

# The Role of Civil Society and Patron-Client Networks in the Analysis of Corruption

*Mushtaq H. Khan*

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## Introduction

The endemic nature of corruption in developing countries and the potential damage this can cause if it remains entrenched is not in question. In the search for policy responses attention has increasingly turned to the possible role of civil society in controlling corruption. The argument is that if civil society can be strengthened and its efforts at monitoring the state encouraged, this would contribute to the eventual elimination of corruption. However, to evaluate the role of civil society in developing countries in fighting corruption, we need to ask why corruption is so endemic in these countries in the first place.

The characteristic of developing countries which inevitably strikes observers is the degree of internal political contestation that they persistently seem to suffer from. This instability is actually not difficult to explain. Development entails not just the adoption of new technologies but also a host of rapid social changes. In particular, development entails the creation of new classes based on new property rights or new allocations of property rights. Even if the fruits of these changes were widely distributed (and they often are not), the rapid changes in power and wealth contribute to deep social disruptions and discontent as a normal feature of life in developing societies, making them qualitatively different from advanced capitalist countries. In the latter, the types of property rights and their distribution change relatively slowly and the vast majority of the population have come to accept the legitimacy of the economic order. This was, of course, not always so and even as late as the early twentieth century the advanced capitalist countries of today faced frequent social upheavals.

In developing countries the modern capitalist sectors, middle classes and so on have typically emerged within living memory and do not yet enjoy anything like a comparable degree of legitimacy. Even when the political regimes in these countries happen to enjoy a fair amount of legitimacy (and often they do not), this does not always translate into political stability. This is because the distribution of wealth, power and privilege in the wider society typically does not enjoy widespread acceptance; it is relatively easy for any excluded faction of elites to organise political dissent very rapidly against any particular regime. The emergence and persistence of corruption in developing countries has to be understood as a phenomenon which happens in these specific contexts. Political corruption is often part of a set of exchanges within patron-client networks through which incumbent elites construct political compromises with clients who would otherwise threaten the political stability of the system. While economists have looked at the economic incentives which state intervention creates for some types of corruption, they have typically not looked closely at the political conditions which also generate incentives for a related "political" corruption. We argue that political corruption is often an unavoidable part of maintaining political control in the unstable political environments in which most developing countries find themselves. Furthermore, political and economic corruption can get interlocked, since the resources to finance political corruption are often generated through the conventional forms of corruption which economists have identified.

An analysis of corruption which incorporates its political dimension is important in at least two respects. First, since the political problem can differ across developing countries in significant ways, this approach provides us with a richer analysis of different scenarios of corruption. This in turn can help to explain differences in the economic effects of corruption in these different scenarios (Khan, 1998a, 1998b). Second, this approach allows us to critically evaluate the role of civil society in strategies to fight corruption and it is this which particularly concerns us in this paper. If the pervasiveness of corruption is related to the types of contestation facing states, between and among capitalists and incumbent political elites, we need to examine the role of particular groups within civil society who generate this contestation in the first place and the possible effects of further attempts at strengthening "civil society". The results of such an examination suggests that we may have to be much

more specific about what we mean by civil society and much more explicit about identifying the interests and groups within it which are permissive of development.

Section 1 examines the notion of civil society and contrasts it with the patron-client framework for looking at relationships between state and society in developing countries. Section 2 describes patron-client networks in a number of developing countries and points out how differences in the composition of powerful groups in society can lead to very different patterns of resource flows within these patron-client networks. As a result, there are significant differences in the types of corruption observed in these countries and in the economic consequences of these corrupt transactions. The argument is illustrated with reference to the countries of the Indian subcontinent, South Korea, Malaysia and Thailand. In all these countries corruption was (or still is) more or less widespread at the early stages of development. But differences in the patterns of patron-client flows have meant that the consequences of corruption have differed greatly between them.

Section 3 examines the consequence of such an analysis for an assessment of the role of civil society in anti-corruption strategies. In some countries the patterns of patron-client exchanges allowed rapid development which in turn allowed a consolidation of a capitalist economy. This in turn opened up the scope for an eventual reduction of corruption through a number of mechanisms including pressures from groups within civil society. In other countries the interlocking of political and economic corruption made the prospect of reducing corruption a much less tractable one. In these countries a large part of the pressures for political corruption came in the first place from non-capitalist middle class groups who were the most powerful sections of their "civil societies". Recent experience also suggests that it is possible for such groups to lead anti-corruption movements with the aim of demanding incorporation and a more favourable distribution from their point of view. Since the underlying structure of civil society is not changed, the victory of these movements has often only resulted in the replacement of particular groups with access to power without any significant change in the extent or consequences of corruption. It is therefore possible that there may well be conflicts between the further empowerment of the dominant groups within civil society and the transition to viable forms of capitalism which allow sustained reductions in corruption.

## **1. Civil Society in Developing Countries**

The concept of civil society has an interesting history. The liberal conception of civil society is quite different from the origins of the concept in classical and Marxist theory. One of the key features of the classical approach to civil society was to identify the specific civil societies of particular countries. Thus the Italian Marxist Antonio Gramsci, who developed the first extensive analysis of civil society, was interested in the Italy of the 1920s. Gramsci's work was based on Hegel and the early Marx. We do not need to discuss the differences between Marx and Gramsci or the different definitions of civil society to be found in Gramsci's *Prison Notebooks* (for which see Gramsci, 1976: 206-275; McLellan, 1979: 188-193; Buci-Glucksmann, 1980: 69-115). The key point is that while mainstream Marxists of the time saw the state as the main defender of ruling class interests, Gramsci pointed out that the Italian capitalist system was in fact also buttressed by a powerful ideological apparatus which was responsible for creating social consent. This apparatus was operated by intellectuals and others who constituted "civil society". Civil society consisted of the private sector organisations which, though not strictly capitalist, created the ideological and ethical climate of support for the capitalist system. Gramsci argued that it was only in backward capitalist economies like pre-1917 Russia that the state was left to its own devices to defend capitalism. In the more advanced economies of Western Europe, such as Italy, the state was only "the outer ditch" protecting capitalism; the "fortresses and earthworks" were provided by civil society (Gramsci, 1976: 238).

