



## **Analysing the Politics of State-Business Relations**

**A methodological concept note on the  
historical institutionalist approach**

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## INTRODUCTION

The cluster on State Business Relations (SBRs) is one of the key components of the IPPG consortium research programme. It seeks to deepen our understanding of the provenance, evolution and forms of both formal and informal institutional interactions between states and businesses; to identify the factors which affect the relations between states and businesses and which shape the institutions (both formal and informal) which govern them; and to measure the effects of different configurations of SBRs on economic growth. SBRs may be said to be of interest to institutional theory to the extent that the pattern/s of these relationships are governed by either or both formal and informal rules, that is regular or institutionalised practices which govern how states and businesses interact; or – to be more precise – how the relations, dealings and interactions of organisations representing business, on the one hand, and the state (or its specific departments, or agencies), on the other hand, are structured by institutional arrangements. It is the nature of these arrangements that is of institutional interest.

The cluster seeks to draw on both political science and economics to facilitate our understanding of these matters. It works from the premise that economic growth is a necessary though not sufficient condition for poverty reduction, and that sustained growth is more likely where there is positive 'synergy' between states and business (Lange and Rueschemeyer, 2005: 240), rather than a negative 'synergy' in the form of unproductive collusion between the two (leading to pervasive rent seeking), 'predatory' behaviour by the state on the business sector, or 'capture' of the state by powerful interests in the private sector.

Following, Maxfield and Schneider (1997:6–15), it is assumed that positive (that is, growth inducing) 'synergetic' or collaborative institutional arrangements between states and businesses are characterised by a good two-way flow of information between them allowing *transparency*; by *reciprocity* in their relations; by conditions where the intentions and commitments of the state are held to be *credible*; and where, together, these produce high levels of trust. There is no single template for the institutional form of positive SBRs, as will be illustrated later, and hence these relations may find their expression in a great variety of institutional forms, both formal and informal, from the formal corporatism of some Scandinavian countries to loose informal networks. Moreover, it is assumed that *political* processes shape the institutional forms and functions of these relations as well as the characteristics and features of both the organisations representing the state (ministries or agencies) and, especially, business associations.

The cluster is concerned with two broad and cognate approaches to SBRs. On the one hand, from a political science perspective, we are concerned to explain the evolution of the forms of SBRs in any given state (or at sub-national level in constituent states in federal polities, as in India for example). On the other hand, in deploying econometric techniques, studies in the cluster seek to measure the forms of SBRs and trace their impact on economic growth. Work in both fields is taking place in Africa and India. Some of the projects focus on the former, some on the latter, and some on both.

This concept paper deals with the first set of questions, concerning the politics of SBRs, and it sets out some of the key conceptual issues in the historical institutionalist (HI) tradition, offering some ideas about how researchers might be able to deploy the relevant concepts and methods as they take their work forward. A second concept note on how to measure the effects of SBR on economic growth by Dirk Willem te Velde is available.

The link between the two concept notes is this. Whereas this note sets out some of the key analytical approaches for explaining the provenance and forms of SBRs – that is the political processes which shape them – the second note will outline some techniques for measuring these different forms. The second note will focus on selected indicators and measures for:

- The way in which the private sector is organised vis a vis the public sector
- The way in which the public sector is organised vis a vis the private sector
- The practice and institutionalisation of SBRs
- The avoidance of harmful collusive behaviour

## CONTEXT

The study of state-business relations is hardly new in the social sciences. It can be traced back to Adam Smith, at least, and many political scientists and economists since then. As Charles Lindblom has put it: 'certain questions about governmental-market relations are at the core of both political science and economics, no less for planned systems than for market systems' (Lindblom, 1977: ix).

