access to these privileges to members of the dominant coalition, elites create credible incentives to cooperate rather than fight among themselves. Because elites know that violence will reduce their own rents, they have incentives not to fight"** (*ibid:* 18).

Within the category of LAO, there are three further sub-categories:

- *Fragile natural states* in which the state can barely hold together the elite consensus for peace. Violence is contained but is always close to the surface. Present-day examples include Haiti, Iraq, Afghanistan and Somalia (*ibid.*: 42).

- *Basic natural states* in which organisations only form inside the state. England in the Middle Ages was a basic natural state because it was governed by a dominant coalition that generated rents by limiting access to the land, to the religious hierarchy, to the military, and to justice. Land ownership was a particularly critical determinant of power in the English state at this time, as control of land translated into control over government functions at the local level (*ibid.*: 99-100).

- *Mature natural states* can support the development of commercial and civic organisations outside the state. They have institutions that are durable, i.e. have an indefinite life-span and exist independently of specific individuals. For example, the Roman Republic achieved a degree of maturity when a variety of organisations – *collegia, universitas, municipium* – were sanctioned by the law as capable of bearing rights and responsibilities, and therefore became independent of the state (*ibid.*: 48-49). France became a mature natural state in the 16th century as the courts, municipal governments, and government financial offices achieved a corporate identity outside the boundaries of direct state control (*ibid.*: 69).

LAOs are characterised by:
- Slow-growing economies
- Polities without the consent of the governed
- A small number of organisations
- Smaller and more centralised governments
- Political and social relationships that are structured along personal lines, including privileges, social hierarchies, unequal enforcement of the law, insecure property rights, and pervasive social and political inequality (*ibid.*: 12).

Open access orders (OAOs)

OAOs emerged some 200 years ago. Today, 25 countries count as OAOs, including Taiwan, South Korea, Ireland, Spain, Britain, France, and the United States. The control of violence in open-access societies occurs through the threat of punishment on the part of a state that possesses a monopoly of the legitimate use of violence. OAOs permit citizens to join and leave organisations at will.

OAOs are characterised by:

- Political and economic development
- Rich and vibrant civil societies with a wide rage of organisations
- Larger and more decentralised governments
- "Impersonal social relationships" - meaning respect for the rule of law, secure property rights, and general fairness and equality. The government provides services and benefits to citizens and organisations without reference to the "social standing" of individuals, or the identity and political connections of an organisation's leaders (*ibid.*: 113)
- The ability of citizens to form organisations, write contracts and to use the courts and state bureaucracy
- Political and economic competition, i.e. OAOs are democratic and have market economies
- Limited government - individuals are free from political manipulation and harassment (*ibid.*)
- Economic growth spurred on by creative destruction (i.e. the process of technological advancement through new discoveries and innovations) (*ibid.*: 115-116).

3. Is there a general account of how change comes about? How do we get from LAOs to OAOs?

There are two stages in the transition from limited to open access. The first involves the achievement of three *'doorstep conditions'* which place natural states at the threshold of a transition to an open-access system. These are:

Rule of law for elites
This implies a judicial system where individuals have access to formal rules and procedures and where decisions are binding and impartial (*ibid.*: 151). In OAOs, the law is unbiased (in the sense that it is applied fairly), it covers a wide range of civil and criminal activities, and it applies equally to all citizens (*ibid.*: 154).

Perpetually lived organisations, both public and private
A perpetually lived organisation is one where "the identity of the organization is independent from the identity of its individual members" (*ibid.*: 46). Perpetual organisations – which include states – continue to exist after the demise or departure of their leader.

Consolidated political control of the military
This involves "severing the close links among economics, politics, and the military in natural states" (*ibid.*: 169). These institutional distinctions first emerged in Western Europe in the 17th Century, but consolidation proper was not complete until the 18th Century. The process involved "bigger armies and navies, larger public treasuries to finance them, and bigger bureaucracies to collect revenues and run the armies and navies" (*ibid.*).

Some LAOs may have one or more of the doorstep conditions. In present-day Mexico, for example, banks can be chartered organisations – and therefore have a perpetual life – but they are constantly at risk of nationalisation because there is no stable rule of law. (*ibid.*: 158). The transition to open access

demands that all three be maintained in a stable equilibrium.

There is no set formula for moving to the doorstep conditions: it involves "thousands of incremental changes" (*ibid.*: 167). Historically, states have begun the process of transformation by moving from a hierarchy of organisations tied together through personalised connections, to a hierarchy of perpetually lived, impersonal and independent organisations. This process was achieved in Britain, France, the Dutch Republic and the United States by the late 18th Century (*ibid.*: 168).

The three doorstep conditions make it possible – but not inevitable – that impersonal elite relations will emerge. History is replete with examples of societies that moved to these conditions but failed to achieve open-access – for example, Athenian Greece, Republican Rome, and the Renaissance city-states of Northern Italy (*ibid.*: 151).

If a society on the doorstep creates and sustains new incentives for incumbent or dominant elites to open access within the polity and the economy to all elites, to secure that open access through institutional changes, and then to expand citizenship rights to the general non-elite population, then a transition proper has ensued (*ibid.*: 190).

> **The Transition to Open Political and Economic Access in Britain (ibid: 213-219)**
>
> - In the latter half of the 18th Century, Britain had experience of representative legislative institutions through parliament and elections (but with very limited suffrage), a history of corporations, and a framework of common and equity law.
> - However, Britain had neither competitive electoral politics nor open entry into corporations. Entrance to parliament was still based on personalised relations.
> - The 1832 Reform Act dramatically opened up the structure of party politics – it represented a "new intra-elite bargain, re-allocating rights and privileges … to move closer to a situation in which all elites enjoyed the same political rights" (*ibid*: 215).
> - The emergence of competitive party politics in the late 1830s was a direct result of the move towards more equal representation within the elites – "new, competitive political organisations evolved and transformed the British political landscape" (*ibid*: 216). Subsequent reform acts between 1867 and 1885 progressively widened the franchise, laying the basis for open political competition between mass political parties.
> - In 19th Century Britain, with the growth and industrialisation of the economy, new economic and political interests formed, which subsequently realigned the allocation of elite privileges and rents. For example, new elite interests challenged successfully the privileges of the Bank of England and the East Indies Company. Key reforms in banking and insurance would further open up the economy.
> - In the twenty years following the 1844 Registering, Incorporation and Regulation of Joint Stock Companies Act, and the accompanying act for Facilitating the Winding Up of the Affairs of Joint-Stock Companies, Britain went from having seven hundred to ten thousand business corporations; reflecting its newfound status as an OAO.

