

## **POLITICAL ECONOMY OF CRONY CAPITALISM: THE PROSPECT AND THE BANE**

**Aluko Opeyemi Idowu<sup>1</sup>**

<sup>1</sup>Political Science Department, University of Ilorin, Nigeria

---

### **ABSTRACT**

*All over the world capitalism had encroach the economy of nations turning the government against the people, employers against the worker all in the name of surplus values and profiteering motives. Although capitalism had made economies of nations to boom without much stress due to the fluid faces of its operations, it has more havocs than good. The review of most government policies has shifted to accommodate the growing bane of cronies of capitalism. This work tends to show the tactics employed by bourgeoisies in colliding with the government so as to drain to the marrow the bones of the working class. What are the implications of these profiteering motives on the economy and the future of capitalism in the world where even the workers being exploited are also eyeing the enviable bourgeois class of the capitalist? These are some of the questions raised and answered in this work. The theoretical framework utilized in this work is the Relative deprivation theory incorporated with Marxian theory. Conclusions is drawn on the fact that until the proletariat continues to utilize their strength of number they will continued to be under the subjugation of the capitalists in conjunction with the nebulous public policies government. Recommendations are premised to the government public policies making and implication so as to ensure even developments of the people. Also the masses are called to use their break away strength to allow freedom of development and reorganization of the economy by participating in the public policy making.*

**Key words:** Capitalism, Crony capitalism, Poverty, Masses, Public policy.

### **INTRODUCTION**

Indeed, almost ninety-five percent (95%) of the countries in the world are practicing capitalist economic system. Of the remaining five percent (5%) there is still an iota of capitalism in disguise (Obuoforibo, 2010; World Bank, 2013). The fluidly state of capitalist approach to economy growth and sustenance had made it to survive through different regimes in the world and overcome different socio-political and economic milieu across the globe. The highly marginalized proletariat are perpetually integrated into the slavery cadre by the facial kind gesture of given out of some sort of economic bail-out, subsidy, tax control and

regulations so as to shut their mouth amidst poverty and exploitations (Abiola and Olaopa, 2008).

The clientele's approach adopted by the bourgeoisie capitalist, which is the patron-client relationships, it exhibits a prominent point of reinforcing their prowess in the polity. The respective government of the recipient states is the final clients while the final patrons are the capitalist. The final patrons have the business plan and the wherewithal to deal appropriately with the whole polity starting from the peasants and the land owners then to the topmost government officials. This is to prevent any form of suspect of their prospective economic lucre which is in their hidden agendas.

At the initial stage of the cronyism, the capitalist tactically allows the government to be the dictator of the economic plans so as to set their own hidden agendas on board. The government as the initial patron hosts the capitalist agenda on the good faith of economic development while the initial client who is the capitalist firm simply plays a good boy's role in obedience to the government's policies (Bayart *et al.*, 1999; Goran and Rwekaza, 1999). This tactic comes to play in the kind of public policies formulated by government which wears the face of the clients. While capitalism is in support of free economy competitions amidst unequal partners, the public is charged to have a free access to decision making process in the capitalist firm so as to regulate some nebulous policies of these firms.

Marxian theories incorporated into the relative deprivation theory as used in this work suggest that proletariat will always be under the perpetual subjugation of the bourgeois capitalist until a drastic break out is embarked on. This view is suggested to all countries lower and middle class workers operating under any forms of capitalism so as to establish an egalitarian society where the distribution of goods and services are controlled by the public policy made by a large percentage of the proletariats.

## **THEORETICAL FRAMEWORK**

### **Relative Deprivation Theory and Marxian Theory**

The deprivation theory coupled with Marxian theory as applied in this work implies deprivation due to unequal distribution of political social and economical largess. The theory does not claim that in all social groups one will find consensus in values—rather it considers some of the consequences of situations where there is consensus. Where people do not agree on values, relative deprivation can also be noticed. The theory came out of a need to understand the motivations behind the social activist movements of the 1960's. It seeks to give answers to questions like; what is the impetus that motivates an individual to agitate for a change in his life?

It also posited that (collective) action stems from individuals' psychological reactions to the gap between expected circumstances and actual ones. The gap becomes apparent when people perceive themselves to be in a relatively unjust position vis-à-vis another person or group to which they might reasonably compare themselves (Tougas and Beaton, 2002). For instance, an individual might expect to have access to higher economic chance for a variety of reasons: he is of the right age, he is obviously very bright, and he has prepared himself by

studying and adequate politicking. Other obvious fact that degenerates to economic class violence and agitation is maybe one does not have the access that one might be expecting and then one might perceived himself to be relatively deprived and marginalized compared to people of his age and status.

