
Framework and Background

Seminar Memo

By Alex de Waal
World Peace Foundation

This memorandum is intended to serve as an introduction to the framework of the “political marketplace,” as background for the seminar.

The political marketplace is a contemporary system of governance, characterized by pervasive monetized patronage, in the form of exchange of political loyalty or cooperation for payment. The countries where this occurs share three principal features, namely (a) the dominance of inter-personal political bargaining over formal rules and procedures, (b) pervasive rent-seeking by members of the political and business elite, and (c) integration into a global patronage order. The political marketplace is not a transitional or outdated system that is about to replaced by Weberian states, but a flexible and dynamic governance order.

The framework of the political marketplace helps to explain four enduring puzzles in contemporary Africa and the Greater Middle East:

1. **State-building is becoming harder, not easier.** An earlier generation grasped the prospect of modernity but it now appears to be beyond reach. Despite a collective demand for democracy and capable states, international technical assistance, and remarkable economic growth, institutionalized states seem more remote today than half a century ago.

2. **Large-scale killing is declining but volatility is increasing.** The numbers of people killed in today’s conflicts are considerably smaller than twenty or thirty years ago. Military coups and wars are rarer. But reduced violence does not seem to translate into greater stability. More effort than ever is invested in peace, and peace agreements are larger and more complicated than ever before, but they seem not to bring peace.
3. **International security cooperation appears to sustain, or even generate, the insecurity that justifies its continuation, or expansion.** Ever-greater efforts and funds are spent on stabilization, counter-terrorism, and counter-narcotics, but the ills targeted by these programs seem to become ever-more entrenched, even pervading the national institutions that are the favored recipients of international support.

4. **Identity markers are becoming more salient but tribal and sectarian authorities are losing their status.** For example, across Sudan, South Sudan and Somalia, people report that ethnic and confessional conflict appears to be rising. But the custodians of ethnicity—chiefs and religious leaders—have much reduced influence. The ethnic markers utilized in conflict remain as fluid as ever, but conflict that appears to be ethnic is more common.

Political marketplace governance systems vary along four dimensions, namely (a) whether they are a hybrid of institutionalized and patronage-based orders or are entirely a market in patron-client relations, (b) the extent to which political finance is derived from external rents (mineral exports, aid, security cooperation, etc.) as opposed to other sources of finance such as donations from domestic businessmen, (c) whether control over the organization of violence is centralized or decentralized, and (d) the terms on which they are regionally and internationally integrated.

A common manifestation in Africa and the Greater Middle East is a rentier political marketplace with dispersed control over the instruments of coercion. In these countries, political bargaining is conducted using violence or the threat of violence. Typically, intermediate elites—army commanders, tribal leaders, provincial governors and the like—threaten or instigate mutiny or rebellion in order to obtain a larger share of centrally-allocated rents. The characteristics of contemporary political marketplace governance systems are particularly pronounced in these countries, but they are not the only variant.

The central dynamic in the political management of a political marketplace is the relationship between the **political budget** and the **price of loyalty**. The **political budget** refers to the funds available to the ruler for discretionary spending on ensuring the loyalty of members of the political elite. Its twin concept is the **price of loyalty**: the prevailing market rate for ensuring the allegiance or cooperation for a period of time or a particular activity.

The size of the political budget is a function of the rents that the ruler can obtain (income), and the demands on that fund from members of the political elite.
(expenditure). It is the heartbeat of the political marketplace system, and its health is the indicator of regime survival or crisis.

Management of the political budget is the single most important political business management skill for a political entrepreneur or business manager. In most political scientific analyses of states and governance systems, the role of personal agency and political skill is considered as an extraneous factor or noise. The analysis of a political marketplace, by contrast, demands attention to “real politics,” in Lenin’s sense of “who, whom” (cf. Guess 2008). Charles Tilly called attention to this:

If protection rackets represent organised crime at its smoothest, then war risking and state making – quintessential protection rackets with the advantage of legitimacy – qualify as our largest examples of organised crime. Without branding all generals and statesmen as murderers or thieves, I want to urge the value of that analogy. At least for the European experience of the past few centuries, a portrait of war makers and state makers as coercive and self-seeking entrepreneurs bears a far greater resemblance to the facts than do its chief alternatives: the idea of a social contract, the idea of an open market in which operators of armies and states offer services to willing consumers, the idea of a society whose shared norms and expectations call forth a certain kind of government. (1985, p. 169)

Tilly left this comparison as analogy. I would argue that this is the reality of politics. When I began using the term “political marketplace” and its corollaries, taking my cue from the Sudanese political vernacular, I also took it as metaphor, but soon realized that it is not. This is really how political business is conducted. Political business management skills and entrepreneurship are central to regime functioning, and one of the key tasks of the political science of these systems is specifying how politicians make these systems work, and indeed make them work better.

