CHAPTER 7

Political Economy of Public Policy

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**INTRODUCTION**

The objective of this chapter is to explain public policy making and implementation from a political economy perspective. It is argued that the making and implementation of public policy is enveloped in contestations and bargaining between interest groups with competing claims over rights and resources. The use and control of political power helps shape the direction and class character of public policy. The policy outcomes help to further reproduce the position of the ruling class in control of the state apparatus.

This chapter examines the concepts of political economy and public policy, and discusses some of the variants of political economy and how each conceives of public policy making process and implementation. The chapter further discusses the role of political economy in problem-solving and finally, how political economy approaches research and evidence in policy making.

Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time (DFID 2009).
This definition draws particular attention to the interplay between *politics*, understood in terms of contestation and bargaining between interest groups with competing claims over rights and resources, and *economic processes* that generate wealth and how wealth influence how political choices are made. Political economy analysis therefore helps us to understand what drives political behaviour, how this shapes policies and programmes, who are the main “winners” and “losers”, and what the implications are for development strategies and programmes (DFID 2009).

Political economy directs us to understand (1) the interests and incentives facing different groups in society (and particularly political elites), and how these generate policy outcomes that may encourage or hinder development; (2) the role formal institutions (e.g., rule of law and elections) and informal social, political and cultural norms play in shaping human interaction and political and economic competition; (3) the impact of values and ideas, including political ideologies, religion and cultural beliefs, on political behaviour and public policy (DFID 2009). What is clear from the above discussion is the attention given to how political interests shape economic policies and how economic interests shape political decisions, policies and programmes.

Public policy is a purposive and consistent course of action produced as a response to a perceived problem of a constituency, formulated by a specific political process, and adopted, implemented and enforced by a public agency (Hayes 2001). Some of the major substantive areas which public policy addresses are the economy, taxation, consumer protection, business regulation, energy, the environment, agriculture, industrialisation, social welfare, education, health, social and legal equality, civil rights, intergovernmental relations, national defence, crime, international trade and foreign affairs.

Public policy is *reactive* when it responds to issues and factors that emerge, sometimes with little warning, from the internal or external environments by resolving problems and issues; meeting stakeholder/public concerns; reacting to decisions by other governments, other levels of government or other departments with intersecting or interrelated mandates; allocating fiscal resources, natural resources, etc.; reacting to media attention (generally adverse); and reacting to crises or emergencies (Dodd and Boyd 2000).

Public policy is *pre-active* when it responds to triggers that are recognised because we are scanning the operating environment, identifying potential issues and factors that could affect us, and predicting and
preparing for mitigation and/or contingency through planning, strategic choice, risk management, criteria determination, priority setting and establishing partnerships (Dodd and Boyd 2000).

Public policy may take several forms to address the needs of the society. They may be distributive, and the main goal is the provision of services or benefits to segments of the population—regulatory which will be concerned with the imposition of limitations or restrictions on the behaviour of individuals or groups. Other forms include self-regulatory which seeks to promote the interests of organisations and their personnel and enhance the official credibility of the organisation and the redistributive form which entails the deliberate efforts by governments to change the distribution of income, wealth, property or rights between groups in the population (Salisbury and Heinz 1970).

**Political Economy Perspectives**

This chapter examines four theoretical perspectives: the liberal/neoliberal, the Marxist/neo-Marxist, institutional and feminist.

**Liberal/Neoliberalism Political Economy**

This model has many variants; these include classical, neo-classical and modern liberal political economy, and some of the major proponents include Adams Smith, David Ricardo, Maynard Keynes, etc. The major arguments of the school are that (a) humans have self-interest and they are capable of acting independently by utilising their capacity to reason and make choices in satisfying their needs and desires by using scarce resource in the most efficient ways. (b) Society is an aggregation of individuals with interests. The good society is one that permits individuals to freely pursue private interests and indeed protect the individuals while pursuing these interests. (c) Government is created by individuals for the purpose of protecting their rights and interests as guaranteed by the constitution. The best government is that which does not go into economic production. Government is only required to foster economic growth through public policy. (d) The market is principal coordinating agency for the economy as it is said to promote efficiency, economic growth, welfare and stability and peace in the economic system. (e) The market plays a political role, and as a political institution, it promotes justice, freedom, equity and orderliness in the economic system; and finally, (f) the model believes in the
promotion of private property and the development of capitalism as the best economic and political model of society (Clark 1991).