The absence of a micro-level account of change

As shown above, there are accounts in the book of how the transition from limited to open access has occurred historically. In the previous section, we saw a highly condensed history of the transition

to open access in 18th and 19th Century Britain. But the authors are reluctant to draw out, from such case studies, generalised prescriptions that might help analysts to understand, say, why the transition occurred in 20th Century Botswana but not in Zimbabwe, or how it might occur in present-day Afghanistan. Every society is embedded in "historically unique circumstances" (*ibid.*: 193) and there can be no assurance that "the same historical developments (will) necessarily bring another society to the doorstep" (*ibid.*: 243).

We are told that the key element in the transition to open access occurs when elites "… perceive that their privileges will be more secure from intra-elite competition when those privileges are defined as commonly shared rights rather than personal privileges" (*ibid.*: 191). But the key question, on which the book is silent, is: "*Why* do elites decide to transform their unique and personal privileges into impersonal rights shared equally among elites?" This point has been picked up in a number of reviews:

- Bates (2010: 755) notes the lack of "micro-level reasoning" in their arguments: "I wished to be introduced to the active agents, be they politicians, merchants, farmers, or kinsmen. I wanted to be informed about the problems they faced, the constraints they encountered, the beliefs they entertained, and the strategies they devised".

- Hartzell (2010: 290) points out that North *et al.* do not "offer clear guidelines to help the reader identify (the) critical moment in the development of social orders", i.e. the point at which "some elites come to believe that adopting more impersonal relations will make them better off without threatening the stability of the dominant coalition".

- Margo (2009) criticises the authors for not providing "an operative equilibrium theory of natural versus open access orders derived from the 'bottom up' (micro-behaviour) or of the transition from one to the other".

4. What are the policy implications of the argument?

Transplanting the institutions of open access orders into natural states (e.g. universal, impersonal rights and the rule of law; open access to markets; greater political freedom; democratic elections) will not produce the benefits of open access if those natural states have not yet achieved the three doorstep conditions. It may even cause social disorder by undermining the fragile rent-seeking arrangements that maintain political stability (*ibid.*: 264-265).

Beyond this general warning against technical approaches to the institutional transformation of developing countries, development practitioners hoping for guidance on 'what to do on Monday' may be disappointed by the lack of positive operational messages that emerge from this study. Given that their concern is the function of abstract concepts, illustrated through historical examples, it is perhaps unfair to criticise the authors for the absence of policy prescriptions in the book. The historical, comparative method used to substantiate the core concepts leads to the conclusion that there simply is no set of rules for encouraging developmental progress:

> **"The paths and policies that created open access in the Western world cannot be indiscriminately applied to foster the transition among today's limited access orders"** (*ibid.*: **271**).

Nevertheless, readers may be deflated by the feeling that, despite having a richer understanding of the root causes of poverty and political instability, they are no closer to understanding the remedies.

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The Origins of Political Order
Francis Fukuyama
2011

1. What is the core argument?

The book provides an historical account of the political development of human society, from the pre-human era up to the French and American revolutions. From that point onwards, a number of polities appeared that encompassed what Fukuyama regards as the three core, constitutive features of the modern political order: the state, rule of law, and accountable government. Where the other books summarised here are concerned with the broader aspects of the economic, political and social conditions for development, Fukuyama's account has a sharper focus on '… the *political* dimensions of development, the evolution of government institutions' (*ibid.*: 19).

In many instances, a country will possess one or two of these core features: Afghanistan has had democratic elections since 2004 but has a weak state and is unable to enforce the law across much of its territory; Russia has a strong state and democratic elections, but its rulers are not held accountable to the law; Singapore has a strong state and the rule of law but only a very tenuous form of democratic accountability (*ibid.*: 16).

When these three elements are combined in a stable balance, they constitute the institutional foundation for successful liberal democratic states with a market economy, political stability, sustained economic growth and high levels of wealth (*ibid.*: 12).

The state

The first institutional innovation in the evolution of modern political orders is a centralised source of authority that holds a monopoly over military power in a defined territory. Internal peace is secured not through a balance of power between rival groups, but by the state's command of a "standing force that could also defend the community against neighbouring tribes and states" (Fukuyama, 2011: 15). With the advent of centralised states, property comes to be owned by individuals rather than kinship groups, and property rights are enforced through courts and a legal system with the power to adjudicate disputes (*ibid.*). Fukuyama proposes four conditions that account for the initial emergence of states:

i. An abundance of resources
ii. A sufficiently large society to permit a division of labour and a ruling elite
iii. A dense population that is physically constrained from leaving the territory when faced with coercive state institutions
iv. Motivation for the population to surrender freedom to the authority of a state (e.g. the threat of violence from other organised groups, or the actions of a charismatic leader) (ibid.: 89).

Rule of law

Over time, social rules become formalised as written laws rather than customs or informal traditions. These rules determine the distribution of power in the system, independently of the individuals who exercise power at any given time – i.e. the authority of impersonal institutions comes to supersede the authority of personal leaders (*ibid.*). A large section of the book is given over to a detailed discussion of how the rule of law first emerged in Medieval Europe through the evolution and re-interpretation of Catholic and Christian doctrine (*ibid.*: 262-290). For the rule of law to function effectively as a binding constraint on rulers, three conditions need to be fulfilled:

    i. Laws are codified into an authoritative text
    ii. The content of law is determined by legal specialists rather than political authorities
    iii. Laws are protected by judicial institutions that are independent from the political hierarchy (*ibid.*: 287-288).