In week-to-week political management, the political business manager’s challenge is sustaining cash flow to the political budget and ensuring that claimants are paid, at minimum cost. In strategic planning, the ruler will want to consider the options of building a coercive capacity or invoking popular solidarities by appeals to ethnicity, nationalism or religion, so as to minimize the political budget by using other mechanisms to generate loyalty and cooperation.
Let us examine the four dimensions of the political marketplace system.

First: the extent to which political life is regulated by formal and institutional rules and procedures as opposed to inter-personal transactions and relationships.

In a political marketplace, the main transaction is the exchange of loyalty over a period of time, or cooperation in a task, for resources. This exchange is usually monetary, creating a marketplace of loyalties. Supply and demand determines the allocation of power and influence. For example, who holds what position and what they do in that post is determined by current market conditions rather than formal rules. Formal institutions are subordinate to these market-based transactions.

Insofar as political scientists have focused on personalized or patrimonial systems of political authority, their principal interest has been how these systems have made the transition to formal institutional systems. The dominant analyses of patronage-based political orders (a.k.a. “fragile” or “post-conflict” states, or what Douglass North and his colleagues (2009) call “natural states”) are to compare them unfavourably with those political orders that have achieved a state-building trajectory. Notwithstanding most scholars’ insistence that there is no necessary progression from patronage orders to Weberian states, too often there is an implicit assumption that such a transition will occur. The framework of the political marketplace makes no such assumption, and instead focuses on how informal or hybrid systems of governance are adapting to, and innovating within, the current global political economy. Indeed, part of the analysis is how marketplace systems are capturing institutionalized or developmental states and pushing them towards rent-based bargaining—state-building in reverse.

There are varying degrees of (modest) institutionalization, between and within countries, allowing us to investigate the conditions under which political institutions emerge and decay. Additionally, we need to attend to the way in which a political marketplace is itself an institution, regulated not by formal rules and procedures, but by societal norms and shared expectations. The role of ethnicity and other forms of solidarity will be important in regulating the marketplace. In these systems, political actors have little trust in one another and no trust at all in the rule of law, but they can predict outcomes based on confidence in how actors will behave.

Second: the extent to which political finance are externally derived rents as opposed to domestic sources.
Our concern is with low- and middle-income countries in a subordinate position in the global economy. They cannot produce and market agricultural or manufactured products at scale in an internationally competitive manner. Business profits are therefore obtained primarily through rents, either directly (government contracting and investment in minerals) or indirectly (obtaining a profitable position in a market for services, or securing key assets at a discount, courtesy of governmental sponsorship).

In a rentier system, the ruler relies on exporting minerals, security cooperation assistance from global powers, aid, the payoffs from transnational organized crime, or the financial rewards from serving as a client to another ruler in the region or beyond. The simpler specifications of the political marketplace apply in single-source rentier states, notably oil exporters, where the ruler has little room for maneuver in negotiating rental income. Where the ruler’s rental income is from aid, security cooperation, crime or sovereign rents, skills in generating rentier opportunities and accessing rents are important. These sources of finance also have the complication that financiers may also have other options for intervening in the market, for example by sponsoring insurgents (see below).

Externally derived rents are the main mechanism whereby low- and middle-income countries in Africa and the Greater Middle East (and possibly elsewhere) are integrated into the emergent global patronage order.

In a system financed by political funds from domestic sources (which here include foreign wage earners who provide remittances), political business managers obtain their political finance by bargaining with business leaders. This is not a rentier system in the sense that government revenues and political budgets are external rents. Nonetheless, political and business leaders remain rent-seekers. In such a case, the political manager needs to negotiate both revenue and spending, making a double bargain with financiers and clients. Hence, the political marketplace functions in a different and more complex manner.

One of the features of the double bargain, is that the key players in the business sector are able to regulate the supply of political finance to the entire political marketplace. The financiers therefore have the option of either sponsoring competitors in a patronage marketplace, or taking the different approach of regulating political finance across the board. If commercial financiers of politics can achieve a consensus on the latter approach, they have the possibility of establishing a stable system with a low price of loyalty.
Third: the extent to which control over the means of organizing violence is distributed among members of the political elite, rather than being concentrated in the hands of the ruler.

In no case does the ruler exercise a monopoly on the legitimate use of force. However, the extent of centralization of coercive capacity varies. In all cases, a key instrument for keeping those intermediate elites in line is financial patronage, and in some cases, it is the only instrument.

