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## **Reframing African Political Economy: Clientelism, Rents and Accumulation as Drivers of Capitalist Transformation**

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### **Introduction**

The triumphant rhetoric of ‘Africa rising’ is an oversimplification of the diverse experiences of economic transformation that have been occurring in African countries over the last ten years. However, few would challenge the assertion that the nature and pace of economic development has changed in significant ways across much of Africa. Faster rates of accumulation and increased engagement with the global economy are manifested in higher average GDP growth rates and growing export orientation. Yet despite this changed pace of growth there has been remarkable permanence in important characteristics of political processes in African countries. Informal relationships between patrons and clients within the political system remain prevalent and manifest themselves in high levels of corruption, nepotism, and intra-elite accommodation in which top political leaders offer rent-seeking opportunities to other political elites and important political supporters. These types of informal relationships are characteristic of political clientelism.<sup>3</sup> Over recent decades the common view was that clientelistic political systems are antithetical to economic development. We argue that rather than impeding socioeconomic transformation, political clientelism is integral to the contemporary processes of capitalist economic development unfolding (to varying degrees) in African countries in particular, and developing countries in general.

The need to understand the linkages between political clientelism and a decade of increased growth in African countries calls for reflection on the current state of thinking on socio-

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<sup>3</sup> We find useful the definition of political clientelism by Stokes et al. (2013: 13): political clientelism is a form of *non-programmatic political mobilization* where individual benefits are conditional on the recipient returning the favour with a vote or other forms of political support. They distinguish two forms of non-programmatic political mobilization: clientelism and non-conditional partisan bias. The latter refers to situations where benefits are not directly tied to the return of the favour with political support, but benefits are targeted to recipients who are likely to support the benefactor candidate or party.

economic transformation within African Studies. In particular, there is a need for scholars to question the underlying assumptions about the drivers of economic transformation that all too often go unexamined within the dominant theoretical frameworks. We argue that African political economy should be reframed by placing the idea of capitalism and capitalist transition back at the core of the analytical framework. Capitalist transformation in African countries has not been a focus of enquiry in African Studies since the Kenya Debate petered out in the mid-1980s.<sup>4</sup> With the onset of deep economic crisis across the continent, this research agenda fell silent as attention shifted to explaining poor economic performance under structural adjustment. Examination of African political economy from a perspective of capitalist transition was overshadowed by the rise of neo-liberalism and the reframing of the development problem around the need for open markets and better governance in African countries. The two theoretical frameworks, neo-patrimonialism, grounded in Weberian concepts of ideal state-types and systems of power, and new economic approaches, namely new political economy and new institutional economics, rooted in neoclassical economic assumptions, do not explicitly engage with capitalism as an analytical concept. Nevertheless implicit and explicit models of the economy and the drivers of socioeconomic change are embedded within these approaches. The first purpose of this article is therefore to examine the underlying assumptions about socioeconomic transformation within the dominant approaches to the political economy of African countries. We argue that these frameworks miss important aspects of contemporary processes of socioeconomic change. As an alternative, we argue that political settlements theory provides a better theoretical framework through which to understand contemporary African political economy. The second purpose of the article is therefore to present political settlements theory and set out the core causal mechanisms of the framework related to clientelism, rents, accumulation and capitalist transformation.

Neo-patrimonial and new economic approaches differ in terms of their conceptual building blocks however, they both share a number of assumptions about the drivers of economic change and the role of clientelism therein. In particular both approaches assume that the rise of formal authority through rational-legal state institutions is a pre-requisite for successful economic performance. In the neo-patrimonial approach the dominance of clientelism is explained as resulting from the pre-modern basis of authority on which African states are constructed. This form of power was seen to be functional but not compatible with rapid economic development. The arbitrariness of patrimonialism was seen to stifle capitalism by lowering investment and preventing long-term planning by capitalists as well as encouraging patrimonial leaders to arbitrarily favour their clients. New economic approaches also argue that clientelism constrains economic development. Clientelism is assumed to distort prices and raise transaction costs thus hampering market activity, which is assumed to be the driver of economic transformation. New economic approaches also draw on the Weberian ideal of the rational-legal state as necessary for improved economic performance in developing countries as it is assumed that only it can ensure low transaction costs and the enforcement of market rules.

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<sup>4</sup> For a good summary of the debate and the context of the debate, see Leys (1996: 143-54).

We argue that the rise of that particular form of rational-legal state authority is the result of capitalist development rather than its pre-requisite. We argue that the pervasiveness of political clientelism in developing countries is the result of particular features of late-capitalist transition, namely, the need to forge political stability for the state, the role of the state in subsidizing technological learning through the creation of rents, and the collapse in traditional systems of property rights that results in endemic primitive accumulation. The analytical starting point for the political settlements approach is the identification of the underlying distribution of power in society that depends on economic structures as well as the history of political struggles. The economic structures of developing countries create strong incentives for the emergence of patron-client networks and the domination of personalized politics. It is the differences in economic structures between developing countries and advanced capitalist countries that lead to the relative dominance of clientelist politics in the former, and their diminished role in the latter.

Accumulation and productivity growth necessarily takes place in the context of political clientelism, so what are the causal linkages between clientelism and capitalist transformation? Capitalist transformation involves shifting resources among sectors of the economy, geographical areas, and groups in society. These resource shifts generate opposition. The distribution of power outside and within the ruling coalition determines the political costs of certain policies, as well as the effectiveness of implementing them, given the resistance or support from powerful groups in society. The Political Settlements approach focuses on how competition among groups shapes the creation, distribution and use of rents, especially learning rents, as well as the ability of ruling elites to implement changes in formal and informal institutions that are contested. These processes are the key drivers of the emergence of a capitalist sector. Variations in these processes, as a result of variations in the distribution of power, largely account for differences in economic performance across developing countries and even within countries in different time periods.

In the first part of the paper, we set out the major assumptions and trace the intellectual landscape in which to locate the Political Settlement approach in a way which highlights the distinctions with existing dominant approaches in African studies. Section one discusses the Neo-patrimonial approach and its assumptions about the drivers of clientelism, while section two reviews the multiple approaches under New Institutional Economics and their assumptions about capitalist transformation, focusing on the more recent strands articulated by North et al. and Acemolgu and Robinson. Section three then presents the Political Settlements approach. It explains the underlying assumptions about capitalist transformation and the drivers of clientelism. It also points out where the Political Settlements approach has synergies with previous and contemporary lines of thinking. We explain how variations in clientelism stem from variations in the distribution of power across countries and how these variations affect the process of capitalist transformation. Building on that, section four outlines the implications of the Political Settlements approach for the study of African political economy. It argues that there is not one African political economy, because the distribution of power is quite diverse across African countries; rather, what has accounted for many similarities in African experiences is to be found in the size and capabilities of

domestic capitalists and the historical construction of relations between domestic capitalists and the state over time. In concluding, we propose the contours of a new research agenda based on the Political Settlements approach.

## **2. The Neo-patrimonial approach**

Neo-patrimonial approaches to African political economy have dominated political economy research in recent decades (Mkandawire 2013). In this section, we examine the underlying assumptions of neo-patrimonialism and argue that it is of only limited use in understanding contemporary socioeconomic transformation. Building on Weber's classification of societies on the basis of dominant forms of power, the argument is that African political economy can be characterized as neo-patrimonial where cultural characteristics of African societies create a logic of power based on patron-client relations that is in sharp contrast to the rational-bureaucratic power exercised by the state in capitalist countries. Social change occurs in Weberian inspired theories as the nature of state penetration of society changes. While Weber's original work grapples with the concept of capitalism, recent approaches have often implicitly replaced his rich sociological approach to understanding socioeconomic change with a reliance on the idea in neo-classical economics that economic change is a process of freeing markets and promoting exchange.

This was not the case with the original work on neo-patrimonialism, which explicitly linked neopatrimonial authority to capitalist transformation. Zolberg (1966), who introduced the neopatrimonial concept to African studies in describing the one-party state in the Ivory Coast, depicts the emergence of a state bourgeoisie: a class based not on their relationship to property, but on their relationship to the state apparatus. In the absence of a 'truly national bourgeoisie independent from the state and largely in control of the whole national economy', the state bourgeoisie acquires a truly strategic weight, a class that Medard (1982: 183) calls the state patrimonial bourgeoisie because its wealth and status depend on its political and administrative positions. This class owns the state and uses it to its own profit. But Medard pointed out that this was only one type of relation between neopatrimonialism and the class system, and that Cameroon exhibited a different version with an embryonic bourgeoisie faction that was not a fraction of the state bourgeoisie. Nevertheless, Medard generalized his conclusion, stating that in Africa the absence of structured social classes, such a land-holding class, resulted in the state bourgeoisie dominating the entire society, which made it difficult for an economically independent bourgeoisie to emerge and control the state bourgeoisie.