The study of SBRs can be approached from a number of angles and perspectives (see Leftwich, 2007; and Chingaipe and Leftwich, 2007: pp 12–13 for a fuller discussion and detailed references). The following brief headings indicate just some of the different analytical interests that have been brought to bear on the subject:

- For some, the study of SBR has been associated with their interest in the processes of *capitalist development*, for instance in the ways in which different forms of 'hand-in-hand' relations give way to 'arms-length' relations between states and businesses in maturing capitalisms (Heilman and Lucas 1997, Moore and Schmitz, 2008).
- Others have conceptualised SBRs as part of the process of *democratising governance* through the widening or 'pluralisation of the institutional environment' (Lucas, 1997:71) whereby a broader and deeper set of linked institutional arrangements enhances participation and accountability, especially with respect to economic affairs and their management.
- Associated with this, some scholars (Moore and Hamalai, 1993) have analysed SBRs in terms of their contribution to the *deepening of civil society and democratic politics* more generally, on the assumption that robust and representative business associations strengthen civil society and intensify the linkages of accountability and participation in the relations between citizens and the state.
- Understanding SBRs as part of the growing interest in *public-private partnerships* as a spur to growth has been another way of looking at the phenomenon.
- Given the salience of business associations of various kinds in the politics of SBRs, and given that they usually represent the interests of capital and commerce, it is hardly surprising that some theorists have focussed on SBRs as a framework within which to analyse the emergence of '*bourgeois social movements*' or '*social movements for African capitalism*' (Becker, 1990; Heilman and Lucas, 1997).

All these approaches and angles on SBRs offer useful insights into the key political issue from a developmental or growth point of view: that is how 'growth coalitions' (rather than distributional, collusive or predatory coalitions) can be built (Mackie, 1988; Bräutigam et al, 2002; Hawes and Liu, 1993). Growth coalitions are constituted both within and between the private or business sector and the state, expressed in formal (and often informal) institutional terms. And they occur when state-business relations 'take the form of active cooperation towards the goal of policies that both parties expect will foster investment and increases in productivity' and the provision of key public goods and an institutional architecture that will facilitate growth (Bräutigam et al, 2002: 540). So the study of SBRs also impinges on the political analysis of how leaders and elites – in different sectors and within both the private and the public sectors – work to form positive growth or developmental coalitions (whether formal or informal) and the factors which encourage this. Inevitably, such growth coalitions cannot be had to order, but are the product of on-going political negotiation and reconstruction as the relative power of each side undergoes (often slow) transformation (Haggard, 1994: 276; Evans, 1997: 85) in the context of both local national and international circumstances – political, social and economic. A good illustration of the latter point can be found in Aseema Sinha's (2005) study of the transformation of collective business action in India in the 1990s, in the context of domestic economic reforms and the changing 'political opportunity structure' (ibid:4).<sup>1</sup>

Our interest in SBRs from a political point of view is therefore to analyse how their different institutional configurations have come about – that is, whether, how and why they have come to represent a positive or negative synergy over time; what maintains them and what the possible sources of change may be. Inevitably, to explain such patterns of SBRs requires careful historical analysis, and while there are many approaches to this, one that has proved particularly useful is that analytical approach understood loosely as 'historical institutionalism'. In some respects, political scientists have always been sensitive to history and to institutional issues (though the focus of the latter has traditionally been primarily in formal and narrowly 'political' institutions); but it has only been in the last few decades that attempts have been made to formalise the approach, to develop concepts and analytical tools that strengthen its capacity for comparative explanation and to deploy the method in contexts not normally addressed by mainstream political science (Pierson and Skocpol, 2002; Thelen, 2003; Sanders, 2006).

<sup>1</sup> She refers to the opening of the political opportunity structure as being constituted by 'openings within the state, intra-elite conflicts, and weakness of existing business associations that may lead certain state actors to encourage other business groups' (Sinha, 2005: 4).

