

**Impact of China and India
On
Politics and Governance in SSA:
Issues and Challenges**

Melvin Ayogu
Faculty of Commerce, University of Cape Town
Melvin.ayogu@uct.ac.za

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The efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others

Vilfredo Pareto quoted in Jack Hirshleifer (1994, p.9) "The Dark Side of the Force"

1. Introduction

China and India (hereinafter Asian Drivers or AD) are huge neighbours to themselves and to the world at large. Although they are influencing the world already, their enormous potential to exert even more influence on the world economy and geopolitics is still being debated. They have made inroads into the Africa region although Asia historically has had a presence along the Eastern seaboard of the continent stretching from Kenya to South Africa, and inland in Uganda and Malawi. Being one of its racial groupings, India is of course mainstream in South Africa and China has also had a lasting presence in Southern Africa and South Africa in particular (see Yap and Leong Man 1996).

What is now different is the unprecedented level of interest shown in African affairs by ADs; a level of interest that is concomitant with their rising importance in the world economy. This is an evolution that should not be ignored but instead explored for challenges and opportunities. Therefore, what can Africa make of this new interest by China and India on African affairs, political and economic? This paper lays out a framework for the study of one dimension of these issues, the interplay between politics at the international and the domestic arenas, focusing on the interaction between politics and economics (or the relationship between security interests and trade alliance).

The literature on political economy is voluminous.¹ Of interest are those that address the role of the state in promoting economic growth. In the phraseology of Bates (1997), open-economy politics is premised on exchange and bargaining whereas international affairs or security studies is premised on

¹ For a formal treatment with references, see Persson and Tabellini (2000), and Drazen (2000).

threat and conflict. However, by premising international politics on peace and prosperity, we seek to render inseparable, security studies and political economy. In this, we emphasize the joint consideration of the political origins of domestic economic policy and the international determinants of domestic policy; a matter that should be of interest in exploring the present and future impact of Asian Drivers on the Africa region.

In the discussion that follows we seek to highlight the salient political and governance issues for researchers tasked with fleshing out or predicting the various implications of Asian Drivers African countries. The analytical framework is summarized in Figure 1 which is a variant of the representation in Bates and Devarajan (1999). This choice is based on the premise that the most significant aspect of the influence of AD on politics and governance is in their impact on policy processes. In this framework, policies emerge out of a process initiating from policy preferences to methods of aggregation of those preferences and hence to policy choices as mediated by the structure of political competition.² Whereas policy choices are mediated through domestic political institutions, policy outcomes on the other hand can in addition to other factors depend very much on the character of the bureaucracy. Hence AD influence on the design of institutions or institution-building is another aspect of the domestic environment that is implicated in this analysis.

² For other views see Bates, 1983 and 1997.

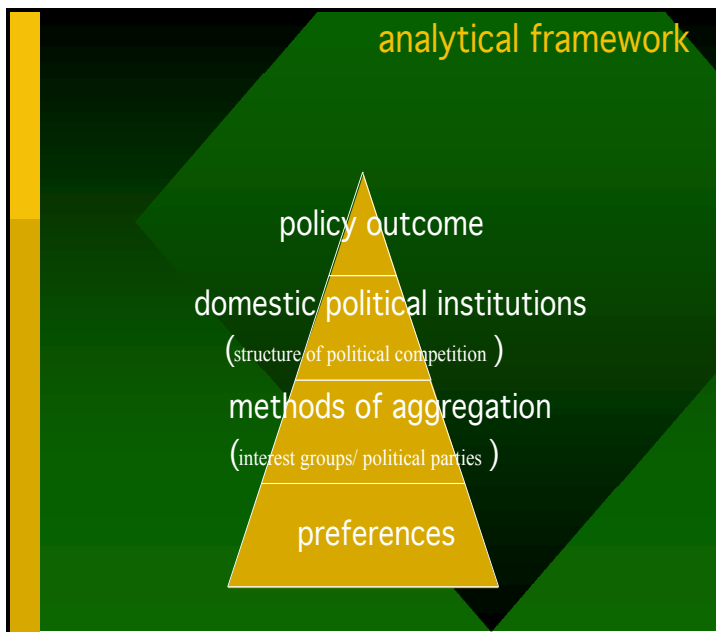


Figure 1

II. Policy Preferences

Preferences matter in predicting the outcomes of political processes or contestations. First we assume the set of all the rational players to comprise the citizens and their agents. These agents may be appointed by either the “selectorate,” the electorate, or in the case of external agents, imposed or by invitation. Furthermore citizens as principals interact with their agents through voting at elections, lobbying by organized interest groups, or through organizing violence as alternative forms of political participation (for the latter see Hirshleifer, 1991; Grossman, 1991; Grossman and Kim, 1995, 1996; Bates, Greif, and Singh 2002). The motives of each player are underpinned by her preferences.³

