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This seminar note is organized around prominent themes that emerged throughout the seminar. Participants' responses were non-attributable for a more thorough discussion.

## **"The Political Marketplace":**

### **Developing a Framework for Addressing the Real Politics of Coercion and Corruption**

**Seminar Note**

12 – 13 June, 2014

*The Fletcher School of Law and Diplomacy  
Tufts University*

## **OVERVIEW**

Existing models for peace-making, state-building and stabilization, which assume that "fragile states" can move, under international tutelage and sponsorship, towards capable and legitimate states, are wrong. Peace agreements that consist primarily in allocating rents to belligerents only reinforce the logic of a rent-based political marketplace. Indeed, international efforts to achieve stabilization and state-building by channeling effort and resources through governments are more often counterproductive than not.

Rethinking is needed especially in the case of overt political marketplace systems. These are places where:

- (a) Political disputes are not resolved by institutional rules and procedures;
- (b) Control over the instruments of violence is dispersed;
- (c) Political finance is in the hands of political, military or corporate interests; and
- (d) They are integrated into the global order in a subordinate position.

It follows that we need to develop an alternative language, framework and metrics that are honest to the realities of these countries. Case studies discussed in this seminar include: Sudan, South Sudan, Chad, Somalia, Egypt, Tunisia and Afghanistan. We hope that this can be the basis for a frank discussion about the problems of violence and corruption that they face.

For many scholars and practitioners who have worked in so-called “fragile states,” from Afghanistan to Mali, and in states purportedly in “transitions to democracy,” from Burma to Tunisia, the existing models and language for state-building simply do not fit reality. Specialists involved in military stabilization efforts, peacekeeping, governance and security sector reform, economic development and law enforcement, share a similar set of concerns: the concepts and language they are obliged to use in their professional lives do not match with the lived realities of the countries in which they are working.

In extremis, one participant described how international officials in Somalia spent their office hours working on systems and procedures that they knew were a fantastical construction, and in the evening secretly read the papers of political analysts to find out what was really going on—like clandestine users of pornography. Meanwhile, any Somali officials who spoke publicly about the “real politics” of the country, including the graft, patronage payouts and commercial-political bargaining, would be treated as if they were breaking the rules of acceptable behavior.

The seminar sets out to develop a set of conceptual tools and working models to allow political scientists and policymakers to bridge this gap.

## **Key concepts developed during the seminar included:**

### ***Relating to the overall framework of the “political marketplace”:***

- The “real politics” of bargaining, coercion and extortion are the heartbeat of political life; and corruption and patronage are the norm of a “political marketplace” system or a structured kleptocracy, not the exception;
- Political regimes can be seen as businesses, including vertically-integrated criminal cartels, which produce both financial profit and political power for the individuals who rise within them and run them, and we must recognize the dangers of institutionalized political systems becoming informalized and repurposed as mechanisms for corrupt and criminal activities;
- The “political entrepreneur” and the “political business manager” are the key figures in the political landscape, who pursue power and profit in accordance with “political business plans” that can be readily understood, and for whom formal institutions and their rules are subordinate to the demands of power and profit;
- The “political budget” (the funds available for political business managers to dispense for patronage and reward) and the “price of loyalty” are key indicators of the health of a regime in these systems;
- Governmental institutions are tools that can be useful for political business management, but they can also be obstacles or even threats to political strategies. Political business managers do not necessarily want to consolidate state authority;

- Popular discontent with the instrumentality of the political marketplace is widespread. Under some circumstances, popular resistance may lead to militant movements that generate moral codes which change the rules of the political game.

### **Relating to the “political marketplace” and armed conflict:**

- Violence is an instrument of bargaining, used by aspiring political entrepreneurs to increase their political claims, and by ruling political business managers to reduce the political claims made upon them, and thus make it possible to rule more cheaply;
- “Rent-seeking rebellion” is a key means for political-military entrepreneurs to advance their position and payoff (with rank-and-file combatants running high risks for little reward);
- “Payroll peace” is the rent-allocating bargain that ends such a rebellion, through buyoff;
- The “inter-war”—a temporary cessation in outright violence—is a description of the period in which belligerents have struck a bargain, through military dominance or a peace deal, until such time as that bargain is reconfigured, probably through renewed violence.

### **Relating to how international actors engage these regimes:**

- There is debate on the best methods for understanding how these systems function. Decision-making models can be valuable for understanding political trajectories and outcomes. Understanding the political vernacular is important for gaining insight into “real politics”—no model can dispense with the understanding provided by local knowledge;
- The monetization and international integration of patronage bargaining is significant for the emergence and deepening of political marketplace systems and systemic kleptocracies; and the role of external rents—from mineral exports, aid, and (above all) security cooperation—is important in sustaining corrupt and patrimonial marketplace regimes;
- International assistance and security cooperation to these regimes very often generates incentive structures that confound international policy objectives.