Gramsci's target of attack were those Marxists who believed that a strategy of frontally attacking the state would work in Western Europe as it had in Russia. On the contrary, he argued, the most difficult part of the Marxist programme would be to counter the ideological hegemony in favour of capitalism created by the civil societies of these economies. Gramsci's analysis is clearly historically specific. He does not argue that civil society would operate in this way in all capitalist economies, and certainly he points out that it did not work in this way in the relatively backward capitalist economy of Tsarist Russia.

From these beginnings the concept of civil society became part of liberal-democratic political science by the 1960s. By the time the concept became part of mainstream political reasoning, the analysis of civil society was de-linked from the analysis of the nature of capitalism or the level of development of

the relevant economy. Civil society still refers to the set of private organisations and institutions which Gramsci had begun to analyse such as churches, clubs and more recently NGOs. But in the modern approach there is a tendency to speak of civil society in the abstract, without reference to the specific classes, fractions and economic interests they represent in particular countries.

A second and equally important difference is that the motivation behind the interest in civil society has also changed. Where Gramsci had been interested in the role of civil society in *co-operating* with the political apparatus of the state to make capitalism politically viable, contemporary liberal-democratic analysis concentrates on the role of civil society in keeping the state *in check*. The change of emphasis reflects the change in the political conditions in advanced capitalist countries where these theories came from. In these countries the threat of revolution had faded and in the sphere of economic theory liberal market economics was gaining ground. In the eighties the state increasingly came to be viewed as a constraint whose activities were a source of both inefficiency and rent-seeking.

The recent suggestion that civil society can act as a pressure group demanding accountability and transparency from both government and business clearly derives from the liberal tradition of political analysis. Its weakness is that it assumes, without analysis, a civil society in developing countries that is very much like the civil society we find in advanced capitalist countries. In contrast to Gramsci's analysis of the actual classes and groups which constituted civil society in contemporary Italy, modern liberal democratic theories treat civil society as an abstract "good thing". It is implicitly an agglomeration of interest and pressure groups which have a collective stake in the capitalist system and can moreover monitor and keep in check the self-seeking state, which is also assumed. In fact, a detailed analysis of the composition and interests of the competing classes and groups which constitute civil society in today's developing economies is critical for understanding their potential role in sustaining or challenging the persistence of corruption.

The broadest features of such an analysis will have to be sufficient for this paper. The first distinctive feature of contemporary developing societies is that their middle and intermediate classes are relatively well developed given the degree of development of their economies, even though the degree to which these middle classes are developed varies in significant details (Khan, 1989). This was a product of colonialism in many of these countries that often created large middle classes to administer the colonies long before an equivalent capitalist sector emerged. Nevertheless, contemporary developing countries are also different from the advanced capitalist countries like Gramsci's Italy, where civil society provided the "fortresses and earthworks" protecting the capitalist economy. The capitalist sectors in contemporary developing economies are relatively less developed, and competition between competing factions of capitalists and middle class groups much more volatile and aggressive. As a result the civil societies of contemporary developing countries do not generally act in concert with the political apparatus of their states to defend capitalism in the way Gramsci observed in Italy.

One reason why this does not happen is that capitalism as a system in contemporary developing countries is not under serious threat from the working classes. Consequently the pressure on middle class leaders of civil society to collectively defend the system is much weaker. More importantly, the process of capitalist development is now much more rapid, the emergence of new capitalist classes more transparent and as a result the temptation to contest this process and put one's own claim in are much greater. Middle class constructors of ideology in contemporary developing countries are as likely to feel illegitimately excluded from these processes as to believe that it supports their long-run interests. They are as likely or more likely to be populist opponents of the transition to capitalism as they are to be its apologists. This is why, unlike Gramsci's Italy, many more middle class groups in modern developing countries are likely to be fiercely contesting the processes of capitalist accumulation.

This observation helps to explain why patron-client linkages between state and society are so pervasive in developing countries. The analysis of patron-client exchanges initially developed to record and explain the repeated exchanges between patrons and clients who were distinguished by status, power or other characteristics (Schmidt et. al., 1977). However, patron-client exchanges were not confined to pre-modern societies but in fact frequently took place in societies well on the way to becoming modern and which had many modern institutions. Apart from habit and inertia, one reason why patron-client exchanges survive in early capitalist societies is that personalised and specific payoffs from patrons to clients provide a very efficient mechanism of purchasing political support by allowing the accommodation and incorporation of key groups of clients. In a context where the emerging capitalist system does not enjoy political stability and general acceptance, where the state is not strong enough to

enforce order by force and where civil society is failing to create the ideological support for the emergence of capitalism, patron-client networks which organise payoffs to the most vociferous opponents of the system are an effective if costly way of maintaining political stability (Khan, 1989, 1996a).