**Alam (2013)** also noted that the key to understanding the feeling of deprivation is a matter of which of these characters are comparing themselves with. Why do they think they deserve better than what they have? Who is their point of comparison? What choices do they think they should have open to them? Relative deprivation theorists have suggested that perhaps it is not Ego Relative Deprivation (ERD) that motivates individuals, but rather perceptions of group, or collective relative deprivation (CRD). CRD occurs when the individual feels that his or her group has been deprived. Marxian theorists simply suggest that there should be a class revolution and the proletariat should dictate issues unlike the bourgeois' aggrandisements. This is a major reason why violence eruption in Africa and in most developing economies of the world. Various groups and interests in the state might bear neglect and deprivation for a while but after some times the marginal propensity and the elastic limit of the various groups to forbear becomes exceeded therefore agitations, protest and violence inevitably ensues.

**METHODOLOGY**

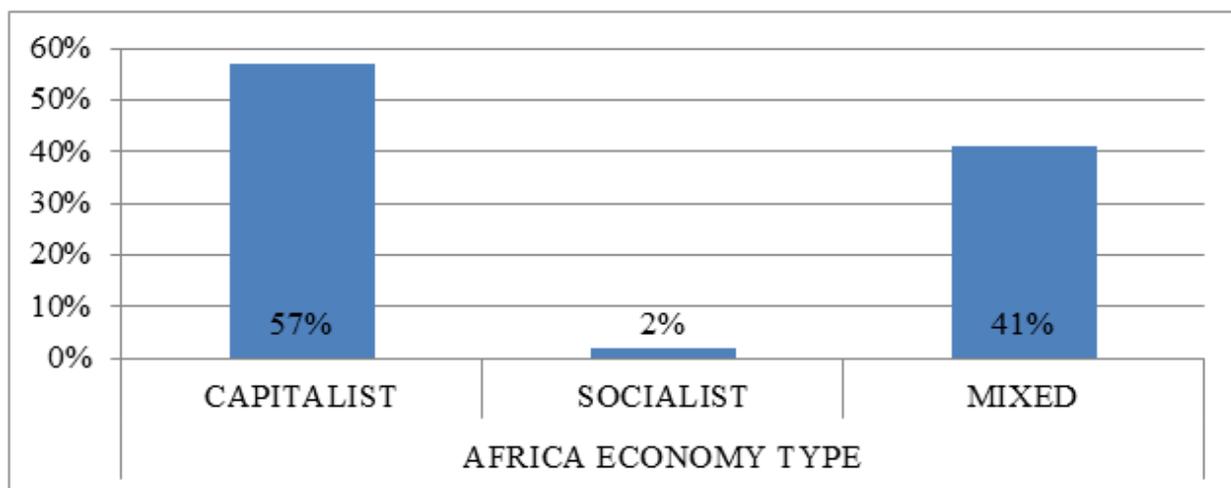
The methodology adopted in this work is the survey analysis of institutional data base. This is to analyses the extent of the present state of capitalism in the world economies. This is appropriate because the institutions involved are worldwide recognized and they are present in every quarters of the world. Their research institutes are of high repute and standardised with empirical facts and figures. The institutions whose empirical economic databases used include the **United Nations (2013)**; **World Bank (2013)** and the afrobarometer round five databases. The Africa economy, European economy, Asia Economy, America economy and the general world economy is critically analysed and interrogated. This is to give an empirical view to the research objective raised in this work which is to assert the fact of capitalism's prospects in the economies of states in the world and its future. Graphical illustrations and empirical analysis will be use to validate and justifies the implications of capitalism and its future in the world economic forums.