Accountable government

Finally, certain societies came to limit the power of states not only through forcing rulers to comply with written law, but through holding rulers accountable to parliaments, assemblies, and other bodies that represent a broad proportion of the population: "Modern democracy was born when rulers acceded to formal rules limiting their power and subordinating their sovereignty to the will of the larger population as expressed through elections" (*ibid.*: 15).

2. How is the argument illustrated?

The bulk of the book is taken up with a series of detailed historical/sociological accounts of how the state, the rule of law and accountability evolved independently in different societies. Fukuyama traces the transition from tribalism through to impersonal state institutions in China, India, the Muslim world, and Europe, culminating in post-Glorious Revolution England, in which all three components of modern statehood are combined for the first time.

From tribal to state society

State-level societies differ from tribal ones in three core respects:

    i. They possess a centralised, sovereign source of authority, e.g. an Emperor, a King, president or prime minister
    ii. That source of authority is backed by a monopoly over the legitimate means of coercion
    iii. State authority is territorial rather than kinship-based (*ibid.*: 80-81).

The impact of war on institutional evolution

State-building in China, the Ottoman Empire, and Europe was initially driven by the need to wage war. In China, the requirements of war led to:

- The growth of impersonal administration through the creation of a class of permanent, trained bureaucrats and administrators
- The consolidation of feudal lands into a territorial state
- Population registration and land reform
- The development of uniform weights and measures
- A move away from kinship as the foundation of political organisation (*ibid.*: 94, 118-119).

Between 2000 B.C. and 221 B.C. a system of ten thousand political units was consolidated into a single Chinese state – the first of its kind in human history.

Overcoming patrimonialism on the way to the modern political order

A key part of each development story covered in the book is the drive to overcome the natural human propensity to favour friends and family: "Social modernisation is the breakdown of kin-based relationships and their replacement with more voluntary, individualistic forms of association" (*ibid.*: 127). With the emergence of states, kinship becomes an obstacle to political development because it threatens to re-establish political relationships as the small-scale, personal ties characteristic of tribal societies (*ibid.*: 81).

Fukuyama traces various strategies that were used to sever the bond of kinship through which the aristocracy attempted to pass the fruits of political power to their children, including celibacy of the priesthood in the Catholic Church (*ibid.*: 265, 453-454), the use of slaves to staff the armies and political offices of the Ottoman empire (*ibid.*: 218-220), and the Mandarin examination system for entrance to the Chinese state bureaucracy (*ibid.*: 228).

Due to the influence of Catholicism, individualism emerged at a comparatively early point in European history, in the sense that "individuals and not their families or kin groups could make important decisions about marriage, property and other personal issues" (*ibid.*: 231). From the medieval period onwards, the Church implemented a series of institutions that had the effect of eroding the structure of property rights of kinship groups amongst the Germanic barbarian tribes that succeeded the Roman empire. This shift was driven by the Church's strong stand against four practices: marriages between close relatives, marriage to the widows of dead relatives, the adoption of children, and divorce. Each of these practices is a form of "heirship" whereby a kinship group is able keep property within the control of the group, from one generation to the next. The Church stood to benefit from gaining, as donations, property that could not be passed on to a male heir. The result of these institutions was the decima-tion of tribal organisation across Western Europe in the space of two or three generations. In terms of political development, this strategy meant that in Europe, the ideology of individualism emerged long before the consolidation of modern states, and long before the emergence of a secular philosophy of 'liberal individualism' (*ibid.*: 229-245).

The development path is non-linear: states can undergo a process of *re-patrimonialism*, where entrenched groups look to re-insert themselves into the structure of government authority - particu-larly in the aftermath of a financial or military crisis (*ibid.*: 17). For example, the increasing financial pressures on the Ottoman Empire led to a relaxation of the law of celibacy among the Janissaries (the elite infantry corps, composed of slave-warriors), who then pressured the courts to allow their sons to enter military service. As a result, advancement within the military and political system increasingly came to be based on personal connections rather than on merit (*ibid.*: 225-226).

England: the three components of the modern political order

By the end of the 18th Century, all three components of a modern political order had been estab-lished in some part of the world. China had developed a strong state by 256 B.C.; the rule of law had taken root in India, the Ottoman Empire, and in parts of Europe; and an accountable government had emerged for the first time in England with the development of parliamentary institutions. In the aftermath of the Glorious Revolution at the close of the 17th Century, England became the first large country in which all three were combined in a stable equilibrium.

3. Is there a general account of how change comes about? How do we achieve a stable balance between the three institutional features of the modern state?

Fukuyama presents the historical facts of institutional political development, but has little to say on the question of *how* and *why* they came to unfold in some countries and not in others, beyond pointing out that institutional change is essentially the product of contingent historical circumstances (*ibid.*: 460, 478, 479).

The book does contain some interesting observations on the context-specific nature of institutional change. For example, the role of the medieval Church in eroding the political power of hereditary structures meant that the emerging capitalist class in 16th Century Europe did not face the same level of resistance from corporately organised, land-owning kinship groups as in India and China (*ibid.*: 444, 460). However, Fukuyama does not translate these insights into operational messages that would make it easier for development practitioners to understand how to promote positive institutional transformation in developing countries. He points out that the historical narratives he discusses cannot work as blueprints for developmental progress today:

> "No one should expect that a contemporary developing country has to replicate all of the violent steps taken by China or by societies in Europe to build a modern state, or that a modern rule of law needs to be based in religion. We have seen how institutions were the products of contingent historical circumstances and accidents that are unlikely to be duplicated by other differently situated societies. The very contingency of their origins, and the prolonged historical struggles that were required to put them in place, should imbue us with a certain degree of humility in approaching the task of institution building in the contemporary world" (*ibid.*: 478-479).

