

# **Public Authority and Political Markets in Conflicted States Social Conflict, Institutional Hybridity and Developmental Transitions**

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## **Abstract**

We develop a 'political market model' to provide a comparative approach to the political and economic crises that undermine public authority in societies disrupted by political violence and state failure. They have adopted liberal institutions to solve these problems but have been stopped from doing so by zero-sum socio-economic conflicts and illiberal neo-traditional institutions. We argue, following De Waal, (2016) that these conditions generate antagonistic political competition in transactional political markets between patrimonial elites that are driven by monetary payments for political support. We then extend his analysis by showing that markets for political power, and for political influence at the national level are driven by ethical, ideological, and ethnic, sectarian and/or class identities as well as financial incentives that often perpetuate instability and crises, but sometimes generate inclusive reforms. We show that local communities evade the disruptive effects of these conflicts, and the inability of formal states to provide them with services by reconstructing 'traditional institutions' to create alternative forms of public authority and services.

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**Public Authority; Political Marketplace; Hybrid Institutions; Liberal Institutions; Mutuality; Populism.**

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## Transactional Political Markets in Conflicted States

Liberal reforms designed to restore public authority in weak, conflicted states have often been disrupted by oppressive elites who have used arms, money, or ethnic or theocratic narratives to extract rents and win elections, despite chronic policy failures and endemic corruption. These failures should not end the liberal project, but they do generate very serious theoretical and policy challenges in societies that lack the values and endowments needed to overcome them, and where 'formal liberal institutions co-exist with illiberal 'neo-traditional' institutions, producing dysfunctional outcomes 'that clearly diverge from liberal norms promoted by international peace networks and excluded communities'.<sup>1</sup>

Theorists are therefore developing new 'hybrid' models to address these dysfunctional interactions between new liberal institutions operating at the global and national levels, and the local institutions that actually maintain social order in these societies. Alex De Waal's 'Political Marketplace Model' has made an influential contribution to this literature, by showing that liberal reforms have not institutionalized democracy but produced 'competitive monetized politics' and 'a deregulated and potentially violent political marketplace' in the weakest states, that 'compete with and may displace or reverse processes of state-building and institutional development' and therefore intensified conflict breakdown rather than inclusion and stability.

These insights offer us a more realistic approach to these problems than orthodox liberal theory but ignore many crucial issues. I will first summarise his key propositions, then add some additional variables to his analysis.

## Political Market Place Theory

### Characteristics

The political marketplace is a contemporary system of governance, characterized by pervasive monetized patronage, in the form of the 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 be replaced by Weberian states, but a flexible and dynamic governance order. (De Waal 2014)

Here the exercise of political power is not 'subordinated to the rule of law and the rules of institutions', as it is in 'consolidated democracies and ordered authoritarian systems', and this rules out open access, negotiated compromises, and real democratic accountability. Instead, rulers bargain with members of the political elite over the price they have to pay to persuade them to mobilize votes, turn out crowds, or refrain from inflicting damaging violence. This encourages adversarial and often violent competition between groups, producing temporary and unstable bargains in a turbulent and dynamic environment.

These systems operate across borders, are monetized with hard currency, may be tightly regulated by an authoritarian regime, or deregulated as an auction of loyalties with multiple armed groups jostling for access to resources, or something in between. Politicians mobilize private and public *political budgets* to manage them that may or may not involve corruption, and their survival then depends on their ability to manage a *political business plan* 'by mobilising wider networks, greater political skills, and better reputations than others, *just as corporate managers do in commercial markets*'. (Emphasis added) The *prevailing price of loyalty* is determined by market conditions that rise or fall in response to the numbers of claimants, so knowing the size of budgets and the price of loyalty enables us to predict the viability of political operators. Political markets are structured and regulated by different mechanisms that 'regulate entry, the extent of regional integration, different structures and frequency of bargaining, and different networks and circuits of information'.