The neo-neoliberal proponents have further pushed the boundaries of the argument of the liberal school by advocating the existence of a minimalist capitalist state, which will be a precondition for state protection of the market and state protection of capital. This position is commonly referred to as the Washington consensus and post-Washington consensus. This neoliberal ideology and thinking have hugely influenced and shaped public policy towards economic reforms, civil service reforms, labour reforms, trade reforms, etc. (Clark 1991).

**Marxist Political Economy**

The Marxists model draws its inspiration from the economic and political works of Karl Marx, Federich Engels, V. I. Lenin, Moa Tsetung and host of other Marxists. The political economy model generally agrees that (a) human beings have both individual and group needs which are met through collective action arrived at by their capacity for reasoned choices. These reasoned choices are influenced by their consciousness and behaviours which are in turn significantly shaped by their social and natural environment. The social and natural environment dictates that humans cannot fully develop their talents and capacities except in association with other persons. (b) Society is more than a collection of individuals. It is the living organism which individuals are born into and in which they enter relationship with others. This society precedes the individual and as such, it has an identity and interests of its own that may potentially conflict with a particular individual’s desires. A good society is that whose institutions encourage individual development as well as social relations based on mutual respect. (c) The proper role of government is to serve as a representative of the collective interests of citizens. Government should permit citizens to do for themselves collectively what they cannot accomplish as individuals. (d) Government promotes justice in society, implying that rewards are distributed in accordance with the rights established by the democratic political process. Such rights the right to the fruits of labour and a right to those conditions essential for human development such as material necessities and health care. Justice also includes the impartial administration of the law. (e) The goal of a good society is that which guarantees and promotes freedom, equity and redistribution amongst its
members which are attained through a process of revolutionary change (Clark 1991).

The neo-Marxist school pays attention to issue of domestic and international relations and development to explain challenges facing humanity in the world. The proponents develop the theories of development to explain why some countries are developing while others are not. It is contended that colonial capitalism and foreign domination are perpetuate through the process of unequal exchange in trade, global structural imbalances, technological backwardness, etc.; in addition, the phenomenon of underdevelopment and dependency are eliminated when there is a severance of relationship between the centre and peripheral countries. This will then guarantee autonomous development which a developmental state will work towards the attainment of equality and freedom for citizens. Public policy should be directed to self-reliance and sustainable development which should be inclusive, pro-poor, pro-women and pro-environment development.

**Institutional Political Economy**

Institutional political economy (IPE) draws its inspiration from the fact that human nature and human behaviour needs to be constrained because it assumes that human beings are motivated purely by self-interest: maximising utility as consumers and profits as producers subject to budget and resource constraints. Hence, the function of the rules constraining human nature must be to limit such self-seeking behaviour. IPE pays attention to structures or sets of legal rules and social norms that affect the human economic transactions (Matthews 1986).

This perspective sees institutions as (1) property rights laid down by law, (2) moral conventions or norms, (3) types of contracts and (4) authority relations. Thus, institutions are sets of rights and obligations affecting people in their economic lives (Matthews 1986). IPE is also concerned with how political regulations affect economic behaviours and transactions of individuals, groups, and government and non-state actors. It finds out how taxation regulations, for instance, affect economic behaviour and transactions. It also focuses attention on (1) how institutions evolve in response to individual’s incentives, strategies and choices and (2) how institutions affect the performance of political and economic systems (Matthews 1986).
IPE discusses transaction cost and argues that there are two types of “transactions costs”: those costs associated with the efficiency of exchange, and those which are associated with policing opportunistic behaviour by economic agents. The former relates to the costs of finding potential trading partners and determining their supply-demand offers, the latter to enforcing the execution of promises and agreements. They are transaction costs that are the non-production costs of an exchange. When related to public policy, “these are the costs of time and effort invested in researching, creating, implementing, administering, monitoring and enforcing a policy or learning about and complying with the policy” (Crawford School of Public Policy n.d.).

For this chapter, we will use two theoretical contributions that have been used in the study of institutional political economy: the tragedy of the commons as a problem of collective action and the free rider problems. These proponents contend that there is a conflict between individual interests and the common good. In this situation, the “commons” is violated and overused by all its users because there is no cost for using it. The commons become depleted and unusable, and its users perish in the process (Hardin 1968).