**ANALYSIS OF FINDINGS**

**Table-I.** Africa Economy Capitalist Prospects

<b>AFRICA ECONOMY</b>	
Capitalism	57%
Socialism	2%
Mixed	41%

**Afrobarometer (2013)**



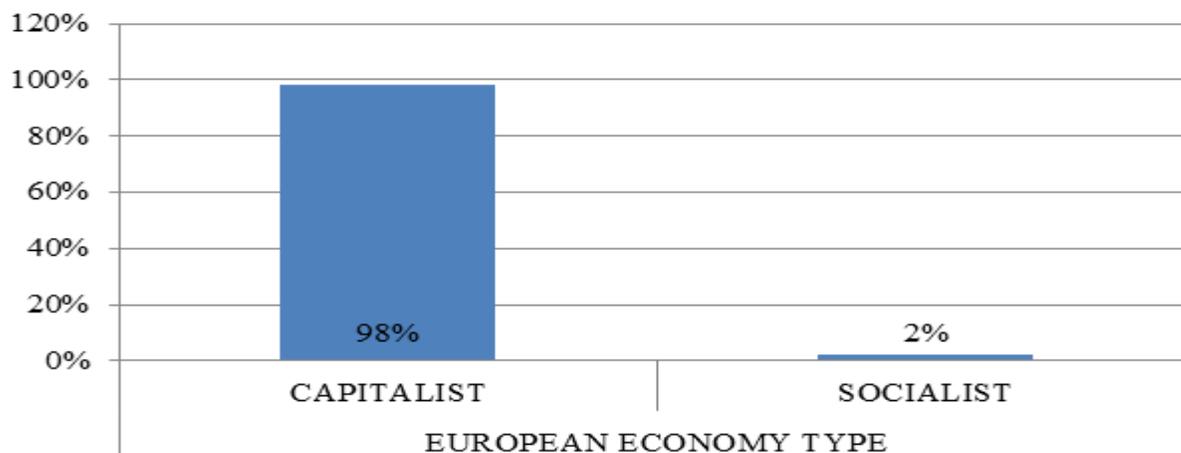
**Figure -I.**

In Africa a cumulative total of the countries are ninety-nine percent (98%) capitalist major and socialist minor economies (Afrobarometer, 2013). Most seems to embrace a mixed economy in disguise but capitalist regimes is taking the lead by the day. The totals of fifty seven percent (57%) of the countries in Africa are operating a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy while the average percentage of forty one percent (41%) of Africa economy falls within the mixed economy of both the capitalist brain and the socialist heart. This means that in Africa the prospect of capitalism is average but the trend is progressive in the control of economic production of goods and services.

**Table II. European Economy Capitalist Prospects**

EUROPEAN ECONOMY	
Capitalism	98%
Socialism	2%

**Source:** World Bank (2013)



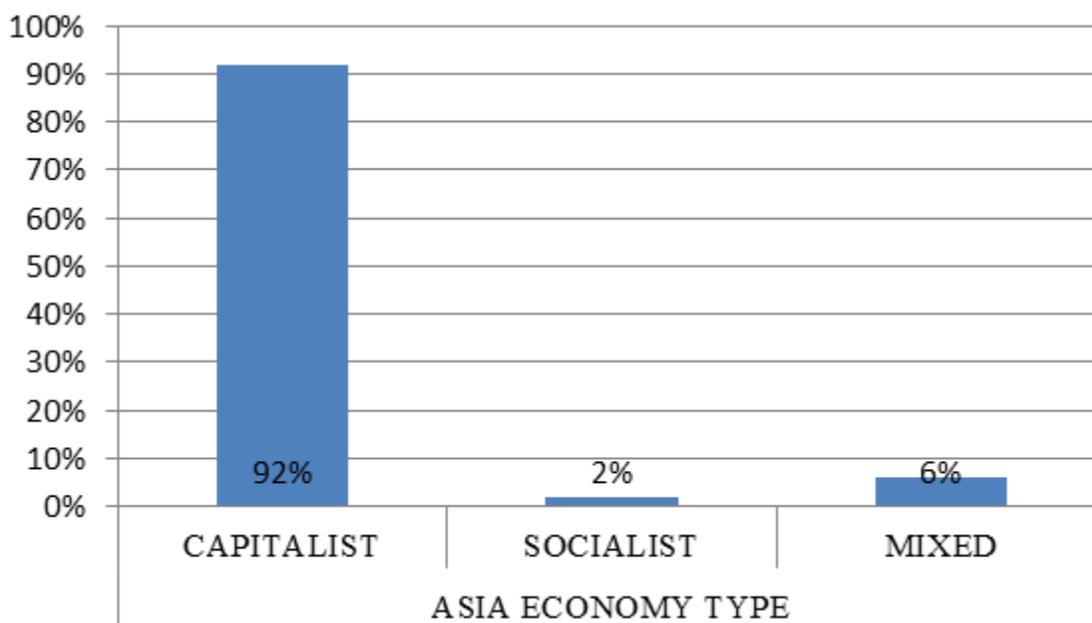
**Figure II.**

In Europe ninety-nine percent (98%) of the states therein are capitalist major and socialist minor economies (World Bank, 2013). The total of ninety-eight percent (98%) of the countries is operating a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy while the average European economy falls within the final client in the patron-client analysis. The mixed economies of both the capitalist brain and the socialist heart have been submerged into the capitalist structure. This means that the prospect of capitalism in Europe is very strong and the trend is becoming absolute in the control of economic production of goods and services.

