

# **Beyond Institutions: Political Settlements Analysis and Development**

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## **Abstract**

Few concepts have captured the imagination of the conflict and development community in recent years as powerfully as the idea of a ‘political settlement’. At its most ambitious, ‘political settlements analysis’ (PSA) promises to explain why conflicts occur and states collapse, the conditions for their successful rehabilitation, different developmental pathways from peace, and how to better fit development policy to country context. Yet despite the meteoric rise of the term and its tremendous promise, not all is well in the world of PSA. Rival definitions of the concept abound; there are disagreements about its scope and the way it should be used; and little progress has been made on measurement. In response, this paper proceeds in three broad steps. It first reviews existing debates to propose a new and revised definition of political settlements. It then develops two key dimensions—social foundation and political configuration—of the revised concept into a typology of political settlements. In a third step the paper draws on the typology to explore some of the explanatory possibilities the revised concept generates, before the conclusion sets out a broader research agenda, providing both methodological and theoretical pointers for how political settlements analysis could be taken forward.

## **Keywords**

Political settlements, institutions, development

## 1. INTRODUCTION

Few concepts have captured the imagination of the conflict and development community in recent years as powerfully as the idea of a ‘political settlement’. At its most ambitious, ‘political settlements analysis’ (PSA) promises to explain why conflicts occur and states collapse, the conditions for their successful rehabilitation, different developmental pathways from peace, and how to better fit development policy to country context. As such, it provides an analytical framework for development agencies increasingly tasked with working in fragile and conflict affected states, and frustrated by frequently disappointing ‘good governance’ results in more stable ones (Ingram 2014). As of 2018, DFID, the World Bank, DFAT, the OECD, the EU and others were all using PSA. Jointly, they had poured many millions of pounds into political settlements research, funding at least three major research centres, several flagship reports, hundreds of published working papers and articles, three journal special issues, and at least four books, not to mention numerous colloquia and workshops dedicated to or inspired by the idea. For some donor agencies, notably the UK’s DFID, political settlements analysis was a required component of their country programming, shaping, at least to some extent, the deployment of billions of pounds worth of aid.

The idea that political settlements analysis provides a useful framework for conducting development research stems arguably from four main observations. First, scholars and practitioners alike have started to rethink the ‘good governance’ agenda and its focus on getting institutions right. There is a growing consensus that politics matters for the actual functioning of institutions, and that political settlements provide a particularly promising way to understand how power configurations and elite incentives shape the deployment of institutions (e.g., Khan 2010; Whitfield et al. 2015). Second, a focus on political settlements suggests a qualitative difference between countries in the throes of civil war and those that have achieved at least a modicum of political stability, reflected in what they are able to achieve developmentally and how development practitioners should engage with them. Third, political settlements analysis has the potential to link together work on conflict and development, largely because the way in which a country achieves peace, or the nature of its political settlement, creates powerful constraints around the kinds of development that are subsequently likely or possible, and that knowledge of these constraints provides useful pointers for policymaking (cf. North et al. 2009). And fourth and finally, the consequences of meddling with a political settlement, or, worse, trying to replace one type of political settlement with another, as seen for example in the recent cases of Syria and Iraq, are potentially catastrophic.

Despite PSA's popularity with development theorists and practitioners, it has yet to enter the social scientific mainstream. That is arguably due to some persisting conceptual ambiguities and methodological weaknesses in the way the term has been used, manifested at least in part by a lack of agreement within the political settlements community over what exactly it means and what it should be used for. In this paper, we seek to try and unify the political settlements field by providing a solidly grounded conceptual definition of a political settlement and locating it within a broader tradition of institutional and political economy analysis.

For reasons that will become clearer throughout the paper, we define a political settlement as *an ongoing agreement among a society's most powerful groups over a set of political and economic institutions expected to generate for them a minimally acceptable level of benefits, and which thereby ends or prevents generalised civil war and/or political and economic disorder*. Stated thus, political settlements are relatively high-level, durable, combinations of power and institutions, crucially implicated in maintaining peace and stability, which directly shape some of a society's most important political, economic and developmental outcomes.

Seen in this light, political settlements analysis helps to unpack and ground the overly *broad* approach to 'institutions' that characterizes much of the current institutionalist scholarship in economics, political science, and sociology. In these bodies of work, institutions are an amorphous signifier that can mean almost anything, and a focus on political settlements provides a more specific approach to slice into the concept of institutions. Moreover, PSA provides a theoretical alternative to institutionalism in a *narrow* sense, namely the large scholarships that exclusively focus on states and political regimes and their respective developmental consequences, yet without paying sufficient attention to the forms of politics and power relations that shape them.

The remainder of the paper organized as follows: The next section situates PSA within the broader fields of institutionalist and 'post-institutionalist' scholarship on development and critically reviews existing conceptualizations of political settlements. The subsequent sections propose a new and revised definition of political settlements, and then proceed to develop a typology that identifies different types of political settlements based on the settlement's social foundation and political configuration. The final section suggests some of the explanatory possibilities the revised concept generates, before the conclusion sets out a broader research agenda, providing both methodological and theoretical pointers for how political settlements analysis could be taken forward.

## 2. POLITICAL SETTLEMENTS ANALYSIS AND THE ‘POST-INSTITUTIONALIST’ TURN IN DEVELOPMENT STUDIES

A political settlement has been defined as ‘an inherited balance of power’ (Khan 1995); ‘the balance or distribution of power between contending social groups and social classes, on which any state is based’ (Di John and Putzel 2009); ‘a common understanding, usually between political elites, that their best interests or beliefs are served through acquiescence to a framework for administering political power’ (DFID 2010); ‘a combination of power and institutions that are mutually compatible and also sustainable in terms of economic and political viability’, (Khan 2010: 4); and ‘informal and formal processes, agreements, and practices that help consolidate politics, rather than violence, as a means for dealing with disagreements about interests, ideas and the distribution and use of power’ (Khan 2010: 1).<sup>1</sup>

Political settlements analysis has been used to explain why some states endure while others break down (Jones et al. 2010; Lindemann 2010; World Bank 2011); why some peace processes result in more inclusive patterns of politics and development than others (Menocal 2015); why some states are able to pursue successful industrial policies and or/ignite and sustain economic growth (Khan 2010; Pritchett et al. 2017; Whitfield et al. 2015); why some states pursue more effective and inclusive health and education policies than others (Hickey and Hossain 2019; Kelsall et al. 2016; Levy et al. 2017); and why some states more effectively implement gender legislation (Nazneen et al. 2018), among other things.

A recurring theme in most of these analyses is that political context or underlying power dynamics shape institutional and policy performance. Political settlements analysis is thus a useful antidote to vague formulations such as ‘institutions matter’, more specific ones such as ‘liberal democracy is best for development’, *and* more technocratic ‘best practice’ approaches to policy advice.

The rise of political settlements analysis should be seen against the background of a wider ‘post-institutionalist turn’ in development studies. In the 1980s and 1990s a large scholarship explained major differences in country development by reference to the nature of their institutions, with the economic rise of United Kingdom as the first industrial power in

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<sup>1</sup> By contrast, the Political Settlements Research Consortium at Edinburgh departs significantly from academic and everyday usages, preferring to use ‘political settlements’ as shorthand for ‘a project of engagement’ (Bell 2015). By this they mean a project of understanding the possibilities for moving beyond politics as a project of elite-deal-making in conflict contexts.

particular, explained by features such as its adoption of secure property rights, the rule of law, and functioning markets (e.g., North and Weingast 1989). One of the attractions of the institutionalist approach was that it appeared to offer a more fundamental explanation of why countries adopted innovation, economies of scale, education and other proximate determinants of growth than two other popular explanations: geography and culture (e.g., Acemoglu et al 2001; Engerman and Sokoloff 2002).

These advances notwithstanding, institutionalist approaches themselves were less good at explaining why some countries have good economic institutions and others do not. If good institutions are the key to growth, why don't all countries adopt them? In response, a disciplinary, epistemological and methodologically diverse scholarship has started to unpack the politics that shape the choice and workings, and ultimately, the developmental consequences of institutions.

