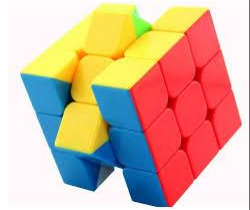


# WHERE DOES POLITICAL RISK COME FROM?



MICHEL-HENRY BOUCHET  
CIFE 6-8 MAY 2020

## WHERE DOES POLITICAL RISK COME FROM?



- Terrorism
- External shock (commodity price )
- Gap between socio-economic and political/institutional evolution
  - Cultural fragmentation (riots, social violence, corruption)
- Internal violence and power struggle (martial law, guerrilla warfare...)
  - Rapid pace of urbanization coupled with cultural rigidities
  - Regional contamination
  - Ethnic/linguistic fragmentation
  - Fragmented identity and “archipelagos”

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## LOOSENING IDENTITY AND SOCIO-POLITICAL FRAGMENTATION: « THE ARCHIPELAGO »\*

- ▶ Combination of modernization, slower growth, wider wealth gaps, and rapid immigration can produce **eroding national identity and socio-political fragmentation**
- ▶ A « **Nation** » then becomes a « **Country** » where a territory is shared by multiple ethnocultural groups with divergent interests
- ▶ Weakening institutions (parties, associations, unions, religious entities...) are unable to **agregate diverse socio-political and cultural interests**, hence growing tensions and violence.

\* See for instance: Jérôme Fourquet, L'Archipel Français, Seuil, 2019

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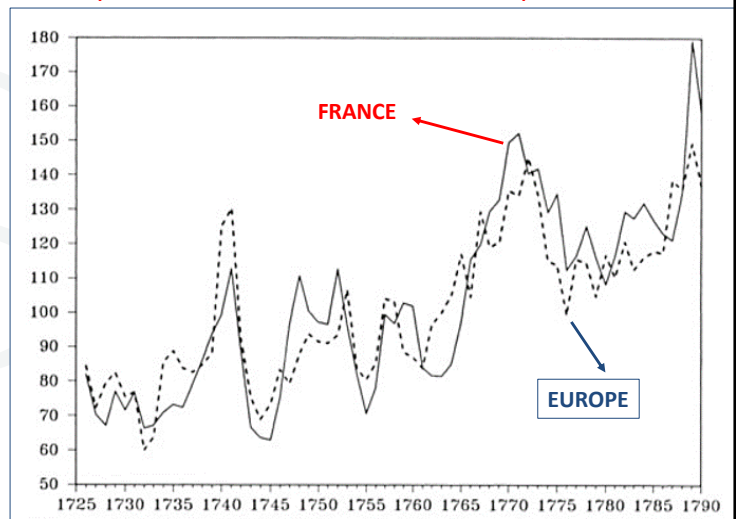
## FOOD STRESS, WHEAT PRICES & REVOLUTIONS: WHAT RELATIONSHIP?

Where does a **revolution** come from?

In the XVIII<sup>e</sup> century, bread constitutes nearly 50% of expenditures of households in France.

- 1788: bad weather and severe drought
- 1789: Necker's alarmist warnings and urgent imports of wheat
- Very cold winter
- 6 pounds of bread cost 12 « sous », the equivalent of one day salary.
- Fast inflation will continue until 1795

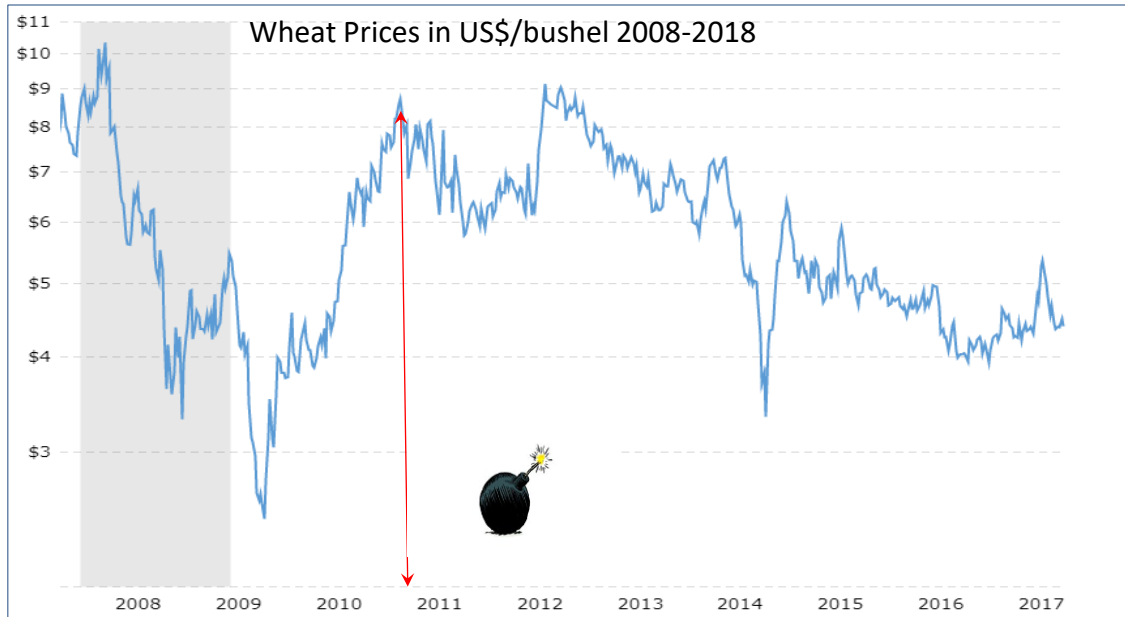
Wheat price index in France and in Europe 1725-1790



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Source: David Weir, Annales, 1991, Vol.46

## LOOKING FOR THE ROOT CAUSES OF THE 2011 ARAB SPRING?



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## HOW MOVING FROM GROWTH TO SUSTAINABLE AND INCLUSIVE DEVELOPMENT?