Thus, specification of preferences helps to identify key players in the domestic political game.⁴ Moreover, because analyses of decisions are based on preferences and constraints, identification of key actors and their preferences

³ It has been argued that were there to be homogeneity of preferences over outcomes, there would be no need for a mechanism to funnel individual preferences into a collective choice (see for example, Drazen, 2000, p.9).

⁴ For a very illuminating example, see Bates (1998), p.209 fn 7

is crucial in the game of political competition. In turn, to identify the pivotal actors requires an understanding of the structure of political competition, a theme which we address later. The nature of the interest groups and the way in which they organize themselves matter also for predicting policy outcomes.

Garrett and Lange (1986 and 1989) argue that the composition of interest groups importantly influences the content of public spending whereas the structure of the interest groups influences the level of spending. Because the content of preferences and the nature of interests that compete for control over public policy matter for spending proclivities, the nature of political organizations holds profound implications for the analysis of the impact of AD. The set of actors in a domestic political game can include the peasantry, organized labour, business, industry, ethnic groups, and the political elites. The latter includes bureaucrats, technocrats, and politicians.

Although many scholars have given insights into the nature of preferences of interest groups—Bates (1997) on political elites, and Ikhiara (1994) on business—these scholars draw on different political and economic theories and models to specify a distribution of preferences with respect to an economic policy of interest and hence the identity of the actors. For instance, drawing on the factor endowment theory from international economics, Rogowski (1987) notes that activities which make use of factors with which a nation is relatively abundantly endowed will *ceteris paribus* favour openness to international trade while those activities that make extensive use of factors that are relatively scarce will favour protection. Thus, factors of production identify the political agents in Rogowski's model; land owners versus labour and capital. Rogowski's typology based as it were on class struggle can also be reconceptualised in terms of conflicts between economic sectors; primary, secondary, tertiary or permutations thereof.

Using a Hegelian approach, Robert Bates marshals the strengths and limitations of dependency theory in politics and in so doing identifies the nature of political interests in the trade policy of Brazil (Bates, 1997). Bates analysis highlights the dynamics of the political struggles between the landowners and the urban class and the rational response of the political elites to Brazil's shifting power base at the time. In his example, Bates argues that Brazilian politics of the time was not "captive" and therefore in order to usher in a change, the polity did not require a revolution to break off dependency. Rather the political elites ensured own survival by intervening in the market in a manner (i.e., made policy choices) that mirrored the policy preferences of the prevailing political claimants. That to him is political game at its best; a demonstration of a masterful understanding by the elite of both the nature of interest groups that competed for control over public policy and of the political equilibrium.

III. Aggregation of preferences

"I told ya they waz organized!" is the fabled I-told-you so from the farm attendant in the children's animated movie "Chicken Run." Reminiscent of George Orwell's classic Animal Farm, the chickens in that drama got together in an extraordinary gesture of solidarity to oust the tyrannical human owners of the sweat shop under which they existed and toiled. This example underscores the importance of political organization.

Previously we tried to provide insights into the content of preferences and the nature of interests that compete for control over public policy. We now turn to a discussion of the ways in which such interests become organized. Because in general what people desire do not actualize automatically, political wishes often need to be organized in order to gain expression. Since getting organized requires some form of political action, the available mechanisms for political participation govern the manner in which preferences are aggregated and

translated into policy choices. Possible aspects of the political process include legislative bargaining, lobbying, electoral competition, and violent struggles.

Political participation

There are many approaches to the study of political participation (see a discussion in Bates, 1983; Laffont, 1999; Persson and Tabellini, 2000; and Drazen, 2000). One view emphasizes the role of the state as an agency for fulfilling social purposes and its policies as rational choices to secure those goals (social welfare maximizer). Another approach stresses the role of the state in aggregating private demands and its policies as choices in response to organized interests (partisan view). The latter approach which casts government as a strategic player in the political game highlights both the role of public policy in facilitating political organization and the view that governments everywhere seek to retain political power and so shape their policies to satisfy political claimants and nullify political opposition.

