Membership in a political club is vital to people, as the status of citizen or permanent resident brings many advantages. When countries lack a political club, supplying public or semi-public goods and services, it is in a state of anarchy: where the life of man is solitary, poor, nasty, brutish and short. Political clubs always involves a principal-agent problematic: population against leaders. Two central aspects of this interaction between political elites and ordinary people are the remuneration R of the leaders for their service to the club as well as the value V of the output of the leaders to society. Politics is about the entry to and exit from leadership positions as well as the relation between R and V.

Keywords: political clubs, open entry, closed entry, peaceful or violent exit, asymmetric information, remuneration, performance, value of government output: direct and indirect, spoils.

CLUBS AND THE PRINCIPAL-AGENT PROBLEMATIC

According to Rasmusen (2006), the principal-agent model includes a principal searching to maximise the value $V$ of some output(s) by means of contracting with a set of agents, remunerating them, $R$ for their efforts in producing the output. The payments of the agents derive from the value of the output of the agents, meaning that the principal-agent contract must involve considerations covering the ex ante to the ex post stages.

Political clubs are powerful in proportion to the resources they can muster and control. When they are capable of taking action, the entry to leadership of the club becomes attractive. Clubs are stable when the actions and decisions of its leadership are accepted and obeyed by the members. When the likelihood of obeying is considerably reduced, the club risks disintegretion or disappearance (Cornes and Sandler, 1996).

Leadership in political clubs are sought after, because of two things basically:

a) $R$ = remuneration from work done for the club;
b) $V$ = influence directly over the value of the output that the club produces as well as indirectly over the entire economy (GDP).

Although this distinction has often been confused, a major institutional development of political clubs is the separation of $R$ from $V$, making appropriation of public assets impossible, or at least more difficult. Both $R$ and $V$ are highly important to political elites, as $R$ may give them a decent standard of living, whereas control over parts of $V$ presents them with opportunities for rewarding the people who work for them or support them, i.e. the followers of the leaders.

The principal-agent framework has enjoyed far reaching success in modelling interaction between persons where one works for the other. This interaction is to be found in many settings, such as agriculture, health care, insurance and client-lawyer (Ross, 1973; Rees, 1985: Laffont and Martimort, 2002). As a matter of fact, the principal-agent problematic is inherent in any employment relationship where one person works for another, who pays this person by means of the value of the output. Whenever people contract with others about getting something done, there arise the typical principal-agent questions:

1) What is the quid pro quo between the principal and the agent?
2) How can the principal check the agent with regard to their agreement – the monitoring problem?
3) Who benefits the most from the interaction between principal and agent – who takes the surplus?

These questions concerning principal-agent interacting arise whenever there is a long-term contract between two groups of people, involving the delivery of an output against remuneration as well as a time span between the making of the contract and the ending of the relationship with the delivery of the output. One finds this type of interaction in the client-lawyer relationship in the legal context, in the owner-tenant interaction in sharecropping as well as in the asset holder-broker relation in financial markets (Ackere, 1993; Althaus, 1997; Arrow, 1985; Sappington, 1991; Grossman and Hart, 1983).

In politics, transaction costs are minimised by handing over the responsibility for the tasks of the political club to a set of people, called the leaders, or “agents”. The agents provide the members of the political club – the principal – with the chief goods and services of this type of community, when they are successful that is. The agents and the principal are the two key components of political interaction that run through all political systems, whatever their nature may be. The problem of institutionalising the polity originates in this opposition between agents and the principal while taking transaction costs into account (Barro, 1973; Ferejohn, 1986; Weingast, 1989; Rao, 2002; Besley 2006; Helland and Sörensen, 2009; Ferejohn and Shipa, 1990). When governance is modelled as a principal-agent game, then it is not merely a matter of the interaction between two or more persons. The agent(s) is hired to accomplish an output or outcome, to be paid for his/her effort to do so. Here we have the two key foci in a principal-agent evaluation of governance: (1) the achievements or $V$ – good or bad performance in
producing outputs; (2) the remuneration \( R \) of the agents or leaders – high or low.