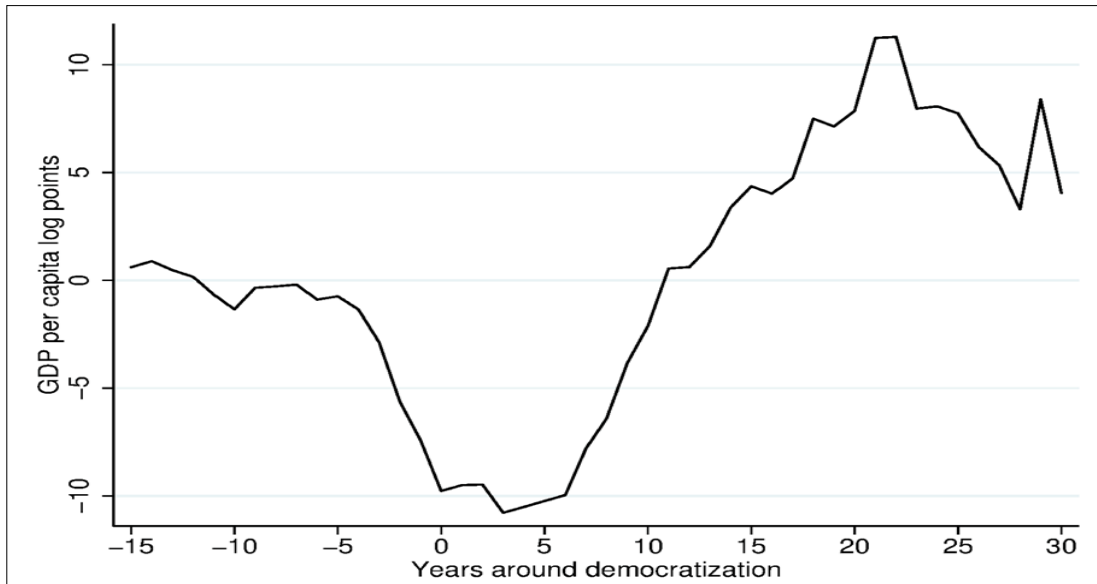
### Assumption n°1

- ▶ Primacy of **human capital for both growth and democratization**: human and social capital shape both institutional and productive capacities of a society.
- ▶ Growth in **income and human capital** causes institutional improvement with better political institutions even with pro-market dictators: **policy choices matter** while institutional quality rises as a country grows richer.
- ▶ Economic growth and human capital accumulation cause institutional improvement, rather than the other way around

### Assumption n°2

- ▶ **Democracy** and other checks on government are the **key mechanisms for securing property rights and boosting growth**.
- ▶ **Good and stable institutions will enhance the pace and quality of economic growth**
- ▶ **Robust institutions and good governance matter!**

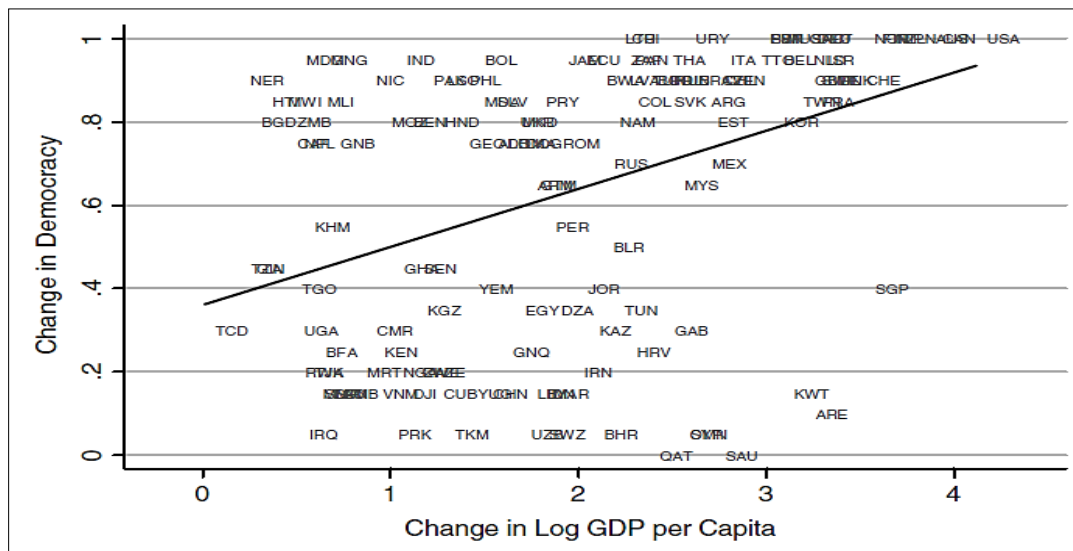
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## DEMOCRATIZATION AND INCOME GROWTH 1500-1995

