

## From Political Economy to Political Analysis

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This paper argues that existing political economy approaches lack the analytical tools needed to grasp the inner politics of development. Political economy has come to be seen narrowly as the economics of politics – the way incentives shape behaviour. Much recent political economy work therefore misses what is distinctively *political* about politics – power, interests, agency, ideas, the subtleties of building and sustaining coalitions, and the role of contingency. This paper aims to give policy makers and practitioners more precise conceptual tools to help them interpret the inner, ‘micro’, politics of the contexts in which they work. It argues in particular for more focus on recognising and working with the different forms of power, on understanding how and where interests develop, and on the role of ideas.

### Introduction

This paper provides a set of conceptual tools and an analytical framework that we hope will help to move the analysis of the politics of development beyond simple ‘political economy’ to incorporate ‘political analysis’. The aim is to deepen understanding of how politics shapes and frames developmental processes.

As understood here, politics is about the structures, institutions and operation of power and how it is used in the competition, conflict and deliberation over ideas, interests, values and

preferences; where different individuals, groups, organisations and coalitions contest or cooperate over resources, rights, public rules and duties, and self-interest; where deals are struck and alliances made or broken; and where establishing, maintaining or transforming political settlements, institutions and policies is an ongoing process.

This paper – on its own – will not tell policy-makers or practitioners ‘what to do on Monday morning’. But it will help provide sharper concepts and deeper understanding, tools that can help them interpret more accurately the inner politics of the contexts in which they work and how to use that understanding to frame and implement aid and development policies and programs.

### Politics matters

Over the last twenty years or so, it has become widely accepted in the ‘official mind’ of development organisations that ‘politics matters’. During that time, important efforts have been made to try to understand how political processes affect development trajectories, and to work out what policy and operational messages can be derived from that understanding.

All these attempts have come to be loosely categorised under the generic term ‘political economy’, although this is probably something of a misnomer. Nonetheless, in their own pioneering way, they

did start to address issues closely associated with politics and development through their focus on questions of governance.

Political economy has thus now virtually become a shorthand term for the emerging consensus that it is not only technical, administrative or managerial factors that explain poor development performance. The way in which political and economic processes interact is also critical in promoting or frustrating developmental processes.

There have been three broad phases – or ‘generations’ – of political economy work. And each, in its own right, is a broad church using a wide range of methods and approaches for the analysis of the politics of development. Overlapping in time, and borrowing from and building on each other, these three generations together constitute what is now loosely called political economy.

### Three generations of the political economy of development

We categorise the three generations of political economy roughly as follows.

- The ‘first generation’, in the 1990s, mainly addressed issues of ‘governance’ (and especially the reasons for the absence of ‘good governance’), but largely from a technical, administrative, managerial, capacity-building and, subsequently, public sector management perspective. Work in this tradition continues.
- The ‘second generation’ is best typified by DFID’s Drivers of Change, SIDA’s Power Analysis, and the Dutch SGACA work (Strategic Governance and Corruption Analysis). Importantly, these approaches and the many studies they generated made a huge contribution. They ‘brought politics back in’, with a greater emphasis on historical, structural, institutional and political elements that shaped the context within which actors worked.
- The ‘third generation’, often combining elements from the previous two, has come to be strongly influenced by assumptions,

concepts and methods drawn from economics. It emphasises the way in which institutional incentives shape behaviour to produce positive or dysfunctional developmental outcomes. In short, political economy has come to be the economics of politics, and less about political analysis.

### Political economy and political analysis

Political economy work has made a huge contribution to bringing politics back in, but it has a number of limitations.

The key analytical concepts are seldom well-defined, carefully differentiated or usefully disaggregated. Among these we include institutions, structure, agency, ideas, contingency and – above all – power. The way they are used tends to provide for lumpy, one-dimensional analysis. It does not allow analysts or policy makers to reach the detailed inner politics that shapes or frustrates change.