The output of goods and services is the value that governments bring to the affluence of the country, its GDP. It may consist of allocative programs or redistributive ones. It can be positive, as when government succeeds in harbouring a period of economic growth and a mixture of public services. But it can also be negative, for instance when leaders use part of the country resources to remunerate themselves. Political leaders want access to both \( R \) and \( V \). Thus, entry to the leadership of the political club is a necessity.

**ENTRY**

Entry can be open or closed. Openness of political entry as against closed leadership access is a most determining aspect of a political club in the sense that it is linked with many characteristics of a political club. What counts is de facto open entry, but de jure openness is not merely legal formalism. Constitutional regulation of entry is often a first step towards real openness, but it may also be a façade.

**Closed Entry**

Many kinds of restrictions upon open entry into the leadership of a political club are conceivable. In traditional societies, the ascriptive criteria of ethnicity and religion constitute barriers, while in modern societies political party adherence tends to be the major stumbling block, as in authoritarian and totalitarian clubs. In democratic clubs, there is firstly formal openness of entry and secondly real openness, to some extent. Finally, we have the clubs of warriors who try to take over leadership if a club. They are characterised by tight relations between leaders, i.e. maximum closeness in often charismatic bounds to one of the leaders.

Thus, openness of political entry is a most important feature of a political club. By means of open entry, old leaders may be challenged by new ones, having a different idea about the objectives of the political club. It is also the means with which a new elite may secure its financial basis, providing them with \( R \). One may distinguish between different types of political clubs on the basis of the openness of political entry:

- Closed political clubs: clans, tribes, kingdoms, sultanates, juntas, one-party states, hierocracies;
- Open political clubs: constitutional monarchies, republics, democracies.

Biological heritage or lineage constitutes a powerful mechanism for recruitment in closed political clubs. Closing the political club to the family or the wider clan is a tool to control \( R \) and \( V \). Interestingly, one form of entry in Islam was adherence to the family of the prophet, i.e. the clan Quraysh, but it was overridden by oriental despotism, meaning a family dynasty for the ruler who happens to be in power.

The closure of political entry always involves violence, or the threat thereof. Political violence is the use of violence against persons for political reasons, i.e. relating to the goals and means of the political club. In a closed political club, political violence may be employed to back up the sitting leaders. Or it may be resorted to by a revolutionary new elite, attempting to crush the established one.

In order to uphold dominance in a closed political club, leaders are willing to engage in all forms of political violence, from stabbing contenders, even children in their entourage – “palace politics” – to large scale military manoeuvres, like for instance genocide towards minorities perceived as threats.

Political clubs operating with closed entry are fundamentally unstable. The only exception to this generalisation is the set of Gulf monarchies, where tradition, religion, wealth and naked power combine to buttress the ruling elite, although infighting has not been absent, including assassinations.

Closed political clubs in the form of military juntas or one-party regimes display few restrictions upon the use of political violence to control entry, from faked legal proceedings to underground hidden operation, outside the law. In addition to external opposition, closed political clubs face the possibility of secret internal factions, plotting against the ruling elite. Or such perceived, imagined or constructed threats may be employed for ruthless repression inside the ranks of club leadership.

Closed entry provokes resistance from excluded groups, which sometimes may be handled through co-optation on a limit scale. When political violence occurs, it may remove one elite only to be replaced by another. Or rebellion may replace closed entry with openness of entry.

Revolutions, especially the great ones, constitute reactions to closed entry. They may result in more of openness of entry, like the American or French revolutions for a time, or they may end in closed entry again, like the Russian and Chinese revolutions. The closed club of Lenin is especially calamitous, as it preserved the tsarist characteristics of the country, to some extent even up to today. The second American revolution of Lincoln consolidated the open club, inviting a rapid economic development in contrast to the decline of Russia during totalitarianism.
Open Entry

The central question about political clubs with open entry concerns how much openness there is. It has often been the case that open entry was restricted to some groups of club members but denied other groups, who sometimes were not even regarded as “members” although living within the borders of the club. Various exclusion criteria have been employed:

- Race
- Income and wealth
- Age
- Religion
- Social strata

Open entry entices fierce competition, focusing upon the electoral mechanism. Elections in closed political clubs have entirely different functions than channeling competition into peaceful channels. It no doubt requires a structure of institutions.