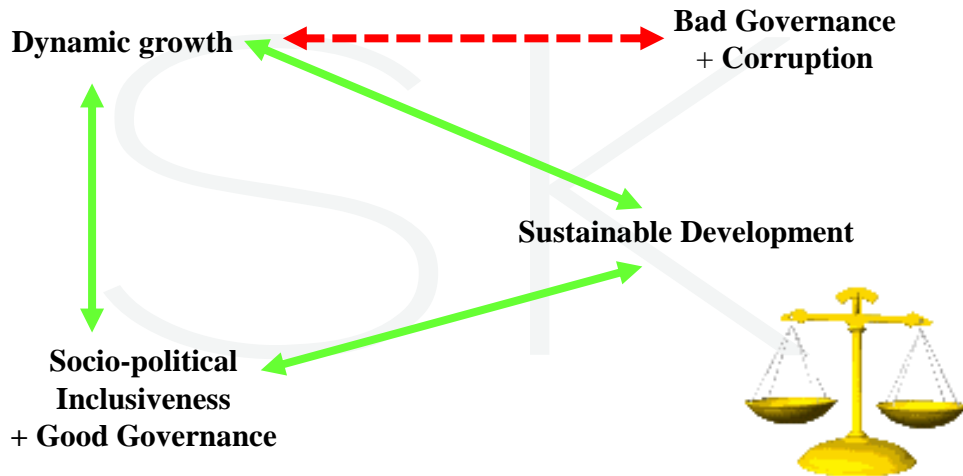
INCOME PER CAPITA AND DEMOCRACY ARE CORRELATED BECAUSE ECONOMIC AND SOCIO-POLITICAL INSTITUTIONS TRANSFORM GROWTH INTO SUSTAINABLE AND INCLUSIVE DEVELOPMENT



J. Robinson, 2006

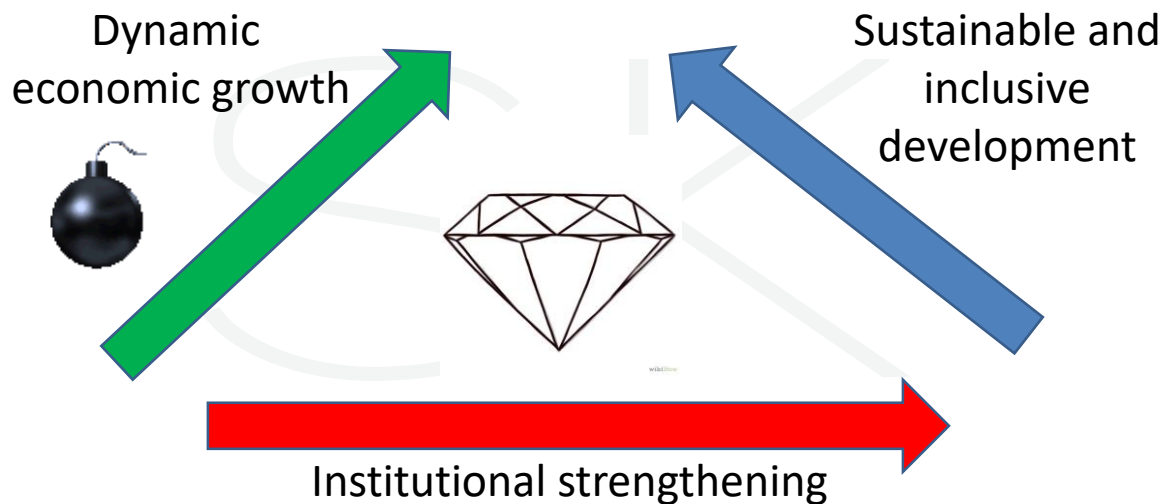
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## TRILEMMA OF GROWTH AND DEVELOPMENT?



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## THE REQUIRED POLITICAL STABILITY TRIANGLE



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## BETTER OFF IN TUNISIA OR IN ALGERIA ?



### TUNISIA

- ▶ GDP Per capita = \$10500
- ▶ HDI= 97
- ▶ Life expectancy f = 77
- ▶ Infant mortality= 13
- ▶ Gender inequality: 0,28
- ▶ Doing Business= 77
- ▶ Corruption = 75

### ALGERIA

- ▶ GDP Per capita=13500
- ▶ HDI= 83
- ▶ Life expectancy= 75
- ▶ Infant mortality= 22/1000
- ▶ Gender inequality: 0,43
- ▶ Doing Business= 156
- ▶ Corruption = 108

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## DANIEL BELL

Sociologist and professor emeritus at Harvard University.  
New York Intellectuals, group of anti-Stalinist left-wing writers.  
Post-industrialism masterworks: *The End of Ideology* (1960), *The Cultural Contradictions of Capitalism* (1976) and *The Coming of Post-Industrial Society* (1973)



### The post-industrial society:

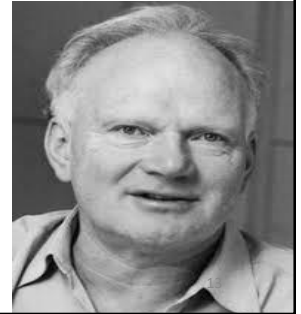
- The Cultural Contradictions of Capitalism: Polarization and social tensions between work and consumption pressures: capitalism is inherently **instable**
- Centrality of the new science-based industries & NTIC
- Rise of new technical elites and the advent of a new principle of stratification

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## ULRICH BECK: "WORLD AT RISK" IN A MODERN SOCIETY

- ▶ Modernization challenges the institutions and structures of traditional societies in the name of individual freedom and autonomy.
- ▶ The paradox in late modern society is that **risk might be increasing due to technology**, science and industrialism rather than being abated by scientific and technological progress.
- ▶ The **world risk society** is full of hazards and insecurities induced by modernization itself:
  1. Globalization
  2. Individualization
  3. Underemployment
  4. Global risks (ecological crisis and the crash of global financial markets)



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## SAMUEL HUNTINGTON



Political order in changing societies  
*The Clash of Civilization*

• [http://markweatherall.wordpress.com/2009/10/12/political\\_order\\_in\\_changing/](http://markweatherall.wordpress.com/2009/10/12/political_order_in_changing/)

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## HUNTINGTON AND THE ROOT CAUSES OF POLITICAL TURMOIL

► Contrary to the expectations of modernization theory, **violence and instability stem from:**

- 1. rapid social change**
- 2. Centralized** decision-making system
- 3. mobilization of new groups into politics**
- 4. slow development of political institutions.**

► As societies modernize, they become more complex and disordered. If the process of **socio-economic** modernization is not matched by a process of **political and institutional** modernization with political institutions capable of managing the stress of modernization—the result is violence!