The commons are public goods which individuals use and do not bear the entire cost of their use. When individuals seek to maximise individual utility, they ignore the costs borne by others. The individual tries to exploit more than their share of public resources. Assuming most individuals follow this strategy, then the public resource gets overexploited; the examples of the tragedy of the commons include pollution of waterways and the atmosphere, logging of forests, overfishing of the oceans, tossing of trash out of automobile windows, poaching, etc. (Hardin 1968).

The possible solutions to the “tragedy” will include the following: (1) every individual agrees not to seek more than their share or enforcement of conservation measures by an authority or by an outside agency selected by the resource users; or (2) convert each common into private property or “mutual coercion in relinquishing the freedom to breed” (Hardin 1968).

**The Free Rider Problem**

The free rider problem occurs when those who benefit from resources, goods or services do not pay for them, which results in either an under-provision of those goods or services or an overuse or degradation of a common property resources. The free rider problem is common among
public goods and the potential for free riding exists when people are asked to voluntarily pay for a public good (Phillips 2012).

Some examples of free riders are state governments that are not engaged in production and tax collection but heavily depend on the monthly allocation of revenue from the central government; non-payment of taxes by citizens; refusal to vote during an election with the understanding that others will vote; citizens and defence spending (government pays and citizens do not pay for their defence); collective agreements cover those who don’t pay union dues or join strike actions (Phillips 2012, wiki).

The possible solutions to the free rider problem may include regulation by government to prevent environmental degradation or excessive resource use, compulsory participation (taxation), regulation linking public good to a desirable private good (getting people to pay voluntarily), etc.

**Feminist Political Economy**

Marxist/socialist feminism argue that class system in society is essentially responsible for the oppression of women. Historically, women did not occupy an inferior place in society until when the primitive-communal society broke down into classes and the introduction of private property, and the family.

The feminist political economy draws attention to the double oppression women suffer in the workplace as an exploited worker and in the family as a subordinated person with little status (Deckard 1979: 444). The scholars and activists focus on major aspects of women’s subordination under capitalism. The proponents are concerned with the inequality of payment of the same job; inequality of employment opportunities for women (the crowding of women into particular occupations which are lowly paid); the absence of women in higher-paid and more influential jobs; the under-valuation, and in some instances, the non-valuation of women’s work in the home and in the informal sector of the economy and women’s under-representation in wage employment translate to their minimal presence in working-class struggles. Women’s presence in the margins of the economy and politics makes it cardinal for them to join exploited and subordinated classes to fight for liberation (Riley, Maria, O.P. 2008; Peterson 2005).

The relatively high economic growth rates in Africa have not led to structural diversification, reduction of poverty and gender inequality. Many women do no own or control assets. Women’s ownership of
property does not always endow them with the bargaining power. Joint ownership of assets with spouses does not translate into joint decision-making because of dominant social norms that privilege men as decision-makers (Oduro, Abena D. and van Staveren, Irene 2015).

There is the unequal and high burden of unpaid work for women. This is because the accompanying cuts in social infrastructure expenditures increase women’s time burden in energy production, drinking water collection and mobility. Within the household, women’s time burden is determined by gendered norms.

Globalisation is also disrupting gendered patterns by altering conventional beliefs, roles, livelihoods and political practices worldwide. While some changes are small and incremental, others challenge our deepest assumptions (e.g., male breadwinner roles) and most established institutions (e.g., patriarchal families). Feminists argue that not only are the benefits and costs of globalisation unevenly distributed between men and women, but that masculinist bias in theory/practice exacerbates structural hierarchies of race/ethnicity, class and nation (Oduro, Abena D. and van Staveren, Irene 2015: 508).

At the reformist level, the policy option that can be adopted in the short run includes removing formal laws that discriminate against women, introducing awareness campaigns within local communities to change cultural norms and designing economic policies that create incentives for behavioural change. Women must continue to fight not only for free and equal entry into the productive sector of the society, but for the socialisation of housework.

A socialist revolution is required to end women oppression. This implies that the very structures that nourish oppression such as private property and class division must completely be abolished. Women must sustain their struggle for liberation alongside with men who suffer equal forms of oppression like them. The socialist society is that which is politically and economically democratic (Deckard 1979: 449).