This early Neopatrimonial approach, which combined analytical thinking from Weber with a discussion of class relations, was supplanted with a focus on the causal mechanisms of patrimonialism that sought the origins of patrimonialism elsewhere. We seek to return to this earlier discussion that contextualizes clientelism within particular materialist structures and historical contexts. Weber outlined several ideal types of domination (or forms of ruling) that captured cultural variations in the way in which compliance with authority could be constructed and the legitimate exercise of power could be framed. Patrimonialism

corresponds to a traditional type of domination: obedience is to the personal authority of the individual due to his traditional status, and he runs his kingdom as a household. Patrimonial rule is similar to patriarchy but on a larger-scale. Patrimonial domination is exercised by a ruler with the help of an administrative staff chosen from faithful and dependent followers. Authority is vested as a personal property of the individual, rather than in impersonal institutions or in a mandate conferred and withdrawn by citizens (Pitcher et al. 2009).

The concept of Neopatrimonialism was created to describe the exercise of authority in newly independent states that had formal institutions created on models from the modern Western countries, which approximated Weber's type of rational-legal form of domination. Medard (1982) argues that neopatrimonialism is a by-product of a specific historical situation that resulted in a contradictory combination of bureaucratic and patrimonial norms. From its early usage, the emphasis was on personal rule: personal power that was not traditional nor charismatic. While in modern Western states patrimonial power was acknowledged to exist, it existed alongside a strong institutionalization of power and a distinction between the private and the public. In the newly independent states, patrimonialism resulted in the privatization of the public, which further undermined the institutionalization of power and prevented the emergence of a modern state. Furthermore, politics became a kind of business, because political resources gave access to economic resources.

In this way of thinking, political clientelism and neopatrimonialism are distinct. The former can exist in any country, and often does, while the latter refers to something broader—political clientelism in a context of the personalization of power and the privatization of public affairs. Notably, Medard (1982: 185) concluded that the Neopatrimonial ideal type must not be used as an a priori theory, but rather 'for each particular political system we should ask which is the specific patrimonial formula' and to examine the variety within the patrimonial state. He also stated that there is more than neopatrimonialism to the African state, and called for further empirical investigation without either reifying neopatrimonialism or taking the façade as reality. Unfortunately, this was not what occurred.

The literature on Neopatrimonialism tended to reify the concept and indicate that it was the African state, and parts of the literature also turned to emphasize the tradition and cultural basis of the Neopatrimonial state. The following summary of the literature is based on the excellent existing reviews of Neopatrimonialism in African studies by Erdmann and Engel (2007), Therkildsen (2005), deGrassi (2008), Pitcher et al. (2009), and Mkandawire (2013). The purpose is not to review the entire literature, as these scholars have done that already, but rather to highlight the arguments about drivers of clientelism. This task is somewhat complicated by the fact that authors using the Neopatrimonial approach identify different drivers, some of which are contradictory.

A large group of scholars locate the logic of patrimonialism in social relations reflecting precolonial traditions, the practices of colonial regimes, or the dominance of peasant agriculture which is fragmented and characterized by economies of affection. Colonialism disrupted traditional patterns of authority, but reconstructed and reconfigured clientelism survived. Personal rule comes out of a lineage orientation, in which kinship networks and

other primary reciprocities govern communities, largely dependent on peasant agricultural production. The persistence of such community-centered networks explains why informal, personal rules have greater salience. In this version of patrimonial origins, patrons are constantly overwhelmed by demands for public resources from clients. The state is subsumed in society and not autonomous enough.

Another strand in the Neopatrimonial literature argues the reverse, that personal rule is the result of strong patrons ('Big Men') presiding over weak societies. Big man rule is characterized by autocratic leaders who accumulate wealth and maintain order by relying on patrimonial authority from citizens and patron-client ties to solidify political support and to maintain cohesion among political elites. State resources are used to reward supporters for their loyalty, but also for the personal enrichment of African leaders, who are characterized by insatiable greed. In this version, the state is too autonomous from society. Neopatrimonial logic is primarily about holding political elites together through distributing resources, in what are seen as multi-ethnic and poorly integrated political systems. Little of the distribution makes it way down the patron-client networks to the community level, resulting in increasing inequality. African citizens are passive, accepting subordination and not demanding accountability. These scholars promoted democratization as a means to force accountability onto Big Men political leaders, which in turn would undermine neopatrimonial rule.

A third but related strand in the literature argues that the cause of neopatrimonialism is the imported nature of African states at independence, which disrupted pre-existing institutions and cause new African political leaders to confront a legitimacy deficit. These leaders responded by relying on neopatrimonial strategies to secure the 'instrumental loyalty' of competing elites. This argument assumes that there are groups of elites that have a more legitimate right to rule, or at the least implies that all pre-colonial leaders had a legitimate right to rule. In reality, the right to rule is always contested. Thus, legitimacy is not a very good explanatory driver; it is not an independent factor but rather is determined by a host of variables, including state performance (and thus performance of a group of elites at the helm of the state).

All of the reviewers of the neopatrimonial literature conclude that the different contexts and variety of usages to which the concept of neopatrimonial has been applied diminished its analytical utility. Many of them also point out that the Neopatrimonial ideal type was taken to be the actually existing form of governance in most, if not all, of Sub-Saharan Africa, and the causal mechanisms driving clientelist politics were reduced to the 'logic of neopatrimonialism'. The literature actually contains limited empirical evidence showing how these causal mechanisms play out in specific countries, but rather emphasizes an overriding logic which is then used to explain some empirical observation.

Some reviewers of the Neopatrimonial literature think that the concept is useful and can be saved through better defining and operationalizing it (Erdmann and Engel 2005; Pitcher et al. 2009; Kelsall et al. 2013). Erdmann and Engel (2005) argue that the patrimonial and the legal-rational domination components of Neopatrimonialism were not given equal weight, and that there should be more recognition of the rational-legal features of African political

systems. But even in their redefined neopatrimonialism, the source of patrimonial domination is the same as before. It points to traditional sources of authority in the pre-colonial period that were not displaced by colonial rule but rather strengthened under indirect rule through kings, chiefs and elders who wielded patrimonial authority. Informal relationships were maintained, and when there were attempts by colonial rulers to build a modern state based on rational-legal principles, the period was too short before independence, after which the informal relationships crept into the bureaucracy from above and below. Thus, the driver of patrimonialism is still a traditional form of authority.

Pitcher et al. (2009) also try to save the concept of Neopatrimonialism by reverting to a more accurate reading of Weber where patrimonialism means that rulers and subjects understand the customs and expectations governing their relationships, which enables subordinates to hold leaders accountable in significant ways. Based on this definition, the authors make two points. First, patron-client relations or personal ties do not always have negative effects on legal-rational institutions, because they can complement or even reinforce formal institutions associated with the rule of law. Second, personal rule is not necessarily neopatrimonial, but rather could be authoritarian regimes or dictatorships, if there is no mutual legitimacy. They give the example of Botswana as a country where governance is truly based on patrimonialism because the post-independence political leaders were the same as the pre-colonial and drew legitimacy from traditional authority institutions. Using this definition, it is clear that patrimonialism is not very prevalent in Sub-Saharan Africa and thus neither is neopatrimonialism, so this reconceptualization of neopatrimonialism does not seem very useful either.

The third major attempt to save the neo-patrimonial concept has been by Kelsall et al. (2013). They argue that neopatrimonialism does capture important aspects of governance in many African states, by which they mean 'the combination of more or less concentrated forms of personalized rule with significant levels of informality and high levels of rent-seeking, clientelism and corruption' (2013: 15). While they use the concept of neopatrimonialism, they reject the conventional understanding of the relationship between neopatrimonialism and economic development. They argue that some forms of patrimonialism are consistent with, and even required for, economic transformation through an examination of the role of rents, rent management and industrial policy. We agree with these authors regarding the role of rents, but we disagree that conceptualizing African politics in terms of patrimonialism is helpful. In particular, we disagree that personalized rule is a key characteristic of African countries, as has often been argued. To focus on personal rule does not capture the way power is configured and operates in African countries, as elaborated below.<sup>5</sup>

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<sup>5</sup> In addition to Kelsall et al. (2013), Booth and Golooba-Mutebi (2012) argue that in most of Sub-Saharan Africa, there is a modal pattern of rent-seeking which is detrimental to economic development, which is then juxtaposed to a form of developmental patrimonialism that has emerged in a few African countries, where rent-seeking is more developmental because it is characterized by a long time horizon and centralized rent management within the ruling coalition. While this conceptualization moves analysis in the right direction, it is still an oversimplification to say that there is a modal pattern. From a political settlement approach, there is still



Many other scholars critiquing how the concept of neopatrimonialism has been used in African studies argue that we should not attempt to save the concept (Therkildsen 2005; deGrassi 2008; Mkandawire 2013). A key reason is that it cannot explain differences between countries or within countries over time. The few attempts to tease out varieties of neopatrimonialism are based on identifying enclaves of rationality, but maintain that the rest of the system is driven by patrimonial logic, which leads Mkandawire (2013: 52) to conclude that Neopatrimonialism is ‘too blunt an instrument for understanding the great variety of African experiences, and the contradictory interests, ideologies and motivations of social actors’.