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## SAMUEL HUNTINGTON ANALYZING THE ROOTS OF POLITICAL UPHEAVAL

- Primary problem of politics = **lag** in the development of political institutions behind socio- economic change.
- Instability = (rapid social change + rising mobilization of new groups into politics) > development of political institutions.



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## POLITICAL DIS/ORDER IN RAPIDLY CHANGING SOCIETIES

### Process of socio-economic change

Deficit of strong  
institution-building  
capacity  
+  
Economic  
liberalization  
without social  
reforms

EMCs

Lag/deficit of  
institutional  
strengthening

OECD (?)

Economic growth  
leads to social  
development and  
institutional  
resilience



### Process of political institutionalization

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## A DEFICIT IN INSTITUTION-BUILDING ALWAYS LEADS TO SOCIAL UPHEAVAL



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## ECONOMIC GROWTH + POLITICAL MODERNIZATION IN CHINA?



- Shenzhen = home to economic reform in China?

PM Wen Jiabao: « *Political reform is a necessary companion to economic modernization: without the safeguard of political reform, the fruits of economic reform would be lost* »

(August 2010)

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## INSTITUTIONAL STRENGTHENING, ECONOMIC DEVELOPMENT AND POLITICAL STABILITY: CHALLENGING TRIANGLE!

### ► Chile's President Bachelet:

links between democratic strengthening, economic growth  
and social protection



- « *In Latin America, there are countries where people are uneasy about the process of economic liberalization, because structural economic reforms were not accompanied by the social policies that were necessary! The problem has not been with open economies per se but rather the lack of action in addressing poverty and social injustice* »

Interview by McKinsey Quarterly, 2007

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# ASSESSING GOVERNANCE?

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## WORLD BANK: WHAT IS GOVERNANCE?

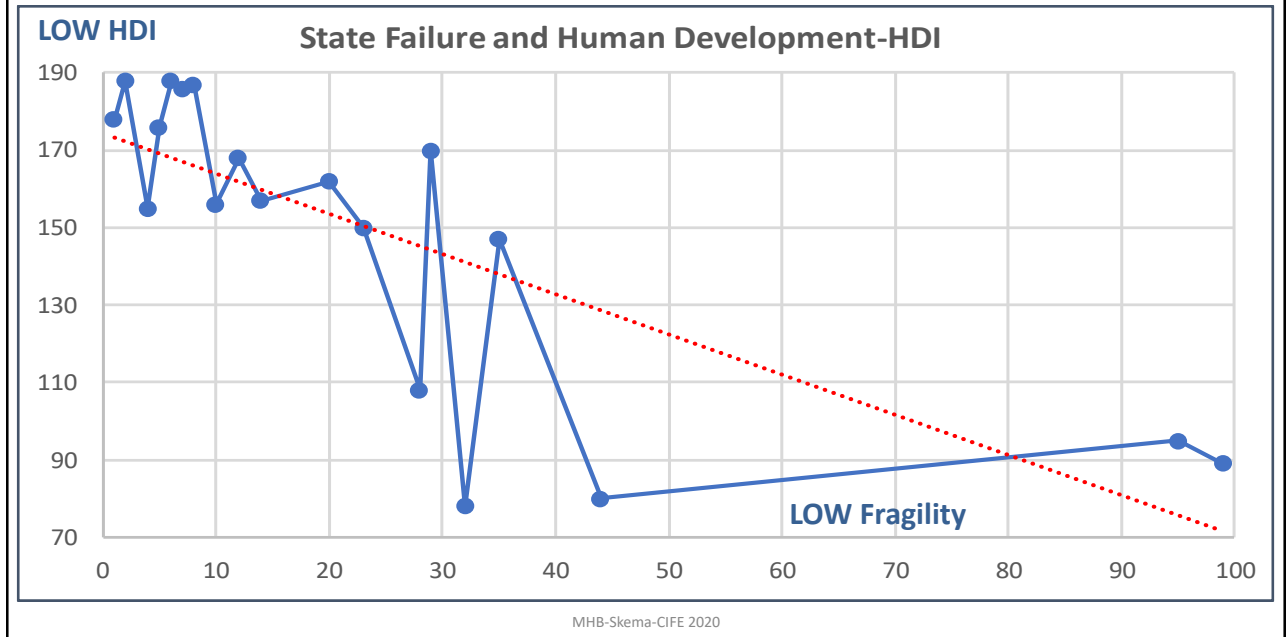
**Governance consists of the quality of institutions  
by which authority is exercised**

Process by which governments are selected, monitored and replaced;  
capacity of the government to effectively formulate and implement  
sound policies; and respect of citizens and the state for the institutions  
that govern economic and social interactions:

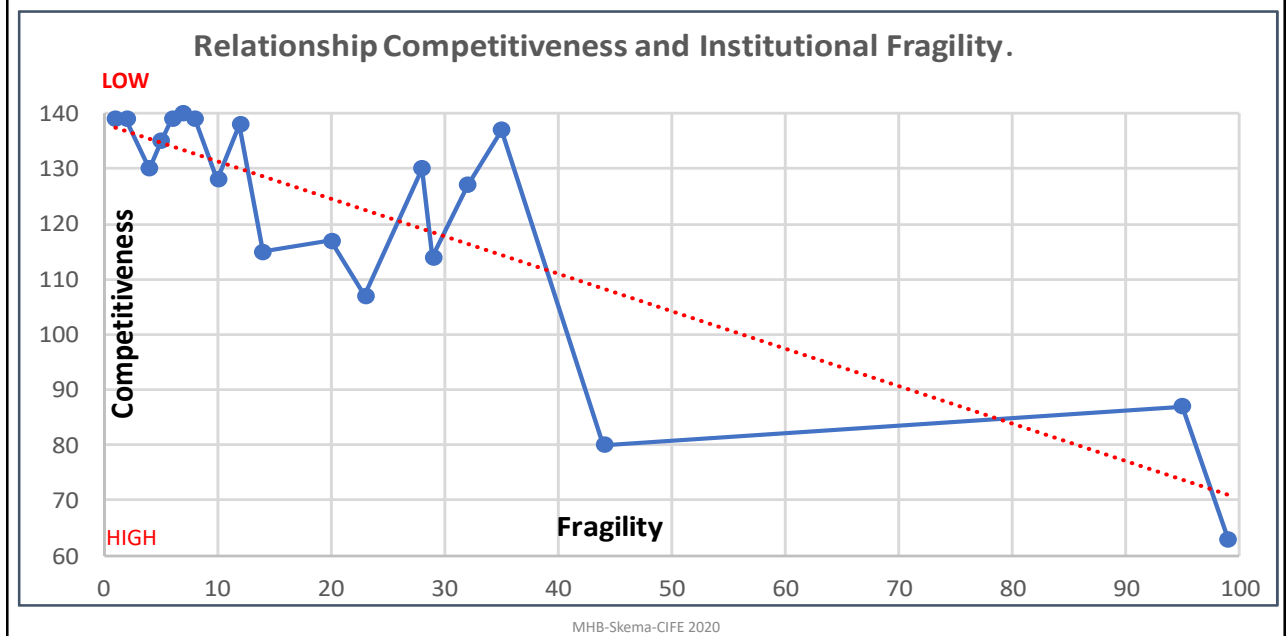
- Voice and Accountability
- Political Stability and Absence of Violence
  - Government Effectiveness
    - Regulatory Quality
    - Rule of Law
- Control of Corruption

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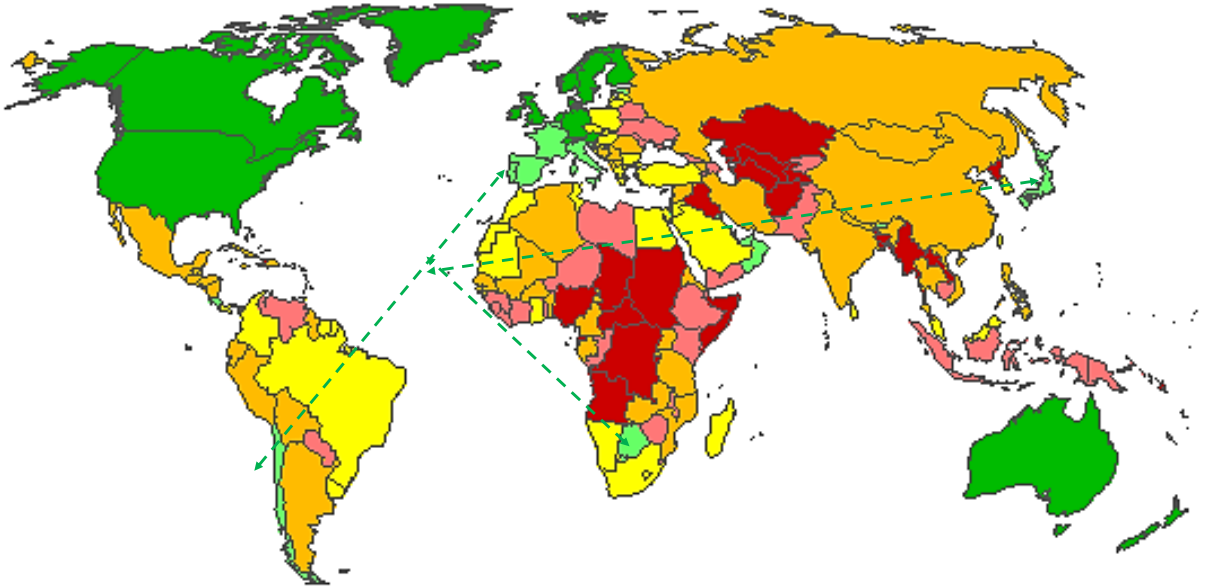
## INSTITUTIONAL FRAGILITY AND HUMAN DEVELOPMENT (UNDP)