A second important point needs to be made here. Historical institutionalists are not averse to the ideas of currently fashionable political economy approaches, namely that the interaction of interests and incentives shapes how people and organisations respond – but they are generally less sympathetic to what they consider to be some of the assumptions of much contemporary political economy analysis that if only the incentive structure could be altered, behaviour will be altered accordingly. Historical institutionalists – like Durkheim at the end of the nineteenth century – recognise that people are not neutral agents who will respond, either automatically or immediately to changes in the incentive structure or the ‘price’. Those assumptions may work for the buying and selling of baked beans in a supermarket in San Diego, but they are less relevant to understanding or promoting long term and significant change in social, economic and political behaviour. Historical institutionalists are profoundly aware that (a) people are everywhere embedded deeply in long-standing cultural, social and political institutional patterns; that (b) they are hence not neutral economic agents; that (c) structural change normally happens slowly and often requires entirely unpredictable and contingent ‘triggers’ – so called ‘critical junctures’ – to initiate it; that (d) even when such triggers occur, the momentum for change in one set of institutional arrangements may be frustrated by the robustness of other institutional sets or be in direct conflict with them; that (e) both path dependency and ‘institutional stickiness’ can profoundly hinder efforts at change through the alteration of incentive structures; that, crucially (f) change is initiated and carried through by human agents and their organisations; and hence that (g) in seeking to analyse and explain patterns of SBR, we need to focus on the critical roles of leaders, elites and coalitions as the principal drivers, or agents, of change, and not simply on institutional arrangements

## THE SCOPE OF HISTORICAL INSTITUTIONALISM

Historical institutionalists are thus generally interested in:

- ‘Big’ diachronic process as they evolve, institutionalise and change over time, rather than synchronic ‘snapshots’ of institutional arrangements at particular moments.
- The relative power of both formal and informal institutional arrangements and the way in which they interact with each other (whether in conflicting, complementary or substitutive ways).
- The way in which the reform of one institutional domain may be restrained, strengthened or limited by other institutional arrangements in other domains, or the way in which formal institutions may be enhanced or compromised by informal ones. A good example of this is the Indian Forest Rights Act (2008) passed by the national parliament. Research is beginning to suggest that how that act is implemented will inevitably involve some potential conflict with other institutional arrangements as well as bureaucratic and other organised interests at state level in the country. Another example may be drawn from Ghana where concerns to reform and transform the rules and procedures for the administration of land must always contend with the critical Article 267 (1) in the Constitution of Ghana which states that: ‘All stool lands in Ghana shall vest in the appropriate stool on behalf of, and in trust for the subjects of the stool in accordance with customary law and usage’.
- The ideologies, interests, power relations and political contestation between those seeking to shape, maintain or change institutions. Historical institutionalists are generally thus **not** inclined to see institutions as functional *equilibria* solutions which enable individuals or groups to capture the gains of co-operation (though they may indeed have that effect, whether intended or not), but are more likely to see them as the outcome of power struggles between groups and interests to shape rules which benefit them most (Knight, 1999).
- These negotiations, which may have been prompted by common perceptions of common threats, are usually undertaken by leaders and elites of the different interests and – where agreements are institutionalised – are maintained and sustained by formal or informal coalitions.
- The way in which organisations (and organised interests) interact with institutions to maintain, undermine or change them.
- The contingent socio-economic, political or even natural events – national, regional or international – which may trigger ‘openings’ for institutional reform or change (sometimes described as ‘critical junctures’).
- The way in which ‘path dependency’ and ‘institutional stickiness’ can often hinder, limit, undermine or compromise institutional reform or innovation, despite the openings which critical junctures may create.

In short, for good or for bad, HI requires detailed and painstaking historical and analytical work, involving ‘thick description’ (Geertz, 1973/2000), the results of which can never be captured in the elegant parsimony of the mathematical equation. Rather, it demands detailed qualitative and interpretative methods, for history and historical change cannot be written in numbers. An excellent example of this is Deborah J. Yashar’s *Demanding Democracy. Reform and Reaction in Costa Rica and Guatemala, 1870s–1950s* (1997) where she explores the shifting balance of power between key interests (and their elites) and the state in the context of democratization. But good analytical narratives and explanatory histories of this kind are only possible with concepts that identify and organise different aspects of a complex moving reality, and with operational theories which help to explain causal processes and directions.

In the notes which follow, I try to set out briefly what the key concepts of the HI approach may be in analysing the provenance, history and forms of state business relations.