The consequences of such solutions depend on the structure of civil society in the developing country being considered and therefore the type and number of payoffs which have to be organised to "purchase" political quiescence. At the same time, these transactions are overlaid on conventional economic corruption, which is inevitably also taking place because of the weakness of policing institutions and the scope of the allocative decisions of the state, given underdeveloped market institutions. The problem is that the greater the political imperative for the state and incumbent political elites to raise funds for political payoffs, the greater the pressure to organise conventional economic corruption to generate these funds. State officials may of course be bribe-maximisers even without any political imperative. However, the constraints set by the magnitude and distribution of political demands has an effect not only on the magnitude of the resources which must be corruptly generated but obviously also on the structure of transactions through which the payoffs are eventually distributed. We argue that this interdependence of political and economic forms of corruption has important economic consequences.

## **2. Civil Society as a Determinant of Patron-Client Networks**

While civil society in developing countries has some of the general features described in the last section, there are nevertheless significant differences between countries in the distribution of political power between competing groups of civil society. In this section we argue that these differences in the organisation and structure of civil society have consequences for the types of patron-client exchanges which we can expect to see as political stability is "purchased". The types of patron-client exchanges (which can include both corrupt transactions and perfectly legitimate ones) can in turn determine the economic performance of the society and the long-run viability of its process of transition to a more developed capitalist economy.

To illustrate our argument we look at patron-client exchanges and the evidence of corruption and performance in the three countries of the Indian subcontinent, together with South Korea, Malaysia and Thailand. The summary presented here is based on the more extended analyses of patron-client networks in these countries in Khan (1997 and 1998). The South Asian economies of the Indian subcontinent are the poorest performing of our group of countries and they also provide evidence of the most complex patron-client transfers and persistent interlocking of political and economic corruption. The corruption indices reported in Table 1 are based on subjective rankings by foreign business and have to be treated with caution. Nevertheless they show that the degree of corruption recorded in the South Asian countries in the eighties was not significantly different from South Korea and only slightly worse than Malaysia while fast-growing Thailand ranked much worse for corruption. It appears that by the nineties, relative corruption had begun to decline in fast-growing Thailand while it increased in sluggish South Asia. Corruption also seemed to be getting worse in Malaysia and South Korea, but not by enough to be significant given the subjective nature of these indices.

Without reading too much into these figures, we can make two points. First, if corruption is related to economic performance, it may be that we need to look at the types of corruption and not just indices recording the magnitude of corruption as perceived by business. This point is more extensively argued in Khan (1998). Secondly, there is at least weak support in these figures for the hypothesis that rapid growth may eventually allow corruption to be tackled while slow growth can make corruption more entrenched. This hypothesis is much more strongly supported when we look at the advanced countries, which generally have much less corruption than developing countries.

To see if significant differences exist in the types of corruption in these countries, we can begin by comparing the structure of their civil societies. Civil society in the Indian subcontinent has been characterised by a proliferation of groups and classes at the intermediate levels of society which have traditionally been exceptionally successful in dominating politics and getting selective payoffs for themselves. Despite important differences between India, Pakistan and Bangladesh there are important similarities in the types of exchanges which are negotiated within patron-client networks in these South Asian countries. A common feature is the often complex interlocking of exchanges between political elites, businessmen and intermediate or "middle class" organisers who organise and mediate social discontent. Economic and political calculations are closely intermeshed in such transactions. This

interlocking was described by Wade in his studies of corruption in the irrigation bureaucracy in southern India (Wade, 1984, 1985, 1989).

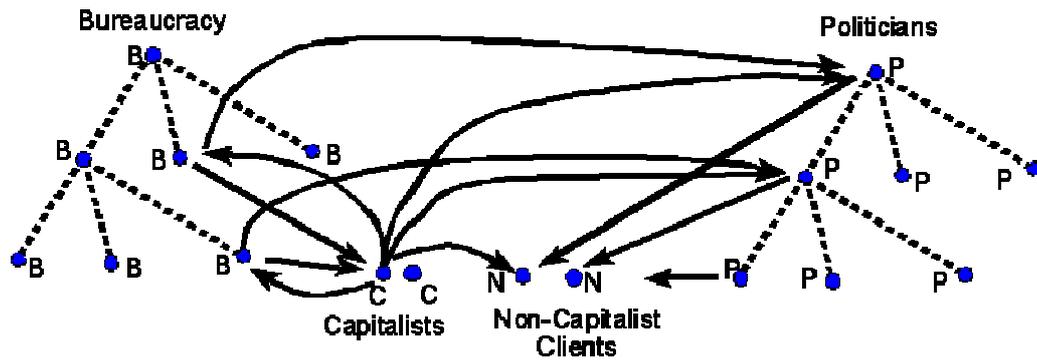
A number of factors have contributed to the emergence of networks of interlinked exchanges in the Indian subcontinent. One of these has almost certainly been the exceptional political and social importance of intermediate classes in the Indian social structure. Important groups of clients in the Indian subcontinent have been drawn from these intermediate or "middle" classes. The importance of the professional members of the middle classes was recognised by Bardhan (1984), who described them as an equal member of the dominant class coalition in India along with capitalists and landlords. However, for our purposes it is useful to distinguish between the capitalist members of the dominant coalition and the much larger non-capitalist section which consists of a range of social groups who can very broadly be described as middle class. These are groups who have some education, a little capital and in all cases have organisational abilities which distinguish them from the broad masses of the poor. The middle class therefore includes, apart from the professionals, the broader educated and salaried sections of the population. The importance of these non-capitalist intermediate classes in the subcontinental political space far outweighs their numbers, which in any case would run into many tens of millions.