There are common themes in political economy, and they include interests and incentives, structures/states, agents, classes/actors/stakeholders, role of formal institutions (e.g., rule of law and elections) and informal social, political and cultural norms, impact of values and ideas—political ideologies, religion and cultural beliefs, and political change.
Political Economy and Policy Making

Liberalism and Public Policy Making

The key actors at the centre of public policy making processes are the government institution and their personnel: legislature and the executive. The judiciary are tangentially involved at the level of rule adjudication. The perspectives claim that public policy is often designed to be in the interest of all citizens and groups in society. The ideology that guides public policy making is competitive capitalism and the mechanism for making public policy is the free market rather than the state. The outcome of the policy is the protection of private interest, promotion of prosperity and wealth creation. Public policy should be used to promote growth first before welfare considerations. Government should make public policy to promote private sector participation in the economy or the government should enact a policy that promotes public–private participation (PPP) in development.

Marxism and Public Policy

The Marxist perspective believes that public policy is highly political, and it involves class struggles and class conflicts in the process. Public policy becomes the site for class struggle. The ideology projects class interest and this in turn shapes the public policy choices and contents. Marxists contend that the actors in public policy should be the socialist state, working class in alliance with the subordinated classes in society. The interest which public policy claims to protect is that of the working class and other lower classes. The ideology that guides policy making is socialism and democracy led by a strong people’s state. The mechanism for the implementation of public policy is in the centralised state controlled by the working people. The goal of public policy is inclusive policy in the interest of the majority to reduce inequality, fight poverty and corruption, and promote social justice. The goal of public policy should be the promotion of welfare, growth and development.

Institutionalism and Public Policy

The actors that dominate the policy arena in institutional political economy studies are gate keepers, veto-players, principal and agents, etc. Gate
keepers—the political actors and institutions act as gatekeepers—filtering demands into the tightly sealed political black box. The gatekeeper function is important, for it determines the political agenda. Most demands on the political system fail to pass through this filter (Haynes 2014).

Veto-players are individual or collective political actors whose agreement is required to make significant policy-change. The veto-player theory is about dispersion of political power amongst veto-players and how this dispersion affects agreements on policy-change (Klitgaard n.d.).

The number of veto-players and the policy-distance between them determine policy-change. When the policy-distance between veto-players expands, the stronger are the tendencies towards policy stability and maintenance of status quo (Tsebelis, 2003 quoted in Klitgaard).

Veto-players occur as partisan (the parties within a government coalition) or constitutional (a second chamber or the president). They both play roles in decision-making and determine the extent of policy-change. Partisan veto-players within a government coalition have veto power over governmental decisions, but since the parties need to stay in power, they are rather expected to spend time in settling internal disagreements through negotiations. The government-office serves as an institutional frame in which co-operative behaviour are likely to develop (Tsebelis 2003 quoted in Klitgaard).

Constitutional veto-players (parliament and the president) enjoy some level of independence and are also competitive to each other. Disagreements amongst these constitutional veto-players are more likely to lead to deadlocks and policy stability. Systems with partisan veto-players are expected as more efficient in decision-making than systems with constitutional veto-players because they are more inclined to produce significant policy-change and more responsive towards citizen preference (Tsebelis 2003 quoted in Klitgaard).

The other actors in the policy environment are the “principal” and the “agent”. In the decision-making process according to proponent of this thought, the principal is expected to exercise control over the agent. For instance, the voter who is the principal is expected to direct the politicians who are the agents. Public policy according to the principle of political representation in parliament, the agent is expected to make laws on behalf and in the interest of the principal. The interest of the principal is uppermost. However, there is a problem in observing the rule of the social contract (Besley 2006).
The agent’s interest becomes uppermost rather than that of the principal. This situation has been described as the “the principal–agent problem” in institutional political economy or agency dilemma or the agency problem. This problem arises in circumstances where agents are motivated to act in their own best interests, which are contrary to those of their principals. So public policies are designed and implemented to serve the interest of the agents rather than that of the principal. In extreme cases, the agents capture the machinery of the policy making (Besley 2006).