Datta-Chaudhuri (1990) cites several examples of the dynamics of sustaining a political equilibrium by an incumbent government; a phenomenon, which he argues is little understood by many outsiders and so unfortunately often leads to confusion. In one example, he notes that Taiwan was and still is one of the most aggressively market-oriented economies in the world and it also had an authoritarian government. Singapore introduced repressive measures to control trade union activities on the justification of attracting foreign investments and for export-competitiveness. On the other hand he notes, Hong-Kong did not repress its labour movement nor suspend collective bargaining but this did not impair the inflow of foreign capital or its export performance. South Korea's trade unionism in the early stages of its evolution was often militant and certainly noisy but it did not appear to have impacted adversely on the economy. Datta-Chaudhuri argues that Government of Singapore evidently moved towards a repressive regime to secure its fortune but sought legitimacy for its conduct by invoking economic arguments that had some measure of

populist appeal. Therefore, by focusing on the role of public policy in facilitating political organization, we gain further insights in the study of the impact of AD on politics and governance.

Public policies can embody features that make them useful to governments as instruments of political control with regard to organizing political support or in disorganizing political opposition. How the presence of Asian Drivers interface with such features gain considerable interest in assessing the quality of politics and the impact of AD on it.

How to organize?

The troublesome questions of what (i) determines a group's ability to be both organized and politically active and (ii) the sources of voter's ideological preferences are yet to be fully resolved in the literature (e.g., Randrianja, 1996 and Bartels and Brady, 2003). Persson and Tabellini (2000) postulate that politicians themselves try to nurture these ideological preferences even when they contradict the voters' true economic interests, and likewise that politicians use public policy to solve the free rider problems of pressure groups in order to keep them not only organized but as well active. Thus they conjecture that ideology can create a sense of party loyalty. Furthermore, pressure groups help politicians garner electoral support or even obtain personal economic benefits. Within the transactions-cost politics framework (Dixit, 1998), ethnicity for instance can impact on transactions costs by reducing the cost of organizing. Therefore, targeted aid which favour identifiable groups of the polity can have political consequences.

Tragedy of the commons

Because free-rider problems (Olsen 1965) are central to political organization, some scholars have offered useful insights into how these problems are addressed in various contexts. Bates and Devarajan (1999) argue that some interests such as large business enterprises (e.g., conglomerates or

multinationals) could be so dominant as to appropriate the majority of benefits conferred by a policy. In such a case, the incentives to free-ride are considerably diluted. In other instances, the beneficiaries whether industry or other association may already imbed within an ethnic, religious, or similar easily identifiable social group, or concentrated within a region. In such cases, the costs of organizing would be considerably reduced thus increasing the likelihood of organizing successfully.⁵

The authors further argue that industries can preposition within existing organizations in a manner that renders them capable of transforming public benefits into club goods.⁶ Possessing credible transformation technology, focal points or organizers are thus able to induce potential beneficiaries of a policy to contribute their fair share of the costs of securing those benefits. For instance, peace and security are public goods. However, armed militia and roving bandits can privatize peace and security (as has happened and is still happening in part of the Africa region including the incidence of “child-soldiers”). By visiting violence on those who refuse to participate (i.e., join and fight for them) bandleaders can secure group compliance or loyalty.⁷

In conclusion, it is important to note that even when citizens are able to organize, their desired outcomes are not guaranteed particularly when the policy domain is contestable. The effectiveness of groups in achieving their purpose depends on their location within the political spectrum. This location is defined by the structure of political competition or the rules of the game (institutions).

Furthermore, it is useful to note that even when there are no political organizations so that citizens vote directly in a pure majority rule as a means

⁵ The benefits or threats that AD bring can cause a realignment of political interests in a way that enhances or hampers the ability to organize successfully.

⁶ For a modern elaboration of the free rider problem, see Drazen (2000).

⁷ Supplying arms can thus be a means of availing credible transformation technology.

of aggregating individual policy preferences, equilibrium does not exist once the issue space is multi-dimensional as is generally the case in reality.⁸ In such cases, voting cycles, incentives for agenda manipulation, strategic voting, and election rigging become more likely. Therefore, order must be imposed (constraints) on the collective choice mechanism as an essential part of the rules of the game—institutions.