The Indian subcontinent also inherited the effects of a deep-rooted anti-colonial political mobilisation which empowered their emerging "middle classes". Even before the anti-colonial movement had developed, a tradition of political activity had emerged in which competing groups from within the middle classes organised on the basis of a wide variety of emotive symbols including language, caste and religion to demand preferential subsidies, access to jobs and so on which would make the successful political players much better off. Politics based on these symbols has not enriched the vast majority of the populations of these countries but *has* enabled successive layers of emerging middle class groups to get access to public resources on the basis of their ability to organise much more numerous groups below them. At the same time, those amongst the intermediate classes who happened to be in power found it necessary to organise transfers to the most vociferous of the excluded groups in ongoing processes of accommodation and incorporation (Khan, 1989).

In exchange for these transfers, patrons were "purchasing", however temporarily, political support or at least quiescence from the potentially most damaging groups of organisers. These transfers in turn had to be financed and patrons had to find the resources for such transfers either in general taxation or through exchanges with other groups of clients. The inadequacy of general fiscal resources is an important part of the reason why we observe a complex intermeshing of political and economic exchanges in patron-client networks in the Indian subcontinent. Political elites have often found these resources in their economic exchanges with other groups of clients, in particular the slowly emerging class of industrial capitalists. Thus dense networks of interlinked economic and political exchanges began to rapidly emerge in these countries.

Capitalists as rational political actors began to ensure that they too were funding powerful constituencies so that their interest in leading the easy life could not be challenged. As a result, the politicians and bureaucrats who organised their political survival through such localised arrangements were often unable to change the structure or allocation of subsidies or other rights to capitalists even when this would raise growth. The difficulty of *changing* the structure of rights because of such interlinked patron-client exchanges served to block necessary structural change which in the long run slowed down investment and productivity growth.

Figure 1. Exchanges Between Patrons and Clients in South Asia



The complexity of the stylised flows in Figure 1 captures the density of the typical flows within patron-client networks in the Indian subcontinent and provides a useful comparison with our other countries. Bureaucrats and politicians in the diagram constitute two parallel hierarchies and at each level bureaucrats or politicians may be patrons for lower-level colleagues or for groups elsewhere in society. For simplicity Figure 1 only distinguishes between two social groups, the capitalist and non-capitalist clients of the state, the latter being the middle or intermediate classes discussed earlier. The most successful non-capitalist clients often become political leaders or even capitalists over time. The most distinctive feature of these patron-client exchanges are the transfers going from politicians at different levels to different groups of non-capitalist clients. Some of these payoffs, such as subsidies, may be perfectly legal. The more important ones are often illegal since they are secret payoffs to powerful organisers of groups and factions. The quid pro quo from these clients to the state is not shown because it is typically not an economic payoff but rather a political "payoff" in the form of quiescence or support.

A large part of the resources for the payoffs to key "non-capitalist clients" comes from the rest of society in the form of taxes or transfers from other groups of clients. The "capitalist" clients of the state provide a part of these transfers not only in the form of taxes but also as bribes to their patrons in the bureaucracy and in the political structure. Emerging capitalists are willing to make these transfers because they too are often receiving subsidies or other allocations of valuable property rights. The kickbacks from industrialists are in turn an important source of finance for the political survival strategies of subcontinental politicians.

We have argued elsewhere (Khan, 1996a, 1998) that this pattern of patron-client exchanges in the Indian subcontinent can contribute to an explanation of the relatively sluggish economic performance of these countries. The interlocking of economic with political calculations very rapidly prevented states from making rational economic allocations of subsidies, rights and resources even when in principle re-allocations would increase growth and notionally allow state officials or political elites to extract bigger bribes. This argument is similar to that proposed by Shleifer and Vishny (1993) except that it relies on the political fragmentation of the middle classes and not on the institutional fragmentation of the state (see also Khan, 1996a, 1997). What is important for our argument here is that the structure of civil society is deeply implicated in the structure of payoffs which maintain political stability, some or much of which may involve direct corruption or resources generated elsewhere through corruption.

If we compare this pattern of corruption with South Korea, we see the effects of the very different impact of Japanese colonialism which left a civil society where intermediate classes were exceptionally weak. Japanese colonialism destroyed the potential of a new middle class emerging from the countryside by destroying the rentier landlord class. It also ran its colonies with far fewer concessions to the political demands of local power blocs (Kohli, 1994). The relative weakness of competing factions within the middle classes allowed patron-client exchanges in South Korea to be restricted to a far greater extent to rent-sharing between capitalists and their patrons in the state (Khan, 1996a, 1996b). This type of "economic" corruption appears to be far less damaging in its economic consequences than the South Asian variety.

The revelations of corruption in South Korea which have begun to emerge in the nineties suggest that corruption there had probably been as extensive in terms of the relative magnitudes of the transfers as

in South Asia. On the other hand, the flows within patron-client networks appear to have been both different and simpler. This seems to have been particularly the case in the early days of industrial policy in the sixties (Kim, 1994: 59-70; Kong, 1996). There is evidence, however, that political power has become more dispersed over the eighties resulting in more complex patterns of transfers (Ravenhill, 1997). Nevertheless, compared to South Asia, South Korea's civil society allowed a much higher degree of concentration of political power which in turn allowed the central political executive to extract rents from beneficiaries of subsidies and new rights without having to make political side-payments to non-capitalist clients to anything like the same extent.