## CENTRAL CONCEPTS IN HISTORICAL INSTITUTIONALIST APPROACHES

### Institutions

There is now a considerable literature on institutions and a wide measure of agreement that 'institutions matter' (Rodrik, Subramanian and Trebbi, 2004); and although there are debates and controversies within the field (especially with respect to the way in which institutions are formed), it is probably true to say that there is some consensus that institutions are best understood in broadly Northian terms – which were long foreshadowed by Durkheim (1895/1938) – as 'rules of the game' (North, 1990). They are pervasive in all human societies, shaping social, economic and political behaviour, from marriage and most aspects of etiquette, to rules of the road, patterns of property rights, ownership and exchange, and modes of representation and action in politics.

Institutions can be both *formal* and *informal* and the usual understandings of each are as follows.

- **Formal institutions:** one conventional means of distinguishing between them is to suggest that *formal* institutions take the form of laws, acts, regulations, contracts, constitutions etc., which are enacted and (usually) written and hence are sometimes referred to as 'parchment' institutions (Helmke and Levitsky, 2006). They are also characterised by being enforceable by third parties.

- **Informal institutions:** on the other hand are conventionally defined as customs, conventions, norms, codes of behaviour, 'socially shared' rules and understandings, often embedded in culture, and which are enforced outside official channels. Sen and Steer (2008) consider informal institutions to include 'unwritten rules of behaviour, kinship ties, social norms' which nonetheless affect economic behaviour and sometimes substitute for formal rules.

- Distinguishing between the formal and the informal is not as easy as first may seem the case. Or, rather, the utility of the distinction can be called into question for two reasons, at least. First, there are reasons to wonder whether it is indeed necessary for an institution to be *written* for it to be formal. For instance, the Chinese empire – and the power, rights to and of office, duties and legitimacy of the emperor – was held together for at least a millennium by almost entirely informal institutions (non-written rules), though the relations between the centre (the emperor) and localities (run by big men, warlords) were formalised through written agreements. Does it make sense to think of the endurance of the Chinese empire as a matter of informality? Do long-lasting unwritten institutional arrangements not in some sense classify as formal arrangements? Why is the *written* character of an institution so crucial in defining whether it is formal? Second, it may well be the case that most *formal* institutional arrangements depend on informal institutions for their efficacy; and some spheres of activity may thus be shaped by a mix of formal and informal rules which thus constitute a set of *hybrid institutional arrangements*. The so-called British constitution (there actually is not one) is a hotch-potch of domestic laws – some going back to *Magna Carta* and the Act of Settlement of 1702, but also formal electoral laws – and conventions (such as collective cabinet responsibility). There are also European Union rules which impact on British political practices. So, taken together, the British polity and politics is perhaps better understood as being shaped by *hybrid institutional arrangements*.

**What are the implications of these points for the work on SBRs? They suggest that we need to think very clearly about which institutions governing state-business interactions are formal and which are informal; and to what extent both the formal and the informal constitute coherent and effective 'hybrid' arrangements. Do the parties abide by formal arrangements – regular institutionalised meetings, consultations, exchanges of information, new joint organisations? How far are these sustained or undermined by informal institutional patterns? Are they, or have they become, token and formalistic without substance?**

### Organisations

People often confuse institutions with organisations, but it is important and useful to keep a sharp conceptual distinction between them. In North's writings, he refers to institutions as the rules of the game, and to organisations as the players. It is thus useful to see organisations (Hodgson, 2001) as distinct from institutions but also as a sub-set of institutions in that:

(a) They have their own internal rules which apply only to their members

- (b) They have relative autonomy from each other (the University of Mauritius has its own internal rules, which are different to those of other Universities and organisations on the island, or elsewhere); and  
 (c) Each has its own internal structure of power and authority.

But organisations can also be **formal** or **informal**. Whereas *formal* organisations (universities, research institutes, political parties, trades unions, registered companies, businesses, business associations, banks or charities, for instance) may be conceptualised as having some form of 'official' status and recognition, *informal* organisations do not. Examples of *informal organisations* might include clans, mafia organisations, secret societies, organised old-boy/girl networks, transient ad hoc organisations (formed for a particular purpose, then disbanded) and home-village or ethnic associations in towns etc., as well as the informal organisations of family business groups which dominated the Indian economy for many years (Harriss, 2003). Under some circumstances they can be very influential.