The explanatory core of third generation political economy has increasingly come to focus on how interests, incentives and institutions shape and explain both how agents behave and the political processes and practices that affect development outcomes. Yet this influential ‘third generation’ approach – the ‘economics of politics’ – is only one among many schools of political economy. Third generation political economy appears not to have drawn on any of these other schools or the rich seams of theory, concepts, findings and analysis in political science.

The net effect has been to transform the analysis of politics into the economics of politics. And, by effectively reducing politics to a form of ‘market’, much recent political economy misses what is distinctively political about politics – power, interests, agency, ideas, building coalitions and the impact of contingency.

Political analysis on the other hand takes politics, power and agency much more seriously. Unlike second and third generation political economy,

political analysis enables one to dig down to the level of messy, everyday politics.

This is where there are competing ideas, interests, values and preferences; where specific groups and interests struggle over the control, production, use and distribution of resources; where conflict is negotiated; where bargains are struck; and where formal and informal political settlements, alliances and coalitions are made and broken. Here politics collapses and violent conflict can break out; institutions are contested, shaped, implemented, avoided, undermined or amended; contingency, critical junctures and windows of opportunity disturb old patterns or open up new possibilities and – crucially – here the different players use different sources, forms, expressions and degrees of both de jure and de facto power.

There is now a growing realisation that we need to refocus not simply on ‘big structures’ but also on actors – in short, agency, defined as the ability of individuals, organisations and groups of collective actors to consciously deliberate and act strategically to realise their intentions, whether developmental or not. But, whether individual or collective, agents do not work politically in a limitless, structureless and institution-free plane of open possibilities.

The structural and institutional contexts of power – formal and informal, local and external – always and everywhere constitute constraints. However, while structures and institutions are constraints, they are not destiny. People, groups, organisations and coalitions do not move in unison, like reeds in the wind, to a change of incentives.

Structures and institutions provide opportunities and resources that agents can use – and hence also provide room for manoeuvre. The point is that structures and institutions of power not only constrain political actors, but can also provide the resources which they, as agents, can find and use to initiate or bring about change.

Hence the key to understanding the contested dynamics of political and developmental change lies in understanding how political actors interact and jostle not only with each other but also against,

around and with the structural and institutional context they operate in, using the resources and opportunities it provides. If politics matters, then agency – political strategising, organising, framing, choice and action – matters.

The core dynamic of political processes, and hence of developmental change, lies in the relations of structures and agents, contexts and conducts, institutions and organisations.

Political analysis does not ignore interests, incentives or institutions, but goes further and deeper. It differentiates and disaggregates interests, ideas, incentives and institutions, and also has the analysis of power (and the sources and forms of power) at its core. Quite simply, political analysis offers a much more detailed and granular way of getting to grips with the processes that drive and constrain development. It sees politics as the dynamic and contingent relationship and the seat of the action between power, structure, and agency.

Political analysis focuses on how the structures and institutions of power shape how agents behave, and how they do or can strategise, frame, generate, use, mobilise and organise power and institutions to bring about domestically owned deliberation and appropriate change in the politics of development.

Ultimately, if you wish to defeat poverty, prepare to address the power and the politics that keeps people poor. That’s why political analysis matters.

### Structure of the paper

- Section 1 sets out context and argument.
- Section 2 briefly traces the emergence of politics in the ‘official mind’.
- Section 3 analyses the evolution of the ‘second generation’ approach from earlier concerns with ‘governance’ and offers a critique.
- Section 4 unpacks what is conventionally understood as ‘political economy’ in the third generation of work and discusses the influential ‘economics of politics’ approach.
- Section 5 provides a critique of the economic assumptions behind this approach.

- Section 6 outlines the key and disaggregated conceptual elements of an ‘enhanced’ and more systematic approach – political analysis – that draws on these various political economy tools, but goes much deeper.
- Section 7 offers a theory of change and points the way towards an applied political analysis approach.

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The Developmental Leadership Program (DLP) is an international research initiative that aims to increase understanding of the political processes that drive or constrain development. DLP’s work focuses on the crucial role of home-grown leaderships and coalitions in forging legitimate institutions that promote developmental outcomes. DLP’s independent program of research is supported by the Australian Government.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the Australian Government or any of DLP’s other partner organisations.

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