Figure 2. Exchanges Between Patrons and Clients in South Korea

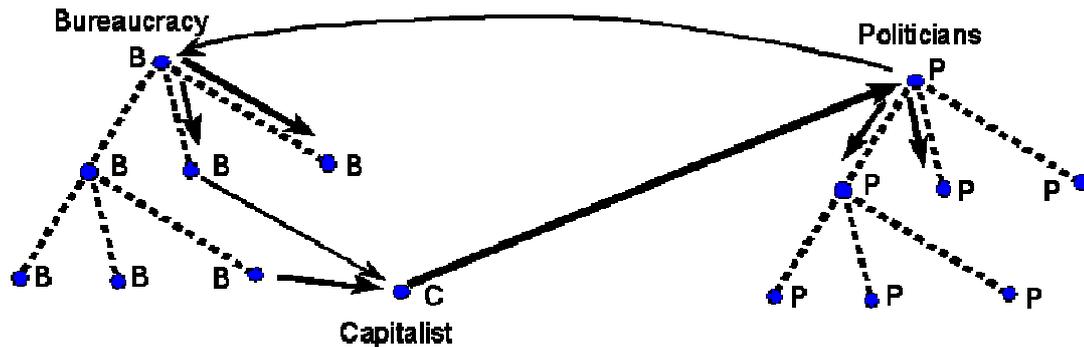


Figure 2 shows the resource flows within patron-client networks in South Korea in a stylised way. The relative weakness of non-capitalist clients is captured by simply excluding them from the picture. The main features of the state-society transfers taking place were first the transfer of large subsidies from the state to emerging capitalists. These are shown by the arrows from different sets of patrons in the bureaucratic apparatus to clients in the industrial sector. This outline is consistent with Amsden's (1989) account of the flows associated with industrial policy in South Korea and is in its main features corroborated by a number of subsequent observers (Kim & Ma, 1997). There were in exchange substantial kickbacks from these favoured industrial groups to the political leadership, as rents from the growing industrial sector were re-distributed to the political leadership and through this route to bureaucrats as well (Kong, 1996). A part of these rents were also distributed in a relatively orderly fashion down the higher levels of the political and bureaucratic hierarchies. We have argued elsewhere (Khan, 1996a, 1997, 1998) that the ability of the state in South Korea to ignore political considerations in its allocation of resources and rights created strong incentives for the top political elites to maximise growth. Growth maximised their potential bribes in the long run and ensured the stability and viability of the country (Woo-Cumings, 1997).

The South-East Asian countries provide interesting intermediate cases where a much stronger and more fragmented civil society existed but where this did not lead to the structural sclerosis observed in the Indian subcontinent. Although less powerful and entrenched than in the Indian sub-continent, emergent middle classes in South East Asia possessed a greater ability to organise political opposition and thereby demand political payoffs compared to their North Asian counterparts. The political and institutional responses in these South East Asian countries also show a wide range of variation in terms of the patterns of political side-payments which were organised to maintain political viability. Malaysia and Thailand provide two interesting contrasts. In both these countries political payoffs and corruption were important but did not prevent rapid accumulation and growth.

In terms of inherited political problems, Malaysia inherited an ethnic problem which could potentially have spelt disaster. In the sixties it possessed an enterprising capitalist sector based on small-scale trade and production, but this sector was dominated by ethnic Chinese capitalists. On the other hand, an emerging Malay middle class was increasingly willing to use its political muscle to organise the Malay majority to get a larger share of the pie for itself. Fortunately, the co-incidence of ethnic identities with class ones helped the organisation of political payoffs in a centralised way. The orderly solution to the legitimation problem emerged as an unintended consequence of the 1969 riots and the adoption of the New Economic Policy, allowed the demands of the emerging Malay middle classes to be met in a centralised manner through an ethnically aligned political system. Political transfers were centrally organised without decentralised and interlocked exchanges at all levels of the state between competing

groups of political factions, middle class groups, capitalists and state officials along the Indian pattern. This allowed a greater degree of rationality in the allocation of subsidies and the protection of capitalist property rights than was possible in the Indian subcontinent (Khan, 1997; Jomo & Gomez, 1997).

Figure 3. Exchanges Between Patrons and Clients in Malaysia

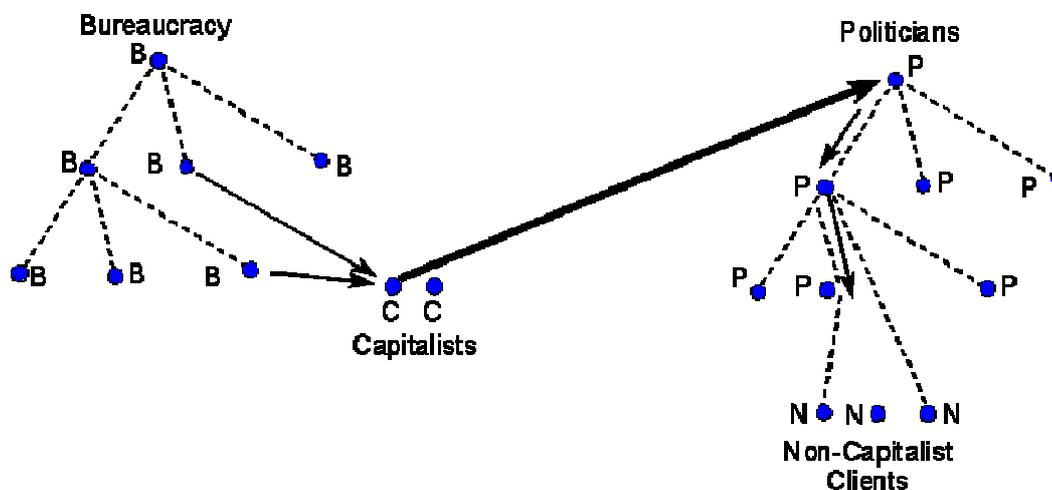


Figure 3 presents, again in a stylised way, the characteristic features of the economic flows between patrons and clients in post-1969 Malaysia. The most important transfers were from the (largely) Chinese capitalists to the political leadership of the Malay party UMNO which dominated the political system. These transfers included both taxes and illegal extractions. The rents extracted were then centrally distributed through the political apparatus to the non-capitalist clients of UMNO shown by the arrows cascading down the political apparatus to non-capitalist clients. In return domestic capitalists received some protection and, increasingly, assistance for moving into high technology industries through the provision of good infrastructure and the negotiation by the state of backward linkages between domestic producers and the multinationals operating in Malaysia. Compared to the South Asian system, rent extraction from capitalists was centralised and, initially at least, direct links between particular capitalists and political factions in the Indian manner were less developed. This has changed to some extent over time as the Malaysian economy has grown and with it the political power of competing Malay factions within UMNO. But the picture sketched above is reasonably accurate for the early seventies when Malaysia began its economic takeoff.