We agree that the concept of neopatrimonialism should not be saved. Why should we stay trapped inside of Neo-Weberian categories of political rule in terms of understanding what drives clientelism in African countries? There are severe problems with seeing the world in terms of how much rational-legal governance is there and how much patrimonial governance. First, patrimonial governance is based in a notion of the pre-modern and focuses on traditional ways of constituting political authority and legitimacy—which simply does not apply to African countries in the twentieth or twenty-first century. Second, rational-legal governance is not an actually existing form, not even in Western countries.

If we shed the shackles of Weber, we can see that scholars are using neopatrimonialism as shorthand for referring to a set of political institutions: political clientelism, presidentialism, the use of state resources to maintain legitimacy, and corruption. Then let us talk about the drivers of these political institutions and their pervasiveness in developing countries without resorting analytically to Weber’s concept of patrimonial. Patrons are office-holders in state institutions that use material benefits (which are often public funds, but can also be personal funds or party funds) to build political loyalty (which can be personal but cannot also be loyalty to a particular political organization such as a political party) among clients so as to stay in power. This form of political mobilization is not culturally anchored or harking back to some traditional notion of authority, even if political elites may dress it up in cultural terms. Political clientelism and the use of state resources to maintain legitimacy are political mobilization strategies used in almost all countries, but which are a dominant strategy in countries where class cleavages are not salient. There is a more fundamental problem with the assertion of the dominance of presidentialism in African countries, which we elaborate in section three when presenting the political settlement approach to understanding clientelism.

## **2. New Economic Approaches**

Outside African Studies, the socioeconomic model that has been dominant across social sciences emerged from the axioms of neoclassical economics. Area studies in general remained more resistant to the influence of the monochrome socioeconomic model of neoclassical economics than many other branches of social research. Nevertheless, the ‘new’

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much diversity among African countries in terms of the distribution of power in society, with important implications for rent creation and management. We need a form of analysis that can unpack these subtle differences and their implications for economic transformation.

economic approaches in the form of new political economy and new institutional economics have influenced the study of African political economy over the past thirty years. New institutional economics (NIE) and new political economy (NPE) both start from the assumption that society can be modelled as a market where rational individuals exercise choice and transact with each other in order to maximize their perceived utility. Economic development, in these approaches, depends on the freeing of markets from state regulations and the adoption of lower transaction cost institutions that can facilitate trade and exchange. Rents, understood as a return above the market return that results from state intervention, and rent seeking, the costs incurred as people attempt to gain access to state created rents, are seen to be negative for economic growth as they distort market processes and lead to inefficiencies. NPE and NIE approaches were fundamental to the arguments for structural adjustment policies in the 1980s.

The new political economy approach to Africa, exemplified by the work of Robert Bates since the late 1970s, assumes that the state is an arena where politicians and bureaucrats are motivated by, and pursue, rational maximizing self-interest, operating under the influence of interest groups (see Bates 1981). Clientelism is also at the heart of the NPE approach, as political elites exchange rents in return for political support. Bates argued that rents can provide political resources that can be used to organize political support and to perpetuate governments in power. But in the NPE version, the government creating rents and rent-seeking behavior diverts resources away from their most efficient and socially optimal use. Therefore, these scholars assume that business-state relations are always about rent-seeking, and that rent-seeking is always unproductive.<sup>6</sup> NPE juxtaposes an idealized market process, which is 'free' of power, with the activities of politics, which are assumed to reflect eternal maximizing strategies of selfish individuals. Therefore, this approach fails to provide a historical understanding of politics and individual motivations.

Research within the field of new institutional economics shared the same assumptions of the new political economy school but focussed more specifically on the role of institutions in lowering or increasing transaction costs. In the early NIE work there is little scope for discussions of the social distribution of power. Power was assumed to be held solely by the state and was modelled as a monopolistic ruler who acted as a rational maximizer. More recent work within NIE has however moved on from some of these assumptions and has attempted to integrate notions of power more explicitly within the NIE framework. In *Why Nations Fail*, Acemoglu and Robinson argue that political stability and economic development requires an alignment between de jure and de facto power. The distribution of resources determines the pattern of de facto power in society while de jure power is derived from formal political institutions. Over time, formal political institutions are only sustainable if they reflect the pattern of de facto power in society. When the distribution of resources is concentrated in few hands, they argue that this tends to result in authoritarianism, which undermines the state's commitment to widespread property rights stability. On the other hand, when democracy is established, democracy can lead to a redistribution of political power across society and this in turn helps to strengthen property rights and generates higher

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<sup>6</sup> See the reviews of New Political Economy in Mosley et al. (1995: 13-21) and Maxfield and Schneider (1997).

levels of investment. As we set out below, the political settlements approach suggests that informal institutions, in particular clientelism, can lead to a distribution of resources that maintains political stability even where formal institutions are out of alignment with the underlying distribution of power. The political settlements framework therefore provides a better explanation for why we see considerable variation across developing countries in terms of the formal institutions and underlying distributions of power that produce relatively stable societies over time.

Similarly, in the latest work by North, earlier NIE assumptions about the links between institutions and economic development are rejected in favour of a model of socioeconomic change that emphasizes the differences between developing and developed countries. In North et al's *Violence and Social Order*, the role of rents and clientelism remain central to explaining the political economy of developing countries, however they argue that the essential reason why rents are important in developing countries is that they serve a functional role to minimize violence (North et al. 2007, 2013)<sup>7</sup>. They build on the social classifications provided by Weber to present a categorization of societies on the basis of how violence, which they assume to be an innate and universal characteristic of individuals, is controlled. They identify two main social orders: these are the Limited Access Order, encompassing all contemporary African countries and past societies with settled agriculture, and the Open Access Order, that is found only in the handful of rich countries that are members of the OECD. In Limited Access Orders, violence is controlled by limiting access to economic and political organizations and thus creating rents. These rents are then distributed to powerful groups in order to incentivize their peaceful co-operation within the existing order. In contrast, a virtuous circle in Open Access Orders ensures that competition, open access to organizations and the generalized rule of law minimizes violence, promotes stability and generates economic growth.

The impact of rent seeking in developing countries in this new version of NIE is therefore no longer necessarily negative for economic performance, indeed, they argue that without rents to limit violence, developing countries fall into cycles of destructive violence. This means that the types of 'good governance' institutional reforms that have been promoted on the basis of earlier NIE models can actually hinder economic transformation by limiting necessary rent creation. Their work represents an important move away from the more limiting assumptions about rents of Krueger and Bhagwati, as they even recognize that rents can play a role in technology acquisition (North et al 2009). The political settlements approach shares a number of key concepts with the LAO framework. For example, rents also play a role in ensuring political stability in the face of conflicts between different groups. Thus both frameworks agree that socioeconomic transformation in developing countries often occurs through clientelistic politics that operates by informal channels within and outside the remit of the state. However, North et al, as with Acemoglu et al, remain tied to a set of underlying neoclassical assumptions about the economy and economic change. In North et al's model, rents continue to be inefficient compared to the neoclassical counterfactual of the perfect market, which they take to be an approximation of advanced capitalist economic

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<sup>7</sup> For a critique of the LAO framework and comparison with Political Settlements, see Gray (2014)

system. While North claims to make a break from the universalist assumptions of his earlier NIE models, the conceptual tools that he uses of rents, violence, institutions and clientelism are de-historicized as they play the same functional role across time. The broader processes of capitalist transition, importantly the emergence of a labour force and private property rights are left unexplained in the new NIE models. In contrast, the assumptions in political settlements theory about the drivers of socioeconomic change and the role of rents and violence are rooted in an understanding of the historical specificity of late capitalist transition, this is set out in section 3 below.