So there are no generalised policy messages in the book, because the achievement of the modern political order is essentially the product of contextually specific and contingent events. Fukuyama provides a powerful account of the kinds of institutions that underpin effective modern states and that facilitate growth. However, notwithstanding the immensely rich and detailed historical narratives here, readers hoping for guidance on how to turn those accounts into lessons of practical relevance for developing countries today will be disappointed.

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Why Nations Fail: The origins of power, prosperity and poverty

Acemoglu, D. & Robinson, J. A.
2012

1. What is the core argument?

The economic failure and success of nations cannot be explained by reference to geography, culture, or the degree to which political leaders understand how to design and implement effective policies. National prosperity and poverty are instead determined by political factors that shape the type of economic and political institutions a country has.

> **"Countries differ in their economic success because of their different institutions, the rules influencing how the economy works, and the incentives that motivate people"** (Acemoglu and Robinson, 2012a: 73).

Nations such as Japan, Great Britain and the United States have become rich because, at a key critical juncture in their historical trajectory, excluded actors who wanted 'in' were able to overturn the narrow coalition of elites who controlled power, in order to create a society with a broad distribution of political rights, an accountable and responsive government, and an environment in which the majority of citizens could take advantage of economic opportunities (*ibid.*: 3-4).

The key political factor that distinguishes wealthy nations from poor nations is the existence of *inclusive* as opposed to *extractive* political and economic institutions (also at points expressed as a contrast between *pluralistic* and *absolutist* institutions).

- Institutions are the political and economic rules that are created and enforced by the state and by citizens collectively
- Institutions create incentive structures that either promote or inhibit growth
- Political institutions determine the shape of economic institutions (*ibid.*: 42-43).

> **"Inclusive economic institutions are those that allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish"** (*ibid.*: 74).

> **"Political institutions that distribute power broadly in society and subject it to constraints are pluralistic. Instead of being vested in a single individual or a narrow group, political power rests with a broad coalition or a plurality of groups"** (*ibid.*: 80).

Inclusive institutions
Inclusive economic institutions:
- Enforce property rights for all citizens
- Encourage investment in new technologies and skills
- Are based upon an "unbiased" system of law, i.e. the impartial application of the rule of law, with no individual or group being 'above' the law
- Help to sustain a level playing field for the exchange of goods, services and contracts
- Permit the entry of new businesses to the market
- Enable people to choose their own careers and so encourage citizens to participate in economic activities that make the best use of their talents and skills (*ibid.*: 74-75, 429-430).

They are created and sustained by **inclusive political institutions**, which:

- Achieve a measure of political centralisation in order to establish law and order, secure property rights, and an inclusive market economy; and,
- Distribute political power widely in a pluralistic manner.

Property rights and creative destruction
Secure property rights and an openness to 'creative destruction', i.e. the replacement of old technologies and ideas for new ones, are key incentive structures that help to promote prosperity. In countries with extractive institutions such as North Korea, a lack of secure property rights means that few citizens have adequate incentives to invest in new technologies or to exert effort to increase productivity (*ibid.*: 73).

Fear of creative destruction is often at the centre of opposition to inclusive political and economic institutions. In extractive regimes, elites typically oppose the introduction of new innovations and technological change, for fear that their grip on a particular sector of the economy will be undermined by new players. For example, the process of industrialisation in the 18th century was blocked by the absolutist monarchs of the Ottoman, Austro-Hungarian and Russian empires, with the result that their economies stagnated in the 19th century (*ibid.*: 213-244). Nations with inclusive institutions, such as Britain, developed rapidly (*ibid.*: 83-86).

> **"Economic growth is not just a process of more and better machines, and more and better educated people, but also a transformation and destabilizing process associated with widespread creative destruction. Growth thus moves forward only if not blocked by the economic losers who anticipate that their economic privileges will be lost and by the political losers who fear that their political power will be eroded"** (*ibid.*: **86**).

Extractive institutions
Extractive economic institutions:
- Use the labour of the majority to extract resources for an elite minority
- Fail to protect property rights
- Fail to provide adequate incentives for economic activity and for the development of new technologies (*ibid.*: 430).

They are created and sustained by **extractive political institutions,** which:

- Concentrate power in the hands of a minority elite
- Provide incentives for elites to maintain extractive economic institutions to secure resources

for their own gain
- Direct resources to consolidating the elite's hold on political power (*ibid.*: 430).

2. How is the core argument illustrated?

Selected examples of inclusive political and economic institutions: Great Britain from the 17th Century onwards; the United States after the abolition of slavery; France from the revolution onwards; Australia; South Korea; Japan from the Meiji restoration onwards; present day Botswana.

Selected examples of extractive political and economic institutions: North Korea; Mexico; present day Egypt; Uganda; the Congo; Nigeria; Ethiopia; Zimbabwe; Zaire; the Austro-Hungarian empire; Russia; the Roman empire; Sierra Leone; Ghana; the Ottoman empire; present day China; India; South Africa under colonialism and apartheid; most of Central and Latin America from European colonisation onwards.

England: The Glorious Revolution and the Industrial Revolution

The first economically inclusive society emerged in England with the arrival of the industrial revolution. The economic institutions that enabled England to take full advantage of the new technologies made available in this period were already in place, due to the inclusive political institutions that had emerged after the Glorious Revolution at the close of the 17th Century. The Glorious Revolution was the foundation for creating a pluralistic society – it accelerated a process of political centralisation and laid the foundation for inclusive economic institutions. Prior to the revolution, economic institutions were extractive in the sense that:

- The domestic economy was dominated by monopolies
- The state engaged in arbitrary taxation and manipulated the legal system
- The structure of property rights meant that land was very difficult to sell and financially unreliable in terms of likely returns on investments (*ibid.*: 102).