Analysing (a) how organisations (as players) interact with each other (competitively or cooperatively) in the context of given institutional arrangements; and (b) how organisations interact with institutions are thus both crucial for understanding how institutions function and change.<sup>2</sup>

The implications for SBR work should be clear, though not always easy to pin down empirically. The following points are worth considering:

**(i) Do (and how do) businesses as organisations cooperate to form representative business associations (broader organisations) to sustain, improve or undermine institutional arrangements governing economic activities? Or are there competitive relations between them and, if so, why? Do informal organisations penetrate and control formal business organisations?**

**(ii) Likewise, how do the organisations of the state (ministries, department, agencies, legislatures, executives and judiciaries) interact with each other when it comes to relations with the business sector? Are they 'joined up'? Do they compete? What rules of hierarchy, power and authority shape their relations? What are the effects of this on the form and function of SBRs?**

**(iii) We also need to recognise that underlying these practices are political processes, where politics is understood as all the activities of conflict, cooperation and negotiation involved in taking decisions over the ownership, production, use and distribution of resources.**

**(iv) But a key aim of those engaged in political competition is not simply to win a particular battle over resource ownership, use distribution, here and now, or issue by issue, but rather to establish a set of rules, institutions, which will regularly direct the distributional outcomes in their favour into the future. That is, the political goals of organisations and interests involved in making, sustaining or changing institutions – whether social, economic or political – concern shaping the rules in order to achieve long-term strategic advantage over other organisations, and that will therefore reflect different distributions of power. Such institutions and outcomes may or may not, at the same time, lead to socially beneficial results, such as growth or poverty reduction. But whether they do or not, and the extent to which they do, will also largely reflect the balance of power as mediated in and through the decision-making institutions, and the extent to which they are united by common goals, ideas, ideologies or (at least some) interests.**

**(v) For those reasons, the institutions governing SBRs are best understood as the outcomes of complex political interactions between organisations, formal and informal, within given and wider institutional arrangements, formal or informal.**

## Path dependency

Drawing on insights from the historians of technology, political scientists operating in the HI tradition have been able to demonstrate the idea that once an institutional choice/decision has been made or formed and sustained/ consolidated over time, it sets the pattern and gets 'locked in', and is associated with increasing returns (certainly for those who benefit from the institutional arrangements and have the power to maintain them). This, briefly, is what is referred to as 'path dependency' (Mahoney, 2000; Pierson, 2002). These institutional arrangements – and there are many forms of SBRs which illustrate this – become difficult (but not impossible) to change for a number of reasons.

- First, as is also common in organisations, an institutional inertia builds up and the costs of change – time, energy, involvement – increase. People become accustomed to a pattern of behaviour under

<sup>2</sup> As North observes, 'The continuous interaction between institutions and organisations in the economic setting of scarcity and hence competition is the key to institutional change' (North, 2005: 59).

the initial institutional design and the incentives for change may be insufficient. In short, a 'culture' of behaviour accumulates around the institution.

- Second, a particular institutional pattern may be retained – and change resisted – by those who have come to benefit from it and hence their relative power may be a significant factor in determining its endurance.

- Third, other cognate or associated institutional arrangements may have evolved, or been established, to support or complement the initial institutional choice. They too may add inertial resistance to change of the main institution as stakeholders realise that change in one institutional sphere will have knock-on effects in other spheres.

The implications for understanding how SBRs have formed and continue are far-reaching. A few, in particular, are worth noting.