Before discussing institutions, we would like to visit a related important point from the perspective of organizing political activity. Because gaining access to, or holding an elective office is one of the effective means of influencing public policy, laws and rules governing campaign contributions, formation of political parties, funding of political parties, and lobbying interact with the structure of political competition to create incentives for bribery, corruption, nepotism, and violent conflict.⁹ Unfortunately, these list of mutually reinforcing negatives largely explain Africa's low growth and poverty trap (in which violence is dominant).¹⁰

IV. Political Institutions

Although policy choices are often made in response to the preferences of the power base, it is not the case that every organized political entity becomes automatically part of the power base. Therefore, how do groups become part of the power base or succeed in pivoting themselves?¹¹ Because political institutions define the rules of the game, success at the political game depends on the ability to strategically manipulate the political opportunities presented by those rules.

⁸ See Person and Tabellini (2000) for a formal treatment.

⁹ For access see Szeftel, 2000 on Zambia; for a recent account of high profile political scandal in the USA involving influence peddling and campaign financing and fraud, see Thompson (2005) and Harding (2005).

¹⁰ On violent conflicts, see Hirshleifer (1994), Anifowose (1982), Anyang' Nyong'o (1993), Jega (2000), and Babawale (2003).

¹¹ "Access" in Zambia has been analyzed by both Szeftel (2000), and Bates and Collier (1993). Bates and Devarajan (1999) provide examples from Ghana and Kenya.

For instance, an analysis of the international politics of coffee trade (Bates, 1998) suggests that the ability of the coffee interests in Colombia to strategically manipulate the political opportunity they faced had two important elements: (1) there was an opportunity and they took it. (2) The political opportunity itself was an outcome of a series of ex post serendipitous events that cumulatively set the stage for the move. The opportunity did not arise from a singular strategy orchestrated by the coffee growers. The lesson from Bates' analysis may be to highlight that players may possess the capability but lack opportunities.¹² In the present context, the intense presence of AD in a locality could become that last step in a series of events that combine to define a political opportunity.

The domain of regimes that govern the range of political processes that we have been discussing include anarchy (in stateless societies or where there has been a collapse of the state¹³), dictatorship, constitutional monarchy, parliamentary democracy, and presidential system. Within these regimes a variety of political mechanisms focus on particular aspects of policy formation: legislative bargaining models, lobbying, violence, coups (as transitional arrangements), electoral competition, and a mix of these.

The explanation of policy choices rests upon the analysis of political institutions defined by these processes. The literature that has developed to analyze these "rules-of-the game" emphasizes different aspects of the action but generally suggests that identifying specific determinants of policy choices raises new challenges. Electoral competition models highlight the ideological attitudes of the members of a group and their responsiveness to policy platforms.

¹² Although we do not have a formal proof and are not aware of its demonstration elsewhere, it would appear that political fortunes could be subject to multiple equilibria.

¹³ See Herbst (2000) and a critique by Robinson (2002) on state failure in Africa.

Probabilistic voting is a theory of electoral competition based on specific assumptions about voters' behaviour (Coughlin and Nitzan, 1981; Ledyard, 1984). When issue-space is multidimensional such as involving race, creed, colour, ethnicity, and so forth, collective decision making by majority rule is impossible. Models that analyze collective decision-making in such settings include structure- induced equilibrium (Shepsle and Weingast, 1981) and the agenda setter models (Fiorina and Plott, 1978 for instance). These models rely on well specified procedural rules to derive outcomes. Procedural rules can be upset by AD influences.

Legislative bargaining models (Shepsle and Weingast, 1987; Krehbiel, 1988, 2004; Baron and Ferejohn, 1989) focus on the institutional position of the representatives of different groups and the details of legislative procedures involved. Lobbying models stress different groups' ability to overcome the free-rider problem but the details of how various interest groups outside of political parties serve their members vary across countries. Interests such as trade group or manufacturers associations can organize to lobby, endorse or campaign for specific policies. Mechanisms by which some of these special interest groups influence government policies have been studied (Grossman and Helpman, 1994 for instance). One such mechanism is the ability to influence appointments through representations at parliamentary hearings. By influencing the type of appointees, interest groups can shape bureaucracy.