Yet, open entry is never completely free in the sense that anybody could enter politics just as he or she wishes. The typical manner in which free entry is played out is the competition among the groups of leaders we call “political party”.

The political party tends to be the key actor in open entry. Its rationale is to gather individual forces into a collective effort to win the elections, opening the road to the leadership positions. Leadership in a political club offers not only remuneration R but also some control over the value V in society.

Political parties are nothing but coalitions among individuals who wish to compete in open entry. Together they stand a better chance of gaining than going along alone. To act as a collective unit, they need some coherence of commitments – the ideology. The party program or platform makes it possible for the coalition of party members to campaign with a reasonably clear message that has some coherence in the views of supporters. On the other hand, the necessity of a political party for competing successfully constitutes a real hindrance for loners who would wish to enter but lacks a party affiliation.

Not even a charismatic person can in open entry alone. Some form of political party is necessary. To distinguish one group of political from another, these coalitions we can “parties” employ a variety of tools: ideology, slogans, labels, logos, etc. The coherence of a party is never 100 per cent, as infighting and factions often occur. Politicians interpret the vocabulary of the party differently.

The prevalence of political parties in open entry implies that party organisations with huge staff and resources enter the basic equation of R and V. One could argue that the remuneration of the party staff should be the burden of the political elite or its followers, but one often encounters public mechanisms for the reimbursement of the costs of political parties, i.e. their R is taken from V. The political party may be inclined to use whatever command it has over V to benefit especially themselves – see the literature on the political business cycle.

Partitocrazia involves a fierce struggle among various elite groups for remuneration and access to leadership position. It may degenerate into infighting to such an extent that the party in question cannot operate adequately. And it may make a political club ungovernable with huge costs for society.

In open entry political clubs, political parties or coalitions among leadership groups compete on the basis of promises and blame. The first strategy is basically what the parties claim it can do for the size of V:

- Higher economic growth;
- Investments in infrastructure;
- Improvements in public services;
- Better control of violence and crime, including terrorism now;
- More of income and wealth redistribution.

Are these promises credible? Could not the leadership of a club result in losses in V? Here is where the logic of political competition comes in. The second strategy is the blame, with a strong call for change. In open entry clubs, political competition should in principle be conducive to the maximisation of V, given a modest R. However, the parties in competition may promise too much and blame unreasonable.

The principle of spoils (spolia) is essential to party government in open entry clubs. By winning an election, the party (ies) may employ state resources (jobs, contracts, assignments, etc.) to remunerate the party leaders for their effort to secure victory. In some countries, the costs of the political parties have been more or less entirely transferred to the state coffers by means of public support for them. Spoils, however, require electoral success.

EXIT

The exit problematic in political club is of great importance, as it reveals essential aspects of the club.

Exit can be chaotic or violent on the one hand, as in closed political clubs. Or exist can follow ordinary patterns, like retirement at old age, electoral loss, transition to other roles in the political club, etc. Also the open access political clubs can experience violent forms of exist, as when leaders are assassinated. However, the unpredictable forms of exit are typical of
the closed political clubs.

The exit question is how to induce leaders to step down or end their power position. In closed political clubs, all forms of sorties are possible:

- Natural death: Some leaders are so firm in control of events in closed political clubs that only death from age or illness can eliminate them: Stalin, North Korean leaders, Mao, etc;
- Unnatural death: leaders are from time to time murdered, either by a secret plot from their inner circles or through a popular uprising: Ceausescu or Mussolini for instance as examples of the latter;
- Suicide: The most spectacular case is of course that of Adolf Hitler;
- Escape: A convenient form of exit is the chosen exile, like Ben Ali managed when Tunisia turned against his dictatorship;
- Expatriation: When a long-lasting figure is thrown out of his/her position, sending him or her far away constitutes a form of exit: the Shah of Persia would be an example;
- Confinement: the forceful removal of a leader can place him/her in an involuntary confinement within the country. It could be an imposed retirement (Chrustschow) or house arrest, as with Aung San Suu Kyi in Myanmar;
- Imprisonment: in order to exile leaders, they may simply be put in prison (Mubarak) or sent to labour camps, as in Soviet Union and Nazi-Germany.
- Foreign invasion: one cannot neglect the relations to other countries when leaders engage in major atrocities; the falls of Pol Pot or Mobutu are examples.