## INSTITUTIONAL FRAGILITY AND COMPETITIVENESS (WEF)



## WORLD BANK'S WORLD MAP OF GOVERNANCE



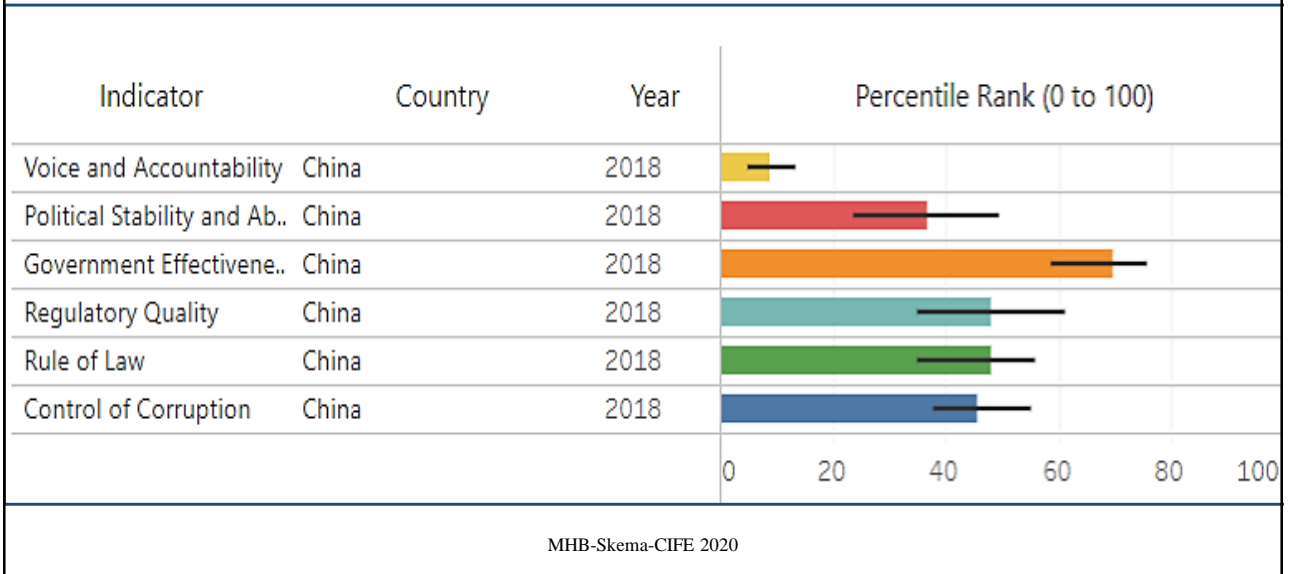
Source: Kaufman, World Bank

## WORLD BANK GOVERNANCE INDICATORS 2020

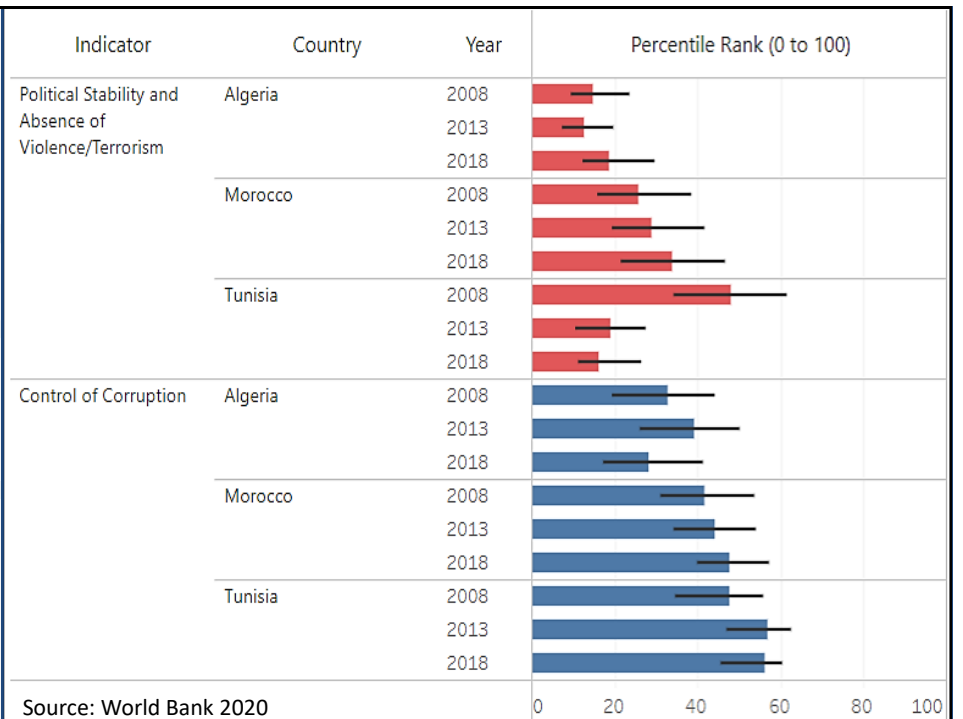
Indicator	Country	Year	Percentile Rank (0 to 100)
Political Stability and Absence of Violence/Terrorism	*Middle East & North Africa	2008	40
		2013	30
		2018	30
	*Sub-Saharan Africa	2008	35
		2013	35
		2018	30
Government Effectiveness	*Middle East & North Africa	2008	50
		2013	50
		2018	45
	*Sub-Saharan Africa	2008	30
		2013	30
		2018	25
Rule of Law	*Middle East & North Africa	2008	50
		2013	50
		2018	45
	*Sub-Saharan Africa	2008	30
		2013	30
		2018	30
Control of Corruption	*Middle East & North Africa	2008	50
		2013	50
		2018	45
	*Sub-Saharan Africa	2008	30
		2013	30
		2018	30

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## WORLD BANK ASSESSMENT OF GOVERNANCE IN CHINA



## POLITICAL ORDER ENFORCEMENT AND CONTROL OF CORRUPTION IN THE MAGHREB



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## IBRAHIM INDEX OF GOVERNANCE IN AFRICA

The Index groups governance and political freedom indicators into four main categories:

1. Safety and Rule of Law,
2. Participation and Human Rights,
3. Sustainable Economic Opportunity,
4. and Human Development.