**Table -III. Asian Economy Capitalist Prospects**

ASIAN ECONOMY	
Capitalism	92%
Socialism	2%
Mixed	6%

**Source:** World Bank (2013)



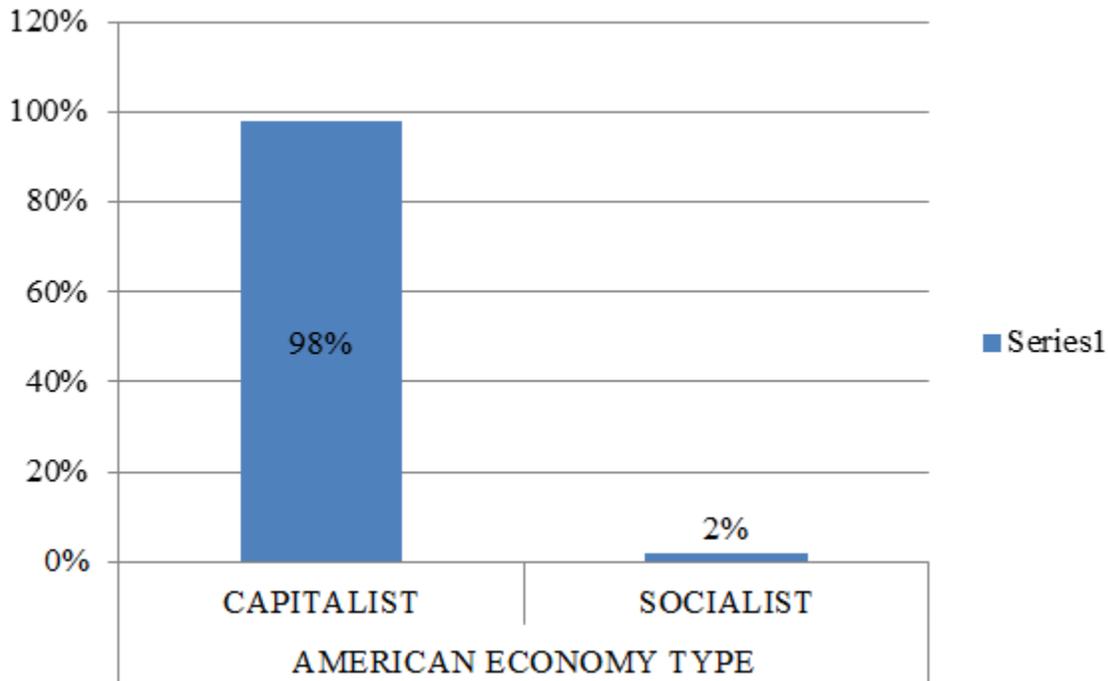
**Figure-III.**

In Asia, the socialist tendencies seem to be invoked although fading away speedily and capitalism is having edge than the formal (Aremu, 2011). There are about ninety-two percentage (92%) capitalist countries, six percent (6%) countries are mixed economic and two percentages (2%) are 'semi' socialist states (World Bank, 2013). In facts, most of the big economies there in are active capitalist economies and seriously exploiting the proletarians. The mixed economies of both the capitalist brain and the socialist heart is gradually been submerged into the capitalist structure. This means that the prospect of capitalism in Asia is very strong and the trend is becoming absolute in the control of economic production of goods and services.