***(i) First, it is always going to be useful to plot historically the origins of the formal or informal institutional pattern of SBRs in a country (or a state within one) and then to evaluate the extent to which those patterns reflect path dependency.***

***(ii) Interestingly, such patterns and paths may vary as between sectors or industries. For instance, in the Zambian case, it may well be that the pattern of SBR between state and the mining sector may have remained constant, while institutional relations shaping state-business relations in trade and manufacturing may have altered (and if that is the case, why?). Likewise, have the organisations of large (say tea) estates in Malawi enjoyed a particular (and constant) kind of relationship with the state? Has that remained the case even while other SBR have changed?***

***(iii) The pattern of institutional relations governing SBRs may have been set at a time when a particular regime was in power with a particular view of business and its role in development. The case of Malawi is again a good illustration. From the time of independence in 1964 to the mid 1990s, the President and leader of the ruling party, Dr Hastings Banda, was profoundly hostile to the idea of an independent private sector. Autonomy of the private sector (small as it was) and positive synergy between it and the state simply did not occur. Banda's own corporation, Press Holdings, came to dominate the economy and the concentration of political and economic power which that generated enabled him to reward politicians, bureaucrats and followers with jobs, loans and tobacco estates. These conditions led one observer to comment that 'The private sector is alive and well and owned by the government'. But the net effect of these informal and formal institutional linkages was that (a) it became difficult to distinguish between the private and public sectors and (b) it created a pattern of relationships in which business and the main business association, the Malawian Confederated Chambers of Commerce and Industry (MCCCI), became completely dependent on the party state. Even after Banda's removal from power, through two subsequent presidencies, it was clear that the patterns of SBRs which dominated Malawi for a generation were very difficult to alter.***

***(iv) As suggested above, path dependency is not a mysterious matter of some inherent institutional tenacity or stickiness. It may also be a result of resistance by those who benefit from a particular set of institutional relationships – perhaps in the form of privileged access through informal or formal channels, special deals and agreements, personal links or even forms of 'state capture' by powerful local, foreign or political interests.***

This discussion of the inertial effects of 'path dependency' should obviously not be taken to suggest that change never happens. Clearly, it does; and within the HI tradition there is another concept which quite usefully – but rather bluntly – identifies when, why and how new institutional patterns may be initiated or institutional change triggered: and that is the concept of the 'critical juncture'.

## Critical junctures

In much of the HI literature, the concept of the 'critical juncture' is used to identify moments when institutional innovation or change may be initiated or, at least, which create the opportunity for it to occur. Clearly, contingent events do occur which call into question existing institutional arrangements or allow the chance for them to be changed, for good or for bad. Revolutions – directly aimed at complete institutional change – are obvious big examples, as are *coups d'état*, as they both give new elites the chance to wipe the institutional slate clean and establish new rules of the game.<sup>3</sup> However it is worth noting that while formal institutions may be changed, it is much harder for underlying informal institutions, embedded in social and cultural practices, to be obliterated or changed in the same way.

<sup>3</sup> In the course of an apparently unsuccessful coup attempt in Guinea in late December 2008, the leader of the armed forces in that country, General Diarra Camara, said: 'As of today, the constitution is suspended. The government and the institutions of the republic have been dissolved' (*The Guardian*, London, 24 December 2008).

The eruption of the 'credit crunch' (the colloquial term for the international finance and banking crisis of 2008) is another example of a 'critical juncture', as it may well have provided the trigger for far-reaching change in the rules and regulatory apparatus governing the sector and hence may also bring about change in relations between states and businesses and in the arrangements governing their interaction. Some critical junctures may be internal, such as the onset of democratization after a long spell of authoritarian rule. Such an event may prove to be an 'opening' for far-reaching institutional change in political and/or economic activities and indeed in SBRs. Some junctures may be external in origin and impact, for example the collapse of the Soviet Union and the 'end' of communism in Eastern Europe which had far reaching effects on international and national institutional patterns in both politics and economics. Junctures may be economic in origin – the sustained collapse in price of a major export commodity may constitute a juncture at which economic and political elites decide to develop new institutional relations and initiate new policies and programmes.