Special interest groups can also be a source of considerable corruption (see Grossman and Helpman, 2001, Harding, 2005, and Thompson, 2005) and therefore constitute a non-trivial interface between government and the world-at-large. It is important to appreciate also that technocrats can strategically manipulate the political landscape to further their agenda. Technocrats can advance a view point and then seek to engender the rise of special interest groups that vest in that view. Coalitions around resulting policies can thus be

viewed as forms of political defences for policy programs.¹⁴ In sum, policies can structure interest groups and vice versa. This simultaneity between bureaucrats and special interest groups dynamically raises the possibility of bureaucratic capture and thus constitutes another crucial way by which governance can be impacted. Therefore, the character of the bureaucracy is important; a matter to which we now turn.

V. Governance: Bureaucracy

Laffont observes that modern political economy studied monarchies. “Economists were looking for good policy rules to run the economy. Whatever their beliefs they could not question the postulate that the Monarch was a benevolent agent of the people” (Laffont, 1999, p. 650). We are told however that even back in the days of Adam Smith, economists had less faith in the Crown agents. It is thus important to complement the analytics of politics and governance with the study of the bureaucracy in order to appreciate the role of government administration in shaping details of public policy and outcomes.

This aspect of political governance research with its focus on policy implementation is based on the rich literature on regulation which has developed as a standard principal agent theory applied to the problem of ensuring bureaucratic compliance. Government as the principal enacts a new policy and establishes a structure and process for its implementation, and the bureau as the agent implements that policy. However, there are problems associated with the traditional oversight methods of rewards and punishments. While the principal may engage in monitoring to assess the agent’s

¹⁴ For an account of Chile, see Stallings and Brock (1993).

performance, such monitoring is costly. An alternative is to create a “fire alarm” (McCubbins and Schwartz, 1984). By making it easy for the beneficiaries of the legislation to detect and report non-compliance, beneficiaries are able to trigger investigations. However, the effectiveness of such a system depends on the credibility of politicians to punish non-complying agencies, and such threats may not always be credible.

Moreover, insights from the theory of structure-induced equilibrium suggest the creation of path dependency on the status quo. When an agency doesn't comply, it creates a new status quo, breaking apart the winning coalition. This implies that politicians may be unable to correct non-compliance through legislative action, and legislators' attempts to rectify such non-compliance, will not generally lead to the policy outcome intended by the winning coalition. This suggests that politicians cannot rely solely on the threat of new legislation to force compliance.

Consequently, the best way of achieving policy stability may be to place constraints on the flexibility of the agency rather than to rely on rewards and punishments. While the best way would be to write into law exactly what the agency is to achieve, if the winning coalitions can't clearly identify the policy outcome, it will be unable to write this into law precisely. Structure and process may be used to constrain the agency.

Structure and process also influences an agency's policy decisions. First, politicians can use structure and process to affect the dependence of agency on information. An agency that has access to resources to generate its own information is less dependent on the interests of the principal than an agency that lacks resources. Second, structure and process encourages compliance by requiring that agencies warn politicians in advance of any non-complying decisions. Thus delays caused by administrative procedures act as a barrier, forcing agencies to move slowly and giving politicians a chance to respond

before the status quo is changed. In this context, aid intervention or parallel programs by aid agencies when they serve to overcome built-in agency weaknesses can in reality be countermanding governance mechanisms.

Practical applications:

Several important practical applications for empirical studies arise from this analysis. First, there is a need to ensure an understanding of the nature of responsibility for policy making. Usually, the study of policy making focuses on the units making the actual decision. However, focusing just on the acts of decision making rather than on influences over decision making causes myopia that can lead to false conclusions about the responsibilities for policies. Therefore it is necessary to identify the relevant actors within the legislature, executive, and regulator. Second, examine the political goals by analysing previous policy positions and constituency interests. Third, analyse the quality and content of information available to elected officials. Thus the ability to influence the content of information is an indirect influence on governance.

VI. Issues and Challenges

Issues

Several issues arise from our framework for examining the impact of Asian Drivers on politics and governance. We summarize these issues.

- The principal political-governance question is whether or not the increased interaction with China and India induce governments to become more or less responsive or accountable to the electorate or “selectorate?”
- Is the presence of AD in the region correlated with the emergence or decline of political expression such as voting, lobbying, and/or violence? This could be facilitated through supplying ordinance, technology and/or ideology?

- What are the potentially critical parameters for influencing or altering the structure of political competition?