Daron Acemoglu and James Robinson (2006) attempted to rectify this by focusing on groups with political power and their role in creating economic institutions. They conceptualize political power as (a) de facto power, that is, the ability to engage in strikes, demonstrations and violent conflict, and (b) political institutions, that is formal rules of the game. Typically, politically powerful groups will block the emergence of economic institutions which could lead to growing power for rival groups, since that might allow them to change political and economic institutions, eroding the former group's privileges. Conversely, technological or other forms of economic change occasionally alter the balance of de facto political power. In these circumstances, there are likely to be struggles to create new political and economic institutions. The new economic institutions further bolster the power of new economic groups, while the political institutions lock in, to some extent, both their political and economic power.

Another important contribution to this focus on the link between political violence, institutions, and development is North, Wallis and Weingast's *Violence and Social Orders* (2009). Their book starts from the premise that until they have solved the problem of violence societies cannot progress economically. Most countries do this by creating a 'Limited Access Order'; that is, a personalized bargain in which powerful elites agree to divide economic rents from sources such as trade, monopolies, taxation and aid among themselves, giving each a stake in the system and thereby providing an incentive to refrain from using violence. Limited Access Orders create the conditions for peace, and thus provide for some economic growth. However, by selectively allocating rights and entitlements to participants in the elite bargain, they also limit competition, which stifles efficiency, innovation and change. This is to be contrasted with an 'Open Access Order', characteristic of advanced industrial societies, in

which rights are impersonal and generalized. In such an arrangement, rents come not from limiting access to competition, but from innovation and technological change. Both social orders tend to be self-reinforcing. In Limited Access Orders, only a select few people hold economic and political power, and they consequently use that power to prevent others from growing in strength. In Open Access Orders groups which seek to create rents by limiting competition in the economic sphere tend to be opposed in the political sphere. Power and institutions provide, as it were, a double bind.

PSA builds on but arguably also goes beyond the insights provided by existing post-institutionalist approaches. Similar to Acemoglu and Robinson and other works with a focus on elite threat perceptions, PSA rests on the interdependence of institutions and power and views the threat of social and economic disorder as a driver of institutional change. And similar to Douglass North and his coauthors, PSA emphasizes the self-reinforcing nature of political and institutional systems.

Yet, in contrast to existing approaches, PSA provides a clearer conceptualization of the specific kinds of power that are associated with institutional persistence and change: the organizational capabilities of groups to either instigate or survive violent conflict (Khan 2010). Specifically, while Acemoglu and Robinson recognize the importance of de facto power relationships for political and economic institutions, de facto power is scarcely theorized in their work. This has led some interpreters to the glib conclusion that getting the right economic institutions is simply a matter of getting the right political institutions, a position supportive of conventional good governance policies. Political settlements analysis, as seen for example in the work of Khan, implores us not to take formal institutions at face value. Making formal political institutions more inclusive will only result in more inclusive economic institutions if the de facto organizational capability to demand such institutions already exists. But in many developing countries, organized economic interests do not want a level playing field while the poor, for various reasons, may be unable to overcome their collective action problems to take advantage of inclusive political institutions (Khan 2017).

Moreover, PSA moves beyond North et al. in pointing towards different pathways of institutional change to get from Limited Access Orders to developed Open Access Orders. Finally, PSA maintains that conflict, whether in the form of intra-elite struggles or subordinate mobilization, can instigate the realignment of political coalitions, and subsequent institutional changes. In other words, PSA, by focusing on a particular set of institutions and the power dynamics underlying them, promises to move beyond institutionalist approaches and their application to development.

Nevertheless, there are at least three sources of tension among scholars pursuing PSA. Careful readers will have noticed that some of the definitions provided in the opening to this section referred to ‘common understandings’, while others didn’t. This is linked to the first source of tension: whether ‘agreement’ is necessary for there to be a political settlement. In a recent piece, Mushtaq Khan, the progenitor of political settlements theory within development studies, has differentiated his own approach—in his view, *the* political settlements framework—from those which place the emphasis on the analysis of elite pacts or bargains (2017, 13-14). The second tension is about whether a political settlement is a *mutually constitutive* and relatively stable combination of power *and* institutions, or whether it is a configuration of power that *underpins* institutional stability. The third tension is between those who treat PSA primarily as an interpretive analytical framework designed to aid policy design and choice (Khan 2010, Behuria et al. 2017), and those who see it, when accompanied by additional variables, as a predictive explanatory model, a kind of ‘meso-level theory of development’ (Hickey 2013).

In the following pages we aim to clear up these controversies via an extended conceptual discussion that encompasses the usages of both conflict and development specialists. We also distinguish between the concept of a political settlement, which we believe should be universal, and a potential political settlement typology that can be derived from it. This typology can be used either interpretively, for policy analysis, or explanatorily, for prediction. Indeed, in our view the two should be linked, in the sense that knowledge of how political settlements have shaped development outcomes in the past should be the foundation for rules of thumb for policymakers working in particular types of settlement.

### **3. TOWARDS A NEW POLITICAL SETTLEMENT CONCEPT**

In his magnum opus of social scientific methods, John Gerring argues that social scientific concepts should ‘resonate with everyday usage’, and not unnecessarily disturb their ‘semantic field’ (Gerring 2011), while Gary Goertz, in his extended treatment of the topic, argues that concepts should also ‘identify ontological attributes that play a key role in causal hypotheses, explanations, and mechanisms’ (Goertz 2006: 5).

In everyday discourse, the idea of a ‘political settlement’ is usually juxtaposed with ongoing war, or perhaps with a ‘military victory’, in which one side is presumably thoroughly defeated. For example, in January 2017, an article on the BBC website claimed that the South

Sudanese opposition wanted ‘a political settlement’.<sup>2</sup> On 4 January 2013, a story appeared in The Guardian about Hezbollah calling for a ‘political settlement’ to the Syria conflict and the prospect of UN talks on the matter.<sup>3</sup> The New York Times last used the term in March 2011, in a leader calling for a ‘negotiated political settlement’ in Afghanistan. It appears in a similar sense in a 1972 document of the same name, issued by the Ulster Government in response to the troubles in Northern Ireland. Arguably, the term is traceable at least as far back as the 1688 Glorious Revolution and the ‘Settlement’ between the King and British Parliament.

Further insight can be gained by examining the term’s constituent parts. ‘Political’ is an adjective derived from the noun ‘politics’, for which the Oxford Living Dictionary provides several definitions that range from, ‘The activities associated with the governance of a country or area, especially the debate between parties having power’ to ‘the principles relating to or inherent in a sphere or activity, especially when concerned with power and status’.<sup>4</sup> Merriam-Webster also provides several definitions, ranging from ‘the art or science of government’ through ‘competition between competing interest groups or individuals for power and leadership (as in a government)’ to ‘the total complex of relations between people living in society’.

Naturally, the concept of politics also has a long career in political science. To give three influential examples, David Easton defined politics as ‘the authoritative allocation of values’ (Easton 1965), Harold Lasswell associated it with distributional issues, or: ‘Who gets what, when and how’, while Adrian Leftwich (2004: 65) argued that, ‘politics comprises all the activities of cooperation and conflict, within and between societies, whereby the human species goes about organizing the use, production and distribution of human, natural and other *resources* in the course of the production and reproduction of its biological and social life’.

‘Settlement’, meanwhile, is a noun that derives from the verb ‘to settle’. Etymologically, ‘settle’ derives from the Old English *setlan*—from *setl*, seat. Merriam-Webster defines, ‘settle’, as, among other things, ‘to come to rest’, ‘become fixed, resolved, or established,’ or ‘to become quiet or orderly,’ with the Oxford Living Dictionary defining a ‘settlement’, in the first instance, as ‘An official agreement intended to resolve a dispute or conflict’.<sup>5</sup>

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<sup>2</sup> <http://www.bbc.co.uk/news/av/world-africa-38575104/south-sudan-opposition-wants-political-settlement>.

