

Memo to Workshop on “Micro-Dynamics of State Formation”

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The work of the Crisis States Research Centre is anchored more in historical political economy and historical institutionalist approaches to understanding state fragility, resilience and reconstruction, than in the economics of organisation literature, so the ideas I am raising here may be of more or less interest to participants in the workshop. In this memo, I want to address two issues emerging out of our research, which nevertheless may be of interest as the Princeton team develops its plans of work on “Institutions in Fragile States”.¹ The first concerns what we call the problem of “institutional multiplicity”, which is relevant to the overall approach to studying micro-foundations of institutions in “fragile states”. The second is perhaps most relevant to the workshop’s discussion of the problems in understanding institutions in the context of systems based on neopatrimonialism and clientelism: this concerns the need to undertake historical political analysis of patterns of what we refer to as “centralised patronage”.

We start from a point of view that is sceptical about the relevance of general prescriptions advocating economic liberalisation, democratisation and anti-corruption measures as routes to development in fragile states as there tends to be little evidence that these have been *inputs* into launching formative processes of development and much more evidence that these are in fact the *results* of development (Chang, 2002). Secondly, in a view that resonates with James Robinson’s “Politician-Proof Politics?”, we have observed that neopatrimonial politics, clientelism, corruption and violence are actually defining features of fragile states (an observation shared by Khan, 2005 and North et al, 2007). We are interested first in why some of these fragile states are more resilient and have avoided episodes of large scale violence, war and state collapse (Tanzania and Zambia) while others have not (Democratic Republic of Congo and Afghanistan) and why some states have weathered generations of violent challenges to state power and yet the state has remained in tact (Colombia, Philippines, Mozambique). Second, we have observed that what may lead to state resilience may not be the same as what leads to development and we wish to understand why some neopatrimonial regimes have been much more successful in presiding over processes of dynamic capital accumulation and development, while others have not.

Institutional Multiplicity and implications for studying fragile states

In developed industrial democracies, rules of behaviour in economic, social and political life are generally set by constitutions and bodies of civil and common law. While these co-exist with rival institutional frameworks derived from religion or particular practices in regions or ethnic communities, the latter are generally marginalised or subordinated to the institutionalised “laws of the land” lodged within the state. In most fragile states,

¹ The ideas raised here are elaborated in much more detail by one of our Centre’s researchers, Jonathan DiJohn (forthcoming) and I refer you explicitly to Section 4, “An Alternative Agenda for Researching State Capacity”. An early application of some of the ideas is in Hesselbein, Mutebi and Putzel (2006) and in Putzel (2006).

individuals and organisations find themselves in situations where there are competing institutional frameworks. Constitutional, or official, rules coexist with the institutional frameworks that govern behaviour in a particular region, in the sphere of action of a warlord or a criminal gang, in a “traditional authority’s” domain, in a religious organisation’s community, among an ethnic community or in an extended clan’s networks. Political actors are rooted in these rival institutional domains, which serve as both alternative sources of mobilisation to action and alternative sources of legitimation of action to those provided by the state. The same politicians who, while in Bogota or Manila, participate in legislative procedures or invest in share purchases on the New York stock exchange according to its rules, may well preside over the killing of political opponents in the rural constituency from which they are elected (and this may well be accepted as understandable political behaviour in those communities). The actions of General Nkonde in Eastern Congo, described by the Kinshasa government as a “rebel soldier” and killer, are hailed as the behaviour of a leader providing security, livelihoods and order in Tutsi communities in North Kivu.

The point here is that before attempting to model interventions in the micro-dynamics of institutional arrangements in fragile states, it is absolutely necessary to understand and map the patterns of competing rule systems that characterise social, political and economic organisation. Most reforms promoted in the “good governance” agenda of donors have been wholly blind to institutional multiplicity and therefore to existing incentive structures in fragile states. In fact, often they simply add another set of institutions – procedures for conducting PRSPs or the reporting rules of NGOs or bilateral donors – which local actors straddle to gain access to resources.

Focusing on “elite bargains” and patterns of patronage

What most concerns us is to understand what leads to *differential outcomes* in states characterised by institutions of patronage and corruption. We begin from analyses of Schleifer and Vishny (1993) and Olson (1993) that demonstrate why *centralised* patronage (as in South Korea for instance) can lead to more developmental outcomes than where patronage is fragmented (for instance in Zaire/Congo or Nigeria). Centralised patronage embodies more predictability in contracts and Olson’s stationary bandits tend to develop an “encompassing” interest in promoting economic development. But these theories can neither explain why some forms of centralised rule lead to rapacious abuses of state power (Pol Pot’s Cambodia) on the one hand, or why some generate dysfunctional economic policies over long periods of time (Tanzania and Zambia). They also cannot explain why some authoritarian regimes are more “pro-poor” or redistributive (as in land reforms produced in South Korea and China) than many democratic regimes. This points to the necessity for understanding how patronage systems are *organised politically* (Allen, 1995) and how ideology affects the *construction* of legitimacy.

These insights underpin an alternative research agenda (see DiJohn) on the institutional characteristics of fragile states that lead us to investigate patterns of “elite bargains” and how they are organised politically. Here there is a focus on the role of political parties and patterns of inclusion or exclusion within patronage systems and the structure of

incentives within different forms of political organisation that lead to differential outcomes both in terms of peace and security as well as development.

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