But there are problems, too, with this notion as it is hardly precise or well-defined. After all, when is a juncture critical? And are there degrees of criticality? Is a change in government through due electoral processes considered to be critical, or only a sudden coup-like change? Was the end of colonial rule by negotiated means a critical juncture? Did the replacement of President Botha by President de Klerk in South Africa in the late 1980s, after the former's illness, constitute a critical juncture? Did the slow but steady build up of a variety of factors in India – including Rajiv Gandhi's election as Prime Minister in 1985 – which preceded the onset of liberalisation constitute a critical juncture?

Despite the ambiguities associated with the idea, it is a useful concept as it suggests that there are times when there is more room for manoeuvre in political processes than others, and that contingent events are often instrumental in shaping these. This interaction between stable and on-going arrangements, on the one hand, and the contingent events that can initiate change, on the other hand, has been described as 'punctuated equilibrium' (Krasner, 1998). Taken with the ideas of 'path dependency' and 'critical junctures', it offers a focus and a conceptual device for thinking about how, why and when institutional innovation or change occurs and what circumstances provide the incentives for states and businesses to improve their SBRs.

***What implications are there for the analysis of SBRs? The answer to this question may be posed by way of a series of questions.***

***(i) First, in seeking to explain a particular pattern of SBRs, or a change in their typical characteristics, it is often useful to look for those critical junctures which may have acted as an opening or a spur. In Finland, for example, a short but bloody civil war early 1918 led to a realization amongst the elites that, if such conflict was to be avoided in the future, economic growth was essential for long lasting stability; but such growth required pragmatic relations between state, bankers and business leaders. Equally, the ending of colonial rule and the accession to power of a regime (as in the Malawian case, referred to above) which used state and parliamentary power to control if not suffocate an independent business sector, provides another example of the kind of 'junctures' that act as openings or triggers. In other post-colonial contexts – Mauritius for example – independence may have been a critical juncture which prompted more positive, synergetic and institutionalised relations between states and businesses.***

***(ii) Second, it is always useful to recognise the interaction between the 'critical juncture' and the tenacity of institutional relations as shaped both by 'path dependency' and the power of beneficiaries to resist change. So democratisation and the ending of the Banda regime in 1994, may have been a very important juncture in a number of respects, but the persistence of old institutional patterns between states and businesses did not change far or fast in response to them. Likewise, a particular pattern of state-business relations – say in the mining sector – may be so deeply entrenched that little changes as a result of a critical juncture (for instance the end of apartheid in South Africa) while other areas of state-business relations do change.***

## OPERATIONAL IMPLICATIONS

In the light of these wider conceptual and theoretical orientations, there are some basic (and mainly empirical) questions that need to be asked in explaining the provenance, evolution and forms of SBRs in any given country, and I suggest that it may be useful for comparative purposes, to ask at least some of the following.

### Structure of economy

- Clearly this is important for understanding the kind of business associations and organisations as well as regime attitudes. What are the major constitutive parts of the economy – mining, agriculture, or

manufacturing industry? How significant are exports? Are there dominant sectors in terms of contribution to GP and state revenue, and dominant companies within such sectors? Their role in the economy will be one of the factors that may shape their influence or power in SBRs.

## Structure of state and ideology of the regime

- What kind of state is it? Is it federal, unitary, presidential or parliamentary? These formal institutional features of the state will establish the wider institutional context for the particular SBRs. Most business associations, for instance, have regional or local chapters or offices in towns, provinces or districts. But the power and autonomy of these may be considerably greater in federal polities, or polities where there is considerable decentralization of power, and hence local business relations with sub-national states may vary greatly.
- What is, and has been, the *political* character of the regime? Is it, or has it been, a powerful party-state, as in Taiwan before democratisation and also in Malawi, where the distinction between ruling party and the state was difficult to identify? How far has that evolved into a more distinct separation of party and state? And what enabled the party-state in Taiwan to preside over astonishing growth patterns, while the party-state in Malawi presided over economic decline?
- Likewise, what is the economic ideology of the regime? Is it, or has it been, committed (and credibly so) to the promotion of the private sector, or is it or has it been cautious about the private sector, promoting a more mixed economy with a stronger role for the state, as has commonly been the pattern in many developing countries in the immediate post-independence period, but often having undergone considerable change since the 1990s?
- Which departments/ministries are primarily responsible for SBRs, and where does the office of the President or Prime Minister fit into the picture? Is there a non-joined-up multiplicity of points of entry to the state for businesses or a single gate-keeping organisation within the state structure?
- What is the character and capacity of the bureaucracy? There are now some quantitative measures of probity and efficiency for this and, for all their limitations, they may provide some guide to the capacity, probity and competence of the bureaucracy.