<sup>3</sup> <https://www.theguardian.com/world/middle-east-live/2013/jan/04/syria-hezbollah-political-settlement-live>

<sup>4</sup> (<https://en.oxforddictionaries.com/definition/politics>)

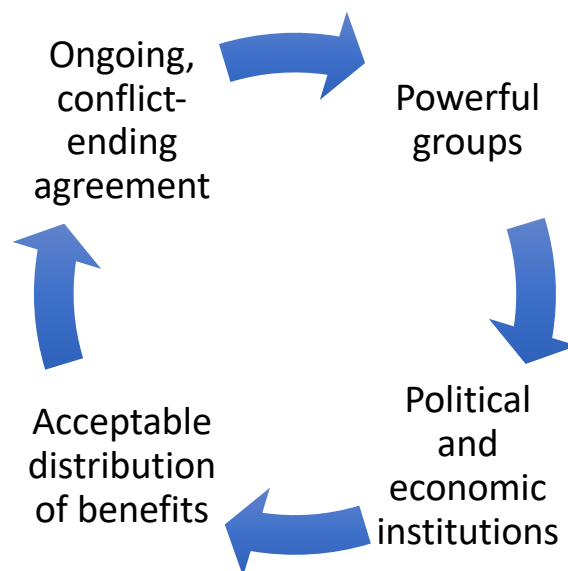
<sup>5</sup> (<https://en.oxforddictionaries.com/definition/settlement>)



From these sources, we might infer that popular usage understands a political settlement to be a settling down, resolution, or aversion of conflict, most likely the result of an agreement, perhaps official, presumably between the parties to conflict, but possibly also the result of a natural sedimentation or tacit acceptance, which creates a degree of fixity in who has political power, the institutions of government or governance, and or distributional issues.

To systematise, we propose a definition of political settlements which draws on everyday usage, is compatible with the way the term is used in the peace and conflict literature, yet also fit for the kind of institutional and policy analysis of Khan's framework. As visualized in Figure 1, a political settlement is (1) *an ongoing agreement among a society's most powerful groups over (2) a set of political and economic institutions expected to generate for them (3) a minimally acceptable level of benefits, and which thereby ends or prevents generalised civil war and/or political and economic disorder*. Stated this way, our definition preserves the intuitive association of a settlement as an agreement around a set of political arrangements with distributional consequences, thus conforming to Gerring's advice on sound concept formation.

**Figure 1.** The main components of a political settlement



Some elaboration is necessary: First, agreements can be formal or informal, voluntary or imposed; they can be 'thin', in the sense of consisting of little more than an agreement to divide rents, or 'thick' in the sense of embodying a more detailed vision for society; if they are not ongoing, there is not really a settlement; by powerful social groups, we mean groups that have the ability to overthrow or seriously disrupt the settlement (which may or may not be

elite-groups). Second, institutions can include formal institutions such as property rights and electoral systems, informal institutions such as patronage relations or in-group favouritism, norms around such things as gender or corruption, as well as specific policies. Third, benefits may be material or non-material, and they must be acceptable to the aforementioned powerful groups.

After having established what a political settlement is we need to clarify how we know when a political settlement exists and how we know when it has changed. On the first, we argue that we know there is a political settlement when (a) the most powerful groups in society are not actively challenging political arrangements, and (b) there has been a significant reduction in anti-systemic violence and other forms of disruption.

On the second, we can say that a political settlement has been replaced by a new one, when all three of its dimensions have changed. In other words, when there is a change in political arrangements which is made in order to end or forestall serious disruption by bringing about a new distribution of benefits, agreed or acceptable to powerful groups. The change must be significant (to be discussed later), otherwise we would talk about the settlement *evolving*. Similarly, if only one or two of the settlement's dimensions are changing, we would talk about change *in* the dimensions of a settlement, rather than the emergence of a new settlement.

In the following section, we illustrate the potential of the new concept by developing a tentative typology of political settlements. And, as will be discussed in greater detail subsequently, we think that this typology is particularly fruitful to thinking about variations in the deployment of state capacity and, ultimately, development outcomes.

#### **4. POLITICAL SETTLEMENTS DIMENSIONS: SOCIAL FOUNDATION AND POLITICAL CONFIGURATION**

How to distinguish between different types of political settlements? We propose to explore two crucial dimensions. Specifically, this paper differentiates between variants in a political settlement's *social foundation*, that is the identity and configuration of the groups that matter for a settlement, and a political settlement's *political configuration*, that is at the degree to which power is concentrated in the top political leadership.

#### 4.1. The social foundation of the settlement

A rich literature in political science and sociology explores the critical role of social classes and their organizational resources (e.g., trade unions, political parties, business associations) in the transformation of state institutions and their developmental effects (e.g., Albertus and Menaldo 2014; Huber and Stephens 2012, Haggard and Kaufman 2008; Korpi and Palme 1998;). According to this ‘power resources’ tradition, differences in how social classes are organized and how their political representatives relate to each other shape the choice and functioning of institutions and, ultimately, developmental outcomes. Thus, in countries where pro-poor civil society associations and political parties are comparatively strong over a sustained period of time political coalitions are likely to install state institutions with equalizing distributional effects. Conversely, in countries where subordinate sectors lack organizational resources, distributional coalitions are unlikely to emerge.<sup>6</sup>

A complementary but slightly different perspective is provided by the *ethnic power relations* approach. Rather than social class, it focuses on power differences between ethnic groups and their inclusion among the ruling elite<sup>7</sup> (e.g., Wimmer 2002; 2018; Cederman, Wimmer, and Min 2010). According to this perspective, access to the highest level of government power grants ethnic groups influence over the institutional set-up of society, thereby shaping the distribution of resources (e.g., subsidies for industry-specific human capital and infrastructure) and the allocation of public goods (e.g., health care, basic sanitation). This is largely because of intra-ethnic favouritism in the staffing of the state bureaucracy (or at least its upper echelons) (Adida 2015), but also other processes through which politically powerful ethnic groups gain advantages (Franck and Rainer 2012). Thus, in countries where most, if not all major ethnic groups are integrated into the central power structure and form part of the ruling elite,<sup>8</sup> more universalist and equalizing forms of public goods provision are likely to emerge, whereas in countries where many if not most ethnic groups remain excluded, less equalizing institutional arrangements are likely to prevail (Wimmer 2018).

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<sup>6</sup> Barrington Moore’s (1966) study of the political conditions under which different agrarian societies make the transition to industrialization is arguably an early example of this approach. Moore argued that countries where the middle class was strong, industrialization proceeded under democratic institutions, but where it was weak, authoritarian transitions were the norm. Thus, political institutions (democracy or authoritarianism) and economic institutions (pre-capitalist and capitalist) are explained by pre-existing social and class structures.

<sup>7</sup> By ruling elites we mean the group of people that occupies executive offices and important positions in the central state administration and thus holds the power to take authoritative decisions (Whitfield et al. 2015: 24, footnote 20).

<sup>8</sup> Another logical possibility implied by a power-configurational approach is that countries with only one (very large) ethnic group have, *ceteris paribus*, more equalizing institutional arrangements.

Whatever their differences with regards to the specific social cleavages and mechanisms they emphasize, the two approaches converge in emphasizing that trajectories of development, whether economic transformation or public goods provision, are crucially affected by the distribution of power in society. The overall causality runs from power relations to institutions to development, with coalitions as the crucial intervening mechanism. Power differences between social groups lead to distinct patterns of political competition and coalition formation, and these coalitions in turn shape the choice and performance of institutions—largely to achieve political stability and ensure that the distribution of state resources is in line with the existing distribution of power (whether analysed in terms of income, collective organization and/or status) in society.