**Table-IV. America Economy Capitalist Prospects**

AMERICA ECONOMY	
Capitalism	98%
Socialism	2%

**Source:** United Nations (2013)



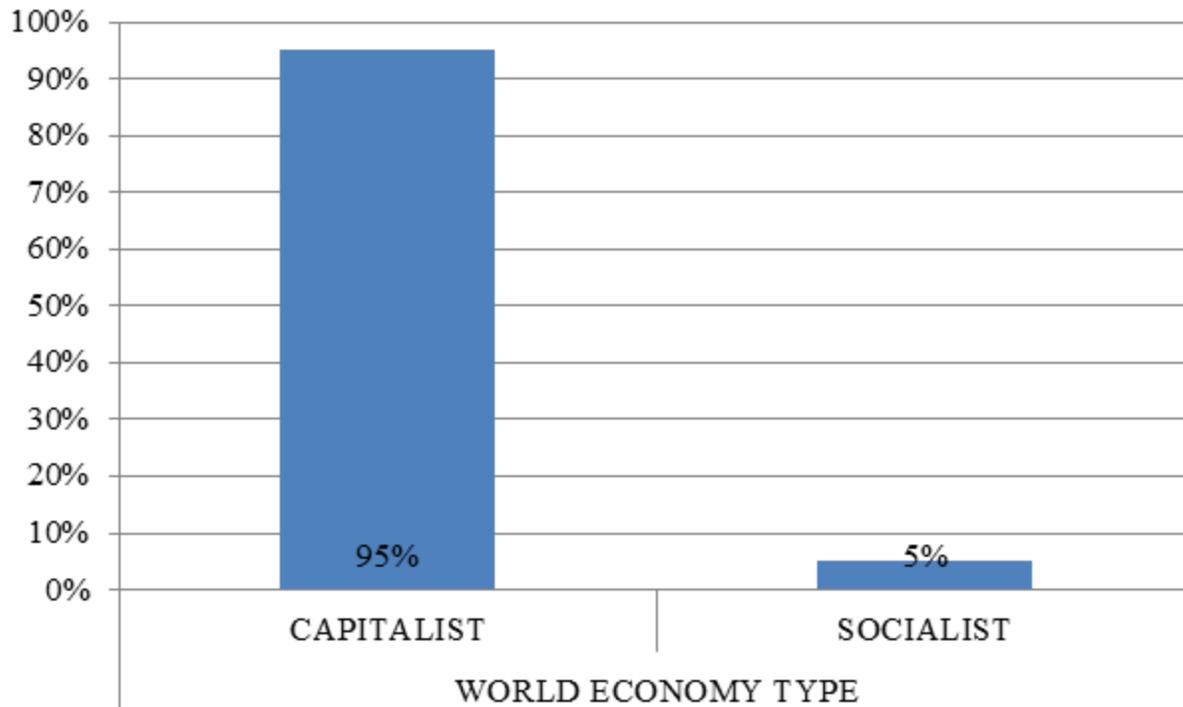
**Table-IV**

The Americans like the European economies have an almost clear sheet of full grown capitalist economy. United Nations (2013) reports that ninety-nine percent (98%) have full capitalist economy while two percents (2%) have elements of socialist regimes. In America ninety-eight percent (98%) of the states therein are capitalist major and socialist minor economies (United Nations, 2013). The total of ninety-eight percent (98%) of the countries is operating a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy while the average America economy falls within the final client in the patron-client analysis. The mixed economies of both the capitalist brain and the socialist heart have also been submerged into the capitalist structure. This means that the prospect of capitalism in America is very strong and the trend is becoming absolute in the control of economic production of goods and services.

**Table-V. World Economy Capitalist Prospects**

WORLD ECONOMY	
Capitalism	95%
Socialism	5%

**Source:** World Bank (2013)



**Figure V.**

The world economies which include all the countries in the worlds but dominated by the Americans and the European economies structures have an almost clear sheet of full grown capitalist economy. **United Nations (2013)** reports that ninety-eight percent (98%) have full capitalist economy while two percents (2%) have elements of socialist regimes. In the world economy, fairly absolute majority of the states therein are capitalist major and socialist minor economies (**World Bank, 2013**). The total of ninety-five percent (95%) of the countries is operating a full capitalist regime. A negligible percentage of five (5%) are operating a full socialist economy while the average world economy falls within the final client in the patron-client analysis; a few are in the initial patron client capitalist relationship. The mixed economies of both the capitalist brain and the socialist heart have also been submerged into the capitalist structure in the total world economic analysis. This means that the prospect of capitalism in the world economy is very strong and the trend is becoming absolute in the control of economic production of goods and services.

### **THE PROSPECT AND BANE OF CRONY CAPITALISM: CONCLUDING ANALYSIS**

The initial patron client relationship makes the government to be the patron who set the pace and pseudo working policies for the owners of the means of economic production of goods and services. The capitalist are the initial clients whose newly arrival into the new location makes them to be loyal to the working policies of the government. This is done until they understand who is who in the community and the country at large. On the short run, the initial patron turns to the final client while the initial client turns into the final patron. This means that the capitalists eventually buy off the polity by 'prebendal' politics and essential 'patriminialist' strategies. They become the groups that dictates what is produced, how it is

produced, when it is produced and to whom is produced for or sold to respectively in the polity. However, this trend is reduced or reverted by major revocation and indigenization policies of the governments.