## **Background**

### ***When the business of politics is business***

The concept of the political marketplace operates at two levels. Inter-personal bargaining involving exchange of reward for cooperation is a part of real politics everywhere, and in that sense the political marketplace is a *metaphor* that has universal application: all political systems are markets in a broad sense.

In particular circumstances—typically what are commonly called “fragile states”—political business is *actually conducted* as in a market, with the price of the commodities of cooperation and allegiance determined by supply and demand, and regulated by violence and threat. These are what we may call overt or unregulated political marketplace governance systems, for short, political marketplaces.

The key concepts from business management transfer remarkably well to the political marketplace and structured kleptocracies. Political entrepreneurs seek to increase revenue and limit costs. They can finance their operations through debt, equity or revenue from operations. They face choices between incurring direct costs or outsourcing/licensing to subcontractors. They run risks of buyers or suppliers trying to take over their market share. They seek to limit the entry of competitors into the market and discourage rival or replacement products.

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***The concept of “profit” is more ambiguous: it refers both to power and money.***

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They seek to develop customer loyalty through branding, typically by using identity politics. The concept of “profit” is more ambiguous: it refers both to power and money. Business strategy and skill are integral elements to the success or failure of the political entrepreneur.

The logic of the political marketplace is the triumph of monetized transactions over formal rules and regulations and embedded social norms. The laws of political supply and demand, and the greater importance of political business skills and strategies compared to ethics of public service and accountability, suggest that pressures for the marketization of politics are found in most political systems. This alerts us to the way in which a relatively well-institutionalized state can succumb to the pressures of informalization or criminalization. It may do this through a shock (such as a popular uprising or a military defeat) causing the disintegration of ruling systems, or it can happen insidiously from within, as a bureaucratic state is repurposed by its business managers to function as a vertically integrated criminal syndicate, whose main objective is amassing personal wealth for its rulers.

### ***Conditions of the Political Marketplace***

Overt political marketplace systems are found in locations (countries and parts of countries) in which all the following four conditions apply:

- (a) Political disputes are not resolved by institutional rules and procedures;
- (b) Control over the instruments of violence is dispersed or contested;
- (c) Political finance is in the hands of political, military or corporate interests; and
- (d) It is integrated into the global order in a subordinate position, so that outside interests can intervene in its internal affairs.



Paradigmatic cases of political marketplace systems occur in countries dependent on external rents (oil exports, security cooperation assistance from the U.S., or the proceeds of transnational organized crime), and where there is a recent history of patronage politics and civil war, so that society is ethnicized and militarized. These countries are marked by turbulent politics, which is constantly and unpredictably reconfigured over short time-spans but which retains the same overall structure over a longer period. They are marked by fractal politics, in which the same patterns of bargaining and re-bargaining are found at all levels, from the local to the inter-governmental. In these countries, international efforts to build institutions are typically frustrated by the skill with which members of the political elite make those institutions into instruments of factional advantage, thereby rendering state-building or stabilization an endless round of initiative, manipulation and disappointment.

Where those four factors differ, such that (for example) there is centralized control over the means of violence, the country’s leaders are able to erect high barriers to the entrance of new political entrepreneurs into the system, and there is a history of public institutions and popular expectations of a legitimate state that delivers public goods, a different pattern emerges. In these countries, political business can be more readily monopolized and the rents that accrue from a tight regulation of politics can more efficiently be converted into private wealth. These fragile Leviathans may appear to be on course for emergence as capable and developmental states, but they are in fact systemic patrimonial kleptocracies, susceptible to criminalization from within, and—in the case of a major upheaval—mutation into a deregulated political marketplace.

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Control over organized violence is central to power in all these systems. Where control is distributed among different governmental institutions (army, special forces, security and intelligence, paramilitaries, police etc.) and still more so when it is dispersed across society (to include rebels, militia, armed criminal gangs, etc.), leaders of armed units or groups may seek to advance their standing in a patronage hierarchy through force or the threat of force. This can either be at the expense of people

lower down the hierarchy, through robbery and extortion, or at the expense of their superiors, through mutiny and rebellion. The function of a “rent-seeking rebellion” is to obtain promotion and resources for the political entrepreneur who leads it, while putting his fighters on the army payroll. Because military units will usually be ethnically constituted, such a rebellion looks like an ethnic conflict, and the peace process may superficially resemble an inter-ethnic dialogue and reconciliation. But the underlying logic is bargaining over resources, and the resulting agreement will last for as long as the political conditions persist that made it possible. “Payroll peace” agreements are viable only when budgets are expanding: when they are stagnant or declining, they will either fall apart or generate more conflict elsewhere, as others lose out.