Feminism and Public Policy

The actors that have dominated the policy environment for the feminist are the global organisation for profits, capitalist state and their institutions, neo-patrimonial state, the men and women with little or no feminist ideology to guide their class actions. The parliament who are policy actors are in many countries dominated by men. The public bureaucracy which initiates policies and implements the programmes from these policies is dominated by men. These actors reproduce the patriarchal structures in state bureaucratic institutions such as the civil service, the parliament, executive, judicial apparatuses and related agencies. The control of these structures by men and international capital means the control of public policy making processes and outcomes which are usually in favour of men and profits.

The feminist advocate for more gender interests to be reflected in policy making processes. This implies more specifically increase in the representation of women in policy making at governmental, private spheres, community and family levels. The representation ensures equitable access to resources—state and community resources. The best way to go about this is to provide incentives such as the implementation of empowerment programmes, provide redistribution of income, grant more voice to women, and implement affirmative action through mandatory and voluntary quotas for women (Dahlerup 2005). Public policy should in turn promote inclusive development.

Competing Classes/Interests in Public Policy Making

What is common to all the perspectives in making public policy is the fact that the process is contentious with the variety of interests to be protected and defended. The following discussion tries to summarise the public
policy making process. The policy making process is political and this implies that there are many competing interest of stakeholders. Stakeholders are those who will be affected by a policy, may be affected by a policy, are interested in a policy and can affect the policy process. Stakeholders are individuals, groups, governments, government departments, associations, companies, communities, etc. (Dodd and Boyd 2000).

The collective of all stakeholders is referred to as the policy community. The policy community can be viewed as a series of concentric circles. The centre is the government department (or departments) with lead responsibility for the policy issue. The closest to the centre have the most influence over decision-makers. The periphery or outside are the interested citizens and informal groups who do not have any mechanism to contribute to the policy process (Dodd and Boyd 2000).

As noted earlier, policy making is a competitive process. There are the competing interests of different groups involved in shaping the direction that policy takes. These interests include economic, political, geographical, ethnic, religious, racial and gender. Some interest groups in the policy making process have a great deal more power than others because of their political position and their ability to influence the views represented in the mass media. For example, the Nigerian Medical Association (NMA) versus other medical unions in the health sector: the members of parliament listen more to the NMA and as such it shapes the public agenda more strongly than other groups, its opinions are reported more often by the mass media. Another example is the politicians, bureaucrats and powerful interest groups versus other citizens: the former set the agenda and decide the framework and philosophy of a policy (Dodd and Boyd 2000).

Policy making involves political settlement or compromise or consensus process. This is “the forging of a common understanding, usually between political elites, [so that] their best interests or beliefs are served through acquiescence to a framework for administering political power” (John and Putzel 2009). This involves bargaining outcomes among contesting elites and the balance or distribution of power between contesting social groups and social classes, on which any state is based (Khan 2010). The process focuses attention on (a) intra-elites contention and bargaining (political vs economic elites, landed and non-landed elites, regional elites, rural and urban, religious and secular, etc.); (b) contention and bargaining between elites and non-elites (either within groups or across them, as between classes); (c) inter-group contention and bargaining (gender, regional,
It is crucial to note that every phase of the policy making process is political. For instance, the identification of the policy problem is often dominated by government and its agencies, but there is increasingly demand for the expansion of the policy environment by non-governmental actors. This phase involves methods of getting issues on the political agenda and methods of keeping them off the agenda. The factors that play a role here are political ideology, special interests, the mass media and public opinion (Smith 2003). The same it is for the process of allocating resources and implementation. “Who gets what and how” is the battle of interests at the allocation of resource phase of policy making. The implementation is marked by a strategy of inclusion and exclusion because this is the stage of resource use and the group that is in control of the bureaucracy, often determines the extent of resource use.

**Political Economy and Public Policy Analysis**

How do political economists analyse public policies? This section attempts to see how public policy perspectives will analyse taxation or a taxation policy.

*Liberal/Neoliberal Analysis*

The liberal scholars will call on citizens to pay tax as it will contribute towards government revenue and expenditure. The higher the tax that the citizens pay, the higher the revenues that are generated by government and subsequently, the higher expenditure on social service. The high-level progressive taxation is necessary and that low tax rates lead to reduced state revenues and as a result contribute to economic instability. In addition, high taxes stimulate economic activity and thus influence the stability of the economy (Laffer quoted in mbaknol.com 2017). It is argued by liberal scholars that large amounts of savings hinder economic development, because these savings represent a passive form of income that are not invested in production. Taxation is required to reduce these surplus savings (Keynes, quoted in mbaknol.com 2017).