We believe that injecting some of these insights into political settlements analysis can help enhance the latter's explanatory power and precision. Specifically, we begin by looking at the political settlement's *social foundation*, that is the groups that 'agree' to the settlement. These are the groups that are important to the settlement's reproduction, in the sense that they have the power to overthrow or seriously undermine it. We call this ability 'disruptive potential'. Disruption, it should be stressed, can take various forms, for example:

- A military or palace coup *d'état*
- Armed insurgency
- Economically crippling disinvestment (including withdrawal of foreign aid), sabotage, or strike action
- Mass civil disobedience or disorder
- Credible electoral threats to the existing order

To identify disruptive potential we consequently need to look for individuals and groups that have military or other violence capability; significant informal power or 'King-making' ability; strategically very important economic power; mass-mobilizing capability; or anti-system political views with some electoral capability. In many cases, there will be a history of action that provides evidence of this potential; in others, the analyst will have to make a judgement based on imagined possibilities, including possibilities of simultaneous action or coalition-building with other disruptive groups. Disruptive potential is to some extent a form of latent or passive power. This power need not ever be exercised; to be effective, it is sufficient that the leadership be aware of its potentiality.

In order to trace variations in the social foundation of political settlements we draw inspiration from the work on state-building done by Richard Doner and his colleagues (2005) and their emphasis on ‘systemic vulnerability’ in shaping the perceptions and actions of state leaders. We hypothesise that groups with disruptive potential will be a special focus for the country’s top political leadership. State leaders are likely to respond to disruptive potential using two basic strategies: cooptation and repression. Cooptation can take non-material and material forms. Regarding the former, it may expend considerable efforts on an ideological strategy for inculcating a belief in the settlement’s ‘naturalness’ or ‘rightness’, in which it is likely to enlist intellectuals and religious authorities among others. Regarding the latter, it is likely to distribute material benefits, perhaps in the form of patronage or pork barrel handouts or perhaps via more programmatic initiatives, such as economic growth and social development policies. We call coopted groups the settlement’s social foundation.

With respect to repression, the political leadership may decide that it is better to repress some groups than to coopt them. This is likely to depend partly on the leaders’ normative orientation, and partly on a calculation regarding the relative costs of each strategy. If we assume that the marginal costs (and risks) of repression vs. cooptation grow as groups increase in size, we can posit that political leaders are more likely to repress small groups than large ones. The virulence of the threat posed by these groups, their presumed ideological flexibility, plus the availability of outside resources to assist with either repression or cooptation, are also likely to enter the equation.

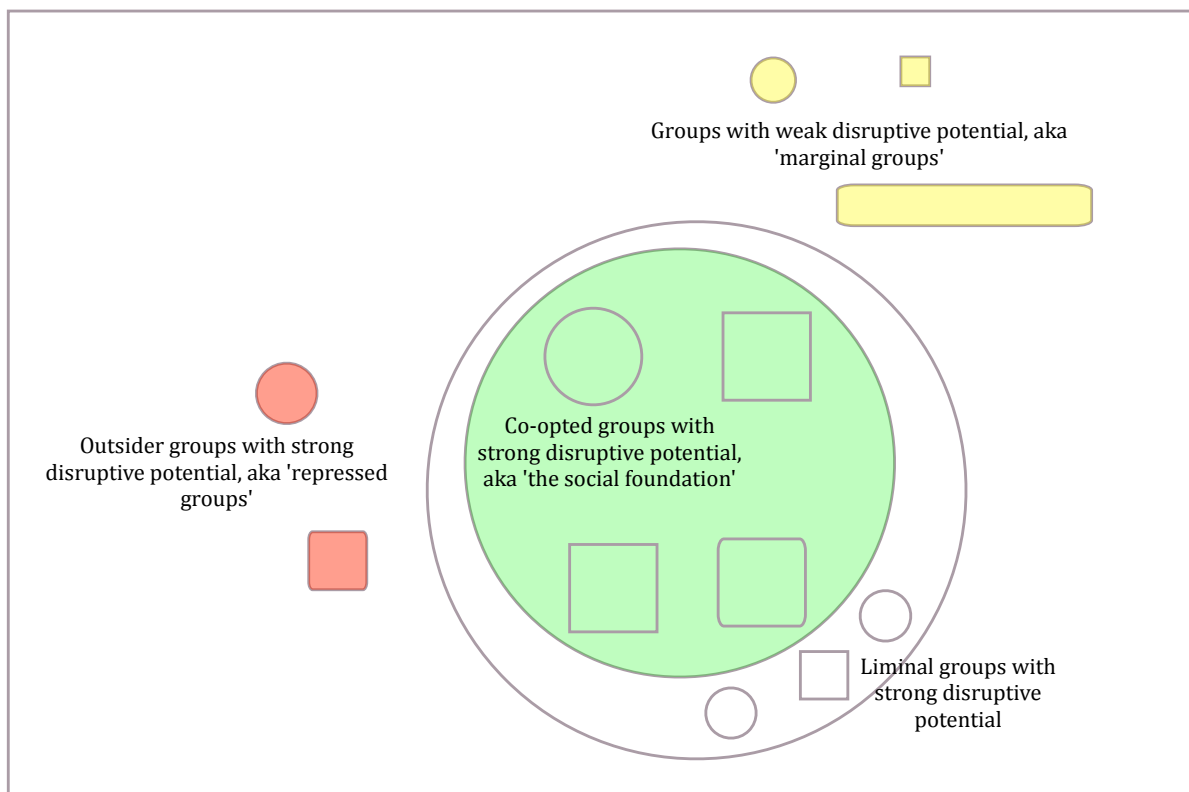
Some readers will doubtless point out that in real life matters are rarely so clear cut, and that oftentimes the leadership will pursue a mixture of repressive and cooptive strategies vis-a-vis any particular social group, with the balance of this mix changing over time. That granted, we believe it should be possible, at any point, to distinguish the top leadership’s *dominant strategy*, and thus to say which groups comprise the foundation of the settlement. Where it really is impossible, it may be legitimate to categorise a social group as occupying a liminal position, as represented by the outer circle in Figure 2.

Note that groups that lack disruptive potential are *marginal* to the political settlement: they are strictly speaking not part of its social configuration, although they may be included, purely for illustrative purposes, in diagrams of it.

Naturally, there are a number of other complicating factors. To begin with, social groups can be quite fluid, as new political and social identities emerge or dissolve, as disruptive potential waxes and wanes, or as new coalitions among groups get formed. The implication is that the composition of the settlement’s social foundation is unlikely to be static over time.

However, the social foundation can evolve without the settlement itself changing, so long as one or more of the other dimensions of the settlement remains constant. For example, a group that was formerly repressed might switch to being coopted, without any major institutional or distributional changes, simply because of a change of heart, or shall we say change of attitude, on behalf either of the top leadership, or the group itself.

**Figure 2.** The social configuration of the political settlement



International actors can also be part of the settlement. They can be ‘coopted’, ‘liminal’, ‘marginal’ or ‘repressed’, depending on their disruptive potential and the leadership’s strategy towards them.

It is also important not to confuse the settlement’s social foundation with the polity’s ‘winning coalition’ (those groups that are essential to placing and sustaining the leadership in power). While in non-institutionalised autocracies there is likely to be quite a high degree of overlap, in the sense that the groups that can remove the leadership *are* the groups with disruptive potential, in more institutionalised autocracies or competitive democracies, this need not be the case. For example, in a genuinely competitive mass democracy or polyarchy, the winners may need to build an electoral coalition that includes at least some unorganized groups

and individuals without significant disruptive potential.<sup>9</sup> At the same time, the winners can exclude groups that *have* disruptive potential, knowing that, given basic agreement on the rules of the democratic system, this potential will not be exercised. They would be unwise completely to ignore the interests of these groups, however, if they wish support for the democratic settlement to endure.

Knowing the identity of the groups that comprise the settlement's foundation can help explain some of the content of public policy, or at least public policy efforts. If garment producers have a lot of disruptive potential, for example, the political leadership will likely try to placate them with favourable policies. If mining companies, or 'working class women', or 'Catholics', or 'Hutu elites' have a lot of disruptive potential, the same. More generally, we can say that where the groups with disruptive potential are both broad (in the sense of being socially and or geographically diverse) and deep (in the sense of spanning different economic strata), then the leadership will likely try to deliver inclusive benefits. By contrast, where groups are narrow, or shallow, a more exclusionary strategy will suffice.