We should be careful not to attribute Malaysia's centralised rent redistribution system entirely to its overlapping ethnic and class politics. Unlike the Indian subcontinent Malaysia is extremely rich in natural resources, and rents from these resources eased to a very large extent the exactions which capitalists would otherwise have had to suffer to pay for political stability. Nevertheless, the specific structure of civil society in Malaysia is an important component of a full explanation. The language of ethnic deprivation allowed a high proportion of these demands to be legitimised and therefore organised through centralised and legal party and state structures without secret deals and personalised bargains. This is consistent with the observation that Malaysia is the least corrupt of the group of countries shown in Table 1 according to subjective corruption indices. A non-ethnic and purely welfarist argument for transfers would not have been equivalent because it would have required that the bulk of the transfers went to the poorest groups and not necessarily to the leading factions of the intermediate classes who had the greatest political power. It is difficult to imagine an equivalent ideology in India which could have served to justify a similar centralised transfer from capitalists to the leaders of India's contesting and diverse intermediate groups.

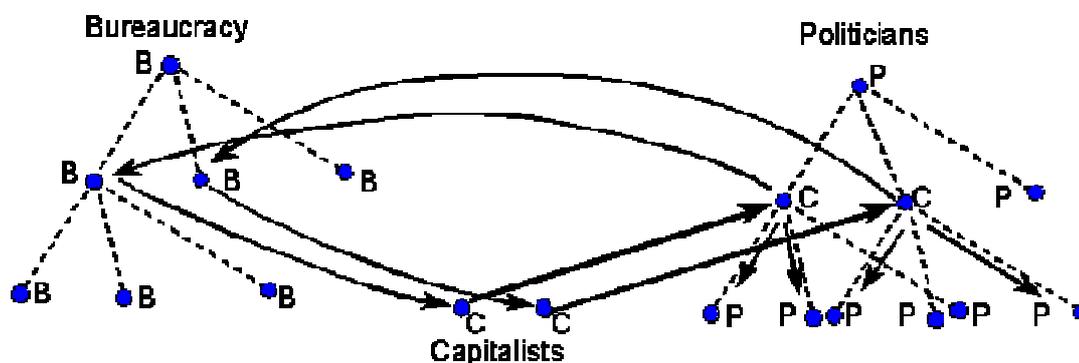
Once again, the structure of patron-client exchanges has economic implications. First, the avoidance of dense localised networks of exchanges between patrons and clients along the Indian pattern allowed the allocation of rights and subsidies by the state to be determined and altered more rationally than in the Indian subcontinent. This flexibility has undoubtedly decreased somewhat over time as factions of intermediate groups within UMNO have become more powerful over time and have established decentralised alliances with large Chinese capitalist groups (Jomo & Gomez, 1997). Secondly, by credibly satisfying the demands of its middle classes through rent transfers from indigenous capitalists and natural resource rents, the Malaysian state could offer multinationals a high level of security for

property rights and profits which was untypical by developing country standards. This too proved to be of great importance in encouraging relatively high-technology firms to locate in Malaysia in the seventies and late eighties and engage in backward linkages with Malaysian firms.

Finally, we look at Thailand which presents yet another pattern. In contrast to Malaysia, the Chinese capitalists of Thailand were much more ethnically integrated with the Thai middle class. Ethnic politics could not therefore emerge to legitimise the transfers to emerging middle classes. Thailand was also different from all the countries discussed so far in not having experienced direct colonial rule. The absence of anti-colonial mobilisations explains why the political leadership of its emerging intermediate classes appears to have been weaker compared to the Indian subcontinent or even Malaysia. On the other hand, its intermediate classes were not as atomised as they were in South Korea which had been subjected to Japanese colonial strategies. In contrast to South Korea, Thailand had powerful networks of rural politicians who had to be accommodated at a much earlier stage of development. Thus despite its differences with India, it is quite possible that decentralised networks of patronage may have developed in Thailand to meet the political demands of powerful and largely rural clients. Instead, over the last twenty years Thailand seems to have witnessed a gradual taking over of localized political networks by local capitalists.

Figure 4 shows the transfers from capitalists to political factions which allowed Thai capitalists to take over and run their *own* political factions. As a result, Thailand has the highest number of businessmen in parliament in the region (Sidel, 1996). This fairly unique pattern of political corruption emerged because of the relative strength of a widely dispersed class of capitalists in this country who nevertheless still had to deal with the management of political demands from civil society. The direct purchase of political support by capitalists in this manner has prevented the interlocking of different groups of capitalists with rival groups of the middle class as in India, but it has also led to a high degree of corruption as capitalists have used their political clout to re-direct resources and rights in ways favourable to themselves (Doner & Ramsay, 1997).

Figure 4. Exchanges Between Patrons and Clients in Thailand



While this has had substantial economic costs, the Thai pattern of patron-client exchanges has nevertheless allowed growth. Competition between rival Thai capitalists with access to political power has meant that the Thai state could not centrally control resource allocation to the extent of South Korea. As a result Thai capitalism has been based on the acquisition of relatively small scale technologies, with property rights being protected in a decentralised way by this type of political corruption.