The neo-classical scholars contend that a “taxation policy should be crafted under the assumptions that: taxes must be as small as possible, and
Corporations should be granted significant tax exemptions. Otherwise, a high tax burden would hinder economic activity and restrain the investment policies of corporations, which would lead to a downfall in the production funds renewal and in an economic recession. A restricted taxation policy would also allow the market to provide independently for fast development and would lead to a significant expansion of the taxation basis” (Keynes, quoted in mbaknol.com 2017). What specific focus will liberals be looking out for when undertaking cost-benefit analysis? They will be interested in ascertaining the cost and benefits of taxing producers; does it hurt producers in their production processes? How can taxation be simple so that the middle class is encouraged to pay? What tax policy promote growth through tax incentives—on profits, tax holidays?

**Marxist/Neo-Marxist Analysis**

Class analysis: this is an analysis that pays attention to class categorisation of society. It discusses the composition of society on class basis. It draws attention to the position occupied by each class in the system of production, the control of the means of production, the control of the mode of distribution of surpluses and the control of the state apparatus. It analyses issues to find out which class contributes more to the generation of wealth and who benefits more from the distribution of wealth. Who are losers and winners of public policy?

The focus which a student employing a Marxist perspective to analyse a tax policy will include: (1) which class influences the designs, and which controls the implementation of tax policies? The answer can be deciphered from the following statement: “The concentration of wealth also translates into the concentration of political power which translates further into the level of influence elites have on the tax system” (Abugre, quoted in Tax Justice Network Africa 2014: 24). (2) What tax policies favour or disadvantage classes in an economy? The proponents of this perspective contend that personal income tax (PIT) systems lack equity as the bulk of the burden is on employees. The rich avoid and evade tax. Often income tax thresholds are too low and do not protect the poor. In many countries, the poor from the informal sector are now being compelled to pay “income” taxes (Tax Justice Network Africa 2014: 7); (3) Sharing of tax burden between classes will be the next concern of the Marxist analyst. It is argued that “in many countries, it is the poor who end up paying more taxes as a proportion of their income and this is just not right. When the rich can avoid paying their fair share of taxes, a government must rely on the rest
of its citizens to fill its coffers. While tax dodging goes unchecked, governments are severely hampered from putting in place progressive tax systems—so fairer domestic tax systems depend on global transparency measures” (Alvin Mosioma, quoted in Tax Justice Network 2014: 7).

**Institutionalist Analysis**

The institutionalist analysis pays attention to the rules and regulations, values, etc., generally called institutions and assesses how they promote the implementation of public policy and which ones will obstruct and prevent such policy implementation. This perspective will hold strongly that tax should be paid by every adult. There shouldn’t be free riders in the payment of tax in a country. It is argued that if paid, tax will contribute to the quantum of the common good which is the common pool. The questions which a student using institutionalist perspective to study a tax policy of a country will be looking out for will include: What regulations and practices promote the payment of tax by citizens and agencies? What regulations and practices weaken or frustrate or obstruct the payment of taxes by citizens and agencies? It is argued for instance that the “the growth model has led to a concentration of wealth, but income inequality is also being considerably exacerbated by the inability of governments to tax the proceeds of growth, because a large part of sub-Saharan Africa’s income and wealth has escaped offshore”. Tax systems have also been heavily influenced by the tax consensus, led by the International Monetary Fund (IMF) and supported by other multilateral institutions, bilateral donors and tax professionals. The tax consensus has focused on reducing corporate and, to a lesser extent, personal income tax rates while expanding the base for consumption taxes and value added tax (VAT) in particular (Tax Justice Network and Christian Aid 2014: 7). The other questions to be asked are: what legislations, values or ideologies encourage the attitude of “free-riding” in tax payment, that is, refusal to pay taxes but dependence on government for social services provision by citizens and private and public sector agencies? Elite successfully continue to resist paying taxes on the profits made from their real estate and stock market investments (Tax Justice Network and Christian Aid 2014: 8). In what ways can the government strengthen public agencies of tax collection?