In sum, social foundation captures the relationship between the top leadership and other powerful groups in society. The main distinction is between a *broad* and *narrow* social foundation. This distinction helps to identify the groups that the ruling coalition feels obliged to respond to in policy terms. A broad social foundation is characterized by a variety of powerful groups with military, economic, or mass mobilization capabilities, making it more likely that rulers perceive themselves to be subject to 'systemic vulnerability' (see Doner et al. 2005). By contrast, in a narrow social foundation the governing coalition is composed of only a few insider groups with disruptive potential, and rulers tend to feel less systematically vulnerable to potential threats emanating from organized groups in society.

We believe this marks a significant advance over existing political settlements frameworks, including those of Khan and Levy. Khan focuses on the strength of the ruling coalition relative to its own internal factions and excluded factions, while Levy simply focuses on the ease with which the ruling coalition can be displaced. Neither approach provides an inherent method for determining the breadth or depth of the population categories that the top leadership is likely to pay special attention to.

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<sup>9</sup> A slightly different point is that in a genuinely open political system, even marginal groups have a kind of latent disruptive potential in the sense that they could conceivably vote for anti-system politicians or parties, meaning that they are consistently ignored at the settlement's peril.

## **4.2. The political configuration of the political settlement**

Our next move is to dissect the ‘political configuration’ dimension, with a particular focus on the extent to which political arrangements concentrate political power. This, however, begs the question of how to distinguish between different concentrations of power. In PSA the most explicit definition of political power can be found in Khan, who, drawing on the ‘chicken game’ in game theory, defines it as ‘the capability of an individual or group to engage and survive in contests’ (2010: 6). The advantage of Khan’s approach is that it moves beyond an overly narrow institutional perspective, which focuses on the concentration of powers that flow from different branches and levels of government or types of electoral or party system. While it is tempting to rely on formal institutions, since these are easily measurable and may certainly assist or detract from the ability of different groups to exercise political power, they are not the sole determinants of it. Informal institutions, political skill, social power, external circumstances and so forth also come into play and may be particularly important in a developing country context.

At the same time, we also see important drawbacks with Khan’s approach to the analysis of political power and its concentration. While his definition offers the advantage of conceptual clarity and theoretical fecundity, it comes at the cost of reductionism. Conflicts are often a part of development, but it would be a travesty to suggest, for example, that getting teachers to teach better is merely a case of one group winning a contest over another. Khan’s analysis of contests over the distribution of benefits often segues into a discussion of contests over the distribution of economic rents. Even in the realm for which the analysis was intended, however—that of industrial policy and economic development—successful policy is often about more than the distribution of rents. Another flaw is that this conception of power appears to be overly ‘zero sum’. In chicken games, there is only one winner, but while some development problems may be solved by one group roundly defeating another (the beneficiaries of damaging vested interests, for example) others have win-win solutions if only actors can be coordinated.

Moving beyond Khan, we can draw inspiration from a significant scholarship that traces political power and its concentration by focusing on the extent to which the top leadership can be reasonably assured of the loyalty of its allies in the governing coalition (e.g., Kohli 2004, Waldner 1999). The configuration of power dimension thus captures variations in the cohesiveness of a settlement’s governing coalition and, by extension, differences in the allocation of decision-making procedures and authority among coalition partners. Seen in this



light, the extent of power concentration establishes the parameters in which state leaders can mobilize consensus around broader policy goals, achieve particular policy objectives and resolve collective action problems associated with policy implementation.

Building on these insights, we can distinguish between *concentrated* and *dispersed* political settlements. In a political settlement with a concentrated configuration of power a cohesive governing coalition has managed to resolve internal disputes, bridge social cleavages and allocate authority among different coalition members. It therefore can establish coherent decision-making procedures and achieve certain basic types of coordination, while intra-elite conflict is low. In a political settlement with a dispersed configuration of power, by contrast, such cohesion and coherence are absent, often reflecting active social cleavages that foment conflicts among coalition partners. As a consequence, scattered and uncoordinated authority ranges across various elites, organizations, coalitions, and other centers of power. An in order to take decisions and implement policies state leaders need to balance or continuously negotiate with numerous recalcitrant sources of power, starting perhaps with the top leadership's own inner circle and stretching as far down as the grass roots.

Note that concentrated power can exist in vastly different political regimes, ranging from a well-functioning parliamentary system with a rough consensus on national goals—like that in the Netherlands—to a functional one-party state, such as China. Likewise, dispersed power can apply to incoherent democracies as well as disorganized autocracies. Moreover, the concentration of power in the hands of the top leadership shape what kinds of institutions emerge, and when and how those institutions function in ways that transform the economy and contribute to public service provision, the focus of the next section.

## **5. THE DEVELOPMENTAL IMPLICATIONS OF POLITICAL SETTLEMENTS: A TENTATIVE TYPOLOGY**

We now turn to the developmental implications of different political settlements. Specifically, we explore how variations in a settlement's social foundation and political configuration might affect development outcomes. To do so, we first sketch out some broad expectations about possible consequences of the two political settlements dimensions for economic growth and public goods provision. We then present a fourfold typology that combines the social foundation and political configuration dimensions to develop more fine-grained hypotheses about the consequences of different political settlement types.

### **5.1. Political settlement dimensions potential developmental consequences**

For starters, the same political settlement variant might have contrasting implications for different aspects of development. Sustained economic growth or economic transformation (e.g., industrialization) require a different political handling and are facilitated (or constrained) by different kinds of power relations and institutional arrangements, when compared to social provision and public services. Moreover, political settlements affect development outcomes through different causal channels. For the sake of simplicity this paper differentiates between the role of political settlements in motivating state leaders to pursue development (whether economic or social), and in affecting their capabilities to do so. In other words, we focus on how different political settlement variants implicate (a) elite commitments, or the top leadership's dedication to economic growth and/or social provision, and (b) state capacity, or the overall organizational competence of the state apparatus to implement policy decisions.

Social foundation. Drawing on these distinctions, we first turn to the political settlement's social foundation and its developmental consequences. For starters, in a narrow social foundation the top leadership primarily worries about the cooptation of a small range of particular groups, and deploys administrative competencies and state resources primarily to satisfy their interests. By contrast, a broad social foundation is characterized by a variety of powerful groups with disruptive potential. Under these circumstances, the top leadership faces distinct and sometimes even contradictory policy demands, and state capacity is deployed with an eye on garnering support or quell the resistance of these empowered sectors of society.

Seen in this light, we expect a broad social foundation to have distinct implications for economic and social development, largely because it leads to different kinds of elite commitments. Specifically, broad settlements are more likely to instigate state leaders to pursue social provision over growth policy given the more visible, equitable and immediate returns. In the context of narrow settlements, by contrast, state leaders might more single-mindedly pursue growth, with less concern for its distributional consequences. In fact, as the scholarship on developmental states (e.g., Kohli 2004; Waldner 1999) reminds us, a multiplicity of goals can easily turn into an obstacle for achieving sustained economic growth, or even substantial economic transformation. The top leadership might deploy limited state resources in an unsystematic and sometimes even contradictory manner, for example by promising to deliver both industrialization and land reform at the same time. A narrow political settlement, by contrast, allows state leaders to pursue their goals single-mindedly, thereby facilitating the pursuit especially of economic transformation.

On the other hand, a different body of work suggests that broad social foundation facilitates information exchange and organizational collaboration with non-state actors (e.g., Brysk 1994; Woolcock 1998). This is particularly beneficial when it comes to social provision. Specifically, an empowered population with disruptive potential is better able to bundle individual needs and wants into collective claims, while state leaders are more likely to respond to and deliver on those claims. The top leadership is also more likely to act as a “catalyst” and mobilize powerful non-state actors—whether unions, NGOs, or business associations—to accomplish its goals. By contrast, a narrow social foundation means that state leaders lack the incentives to establish durable social ties to non-state actors.

Power configuration. We now turn to the political settlement’s political configuration and its potential developmental consequences. A concentrated power configuration means that state leaders can implement broad policy objectives without resorting to continuous renegotiation among different factions of the governing coalition. A dispersed power configuration, by contrast, reduces the prospects for resolving existing and future collective action problems among the governing coalition.