The concentration or dispersion of control over the means of violence reflects the history of the 1980s and 1990s. At that time, many African states were brought to the brink of collapse, such that state budgets were insufficient to maintain basic governmental functioning (Bates 2008). Additionally, rulers could not sustain the political budgets necessary for a minimum patronage order, so that the political survival strategy was to allocate license to plunder to intermediate elites—a self-defeating recourse to plunder. The crisis of political budgets was accentuated by the winding down of the Cold War and the scaling back of superpower security rents to incumbents (Laitin 1999), and by rulers trying to “coup-proof” their regimes through dividing coercive power among different elements of the armed forces and security forces (cf. Quinlivan 1999). As Bates notes, “things fell apart.”

The recovery from that collapse followed different trajectories depending on the source of finance and the distribution of control over the means in violence. Those countries that were undergoing civil wars in the last quarter of the 20th century, and which were compelled to adopt militia strategies for counterinsurgency, faced a structurally insurmountable task of centralizing control over the means of coercion. The only means was negotiating rental agreements, either on a retail basis (individual security pacts) or, funds permitting, wholesale (peace agreements that involve the absorption of rebel forces into larger, inclusive national armies).

Consequently, many of the members of the elite who can organize violence are both formally within the state apparatus, such as army officers or heads of paramilitary and security forces. Others are outside that apparatus, such as rebel commanders and tribal chiefs, or may straddle the divide between government and society. Different components of the political budget must be allocated to each.

For a member of the provincial elite outside the apparatus, a major way of staking a claim to more resources is the rent-seeking rebellion. By staging a mutiny or rebellion, a commander, chief or local administrator attracts attention, advertises his intent and determination, and strikes up a round of bargaining. This is conducted through violence and talking. The value of human lives taken is as an
index of the seriousness. The rebellion is settled through a **payroll peace**: the leader is given a promotion and his fighters are put on the army payroll (arrears are paid, pay rises awarded, and more soldiers—real ones and ghosts—are employed).

Violence organized in this way intersects with identity politics. In north-east Africa, the most characteristic form of this is militarized tribalism. Armed groups are constituted on the basis of patronage and kinship: their leader simultaneously **rewards and defrauds** his soldiers. Because salaries are scarce, the leader employs his kin. Because each official involved in disbursing the cash for wages and allowances takes a cut, they are never as much as advertised, so that each commander is short-changing his followers. Co-ethnicity is part of the bargain to minimize the risks of the payroll mutiny. And when leader or fighters stage a rebellion, those they kill first are members of other tribes—traders or officials from other ethnic groups, neighbouring communities—and the conflict takes on an ethnic character. Meanwhile, a political entrepreneur’s instrumentalization of ethnicity is a pact with the custodians of that identity—such as tribal chiefs—whose try to assert their dwindling authority when the protagonists begin their political bargaining to settle the conflict. This bargaining is dressed up as a peace process, involving community representatives, reconciliation and settlement of grievances.

Several other key characteristics emerge from these three factors. A political marketplace system is turbulent, fractal, and open system. **Turbulence** is drawn from fluid dynamics and refers to the way in which a poorly-regulated system is unpredictable and apparently chaotic from one moment to the next, lacking discernible pattern, but still maintains a recognizable structure over a longer period of time. **Fractal** refers to the way in which the same patterns of bargaining are reproduced at all levels: local, provincial, national and inter-state. **Open-system** refers to the way in which the system is amenable to innovation: the best political entrepreneurs are those who can change the parameters of the system, for example by finding new sources of income or new means of reducing patronage outlays.

The political marketplace is a highly materialist, instrumental framework that provides little space for ideals and norms. It reduces people to commodities. People, of course, resist. People attempt to regulate the political marketplace (usually drawing upon culturally-legitimated systems), to control it (using coercion), to sabotage or evade its impacts (c.f. Scott 2009), and to transform politics into a democratic system.

*Fourth, the terms on which the country's political marketplace is regionally and internationally integrated.*
The key challenge for the political business manager is that, while external rents are the most lucrative, it is critically important to be able to regulate new entrants to the political marketplace, and a vital mechanism for doing this is minimizing foreign sponsorship of new domestic players.

A ruler with a strong position in a regional marketplace can regulate external entrants to his country’s political marketplace, and can therefore dominate a domestic patronage system, at an affordable cost.