**Feminist Analysis**

Gender analysis pays attention to the position male and female occupy in the system of production, exchange and in the public space such as the
family, community and the nation at large, and which of the gender benefits more from public policy and therefore from resources. The questions which a student seeks to answer using gender analysis to study a tax policy of a country will include: how does a tax policy of the country affect women generally? The student will analyse (a) the sharing of tax burden between male and female in society, (b) the sharing of tax burden in the workplace between male and female workers, (c) the promotion of tax policies that ensure gender equity and (d) the effects of multiple taxation on women—especially those in the informal sector.

**Political Economy and Problem-Solving**

Political economy can be deployed in problem-solving analysis. It gets beneath the formal structures to reveal the underlying interests, incentives and institutions that enable or frustrate change. The analysis is thus geared towards understanding and resolving a particular problem at the project level or in relation to specific policy issue. It is important to note that the “problem-driven” does not mean focusing exclusively on areas of difficulty, but also identifying opportunities and learning from where successes have been achieved (DFID 2009).

This framework (DFID 2009) encourages students and other users to systematically address problems or issues using the following steps: (1) identifying the problem, issue or vulnerability to be addressed; (2) mapping out the institutional and governance weaknesses which underpin the problem; (3) identifying the political economy drivers (local and international) which constrain or support progressive change and (4) designing policy reforms or changes. The student is at liberty to address any issue of interest. Some problems which can be addressed include: what has made the smuggling of foreign products into African countries difficult to be unresolved? Why has it been difficult to curb corruption in many African countries? Why have reforms in the education, health, roads sectors been difficult to implement? etc. The student may also address the following issues from a political economy perspective with the aim of influencing the policy outcomes: poverty and inequalities, health challenges in rural Africa, falling standards of education, de-industrialisation, agriculture, environment, etc.
Our understanding of political economy will assist us in stating a research problem. Political economists of the various variants will try to address public challenges from their class perspectives, but however, they need to address the following: (1) ensure that there is a problem to be studied and find explanations and/or solutions to; (2) ensure that there is a variable(s) that help such explanations; (3) ensure that the variable(s) are capable of being measured; (4) ensure that each variable has indicators describing it and (5) ensure that the research problem is stated in a way that it will lead to policy outcomes which could be reform(s).

The research questions may capture either a challenge facing a country, a sector or a region. Examples of research questions may include: Why are policies or institutional arrangements not being improved? Why are certain policies being resisted by intended beneficiaries? Why are corruption “wars” not yielding results? How can the minimum gains already recorded in the sector be enhanced? Are gender policies making the impact they were created to achieve?

The approach to the study of a problem can be qualitative and quantitative. The decision to adopt an approach will be dependent on the nature of the problem. Some problems will require that the student generates statistical data from secondary sources or from field surveys (especially pilot studies). Other problems may be addressed using qualitative approach which will require use of literature on topics already researched to identify the problem area, interviews and Focus Group Discussions. The other available approaches may include the use of class analysis (Shivji 2003) which has been explained earlier, power analysis (Overseas Development Institute 2009b), stakeholder’s analysis (World Bank 2017), strategic governance and corruption analysis (Unsworth and Conflict Research Unit 2007), drivers of change analysis (Overseas Development Institute 2009a), or political settlement analysis (Gray 2019).

Power analysis: Power analysis is based on the understanding that to address socio-economic and political challenges confronting societies,
analysts must focus attention on issues of power asymmetries, access to resources, influence over politics as well as informal political landscape, including its rules and structures. It seeks to understand how policy decisions are influenced by this landscape. The analytical approach is designed to study issues such as justice, equity and organised redistribution of access to the welfare among the citizens (Overseas Development Institute 2009a).

The power analyst will often be interested in asking the following questions: Who sets the policy agenda? Whose ideas and values dominate policy? Who gets what, when and how, and how do formal institutions shape the distribution of costs and benefits? Who knows whom, why and where? How do informal social networks shape the policy process (Overseas Development Institute 2009)?

At the level of research, the information produced by this method is mostly qualitative and compares data over time in a single country. It produces in-depth knowledge on many governance issues as well as understanding how history has shaped the contemporary distribution of power (Overseas Development Institute 2009).

*Stakeholder’s analysis:* Stakeholders are actors who may be individuals or organisations who have vested interest in a decision, or a policy being promoted. Depending on what it is being studied, there are stakeholders related to the issues. For instance, a study of poor performance in a health sector will require us to identify stakeholders in the health sector (Schmeer, Kammi).