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<sup>1</sup> The rest of this summary and all direct quotations are taken from De Waal, (2016)

The model assumes that these markets are dominated by '*personal* transactions in which political services and allegiances are exchanged for material reward'. However, it also recognises two other 'logics' –

- '*moral [or illiberal] populism*' or 'the social and political role played by exclusivist and morally imbued identities and values' that produce 'episodes and movements ... rooted in highly local, specific reperi-toires' and 'global cultural manifestations, including militant extremism'.
- And '*public mutuality [or civiness]*' as 'the discourse and exercise of public life based upon norms and rules that exemplify the values of respect for persons, that manifests itself in diverse ways including individual practices that sustain integrity, and social values of justice, civility, inclusion and dialogue'.

These terms are used to explain the mechanisms that enable social groups or communities to marginalise their enemies and cooperate with their friends. They undoubtedly play crucial roles, but they depend on *collective* incentives that interact in complex and contradictory ways with the individualistic and materialistic incentives that drive the competitive market processes emphasised by De Waal. This tension has important policy and methodological implications that will be addressed later.

### Policy Implications and Issues

The assumption that political markets are not 'outdated systems, but a flexible and dynamic governance order ... well-adapted to the political survival of skilful political business managers in a turbulent world', has radical policy implications since it explains the persistence of these regressive regimes, problematises the dominant liberal project and offers us a very pessimistic diagnosis and few viable options. This pessimism is certainly well-founded since some of these societies are indeed locked into downward spirals that are very difficult to reverse, but their flexibility and adaptability is highly questionable.

Long-term stability depends on the institutionalization of rules and practices that enable dominant elites to extract the resources they need without undermining the economic systems and principles of justice that sustain the moral codes that guarantee social compliance and public mutuality. However, this is impossible in societies dominated by intense poverty and categorical inequalities where social traumas and crises of mutuality constantly disrupt existing systems as De Waal points out. Here -

fundamental societal relations are reconfigured. Forms of mutuality that existed previously are not reconstructed: people contest fiercely over social norms, symbols and practices, and new populist political movements emerge. Institutions that have been shattered are reconstituted, perhaps with the same outward form but animated by different socio-political relations. Typically, we see moral populism and a political marketplace flourishing hand-in-hand.

This powerful passage has radical but ambiguous developmental implications, because it not only identifies the dysfunctional conflicts that disrupt these systems, but also the tendency for the resulting crises to produce cultural and structural changes that *reconstitute* rather than *stabilise* the institutions that sustain them. He rightly emphasises the fact that these conflicts could produce further reversals rather than progress, but they can generate opportunities as well as threats.

Conflicted regimes do manage these conflicts by using inter-personal political bargaining based on cash transactions, but they have limited budgets and can only buy short-term support from a limited range of elites and regions. Corruption, conflict, and populist policies further undermines growth and state capacity, and this constantly destabilises and *reconstitutes* these systems, so they *cannot* survive in their present form, although there is no guarantee that they will move forward rather than backward. However, the radical changes generated by of these conflicts are not driven by money alone, but by the unpredictable outcome of struggles between dominant and excluded elites and subordinate classes attempting to capture, influence or evade political power in order to maximise their *collective* ethical and ideological goals. These dysfunctional processes could continue indefinitely, but they can also produce important socio-economic changes that can have progressive effects.

These processes also operate 'hand-in-hand with political market places', are constantly reshaped by their relationships with national governments, and are slow, uncertain, and easily reversed. They need to be included in

all attempts to identify and understand the variables that strengthen public authority and defuse adversarial conflicts in weak states by focussing on three distinct processes -

- the resources ruling elites can use to retain power and manipulate markets;
- the variables that enable or disable attempts by competing political movements, local elites, foreign donors, and subordinate classes to compete in political, economic and social markets;
- and the cultural and institutional variables that enable marginalised groups and communities to evade external controls and maintain public authority by creating segregated trust networks.