The unpredictability of exit appears starkly when leaders attempt to stay on longer than agreed upon from the start of their rule. In the grey zone between a closed club or an open club, leaders often gall for the temptation to prolong their period in power, stopping the expected exit from the scene. Many leaders in Africa have secured long time power holdings simply by changing the constitution to allow for unlimited re-election, or having no elections at all (Meredith, 1997).

Open entry can be undone by several means of the coup d’état, which leads to a shorter or longer closed political club when successful. It may of course fail, sometimes resulting in anarchy.

**ASYMMETRIC INFORMATION**

The two essential parameters in a political club is the remuneration R of the leaders or the political elite as well as the value of the output that the leadership produces, V. The information about R and V is known to the “agents”, but not to the principal – asymmetric information. The members of a political club seldom know the full range of remuneration R to the political leaders: salaries, pensions, perks, etc. And they get to know the entire situation of the public sector and the whole economy much later than the political elite. In closed political clubs, they may never know much about R and V. In open political clubs, competition among leaders may reduce the amount of asymmetric information about R and especially V.

Closed political clubs are characterized by massive amounts of asymmetric information. The members of the club know little about the key parameters, R and V. They are left with assurances, i.e. cheap talk and promise never to be kept. Let me give two drastic examples:

- Nazi-Germany: Hitler made himself the “Fuehrer” of the German people, with the promises of a thousand years Reich, but assembled a great personal fortune by various tricks, only to leave the country with almost no value left at his suicide;
- Sierra Leon became independent from the British with flourishing public and private sectors. The political runs down all value in their chase for “blood diamonds”, in order to augment their personal remuneration.

This conflict between R and V often occurs in closed political clubs. In Africa after independence, one leader after the other fell for the temptation to increase remuneration R at the cost of the value of output, through embezzlement, patronage and conspicuous consumption in the entourage of the political elite. As R went up, V stagnated or declined.

The tension between R and V are certainly not absent in open political clubs. The full range of R for political leaders is hardly known even in competitive political clubs, where sometimes leadership creates disastrous outcomes with value losses. One example is the Operation Cobra II (Iraqi Freedom), masterminded with little transparency by president Bush, vice-president Cheney and defence secretary Rumsfeld, resulting in enormous costs for the US, both personnel and resources, while this leader trio somehow ended up as millionaires or billionaires, partly due to relationships with the defence industry.

Yet, open clubs do try to reduce the amount of asymmetric information between leaders and members, partly through competing elites (counter-veiling agents) and partly through the institutions of constitutionalism (Furubotn and Richter, 1991, 2005; McIlwain, 1958; Neumann, 1986; Vile, 1967; Weingast, 1989).
CONCLUSION

The state forms a political club, comprising as members the people of the country in question and the political elite as its leaders. Due to transactions, leadership is a necessity for delivering a public sector as well as promoting a thriving private sector (Rao, 2002). In this human organisation, two parameters are central: the remuneration of the political elite R, and the value V of the output, directly and indirectly that the leadership accomplishes. The parameter R targets the motivation of leaders, whereas the parameter V examines their performance.

Approaching the state or government as a political club with leadership and membership entails an analysis of entry and exit in both open and closed political systems. The members would prefer low remuneration and high performance, but it does not always occur. On the contrary, in closed or semi-open political clubs, we find excessive remuneration and negative performance. In marginal cases of political exploitation, R may go as high as V. How turbulent entry into and exit from political clubs can be appears from the lives of Boukassa (Central African Republic) or Sankara (Burkina Faso) or Nkrumah and Ali and Benazir Butto (Pakistan). Predictable and peaceful avenues of exit from the political club stabilises also the entry into it (Pennock and Chapman, 1979).

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