Therefore, stakeholder analysis is a methodical way to analyse stakeholders by their power and interest. In research, we systematically gather and analyse qualitative information to determine the various interests that should be considered when initiating or executing a policy or a programme. We first identify the stakeholders. This is followed by finding out their power, influence and interest. This understanding will then help us determine those who are more likely to resist or work co-operatively for the success of the policy. In policy science, stakeholders’ analysis is employed as a tool for assessing key stakeholders for a project and to know their knowledge, interests, positions, alliances and importance in relation to the project. This understanding is required for making decisions to enhance the success of the project.

*Strategic governance and corruption analysis:* The strategic governance and corruption analysis (SGACA) is a guide used to structure and analyse information on governance and anti-corruption issues with the underlying assumption that building more effective, accountable states and public
institutions requires a political process of interaction between the state and civil society. At the level of research, the analytical model seeks to find out reasons behind governance problems, such as high levels of corruption, low legitimacy of state institutions, and weak commitment to human rights and poverty reduction. At the policy level, the analysis helps in identifying local and international pressures for change that would benefit poor people (Unsworth, S., and Conflict Research Unit 2007).

In using this model, the analysts examine the extent of government control of the territory and social and economic factors that shape the political system. It also examines the degree to which key institutions of the state and society operate according to known rules. It further investigates the capacities and interests of key actors and how to respond to key events and pressures. (Unsworth and Conflict Research Unit, 2007)

**Drivers of change analysis:** The “Drivers of Change” approach examines the reasons that drive change in a country or within specific contexts. These reasons must be in the economic, political and social conditions of the country and therefore the analyst must start his study from understanding the country’s conditions without imposing his/her preconceived standards or criteria or what has worked elsewhere. The analysts pay attention to “what is working?” rather than “what is wrong?” (Warrener 2004: 1).

In discussing the drivers of change, the analyst is expected to pay attention to (1) the structural features comprising of the history of the state; natural and human resources; economic and social structures; demographic changes; regional issues; globalisation, trade and investment; and urbanisation; (2) the institutions which are made up of informal and formal rules that determine the realm of possible behaviour by agents; in this case, political and public administration processes; and (3) agents who are individuals and organisations pursuing particular interests (Warrener 2004: 8).

**Political settlement analysis:** Political settlement analysis examines how distributions of power among groups affect the way that institutions work. It has been used to analyse economic change, agricultural policy, industrialization, corruption, social policy, conflict, and state-building in several African countries. It emphasizes agreements made by powerful groups or elites that affect state stability and the possibilities of development. It assumes settlement is desirable, thus, forging and enforcing a viable and inclusive political settlement is necessary to support institutions that generate inclusion, stop war, or reduce violent conflict. According to Gray
(2019) a political settlement is “a combination of power and institutions that is mutually compatible and sustainable in terms of economic and political viability. The main theoretical building blocks of the framework are institutions, power, and rents”. A political settlement can have profound consequences for what can be done in terms of development and of the distribution of the benefits among groups in society.

**Decisions on Sample Population**

The student is encouraged to ensure that the sample population is representative of class interest and power or stakeholders’ interests. The representativeness is crucial in helping us to have a holistic view of the nature of the problem that is being explained and tackled. This implies mapping the sample population in a manner that will reveal the groups that resist change and those that support change, or identify gainers and losers of public policy.

**Data Analysis**

The political economy approach demands a focus on the roles of interests and incentive structure of classes/stakeholders in the organisation being studied. The design of the study should capture a class analysis or stakeholders analysis or a power analysis. In any case, the analysis will embed interests, values and norms.

**Conclusions**

This chapter introduces the student to political economy as an approach to understanding, analysing and designing public policy. Political economy approaches in general contend that the success or failure of public policies depends on political struggles, or the ability to neutralise political struggles, around resources. Political economy analysis helps us to understand how incentives, institutions and ideas shape political action and development outcomes. However, there are a variety of different schools of political economy, each with its own view on what constitute the most salient actors and modes of struggle for resources. This chapter has examined the various political economy traditions ranging from liberal/neoliberal, Marxist, new institutionalism, feminist approaches to political
economy. An attempt has been made to bring out their understanding of public policy, the processes and the interests that they seek to defend and protect.

REFERENCES


Klitgaard, Michael Baggesen. n.d.. *Constitutional vs. Partisan Veto-players: A Theoretical Outline*. 


**Further Readings**


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