The political institutions consolidated in the aftermath of the Glorious Revolution:

- Limited the power of the king and the executive
- Relocated to Parliament the power to determine economic institutions
- Established a principle of inclusion, in that the political system was progressively opened up to a broad cross section of society, which was able to exert an unprecedented (although still – by contemporary standards - very limited) level of influence over the functioning of the state (*ibid.*: 102). Initially, only a very select group of elites were able to influence Parliament through voting, estimated at less than 2% of the population. However, non-elites could exercise a certain degree of political agency through petitioning Parliament (*ibid.*: 192-193). The core point is that a precedent was set whereby English political institutions would become increasingly inclusive over time.

After the revolution, the Government adopted economic institutions that provided major incentives for the core drivers of economic growth: investment, trade and innovation:

- Property rights were enforced, including patents for ideas and innovations
- The rule of law was enforced and upheld, and applied to all citizens
- Arbitrary taxation was abolished and nearly all previously state-sanctioned monopolies were disbanded
- The state promoted trade, domestic industry and infrastructure.

The industrial revolution fed upon these institutional developments in England: it depended on major technological advances that emerged through scientific inquiry and the unique talents of a number of individuals. These innovations occurred under the umbrella of institutions that facilitated profitable opportunities for the development and application of new technologies, that enabled a limited class of gifted men to allocate their skills to the right line of business, and provided a comparatively high level of education (*ibid.*: 102-103).

3. Is there a general account of how change comes about? How do we get from extractive to inclusive institutions?

Drastic institutional changes are difficult (and historically rare) because inclusive and extractive institutions create a mutually re-enforcing dynamic:

Vicious circles

> "Extractive political institutions lead to extractive economic institutions, which enrich a few at the expense of many. Those who benefit from extractive institutions thus have the resources to build their (private) armies and mercenaries, to buy their judges, and to rig their elections in order to remain in power. Therefore, extractive economic institutions create the platform for extractive political institutions to persist" (*ibid.*: 343).

Virtuous circles

> "…inclusive political institutions tend to support inclusive economic institutions. This then leads to a more equal distribution of income, empowering a broad segment of society and making the political playing field even more level. This limits what one can achieve by usurping political power and reduces the incentives to re-create extractive political institutions" (*ibid.*: 309).

Where societies have been able to break out of either of these institutional cycles, this has typically been the result of the interaction of initially **small institutional differences between societies** with **historically contingent critical junctures,** and the **decisions, actions and behavior of key elites and coalitions**. Historically, such a change has come about through a political uprising on the part of a broad coalition (e.g. the Glorious Revolution in England, the Meiji overthrow of feudalism in Japan, and the democratic ousting of British colonial rule in Botswana), which has interacted fortuitously with a set of critical junctures brought about by the contingent path of history, leading to the forging of inclusive political institutions followed by, and mutually supportive of, inclusive economic institutions.

> "Major institutional change, the requisite for major economic change, takes place as a result of the interaction between existing institutions and critical junctures" (*ibid.*: 431).

Institutional drift – relatively small initial differences in the patterns of conduct in societies (such as the management of property rights, ways of dividing the spoils of a hunt or victorious battle, the distribution of authority amongst elders, and so on) can gradually grow in significance over the course of time. Those differences can result in major institutional divergence when a critical juncture happens, with profound developmental implications[3]:

> "The Black Death and the expansion of world trade after 1600 were both major critical junctures for European powers and interacted with different initial institutions to create

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3   Critical junctures are "major events that disrupt the existing political and economic balance in one or many societies, such as the Black Death … the opening of Atlantic trade routes … and the Industrial Revolution" (Acemoglu and Robinson 2012a: 431).

a major divergence. Because in 1346 in Western Europe peasants had more power and autonomy than they did in Eastern Europe, the Black Death led to the dissolution of feudalism in the West and the Second Serfdom in the East" (*ibid.*: 180).

The role of leaders, elites and coalitions as agents of institutional change

The exact path of institutional development during critical junctures is not historically predetermined; it often depends on "which groups will be able to form effective coalitions, and which leaders will be able to structure events to their advantage" (*ibid.*: 110).

Historically, the move from extractive to inclusive political institutions has been spearheaded by a broad coalition of powerful actors "that could stand up against absolutism and … replace the absolutist institutions by more inclusive, pluralistic ones. A revolution by a broad coalition makes the emergence of pluralistic political institutions much more likely" (*ibid.*: 366).

In England in the mid 16th Century, for example, Stuart absolutism was defeated partly because a strong, broad coalition was formed between various powerful factions drawn from a variety of interest groups, from the landed gentry, commercial farmers, merchants, Atlantic traders to manufacturers. This coalition, further consolidated through the creation of the Whig party in the 1670s, would underpin the move towards inclusive political institutions in the aftermath of the Glorious Revolution (*ibid.*: 210-211).

Critical observations

Does the framework offer an explanatory account of the emergence of inclusive institutions?

The distinction between inclusive and extractive institutions is presented as a sharp dichotomy, but it may be more accurate to think of these as ideal-typical categories that do not have perfect expression in reality. For example, England after the Glorious Revolution is described as an inclusive society, despite the fact that less than 2% of the population had the right to vote. The authors have acknowledged that, in reality, nations always embody a mixture of inclusive and extractive institutions (Acemoglu and Robinson, 2012b). But when the concepts are put forward in this way, it would seem that the theory cannot be falsified by any evidence, because it is possible to argue that wherever there is sustained growth there must be inclusive institutions, and wherever there is political and economic stagnation, there must be extractive ones (Fukuyama, 2012).

How helpful is their argument for policy prescriptions?

The authors offer almost no direct prescriptions for how their conceptual insights can be turned into useful guides to action for development practitioners or aid organisations. A major implication of the book's argument, however, is that prosperity cannot be 'engineered' by outside actors. If developing nations are poor not because of ignorance on the part of their leaders, or because of a lack of resources, but rather because of their institutional structure, then it is not likely at all that providing technical advice or unconditional aid donations will have a transformative impact. Efforts by the international community to promote political and economic reform in developing countries typically flounder because such reforms are not supported internally by appropriately inclusive political institutions:

> "Attempts by international institutions to engineer economic growth by hectoring poor countries into adopting better policies and institutions are not successful because they do not take place in the context of an explanation of why bad policies and institutions are there in the first place … The consequence is that the policies are not adopted and not implemented, or are implemented in name only" (*ibid.*: 447).