## Structure of business associations

- Just as with the organisational character of the state, the forms and functions of business associations (BAs) need to be understood. Are there peak organisations, representing all business – including mining, for instance – or are there distinct sectoral organisations? If separate, are there any formal or informal arrangements for them to meet, discuss, interact and cooperate? Are there informal linkages?
- Are the organisations of business strongly unified at the top or is there considerable decentralisation of power down to branches or chapters, for instance in a federal polity mirrored by a strongly decentralised and federated BA?
- What is the professional capacity of the business associations in terms of research skills and negotiating experience? Do they have a professional staff?
- Is there evidence of a strong regional, ethnic (as in parts of both Anglophone and Francophone West Africa) or even religious basis to some business organisations? In short, what 'organisational density' characterises the BAs. Are they divided or unified, and to what extent and why?
- How representative of businesses are the BAs? How is power distributed within them? Do all members share the same rights and obligations or are their degrees of membership, influence and benefits? And what shapes this?
- What proportion of businesses are members of these associations?

## Patterns of SBRs

Where SBRs are structured by institutions, rather than being entirely ad hoc or occasional, it is worth asking in some detail about these forms.

- Are SBRs largely informal, or have they been? How does this work? Is the informality linked to, or mediated through, political party relationships? Do these relations reflect state or business domination? Predation, collusion or capture?
- Have formal institutionalised linkages between states and businesses shaped these relations? Again, even through the formalism of the institution, where does the balance of power lie, if anywhere? Who calls the meetings? Who sets agendas?
- If so, what form do these formal relations take? Are they corporatist or do they expression versions of corporatism? Are they consultative? And are they regular? And is consultation largely token and occasional, or is there genuine consultation and discussion? Are they in the form of public-private dialogues?
- Do such consultations or arrangements include, or sometimes include, representatives of trades unions and workers?
- Who sets agendas? Who funds them? Are they serviced by secretariats?

## CONCLUSIONS

Though the literature in this area is growing and is quite diverse with respect to its analytical focus, this brief paper has sought to identify some of the key concepts in HI analysis which may prove useful for those working on the first part of the cluster's work – the provenance, evolution and forms of SBRs, that is essentially the political analysis of SBRs. It has highlighted some of the central concepts and the kind of questions that are useful to ask when seeking to explain the varied patterns of SBR.

If there is a key theme to this paper it can be summarised crudely by saying that SBRs are shaped by the way in which state and business organisations interact within given institutional arrangements to create the institutions which dictate the form which SBRs take. The role of leaders, elites and coalitions in mediating these relations is crucial. These relations may be formal or informal, or both. Once established and regularised, they tend to consolidate and be hard to shift because of the processes of path dependency and because of the power of those who control or benefit from them. Yet, as with all institutions, those governing SBRs are liable to change and it is not uncommon that the trigger for change comes in the form of a 'critical juncture'. Throughout, the processes which fashion, maintain or change SBRs are political processes, and the ideas, interests, ideologies, forms and degrees of power and/or influence which organisations or organised interests – on the state or business side, or externally – bring to the practice will determine the evolving shape of SBRs and whether positive or negative synergy for growth occurs.

Finally, this short concept Note leaves off where the Note on the measurement and effects of SBRs on economic growth begins. Whereas this paper has sought to outline a method for assessing how the particular forms of SBRs have evolved politically in different countries, the next Note seeks to outline a method for measuring the effects which these various forms have on growth.

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There is an increasing literature on SBRs (though often called different things) and the few references below, from the text, merely scrape the surface. Each of the references below will, in turn, lead to other work for those who want to follow it up.

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