The number of capitalists going into the political fray in Thailand has also been large, a result of a long history of accumulation by small-scale immigrant Chinese traders many of whom became extremely wealthy over a long period of time. This has ensured vigorous political competition between capitalists for the spoils of power, which has prevented the political system from being monopolised by any particular capitalist faction. Instead there has been vigorous competition for entry into markets through political competition between competing factions in the parliament and the bureaucracy. Thus despite rampant corruption and political instability, the long-run economic performance of Thailand has been relatively better than that of its South Asian neighbours. If political stability does not collapse entirely, long-run economic growth may eventually make it possible to attenuate the worst effects of Thai political corruption through constitutional and political reforms.

### 3. The Role of Civil Society in Anti-Corruption Strategies

The analysis of the last two sections suggests that there may be dangers in conceptualising civil society as a uniform collection of individuals who have a collective interest in making their society work. We have argued that the modern understanding of "civil society" has lost some of the insights which Gramsci had provided. The latter was concerned with a concrete analysis of the classes, factions and groups who actually constituted civil society in the countries he looked at. In contemporary developing countries, the politically dominant groups within civil society are clearly not representatives of "society" conceived of in its totality. The typical civil society organisations may represent groups less privileged than capitalists or landlords but they are by and large led by and ultimately serve the interests of the ubiquitous middle classes.

These generalisations are subject to many qualifications. In particular, we have argued that differences across countries in the composition of the politically dominant classes have important implications. Moreover, the general picture does not in any way have to deny the existence of many committed trade unions, NGOs and other civil society bodies which make determined attempts to represent the interests of the average citizen. Rather the danger is to generalise from the relatively small number of the latter type of organisations to derive policy conclusions about the role of civil society in development in general and anti-corruption strategies in particular.

The aim of introducing the analysis of patron-client networks has not been to deny the role of civil society in the fight against corruption. Rather it has been to stress the importance of a more concrete and country-specific analysis before social policy is pushed both internally and through the support of external agencies. From the late eighties onwards, developing countries have witnessed an upsurge of anti-corruption movements led by a wide variety of social forces. The social bases of these movements have so far not been properly analysed. Instead there has been a tendency to generalise by describing these movements in terms of a belated self-assertion by "civil society" to improve the governance of their economies. The implicit expectation has been (1) that these movements will gradually eliminate or greatly reduce corruption and (2) that the lowering of corruption will in turn accelerate development. The second claim is not considered in this paper. Nevertheless, it follows from what we have said that corruption may be associated with very different sets of economic performance ranging from the South Korean to the South Asian variants (for a more extensive discussion see Khan, 1998). Here we are concerned with the first link in the chain of reasoning: the claim that the greater mobilisation of civil society around anti-corruption slogans will actually contribute to the lowering of corruption in these countries.

We have suggested earlier that an important impetus for political corruption in developing countries has come from the financial difficulties of dealing with demands from competing factions within civil society. The only viable strategy for maintaining political stability has often been to successively and selectively placate well-placed leaders and organisers. Empowering civil society in such contexts will only suppress these competing political demands if in some sense the whole of society is mobilised, thereby weakening the privileged position of middle class groups. This outcome is improbable given the material conditions of the poor in most developing countries. If on the other hand empowering civil society only results in a small number of additional groups led by (sometimes well-meaning) middle class individuals to the already crowded political domain, the aim of transparency and accountability may not automatically be achieved.

Both Thailand and South Korea demonstrate the importance of the level of development in changing the prospects of anti-corruption strategies. In Thailand rapid development has led to the growth of a modern middle class based on the professions and service sectors. By the nineties, these groups found the patron-client nature of Thai politics increasingly intolerable and were willing to lead broad social movements demanding constitutional changes to reduce the role of "money politics". The growth in the Thai capitalist sector and the growth and sophistication of the Thai middle class means that in the medium-term, the current pattern of politics is likely to change. Thailand will be forced to evolve social democratic fiscal policies which redistribute income along welfarist principles. The growing wealth of the country means that in the medium term such policies will also be fiscally viable. Through a different route, and at a higher level of development, South Korea has been approaching a similar position from the late eighties onwards. Development has empowered a large professional middle class which is no longer willing to allow the cozy arrangements between government and business to go unquestioned. The medium-term prospects for these countries to evolve towards forms of social democracy must be judged to be good despite the current problems they face.

More difficult challenges face countries like those of the Indian subcontinent which are much more typical developing countries. Here economic development still has not proceeded to the point where broadly defined welfarist policies are fiscally viable. The tax base in these countries is unable to provide basic infrastructure let alone achieve political stability through transparent and accountable redistributions. At the same time the fractiousness and divisions within elite groups is increasing as frustration with slow economic growth provides enhanced opportunities for political organisation and mobilisation. The basic structure of patron-client exchanges in these countries is not evolving towards modern transparent social democracy but towards a more fractious and decentralised management of political stability by regional and local governments. As a result the patron-client exchanges necessary for maintaining political stability are no longer restricted to payoffs to a relatively small number of organisationally powerful clients at the centre but increasingly involve many more, if smaller, payoffs to competing political groups managed by regional and even local levels of government, or involve payoffs directly organised by local business in the fashion of payoffs to mafia bosses who provide localized security and protection.

What are the likely consequences of promoting "civil society" anti-corruption organisations in these contexts? At best the consequences must be highly uncertain. The optimistic expectation is that pressure from new civil society organisations will force the myriad social groups engaged in social contestation to moderate their demands. It could be argued that civil society pressure will make it more difficult for powerful sectional interests to demand resources and make it more difficult to satisfy them without public scrutiny. But are these credible expectations?