### **3. Political Settlements Approach**

In this section we provide an overview of the political settlements approach and set out its major assumptions. The political settlements framework is an institutional political economy that originates in the work of Mushtaq Khan (1995, 2000, 2010, 2013). The theoretical framework has also been developed over time through country-level research on development experiences in Asia (Jomo and Khan 2000), Latin America (Blankenburg and Khan 2009; Di John 2009), and Africa (Whitfield et al. 2015; Goodfellow 2014; Gray 2015). In recent years the concept of political settlements has been interpreted and applied in various ways (see for example Putzel and Di John 2009; Kelsall et al. 2013). In this section we present our understanding of political settlements theory that develops the political settlements framework through its application to contemporary African political economy.

#### **3.1 *Assumptions about capitalist transformation***

Political settlement theory unites aspects of political and economic theory into an integrated approach to understanding the unfolding processes of late capitalist development across contemporary low-income countries. The starting point for a political settlements analysis is the classification of societies on the basis of their dominant institutions and the underlying distributions of power. A political settlement is defined as a ‘combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability’ (Khan 2010: 4). Institutions are the rules that guide social interaction, but in addition they also determine the flows of resources to different groups and individuals in society. This is why the dominant institutions in any society will only survive over time if they produce flows of benefits that are in line with the underlying distribution of power in society. If institutions produce benefits that are not in line with the distribution of power, groups will be able to mobilise to overturn existing institutional structures.

The concept of power in the political settlements framework is defined as the process through which individuals and groups are able to assert or maintain claims to ownership of property and income flows. Power is exercised through violence or the threat of violence, ideas, sociological and institutional hierarchies and traditional authority as well as through access to economic resources. Khan defines this notion of power as ‘holding power’ and argues that an

understanding of the distribution of power in society comes from the analysis of historical struggles over resource flows. Power therefore exists in institutional forms such as in positions within the state or within political parties but it also exists outside formal institutions. Importantly, the ability to organise politically, for example to mobilise people to resist changes by setting up a demonstration or organising a strike are critical to the effective power of different groups (Khan 2010).

Khan argues that three main forms of stable political settlements have been dominant in developing countries in recent history. The first of these is the pre-capitalist political settlement that existed across developing countries prior to the intervention of colonialism. These traditional social systems generated low growth and were broadly stable, with a process of slow change occurring within formal pre-capitalist institutions and the associated distribution of power. Formal institutions were built on the political power of landed and other pre-capitalist elites. In contrast, the capitalist political settlement consisted of a system where formal institutions reflect the dominant economic power of capitalists. In the capitalist political settlement, formal institutions within and outside the state are sustained and enforced over time by capitalist profits. The alignment of power behind institutions makes formal institutions highly effective in terms of their ascribed functions. While there are political struggles over patterns of distribution within the capitalist political settlement between different social groups, there is very little contestation over the fundamental institutional features that underpin capitalist accumulation.

Capitalism has, of course, made its mark on African countries over the centuries and often particular capitalists or capitalist firms, whether domestic or international, hold some degree of influence and power over the state. Capitalism exists across much of Africa, in the classical Marxist sense where capitalism is identified in terms of the underlying mode of production. However, from the perspective of identifying the underlying political settlement, most African countries do not have a capitalist political settlement given the complex relationships between domestic capital and the state. The establishment of capitalism involves a broad process of socioeconomic change that has been the major preoccupation of Marxist political economy. In terms of the political settlement however, for the capitalist political settlement to become dominant the important factor is that close connections between capital and the state need to be constructed over time. A key difference in developing countries is that the capitalist foundations of the state are much weaker. This results from the fact that the pool of capitalist profits is smaller and the distribution of power within society is much more diffuse. While formal institutional rules of the state often appear to be similar to those of capitalist countries, the historical process by which these rules have been adopted and the underlying patterns of power through which these institutions are enforced are very different.

Developing countries are in a long process of transition in the sense that traditional formal and informal institutions that emerged out of particular distributions of power are in a state of transformation. This transformation has been a common experience across developing countries, not because of a teleological dynamic of historical change but because everywhere the interaction with areas of the world that are already capitalist, with more advanced technologies and greater wealth, have challenged the existing status-quo. Pre-capitalist

distributions of power on which traditional institutions were founded remain important but are often not aligned to formal institutional structures. The formal institutions of the state were often an amalgam of colonial legacies with imported institutions that were adopted in the immediate post-independence era. This tendency to import institutional forms from advanced capitalist countries continued under the influence of the World Bank and bilateral aid agencies in more recent decades. These institutions produced a formal distribution of benefits that did not reflect the underlying distribution of power in society. The low productivity of developing economies means that the fiscal basis of the state is small. Only a fraction of domestic production is taxed because much of the economy is outside the 'formal' or capitalist sector. Peasants, the informal sector and many emerging capitalists cannot be taxed, or taxed sufficiently, for a combination of technical and political reasons. Therefore, tax revenue is not adequate to cover critical demands for infrastructure and basic services. Developing country governments often rely on other forms of government revenue to finance the state and fund government services. In advanced capitalist countries, the share of GDP that is taxed ranges between 30-50 percent, and capitalists provide the main source of tax revenue (Khan 2010). As a result informal distributions of resources, usually through clientelist networks that operated within and outside the state, became critical in redistributing resources towards groups that held power but who did not hold the political legitimacy to claim resources through formal state channels. In sum, 'internal political stability in developing countries is maintained not primarily through fiscal policy, but through the largely off-budget and selective accommodation of factions organized along patron-client lines' (Khan 2005: 711).

Different distributions of power in society therefore result in very different patterns of clientelism and also influence the viability of non-clientelist politics in developing countries. Clientelist political struggles manifest themselves in the high levels of corruption evident not only in most African countries but across the developing world. As discussed in the previous section, while Weberian-inspired theories of neo-patrimonialism identify a similar pattern of political relations in African countries, the underlying reasons for this and the consequences of these relations are very different in the political settlements approach. While the pre-capitalist political settlement was associated with stable but very low rates of growth, the pace of economic development in countries that have clientelist political settlements can vary considerably. The pace and direction of economic development within the clientelist political settlement is shaped by three interrelated processes that result from the particular characteristics of late capitalist development; these are political stabilization, technological learning and primitive accumulation.

In contemporary developing countries, the types of conflicts over incomes that occur within and between clientelist networks involve a broader range of formal and informal rights than those defining the productive surplus in the Marxist analysis of capitalism. In the Marxist understanding of capitalist transition, the important political struggles that determined the pace and direction of economic development occurred initially over processes of primitive accumulation which he defined as "accumulation which is not the result of the capitalist mode of production but its point of departure" (Marx 1976: 873). Once this initial

accumulation of resources had taken place, political struggles focussed on the control of the productive surplus generated by labour and capital. We define primitive accumulation as the process of accumulation outside the formal market process where political power is used to privilege the accumulation activities of particular individuals. High levels of primitive accumulation are observable across developing countries because traditional property rights structures are in a process of collapse and transition. Property rights are particularly unstable in developing countries because most assets generate an inadequate surplus to pay for their protection. Protection of property rights is an expensive undertaking. Estimates of the cost of protecting, enforcing and negotiating transfers of rights in advanced capitalist countries indicate that the 'transaction sector' can account for a large proportion of the turnover of an economy (North and Wallis 1987; Khan 2000). If primitive accumulation is significant, some resources from this process may be re-invested in production. Thus the pace and direction of economic transition is likely to be influenced by the incentives or disincentives for investing resources that have been generated through primitive accumulation in new types of economic activity.

In the political settlements approach, the types of income flows that shape the pace and direction of economic development also include incomes that are created by the state. Incomes can be generated through rights established over assets and organizations involved in productive activities; however, in contemporary developing countries politically created rights over transfers and subsidies generate important income flows. The rights that generate these income flows can be legal rights to a claim on the state, such as a subsidy, but can also be informal or even illegal 'claims' on off-budget resources. These income flows can broadly be classified as types of legal and illegal rents (Khan 2000). The concept of rents in the political settlements framework is different from the neoclassical idea of a rent as an extra income that is generated by an intervention by the state into the market. Instead the definition of rents builds from David Ricardo's idea of rent as the return to the ownership of an asset and extends this to also include politically ascribed rights. Marxist political economy is based on the idea that socioeconomic change is driven by struggles over the surplus, but the sphere of income flows over which struggles occur in the political settlements framework doesn't make the distinction between the nature of the surplus.

Political settlements theory places rents and rent seeking through clientelist networks as key to understanding the pace and direction of economic development in developing countries. However, the importance of rents and rent seeking goes beyond the processes of clientelist political stabilization described above. Rents also directly influence processes of technological learning. This argument is at the heart of the developmental state literature on East Asia that identified the pivotal role of rents under conditions where the market alone cannot drive productivity growth. This is because the scale and complexity of contemporary technologies necessitates a period of learning and catch up, during which time the cost of production will be higher than the global market price, as determined by the already industrialized countries. This means that, in general, markets will not be able to adequately finance technology acquisition and the learning processes required to make technology

productive in developing countries. The state needs to subsidise technology acquisition and learning (Amsden 2001; Wade 1990; Lall 1996).