In an interview for the New York Times, Acemoglu has suggested that aid donations could be made conditional upon recipient countries establishing consultative committees that are representative of all sectors of its society, which would then have a say on how and where the money would be spent (Friedman, 2012). But the validity of this suggestion rests on the belief that the actual distribution of the money would be determined by the preferences of that committee. Why should it be assumed that aid donations could in this way escape the logic of extractive institutions? The key insight in the book is that aid will have little genuine impact on the lives of those most in need of it, in the absence of inclusive political and economic institutions. How we arrive at such institutions is a hugely contentious question – and "the honest answer of course is that there is no recipe for building such institutions" (*ibid.*: 460).

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Conclusion: Bringing History (and Politics) Back in

Themes, patterns and questions[4]

Adrian Leftwich

The core concepts used in these three books – inclusive and extractive institutions in Acemoglu and Robinson (2012); limited and open access orders in North *et al.* (2009); and the state, rule of law and accountable government in Fukuyama (2011) – all appear to offer a similar perspective on the institutional foundations of sustained economic growth and political stability. And although there are differences of emphasis and analytical approach, the books are united around at least one common proposition: **that politics and institutions are the crucial determinants of developmental outcomes.** Moreover, all the books appear to agree about the ultimately contingent nature of the transition to the institutions of prosperity and political stability.

Academic researchers may well hold the view that there are no compelling reasons why they should tack policy messages on to the findings of their work. They might, not unreasonably, argue that it is the job of policy-makers to read the research findings and to work out what plausible and politically feasible policy implications follow, given the diversity of factors that shape policy decisions in practice. Policy-makers, on the other hand, may well think that the books have a common drawback, in that they do not easily or immediately translate their richly detailed historical and conceptual analyses into self-evident policy messages that might be of practical operational use. And while it is true that developmental progress will always have to proceed according to local, context-specific dynamics, the challenge remains to identify general principles that may provide a common framework for both understanding and practice. Nonetheless, if the historical evidence in these important books has helped to cement the idea that development is a long and complex process of social, economic and political change, they will have been more than valuable in helping policy-makers and practitioners have confidence in taking the long view and adjusting at least some strategies accordingly.

As mentioned in the Introduction, this DLP Background Paper is not meant to be a review. However, if one reads these books one after the other, as an exercise in comparative analysis, a number of interesting common themes and questions emerge.

Themes and patterns

Bringing history back in

All three books seek to understand better and classify the institutional characteristics of societies that have been successful in promoting economic growth and socio-political development. In all three accounts there is, however, a (very welcome and necessary) deep referral and appeal to the evidence of history, in order to build and defend the typologies they use. These studies are therefore a very useful contribution to the debate about 'the problem of historical specificity in the social sciences',

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which is the sub-title of Geoffrey Hodgson's important study *How economics forgot history* (Hodgson, 2001), and they also therefore point to the inevitable tension between the detailed richness of case studies and what Hodgson refers to as the 'lure of a general theory' (*ibid.*: 3). This is a theme taken up by Michael Woolcock, Simon Szreter and Vijayendra Rao (2011) in their paper on 'How and Why Does History Matter for Development Policy?' This 'turn to history' is one of the most important contributions that these three books make to development theorising and practice.

Contingency and uniqueness

A second and very important common theme in these accounts, again drawing deeply on the historical record, is that none of them identifies a single or common causal dynamic or process that could pass muster as a general explanation, or theory, of the emergence of 'open access orders' or their liberal democratic equivalents, or the shift from one type of 'order' to another. Rather, they all argue, it is important to understand the specificities of each, the unique factors, the contingent events and the critical junctures that have been present in each of these stories and that have triggered or spurred processes of change.

North, Wallis and Weingast

They argue firmly that the historical conditions that bring one society to the 'doorstep' of transition from a limited to an open access order will not 'necessarily bring another society to the doorstep' (North, Wallis and Weingast, 2009: 243). They go on to say that:

> "Every society evolves in unique ways, so that a deep understanding of change must go beyond broad generalizations to a specific understanding of the cultural heritage of that particular society. The paths and policies that create open access orders in the Western world cannot be indiscriminately applied to foster the transition among today's limited access orders" (*ibid.*: 271).

Fukuyama

> "No one should expect that a contemporary developing country has to replicate all of the violent steps taken by China or by societies in Europe to build a modern state, or that a modern rule of law needs to be based in religion. We have seen how institutions were the products of contingent historical circumstances and accidents that are unlikely to be duplicated by other differently situated societies. The very contingency of their origins, and the prolonged historical struggles that were required to put them in place, should imbue us with a certain degree of humility in approaching the task of institution building in the contemporary world" (Fukuyama, 2011: 478-479).

Acemoglu and Robinson

> "The outcomes of the events during critical junctures are shaped by the weight of history, as existing economic and political institutions shape the balance of power and delineate what is politically feasible. The outcome, however, is not historically predetermined but contingent. The exact path of institutional development during these periods depends on which one of the opposing forces will succeed, which groups will be able to form effective coalitions and which leaders will be able to structure events to their advantage" (Acemoglu and Robinson, 2012: 110).

In short, while these studies identify and classify the institutional characteristics of those societies that have facilitated growth, prosperity and stability (and those that have not), there remains some ambiguity, uncertainty and lack of clarity about the political paths, processes and practices – through individual and collective actors – that have shaped these institutions and driven societies from one type

of 'order' to another. While all these studies point to 'politics' as the driver of progressive institutional change, and acknowledge the role of contingency and critical junctures in these processes, there is as yet no clear account of what 'politics' is, or how it happens in the context of quite distinctive structural constraints and opportunities. In the end, classification is not explanation.