The problem is that most people in developing countries do not want to recognise the connection between the clamour of competing factions for resources and the persistence of political corruption. Yet this connection is of fundamental significance as the gap between the resources available and the demands made on them results in key organisers, leaders and groups having to be periodically, and usually corruptly, accommodated. Many middle-class leaders who support anti-corruption drives do not recognise that the activities of competing middle class groups in the aggregate contributes to the persistence of political corruption. Nor should we expect them to want a social mobilisation which proceeds to the extent that the factional interests of the middle class are seriously curtailed. Gramsci would have pointed out that there is no automatic identity of interests between the middle class leaders of civil society and the vast majority of poor people in developing countries. The leaders of civil society in Gramsci's Italy supported capitalism not because they would not have preferred some redistribution to themselves but because they were more concerned about the demands of workers and peasants who were much better organised in Italy than in contemporary developing countries. It is unlikely that the competing middle class factions in developing countries who occasionally adopt anti-corruption slogans will inadvertently mobilise workers and peasants to the extent that the collective redistributive activities of middle class factions has to be curtailed.

If a few more factions enter the political space demanding an end to corruption but without a fundamental shift in the pattern of patron-client exchanges, this is at best only likely to drive political corruption underground or to force it to adopt new forms. The impetus for purchasing political support not only does not disappear but may in fact become stronger as charges of corruption make it more imperative for political incumbents to buy new political support. Once again, it is important to remember the constraint on resources. Resources are only available to pacify a few *leaders*, at best some of the upper layers of selected groups. The greater the political instability, the easier it is for new layers of leaders (though not necessarily from the anti-corruption groups!) to make themselves indispensable for political stability.

These limitations are not only of theoretical interest. Recent experience suggests the limitations of popularly supported anti-corruption drives in the poorest developing countries. In the eighties and nineties repeated anti-corruption movements emerged in India, Pakistan and Bangladesh which collected behind them a wide range of middle class-led groups united under the anti-corruption banner. In each case the anti-corruption movements were ostensibly successful, corrupt leaders were replaced but no lasting change in social organisation emerged. Within weeks of the regime changes, charges of corruption began to emerge against new regimes and the cycle still continues. On the other hand, society paid the costs of these movements in the form of years of political instability and the economic disruption caused by political logjam and (in the case of Bangladesh) repeated general strikes. These huge social costs have yielded precious little in terms of better economic performance or higher rates of growth. Similar experiences could be repeated from other developing countries at similar levels of development—countries that also suffer from similar patterns of patron-client exchanges. This

disappointing experience is not at all surprising in view of the constraints we have described earlier which cause and sustain widespread and interlocking corruption in these countries. New regimes are ultimately no less susceptible to the logic of political survival when they come into power.

## Conclusions

Policy has to attack the causes and not just the symptoms of political corruption. If one of the determining causes of political corruption is the fractiousness of competing middle class elite groups, corruption will not be reduced by adding to this fractiousness. The dichotomy drawn in modern liberal political theory between civil society and the state and the respective roles of the two in constructing viable forms of capitalism is not very helpful in the developing country context. Just as economists have often totally ignored the political preconditions for growth, political scientists have equally often misunderstood the economic constraints which prevent particular types of politics from being viable at early stages of development. In the worst performing developing countries, the dominant organisations of civil society are deeply implicated in the political impasse and in the redistributive pressures which have prevented accumulation and growth. *Presenting the problem as one of bad states which have to be disciplined by good civil societies fundamentally misrepresents this historical reality.*

A precondition for effective solutions in the long run is the identification of the sources of the problem in each country. Competing interests have to be encouraged or even forced to face up to the consequences of their politics before viable institutional and political change can be constructed. Legitimacy is of great importance here. The language of civil society may allow the most self-seeking leaders of political factions in developing countries to present themselves as leaders of civil society. They may feel that their factions can exert pressure on the state with greater legitimacy if they abandon older symbols (caste, linguistic, tribal or religious) and adopt the modern and internationally acceptable position of criticising the corruption of the state (which in fact is often quite corrupt).

To address this problem the analysis of civil society has to go back to its roots and examine the factions, interests and classes which compose civil society in particular societies and the consequences of pressures being exerted on the state by these specific groups. Whose interests are the dominant groups in civil society serving? Do they have an interest in promoting development or is the nature of their competition for redistribution itself part of the problem? If it is, civil society itself has to be the target of criticism and long-run political reform. Reform in turn can only be achieved by exposing the political economy of faction fighting. There may be no viable short-run solutions. We have to remind ourselves that ill-conceived anti-corruption movements have frequently only resulted in the replacement of one group of corrupt leaders by another. When civil societies do not change, recent experience has shown how the imperative of political survival can rapidly make new "anti-corruption" leaders as corrupt as the old order they replaced.

Apart from exposing the political economy of factional conflict, corruption may also be tackled by accelerating development. Regardless of the causality, we are all agreed that more developed countries are less likely to be corrupt than less developed ones. Development changes both the structure of civil society and the pot of resources which is available to meet legitimate redistributive demands through fiscal transfers. It is utopian to expect the huge political problems of developing countries to disappear overnight or that conflicting demands can be transparently accommodated through fiscal transfers in the near future. Given these constraints, it is not the case that there are no differences between one group of corrupt leaders and another. There *are* major developmental differences between regimes, the policies they support, the constituencies they represent and the types of corruption they engage in. Keeping an eye on the developmental credentials of governments must remain an important part of anti-corruption strategies.

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