Seen in this light, power concentration can be a great asset when it comes to the creation and deployment of state capacity. When political power is concentrated, the top leadership will be able to solve principal-agent, commitment, and collective action problems. This does not mean that state leaders can solve any problem at hand, but they usually can solve them for the issues that matter most to the reproduction of the settlement. And an interesting implication of this is that the more concentrated the power configuration, the easier the leadership finds it to implement particular policy choices, whether related to economic growth, industrial transformation, or social provision.

We further expect dominant political settlements to be more effective at creating and deploying state capacity (for better or for worse), largely because it allows state leaders to pursue state-building projects under a longer time horizon and pursue projects that take time (Levy 2014; Kelsall 2016a; 2016b). And as the scholarship on pockets of efficiency (e.g., Roll 2014) reminds us, power concentration also makes it comparatively easier for state leaders to insulate particular state agencies from political pressures. By contrast, power dispersion means that long-term tasks such as the construction of an effective tax state or a public health care system are less likely to be pursued. What instead prevails are short-term fixes, primarily aimed at keeping the current political settlement afloat.

At the same time, we should not hatch all our bets on power concentration. There is the risk of predation and it thus can also be a curse. In fact, power concentration may enable leaders

to force through unwise policy decisions, precipitating developmental tragedy. Indeed, we cannot say anything definitive about the ultimate developmental effects of power concentration: both South Korea, a great success, and Pol Pot's Cambodia, an unmitigated disaster, concentrated power.

Taken together, our discussion so far implies that the expected developmental consequences of political settlements thus likely depends on both, the specific settlement type—or the specific combinations of a settlement's social foundation and political configuration, and on whether the concern is with economic growth, industrial transformation or social provision as the developmental outcome to be explained. This is what the next section will develop in greater detail.

## **5.2. A typology of political settlements and some initial hypotheses about possible developmental consequences**

To further explore some of the possible implications of these two political settlements dimensions—social foundation and political configuration—we have constructed a two-by-two matrix. This should not be thought of as a typological theory predicting necessary and sufficient conditions for certain outcomes. As outlined above, the concept of a political settlement can be dissected in a variety of ways and development outcomes will also be influenced by numerous factors *outside* the political settlement. Nevertheless, we tentatively suggest some probabilistic associations based on the two dimensions discussed in detail above. Thus, in Table 1 below, the vertical axis distinguishes between settlements where the social foundation is broad and where it is narrow; the horizontal axis, between settlements where power is concentrated and where it is dispersed. Table 2 further summarizes our initial hypotheses and expectations with respect to a settlement's developmental consequences.

Broad-dispersed settlements and their expected developmental consequences: In this type of settlement there is an incentive for leaders to try and deliver economic growth and public services in order to garner support beyond the confines of the governing coalition. At the same time, power dispersion, most likely taking the form of factionalism and clientelism, means that state leaders struggle to solve collective action problems. Consequently, in broad-dispersed settlements social provision is likely be particularistic and they lack the kind of economic discipline appropriate to successful industrial policy and structural transformation. This combination is likely to result in average levels of progress on both growth and human development, but with the failure to promote successful industrial diversification leaving the

economy prone to some volatility. We can also predict that the leadership is unlikely to be able to enforce either highly successful or massively damaging development policies. And since power and benefits are relatively dispersed, the likelihood of a strong challenger to the settlement emerging is low making it fairly durable.

**Table 1.** Types of political settlements

Social foundation	BROAD and DEEP	<p><b>BROAD-DISPERSED.</b> Leadership minded to supply broad-based benefits but public goods provision difficult. Distribution likely to be particularistic.</p>	<p><b>BROAD-CONCENTRATED.</b> Leadership minded to supply broad-based benefits and public goods provision easier. Provision more likely to be programmatic.</p>
	NARROW or SHALLOW	<p><b>NARROW-DISPERSED.</b> Few incentives for leadership to supply broad-based benefits. Collective and public goods provision difficult. Elite benefits likely particularistic.</p>	<p><b>NARROW-CONCENTRATED.</b> Few incentives for leadership to supply broad-based benefits. However, exclusionary collective goods supply possible.</p>
		DISPERSED	CONCENTRATED

Political configuration

Narrow-dispersed settlements and their expected developmental consequences: We expect this type of settlement to face similar problems of policy implementation and discipline, but with state leaders having less of an incentive to even try to stimulate broad-based development. In fact, narrow-dispersed settlements appear to hold the least developmental promise, since the top leadership struggles even to supply elite-centered collective goods. State leaders are also likely to be repressive of outsider groups, though not in a coordinated way. This means that economic growth and improvements in human development are likely to be low. In these circumstances, an internal or external challenge to the settlement is probably high. This is because elite actors are not particularly benefiting from the settlement, so factions

among them will likely try to change arrangements by concentrating power and repressing rivals. Alternatively, a fragmented national elite may be vulnerable to foreign domination or takeover. We consequently expect that the durability of these settlements will be limited.

**Table 2.** Expected developmental implications of different political settlements types

<b>Type of settlement</b>	<b>Economic growth</b>	<b>Human development progress</b>	<b>Settlement longevity</b>
Broad-dispersed	Average, some volatility	Average	Average
Narrow-dispersed	Low, some volatility	Low	Low
Broad-concentrated	Tends to cluster at either end of the spectrum, but with more positive than negative cases	High	Quite high
Narrow-concentrated	Tends to cluster at either end of the spectrum; also increased risk of volatility	Low to average	Extremes likely

Broad-concentrated settlements and their expected developmental consequences: We consider this political settlement type as has having, *ceteris paribus*, the highest developmental potential. Being confronted with various empowered groups that hold disruptive potential (and likely are located outside the immediate confines of their elite allies), state leaders are motivated to try and engender broad-based growth and provide inclusive public services. And given that political power is concentrated in a cohesive governing coalition, the top leadership would likely have the wherewithal to create the state capacity to do so. In fact, broad-concentrated settlements are conducive to bringing elite allies and state leaders together in encompassing ‘protection pacts’ that facilitate revenue extraction and enable states to more effectively intervene in the economy and redistribute resources (Slater 2010). This said, much depends on the the soundness of the leadership’s policy choices, especially when it comes to industrial transformations. However, the *potential* for powerful groups in society to disrupt the settlement is likely to make the leadership less rash here, when compared to narrow settlements.

We would also expect this type of settlement to be fairly durable, although as development proceeds, there may be pressure to disperse power.

Narrow-concentrated settlements and their expected developmental consequences: In this type of settlement we expect a fairly extreme range of outcomes, depending on whether the leadership has a predatory or developmental outlook. In the absence of systematic vulnerability the top leadership tends to distribute state resources to these allied groups in return for political loyalty, a mode of rule that does not require broad-based public goods provision and economic transformation. And where narrow settlements are largely imposed on other groups and rely heavily on repression, there will also be incentives for these groups to try and overthrow these settlements in response to small shifts in the balance of power. This said, while narrow-concentrated settlements are often vulnerable to predation, coups and civil wars—and thus very poor growth performance—at least they have the potential to solve elite level collective action problems and acquire the characteristics of a proto-developmental state via early institution building, rudimentary rule by law via selective economic institutions and public goods. Ironically, the more developmentally successful of this settlement type may prove less durable than the less successful ones, since economic growth may broaden the range of potentially disruptive groups and lead to calls for new political arrangements.

### **5.3. A first note on potential policy implications**

We stress that because of the myriad other factors affecting the complex process of development, this matrix provides only a compass bearing, an initial means of orientation or a guide to making ‘first bets’. Nevertheless, and read thus, we think our framework establishes important insights into what drives politicians in some countries to provide more ‘inclusive’ forms of development than others, and also into the types of benefits they distribute. It also provides some clues as to where the focus for development strategy might be.

In broad-dispersed settlements, the state is likely to be a rather ineffective vehicle for development. That does not rule out, however, the possibility that inspirational leadership or pro-reform coalitions might build pockets of effectiveness within the state, or that there is considerable potential for non-state or multi-stakeholder solutions to development problems that build on the organizational potential of civil society.