However, though none deal with the issue at length, the evidence in all three books is highly suggestive that a renewed focus on exploring the critical and dynamic interactions of structure and agency in the politics of change and development will be a very fruitful approach for further research on this question. In a seldom-cited paper, entitled 'Five Propositions about Institutional Change', Douglass C. North argued that:

> "The continuous interaction between institutions and organizations in the economic setting of scarcity, and hence competition, is the key to institutional change" (North, 1998: 15).

Just so. And this in turn suggests some important implications for our analysis and explanation of the politics of institutional change.

Politics and change

Each of these studies offers a clear typology of the characteristics of different kinds of social or political order. Classifications and distinctions of this kind are incredibly useful and provide great food for thought and pointers to research possibilities. But classifications are not explanations, and although all these classifications are intended as well-illustrated ideal-types, it remains fair to say that closer examination would reveal interesting differences between the institutional forms and configurations in different countries that fall within the same category, and probably a fair degree of hybridity of 'social orders' and inclusive/extractive institutional arrangements in practice.[5] Moreover, how 'open' are open access orders? Are all open orders as open as each other? And how open do they have to be to qualify? How inclusive are societies characterised by inclusive institutions? Openness, inclusion and rights without agency and capacity to exercise or enjoy such institutional rights may constitute the important difference between *de jure* and *de facto* inclusion. After all, as Judge Sturgess observed in 1928: 'Justice is open to everyone in the same way as the Ritz Hotel'. Strictly, and in principle, this is true; but perhaps not so in practice.

Moreover do these studies and the suggestive classifications they offer tell us at any level of useful generality (or policy relevance) how the institutional arrangements in each case came about? Do they tell us enough about how institutions are made, maintained and changed, or what were the political dynamics of change in each case? And do any of them offer a theory of change (or development) that might be useful to policy-makers and practitioners?

Now it may well be that there is little prospect for a theory of change (or of institutional formation and change) that will have explanatory traction across space and time, given the diversity of contexts, timings and regional or international networks that frame the challenges of 'the present' for any contemporary polity and society. And so, maybe, the really important contributions that these studies make are *methodological*, and not theoretical. For – implicitly and without saying as much – they all draw our attention to the critical importance of agency: that is, to the players of the games and the choices and strategies they adopted, within or beyond the prevailing rules, as the key factors in promoting (or

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5   The large literature on the 'varieties of capitalism' (see, for instance Hall and Soskice, 2001) all show significant differences in the forms and particulars of welfare systems, constitutional arrangements and institutions governing economic activities and social life. Hall and Soskice, for instance, distinguish between 'liberal market economies' (exemplified by the USA) and 'coordinated market economies' (exemplified by Japan) though both would fall into the categories outlined in the three books being dealt with here as 'open access orders' or societies characterized by 'inclusive institutions'.

resisting) progressive change. North's 'proposition' about the interaction of organizations and institutions points the way, as does the highly pertinent observation by Robert Bates (referred to earlier) in his review of *Violence and Social Orders:*

> "I wished to be introduced to the active agents, be they politicians, merchants, farmers, or kinsmen. I wanted to be informed about the problems they faced, the constraints they encountered, the beliefs they entertained, and the strategies they devised" (Bates, 2010: 755).

Structure and agency; institutions and organizations; context and conduct – the methodological message

In all three books, the key feature of the transition to 'open access orders', or to the modern liberal-democratic order, has been the shift from informal institutions (shaping individual and personal relationships and interactions) to 'formal' institutions that are '… impersonal, enforceable, and impartial across all citizens' (North, et al., 2009: 114).

Fukuyama makes the same point:

> "In time, moreover, social rules were formalized as written laws rather than customs or informal traditions. These formal rules were used to organize the way that power was distributed in the system, regardless of the individuals who exercised power at any given time. Institutions, in other words, replaced individual leaders" (Fukuyama, 2011: 15).

And in a slightly different key, Acemoglu and Robinson (2012: 80) note that:

> "…political institutions that distribute power broadly in society and subject it to constraints are pluralistic. Instead of being vested in a single individual or a narrow group, political power rests with a broad coalition or a plurality of groups".

But, as all these studies have argued, these large structural transitions in the institutional configurations – slow, incremental, cumulative, always highly contested, and sometimes also punctuated by sudden revolutionary bursts – were framed by different contexts and challenges, often triggered, spurred or speeded by different crises or critical junctures.

What this suggests is that if we are to understand better what happened in each case, and what the constraints and opportunities are now for the politics of contemporary societies, we will need to adopt a methodological approach that explores much more directly the dynamics of the relationship between structures and agents, or what Colin Hay refers to as 'context and conduct' (Hay, 2002: 50-54). The point that North makes (see above) about the 'continuous interaction between institutions and organizations' directs us to exactly the same point of attack – the relation between what agents can do and do do, on the one hand, and the constraints and opportunities of the structures in which they operate, on the other hand. And it is this interaction that shapes institutional formation and change. Briefly defined here, *agency* may be regarded as the intention, capacity and ability of agents (individual, group or organization) to act strategically so as to seek to achieve their objectives; whereas *structure* refers to the context of formal and informal institutional arrangements and the distribution of socio-economic and political power within which such action is framed and undertaken. For instance, the way women's organizations and coalitions have worked in Jordan, Egypt and South Africa to advance the 'gender agenda', with respect to equal treatment and safety from domestic or sexual violence, has differed greatly precisely because of both agential and structural (contextual) differences.

Bringing politics back in

So, could it be that the politics that shapes institutional formation, maintenance and change occurs in the space between agency, so to speak, and the institutional structure? While structure shapes,

but does not determine, behaviour, it is also the case that agents act politically within and around the structure of institutional constraints to maintain, undermine or change them. That constant and on-going interaction is where the politics happens and if we are to understand how inclusive institutions, open access orders or accountable governments emerge, or *not* as the case may be, then this is where we need to focus.