## Maintaining Public Authority in Conflicted States

### 1 State Power and Managed Markets

We usually treat states as hierarchies because rulers are allowed to monopolise violence and impose collective decisions on the whole society, and economies as markets because they depend on voluntary transactions between producers and consumers. However, both political and economic systems *combine* hierarchy and markets because all rulers have to compete for power and support and large hierarchical firms commonly out-compete smaller ones. Thus all political systems depend on markets, but they generate very different relationships between hierarchy and voluntary competition in different contexts - in feudal or capitalist societies; strong or weak states; dictatorships or democracies; or societies where the exercise of power is shaped by high or low levels of social or economic capital, or ethnic, sectarian or class inequality and antagonisms.

These differences determine the *terms* on which regimes can assert their authority and influence the ability of different social interests to compete for resources and thus provide a comprehensive analysis of their ability or inability to manage the 'different mechanisms' that structure markets by regulating entry, integrating regions, influencing bargaining, and sustaining networks and circuits of information as De Waal says. However, treating political systems as markets only driven by individualized transactions ignores the ability of even weak regimes to enforce rules that enable them to suppress potential competitors, and to encourage or repress the activities of social and economic movements in the wider society.

Their ability to use these *formal* rights is indeed far weaker than it is in strong democracies or autocracies, because of their *substantive* inability to mobilise the necessary budgets, political support, administrative apparatuses and social compliance. Hence 'inter-personal political bargaining, and pervasive rent-seeking in a global patronage order' do play a far more pervasive role in these societies than in strong states, but *their sole right to manage or mismanage these powers still gives them a key role in sustaining or disrupting existing market structures and turns them into the primary focus for political transactions of all kinds.*

We therefore need a systematic review of *all* of the variables that explain the strength or weakness of particular regimes if we are to 'predict the viability of [their] political operators' and the ability of their political systems to respond to shocks and interventions. These do include the size of 'political budgets and the price of loyalty', how market structure regulates entry, the structure and frequency of bargaining, networks and circuits of information, and facilitates regional integration. They are critical variables, but they emphasize the horizontal transactions that govern market exchanges, rather than those that enable regimes to impose solutions and change the terms on which all the players relate to each other and influence the distribution of power and wealth. They also include their ability to -

- access international recognition, aid, and military support,
- control police, army, security, juridical, and other state apparatuses;
- tax and control access to resources and resources rents;
- control formal property rights, and monetary and financial policies;
- allocate public social and economic resources to particular groups or regions;
- encourage or suppress political parties, interest groups, and the media;
- and to encourage or suppress supportive or hostile cultural movements and practices.

Weak states find it very hard to use these powers, but this does not reduce their significance, since the way they use or *fail to* use them has critical effects on the socio-political and economic processes and outcomes that are reconstituting their institutional arrangements for good or ill. These struggles take place in two distinct but interdependent markets – the market for political power where political elites compete to capture and control the state, and the market for state privileges and services between socio-economic groups and strata attempting to persuade or force governments and dominant elites to satisfy their needs. And the nature of these struggles are then heavily influenced by the ability of marginalized groups to segregate themselves from them by creating semi-autonomous local systems that maintain public authority and facilitate livelihoods.

## **2 Competing for Power and Influence**

### **(a) Competing for Political Power**

Rulers can never satisfy all the demands made upon them, so they confront constant threats to their authority from excluded elites and subordinate classes. They retain power by negotiating deals with groups they rely on for support and try to exclude the rest, so markets for political power exist in all systems but take different forms in weak or strong democracies or autocracies. Democrats permit open competition between contending political coalitions while autocrats suppress it. However, even strong autocrats also have to negotiate deals with the elites and activists that manage the parties and movements that enable them to penetrate local societies and manipulate elections, and the bureaucratic, economic, and cultural apparatuses that sustain state power. Strong ones sustain stable political settlements by negotiating agreed compromises, distributing the necessary rents, and managing strong political movements; weak ones try to emulate them, but lack the leadership, social cohesion, political discipline, technical skills and economic resources to do so, and resort to criminality, corruption, extortion, and immoral populism instead.