The political settlements framework differs from the developmental state literature as the explanation of policy success or failure with regards to technology and learning rents does not only focus on the state. This is because while the state may adopt formal policies of rent creation to subsidize learning, the effectiveness of these policies will be shaped by the distribution of power within and outside the formal institutions that are assigned to manage these rents. Thus a focus on the state alone may be misleading to the extent that success within the developmental state literature is often ascribed to some formal attribute of the state – such as the degree of centralization of state institutions for example. Actually, the reasons for success may lie in the underlying distribution of power that may be very different from the formal state rules of authority.

### **3.2 *Causal Mechanisms between capitalist transformation and clientelism***

The key weakness of the Neopatrimonial approach is that it cannot explain variations in economic performance across countries, or over time within the same country (Crook 1989; Loftchie 2002; Mkandawire 2013). This weakness stems from an explanation of clientelism that is in the best instance too crude to capture variations in clientelism, and in the worst instance simply wrong when it is based on cultural explanations or traditional authority.

Furthermore, in the neo-patrimonial and new economic approaches, clientelism is axiomatic to the respective models. While clientelist relations may be used to serve rational interests in the political settlement the idea of rationality is not tied to a narrow methodological individualist framework framed in consistency, maximization and self interest. Human rationalities in a political settlements approach are equally informed by ideas, collective identities, a sense of duty and political ideals. This means that clientelism cannot simply be assumed to be the dominant form of political relation in developing countries; it must be shown to operate in specific circumstances. Distributions of power can be consolidated behind formal institutions even without material transformation of society – as a result of major social and political upheavals where political commitment becomes a powerful organizing force. Indeed there is a constant tussle between the influence of political commitment and material resources. Nevertheless, without a material transformation of society, clientelism tends to become the dominant political dynamic over time due to the challenge of generating political stability and the wider processes of conflict over property rights that emerge as capitalist development plays out.

The Political Settlements approach can explain variations in clientelist politics across African countries and how these variations in clientelism affect the process of capitalist transformation and thus economic performance across African countries. But at the same time, it can also help explain why clientelism in African countries has been much more detrimental to economic performance than in other developing countries. It does so by focusing on how the distribution of power in a specific country shapes the form of clientelist



politics, by identifying different types of clientelism based on the distribution of power, and then by comparing and contrasting the distribution of power across African countries to assess what they share in common.

Variations in clientelism can be explained in terms of two dimensions: (1) the relative power among political elites and their factions within the ruling coalition as well as those political elites and factions excluded from the ruling coalition, and (2) the relative power of domestic capitalists vis-à-vis ruling elites. In turn, these variations are determined by the distribution of power in society at a given point in time. Let us start with the distribution of power, and then show how it shapes the two dimensions of clientelism.

Power comes from the ability to organize and mobilize supporters, based on the use of economic resources as well as ideologies, identity and symbols of legitimacy. The distribution of power in a given society can only be described in historical narratives of how different groups and factions were organized to manage societies in the aftermath of the collapse of pre-capitalist states that began during the formal colonial period or earlier (Khan 2010). The organizational power and social legitimacy of the elites that came to power can be traced back to colonial strategies of constructing administrative and political classes to manage empire and to political struggles during decolonization. Independence movements usually consisted of loose alliances of groups based on ethnic, regional, and educational identities. In places where elections were held prior to independence to determine who would govern, mass franchise and the need to hold the broad range of interests together in a political coalition meant that political leaders with popular appeal and the skill required to manipulate party machines were successful. The outcomes of these early power struggles created path dependencies that shaped several decades after independence.

As well as the colonial influences, post-independence political struggles also had lasting legacies for contemporary political settlements in African countries. Gray (2015) explores how distributions of power were affected by attempts to construct socialism in the 1960s and 1970s in developing countries. While there were large variations in the types of socialism and in their duration the differential legacies for distributions of power of these relatively short periods of change were shaped by four interrelated processes: first, the unique historical experience of political organisation and mobilization in the struggle to power of the ruling socialist party. Second, differences in the degree to which leaders of the socialist parties, mainly middle class rather than workers and peasants, were able to consolidate their political power through the institutions of the party and create a centralised authority structure within the state. Third, the extent to which formal institutions were created to give political voice to the workers and peasants that the socialist parties had a formal commitment to represent, albeit often very weak or subverted by other social groups. Fourth, the extent to which attempts to construct a socialist economy led to a change in the distribution of economic power away from pre-socialist economic actors through nationalisation, the creation of state owned enterprises and constraints on private sector activities. These similar set of economic policies has critical but varying roles in forging new economic actors within the state and new forms of relationship between the state and the private sector that shaped the way that rents were managed under liberalisation.

### **3.2.1 The Distribution of Power Shapes Specific forms of Clientelism**

If power is significantly dispersed across society, the number and strength of these groups means that the inclusion of all of them in a ruling coalition would not work. There is a situation where some powerful factions are excluded, and thus ruling elites face higher vulnerability in power than in countries where all powerful factions are included in the ruling coalition or where excluded factions are weak for historical reasons or are temporarily weak due to repression by the ruling coalition. In a situation where power is dispersed, ruling elites face high vulnerability and either co-opt other social organizations in society or undermine their independent capabilities of political mobilization. They also face greater resistance to institutional changes, especially ones that would change the distribution of economic benefits in society.

Equally as important as the distribution of power outside the ruling coalition is the distribution of power within a ruling coalition. The more dispersed power is the more fragmented the ruling coalition is, and the less dispersed the more cohesive. Thus, we can describe ruling coalitions on a spectrum from highly cohesive to highly fragmented. The degree of cohesion is the result of two features of ruling coalitions. One is the horizontal distribution of power among ruling elites and factions of ruling elites, and the second is the vertical distribution of power the higher levels of the ruling coalition (encompassing the ruling elites and their factions) and the lower levels of the coalition.

The more fragmentation among ruling elites, or factions of ruling elites, the more ruling elites become focussed on jockeying for power amongst themselves, because power is relatively equal and a large number believe they have a good chance of gaining the top political positions. In such a context, it becomes difficult for top government leaders, including presidents, to centralize rent management and control rent-seeking opportunities. Rather, they have to use time and resources on the immediate objectives of holding the ruling coalition together and ensuring their own political position (and their faction's position). The existence of presidential systems where the president has extensive formal powers granted by the constitution does not necessarily mean that power is concentrated around the presidency. It will be the case if power is not highly dispersed within the ruling coalition, and thus a president faces little competition from rivals within their parties and has more control over the factional and individual demands among ruling elites. Such leaders can also generally afford to use some of the power through appointments and allocation of resources to hire experts and build competent agencies, giving the impression of strong state capacity. In contrast, if power is highly dispersed within the ruling coalitions, then a president has to make deals with and promises to rivals within their political party and often has to exchange most of their appointments and other resources for the support of political allies that they need in order to govern effectively or simply to retain powerful elites or elite factions within the ruling coalition (Geddes 1994). These political compromises also act to weaken 'state

capacity' because the state becomes an arena of accommodation (see Migdal 1988). In this case, we cannot speak of power being concentrated in the presidency.<sup>8</sup>

Some scholars of African politics claim that presidentialism is pervasive in African countries, by which is meant that power is intensely personalized around the figure of the president, regardless of whether the constitution indicates a presidential or parliamentary political system.<sup>9</sup> This description is inaccurate for African countries where ruling elites are fragmented, which makes it almost impossible to centralize power in the presidency. It also ignores that the political organization and supporters that put the president in power. There are probably few cases in African countries historically or in the present that fit this description of power being personalised around the president.

Furthermore, fragmentation among ruling elites is the norm, due to the dispersion of power in most developing countries (Migdal 1988). This is also a result of colonial history and in particular the extent to which colonial states created large intermediate classes who were able to play a role in political mobilization. In Africa, colonial states tended to be much smaller than in Asia. This left a more muted legacy of intermediate class formation across Africa. Low dispersion of power and greater cohesion among a smaller group of ruling elites tends to occur only as the result of external shocks or extreme pressures that cause major social and political dislocations. The classic Developmental States of South Korea and Taiwan occurred at moments when there was abnormal cohesion within the ruling coalition due to the weak power of lower level factions and high cohesion among ruling elites due to existential threats. Where elite cohesion is high, the role of exchange in patron-client networks as a means of holding the coalition together may be reduced and other means of holding the coalition together can be more effective than in situations where power is highly dispersed and fragmentation is high.<sup>10</sup>

The lower level factions of a ruling coalition are weak and dependent on the leadership of higher level factions, but there is still variation in how relatively weak they are. At one end, lower level factions may have little bargaining power and must scramble for the attention of higher level leaders. At the other end, lower level faction leaders may have greater bargaining power over higher level leaders and thus can get their demands met. The latter situation tends to occur in electoral democracies because lower level leaders and supporters are very

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<sup>8</sup> For example, this mistake is often made with regard to Ghana. Because the constitution grants the president extensive powers, it is often said that power is concentrated. However, the political elites in both major political parties are fragmented and the need for accommodation puts constraints on the president's power, as does actual resistance by elites to the president's prerogative (see Whitfield et al. 2015).

