

## **The Political Economy of Collective Action, Inequality, and Development**

By William D. Ferguson

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For anyone even half persuaded of the importance of collective-action problems in development, this book is an Aladdin's cave of lucid analysis and useful insight. It merges in a coherent way a range of concepts and explanatory approaches otherwise treated in separate and more or less technical literatures. Its disciplinary scope is inclusive, with arguments not only moving easily between economics, game theory and political science, but embracing to an unusual extent both the best mainstream literature and work coming out of European research centres that will be less familiar to North American readers. The result is the nearest thing we are likely to get to a synthesis of the state-of-the art in the political economy of development.

The book is a substantial but easy read. Part I, 'Foundations', sets out the elements of an approach to collective-action problems, institutions and development. Part II begins with public goods, negative externalities and the associated collective-action problems. It deals next, at some length, with inequality and power, and finally reviews policy innovations that sometimes relax political-economy constraints. Part III addresses political settlements, conceived as solutions to a foundational type of collective-action problem, this seen as the final key element of a framework for analysing the political economy of development.

The text is mostly very accessible, with less game-theoretic modelling and more development economics than in the author's previous book. Its assumptions about rationality are broad, in the tradition of Ostrom, Bowles and Gintis with some nods towards Kahneman. The key distinction in Part II is between first-order and second-order collective-action problems, following Bates and Ostrom. The first-order problems centre on free-riding and social conflict around the public-good, externality and common-resource issues that lie at the heart of economic, social and political development. The second-order problems are about the coordination and enforcement arrangements without which first-order solutions are not credible, and hence not implementable. This takes the discussion into governance and the transaction costs arising from adverse selection and moral hazard, including principal-agent information asymmetry.

The conceptual exegesis supporting this step in the argument deserves to be widely emulated. The use of a multi-level collective-choice theory to organise understanding of a wider set of action and information problems is well-established, thanks to Ostrom and her followers. However, in this reviewer's view, Ferguson's exposition is more intuitive, easier to follow and – not unimportantly -- friendlier to onward transmission to practitioners. An additional bonus is that already in Part II, the book applies its conceptual tools not just to illustrative examples at micro and meso levels but to the big issues around the economic foundations of unequal development and macro-level power and conflict.

The chapter on policy innovations is useful but could have been better. It discusses how relevant ideas can arise from typical combinations of sudden shocks and cumulative growth. Examples are given but they are not ranked in terms of potential development impact, and the treatment is timid about measures, such as land redistribution, that emerge later as key determinants of critical transitions.

All of that said, the real interest for many readers of the book will be in the Part III engagement with political settlements theory. After a fair summary of antecedents and varieties,

including the one- and two-dimensional typologies offered by North, Acemoglu and Robinson, Levy and Khan, the author adopts the approach developed by Tim Kelsall and Matthias vom Hau in the context of the Effective States and Inclusive Development (ESID) programme based in Manchester, where he was a visiting scholar. Key features of this approach, as explained by Kelsall (2018), are staying closer than Khan (2018) does to the original meaning a 'settlement', as implying a violence-reducing agreement, and a fresh approach to the dimensions most pertinent to building a typology. The two dimensions adopted are 1) the unipolarity or multi-polarity of the configuration of power at the elite level, and 2) the narrowness or breadth of the social foundation of the settlement, where this refers to the number of salient groups that have the power to overturn the settlement and cannot be either ignored or repressed.

Ferguson's elaboration of the ESID typology is of considerable interest, including for the way it draws on ESID cases studies and, in a final chapter, the ESID theory concerning 'deals environments' and economic growth. He devotes sixteen pages to how the location of a settlement in the agreed two-by-two matrix influences the ability to address second-order developmental collective-action problems. Some of the findings are sadly predictable. The two types that probably represent the majority of arrangements in today's low- and middle-income countries (broad multipolar and narrow multipolar) imply either large or near-insuperable multi-level collective action problems. Less predictably (and weakening somewhat the framework's claims to explanatory sufficiency), the two remaining types turn out to need further subdivision before they can be connected to a coherent set of institutional development challenges.

Simplifying only a little, broad unipolar settlements can go either way, towards developmental state-building or towards centralised patronage. The outcome depends on the factors familiar from the Asian literature – previous institutional development, resource constraints and threats to elites, plus policy innovations such as redistributive land reform. Narrow unipolar settlements, for their part, can yield either protodevelopmental dictatorships or predatory regimes, with the transitions in either direction shaped by the ability of the society to resolve further sets of collective-action problems.

Policy analysts, the author concludes, should consider the underlying tensions within each type of political settlement and the specific collective-action problems that accompany it as a lens for examining the prospects and pitfalls of potential remedies. His book should help to make this possible, by explaining better than ever before the intellectual toolkit available to supporters of a politically realistic approach to development.

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## References

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