In broad-concentrated settlements, by contrast, the leadership is incentivized to provide inclusive benefits and is also able to solve collective action problems and supply public goods. Technical and financial support to the state is likely to pay dividends, then, although policy

advisors may want to be careful about leadership ‘blind spots’ or ‘cognitive errors’ and—especially over time—a growing risk of unaccountable rule and predation.

In narrow-dispersed political settlements policymakers might try to analyse the sources of power dispersion, whether it be the lack of a common vision beyond rent-sharing, lack of trust among social groups, or political institutions that encourage fragmentation, and work to mitigate these—at the same time as trying to broaden the political settlement by enhancing the disruptive potential of currently marginalized groups. It must be stressed, however, that policymakers need to tread carefully here. The negative effects of political settlement breakdown can vastly outweigh those of even a developmentally moribund settlement.

In narrow-concentrated settlements policy makers might try to nudge state leaders in the direction of exercising this capacity in ways that encourage positive spillovers, instead of focusing on more predatory activities. The danger associated with blind spots and cognitive errors is likely to be particularly acute in this type of settlement, however, and partly as a safeguard against this, more overtly (or covertly) political work might focus on strengthening the organizational capacities of a broader range of social groups. Ideally, this might over time shift the political settlement in a broader and more balanced direction—though the potential for repressive backlash, or settlement collapse, must be taken seriously.

This said, we do not claim, that this approach can tell us the *whole* story of *why* a particular development strategy or policy was successful or not. For this, PSA will most likely need to be combined with an analysis of what we call ‘the policy domain’ and, in some cases, with an intra-household, familial level of analysis.

## **6. SOME INITIAL THOUGHTS ON THE ORIGINS AND CHANGES OF POLITICAL SETTLEMENTS**

So far we have reconceptualised political settlements, developed a new typology, and generated some tentative hypotheses about the developmental consequences and policy implications of different political settlement types. In doing so, we have argued that political settlements should be studied as analytically distinct from institutions, and in particular from political regimes and state bureaucracies that stand at the centre of institutional analysis in mainstream political science and political economy. In fact, we have made the case that political settlements are crucial for understanding the actual workings of institutions. For example, a democratic regime probably operates differently when orchestrated around a concentrated as opposed to



dispersed power configuration. This, however, does not mean that democracy can be analytically equated with the dispersion of power in a political settlement.

In this section, we switch perspective and take a first tentative step towards developing a framework for understanding the origins of political settlements. We start by exploring some initial ideas about how and when a political settlement might break down and/or evolve into another variant by distinguishing between exogenous ‘shocks’, more incremental shifts, and endogenous change. Political settlements are obviously affected by transformative events such as inter-state wars, colonial conquest, revolutions, and civil conflict, but also by more gradual changes associated with demographic shifts or technological change. In addition, we specifically explore how political regimes and state institutions—both central to political development—affect the likelihood of particular types of political settlements to emerge. The distinction between institutional arrangements as potential drivers and potential outcomes of political settlements is obviously an analytical one. In social reality the two interact, mutually reinforce, and (sometimes) change each other. It further bears emphasis that arguments developed in this section are still piece-meal and scattered and should therefore be read as a first sketch, and by no means a fully-developed theoretical framework for explaining the onset and change political settlements over time.

### **6.1. Exogenous and endogenous drivers of political settlement change**

There are a variety of exogenous shocks that can entail the complete breakdown of a political settlement, leading to an ‘unsettled’ period of generalized conflict and/or disorder. Especially lost international wars tend to upset existing arrangements about the prevailing institutional arrangements, largely because they curtail both the material resources and the legitimacy of the top leadership (Boix 2015; North et al. 2009; Schenoni 2020). Similarly, and as powerfully illustrated by the case of Iraq in 2003, foreign invasion usually implies the existing settlement’s breakdown and replacement by a new one. And, as has been shown by a rich literature in international relations and historical sociology, whether in France 1789, Russia 1917 or Iran 1979, social revolutions constitute another transformative event that entails, in most cases, the complete reorganization of the established political and economic order (Goodwin 2001; Skocpol 1979).

But these sudden and abrupt transformations are not the norm. Often rather incremental changes in a settlement’s social and political environment bring about its eventual reconfiguration of its social foundation and political configuration (see Pierson 2004). One of

these slow-moving processes is demographic change. Demographers have long pointed out that fertility transitions in developing countries unfold at distinct speeds for different socioeconomic groups, with the better-off usually transitioning more rapidly, while the poor delay fertility reduction due to higher levels of child mortality, labour needs, and limited access to social security schemes (Wietzke 2020). And there is good reason to believe that the resulting fertility inequalities affect a settlement's social foundation. If the relative size of popular sectors in society increase, so usually does their disruptive potential, especially in settlements where state leaders already perceive those sectors as a potential systemic threat.

A similar argument can be made for technological change as another relatively slow-moving process with potential consequences for political settlements. Most prominently, automation and the resulting decline in labour need may affect both, a settlement's social foundation and power configuration. For example, the broadening of the political settlement in the United States during the mid-20<sup>th</sup> century was—to an important extent—facilitated by the mechanization of cotton production, which instigated the 'Great Migration' of blacks to Northern industrial cities and increased their disruptive potential. At the same time, the importance of Southern planters and their political representatives at the federal state-level declined, thereby increasing the concentration of political power among national state elites in Washington (McAdam 1982).

Transformations of political settlements are not limited to exogenous shocks or incremental shifts related to demographic and technological change. Another mode is endogenous change driven by dynamics that are "baked into" the social foundation and political configuration themselves. For starters, political settlements may change endogenously because of their distributional consequences over time. This can occur if initially agreed-upon resource allocations benefit some groups more than others, leading to the intensification of intra-elite conflict and/or the formation of new subordinate challenges to undo the established institutional order (see Mahoney and Thelen 2010).

Another driver of endogenous change are the inner politics, and more specifically the coalitional dynamics within political settlements. The reproduction of a settlement over time does not happen automatically. It usually requires that state leaders actively seek to create and maintain coalitions in favour of the status quo. Referring to "individuals, groups or organizations that come together to achieve social, political and economic goals that they would not be able to achieve on their own" (Leftwich 2012), coalitions are by definition time-bound and flexible, and thus prone to change. Seen in this light, the continued mobilization of political support for the existing political settlement likely entails the formation of distinct

coalitions at different points in time. And it is these coalitional changes that ultimately open the door for incremental shifts in the settlement's social foundation and political configuration. For example, the postrevolutionary settlement in Mexico was characterized by striking durability, as politically expressed in the Institutional Revolutionary Party's (PRI) rule for more than 70 years. Yet, the settlement's specific governing coalitions shifted over time, witnessing the gradual inclusion of business elites and the increasing marginalization of organized labor and the peasantry within the settlement.

## **6.2. States and political regimes as institutional antecedents of political settlements**

This section builds and expands on the previous one by zooming in on the role of political institutions in shaping the social foundation and power configuration of political settlements. Institutions are ubiquitous in the social world. In order to gain analytical leverage we limit ourselves to two institutions that have been identified as pivotal facets of political development (Mazzucca 2010): the political regime as regulating access to power, and the state bureaucracy as shaping the exercise of political power. For regimes the main distinction is between democracies as political arrangements characterized, at a minimum, by competitive regular elections, freedom of expression, universal suffrage, and freedom of association, and autocracies as regimes where political power is not subject to checks (Dahl 2008). The main variation emphasized in the literature on state formation is between strong and weak states. State strength is usually associated with some degree of hierarchical organization and impartiality in the implementation of decisions (Evans and Rauch 1999; Centeno et al. 2017), but also with the capacity to reach through society and exercise control across state territory (Mann 1984; Soifer and vom Hau 2008).

Both institutions, political regimes and state bureaucracies, constitute important institutional antecedents around which a political settlement is orchestrated. Building on this insight, we draw inspiration from various bodies of work on democratisation and state formation to formulate more specific hypotheses about how regimes and state institutions might affect a settlement's social foundation and power configuration. As we will develop more carefully in the subsequent paragraphs, in some instances the expected causal relationship is rather straight-forward and uncontroversial, while in others different literatures provide the basis for radically different hypotheses.