<sup>9</sup> This argument is made by van de Walle (2003). For example, he states, 'Throughout the region, power is highly centralised around the president. He is literally above the law, controls in many cases a large proportion of state finance with little accountability, and delegates remarkably little of his authority on important matters. In most countries, the presidency emerges as the dominant arena for decision-making, to the point that regular ministerial structures are relegated to an executant's role' (2003: 310).

<sup>10</sup> However, even in the case of South Korea in the 1960s and 1970s where power was temporarily extremely concentrated among a small group of ruling elites, ideology and nationalism were important forces tying a small group of ruling elites together but the exchange of material benefits for political support was still present (see Kang 2002).

important in mobilizing votes for political parties. Lower levels can also be strong if the distribution of power in society results in powerful excluded political factions, because these excluded political factions can woo or 'buy' supporters from the ruling coalition by offering (promises of) benefits.

Formal institutions do matter. The formal rules of political parties or electoral systems can affect the degree of elite cohesion and fragmentation within the (ruling coalition), as they can increase competition among ruling elites and increase the power of lower level organizations of political parties if party candidates are selected in open primaries. Elections also result in pressures that strengthen lower level factions due to the imperative of mobilizing votes. Thus, elections seem to have an independent effect on the distribution of power (Khan 2010).

We should not think about the need to maintain political stability by co-opting powerful elites by giving them public office, through which he or she can gain personal access over state resources, as specific form of clientelism that can or should be understood in terms of Weber's concept of prebendalism. The term prebendalism just obscures and harks back to some older, traditional form of domination. This is just modern clientelism in developing countries. The degree of inter-elite accommodation that is necessary depends on how power is dispersed. If power is not widely dispersed, then there are fewer elite factions to accommodate and it can be done within the ruling coalition and lead to long periods of stability, which is what we saw in African countries that were able to construct one-party state that persisted for several decades and which were then converted to dominant party democracy after the introduction of multiparty elections in the 1990s. Nevertheless, inter-elite accommodation still takes place. Where lower levels of the ruling coalition are strong, clientelism *cannot* be said to be elite clientelism, in which patronage does not find its way down patron-client networks to benefit non-elites. The bottoms of the patron-client networks within political organizations place great pressure on the higher levels to deliver jobs and services in order to maintain their political support and thus remain in power. This kind of clientelism is quite redistributive.<sup>11</sup>

### **3.2.2 The Relative Power of Domestic Capitalists**

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<sup>11</sup> Van de Walle (2007) argues that political clientelism in African countries was primarily elite clientelism, as compared to the redistributive mass clientelism found in Western electoral democracies. However, a large part of his argument rests on his argument that post-colonial Africa was characterized by extreme presidentialism, which we have already argued is not convincing. But this view leads him to conclude that political clientelism in the post-colonial era was dominated by the executive branch of government, was rarely economically distributive, and was often prebendal in nature (linked to illegal acts and undermining property rights). These generalizations simply do not hold across Sub-Saharan Africa, when put up against detailed histories of African countries. More recently, van de Walle (2009) argues that democratization is not undermining political clientelism, but it is changing the nature of clientelism into a more redistributive form. From a political settlement approach, we explain that this is occurring because elections lead to a growth in the bargaining power of lower levels of the ruling coalition, which are necessary to mobilize the votes required to win elections. This process is occurring even within dominant parties such as the CCM in Tanzania. In countries where political parties are equally strong in their patron-client networks and ability to mobilize loyal supporters to vote, such as in Ghana, then we are also seeing the movement to the kind of 'pork-barrel' constituency redistribution that has been described in US politics (on Ghana, see Lindberg 2010).

The relative power of domestic capitalists in a specific country context partly depends on their wealth, because it provides the resources with which to buy access to the political decision-making process, as well as their capacity to organize collective action and to access and make links with political factions. Whether domestic capitalists can access and link to political factions in turn depends on the organization of the ruling coalition (Khan 2010).

Two of the main possible sources of domestic capitalists' political influence are their economic importance, meaning the economic activities they engage in generate significant government revenues and/or foreign exchange from exports, and their importance in financing the ruling coalition, because political elites need funds to maintain their political organizations (Whitfield et al. 2015).

Government revenues and foreign exchange may be generated by domestic private capitalists, but they may also be generated through other means, and in African countries often they are. Such other means include import and export taxes, royalties and corporate taxes from extractive natural resources (such as minerals and oil), from state marketing of agricultural primary commodity exports, or from official foreign aid channelled through the government. In many African countries, agricultural commodity exports in sectors that have existed for a long time are often important sources of foreign exchange and dominant pillars of the economy in terms of GDP and livelihoods, but the majority of exports tend to be produced on smallholder farms (that would not be characterized as capitalist in the classic sense of the term: owning the means of production and buying labour). Thus, ruling elites are not necessarily reliant on domestic capitalists to finance the state.

The second source of political influence for domestic capitalists is their role in financing the ruling coalition. All types of ruling coalitions require a flow of resources, whether they have to win elections or not, but elections typically increase the amount of political financing required. Political financing can come from legal donations or quasi-legal (or even illegal) extraction of money from businesses in exchange for specific favours (Moore and Schmitz 2008; Kang 2002; Khan 2010). Other sources of political funds may include government subsidies to political parties and the skimming off state revenue through legal and illegal means, especially in extractive resources, state-owned enterprises and official foreign aid. Businesses owned by ruling parties or by individual ruling elites can also be an important source of political funds.

Domestic capitalists can be politically weak if the ruling coalition can operate without their financial support, or if they operate in new productive sectors where they do not (yet) generate profits that could be used to buy political influence over policies and the allocation of state resources. If a group of domestic capitalists are in industries that are not key economic pillars, ruling elites face few consequences from ignoring them.

### **3.2.3 Consequences for Capitalist Transformation**

The final step is to understand how variations in clientelism affect capitalist transformation processes. The Political Settlements approach, as elaborated in Whitfield et al. (2015), identifies the first set of key variables are the degree of vulnerability facing ruling elites and the degree of contestation within the ruling coalition that ruling elites must deal with, and how capitalists are incorporated into the patron-client networks and thus their degree of political influence. But the coalitional pressures facing ruling elites are not the only variables that matter. The second set of key variables includes the relative power and technological capabilities of domestic capitalists are also important. High capability capitalists are needed to spearhead upgrading in existing productive activities or move into new economic activities in new productive sectors. In order to do so, they need to have significant power and thus influence over policy direction. This is in fact a return to the research agenda proposed by Leys to examine the characteristics of domestic capitalists and the extent to which the state addresses their interests in sustaining and expanding accumulation.

Whether capitalists make investments in productive sectors depends on their perceived risks of achieving returns on the investment—becoming profitable. If the risk of not succeeding and thus losing the investment is high, capitalists will not pursue new economic activities, despite great potential identified by consultants and academics in reports on opportunities in global value chains and goods with large domestic demand. Domestic capitalists' perceptions of risk can be high due to constraints on productivity that must be addressed or due to the need to finance a learning period (when the firm is learning to be competitive, but operating at a loss).

Many constraints on productivity in developing countries require collective action to address, meaning they cannot be solved an individual firms acting on their own. This is why government support is necessary, in the form of interventions such as providing general and industry-specific infrastructure; providing access to adequate and low cost investment and working capital; subsidizing the costs of educating and training labour (which often moves between firms, creating a disincentive for firms to invest in training in-house); subsidizing research and development so that it can be shared among firms within the industry; helping capitalists to obtain access to scarce land or natural resources; and negotiating preferential trade agreements. All of these interventions are thought of as forms of learning rents that can be delivered to a firm through a number of policy mechanisms.<sup>12</sup> Such government support can be necessary, even when foreign investors are involved.<sup>13</sup>

Whether rents are invested in productive activities and whether learning rents are enforced by the government depend on the distribution of power between capitalists and (a faction of) ruling elites, as well as the existing technological capabilities of the capitalists involved.

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<sup>12</sup> Various names have been used to refer to the same thing as learning rents (see Khan 2000; Amsden 2001; Lall 1996).