**And everyone else?**

The political marketplace and systemic kleptocracy are elite politics, which involve dispossessing, deluding, coercing or at best neglecting the people. Patronage politics tends to address a broader population through ethnic logic, and militarized patrimonialism is a recipe for ethnic conflict. Political entrepreneurs find identity politics a cheap and convenient means of mobilizing a constituency and a militia. In countries with pre-existing identity divides, monetized and militarized bargaining tends to generate further ethnic conflict.

However, people—especially in an era of education and communication, and in places where there is a recent memory of a more capable and legitimate state—are rarely willing to tolerate such violations for long. The growth of militant movements, and the appeal of radical calls for justice and dignity, are not difficult to understand. The alienation between the people who live in these countries, and those in the

international community who promise progress but deliver nothing of the sort, is also easy to appreciate.

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But, rather than achieving change in the system, a much more common outcome of protest or rebellion—when it is not crushed or simply allowed to burn out—is just a rotation in the personalities who benefit. A political marketplace is extremely resilient to efforts by civil society activism or democratic institutions to create new modes of power.

Increasing representation within political institutions, while a worthy goal, often does not coincide with where power resides. A seat at the table comes only through participation in the system; hence, the tendency to feed rent-seeking rebellion and marginalize democratic institutions.

Further, the political marketplace is highly gendered. Political marketplace systems and structured kleptocracies are run almost entirely by men. Perhaps more significantly, the values that inhere in this form of governance—the instrumentalization and commoditization of relationships between people, and the intrinsic role of interpersonal violence or threat of violence within political life—are associated with hegemonic militarized masculinity.

**The roles of outsiders**

External enablers are essential to the functioning of these systems. The funds provided by minerals exports, by aid and by security cooperation are integral to the political finance of the ruling regimes, and the lax regulation of international financial flows and secrecy jurisdictions (tax havens) allows for illicit funds to be hidden and used either for personal gain or round-tripped back home as political budgets. The growth of a globalized patronage system is both driver and symptom of the political marketplace.

Usually, the people who live in these countries see foreign aid workers, diplomats and peacemakers not as agents of change, but as birds of passage who can deliver some material benefits to those who can best



seize the moment. International assistance and networks are opportunities to be seized within the political marketplace, not alternatives to it.

In building models that can explain, predict and facilitate the emergence of robust institutional systems of government, we need indicators of political performance that are independent of GDP. Three measures are particularly useful: extraction (the ability of the authorities to obtain public revenue); reach (penetration into peoples’ daily life); and allocation (government choice of policies for economic development). But the decision to pursue such policies—or indeed adopt any political choice—is explained best by models of decision-making that make no optimistic assumptions about politicians’ preference for institutions and public goods over immediate political or personal interests.

## Case Studies

The seminar examined a number of case studies, which show how political marketplace and structured kleptocratic systems function under diverse circumstances.

- **South Sudan** is a paradigmatic rentier political marketplace, with political finance entirely based on oil revenue, and dispersed control over the means of violence. President Salva Kiir followed a business model that deliberately put very large numbers of armed men and their commanders on an inflated national payroll, in order to make it impossible for the Government of Sudan to interfere in South Sudan’s internal affairs and prevent it from achieving independence. He licensed the political elite to enrich themselves from oil revenues. When the funds were no longer sufficient to fund the militarized patronage and the kleptocracy, the political elite turned to violence.
- **Chad** is also a rentier political marketplace, but President Idriss Déby has successfully used a combination of force, buyoff (using oil revenues), divide-and-rule and barriers to entry to the political marketplace, to consolidate his position. He has also successfully graduated from a subordinate position in the regional marketplace. Having earlier been vulnerable particularly to Sudanese sponsorship of rival political entrepreneurs, Déby has succeeded in graduating to a co-equal position with Sudan, and a dominant position in the rest of his immediate neighborhood, which has allowed him to pull Central African Republic into his orbit as a subordinate player. Internally, peace agreements with rebels constitute temporary “inter-war” political bargains.
- **Somalia** is a Potemkin state, established by African and western governments so that they can pursue their interests in the country. European donors and multilateral agencies maintain the pretense that the government is more than a fiction and a front for self-enrichment by its members. The U.S. concern is security (specifically counter-terrorism), and for that reason the U.S. has focused less on the state and more on the security “keymasters,” who have the best networks and knowledge. For the African countries that contribute troops to the African Union Mission in Somalia, it is a useful way of sharing



the burden of their defense budgets with international donors and extending their security perimeter. Meanwhile, since the 1970s, the Somali government has failed to capture most of the country’s political finance, or regulate the entry of multiple foreign actors into the country, and this has contributed to a high cost of loyalty and the inability of any one political business manager to consolidate control. All external actors want to break the Somali political marketplace, while secretly acknowledging that this is what actually works.