Political regimes and settlement patterns: Various bodies of work, including studies on the economic origins of democracy (e.g., Boix 2003, Acemoglu and Robinson 2006) and power resources approaches (e.g., Rueschemeyer et al. 1992) provide the theoretical backdrop to expect that, everything else being equal, *democratisation broadens the settlement's social foundation*. One rationale for this claim is that—by granting formal citizenship rights, most importantly the right to vote, to all members of the polity—democratisation transforms the disruptive potential of social groups included in the settlement. Even subordinate groups that previously lacked any significant ‘disruption resources’ under authoritarian rule may become credible electoral threats in democracies (Rueschemeyer et al. 1992). Simultaneously, democratisation also facilitates collective action and mass civil disobedience by reducing the likelihood that state leaders resort to the outright repression (Tilly 2004).

The consequences of political regimes for the settlement's power configuration are less clear-cut and likely dependent on other conjunctural factors. One line of reasoning emphasizes that *democratisation increases the settlement's dispersion of power*. The basic idea behind this claim is that democracies not only grant political citizenship to subordinate sectors, these regimes also, *ceteris paribus*, intensify electoral competition among elites, thereby leading to a dispersion of power at the top. For example, Atul Kohli's (2004) study shows that the implementation of a single-minded pursuit of transformative economic growth characteristic of developmental states has been much harder to achieve in democracies. In those contexts, state leaders are constantly pushed to accommodate different elite interests.

Another perspective suggests the opposite, that *democratisation contributes to the settlement's concentration of power*, especially in contexts marked by high levels of inequality. According to this line of argument unequal democracies are a seedbed for the close alignment of state leaders and various elite factions. This is because participating in the democratic game and supporting democracy enables elites to better protect themselves against redistributive threats from below and/or arbitrary redistributive demands from authoritarian rulers (Albertus 2015). In unequal democracies, elites have broader constitutional guarantees (e.g., property rights regimes) to protect their assets than in autocracies. Elites also enjoy significant political influence, whether through campaign financing or privileged access to lobbying and the media (Hacker and Pierson 2010). Finally, as the examples of Brazil, the United States and South Africa show, unequal democracies are more prone to selectively enforce civil and political citizenship, leading to the institutionalization of privilege and exclusion and thus further the concentration of power at the top.

Taken together, political regime characteristics do matter for the kind of political settlement that is likely to crystallize in a particular setting. Democracy is expected to broaden the settlement's social foundations, while its consequences for the configuration of power within a political settlement are less straightforward.

State institutions and settlement patterns: The remainder of this section focuses on state bureaucracies and explores variations in state strength and their possible impact on political settlements. An influential scholarship has demonstrated a strong positive relationship between state strength and public goods provision. States are more effective at extracting revenue from their populations and providing basic public services such as education, health care and sanitation if they are reasonably centralized and infrastructurally powerful (Wimmer 2016; Rainer and Genaoilli 2007; Soifer 2015). Seen in this light, *high levels of state capacity expand the settlement's social foundation* because those states have the necessary resources at hand to co-opt social groups and distribute benefits.

This said, the relationship between state strength and the social foundation of political settlements can also be conceptualized differently. Another influential body of work posits a significant association between state strength and the absence of conflict (Fearon and Laitin 2003; Kurtz 2013). Strong states—that is, states that are relatively centralized and can reach throughout their territories—are better able to contain challengers and ensure political stability. Building on this perspective, we expect that *high levels of state capacity contribute to contract the settlement's social foundation*. The main rationale for this claim is that a state endowed with the administrative resources and infrastructure necessary to (if deemed necessary) rapidly deploy its military and police forces, enables the top leadership to repress social groups more effectively, even the ones with significant disruptive potential.

Another set of studies provide help to unpack the relationship between state strength and the political settlement's power configuration. These works start from the observation that state strength does not necessarily mean that state leaders provide benefits and enforce rules equally across the territories and populations they claim govern. High-capacity states are also more effective at targeting specific resources to certain areas and groups and implementing different routines for different populations (Holland 2017; O'Donnell 1993). For example, the court system may work more efficiently when dealing with the business class than when defending the poor, or the police may use force selectively to repress certain minority neighborhoods, something that would never happen in the neighborhoods where the ethnic

majority is concentrated. Following this line of reasoning we expect *high levels of state capacity to increase the settlement's concentration of power*. Given their greater effectiveness at ensuring the privileges of certain groups and (potentially) and enforcing the exclusion of others, those states are more conducive to the formation of cohesive elite pacts. By contrast, weak states are more prone to persistent intra-elite conflict over the distribution of state resources.

## 7. CONCLUSIONS

Political settlement analysis is at the heart of the 'post-institutionalist' turn and its attempt to inject politics into the study of development. In this paper we have built on yet also moved beyond the existing scholarship by revisiting how political settlements are conceptualized and by distinguishing between four different types of political settlements. Specifically, we have treated political settlements as relatively high-level, durable, agreements about the institutional order and distribution of benefits in society that shape some of a society's most important political, economic and developmental outcomes. Building on this root conceptualization, we have developed a new typology that identifies variations in a political settlement's social foundation (i.e., the size and identity of constitutive groups) and its political configuration (i.e., the degree to which power is concentrated in the top leadership). And equipped with this typology, we have developed a number of hypotheses about the expected consequences of different settlement variants on economic and social development, and detailed some of their policy implications.

This paper has also addressed the replacement and evolution of political settlements. We have delimited a range of exogenous drivers of political settlement change, including transformative events such as wars and revolutions, but also more gradual shifts related to demographic and technological change. Another concern has been the role of political regimes and state bureaucracies in shaping political settlements. Overall, we contend that the relationship between those institutions and settlement outcomes is not straightforward. While differences between democracy and autocracy, and between strong and weak states, certainly impact on the kind of political settlement that prevails in a particular setting, variations in political settlements (e.g., between broad vs. narrow, dispersed vs. concentrated) cannot be

reduced to variations in political regime types and state strength. In other words, the formation of particular political settlements is not reducible to specific institutional legacies.

In light of this conceptual and theoretical work, how could PSA be most fruitfully advanced further? We maintain that more empirical research is needed that systematically explores the usefulness of our political settlements typology across space and time. This can be done in at least two ways. One is to conduct in-depth comparisons of cases (or combinations of cases) that pose a challenge to existing explanations of economic and social development. For example, future work would assess the insights derived from PSA for empirical cases whose developmental trajectories cannot be explained by geography, regime type, and/or legacies of state formation. The second one is to apply the political settlements typology to a larger number of cases and investigate its explanatory power vis-a-vis established factors. In order to do so, researchers at the Effective States and Inclusive Development Research Centre (ESID) are currently working on a new dataset that includes comprehensive information on political settlements across 35-40 developing countries and is thus suitable for statistical analysis (Kelsall et al. 2020).

Yet, there is also more theoretical work needed to consolidate PSA as a viable research program. For one thing, the role of ideas in political settlements needs to be further unpacked. Political settlements are shot through with ideas, not the least because the powerful groups involved must agree on something. Abstractly, this might be some kind of vision for society and the direction in which it is heading, even if that is only a very basic conception of sharing the spoils of peace (Lavers 2018). Finally, and building on our arguments about how the developmental consequences of political settlements vary, depending on whether the outcome is economic growth or social provision: Political settlements are mediated by an additional, meso-level field of power relations within which actors promote competing policy agendas, which we call ‘the policy domain’ (e.g., education, health care, natural resources extraction). Different policy domains have different degrees of autonomy with respect to the national level political settlement, depending on their importance to governing elites for economic rents and popular legitimacy. The resulting interactions mean that some countries perform better or worse than might be expected in certain policy domains, given their type of political settlement.

Thus, a lot remains to be done in order to put PSA on a more solid theoretical and scientific footing. The main contribution of this paper has been to illustrate the potential of this approach by tracing the concept’s evolution, clarifying its content, presenting a new typology, and developing some initial hypotheses about the developmental consequences, origins and changes of political settlements.

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