However, a country in a subordinate position in a regional marketplace is at a severe disadvantage, in that its ruler is not in a position to regulate the price of loyalty. No matter how great his political budget, others in the region can compete—and indeed, a high political budget will just heighten the competitive stakes. Therefore, a country such as Somalia (prone to regional interference since the late 1970s) cannot find a viable internal settlement in the marketplace, irrespective of whether the price of loyalty is high or low.

Increasingly, the political marketplace is *globally* integrated. Thomas Barnett (2004) described the countries on the margins of North America, Europe and the Far East as “the non-integrating gap” and identified them as the major security threat to the U.S. in the twenty-first century. I argue that these countries are in fact well-integrated into the global order, just not through the institutions of formal globalization, but rather through flows of rent. Insofar as political instability, corruption and chronic violence are a product of a rentier political marketplace, these countries generate threats that led U.S. policymakers to identify an “arc of instability.” In turn, U.S. and (to a lesser degree, European and Japanese) security policies have been focused on assisting rentier governments to combat these threats, or intervening directly themselves. The paradigm of the rentier political marketplace, however, suggests that such assistance and intervention will only serve to finance the rentierism, increase the price of loyalty, and thereby increase the turbulence of these countries, creating a vicious cycle whereby threats are sustained and further threats are generated.

United States military and security assistance is only one element in the emergent global patronage system. Private sector investment can also play a role, notably in the minerals sector, and especially when it is conjoined with business practices that involve profit shifting to secrecy jurisdictions and partnership with local businesses (invariably with connections to high political leaders), that serve as vehicles for primary accumulation and the circulation of public funds into political budgets. Rents from transnational organized crime are another element. Regional political
ambitions from middle-ranking states, especially oil producers, also fuel regional patronage systems.

**Intellectual Debts**

Much of the framework of the “political marketplace” is adapted from Africanist and political science literature. I owe many intellectual debts, and it is appropriate to pay tribute to some of those whose insights I have plundered. Let me begin with Stanislav Andreski, who first coined the term “kleptocracy” in his study of the first few years of Nigeria’s independence.

The essence of kleptocracy is that the functioning of the organs of authority is determined by the mechanisms of supply and demand rather than the laws and regulations; and a kleptocratic state constitutes a curiously generalized model of laissez-faire economics even if its economy is nominally socialist. However, like pure democracy or pure autocracy, pure kleptocracy is an ‘ideal type’ which has never materialized, because everywhere there are certain bonds of solidarity which interfere with the workings of supply and demand.... Normally kleptocracy is not ‘pure’ but intertwined with coercion by armed force; so that strategy and tactics as well as price theory are needed to explain the functioning of a system consisting of a mixture of venality and gangsterism. (1968, pp. 108-9)

In common parlance, “kleptocracy” refers to a political system based on bribery and the theft of public property. Andreski defines it more broadly, as a system without public institutions, in which the logic of the marketplace governs the allocation of governmental office and the purportedly public goods that government allocates. Given the way in which the common understanding of kleptocracy has driven Andreski’s more precise social scientific definition, I use the term sparingly.

Meles Zenawi preferred “pervasive rent-seeking,” but his published writings do not contain a definition of the term (Zenawi 2012). Also, Meles used the term mainly to disparage rather than to analyze: he was less interested in the dynamics of a political system dominated by rent-seeking than in how to stamp it out. For that reason, I also use the term sparingly.

The language of clientelism, (neo-)patrimonialism, rentierism and big man rule was already prevalent well before Africa’s systemic crises of the 1980s. It is a useful paradigm, sadly under-utilized outside Africa. Michael Bratton and Nicolas Van de Walle usefully define neo-patrimonialism:
In neo-patrimonial regimes, the chief executive maintains authority through personal patronage, rather than through ideology or law. As with classic patrimonialism, the right to rule is ascribed to a person rather than to an office. In contemporary neo-patrimonialism, relationships of loyalty and dependence pervade a formal political and administrative system and leaders occupy bureaucratic offices less to perform public service than to acquire personal wealth and status. The distinction between private and public interests is purposely blurred. The essence of neo-patrimonialism is the award by public officials of personal favors, both within the state (notably public sector jobs) and in society (for instance, licenses, contracts and projects). In return for material reward, clients mobilize political support and refer all decisions upward as a mark of deference to patrons. (1994, p. 458)

Van de Walle (2001) argued that neo-patrimonial governance was politically resilient but economically disastrous, dictating that governments supported inefficient clientelistic systems for reasons of regime survival. This is surely correct. My concern here is slightly different: to locate different forms of neo-patrimonial governance within different political-economic circumstances. Thus, the “warlord politics” that afflicted much of West Africa in the 1990s and 2000s, described and analyzed by William Reno (1999; 2011) represent a specific conjuncture of factors, creating a particular historic variant of neo-patrimonialism. Since then, things have changed again. The more egregious warlords have either been defeated and deposed, or become respectable gendarmes for former colonial powers. New forms of finance have emerged, the means of communication and convening have been transformed by new telecommunications technologies, and political markets have adjusted accordingly.