Finally, on this point it is important to underline, if it is not already clear, that such an approach in no way assumes that structure *determines* behaviour (conduct or agency): in other words *structure is not destiny*; there is always room for manoeuvre and people and groups use that room. It is *also* not assumed that agency is omnipotent, or that people or their organizations can act in an open plane of limitless possibilities. The point is that both agency and structure have causal power (Archer, 2003) and it is the interaction of the two in any situation that will shape the outcome. The point has never been more concisely expressed than by Marx in his observation in *The Eighteenth Brumaire of Louis Bonaparte* that people:

> "…make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past (1963 [1852]: 15)."

Re-branding liberal democratic capitalism?

It could be argued that 'open access orders' (North, Wallis and Weingast); the 'modern' political order, characterised by the 'state, the rule of law and accountable government' (Fukuyama); and societies shaped by 'inclusive' political, economic and social institutions (Acemoglu and Robinson), all describe different versions and conceptual representations of liberal democratic capitalism. In these books the key structures of such societies are viewed through different analytical lenses, each identifying and magnifying some rather than other features through distinctive conceptual frameworks.

Francis Fukuyama, for instance, makes clear that his book focuses 'on the *political* dimension of development, the evolution of government institutions' (Fukuyama, 2011: 19). North et al, on the other hand, have as their focus the broader notion of the 'social order' - the 'political, economic, religious, and military powers (that) are created through institutions that structure human organizations and relationships' (*ibid.*: xi).

Social science can do no other than use different conceptual and analytical frameworks that are necessarily selective because they identify, organize and prioritise different facts, processes and relationships. There is no complete one-to-one correspondence between 'how things really are' and how we describe and analyse them. Abstraction and conceptualisation is not only necessary but unavoidable. And the facts, even if we can agree on them, never speak for themselves. Analytical frameworks are always needed to interpret and organize the facts. That is why these three books, though focusing on similar – if not some of the same – phenomena, but using different analytical frameworks and focus, offer such rich food for thought by enabling us to see similar phenomena through different conceptual lenses.

Plus ça change?

A sympathetic sceptic might want to suggest that what these three remarkable books really offer are sets of very useful refinements, elaborations and rich comparative embroidery of what the great social scientists of the 19th and early 20th centuries were grappling with themselves as they sought to understand and explain the emergence of industrial capitalist societies in the West and the differences between them and societies elsewhere. Adam Smith, Auguste Comte, Karl Marx, Sir Henry Sumner Maine, Herbert Spencer, Ferdinand Tönnies, Emile Durkheim, Max Weber, J.A. Schumpeter

and many more recent 20th century theorists would all recognise in these three books a modern vindication and refined illustration of their own attempts to deal with these central issues of historical analysis and social science. However, the conceptual and analytical innovations in each of these studies help to deepen understanding by organizing and interpreting the historical and empirical detail in new and insightful ways. And some observers might even see these studies as historically-enriched and significantly updated versions of modernization theory, perhaps with less of the teleology that accompanied that school.[6]

Time and place

That being said, the international conditions under which (mainly western) societies achieved the status of 'open access orders' with 'inclusive institutions', a 'state', rule of law and accountable government, were in most cases very different to the regional and international conditions that prevail today. Though profound imbalances in power on a global scale (as in imperial and quasi-imperial relationships) characterized 18th and especially 19th century world affairs, the nature and extent of those power configurations and differentials today (though changing) are very different, as are the global rules and institutional arrangements shaping economic and political life everywhere. Any 'theory' of developmental institutional formation and change would need to take careful account of this too, society by society, and region by region.

Policy messages

What policy messages flow from these important books? Can the research and evidence of each be translated into direct policy implications for all? Is that necessary? Do these books tell us how you get open access orders, effective states, rule of law, accountable governments and inclusive institutions? Can they say much more than 'open access orders' are more likely to generate growth (but will they generate inclusive growth?)? While they tell us that effective states, the rule of law and accountable governments, both create the conditions, and (actually) constitute the essence, of the liberal democratic order, do they help us to know how to achieve it? Do they say more than that prosperity and poverty are shaped by the presence or absence of 'inclusive' institutions, but not how such institutions are formed and sustained? These are all important things to say and in countering culture, geography and ignorance as explanations for poverty or prosperity, and in stressing the centrality of institutions, these books are powerful reminders of the primacy of politics. As Acemoglu and Robinson argue:

> "…achieving prosperity depends on solving some basic political problems. It is precisely because economics has assumed the political problems are solved that it has not been able to come up with a convincing explanation for world inequality. Explaining inequality still needs economics to understand how different types of policies and social arrangements affect economic incentives and behaviour. But it also needs politics" (Acemoglu and Robinson, 2012: 68-69).

Bringing politics back in, again

If that is so, then what this means is that the *real* binding constraints on growth and development are political – and especially with respect to all dimensions of inclusion.[7] It follows therefore that the most demanding contemporary challenge for us all is how to understand, promote and advance the local politics that will shape the institutions that in turn will facilitate not only sustainable growth, but inclusive growth, transformation and social development, as well as political stability. This is where local agency and political dynamics matter – and not only in the choices and bargains made by leaders

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6   Two of the classics were Samuel Huntington's *Political Order in Changing Societies* (1968) and David Apter's *The Politics of Modernization* (1965).

7   There are many aspects of inclusion, including those relating to income, rights, gender, region, ideology, interests, opportunity and equality more broadly, and many more. In most developed societies these have not simply been delivered by 'growth' but have been politically fought for – sometimes tooth and nail – by individuals, groups and organizations, commonly in broad coalitions.

and elites, but in their relations with existing formal and informal institutions, in their engagement with their followers and also in the actions and interactions of leaders, protest and lobby groups, business associations and workers' unions, women's organizations, professional bodies, social movements and coalitions, up down and across a society, in both the public and private spheres, and in every sector and issue area.

That's where the politics is. That's where it happens. How to engage with it and to support the emergence and actions of developmentally progressive leaders and coalitions, within and across both the state and civil society, is the new frontier for development policy and practice. And we are all camped on it. It's time to figure out how to cross that frontier and how to build such understanding into the strategic design, implementation and evaluation of development work.

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