Thus, both strong and weak autocrats have to negotiate deals between competing domestic and foreign elites that they can never fully satisfy, so the key difference between them is not one between non-market and market-based systems, but one between well and badly managed markets. Strong regimes create 'developmental states', weak ones create 'fragile states' but both can be transformed by complex interactions between domestic and foreign economic, social, and political processes. Ethnic, sectarian, class and regional antagonisms or declining commodity prices have destabilized apparently strong regimes in Zimbabwe and now Ethiopia, while the emergence of a domestic capitalist and professional class can generate political movements committed to progressive reforms in weak states as we have seen in Uganda and Sierra Leone.

We can understand and respond to these possibilities by looking at two sets of variables that influence outcomes in the market for political influence – the normative and cultural as well as monetary incentives that motivate progressive and regressive social and economic movements, as well as the neo-traditional local institutions that enable excluded groups to evade external controls.

### **(b) Competing for Political Influence**

State effectiveness and the distribution of wealth and power are also shaped and reconfigured by the 'politics of everyday life', as competing socio-economic groups and strata attempt to negotiate favourable settlements with, or evade the rules and exactions imposed by, governments. They do not seek power but their ability to align themselves with, or organise opposition to incumbent regimes has a decisive impact on the latter's ability to survive, their own fate, and long-term developmental trajectories. These processes are highly structured in strong democracies where long-standing political parties co-exist with a comprehensive range of civic organizations that exercise very different amounts of influence but enable marginal as well as dominant groups to participate in public politics by mobilizing support and competing for resources. They manage, rather than eliminate, conflict by allowing everyone to compete, provided that they accept a civic culture that persuades losers as well as winners to accept outcomes without resorting to force or fraud.

Social groups also compete in conflicted states, but the resulting processes involve far more zero-sum conflicts, and far lower levels of mutuality, access, and organizational capacity. Some, like donors and NGOs, large-scale

foreign and domestic capitalists, professionals, patrimonial elites, and religious leaders are politically conscious and create organizational systems and political networks that enable them to engage with the state and cooperate with each other; but poor and marginalized groups like peasants, informal sector workers, youth, women, and marginalized ethnic or sectarian groups are excluded or repressed, or create what Tilly (2007) calls 'segregated trust networks' that insulate them from public politics.

These conditions explain the predominance of monetized patronage and corrupt deals in these systems. Civic organizations depend on vertical clientelistic networks that enable favored social and economic elites to incorporate dependent peasants and workers and deliver guns, votes or mass protests to politicians in exchange for cash. However, rulers and patrons can only satisfy a limited number of claims, so they also have to invoke 'social norms, symbols and practices' in order to retain their loyalty even when they can deliver very little in return. Scarcity, inequality, and historical legacies of conflict and exploitation encourage the emergence of movements based on illiberal populism rather than public mutuality within and between social groups and movements, producing the endemic violence and instability that undermines public authority in these societies.

Satisfying key groups like armies, donors, foreign investors, and landlords, may enable strong regimes to sustain these dysfunctional processes for long periods; but they exclude and marginalize many others who challenge their political and economic dominance by invoking competing ideological claims to mobilize support. Some of these movements, like ISIL, depend on extreme forms of illiberal populism, but others, like the National Resistance Movement in Uganda, invoked public mutuality to build broad coalitions that subsequently enabled them to generate inclusive political settlements. These processes take different forms in different contexts, depending on their historical legacies, cultural and economic endowments, human capital, and external relationships whose developmental implications can only be understood by detailed and comprehensive empirical investigation.

### **(c) Evading the State – Neo Traditional Institutions and Public Authority**

Strong democracies maintain public authority by allowing all their citizens to participate in open access systems based on 'equal consultation'; strong modern autocracies do so by incorporating them into centrally controlled organizations that suppress dissenting views. However, weak states lack the economic and administrative resources needed to do either, so local communities draw on their own resources to fill the gap by using 'segregated' institutional arrangements that depend on different cultural dispositions and practices. They include informal economies; neo-traditional political and juridical institutions; and solidaristic civic organizations like religions, ethnic associations, households and kinship networks, and traditional cultural networks and practices. Their interactions with formal 'modern' institutions have been reshaping these societies since capitalist penetration began, creating 'dual' or 'hybrid' systems in which asymmetrical relationships between formal and informal institutions play a key role, and assume many different forms and levels of cooperation, contestation, or coordination.