I suggest that the framework of neo-patrimonialism, like that of kleptocracy, is relevant and useful but does not do full justice to the dynamism of political bargaining under changing conditions. Célestin Monga (1996, p. 56) argued that the neo-patrimonial paradigm was no longer operative: “Even the most extreme forms of African patrimonialism have undergone revision. Far from being a system of mere privilege trafficking and influence peddling, patrimonialism is attuned to the social exigencies of the times and seeks to craft a type of power that is less direct and primitive, more equilibrated, and in a certain sense, interactive.” Monga writes in the tradition of Jean-François Bayart (2009), Christopher Clapham (1996) and Patrick Chabal (2009) who stress the continuities in forms of African governance, and their adaptability to circumstances. Much of this literature stresses the importance of factors rooted in culture, kinship organization and religion (Mbembe
I prefer to focus on the material factors that drive change, rather than the cultural factors that ensure continuities. Those cultural factors can be seen as factors regulating the hard facts of cash and coercion: my main concern is with those brute realities. One reason for this is that the paradigm of the political marketplace resonates outside Africa, in very different social and cultural contexts.

The phenomenon of politics as a marketplace of provisional allegiances has not only prevailed, but has become dollarized, regionally integrated, and with accelerated bargaining. Both driver and symptom of these changes is the increased price of loyalty, reflecting the greater bargaining power of clients.

Political science has been concerned with the transition from a patronage-based political system to an institutionalized one or a developmental state (c.f. Olson 1993; Tilly 1990; North et al. 2009), and the emergence of social movements, democracy and nationalism (Anderson 1983; Tarrow 1994). This literature contains rich insights about political systems that have not made this transition, including those at the cusp of it. The World Bank’s World Development Report 2011, “Conflict Security and Development,” (World Bank 2011) represents an ambitious effort at bringing this powerful current of political science to bear on contemporary challenges of fragile states. However, the WDR 2011 bears the hallmarks of institutional pressures to emphasize the potential for conventional state-building, not the alternative trajectories of governance.

My analysis differs in two main respects: the historical specification of the factors for state-building and the main focus of analytical attention.

The transitions identified, from different disciplines, by Olson, Tilly, and North, are based upon the history of state building in Europe and North America. At its simplest, this model contains a ruler who has a dominant position with regard to using organized violence, and intermediate landowning and commercial elites that control the key resources. This leads to a “protection racket” governing system in which the ruler abandons primary accumulation for regularized tribute and taxation. The space for communication and convening has several important elements: it is organized around national communication and convening infrastructures such as newspapers, languages and parliaments; it is contested on roughly equal terms between ruler and intermediate elites; and the opportunities for bargaining are scarce, so that once a deal has been struck, it is likely to remain in place for decades. These three factors generate a fourth: nationally-distinctive bargains can emerge, creating both nation and state through interwoven processes. Altogether, this allows for the emergence of stable rules of the political game.
Contemporary political marketplace systems differ on all key variables. The ruler possesses (much, or most of) the national revenue, by virtue of state rents. Control over organized violence is widely distributed among the intermediate elites, both those ostensibly within the governing system and those outside it. And thirdly, historically these peripheral governance systems are constituted around centralized monopoly over communication and convening, which has recently and rapidly been transformed by new transport and communications infrastructure and technology. And lastly, all these factors operate across boundaries and are integrated into a global economic, security and political order. This defines a very different trajectory of state-building today in comparison to even the recent past. Fifty years ago, nation- and state-building formulae might have delivered. Now the task is almost impossible.

Consequently, the main concern of the “political marketplace” framework is with the actual functioning of political systems that have not made the transition to institutionalized states, because they are not likely to make any such transition in the foreseeable future.

Additionally, I am concerned with how those relatively institutionalized or developmental states interact with political marketplace systems, and especially the ways in which the rentier political marketplace can corrode or overwhelm an institutionalized or developmental state. In addition, I suggest that this form of globalized patronage system may challenge elements of institutional globalization at an international level, and that the U.S., in particular, should guard against the danger that its role as a promoter of a globalized political marketplace, may generate precisely the security threats it is seeking to suppress.

And finally, we must ask, what can be the process whereby a political marketplace system does transform into one that can produce public goods?
Bibliography


