Book Review

The State as Investment Market: Kyrgyzstan in Comparative Perspective. Johan Engvall. Pittsburgh, PA: University of Pittsburgh Press, 2016. 240 pp, ISBN 978-0-8229-8140-4

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The State as Investment Market provides a fascinating account of the inner workings of Kyrgyzstan’s political system and public bureaucracy. The book is the result of Johan Engvall’s 20-month fieldwork in Kyrgyzstan carried out between 1996 and 2014. The book gives readers a better sense of shadow deals and transactions behind the selection of Kyrgyzstan’s political appointees and career bureaucrats. The empirical evidence is based on the author’s personal rapport, direct observations, and numerous unofficial conversations with civil servants, politicians, and a wide range of nonstate respondents, including businessmen, civil society activists, journalists, academicians, experts, and foreign practitioners.

The author describes Kyrgyzstan’s political system as an “investment market state,” where civil service posts and public offices are sold and bought in the same way as stocks in financial markets. From this perspective, buyers consider bribes paid for these posts as an investment in the future since they are actually buying two things: the right to use public office for personal enrichment and the protection of their wealth from other actors, including the state itself. For high-ranking officials who sell public posts, such transactions also represent a source of future income in the form of “annuities” from illegal proceeds collected by lower-level bureaucrats. The author’s approach to Kyrgyzstan’s state system can be best described in terms of economic determinism, according to which “politics is business and business is politics” (p. 33). Within this approach, an investment market state is not just a “spoils” system based on loyalty to incumbents, it is rather a profitable economic enterprise run by political elites who privatize bureaucracy.

The book moves beyond “mainstream” studies of corruption in post-communist states that focus primarily on the demand side represented by private actors and firms who penetrate public administration in order to distort legal and regulatory institutions to their advantage through the use of clientelistic networks and bribes to public officials. Joel Hellman and his colleagues from the World Bank (Hellman et al., 2000, p. 2) use the term “state capture” to describe this process. In contrast to a captured state model, Engvall’s investment market state shows the other side of corruption, focusing on the supply side represented by political elites who organize illicit trade in public posts and services.

The process of “the marketization” of post-Soviet states in Eurasia provides a new conceptual framework for analyzing corruption in their political and administrative systems. At a large extent, this framework extends a neopatrimonial model of post-Soviet states that places informal clientelistic networks at the center of their highly corrupt governance. In Engvall’s state model, informal networks also matter. In the absence of formal enforcement mechanisms, illicit trade in public posts necessarily relies on personal ties and connections between buyers and sellers. Yet, the author sees them “primarily in terms of mediating access to the ‘investment market’ at the heart of which a monetary logic operates” (p. 40). In the author’s words, “money is the glue that binds the state” in Kyrgyzstan and many other post-Soviet countries (p. 26).

The book also provides new insights into linkages between political and administrative corruption. The author views them not as separate types of corruption, but rather as interdependent parts integrated into the pyramidal structure of informal capital flows within public administration. In a hierarchical system of investment market states, informal payments collected by street level bureaucrats, who are directly involved in everyday administrative corruption, are distributed in certain proportions to higher-level public officials. In such a system, loyalty is valued much more than experience and professional qualifications, and it is measured by the amount of “annuities” from illegal proceeds distributed by civil servants to their superiors.

The book focuses on the case of Kyrgyzstan; however, its analysis can be applied to many other post-Soviet states. Among them, the author lists Russia, Ukraine, Georgia, Azerbaijan, Moldova, and Uzbekistan. These countries share similar characteristics, including systematic and centralized corruption, abuse of the legislative, judicial, and enforcement systems for private gain, and the use of administrative violence to extort bribes and extract resources from the economy. Yet, these features are also typical of many illiberal states in other parts of the world. In this regard, the question that still remains is to what extent the investment market model of the state can be generalized to other countries outside of the Eurasian region.

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Reference

Hellman, J. S., Jones, G., & Kaufmann, D. (2000). Seize the state, seize the day: State capture, corruption and influence in transition. World Bank policy research working paper No. 2444. Retrieved from http://siteresources.worldbank.org/INTABCDEWASHINGT0N2000/Resources/hellman.pdf. (Accessed 15 January 2017).