

## The art of the possible in sectoral reform



Daniel Harris

'Where incentives or ideology push opponents to fight any given reform initiative not because of its content, but simply for the sake of opposition, reformers must stand their ground'

### Overseas Development Institute

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In his remarks after the passage of landmark health care reforms by the US House of Representatives on Sunday night, President Obama said of the achievement:

*'Tonight, at a time when the pundits said it was no longer possible, we rose above the weight of our politics. We pushed back on the undue influence of special interests. We didn't give in to mistrust or to cynicism or to fear. Instead, we proved that we are still a people capable of doing big things and tackling our biggest challenges...'*

*'Tonight's vote is not a victory for any one party – it's a victory for them. It's a victory for the American people. And it's a victory for common sense.'*

Given current disillusionment, in the US and the international community, with the American political system (and in particular a lack of faith in the capacity of its congress), it is understandable that Obama would seek to separate the achievement from 'the weight of politics'. Yet in doing so, he downplays his own achievements in producing a politically feasible bill that addresses key issues in the health sector. 'Common sense' alone is rarely sufficient for reform.

The US experience offers lessons for the international community about the politics of reform around the world. This is not a call for US-style political systems, or even democratic systems, but a recognition of the need to ground expectations of political processes in every country in the messy reality of how politics operate at home, rather than in idealistic standards.

Donors and other international actors are increasingly aware of the importance of understanding political incentives and drivers of reform processes. However, how best to move beyond purely technical approaches at sector level often remains unclear. To address this, donors and other actors have developed different frameworks for conducting political economy analysis at the sectoral level (Foresti et al., 2009) in recent years. This opinion argues that

if it is to contribute effectively to reform processes, sector level political economy analysis should not overlook the broader set of incentives, bargaining and power relations that underpin national political systems.

At its worst, politics puts up the barriers of conflicting zero-sum partisan ideology that stop us tackling the biggest challenges to which the President referred in his speech. At its best, however, politics is about finding ways to negotiate the complex web of competing interests that characterise policy debates, while preserving meaningful reform. Both sides have been on display during the debates on US health reform, and both have been managed with some success by the Obama administration through the use of three distinct political strategies informed by knowledge of the political economy of reform: concession, persuasion and confrontation.

### Concession

As demonstrated in the exchange on health reform earlier this year between White House Chief of Staff Rahm Emanuel and political theorist William Galston, agreeing on the proper practice of the 'art of the practical' is difficult.

Rather than rising above political considerations, the final bill, signed by the President on 23 March, reflects strategic concessions made by the Obama administration to win sufficient political support. The President's 21 March agreement to issue an executive order confirming that the law would not result in federal funds being used to fund abortion has been credited with delivering the final votes needed to pass the legislation. But there is more to it. A number of characteristics of the bill reflect some degree of compromise between the desires of the hardline reformers and the influence of 'special interests'.

Some of its characteristics may even challenge its long-term sustainability, such as earlier concessions dropping the proposed public insurance option and an independent Medicare reform commission, as well as the dilution and delay of taxes on premium health plans.

## Persuasion

What of the ugly side of politics, of the increasingly polarised partisan venom that has fuelled claims that the US is unable, politically, to address long-term problems? President Obama came to office, in part, on the strength of his arguments for a post-partisan brand of politics, with decisions made on the basis of rationality and calm discourse. Such a vision does not demand concessions, but does require issue-based discourse; that is, persuasion through high quality public reasoning. Yet the President's contention that the healthcare 'debate has never been about abstractions, the fight between right and left, Republican and Democrat' seems idealistic. Perhaps for the President, the pursuit of health reforms was genuinely grounded in the problems of US citizens. But we should not confuse what the President thinks the debate should have been about, with what the debate was actually about, and what reform processes are often about.

## Confrontation

This was rarely, if ever, a substantive debate about solving the problems of a broken health system.

As the New York Times columnist Paul Krugman noted: 'For the most part opponents of reform didn't even pretend to engage with the reality either of the existing health care system or of the moderate, centrist plan ... that Democrats were proposing. Instead, the emotional core of opposition to reform was blatant fear-mongering, unconstrained either by the facts or by any sense of decency'.

Where incentives or ideology push opponents to fight any given reform initiative not because of its content, but simply for the sake of opposition, reformers must stand their ground, adopting a different approach in which concession and persuasion to make way for confrontation. In this case, Democrats were willing and able to overcome the opposition within the bounds of institutionally legitimised mechanisms for reform by using a budget reconciliation manoeuvre.

## Lessons for development researchers and practitioners

While the various tactics adopted during the reform process force us to ask difficult questions about what constitutes meaningful engagement by opposition parties, there are a couple of larger lessons here.

First, work on the political economy of sectoral reform often focuses on how stakeholders will react to the content of the reforms (i.e. the way in which reformers in the health sector needed to navigate the complex and competing interests of health insurance companies, unions, hospitals and other stakeholders). However, in order to be useful and operational, political economy analysis needs to move beyond the identification of institutional constraints and the analysis of the pattern of stakeholders, to identify 'room for manoeuvre or scope for different outcomes created by dynamic aspects of the change process' (Booth and Golooba-Mutebi, 2009). The ability of the Obama administration to win sufficient support for the bill is a testimony to its ability to operate at this third level.

Second, political economy analysis of sectoral reforms cannot be limited to sectoral political economy analysis. The refusal of the US Republican opposition to interact with the substance of the health bill was a political gambit based not on sector-specific issues, but on a national political strategy designed to make President Obama appear weak and ineffective prior to the mid-term elections this November. For researchers and practitioners working in developing country contexts, linking sectoral analysis with national-level analysis places reforms in highly-relevant political and institutional contexts can be invaluable. It helps us to better understand how incentives far beyond our immediate sector 'silos' can determine the likely effectiveness of strategies of concession, persuasion and confrontation.

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### Useful resources

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