They undermine emerging liberal institutions, but also impose real constraints on the ability of 'political entrepreneurs' to buy support and control the state apparatus. Their salience and activities are determined by historical legacies that have left behind immense inequalities between competing regions and classes, incompatible cultural practices and knowledge systems, and local elites that manage these systems and link them to, or protect them from, the wider social system. Politically connected elites exploit their organic relationship with local communities or sects to deliver support to rulers for a price, but excluded elites use the same resources to evade external controls or support opposition movements. Local communities are also internally divided by class or culture. Tenants are exploited by landlords, workers by owners, slum dwellers by shopkeepers and women by men, so they engage in what James Scott calls 'a disguised low-profile resistance that constitutes the domain of infrapolitics.' Local institutions based on traditional cultures and knowledge systems like witchcraft and traditional justice coexist with, and inter-penetrate and 'informalize' their state-based equivalents, as judges and the police accept bribes and traditional healers attempt to incorporate scientific principles into their practices.

Thus semi-autonomous local institutions play a far greater role in supporting or subverting public authority and livelihoods in weak than in strong states. They usually survive by evading external controls, but their existence, the opportunities and threats that they confront, and their developmental trajectories are also decisively influenced by the presence *or absence* of the state apparatuses that create political order and provide basic services, and the global capitalist markets that supply their goods and buy their products. Day-to-day relationships with

external and local politicians and officials are dominated by individualized monetary transactions rather than impersonal bureaucratic processes, but long-term security depends on the trust generated by the stability of their moral universe created by their local cultures, practices, and endowments.

These collective variables and processes impose serious constraints on what leaders and people can ask for, and their ability to negotiate with, or resist the demands of the external state or of competing tribes, regions, or sects. This shapes the inter-personal political bargains that allocate rents to the political and economic elite, since their leverage ultimately depends on the strength of the highly local principles of mutuality and civicism that unite their communities, but also on their ability to turn them into 'morally imbued identities and values' that exclude others and generate irreconcilable conflicts of interest and even 'militant extremism'.

## Taking Political Market Theory Forward

This paper provides a comprehensive analytical framework designed to address the often dysfunctional political and social processes that undermine public authority and constantly restructure the social systems in conflicted states that are now attempting to create peace and political order through donor designed liberal political and economic reforms. These reforms have succeeded in some countries and failed in others but have always been threatened by pervasive rent-seeking and zero-sum conflicts between antagonistic ethnic, sectarian, or class-based movements, and the need for poor communities and classes to evade or subvert external attempts to dominate and exploit them. The conflicts that are restructuring their institutional arrangements in diverse ways have been shaped by different pre-colonial histories that have all been reshaped in different ways by their asymmetrical colonial, post-colonial and neo-liberal encounters with the west.

These legacies, and the demands and opportunities generated by their integration into the world system, limit the paths they can follow and determine the tasks they need to complete if they are to build inclusive and secure societies. We have shown that their ability to escape the perverse downward spirals that still confront them depend on what Kurtz (2011: 230) calls 'a society-centric historical approach to long-run state building outcomes', driven by competition for political and economic power and resources between social actors with a vested interest in progressive reform, or a lot to lose if they actually take place.

The 'extended' political market model outlined above enables us to identify the incentives and accountability mechanisms that drive, and the resources that facilitate, the ability of the different 'social actors' to strengthen or weaken their ability to maintain peace and public order. The ability of these competing actors to defend their interests and promote or undermine public authority is shaped by the nature of their relationships with the liberal and illiberal institutions that coexist in very unstable ways in these societies. These asymmetrical processes operate at every level from the global to the local, assume different forms in different countries, and can only be understood by developing a comprehensive program that documents the different kinds of struggles going on in conflicted states as they attempt to overcome similar difficulties and achieve similar goals.

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