<sup>13</sup> For example, on foreign firms investing in the sugar sector in Mozambique, see Buur et al. (2011, 2012) and on foreign investors in the floriculture sector in Ethiopia, see Helmsing and Melese (2010) and Gebreeyesus and Iizuka (2011).

Rent-seeking can alter the distribution of rights in a more efficient way if they are put to more productive use.

Domestic capitalists with high political influence results in rent-seeking, but this rent-seeking can be productive in the sense that it leads to investments in expanding production, upgrading or pioneering new productive sectors. In fact, we argue that rent-seeking is necessary for capitalist transformation to occur. But that does not mean that rent-seeking is always productive, and it is often the case that rent-seeking that was once productive can become unproductive when conditions change. The political influence of domestic capitalists can also be a double-edged sword, as it is difficult for ruling elites to take rents away from politically powerful domestic capitalists once they are in place. Furthermore, domestic capitalists with high political influence but low capabilities are less likely to use rents to invest in learning because they are far from having the capabilities to become competitive in new economic activities. In these situations, learning rents are necessary, but in the context of politically connected domestic capitalists, it is difficult for ruling elites to enforce learning rents.

However, the opposite situation of politically weak domestic capitalists can be even more problematic, because they can be ignored or even worse their assets expropriated and businesses sabotaged. In this context, ruling elites are more likely to rely on foreign capitalists. The situation of domestic capitalists with low political influence and low technological capabilities is particularly problematic, because ruling elites can rely on foreign capitalists or exploit opportunities in trade, real estate, finance and extractive industries, rather than assisting domestic capitalists to build capabilities in productive sectors. The final point to make is that relations between ruling elites and domestic capitalists may not generalizable at the national level, but rather may differ by sector. This is because sectors can be embedded in different institutions and sets of political and socio-economic relations.

#### **4. Is there an African political economy?**

One of the most significant contributions to the debate on clientelism in African countries is the article by Chris Allen (1995) in which he argues for recognizing the diversity of politics in African countries and provides a schema for understanding that diversity. He starts with an argument about what drives clientelism in African countries that strongly resonates with the political settlement approach: clientelism is a form of political mobilisation in the absence of ideology and class interests. Local and regional power brokers were incorporated into national political organizations and electoral support was exchanged for access to state resources. Allen also notes that post-independence ruling elites faced the formidable challenge of meeting the extensive factional demands for distribution of state resources, which in turn was a result of popular expectations for the government to deliver 'development', because the structure of the economy could not support it, especially as international commodity prices began falling (see also Szeftel 2000). Thus, African governments became preoccupied with the need to manage patronage. Allen locates the diversity of African politics within the varying degrees of success with which governments

were able to do so. The most common response was what Allen calls centralized-bureaucratic regimes, in which ruling elites were better able to centralize control over patronage through the executive presidency standing above factional competition and the displacement of party organizations as the main distributors of clientelist resources by a bureaucracy, which was answerable to the presidency. He saw one-party states as an attempt to regulate factional competition and conflict over the division of state resources. This strategy was sustainable until economic crisis in the 1980s undermined it.

But in other African countries, increasing clientelist competition was not resolved through centralized-bureaucratic regimes and factional conflict became so intense that the military typically intervened. But rather than reducing clientelist competition, it intensified it, leading to what Allen calls ‘spoils politics’, in which political faction in power denies access to resources to all other factions, which in turn leads to endemic instability with continual attempts to overthrow governments, to the total breakdown of civil order, and in some cases to populist revolts.

In many ways we agree with Allen’s model, but what the model lacks is an ability to understand why some countries had stable one-party states and other countries did not. In other words, why were the ruling elites of the PDCI in the Ivory Coast able to construct a one-party state that endured for several decades, while the one that Kwame Nkrumah and the CPP constructed in Ghana only lasted for several years before being overthrown and replaced with a cycle of spoils politics? They are neighbouring countries, so what differed. Again, the ruling elites in the CCM in Tanzania was able construct an enduring centralized-bureaucratic regime, while factional conflict in neighbouring Uganda got out of control and was only resolved through a civil war.

The key to understanding the different trajectories of African countries is the distribution of power in society at independence. Differences in pre-colonial societies combined with different colonial experiences and the decolonization process resulted in a large variation in the distribution of power in African countries at independence and thus the composition of political elites and their political organizations. For example, power was much more dispersed in the Gold Coast as a result of pre-colonial and colonial factors, such that during the decolonization period there were a large class of educated elites and several bases of power in society that engaged in shifting alliances as they competed to take control of what would become Ghana when the British left. The same was true in Nigeria and Uganda, but it was not true in Tanzania. In Tanzania there were many fewer intermediate class groups that needed to be accommodated within the state. This facilitated the concerted efforts in the immediate post independence years to consolidate power within the ruling party and build an enduring political dominance (Gray forthcoming). In the Ivory Coast all the powerful factions were included within the PDCI after compromises made by the top PDCI elites (see Boone 2003). However, in Ghana and Uganda it was not possible as competing powerful political factions could not reach a stable political settlement that included all of them, either due to historical and social cleavages or due to disagreements over fundamental issues such as distribution of powers and property rights. However, when the factions in power in the first post-independent governments in Ghana and Uganda tried to act on their positions regarding



these issues, attempts to change the institutions governing the distribution of rights and economic benefits led to their toppling (Whitfield et al. 2015).

What post-independent African countries did share in common, and which led to the emergence of some common features in their political economies, was on the side of the domestic capitalists. Newly independent African countries either had a very small group of domestic capitalists with low technological capabilities or the existence of an émigré or settler capitalists that had higher capabilities but weak political power. They also had largely agrarian economies with a base in peasant agricultural production. In most countries, the agrarian capitalism that began to emerge in the early 1900s stimulated by demand in the global economy was stymied by colonial policies that premised political stability and thus obstructed changes in institutions and the emergence of markets in land and labour. Colonial policies in Sub-Saharan African countries tended to produce the opposite legacy, as result of discriminatory policies in which black Africans were resigned to agriculture and small-scale trading, Asians were allowed into manufacturing, and international trade was dominated by white Europeans who imported goods produced in their home countries. The early development of capitalism in agriculture and trading, which was subsequently obstructed by colonial policies, is well covered in Iliffe (1983) and Kennedy (1988) as well as numerous country-specific studies. The limited capabilities among black African capitalists, who did not play an important role in the key exporting sectors of the economy built around agricultural commodities and minerals, affected the political settlements in African countries in ways that took on path dependent trajectories in the post-independent period.

The limited capabilities of black African capitalists at independence is also part of the explanation of why the economic performance across African countries has been similarly poor. Amsden (2001, 2008) argues that the developing countries that were most successful in their industrialization drives after World War II were those countries that had manufacturing experience. Amsden defines manufacturing experience as the ability to establish and operate efficient enterprises in the manufacturing sector. The origins of such manufacturing experience were different, but included the diverse nature of imperial rule, indigenous empires and migration of Europeans. Manufacturing experience includes the existence of indigenous capitalists with investments in production, managers with experience in foreign firms, and a nascent working class with the discipline of factory work. The limited manufacturing experience in most African countries at independence was an important factor shaping the performance of both private and state-owned firms, as studies show that management was the most important reason for success or failure (Iliffe 1983; Kennedy 1988).

The characteristics of local industrialists affected the kinds of strategies that post-independence African governments pursued. Relations between (aspiring) political elites and (nascent) African capitalists played out in different ways; however, the trajectories in the post-independence period share many aspects. Due to weak domestic capitalists, African governments often relied on foreign firms. This was not necessarily problematic and even necessary, as foreign direct investment was a means to access not just capital but more

importantly tacit knowledge and managerial experience with large-scale and sophisticated technology in agro-processing and manufacturing.

The problematic part was that most African governments were markedly ambivalent towards private African firms and often acted in ways that are harmful rather than helpful. African government industrialization strategies, on average, did not actually support local private firms, even where they proclaimed the objective to do so. And governments in many countries actively sought to marginalize private African capitalists, going so far as to expel or expropriate East African Asian capitalists. Part of the reason why is to be found in how post-independent political struggles and the organization of power played out in the context of weak black African capitalists, or in some countries a strong capitalist class among an ethnic minority seen as 'foreign'.<sup>14</sup>

The general poor performance of import substitution industrialization strategies across African countries was due to their failure to build domestic technological capabilities of firms, regardless of the ownership structure (public, private or public-private joint ventures). Government strategies were not successful in addressing deficient institutions in finance, information, standards and export assistance for national firms, especially private firms, and compelling them to build their technological capabilities (Stewart, Lall and Wangwe 1992). Most of the necessary capabilities were 'imported' through foreign firms, and thus foreign firms and joint ventures between the state and foreign firms were dominant in productive sectors and had the highest productivity. However, when the economic situation deteriorated in most African countries in the late 1970s and early 1980s, the foreign capital and expertise fled. The limited stock of technological capabilities in African countries explains why their manufacturing and agro-processing industries were hit so hard by structural adjustment, especially compared to other developing country regions.