Source: <http://www.moibrahimfoundation.org/en/section/the-ibrahim-index>

## IBRAHIM INDEX OF GOOD GOVERNANCE IN AFRICA

1 Mauritius	83,0	19 Mali	52,9	37 Nigeria	43,3
2 Seychelles	78,5	20 Mozambique	52,1	38 Liberia	43,2
3 Botswana	75,9	21 Burkina Faso	51,9	39 Togo	42,6
4 Cape Verde	75,5	22 Malawi	51,7	40 Niger	42,3
5 South Africa	71,5	23 Libya	51,5	41 Congo	42,0
6 Namibia	67,3	24 Uganda	50,8	42 Angola	39,3
7 Ghana	64,6	25 Swaziland	50,8	43 Guinea-Bissau	39,1
8 Tunisia	62,1	26 Kenya	50,5	44 Côte d'Ivoire	36,8
9 Egypt	60,5	27 Gabon	50,1	45 Guinea	35,6
10 Lesotho	60,1	28 Madagascar	48,7	46 Equatorial Guinea	34,7
11 São Tomé and Príncipe	58,2	29 Comoros	48,5	47 Sudan	32,9
12 Benin	56,6	30 Djibouti	48,5	48 Central African Republic	32,7
13 Morocco	56,6	31 Rwanda	47,2	49 Zimbabwe	32,7
14 Senegal	56,3	32 Sierra Leone	46,0	50 Eritrea	31,8
15 Algeria	55,2	33 Burundi	44,7	51 Congo, Democratic Rep.	31,1
16 Tanzania	55,0	34 Cameroon	44,2	52 Chad	28,8
17 Zambia	54,9	35 Ethiopia	43,5	53 Somalia	7,9
18 Gambia	53,0	36 Mauritania	43,4		

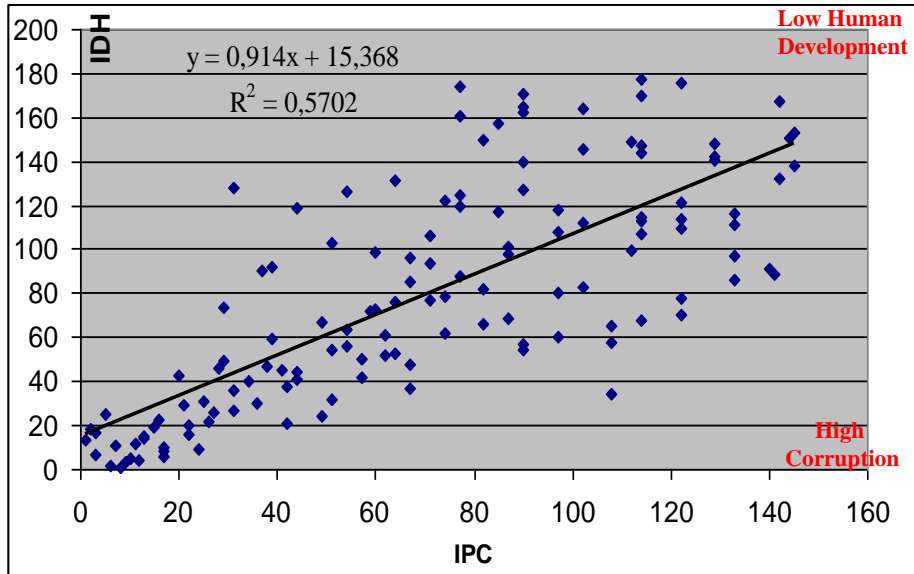
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WORLD BANK  
MAP=  
CONTROL OF  
CORRUPTION  
2020





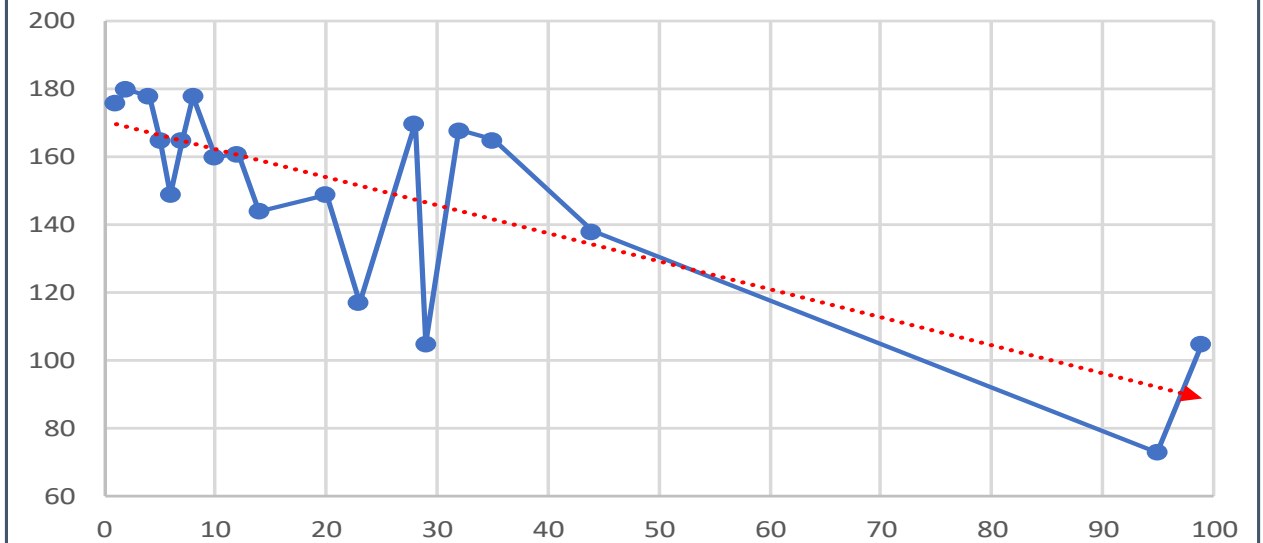
## CORRELATION HUMAN DEVELOPMENT /CORRUPTION