From the graphical illustrations, the analysis is evident that most countries in the world are deep into capitalism. A few are in mixed economic and least numbers are into socialism. Crony capitalism is the other of the day in most of these economies in the world. Profiteering and surplus values are the focus in the patron-client relationship which usually produces nebulous and human faceless public policies. The reactions of the proletariats are usually suppressed with tax reduction, economic bailout, tariff reduction, subsidies regimes, price control and regulation.

The consequences of the capitalism crony regimes are paid in the economic and social cost. These cost include, patronism, clientelism, and prebendalism. The economic factors of production competitions are reduced, inflation rate increase, job opportunity reduced and generally economy declination sets. The rate of labour will be so cheap and negligible where too much of labour time is needed to make a living. The rate of economic exploitations becomes so important to the owners of the means of production and not the eventual economic development.

## **CONCLUSION AND RECOMMENDATIONS**

The world economies are seriously under the influence of capitalism, until the proletariat continues to utilize their strength of number they will continue to be under the subjugation of the capitalists. In Africa a total of fifty seven percent (57%) of the countries in Africa are operating a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy while the average percentage of forty one percent (41%) of Africa economy falls within the mixed economy. In Europe a total of ninety-eight percent (98%) of the countries is operating a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy. This scenario is not different from that of the Americans economy where there is a total of ninety-eight percent (98%) of the countries operates a full capitalist regime. A negligible percentage of two (2%) are operating a full socialist economy. The case is not too deviant from that of the Asian countries economy, it has a about ninety-two percentage (92%) capitalist countries, six percent (6%) countries are mixed economic and two percentages (2%) are 'semi' socialist states.

The trends of the bourgeois' in conjunction with the government nebulous prebendal public policies have made the capitalist regime to survive a difficult time in their various found lands. The rate to which they switch from being initial client to the final patrons have also help the eradication of capitalist surplus value to be pretty difficult in any polity. Capitalism can help the economic growth but at the large expense of the whole economy. To this extent the following recommendations are posited to the government, the capitalist machinery and the citizens at large

The government should put in place political, social and economic policies that will encourage investors to put in their resources to the economy not for over bluffed profiteering motives but for mutual benefits. Also disciplinary measures should be enforced on erring investors who negates the working policies of the collaboration so as to reduce the rate of erring investors.

The capitalist machinery should reduce their mind sets of getting all their investments over a short term range. But a middle term range or long term ranges should be set so as to

give the business community a breathing space to balance and integrate the new business empire. The capitalist regimes should also have human face by reinvesting of the whole or good percentage of their profits back to the host country's economy.

The citizens at large should form bond with the government by helping to sustain and implement the formulated political, social and economic policies so as to prevent sabotage of the country's economy by capitalists' prowess. Good neighbourliness approach should be adopted by the citizens so as to allow businesses to grow in their respective environments. Reporting to the government and possibly the union of workers' of any inhumane approach by the capitalists should be a regular means of checkmating the capitalists and some erring government officials.

## REFERENCES

- Abiola, G. and R. Olaopa, 2008. Economic development and democratic sustenance. In challenges of sustainable democracy in Nigeria. Ojo E. (ed). Ibadan: John Archers Publishers Limited.
- Afrobarometer, 2013. Economic database of Africa countries. Round Five.
- Alam, S., 2013. Relative deprivation theory, nationalism, ethnicity and identity conflicts geopolitics quarterly. 8(4).
- Aremu, F.A., 2011. Asymmetrical foreign policy behaviour of Japan and China. Jericho Ibadan: College Press and Publishers.
- Bayart, J., S. Ellis and B. Hibou, 1999. The criminalization of states in Africa Indiana University Press.
- Goran, H. and M. Rwekaza, 1999. Agencies in foreign aid; comparing China, Sweden and the United States in Tanzania. New York St: Martin's Press.
- Obuoforibo, G., 2010. Between nationalism and globalization: A critical analysis of Africa's Dilemma. In political science review. Department of Political Science University of Ilorin Nigeria, 5(1).
- Tougas, F. and A. Beaton, 2002. Personal and group relative deprivation: Connecting the 'I' to the 'We' in Walker I. And Smith H. (eds). Relative deprivation: Specification development and integration. United Kingdom: Cambridge University Press.
- United Nations, 2013. European economic report. Special Report
- World Bank, 2013. World economic database. Economic Report Series