What economic liberalization through 'structural adjustment' did do was to renew the process of primitive accumulation, which had stalled after the international economic crisis in the 1970s that led to debt crises in the 1980s. Liberalization also contributed to a shift in the locus of primitive accumulation from the state sector to the private sector. The privatization of state assets, in many cases ending state monopolies and reducing economic controls opened up new opportunities that led to accumulation outside the state. However, in most African countries the same group within the ruling coalition was benefiting from these reforms. In some countries, a new generation of domestic capitalists emerged but still firmly within the ruling coalition, as primitive accumulation still occurred based on political connections that were used to access privatized assets, secure state contracts, and so on. Importantly, there were now opportunities for accumulation that were not tied solely to the state, especially in new export sectors and in sectors not highly dependent on state contracts such as hotels and real estate. However, one needed capital to invest, and thus the new

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<sup>14</sup> Iliffe (1983) identified three different trajectories of state-business relations in the immediate post-independence period: anti-capitalist, parasitic capitalism, and nurture capitalism. However, a reading of Kennedy (1988) and the edited volumes by Berman and Leys (1994) and Lubeck (1987) show that these trajectories are not very different.

‘private’ entrepreneurs still relied on state-directed rents, loans from state-owned banks, public salaries or money acquired through political corruption.

In a sort of ironic twist of fate, many African countries seem to be in similar positions by the end of the 2000s as they were in the early post-independence years. By 2000, successive liberalization policies had not addressed the fundamental constraints that hindered the entry of African firms into manufacturing. Instead, there was a proliferation of economic activities with low barriers to entry and low risk, such as wholesale and retail trade, hotels/tourism, transport and real estate, or economic activities geared towards the domestic market, such as telecommunications and banking. While there was a growth in African firms engaging in manufacturing liberalization particularly benefitted groups that had already acquired technological capabilities and had existing networks linked to global production. For example Asian communities in East Africa were able to expand on their historical involvement in manufacturing, rekindling old tensions and debates (Aminzade 2014).

The double transition of economic and political liberalization in the 1990s created two simultaneous imperatives for ruling elites. They needed more financing to build and maintain ruling coalitions in the context of multiparty elections, even for dominant parties that won elections by a wide-margin as in Tanzania. It added to the need for political financing, given that the previous strategy of reliance on state provided resources (through the budget as well as state-owned enterprises and economic controls) was no longer sufficient due to economic reforms. This twin imperative drove ruling elites to seek financing from private businesses as well as to use their position in public office to start and expand their own businesses or businesses allied with the ruling coalition (Whitfield et al forthcoming). In a sub-set of African countries, the need for more political financing was met through party-owned businesses, which provided an independent base for party funding as well as economic influence (Weis 2012). Often party-owned businesses were established during civil wars as a means of financing the rebel army, or they were established after the rebel army came to power in order to provide political financing given the initial divide between the new ruling elites and the existing domestic capitalists.

In the context of economic liberalization and new accumulation processes, new indigenous capitalists have emerged, but many are perceived as ‘crony capitalists’, especially where there is a significant overlap in identity between ruling elites and these new indigenous capitalists (Taylor 2012). All forms of capitalism have some element of cronyism, and although capitalists eventually may become independent from the state, capitalists did not emerge independently from the state in any country except in England, the birth of agrarian and industrial capitalism. Thus, in African studies if we are looking for the capitalist transformation to be driven by a ‘truly national bourgeoisie independent from the state’, as Medard (1982, cited above) was, then we are looking for something that does not exist, because we may be starting from the wrong assumptions about how capitalist transformation occurs.

Given the political settlements in African countries, we should expect that in many countries a domestic capitalist class with investments in productive sectors will emerge from within the

ruling elites, and not outside of the ruling coalition and independent from the state. Logically this is to be expected. We cannot ignore or refute it because it does not fit the idea of free market capitalism or because it has negative implications for the idea of democracy. Similarly, we should not dismiss that party-owned enterprises could be an important element in driving capitalist transformation in some African countries such as Ethiopia, because historical empirical evidence shows that they have in other countries such as Taiwan. We need to study these processes, but from a point of view that is open to the fact that the negative or positive effects on economic performance have to be proven with empirical evidence. It is too early to tell what the impact of these processes will be. But the main point is that we need more research. There are too few studies on these processes. If we are to understand what is going on, and to compare the views and evidence of several scholars, we simply need more research in this area.

In general, we need more research on whether and under what circumstances primitive accumulation is turning into investments in productive economic activities and the emergence of firms that can access export markets through learning and the development of technological capabilities. We need to move from the national level and general features of the business environment and peak business associations and study specific sectors and even specific firms, where we can get into the details. We need to focus on where successes seem to be occurring, which could mean non-traditional export industries or upgrading in traditional industries where domestic firms and investors are present, and interrogate them in more detail. But we can also learn from cases of failures, where domestic entrepreneurs tried to set up firms and enter new export markets but failed to succeed or where the government pursued industrial policies but learning rents were not enforced or where owners of importing firms wield political influence that allows them to block implementation of government policies to change tariffs in order to encourage local production.

We need to study success and failures in order to get a better understanding of what is going on across African countries, because many new processes are underway. But we need to do it from a new theoretical and analytical perspective: one that does not close down avenues of enquiry but rather opens them, and one which embraces nuance, complex causality, and accepts theoretical explanations that are not parsimonious.

## **5. Conclusions**

In this paper, we have presented what we call the Political Settlements approach and argued that its theoretical assumptions and conceptual tools provide a way of advancing understanding and debate on contemporary African development. In sum, a political settlements approach recognizes and can explain diversity in the experiences of African countries and embraces a politics in Africa rather than an African politics approach. It also allows us to explain why clientelism cannot simply be assumed to be the only form of African politics on the basis of assumptions about culture or narrow individualistic maximizing rationalities. Instead the political settlement approach allows us to explain the

reoccurring features of clientelism within African politics as a result of particular features of contemporary capitalism. This allows us to place clientelist politics in African countries in comparative perspective and to see similarities in countries across continents, rather than essentializing Africa as an entity and looking for unique features within African countries that set them apart from other developing country regions. For example, a political settlements approach can show how Ghana and Thailand share a similar form of political clientelism, but differ in the strength of domestic capitalists, or how Ethiopia's version of political clientelism and party-owned enterprises is similar to that practiced in Taiwan in the 1960s. Gray (2015) uses a political settlements approach to explore the comparative socialist experiences in Tanzania and Vietnam and their legacies for the distribution of power and economic development under liberalization. Such comparisons across countries are based on the set of parameters in Political Settlements approach, which focuses on the distribution of power in society and how it affects the ways in which political coalitions are put together, the political mobilization strategies of political elites, the relative power of coalition members, the degree of fragmentation (or cohesion) among political elites, the relative power of domestic capitalists—and the implications of all of this for the ways in which patron-client networks are organized; rents are created, allocated and used; and social and industrial policies are designed and implemented.

This call for a new framing for political economy studies goes hand in hand with a call for a new research agenda. In the last decade or two, there was a shift away from studying businesses, firms, domestic capitalist classes, productive sectors and industrial policies in African countries. The bulk of the work on African firms has been within the Global Value Chain literature (for example, see Gibbon and Ponte 2005). While this literature has done excellent work, it has focused more on international processes in the global economy and the vertical relations between firms within global value chains, and very little on the horizontal relations between firms and the government within African countries. We need to shift the agenda back to the study of domestic capitalists, their firms and their political influence.

Similarly, scholars focusing on the agrarian question may need to shift their focus of enquiry. Recent studies examining the emergence of capitalists out of agriculture (in the classic English path) show that capitalist relations of production have receded in many African countries.<sup>15</sup> But that only means that we have to shift our attention to other avenues through which domestic capitalists are emerging, which may include investments in capitalist agriculture by urban petty bourgeois investors drawing capital from outside agriculture or from foreign firms (see Whitfield 2012; Buur et al. 2012). Lastly, rising competition for land in many African countries will intensify distributive conflicts and struggles over entitlements (Boone 2013). We expect that these challenges will be resolved differently across African countries depending on the distribution of power in the society, with differing consequences for the processes of capitalist transformation.

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<sup>15</sup> For example, on Tanzania see Skarstein (2005) and Maghimbi, Lokina and Senga (2011). On Ghana, see Takane (2002).

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