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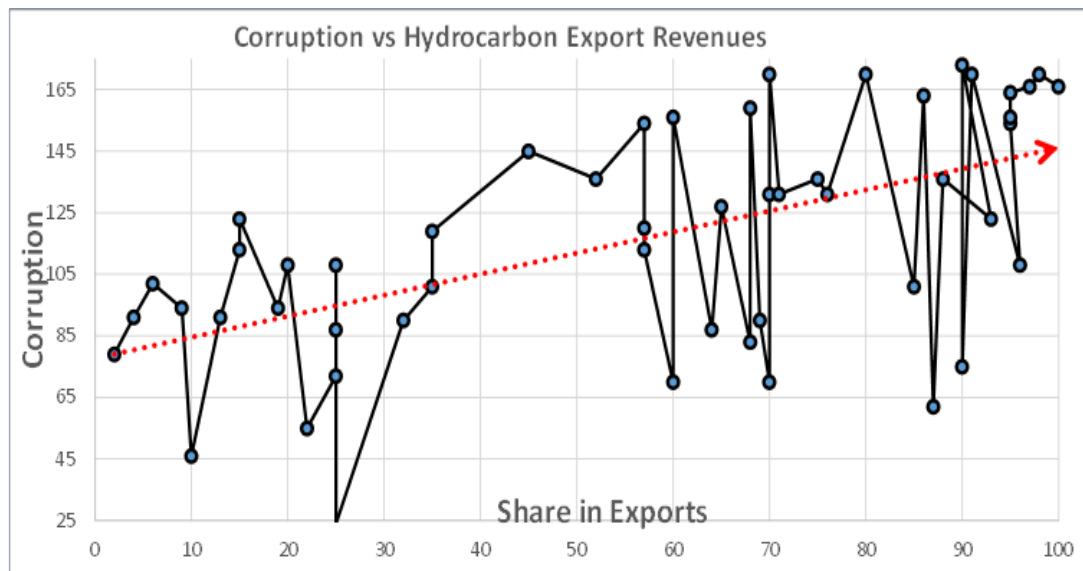
## INSTITUTIONAL FRAGILITY AND CORRUPTION

### Relationship Institutional Fragility and Corruption



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**OIL-BASED GROWTH LEADS TO POWER AND WEALTH CONCENTRATION, AND CORRUPTION  
(EXCEPTED IN NORWAY!!?)**



Source: Bouchet & alii Palgrave 2019

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**DEVELOPMENT = ECONOMIC GROWTH + KEY CONDITIONS  
THAT MAKE IT SUSTAINABLE!**

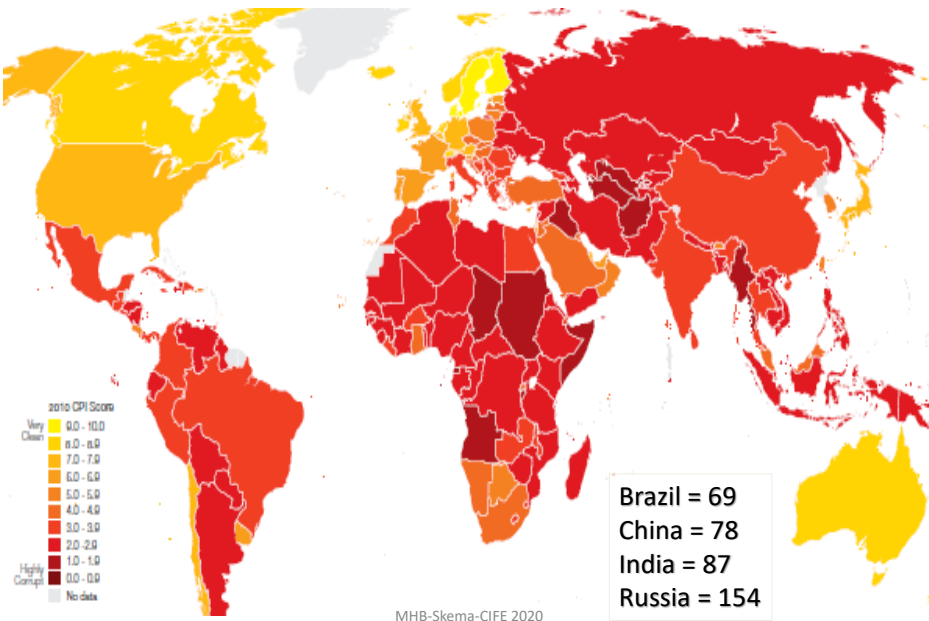
	CHILE	COSTA RICA	Turkmenistan	GABON
GDP/per capita	\$15,000	\$11,000	\$15,000	\$14,000
Life Expectancy	80	81	68	65
HDI Rank	42	68	108	115



	ARMENIA	SRI LANKA	NIGERIA	ANGOLA
GDP per capita	\$5000	\$5000	\$5000	\$5500
Life expectancy	75	77	54	60
HDI Rank	81	97	158	1489

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# TI WORLD MAP OF CORRUPTION



## MEASURING CORRUPTION? TRANSPARENCY INTERNATIONAL CPI

1	Denmark
2	New Zealand
3	Finland
4	Singapore
5	Sweden
6	Switzerland
7	Norway
8	Netherlands
9	Germany
10	Luxembourg
11	Iceland
12	Australia
13	Austria
14	Canada
15	United Kingdom
16	Hong Kong
17	Belgium
18	Estonia
19	Ireland
20	Japan



160	Zimbabwe
161	Cambodia
162	DR Congo
163	Haiti
164	Turkmenistan
165	Angola
166	Chad
167	Congo
168	Iraq
169	Venezuela
170	Burundi
171	Libya
172	Afghanistan
173	Equ. Guinea
174	Guinea Bissau
175	Sudan
176	N. Korea
177	Yemen
178	South Sudan
179	Syria
180	Somalia

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