Challenges

The challenges are to predict those crucial influences on politics and governance and then either formulate enabling measures or construct defences and countermeasures as the case may be; and in the process undertake the calculus of benefits and costs implied by each policy option.

The nexus of action is around policy variables—trade, foreign policy, labour and immigration, the budget (economic governance), education, and justice (voice, access, economic empowerment, and security). We suggest the following additional issues for consideration.

Further issues

National dimension

1. Some measure of AD presence in African countries such as levels of foreign aid as a proportion of total aid received by African countries.
 - i) The impact of AD assistance on the size and composition of public spending in recipient countries. For instance, it has been widely noted that AD entry into the SSA is characterized by lavish infrastructure projects; Namibian Presidential Palace for example, and police precincts and stadiums in other countries.
 - ii) What do their aid monies purchase in Africa—influence, global public goods?

2. The demand pressure for natural resources can represent a significant increase in the revenue of natural resource abundant African countries. Depending on how this revenue surge is managed, inequality and conflict can escalate as can the level of rent-seeking activities. These potential flashpoints can be compounded by the *modus operandi* of AD—*see no evil, hear no evil, speak no evil*. Realignment of domestic political interests is one plausible impact.
3. As noted in 1(i) above, budgetary politics is about composition and size of public spending. The impact of China and India on domestic budget politics can influence the distribution of major public projects. Are there plans to establish appropriate oversight mechanisms to derive maximal benefits from this outcome? A recent backlash has been reported in Zambia with regard to the conduct of China (Blair, 2006).

Regional dimensions

4. Can sub Saharan region [SSA] take advantage of the strong interests of AD in the region to influence her strategic location in geopolitics (within sensible tradeoffs)?
5. China's rising economic power is co-extensive with its political power. Is this likely to rekindle "cold-war" or ideological spheres of influence? What are the likely affect on sub Saharan Africa particularly with regard to the aid game? Does this thereby strengthen the capability of Africans to bargain for a more constructive donor policy such as improved aid coordination?

6. Should the debate on the role of the State in economic governance/development be re-examined in the light of AD experiences?
7. What is the attitude of China and India to trade in services, particularly labour issues? How would this be influenced by closer interaction between labour- surplus nations? These labour and immigration issues may be bilateral between AD and countries in SSA but in fact they are more fruitfully pursued regionally since many of the existing regional blocs maintain common immigration policies.
8. How do Chinese and Indian firms break into African markets? What is their strategy with regard to complying with domestic regulations? The altogether too willingness of AD to avoid engagement with ethics can cut both ways; it could mean the mutual exploitation of lawlessness of which the ultimate beneficiary cannot be predicted a priori. For instance, how may countries or organizations seek remedy against AD firms if and when they escape jurisdictional boundaries?
9. How should African countries respond to the alternative development paradigm posed by AD's successes particularly when they have grown without fully addressing global governance imperatives such as (i) labour and human rights policy (ii) environmental and gender issues, and (iii) development as freedom namely, voice and access?
10. How would the continued success of Asian Drivers and their subsequent increased acceptability at the international forum affect their set of strategies (rules of engagement/*modus operandi*) and hence the present and perceived future opportunities for Africa? How should African nations respond to this contingency?

11. AD can expand the policy space of governments by relaxing the constraints imposed by external agencies of restraints such as United Nations and the Bretton Woods institutions. According to one observer, “China comes to Africa with ... the complete package: money, technical expertise, and the influence in such bodies as the UN Security Council to protect the host country from international sanctions” (Lyman, 2005). Such an expansion of policy space can cut either ways: beneficial or dysfunctional. One can easily imagine China playing interference for SSA on issues at the UN around which Africans concur but find much opposition among the superpowers.

VII. Country selection

It is tempting to prescribe the selection of countries that are relatively abundant in natural resource endowments, countries with AD presence through either past dealings, current engagement or future potential such as size of market and arable lands. However, such criteria soon prove superfluous because AD already is ubiquitous in the region (see Lyman, 2005). They have strong presence in Namibia, Zambia, Zimbabwe, Kenya, Tanzania, Nigeria; Cameroun qualifies independently because of energy. So do Gabon, Equatorial Guinea, Angola, Chad, Sudan, and DRC. Others include South Africa, Botswana, Mozambique, Rwanda, Ghana, Ethiopia, Eritrea, Uganda, Sierra Leone, and Uganda.

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