- **Egypt and Tunisia** were, prior to the Arab Spring, states with a strong tradition of institutions that delivered public goods that had historically enjoyed significant respect and legitimacy among their populations. Decades of centralized patrimonial rule had rotted the state from within, but the metrics commonly used for predicting state failure completely failed to anticipate the uprisings that brought down the two regimes. Attention to the way in which the regimes had used strong public institutions for private ends—including enabling the ruling families to amass enormous wealth and use the state machinery for the purposes of patronage and factional control—would have made these revolutions less surprising. The political crises suffered by Egypt and Tunisia since 2011 are best explained by analysis of the corruption and monetization of political life, including brazen attempts by internal actors to appropriate an ever-greater share of the domestic political economy for personal and factional gain.
- **Afghanistan** presents many features of a political marketplace system, with its dispersed control of violence and the integration of coercion and bargaining at the center of political life. The massive flow of international assistance and the finance from opium has inflated the price of loyalty, making the system difficult and expensive to manage, but the military protection provided by international forces to the Kabul government has made it difficult for new entrants to the marketplace to compete. One of the features of the system is a high level of extortion of the population; another is that provincial governors are appointed or dismissed on the basis of their standing in the central patronage market, not on their administrative performance. The growth of the Taliban and its legitimacy among the population reflects popular alienation from the government and its international sponsors.

## Implications

The framework of the political marketplace serves both as a general metaphor for the conduct of politicians who are concerned more with private or factional gain than with wider public interest, and also as a precise description of actual political transactions in “fragile states.” Applying business management models to political systems in which there is bargaining over political finance and control over the means of coercion, allows us better to understand the strengths and vulnerabilities of these political systems.

The components of the political marketplace, notably the political budget, the price of loyalty, and the regulation of entrant-competitors, provide us with a potential new set of metrics for measuring the systemic vulnerabilities of political systems. This model also allows us better to understand the business





incentives that make a certain level of disorder or armed conflict functional for some countries. If the ruler’s political budget does not extend to an inclusive buy-in of all elites, the workable alternative is to buy in some at any one time, excluding others, and using a combination of force and selective offers of reward to maintain his—and it is invariably a male subject—position.

***Start with what is working:***

International policymakers tend to operate on the comfortable idea is that “the more that states look like each other, the more safe the world is.” In responding to troubled countries with weak institutions, policymakers should instead focus first on *what actually is working* in these societies, typically parts of the business sector and societal networks.

***Carefully consider the role of foreign funds in a national or regional marketplace:***

It can even be advantageous for a regime to tolerate a certain level of terrorism, as this will attract counter-terrorist funding with few strings attached, creating a perverse incentive for aid-dependent rulers to sustain an optimal (hopefully low) level of terrorist threat to maximize his political budget. Thus, the U.S. Administration’s policy, of financing the security institutions of countries threatened by terrorism, runs the risk of generating insecurity.

Similar considerations apply to governments that provide peacekeepers in their immediate neighborhood. “Payroll peacekeeping” may generate perverse incentives for troop contributors.

Current Organization for Economic Cooperation and Development (OECD) efforts to tackle profit shifting by transnational corporations and to increase transparency in international financial flows, are welcome, but need also to be attuned to the political purposes for which illicit funds are used.

***Generate new criteria for peace and democracy:***

This approach has far-reaching consequences for peace negotiations. If the parties to the talks see these as an exercise in short-term political bargaining, rent-allocation and payroll peace, rather than the prologue to a definitive constitutional settlement, then international organizations that organize and legitimize these processes might reconsider their role.

Most peace processes are designed as transitions to a more inclusive political order, defined as greater participation of all societal groups in structures of power and authority. This runs the risk of legitimating fundamentally illegitimate and anti-democratic political structures and processes.



A strategy for empowering under-represented groups, including women, based upon promoting their involvement in such a system, may be problematic. While an equitable representation of a population’s diversity in legitimate political institutions is always to be welcomed, in a political marketplace it is insufficient to make change. Efforts to increase inclusion should be combined with redefining political rules and social codes, so as to attempt a wholesale transformation of the political marketplace. This includes responding to the particularities of each political system, and more widely, calling into question the hegemonic militarized masculine code that characterizes them all.

***A challenge for early warning:***

Political systems that are currently institutionalized but are subject to the pervasive monetization of political allegiances, need to be concerned about the future. The trends towards turbulence and de-institutionalization may be as powerful as the pressures for democracy, development and state-building.

**For more information about the WPF project analyzing “political marketplaces,” see our blog, Reinventing Peace: <http://sites.tufts.edu/reinventingpeace/tag/political-marketplace/>**

World Peace Foundation  
at The Fletcher School

Tufts University  
169 Holland Street, Suite 209  
Somerville, Massachusetts 02144 USA

ph +1.617.627.2255

fx +1.617-627-3178

[www.worldpeacefoundation.org](http://www.worldpeacefoundation.org)